

**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: 119.61p**  
**Dec return: +1.38%**  
**Share price: 123.50p\***

\*Closing mid-price on 31 December 2004. Opening NAV per share 98.25p

**Performance review**

In December, a plethora of good news, including favourable economic and corporate results, sharply lower oil prices, and renewed merger activity, coupled with investors' bullishness following the November elections, resulted in strong gains for the global equity markets. Credit-related securities performed well during the month, especially high-yield and distressed debt, finishing up a remarkable 2004. Equity volatility remained subdued, as the VIX Index (a measure of stock option implied volatility) finished the month unchanged after hitting a nine-year intra-month low.

	Dec %	YTD %	Volatility*%	Sharpe ratio**^
<b>Dexion Absolute NAV</b>	<b>1.38</b>	<b>8.13</b>	<b>2.11</b>	<b>1.65</b>
FT All Share TR £	2.91	12.83	6.16	1.33
FT Govt All Stocks TR £	0.71	6.60	2.72	0.72
HFRI Fund of Funds Index \$	1.40	6.67	3.57	1.41

\* Annualised on 12 months of monthly data ^ Risk free rate is average of last 12 months' 3M £ LIBOR for £ indexes (4.64%) and 3M \$ LIBOR for \$ index (1.62%)

All strategies were profitable for the month with the exception of short selling. In **hedged equities** gains from managers' long positions outpaced losses incurred from short positions, predominantly in the technology space. Managers also benefited from increased corporate activity, as merger announcements propelled long positions in the healthcare, technology, and basic industries sectors higher. Geographically, positions in Central and Eastern Europe performed well, as investors recognized the attractive growth prospects in the area. Additionally, positions in the utility and tenanted pub sectors in the U.K. reacted positively to benign regulatory review announcements. Against the backdrop of increased corporate activity, our **opportunistic** managers completed 2004 with a strong finish. Specifically, gains were made in the wireless sector, as stocks rallied amid speculation of further consolidation following the announcement of the Sprint/Nextel merger. In the emerging markets area, managers enjoyed a strong month across the debt, equity, and currency markets. Our **distressed** managers finished a surprisingly strong year with a solid December. A diverse set of industry sectors contributed to gains, while post-reorganization equities and special situation restructurings were especially profitable areas. Our **equity strategies** managers achieved strong returns, as several stock-specific investments generated gains during December. **Relative value** arbitrage managers closed out the year on a positive note despite a relatively uneventful market environment hampered by low equity volatility. Global convertible bond arbitrage was profitable, and a number of our managers saw their focus on event-driven trading in the U.S. benefit, as company-specific news drove profit-taking opportunities. As it has been for much of 2004, distressed securities trading was the largest contributor to many of our managers' portfolios. Statistical arbitrage strategies in Europe and Japan yielded moderate gains. Our **tactical trading** managers had mixed performance in December. Concerns about the U.S. current account deficit resulted in new lows for the dollar against many currencies, benefiting the long-held short dollar positions in several managers' portfolios. Emerging markets exposure was also a positive contributor to performance during the month. Commodity trading produced negative results, as gold and oil prices experienced declines. Finally our **short selling** managers incurred losses in the face of the broad equity market advance.

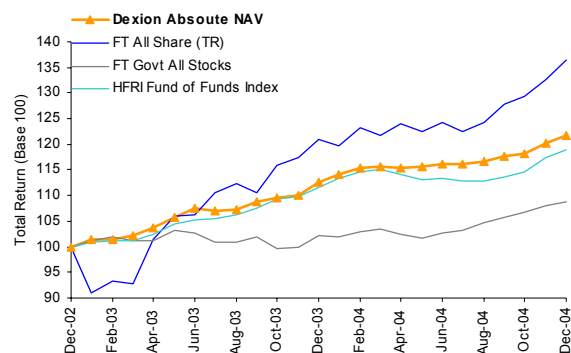
**Outlook**

Going into 2005, our managers are optimistic that the favourable market conditions witnessed during the fourth quarter of 2004 will persist into 2005. The portfolio is well-positioned to capture opportunities across the broad spectrum of hedge fund strategies.

**Key facts**

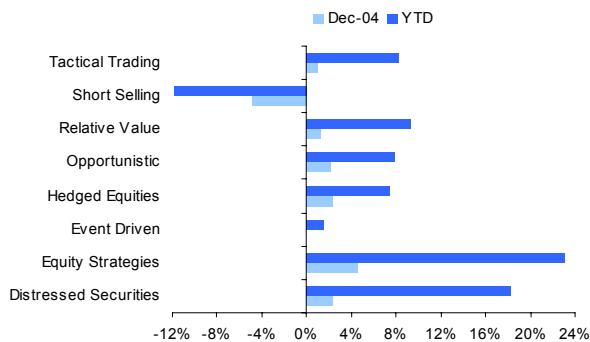
<b>Manager</b>	Dexion Capital (Guernsey) Ltd	<b>Bloomberg</b>	DAB LN
<b>Investment Advisor</b>	Harris Alternatives LLC	<b>Reuters</b>	DAB.L
<b>Investment Consultant</b>	Dexion Capital Plc	<b>ISIN</b>	GB0032287020
<b>Inception date</b>	19 December 2002	<b>SEDOL</b>	3228702
<b>Total net assets</b>	£251m		

**Comparative Performance**



Source: Bloomberg

**Performance attribution**

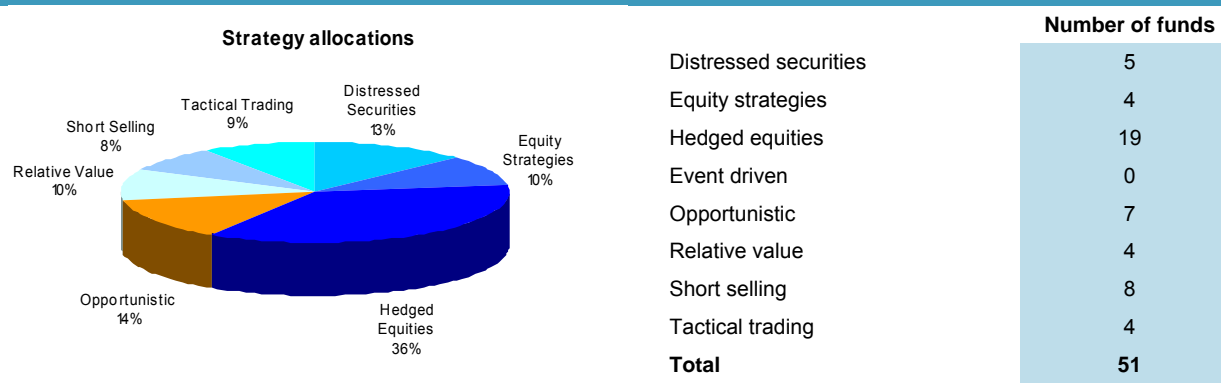


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Absolute's fees and expenses

**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	1.38	<b>8.13</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 January 2005**



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