Deutsche Bank

20 July 2006

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The Directors
Nexus Bonds Limited
Level 16, Deutsche Bank Place
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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**).

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)

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TOPAZ CDO I

Datas as at 30th June 2006

Global Market Comment

The FED has again raised rates by 25 bp up to 5.25% and indicated that additional tightening may be needed. The main concern of the FED is about the recent move in core inflation. However, its last statement mentionned that the moderation in the growth of aggregate demand should help to limit inflation pressures over time. Upcoming economic data will be key to determine wheter growth will slow and push down inflation or that sustained growth will lead to further tightening. In addition, BOJ is on its way to end its 0% rate policy and we expect euro rates to reach 3% by the end of the year.
This change in the economic cycle, with more restrictive monetary policies, has lead to a major correction on the credit market. The market has expected growth to substantially decrease by the end of the year and therefore impact negatively corporate earnings. Thus, the credit has been extremely volatile over the period. Large positions were unwound as liquidity was reducing.
But credit has proven to be a low beta asset class compared to the stock market. Nevertheless, annualized GDP growth is still above interest rate and this will continue to support the credit market. Also we estimate that the global leverage of investment grade corporates is fully acceptable and should not deteriorate significantly over time.

Even if we expect the credit market to be stable over the coming months, we think that the High yield market and especially the emerging markets should experience more volatility than the investment grade universe. Strong sell off on local markets combined with large offers on high yield bonds and leveraged loans will maintain spreads high. Credit investors are looking for stability and will favor lower beta exposures and particularly financials and sub financials that have been oversold over the last month.

TOPAZ : Transaction summary

Issuer: Deutsche Bank
Manager: SGAM Alternative Investments
Arranger: Deutsche Bank
Bloomberg : GPGX1168 20

5yr Initial Average spread: 67.47 bp
Second Coupon Reset Spread: 53.4 bp
Initial Average rating: BBB

Criteria	Target	Current	Validation
Maximum exposure to Portfolio Companies rated BB+/Ba1 or below	10%	9.24%/7.56%	Pass
Maximum Average 7 year Portfolio Credit Spread	3%	0.60%	Pass
Maximum exposure to a single industry	15%	10.92%	Pass
Maximum exposure to Portfolio Companies with no public rating	5%	2.50%	Pass
Maximum exposure to country rated below A-/A3	5%	2.50%/1.70%	Pass

Substitutions during the period

The total gains during the period raise at EUR 114 381

Add	Remove
BOMBARDIER INC.	BOMBARDIER CAPITAL Inc.
THE GAP, Inc.	TYSON FOODS, Inc.
KAUPTHING BUNADARBANKI hf.	THE HERTZ CORPORATION
REPSOL YPF S.A.	J SAINSBURY PLC
KINGFISHER PLC	VATTENFALL AKTIEBOLAG

NAMES ON WATCH

BOMBARDIER Inc – Ba2 neg / BB neg

Current 5 Y CDS Spread = 280bp

We entered Bombardier Inc in the portfolio on 27th April 2006 as a subtitute of Bombardier Cap in order to lock in a trading profit (see our last Newsletter comment from March 2006)
The credit spread has recently underperformed on the back of disappointing 1Q 2006/2007 figures (weaker free cash flow and operating margins than expected) and due to the global widening of the US high yield and cross-over indices. The 1Q2006/2007 results do not change our positive long term fundamental view on this name as the operating margin improvements targest are 2-4 years but we will monitor closely Bombardier's liquidity position during the next quarters.

HAVAS - NR/ NR

Current 5 Y CDS Spread = 240bp

Havas published its 1Q2006 results on May 11th, 2006 with a 2.6% rise in sales to EUR 339m mainly due to the dollar strenghtening. Excluding effect of acquisitions and currency swings, organic sales decreased by 2.4%. However, sales levels should be better over the 2H of 2006 as the company announced several new accounts recently, one of which being from Reckitt Benckiser Plc worth USD 733m which is considered as the biggest over the last five years.
For now, spreads movements remain largely correlated to the declaration of Mr. Bolloré regarding a potential merger between Aegis and Havas which could hurt the latter's balance sheet in case of a debt-financed acquisition but this could also be highly beneficial for Havas in terms of size and improvement in operating margins. We still continue to see value in Havas at the current spread level considering that.
European IG media sector trade on average around 50bp on the 5 year maturity. Next sales and earnings release are expected to be published on September 8th, 2006.

TUI AG – Ba2 neg / BB+ pos

Current 5 Y CDS Spread = 220bp

We entered TUI AG in the portfolio on January 26th, 2006 at a spread of 210bp (7Y CDS). TUI emerged from the industrial conglomerate Preussag in 2001 after a significant asset disposal programme and is now entirely focused on tourism and shipping where it holds significant market shares (n1 in Europe in tourism and n5 worlwide in shipping). Total revenues amounted to EUR 19.6bn in 2005 with net profit of EUR 495m. The recent acquisition of CP Ships (Eur 2bn) was mainly financed by a debt programme in December 2005 (perpetual hybrid debt, fixed and floating senior debt) and since that date the credit spread has been quite volatile moving in a broad range of 180 -250bp on the 5 year maturity.

Despite of the full integration of CP Ships in FY 2006, profits in this division should be lower than last year due to restructuring and higher operating costs (mainly fuel costs). However, although TUI remained a leveraged company (net debt / EBITDA = 5.3x on an adjusted basis in FY 2005), credit profile is expected to improve as from 2007 with some EUR 1bn of asset sales and an expected positive flat or slightly positive free cash flow in 2007 / 2008.

Gecina – NR / BBB – neg

Current 5Y CDS Spread = 120bp

Founded through a merger between two Spanish real estate companies in 2003 (Bami and Metrovacesa), Metrovacesa launched a bid on Gecina in March 2005. Metrovacesa finally acquired 68.5% of Gecina for €3.8bn, while the life insurance company Predica (Credit Agricole) maintained its 12.2% stake. Gecina's market capitalization currently amounts to €6bn compared to €7.5bn for Metrovacesa.

At the end of 2005, the net market value of Gecina's portfolio amounted to €8.8bn. It consisted of €4.9bn of offices (55.5%), €3.6bn of residential properties (41.3%) and €0.3bn of other assets such as hotels and logistics (3.2%). Though residential assets traditionally offer lower yields than offices, they are less cyclical, underlining the relatively defensive nature of Gecina's current portfolio. It also includes high quality assets, mainly located in Paris and the Greater Paris region. These areas represented 58.2% and 33.5% of Gecina's appraised asset value in 2005 versus 4% for Lyons

On March 1st 2006, through its holding Sacresa Patrimonial, Roman Sanahuja launched an unsolicited cash offer for 20% of Metrovacesa's capital. The price was fixed at €78.1/share, hence a €1.6bn deal, which is expected to be mainly debt-financed. Sanahuja's objective is to become Metrovacesa's reference shareholder with a 44.3%'s stake. According to the Spanish regulation, a takeover for 100% of the company is only required if the bidder's share exceeds 50%.

On May 5th 2006, through their respective holdings (Alteco Gestion and Mag-Import), Joaquin Rivero and Bautista Soler made a counter-bid to acquire 26% of Metrovacesa's at €80/share. Then, if their debt-financed €2.1bn offer is successful, they would control 38.1% of Metrovacesa's capital.

At this stage, while Sanahuja's offer has been agreed by the Spanish market regulator (the CNMV), the Rivero/Soler's bid still requires approval. Expected in the coming days, it would necessarily lead Sanahuja to make a decision. He may either withdraw or raise its €1.6bn initial bid. However, according to the Spanish regulation, a counter-bid should cover at least the same portion of capital as the Rivero/Soler's offer, i.e. 26%. In that case, Sanahuja could control at least 50.3% of Metrovacesa's capital, implying a takeover for 100% of the company. According to press reports, Sanahuja may try to find an agreement with the CNMV in order to improve its bid without launching a full offer on Metrovacesa. He could actually extend its offer to 26.9% of the company at €90/share and agree to sell a stake of 1.3% once the bid is completed, reducing its ownership to 49.9%.

Current uncertainties on Metrovacesa's ownership have been negative for Gecina's credit spread which widened by 50bp. In the short term, the worst case scenario would be a full takeover bid on Metrovacesa from Sanahuja, leading to a higher consolidated leverage. We clearly do not believe this scenario is going to happen as the latter would involve at least EUR 8bn of financing. A partial bid from Sanahuja would have a lower impact on the group's leverage but would probably lead to major changes in Metrovacesa's management, hence uncertainties on the group's strategy in the medium term. From that point of view, a successful partial bid from Rivero/Soler could be more favourable as it would comfort the existing management. Moreover, Rivero/Soler could reduce their stake in Metrovacesa over time as their bid was mainly defensive.

Further news on the pending bids on Metrovacesa are expected to be released at the end of July 2006 and we will closely monitor on this matter

Ahold – BB+ stable / Ba1 Pos

Current 5 Yr CDS Spread = 140bp

Despite reassuring comments on margins made when 1Q06 sales were reported, Ahold Q1 numbers were slightly disappointing. Indeed, Ahold published its 1Q2006 results with a 8.6% rise in sales to EUR14bn mainly due to the dollar strenghtening, Ahold realizing 70% of total sales in the United States. Excluding the currency effect, sales rose only by 2.1%.

The main area of disappointment was the key US retail division. Stop&Shop /Giant Landover published a 5.7% 1Q06 net operating margin slightly poorer than 1Q2005 (6.10%). At Giant Carlisle / Tops, while poor sales suggested a sharp decline in margins, margins held up better than expectations (sales -1.8% vs 2005; net operating margin in line with 1Q05 at 2.6%). There were no major surprises for the rest of the businesses : Albert Heijn / Schuitema was slighty better while USF was slightly lower than expected.
Net operating income over 1Q06 reached EUR455m, a rise of 31% vs. 1Q05, which is explained by the positive currency effect as well as an exceptional €66m real-estate sale. Excluding these two effects, operational margin rose by 3.6% vs. 4.2% for 1Q05.

Regarding the financial profile, the group reached its deleveraging targets at year-end 2005 thanks to much larger proceeds from the disposal programme and thus exhibited key financial ratios consistent with a high BB rating. However, the recovery to investment grade will take longer than previously expected since uncertainties remain on Ahold's ability to turn around its US Foodservice division and on the profitability levels it could reach at year-end 2006.

Since the beginning of the year, we have seen a 25bp widening of 5Yr CDS Spread. Currently, 5Yr Spread is at 140bp vs. 115bp in January 2006.

Cap Gemini's financial profile supports the rating. Funds from Operations (FFO) coverage of net debt at year-end 2005 was very strong (more than 1x), adjusting for significant operating lease and pension commitments. Despite the issuance of a convertible bond during 2005, gross-debt-based FFO coverage was slightly above 20% at year-end 2005.

5 Y CDS spread has tightened by 40bp since the beginning of 2006 from 150bp to 110bp.

Rallye- NR
Current 5Yr CDS Spread = 200bp

Rallye is a holding company, which belongs to Financière Euris, one of the highly leveraged holding of JC Naoury. The main asset of Rallye is Casino (France 4th largest retailer), which accounted for around 86% of the revaluated asset value. The financial holdings of Rallye are evaluated at €3.4 bn (based on stock price of 28 December 2005).

Casino published strong 1Q2006 sales stated at EUR5.9bn. It raised by 17%, mainly due to the proportional consolidation of CBD in Brazil since 1st of July 2005 and the global integration of Vindemia since 1st of October 2005. 1Q2006 organic growth is 3.8% which is better than 2005. Moreover, Casino reaffirmed its growth and profitability objectives as well as deleveraging with Net Debt / EBITDA < 2.5x year-end 2007 vs. 3.5x year-end 2005. The management also announced a EUR2bn asset disposal program of which EUR500m has already benn executed.

As result, Rallye 5Yr CDS spread tightened strongly from 450bp in February/March 2006 to 200bp since the beginning of May.

VNU NV – B1 CW Neg / B+ CW Neg
Current 5 Y CDS Spread = 320bp

S&P's and Moody's donwgraded VNU at the end of May 2006 from BBB- to B+ (S&P's) and from Ba1 to B1 (Moody's) on fears of increased leverage further to the LBO acquisition (up to 9x EBITDA / net debt in a worst case scenario). Both rating agencies have maintained a credit watch negative on VNU as the final acquisition structure is not know yet.

Indeed, on May 19th 2006, the most fierce shareholder opponent to the LBO, Knight Vinke finally accepted the deal and on June 9th 2006 at the close of the "post acceptance period", 99% of shares have been tendered to the sweetened offer (€29.5) led by the private equity consortium. 5 Y CDS spreads closed at around 250bps.

On July 10th, 2006 VNU announced a proposal of a new financing structure including about USD 1.7bn of bonds (some of which being subordinated unsecured debt, i.e high yield debt, maturing in 2016) which could be guaranteed by VNU and certain of its subsidiaries. Further to this news, 5 year CDS widened by 50bp but the main issue remains to know whether this guarantee is conditional or not conditional and whether the new senior bonds are deliverable or not deliverable under the existing CDS contracts. Depending on the outcome of this issue, the 5 year CDS either further widened up to 400bp or strongly tightened back to 200bp (i.e the current level of the CDS on TDC).

Additional information regarding the new bond issuances (legal issuers, credit ranks, level of guarantee) are expected at the end of July 2006 and we will closely monitor on this matter.

10 Tightest 5 Year Market Spreads*

Name	Spread
TOTAL SA	8
ESSENT NV	15
AMBAC FINANCIAL GROUP INC	17
ENECO HOLDING NV	17
GENERAL ELECTRIC CAPITAL CORP	17
ZURICH INSURANCE COMPANY	20
INTL LEASE FINANCE CORP	23
EXPORT IMPORT BANK OF KOREA	25
LEHMAN BROTHERS HOLDINGS INC	25
LVMH MOET HENNESSY LOUIS VUI	25

10 Widest 5 Year Market Spreads*

Name	Spread
BOMBARDIER INC-A	296
VNU N.V.	259
HAVAS SA	243
TUI AG	225
RALLYE	204
TDC A/S	168
FLEXTRONICS ONTL LTD	165
EMI GROUP PLC	164
BRITISH AIRWAYS PLC	148
KONINKLIJKE AHOLD NV	148

10 Worst performing names*

Name	Spread
VNU N.V.	133
TUI AG	71
GECINA SA	59
BRITISH AIRWAYS PLC	51
PCCW-HKT TELEPHONE LTD	46
EMI GROUP PLC	44
FRESENIUS	38
HEIDELBERGCEMENT AG	35
FLEXTRONICS ONTL LTD	33
HAVAS SA	33

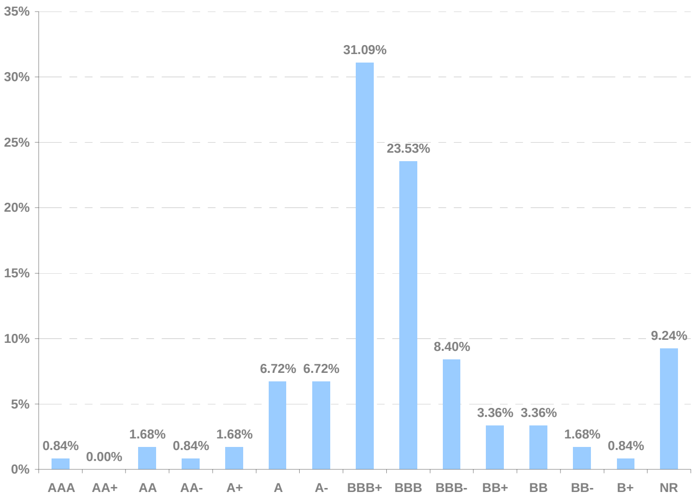
10 Best performing names*

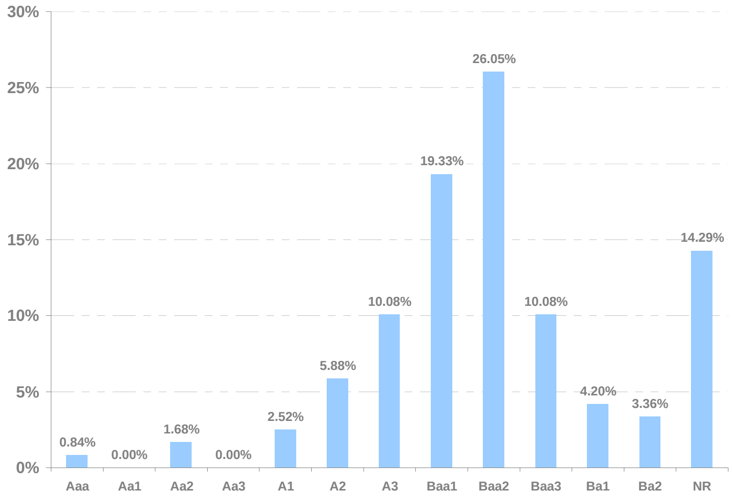
Name	Spread
BOMBARDIER INC-A	-86
ELISA COMMUNICATIONS OYJ	-23
TDC A/S	-22
WPP GROUP PLC	-14
HJ HEINZ CO	-11
ESSENT NV	-8
BANCA POPOLARE DI LODI SCRL	-7
METSO CORPORATION	-5
ENECO HOLDING NV	-5
PILKINGTON PLC	-4

**As of 06/30/06*

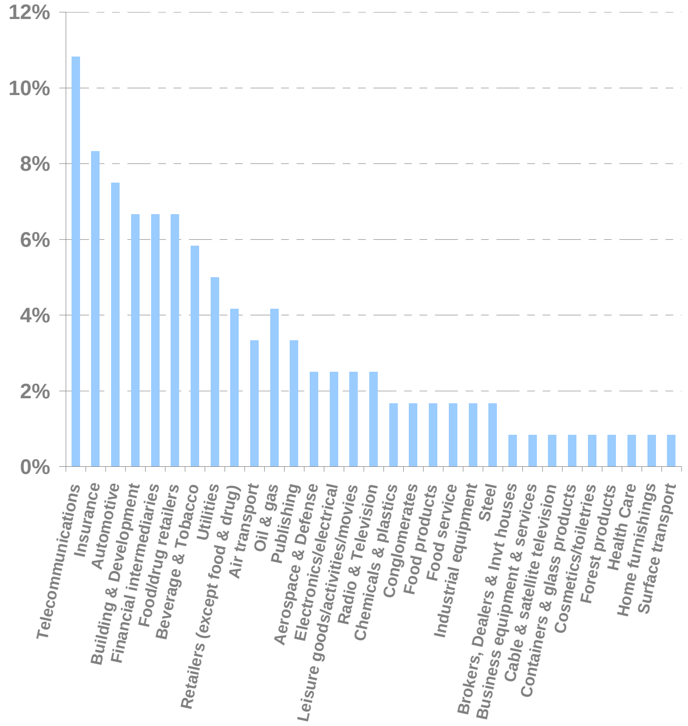
CREDIT MIGRATIONS (During the quarter)

Date	Name	Agence	From	To	Action
29/06/2006	H.J HEINZ COMPANY	S&P	A-	BBB+	Down
29/06/2005	TELEKOM AUSTRIA AG	S&P	BBB	BBB+	Up
21/06/2006	VALEO	Moody's	Baa1	Baa2	Down
20/06/2006	PILKINGTON PLC	S&P	BB+	NR	-
15/06/2006	SARA LEE Corp	Moody's	A3	Baa1	Down
26/05/2006	VNU N.V.	Moody's	Baa2	B1	Down
22/05/2006	VNU N.V.	S&P	BBB-	B+	Down
15/05/2006	ABB Ltd	S&P	BBB-	BBB+	Up
08/05/2006	CAPITAL ONE FINANCIAL CORP.	S&P	BBB-	BBB	Up
05/05/2006	HALLIBURTON COMPANY	S&P	BBB	BBB+	Up
21/04/2006	RADIOSHACK	S&P	BBB+	BBB-	Down
13/04/2006	TDC A/S	Moody's	Ba1	Ba3	Down
11/04/2006	TDC A/S	S&P	BB	BB-	Down

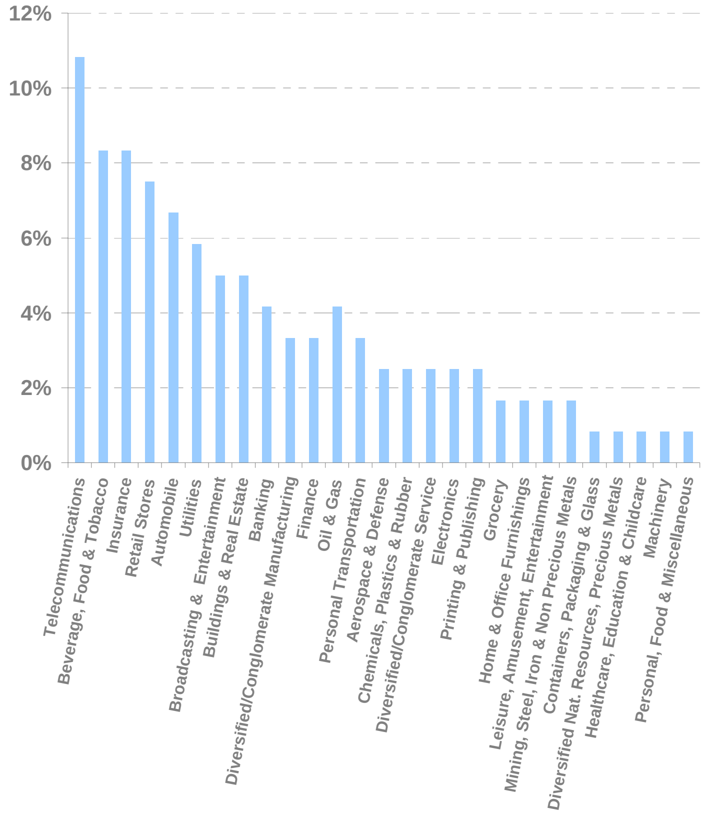




S&P Industry Classification*



Moody's Industry Classification*



**As of 06/30/06*