

xenon
Deutsche

alpha plus

A Passion to Perform.

Deutsche Bank



xenon alpha plus – the next step

Deutsche Xenon offers a step into the next generation of alternative investments by leveraging the returns of two funds of hedge funds, with the objective of achieving enhanced returns with low correlation to traditional asset classes.

Key features

Investors in Xenon Alpha Plus may be attracted by the following key features:

- Access to returns that are linked to the performance of two funds managed by leading international fund of hedge funds managers, each generally with positive track records over the medium to long term;
- Potential for enhanced returns via a leveraged investment, increasing the effect of each dollar invested – this leverage magnifies any gains or losses in the value of the investment;
- Opportunity for diversification of a traditional investment portfolio to include a source of returns that is designed to have low correlation to returns of traditional asset classes; and
- Medium investment term of just under four years.

Xenon Alpha Plus is targeting a compound average growth rate of 15% to 18% per annum (after all fees and expenses). The target return has been included solely so that potential investors may gain an insight into the type of return sought and the commensurate risk of an investment in Xenon Alpha Plus.¹ See “Key risks” on page 3 and section 6 of the prospectus for Xenon Alpha Plus dated 8 October 2004 for an explanation of risks.

Important note to investors

This document is not a prospectus, product disclosure statement, or an offer of securities and contains a brief overview of the investment only. Offers of Xenon Alpha Plus will be made in, or accompanied by, a copy of the prospectus. Potential investors should obtain and read the prospectus and in particular the risk factors outlined in section 6 of the prospectus. The individual situation of investors may differ and investors should consult their broker, financial planner or licensed securities adviser before making an investment decision.

Anyone wishing to acquire Xenon Alpha Plus will need to complete an application form attached to, or accompanying, the prospectus (including an electronic version of the prospectus).

During the offer period, the prospectus (together with the application forms) is available in electronic form at www.deutschexenon.db.com/prospectus.html. A paper copy of the prospectus is available (free of charge) by telephoning your broker, financial planner or licensed securities adviser, or the information line on 1800 007 353 (free call).

¹ The target return is not a forecast, projection or prediction, or the result of a simulation of future performance. The target return is not, and should not be seen as, a statement about likely future performance, and there is no guarantee that Xenon Alpha Plus will achieve its target return, as performance is subject to a number of risks. See “Key risks” on page 3 and section 6 of the prospectus.

terms and dates at a glance

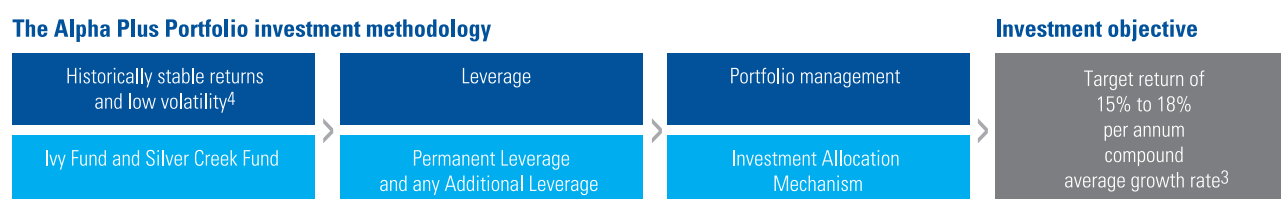
topic	summary
Name of security	Xenon Alpha Plus.
Issuer	Deutsche Xenon Limited (ACN 109 425 925).
Issue Price	Each redeemable preference share (Share) has an issue price of \$1.00.
Minimum investment	Applications must be for a minimum of \$5,000 (5,000 Shares) and thereafter in multiples of \$1,000 (1,000 Shares).
Open Date	9.00am (Sydney time), 18 October 2004. ²
Close Date	5.00pm (Sydney time), 19 November 2004. ²
Term and Maturity Date	Xenon Alpha Plus is designed to have a term of just under four years. The maturity date is 5 November 2008 and is subject to early realisation or deferral in certain circumstances as outlined in the prospectus.
Objective	To achieve the target return regardless of movements in traditional markets (such as fixed income or equities markets).
Target return	<p>Xenon Alpha Plus has a target compound average growth rate of 15% to 18% per annum (after all fees and expenses).</p> <p>The target return has been included solely so that potential investors may gain an insight into the type of return sought and the commensurate risk of an investment in Xenon Alpha Plus. The target return is not a forecast, projection or prediction, or the result of a simulation of future performance. The target return is not, and should not be seen as, a statement about likely future performance, and there is no guarantee that Xenon Alpha Plus will achieve its target return, as performance is subject to a number of risks.</p>
Use of offer proceeds	The offer proceeds will be placed in a structured deposit (Structured Deposit) with Deutsche Bank AG (Deutsche Bank). The return payable to Deutsche Xenon under the Structured Deposit is linked to the performance of the Alpha Plus Portfolio.

² These dates are indicative only.

topic	summary
The Alpha Plus Portfolio	<p>The Alpha Plus Portfolio is a notional portfolio designed to generate returns linked to the performance of the Ivy Fund and the Silver Creek Fund (Funds – see page 4 for more details). It is notional in the sense that the offer proceeds are not actually invested in the Funds.</p> <p>The Alpha Plus Portfolio uses leverage to increase investors’ exposure to the Funds. The amount of this leverage and exposure to the Funds is managed throughout the term using the Investment Allocation Mechanism (see page 6).</p>
Key risks	<p>Xenon Alpha Plus is a leveraged investment. It is subject to certain risks which include:</p> <ul style="list-style-type: none"> ■ poor performance of the Funds in the Alpha Plus Portfolio (including poor performance of funds or investments to which their performance is linked); and ■ the effect leverage has of magnifying any poor performance of those Funds. <p>These risks (or the other risks set out in section 6 of the prospectus) could result in investors receiving back less than their initial investment of \$1.00 per Share.</p>
Investor fees and charges	<p>Investors do not pay any application or management fees to Deutsche Xenon.</p> <p>Certain charges will apply where an investment in Xenon Alpha Plus is realised prior to the maturity date.</p>
Alpha Plus Portfolio fees and charges	<p>The performance of the Alpha Plus Portfolio, which determines investors’ returns, will be reduced by:</p> <ul style="list-style-type: none"> ■ fees charged to the Funds; and ■ interest charged on the Permanent Leverage and any Additional Leverage (the Funding Charge). Deutsche Bank will receive the benefit of the Funding Charge.

Investment objective

The diagram below illustrates the investment methodology behind how Xenon Alpha Plus aims to meet its target return.



³ The target return for Xenon Alpha Plus has been included solely so that investors may gain an insight into the type of return sought and the commensurate risk of an investment in Xenon Alpha Plus. The target return is not a forecast, projection or prediction, or the result of a simulation of future performance. The target return is not, and should not be seen as, a statement about likely future performance, and there is no guarantee that Xenon Alpha Plus will achieve its target return, as performance is subject to a number of risks (see section 6 of the prospectus).

⁴ Investors should be aware that neither the historical returns achieved by the Funds (including, in the case of the Ivy Fund, the Ivy Rosewood Diversified Fund) or Fund Managers, nor the stated return targets of the funds guarantees any particular level of return for the future. Past performance is not a reliable indicator of future performance. Future performance may differ materially from both past returns and the target return rate of the funds.

the fund manager selection

Deutsche Bank focused on a number of factors when it selected the Ivy Fund and the Silver Creek Fund for inclusion in the Alpha Plus Portfolio. These included each fund manager's:

- objectives;
- approach and strategy;
- risk controls;
- experience and background; and
- historical ability to generate positive and stable returns over the medium to long term.

Ivy and the Ivy Fund

The Alpha Plus Portfolio is designed to generate returns linked to the performance of the RDO Access Unit Trust 1 Class A Units (**Ivy Fund**), the performance of which is based on the performance of the Ivy Rosewood Diversified Fund, Ltd Class E Shares (**Ivy Rosewood Diversified Fund**), which is Ivy Asset Management Corp's (**Ivy**) newest market neutral, low volatility fund of hedge funds. The Ivy Rosewood Diversified Fund commenced trading in February 2004 and, as such, has not yet recorded a full year's trading history.

Ivy has operated for over 20 years and is based in New York, USA. Ivy is focused only on fund of hedge funds activities. As at 30 June 2004, Ivy had more than US\$13 billion under management, making it the seventh largest hedge fund manager globally (as ranked by InvestHedge, a hedge fund research house).

Chart 1 below shows a breakdown of the Ivy Rosewood Diversified Fund's 28 component hedge funds by strategy and assets under management as at 31 August 2004. Investment strategies may be added or removed by Ivy from time to time.

chart 1: Ivy Rosewood Diversified Fund's component hedge funds by strategy and percentage of assets under management (as at 31 August 2004)

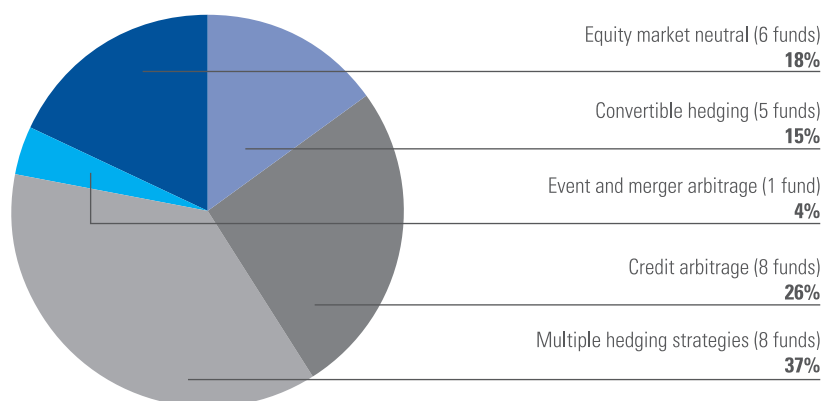
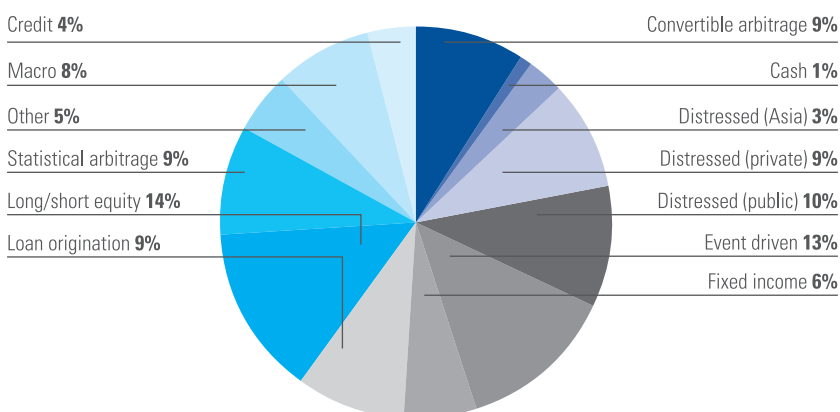


chart 2: Silver Creek Fund's component hedge funds by strategy (as at 30 June 2004)



Silver Creek and the Silver Creek Fund

The Alpha Plus Portfolio is linked to the performance of the Silver Creek Low Vol Strategies I, Ltd Class C Series 2 Shares (**Silver Creek Fund**).

Silver Creek SV L.L.C. (**Silver Creek**), manager of the Silver Creek Fund, is based in Seattle, Washington, USA. Silver Creek is focused only on fund of hedge funds activities and its principals have been managing funds of hedge funds for over 10 years. As at 30 June 2004, Silver Creek had approximately US\$2.8 billion under management.

Silver Creek manages a number of funds of hedge funds. The Silver Creek Fund is its longest running low volatility fund of hedge funds and has a track record from July 1994. The Silver Creek Fund is a continuation of Dillon/Flaherty Partners L.P. (**DFP**), a fund of hedge funds which commenced in 1994 and was managed by Eric E. Dillon and Timothy P. Flaherty (the founders and principals of Silver Creek). Approximately 90% of DFP's assets were subsequently transferred into the Silver Creek Fund.

Chart 2 above shows the breakdown of the Silver Creek Fund's 62 component hedge funds by strategy as at 30 June 2004. Investment strategies may be added or removed by Silver Creek from time to time.

Leverage

The Alpha Plus Portfolio includes leverage to allow investors to experience the economic effect of using borrowed money. Leverage can significantly increase the amount earned as well as the amount lost (and also comes at a cost in the form of the Funding Charge). There are two types of leverage used – Permanent Leverage and Additional Leverage.

Investors' exposure to the Alpha Plus Portfolio will include Permanent Leverage of \$2.50 for every \$1.00 invested. This leverage will remain in place until the maturity date.

The returns generated from a \$1.00 investment in Xenon Alpha Plus will therefore reflect returns (whether positive or negative) on at least \$3.50 of exposure to the Alpha Plus Portfolio. Initially, for every \$1.00 invested, investors will have:

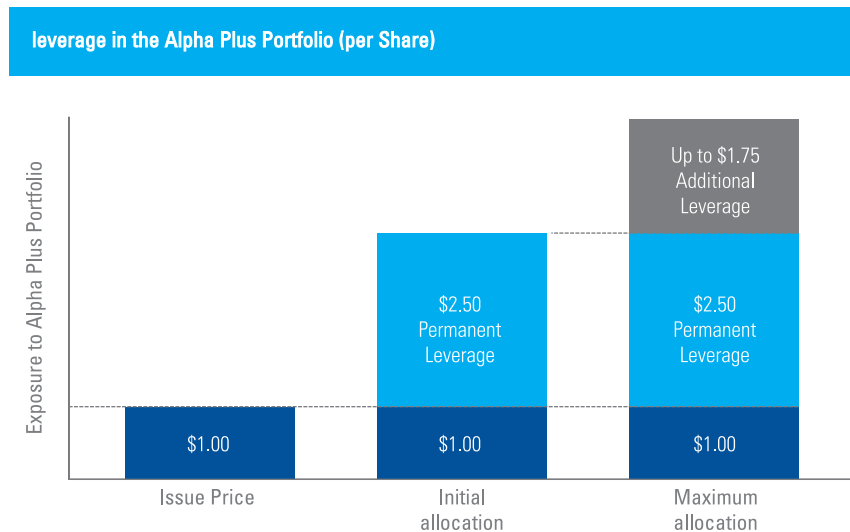
- \$2.00 of exposure to the Ivy Fund; and
- \$1.50 of exposure to the Silver Creek Fund.

As well as the Permanent Leverage, investors may have additional exposure to the Alpha Plus Portfolio from Additional Leverage of up to \$1.75 for every \$1.00 invested. Additional Leverage will be used if a Fund meets certain predetermined performance targets.

Where Additional Leverage is fully used, the returns generated from a \$1.00 investment in Xenon Alpha Plus will reflect returns (whether positive or negative) on \$5.25 of exposure to the Alpha Plus Portfolio.

However, the liability of investors is limited to the issue price of their Shares. This means that investors may receive leveraged returns as described above, but can only lose, at most, the issue price of \$1.00 per Share.

The diagram to the right shows the amounts of leverage used in the Alpha Plus Portfolio (per Share).



Portfolio Management – the Investment Allocation Mechanism

The Investment Allocation Mechanism seeks to manage the use of leverage within the Alpha Plus Portfolio. It reallocates exposure between the Fund Facilities (facilities providing exposure to the Funds) and the Cash Facilities (facilities providing exposure to cash) in two ways:

- if a Fund has performed well,⁵ the Investment Allocation Mechanism decreases exposure (if any) to the relevant Cash Facility and then uses Additional Leverage (if available) to increase exposure to the relevant Fund Facility; and
- if a Fund has performed poorly,⁵ the Investment Allocation Mechanism decreases exposure to the relevant Fund Facility by reducing Additional Leverage (if any) and then increases exposure to the relevant Cash Facility.

Suitability for investors

An investment in Xenon Alpha Plus may suit investors who:

- are looking for a medium term investment of just under four years;
- can forego regular income payments in favour of a lump sum payment at maturity;
- are seeking an investment which is targeting a compound average growth rate of 15% to 18% per annum (after all fees and expenses),⁶ and who understand the effect of leverage and are willing to accept its risks; and
- are seeking to diversify a traditional investment portfolio.

Xenon Alpha Plus has been developed as an investment opportunity with features that will appeal to some but not all investors. In particular it is a leveraged investment, and leveraged investments are not suitable for all investors. Further, there is no capital guarantee, and this may make it an unsuitable investment for investors who cannot afford to lose all their capital.

⁵ The performance of the Ivy Fund is based on the performance of the Ivy Rosewood Diversified Fund.

⁶ The target return has been included solely so that investors may gain an insight into the type of return sought and the commensurate risk of an investment in Xenon Alpha Plus. The target return is not a forecast, projection or prediction, or the result of a simulation of future performance. The target return is not, and should not be seen as, a statement about likely future performance, and there is no guarantee that Xenon Alpha Plus will achieve its target return, as performance is subject to a number of risks.

Some questions and answers

How much of investors' funds are at risk?

The investment is not capital guaranteed. All of an investor's \$1.00 per Share capital investment is at risk. If the Alpha Plus Portfolio loses value, investors may not recover all, or even any, of their investment at the maturity date or on an early exit.

How much leverage is employed?

If both Permanent Leverage and Additional Leverage is fully used, the returns generated from a \$1.00 investment in Xenon Alpha Plus will reflect returns (whether positive or negative) on \$5.25 of exposure to the Alpha Plus Portfolio.

Will the product make distributions?

Investors will receive a dividend on the maturity date equal to any positive performance of the Alpha Plus Portfolio. There will be no interim dividends.

How is Xenon Alpha Plus different to other retail hedge fund products?

Xenon Alpha Plus differs from some other structured hedge fund products, particularly those which offer a form of capital protection, have an investment term of more than four years and provide exposure to hedge funds which have displayed historical volatility of returns higher than the historical volatility of returns of the Silver Creek Fund and market neutral funds managed by Ivy.

Does Xenon Alpha Plus have currency risk?

The Ivy Fund and the Silver Creek Fund are US dollar funds. Investors' currency exposure will be hedged on a monthly basis. This hedging will not completely remove, but aims to minimise, the effect of exchange rate fluctuations (whether positive or negative).

How can investors monitor the value of the investment?

The value of Xenon Alpha Plus is expected to be posted on the 25th of each month on the Deutsche Xenon web site at www.deutschexenon.db.com.

Further information

To request further information on or apply for an investment in Xenon Alpha Plus, you should contact your broker, financial planner or licensed securities adviser. In addition, you may call the information line on 1800 007 353 (free call) or visit the Deutsche Xenon website at www.deutschexenon.db.com.

Some things you should know

Deutsche Xenon Limited (ACN 109 425 925) (Deutsche Xenon) is the issuer of Xenon Alpha Plus, as described in the prospectus dated 8 October 2004. Deutsche Xenon is a wholly owned subsidiary of Deutsche Australia Limited (ABN 37 006 385 593) (Deutsche Australia). Deutsche Australia is a wholly owned subsidiary

of Deutsche Bank AG (ABN 13 064 165 162) (Deutsche Bank).

The information in this document has been prepared without taking account of the objectives, financial situation or needs of any specific recipient. Because of this you should, before acting on this information, consider its appropriateness having regard to your objectives, financial situation or needs.

None of Deutsche Xenon, Deutsche Australia, Deutsche Bank or any related parties or associates of Deutsche Bank (the **Deutsche Bank Group**), makes any representation, gives any guarantee or assurance as to the performance of Deutsche Xenon, the payment of any dividend on Xenon Alpha Plus or the Alpha Plus Portfolio or the repayment of capital invested in Xenon Alpha Plus or any particular rate of overall return. Investments in Xenon Alpha Plus are not investments, deposits or other liabilities of the Deutsche Australia, Deutsche Bank or any other member of the Deutsche Bank Group.

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Read the prospectus. Call your adviser for a copy today.

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