

# Dexion Absolute Limited

## MONTHLY PORTFOLIO REVIEW

JUNE 2014

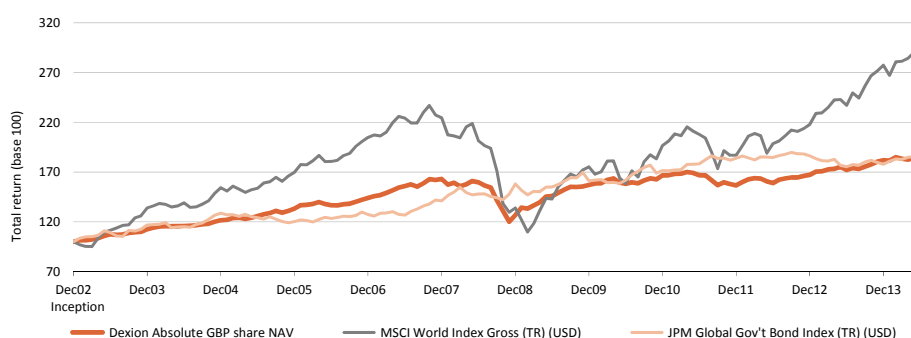
www.dexionabsolute.com

### Investment Adviser Portfolio Outlook

Investor confidence remains high amidst a backdrop of accommodative central banking policies, strong equity market performance and robust mergers and acquisitions activity. Further, with implied and realised volatility across a variety of asset classes well below historical averages, there is an air of complacency in today's markets.

While the portfolio currently maintains a net long orientation and should continue to participate in rising markets, if the trend persists, managers across a number of strategies, most notably macro and portfolio hedge, continue to maintain a defensive positioning that should help the portfolio preserve capital in the wake of any disruption to the calm, whether it presents itself in the form of declining equity markets, rising interest rates or increasing volatility across asset classes.

### Performance Data<sup>1</sup>



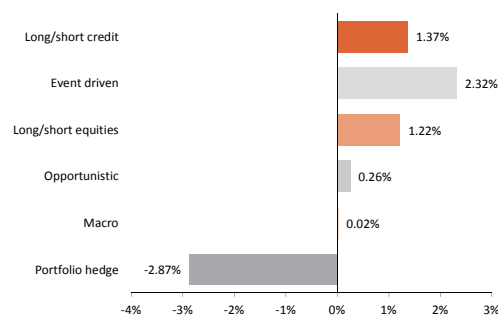
Source: Bloomberg

	Since inception of each DAL share class							
	Jun (%)	YTD (%)	12m (%) <sup>2</sup>	24m (%) <sup>1,2</sup>	36m (%) <sup>1,2</sup>	Ret (%) <sup>1,2</sup>	Vol (%) <sup>1,2</sup>	Sharpe Ratio <sup>1,2,3</sup>
Dexion Absolute GBP Share NAV	+0.71%	+2.16%	+8.00%	+8.16%	+3.67%	+5.54%	6.56%	+0.42
Dexion Absolute EUR Share NAV	+0.79%	+2.32%	+8.50%	+15.03%	+7.68%	+4.15%	9.57%	+0.26
Dexion Absolute USD Share NAV	+0.70%	+2.05%	+8.02%	+19.85%	+10.64%	+6.45%	10.60%	+0.44
MSCI World Index Gross (TR) (USD) <sup>4</sup>	+1.83%	+6.52%	+24.71%	+21.96%	+12.45%	+9.88%	15.51%	+0.52
JPM Global Gov't Bond Index (TR) (USD) <sup>4</sup>	+0.69%	+5.05%	+6.50%	+0.61%	+1.60%	+5.59%	6.79%	+0.56

Source: Dexion Capital plc (calculation), Bloomberg (data)

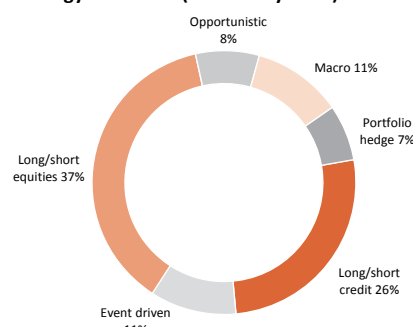
### Strategy Overview

#### Monthly strategy performance (as at 30 June 2014)<sup>5</sup>



Source: Aurora Investment Management L.L.C.

#### Strategy allocation (as at 1 July 2014)<sup>6</sup>



Source: Aurora Investment Management L.L.C.

#### Share class information

	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL
GBP	19 Dec 2002	DAB LN	DAB.L	GB0032287020	3228702
EUR	28 Jun 2005	DABE LN	DABx.L	GB00B0FXK920	B0FXK92
USD	28 Jun 2005	DABU LN	DABu.L	GB00B0FXL332	B0FXL33

#### GBP as at 30 June 2014

NAV	182.71p
Return	+0.71%
Share Price*	169.75p
Net Assets	£247.30m
Opening NAV per GBP share 98.25p	

#### EUR as at 30 June 2014

NAV	€2.6427
Return	+0.79%
Share Price*	€2.4425
Net Assets	€3.66m
Opening NAV per EUR share €1.8325	

#### USD as at 30 June 2014

NAV	\$3.8895
Return	+0.70%
Share Price*	\$3.5950
Net Assets	\$10.59m
Opening NAV per USD share \$2.2158	

\*Closing mid-price at month end

#### Key Facts

##### Manager

Dexion Capital (Guernsey) Limited

##### Investment Adviser

Aurora Investment Management L.L.C.

##### Investment Consultant

Dexion Capital plc

##### Overview

Dexion Absolute Limited is a Guernsey registered, closed-end investment company listed on the London Stock Exchange. The Company's investment objective (which is consistent with that of Aurora Offshore Fund Ltd II ("AOFL II")) is to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets. The Company seeks to achieve its investment objective by investing substantially all of its assets (other than the illiquid investments and any funds required for short term working capital purposes and subject to realising those investments which are not the subject of in specie transfers to AOFL II) in shares of AOFL II. The Company's shares are denominated in GBP, EUR and USD. The Company invests in underlying assets which are predominantly US dollar denominated and the Company generally implements a hedging policy in an attempt to reduce the impact of currency fluctuations on the GBP and EUR shares. (Currency hedging was suspended between 14 November 2008 and 27 January 2009.) Effective 1 April 2013, the Company made an investment in AOFL II, as part of its transition to a feeder fund of AOFL II. As at 1 July 2014, 87.65% of the Company's total net assets were invested in AOFL II.

**Total Net Assets** £256.42m

##### Fees

Management	1.00%
Performance	10% (trigger 3%)

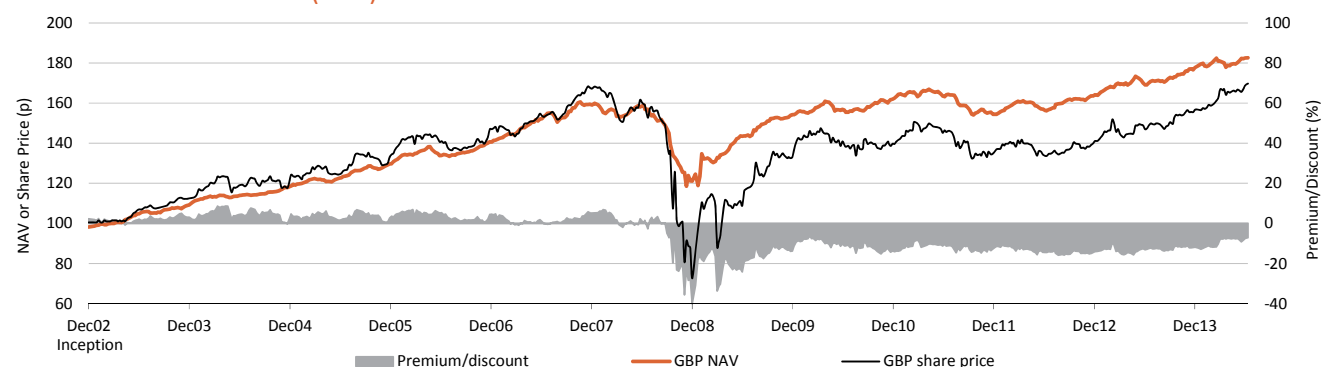
##### Contact Details

Dexion Absolute Limited,  
1 Le Truchot, St Peter Port, Guernsey

##### Email

clientservices@dexionabsolute.com

#### Share Price Performance (GBP)<sup>1,7</sup>



Source: Bloomberg

#### Historical NAV Performance (%)<sup>8</sup>

##### Monthly GBP NAV performance (%)<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	-0.29%	+1.95%	-0.80%	-0.52%	+1.12%	+0.71%							+2.16%
2013	+1.92%	+0.26%	+1.08%	+0.35%	+1.05%	-1.70%	+1.11%	-0.40%	+1.29%	+1.29%	+1.50%	+0.82%	+8.84%
2012	+1.97%	+1.84%	+0.66%	-0.27%	-1.73%	-1.03%	+2.11%	+0.85%	+0.60%	+0.02%	+0.83%	+0.71%	+6.67%
2011	+0.15%	+0.75%	+0.19%	+0.96%	-0.54%	-1.35%	-0.10%	-2.97%	-2.97%	+1.71%	-1.03%	-0.77%	-5.94%
2010	+0.99%	+0.13%	+2.13%	+0.88%	-2.57%	-0.77%	+0.91%	-0.54%	+1.79%	+1.20%	-0.51%	+2.39%	+6.09%
2009	+5.89%	-0.68%	+2.37%	+2.37%	+4.10%	+0.42%	+2.15%	+2.10%	+1.94%	-0.16%	+0.30%	+1.03%	+23.95%
2008	-3.52%	+1.26%	-2.34%	+1.21%	+2.27%	-0.89%	-1.99%	-1.35%	-8.13%	-7.55%	-8.43%	+5.55%	-22.31%
2007	+1.14%	+0.85%	+1.44%	+1.70%	+1.85%	+1.05%	+1.02%	-1.43%	+2.08%	+2.73%	-0.48%	+0.62%	+13.23%
2006	+2.54%	+0.28%	+0.71%	+1.42%	-1.52%	-0.78%	-0.08%	+0.83%	+0.35%	+1.39%	+1.44%	+1.34%	+8.13%
2005	+0.29%	+1.54%	+0.06%	-0.87%	+0.88%	+1.38%	+1.51%	+0.86%	+1.75%	-1.41%	+1.40%	+1.72%	+9.46%
2004	+1.39%	+0.96%	+0.38%	-0.18%	+0.03%	+0.61%	-0.06%	+0.39%	+0.86%	+0.41%	+1.70%	+1.38%	+8.13%
2003	+1.44%	+0.02%	+0.78%	+1.37%	+2.11%	+1.56%	-0.48%	+0.27%	+1.48%	+0.72%	+0.31%	+2.39%	+12.59%

##### Monthly EUR NAV performance (%)<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	-0.32%	+2.14%	-0.93%	-0.61%	+1.27%	+0.79%							+2.32%
2013	+1.76%	+0.36%	+0.82%	+0.31%	+0.98%	-1.72%	+1.06%	-0.45%	+1.37%	+1.35%	+1.69%	+0.89%	+8.69%
2012	+1.92%	+1.76%	+0.56%	-0.30%	-1.90%	-0.89%	+15.85%	+0.71%	+0.66%	-0.08%	+0.73%	+0.66%	+20.28%
2011	+0.10%	+0.75%	+0.05%	+0.81%	-0.55%	-1.33%	-0.16%	-3.21%	-3.11%	+1.69%	-1.05%	-0.92%	-6.82%
2010	+0.82%	+0.07%	+2.14%	+0.91%	-2.74%	-0.90%	+0.85%	-0.58%	+1.62%	+1.11%	-0.54%	+2.32%	+5.06%
2009	+11.13%	-0.49%	+1.34%	+2.65%	+4.20%	+0.70%	+2.13%	+1.87%	+1.85%	-0.16%	+0.28%	+1.01%	+29.34%
2008	-3.62%	+1.18%	-2.35%	+1.07%	+2.17%	-0.97%	-2.11%	-1.41%	-8.31%	-7.44%	-4.69%	-9.76%	-31.38%
2007	+1.02%	+0.73%	+1.29%	+1.59%	+1.72%	+0.92%	+0.91%	-1.57%	+1.88%	+2.60%	-0.65%	+0.45%	+11.38%
2006	+2.26%	+0.15%	+0.52%	+1.31%	-1.68%	-0.91%	-0.04%	+0.55%	+0.21%	+1.30%	+1.30%	+1.23%	+6.32%
2005	-	-	-	-	-	-	+1.28%	+0.67%	+1.64%	-1.58%	+1.16%	+1.54%	+4.78%

##### Monthly USD NAV performance (%)<sup>1</sup>

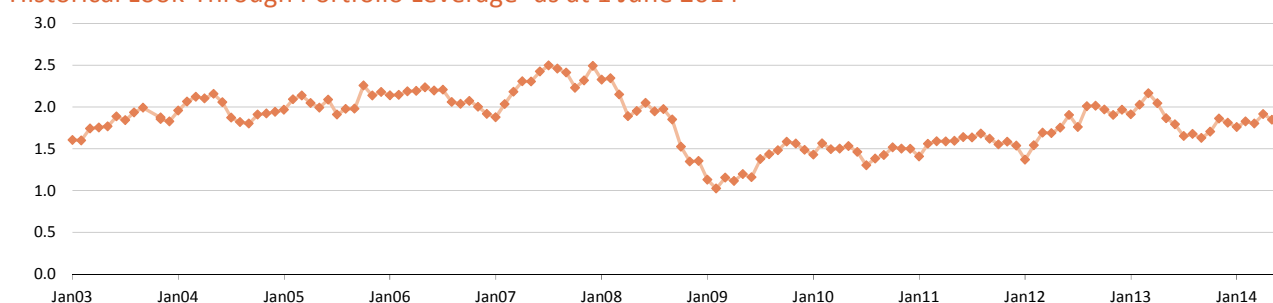
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	-0.33%	+1.98%	-0.84%	-0.54%	+1.09%	+0.70%							+2.05%
2013	+1.84%	+0.27%	+0.82%	+0.33%	+0.96%	-1.67%	+1.09%	-0.40%	+1.39%	+1.28%	+1.53%	+0.84%	+8.55%
2012	+1.92%	+1.84%	+0.54%	-0.26%	-1.80%	-1.20%	+25.79%	+0.84%	+0.76%	-0.04%	+0.76%	+0.74%	+30.95%
2011	+0.16%	+0.73%	+0.01%	+0.90%	-0.65%	-1.44%	-0.22%	-3.21%	-3.01%	+1.61%	-1.13%	-0.79%	-6.93%
2010	+0.81%	+0.03%	+2.08%	+0.88%	-2.46%	-0.84%	+0.85%	-0.59%	+1.74%	+1.17%	-0.58%	+2.36%	+5.48%
2009	+5.54%	-0.41%	+1.58%	+2.37%	+4.67%	+0.49%	+2.16%	+2.00%	+1.89%	-0.17%	+0.27%	+0.96%	+23.35%
2008	-3.61%	+1.10%	-2.52%	+0.98%	+2.05%	-1.10%	-2.21%	-1.49%	-8.42%	-5.71%	-3.41%	-1.11%	-23.06%
2007	+1.15%	+0.85%	+1.45%	+1.74%	+1.81%	+1.04%	+1.01%	-1.46%	+2.06%	+2.73%	-0.57%	+0.53%	+12.99%
2006	+2.58%	+0.25%	+0.71%	+1.54%	-1.45%	-0.71%	-0.01%	+0.92%	+0.38%	+1.45%	+1.53%	+1.33%	+8.79%
2005	-	-	-	-	-	-	+1.37%	+0.82%	+1.74%	-1.41%	+1.32%	+1.72%	+5.66%

Legend:

- Reflects the impact of the 2009 reverse auction<sup>1</sup>
- Reflects the impact of foreign exchange<sup>1</sup>
- Reflects the impact of the reverse auction and foreign exchange<sup>1</sup>
- Reflects the impact of the 2010 reverse auction<sup>1</sup>
- Reflects the impact of the 2012 reverse auction<sup>1</sup>

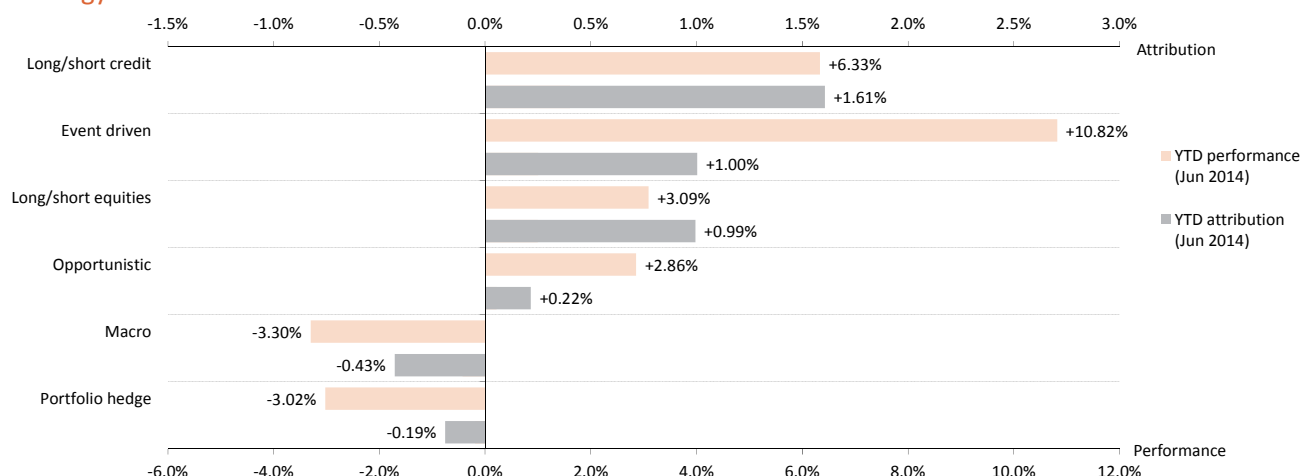
Source: Bloomberg

#### Historical Look-Through Portfolio Leverage<sup>9</sup> as at 1 June 2014



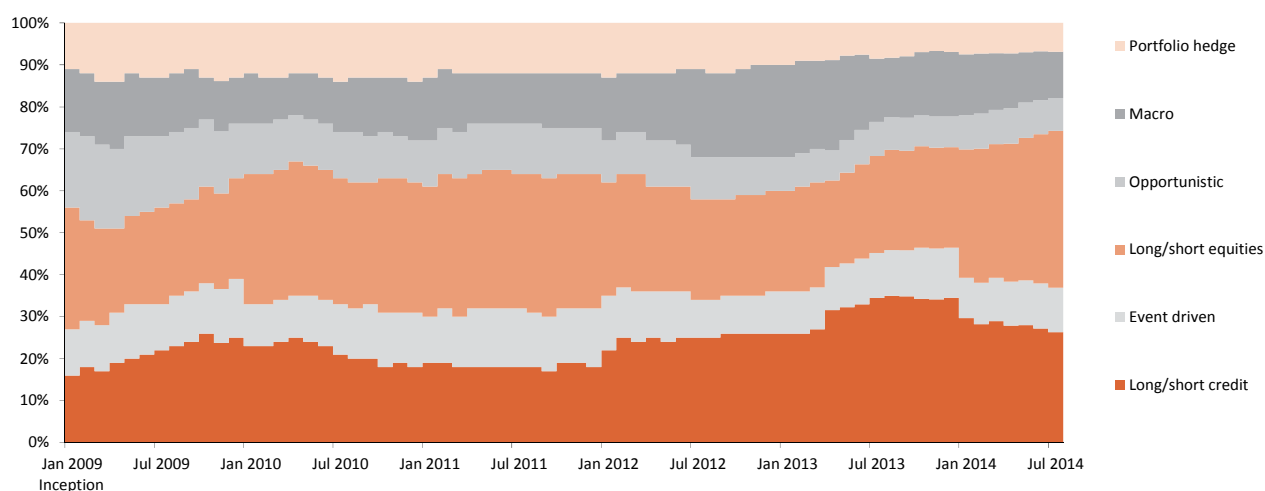
Source: Aurora Investment Management L.L.C.

### Strategy Performance and Attribution<sup>5,10</sup>



Source: Aurora Investment Management L.L.C.

### Historical Strategy Allocation<sup>11,12</sup>



Source: Aurora Investment Management L.L.C.

### Country / Region Weightings

Equities <sup>13</sup> (as at 1 June 2014)	Long	Short	Net	Gross
Asia	2.7%	-2.7%	0.0%	5.4%
Canada	2.8%	-1.1%	1.7%	3.9%
Emerging Markets	2.3%	-1.8%	0.5%	4.1%
Europe	15.1%	-5.5%	9.6%	20.6%
Japan	2.0%	-0.6%	1.4%	2.6%
United Kingdom	3.4%	-1.2%	2.2%	4.6%
United States	45.0%	-23.3%	21.7%	68.3%
<b>Total</b>	<b>73.3%</b>	<b>-36.2%</b>	<b>37.1%</b>	<b>109.5%</b>
Credit <sup>14</sup> (as at 1 June 2014)	Long	Short	Net	Gross
Asia	0.7%	-0.1%	0.6%	0.8%
Canada	0.4%	0.0%	0.4%	0.4%
Emerging Markets	0.7%	0.0%	0.7%	0.7%
Europe	4.7%	-1.4%	3.3%	6.1%
United States	10.1%	-5.7%	4.4%	15.8%
<b>Total</b>	<b>16.6%</b>	<b>-7.2%</b>	<b>9.4%</b>	<b>23.8%</b>

Source: Aurora Investment Management L.L.C. Numbers may not total due to rounding.

## Strategy

### Market overview

- Global equity markets, led by the US and emerging markets, generally finished higher in June, with a number of indices, including the S&P 500 and Dow Jones Industrial Average, setting new record highs during the month. Investors point to optimism around continued accommodative central banking policies, a robust mergers and acquisitions environment and improving US employment numbers as drivers behind equity market performance.
- US treasury yields finished the month nearly unchanged as the US Federal Reserve Bank signaled that interest rate hikes should not be expected in the near-term. Notably, eurozone yields fell in June as the European Central Bank insinuated that further easing measures were likely, while UK gilt yields spiked after the Bank of England suggested that rate hikes were imminent.
- The US dollar weakened in June against a number of major currencies, including the euro, the Japanese yen, and the Australian dollar. Implied volatility levels across the asset class continued to fall.
- June marked another month of volatility in the commodity markets with agricultural commodity prices (notably wheat and corn) falling sharply, while crude oil and metals (including gold and silver) marched higher.

	Perf MTD % <sup>5</sup>	Alloc. % <sup>6</sup>	Number of mgrs <sup>6</sup>	Context for performance
Long/short credit	+1.37%	26%	7	<p>Despite a relatively uneventful month in developed market credit, each of the managers produced a gain in June.</p> <p>Profits were derived from both credit and equity holdings in the US and Europe.</p> <p>Energy and utilities exposure, in both credit and equity holdings, proved to be notable contributors in June.</p> <p>Additional gains were attributable to equity exposure in the shipping industry, including one carrier that appreciated after acquiring a peer.</p> <p>Exposure to banks yielded mixed returns as gains from credit exposure to a now-defunct investment bank and an Italian bank were partially offset by losses from other equity holdings in European banks.</p>
Long/short equities	+1.22%	37%	17	<p>The strategy benefited from rising equity markets in June.</p> <p>The most notable source of gains during the month was US-centric media companies, including stock holdings in broadcasters that benefited from the Supreme Court ruling against Aereo, a startup that offered broadcast television to consumers on internet-connected devices.</p> <p>Additional gains were attributable to long energy exposure, particularly in small capitalisation companies, a subset of the market that materially outperformed in June. North American refiners, exploration and production companies, and a pressure pumping supplier also contributed to performance.</p> <p>Long exposure to the European telecommunications industry detracted from performance as deal talks between two large French telecommunications operators were put on hold.</p>
Opportunistic	+0.26%	8%	4	<p>The strategy yielded a modest gain, with single-name long equity exposure producing profits.</p> <p>More specifically, long equity exposure in the energy sector produced notable gains during the month.</p> <p>Additional gains emanated from a long credit position in a Portuguese bank held by multiple managers across the strategy. Managers held hybrid securities in the bank that traded up following a successful rights offer.</p> <p>Long equity positions in real estate, wealth management and banking, produced modest losses.</p>
Macro	+0.02%	11%	6	<p>The strategy finished June with a slight gain. Profits derived from the systematic managers and emerging market macro managers, while the discretionary macro managers generated a modest loss.</p> <p>Gains were led by long credit holdings in the US, Europe, Australia, Argentina and Venezuela, expressed, in part, via credit default swap indices. Long interest rate positions in Europe were also profitable.</p> <p>Long equity exposure to the US, Japan, Canada, India and Mexico provided additional profits, while short equity exposure to Argentina, China/Hong Kong and Taiwan detracted.</p> <p>Losses stemmed from long exposure to the Indian rupee, Mexican peso, and Norwegian krone, as well as short exposure to the euro, Japanese yen, New Zealand dollar and Australian dollar.</p>

## Strategy (continued)

	Perf MTD % <sup>5</sup>	Alloc. % <sup>6</sup>	Number of mgrs <sup>6</sup>	Context for performance
Portfolio hedge	-2.87%	7%	6	<p>The strategy faced headwinds from the rising equity markets, particularly with small capitalisation companies outperforming large capitalisation companies. Short sellers suffered from short equity exposure to software, online services and telecommunications stocks. Short equity and credit exposure to brick and mortar retail names also detracted.</p> <p>Losses were partially offset by one manager's short position in a radio frequency technology company, which saw a jury overturn a decision that would have rewarded it with a sizeable payout from a patent infringement lawsuit.</p> <p>Continued low levels of volatility, both implied and realized, across multiple asset classes, including equities in the US, Europe and Asia, as well as in currencies, drove losses for tail-risk managers.</p>
Event driven	+2.32%	11%	5	<p>The strategy finished June with a strong return, outperforming relevant equity indices, including the S&amp;P 500 (+2.1%) and MSCI World (+1.8%), despite maintaining a hedged orientation.</p> <p>The portfolio's equity exposure to a midstream energy business was the largest contributor to gains. The portfolio is exposed to the company both through a manager allocation (in which it is the manager's largest position) and through a separate special opportunities investment. The stock traded sharply higher in June after the company agreed to buy a controlling stake in another midstream energy company, creating one of the biggest US transporters of oil and natural gas.</p> <p>Additional gains were attributable to long equity holdings in the food services, technology and natural resources industries.</p> <p>Losses in European industrials offset a portion of the strategy's gains.</p>

Source: Aurora Investment Management L.L.C.

## Top 10 Investments<sup>15</sup>

Name of investment	Strategy	Alloc. %	Trading style
Palomino Thoroughbred Composite	Long/short credit	5.99%	Palomino Thoroughbred Composite makes long and short investments across the capital structure focusing on stressed, distressed and value-orientated credit opportunities. These hedge funds employ a fundamental, bottom-up approach and will, at times, participate in situations where they can play a proactive role in corporate reorganisations and throughout the bankruptcy process. Palomino employs a more opportunistic approach and may have significant exposure in non-credit securities. Thoroughbred will ordinarily invest no more than 30% of its net assets in non-fixed income instruments.
Redwood Offshore Fund, Ltd.	Long/short credit	4.47%	Redwood Offshore Fund, Ltd. makes long and short investments across the capital structure focusing on stressed, distressed and value-orientated credit opportunities. The hedge fund employs a fundamental, bottom-up approach and at times will play a proactive role throughout the bankruptcy process. The composition of the hedge fund's portfolio is generally well diversified with a moderate level of concentration in higher conviction positions.
Pennant Broadway Gate Composite	Long/short equities	3.50%	Pennant Broadway Gate Composite invests primarily in long and short equity securities across global markets. The hedge funds' investment manager combines macro analysis to identify long-term themes, with bottom-up research to select well-positioned companies. The hedge funds will engage in non-equity investments on an opportunistic basis.
Columbus Hill Overseas, Ltd	Long/short credit	3.19%	Columbus Hill Overseas, Ltd. makes long and short investments across the capital structure, focusing on stressed, distressed and value-orientated credit opportunities. The manager employs a fundamental, bottom-up approach and at times will participate in situations where it can play a proactive role in corporate reorganisations and throughout the bankruptcy process. The composition of the manager's portfolio is more concentrated with exposure to a diverse group of industries.

## Top 10 Investments<sup>15</sup> (continued)

Name of investment	Strategy	Alloc. %	Trading style
Centerbridge Credit Partners Offshore, Ltd.	Long/short credit	3.13%	Centerbridge Credit Partners Offshore, Ltd. seeks to invest across the capital structure, focusing on stressed, distressed and value-orientated credit opportunities. The hedge fund employs a fundamental, bottom-up approach and will participate in situations where it can play a proactive role in corporate reorganisations. The hedge fund is primarily long biased but will look to add short positions opportunistically.
Greenlight Composite	Long/short equities	3.11%	Greenlight Composite invests primarily in long and short equities across developed markets. Utilising fundamental research and thorough due diligence, the hedge fund invests in value-orientated companies with secular tailwinds, strong balance sheets and quality management teams. Short positions focus on declining businesses with excessive leverage and structural challenges. The hedge fund also opportunistically invests in non-equity securities.
Discovery Composite	Macro	3.01%	Discovery Composite employs a fundamentally-driven, discretionary global macro strategy with an emphasis on emerging markets. The hedge fund combines a macro-driven, top-down approach with fundamental bottom-up security selection to develop investment themes. These themes are expressed through equities, fixed income, currencies and related derivatives.
AKO Fund Limited	Long/short equities	2.97%	AKO Fund Limited employs a long/short equity strategy across developed European markets. The hedge fund engages in fundamental research to identify long positions with strong balance sheets and accelerating earnings. Short positions are typically shorter-term than the hedge fund's long positions. The hedge fund is long-biased and opportunistically invests in emerging markets.
Monarch Opportunities Fund Ltd.	Long/short credit	2.93%	Monarch Opportunities Fund Ltd. makes long and short investments across the capital structure focusing on stressed, distressed and value-orientated credit opportunities. The manager employs a fundamental, bottom-up approach and favours event-driven situations that require a deep understanding of the restructuring process. The manager primarily focuses on the US but can have up to 50% in positions elsewhere.
Stonehill Offshore Partners Limited	Long/short credit	2.78%	Stonehill Offshore Partners Limited makes long and short investments across the capital structure focusing on stressed, distressed and value-orientated credit opportunities. The manager employs a fundamental, bottom-up approach and at times will participate in situations where it can play a proactive role in corporate reorganisations and throughout the bankruptcy process. While the manager participates primarily in larger capitalisation prospects, the manager also specialises in identifying investment opportunities in underfollowed, smaller issuers.

## Top 5 Investments (AOFL II by contribution to performance in June 2014)

Fund	Strategy	Contribution % <sup>16</sup>	Context for performance
Fund 1	Long/short equities	+0.09%	In a strong month for small cap energy stocks, the long book performed particularly well. Gains emanated from the manager's largest position in a Permian basin-focused exploration and production company, which had a successful IPO for its mineral rights asset. Another long position in an exploration and production company, as well as a position in a Canadian pressure pumper, also contributed to gains.
Fund 2	Event driven	+0.09%	The manager's top long position, a midstream energy business, was the largest contributor after the company agreed to buy a controlling stake in another midstream energy company, creating one of the biggest US transporters of oil and natural gas. The acquisition is in line with expectations of the activist manager, who has urged the company to consider strategic combinations. Additional gains emanated from a telecommunications company after it was acquired by a peer. Portfolio hedges detracted modestly from gains.
Fund 3	Long/short credit	+0.09%	The portfolio's shift to a more bullish posture after the European Central Bank meeting early in the month resulted in gains. Equities, both single names (including long positions in airline and energy businesses) and certain equity indices, were the primary driver. Asset-backed security positions were also additive.



## Top 5 Investments (AOFL II by contribution to performance in June 2014) (continued)

Fund	Strategy	Contribution % <sup>16</sup>	Context for performance
Fund 4	Long/short credit	+0.08%	The manager's net long exposure (75%) was a tailwind for the month. Gains emanated mostly from energy-related equities and Argentine bond positions. Long positions in a natural gas pipeline operator, an Argentine energy exploration and production company, and a liquefied natural gas servicer, were three of the top performers.
Fund 5	Long/short equities	+0.08%	The manager generated outsized gains from a position in a media company, which had an asset that the market assigned a higher valuation to after the sale price of a professional basketball team was much higher than expected. Another long position in a media company also performed well on the back of the Supreme Court ruling against a startup company that brought broadcast television to consumers digitally. A social media company, which went from being a short position to a long position during the month, added further gains. Short positions, including two internet companies, were the primary sources of losses.

Source: Aurora Investment Management L.L.C.

## Bottom 5 Investments (AOFL II by contribution to performance in June 2014)

Fund	Strategy	Contribution % <sup>16</sup>	Context for performance
Fund 1	Portfolio hedge	-0.05%	Losses were driven by short positions in a computer hardware and software systems company, a retail bookseller, a marketing automation software company and a streaming music service. Offsetting gains were short positions in an apparel company, a women's clothing retailer and a biopharmaceutical company.
Fund 2	Macro	-0.05%	Losses were driven by the Mexican competitiveness theme (including long exposure to the Mexican peso), the Australian dollar terms of trade theme (short the Australian dollar), the Norwegian krone recovery theme (long the Norwegian krone versus the euro), and the New Zealand dollar overshoot theme (short the New Zealand dollar).
Fund 3	Portfolio hedge	-0.05%	Low levels of implied and realised volatility were headwinds for the composite. Implied volatilities of currencies declined with the Chinese renminbi straddle as the biggest detractor, followed by positions in India, Turkey and Brazil. A steadily rising market also hurt the strategy with gold miners, semiconductor and energy pair trades lagging.
Fund 4	Portfolio hedge	-0.04%	Many sectors detracted during the month, with healthcare, information technology, and consumer discretionary leading the way. More specifically, losses emanated from short positions in a cancer screening company, an Indian travel booking site and a pharmaceutical company. The most notable positive contributor was a short position in a radio frequency technology company.
Fund 5	Portfolio hedge	-0.04%	Losses were driven by short positions in two telecommunications companies (one of which was acquired by a peer during the month), a discount retailer and a sports clothing company. Long positions in an automotive supplier, as well as shorts in a mobile gaming company and a cruise line company, were additive.

Source: Aurora Investment Management L.L.C.

#### Summary of Recent Announcements\*

##### Total Voting Rights (30 June 2014)

As at 30 June 2014, the Company's issued share capital (excluding shares held in treasury) consists of:

- 135,349,838 GBP Shares
- 1,384,843 EUR Shares
- 2,722,030 USD Shares

All shareholders have equal voting rights based on the number of shares held. Accordingly, the total number of voting rights in the Company is 139,456,711. This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure and Transparency Rules.

\*Please refer to the original RNS announcement for further detail.

#### Past Performance Percentage Growth<sup>1</sup>

The table shows performance information for five complete 12-month periods, the most recent of which ends with the last full calendar quarter up to and including the reporting month.

	Q2 2009 – Q2 2010	Q2 2010 – Q2 2011	Q2 2011 – Q2 2012	Q2 2012 – Q2 2013	Q2 2013 – Q2 2014
<b>Dexion Absolute Limited GBP Shares</b>	+8.4%	+5.5%	-4.8%	+8.3%	+8.0%
<b>Dexion Absolute Limited EUR Shares</b>	+7.4%	+4.6%	-5.6%	+22.0%	+8.5%
<b>Dexion Absolute Limited USD Shares</b>	+7.8%	+4.7%	-5.7%	+33.0%	+8.0%

Percentage Growth Rate for the year =  $((P1 - P0)/P0) * 100$  and rounded to the nearest 0.1% (with exact 0.05% rounded to the nearest even 0.1%) and where P0 is the price at the start of the 12-month period and P1 is the price on the same day in the following 12-month period.



### FOOTNOTES

#### Dexion Absolute Limited ("DAL" or the "Company")

- 1 **Foreign Exchange:** The approximate impact of foreign exchange on the net asset values of the Company's Shares during the period between the Company suspending and reinstating its currency hedging arrangements were +3.7% for the GBP Shares, and -4.9% for the EUR Shares. The approximate impact of foreign exchange on the net asset values of the Company's Shares during the period between 1st January 2009 and the reinstatement of its currency hedging arrangements were +2.0% for the GBP Shares and +5.5% for the EUR Shares. Currency hedging was suspended on 13 November 2008 and reinstated on 27 and 28 January 2009 (see RNS announcements dated 29 January 2009, No. 4916M and 27 January 2009, No. 3345M).
- Reverse Auction (January 2009):** The approximate impact of the reverse auction, held in January 2009, on the net asset values of the Company's Shares on the basis of the redemption prices as announced on 30 January 2009 were +1.7% for the GBP Shares, +2.5% for the EUR Shares and +2.9% for the USD Shares.
- Reverse Auction (January 2010):** The approximate impact of the reverse auction, held in January 2010, on the net asset values of the Company's Shares on the basis of the redemption prices as announced on 1 February 2010 were +0.3% for the GBP Shares, +0.2% for the EUR Shares and +0.2% for the USD Shares.
- Reverse Auction (July 2012):** The approximate impact of the reverse auction, held in July 2012, on the net asset values of the Company's Shares on the basis of the redemption prices as announced on 31 July 2012 were +0.9% for the GBP Shares, +14.0% for the EUR Shares and +24.1% for the USD Shares.
- 2 Annualised for stated period, and based on monthly data. Investments are subject to risk; the value of shares may go down as well as up and you may not get back the amount invested; past performance is not necessarily an indication of, and cannot be relied on as a guide to, future performance and may be affected by currency fluctuations.
- 3 Risk free rate is average 1M GBP LIBOR since December 2002 (2.81%) for DAL GBP, average 1M EUR LIBOR since June 2005 (1.71%) for DAL EUR, average 1M USD LIBOR since June 2005 (1.82%) for DAL USD and average 1M USD LIBOR since December 2002 (1.78%) for USD indices.
- 4 MSCI World Index and JPM Global Government Bond Index annualised since December 2002.
- 5 Effective 31 May 2011, 31 May 2012 and 28 February 2013, DAL created separate redemption portfolios for redeeming shareholders from the EUR (for 2011, 2012 and 2013), USD (for 2012 and 2013) and GBP (for 2013 only) share classes. All information presented herein is for the continuing portfolio only. Strategy returns are in USD, are net only of the fees and expenses of the underlying managers and gross of the fees of DAL's investment manager and investment adviser and the operating expenses of DAL and AOFL II. In addition to DAL's direct holdings, strategy returns include the underlying manager holdings in AOFL II. The investment adviser implements the 'Modified Dietz' methodology for calculating the DAL portfolio hedge strategy returns, which takes into account the amount of time an investment is held. Under unusual market circumstances, there are certain limitations to the Modified Dietz methodology and under such circumstances the investment adviser may modify, adjust or apply a different methodology if it determines in its reasonable discretion that doing so will more accurately reflect the rate of return of the DAL portfolio hedge strategy.
- 6 Allocations for the continuing portfolio are based on 30 June 2014 results and 1 July 2014 capital allocations, net of cash effect and including, for Portfolio hedge only, the delta-adjusted exposure derived from option hedges, the notional value of futures hedges, and dedicated notional gold exposure, if any (collectively, the "notional exposures"). From April 2013 to July 2013 (inclusive), strategy allocations excluded the notional exposures. If the notional exposures had been included during April 2013 to July 2013 (inclusive), the effect would have been an increase to the Portfolio hedge Strategy by approximately 3% and a reduction to the allocations in each of Long/Short Equities, Long/Short Credit, and Macro by approximately 1%. Strategy allocations have included notional exposures going forward. In addition to DAL's direct holdings, strategy allocations and manager counts include the underlying manager holdings in AOFL II. Manager counts exclude any manager for which DAL has submitted a full redemption request and has at any point thereafter represented less than 0.5% of DAL's net asset value or consisted solely of designated investments. DAL treats investments in different hedge funds of the same manager which are managed in the same strategy as a composite for the purpose of computing percentage allocations. DAL classifies all managers by reference to only one of the core trading strategies provided in the chart (which include several strategies whose nature is multi-strategy). In certain instances, and over time, a manager may utilise multiple trading strategies. Consequently, it is possible that DAL's determination of a manager's primary trading strategy may change over time and may differ from how others may classify such manager's primary trading strategy. Strategy allocations may vary over time. Special opportunities, which is a sub-category of the Event driven strategy, represents an aggregation of a select set of unique, concentrated, and opportunistic investments that have been added to AOFL II's portfolio to benefit from compelling and timely investment opportunities. As of 1 April 2014, Special opportunities consists of positions with Corvex Management LP. Prior to 1 April 2014, the Corvex Management LP Special Opportunities investment was considered part of the Corvex Composite. Due to the nature of these investments, the investment adviser does not consider Special opportunities or any individual positions included therein as "managers". For purposes of determining manager count, the investment adviser treats investments in different hedge funds managed by the same manager using the same strategy as a composite and does not include any "Excluded Managers". An Excluded Manager is any manager (1) for which the Fund has submitted a full redemption request and has at any point thereafter represented less than 0.5% of the Fund's net asset value or consisted solely of designated investments, or (2) that manages only "Special Opportunities Investments" within the strategy. Special Opportunities Investments represent an aggregation of a select set of unique, concentrated, and opportunistic investments that may be added to the Fund's portfolio to benefit from compelling and timely investment opportunities.
- 7 Calculated using weekly published estimated NAVs and closing mid-weekly share prices to June 2014. Note that current premium/discount may be higher or lower.
- 8 Historical monthly NAV performance is net of all fees. AUD share class was open from October 2006 and closed on 28 August 2009. Investments are subject to risk; the value of shares may go down as well as up and you may not get back the amount invested; past performance is not necessarily an indication of, and cannot be relied on as a guide to, future performance and may be affected by currency fluctuations.
- 9 DAL's look-through portfolio leverage is the aggregate gross exposures (i.e. longs and shorts plus other exposure) of the underlying managers (including AOFL II) divided by DAL's net asset value at the beginning of each calendar month. Effective 31 May 2011, 31 May 2012 and 28 February 2013, DAL created separate redemption portfolios for shareholders that elected to redeem from the EUR (for 2011, 2012 and 2013), USD (for 2012 and 2013) and GBP (for 2013 only) share classes. Beginning 1 June 2011, DAL's portfolio gross exposure has been reported for the continuing portfolio only. Look-through portfolio leverage is derived from information provided by the underlying managers and is presented for the continuing portfolio. Certain Macro managers provide Value at Risk ("VaR") instead of long, short, or gross exposure. For these macro managers, an estimated VaR derived gross exposure is determined by calculating the VaR equivalent portfolio by the underlying manager's net asset value. The resulting VaR derived gross exposure is then aggregated with the other macro managers' gross exposure to arrive at an estimated aggregate gross exposure. When VaR reporting or gross exposure is not available for a macro manager, portfolio information may be analysed to derive an estimated VaR and an estimated VaR derived gross exposure may then be determined using the process described above. For reports prepared after 1 January 2011, the methodology used to calculate certain underlying managers' gross exposure has changed for periods prior to 1 December 2008.
- 10 Strategy attributions for the continuing portfolio have been calculated for each strategy based on the sum of the managers' attribution effect within each strategy. The monthly manager level attribution effects are calculated based on the manager's monthly income (which is net of each underlying manager's fee and expenses but gross of the fees of DAL's Investment Manager, AOFL II's Investment Manager and Investment Adviser and the operating expenses of DAL and AOFL II) over DAL's beginning of the month net asset value. Multi-period attribution is calculated using the 'Frongello linking' method, which takes into account the return of the portfolio and the effects of weighting changes within the portfolio over the full period presented. The Portfolio hedge strategy's attribution effect will be based on the delta-adjusted exposure derived from any option hedges, the notional value of futures hedges and dedicated notional gold exposure, if any. Past performance is not necessarily indicative of future results.
- 11 Strategy allocations are net of cash effect and are for the continuing portfolio only. For purposes of the historical strategy allocation, the notional exposures that were excluded from the monthly allocations for the period April 2013 through July 2013 (as described in footnote 6 above) have been retroactively included.
- 12 DAL has re-categorised the strategies by which it classifies managers over time. The historical strategy allocation chart retroactively classifies managers since inception using DAL's current core trading strategies. See [www.dexionabsolute.com](http://www.dexionabsolute.com) for details.
- 13 Geographic equities exposure is calculated from the underlying managers' (including AOFL II) reported geographic exposure and is expressed as a percentage of DAL's net asset value. Geographic equities exposure is reported for the continuing portfolio only at 1 June 2014. Some underlying managers may not report country-specific exposure. For example, an underlying hedge fund manager may report Asian exposure, but not exposure to specific Asian countries such as Japan. Discretion may be exercised in order to determine how to categorise such managers' geographic exposure. Geographic equities exposure generally excludes portfolios of certain macro managers that trade broad asset classes due to the nature of their top down trading style.
- 14 Geographic credit exposure is calculated from the underlying managers' (including AOFL II) reported geographic exposure and is expressed as a percentage of DAL's net asset value. Geographic credit exposure is reported for the continuing portfolio only at 1 June 2014. Some underlying managers may not report country-specific exposure. For example, an underlying hedge fund manager may report Asian exposure, but not exposure to specific Asian countries such as Japan. Discretion may be exercised in order to determine how to categorise such managers' geographic exposure. Geographic credit exposure generally excludes exposure to interest rates and sovereign debt as well as the portfolios of certain Macro managers that trade broad asset classes due to the nature of their top down trading style.

- 15 Top 10 manager allocations are as at 1 July 2014 for the continuing portfolio only. In addition to DAL's direct holdings, Top 10 Manager Allocations include the underlying manager holdings in AOFL II. The allocation percentage is derived from dividing the value of DAL's investment with the manager by the net asset value of DAL. DAL treats investments in different hedge funds of the same manager which are managed in the same strategy as a composite for the purpose of determining manager count and computing percentage allocations.
- 16 Top 5 and Bottom 5 Managers are as of 30 June 2014. Attribution is calculated based on AOFL II's performance. The contribution of each manager to AOFL II's monthly performance is expressed in basis points. The monthly manager level attribution effects are calculated based on the manager's monthly income (which is net of the underlying manager's fee and expenses) over AOFL II's beginning of the month net asset value. All figures are estimated and unaudited. Contribution includes the performance of managers, Special opportunities investments and dedicated notional gold exposure, if any, and does not include the performance of option hedges and futures hedges, which, when expressed as the delta-adjusted exposure derived from the option hedges and the notional amount of the futures hedges, may be significant. AOFL II treats investments in different hedge funds of the same manager, which are managed in the same strategy, as a composite. Investments are subject to risk; the value of shares may go down as well as up and you may not get back the amount invested; past performance is not necessarily an indication of, and cannot be relied on as a guide to, future performance and may be affected by currency fluctuations.

**Dexion Absolute Limited (the "Company")'s investments in underlying funds may be considered speculative and involve a high degree of risk. Underlying hedge funds may trade with a high degree of leverage and performance may be volatile. Underlying funds and hence the Company's investments may have high fees and expenses that reduce returns. An investor in the Company could lose all or a substantial amount of its, his or her investment. Dexion Capital (Guernsey) Limited is responsible for the management of the Company's portfolio. Dexion Capital (Guernsey) Limited has delegated certain of its duties, including making investment decisions to Aurora Investment Management L.L.C. ("Aurora Investment Management"). The use of a single fund of funds manager applying one set of allocation procedures could mean lack of diversification and, consequently, higher risk. There are restrictions on transferring interests in the Company to US and certain other persons. The high fees and expenses of the Company and underlying managers may offset the underlying manager's trading profits. A substantial portion of the trades executed by the underlying managers may take place on lightly regulated exchanges.**

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