

Overview

£
NAV 100.35p
Return +1.84%
Share price* 97.38p

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

€
NAV €1.4336
Return +1.82%
Share price* €1.3675

Global equity markets finished the year on a strong note. Japan was the best performing developed market with the Nikkei adding almost +6%. December was another good month for M&A, and the almost USD 4 trillion worth of global deals in 2006 was a 38% increase on 2005. The positive trend fed through to emerging markets, where both equity and local fixed income assets performed strongly. Trading conditions in commodity markets were more mixed. Crude oil and natural gas prices came under renewed pressure after the northern hemisphere winter started with above average temperatures, thus curtailing demand. Elsewhere, soft commodities enjoyed a relatively good month while both precious and base metals markets ended the month down.

\$
NAV \$1.7686
Return +1.83%
Share price* \$1.6550

Asian Opportunities - Asian managers posted strong returns in December, primarily driven by their long positions as almost all Asian equity markets rallied. Thailand was the only market to suffer, ending down -8%, though due to its small weighting in the portfolio the downside was limited. The best performance was from a China focused manager, where H shares appreciated by over 20%. In particular, profits were generated by long positions in financials and industrials, coupled with IPOs on the HK Stock Exchange. Japanese managers performed well as the market recovered from November's poor performance. **Healthcare** - More modest returns were posted after November's impressive alpha generation. Our biotech manager was among the best performers due to good returns from core positions. This positive performance was particularly noteworthy given the general underperformance of the biotech sector. Upside for the strategy as a whole was limited by a loss for one of our core managers resulting from a main position falling by -8% on the final trading day for no apparent reason – there have been subsequent healthy gains in early January. **Special Situations** - The strategy recorded excellent returns fuelled by high levels of M&A activity combined with positive equity momentum. Performance was led by a manager focused on Asia that benefited from gains in Chinese financial and infrastructure holdings and in Australian industrial and mining stocks. The next best performer was a utilities focused manager. Further gains accrued from European managers, as both market neutral and directional strategies generated healthy gains. **Emerging Markets** - All managers performed positively due to well positioned portfolios that prospered from the year-end rally in equities, fixed income and favourable movements in foreign exchange. One manager posted profits of +6% fuelled by Mexican fixed income and currency positions. Holdings in Turkish assets further contributed to this manager's performance, thanks to positive geopolitical developments. Elsewhere, EM equity markets proved to be a rich source of profits with long positions thriving amid a continued rally. The best returns came from energy and financial companies, Chinese consumer names and Asian equity indices. Small losses were experienced by positions in Middle Eastern markets, but these had little impact overall. **Commodities & Energy** - December was a challenging month for commodity traders as many markets encountered corrections. Despite this, the strategy delivered good performance thanks to the diversification offered by energy relative value strategies and managers taking short positions in falling energy markets. Short exposure also proved beneficial in European power markets with the best returns recorded in the German electricity market. Within the wider commodities space, returns were mixed; diversified managers struggled amid declines in metal markets and, after strong rallies in October and November, agricultural prices took a breather. **European Loans** - Once again steady returns were generated from the European leveraged loans portion, arising from coupon payments and pre-payments. There was significant new issuance during the month and a number of new transactions are in the pipeline for what should be a busy Q1 2007.

Outlook - Risky assets have enjoyed a good run in recent months and some form of correction or consolidation is inevitable, with January performance generally mixed. Some of our managers have reduced risk recognising that the market environment could shift in the coming months. Within commodities, oil prices look like they could be stabilizing and we see the potential for further upside in agricultural commodities, which lagged for much of 2006.

Performance data

	December (%)	YTD ¹ (%)	ITD* (%)	Volatility* (%)	Sharpe** [^]
Dexion Alpha Strategies £ Share NAV	1.84	2.14	2.86	5.83	-0.34
FT All Share (TR) (£)	3.33	7.69	10.38	8.31	0.67
FT Govt All Stocks (TR) (£)	-1.16	0.79	1.06	3.61	-1.05
Dexion Alpha Strategies € Share NAV	1.82	0.90	1.20	5.93	-0.32
MSCI Eurozone (TR) (€)	3.81	11.10	15.07	8.68	1.38
JPMorgan Eurozone Govt Bond Index (€)	-1.24	1.12	1.49	3.20	-0.49
Dexion Alpha Strategies US\$ Share NAV	1.83	2.75	3.69	5.80	-0.27
MSCI World (TR) (US\$)	2.06	13.59	18.52	7.55	1.76
JPMorgan World Govt Bond Index (US\$)	-1.89	6.24	8.41	5.10	0.62
HFRI Fund of Funds Index (US\$)	1.78	5.17	6.96	4.64	0.37

¹ Cumulative performance from inception. * Annualised from inception date and based on monthly data. ^ Risk free rate is average 1M GBP LIBOR since March 2006 (4.85%) for DASL £ and £ indices, average 1M EUR LIBOR since March 2006 (3.08%) for DASL € and € indices and average 1M USD LIBOR since March 2006 (5.25%) for DASL US\$ and US\$ indices. Source: Bloomberg (data), Dexion Capital (calculation)

Key facts

Manager

Dexion Capital
(Guernsey) Limited

Investment
Adviser

RMF Investment
Management

Investment
Consultant

Dexion Capital plc

Total net assets
£128.2m

Management Fee
1.50%

Performance Fee
10%

Contact details

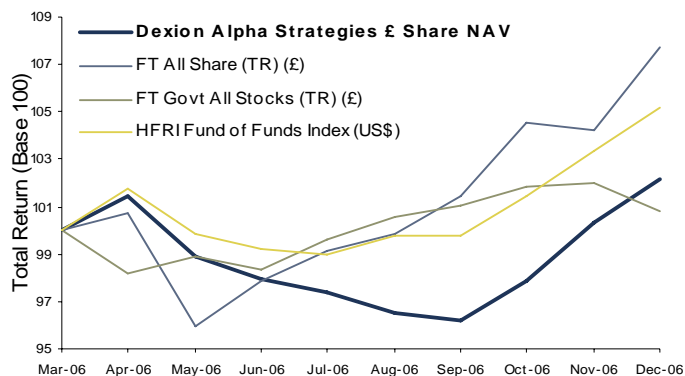
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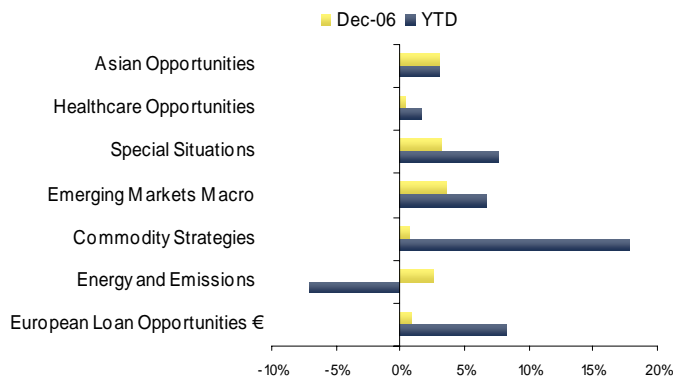
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Net asset value performance

Performance by strategy

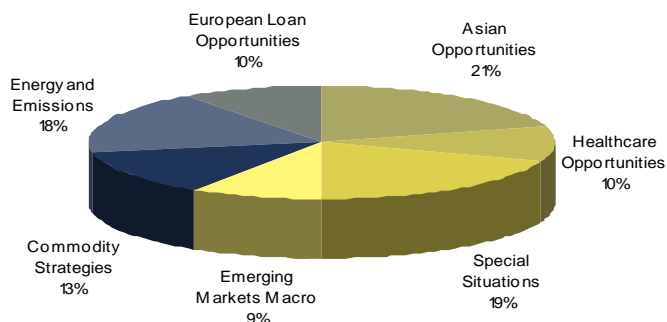


Source: Bloomberg



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

Portfolio as of 1 January 2007



Strategy	Number of funds
Asian Opportunities	9
Healthcare Opportunities	9
Special Situations	9
Emerging Markets Macro	8
Commodity Strategies	17
Energy and Emissions	12
European Loan Opportunities	1
Total	65

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 (%)

£	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	1.74	2.48	1.84	2.14
€													
2006	-	-	-	1.32	-2.72	-1.09	-0.71	-1.05	-0.52	1.62	2.33	1.82	0.90
\$													
2006	-	-	-	1.55	-2.44	-0.86	-0.49	-0.81	-0.32	1.79	2.59	1.83	2.75

Share Class	Inception date	Bloomberg	Reuters	ISIN	Sedol	Total net assets
£	24 Mar 2006	DASL LN	DASL.L	GB00B0ZQ8Q41	B0ZQ8Q4	£88.05m
€	24 Mar 2006	DASE LN	DASLx.L	GB00B0ZQ9943	B0ZQ994	€46.24m
\$	24 Mar 2006	DASU LN	DASLu.L	GB00B0ZQBH64	B0ZQBH6	\$17.69m

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