

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: 115.41p

Mar return: +0.97%

Share price: 119.38p*

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

Performance review

Stock prices moved higher in the US and global markets in March while US Treasuries sold off. Credit markets posted another positive month with auto related exposures played the biggest role in the index movement given the large size of these issuers relative to the overall size of the index. Corporate loans again reported a positive month. The credit environment continues to be benign with very low defaults and tightening credit spreads. The Treasury yield curve remains flat despite repeated Fed actions. Through sector and security selection, the Company's portfolio continues to deliver absolute returns with significantly less value at risk than the benchmarks that it is measured against. For example, in comparison to the S&P 500 Index, the portfolio captured 69% of the gains of the index while holding only 25% of the risk evident in this benchmark.

	Mar %	YTD %	ITD* %	Volatility* %	Sharpe Ratio* [^]
Dexion Equity Alternative (£)	0.97	3.24	8.38	3.14	1.17
FT All Share (TR) (£)	3.79	8.09	21.63	7.04	2.41
FT Govt All Stocks (TR) (£)	-1.42	-0.61	6.19	3.09	0.48
HFRF Fund of Funds Index (US\$)	1.45	4.73	7.97	4.17	1.22

* Annualised from inception date of DEA, based on monthly data. [^] Risk free rate is average of 1M GBP LIBOR (4.69%) for GBP investments, average of 1M USD LIBOR (2.89%) for USD investments. Averages calculated using daily data from inception date of DEA. Source: Bloomberg (data), Dexion (calculation)

Dexion Equity's **long/short equity** managers returned +0.97%. Positive returns were generated across a diverse set of long and short positions in various sectors including commodities, financials, restaurants and technology. Managers' positions in the stocks of gaming companies, specialty retailers, industrial manufacturers, and steelmakers were also key sources of profits for the month. Equity holdings in European and Japanese industrial service and manufacturing businesses and financial services companies also performed particularly well in March while long positions in insurance stocks declined in value. Within the Company's sector specialists managers, the highest return was generated by a real estate manager which continued its strong record led by long positions in two casino stocks, homebuilding stocks, and a specialty operating company. The manager's sizeable US Treasury hedge also contributed meaningfully to performance. The Company's **relative value arbitrage** strategy generated returns of +1.88% with two multi-strategy managers delivering strong returns, particularly from convertible arbitrage strategies which capitalized on improvements in credit. Dexion Equity's **event driven** manager returned +2.34%, benefiting from an active mergers and acquisitions marketplace. The outlook for this strategy remains positive, particularly in Europe, where there is a healthy deal pipeline and multiple bidders in many of the deals. **Specialist credit** managers returned of +1.83% with gains being achieved across a wide range of sectors including restaurants, technology and certain asbestos related positions. Overall, the credit managers outperformed the indices mainly reflecting superior security selection. Despite the positive current environment for credit, we remain prospectively cautious in terms of the nature of our credit exposures. Finally the Company's **alternate strategy manager** returned -0.95% for the month due to the low allocation. The manager remains conservatively positioned in advance of the summer at which time hurricane exposure trading activity increases. Business accepted by the manager continues to be at attractive terms following the losses of 2005, particularly as regards US risks.

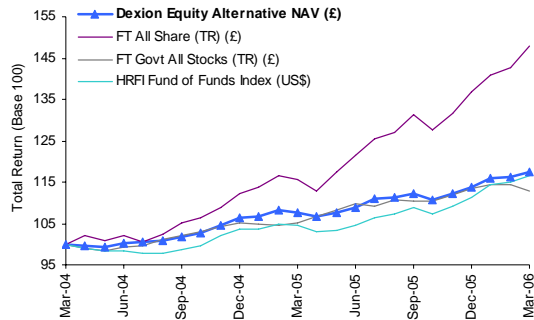
Outlook

Despite risks evident in the global environment, risk premiums remain at low levels as measured by historically tight credit spreads and a flat yield curve. Investors remain complacent. Although volatility remains historically low, both equity and bond volatility has experienced several increases during the first quarter of 2006 which has offered opportunities for managers to generate returns. Also, we continue to see a moderate increase in both inter-sector and intra-sector security performance dispersion for equity markets. If this increase in dispersion continues it should provide increased opportunities for hedged investing.

Key facts

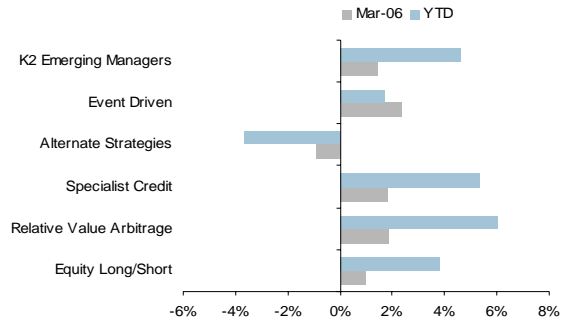
Manager	Dexion Capital (Guernsey) Ltd	Bloomberg	DEA LN
Investment Advisor	K2 Advisors LLC	Reuters	DEA.L
Investment Consultant	Dexion Capital Plc	ISIN	GB0034312321
Inception date	1 April 2004	SEDOL	3431232
Total net assets	£143.8m		

Comparative Performance



Source: Bloomberg

Performance by Strategy

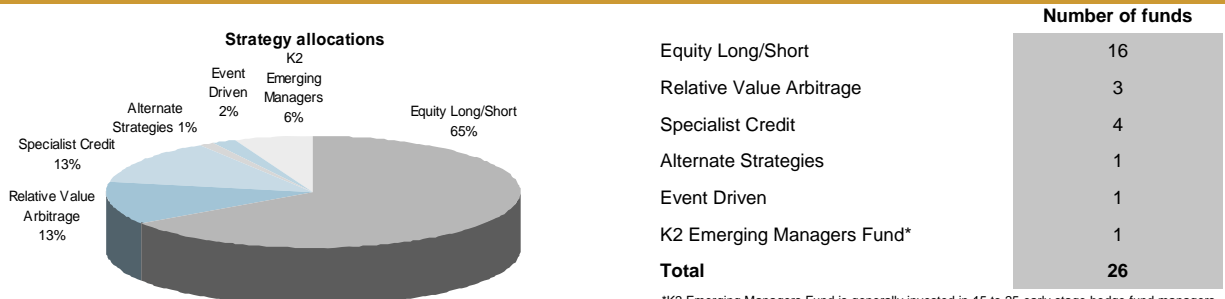


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Equity Alternative's fees and expenses

Historical NAV performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2006	1.98	0.26	0.97										3.24
2005	0.32	1.47	-0.47	-0.77	0.67	1.27	1.92	0.37	0.83	-1.49	1.50	1.31	7.09
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 2006



*K2 Emerging Managers Fund is generally invested in 15 to 25 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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