

## 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:** 117.98p

**Nov return:** +1.70%

**Share price:** 118.50p\*

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

## Performance review

A decisive Republican victory in the U.S. elections, generally favourable economic and corporate results, and declining oil prices fuelled impressive gains in global equity markets in November. In credit markets, high-yield and distressed debt continued their advance in response to the flow of funds into the asset class whilst equity volatility remained subdued. Policy neglect by the US Treasury allowed the dollar to slide further versus many of the major world currencies, including both the euro and the yen.

All of Dexion Absolute's strategies generated strong gains in November except for short selling, which experienced a difficult month. Our **hedged equities** managers produced solid results. Substantial profits from long equity positions across a number of sectors and geographies were more than enough to offset losses from short equity positions in healthcare and technology companies. Specifically, our managers' net long positions in select basic materials industries such as steel, iron ore, and coal contributed significantly to performance as a result of continued strong demand from China, and solid quarterly earnings releases from companies within these industries. Our **opportunistic** strategy posted a solid result for the month as the global rally in equity and debt markets benefited managers' holdings. Our emerging markets managers' credit and sovereign debt positions in Asia, Latin America, and Russia were rewarded as strong investment flows moved spreads tighter during the period. The high-yield market continued its upward trend with lower-quality corporate credit spreads tightening further in November. Against this backdrop, our **distressed securities** managers posted their strongest results of the year. The debt of several cable television enterprises was a particular area of strength, as were Canadian steel companies, whose valuations have generally lagged their US counterparts. Our **relative value** arbitrage managers produced their highest returns thus far in 2004 with US convertible bond arbitrage yielded gains despite an all-too-familiar decline in equity volatility during the month. **Tactical trading** performed solidly for the month, as the majority of managers were well-positioned to capture opportunities in the wake of the US presidential election. Foreign-exchange trading was the largest contributor to performance with managers making the majority of their profits from their short US dollar positions versus the euro and the yen. Long positions in emerging market equities and currencies also led to considerable gains. Additionally, fixed-income trading was a positive contributor, including long Europe vs. short US yield-curve trades. The broad-based advance of equities in November created an intensely challenging environment for our **short selling** managers. The strategy's setback was exacerbated by our managers' penchant for shorting the equity of highly speculative, lower-quality enterprises. Finally, aided in part by the heady gains of the equity markets, our **equity strategies** managers produced healthy profits in a diverse range of investments.

	Nov %	YTD %	Volatility*%	Sharpe ratio**^
<b>Dexion Absolute NAV</b>	<b>1.70</b>	<b>6.65</b>	<b>2.66</b>	<b>1.73</b>
FT All Share TR £	2.40	9.64	6.16	1.34
FT Govt All Stocks TR £	1.25	5.85	3.18	1.12
HFRI Fund of Funds Index \$	2.62	5.37	3.70	1.48

\* Annualised on 12 months of monthly data ^ Risk free rate is average of last 12 months' 3M £ LIBOR for £ indexes (4.59%) and 3M \$ LIBOR for \$ index (1.51%)

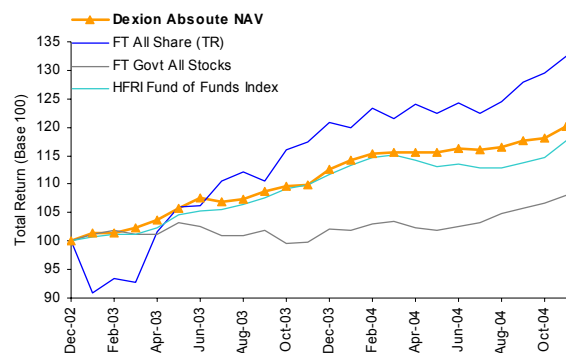
## Outlook

As 2004 quietly winds down, our managers are optimistic that the new year will mark a return to more robust, fundamentally-driven markets that favour their research-intensive investment approach. With the elections now out of the way, clearing up quite a bit of market uncertainty, the pendulum does appear to be swinging in their favour. The U.S. dollar's continued decline against other world currencies is of particular interest for nearly all of our managers, as its revaluation may have significant impact on the world's equity, fixed-income, and commodity markets in 2005.

## Key facts

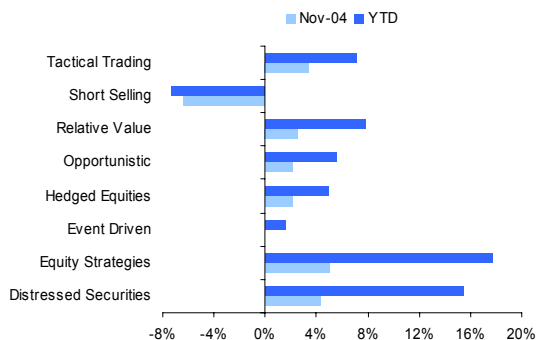
<b>Manager</b>	Dexion Capital (Guernsey) Ltd	<b>Bloomberg</b>	DAB LN
<b>Investment Advisor</b>	Harris Alternatives LLC	<b>Reuters</b>	DAB.L
<b>Investment Consultant</b>	Dexion Capital Plc	<b>ISIN</b>	GB0032287020
<b>Inception date</b>	19 December 2002	<b>SEDOL</b>	3228702
<b>Total net assets</b>	£247m		

**Comparative Performance**



Source: Bloomberg

**Performance attribution**

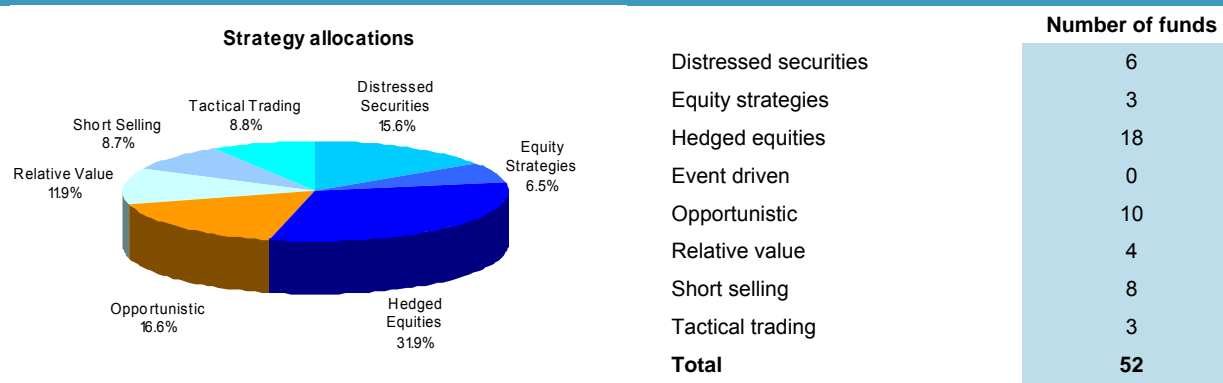


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Absolute's fees and expenses

**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	0.85	0.41	1.70		<b>6.65</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 December 2004**



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