

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: 108.71p
Oct return: -1.49%
Share price: 111.50p*

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

Performance review

Equity markets declined broadly in October although a rally at the end of the month lessened the magnitude of the losses. The S&P 500, Nasdaq Composite and Russell 2000 fell -1.8%, -1.5% and -3.2%, respectively. Concerns about inflation and rising interest rates outweighed a good overall corporate earnings season. Third quarter profits were expected to grow 16% year-over-year despite the effect of the US Gulf hurricanes and soaring energy prices however comments from members of the Federal Reserve Board were interpreted

	Oct %	YTD %	ITD* %	Volatility*%	Sharpe Ratio*^
Dexion Equity Alternative (£)	-1.49	4.14	6.60	3.22	0.58
FT All Share (TR) (£)	-2.89	13.67	16.57	7.22	1.64
FT Govt All Stocks (TR) (£)	0.11	5.15	6.53	2.96	0.61
HFR1 Fund of Funds Index (US\$)	-1.26	3.86	4.73	3.90	0.58

* 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 (2.47%) for USD investments. Averages calculated using daily data from inception date of DEA. Source: Bloomberg (data), Dexion (calculation)

by investors to reflect a level of concern about the risk of inflation exceeding growth and resulted in selling. The September US PPI and CPI saw their biggest increases in over a decade and the core CPI exceeded projections. US import prices grew at the fastest rate in 15 years. For much of this year energy prices and US equity prices have moved inversely; that inverse relationship broke down in October as oil and natural gas prices declined from their peak. Bond investors reacted similarly as the 10-year Treasury yield moved to a seven-month high, closing October nearly 25 basis points higher at 4.56%. In October, nearly all sectors declined. Energy and utilities stocks were hit the hardest. Healthcare, technology, real estate, consumer staples, consumer cyclicals, homebuilders, telecom, industrials and basic materials stocks also lost ground. Financials stocks traded higher following strong quarterly earnings reports.

Going into the month, the net exposure of Dexion Equity's long/short managers stood at the highest levels seen by the Investment Advisor in the past 11 years (slightly over 40%). This high net exposure helps explain the majority of the Company's losses for the month. Dexion Equity's **equity long/short** portfolio generated a return of -1.77%. Key drivers of the month's negative performance were managers' long positions in a wide variety of sectors, including mining, steel, autos, coal, oil, natural gas, technology, retail, media, homebuilders and real estate. The losses for long/short equity were partially offset by gains made from long positions in financials (including US and UK banks) and short positions in a number of sectors, including some energy stocks. The **relative value arbitrage** section of the portfolio declined -0.54% in October, reversing a trend of solid gains in August and September. This section of the portfolio was generally not positioned to take full advantage of the increase in volatility seen during the month. Dexion Equity's **specialist credit** managers declined -0.69% for the month. Long positions predominantly declined and were partially offset by short positions. However, the best performing manager, with a return of +1.30% for the month, did achieve gains in both long and short positions. The Company's **other low volatility** manager posted a loss of -15.59%, the bulk of which represented insurance losses caused by Hurricane Wilma which struck Florida in the middle of the month.

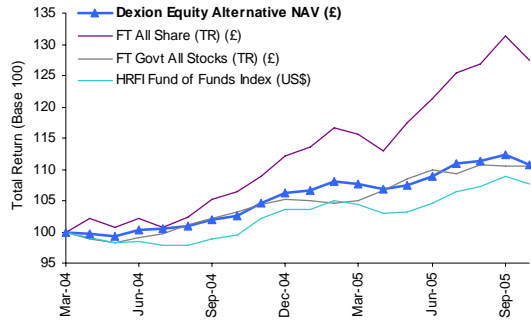
Outlook

The historically high net market exposure of many of the Company's equity long/short managers reflects the positive conviction they have regarding the earnings prospects of their companies and valuations. As mentioned previously, the economy is showing strength despite the devastation from the hurricanes and energy prices increasing to record levels. Corporate earnings are strong and the US consumer is proving quite resilient. It is important to remember that the portfolio is not managed to produce positive results each month, but rather takes a more long-term view.

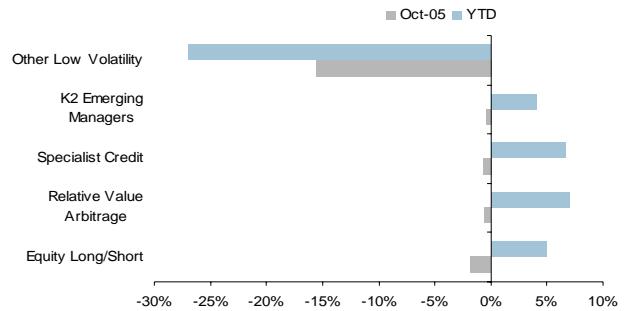
Key facts

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	£135.4m		

Comparative Performance



Performance by Strategy

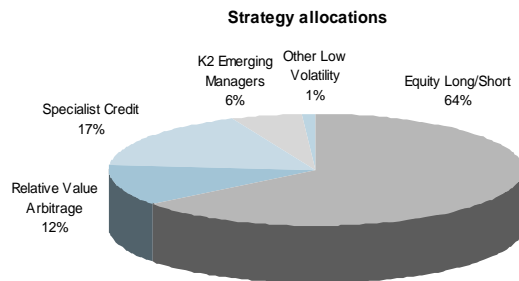


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Equity Alternative's fees and expenses

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	-1.49			4.14
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 November 2005



- Equity Long/Short
- Relative Value Arbitrage
- Specialist Credit
- Other Low Volatility
- K2 Emerging Managers Fund*

Number of funds

Equity Long/Short	17
Relative Value Arbitrage	3
Specialist Credit	7
Other Low Volatility	1
K2 Emerging Managers Fund*	1
Total	29

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

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