

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: 118.35p

Return: +1.49%

Share price: 111.13p*

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

Performance review

Equity markets climbed higher in November, continuing a series of positive months. Positive inflation data heightened investors' perception that central banks may hold rates constant in the near term and may even cut rates in 2007. US Treasury yields declined, and M&A activity remained robust across a wide range of industries. High levels of liquidity combined with active private equity investing and corporate acquisitions have provided a supporting bid for stocks across sectors. Overseas markets were weaker than in the US. Corporate credit markets continued to perform well and high yield issuance was a record breaking high, reflecting strong investor sentiment and high levels of leveraged buyout activity. In addition, defaults remained near record lows.

	Nov %	YTD %	ITD* %	Volatility* %	Sharpe Ratio* [^]
Dexion Equity Alternative (£)	1.49	5.87	7.23	3.40	0.74
FT All Share (TR) (£)	-0.29	12.99	17.76	7.39	1.76
FT Govt All Stocks (TR) (£)	0.10	1.88	5.58	3.03	0.28
HFRI Fund of Funds Index (US\$)	1.85	8.43	7.32	4.26	0.90

* 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 (3.48%) for USD investments. Averages calculated using daily data from inception date of DEA. Source: Bloomberg (data), Dexion (calculation)

Long/short equity generalist: +2.45%. Every manager in the strategy posted a positive gain in November. Technology and retail investments made significant contributions for one manager which returned +7.83% for the month, while another benefited from long, concentrated bets in select industrial and airline stocks. The managers focused on non-US markets continued to perform well. **Long/short equity sector: +0.38%.** The real estate manager posted another positive return and continued to benefit from its long positions in selected office REITs in supply-constrained geographic markets, which continued to see strong demand. The gains were offset by a financial services-focused fund which was net short, serving as a hedge to the overall portfolio. **Relative value/multi-strategy: +1.49%.** The relative value managers did well through superior security selection and by taking advantage of new convertible issuance and credit spread tightening. The low levels of volatility continued to limit investment opportunities, emphasizing the importance of security selection and risk management. The multi-strategy managers also performed well reflecting positive environments for their core strategies, including convertible arbitrage, equity event-driven and credit situations. **Specialist credit: +2.06%.** The specialised credit portfolio continued to perform well in November and outperformed a strong high yield market, driven by various event-driven situations and tighter credit spreads. Our credit managers remain cautious and defensively positioned with an emphasis on floating rate, senior exposures and event-driven situations. **Event driven: +1.13.** The event driven manager generated consistent, positive returns in November and continued to benefit from the high levels of M&A activity in the United States and in Europe. They are increasingly cautious with regard to Europe, however, and have reduced risk exposures in this sub-portfolio. **K2 Emerging Managers Fund: +1.37%.** Performance was led by global long/short managers and selected specialist credit managers which generated significant gains in distressed investments.

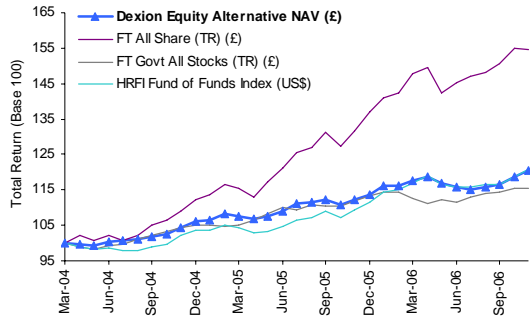
Outlook

The current market environment is characterized by historically low risk premiums and investor complacency, as evidenced by lows in implied global equity volatility, tight credit spreads and a negatively sloped US yield curve. If there is a decline in liquidity from current high levels, the risk level for both equity and bond markets may increase resulting in investor uncertainty and a pullback in equity and bond indices. The Company's funds are generally positioned conservatively regarding directional market movement while remaining focused on superior security selection and diversification.

Key facts

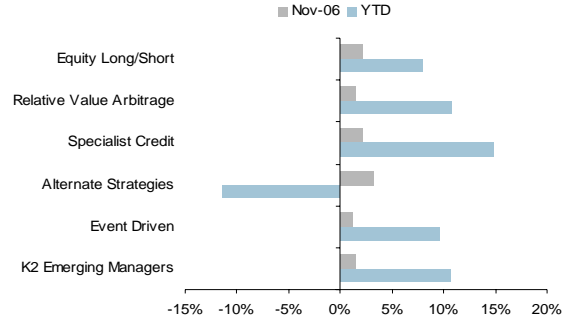
Manager	Dexion Capital (Guernsey) Ltd	Bloomberg	DEA LN
Investment Advisor	K2 Advisors LLC	Reuters	DEA.L
Investment Consultant	Dexion Capital Plc	ISIN	GB0034312321
Inception date	1 April 2004	SEDOL	3431232
Total net assets	£147.4m		

Net asset value performance



Source: Bloomberg

Performance by strategy

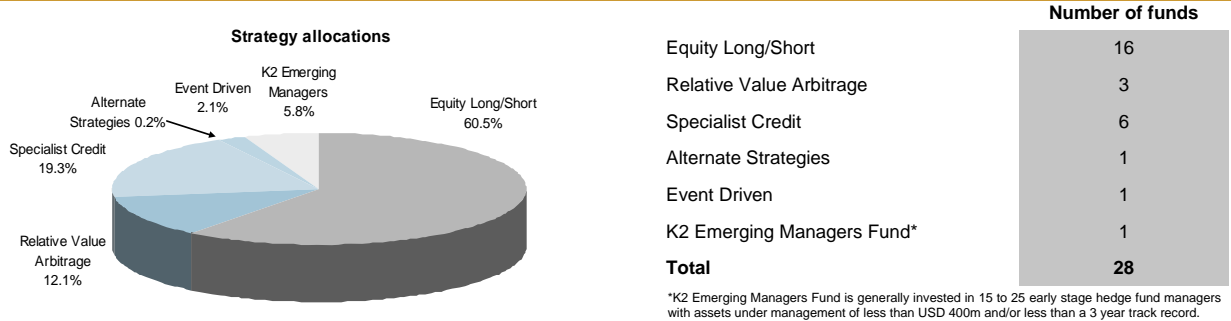


Note: strategy returns are in US\$ and net of underlying manager fees only, and not inclusive of Dexion Equity Alternative's fees and expenses

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	-1.50	-0.81	-0.76	0.89	0.49	1.83	1.49		5.87
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 December 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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