

Dexion

ALPHA
strategies



Dexion
ALPHA STRATEGIES
LIMITED

2008

Interim Report



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Summary Information

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 24 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. The Investment Adviser allocates the Company's assets either directly or indirectly to funds (which may include funds managed or advised by the Investment Adviser) investing across the different strategies.

Shareholder Information

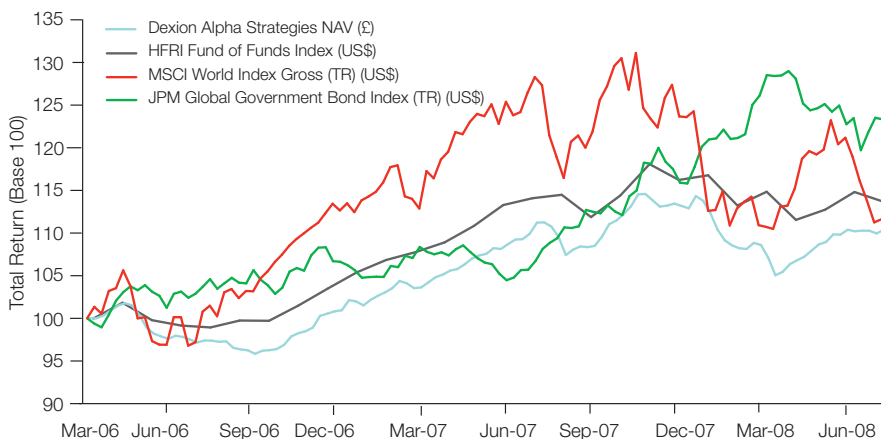
The Company announces its net asset value on a monthly basis together with commentary on investment performance. Estimated net asset values are normally provided weekly. Share price, net asset value and performance information can also be accessed by the shareholders on the Company's website www.dexionalpha.com. 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.

Summary Information (continued)

Financial Highlights

	30 June 2008 £ Shares	30 June 2008 € Shares	30 June 2008 US\$ Shares
Total Net Assets	£93,713,322	€30,005,242	US\$20,496,063
Net Asset Value per Share	£1.0847	€1.5345	US\$1.8891
Mid-Market Share Price	£0.9925	€1.4150	US\$1.7500
Discount to Net Asset Value	(8.50)%	(7.79)%	(7.36)%
	31 December 2007 £ Shares	31 December 2007 € Shares	31 December 2007 US\$ Shares
Total Net Assets	£103,239,520	€39,529,835	US\$10,507,561
Net Asset Value per Share	£1.1233	€1.5952	US\$1.9845
Mid-Market Share Price	£1.0887	€1.5175	US\$1.9400
Discount to Net Asset Value	(3.08)%	(4.87)%	(2.24)%
	30 June 2007 £ Shares	30 June 2007 € Shares	30 June 2007 US\$ Shares
Total Net Assets	£96,754,710	€46,379,869	US\$13,730,269
Net Asset Value per Share	£1.0737	€1.5290	US\$1.8932
Mid-Market Share Price	£1.0288	€1.4513	US\$1.7950
Discount to Net Asset Value	(4.19)%	(5.09)%	(5.19)%

£ Share Net Asset Value Performance



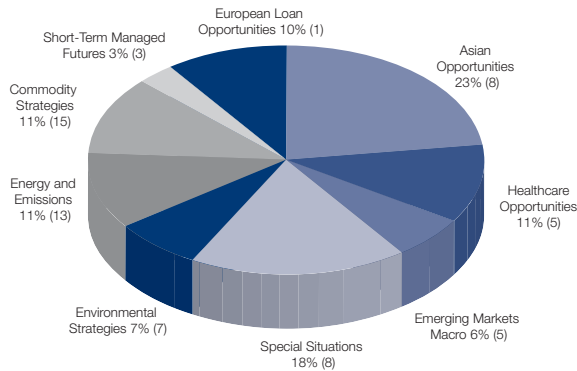
Note: Based on weekly data for Dexion Alpha, MSCI World Index Gross (TR) and JPM Global Government Bond Index (TR) and monthly data for HFRI FOF Index (weekly data not available). Dexion Alpha's £ Share NAV is expressed in £ whilst the comparative indices are expressed in US\$. Dexion Alpha's £ Share NAV is hedged from US\$ to £ and these hedging arrangements had a negative effect on £ NAV performance from inception to January 2007, and a positive effect since then.

Source: Bloomberg (data)

Summary Information (continued)

Portfolio composition at 1 July 2008

Numbers in brackets indicate number of managers



Source: RMF

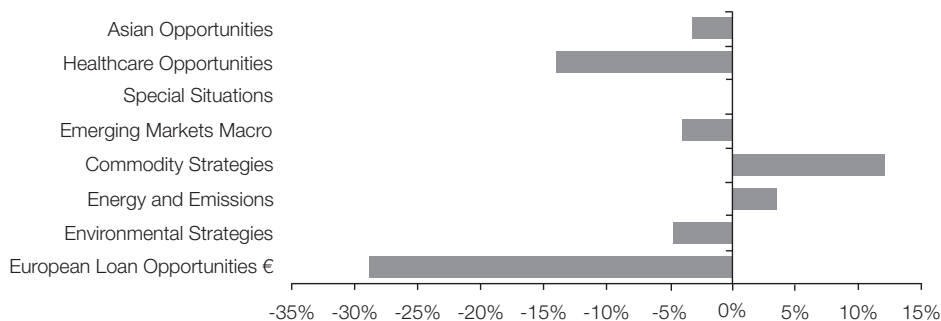
Monthly NAV Performance since inception

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%
2007	0.50%	1.42%	0.70%	1.43%	1.79%	0.97%	1.35%	-2.10%	2.41%	3.14%	-1.16%	0.99%	11.94%
2008	-4.54%	-0.27%	-2.29%	2.17%	1.58%	0.02%							-3.44%
EUR													
2006				1.32%	-2.72%	-1.09%	-0.71%	-1.05%	-0.52%	1.62%	2.33%	1.82%	0.90%
2007	0.42%	1.29%	0.56%	1.34%	1.68%	1.19%	1.65%	-2.22%	2.18%	3.23%	-1.35%	0.88%	11.27%
2008	-4.51%	-0.26%	-2.22%	1.97%	1.39%	-0.08%							-3.81%
USD													
2006				1.55%	-2.44%	-0.86%	-0.49%	-0.81%	-0.32%	1.79%	2.59%	1.83%	2.75%
2007	0.53%	1.42%	0.71%	1.48%	1.75%	0.97%	1.42%	-2.15%	2.39%	3.55%	-1.31%	0.96%	12.21%
2008	-4.66%	-0.45%	-2.61%	1.89%	1.30%	-0.23%							-4.81%

Source: Bloomberg (data)

Summary Information (continued)

Performance by strategy (six months to 30 June 2008)



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

Analysis of Significant Investments

The ten largest holdings of the Company as at 30 June 2008 are set out below:

Name of investment	Strategy	Book Cost £	Market Value £	% of Company's net assets
RMF Commodity Strategies Limited	Commodity Strategies	17,686,298	20,304,307	15.89
Pemba European Loan Opportunities €	European Loan Opportunities	14,204,432	11,705,355	9.16
RMF Environmental Trading Strategies Limited	Environmental Strategies	7,931,515	8,053,213	6.30
Paulson Advantage Plus Limited	Special Situations	2,477,723	6,886,663	5.39
Tiger Asia Overseas Fund	Asian Opportunities	2,710,132	5,445,104	4.26
Penta Asia MAC 91 Limited	Asian Opportunities	3,954,544	4,226,112	3.31
Tryphon Capital	Healthcare Opportunities	3,710,998	4,124,601	3.23
Bennelong Asia Pacific Multistrategy Fund Limited	Special Situations	3,363,348	3,637,164	2.85
Tantallon (Non US Feeder) Fund	Asian Opportunities	3,809,516	3,608,001	2.82
Palo Alto Healthcare Offshore Limited	Healthcare Opportunities	3,187,035	3,270,983	2.56
		£63,035,541	£71,261,503	55.77

Chairman's Statement

Introduction

I am pleased to present shareholders with this interim report for the 6 month period to 30 June 2008.

The period under review has been extremely difficult for investment managers globally. Contagion from the sub-prime crisis in the US began to spread globally in January and markets saw a sharp sell off which was extended in March as Bear Stearns collapsed. A rally during April and May proved short lived and markets began another swift decline in June. Financial and consumer sectors suffered due to debt and recession fears whilst at the same time the commodity and resource sector continued their strong bull run but this brought with it increasing fears of inflation.

Over the period the net asset value of the Company's £ Shares, € Shares and US\$ Shares has fallen by 3.44%, 3.81% and 4.81% respectively. The annualised return from inception in March 2006 to June 2008 for the £ Shares, € Shares and US\$ Shares has been 4.50%, 3.48% and 4.22% respectively. The difference in returns between the three share classes over the reporting period is a consequence of the Company's hedging policy and interest rate differentials between the three currencies.

The Board is conscious that the Company's shares are continuing to trade at a discount to net asset value. Over the reporting period, the average £ share price discount to net asset value has been 4.73%. In this regard, the Company has continued to repurchase its own shares, and the Board will continue to consider using the Company's share repurchase powers as necessary to help alleviate the current share price discount. At the EGM held on 22 February 2008, to consider the continuation of the Company's € and US\$ Share classes, I am pleased to report the approval of the continuance of the € Shares. In respect of the US\$ Share class, the resolution was not passed, and a US\$ Redemption Offer was subsequently announced on 1 April. Consequently, 9 million US\$ Shares (83% of the US\$ Shares as at 1 May) were redeemed and settled in July.

Investment Review

The Company's hedge fund strategies experienced wide-ranging performance during the volatile market environment seen in the first half of 2008.

Asian equity markets witnessed extreme selling pressure, and previous star performers such as India and China struggled. Long positions in these markets and also Hong Kong property stocks detracted from performance, while large short exposure in Chinese banks helped limit the downside. A volatility trader was added to the strategy on 1 January 2008 and the rise in realised and implied volatility helped the manager deliver strong returns. Asian financial markets continue to provide good opportunities for fundamental stock pickers, and the Investment Advisor will continue to add volatility exposure as they believe uncertainty surrounding economic and corporate earnings growth in the region will create opportunities for managers who benefit from market fluctuations.

It was a difficult period for the Healthcare strategy as healthcare equities were unable to escape the general market downturn. Despite solid earnings growth and discounted valuations, the sector sold-off in line with the wider market, inflicting losses on the long bias of the Company's managers, most notably in emerging markets.

The equity portion of the Special Situations portfolio suffered amid the downturn in M&A activity since the start of the year. Losses were limited thanks to strong performance from Asian volatility managers and US managers with short positions in financials, which provided

Chairman's Statement (continued)

a substantial hedge. Within the debt sector, declines in loan prices hindered performance, however active hedging limited the downside in what was a tough environment for credit markets.

The Emerging Markets strategy was down over the period, as these markets were particularly impacted by the general unwinding of risk. Asian focused managers detracted from performance, unable to escape the rising negative sentiment surrounding mounting inflation in the region. On the other side, exposure to Latin American currencies (which appreciated against both the Euro and US dollar), made a positive contribution.

The Commodity strategy was the best performer in the portfolio, as global commodity markets continued to exhibit significant volatility, and most markets rallied. Key performance drivers were long directional and volatility positions in grains and softs, where unfavourable weather conditions have added to volatility levels by reducing supply expectations. Positions in natural resource equities added to performance, while returns from precious metals were insignificant.

After a poor start, the Energy and Emissions strategy contributed positively over the period. Gains were driven by long exposure at the front end of the natural gas curve, spread trading of oil versus refined products, and rising energy equities. Further profits were realised from directional and relative value trading in the volatile Nordic electricity market.

Environmental Strategies posted a loss over the period. Energy fundamentals continue to point towards further supply pressure, which should provide ongoing momentum in the shift towards alternative energy sources. This market remains in its early stages, characterised by inefficiencies which offer specialist managers opportunities to capitalise.

The performance of the European Loan portfolio was very disappointing and accounted for approximately two thirds of the Company's losses during the period under review. Loan prices tumbled as bank deleveraging led to forced selling in an environment where demand for paper had collapsed. The losses incurred are mark-to-market and there has been no deterioration in the credit quality of the portfolio.

Investment Outlook

The Investment Advisor has been concerned over the outlook for economic and corporate profit growth for some time and recent developments have only served to increase their conviction that the investment community faces significant headwinds in the months ahead. A confluence of developed market deleveraging and developing world inflation look set to prevent a return to the goldilocks era last seen in 2006 and early 2007 and consequently they feel volatility is here to stay for the foreseeable future, and believe ongoing market fluctuations will be a source of alpha for managers with the expertise to profit from this.

Given this view, the Investment Advisor has continued to add volatility exposure at the strategy level, most notably in Asia, where the portfolio will be moving to an even split between long/short and multi-strategy managers. In addition to this, a short-term managed futures strategy has been introduced as it benefits from elevated levels of realised volatility. The allocation to European loans has been increased to take advantage of what the Investment Adviser believes to be the most compelling opportunity in debt markets currently, while the Company's exposure to commodities, energies and equity special situations has been reduced.

Stephen Jones

Chairman
20 August 2008

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with *IAS 34 Interim Financial Reporting*;
- the Chairman's Statement meets the requirements of an interim management report, and includes a fair review of the information required by:
 - (a) DTR 4.2.7R of *the Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of *the Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board of Directors on 20 August 2008

Stephen Jones

Director

Christopher Hill

Director

Introduction

We have been engaged by Dexion Alpha Strategies Limited (“the Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Condensed Unaudited Balance Sheet, Condensed Unaudited Income Statement, the Condensed Unaudited Statement of Changes in Shareholders’ Equity, the Condensed Unaudited Cashflow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (“the DTRs”) of the UK’s Financial Services Authority (“the UK FSA”). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTRs of the UK FSA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 and the DTRs of the UK FSA.

KPMG Channel Islands Limited
Guernsey

20 August 2008

Condensed Unaudited Balance Sheet

As at 30 June 2008

	<i>Note</i>	<i>30 June</i> <i>2008</i> £	<i>31 December</i> <i>2007</i> £
Assets			
Financial assets designated at fair value through profit or loss	3	132,621,117	149,480,713
Accounts receivable		170,315	180,109
Cash at bank		1,721,651	2,934,367
Total assets		134,513,083	152,595,189
Liabilities			
Forward foreign currency deals awaiting settlement		6,905	360,181
Accounts payable and accrued expenses	4	6,289,124	3,187,855
Bank overdraft		459,032	11,430,649
		6,755,061	14,978,685
Net assets		127,758,022	137,616,504
Represented by:			
Capital and reserves			
Called up share capital	5	–	–
Distributable reserves	6	127,758,022	137,616,504
Net assets attributable to equity shareholders		127,758,022	137,616,504
Net assets per £ Share	7	£1.0847	£1.1233
Net assets per € Share	7	€1.5345	€1.5952
Net assets per US\$ Share	7	US\$1.8891	US\$1.9845

The condensed financial statements on pages 9 to 25 were approved by the Board of Directors on 20 August 2008.

Stephen Jones
Director

Christopher Hill
Director

The notes on pages 13 to 25 form an integral part of the condensed financial statements.

Condensed Unaudited Income Statement

For the six months period ended 30 June 2008

	Note	30 June 2008 £	30 June 2007 £
Income			
Net (losses)/gains on financial assets held at fair value through profit or loss	3(b)	(2,186,566)	10,714,954
Net foreign exchange losses		(128,687)	(69,129)
Interest income		26,612	174,228
Other investment income		36,452	42,251
Net investment (loss)/income		(2,252,189)	10,862,304
Expenses			
Management fee	8	(976,953)	(1,041,024)
Performance fee	8	–	(888,989)
Fund administration fee	8	(94,005)	(71,242)
Audit fee		(13,448)	(8,071)
Non-audit fees		(11,272)	(5,175)
Other professional fees		(83,842)	(61,605)
Directors remuneration and expenses	8	(36,504)	(27,224)
Directors' and officers' insurance		(8,562)	(26,211)
Interest expense		(120,046)	(48,402)
Custodian charges	8	(43,424)	(44,833)
Credit facility fees		(44,052)	(18,158)
Sundry expenses		(38,266)	(44,740)
Total expenses		(1,470,374)	(2,285,674)
Total return for the period		(3,722,563)	8,576,630
Basic & Diluted earnings per £ Share	11	£(0.0386)	£0.0702
Basic & Diluted earnings per € Share	11	€(0.0608)	€0.0954
Basic & Diluted earnings per US\$ Share	11	US\$(0.0954)	US\$0.1246

All items derive from continuing activities.

The note on pages 13 to 25 form an integral part of the condensed financial statements.

Condensed Unaudited Statement of Changes in Shareholders' Equity

For the six months period ended 30 June 2008

	<i>30 June</i> <i>2008</i> £	<i>30 June</i> <i>2007</i> £
Net assets attributable to equity shareholders at start of period	137,616,504	128,244,473
Purchases of own shares	(6,135,919)	(1,976,689)
Return for the period	(3,722,563)	8,576,630
Net assets attributable to equity shareholders at end of period	127,758,022	134,844,414

The note on pages 13 to 25 form an integral part of the condensed financial statements.

Condensed Unaudited Cashflow Statement

For the six months period ended 30 June 2008

	30 June 2008 £	30 June 2007 £
Operating activities		
Return for the period	(3,722,563)	8,576,630
Adjustments:		
Net (losses)/gains on financial assets held at fair value through profit or loss	2,186,566	(10,714,954)
Net foreign exchange losses	128,687	69,129
Changes in operating assets and liabilities		
Increase in accounts payable and accrued expenses	4,361,763	737,009
(Increase)/decrease in accounts receivable	(136,462)	67,148
Net cash inflow/(outflow) from operating activities	2,817,991	(1,265,038)
Investing activities		
Purchase of investments	(15,816,717)	(12,088,935)
Proceeds from sale of investments	26,526,136	4,108,946
Realised gains from forward foreign currency contracts	2,496,097	1,664,605
Net cash inflow/(outflow) from investing activities	13,205,516	(6,315,384)
Financing activities		
Purchase of own shares	(6,135,919)	(1,976,689)
Net cash outflow from financing activities	(6,135,919)	(1,976,689)
Increase/(decrease) in cash and cash equivalents	9,887,588	(9,557,111)
Exchange losses on cash and cash equivalents	(128,687)	(69,129)
Cash at beginning of the period	(8,492,282)	8,162,476
Cash and cash equivalents at end of the period	1,262,619	(1,463,764)
Analysis of cash at end of the period		
Cash at bank	1,721,651	1,420,000
Bank overdraft	(459,032)	(2,883,764)
	1,262,619	(1,463,764)
Cash flow from operating activities include:		
Interest received	46,693	199,645
Interest paid	(112,222)	(42,115)

The note on pages 13 to 25 form an integral part of the condensed financial statements.

1. General information

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

a) *Statement of Compliance*

The condensed interim financial statements for the half year ended 30 June 2008 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' and the Disclosures and Transparency Rules ("DTRs") of the UK's Financial Services Authority.

The interim financial statements do not include all of the information required for full financial statements, and should be read in conjunction with the financial statements for the Company as at and for the year ended 31 December 2007. The financial statements of the Company as at and for the year ended 31 December 2007 were prepared in accordance with International Financial Reporting Standards ("IFRS").

For all periods up to and including the six months period ended 30 June 2007, the Company prepared its financial statements in accordance with UK GAAP. During 2007 the Company elected to adopt International Financial Reporting Standards (IFRS) for the first time in accordance with IFRS 1 (First-Time adoption of IFRS) and as a result, the financial statements for the year ended 31 December 2007, were the first the Company had prepared in accordance with IFRS. All applicable International Accounting Standards (IAS) and IFRS have been implemented.

The transition from UK GAAP to IFRS had no material effect on the reported financial position, financial performance and cash flows of the Company.

Applicable new standards and interpretations not yet effective

IAS 8 requires disclosure of any impending change in accounting policy when an entity has yet to implement a new Standard or Interpretation that has been issued but not yet come into effect. In addition, it requires disclosure of known or reasonably estimable information relevant to assessing the possible impact that the application of the new Standard will have on the entity's financial statements in the period of initial application.

The following new Standards have been issued but are not effective for the year ending 31 December 2008 and have not been early adopted:

In November 2006, the IASB issued IFRS 8 "Operating Segments" which becomes effective for annual accounting periods beginning on or after 1 January 2009. This standard requires disclosures on the financial performance of the operating segments of the entity. IFRS 8 does not affect the Company which only has one segment of business.

IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The standard requires entities to make new disclosures to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Company has decided not to adopt the standard until its effective date.

IAS 32 (amendment), 'Financial instruments: presentation' and consequential amendments to IAS 1 'Presentation of financial instruments', effective for annual periods beginning on or after 1 January 2009. The objective of the standard is to enhance

2. Significant accounting policies (continued)

a) *Statement of Compliance (continued)*

financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance, and cash flows. In particular, the standard addresses classification of a financial instrument issued by an enterprise as a liability or as equity, disclosures about financial instruments, including information as to their fair values. The Company has decided not to adopt the standard until its effective date.

b) *Basis of accounting*

The financial statements are prepared in pound Sterling (£), which is the Company's functional and presentation currency. They are prepared on a fair value basis for financial assets at fair value through profit or loss and derivative financial instruments. Other financial assets and financial liabilities are stated at amortised cost.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements and are consistent with those used in the previous reporting period.

c) *Revenue recognition*

Interest income is recognised in the income statement as it accrues using the effective interest method. Dividend income is recognised when the right to receive payment is established. Income distributions from investment funds are recognised in the income statement as dividend income when declared.

d) *Expenses*

All expenses are accounted for on an accruals basis.

e) *Financial instruments*

i) Classification

– The Company designates all of its investments upon initial recognition as “financial assets at fair value through profit or loss”. These include financial assets that are not held for trading purposes and which may be sold and represent a group of financial assets which is managed and its performance is evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel. These are principally investments in unlisted open-ended investment funds.

– Financial instruments held for trading include forward foreign currency deals awaiting settlement.

2. Significant accounting policies (continued)

e) *Financial instruments (continued)*

i) Classification (continued)

– Financial assets that are classified as loans and receivables include sales awaiting settlement and other receivables.

– Financial liabilities that are not at fair value through profit or loss include purchases awaiting settlement and other accounts payable.

The table in Note 3 details the categories of financial assets and liabilities held by the Company at the reporting date.

ii) Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase and sale of financial instruments is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded in the income statement.

iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all instruments classified as fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement in the period in which they arise.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

iv) Fair value measurement principles

Investments in underlying 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 Sub Manager using valuation techniques appropriate to those investments. The Manager has no reason to believe that the valuations used are unreasonable.

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.

2. Significant accounting policies (continued)

e) *Financial instruments (continued)*

v) *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 income statement. Unrealised gains and losses on investments are recognised in the income statement.

vi) *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

f) *Foreign currency transactions*

The financial statements of the Company are prepared in the currency of primary economic environment in which the Company operates (its "functional currency"). The Directors have considered the primary economic currency of the Company and considered the currency in which the original capital was raised, distributions to be made and ultimately the currency capital would be returned on a break up basis. The Directors have also considered the currency to which the underlying investments are exposed. On balance, the Directors believe that the UK pound Sterling (£) best represents the functional currency. For the purpose of the financial statements the results and financial position of the Company are expressed in Sterling which is the presentation currency of the Company.

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the date of transaction. Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at the balance sheet date. Realised and unrealised gains or losses on currency translation are recognised in the income statement. Foreign currency differences relating to investments at fair value through profit or loss are included in gains and losses on investments (Note 3).

g) *Cash and cash equivalents*

Cash comprises cash in hand and demand deposits. Cash equivalents, which include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Cash, deposits with banks and bank overdrafts are stated at their principal amount.

h) *Treasury shares*

Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs (net of income taxes) is recognised as a deduction from equity shareholders' accounts through the special reserve, which is a distributable reserve. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from the special reserve.

Shares held in treasury are not taken into account in determining net asset value per share detailed in Note 7 and earnings per share detailed in Note 11.

Notes to the Condensed Unaudited Financial Statements (continued)

3. Financial Instruments

a) Categories of financial instruments

	30 June 2008		31 December 2007	
	Amount £	% of net assets	Amount £	% of net assets
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss upon initial recognition:				
Investments	132,454,536	103.68%	149,071,300	108.32%
Held for trading:				
Forward foreign currency deals awaiting settlement	166,581	0.13%	409,413	0.30%
Total financial assets at fair value through profit or loss:	132,621,117	103.81%	149,480,713	108.62%
Loans and receivables:				
Cash at bank	1,721,651	1.35%	2,934,367	2.13%
Accounts receivable	170,315	0.13%	180,109	0.13%
Total loans and receivables	1,891,966	1.48%	3,114,476	2.26%
Total Assets	134,513,083	105.29%	152,595,189	110.88%
Liabilities				
Financial liabilities at fair value through profit or loss, held for trading:				
Forward foreign currency deals awaiting settlement	6,905	0.01%	360,181	0.26%
Other financial liabilities (at amortised cost):				
Bank overdraft	459,032	0.36%	11,430,649	8.31%
Accounts payable and accrued expenses	6,289,124	4.92%	3,187,855	2.32%
Total other financial liabilities	6,748,156	5.28%	14,618,504	10.62%
Total Liabilities	6,755,061	5.29%	14,978,685	10.88%

Notes to the Condensed Unaudited Financial Statements (continued)

3. Financial Instruments (continued)

b) Net gains and losses on financial assets at fair value through profit or loss

	30 June 2008	30 June 2007
	£	£
Net (losses)/gains on financial assets at fair value through profit or loss		
Realised gains/(losses) on investments	2,419,586	(333,618)
Movement in unrealised (losses)/gains on investments	(7,212,693)	8,481,062
Realised gains on forward currency contracts	2,496,097	1,664,605
Unrealised gains on forward currency contracts	110,444	902,905
	<u>(2,186,566)</u>	<u>10,714,954</u>

4. Amounts payable and accrued expenses

	30 June 2008	31 December 2007
	£	£
Performance fee	–	1,651,690
Management fee	213,235	175,554
Audit fee	12,440	15,000
Fund administration fee	12,637	13,194
Custodian fee	18,061	24,855
Directors remuneration	26,611	19,617
Interest payable	20,649	12,825
Balances due to broker	5,761,400	1,260,494
Other accrued expenses	224,091	14,626
	<u>6,289,124</u>	<u>3,187,855</u>

Notes to the Condensed Unaudited Financial Statements (continued)

5. Called up share capital

	30 June 2008	31 December 2007
	No. of Shares	No. of Shares
<i>Authorised</i>		
Unlimited number of shares at no par value	–	–
<i>Issued at no par value</i>		
£ Shares	86,392,630	91,904,379
€ Shares	19,554,278	24,780,276
US\$ Shares	10,849,541	5,294,893

Reconciliation of number of ordinary shares

	30 June 2008	31 December 2007
	No. of £ Shares	No. of £ Shares
£ Shares		
Issued £ shares at the start of the period	91,904,379	87,750,000
Conversion of £ shares	(1,061,749)	8,129,379
Purchase of own £ shares into treasury	(4,450,000)	(3,975,000)
Total shares in issue of no par value	86,392,630	91,904,379
Shares held as Treasury Shares	2,050,000	3,975,000
Total Shares at 30 June	88,442,630	95,879,379
€ Shares		
	30 June 2008	31 December 2007
	No. of € Shares	No. of € Shares
Issued € shares at the start of the period	24,780,276	32,250,000
Conversion of € shares	(3,775,998)	(4,469,724)
Purchase of own € shares into treasury	(1,450,000)	(3,000,000)
Total shares in issue of no par value	19,554,278	24,780,276
Shares held as Treasury Shares	150,000	2,000,000
Total Shares at 30 June	19,704,278	26,780,276

5. Called up share capital (continued)

Reconciliation of number of ordinary shares (continued)

	<i>30 June 2008</i>	<i>31 December 2007</i>
	<i>No. of</i>	<i>No. of</i>
US\$ Shares	<i>US\$ Shares</i>	<i>US\$ Shares</i>
Issued US\$ shares at the start of the period	5,294,893	10,000,000
Conversion of US\$ shares	5,654,648	(4,305,107)
Purchase of own US\$ shares into treasury and cancelled	(100,000)	(400,000)
Total Shares at 30 June	10,849,541	5,294,893

The rights attaching to the Ordinary Shares are as follows:

- a) the holding of existing Ordinary Shares shall confer the right to all other dividends in accordance with the Articles of Association of the Company.
- b) the existing shareholders present in person or by proxy or (being a corporation) present by a duly authorised representative at a general meeting have, on a show of hands, one vote and, on a poll, one vote for every share held.
- c) the capital and surplus assets of the Company remaining after payment of all creditors shall, on winding-up or on a return (other than by way of purchase or redemption of own shares) after conversion, be divided amongst the shareholders on the basis of the capital attributable to the respective classes of shares at the date of winding up or other return of capital, and amongst the members of a particular class pro rata according to their holdings of shares of that class.

The facility to convert between share classes operated in respect of the March 2008 and December 2007 Conversion Calculation Dates. On the basis of the Conversion Notices received by the Company, shares were converted between share classes as summarised above.

During the period, the Company purchased 4,450,000 of its own £ Shares for a total value of £4,411,570; 1,450,000 of its own € Shares for a total value of €2,096,810 and 100,000 US\$ Shares for a total value of US\$180,360. Out of the Shares purchased, 2,050,000 £ Shares and 150,000 € Shares were held in treasury, while the other remaining Shares were cancelled.

Also in issue are 2 founding Ordinary Shares and 1 subordinated non-voting share.

Notes to the Condensed Unaudited Financial Statements (continued)

5. Called up share capital (continued)

On 1 April 2008, the Company put forward redemption proposals to holders of US\$ Shares offering to redeem their US\$ Shares. On 1 May 2008, the Company announced that valid acceptances of the Redemption Offer to US\$ Shareholders had been received for 9,010,533 US\$ Shares, representing 83.05 per cent. of the Company's Existing US\$ Shares. Redemption Offer Calculation Date for the Redemption Price was on 30 June 2008 and that the Redemption Price was announced on 29 July 2008. Settlement of the consideration for US\$ Shares redeemed under the Redemption Offer occurred on 31 July 2008.

6. Distributable reserves

30 June 2008	<i>Special Reserve</i> £	<i>Capital Reserve</i> £	<i>Retained earnings</i> £	<i>Total</i> £
Opening balance	120,112,611	23,160,598	(5,656,705)	137,616,504
Realised gains on investments	–	2,419,586	–	2,419,586
Unrealised losses on investments	–	(7,212,693)	–	(7,212,693)
Net realised foreign exchange losses	–	(128,687)	–	(128,687)
Net gains on forward currency contracts	–	2,606,541	–	2,606,541
Retained net losses for the period	–	–	(1,407,310)	(1,407,310)
Repurchase of own shares into treasury	(6,135,919)	–	–	(6,135,919)
Balance at 30 June 2008	113,976,692	20,845,345	(7,064,015)	127,758,022

Notes to the Condensed Unaudited Financial Statements (continued)

6. Distributable reserves (continued)

31 December 2007	<i>Special Reserve</i> £	<i>Capital Reserve</i> £	<i>Retained earnings</i> £	<i>Total</i> £
Opening balance	127,688,180	2,027,262	(1,470,969)	128,244,473
Realised losses on investments	–	(1,263,794)	–	(1,263,794)
Unrealised gains on investments	–	19,699,834	–	19,699,834
Net realised foreign exchange gains	–	119,886	–	119,886
Net gains on forward currency contracts	–	2,577,410	–	2,577,410
Retained net losses for the period	–	–	(4,185,736)	(4,185,736)
Repurchase of own shares into treasury	(7,575,569)	–	–	(7,575,569)
Balance at 31 December 2007	120,112,611	23,160,598	(5,656,705)	137,616,504

7. Net asset value

The net asset value of each £, € and US\$ Share has 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:

As at 30 June 2008:	<i>Net assets attributable to each share class</i>	<i>Shares in issue</i>	<i>Net Assets per Share</i>
£ Share	£93,713,322	86,392,630	£1.0847
€ Share	€30,005,242	19,554,278	€1.5345
US\$ Share	US\$20,496,063	10,849,541	US\$1.8891

As at 31 December 2007:	<i>Net assets attributable to each share class</i>	<i>Shares in issue</i>	<i>Net Assets per Share</i>
£ Share	£103,239,520	91,904,379	£1.1233
€ Share	€39,529,835	24,780,276	€1.5952
US\$ Share	US\$10,507,561	5,294,893	US\$1.9845

8. 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 year (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 the end of any previous financial year, 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 year.

The investment management agreement may be terminated by either party giving to the other not less than twelve months’ notice, or otherwise in circumstances where, amongst other things, one of the parties has a receiver appointed of its assets or if an order is made or an effective resolution passed for the winding up of one of the parties or if, following a continuation vote not being passed or if a resolution for the winding-up of the Company is passed.

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.

The amounts outstanding at 30 June 2008 are disclosed in Note 4.

b) Administrator

The administrator, HSBC Securities Services (Guernsey) Limited, performs administrative 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 per annum (subject to a minimum annual fee of £50,000).

The amount outstanding at 30 June 2008 is disclosed in Note 4.

c) Investment Adviser

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

8. Significant Agreements and Related Parties (continued)

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).

The amount outstanding at 30 June 2008 is disclosed in Note 4.

e) *Directors’ Remuneration & Expenses*

The annual Directors’ fees comprise £26,000 payable to Mr Jones, the Chairman, and £22,000 to Mr Hill, Audit Committee Chairman and £20,000 to Mr Dorey. Mr Bowie waived his right to an annual fee of £20,000.

The amount outstanding at 30 June 2008 is disclosed in Note 4.

9. 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.

10. Distributions

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.

11. Earnings per share

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

For the six months period ended 30 June 2008

	<i>Total return attributable to each share class</i>	<i>Weighted average no. of shares in issue</i>	<i>Return per Share</i>
£ Share	£(3,493,966)	89,224,718	£(0.0386)
€ Share	€(1,241,039)	20,427,120	€(0.0608)
US\$ Share	US\$(1,043,983)	10,948,619	US\$(0.0954)

11. Earnings per share (continued)

For the six months period ended 30 June 2007

	<i>Total return attributable to each share class</i>	<i>Weighted average no. of shares in issue</i>	<i>Return per Share</i>
£ Share	£6,285,041	89,547,285	£0.0702
€ Share	€3,075,625	32,254,704	€0.0954
US\$ Share	US\$988,458	7,935,616	US\$0.1246

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

12. 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.

13. Events occurring after the balance sheet date

During July 2008, the Company purchased 5,450,000 of its own £ Shares for a total value of £5,424,335 and 760,373 of its own € Shares for a total value of €1,071,557. The shares purchased are held in treasury. In addition, the facility to convert between share classes operated in respect of the June 2008 Conversion Calculation Date.

As at 1 August 2008, following the above transactions and on the basis of the Conversion Notices received by the Company, the Company's issued share capital now consists of 80,942,630 £ Shares (excluding treasury shares), 18,793,905 € Shares (excluding treasury shares), 1,839,008 US\$ Shares, two founding Ordinary Shares and one subordinated non-voting share.

Redemption of US\$ shares took place and is fully described in Note 5.

14. Seasonality

The Company's operations are not affected by seasonality or cyclicity and as such it has no impact on the interim financial statements.

Directors

SM Jones
CMW Hill
RO Dorey
RMJ Bowie

Administrator

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Website

Performance and portfolio information for shareholders can be found at:
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.

Environmental Strategies

The strategy consists of funds focusing on four sub-sectors; emissions, clean technology, renewable energy and water. These areas show strong growth potential as a global push to address pollution, climate change and water shortages is driving the rapid growth in new industries and markets. The medium-term growth potential should be sustainable as governments become increasingly aware of the need to tackle environmental issues. This is creating opportunities for skilled hedge fund managers, who can extract alpha from a variety of equity based and carbon aggregation & extraction strategies.

Short-Term Managed Futures

Short-Term Managed Futures are quantitative strategies which employ a mix of mean-reversion, break-out and short-term momentum models to construct highly contrarian risk profiles which benefit from realised volatility. Managers will trade frequently utilising technical analysis and the average holding period is 3-5 days.

Dexion

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