

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: 114.56p

Aug return: +0.39%

Share price: 118.75p*

*Closing mid-price on 31 August 2004
Opening NAV per share 98.25p

Performance review

The U.S. equity markets were generally flat in August with the notable exception of the Nasdaq. The light trading volume contributed to the continued low volatility in the equity markets; however, the commodity and currency markets were more volatile. Oil futures rose to a record high of \$48.70 per barrel before ending the month at \$42.12. Weak economic data in the U.S. caused interest rates to decline.

Five out of seven of Dexion Absolute's strategies were profitable in August with short selling and equity strategies posting the best results, while hedged equities and relative value arbitrage were unprofitable.

August was a challenging month for **hedged equities** managers. Long positions in continental Europe were the largest detractors from performance as concerns over oil prices and rising unemployment in Germany weighed heavily on the markets. On the positive side, disappointing earnings announcements in the technology sector produced gains in several managers' short positions. Dexion Absolute's **opportunistic** strategy produced a modest gain as solid profits generated in value equities and special situations were offset by losses from one of the emerging markets managers. Both investment and non-investment grade credit markets performed well in August to the benefit of the Company's **distressed securities** managers. **Relative value** arbitrage managers however faced a challenging environment. The U.S. convertible bond arbitrage strategy saw little activity as low levels of equity volatility persisted in the market. In the foreign convertible bond markets, limited new issuance and low volatility resulted in similarly muted performance. In other strategies, distressed securities and statistical arbitrage contributed positively for the month. Dexion Absolute's **tactical trading** managers were modestly profitable for the month, as the U.S. economic "soft patch" lingered and global interest rate markets continued to rally. Gains were generated in U.S. and European yield-curve trades, while volatility in the foreign exchange markets produced mixed results with respect to several of the managers' bearish dollar positions. Equities recovered from initial losses by rallying at the end of the month, which negatively affected several short positions.

The Company's **short selling** managers generated substantial alpha in August. Managers capitalized on their bias towards speculative small- and mid-cap stocks, which underperformed the broader equity markets. Short positions in educational-services companies yielded lucrative results for a couple of managers as the sector retreated sharply following lowered guidance by one of its bellwethers.

Dexion Absolute's **equity strategies** managers benefited from positive, company-specific developments. In particular, a medical equipment and supplies company posted record financial results for the quarter with double-digit sales and earnings growth, while a marketing company more than doubled its first quarter profit, exceeding analysts' expectations.

	Aug %	YTD %	Volatility*%	Sharpe ratio**^
Dexion Absolute NAV	0.39	3.56	2.59	1.71
FT All Share TR £	1.65	3.05	7.43	0.88
FT Govt All Stocks TR £	1.57	2.65	4.09	-0.14
HFRI Fund of Funds Index \$	-0.07	0.96	3.23	1.54

* Annualised on 12 months of monthly data ^ Risk free rate of 3M £ LIBOR for £ indexes (4.29%) and 3M \$ LIBOR for \$ index (1.02%)

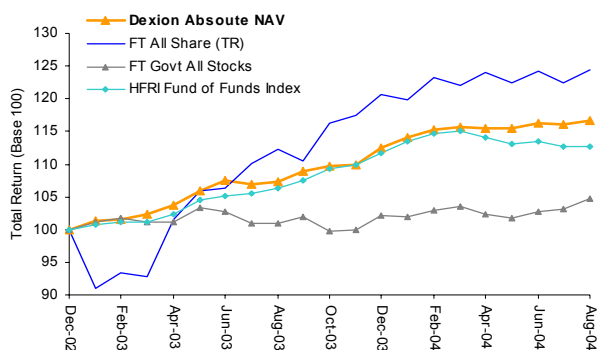
Outlook

Stocks have rallied in September, which is historically the equity market's weakest month. Market observers have attributed these gains to a "Bush Rally," as equity returns have seemingly advanced in lockstep with President Bush's chances for re-election. Clearly, geopolitical and economic uncertainty continue to weigh heavily on the markets. As a result of the difficult equity and fixed-income markets, alpha generation has become a near-term challenge for our managers.

Key facts

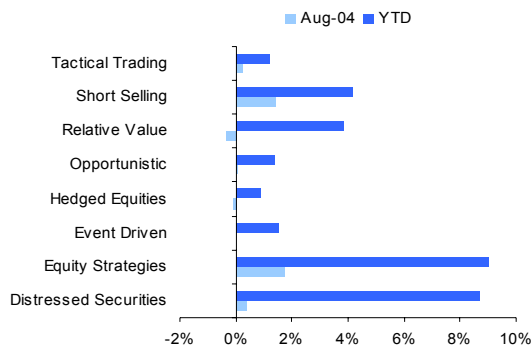
Manager	Dexion Capital (Guernsey) Ltd	Bloomberg	DAB LN
Investment Advisor	Harris Alternatives LLC	Reuters	DAB.L
Investment Consultant	Dexion Capital Plc	ISIN	GB0032287020
Inception date	19 December 2002	SEDOL	3228702
Total net assets	£240m		

Comparative Performance



Source: Datastream, HFRI

Performance attribution

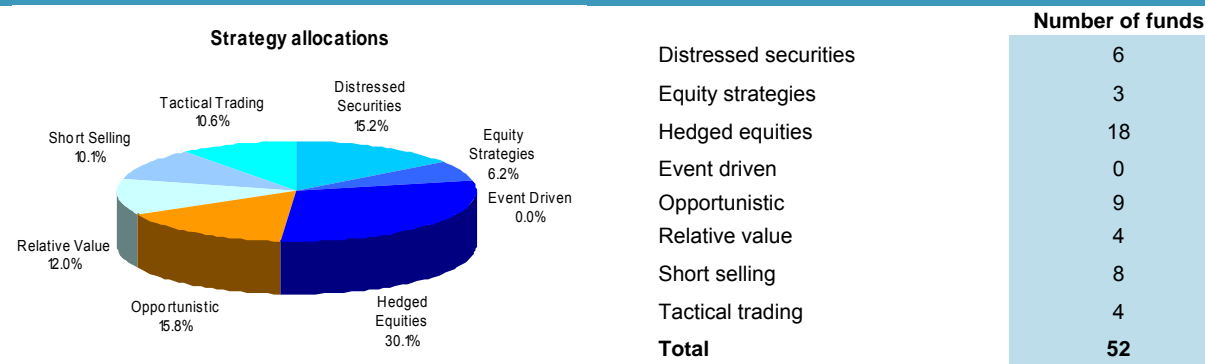


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Absolute's fees and expenses

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	0.39					3.56
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 September 2004



Dexion Absolute Limited, Arnold House, St Julian's Avenue, St Peter Port, Guernsey GY1 3NF
 Email: info@dexionabsolute.com Website: www.dexionabsolute.com

This report is issued and has been approved for the purposes of Section 21 Financial Services and Markets Act 2000 ("FSMA") by Dexion Capital plc, which is authorised and regulated by the Financial Services Authority in the United Kingdom. This document relates only to securities of Dexion Absolute Limited ("the Company") which are dealt in on the London Stock Exchange and no other securities. It does not constitute an invitation to underwrite, subscribe or otherwise acquire or dispose of any securities in the Company and should not be construed as advice to any person to engage in any of the foregoing activities. It does not constitute an invitation to effect any transaction with the Company. Whilst certain of the information in this document may refer to the price of the Company's securities or the yield on them, past performance cannot be relied on as a guide to future performance.

The information in this report is based on information which is otherwise publicly available and, whilst Dexion Capital plc uses all reasonable efforts to ensure the information in this report is accurate, and up to date, no representations or warranties are given as to the reliability, accuracy or completeness of the information in this report. Dexion Capital plc does not accept any liability for any loss or damage which may arise directly or indirectly from any use of or reliance on such information save in circumstances where such exclusion or restriction of liability would be expressly prohibited by the rules of the Financial Services Authority or any other applicable laws or regulations in England and Wales. In particular, recipients should note that, since many or all of Dexion Absolute's investments are unquoted, net asset value figures in relation to Dexion Absolute are based wholly or partly on estimates of the values of Dexion Absolute's investments provided by the investment managers or administrators of those underlying investments, which estimates may themselves have been subject to no verification or auditing process or may relate to a valuation at a date before the relevant net asset valuation for Dexion Absolute, or which have otherwise been estimated by Dexion Absolute's Investment Advisor. Other information in this report may be historic and/or may no longer be of relevance.

The information contained in this report, which relates to the net asset value performance of Dexion Absolute may not be indicative of how Dexion Absolute's investments may perform in the future. Moreover the values of such investments may fluctuate considerably and the historic net asset values shown for Dexion Absolute take no account of the costs or practical difficulties of realising some or all of such investments. The value of investments mentioned in this report may go down as well as up and investors may not get back the amount invested. Information on past performance, where given, is not necessarily a guide to future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase. The information in this report is provided solely for information and does not constitute investment advice or personal investment recommendations. Investments mentioned in this report may not be suitable for all recipients and in each case potential investors are advised not to take any investment decision unless they have taken independent advice from an advisor authorised under FSMA.

Your attention is drawn to the Risk Factors set out in Part I of the Dexion Absolute prospectus dated 3 June 2004.

This report may not be mailed or distributed or redistributed or otherwise sent into, and does not constitute any offer to sell or the solicitation of any offer to buy securities, in or from the United States, Canada, Japan or Australia or any other territory where the same would require compliance with any regulatory, filing or like requirements or where the same would constitute an offence.

In particular, the information in this report is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America or for the benefit of United States persons being resident in the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof. The shares in Dexion Absolute have not been, and will not be registered under the United States Securities Act 1933.