

£

| | |
|--------------|---------|
| NAV | 121.47p |
| RETURN | +1.73% |
| SHARE PRICE* | 114.50p |

Opening NAV per £ share 98.25p

Note: *Closing mid-price at month end.

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.

PERFORMANCE DATA

| | JANUARY(%) | YTD (%) | ITD* (%) | VOLATILITY* (%) | SHARPE^A |
|---|------------|---------|----------|-----------------|----------|
| DEXION EQUITY ALTERNATIVE £ SHARE NAV | 1.73 | 1.73 | 7.78 | 3.37 | 0.90 |
| HFRI FUND OF FUNDS INDEX (US\$) | 1.26 | 1.26 | 8.04 | 4.20 | 0.78 |
| MSCI WORLD INDEX GROSS (TR) (US\$) | 1.20 | 1.20 | 15.58 | 7.88 | 1.37 |
| JPM GLOBAL GOV'T BOND INDEX (TR) (US\$) | -1.28 | -1.28 | 1.92 | 6.01 | -0.28 |

* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (4.76%) for DEA £ and average of 1M US LIBOR since April 2004 (3.58%) for US\$ indices.

MONTHLY COMMENTARY

The Company started the new year with exceptionally strong returns and outperformed the positive gains of most equity and bond markets in January. Equity markets carried over positive momentum from 2006 due to continued high levels of liquidity, positive corporate earnings, benign credit markets and steady interest rates. Sector rotation continues to provide investment opportunities for hedge fund managers. For example, energy stocks were among the laggards while consumer stocks were among the best performers during January. Corporate credit markets had a positive start to the year with continued tightening in credit spreads reflecting both benign credit fundamentals and robust liquidity, causing high yield default rates to reach a 12 year low of just 1.51%.

Long/short equity generalist: +2.81%. The long/short generalist managers generated gains in January ranging from +0.55% to +6.57%. Significant gains were earned in a diverse range of sectors and geographies. The consumer, media and telecommunications, and financial sectors, as well as both long and short technology holdings, generated gains in US equities. In Europe, the key drivers of positive performance included holdings in the transportation, consumer, technology and media sectors. **Long/short equity sector: +1.33%.** The real estate sector manager was the best performer in this part of the portfolio with a return of +1.99%. Key sources of profits for the month included the stocks of office REITs, a retail REIT focused on mall properties and a specialty operating company. **Relative value/multi-strategy: +1.65%.** The relative value manager had a slight loss for the month due largely to low levels of equity volatility. We expect this manager to provide a portfolio hedge for the returns coming from long/short managers. The multi-strategy managers produced exceptional returns of +2.45% and +3.00%. These managers are geographically diversified with investments in the US, Europe and Asia. Significant gains were earned across all strategies including convertible arbitrage, equity event-driven, credit situations and volatility arbitrage. **Specialist credit: +2.17%.** The allocation had an exceptionally strong start to the year with the managers all posting gains at or above +1.55%. The managers generated significant gains in selected credit and distressed situations in the energy sector. **Event driven: +2.46%.** The event driven manager continues to benefit from the high levels of merger and acquisitions activity in the US and in Europe. **Alternate strategies: +0.07%.** Insurance and lending strategies provided the greatest returns this month. Importantly, the managers have little exposure to sub-prime lending, which has come under pressure recently. The volatility in weather-related strategies created a slight drag on performance. **K2 Emerging Managers Fund: +1.17%.** Performance was strong in both the long/short and low volatility strategies, led by a return of 2.10% from multi-strategy managers including a European manager with gains in restructuring investments.

Outlook As has been stated, markets in January carried over the positive momentum from 2006 as liquidity, valuations and investor sentiment all provided a favorable environment. However, there are an increasing number of indications that we may be seeing the early signs of a shift in macroeconomic fundamentals that could change the course of markets. Investors should take note of the events of the last several months in certain markets that suggest an undercurrent of investor uncertainty and fundamental instability. The dramatic equity market declines in Thailand in December and in Venezuela in January are two examples of this instability from different parts of the globe. In addition, growth may be slowing as indicated by a decline in year on year US earnings growth, from 17% in 2006 to 9% currently. China continues to raise its bank reserve rate to slow growth and defend against inflation. Mortgage lenders are beginning to come under pressure as delinquency rates rise from low levels. Forward looking markets such as the credit default swap market have already priced in the risk of further deterioration in sub-prime mortgage debt. These notable shifts in some of the recent consensus investment themes, in combination with sector rotation, should help to enhance the positive environment for hedge fund returns. K2 is focused on managing risk while generating high absolute returns.

KEY FACTS

MANAGER

DEXION CAPITAL
(GUERNSEY) LIMITED

INVESTMENT ADVISER

K2 ADVISORS LLC

INVESTMENT CONSULTANT

DEXION CAPITAL PLC

TOTAL NET ASSETS

£151.31M

MANAGEMENT FEE

1.50%

PERFORMANCE FEE

10%
(TRIGGER 3%)

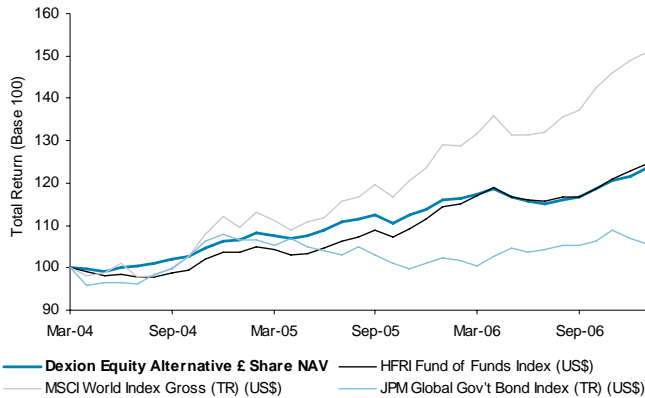
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SHARE CLASS

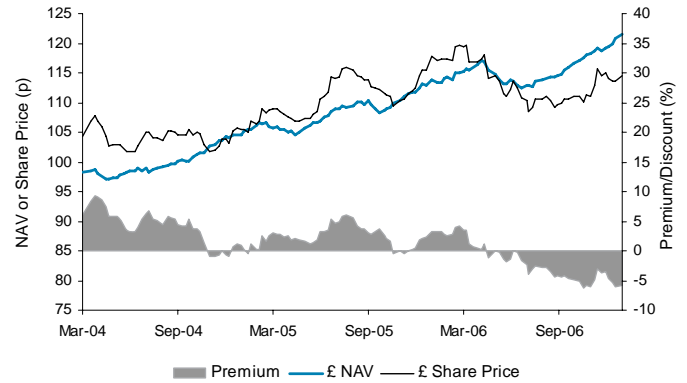
| | INCEPTION DATE | BLOOMBERG | REUTERS | ISIN | SEDOL | TOTAL NET ASSETS |
|---|----------------|-----------|---------|--------------|---------|------------------|
| £ | 1 APR 2004 | DEA LN | DEA.L | GB0034312321 | 3431232 | £151.31m |

NET ASSET VALUE PERFORMANCE



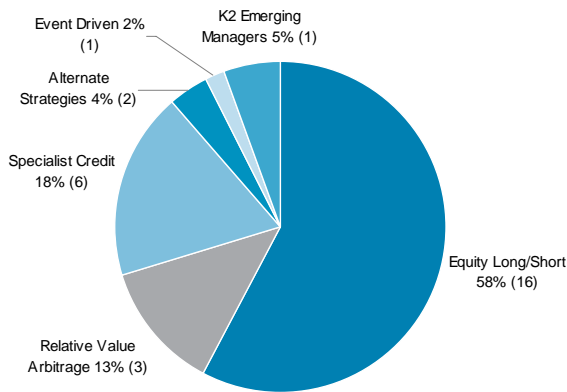
Source: Bloomberg

SHARE PRICE PERFORMANCE



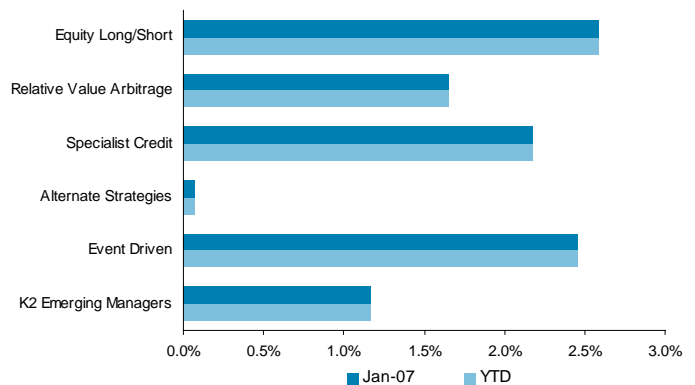
Source: Bloomberg

PORTFOLIO ALLOCATION AS OF 1 FEBRUARY 2007



Note: Allocations are net of cash effect. Numbers in brackets indicate number of managers. 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.
Source : K2 Advisors

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.
Source : K2 Advisors

HISTORICAL NAV PERFORMANCE (%)

| £ | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YTD |
|-------------|------|------|-------|-------|-------|-------|-------|------|------|-------|------|------|-------------|
| 2007 | 1.73 | | | | | | | | | | | | 1.73 |
| 2006 | 1.98 | 0.26 | 0.97 | 0.94 | -1.50 | -0.81 | -0.76 | 0.89 | 0.49 | 1.83 | 1.49 | 0.90 | 6.82 |
| 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 |

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