Deutsche Bank

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Dear Sirs

**Nexus4 Topaz Notes (ASX code NXBHD)**
**Portfolio Commentary Report from Portfolio Manager**

Attached is a Portfolio Commentary Report prepared by the Portfolio Manager, Societe Generale Asset Management Alternative Investments SA (**SGAM AI**).

This report is prepared solely on the basis of information provided to Deutsche Bank by SGAM AI, and neither Deutsche Bank nor Nexus is liable for any error or omission in the information contained in the report.

Please note this report is in relation to Nexus4 Topaz Notes only and does not relate to Nexus1 Notes (ASX code NXBHA), Nexus2 Notes (NXBHB) nor Nexus3 Notes (NXBHC).

Yours faithfully

Deutsche Bank AG, Sydney Branch
(as Operating Agent for Nexus Bonds Limited)

SOCIETE GENERALE
Asset Management
Alternative Investments

# TOPAZ CDO I

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***Data as at 31st March 2006***

## Credit Market Comment

Credit spreads have continued to tighten, following two years of balance sheet strengthening and a low interest rate environment. During this period, increasing M&A activity and LBO fears have emerged as key market concerns.
M&A activity has been observed across all regions and all sectors; BASF approaching Engelhard Corp, Linde and BOC, Mittal's attempt to take over Arcelor after Arcelor's bid for Dofasco, Suez/ GDF merger to protect Suez from the hostile Enel bid.
LBOs have also been a major theme in corporate activity. VNU, TDC, Portugal Telecom, and even the very regulated BAA have suffered from the effective or potential changes to their capital structure.

Pension issues have also become increasingly important when evaluating the credit profile of corporates, with corporates under growing pressure to fund their pension schemes. This issue is of particular importance to corporates that have accrued a large number of retirees and thus have a high level of pension liabilities, creating a funding gap over time.
We expect the same themes to continue to drive the market going forward, with varying impact on different sectors. In the utility sector, even strong M&A activity has not led to significant credit spread widening, because of the lower business risk profile and the important benefits of scale. In the consumer product companies, high energy prices and high packaging costs are putting pressure on margins. Combined with pressure from equity investors asking for higher returns, this should lead to credit spread widening in this sector. Intense shareholder activity in the Telecom sector could also lead to a widening of current tight credit spreads.

Even if credit markets remain strong, the dispersion between credits will increase. Sector consolidation, energy prices, interest rate policy, and activist investors asking for higher returns will be the key drivers for the future. Given this general market backdrop of increased M&A / LBO activity and the likely increase of dispersion of credits in the portfolio, the focus will be on managing the portfolio to minimize any further reductions of the Income Factor.

In this report, we have summarized our views on ten companies in the Portfolio that we are most closely monitoring. None of these companies are an immediate concern to us. The Portfolio will be managed conservatively with a view of locking potentiel trading gains on relevent credits in order to keep building the Income Factor.

| Criteria | Target | Current* | Validation |
|---|---|---|---|
| **Maximum exposure to Portfolio Companies rated BB+/Ba1 or below** | 10% | 9.24%/8.40% | Pass |
| **Maximum Average 7 year Portfolio Credit Spread** | 3% | 0.73% | Pass |
| **Maximum exposure to a single industry** | 15% | 11.76% | Pass |
| **Maximum exposure to Portfolio Companies with no public rating** | 5% | 2.49% | Pass |
| **Maximum exposure to country rated below A-/A3** | 5% | 2.50%/1.70% | Pass |

**As of 03/31/06*

## NAMES ON WATCH

### TYSON FOODS, Inc

Rating: Moody's Baa3 Stable / S&P BBB Stable

Tyson Foods is the world's largest processor and marketer of chicken, beef, and pork as well as the second-largest food company in the US with sales over $25bn as per September 2005.
Tyson is also recognized as the market leader in the retail and foodservice markets where it holds more than 25% market share. It provides products and service to customers throughout the United States and more than 80 countries. One of its famous customer is Mc Donald's.
The first quarter for fiscal year 9/05 – 9/06 was reported on Feb 2006 with a revised fiscal year profit guidance. EBITDA declined by 7% to USD 239m vs. previous on flat sales. Total debt / ebitda was unchanged at 2.2x vs. end of fiscal 2005.
Spreads widened since January 2006 from 60bp to 105bp as of March 20th, 2006 mainly on account of avian-influenza concerns.
Tyson's business remains very much exposed to unpredictable event risk linked to epidemic, which could affect either beef or chicken, even both. Credit metrics are expected to weaken over FY 06, therefore we are looking for opportunities to take out this name as a potential downgrade to high yield would reduce the liquidity on the CDS.

### GECINA

Rating: S&P BBB- Stable

Gecina is a French property company with a Real-Estate value estimated at 8.8bn€ as per end of 2005. Gecina has two main activities : Residential Real-Estate wich provides diversified and regular incomes and Office & Commercial Real-Estate with high yield incomes. So, it provides to Gecina, safety and rentability.
The 2005 results are in line with expectations with an improvement in EBITDA (412M€, +4.1%) while net income slighty dropped at 650M€ ( -1.9% vs. previous year). Net Debt / EBITDA ratio was fairly stable at 7.9x
Sacresa, a Spanish privately-owned property group announced on February 28th, 2006 that it was launching a €1.6bn bid to raise its stake in Metrovacesa to 44.3% from the current 24.3%. As Metrovacesa owns 68.5% of Gecina, this had a ripple effect on Gecina's credit spreads, which have widened by 15bp since January 2006 to about 100bp.
While such a change in Metrovacesa's shareholding might have a negative impact on Metrovacesa's credit quality and thereby on Gecina's ratings, the Sacresa's management announced that they do not intend to raise their stake above 44% in Metrovacesa.
S&P has confirmed the ratings on Gecina at BBB- with a stable outlook
We remain confortable with this name and we think that there is good relative value in current CDS spread levels.

### HAVAS

Rating: Moody's NR / S&P NR

Havas is the world's sixth-largest advertising and communication group with a capitalization of €1.7bn as per March 13th, 2005 and revenues of €1.46bn in 2005. It is a relatively small player compared to Publicis, Omnicom, WPP or Interpublicy. Vincent Bolloré who now controls 25% of Havas' capital, is the group's largest shareholder. Mr. Bolloré's strategy is first to help Havas to restore its profitability and then potentially to merge the group with another media player (such as Aegis where Mr. Bolloré holds a minority stake of 25%) in order to create strong media group able to compete with larger groups such as VNU, WPP or Publicis.
Havas currently operates through three divisions:

- Euro RSCG (70% of revenue), a global integrated network, which provides traditional advertising as well as marketing services to a broad range of clients in more than 75 countries.
- Arnold (14% of revenue), a smaller network, more creatively driven, with a strong local presence in some countries in particular (the US, Canada, the UK, Spain, France, Italy, Australia or China).
- MPG (16% of revenue), a global media consultancy agency with leading positions in France, Spain, Portugal or Latin America notably.

2005 results were published on March 13th, 2006 and were perceived as a kind of mixed picture by the market. Sales were down by 2% to EUR 1.46bn as organic growth of 2.5% could not offset the impact of the disposals program. Operating income decreased from EUR 172m in 2004 to EUR 128m and net income slightly increased by 8% from EUR 55m to EUR 59m mainly due to lower financial expenses. Net debt although having increased from EUR 311m to EUR 417m as per end of 2005 remained at a conservative level (Net debt / equity amounted to 45% and is expected to drop to 36% at the end of 2006). For 2006, although the management refuse to comment on the consensus' forecast, operating margin should slightly increase to 11.6% boosted by and additional cost savings of about EUR 15 to 20m. Net result is expected to be slightly below EUR 100m.
Five year CDS spread was indicated at 245bp as of March, 20th 2006 (+20bp over the beginning of 2006)
We are comfortable with this credit and consider event risk as rather positive on Havas but we will take advantage of any signifcant tightening to reduce the exposure.

**Metso**

Rating: Moody's Ba1 Pos / S&P BB Stable

The Finland-based Metso is a global engineering company which supplies equipment, systems and aftermarket services to the pulp and paper, infrastructure construction and mining industries. It currently has a market capitalization of €4.2bn.

Until 2000, Metso's main business has been the supply of equipment to pulp and paper groups. In 2001, its 2nd largest activity, i.e. the delivery of products and services for the rock and mineral processing sector was strengthened by the acquisition of the Swedish group Svedala for €943m or €1.4bn including debt. It led to restructurings, including disposals of non-core activites, to reduce the group net debt. Metso now operates 4 divisions :

1. Metso Paper : It provides equipment, systems and services to mechanical and chemical pulp makers as well as paper and board producers. 2005 sales rose by 9.2% (€1.7bn).
2. Metso Minerals : It is the world's largest supplier of rock and minerals processing systems. 2005 sales rose by 27% (€1.7bn).
3. Metso Automation : It provides automation solutions to improve costumers' performance while lowering environmental impact notably. 2005 sales rose by +9.2% at €0.6bn.
4. Metso Ventures : It mainly develops businesses that serve the group's other divisions. 2005 sales rose by 23.5% at €0.3bn.

Profitability also improved significantly : EBIT rose from €199m in 2004 to €335m in 2005 (+68.3%), hence a margin of 7.9% compared to 5.5% last year. Profitability improvement was mainly driven by Metso Minerals, which posted an EBIT margin of 10.2% vs. 7.7% in 2004. It was logically due to higher volumes as well as to cost cutting actions. Metso Automation also exceeded the EBIT margin target of 8%, reaching 13.8% vs. 13% in 2004. Metso Paper increased its EBIT margin from 3.1% in 2004 to 5.3% in 2005.
We remain comfortable with this name and we think that there is good relative value in current CDS spread levels.

**Rallye**

Rating: Moody's NR / Moody's NR

Rallye is a holding company, which belongs to Financière Euris, one of the holding controlled by Mr. Jean-Charles Naouri. The main asset of Rallye is Casino, the French 4th largest retail group rated BBB- by S&P's and Fitch (stable outlook) which accounts for around 86% of the revaluated asset value. The financial holdings of Rallye were evaluated at EUR 3.4 bn (based on stock price of 28 December 2005) vs. a net debt position of EUR 2.2bn
The company's creditworthiness is obviously highly linked to the operating performance and stock market movements of Casino. Indeed, Rallye pays its financial expenses mainly with the significant upstream of Casino's dividends. Also, at year-end 2004, there were around 35% of Casino shares, which were either held in escrow to cover demand from holders of bonds exchangeable into Casino shares or pledged to financial institutions as security for loans and credit lines. In order to account for this subordination, Rallye is internally rated BB- (or 3 notches below our internal rating on Casino)

Therefore, Rallye's credit spreads are very correlated with Casino's spreads movements. Further to the FY 2005 results of Casino released on March 16th, 2006, Rallye's spreads significantly tightened to levels below 300bp on the five year CDS maturity (off the widest levels seen at 420bp in January 2006). This strong performance was driven by Casino's commitment to maintain an investment grade rating in 2006/2007 with a focus on reducing net debt through asset disposals (about EUR 1.5bn of asset sales are expected at Casino's level within the next two years). These measures will be supportive for Rallye's spreads in the near term. We remain comfortable with this name now that the visibility on Casino is better but we will watch closely if Casino debt-cutting plan is on track.

**VNU**

Rating: Moody's Ba1 Neg / S&P BBB- Neg

With sales of EUR 3.5bn in 2005 and a market cap of EUR 7bn as per March 20th, 2006, VNU is a global leader in the field of marketing, media and business information. It has operations in more than 100 countries.
The company has overall a well-balanced business portfolio across regions and units with worldwide recognized brands such as AC Nielsen and Nielsen Media Research. Following the cancellation of the proposed merger with IMS due to shareholder pressure, the company announced in Nov. 05 the return of €1bn to its shareholders and the appointment of a new CEO. Since that date, rumours of LBO have circulated around the company and finally on March 8th 2006, VNU's management agreed on a takeover bid from a group of private equity firms (including Blackstone, Carlyle and KKR) in a total deal valued at EUR 8.6bn (including EUR 1.1bn debt).

Moody's lowered the rating from Baa2 to Ba1 with a credit watch negative considering the uncertainty about the deal structure and a potential subordination at the bondholders level. This offer led by KKR group subject to a 95% shareholder approval was subsequently turned down by two major shareholders, Fidelity International and Knight Vinke Asset Management which together holds close to 10% of VNU's equity capital.

On this news, five year CDS spread rallied from the wide levels seen at 250bp to 180bp as per March 20th, 2006.

**ELISA**

Rating: Baa2 Stable / BBB Neg

Elisa Corp. is Finland's second-largest phone company after leader TeliaSonera with sales of EUR 1.45bn in 2005. It operates in the fixed-line, DSL and mobile segments. Its mobile division outweighs its fixed division in terms of revenues and EBITDA and has diversified in Estonia where it is the No. 3 player today.

The shareholder structure is very fragmented with Novator Finland Oy, a newly-formed investment vehicle owned by Icelandic tycoon Thor Bjorgolfsson, being Elisa's biggest shareholder with 10% of share capital and voting rights.

Following a tough competitive environment and difficult market conditions, Elisa posted challenging 4Q 2005 results. Sales fell 2.2% to €343m, net income fell to €28m from €51.5m (-46%). Sales fell for an eighth straight quarter as prices drop and fixed-line demand slowly declines.

The company has already cut more than a third of its workforce to boost earnings and intends to pursue its cost cutting policy for 2006.

The company's financial profile is conservative. Net debt decreased to €293m at year-end 2005 vs. €462m in 2004, due to sales of non-core assets and an improvement of cash-flow generation. Adjusted net debt/ EBITDA decreased to 1.3x in 2005 from 1.7x a year before. Leverage is managed according to a stated target ratio of adjusted net debt to EBITDA of up to 2x.

Elisa could leverage up slightly its balance sheet in 2006 in order to potentially fight against an LBO bid. Therefore, the management recently proposed a €116m for distribution and a 10% share buy-back (Elisa has not distributed dividends since 2002 mainly in order to reduce debt).

However, due to the significant cash flow and still decent EBIDTA margin and low leverage (about 30% in 2005), ratings should remain in investment grade territory in 2006.

Five year CDS spread was indicated at 105bp as of March 20th, 2006.

We remain comfortable with this name and we think that there is good relative value in current CDS spread levels.

**TDC - A/S -**

Rating: Issuer Credit Rating: Moody's: Ba3 Stable / S&P BB- Stable - Senior Unsecured rating: Moody's: Ba3 Stable / S&P B Stable

Following the EUR 15bn LBO acquisition in last December 2005, leverage at the Nordic Telephone Company (the name of the company set up for the LBO acquisition of TDC) is expected to be no more than 6x. Going forward, the credit quality will highly depend on asset disposals and the dividends that will be extracted by the private equity groups.

Fourth quarter results were very strong with net income increasing threefold to DKK 4.38bn or EUR 600m boosted by the sale of the yellow pages to Australia's Macquarie Capital in October 2005.

TDC has several participations in Telco companies that it expects to sell within the next 12 months (Bite, Song Networks, Talkline). It is currently in the process of selling a majority of its stake in Polkomtel SA (15% out of 20%) for a cash consideration of EUR 650m. The expected asset disposals should allow the company to maintain a rating floor at BB- or Ba3 at S&P's and Moody's.

Since the LBO, spreads have moved in a trading range of 250-300bp which is in line with the current leverage at NTC and with an expected rating in the BB category. We remain comfortable with this name due to the company's strong cash flow and significant market shares and we think that there is good relative value in current CDS spread levels.

**Hertz**

Rating: Moody's B2 Stable / S&P B Stable

Hertz is the largest worldwide car rental company and ranks third in North America on the equipment rental business (through its subsidiary, Hertz Equipment Rental Corp). The group generated revenues of $ 7.47bn and a net income of $ 377m in 2005 with about 75% of the business derived in car rental.

The credit profile has undoutebly weakened since the LBO on December 21st, 2005 of $ 15bn led by the Carlyle Group, Clayton Dubilier & Rice Inc and Merill Lynch Private Equity. Based on the pro forma accounts the debt level has increased by $ 2bn from $ 10.6bn to $ 12.7bn or 4.7 times the expected EBITDA for 2006. About two-thirds of the tangible assets are now secured which means that the remaining deliverable bonds for the CDS contracts are de facto subordinated.

Therefore, the senior unsecured ratings were downgraded by S&P's from BBB- to B two days later and by Moody's on January, 9th 2006 from Baa3 to B2.

Both agencies granted a stable outlook to their LT ratings. S&P's noted the adequate level of the group's liquidity with around $ 450m of unrestricted cash and an access to several credit facilities. Additionnally, about 80% of Hertz car fleet is covered under auto manufacturer buyback programs which significantly reduces residual and liquidity risk.

Given the strong performance of Hertz spreads since beginning of 2006 (- 100bp on the 5 Y CDS which was indicated at 200bp on April 10th 2006), we are now looking for opportunities to switch out the name from the portfolio.

**Bombardier Capital**

Rating: Moody's Ba2 CW Neg / S&P's BB CW Neg

Bombardier Capital Inc is a wholly owned captive finance subsidiary of Bombardier Inc. Fiscal 2006 results ending in January 2006 and Q4 2006 were published on March 29th, 2006 and showed that the group is recovering at both the operating and financial levels. Indeed, Bombardier has been severely hit by the Sept 11 aftermath with the collapse of airplane orders and the file for Chapter 11 of US major airlines like US Air.

Results for FY 2006 were boosted by higher than expected deliveries of business jets (particular higher-priced Challenger and Global series aircraft) which are more profitable than regional jets. The regional jet backlog continues to be a concern with less than 100 units as at the end of January 2006 thus representing a little over a year' worth of production. However, Bombardier is still the worlwide leader in the 20-90 seat regional market (jets and turboprops) with a 50% order market share in 2005. The company may record some operational performance upside in this segment in 2006 since the turboprop market is experiencing a turnaround (due to the continuing high fuel cost and less maintenance costs vs. regional jets). Additionnally, Bombardier decided to postpone the C Series project (estimated global cost of $ 4.5bn) which should save about $150m of capex in 2006. This program could be later launch (probably not before 2008) with partners with low cost of production (Russia or China).

In the transportation business segment, Bombardier managed to remain profitable in spite of the collapse of the UK and German orders in 2004 which resulted in 24% decline in the European turnover (83% of the business activity in FY 2006). The situation should improve this year with a book-to-bill target superior to 100% and a development in new geographical markets (South East Asia, Eastern Europe and Russia). The management expects an EBIT margin of 6% in two to four years (vs. 3% in FY2006).

Regarding the financial position, Bombardier was able to significantly improve its cash position thanks to assets sales (recreational products for CAD 1.2bn) and a good level of free cash flow ($ 530m in 2006). The high level of balance sheet liquidity (about $ 3bn reported at the end of FY 2006) should largely cover working capital needs (which are structurally high in the first two quarters) and bonds repayment (about $ 1bn in FY 2007 included Bombardier Capital).

We entered Bombardier Capital in the portfolio on November 3th, 2005 at the following levels: 245bp on the 3Y, 308bp on the 7Y and 323bp on the 10Y CDS maturity. The rationale of the trade was first our fundamental positive view on the Bombardier group and secondly at that time our belief that the management would not issue bank debt or bonds out of Bombardier Capital in the future. Our view was that the CDS on Bombardier Capital would have to tighten on the back of a lack of underlying securities referencing Bombardier Capital beyond 2009 (the longest bond maturity being the 6.75% 5/14/2009).

Since the substitution date, Bombardier Capital CDS spreads significantly tightened and were indicated at 90bp mid on the 5Y maturity. We are now looking to opportunities to switch out the name from the portfolio as we consider that currrent spreads on Bombardier Capital fully integrate the potential lack of deliverable securities beyond 2009.

## 10 Tightest 5 Year Credit Market Spreads*

| Name | Spread (basis points) |
|---|---|
| TOTAL SA | 10 |
| GENERAL ELECTRIC CAPITAL CORP | 16 |
| SAINSBURY (J) PLC | 18 |
| AMBAC FINANCIAL GROUP INC | 19 |
| ROYAL & SUN ALLIANCE INS PLC | 19 |
| VATTENFALL TREASURY AB | 20 |
| LEHMAN BROTHERS HOLDINGS INC | 23 |
| EXPORT IMPORT BANK OF KOREA | 24 |
| INTL LEASE FINANCE CORP | 24 |
| CIT GROUP INC | 24 |

## 10 Widest 5 Year Credit Market Spreads*

| Name | Spread (basis points) |
|---|---|
| HAVAS SA | 240 |
| RALLYE | 229 |
| TDC A/S | 228 |
| HERTZ CORP | 221 |
| TUI AG | 189 |
| VNU N.V. | 164 |
| FLEXTRONICS ONTL LTD | 158 |
| EMI GROUP PLC | 152 |
| KONINKLIJKE AHOLD NV | 139 |
| FRESENIUS | 126 |

## 10 Best performing names*

| Name | Spread (basis points) |
|---|---|
| HERTZ CORP | -94 |
| RALLYE | -77 |
| BANCA POPOLARE DI LODI SCRL | -73 |
| DEGUSSA AG | -71 |
| COMPASS | -55 |
| FRESENIUS | -52 |
| TDC A/S | -47 |
| EMI GROUP PLC | -40 |
| HEIDELBERGCEMENT AG | -39 |
| SAINSBURY (J) PLC | -37 |

## 10 Worst performing names*

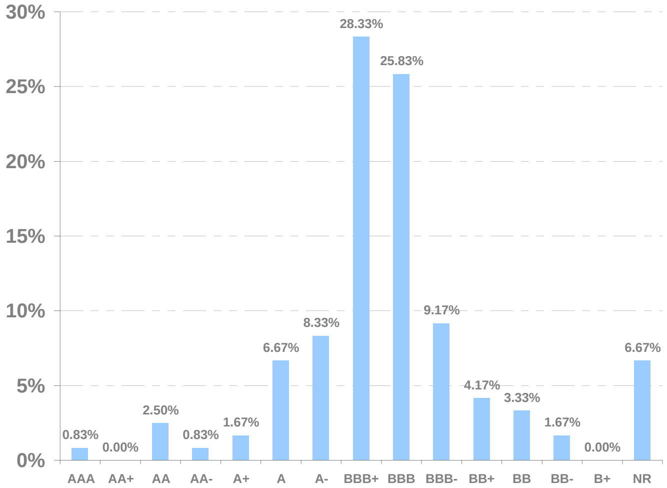
| Name | Spread (basis points) |
|---|---|
| TYSON FOODS INC | 67 |
| TUI AG | 41 |
| RADIOSHACK | 33 |
| KONINKLIJKE AHOLD NV | 28 |
| HAVAS SA | 28 |
| GECINA SA | 23 |
| CLEAR CHANNEL COMMUNICAT | 15 |
| HJ HEINZ CO | 14 |
| TELEFONOS DE MEXICO SA DE | 14 |
| EASTMAN CHEMICAL COMPANY | 13 |

**As of 03/31/06*

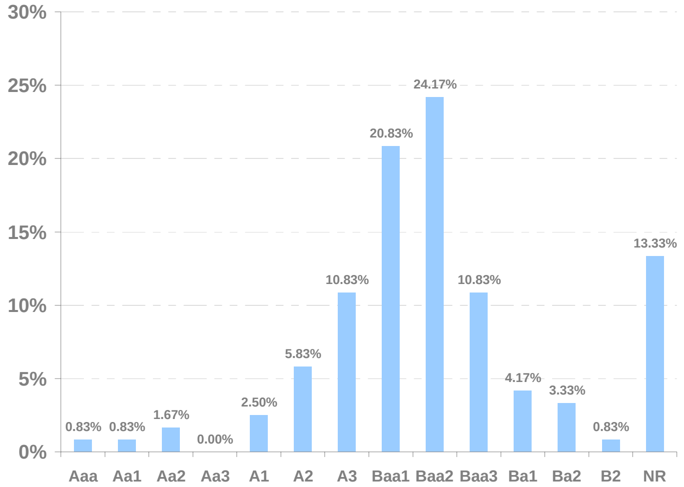
## CREDIT MIGRATIONS (During the quarter)

| Date | Name | Agence | From | To | Action |
|---|---|---|---|---|---|
| 31/03/2006 | FRESENIUS AG | S&P | BB+ | BB | DOWN |
| 31/03/2006 | DEGUSSA | Moody's | Baa1 | Baa2 | DOWN |
| 29/03/2006 | DOMINION RESSOURCES | Moody's | Baa1 | Baa2 | DOWN |
| 14/03/2006 | RADIOSHACK Corp | Moody's | Baa1 | Baa2 | DOWN |
| 09/03/2006 | SCOTTISH & NEWCASTLE | S&P | BBB | BBB- | DOWN |
| 08/03/2006 | V.N.U NV | Moody's | Baa2 | Ba1 | DOWN |
| 06/03/2006 | AOL TIME WARNER | Moody's | Baa1 | Baa2 | DOWN |
| 06/02/2006 | BANCA POPOLARE DI LODI SCRL | Moody's | Baa2 | Baa3 | DOWN |
| 27/01/2006 | DEGUSSA | S&P | BBB+ | BBB | DOWN |
| 17/01/2006 | V.N.U NV | S&P | BBB | BBB- | DOWN |
| 16/01/2006 | KONINKLIJKE AHOLD NV | Moody's | Ba2 | Ba1 | UP |
| 11/01/2006 | TELEFONICA, SA | S&P | A- | BBB+ | DOWN |
| 09/01/2006 | HERTZ CORP | Moody's | Baa3 | B2 | DOWN |

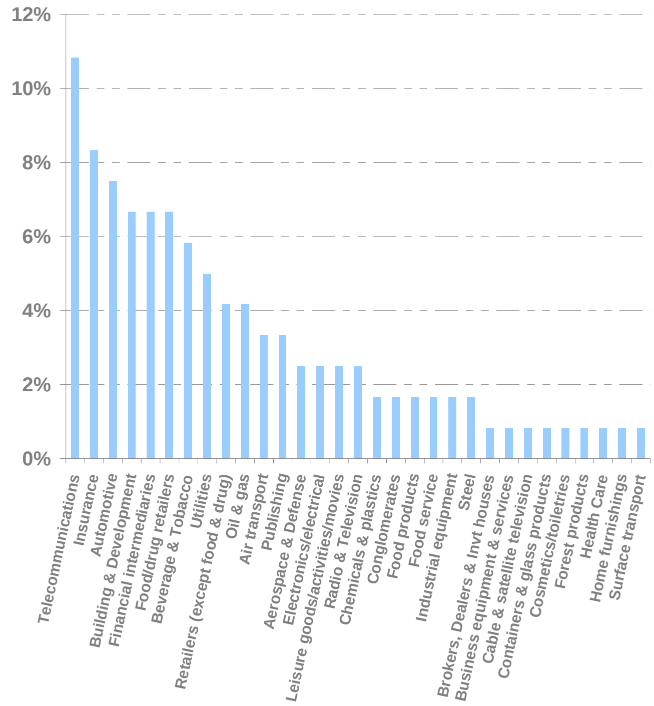
## S&P Rating*



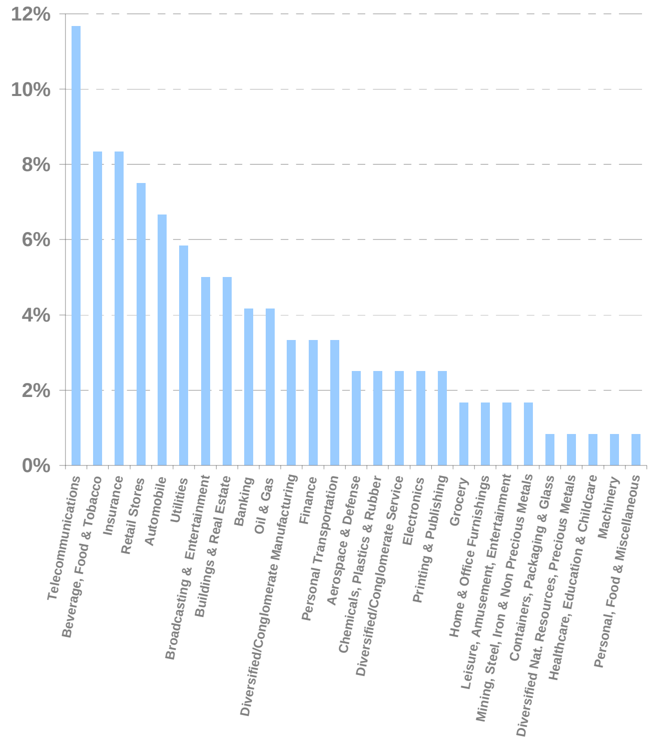

## Moody's Rating*




## S&P Industry Classification*




## Moody's Industry Classification*




**As of 03/31/06*