Deutsche Bank

30 October 2006

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The Directors
Nexus Bonds Limited
Level 16, Deutsche Bank Place
Cnr Hunter & Phillip Streets
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Dear Sirs

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

Attached is a Portfolio Commentary Report for the quarter ended 30 September 2006 prepared by the Portfolio Manager, Société Générale 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)

Nexus 4

Topaz Notes

Quarterly report

Third Quarter 2006

Alternative Investments

SOCIETE GENERALE
Asset Management

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TRANSACTION SUMMARY

Issuer	Nexus Bonds Limited	
Manager	SGAM Alternative Investments	
Arranger	Deutsche Bank	
Ticker Bloomberg	NXBHD Corp <Go>	
5yr Initial Average Spread	67.47 bp	
Initial Average Rating	BBB	
Next Reset Date	20/11/06	
2nd Coupon Reset Spread	53.78 bp	(May, 2006)
1st Coupon Reset Spread	72.06 bp	(November, 2005)

LIABILITIES CHARACTERISTICS

Class	Rate	Participation	Maturity	Previous Income Factor	New Income factor	Change in Income Factor
Nexus4	**BBWS 6m**	**4**	**10Y**	**77.0435%**	**77.0435%**	**0.00000%**

MANAGEMENT PHILOSOPHY

- NEXUS4 are Capital Guaranteed Notes with coupon linked to the performance of CDO equity tranche.
- High quality reference portfolio: 120 Companies wtih an average rating of BBB, diversified through 32 sectors
- Floating Credit Spread: The coupons are fixed every six-month period to reflect the average 5 year credit margin of the portfolio

MARKET OVERVIEW

During the quarter, the credit market has been extremely robust. The euro main Investment Grade index has tightened by 2 bp while the US North American Investment grade index has tightened by 3.5 bp.
The Federal Reserve has decided to hold its benchmark interest rate at 5.25% at its last meeting. The slide in oil prices combined with moderated growth suggests lower inflation ahead. Therefore we think that we are at an inflexion point of the interest rate cycle in the US and that the interest rate hike should be subdued in Europe. In this context, we expect the credit market to continue to trade in a narrow range and a bullish range.

However idiosyncratic risks are increasing essentially due to equity activity and shareholder activism. Leveraged Buyout funds are extremely active and have raised huge amounts of money. A total amount of €250 bn raised by Private Equity funds has been estimated for 2005. Among recent LBO cases, ISS, TDC and VNU have a respective leverage of 7.4, 5.8 and 7.5. On the back of these changes of capital structure, rating agencies act very promptly and downgrade the entity down to B/B+.
M&A activity has had also an impact on the credit spreads. But in our view, only a combination of M&A activity and a weak economic growth can lead to a durable widening of credit spread.

In this environment, those specific risk factors are balanced by still accommodative long term rates, economic growth, low inflation, weaker energy price. In addition to macro economy, the bid for structured credit product and the inadequation between supply and demand of regular corporate exposure, continue to put pressure on spreads with a bias on curve flattening.

LIMITATION TESTS

Criteria	Target	Current	Validation
Maximum exposure to Portfolio Companies rated BB+/Ba1 or below	10%	8.40%/8.40%	Pass
Maximum Average 7 year Portfolio Credit Spread	3%	0.75%	Pass
Maximum Exposure to a single industry	15%	10.92%	Pass
Maximum exposure to Portfolio Companies with no public rating	5%	3.36%	Pass
Maximum exposure to country rated below A-/A3	5%	2.50%/1.70%	Pass

5 YEAR MARKET SPREADS

		Current spread 29/09/2006	Spread as of 30/06/2006
5 Tightest Market Spreads* *(5 years CDS)*	AMBAC FINANCIAL GROUP INC	13	17
	GENERAL ELECTRIC CAPITAL CORP	13	17
	ENECO HOLDING NV	15	17
	ESSENT NV	15	16
	INTL LEASE FINANCE CORP	19	23
5 Widest Market Spreads* *(5 years CDS)*	VNU N.V.	474	257
	BOMBARDIER INC-A	284	304
	TUI AG	271	232
	RALLYE	263	208
	HAVAS SA	261	242

PERFORMING NAMES

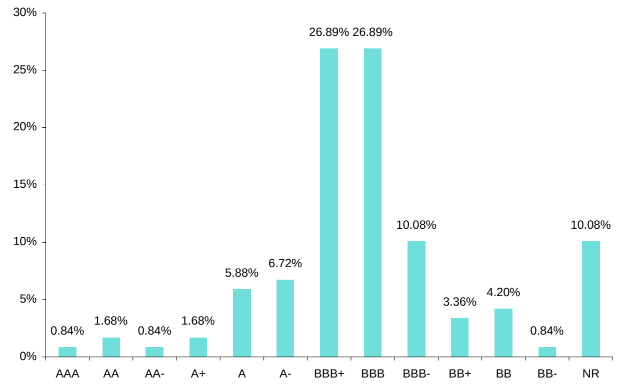
		Current spread 29/09/2006	Spread as of 30/06/2006	Variation
5 Best performing names* *(5 years CDS)*	TDC A/S	132	172	-40
	EMI GROUP PLC	132	169	-37
	BRITISH AIRWAYS PLC	108	149	-41
	HEIDELBERGCEMENT AG	51	91	-40
	METSO CORPORATION	50	84	-34
5 Worst performing names* *(5 years CDS)*	VNU N.V.	474	257	+217
	TUI AG	271	232	+39
	RALLYE	263	208	+55
	HAVAS SA	261	242	+19
	VALEO	90	69	+21

CREDIT MIGRATION DURING THE PERIOD

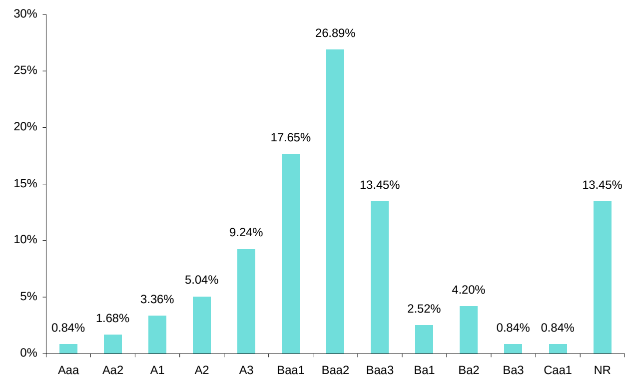
Date	Name	Agence	From	To	Action
18/07/06	DEGUSSA AG	S&P	BBB	BB	↘
18/07/06	VNU N.V.	Moody's	B1	Caa1	↘
20/07/06	REPSOL YPF SA	S&P	BBB+	BBB	↘
24/07/06	BPI - BPL - SOCIETA COOPERATIVA	S&P	BBB-	BBB	↗
31/07/06	BOOTS GROUP PLC	S&P	BBB+	BBB	↘
03/08/06	C.G.FINANCIERE DES ETBLSMTS MICHELIN	S&P	BBB+	BBB	↘
03/08/06	SPRINT CORP-FON GROUP	S&P	A-	BBB+	↘
04/08/06	HEIDELBERGCEMENT AG	S&P	BB+	BBB-	↗
08/08/06	SPRINT CORP-FON GROUP	Moody's	Baa2	Baa3	↘
21/08/06	HJ HEINZ CO	Moody's	Baa1	Baa2	↘
15/09/06	DAIMLERCHRYSLER AG-REG	Moody's	A3	Baa1	↘
15/09/06	HJ HEINZ CO	S&P	BBB+	BBB	↘
28/09/06	METSO CORPORATION	Moody's	Ba1	Baa3	↗

RATING SPLIT

S&P

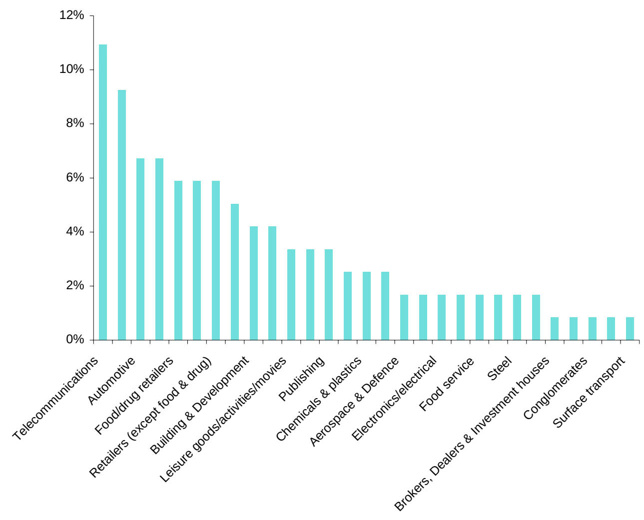


Moody's

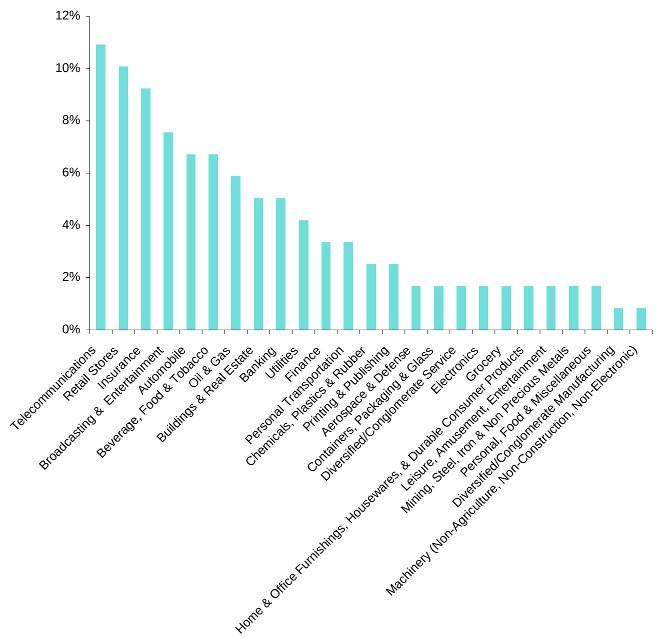


INDUSTRY BREAKDOWN

S&P Industry Classification



Moody's Industry Classification



SUBSTITUTIONS DURING THE PERIOD

No substitution during the period

NAME FOCUS

Bombardier Inc – Ba2 neg / BB neg

Current 5 Y CDS Spread = 284bp

The five year credit spread has moved in a tight range during the last quarter between 270bp and 300bp despite the company's fall in net income posted for the 2Q2006 at $58m vs. $117m a year ealier (but this period included a one off gain of $121m on the sale of a financing business to GE). Results were again a mixed bag with continuing sluggish demand for regional aircrafts and a strong demand for regional jets (the backlog is now at 2.5 years). The good surprise was the strong results posted by the rail division were margins improved to 3.7% vs. 2.6% a year earlier. The company booked orders of $1.9bn during the 2Q 2006 (+22% vs. 1Q06) and the backlog rose to $22.2bn. New orders remained very strong as well over 3rd 06 with close to $2bn of contracts (rapid rail system in South Africa, rapid transport cars in Chicago). Bombardier also recorded $1.2bn in new orders for its regional aircraft business (19 CRJ 900 and 10 Q400 turboprop aircrafts).

Havas – NR

Current 5 Y CDS Spread = 263bp

Havas credit spread recently widened (+15bp on the five year) on the back of disappointed first-half results which were impacted by new staff hire (+5% rise in personnel costs). First-half net income fell 39% percent to EUR 21m. The company strategy at the moment aims at reconquering market shares and it may take one to two years before operating margins improve. Management said they were confident for the company's near future with significant growth expected for 2007.

Tui AG – Ba2 wneg / BB+ neg

Current 5 Y CDS Spread = 271bp

Spreads widened in August and September due to weak Q2 results and more recently due to private equity rumours. We believe the latter are not warranted since the company's leverage is already quite high at about 4.5x ad. Net debt / EBITDAR (as of end 2005). Results were affected by integration costs relating to the CP Ships acquisistion (EUR 30m), lower freight rated and the increase in oil prices while the tourism was doing well with reported EBITA up EUR 36m to EUR 152m. Further to these results, TUI has revised down its 2006 forecast which prompted a reaction from both rating agencies with Moody's placing the company's LT rating on watch neg and S&P's assigning a neg outlook on its BB+ LT rating which appears now too generous . We believe that any rating action would be limited to a notch dowgrade given that credit ratios are expected to remain stable over 2006 (mainly due to the asset disposal program).

Ahold – BB+ stable / Ba1 Pos

Current 5 Yr CDS Spread = 130bp

The company's 2Q06 results were above market expectations with EBIT reaching EUR 376m vs. an estimated level at EUR 295m. The positive surprise came from the US retail which showed a margin improvement: the EBIT in this division was up 21% and represented 45% of the group's EBIT. Free cash flow was positive and allowed a slight net debt reduction of about 10% to ca. EUR 5bn.

The current spread dynamic remains largely linked to the potential merger with Delhaize or to the potential break up of the group with the sales of the US retail operations in which case the CDS could significantly tighten as the US debt (issued by Ahold USA Inc) facing the retail activities would most certainly be paid back leading to much lower leverage at the group's level. A merger with Delhaize could also be credit positive as the latter generate higher margins on its US businesses with potential significant synergies in a new Delhaize- Ahold group.

Gecina – NR / BBB – neg

Current 5Y CDS Spread = 125bp

Spreads slightly tightened after the Spanish Stock Exchange Regulator announced on Sept. 22, 2006 the result of the current bidding war to gain control of Metrovacesa, Gecina's current parent company, which end up with no clear verdict since both bidders, Alteco (run by Metrovacesa's current chairman, Mr. Ribero) and Sacresa are now controlling resp. 36% and 39.5% of Metrovacesa. A new bid is now only possible after a six months period under the Spanish regulations.

VNU Group N.V – Caa1 stable / NR

Current 5 Y CDS Spread = 474bp

During the LBO process, VNU provided revenue and EBITDA projections through 2008 based on the company's own budget. These impy that VNU could reduce leverage by around 1x per year (from a pro-forma level of 9x under the current CDS deliverable bonds) driven by EBITDA growth alone. Second-quarter 2006 results were released at the end of Sept 2006 and showed a decent performance both in terms of operating revenues and income (with resp. 6% and 11% growth in constant currency and before special one off items related to the LBO transaction). These results are sor far in line with the business plan which sets targets of +5% and +8% in CAGR for the group's revenues and EBITDA through 2008. The company has recently hired a new CEO, Mr. D.Calhoun who was previously Vice Chairman of GE. Mr. Calhoun may consider to sell some assets such as the business media Europe division in order to speed up the deleveraging process. However, free cash flow could also be used for additional capex in new products / services which could then slow down the deleveraging process.

Another risk could be that the new owners decide to upstream a special dividend which would then limit the debt reduction program. The five year CDS spread has stabilized at around 500bp since the beginning of August 2006.

CREDIT OUTLOOK

Investment grade credit performance has been again very good during the last quarter and paradoxically most investors are changing their mind about the market. We do not think that systemic risk has increased significantly and therefore continue to expect the market to trade in a narrow range. In this particular context of tight spreads, we favour subordinated financial debt and intend to reduce Telcos and consumer cyclical exposure.

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