

Overview

Dexion Equity Alternative Limited is a Guernsey registered, closed-ended investment company listed on the London Stock Exchange.

The Company's investment objective is to target absolute returns of at least 10 percent to 15 percent per annum over any five year period with low correlation to traditional equity benchmarks and an annualised volatility target of less than 8 percent whilst preserving capital in all market conditions.

The Company's shares are denominated in Sterling and the Company implements a hedging policy to protect the Sterling value of its US Dollar denominated investments.

NAV: 105.76p

Mar return: -0.47%

Share price: 109.00p*

*Closing Mid-price as at 31 March 2005. Opening NAV per share 98.25p

Performance review

For the month, the S&P 500, Nasdaq Composite, and Russell 2000 fell 1.9%, 2.6%, and 3.0%, respectively. Stocks ended in negative territory for the majority of the weeks in March and offered very few profit making opportunities. For the fourth consecutive month, large cap stocks outperformed small cap stocks, although both declined in March. For the third consecutive month, value stocks outperformed growth stocks, although, again, both declined in March. As the month progressed investors became preoccupied with energy-related commodity prices, inflation and interest rates. In addition, earnings

	Mar %	YTD %	ITD* %	Volatility*%	Sharpe Ratio*^
Dexion Equity Alternative	-0.47	1.31	7.64	2.78	1.05
FT All Share TR £	-0.87	3.05	15.56	5.53	1.96
FT Govt All Stocks TR £	0.39	-0.08	5.03	2.78	0.11
HFRI Fund of Funds Index \$	-0.38	0.95	4.56	3.65	0.73

* Annualised from inception date of DEA, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR (4.72%) for GBP investments, average of 1M USD LIBOR (1.88%) for USD investments. Averages calculated using daily data from inception date of DEA. Source: Bloomberg (data), Dexion (calculation)

warnings by industry giants like Texas Instruments and General Motors and the almost daily release of scandal-ridden news about AIG also put downward pressure on the market. For bottoms-up long/short equity investors March proved challenging as the stock market retreated largely on non-company specific events. Dexion Equity's core **long/short equity** managers posted an estimated loss of 0.95% with returns ranging from -4.88% to +3.17% and 4 of the portfolio's 15 core long/short managers posting gains. Managers' long positions in homebuilders, energy, basic materials (especially iron/steel), and banks and insurance were largely responsible for the month's negative performance. March was also difficult for a majority of the low volatility strategies. Credit markets were negatively impacted by credit spread widening which was largely triggered by speculation regarding the outlook on GM's credit rating. The month witnessed the worst performance for the high yield market since the summer of 2002. US convertible arbitrage also posted losses, especially toward the end of the month. The strategy's weakness was driven in large part by a lack of new issuance and fears of further redemptions from convertible arbitrage hedge funds, but also by credit spread widening and particularly weak returns in lower capitalization stocks. The first quarter marked the slowest start of a year for convertible bond issuance since 1999. Many deals, especially those with aggressive pricing, were avoided by investors and cheapened into the secondary market. The 16% increase in implied equity volatility, as measured by the VIX Index, couldn't overcome negative sentiment in the convertible arbitrage space, but provided some profit making opportunities in the equity relative value and volatility arbitrage space. Considering the challenging market backdrop, the Company's low volatility portfolio did well to break even. The **distressed securities** allocation performed well in the context of overall credit market. Dexion Equity's **relative value** managers all posted gains for the month with returns ranging from +0.06% to +0.79%. The dedicated convertible arbitrage manager posted the lowest return and managers diversified into areas like equity relative value, merger arbitrage and event driven posted the highest. The portfolio's **other low volatility** manager gained 0.91% in March. The fund, which invests directly in insurance risk, continued to enjoy stability during the month. The fund's largest exposures remain in North Atlantic wind positions.

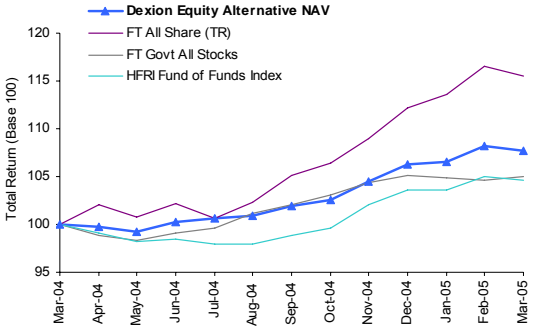
Outlook

Investors do not like uncertainty. The prospect of higher interest rates due to further tightening by the Federal Reserve combined with higher prices in many goods and materials are giving investors pause. Is inflation really there and will higher interest rates quell consumer spending and confidence? Or, is the recent strength seen in the economic figures enabling the recovery to continue? The recent decline of General Motors in the credit markets demonstrates the vulnerability of companies' securities in this environment if they disappoint. These market conditions highlight the importance of having a hedged portfolio.

Key facts

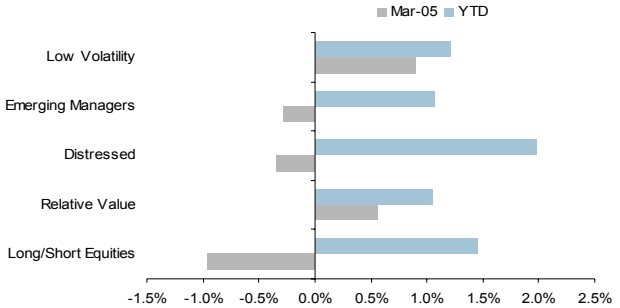
Manager	Dexion Capital (Guernsey) Ltd	Bloomberg	DEA LN
Investment Advisor	K2 Advisors LLC	Reuters	DEA.L
Investment Consultant	Dexion Capital Plc	ISIN	GB0034312321
Inception date	1 April 2004	SEDOL	3431232
Total net assets	£89.9m		

Comparative Performance



Source: Bloomberg

Performance attribution

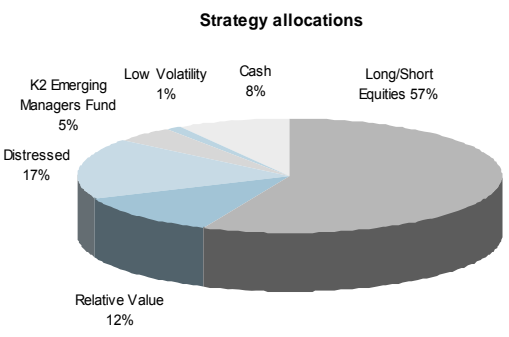


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Equity Alternative's fees and expenses

Historical NAV performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2005	0.32	1.47	-0.47										1.31
2004	-	-	-	-0.24	-0.54	1.02	0.36	0.35	0.95	0.71	1.84	1.67	6.25

Portfolio as of 1 April 2005



	Number of funds
Long/Short Equities	15
Relative Value	3
Distressed	5
Low Volatility	1
K2 Emerging Managers Fund*	1
Total	25

*K2 Emerging Managers Fund is generally invested in 20 early stage hedge fund managers with assets under management of less than USD 400m and/or less than a 3 year track record

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