Deutsche Bank

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The Directors
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Dear Sirs

Update in relation to Nexus4 Topaz Notes from the Portfolio Manager, Société Générale Asset Management Alternative Investments SA ('SGAM AI')

Further to our letters of 17 & 30 September 2008 in relation to the Lehman Brothers Holdings Inc (**Lehman**) and Washington Mutual Inc (**WaMu**) Credit Events within the Nexus4 Topaz Notes portfolio, please find attached an update on the management of the portfolio prepared by SGAM AI.

Please note that this update relates solely to Nexus4 Topaz Notes and neither Lehman nor WaMu is included in the portfolios linked to Nexus2 Notes (ASX code NXBHB) and Nexus3 Notes (ASX code NXBHC).

The next scheduled report due on Nexus4 Topaz Notes is the quarterly Portfolio Composition Report as at 30 September 2008 due in October 2008.

Yours faithfully

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

Alternative Investments

SOCIETE GENERALE
Asset Management

Deutsche Bank AG, Sydney Branch
Deposit Bank
Nexus4 Topaz Notes

Wednesday, October 1st, 2008

<u>Washington Mutual Inc credit event</u>

1- Rationale for including Washington Mutual Inc in the initial portfolio

On September 26, 2008 Washington Mutual Inc filed for Chapter 11 bankruptcy in the US Bankruptcy Court for the District of Delaware. With assets of $ 330bn at the end of Q2-2008, Washington Mutual was the US' largest savings institution and the sixth largest banking institution with over 2000 retail offices and a 3.5% national market share in retail deposits. It is therefore the largest bankruptcy in the US banking sector so far.
Washington Mutual Inc was included in the portfolio on June 25th, 2007 within a substitution set aimed at financing the removal of corporate names (EMI, Boots) whose credit profile were rapidly deteriorating.

2- Why was Washington Mutual Inc not removed from the Portfolio?

Despite the degradation in credit quality over 1H 2008, we decided to keep Washington Mutual Inc in the portfolio as we thought that the $7bn of new equity capital in April 2008 would give the bank sufficient capital to absorb its potential $20bn losses in its large mortgage book (about $ 200bn as of end August 2008). The liquidity situation at Washington Mutual Inc was also relatively healthy thanks to a significant deposit base and access to FHLB funding. Finally, we believed that Washington Mutual Inc was an attractive franchise for a large US banking group if equity valuation remained under so much pressure (the stock really collapsed in September on massive short selling from US hedge funds seeking immediate gains just as with Lehman's bankruptcy). Unfortunately, the OTS decision to place Washington Mutual Inc under FDIC receivership and the resulting asset stripping transaction with JP Morgan was something really unexpected for the bank bond investor community.

<u>Lehman Brothers Holdings Inc credit event</u>

1- Rationale for including Lehman Brothers Holdings Inc in the initial portfolio

Lehman Brothers Holdings Inc was in the portfolio since inception and was at that time rated A+ / A1. It was initially selected based on its leading position in fixed income sales and trading, including mortgages, high yield and securitisation. Since 1998, Lehman Brothers had managed to diversify its revenue base in equity related businesses, investment banking and asset management with operations outside Americas accounting for 49% of net revenues in 2007. The company was with GS the only broker that posted positive and improved results in 2007.

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2- Why was Lehman Brothers Holdings Inc not removed from the Portfolio?

The situation deteriorated in 2008 with large net losses posted (total losses of $ 6.2bn as of August 31, 2008) that were primarily driven by write downs on assets. However, Lehman had still a strong capitalisation and a decent funding profile (as the company benefited from the Fed's credit facility put in place after Bear Stern's collapse) as at the end of August 2008. At the beginning of September 2008, and in order to restore investors' confidence, Lehman's management decided to give early news on its quarterly results (like on Sept 10, 2008 for the Q308 results) and to announce a number of strategic moves. These included the replacement of the top managers and the spinning off of its commercial property assets into an independent publicly-traded company. It also said it was close to sell a majority stake in its fund-management unit for approximately $ 3bn.

With these strategic steps and hopes for a public / private bail-out of the company, the credit risk on Lehman (as perceived by the CDS market) remained at a relatively low level, closing at around 650bp as of 12/09/2008 (it was not trading on up-front basis which normally could mean a high probability of default in near term). Based on these facts but also given the role of Lehman as a major counterparty in financial markets, SGAM AI did not believe the company would file for Chapter 11 in less than one week after it published its 3Q 2008 results.

While we are disappointed with the above events and the impact on the Nexus4 Topaz Notes, we remain committed to managing the portfolios linked to Nexus4 Topaz Notes.

Yours sincerely,

Fabienne Crayssac
Global Head of Structured Asset Management