Deutsche Bank

11 January 2007

Deutsche Bank AG
ABN 13 064 165 162
Deutsche Bank Place
Level 16, corner of Hunter & Phillip Streets
Sydney NSW 2000 Australia
GPO Box 7033 Sydney NSW 2001

Tel: 61 2 8258 1234
Fax: 61 2 8258 1128

Direct: 61 2 8258 2506

The Directors
Nexus Bonds Limited
Level 16, Deutsche Bank Place
Cnr Hunter & Phillip Streets
Sydney NSW 2000

Dear Sirs

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

Attached is a Portfolio Commentary Report for the quarter ended 31 December 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

Wayne Hose

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

Nexus 4

Topaz Notes

Quarterly report

Fourth Quarter 2006

Alternative Investments

SOCIETE GENERALE
Asset Management

TABLE OF CONTENTS

NEXUS4
Topaz Note

Fourth Quarter 2006

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	20/05/2007	
3rd Coupon Reset Spread	48.68 bp	(November, 2006)
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%**	**76.9926%**	**-0.05094%**

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

The credit market trend has been very positive this quarter. The i-Traxx Main Serie 6 5 Y and the Cross Over indices tightened by respectively 10 bp and 66 bp while in the US the CDX IG 7 and Cross Over tightened by respectively 6 bp and 29 bp. In our view, the strong performance of the credit market comes from two key features.

- Expectations of a slowdown of the US economy had driven to expectations of an easier Fed policy. While corporate profits were climbing, the credit market benefited from lower interest rate and higher corporate valuation.
- Inflation fears have been largely over estimated; first in the US (because of a more advanced economic cycle) but also in the Euro zone. Today, the trend has been completely reversed and expectation of inflation is at its lowest since the spring rise.

Considering financial conditions we expect the market to trade in a range for the beginning of 2007 with a sharp increase of the volatility. Fundamentals remain very supportive, as they were at the end of 2006. We still have a combination of low inflation, low interest rate environment and vigorous growth. Moreover the tremendous Asian growth and the high prices of the commodity market are continuously fuelling liquidity. Thus any market correction is considered by the market as an entry point. New structured product issuance will continue to be very supportive for the credit market.

However we may see a turn in the credit cycle as leverage increases slightly, especially on the High Yield market. A slight squeeze of corporate margins could trigger a sharp downturn of corporate margins. In addition the weakness of the USD is a key element of concern. A stronger USD policy would naturally lead the FED to a further resumption of rate hikes. Such would push to a further inversion of the interest rate curve. This could be an early signal of a trend inversion for both the equity and the credit market.

But the greater fear is in our view, the number of potential LBO. The macro economic situation (low interest rate, buoyant equity market, corporate ability to generate cash flows, rich emerging countries) makes the transfer of value from debt to equity through LBOs more and more popular and structures more and more leveraged. In addition considering the amount of cash raised and the lack of any other alternative attractive investments, the number of LBOs should increase.

CONSTRAINTS

Criteria	Target	Current	Validation
Maximum exposure to Portfolio Companies rated BB+/Ba1 or below	10%	10.83%/11.87%	Failed
Maximum Average 7 year Portfolio Credit Spread	3%	0.70%	Pass
Maximum Exposure to a single industry	15%	10.92%	Pass
Maximum exposure to Portfolio Companies with no public rating	5%	1.67%	Pass
Maximum exposure to country rated below A-/A3	5%	2.50%/1.70%	Pass

5 YEAR MARKET SPREADS

		Current spread 29/12/2006	Spread as of 29/09/2006	Variation
5 Tightest Market Spreads* *(5 years CDS)*	ENECO HOLDING NV	9	10	-1
	GENERAL ELECTRIC CAPITAL CORP	12	13	-1
	CNOOC LTD	13	23	-10
	EXPORT IMPORT BANK OF KOREA	15	23	-8
	INTL LEASE FINANCE CORP	15	19	-4
5 Widest Market Spreads* *(5 years CDS)*	VNU N.V.	474	474	0
	TUI AG	240	270	-30
	HAVAS SA	237	276	-39
	BOMBARDIER INC-A	216	277	-61
	RALLYE	212	261	-49

**Source: Markit*

PERFORMING NAMES

		Current spread 29/12/2006	Spread as of 29/09/2006	Variation
5 Best performing names* *(5 years CDS)*	BOMBARDIER INC-A	216	277	-61
	RALLYE	212	261	-49
	KONINKLIJKE AHOLD NV	78	123	-45
	HAVAS SA	237	276	-39
	TDC A/S	103	137	-34
5 Worst performing names* *(5 years CDS)*	QANTAS AIRWAYS LTD	201	37	164
	RADIOSHACK	210	130	80
	EMI GROUP PLC	157	139	18
	GAP INC	123	108	15
	TAKEFUJI CORPORATION	64	50	14

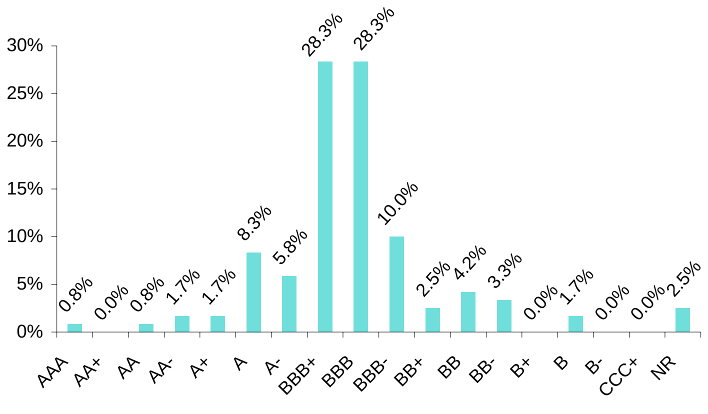
**Source: Markit*

CREDIT MIGRATION DURING THE PERIOD

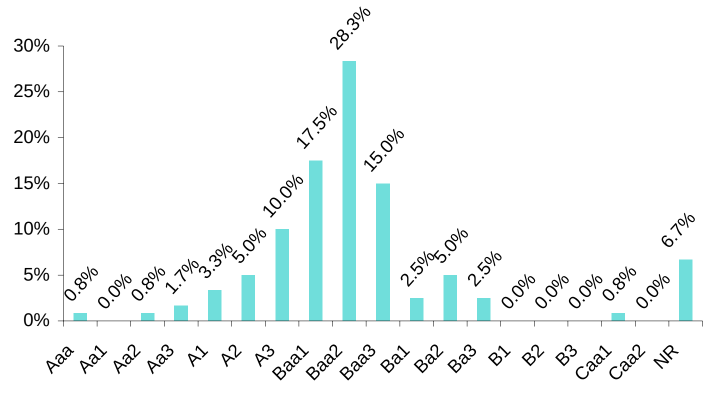
Date	Name	Agence	From	To	Action
06/10/2006	MICHELIN (CGDE)-B	Moody's	Baa2	Baa3	↘
09/10/2006	METSO CORPORATION	S&P	BB+	BBB-	↗
13/10/2006	SCOR SA	Moody's	Baa1	A3	↗
20/10/2006	EMI GROUP PLC	Moody's	Ba1	Ba2	↘
23/10/2006	HELLENIC TELECOMMUN ORGANIZA	Moody's	A3	Baa1	↘
24/10/2006	ALTRIA GROUP INC	Moody's	Baa2	Baa1	↗
25/10/2006	RADIOSHACK	S&P	BBB-	BB	↘
27/10/2006	RADIOSHACK	Moody's	Baa2	Baa3	↘
09/11/2006	TUI AG	Moody's	Ba2	Ba3	↘
13/11/2006	TUI AG	S&P	BB+	BB	↘
17/11/2006	GAP INC	S&P	BBB-	BB+	↘
27/11/2006	GMAC LLC	S&P	BB	BB+	↗
28/11/2006	CAPITAL ONE FINANCIAL CORP	Moody's	Baa1	A3	↗
01/12/2006	CAPITAL ONE FINANCIAL CORP	S&P	BBB	BBB+	↗
11/12/2006	ACE LTD	S&P	BBB+	A-	↗
14/12/2006	KINGFISHER PLC	Moody's	Baa2	Baa3	↘
22/12/2006	MUENCHENER RUECKVER AG-REG	S&P	A+	AA-	↗

RATING SPLIT

S&P

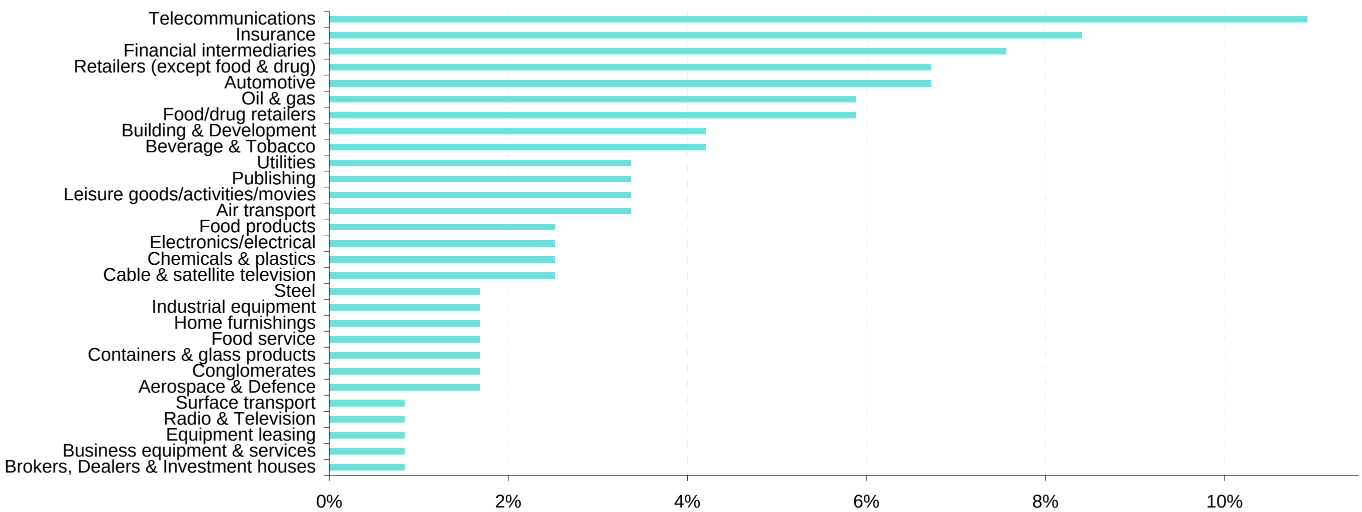


Moody's

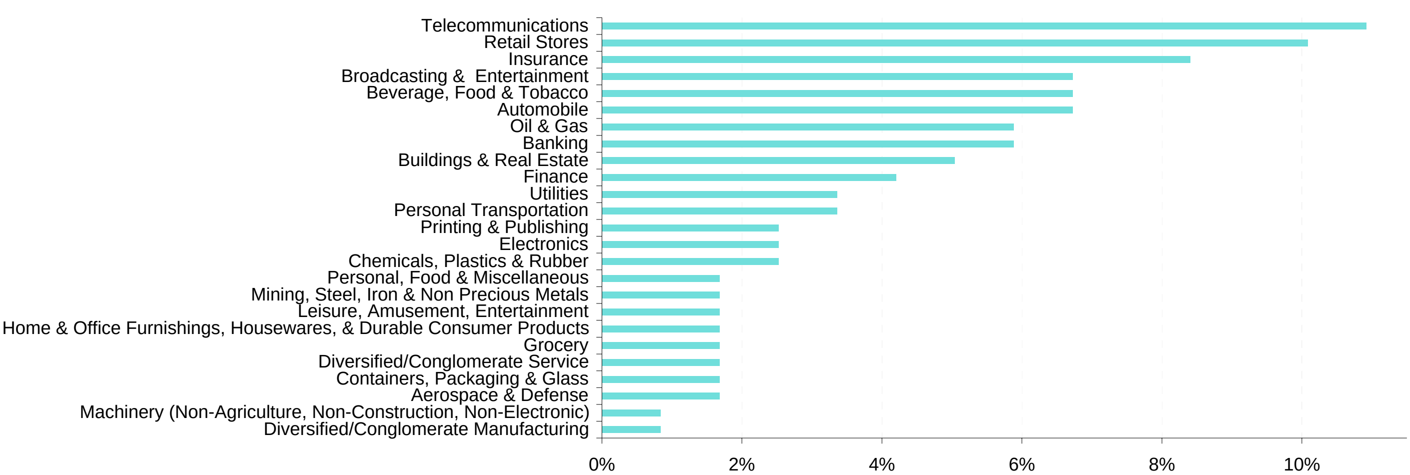


INDUSTRY BREAKDOWN

S&P



Moody's



SUBSTITUTIONS DURING THE PERIOD

30/10/2006

REMOVED	ADDED
Ambac	Lanxess
Essent	Marsh & Mc Lennan Cies Inc
Degussa	Thomson
Clear Channel	Gmac LLC

NAME FOCUS

TUI AG - Ba3 (neg) / BB-
Spread 5YR 240bps
TUI credit spread recently tightened (-15bps) after the company announced it plans to cut 3 600 tourism jobs, omit payment of a dividend this year and sell assets to decrease costs and pay back debt. Prior this news, TUI reported particularly poor Q3 06 results and made several profit warnings during 2006. Moody's cut the rating from Ba2 to Ba3 on November 9th and left it on review for further downgrade. Q3 EBITDA declined by 17% due to decreasing margins and activity on the shipping unit as a consequence of increasing fuel cost and growing competition.
In tourism, profit grew in Germany and Northern Europe but declined in France and this was not enough to compensate for shipping losses.
We are still closely monitoring this name and any further disappointing quarterly results could prompt a partial / total CDS unwind from the portfolio.

RadioShack - Baa3 (neg)/ BB
Spread 5YR 210bps
RSH's five year credit spread widened during the last three months (+60bps on the five year) and its rating was cut to BB from BBB- by S&P on October 25th. RadioShack has experienced an important decrease in its wireless business which represent one third of its total revenues (sales down by 9% during 3Q). The company suffered after it started offering Cingular Wireless Network instead of Verizon.
In view of the declining activity and margins and the huge challenge faced by the company's new CEO (Mr. J Day) to restore the business, we are currently contemplating to reduce exposure on RSH from the portfolio. Liquidity was satisfactory with USD 450m in cash as of Dec. 31, 2006

EMI Group Plc - Ba2 / BB
Spread 5YR 157bps
EMI credit spread has been volatile over the last quarter of 2006 due to takeover talks with PE groups. The 5Y CDS spread moved in a range of 140-180bp. Let alone ongoing LBO rumors, credit spreads also widened on the back of persistently weak industry fundamentals (continued erosion of music distribution franchise due to tough competition from digital music recording) and the group's inability to organically de-leverage. Considering current tough business conditions for EMI and very high valuation (we calculated a EV/EBIDTA of 13.5x as of Dec 31,st 2006 including a 20% market premium on stock valuation), we don't really think that an LBO is the most likely scenario for the company.
At this stage, we believe that EMI's CDS spreads are trading in line with the rating having in mind that a Warner / EMI merger could also be a solution in 2007.

British Airways - Ba2 / BB+
Spread 5YR 88bps
British Airways 5 Y credit spread has tightened by about 20bp over the last quarter though the company published a mitigated set of results for Q3 2006. On the one hand, margin decreased from 11.8% to 5.8%. On the other hand, revenues increased by 4.9% with an important rise in traffic. After cost-cutting programmes, BA has benefited from an impressive recovery in profitability. However the company is still exposed to the current difficult environment (fuel costs, terrorist threats, competition from low-costs).
In terms of relative value, we consider the current spreads as being too tight and we may therefore partially or totally reduce the exposure in the portfolio.

Gecina - NR / BBB- (neg)
Spread 5YR 123bps
On a stand-alone basis, Gecina’s credit profile is sound because it benefits from a large portfolio with high quality assets in Paris and its leverage is moderate. Gecina should therefore deserve an A rating, in line with competitors. However, Gecina is penalized by Metrovacesa’s major ownership (68.5%) which has a riskier portfolio with also a higher leverage. Gecina’s 3Q 2006 net result increased twofold boosted by a sharp rise in the value of the Spanish real-estate company and in rental revenues. At this stage, we believe that current spreads fully compensate for the credit risk.

Qantas - Baa1 (neg) / BBB+ (neg)
Spread 5Y 201bp
Qantas recently accepeted a AUD 11bn LBO by a group including Macquarie, Texas Pacific group and other equity partners. Qantas has a quasi monopolistic position on the Australian domestic market (it carries more than 2 out 3 domestic passengers) and a leading position on intercontinental flights. Because of Australia’s geography it is the only company in the world to have that kind of franchise. Due to its solid positions and profitable international routes Qantas has a very strong financial profile. It has allowed the company to post profit for the 14 consecutive years. Clearly the spread widening illustrates a sharp change in the capital structure and not a decline of its fundamental.
At this stage it seems that the offer values the company 17.5 the earnings compared to 13.5 and 15.5 respectively for Singapore Airlines and Cathay Pacific. Both Moody’s and S&P have put the rating on neg watch revision.
Our view is clearly that we do not expect any kind of liquidity issues for Qantas and of course no risk of bankruptcy. We wait for more precision of the debt level and on its structure to evaluate the fair value of the cds and its corresponding rating. Today considering, the rating, the CDS spread and the fundamental of Qantas it is not appropriate to remove Qantas from the portfolio. But if the spread should widen up sharply further (400/450 bp) or the rating be below B, we would be in a situation of distressed credit and therefore consider an immediate switch.

Havas SA - NR / NR
Spread 5Y 237 bp
Havas credit spreads significantly tightened during the period from its highest level for 2006 at about 300bp in early October down to 245bp as per end December 2006. We still believe that there is value in Havas for what in our view is a strong BB credit with a 3.2x leverage with some potential upside that could come during 2007 from 1) improved organic growth and 2) a potential merger with Aegis which would bring decent synergies and would create a much larger group. Indeed, Havas recently won several contracts including Reckitt Benckiser, Epson, Danone in the US, LG electronics in Latin America or Barclays Plc in the UK which is very encouraging for the company’s future growth. The company’s traditional weak cash position needs however to be closely monitored.

VNU N.V. - Caa1 / CCC+

Spread 5Y 474 bp

Pro forma operating revenue for 3Q 2006 was 904 million euros, an increase of 6% in constant currency over the prior year. The majority of the growth derived from its Media, Measurement&Information unit which benefited from continued good demand for TV audience measurement especially in the US. As off end of Q3, total debt was 6 billion euros and cash balances were 353 million euros. During the third quarter VNU borrowed approximately 5.271 billion euros to fund partially the acquisition of the company by Valcon Acquisition B.V. During the period, VNU sold Business Media Europe that publishes more than 70 magazines for professional. Moreover VNU's intention to cut more than 4.000 jobs and to put in place a cost cutting plan has led to a sharp decrease of the 5 Y CDS spread which has tightened to 345bp (down from a tight print at over 500bp a few days after the LBO capital structure was announced).

CREDIT OUTLOOK

Given the actual level of spreads, we do not see any major further major tightening of the credit spreads. We favour a situation of higher volatility mainly due to increasing risks of LBO but keep confident that any sharp turn of the credit cycle should not happen in the near term.

CONTACTS

SGAM Alternative Investments

Nicolas CHANUT
Head of CDO & Credit Management
+ 33 (0)1 56 37 61 69
nicolas.chanut@sgam.com

Stéphane PARLEBAS
Deputy Head of CDO Credit Management
+ 33 (0)1 56 37 64 16
stephane.parlebas@sgam.com

Steven LE MOING
Head of CDO - Structured Credit Business
+ 33 (0)1 56 37 65 65
steven.lemoing@sgam.com

Irène SEUM SOUK
CDO - Structured Credit Business
+ 33 (0)1 56 37 65 64
irene.seumsouk@sgam.com

Client Services
+33 (0)1 56 37 65 33
structuredproducts.services@sgam.com