

## 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:** 115.54p

**Sept return:** +0.86%

**Share price:** 121.75p\*

\*Closing mid-price on 30 September 2004. Opening NAV per share 98.25p

## Performance review

Equity markets experienced a generally strong month in September despite an inhospitable backdrop of record-high oil prices, weak economic data, and negative third quarter earnings pre-announcements. International equity markets staged an impressive rally, while smaller-cap stocks outperformed larger-cap names. Equity market volatility continued its descent in September as the VIX Index (a measure of stock option implied volatility) reached a new low for the year. Credit markets remained strong, particularly non-investment grade bonds, which rallied sharply in the month. Dexion Absolute's **hedged equities** managers produced a good return for the month as a result of broad-based gains generated in their long portfolios. Long positions in energy and basic materials companies were the largest contributors to performance. Internationally, gains from long positions in the U.K. were significant contributors, as holdings in mining, building materials, and oil exploration stocks appreciated. The Company's **opportunistic** managers generated solid results for the month with several managers producing gains, most notably in special situations, value equities, and emerging markets. Strong returns for the emerging markets managers were derived from holdings in Latin American securities. Brazil, in particular, performed well as a result of waning inflation concerns and a credit upgrade during the month. The high-yield market continued to rally in September, offering a favourable backdrop for our **distressed** managers. Distressed debt in the oil-services and utilities sectors benefited the most from rising prices in oil and natural resources. U.S. and Canadian coal companies proved to be a profitable theme for one manager as coal prices continued to benefit from strong demand. Dexion Absolute's **relative value arbitrage** managers achieved positive returns in September despite facing many of the same challenges that persisted throughout the summer. Low volatility led to a relatively uneventful month for convertibles in the U.S. In Europe and Japan, however, a considerable drop in implied volatility combined with significant liquidation and mark-downs resulted in a difficult trading environment for the convertible bond arbitrage strategy. The Company's **tactical trading** managers reported a positive return in September. Long commodity positions contributed significantly to profits, particularly in base metals and energy holdings. Emerging markets were also profitable, as was global fixed-income trading, particularly long fixed-income positions in the U.S. and Europe. The Company's **short selling** managers suffered from their bias towards speculative small- and mid-cap stocks, which outperformed the broader equity markets. Short positions in small-cap technology enterprises proved especially painful. Finally our **equity strategies** managers posted another strong month as a result of positive, company-specific news. For instance, a diversified manufacturer's shares benefited from the completed sale of its automotive business, which will allow it to focus its resources in their aerospace and defence and real estate operations.

	Sept %	YTD %	Volatility*%	Sharpe ratio**^
<b>Dexion Absolute NAV</b>	<b>0.86</b>	<b>4.45</b>	<b>2.46</b>	<b>1.45</b>
FT All Share TR £	2.78	5.92	7.12	1.58
FT Govt All Stocks TR £	0.86	3.54	4.09	-0.18
HFRI Fund of Funds Index \$	0.87	1.89	3.16	1.45

\* Annualised on 12 months of monthly data ^ Risk free rate of 3M £ LIBOR for £ indexes (4.48%) and 3M \$ LIBOR for \$ index (1.13%)

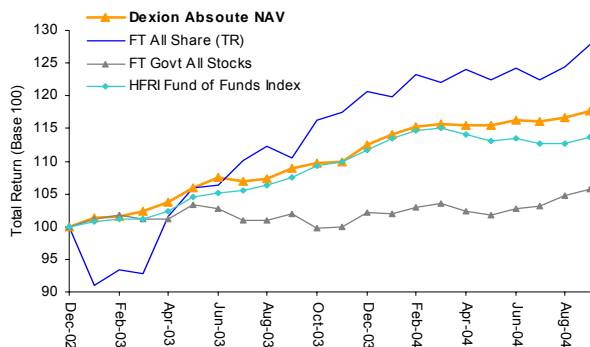
## Outlook

The Company's managers are cautiously optimistic of a return to more normalized markets following the upcoming U.S. presidential election. Managers have been generally underinvested during these uncertain times in the markets, and they eagerly await the opportunity to add more market exposure to their portfolios.

## Key facts

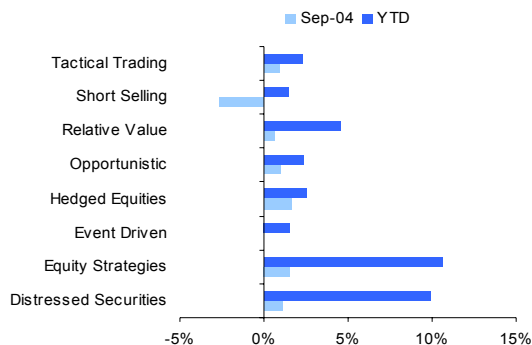
<b>Manager</b>	Dexion Capital (Guernsey) Ltd	<b>Bloomberg</b>	DAB LN
<b>Investment Advisor</b>	Harris Alternatives LLC	<b>Reuters</b>	DAB.L
<b>Investment Consultant</b>	Dexion Capital Plc	<b>ISIN</b>	GB0032287020
<b>Inception date</b>	19 December 2002	<b>SEDOL</b>	3228702
<b>Total net assets</b>	£242m		

## Comparative Performance



Source: Datastream, HFRI

## Performance attribution

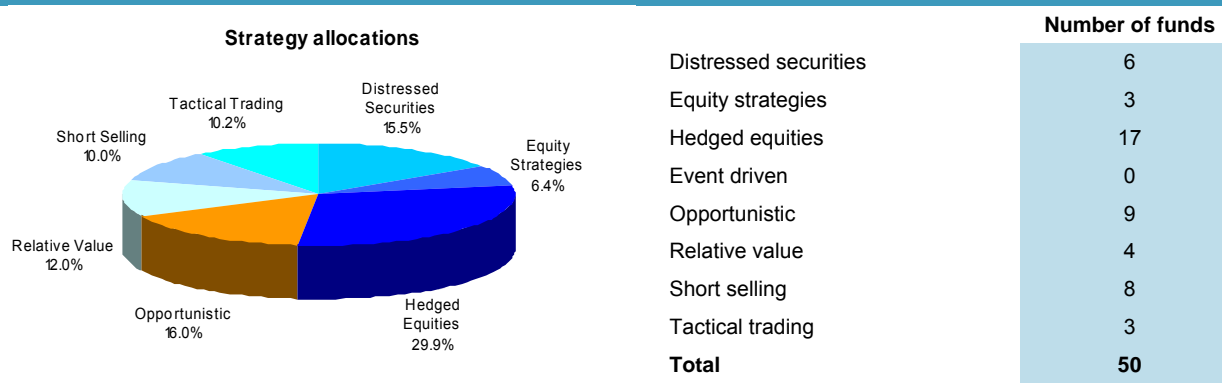


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Absolute's fees and expenses

## Historical NAV performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2004</b>	1.39	0.96	0.38	-0.18	0.03	0.61	-0.06	0.39	0.86				<b>4.45</b>
<b>2003</b>	1.44	0.02	0.78	1.37	2.11	1.56	-0.48	0.26	1.48	0.72	0.31	2.39	<b>12.6</b>

## Portfolio as of 1 October 2004



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

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