

Xenon Alpha Plus2 are redeemable preference shares carrying a return linked to the performance of the Alpha Plus Portfolio. The shares are issued by Deutsche Xenon Alpha Plus2 Limited. The Alpha Plus Portfolio is designed to generate returns linked to the performance of two funds of hedge funds: the Ivy Rosewood Diversified Fund and the Meridian Diversified Fund.

### Performance review

Performance (to 31 December 2005)	Xenon Alpha Plus2	UBS Composite Bond Index	S&P/ ASX 200 Accumulation Index	S&P 500 Accumulation in USD
One month	3.16%	0.92%	3.08%	0.03%
Three months	1.67%	1.86%	3.56%	2.09%
Six months	8.54%	2.53%	13.90%	5.77%
Since inception on 27 May 2005	10.82%	3.40%	19.07%	5.27%

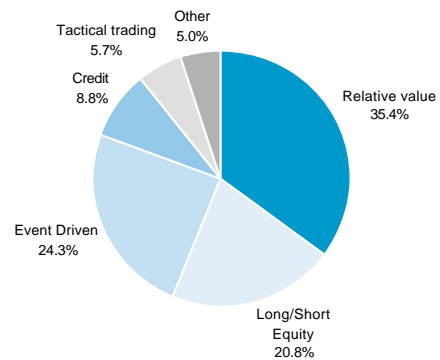
Source: Deutsche Bank

Monthly performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2005						2.10%	3.88%	1.37%	1.39%	-3.67%	2.31%	3.16%	10.82%

Source: Deutsche Bank

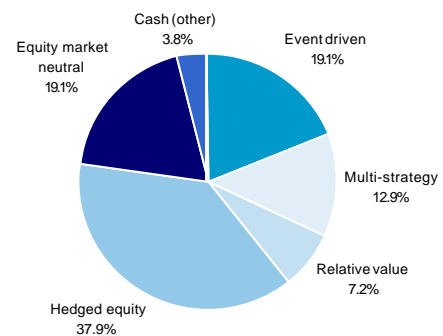
Ivy allocation by strategy as at 31 December 2005	
	% of fund
Relative value	35.4%
Long/short equity	20.8%
Event driven	24.3%
Credit	8.8%
Tactical trading	5.7%
Other	5.0%
Total	100.0%

Source: Ivy Asset Management



Meridian allocation by strategy as at 31 December 2005	
	% of fund
Event driven	19.1%
Multi strategy	12.9%
Relative value	7.2%
Equity market neutral	19.1%
Hedged equity	37.9%
Other (cash)	3.8%
Total	100.0%

Source: Meridian



### Portfolio performance

For the fourth quarter of 2005, the Xenon Alpha Plus2 Portfolio increased by 1.67%. Combined with its performance since inception in May 2005, Xenon Alpha Plus2 has recorded total growth of 10.82%. This is equivalent to a compound annual growth rate of 19.26% per annum since inception.

Since inception of Xenon Alpha Plus2, the Meridian account has contributed 5.04 percentage points to total performance and the Ivy account has contributed 5.78 percentage points to total performance.

### Macro review

The fourth quarter of 2005 generally recorded strong results for hedge fund strategies despite a lacklustre performance in October. In the US the Federal Reserve maintained its tightening bias. In Europe, the European Central Bank tightened rates and continued to maintain a more hawkish tone. In Asia the Japanese economy continued to show strong signs of recovery.

Over the quarter the UBS Composite Bond Index moved 1.86% higher, the S&P 500 Accumulation Index was 2.09% higher in US dollar terms and the S&P/ASX 200 Accumulation Index was up 3.56% in Australian dollar terms.

Meridian's allocation to managers remained unchanged over the quarter although a position in one fund was exited and the proceeds consolidated with the same manager in a separate fund for which Meridian already had exposure. Ivy has added six managers and removed five.

Those added were:

- a tactical trading fund;
- global macro trading funds;
- a relative value multi manager; and
- a long short equity manager which has exposure to Japanese equities.

Managers were removed from the Ivy portfolio either because returns no longer met the portfolio targets or where Ivy sought to reduce exposure to certain strategies.

Those removed included:

- a levered fixed income strategy;
- managers that were underperforming their target returns; and
- a manager whose underlying business terms had changed.

### Strategy review

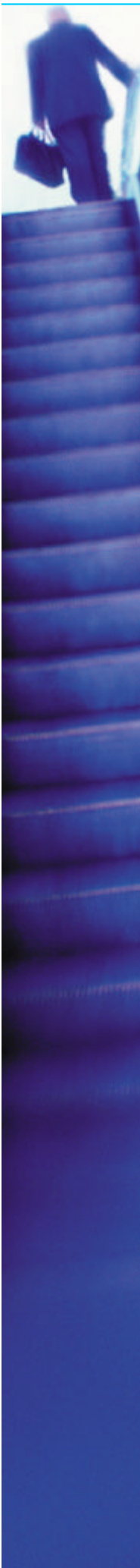
**Long/short.** Managers based outside the US who are skilled stock pickers with an understanding of their local markets have proven adept at managing their portfolios and market risks and contributed to the performance of the portfolios. Price divergence in global equity markets allowed equity market neutral strategies to fare better.

**Event driven.** In this sector managers were generally able to deliver consistently positive returns. Often returns were driven by more seasoned positions. Merger activity continued at a strong pace. In December, 30 deals were announced, each worth more than US\$1 billion. Global merger activity totalled US\$2.45 trillion

**Distressed.** Another profitable quarter. Some managers profited from airline industry positions as aircraft pricing firmed and fuel costs declined. Positions in Enron were rewarded as creditors continued to receive cash positions.

**Relative value.** Convertible managers finished with mixed results. Selling and year end redemption fears plagued this strategy.





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