

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 US dollar annualised returns of 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: 110.35p

Sep return: +0.83%

Share price: 113.75p*

*Closing mid-price at month end.
Opening NAV per share 98.25p

Performance review

Hurricanes and the Federal Reserve dominated investor's mindset during September. The devastation of Katrina yielded numerous questions with which the market had to wrestle, including among others the damage to offshore production, transportation, and refinery capacity in the US Gulf, the speed with which supplies in the region could come back online and the impact of the hurricane itself. With little time to digest the aftermath of Katrina, investor attention turned to a second hurricane which hit the Gulf Coast in the second half of the month, although

	Sep %	YTD %	ITD* %	Volatility*%	Sharpe Ratio*^
Dexion Equity Alternative (£)	0.83	5.71	8.05	2.81	1.18
FT All Share (TR) (£)	3.42	17.05	19.88	6.49	2.33
FT Govt All Stocks (TR) (£)	-0.31	5.04	6.83	3.02	0.69
HFRI Fund of Funds Index (US\$)	1.42	5.07	5.80	3.73	0.92

* Annualised from inception date of DEA, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR (4.73%) for GBP investments, average of 1M USD LIBOR (2.38%) for USD investments. Averages calculated using daily data from inception date of DEA. Source: Bloomberg (data), Dexion (calculation)

projected economic losses for Rita came in far lower than those for Katrina. The lack of conviction among investors was only enhanced by the lack of clarity regarding the direction of US monetary policy. While various market participants speculated that the Fed might shift course given the events of Hurricane Katrina, ultimately the Fed would disappoint Wall Street by raising short-term rates to their highest level since 2001. In September, sector performance was mixed. While crude oil prices actually declined in September, energy stocks once again had a robust month on the back of higher natural gas prices and supply disruptions in the Gulf of Mexico. Utilities, supported by continued low long-term interest rates and whose earnings are benefiting from increases in power prices driven by higher natural gas prices, also performed well. The month also included the bankruptcy filings of both Northwest Airlines and Delta Air Lines.

Dexion Equity's core **long/short equity managers** generated an estimated return of +1.00% in September. Key drivers of the month's positive performance were managers' long positions in mining, steel, financials, and industrials stocks and short positions in education stocks. Twelve of the eighteen core long/short equity managers in the portfolio were profitable. The lower volatility balance of the portfolio also performed well with the strength in this segment of the portfolio primarily driven by the relative value and multi arbitrage managers. Dexion Equity's **specialist credit managers** gained 0.77% for the month. Performance came across a range of credit strategies despite the negative performance of the high yield market, reflecting good security selection. Of the seven managers, all posted positive results for the period. The Company's **relative value arbitrage managers** posted a gain of 2.50% for the month. The managers benefited from a wide range of strategies to include credit, merger arbitrage, convertible arbitrage and equity relative value. The Company's best performing relative value manager posted gains in equity derivatives, equity L/S and distressed strategies. Event driven managers had good performance driven by specific event exposures as credit spreads widening during the month weighing on credit-related exposures. Our convertible managers benefited from sector specific increase in volatility. Exposure to Japan, especially for the ones who were aggressive back in spring, contributed strongly to the performance. The portfolio's **other low volatility** manager lost 4.61% for the month due to losses from Hurricane Katrina. Hurricane Rita had little impact on the fund. The manager now believes that most of the losses from Hurricane Katrina have been reflected in the NAV.

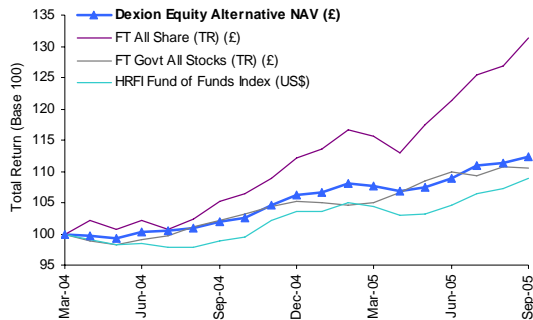
Outlook

Investors remain quite complacent despite the many uncertainties in the global markets. This complacency is evident in a number of ways, including the level of credit spreads and equity volatility (which are still at historically low levels), the dispersion between better and poorer-performing companies (which is very narrow), and finally, the cash levels at equity funds (which are very low). We still believe it is premature to presume that volatility will remain permanently low and that credit spreads will not widen. If we are correct, then hedge funds will be expected to perform well.

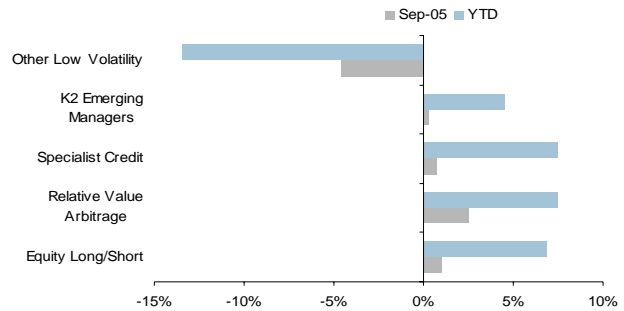
Key facts

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	£137.5m		

Comparative Performance



Performance by Strategy

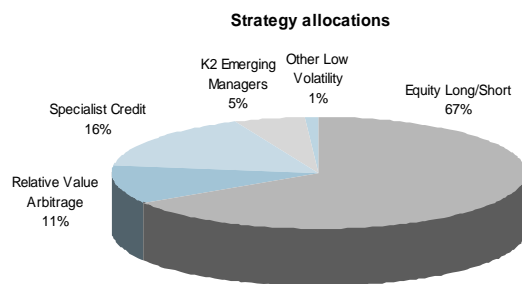


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Equity Alternative's fees and expenses

Historical NAV performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2005	0.32	1.47	-0.47	-0.77	0.67	1.27	1.92	0.37	0.83				5.71
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 October 2005



Strategy	Number of funds
Equity Long/Short	18
Relative Value Arbitrage	3
Specialist Credit	7
Other Low Volatility	1
K2 Emerging Managers Fund*	1
Total	30

*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

Dexion Equity Alternative Ltd, Arnold House, St Julian's Avenue, St Peter Port, Guernsey GY1 3NF
Email: info@dexionequity.com Website: www.dexionequity.com

This report is issued and has been approved for the purposes of Section 21 Financial Services and Markets Act 2000 ("FSMA") by Dexion Capital plc, which is authorised and regulated by the Financial Services Authority in the United Kingdom. This document relates only to securities of Dexion Equity Alternative Limited ("the Company") which are dealt in on the London Stock Exchange and no other securities. It does not constitute an invitation to underwrite, subscribe or otherwise acquire or dispose of any securities in the Company and should not be construed as advice to any person to engage in any of the foregoing activities. It does not constitute an invitation to effect any transaction with the Company. Whilst certain of the information in this document may refer to the price of the Company's securities or the yield on them, past performance cannot be relied on as a guide to future performance.

The information in this report is based on information which is otherwise publicly available and, whilst Dexion Capital plc uses all reasonable efforts to ensure the information in this report is accurate, and up to date, no representations or warranties are given as to the reliability, accuracy or completeness of the information in this report. Dexion Capital plc does not accept any liability for any loss or damage which may arise directly or indirectly from any use of or reliance on such information save in circumstances where such exclusion or restriction of liability would be expressly prohibited by the rules of the Financial Services Authority or any other applicable laws or regulations in England and Wales. In particular, recipients should note that, since many or all of Dexion Equity Alternative's investments are unquoted, net asset value figures in relation to Dexion Equity Alternative are based wholly or partly on estimates of the values of Dexion Equity Alternative's investments provided by the investment managers or administrators of those underlying investments, which estimates may themselves have been subject to no verification or auditing process or may relate to a valuation at a date before the relevant net asset valuation for Dexion Equity Alternative, or which have otherwise been estimated by Dexion Equity Alternative's Investment Advisor. Other information in this report may be historic and/or may no longer be of relevance.

The information contained in this report, which relates to the net asset value performance of Dexion Equity Alternative may not be indicative of how Dexion Equity Alternative's investments may perform in the future. Moreover the values of such investments may fluctuate considerably and the historic net asset values shown for Dexion Equity Alternative take no account of the costs or practical difficulties of realising some or all of such investments. The value of investments mentioned in this report may go down as well as up and investors may not get back the amount invested. Information on past performance, where given, is not necessarily a guide to future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase. The information in this report is provided solely for information and does not constitute investment advice or personal investment recommendations. Investments mentioned in this report may not be suitable for all recipients and in each case potential investors are advised not to take any investment decision unless they have taken independent advice from an advisor authorised under FSMA.

Your attention is drawn to the Risk Factors set out in the Dexion Equity Alternative prospectus dated 11 March 2005.

This report may not be mailed or distributed or redistributed or otherwise sent into, and does not constitute any offer to sell or the solicitation of any offer to buy securities, in or from the United States, Canada, Japan or Australia or any other territory where the same would require compliance with any regulatory, filing or like requirements or where the same would constitute an offence.

In particular, the information in this report is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America to or for the benefit of United States persons being resident in the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof. The shares in Dexion Absolute have not been, and will not be registered under the United States Securities Act 1933.