

£

NAV	122.18p
RETURN	+0.58%
SHARE PRICE*	114.00p

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

	FEBRUARY(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE**
DEXION EQUITY ALTERNATIVE £ SHARE NAV	0.58	2.32	7.76	3.32	0.90
HFRI FUND OF FUNDS INDEX (US\$)	0.80	2.08	8.11	4.14	0.80
MSCI WORLD INDEX GROSS (TR) (US\$)	-0.48	0.72	14.91	7.83	1.30
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	2.34	1.02	2.68	6.05	-0.16

* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (4.77%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.63%) for US\$ indices.

Source: Bloomberg (data), Dexion Capital (calculation)

MONTHLY COMMENTARY

The Company's strong start to the New Year continued into February, despite dramatic single day declines in markets globally at the end of the month. Equity markets reversed sharply as worries about the health of the US sub-prime mortgage market, as well as a sell-off in the Chinese equity markets and weaker than expected US economic data, all weighed on investors' minds. These concerns led to an increase in equity market volatility. Corporate credit markets performed well for most of the month until the time of the global equity market sell-off. The sharp retraction was much less pronounced in corporate credit, but it still cost high yield markets approximately -0.3% during the final two days of the month. The high yield market continued to perform relatively well as the issuance of high yield credit remained robust, with about one-third of issuance related to leveraged buyout activity.

Long/short equity generalist: +0.07%. The long/short generalist managers outperformed during the month, with gains derived in both long and short positions across a diverse range of sectors. The top performing manager earned significant profits in the short book, in addition to gains from long positions in energy, industrial and technology positions. **Long/short equity sector: +2.35%.** Performance was led by the financial services sector manager with a return of +5.54%, which was primarily obtained on the short side with exposures in the mortgage lending, housing and insurance sectors. **Relative value/multi-strategy: +1.86%.** The relative value manager benefited from the increase in equity volatility that occurred late in the month, generating a return of +3.14%. **Specialist credit: +1.41%.** Specialist credit managers continued the exceptionally strong start to the year, showing little sensitivity to the decline in the equity markets. All the managers posted gains of +0.77% or above. **Event driven: +0.38%.** The event driven manager generated profits from positions in several basic materials and healthcare companies. **Alternate strategies: +0.52%.** Energy investments and weather derivative trades provided the greatest returns. The managers have little exposure to sub-prime lending which continued to come under pressure. **K2 Emerging Managers Fund: +0.84%.** Performance was balanced among the long/short and low volatility strategies in the portfolio. The largest gains were reported by a long/short equity manager who posted a return of +3.13%. The majority of this performance was driven by net short exposures to European and Asian companies.

Outlook Investor uncertainty has led to an increase in risk premiums, although liquidity remains high and valuations are at historically reasonable levels. The reaction by investors to the movement of the markets in China and the increasing defaults in the US sub-prime lending market indicates an awareness of undercurrents of instability. Sub-prime lending is a small share of total consumer credit but there may be a ripple effect on higher rated credits, leading to credit tightening, slower consumer spending and housing price declines. Any potential deterioration in the growth rate of liquidity will, we expect, lead to fundamental variations between securities and sectors. This, coupled with possible shifts in some of the recent consensus investment themes, in combination with a movement toward more stable companies with stronger balance sheets, should help to create a positive environment for hedge funds and allow them to generate favourable returns.

KEY FACTS

MANAGER

DEXION CAPITAL
(GUERNSEY) LIMITED

INVESTMENT ADVISER

K2 ADVISORS LLC

INVESTMENT CONSULTANT

DEXION CAPITAL PLC

TOTAL NET ASSETS

£152.19M

MANAGEMENT FEE

1.50%

PERFORMANCE FEE

10%
(TRIGGER 3%)

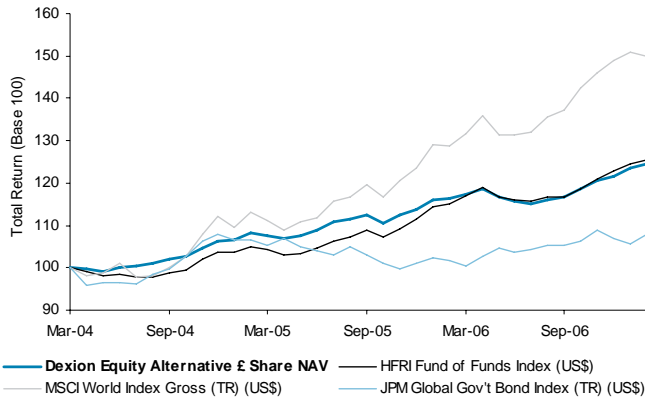
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SHARE CLASS

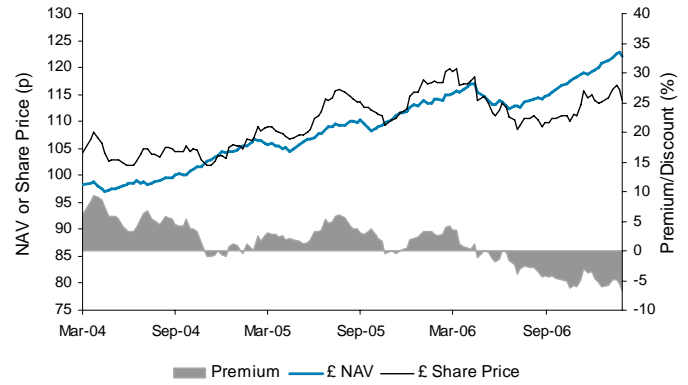
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£152.19m

NET ASSET VALUE PERFORMANCE



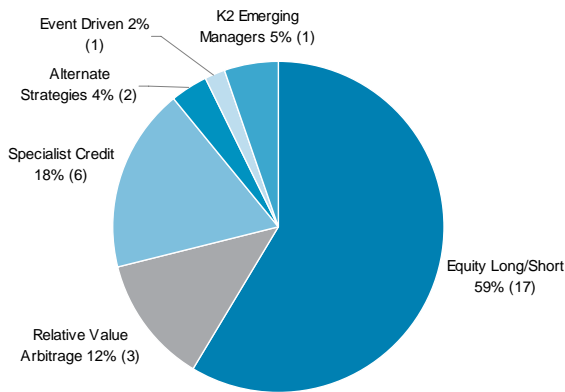
Source: Bloomberg

SHARE PRICE PERFORMANCE



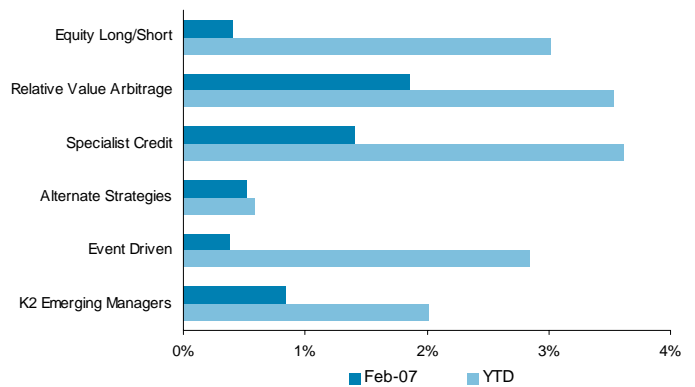
Source: Bloomberg

PORTFOLIO ALLOCATION AS OF 1 MARCH 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	0.58											2.32
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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