

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: 116.50p

Apr return: +0.94%

Share price: 116.88p*

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

Performance review

Stock market performance was mixed in April. The S&P 500 rose +1.2% while the Nasdaq Composite and Russell 2000 fell -0.7% and -0.1%, respectively. Large cap stocks outperformed small cap stocks and value stocks outperformed growth stocks. Overseas stocks were flat, with the MSCI Developed Markets EAFE Index rising +0.3% in local currencies, though it increased by +4.5% in US dollars as a result of the decline in the US dollar. Credit markets posted another positive month. Lower-rated credits again outperformed better quality

high yield reflecting continued strong risk appetite by credit investors. The number of corporate equity event driven opportunities continued to grow, while credit event driven strategies benefited from credit spread tightening and the resolution of event driven situations. Dexion Equity's **long/short generalist equity** managers account for 53% of the portfolio and generated a return of +1.14%. Stock-picking on the long side benefited the portfolio, as did sector weightings given the presence of meaningful performance dispersion across sectors. For example, real estate related stocks fell by -4% in April while energy stocks rose +5% for the month. At the sector level, managers' positions in the stocks of financials, especially banks, energy, communications, business cyclicals and technology companies represented key sources of profits for the month. The best-performing manager generated returns from a diverse set of long positions including selected European stocks in addition to consumer cyclicals and communications. Short positions in financials reduced returns moderately. The Company's **long/short sector equity** managers account for 12% of the portfolio and generated a return of +1.37%. The highest return was generated by a real estate sector manager which returned +2.48%. The manager's performance was driven by long positions in US banking stocks. Stock selections were consistently positive across the portfolio. Dexion Equity's **relative value arbitrage** managers account for 13% of the portfolio and generated a return of +1.17%. The top performing manager for the month was a multi-strategy manager that generated a positive return of +1.82%. The manager's European team continued to perform strongly, especially in equity derivative trading, while dividend swaps and dispersion trades also worked well. The Company's **event driven** manager accounts for 2% of the portfolio and generated a return of +1.25%. Once again, the manager benefited from an active mergers and acquisitions marketplace. The outlook for the merger arbitrage strategy remains positive, particularly in Europe, where there is a healthy deal pipeline and multiple bidders in many of the deals. Finally, the Company's **specialist credit** managers, accounting for 13% of the portfolio, generated a return of +1.77%. The leading manager for the month posted a return of +2.63% having earned profits across a wide range of sectors, including telecommunications and autos. Our managers have commented that credit markets are tightly priced, while credit underwriting standards in the market seem to be loosening which should present distressed opportunities in coming months.

	Apr %	YTD %	ITD* %	Volatility* %	Sharpe Ratio*^
Dexion Equity Alternative (£)	0.94	4.21	8.52	3.08	1.24
FT All Share (TR) (£)	1.06	9.24	21.30	6.90	2.41
FT Govt All Stocks (TR) (£)	-1.29	-1.88	5.28	3.27	0.18
HFRI Fund of Funds Index (US\$)	1.76	6.80	8.67	4.18	1.37

* 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 (2.96%) for USD investments. Averages calculated using daily data from inception date of DEA. Source: Bloomberg (data), Dexion (calculation)

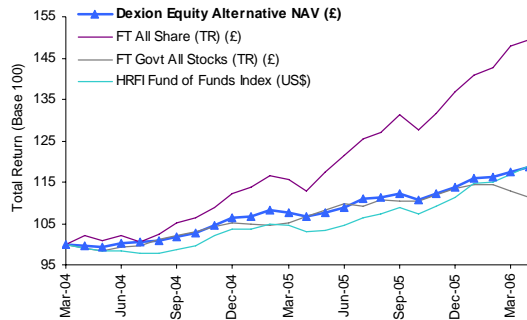
Outlook

Renewed concerns over the prospect of future inflation, and possibly stagflation, together with rising interest rates which have increased financing costs and may dampen the global economic recovery, have been added to the range of risks now facing investors. Alongside these fundamentals, markets seemed to be 'priced for perfection' with risk premiums remaining historically low. At the same time, investors remain complacent despite the risks noted above, and further price corrections may be necessary for there to be an improvement in the outlook for the markets. Any increase in market volatility towards the historical averages may hurt stocks but will also produce increased opportunities for hedge funds to generate positive relative returns.

Key facts

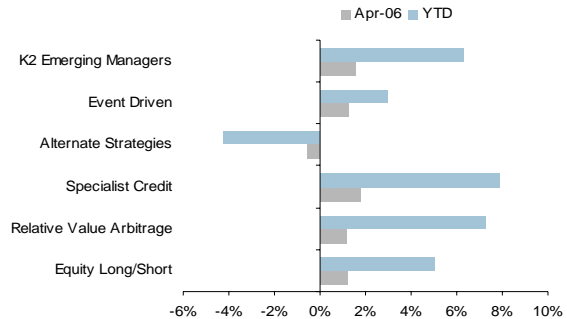
Manager	Dexion Capital (Guernsey) Ltd	Bloomberg	DEA LN
Investment Advisor	K2 Advisors LLC	Reuters	DEA.L
Investment Consultant	Dexion Capital Plc	ISIN	GB0034312321
Inception date	1 April 2004	SEDOL	3431232
Total net assets	£145.1m		

Comparative Performance



Source: Bloomberg

Performance by Strategy

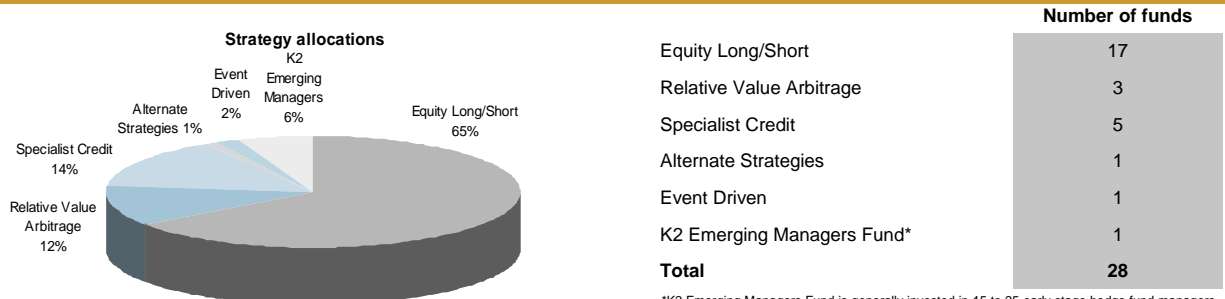


Note: strategy returns are net of underlying manager fees only, and not inclusive of Dexion Equity Alternative's fees and expenses

Historical NAV performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2006	1.98	0.26	0.97	0.94									4.21
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 May 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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