

23 April 2007

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Dear Sirs

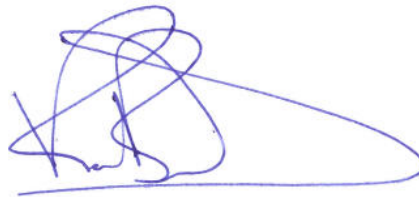
**Nexus4 Topaz Notes (ASX code NXBHD)
Portfolio Commentary Report from Portfolio Manager**

Attached is a Portfolio Commentary Report for the quarter ended 31 March 2007 prepared by the Portfolio Manager, Société Générale Asset Management Alternative Investments SA (**SGAM AI**).

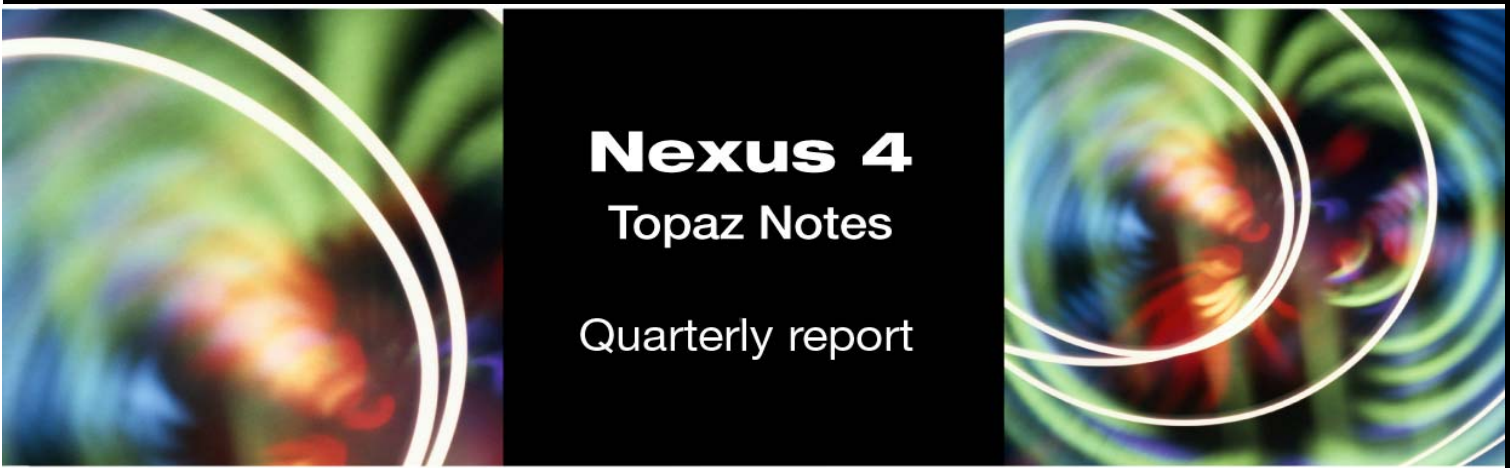
Neither Deutsche Bank nor Nexus is liable for any error or omission in the information contained in the report.

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

First Quarter 2007

Alternative Investments



SOCIETE GENERALE
Asset Management

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NEXUS4 Topaz Note

First Quarter 2007

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	
3 rd Coupon Reset Spread	48.68 bp	(November, 2006)
2 nd Coupon Reset Spread	53.78 bp	(May, 2006)
1 st 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	76.9926%	76.9503%	-0.04223%

MANAGEMENT PHILOSOPHY

- ⊙ NEXUS4 are Capital Guaranteed Notes with coupon linked to the performance of CDO equity tranche.
- ⊙ High quality reference portfolio: 120 Companies with 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 global credit market has been settling down after a peak of volatility at the end of the quarter. The iTraxx® serie 6 Main and X-Over indices closed respectively at 22.38bps and 200bps compared to 23.38bps and 218bps at the end of last year. Even if the market has performed well during the period, increasing volatility has raised some concerns from investors driven by three main points

- The equity sell-off on the Asian market,
The Asian equity sell-off was mostly driven by non-resident investors reducing their exposure to local markets and has been interpreted as a shift in risk aversion and as an early signal of a global unwind of carry trades.

- The sub prime concerns in the US

Benefiting from a steep interest rate curve for more than five years, financial institutions have been actively financing the household market. It appears today that with a flatter yield curve, lower loan margins and a concentration of risk on the housing markets, financial institutions will reduce their exposure on the sector. Therefore, the lending standards have been gradually more restrictive, impacting the sub prime market delinquency rate and leading to a strong correction of the market.

- The potential inflexion point on expected economic growth.

The global economy is at a turning of its expansion. Liquidity has been actively provided by financial institutions while corporate growth was robust and deleveraging active. Now, pressure on margins is increasing and the corporate sector should re-leverage to face new economic challenges and maintain the exceptional return on equity rates and profit shares.

However, the spread widening has been considered by real money investors as an opportunity, despite the volatility, to step up in the market. Increasing concerns about M&A activity, intense LBO rumours in the UK retail market or in the chemical industry have put some pressure on corporate spreads. But we consider that, in any scenario the Investment grade market will act as a flight to quality asset. The appetite for structured credit products has been considerable and the managed CDO activity is a key driver of credit spreads good behaviour.

CONSTRAINTS

Criteria	Target	Current	Validation
Maximum exposure to Portfolio Companies rated BB+/Ba1 or below	10%	10.83%/10.08%	Failed
Maximum Average 7 year Portfolio Credit Spread	3%	0.74%	Pass
Maximum Exposure to a single industry	15%	12.30%	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

NEXUS4 Topaz Note

First Quarter 2007

5 YEAR MARKET SPREADS

	Current spread 30/03/2007	Spread as of 29/12/2006	Variation	
5 Tightest Market Spreads* (5 years CDS)	GALLAHER GROUP PLC	9	16	-7
	CNOOC LTD	12	13	-1
	BAE SYSTEMS PLC	14	21	-7
	EXPORT IMPORT BANK OF KOREA	15	15	0
	MARATHON OIL CORP	15	24	-9
5 Widest Market Spreads* (5 years CDS)	VNU N.V.	305	474	-169
	TUI AG	252	240	12
	RALLYE	235	212	23
	EMI GROUP PLC	234	157	77
	HAVAS SA	228	237	-9

*Source: Markit

PERFORMING NAMES

	Current spread 30/03/2007	Spread as of 29/12/2006	Variation	
5 Best performing names* (5 years CDS)	VNU N.V.	305	474	-169
	BOMBARDIER INC-A	176	216	-40
	TAKEFUJI CORPORATION	39	64	-25
	SARA LEE CORP	35	59	-24
	DAIMLERCHRYSLER AG-REG	36	53	-17
5 Worst performing names* (5 years CDS)	BOOTS GROUP PLC	173	29	144
	GMAC LLC	189	101	88
	EMI GROUP PLC	234	157	77
	RADIAN GROUP INC	87	37	50
	VALEO	118	69	49

*Source: Markit

CREDIT MIGRATION DURING THE PERIOD

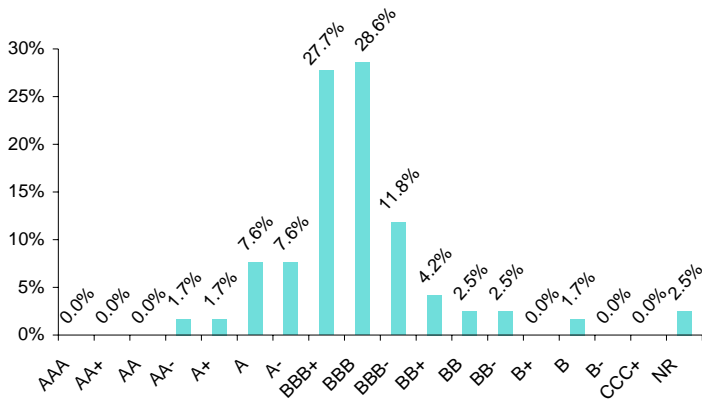
Date	Name	Agence	From	To	Action
15/01/2007	KINGFISHER PLC	S&P	BBB	BBB-	↘
15/01/2007	EMI GROUP PLC	Moody's	Ba2	Ba3	↘
29/01/2007	ELECTROLUX AB-SER B	Moody's	Baa1	Baa2	↘
30/01/2007	SPRINT CORP-FON GROUP	S&P	BBB+	BBB	↘
05/02/2007	EMI GROUP PLC	S&P	BB	BB-	↘
05/02/2007	GAP INC	Moody's	Baa3	Ba1	↘
07/02/2007	FKI PLC	Moody's	Ba1	Ba2	↘
24/02/2007	KAUPTHING BANK	Moody's	A1	Aaa	↗
05/03/2007	THOMSON (EX-TMM)	S&P	BBB	BBB-	↘
12/03/2007	BANCA POPOLARE DI LODI SCRL	S&P	BBB	A	↗
13/03/2007	GALLAHER GROUP PLC	S&P	BBB	A-	↗
20/03/2007	TUI AG	Moody's	Ba3	B1	↘
22/03/2007	LEGRAND	S&P	BBB-	BBB	↗
29/03/2007	TDC A/S	Moody's	Ba3	B1	↘

NEXUS4 Topaz Note

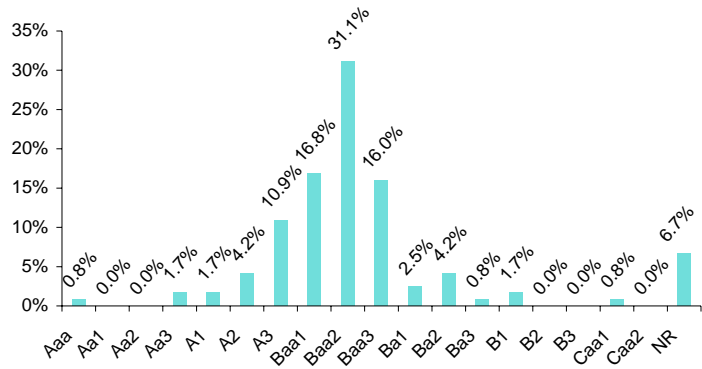
First Quarter 2007

RATING SPLIT

S&P

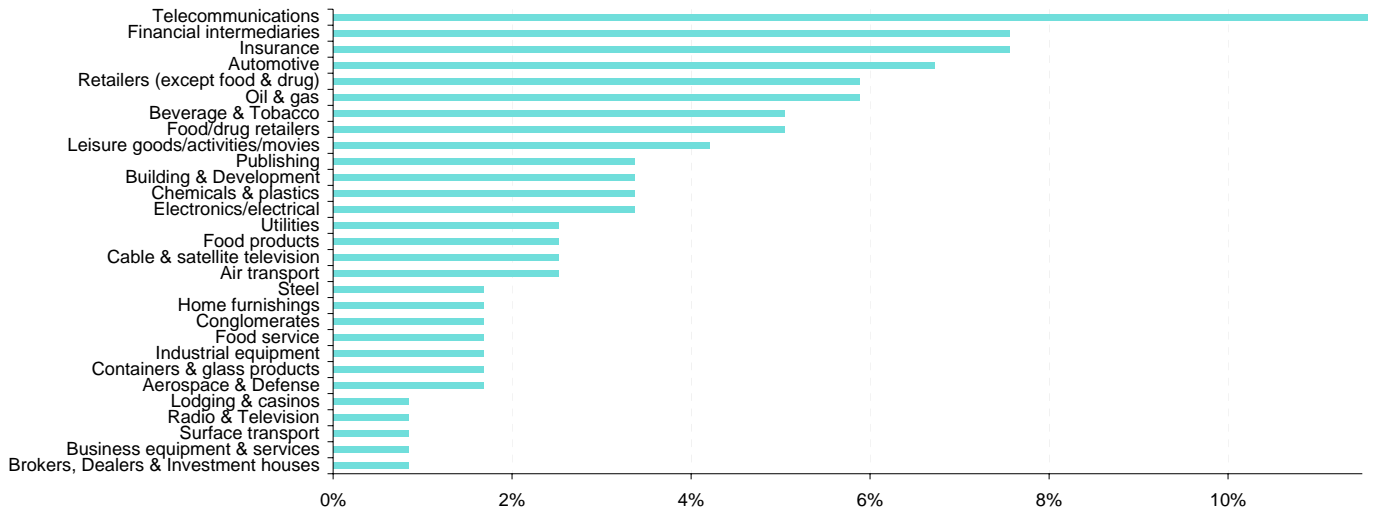


Moody's

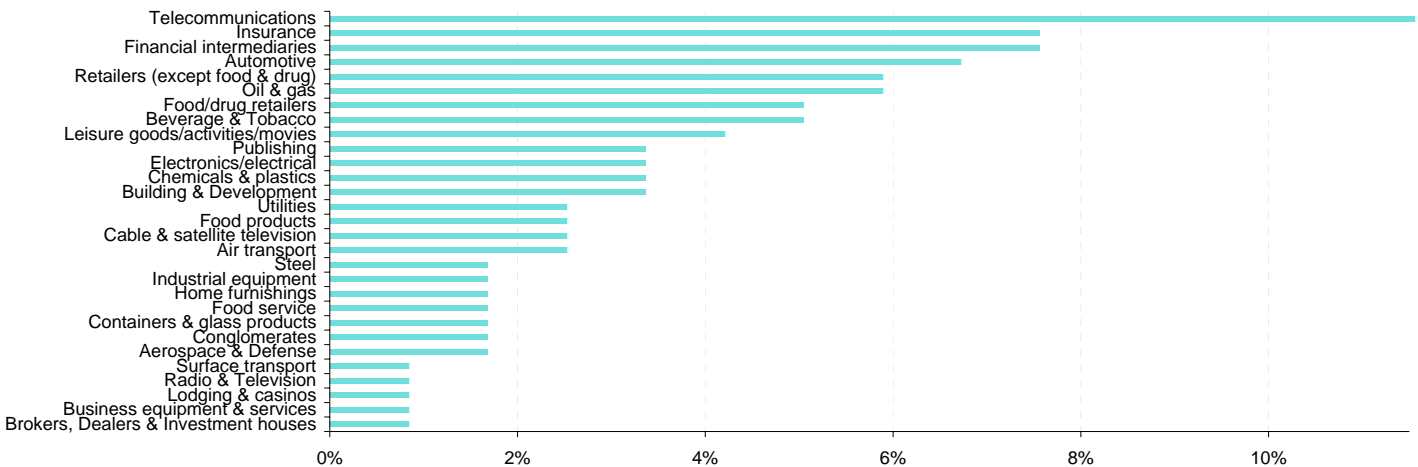


INDUSTRY BREAKDOWN

S&P



Moody's



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SUBSTITUTIONS DURING THE PERIOD

08/01/2007

REMOVED	Weight
RADIOSHACK	100%
BRITISH AIRWAYS PLC	100%
HEIDELBERGCEMENT AG	100%
MBIA INC	100%
INTL LEASE FINANCE CORP	100%
KONINKLIJKE AHOLD NV	100%
ENECO HOLDING NV	100%
GENERAL ELECTRIC CAPITAL CORP	100%

ADDED	Weight
FKI PLC	100%
EXPEDIA INC	100%
EMBARQ CORP	100%
FOSTERS GROUP LTD	100%
STARWOOD HOTEL & RESORTS WORLDWIDE INC	100%
CIBA SPECIALTY CHEMICALS INC	100%
LEGRAND France	100%
DEUTSCHE TELEKOM AG-REG	100%

NAME FOCUS

Country Wide Financial Corp A / A3

Spread 5Y 74bps

CFC's exposure to the subprime markets appears largely manageable considering the company's intensive use of insurance products in recent years and the sale of most of its subprime originations. As per end end December 2006, CFC's exposure to the sub-prime market was only 9% of loans originated. Regarding the global mortgage business, we believe that CFC was rather conservative vs. its peers with an average FICO of 720 and LTV of 78% which should limit the loss given default. The 90+ days delinquencies were quite limited at 0.67%. Ultimate losses on the mortgage portfolio could result in disappointing Q1 & Q2 07 earning but nothing really worrying according to us (CFC generates about USD 1bn quarterly pre-tax earnings). Finally, the liquidity position is very strong especially if the group continue to limit its origination in the coming quarters.

We are confident with keeping this name in the portfolio and believe that current spreads (75bp on the 5Y CDS) adequately compensate for the risk

THE PMI GROUP INC A / A1

Spread 5Y 56bps

The PMI Group is active in the private mortgage insurance worldwide with about 80% of the business derived in the US. The origination has followed the trends of the market with a tendency to underwrite riskier mortgage loans (above 95% LTV insured loans grew from 2.8% to 17.6% of risk in 2006, option ARM from 0% to 4.5% and IO loans from 0 to 9.2%). However, the non prime borrowers bucket (with a FICO <620) declined from 10.9% in 2004 to 8% in 2006, so the exposure to this sector should be manageable over the next two years.

At this stage, we do not intend to switch out this name which currently trades at historical wide levels (55bp in 5Y CDS).

RADIAN GROUP INC A / A2

Spread 5Y 87bps

Radian Group Inc (RDN). announced in Feb, 6th 2007 that it will merge with MGIC Investment Corp (MTG) in order to create the largest mortgage insurer and mortgage –focused financial guarantee insurer worldwide. This merger should be neutral from a credit quality standpoint since both MTG and RDN have similar meetings (in the A category). Credit spreads significantly widened in March 2007 from 30bp (5 Y CDS) to currently 85bp following the sub-prime woes. While negative headlines in the sub-prime sector may cause spreads to further widen, we believe that the new group will have adequate capital and reserves to face its global exposure on the sub-prime business.

However, we would use any spread rally from current levels to reduce our exposure on Radian.

CREDIT OUTLOOK

Strong fears that came out at the end of the month seem to be contained so far, although markets remain nervous and volatile. In that context we would highlight the importance of a fundamental approach and on the identification of macro-economic risk factors. In that perspective we remain positive on the credit market as inflation is largely contained by productivity growth and low long term interest rate.

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