

## Overview

**Dexion Alpha Strategies Limited** is a Guernsey registered, closed-ended investment company listed on the London Stock Exchange. The investment objective 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 Company's shares are denominated in Sterling, Euros and US Dollars and the Company implements a hedging policy to protect the Sterling and Euro value of its US Dollar denominated investments.

## Monthly commentary

US inflation expectations and interest rate policy were the main focus for markets in September, with the FOMC leaving rates unchanged at 5.25%. Lower sales have pushed inventories of unsold homes to record levels and auto sales have also fallen. These falls, combined with lower oil and commodity prices, calmed inflation fears and led to a rally in US treasuries. World equity markets also benefited, aided by strong earnings growth - the S&P500 was up 2.5%, and India and China were also up strongly. Currency markets were largely range bound, although the US dollar made some gains, rising by more than 1% against the Euro. Commodity markets sold off during the month, especially in the energy and metals sector, though metals rebounded towards month end. Oil finished the month 10% lower.

**Asian Opportunities** - Performance was slightly positive in a mixed month for Asian equity markets. The Company's managers performed reasonably well in this environment, with most funds generating modest gains. Political events were prominent this month: the military takeover in Thailand, corruption scandals in Taiwan, and the change of prime minister in Japan. Economic indicators were in the main strong. **Healthcare** - Healthcare was mixed in September, with a range of sector indices showing different results. The Company's healthcare allocation recorded a small loss, largely due to underperformance by one biotech manager and one broadly diversified manager. Five of the nine managers posted losses in what was a challenging month for the sector. M&A activity picked up due to the amount of cash on balance sheets, a positive factor for this strategy in the coming months. **Special Situations** - This strategy delivered a decent gain as the high levels of deal activity seen through the year continued into September. Europe, and in particular Spain, saw a number of potential deals being announced. The best returns came from a global special situations manager, whose core holdings in US and European exchanges continued to perform well. **Emerging Markets** - The sell-off in commodity markets, especially in the energy and metals sectors, affected emerging markets, resulting in a loss for the strategy. While Latin America held up reasonably well, there were notable losses seen in fixed income and currencies in South Africa and Turkey. The military coup in Thailand had little impact, with the Thai stock market down only 0.5% for the month. **Commodities & Energy** - The general sell-off in commodity markets created a difficult trading environment for this strategy. While the sector as a whole was down sharply, the Company's book did well to limit losses to -3.1%. The massive losses from natural gas trading experienced by Amaranth - which was not part of the Company's portfolio - led to liquidations in a number of markets. Apart from gas, there were declines seen in oil, gold, base metals and sugar. Two of the Company's managers suffered from being long mining stocks, while another profited from being short winter natural gas contracts. **European Loans** - Following a few quiet weeks in the primary market, a significant number of transactions were launched during September. The pipeline remains very strong, which will allow further diversification within the portfolio. Performance during September was driven by the carry of the loans, the settling of new loans and low prepayment levels. Another factor was the increase in the prices of secondary loans towards month end, the first time this had happened since May.

**Outlook** - While the recent gyrations and declines in the commodity markets mean that managers trading these markets have reduced their portfolio risk exposures in the short term, there are nonetheless expected to be profitable investment opportunities arising from this increased volatility. Elsewhere, the economic picture is improving; the steadying of short term rates in the US has been beneficial for equity markets and is providing opportunities for the managers in the portfolio. Furthermore, deal flows remain strong, which should be positive for both special situations and the loans part of the portfolio.

## Performance data

	September (%)	YTD <sup>1</sup> (%)	ITD* (%)	Volatility* (%)	Sharpe** <sup>^</sup>
<b>Dexion Alpha Strategies £ Share NAV</b>	<b>-0.35</b>	<b>-3.80</b>	<b>-7.45</b>	<b>4.45</b>	<b>-2.74</b>
FT All Share (TR) (£)	1.58	1.44	2.91	8.73	-0.21
FT Govt All Stocks (TR) (£)	0.44	1.05	2.10	3.96	-0.66
<b>Dexion Alpha Strategies € Share NAV</b>	<b>-0.52</b>	<b>-4.71</b>	<b>-9.20</b>	<b>4.49</b>	<b>-2.69</b>
MSCI Eurozone (TR) (€)	2.61	3.68	7.50	9.50	0.48
JPMorgan Eurozone Govt Bond Index (€)	0.60	1.56	3.14	3.34	0.07
<b>Dexion Alpha Strategies US\$ Share NAV</b>	<b>-0.32</b>	<b>-3.36</b>	<b>-6.61</b>	<b>4.44</b>	<b>-2.66</b>
MSCI World (TR) (US\$)	1.22	4.72	9.66	8.34	0.53
JPMorgan World Govt Bond Index (US\$)	-0.21	4.53	9.26	4.03	1.01
HFRI Fund of Funds Index (US\$)	0.04	-0.22	-0.44	4.30	-1.31

<sup>1</sup> Cumulative performance from inception. \* Annualised from inception date and based on monthly data. ^ Risk free rate is average 1M GBP LIBOR since inception (4.72%) for GBP investments, average 1M EUR LIBOR since inception (2.90%) for EUR investments and average 1M USD LIBOR since inception (5.21%) for USD investments. Source: Bloomberg (data), Dexion Capital (calculation).

£

NAV 94.52p

Return **-0.35%**

Share price\* 88.50p

€

NAV €1.3539

Return **-0.52%**

Share price\* €1.2725

\$

NAV \$1.6633

Return **-0.32%**

Share price\* \$1.5550

Note:

\* Closing mid-price at month end.  
Opening NAV per £ share 98.25p,  
€ Share €1.4208 and \$ Share \$1.7212.

## Key facts

## Manager

Dexion Capital  
(Guernsey) Limited

Investment  
Adviser

RMF Investment  
Management

Investment  
Consultant

Dexion Capital plc

## Total net assets

£121.5m

## Management Fee

1.50%

## Performance Fee

10%

## Contact details

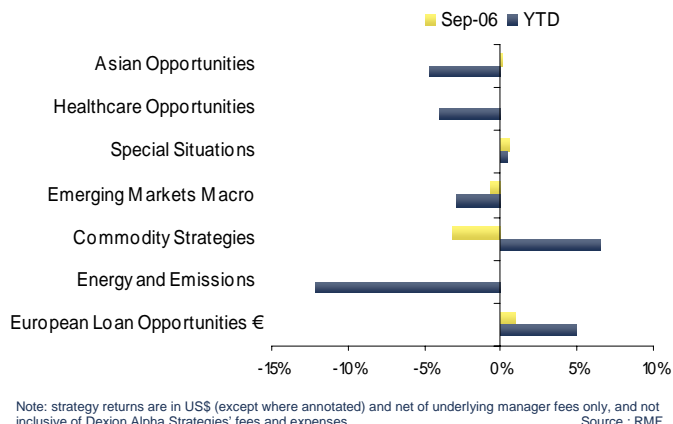
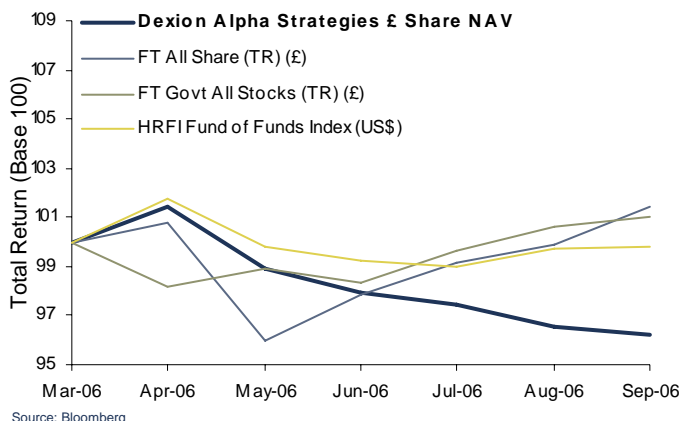
Dexion Alpha Strategies  
Limited  
Arnold House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 3NF

Email  
clientservices@dexionalpha.com

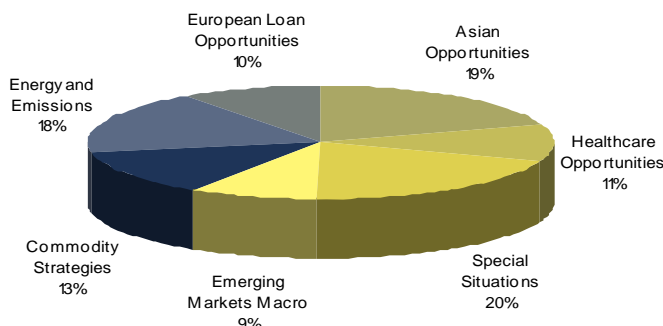
Website  
www.dexionalpha.com

Net Asset Value performance

Performance by Strategy



Portfolio as of 1 October 2006



Strategy	Number of funds
Asian Opportunities	8
Healthcare Opportunities	10
Special Situations	9
Emerging Markets Macro	8
Commodity Strategies	16
Energy and Emissions	10
European Loan Opportunities	1
<b>Total</b>	<b>62</b>

Note: Allocations are net of cash effect and are calculated on a look-through basis, where relevant, as of the end of the previous month.  
Source: RMF

Historical NAV performance (%)

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2006	-	-	-	1.47	-2.53	-0.95	-0.57	-0.89	-0.35				-3.80
EUR													
2006	-	-	-	1.32	-2.72	-1.09	-0.71	-1.05	-0.52				-4.71
USD													
2006	-	-	-	1.55	-2.44	-0.86	-0.49	-0.81	-0.32				-3.36

Share Class	Inception date	Bloomberg	Reuters	ISIN	Sedol	Total net assets
GBP	24 Mar 2006	DASL LN	DASL.L	GB00B0ZQ8Q41	B0ZQ8Q4	£82.94m
EUR	24 Mar 2006	DASE LN	DASLx.L	GB00B0ZQ9943	B0ZQ994	€43.66m
USD	24 Mar 2006	DASU LN	DASLu.L	GB00B0ZQBH64	B0ZQBH6	\$16.63m

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