

Dexion

**ALPHA**  
strategies

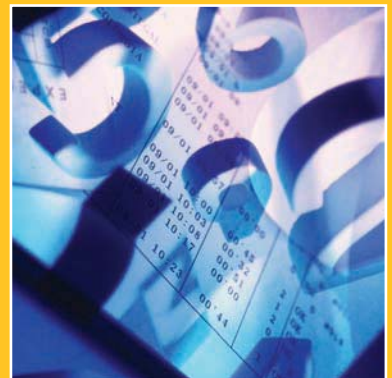


Dexion

ALPHA STRATEGIES  
LIMITED

2006

Report and Accounts



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## Financial Highlights

	<i>31 December 2006 £ Shares</i>	<i>31 December 2006 € Shares</i>	<i>31 December 2006 US\$ Shares</i>
Total Net Assets	£88,054,111	€46,235,071	US\$17,686,051
Net Asset Value per Share	£1.0035	€1.4336	US\$1.7686
Mid-Market Share Price	£0.9738	€1.3675	US\$1.6550
Discount to Net Asset Value	(2.96%)	(4.61%)	(6.42%)

### Introduction

I am pleased to present shareholders with this first report for the period from incorporation to 31 December 2006.

The Company was successfully launched in March 2006 raising net proceeds of £127.7 million through an issue of £, Euro and US\$ shares attracting a broad range of investors including insurance companies, pension funds, private wealth managers and discretionary asset managers. The Company was substantially fully invested from 1 April 2006 and as at the period-end the net assets of the Company were approximately £128.2 million, invested in a diversified portfolio of 65 hedge funds across seven hedge fund strategies.

### NAV and Share Price Performance

It has been a difficult first nine months for the Company. The launch coincided with a peak in many markets in which the Company's managers trade and the swift change in investor sentiment that occurred in May led to difficult trading conditions in almost all markets through the summer months. Secondly, the well publicised difficulties in the energy and natural gas sectors resulted in substantial losses for one of the Company's managers, a position that was written off in August. The last quarter of the year saw a return to stronger market conditions and greater opportunities for managers with the result that the Company recouped the summer's losses. The Board is encouraged by this more positive trend and is confident that the Investment Adviser is capable of delivering on its performance objectives over the medium term.

Notwithstanding the difficulties mentioned above, over the period under review, the net asset value of the Company's £ shares appreciated by 2.14% and the Company's Euro and US Dollar shares by 0.90% and 2.75% respectively. The differences in performance between the Company's three classes of shares arise from the currency hedging which is an integral part of the Company's investment strategy and eliminates volatility that would otherwise have occurred as a result of fluctuations in exchange rates over the period. Changes in the level of Sterling and Euro interest rates versus US Dollar interest rates cause the hedge to have either a positive or negative effect on performance.

As set out in the Manager's Report, all but one of the seven hedge fund strategies in which the Company invests were profitable with a significant contribution coming from the Company's commodity strategies managers.

Although initially trading at a substantial premium to net asset value, the poor mid-year performance saw the share price of each class move to a discount of approximately 5%, a level that has persisted since then. While recognising that NAV performance is a key determinant of share price rating, the Board continues to closely monitor secondary market activity in conjunction with its corporate advisers and continues to actively consider using its share repurchase authority and intends to shortly seek approval from shareholders to take powers to hold its own shares in treasury.

### Investment outlook

As set out in the Manager's Report, the Company continues to allocate to strategies which the Investment Adviser believes offer significant alpha opportunities and potential for strong returns.

### FTSE index inclusion

On 18 December 2006, following an announcement by FTSE International of the results of its annual index review, the Company's £ and Euro shares entered the FTSE All-Share Index for the first time. This has helped raise the Company's profile and led to a further broadening of the shareholder base.

### Annual General Meeting

I look forward to welcoming Shareholders to the first Annual General Meeting of the Company at 2pm on 13 June 2007, which will be held at the Company's registered office at Arnold House, St Julian's Avenue, St Peter Port, Guernsey.

Stephen Jones  
Chairman

12 April 2007

## Manager's Report

The Company's £ shares gained +2.14%, net of fees and expenses, in the period from incorporation to 31 December 2006. The US\$ and Euro share classes returned +0.90% and +2.75%, respectively. All but one of the seven underlying hedge fund strategies in which the Company invests reported gains for the period.

The following provides an overview of the Company's investment performance by hedge fund strategy from incorporation to 31 December 2006 (performance is shown net of underlying managers' fees and expenses only).

### Asian Opportunities

The strategy returned 3.07% over the period under review. Strong returns in the final quarter enabled the losses incurred during the second and third quarters, where a sharp sell-off coupled with a persistent underperformance of small and mid cap stocks weighed on returns, to be recouped. The third quarter's performance was also impacted by losses from short positions as increased investor optimism over the summer months saw Asian share values commence a rally which lasted through to year end.

Looking first at the second quarter, the 19% drawdown of the MSCI Asia Pacific Index in just over 5 weeks during May & June illustrated the severity and speed of the market sell-off. Through good exposure management, short side alpha, and the benefit of an end of June recovery, the portfolio's losses were limited to 3.6%. In the third quarter, an underperformance of small and mid caps limited upside returns as the established large cap indices stabilised and subsequently began to rise. Small cap exposure in Japan proved particularly damaging. One manager also lost money due to a short exposure in India as its equity market rallied sharply.

The final quarter saw a strong end to the year and most of the Company's underlying managers performed well. The bulk of profits accrued from long positions in Hong Kong and Chinese financial and infrastructure stocks. Further gains arose from selected property, industrial and financial stocks in Singapore, Australia and Malaysia. The portfolio had very little exposure to Thailand and there was no noticeable effect of the volatility in that market. It was also pleasing to note that gains were made on the short side.

### Healthcare Opportunities

Despite a very difficult start, losses in the Healthcare space were turned around during the late summer and the strategy posted positive returns of 1.61% for the period as a whole.

Following the Company's launch in March, Healthcare was under immediate pressure as investors worried that there might be an overhang of new pipeline drugs and that acquisition activity by the larger pharmaceutical companies would remain weak. This weaker sentiment was then exacerbated by the general sell off in May. During the summer the environment improved for large cap healthcare equities and some of the Company's investments benefited from this. The fourth quarter saw improved performance from healthcare managers with some core positions benefiting from positive news flow.

### Special Situations

As with other strategies, Special Situations had a disappointing start, as the May sell-off took the gloss off a strong run up until April. Managers suffered as small and mid-caps were hit particularly hard and index or stock basket hedges turned out to be inadequate.

Given the continued flow of deals, the flat performance of underlying managers (in aggregate) during the late summer was disappointing. The bulk of the losses were incurred by one fund which suffered from a significant deal break and underperformance from some mid cap holdings. This fund was subsequently redeemed from the Company's portfolio.

Performance picked up in the final quarter, ending the year up 7.55%, with a number of bids looking more likely or approaching completion. Major deals and developments where managers have been involved over the period include the consolidation around the stock exchanges (Deutsche Boerse, Euronext, NASDAQ, NYSE, LSE), Mittal Steel's acquisition of Arcelor and further merger activity in the mining sector involving Inco, Falconbridge, Phelps Dodge, Teck, Cominco and Xstrata.

## Manager's Report (continued)

Elsewhere, the portfolio benefited from the consolidation of the Italian banking sector and a position held in a leading wind farm developer and operator. Credit spreads remained relatively steady over the period and enabled another manager to profit from decent coupon payments alongside holdings in bonds and loans.

### Energy & Emissions

This was the only strategy to post a negative return, losing 7.04% over the reporting period. The underperformance was due to severe losses incurred by an energy trader. This manager employed a relative value approach and suffered from movements in natural gas prices between June and July. In June, the manager took excessive long volatility risk as realised and implied volatility slumped amid a decline in prices. The manager then removed the near-term volatility bias and missed the subsequent spike in prices which occurred in July. The magnitude of the July moves inflicted heavy losses on a number of the manager's structured option positions, thus exacerbating the June drawdown and resulting in the closure of the fund as it was unable to recover.

Most of the other underlying managers recorded positive returns over the period under review. One manager generated returns in excess of 90% thanks to early stage investments in oil service companies which performed well in 2006. The fourth quarter return was particularly strong as energy related names rallied sharply.

Further gains arose from equity related strategies. Investments in shipping and utility stocks did particularly well. Diversified energy managers profited from a mixture of directional and relative value trades. Shorts in natural gas worked well as prices fell, while crack spread trades between refined products and crude also did well as spreads moved significantly. Power and emission trading strategies also performed well. One US based manager delivered strong double digit returns thanks to sales of emission credits gained from project investments and from tactical shorts in near-term emission markets.

### Commodities

This was the best performing strategy over the reporting period, returning 17.90% with a number of underlying managers delivering strong double digit performance. Profits were split between directional and relative value trades with base metals and agricultural commodities proving key return drivers.

The top performing manager was a base metal trader which generated gains in excess of 100% thanks to directional spread trading in physical and derivative metal markets. Tight supply helped spark rallies in copper, zinc and other industrial metals at various points over the period and the manager was well positioned to capture the upside. Further gains arose from curve trades between the front and back end of copper curves as the curve shape fluctuated significantly mainly due to higher volatility in near-term maturities. Given the volatile nature of the manager's strategy, the Company's Investment Adviser is actively managing the position to ensure the Company's exposure to this fund is controlled.

After underperforming for much of the year, agricultural commodities rallied strongly in the fourth quarter and this move also proved to be a key return driver. A major drought in Australia (a major grain exporter) along with strong demand helped spark the rally, which propelled corn and soybeans up over 49% and 25% respectively in the last quarter. The Company's dedicated agricultural trader captured the price gains, erasing earlier losses, and a number of more diversified managers also profited from the move.

Equity based strategies contributed modestly to performance. A Canadian manager active in small and mid cap resource stocks posted excellent performance as good stock selection helped it capture most of the upside within this sector while limiting the big falls that occurred in May and September.

### Emerging Markets

The first part of the period under review was a very difficult one for the Company's Emerging Markets investments. While risk aversion was prevalent across most markets, Emerging Market sovereign spreads moved out by only 29 bps with little volatility. As many managers use credit default swaps as a hedge against increased volatility or a shock, this was detrimental to performance as short credit provided little protection against falling equity markets. Hitherto popular trades such as carry trades with exposure to

Turkey, Mexico or Brazil were particularly hard hit. Managers suffered a double whammy of declining equity markets and currencies. In Turkey, for example, the equity market lost over 30% in dollar terms in the quarter. The contribution was –18% in local currency and –12% from Turkish Lira depreciation. In Mexico, the currency was hit less severely, but still posted a small loss, while the Brazilian Real was able to fully recover by the end of June.

After the difficult start, the second half of the year was much better for the emerging markets managers. In addition to positions in Mexico and Brazil, long positions in Indonesian local currency bonds, Korean banks and the Chinese telecommunications sector contributed to performance. Elsewhere, gains were made in relative value strategies such as trading the Philippine peso against the Taiwan dollar and also the Indian rupee against the Indonesian rupiah. Over the period the strategy returned 6.74%.

### European Leveraged Loans

Steady returns of 8.15% were produced by this strategy. The Investment Adviser took the opportunity to diversify the portfolio over the year as new issues came to the market, providing the manager with interesting opportunities. The bulk of exposure remains in Western Europe with UK loans forming the largest exposure. Corporate default rates remain at record lows and whilst there were some prepayments, performance during the period under review was in line with expectations.

### Outlook

The Investment Adviser believes that little has changed in their medium-term outlook. They believe that the Company continues to allocate to strategies which offer higher alpha opportunities and stronger returns than a typical diversified fund of hedge funds.

In Asia, the region continues to offer good opportunities for the Company's long/short managers and recently added managers should help boost returns from the short side. After underperforming in 2006, Japanese small & mid caps could provide decent returns this year, although the portfolio does contain managers with good shorting capability in this market should this market segment continue to disappoint.

Within healthcare, the Democrats capture of Congress should set the scene for strong alpha opportunities in the coming months. It is widely known that the Democrats want to lower medical costs, and the established large cap names should come under pressure, thus creating difficulties for long only strategies, but opportunities for a long/short approach.

The volume of global M&A looks set to remain strong in 2007 as balance sheet fundamentals remain strong and private equity firms look to put large cash piles to work. The Investment Adviser expects companies to take a greater interest in Asia and have recently increased exposure to Asia focused strategies.

As 2006 demonstrated, energy markets can be very volatile and further volatility is expected this year. It is difficult to forecast future price movements with any great certainty; however the mix of trading and fundamental strategies employed by the Company's underlying managers should enable profits to be generated on the long and short side.

For commodities as a whole, the sector still feels as if it is in a medium-term secular bull market; however the upward path will not always be smooth. In terms of sub-sectors, base metals and agricultural commodities (grains) remain subject to significant constraints on the supply side and this should support valuations. After lagging energies and metals for so long, grains could be particularly interesting in 2007, especially if the high crop yields of 2006 cannot be maintained in an environment of growing demand.

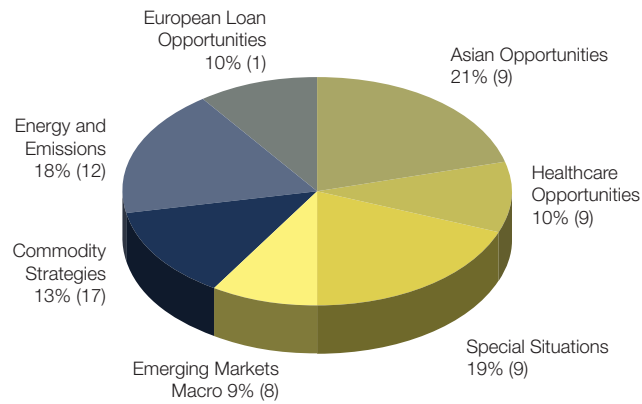
Within Emerging Markets, managers are well placed to profit from moves in fixed income, currency and equity markets. The improved economic fundamentals of EM nations continue to reward long biased trades and the dispersion in regional performance allows for relative value trades across countries and continents.

European loan opportunities should continue to offer steady returns uncorrelated to equity markets and the Company's other investment strategies. Significant new issuance in the first quarter of 2007 should provide increased investment opportunities, however the rising level of leverage is a concern and the portfolio is likely to become more cautiously positioned as the year progresses.

## Manager's Report (continued)

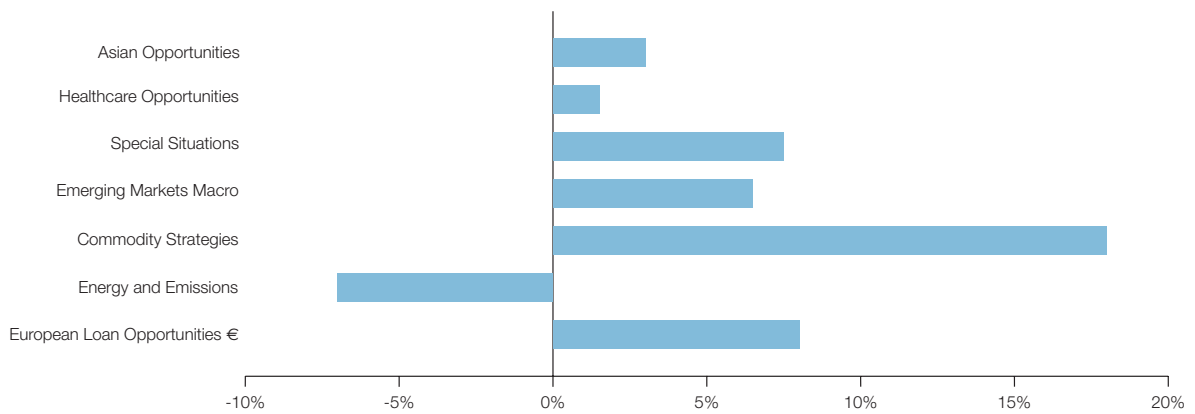
### Portfolio composition at 1 January 2007

Numbers in brackets indicate number of managers.



Source: RMF

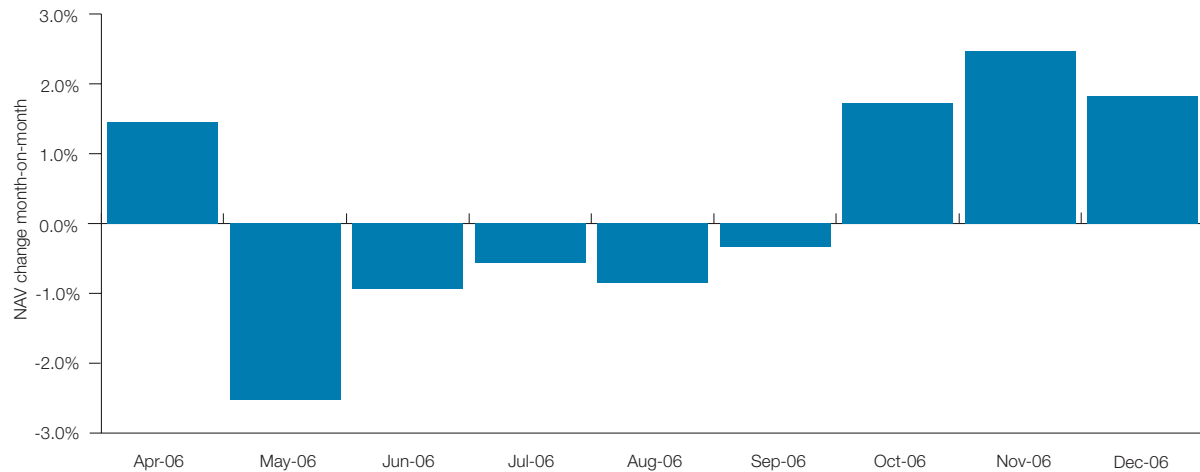
### Performance by strategy from inception to 31 December 2006



Note: Strategy returns are in US\$ (except where annotated) and net of underlying manager fees only and not inclusive of Dexion Alpha Strategies' fees and expenses.

Source: RMF

### Monthly £ Share NAV Performance since inception



Source: Bloomberg (data).

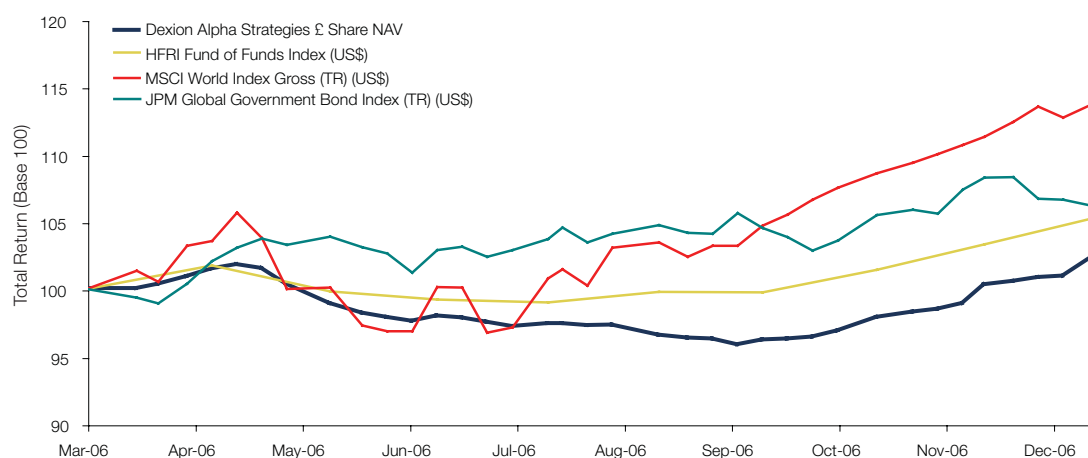
## Manager's Report (continued)

### Monthly NAV Performance since inception

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2006				1.47%	-2.53%	-0.95%	-0.57%	-0.89%	-0.35%	1.74%	2.48%	1.84%	2.14%
<b>EUR</b>													
2006				1.32%	-2.72%	-1.09%	-0.71%	-1.05%	-0.52%	1.62%	2.33%	1.82%	0.90%
<b>USD</b>													
2006				1.55%	-2.44%	-0.86%	-0.49%	-0.81%	-0.32%	1.79%	2.59%	1.83%	2.75%

Source: Bloomberg (data).

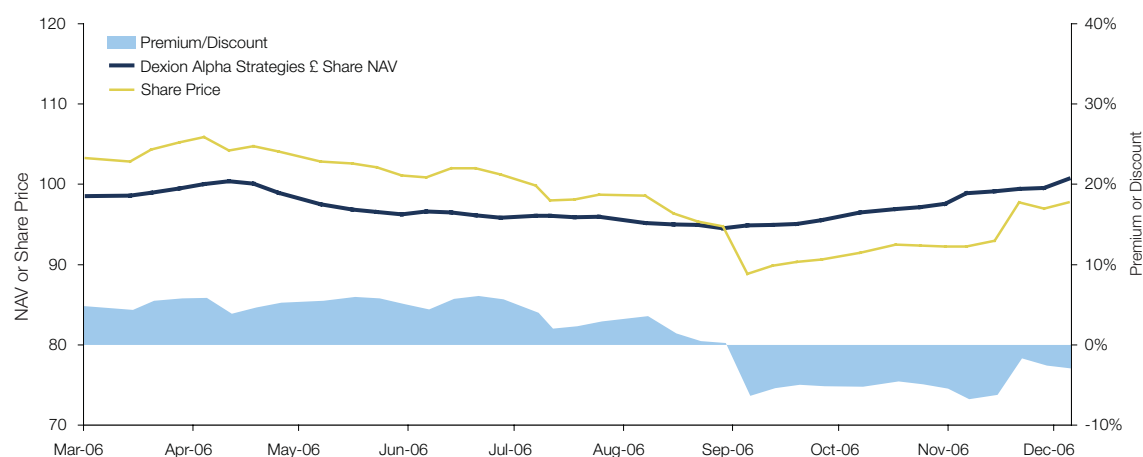
### £ Share Net Asset Value Performance



Note: Based on weekly data for Dexion Alpha, MSCI World Index Gross (TR) and JPM Global Government Bond Index (TR) and monthly data for HFRI FOF Index (weekly data not available). Dexion Alpha's £ Share NAV is expressed in £ whilst the comparative indices are expressed in US\$. Dexion Alpha's £ Share NAV is hedged from US\$ to £ and these hedging arrangements had a negative effect on the £ NAV performance from inception to December 2006.

Source: Bloomberg (data).

### £ Share Premium/Discount to Net Asset Value



Note: Based on weekly data.

Source: Bloomberg (data).

## Manager's Report (continued)

The ten largest holdings of the Company as at 31 December 2006 are set out below:

<i>Name of Investment</i>	<i>Strategy</i>	<i>Book cost (£)</i>	<i>Market value (£)</i>	<i>% of Company's net assets</i>	<i>% of issued share capital<sup>(1)</sup></i>
RMF Special Opportunities Limited	Commodity Strategies	22,993,792	23,216,869	18.10	2.35
RMF European Loan Opportunities	European Loan Opportunities	11,161,186	11,662,082	9.09	37.00
Tantallon (Non US Feeder) Fund	Asian Opportunities	3,809,516	3,633,310	2.83	0.77
Everest Capital China Opportunity Limited	Asian Opportunities	3,679,007	3,560,562	2.78	2.45
ARN Asian Enterprise Fund	Asian Opportunities	3,679,007	3,475,201	2.71	1.12
Standard Pacific Japan Fund Unit Trust	Asian Opportunities	3,846,153	3,191,669	2.49	0.19
Bluesky Japan MAC 74 Limited	Asian Opportunities	3,679,007	3,154,347	2.46	1.02
Highland CDO Opportunity Fund Limited	Special Situations	2,379,064	3,011,366	2.35	2.45
Tiger Asia Overseas Fund	Asian Opportunities	2,710,132	2,916,826	2.27	0.24
Atticus Global Limited	Special Situations	2,635,758	2,813,281	2.19	0.17
		60,572,622	60,635,513	47.27	

(1) Percentages of issued share capital are based on estimates of fund capital provided by underlying manager as of 31 December 2006

Whilst it is generally considered best practice to disclose the full portfolio of an investment company, the composition of the Company's investment portfolio is the subject of confidentiality provisions with the Investment Adviser. The Board believes that such disclosure could be disadvantageous to the Company and its shareholders, for instance by increasing competition for the limited investment capacity in underlying hedge funds and hedge fund strategies. Accordingly, in common with several other funds of hedge funds, and, in compliance with current UK Listing Authority requirements, the Company intends to disclose only its ten largest investments.

Dexion Capital (Guernsey) Limited

April 2007

## Board Members

The Directors of the Company are listed below:

*Stephen Jones*, (Chairman), aged 55, retired as the Island Director of Barclays Bank PLC in Guernsey in September 2002. He has worked in the finance sector in Guernsey for over 25 years and was previously Managing Director of Woolwich Guernsey Limited and Senior Executive Director of Rea Brothers (Guernsey) Limited. He is a past Chairman of the Guernsey International Business Association and of the Association of Guernsey Banks and was the first Chairman of Guernsey Finance, the agency jointly owned by industry and government to promote the finance sector. He has considerable experience as a non-executive director in a variety of businesses and is currently Chairman of Portman Channel Islands Limited, G4S Security Services (Guernsey) Limited, Heath Lambert Insurance Management (Guernsey) Limited and on the Board of HSBC Custody Services (Guernsey) Limited. He is a Council member of the Institute of Directors in Guernsey. Mr Jones is a resident of Guernsey.

*Robin M. J. Bowie*, aged 45, was educated at Vanderbilt University, Tennessee. He began his City career as a bond trader at Citibank in 1984, after which he worked at Goldman Sachs as a credit trader. In 1989, at BZW he developed their ECU and European Government Bond trading operations and in 1995 moved to HSBC where he was in charge of European Government Bond trading. In 1998 he became Treasurer of KBC Bank in London with responsibility for the management of interest rate, foreign exchange and credit risk. He left KBC in 2000 to found Dexion Capital. He is the Chairman of the Dexion Capital Group, and a Director of Dexion Absolute Limited, Dexion Equity Alternative Limited and Dexion Trading Limited, which are funds of hedge funds, the shares of which are listed on the London Stock Exchange. Robin is also on the Board of a number of other hedge funds.

*Rupert Dorey*, aged 47, has over 22 years of experience in debt capital markets, specialising in credit related products, including derivative instruments. Mr Dorey's expertise is principally in the areas of debt distribution, origination and trading, covering all types of debt from investment grade to high yield and distressed debt. He was at Credit Suisse First Boston for 17 years from 1988 until May 2005. From 2000 until he left CSFB, he was head of sterling credit sales. Previously, he held a number of positions at CSFB, including establishing CSFB's high yield debt distribution business in Europe, fixed income credit product co-ordinator for European offices and head of UK Credit and Rates Sales. Since leaving CSFB, Mr Dorey acts as a non-executive director to a number of hedge funds, fund of hedge funds and private equity funds. Mr Dorey is a resident of Guernsey.

*Christopher Hill*, aged 54, is an Associate of the Chartered Institute of Bankers and was Managing Director of Guernsey International Fund Managers Limited, part of The Barings Financial Services Group, from 1996 until the Group was sold to Northern Trust in 2005. He has over 30 years' experience in the field of offshore banking and fund administration. He is a non-executive director of Thames River Multi-Hedge PCC Limited, which is a London listed fund of hedge funds and Chairman of Investec Capital Accumulator Trust Limited, also listed in London. Mr Hill is also a past Chairman of the Guernsey Investment Funds Association. Mr Hill is a resident of Guernsey.

## Directors' Report

The Directors present their report and audited financial statements for the period from 7 March 2006 to 31 December 2006.

### Principal Activity

Dexion Alpha Strategies Limited (the "Company") is a Guernsey registered closed-ended investment company listed on the London Stock Exchange. Trading in the Company's shares (of each class) commenced on 23 March 2006.

### Investment Objective and Investment Policy

The investment objective of the Company is to maximise medium-term returns in a manner commensurate with acceptable risk management.

The Company seeks to achieve its investment objective through investment in an actively managed portfolio of underlying funds diversified across a range of alternative investment strategies which target emerging and/or under-exploited sources of alpha.

### Shareholder Information

The Company announces its net asset value on a monthly basis together with commentary on investment performance. Estimated net asset values are normally provided weekly. Share price, net asset value and performance information can also be accessed by shareholders on the Company's website [www.dexionalpha.com](http://www.dexionalpha.com). However information on that website does not form part of, nor is it incorporated by reference into this document and that information is not available to certain overseas shareholders or its shareholders.

### Results

The results for the period are set out in the statement of total return. The Directors do not propose a dividend for the period.

### Significant Events

On 23 March 2006, the Company raised net proceeds of approximately £127.7 million through the issue of 87,750,000 £ Shares, 32,250,000 € Shares and 10,000,000 US\$ Shares.

### Management Arrangements

The Company has an agreement with Dexion Capital (Guernsey) Limited for the provision of investment management services. Management fees as disclosed in note 3 are based on an annual amount of 1.5 per cent of the total assets of the Company plus a performance fee as outlined in note 3. The Management Engagement Committee has established a process for the review of the performance of the investment manager in managing the portfolio. The Committee has also reviewed the appropriateness of the terms of the investment management agreement, in particular, the length of the notice period and the fees payable to the investment manager.

Following their review, it is in the opinion of the Directors that the continuing appointment of the Investment Manager on the terms agreed is in the interest of shareholders as a whole.

## Directors' Report (continued)

### Directors

The Directors, as stated on pages 9 and 28, all served throughout the period under review. The Directors had no beneficial interest in the Company other than shown below:

	<i>31 December 2006</i>
	<i>£ shares</i>
Stephen Jones	25,000
Rupert Dorey	20,000
Robin Bowie	25,000

### Substantial Interests

The Transparency Directive came into force on 20 January 2007. This Directive requires substantial shareholders to make relevant holding notifications to the Company and to the UK Financial Services Authority. The Company must then disseminate this information to the wider market.

### Statement of Directors' Responsibilities

The Directors are required to prepare the Directors' Report and the financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Corporate Governance

#### *Introduction*

As a closed-ended investment company registered in Guernsey, the Company is eligible for exemption from the requirements of the Combined Code (the "Code") issued by the UK Listing Authority. The Board has however put in place a framework for corporate governance which it believes is suitable for an investment company and which enables the Company to voluntarily comply with the main requirements of the Code, which sets out principles of good governance and a code of best practice.

The Board considers that the Company has complied with the provisions contained in Section 1 of the Code throughout this accounting period except where indicated below. The following statement describes how the relevant principles of governance are applied to the Company.

#### *The Board*

The Board currently consists of four non-executive Directors, all of whom are independent of the Investment Adviser and, with the exception of Mr Bowie, are independent of the Manager and the Investment Consultant. The Board accepts collective responsibility and does not consider it necessary to appoint a senior independent director.

## Directors' Report (continued)

The Articles of Association provide that one third of the Directors retire by rotation at each annual general meeting, if their number is not three or a multiple of three, the number nearest to but not exceeding one third, shall retire from office. A Director who retires at an annual general meeting may, if willing to act, be re-appointed. The Directors are not subject to automatic re-appointment.

The Board meets at least four times a year and between these formal meetings there is regular contact with the Manager and the Secretary. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company and should be brought to the attention of the Directors. The Directors also have access to the Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The attendance record of Directors is set out below:

<i>Number of meetings</i>	<i>Quarterly board meetings</i>	<i>Ad hoc &amp; committee board meetings (including launch meetings)</i>	<i>Audit Committee</i>	<i>Management Engagement Committee</i>
	2	3	1	–
Meetings attended:				
S Jones	2	3	1	
C Hill	2	2	1	
R Dorey	2	3	1	
R Bowie	2	2	N/A	

The Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new Director appointment to the Board, consideration will be given as to whether an induction process is appropriate.

The Board considers Agenda Items laid out in the Notice and Agenda of Meeting which are formally circulated to the Board in advance of the Meeting as part of the Board Papers and therefore directors may request any Agenda Items to be added that they consider appropriate for Board discussion. Additionally, each director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion.

The Board has not currently considered it necessary to have formal strategy sessions, as the investment strategy, which is set out in the Company's prospectus, is reviewed regularly and the Investment Adviser consulted and advised on the adoption of appropriate strategies to employ under prevailing market conditions at any particular time within the overall investment restrictions of the Company however, although the Company can invest in Alternative Risk Transfer there have been no investments made during the period or at the period end in this strategy.

The primary focus at Board Meetings is a review of investment performance and associated matters such as gearing, asset allocation, as well as marketing/investor relations, risk management and compliance, peer group information and industry issues.

The Board evaluates its performance and considers the tenure of each Director on an annual basis, and believes that the mix of skills, experience, ages and length of service are appropriate to the requirements of the Company.

## Directors' Report (continued)

### *Director's Duties and Responsibilities*

The directors have adopted a set of Reserved Powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility

- Statutory obligations and public disclosure
- Strategic matters and financial reporting
- Oversight of management and personnel matters
- Risk assessment and management, including reporting, monitoring, governance and control
- Other matters having material effects on the Company

These Reserved Powers of the Board have been adopted by the directors to clearly demonstrate the seriousness with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

### *Committees of the Board*

The Board has not deemed it necessary to appoint a nomination or remuneration committee as, being comprised wholly of non-executive Directors, the whole Board considers these matters. The Board seeks external professional advice with regard to remuneration of the Directors.

### *Management Engagement Committee*

A Management Engagement Committee, with defined terms of reference and duties, has been established to review annually the terms of the management agreement between the Company and the Manager, the investment advisory agreement between the Company, the Manager and the Investment Adviser and the investment consultancy agreement between the Company, the Manager and the Investment Consultant. The Management Engagement Committee consists of Mr Dorey, Mr Jones and Mr Hill. The Company is not required by the Listing Rules to comply with the Code in relation to Directors' remuneration, because all Directors are non-executive.

### *Audit Committee*

An Audit Committee has been established consisting of Mr Hill, Mr Jones and Mr Dorey. The Audit Committee is chaired by Mr Hill. The Audit Committee examines the effectiveness of the Company's internal control systems, the annual report and accounts and interim report, the auditors' remuneration and engagement, as well as the auditors' independence and any non-audit services provided by them. The Audit Committee receives information from the Secretary's compliance department and the external auditors. The Audit Committee meets at least three times a year to review the annual accounts, interim accounts and audit timetable and other risk management and governance matters.

### *Internal Controls*

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the period under review and up to the date of approval of this Annual Report and Accounts, and is reviewed by the Board and accords with appropriate Corporate Governance codes. The Directors conduct at least annually a review of the Company's system of internal control, covering all controls, including financial, operational, compliance and risk management.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed.

As there is delegation of daily operational activity, described below, there is no direct internal audit function in being. The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

The Board has delegated the responsibility for the management of the Company's investment portfolio, the provision of custody services and the administration, registrar and corporate secretarial functions including the independent calculation of the Company's Net Asset Value and the production of the Annual Report and Financial Statements which are independently audited. Whilst the Board delegates responsibility, it retains accountability for the functions it delegates and is responsible for the systems of internal control. Formal contractual agreements have been put in place between the Company and providers of these services.

On an ongoing basis compliance reports are provided at each board meeting from the Administrator.

### *Corporate Responsibility*

The Company's business is concerned with investment. It considers the ongoing concerns of investors by open and regular dialogue with and through the appointed Investment Manager and Broker.

The Company keeps abreast of regulatory and statutory changes and takes appropriate action.

On an annual basis the Chairman assesses the performance of each Director that includes a review of Board and Committee meeting attendance.

The Company does not have any employees.

### *Going Concern*

After making enquiries and given the nature of the Company and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements, and, after due consideration, the Directors consider that the Company is able to continue in the foreseeable future.

### *Relations with Shareholders*

The Investment Manager and the Company's broker maintain a regular dialogue with institutional shareholders, the feedback from which is reported to the Board. In addition, Board members will be available to respond to shareholders' questions at the Annual General Meeting.

The Board monitors the trading activity and shareholder profile on a regular basis and maintains contact with the Company's principal market makers to ascertain the views of shareholders. Shareholder sentiment is also ascertained by the careful monitoring of the discount/premium that the shares are traded in the market against the NAV per share when compared to the discounts experienced by the Company's peer group. Major shareholders are contacted directly on a regular basis.

The Company reports formally to Shareholders twice a year and a proxy voting card is sent to shareholders with the Annual Report and Financial Statements. Additionally, current information is provided to shareholders on an ongoing basis through the Company website. The Registrar monitors the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the Annual General Meeting. Shareholders may contact the Directors via the Company Secretary.

### **Auditors**

A resolution for the re-appointment of KPMG Channel Islands Limited will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Stephen Jones  
Director

Rupert Dorey  
Director

12 April 2007

## Independent Auditor's Report to the members of Dexion Absolute Limited

We have audited the financial statements of Dexion Alpha Strategies Limited for the period from 7 March 2006 to 31 December 2006 which comprise the Statement of Total Return, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Guernsey law and UK Accounting Standards as set out in the Statement of Directors' Responsibilities on page 11.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the state of the Company's affairs as at 31 December 2006 and of its return for the period from 7 March 2006 to 31 December 2006; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

KPMG Channel Islands Limited  
Chartered Accountants

12 April 2007

## Statement of Total Return

for the period from incorporation, 7 March 2006, to 31 December 2006

	<i>Note</i>	<i>7 March 2006 to 31 December 2006 £</i>
Gains on investments	4	2,027,262
Income	5	666,386
Management fee	3(a)	(1,438,406)
Performance fee	3(a)	(262,325)
Expenses	6	(436,624)
Net operating loss		(1,470,969)
Total return for the period		556,293
<b>Net increase in shareholders' funds from operating activities</b>		<b>556,293</b>
<b>Return per £ Share</b>	9	<b>£0.0210</b>
<b>Return per € Share</b>	9	<b>€0.0129</b>
<b>Return per US\$ Share</b>	9	<b>US\$0.0474</b>

The Company has no other gains or losses other than the return for the period.

All items derive from continuing activities.

## Reconciliation of Movements in Shareholders' Funds

for the period from incorporation, 7 March 2006, to 31 December 2006

	<i>7 March 2006 to 31 December 2006 £</i>
Opening shareholders' funds	–
Net proceeds from issue of shares	127,688,180
Total return for the period	556,293
Closing shareholders' funds	128,244,473

The notes on pages 20 to 27 form part of the financial statements.

## Balance Sheet

As at 31 December 2006

	<i>Note</i>	<i>31 December 2006</i> £
<b>Investments</b>	10	120,576,599
<b>Current assets</b>		
Cash at bank	11 (b)	9,185,193
Amounts due from sales awaiting settlement		188,237
Forward currency deals awaiting settlement	11 (c)	4,136
Debtors		141,157
		9,518,723
<b>Liabilities due within one year</b>		
Forward currency deals awaiting settlement	11 (c)	(335,197)
Bank overdraft	11 (b)	(1,022,717)
Creditors	12	(492,935)
		(1,850,849)
<b>Net current assets</b>		7,667,874
<b>Net assets</b>		128,244,473
<b>Represented by:</b>		
<b>Capital and reserves</b>		
Called up share capital	14	–
Special reserves	15 (a)	127,688,180
Other reserves	15 (b)	556,293
		128,244,473
<b>Total shareholders' funds</b>		128,244,473
<b>Net assets per £ Share</b>	13	£1.0035
<b>Net assets per € Share</b>	13	€1.4336
<b>Net assets per US\$ Share</b>	13	US\$1.7686

The financial statements on pages 17 to 27 were approved by the Board of Directors on 12 April 2007.

Stephen Jones  
Director

Rupert Dorey  
Director

The notes on pages 20 to 27 form part of the financial statements.

## Cashflow Statement

for the period from incorporation, 7 March 2006, to 31 December 2006

7 March 2006  
to  
31 December 2006  
£

<b>Operating activities</b>	
Net operating loss	(1,470,969)
Increase in creditors	492,935
Increase in debtors	(141,157)
<b>Net cash outflow from operating activities</b>	<b>(1,119,191)</b>
<b>Investing activities</b>	
Cost of investments purchased and pending investments*	(146,716,421)
Sale of investments and pending investments*	17,437,744
Realised gains from forward foreign currency contracts	11,490,383
<b>Net cash outflow from investing activities</b>	<b>(117,788,294)</b>
<b>Financing activities</b>	
Issue of shares	129,962,524
Costs related to issue of shares	(2,274,344)
<b>Net cash inflow from financing activities</b>	<b>127,688,180</b>
<b>Increase in cash</b>	<b>8,780,695</b>

\* Pending investments are purchases (and sales) which settled post period end for which cash has been paid (or received) prior to the period end.

## Reconciliation of net cash flow to movement in net funds

7 March 2006  
to  
31 December 2006  
£

Increase in cash as above	8,780,695
Realised losses on currency translation	(618,219)
Net movement in the period	8,162,476
Cash at beginning of the period	–
<b>Cash at end of the period</b>	<b>8,162,476</b>
<b>Analysis of cash at end of the period</b>	
Cash at bank	9,185,193
Bank overdraft	(1,022,717)
	8,162,476

The notes on pages 20 to 27 form part of the financial statements.

for the period from incorporation, 7 March 2006, to 31 December 2006

### 1. Country of incorporation

Dexion Alpha Strategies Limited (the "Company") was incorporated on 7 March 2006 in Guernsey, Channel Islands. The Company's shares (of each class) were listed on the London Stock Exchange on 24 March 2006.

### 2. Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

#### a) *Basis of accounting*

The financial statements are prepared under the historical cost convention adjusted by the revaluation of investments and in accordance with applicable UK accounting standards. The financial statements are prepared in pounds sterling (£).

The accounting policies have been applied consistently by the Company.

#### b) *Revenue recognition*

Bank deposit interest is accounted for on an accrual basis.

#### c) *Expenses*

All expenses are accounted for on an accrual basis.

#### d) *Valuation of investments*

##### *Classification*

Under Financial Reporting Standards No.26 "Financial Instruments: Measurement" (FRS 26), the Company has designated all of its investments as fair value through profit or loss category. This category comprises:

- Financial instruments designated at fair value through profit or loss upon initial recognition – these include financial assets that are not held for trading purposes and which may be sold. These are principally investments in unlisted open-ended investment funds.
- Financial instruments held for trading – these include forward foreign currency contracts.

##### *Measurement*

Investments are measured initially at fair value being the transaction price. Subsequent to initial recognition, all investments are measured at fair value with changes in their fair value recognised in the statement of total return.

##### *Fair value measurement principles*

Investments in underlying open ended funds which are not quoted on a recognised stock exchange or other trading facility will be valued at the net asset values provided by such entities or their administrators. These values may be unaudited or may themselves be estimates. In addition, these entities or their administrators may not provide values at all or in a timely manner and, to the extent that values are not available, those investments will be valued by the Investment Adviser using valuation techniques appropriate to those investments. As open ended funds are redeemable at their net asset values, the Manager believes that the net asset values represent the best estimate of trading price in an arms length transaction and therefore represent fair value. In instances where other valuation techniques are used, the Manager has no reason to believe that the valuations used are unreasonable.

### 2. Significant accounting policies (continued)

Open forward foreign currency contracts at the balance sheet date are valued at forward currency rates at that point. The unrealised appreciation or depreciation on open forward foreign currency contracts is calculated by reference to the difference between the contracted rate and the rate to close out the contract.

#### *Realised and unrealised gains and losses*

Realised gains and losses arising on disposal of investments are calculated by reference to the proceeds received on disposal and the average cost attributable to those investments, and are recognised in the statement of total return. Unrealised gains on investments are recognised in the statement of total return.

Realised and unrealised gains or losses on forward foreign currency contracts are recognised in the statement of total return.

#### e) *Foreign currency translation*

##### *Functional and presentation currency*

Items are recorded in the Company's accounting records in sterling (the "functional currency").

The Company has adopted sterling as its presentation currency. As such, translation issues only arise when converting foreign currency transactions and balances.

##### *Transactions and balances*

Foreign currency assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling using the exchange rates ruling at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of total return. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

#### f) *Distribution policy*

The Directors do not expect income (net of expenses) to be significant and do not currently expect to declare any dividends. In the event that future net income is significant, the Directors may consider the distribution of net income in the form of dividends.

#### g) *Issue expenses*

The expenses associated with the issue of Shares amounted to £2,274,344 in aggregate. These expenses were written off against share premium.

### 3. Significant Agreements and Related Parties

#### a) *Manager*

Dexion Capital (Guernsey) Limited (the "Manager") is remunerated at a monthly rate of 0.125 per cent. per month of the Total Assets of the Company (out of which it pays the trail commissions payable to qualifying investors, fees payable to the Investment Adviser and fees payable to the Investment Consultant) for the provision of investment management services.

Additionally, the Manager is entitled to a performance fee, provided the total assets attributable to a class of ordinary shares at the end of one financial period (having adjusted for any issues, redemptions or repurchases of ordinary shares arising on conversion of C shares or conversion from or to ordinary shares of other classes and for any contingent or accrued but unpaid liabilities) are greater than the value of the total assets attributable to that class of ordinary shares (as adjusted) at

## Notes to the Financial Statements (continued)

### 3. Significant Agreements and Related Parties (continued)

the end of any previous financial period, a performance fee equivalent to 10 per cent. of the amount by which the year-end total assets attributable to that class of ordinary shares exceed the greatest value of the total assets attributable to that class of shares at the end of any previous financial period. However for the purpose of calculating the first performance fee (which will be payable in respect of the period from 23 March 2006 to 31 December 2006), the net proceeds of the issue of that class of ordinary shares shall be substituted for the total assets attributable to that class of ordinary shares (as adjusted) as at 31 December 2006.

The management fee is calculated on the NAV Calculation Date in each calendar month and is payable monthly in arrears. The performance fee is calculated and payable annually in arrears.

#### b) Administrator

The administrator, HSBC Securities Services (Guernsey) Limited, performs administrative and secretarial duties for which it is remunerated at a rate of 0.1 per cent. per annum of the Net Asset Value up to £75 million, 0.075 per cent. per annum of the next £50 million, 0.05 per cent. of the next £125 million and 0.03 per cent. per annum thereafter (subject to a minimum annual fee of £50,000).

#### c) Investment Adviser

The Manager is responsible for the fees paid to RMF Investment Management (the "Investment Adviser").

#### d) Custodian

Northern Trust (Guernsey) Limited (the "Custodian"), is remunerated at an annual rate of 0.07 per cent. of the net asset value of the Company up to £75 million, 0.065 per cent. of the next £50 million, 0.06 per cent. of the next £125 million, 0.05 per cent. of the next £250 million, 0.04 per cent. of the next £200 million and 0.03 per cent. thereafter (subject to a minimum annual fee of £18,000).

### 4. Gains on investments

	2006 £
Realised losses on investments	(2,611,199)
Movement in unrealised losses on investment	(5,902,642)
Realised gains on forward currency contracts	11,490,383
Unrealised losses on forward currency contracts	(331,061)
Net realised foreign exchange losses	(618,219)
	2,027,262

Foreign exchange differences arising on the Company's investment portfolio are included in realised and unrealised gains and losses on investments.

### 5. Income

	2006 £
Bank interest	408,733
Other income	257,653
	666,386

## Notes to the Financial Statements (continued)

### 6. Expenses

	2006 £
Fund administration fee	106,925
Other professional fees	99,242
Custodian charges	65,405
Directors' remuneration & expenses	44,779
Interest expense	33,108
Sundry expenses	30,234
Credit facility fees	28,389
Audit fee	14,398
Non-audit fees to auditors	–
Directors' and officers' insurance	14,144
	436,624

### 7. Directors' Remuneration & Expenses

The annual Directors' fees comprise £20,000 payable to Mr Jones, the Chairman, and £15,000 each to Mr Hill and Mr Dorey. Mr Bowie waived his right to an annual fee of £15,000.

### 8. Taxation

The Company is registered for taxation purposes in Guernsey where it pays an annual exempt status fee of £600 under The Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989.

### 9. Return per share

The calculation of the return per £, € and US\$ Share is based on the total return for the year attributable to £, € and US\$ Share and on the weighted average number of £, € and US\$ Shares in issue during the period from 7 March 2006 to 31 December 2006 as follows:

	<i>Total return attributable to each share class</i>	<i>Weighted average no. of shares in issue</i>	<i>Return Per Share</i>
£ Share	£1,839,736	87,750,000	£0.0210
€ Share	€414,489	32,250,000	€0.0129
US\$ Share	US\$473,634	10,000,000	US\$0.0474

The return per share as disclosed is calculated on performance per currency class and is expressed in currency prior to conversion to reporting currency.

## Notes to the Financial Statements (continued)

### 10. Investments

	2006 £
Cost at beginning of the period	–
Additions	142,120,598
Pending investments*	4,595,823
Disposals	(17,625,981)
Realised losses on investments	(2,611,199)
Cost at end of the period	126,479,241
Unrealised losses on investments	(5,902,642)
<b>Fair Value at end of the period</b>	<b>120,576,599</b>

\*Pending investments are purchases which settled post period end for which cash has been paid prior to the period-end.

### 11. Derivatives and Financial Instruments

The Company seeks to achieve its investment objective through investment in an actively managed portfolio of underlying funds diversified across a range of alternative investment strategies which target emerging and/or under-exploited sources of alpha.

The techniques and instruments utilised for the purposes of efficient portfolio management are those which are reasonably believed by the Company's Investment Manager to be economically appropriate to the efficient management of the Company. The Company's financial instruments include cash and currency hedging.

The main risks arising from the Company's financial instruments are market price risk and interest rate risk, currency risk and investment risk.

#### a) *Market price risk*

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss that might be suffered through holding market positions in the face of price movements. The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Adviser in pursuance of its investment objectives and policies. Adherence to investment guidelines and to investment and borrowing restrictions set out in the Company's prospectus dated 10 March 2006 mitigate the risk of excessive exposure to any particular type of security or issuer.

#### b) *Interest rate risk*

The Company is exposed to interest rate risk. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. As at 31 December 2006 the Company's interest bearing assets were as follows:

	2006 £
Cash	9,185,193
	2006 £
Bank overdraft	1,022,717

## Notes to the Financial Statements (continued)

### 11. Derivatives and Financial Instruments (continued)

The Company has a combined overdraft and foreign exchange facility dated 24 July 2006 with Northern Trust (Guernsey) Limited up to a maximum of £30 million or 20% of net value of assets in custody whichever is the lower. The facility is repayable on demand and secured by a charge over the assets of the Company.

#### c) Currency risk

In the normal course of business the Company engages in currency hedging solely to reduce the risk of currency fluctuations and the volatility of returns which may result from currency exposure. This involves hedging the assets, which are predominantly US Dollar based, to Sterling and Euro, as appropriate through the use of rolling forward foreign exchange transactions.

In order to achieve this the Company has the following forward foreign exchange contracts in place as at 31 December 2006:

<i>Currency Bought</i>	<i>Currency Sold</i>	<i>Maturity Date</i>	<i>Unrealised gain/(loss)</i>
€45,428,248	US\$60,070,000	31 January 2007	£(10,950)
£59,491,823	US\$116,952,000	31 January 2007	£(216,893)
£27,393,923	US\$53,867,000	31 January 2007	£(107,354)
US\$22,690,754	€17,160,000	31 January 2007	£4,136
			£(331,061)

### 12. Creditors – amounts falling due within one year

	2006 £
Performance fee	262,325
Management fee	150,138
Custodian charges	25,723
Directors' remuneration	12,500
Sundry expenses	18,714
Fund administration fee	14,312
Audit fees	9,223
	492,935

### 13. Net asset value

The net asset value of each £, € and US\$ Share as been determined by dividing the net assets of the Company attributed to the £, € and US\$ Shares by the number of £, € and US\$ Shares in issue at the period-end as follows:

	<i>Net assets attributable to each share class</i>	<i>Shares in issue</i>	<i>Net Assets Per Share</i>
£ Share	£88,054,111	87,750,000	£1.0035
€ Share	€46,235,071	32,250,000	€1.4336
US\$ Share	US\$17,686,051	10,000,000	US\$1.7686

## Notes to the Financial Statements (continued)

### 14. Called up share capital

	2006 £	
Authorised		
Unlimited shares of any class of no par value		–
	Number	2006 £
Issued and fully paid		
£ Shares of no par value	87,750,000	–
€ Shares of no par value	32,250,000	–
US\$ Shares of no par value	10,000,000	–

### 15. Reserves

#### a) Special reserve

	31 December 2006		
	Share Premium £	Special Reserve £	Total £
Opening balance	–	–	–
Shares issued during the period	129,962,524	–	129,962,524
Costs related to the issue of shares*	(2,274,344)	–	(2,274,344)
Transfer to Special Reserve	(127,688,180)	127,688,180	–
	–	127,688,180	127,688,180

\*Included are non-audit fees of £15,000 were paid to the Company's auditors in connection with the issue of shares.

The £127,688,180 movement in special reserves above represents the funds raised on the issue of shares during the period.

On 8 March 2006, a special resolution was passed to enable the Company to repurchase up to 14.99% of each of the £ Shares, € Shares and US\$ Shares in issue. As at the end of the period, no shares (of any class) had been repurchased by the Company. The entire amount standing to the credit of the share premium account was cancelled and applied to a special reserve to be used by the Company for the purpose of repurchasing its issued share capital. Royal Court Approval was obtained on 27 October 2006.

#### b) Other reserves

	31 December 2006			
	Capital Reserve – Realised £	Capital Reserve – Unrealised £	Accumulated Losses £	Total £
Opening balance	–	–	–	–
Realised losses on investments	(2,611,199)	–	–	(2,611,199)
Unrealised losses on investments	–	(5,902,642)	–	(5,902,642)
Net realised foreign exchange losses	(618,219)	–	–	(618,219)
Net gain on forward currency contracts	11,490,383	(331,061)	–	11,159,322
Retained net loss for the year	–	–	(1,470,969)	(1,470,969)
	8,260,965	(6,233,703)	(1,470,969)	556,293

### 16. Ultimate Controlling Party

In the opinion of the Directors on the basis of the shareholdings advised to them, the Company has no ultimate controlling party.

### 17. Post Balance Sheet Event

The facility to convert between share classes operated in respect of the December 2006 Conversion Calculation Date. On the basis of the Conversion Notices received by the Company, the Company's issued share capital with effect from 14 February 2007 consisted of 90,142,343 £ Shares, 32,333,467 € Shares and 7,252,548 US\$ Shares.

### Directors

SM Jones  
CMW Hill  
RO Dorey  
RMJ Bowie

### Administrator, Secretary and Registered Office

HSBC Securities Services (Guernsey) Limited  
PO Box 208  
Arnold House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 3NF

### Manager

Dexion Capital (Guernsey) Limited  
PO Box 208  
Arnold House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 3NF

### Investment Adviser

RMF Investment Management  
Nassau Branch  
One Montague Place  
Penthouse, 4th Floor, East Bay Street  
PO Box EE-17758  
Nassau, The Bahamas

### Investment Consultant

Dexion Capital plc  
9 Bridewell Place  
London  
EC4V 6AW

### Brokers

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250 Bishopsgate  
London  
EC2M 4AA

### Custodian

Northern Trust (Guernsey) Limited  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 3DA

### Auditors

KPMG Channel Islands Limited  
PO Box 20  
20 New Street  
St Peter Port  
Guernsey  
GY1 4AN

### Registrar

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GY1 4AE

### Advocates to the Company

Ogier  
Ogier House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA

### UK Solicitors to the Company

Bingham McCutchen (London) LLP  
41 Lothbury  
London  
EC2R 7HF

### Website

Performance and portfolio information for shareholders can be found at:  
[www.dexionalpha.com](http://www.dexionalpha.com)

### **Asian Opportunities**

This strategy comprises funds that trade principally long/short equity strategies in the Asia Pacific region using a wide range of strategies and markets. The investment approach is driven by a number of factors, including growth, value, market timing, country selection and industry. The managers may have some directional bias, portfolios can be long or short biased and are usually at least partially hedged through short sales, and/or the use of index options, and futures and other derivative products. Leverage is often employed.

### **Emerging Markets Macro**

The Emerging Markets Macro strategy targets hedge funds investing in emerging markets using a multi-asset and multi-strategy approach, taking advantage of natural growth as well as the many inefficiencies of such markets and low research coverage in these regions. In order to profit from market volatility and to manage risk, the invested funds have maximum flexibility to take long and short positions across different asset classes in the emerging markets including equity and debt as well as warrants, rights, options, swaps, preferred stocks, convertible securities, currencies, and money market obligations. The underlying hedge fund managers invest depending upon market conditions, economic and political developments and the viability of the investment opportunities.

### **European Loan Opportunities**

Returns are primarily generated by investments in derivatives referencing a diversified portfolio of non-investment grade senior secured loans, mezzanine loans and/or high yield bonds issued by European corporates. There may also be direct investments in a diversified portfolio of such loans and/or bonds. The focus is on institutional loan tranches which offer substantial spreads over LIBOR, and investments are leveraged approximately five times.

### **Special Situations**

Special situations funds aim to profit from corporate events that may affect the valuations of securities within a company's capital structure, including mergers and acquisitions, spin-offs, reorganisations, partial spin-offs, share buy backs, bankruptcy, receivership and share class arbitrage. These funds have a flexible, broad mandate, which enables their managers to consistently find interesting opportunities in both rising and falling markets. Limited overlap between investments made by the underlying managers gives the potential for steady performance throughout all market environments. These funds typically invest in specialised areas, resulting in very little duplication of trade ideas, and so the correlation between managers in this strategy is relatively low.

### **Healthcare Opportunities**

Healthcare is one of the largest and fastest growing industrial sectors in leading economies around the globe. Demand for healthcare is driven by demographic trends which have helped to establish the sector among the largest capitalised and highest returning equity market segments. Complex and characterised by high volatility, the sector is typified by rapid technological advances and a changing political and regulatory landscape. Capitalising on the high prevalence of market inefficiencies necessitates a high degree of analytical sophistication and a rare balance of financial and medical knowledge. The breadth and diversity of the healthcare sector provides hedge fund managers with an investment universe which offers large return dispersions, creating plenty of trading opportunities on both the long and short side. The healthcare-focused hedge fund specialists aim to keep a balanced and diversified exposure to the many sub-industries which make up the healthcare sector, such as pharmaceuticals, biotechnology, specialty pharmaceuticals and generics, medical devices and supplies, diagnostics and life science tools, healthcare providers, payers, service companies and distributors.

### **Commodity Strategies**

These managers trade mainly in precious metals, base metals, agriculture and livestock, using a variety of investment strategies and techniques that are suited to the markets they trade and as a result will typically exhibit low correlation to one another. They may be active in particular sub-asset classes and financial instruments such as equities, futures, options and swaps. The underlying portfolios do not rely on a passive 'long only' approach but offer opportunities for investment styles beyond those of traditional investment strategies.

### **Energy and Emissions**

Energy funds typically trade instruments such as energy commodities, futures, options, swaps and energy related securities. The focus is on investments in global energy markets, including crude oil, natural gas, refined petroleum products, coal, emissions and weather. These funds can invest directly in debt and equity securities of energy related companies such as those engaged in exploration, drilling, servicing and transportation, and may allocate a limited portion of their assets to private investments or other structures that invest in a wide range of commodities, futures, securities and derivatives. Fundamental and technical information is used in order to extract value, while opportunities in this sector are driven by the imbalance of demand and supply due to, for example, inadequate natural resources, capacity limitations and constraints on distribution. The managers may employ directional, relative value and event-driven strategies.

### **Alternative Risk Transfer**

Alternative Risk Transfer ('ART') managers invest in non-traditional securities and portfolios in the alternative risk transfer market. ART securities are used to transfer risks normally assumed by insurance and reinsurance companies, including natural catastrophe risks, property, aviation, weather and other types of insurance-related risks, and include catastrophe bonds, insurance derivatives, weather derivatives and related options, swaps and equity. The risks underlying these securities, such as major hurricanes and earthquakes, are inherently uncorrelated with the risks associated with traditional and many other non-traditional assets. In exchange for assuming underlying risks, investors are typically paid a spread in excess of a LIBOR-based coupon. The overall risk profile is managed in an effort to limit concentration of overall exposure to single event risks.

## Notice of the Annual General Meeting

NOTICE of the FIRST ANNUAL GENERAL MEETING of Shareholders to take place on 13 June 2007 at 2.00 p.m.

NOTICE is hereby given pursuant to the Articles of Association of DEXION ALPHA STRATEGIES LIMITED ("the Company") that the Annual General Meeting of the Company will take place on 13 June 2007 at 2.00 p.m. at Arnold House, St. Julian's Avenue, St. Peter Port, Guernsey, for the purpose of considering and if thought fit, passing the following resolutions:

### ORDINARY RESOLUTIONS

1. THAT the Financial Statements of the Company for the period from incorporation, 7 March 2006 to 31 December 2006 together with the Report of the Directors and Auditors thereon be received and adopted.
2. THAT the appointment of KPMG Channel Islands Limited as Auditors of the Company for the year ended 31 December 2007 together with the fixing of their remuneration by the Directors for that period be and is hereby approved and ratified.
3. THAT Mr Stephen Jones be elected as a director.
4. THAT Mr Christopher Hill be elected as a director.
5. THAT Mr Rupert Dorey be elected as a director.
6. THAT Mr Robin Bowie be elected as a director.

### SPECIAL RESOLUTION

7. THAT the Company be and is hereby authorised in accordance with section 5 of the Companies (Purchase of Own Shares) Ordinance, 1998 to make market purchases of ordinary shares in the Company provided that:
  - (a) the maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent of each class of Ordinary Shares of the Company then in issue;
  - (b) the minimum price payable by the Company for each £ Share is £0.01, for each € Share, €0.01 and for each US\$ Share, US\$0.01 and the maximum price payable by the Company for each Ordinary Share must not be more than the higher of (i) 5% above the average mid market value of the Ordinary Shares (of the relevant class) for the five business days before the purchase is made and (ii) the higher of the price of the last independent trade and the highest current independent bid for Ordinary Shares (of the relevant class) on the regulated market where the purchase is carried out; and
  - (c) such authority shall expire at the earlier of 13 December 2008 or the conclusion of the next annual general meeting of the Company.

By order of the Board

Dexion Alpha Strategies Limited  
Arnold House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 3NF

Notes:

1. A Shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him/her and a proxy need not be a Shareholder of the Company.
2. A form of proxy is included for use by shareholders. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the Annual General Meeting and voting in person if he/she so wishes.
3. To be effective a Form of Proxy, duly completed together with any Power of Attorney or authority under which it is signed, must be lodged with the Transfer Agent, Capita Registrars at Proxy Processing Centre, Telford Road, Bicester, OX26 4LD, not less than 48 hours before the time fixed for the meeting.
4. There are no service contracts between any of the Directors and the Company.

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## Form of Proxy for Annual General Meeting

I/We.....  
 (PLEASE COMPLETE IN BLOCK CAPITALS)

of.....  
 being (a) member(s) of Dexion Alpha Strategies Limited, and entitled to vote, hereby appoint the Chairman of the Meeting or the representative of the Company Secretary (please delete as appropriate)

or.....  
 as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 2.00 pm on 13 June 2007 at Arnold House, St. Julian's Avenue, St. Peter Port, Guernsey and at any adjournment thereof.

Please indicate by placing a cross in the appropriate spaces below how you wish your votes to be cast. Unless otherwise indicated the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.

Resolution Number	For	Against	Abstain
<b>Ordinary Resolutions</b>			
1. Financial Statements of the Company			
2. Re-appointment of Auditors			
3. To elect Mr Stephen Jones as a Director			
4. To elect Mr Christopher Hill as a Director			
5. To elect Mr Rupert Dorey as a Director			
6. To elect Mr Robin Bowie as a Director			
<b>Special Resolution</b>			
7. Share buy back Renewal			

Signed this.....day

of .....2007

(Signature) .....

Notes:

1. If you desire someone else to act as your proxy, delete "the Chairman of the Meeting or the representative of the Company Secretary" above and insert the name of the proxy desired. Such proxy need not be a member of the Company.
2. In the case of a corporation this proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders the signature of the person whose name stands first in the Register is sufficient.
4. To be effective a Form of Proxy, duly completed together with any Power of Attorney or authority under which it is signed, must be lodged with the Transfer Agent, Capita Registrars at Proxy Processing Centre, Telford Road, Bicester, OX26 4LD, not less than 48 hours before the time fixed for the meeting.
5. The lodging of a completed Form of Proxy does not preclude a member from attending the Meeting and voting.
6. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against a resolution.







**Dexion**

**ALPHA STRATEGIES LIMITED**

Arnold House

St Julian's Avenue

St Peter Port

Guernsey GY1 3NF

email: [clientservices@dexionalpha.com](mailto:clientservices@dexionalpha.com)