Deutsche Bank

16 October 2007

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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

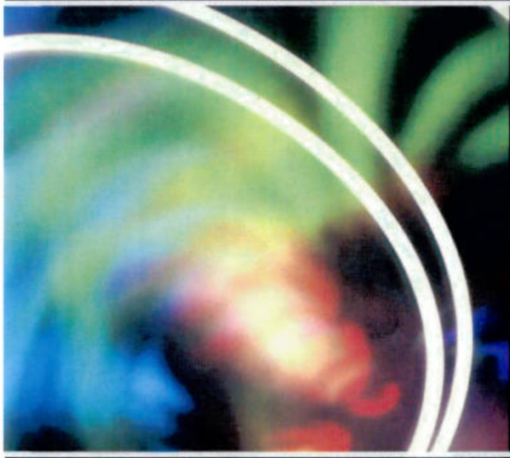
Attached is a Portfolio Commentary Report for the quarter ended 30 September 2007 prepared by the Portfolio Manager, Société Générale Asset Management Alternative Investments SA (**SGAM AI**).

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

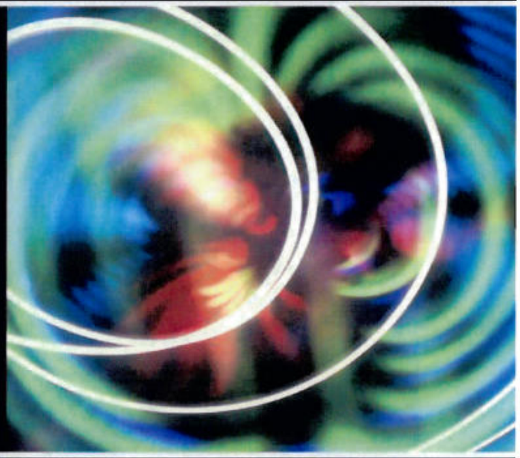
Deutsche Bank AG, Sydney Branch
(as Operating Agent for Nexus Bonds Limited)



Nexus 4

Topaz Notes

Quarterly report



-Third Quarter 2007-

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	November 2007
4th Coupon Reset Spread	48.08 bp (May, 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	BBSW 6m	4	10Y	76.6700%	76.6700%	0%

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

Liquidity crisis has by far hit the banking sector the hardest, leading to an unprecedented widening in credit spreads on the sector and, via contagion, to the rest of the credit market. Meanwhile, the leverage used by some funds and structures has accelerated the worsening in asset valuations.
Lower valuations have triggered a wave of redemptions and thus massive asset sell-offs. And, as there was a lack of liquidity, there was no demand for this wall of paper. Only the central banks were able to stem this vicious circle, by softening their refinancing terms, either with massive liquidity injections through various repo operations, or, like the Fed, by cutting both the effective Fed fund and their discount rates.
On the back of the Fed's prompt action the credit market has stabilized. Although there are still numerous issues on the financial impact on banks, we believe that prices are approaching fair value. We nonetheless do not see a rapid return of credit spreads, as long as
- circulation of cash has not returned to normal (the Euribor-Eonia base has widened by 70bp),
- with the market unable to get a clearer idea of the extent of losses on the sub-prime market and their collateral impact on bank earnings,
- and the flagrant imbalance between supply and demand lasts.

Nevertheless, we remain confident in our positions and believe that the risk/return ratio has now become very attractive, notably in the financial sector. CSOs have benefited during the crisis from a relatively better behaviour due to their unfunded nature. Even in a disrupted market, substitutions could have been executed either to remove specific risk or implement new positions to take advantage of market opportunities.

Uncertainties about short refinancing and losses on the sub-prime market should still bring volatility but Q3 results show that fundamentals remain globally solid and central banks have demonstrated their explicit support for the economy. CSO remains a solid vehicle for credit investment in that particular environment, still allowing management flexibility while maintaining initial targets.

CONSTRAINTS

Criteria	Target	Current	Validation
Maximum exposure to Portfolio Companies rated BB+/Ba1 or below	10%	8.4%/7.6%	Pass
Maximum Average 7 year Portfolio Credit Spread	3%	0.95%	Pass
Maximum Exposure to a single industry	15%	12.61%	Pass
Maximum exposure to Portfolio Companies with no public rating	5%	4.20%	Pass
Maximum exposure to country rated below A-/A3	5%	2.52%/1.70%	Pass

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5 YEAR MARKET SPREADS

		Current spread 28/09/2007	Spread as of 29/06/2007	Variation
5 Tightest Market Spreads* *(5 years CDS)*	HALLIBURTON CO	22	19	3
	SBC COMMUNICATIONS INC	23	21	2
	CARREFOUR SA	24	23	1
	EXPORT IMPORT BANK OF KOREA	26	14	12
	HJ HEINZ CO	26	40	-14
5 Widest Market Spreads* *(5 years CDS)*	VNU N.V. (Nielsen Co)	415	369	46
	RADIAN GROUP INC	378	73	305
	GMAC LLC	337	193	144
	RANK GROUP PLC	333	245	88
	LENNAR CORPORATION	332	112	220

**Source: Markit*

PERFORMING NAMES

		Current spread 28/09/2007	Spread as of 29/06/2007	Variation
5 Best performing names* *(5 years CDS)*	EXPEDIA INC	178	220	-42
	ELECTRONIC DATA SYSTEMS CORP	55	95	-40
	STARWOOD HOTEL & RESORTS WORLDWIE	104	139	-35
	MARSH & MCLENNAN COS INC	40	68	-28
	PEARSON PLC	31	52	-21
5 Worst performing names* *(5 years CDS)*	RADIAN GROUP INC	378	73	305
	LENNAR CORPORATION	332	112	220
	CENTEX CORP	324	122	202
	GMAC LLC	337	193	144
	CIT GROUP INC	177	44	133

**Source: Markit*

CREDIT MIGRATION DURING THE PERIOD

Date	Name	Agency	From	To	Action
02/07/2007	LTD BRANDS INC	Moody's	Baa2	Baa3	↘
18/07/2007	LANXESS AG	Moody's	Baa3	Baa2	↗
24/07/2007	EXPEDIA INC	S&P	BB+	BB	↘
25/07/2007	EXPEDIA INC	Moody's	Baa3	Ba2	↘
01/08/2007	LANXESS AG	S&P	BBB-	BBB	↗
13/08/2007	DAIMLERCHRYSLER AG-REG	S&P	BBB	BBB+	↗
17/08/2007	COUNTRYWIDE HOME LOAN INC	Moody's	A3	Baa3	↘
21/08/2007	HALLIBURTON CO	S&P	BBB+	A	↗
26/09/2007	THOMSON (EX-TMM)	Moody's	Baa2	Baa3	↘

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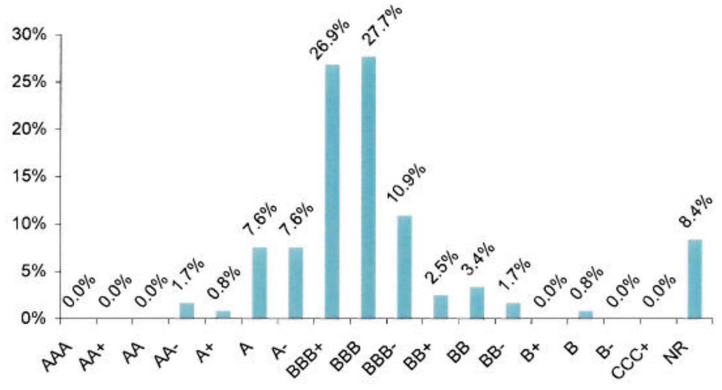
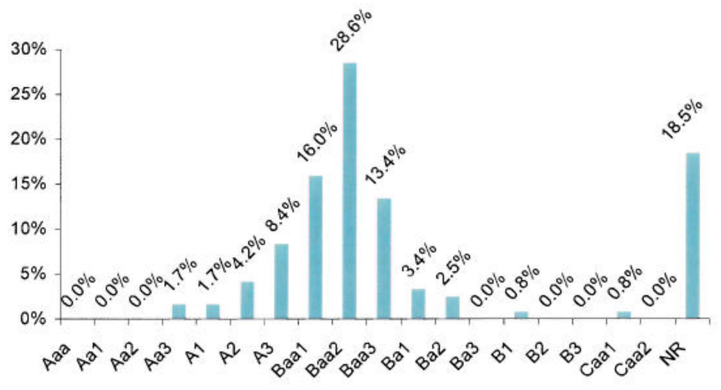
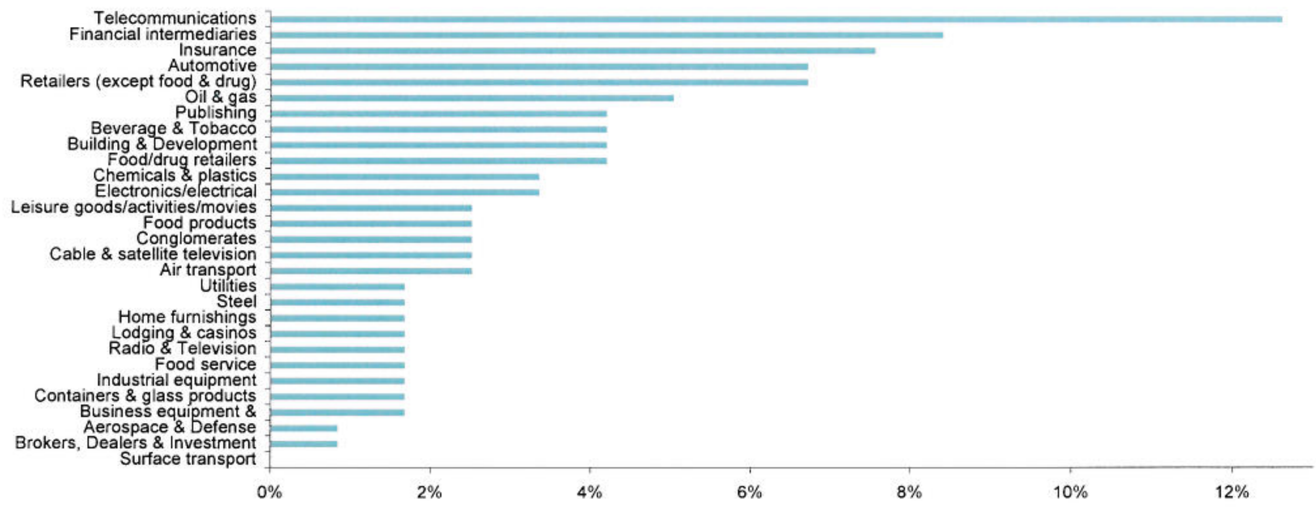
RATING SPLIT

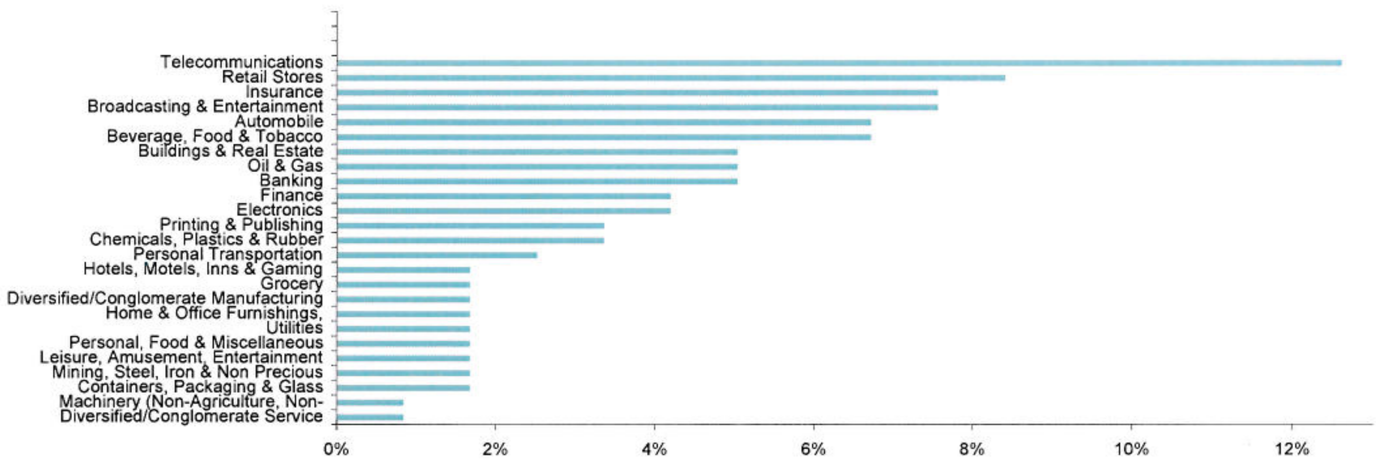




INDUSTRY BREAKDOWN S&P



INDUSTRY BREAKDOWN Moody's



SUBSTITUTIONS DURING THE PERIOD

No substitution during the period

NAME FOCUS

Countrywide
Baa3(-)/ A(-)
Spread 5YR 210bps
Countrywide, the largest US mortgage lender, lined up $12 billion in financing in September to help weather a decline in demand for mortgage and reduced access to the commercial paper market. It brings out a lot of volatility and some panic. Following this, the spread traded as wide as 1100bps. Nonetheless Bank of America injected $2 billion capital after the issuing of a convertible bond. It was very good news for bondholders and the spread tightened around 200bps. At this stage our credit research doesn't anticipate any default risk. The main problem is certainly the rumours which create difficulties to find counterparts for Countrywide. But the company discloses a capacity of $284 billions of which $190bn was used.
We are closely following this name but we don't anticipate any liquidity issue. At this level we consider that the risk reward is still attractive but we will take advantage of any further tightening to reduce the exposure.

CIT
A / A2
Spread 5YR 170bps
CIT is the largest independent commercial finance company in the US. The company is well diversified (factoring business, restructuring business, aerospace trading business, ...). At the moment 25% of CIT's business is non-US, up from 20% last year. With the meltdown in the mortgage space, CIT Group has been dragged wider. But any liquidity concerns seem to be overdone because only a small portion of its debt turns over every month. The short term debt is less than 10% and most of the debt is fixed rate term debt. In September CIT closed its home lending unit, suppressing 550 jobs across the US. It will take a $35m third quarter charge. But it is important to note that this business was only one tenth of the company's profits. Finally CIT has agreed to sell around $4bln of AAA rated MBS that is backed by $6bln of residential mortgages. It is very positive because it should help the company to avoid any impact from Mark to market write-down in the value of the portfolio and any potential negative ratings implications.
Like Countrywide, we will follow this name actively but we consider the risk reward still attractive at this level.

Kaupthing
A+ /Aa3
Spread 5YR 125bps

Kaupthing is the largest among the three major icelandic banks in terms of total assets. It is apparently the most diversified bank with decreasing contribution of the home country to the group's assets and income (26% and 37% respectively in 2006), while Scandinavia (essentially Denmark with FIH) now represents 40% of assets and 30% of income, UK (the businesses of the initial branch and Singer & Friedlander acquired in 2005 are being integrated) represents 20% and 23%, and Luxembourg represents 9% and 8%. The acquisition of NIBC announced in mid-August would further change the geographic composition of the group, reducing down the contribution of Iceland to income to 25%, that of Scandinavia to 23%, that of the UK to 19%, while the contribution of the Benelux would rise to 25%. This acquisition will significantly modify the financial profile of the bank but clearly Kaupthing has sufficient liquidity. Even if the profile of the bank has weaken, we do not consider for the time being to remove the name from the portfolio.

Radian
A2 (-) / A
Spread 5YR 378bps

Radian is the third US mortgage insurer in the US after PMI and MGIC. The company has three activities: mortgage insurance, financial guaranty and financial services. The merger between Radian and MGIC, which was announced on February 2007, was cancelled in August. Following that, the spread widened as far as 1000bps. Radian announced on August 2007 that it had drawn down $200m under its $400m unsecured revolving credit facility. Moreover, as of September 20, Radian announced the sale of a partial interest in Sherman. This will broadly improve the financial flexibility and capital position of Radian. The company will be receiving cash payment of approximately $278m related to this sale. Following this sale, S&P recently removed the negative watch and affirmed this counterparty credit rating.

We don't anticipate any default risk or liquidity issue at the current time but the name will continue to be very volatile. We will take advantage of any further tightening and any improvement in liquidity to reduce the exposure on this name

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