

Overview

Dexion Absolute Limited is a Guernsey registered, closed-ended investment company listed on the London Stock Exchange.

The Company's investment objective is to provide shareholders with consistent capital appreciation, with a target US dollar annualised return of 12 per cent. to 15 per cent. in any three to five year period, independent of equity market direction and with low volatility, by investing in an actively managed portfolio of hedge funds.

The Company's shares are denominated in Sterling and the Company implements a hedging policy to protect the Sterling value of its US Dollar denominated investments.

NAV: 114.12p
July return: -0.06%
Share price: 122.75p*

*Closing mid-price on 30 July 2004
 Opening NAV per share 98.25p

Performance review

The U.S. equity markets fell in July on weaker economic reports, increased terrorism fears surrounding the Olympics and the U.S. election, and increased oil prices. Commodity and currency prices were volatile during the month as crude oil futures spiked to their highest level in history over concerns about a disruption in Russian oil production. The U.S. dollar appreciated versus other major currencies as the Fed's plan to raise rates steadily made the greenback increasingly attractive.

	July %	YTD %	Volatility*%	Sharpe ratio*^
Dexion Absolute NAV	-0.06	3.16	2.61	1.76
FT All Share TR £	-1.54	1.38	7.48	0.96
FT Govt All Stocks TR £	0.49	1.07	3.85	-0.44
HFRI Fund of Funds Index \$	-0.53	1.08	3.16	1.82

* Annualised on 12 months of monthly data ^ Risk free rate of 3M £ LIBOR for £ indexes (3.99%) and 3M \$ LIBOR for \$ index (1.22%)

Dexion Absolute Limited declined in July with strong gains in short selling moderating small losses in other strategies. Macro issues weighed heavily on the equity markets in July, leading to a drawdown for the **hedged equities** strategy. Not surprisingly, losses were generally incurred in our managers' long positions, with net long exposure to the technology and healthcare/biotech sectors proving the most detrimental. Accelerating macro concerns have forced our hedged equities managers into maintaining a generally more defensive posture by reducing their portfolios' net long exposure. Dexion Absolute's **opportunistic** strategy declined in July with losses primarily in value equities and special situations investments. One manager's long equity position in a consumer products firm declined in the face of eroding margins and waning consumer spending. Another long holding in a health benefits company flatlined after the company reported weak earnings and a state insurance regulator moved to block a merger in the health insurance industry, adversely impacting several of the firm's subsidiaries. In addition, the state of California's refusal to approve the Anthem/Wellpoint merger caused losses for our portfolio. In July, several of our **distressed securities** managers profited from their long debt and equity holdings in energy and steel enterprises. Company-specific developments were the drivers of profits. Record-low equity volatility and lacklustre new issuance created a difficult environment for **relative value** managers, particularly in U.S. convertible bond arbitrage. Foreign markets also continue to suffer from a low volatility malaise and subsequent paucity in convertible bond arbitrage returns. In July our **tactical trading** managers struggled in the market headwinds caused by concerns over higher oil prices and interest rate tightening. Losses in long positions in grains and foreign exchange trading exacerbated the poor performance. The equity market's broad sell-off in July created a perfect environment for our **short selling** managers, especially since the end-of-month rally for the equity markets failed to materialize, and our short selling managers profited handsomely. The larger decline in speculative small- and mid-caps was particularly fortuitous as our managers have a bias towards these names. Despite a strong decline in mid- and small-cap stocks, our **equity strategies** managers experienced a relatively moderate loss as positive stock-specific news helped to mitigate their mark-to-market losses.

Outlook

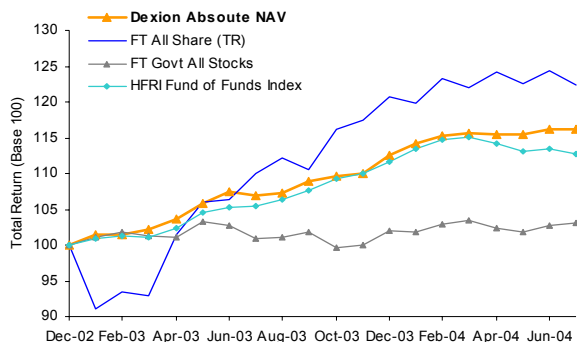
Macro concerns continue to overshadow company-specific results, creating a challenging market environment for many of our fundamentally-focused managers. Record-high crude-oil prices and weakness in consumer spending have resulted in a slowdown in the US economy, which was confirmed in the GDP report released in early August. While creating difficulties for some managers, the volatility in oil prices is producing opportunities for others that trade energy equities and crude-oil futures.

Key facts

Manager	Dexion Capital (Guernsey) Ltd	Bloomberg	DAB LN
Investment Advisor	Harris Alternatives LLC	Reuters	DAB.L
Investment Consultant	Dexion Capital Plc	ISIN	GB0032287020
Inception date	19 December 2002	SEDOL	3228702
Total net assets	£239m		

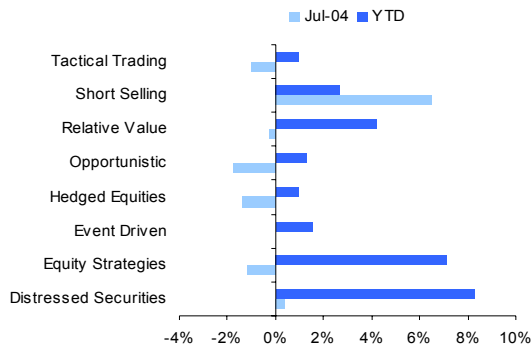


Comparative Performance



Source: Datastream, HFRI

Performance attribution

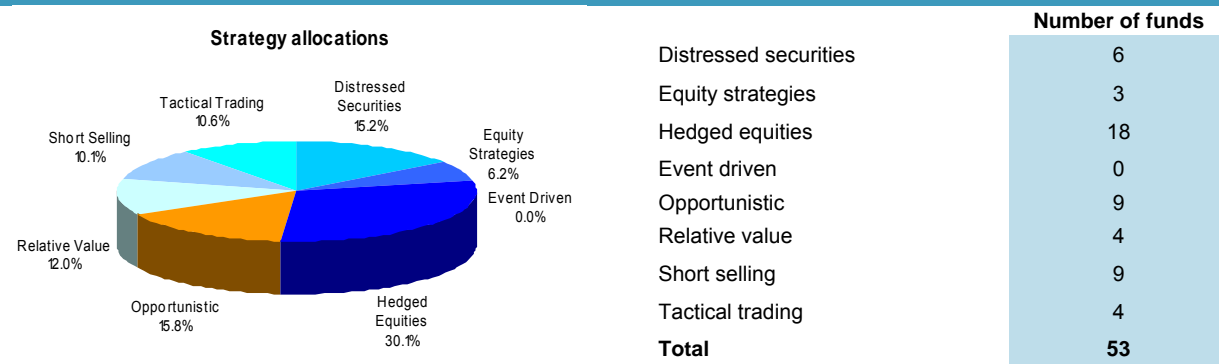


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Absolute's fees and expenses

Historical NAV performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2004	1.39	0.96	0.38	-0.18	0.03	0.61	-0.06						3.16
2003	1.44	0.02	0.78	1.37	2.11	1.56	-0.48	0.26	1.48	0.72	0.31	2.39	12.6

Portfolio as of 1 August 2004



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