Deutsche Xenon Alpha Plus2 Limited

Deutsche Xenon Alpha Plus2 Limited (Deutsche Xenon) is designed to provide Australian-based investors with access to two US based hedge fund-of-funds managers, Ivy Asset Management Corp. (Ivy) and Meridian Diversified Fund Management LLC (Meridian). Investors will purchase redeemable (non-voting) preference shares, the proceeds of which are placed in a structured deposit carrying a return linked to the Deutsch Xenon Alpha Plus Portfolio (Alpha Plus Portfolio), which consists of the two US based hedge fund-of-funds managers and leverage.

Whilst a limited liquidity mechanism does exist, Xenon Alpha Plus2 should be considered a closed ended leveraged investment product with an investment term of four years. Xenon Alpha Plus2 aims to generate a compound growth rate over its term of 15% to 18% pa, with an expected volatility range broadly equivalent to that of the Australian share market (historically approximately 10%). Advisers should note that no income will be paid to investors during the life of the product, with all income being encapsulated in the final return of investor's money at maturity. Also important to note is that while Xenon Alpha Plus2 is designed to be capital stable, unlike a number of similar structured hedge fund products in the market, it *does not* have a capital protection mechanism. *Non-recourse leverage applied at the Alpha Plus Portfolio level will range from a minimum of 2.5 times to a maximum of 4.25 times*, depending on predetermined performance criteria. In addition to this leverage, many of the underlying managers employed by Ivy and Meridian may have leveraged portfolios. Leverage has the effect of amplifying gains and losses, and thus advisers should ensure that this is consistent with the risk/return of the individual investor.

Lonsec has completed a review of Xenon Alpha Plus2 in terms of the objectives and features of the product and the management of the funds therein. As a result of the review, Lonsec has added Deutsche Xenon Alpha Plus2 to the Recommendations List with a 'Recommended' rating. Lonsec's rating rationale and overall opinion is provided at the rear of this document.

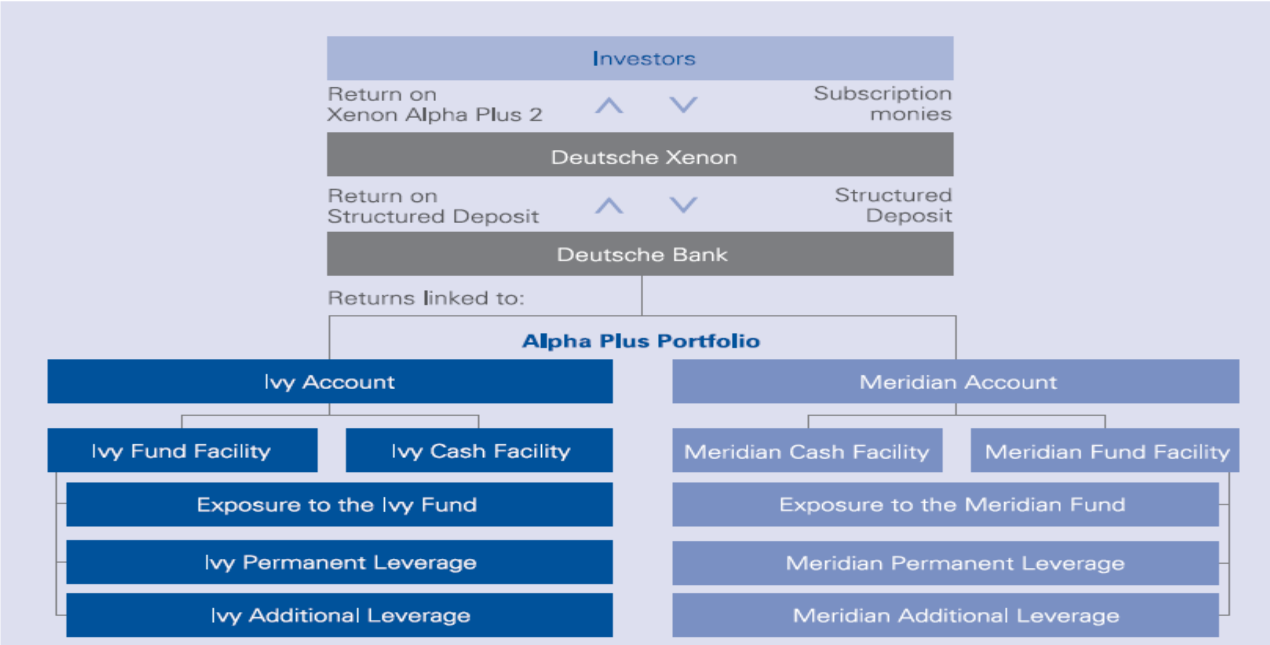
Fund Overview

Strategies	Xenon Alpha Plus2 offers investors permanent and additional leveraged exposure to a multi manager, multi strategy hedge fund investment
Objectives	To provide investors with participation in the leveraged performance of the underlying Ivy and Meridian hedge fund of funds
Investment Type	Redeemable (non-voting) preference shares carrying a return linked to the performance of the Alpha Plus Portfolio
Structure	The offer proceeds will be placed by Deutsche Xenon in a structured deposit, under which the return payable is linked to the performance of the Alpha Plus Portfolio
Underlying Fund Assets	Class A units in the RDO Access Unit Trust (Ivy Fund) which is based on the on the Class E shares in the Ivy Rosewood Diversified Fund. Class L ordinary shares in the Meridian Diversified Fund.
Target Return	A targeted compound average growth rate of 15% to 18% pa
Anticipated Volatility	Broadly equivalent to that of the Australian share market (historically approximately 10%)
Structured Deposit Provider	Deutsche Bank
Open & Close Dates	Open 21 March 2005, Close 12 May 2005

Issue Date	27 May 2005
Minimum Application	$5,000, then multiples of $1,000 (1,000 shares)
Leverage	Permanent Leverage of $2.50 for every $1.00 invested. Additional leverage of up to $1.75 for every $1.00 invested
Level of Risk	High. Whilst the product has been designed to be capital stable and volatility is anticipated to be broadly equivalent to that of the Australian share market, the product has a high absolute level of look through leverage (ie aggregate leverage at the underlying fund and portfolio level). The product is also subject to interest rate risk. The product is not capital protected.
Cost of leverage	Permanent leverage - equal to the 3 month BBSW cash rate + 2.2% per annum (currently equating to 7.97%) Additional leverage - equal to the 1 month BBSW cash rate + 0.8% per annum (currently equating to 6.39%)
Redemptions	On the maturity date. The obligation to redeem is limited in recourse to the NAV of Deutsche Xenon.
Early Exit Facility	Limits early redemptions to a maximum number of shares equal to 5% per month of the total number of shares originally issued to all investors
Early Exit Fees	$0.04 per in first year, $0.03 per share in second year, $0.02 per share in third year and $0.01 per share in fourth year, plus administration costs
Distributions	Investors will receive a distribution on the maturity date equal to any positive performance of the Alpha Plus Portfolio.
Maturity Date	5 May 2009. Subject to early realisation or deferral.
Valuation	Monthly net asset value of Xenon Alpha Plus2 will be posted on the Xenon website – www.deutschexenon.db.com. Expected to be posted around the 25th of each month.
Interest on early application	Funds that are received by 22 April 2005 will earn interest at a rate of 5.50% p.a. until close date. The payment of interest will satisfied by issue of additional shares.
Fees and charges	a) Meridian Fund – Management Fee: approximately 1.25% per annum of the Meridians Fund NAV. Performance Fee: 10% per annum of any increase in the Meridian Funds NAV above a prior high watermark. b) Ivy Fund - Management Fee: 1.50% per annum of the Ivy Fund's NAV. Performance Fee: equal to 10% of any increase in the Ivy Fund's NAV above a high watermark. c) Costs of leverage as per above

Strategy and Investment Process

As can be seen in the diagram below, the investment objective of Xenon Alpha Plus2 is to provide investors with participation in the leveraged performance of two underlying hedge fund of funds managers.



Source – Deutsche Xenon Alpha Plus2 Prospectus.

The proceeds raised from investors will be placed in a structured deposit with Deutsche Bank. Deutsche Bank will then reference the leveraged returns of the Ivy Fund and the Meridian Fund for Xenon Alpha Plus2. Accordingly, investors will purchase redeemable (non-voting) preference shares carrying a return linked to the Alpha Plus Portfolio.

The two fund of hedge funds used are the Ivy Rosewood Diversified Fund Ltd Class E shares via a feeder fund (Ivy Fund) and the Meridian Diversified Fund Ltd Class L Ordinary Shares (Meridian Fund). The Ivy and Meridian Funds are diversified low volatility hedge fund of funds and leverage within the Alpha Plus Portfolio will be utilised with the aim of magnifying returns to investors.

Xenon Alpha Plus2 will include Permanent Leverage in the amount of $2.50 for every $1.00 invested and will remain in place until Maturity Date. For every dollar invested investors will therefore have $2.00 exposure to the Ivy Fund and $1.50 of exposure to the Meridian Fund. This incorporates a leverage factor of four for the Ivy Fund and three for the Meridian Fund. The leverage factors have been set by Deutsche Bank in consultation with Ivy and Meridian.

With the aid of the Investment Allocation Mechanism, further detailed bellow, investors may have additional exposure to the Alpha Plus Portfolio from Additional Leverage when the Ivy Fund or the Meridian Fund is performing well. Additional Leverage may be used up to $1.00 in the Ivy Fund and $0.75 in the Meridian Fund if either fund meets predetermined performance targets.

Investment Allocation Mechanism

The Investment Allocation Mechanism (IAM) regulates the level of leverage used in the Alpha Plus Portfolio. If a fund performs well then the level of leverage may be increased and if it performers poorly, leverage can be gradually reduced to the Permanent Leverage base and cash holdings can also increase. The IAM is applied separately to the Ivy Fund and the Meridian Fund with the reallocations only being made between the Fund and Cash Facilities on a monthly basis.

The steps taken each month before any adjustments are made to an account within the Alpha Plus portfolio is shown in the diagram below:

↓ **Investors' NAV of Each Account** This equals (Current Allocation – Permanent Leverage and Additional Leverage and Cash Facility)
↓ **Target Allocation for Each Account** This equals the Leverage Factor (which is 4 for Ivy and 3 for Meridian) * by the relevant investors NAV.
↓ **Current Allocation for Each Account** This equals the total value of the Fund Facility for the relevant fund (per share basis)
↓ **Leverage Amount for Each Account** This is the amount by which an account may be re-leveraged or de-leveraged and is calculated as (per share basis): Target Allocation less Current Allocation

Firstly, the IAM calculates the NAV of each Account in the Alpha Plus Portfolio. This equals the sum (on a per share basis) of the investor's NAV of the relevant fund facility (being the value of the relevant Fund Facility less any leverage) and the value of the relevant cash facility. The IAM then calculates the Target Allocation for each account, which equals the leverage factor multiplied by the investors NAV.

The IAM then calculates the Current Allocation for each account, which equates to the total value of the Fund Facility for the relevant fund (on a per share basis). The IAM then calculates the Leverage Amount for each Account, which is the amount by which an Account may be re-leveraged or de-leveraged, and is calculated as (on a per share basis): Target Allocation -less- Current Allocation.

If the leverage amount for an account is greater than zero, that amount is a re-leverage amount. If the leverage amount for an account is less than zero, that amount is a de-leverage amount.

Re-leveraging

If, at the time the IAM is making the above calculation, there is no additional leverage used, and the Re-leverage amount is greater or equal to 5% a re-leverage will occur. If additional leverage is being used a re-leverage will occur if this percentage is greater or equal to 10%.

De-leveraging

If, at the time the IAM is making the above calculation, there is no additional leverage, and the de-leverage amount is less than or equal to -5% a de-leverage will occur. If additional leverage is being used a de-leverage will occur if this percentage is less than or equal to -10%.

Example of how the Investment Allocation Mechanism Works

The following example shows the effect of a fall in the value of the Meridian Account by 5% on a particular Adjustment Date from a starting value of $1.68 to $1.596.

	Calculation (all on a per share basis)	Result
Investors' NAV	Value of the Meridian Fund ($1.596) less the Permanent Leverage ($1.00) and Additional Leverage of ($0.12)	$0.476
Target Allocation	Leverage factor (3) multiplied by Investors' NAV of ($0.476) above	$1.428
Current Allocation	Current Value of the Meridian Fund Facility	$1.596
Leverage Amount/ Re-Leverage Amount	Target allocation ($1.428) less Current Allocation ($1.596)	-$0.168

As shown in the above table, Additional Leverage is currently being used ($0.12) and the de-leverage amount of $0.168 relative to the current account allocation of $1.596 expressed as a percentage is less than -10% (i.e. -10.53%).

Accordingly, the Investor's exposure to the Meridian Fund will be reduced by $-0.168 per share. This reduction carried out by first reducing the Additional Leverage from $0.12 to zero and then increasing the Meridian Cash Facility by the remaining amount, that is, from zero to $0.048 per share. Following the de-leverage, the funding charge on the additional leverage ceases (as the balance of Additional Leverage has been reduce to zero). *However the funding charge on the Permanent Leverage will continue to be charged* despite there being an allocation to the cash facility.

Deutsche Bank's Selection Process

Through its London and New York offices Deutsche Bank carried out a considerable review of a number of potential hedge fund of funds managers. Two core criteria formed the basis of this review; a superior performance track record and a displayed understanding of their own portfolio. Deutsche Bank felt that Ivy Asset Management Corp. and Meridian Diversified Fund Management LLC were the most appropriate candidates based on the above criteria.

Deutsche Bank carries out ongoing monitoring on a monthly basis of both funds. Emphasis is placed on the performance, strategic allocation of funds and management structure. Deutsche Bank does have the scope to terminate either of the fund managers if it's not satisfied with performance and strategic direction.

Ivy Asset Management Corp.

Based in New York, Ivy was founded in 1984 by Lawrence Simon and Howard Wohl and has operated as a subsidiary of the Bank of New York since October 2000. Globally, Ivy is the 7th largest hedge fund of funds manager in the world with more than US$15 billion in assets under management and over 150 full time employees. The total investment management team consists of 40 members, being 35 full time hedge analysts (including operational due diligence analysts) and 5 portfolio managers. The hedge fund analysts have an average of 8.9 years of industry experience, while the portfolio managers have an average of 10.5 years industry experience. Members of the investment team on average have been employed with Ivy for 3 years. Over the past two years, Ivy has had 10 departures from the investment team (1 departure above analyst level) and 25 new additions.

The Ivy Fund is a special purpose feeder trust for non-US investors investing into the Ivy Rosewood Diversified Fund, which is currently worth AUD$692,808,590. The Ivy Rosewood Diversified Fund is designed to be a market neutral, low volatility hedge fund of funds and currently has a ***USD*** dollar denominated annual return target of ***7% per annum above the LIBOR before deducting fees***. Over the last 11 months, in Australian Dollars terms Ivy Rosewood has returned 6.06% per annum (after deducting fees).

Investment Strategy

Ivy generally employs investment strategies that are intended to build portfolios that, as a whole, have only limited exposure to equity markets. Ivy focuses on diversifying hedge fund strategies among multiple managers to reduce volatility without substantially diminishing overall returns. Ivy aims to rebalance its fund on a quarterly basis in order to maintain the desired blend of risk and reward. Managers may be added or removed, and allocations may be adjusted so that the overall blend conforms to investment objectives.

Ivy generally does not utilise leverage in the Ivy Fund however the underlying hedge funds may employ leverage. Each underlying fund manger is issued with an investment mandate that generally restricts the leverage ratio to 2.5 to 1 as Ivy believes in using leverage as an investment tool rather than a dependent strategy. The table below shows a breakdown of the Ivy Fund in terms of hedge fund strategies and number of underlying managers. Ivy currently employs approximately 31 underlying managers (with any single manager receiving a maximum of 10% of the total portfolio value). As at 28/02/2005, the fund had a regional allocation of 75% US, 15% Europe, 9% Asia and 1% global.

Hedge Strategy	Number of Managers	Total Exposure
Relative Value	13	41%
Event Driven	8	24%
Credit	5	18%
Long /Short Equity	5	17%

Investment Process

Ivy's investment resources consist of over 40 people, with strategy specialists in each hedge fund sector who are supported by a quantitative research and analysis team.

As evidenced in the steps below, Ivy's investment process for identifying and selecting managers is a bottom up process consisting of multiple steps, involving both quantitative and qualitative factors. Ivy has a propriety database with 5,000 plus hedge fund managers which aids its selection process and generally focuses on identifying smaller mangers that are regarded as being more aggressive and innovative in the market place.

Manager Identification. Ivy aims to identify new managers through extensive networks, direct contacts, publications, industry conferences, client referrals and external databases. Ivy identifies over 1000 new managers per year.

Initial Screening. When a potential manager has been identified, Ivy begins with an initial request for information to determine the manager's strategy for suitability. If the strategy is suitable, Ivy then conducts a thorough review of all information to determine if there is a possible fit and to identify the potential risks.

Manager Research. Once a fund manager is determined to represent a possible fit, Ivy then attempts to gain a thorough insight of the manager's investment strategy by looking at the manager's current and historical portfolio composition, return and volatility characteristics, leverage and liquidity and investment parameters. If satisfied, Ivy's investment department arranges an onsite visit to see the principals. Additionally, Ivy analyses the manager's current portfolio and performs statistical analysis on historical performance, which includes regression to indices, sensitivity analysis to various risk factors and an examination of the distribution of returns.

Final Due-Diligence and Manager Approval. Ivy reviews the offering document including fees, withdrawal provisions, liquidity of the underlying investments in the fund, risk disclosures and regulatory considerations. Additionally, Ivy verifies the background of the key principals and performs reference checks with the manager's attorneys, accountants, prime brokers, and former and current investors. The background checks are carried out by an outside investigation agency that performs criminal and bankruptcy checks as well as education and employment verification.

After the due-diligence is carried out, the Ivy analyst assigned to the prospective manager prepares an Investment Recommendation Report, providing a description of the hedge fund and its strategy, results of the due diligence, statistical analysis and a rationale to invest in the fund.

Portfolio Allocation Committee. The assigned analyst will then present the prospective manager to the Portfolio Allocation Committee for their review and approval. The Committee consists of six senior Investment and Client Development personnel and is responsible for the final review of all managers that have been recommended for investment by Ivy. Manager selection requires unanimous approval from the Committee.

Monitoring. Once an initial investment is made with a fund manager, Ivy continues to monitor the manager by performing ongoing statistical analysis of its portfolio. Further, Ivy monitors the manager's performance against benchmarks and peer managers. Ivy also assesses the managers alpha generation and sensitivity to a number of risk factors.

Key Personnel

Adam L. Geiger is Managing Director, and Head of Investments. Mr. Geiger oversees the investment process, including sourcing new managers, due diligence, and on going manager monitoring. Mr. Geiger is a member of Ivy's Strategic Operating Committee, which manages the business operations of the firm and also serves on Ivy's portfolio allocation committee. Geiger is a charted financial analyst. He graduated from the State University of New York in 1982 and went on to become a registered representative for Merrill Lynch, where he helped manage low-risk investment programs for several institutional investors. From 1990 to 1997, Geiger was Vice President, Trading at Twenty-First Securities Corp, a broker-dealer and money management firm.

Robert Meschi is Director, Investments and serves as one of Ivy's Portfolio Mangers. Mr. Meschi assists in over seeing the investment process, including sourcing new managers, due diligence, and on going manager monitoring. Meschi also serves on Ivy's Portfolio Allocation Committee. Meschi is a CFA charter holder. He graduated from Hofstra University in 1996 with an M.B.A in Finance and has previously worked as a Senior Reporter, Statistics and Special Projects at Financial World Magazine.

Greg van Inwegen is Director, Quantitative analysis. Dr. van Inwegen is responsible for the development and management of Ivy's Quantitative group. He works closely with other senior members of the Investments team to help further integrate the quantitative and qualitative elements of Ivy's process. Inwegen holds several degrees including a Ph.D. in Finance. His professional career began in 1991 as an Assistant Professor at Syracuse University's School of Management and shortly after joined NYNEX in their investment management group. In 1997, Inwegen joined Paine Webber as Vice President, Director of Quantitative Analysis and later moved on to Deutsche Asset Management where he was involved in the development of a high turnover statistical arbitrage hedge fund. Prior to joining Ivy, Inwegen was the Director of Quantitative Research for Rydex Investments.

Alan Chuang is Director, Investments and serves as head of Portfolio Management. He is responsible for the development, enhancement and execution of Ivy's portfolio management process. Prior to joining Ivy in June 2004, Mr. Chuang was the Director of Investments for Wafra Investment Group, where he oversaw a range of alternative investments and strategies. Prior to Joining Wafra in 2001, he worked at JP Morgan in the area of Debt Capital Markets/Structured Products, served as Head of Asia Emerging Markets Product Management and as a portfolio manager covering fixed income and relative vale portfolios.

Joseph Burns is Vice President, Investments and serves as Head of Equity Strategies. Prior to Joining Ivy in 2001, Mr. Burns was the Director of Investments for a European Family Office, were he served as co-portfolio manager and was responsible for the hedge fund and private equity fund investments. Burns has graduated from Fordham University with a M.B.A in Finance. He has worked at Soros Fund Management as a Portfolio Analyst, where he assisted in the overview of external money managers. Previously, he worked at Capital Management Corporation, an investment advisory firm.

Alexander Rabinovich is Vice President, Investments and serves as one of Ivy's portfolio mangers. Mr. Rabinovich assists in over seeing the investment process, including sourcing new managers, due diligence, and ongoing manager monitoring. In 1996, Rabinovich graduated from the University of Rochester with an M.B.A in Finance and Accounting and prior to joining Ivy in 1997, he was employed as an analyst at Manning and Napier Advisors.

Meridian Diversified Fund Management LLC

With offices in Albany and New York, the Meridian Group has been managing hedge fund of funds for over 10 years. With approximately $US3.2 billion is assets under management, the Meridian Group employs 35 full time employees. The investment management team consists of 7 members, being 5 hedge fund analysts and 2 portfolio managers. The hedge fund analysts have an average of 4 years of industry experience, while the portfolio managers have an average of 12 years industry experience. Members of the investment team on average have been employed with Meridian for 5 years and over the last two years there has been 1 new addition to the team (and no departures).

Meridian's primary focus is equity orientated hedge fund strategies. Meridian aims to provide superior risk-adjusted returns by capturing the market's return potential while minimising any downside volatility and to preserve capital by generating positive returns in all market conditions. Meridian's return and volatility profile appears similar to other hedge fund of funds reviewed by Lonsec.

Investment Strategy

Meridian allocates capital among a diversified group of hedge fund managers (any single manager can receive a maximum of 10% of the total portfolio value) with the primary objective being preservation of capital. The multi manager approach is designed to permit the use of fund managers who employ diverse investment styles with low levels of correlation. The following table shows a breakdown of the Meridian Fund's strategy allocation. Meridian currently employs approximately 20 underlying managers and currently has a regional allocation of 90% US and 10% global.

A core element of Meridian's investment strategy is to expose the portfolio to beta risk in markets when it believes they are rising, while reducing it somewhat when it believes markets will perform poorly. The increase in beta can take a number of forms including rising stock prices within the portfolio, individual managers increasing beta and through increasing the exposure to managers with higher beta.

Hedge Strategy	Number of Managers	Exposure
Equity Market Neutral	3	19%
Relative Value	2	8%
Relative Value/Event Driven	4	25%
Hedged Equity	9	39%
Event Driven	2	9%

Investment Process

Meridian focuses on a four step investment process encompassing manager risk management, portfolio risk management, strategy identification and market research. Risk management ranks investment options by proprietary risk classifications and then establishes allocations within risk class guidelines.

Risk management – is carried out at both the manager and portfolio level. At manager level, the objective is to ensure that the manager's results are consistent with Meridian's expectations by capturing performance estimates, top holdings, and sector positions on an ongoing basis together with oral communications to monitor the manager's portfolio characteristics. Meridian also updates peer group comparisons, correlation studies and volatility trend analysis.

Strategy Identification – Meridian invests in strategies based on fundamental research and currently focuses on Relative Value, Event Driven, Equity Market Neutral and Hedge Equity strategies. Meridian is focused on avoiding highly leveraged strategies including emerging markets, currencies and global macro.

Market Research - Meridian adopts both a qualitative and quantitative screening process when undertaking fund manager research. This includes a review of personnel, back office and administration, onsite interviews, risk adjusted performance analysis and correlation and volatility trend analysis. Meridian has a continuous monitoring process of over 350 hedge funds, with continuing onsite visits and internal research reports.

Portfolio management - At the portfolio level the objective is to ensure that the current manager mix maximises opportunity to achieve return objectives with established risk parameters. This is achieved by evaluating current market risks and opportunities at the macro level, regularly reviewing liquidity and capacity issues affecting the portfolio and by modeling portfolio structure and the impact of adjustments to manager mix of portfolio risk- return profile.

Key Personnel

William H. Lawrence, Chief Executive Officer and Chief Investment Officer. Mr. Lawrence is chairman of both the Executive Committee and Portfolio Management Group, and provides strategic leadership to the firm. Mr. Lawrence has over 19 year of experience in investment management and had held senior investment consulting positions with Shearson Lehman Bros. and Merrill Lynch.

Donald J. Halldin, President. Mr. Halldin oversees the client service and business development functions of the firm. Prior to founding Meridian, Mr Halldin was a Senior Vice President with Prudential Securities and Vice President of Drexel Burnham Lambert, Inc.

John L. Sica, Managing Director of Research. Mr. Sica oversees the hedge fund management and research monitoring functions. Mr. Sica is also a member of the Portfolio Management Group. Prior to Joining Meridian, Mr. Sica worked for eight years with Fleet Financial Group, Inc, as a Vice President in Fleet's Credit Administration Division.

Robert J. Murphy, Director. Mr. Murphy's responsibilities include hedge fund manager research, due diligence, and monitoring. Mr. Murphy also focuses on quantitative risk modeling and is a member of the Portfolio Management Group. Mr. Murphy has over twenty years in financial experience, including fourteen years in investment banking.

Howard B. Fischer, Director. Mr. Fisher's responsibilities include hedge fund manager research, due diligence and monitoring. Mr. Fischer is a member of the portfolio management group. Mr. Fisher has over twenty-two years experience in the financial industry and has served as Vice President of Finance at SCOR U.S for over 10 years.

Troy E. Filburn, Research Analyst. Mr. Filburn's responsibilities include hedge fund manager research, due diligence and monitoring. Troy also focuses on statistical screening and internal hedge fund manager ratings. Prior to joining Meridian, Troy served as a Credit Analyst with Alliance Bank and as a research analyst at Goldman Sachs & Co.

Risks

Shares in Xenon Alpha Plus2, like all financial instruments, are exposed to the standard investment risks such as economic risks, risks associated with domestic and international markets, legal, tax, and regulatory risks. In addition to the generalised risks, some specific risk which may affect the value of Xenon Alpha Plus2 shares include:

Leverage

Leverage will be used as part of the Alpha Plus Portfolio. Investors should be aware that leveraged investments may result in the risk of losses as well as the possibility of gains. Permanent leverage will be used at all times, regardless of the extent to which the portfolio is allocated to Fund Facilities or Cash Facilities. Even if the Alpha Plus Portfolio is fully allocated to fund facilities, there is a risk that the funding charge in relation to leverage could outweigh the returns of the Funds.

Interest Rate Movements

Investors should note that the product is exposed to two interest rate risks. Firstly, upward movements in Australian interest rates will increase the funding charge for the leverage provided to the fund. If the returns of the underlying hedge funds do not increase proportionally, this will have a negative impact on investors' returns. Although downward movements in interest rates will decrease the funding charge, there is a risk that the rate movement could also adversely impact the returns from the underlying hedge funds. Secondly, a reduction in the differential between the Australian interest rates applicable to this product and relevant US interest rates will reduce the return made on foreign exchange hedging (the 'carry trade').

Capital and Final Dividend

Investors should note that an investment in Xenon Alpha Plus2 is not capital guaranteed. All of an investor's $1.00 per Share capital investment is at risk. If the portfolio loses value, Investors may not recover all or any of their investment on Maturity Date. There is also no guarantee that there will be an amount to distribute by way of final dividend.

Liquidity

Shares in Alpha Plus are only transferable with the prior agreement of Deutsche Xenon (which may be granted or withheld at its absolute discretion). The Early Exit Facility is provided but limited each month to a number of shares equal to 5% of the original issue. The Early Exit Price will be less than the NAV of the shares. There is no assurance that the Early Exit Price will be at a level that will allow investors to exit their investment at a price that is acceptable to them.

Changes to Tax Legislation

The returns from an investment is Xenon Alpha Plus2 may be influenced by changes in Taxation Laws (or their interpretation) in Australia or overseas or if Deutsche Xenon incurs liabilities that are not anticipated or not intended.

Income

Investors will only receive a dividend on the Maturity Date equal to any positive performance of the Alpha Plus Portfolio. Xenon Alpha Plus2 will not issue any interim dividends.

These and other risks are outlined in the Prospectus on pages 70 –79, in section 7 of the Prospectus and should be read in full and understood by potential investors before investing in Xenon Alpha Plus2.

Performance

Because the Ivy Rosewood Diversified Fund has a limited trading history, the following table displays the performance of the Ivy Composite (which is a composite stream of returns for Ivy's dedicated market neutral, low volatility investment vehicles) in AUD over the five years to December 2004 (post fees). Over this period the Ivy Composite produced a net return of 9.5% pa, which was 4.1% pa above the Australian cash rate (as measured by the UBS Bank Bill Index). The Ivy Composite has displayed a low level of absolute volatility, with a Standard Deviation of 2.0% pa over the five year period. Consistency of returns has been strong with the Ivy Composite producing a positive return in 88.3% of months over the five years, and outperforming cash in 70% of months. The Ivy Composite's Peak to Trough Drawdown of -0.6 over the five years to December 2004 was very low, and Time to Recovery of 2 months was solid. Absolute risk-adjusted returns (as measured by the Sharpe Ratio) have been somewhat disappointing over the short term (one year), however have been very strong over the medium and long terms. Advisers should note that the return targets for the Ivy Fund are higher than that of the Ivy Composite.

Ivy Composite				
Periods Ending:			Dec-04	
	1 Year	2 Years	3 Years	5 years
Performance (% pa)	5.8	7.3	7.4	9.5
Standard Deviation (% pa)	1.9	1.8	1.8	2.0
Excess Return over cash (% pa)	0.2	2.1	2.3	4.1
% of Returns Positive	83.3	87.5	86.1	88.3
% of Returns above cash	41.7	54.2	63.9	70.0
Peak to Trough Drawdown (%)	-0.4	-0.4	-0.6	-0.6
Time to Recovery (months)	3.0	3.0	2.0	2.0
Sharpe Ratio	0.1	1.1	1.3	2.0
Source: Lonsec				

The table on the following page displays the performance of the Meridian Fund over the five years to December 2004 (post fees)[1]. The Fund's performance has been solid, producing 8.7% pa (post fees) over the five year period, which was 3.3% pa above the Australian cash rate. Absolute volatility (as measured by Standard Deviation) has been higher than that displayed by the Ivy Composite. The level of stability in returns have been consistent with the fund producing a positive return in 78% of months over the five years, and exceeding the cash rate of return in 63% of months. The Fund's Peak to Trough Drawdown of -2.5 over the five years was good, and the Time to Recovery of 3 months was sound. Absolute risk-adjusted returns (as measured by the Sharpe Ratio) have been relatively good over the long term.

Meridian Diversified Fund				
Periods Ending:			Dec-04	
	1 Year	2 Years	3 Years	5 years
Performance (% pa)	9.8	10.0	7.1	8.7
Standard Deviation (% pa)	2.9	2.4	2.4	3.6
Excess Return over cash (% pa)	4.2	4.8	2.0	3.3
% of Returns Positive	83.3	87.5	80.6	78.3
% of Returns above cash	58.3	70.8	58.3	63.3
Peak to Trough Drawdown (%)	-0.6	-0.6	-0.7	-2.5
Time to Recovery (months)	2.0	2.0	1.0	3.0
Sharpe Ratio	1.4	2.0	0.9	0.9
Source: Lonsec				

Because the Meridian Fund commenced in July 2001, returns prior to this time are that of the Meridian Horizon Fund which is managed by the same personnel, using substantially similar methods, policies and investment strategies as that of the Meridian Fund.

The performance data below has been generated by Lonsec in order to give an indication of the potential performance of the underlying combined fund within the Xenon Alpha Plus2 product (pre leverage) by combining and weighting the historical performance of the Ivy Composite and Meridian Fund. Over a five year period, the aggregate simulated fund performance has been strong with an average of 9.6% pa, which is 3.3% above the Australian cash rate. The simulated Fund displayed a low level of absolute volatility, with a Standard Deviation of 2.3% pa over the five year period. The level of stability in returns was consistent, with the simulated Fund producing a positive return in 88% of months over the five years, and outperforming cash in 65% of months. The Fund's Peak to Trough Drawdown of -0.6 over the five years was low, and the Time to Recovery of 2 months was sound. Absolute risk-adjusted returns (as measured by the Sharpe Ratio) are solid over the short, medium, and long terms.

Simulated Underlying Portfolio				
Periods Ending:		Dec-04		
	1 Year	2 Years	3 Years	5 years
Performance (% pa)	7.6	8.5	7.3	9.1
Standard Deviation (% pa)	2.2	1.8	1.7	2.3
Excess Return over cash (% pa)	2.0	3.3	2.2	3.7
% of Returns Positive	83.3	91.7	86.1	88.3
% of Returns above cash	50.0	62.5	58.3	65.0
Peak to Trough Drawdown (%)	-0.3	-0.3	-0.6	-0.6
Time to Recovery (months)	1.0	1.0	2.0	2.0
Sharpe Ratio	0.9	1.8	1.3	1.6

Investors should note that this information is historical and unlike the Xenon AlphaPlus2 portfolio shows un-leveraged returns. Past performance is no guarantee of future performance. The Xenon Alpha Plus2 portfolio will be leveraged between 2.5 to 4.25 times. Leverage serves to magnify both gains and losses

7 Year Correlation	Ivy Composite	Meridian Diversified Fund	Simulated Portfolio	MSCI World Acc Index Gross Div (A$)	Lehman Brothers Global Aggregate Index (hedged)
Ivy Composite	1.00	0.28	0.69	0.15	-0.06
Meridian Diversified Fund		1.00	0.89	0.44	-0.11
Simulated Portfolio			1.00	0.39	-0.11
MSCI World Acc Index Gross Div (A$)				1.00	-0.42
Lehman Brothers Global Aggregate Index (hedged)					1.00

Source: Lonsec

As shown in the above table, the correlation between the Ivy Composite and the Meridian Fund has been reasonably low over the seven year period assessed. In relation to correlation with 'traditional' asset classes, both the Ivy Composite and the Meridian Fund have displayed a low negative correlation to bonds. The Ivy Composite has displayed a low positive correlation to International Equities, whilst the Meridian Fund has displayed a moderate positive correlation (consistent with the more 'directional' nature of the Meridian portfolio).

Stress Year of 1998

During 1998 the hedge fund industry experienced a significant downturn, primarily due to the collapse of Long Term Capital Management. During this period Meridian's performance was solid, producing a return of 15.2%, while Ivy's performance was poor (producing a return of -0.7% for the period) it was stronger than that of the major hedge fund indices at that time. Meridian's Peak to Trough Drawdown was high for the period (-4.8%) as was Ivy's (-6.7%). However, the Time to Recovery was reasonable for both funds. The performance correlation between the two funds was moderately positive (0.5), indicating that the uniquely different strategies adopted by the managers may serve well to diversify risk and therefore minimize potential losses during stressful market periods.

Performance Sensitivity Analysis Matrix

The performance matrix below combines variations in the 3 month BBSW cash rate from a base of 5.9% p.a., with variations in the net return of the Xenon Alpha Plus2 fund from a base of 10.5%. The returns presented are based on the availability of additional leverage. Investors should note that under some circumstances, returns will be weak due to the cost of permanent leverage. The matrix would suggest that investors would receive a positive return of 18% for every $1.00 invested with a permanent leverage of $2.50 using the base parameters. However, if the 3 month BBSW increased by 3% and performance returns diminished by the same margin, investors would receive a negative return of (1.4%). Under any other combination within the matrix, the investor would expect to receive positive returns ranging from 1.4% to 35.3%. *Investors should note that this sensitivity matrix is for indicative purposes only and does not purport to display the full range of possible outcomes.*

% change in 3 month BBSW from base of 5.9%

-3	14.4%	18.2%	22.0%	25.5%	28.9%	32.2%	35.3%
-2	11.7%	15.6%	19.4%	23.1%	26.6%	30.0%	33.3%
-1	9.1%	12.9%	16.8%	20.6%	24.3%	27.8%	31.2%
0	6.5%	10.3%	14.1%	18.0%	21.8%	25.4%	28.9%
1	4.0%	7.7%	11.4%	15.3%	19.2%	23.0%	26.6%
2	1.4%	5.1%	8.8%	12.6%	16.5%	20.4%	24.1%
3	-1.4%	2.5%	6.2%	10.0%	13.8%	17.7%	21.6%
	-3	-2	-1	0	1	2	3

% change in underlying fund return from base of 10.5%

Sensitivity Analysis Table

Monthly Fund Returns	Return of Xenon Alpha Plus2	Return of the Funds
1.00% Growth p.a	24.17%	12.68%
0.75% Growth p.a	12.78%	9.38%
0.50% Growth p.a	1.61%	6.17%
0.00% Growth p.a	-21.19%	0.00%
0.50% Loss p.m	-40.13%	-5.84%
0.75% Loss p.m	-52.34%	-8.64%
1.00% Loss p.m	-59.46%	-11.36%
1% Grwoth p.m, except for a 1% loss every 4th month	1.95%	6.12%
1% Grwoth p.m for the first year and then no growth for the last year	13.73%	9.37%
1.5% Growth p.m, except for 5% loss incured every 12th month	22.63%	11.91%

The above table presents data on a string of return scenarios compiled by Deutsche Bank, and the subsequent impact of those returns on Xenon Alpha Plus2. Lonsec notes that the above returns assume 50% of invested funds are placed in the Ivy Fund and 50% in the Meridian Fund. Lonsec notes that the cost of Permanent Leverage does reduce investor's returns under certain circumstance. For instance, at current interest rates, the underlying funds would need to return in excess of 6% per annum for an investor to experience positive returns. As such, if returns diminish below this level persistently (and assuming interest rates remain unchanged) investor's returns in Xenon Alpha Plus2 will be negative. Alternatively, if the underlying funds consistently produce returns over and above 6% per annum and interest rates don't rise, Permanent Leverage will magnify the returns of Xenon Alpha Plus2.

Fees & Charges

Permanent Leverage within the Alpha Plus Portfolio will attract interest at a rate equal to the 3 month BBSW + 2.20% p.a. Additional Leverage will attract interest at the rate of the 1 month BBSW + 0.80% p.a.

The Ivy Fund is subject to a management fee equal to 1.50% per annum of the Ivy Fund's NAV. The Ivy Fund is also subject to an annual performance fee equal to 10% of any increase in the NAV of the Fund above a prior high watermark.

The Meridian Fund is subject to a management fee equal to approximately 1.25% per annum of the Meridian Fund's NAV. The Meridian Fund is also subject to an annual performance fee equal to 10% of any increase in the NAV of the Fund above a prior high watermark.

An exit fee will be payable if an investor chooses to sell their investment prior to maturity. Investors will need to pay a sliding scale fee of $0.04 for each share held in the first year, $0.03 in the second year, $0.02 in the third year and $0.01 in the final year, plus administration costs.

Overall Opinion

Lonsec believes Deustche Xenon Alpha Plus2 to be a sound product, which provides investors with access to two quality hedge fund-of-funds that would otherwise be inaccessible to Australian retail investors.

Key benefits of the product include:

- Access to two quality hedge fund-of-funds, who Lonsec believe to have robust investment processes
- As shares held with Deutsche Xenon will be treated as debt interests rather than as equity interests, the final dividend will not carry franking or imputation credits.
- Investors are not burdened with the additional cost of capital protection that is often included in this style or product, but is sometimes not justified from a risk/return perspective
- The shares are expected to display low correlation to traditional asset classes, and thus could be used as a diversifier in an investor's portfolio. Over the seven years to December 2004 both the Ivy and Meridian funds displayed a low negative correlation to bonds. The Ivy fund displayed a low positive correlation to international equities, whilst the Meridian fund has displayed a moderate positive correlation.
- The investment term of four years is less than most similar products currently in the market, and as such investors are required to 'lock up' their funds for a shorter period of time
- Lonsec believes that the alignment of interests between Deutsche and investors is high, with Deutsche being the leverage note provider and therefore exposed (alongside investors) to some capital risks
- Lonsec believes that Deutsche has carried out significant due diligence on the underlying managers and from a reputation perspective are committed to delivering a capital stable product to investors.
- According to Deutsche (based on a tax opinion from Greenwoods & Freehills) the investment structure suggests that investors are not exposed to yearly Foreign Investment Funds (FIF) tax. Naturally, investors will be subject to tax on final distributions depending on individual circumstances. The structure therefore potentially provides deferral of taxation liabilities (but does not otherwise reduce overall tax payable). Lonsec advises potential investors seek specialist taxation advice in relation to this aspect of the Xenon AlphaPlus2 product before investing.

Issues potentially mitigating these benefits include:

- Whilst leverage is variably applied on the upside to enhance returns, it is not variably reduced on the downside below 2.5 times (the Permanent Leverage level). That is, the Permanent Leverage of 2.5 times is applied regardless of whether returns are falling or rising. (In the event of poor returns investor's exposure to the funds is reduced via the rebalancing mechanism which reduces market exposure by rebalancing out of the fund and into the cash account but costs associated with the Permanent Leverage are still borne by the investor). As such, in the most extreme (and unlikely) circumstance, 100% of the product may be allocated to the cash accounts, which means that investors will effectively be 'going backwards' (i.e. the interest on the Permanent Leverage will exceed the interest on the cash accounts) despite being in cash. Lonsec believes that the product's structure would be enhanced by adopting a mechanism whereby the Permanent Leverage was not permanent and could be 'dialed down' under such circumstances in a similar manner to the Additional Leverage.
- One of the underlying hedge fund-of-funds managers, Ivy, has approximately US$15.2 billion in funds under management, making it one of the largest in the market. Lonsec believes that managers with smaller funds under management may be better placed to add value over the long term
- Investors need to note that Xenon Alpha Plus2 is a buy and hold product as early exit would incur costs and redemptions may be limited to 5% of the total shares originally issued per month
- Shares in Deutsche Xenon will not pay income/dividends during the life of the product, and as such will not be suitable for investors who require an income stream
- Compared to other asset classes, an investment in shares in Deutsche Xenon lacks transparency due to the large number of underlying investors and markets. Investors will receive monthly reports on the Net Asset Value of the shares, but it will not be possible to track the performance of the underlying securities

Overall Lonsec considers Deutsche Xenon Alpha Plus2 to be a well structured product that offers investors leveraged exposure to two quality hedge fund-of-funds managers, whilst not burdening investors with the additional costs of a capital guarantee. Lonsec's primary criticism of the product is that the Permanent Leverage is not able to be 'dialed down' in the same manner as Additional Leverage if significant underperformance is experienced. In our opinion this capability would enhance the overall attractiveness of the product.

Lonsec rates Deutsche Xenon Alpha Plus2 as 'Recommended'.

A Prospectus may be obtained from Deutsche Xenon on 1800 455 662, or via www.deutschexenon.db.com

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