

11 December 2008

RE: Xenon Alpha Plus 2 performance

Dear Investor

As you may be aware, global capital markets experienced very challenging conditions in recent months amid increasing illiquidity, the global sell-off of riskier assets and a deleveraging of most asset classes. As widely publicised, global stock markets and credit markets, have performed very poorly. Commodity and currency markets continue to experience significant intra-month volatility.

In the context of these international market conditions:

- the net asset value for the Xenon Alpha Plus2 redeemable preference shares (**Xenon2 RPS**) has declined to \$0.4519 per Xenon2 RPS as at 31 October 2008;
- deleveraging as a result of the September net asset value of \$0.8714 per Xenon2 RPS has taken effect (reducing exposure to the Ivy Fund and the Meridian Fund in accordance with the Investment Allocation Mechanism). Further deleveraging will result from October's net asset value; and
- there is an increased likelihood of a Knockout Event occurring (although the performance of the product cannot be predicted with certainty). The occurrence of a Knockout Event can impact exposure to either or both of the Ivy Fund and the Meridian Fund and results in exposure to the affected fund (and the outstanding balance of any Additional Leverage) being reduced to zero. Any remaining value is then allocated to the relevant Cash Facility. If a Knockout Event occurs, although no longer exposed to the affected fund, Permanent Leverage will remain in place until the Maturity Date and the Funding Charge on the Permanent Leverage will continue to be deducted until the Maturity Date.

Therefore, unless there is a significant recovery in the performance of the Ivy Fund and the Meridian Fund, it is likely that the final payment made in relation to your investment in Xenon2 RPS on the Maturity Date of 5 May 2009 will be less than the initial \$1.00 invested per Xenon2 RPS.

Please note that the fee in relation to any early exits of an investment in Xenon2 RPS will be waived between the date of this letter and the Xenon2 RPS Maturity Date.

We encourage you to contact your broker, financial planner or licensed securities adviser to discuss any action regarding your investment in Xenon2 RPS.

Yours sincerely



Ian Martin
Director

Capitalised terms noted above have the meaning given to them in the Xenon2 RPS Prospectus dated 9 March 2005.