

## 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: 110.34p**

**Nov return: +1.50%**

**Share price: 110.38p\***

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

## Performance review

Equity markets rebounded strongly in November. The S&P 500, Nasdaq Composite, and Russell 2000 rose +3.5%, +5.3%, and +4.7%, respectively. Nearly all sectors gained with the biggest increases in basic materials, technology, and industrials stocks. The market rally was accompanied by a decrease in market volatility with strength in the Treasury bond market generated by hopes that the Federal Reserve may be nearing an end to monetary tightening. The positive returns by Dexion Equity's managers were primarily driven by the returns in their long books, while market and sector hedges along with short positions in economically sensitive consumer stocks partially offset gains. Managers saw many of the positions in their portfolios which were marked down in October recover in November, rewarding those with conviction in their investment views.

	Nov %	YTD %	ITD* %	Volatility*%	Sharpe Ratio*^
<b>Dexion Equity Alternative (£)</b>	<b>1.50</b>	<b>5.70</b>	<b>7.21</b>	<b>3.22</b>	<b>0.78</b>
FT All Share (TR) (£)	3.30	17.42	17.95	7.20	1.84
FT Govt All Stocks (TR) (£)	1.23	6.44	6.97	2.93	0.77
HFRI Fund of Funds Index (US\$)	1.74	5.54	5.50	3.97	0.74

\* Annualised from inception date of DEA, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR (4.71%) for GBP investments, average of 1M USD LIBOR (2.55%) for USD investments. Averages calculated using daily data from inception date of DEA. Source: Bloomberg (data), Dexion (calculation)

Dexion Equity's **equity long/short** generalist managers, accounting for 57% of the portfolio, generated a return of +2.60%. The net long exposure of these long/short managers remains at a relatively high level of approximately 40%. Key drivers of the month's profits were long positions in homebuilding, oil and natural gas, financial services, technology services, industrials and basic materials stocks. Also, managers added value during the month through position sizing decisions. For example, one manager held two especially large positions in the US airline and steel industries. Those two assets rose +25% and +17%, respectively, in November. Another manager held a double-digit position in a Western European transportation services company whose stock gained +16% for the month. The Company's **equity long/short** sector managers account for 9% of the portfolio and generated a return of +1.23%. Individual manager returns were all positive and ranged from +0.74% to +1.90%. The strongest positive returns were primarily generated in financial institutions which benefited from the market view that the Federal Reserve may be nearing the end of the monetary tightening cycle. The Company's **relative value arbitrage** portfolio increased +0.75% in November rebounding from October's performance and continuing a trend of solid months started in August. The Company's **specialist credit** managers gained +0.73% for the month, represented 17% of the portfolio. Long positions generated the greatest gains, with a range of positions in the auto industry held across several managers generating significant returns. The managers' positive performance reflects a generally conservative posture with respect to risk while security selection continued to be positive. Dexion Equity's **other low volatility** manager posted a loss of -0.44%, due to continued adverse loss development from the 2005 hurricane season. Despite the formation of a few late-season hurricanes, there were no new events that impacted this fund in November. The fund management team is currently focused primarily on the reinsurance renewal season, which is expected to witness significantly greater pricing in 2006.

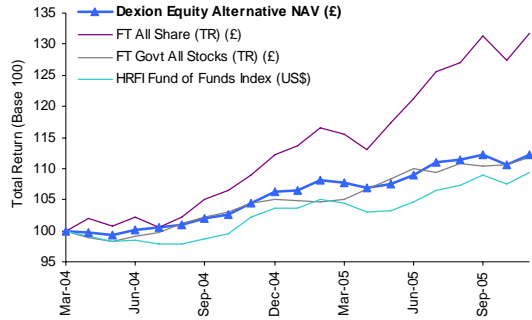
## Outlook

The outlook for hedge fund returns continues to show improvement versus the environment seen in September. Some of the fundamental reasons for the positive outlook include the possibility of an end to the rate hike cycle in the U.S., a wider dispersion in the expected earnings growth rates amongst the various industry sectors, relatively low valuations for equities, and steady economic growth prospects. As a result, no significant downside risks are seen in the equity or bond markets and those hedge fund strategies containing any long bias should benefit.

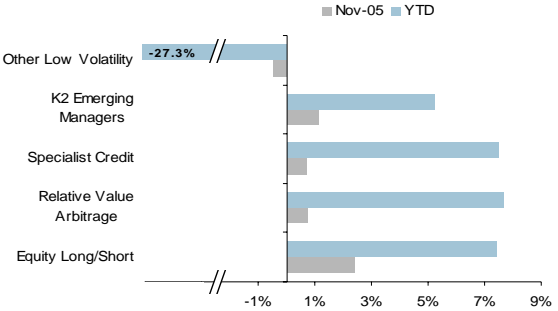
## Key facts

<b>Manager</b>	Dexion Capital (Guernsey) Ltd	<b>Bloomberg</b>	DEA LN
<b>Investment Advisor</b>	K2 Advisors LLC	<b>Reuters</b>	DEA.L
<b>Investment Consultant</b>	Dexion Capital Plc	<b>ISIN</b>	GB0034312321
<b>Inception date</b>	1 April 2004	<b>SEDOL</b>	3431232
<b>Total net assets</b>	£137.4m		

**Comparative Performance**



**Performance by Strategy**

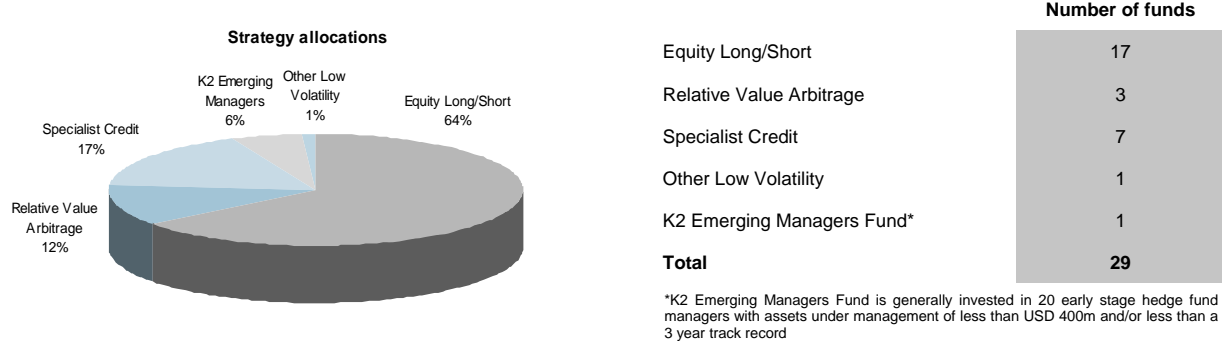


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Equity Alternative's fees and expenses

**Historical NAV performance (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2005</b>	0.32	1.47	-0.47	-0.77	0.67	1.27	1.92	0.37	0.83	-1.49	1.50		<b>5.70</b>
<b>2004</b>	-	-	-	-0.24	-0.54	1.02	0.36	0.35	0.95	0.71	1.84	1.67	<b>6.25</b>

**Portfolio as of 1 December 2005**



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

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