

£	
NAV	123.51p
RETURN	+1.09%
SHARE PRICE*	115.75p
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

	MARCH(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE**
<b>DEXION EQUITY ALTERNATIVE £ SHARE NAV</b>	<b>1.09</b>	<b>3.43</b>	<b>7.93</b>	<b>3.28</b>	<b>0.95</b>
HFRI FUND OF FUNDS INDEX (US\$)	0.86	2.98	8.18	4.08	1.10
MSCI WORLD INDEX GROSS (TR) (US\$)	1.87	2.60	15.18	7.73	1.49
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	0.17	1.19	2.66	5.96	-0.17

\* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (4.79%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.68%) for US\$ indices.

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

## MONTHLY COMMENTARY

Following global equity market declines in February, markets remained relatively volatile during the first half of March as geopolitical tensions between Iran and Britain increased. Former Fed chief Greenspan hinted at a possible US recession and the deterioration of the sub-prime credit markets gained momentum. Market fears were reduced during the third week of March as the Federal Reserve left interest rates unchanged and indicated they may relax their 'tightening bias' outlook towards future rate hikes. Commodity prices rose in response to the geopolitical tensions, while the US Dollar continued to move lower during the month. Global fixed income markets declined as the perception of commodity-led inflation risks increased. While merger activity and private equity liquidity continued to be a theme in the markets during March, the increase in sub-prime mortgage market defaults, concerns over inflation, weak economic data and rising oil prices remained as key fundamental factors within the capital markets. This mix of good and bad fundamental news helped to create robust opportunities for hedge funds.

The Company completed the first quarter of 2007 with strong performance in March as hedge fund strategies benefited from investors continuing to differentiate between those securities with steady to improving fundamentals from those with a weaker outlook. **Long/short equity generalist: +1.71%**. The long/short generalist managers completed the first quarter with continued out-performance with respect to equity indices. Gains were earned in both long and short positions across a diverse range of sectors. The top performing manager added +4.56% with geographically diverse positions including a Japanese printing company, a German defence company, an automotive company and a UK industrial company. **Long/short equity sector: +0.65%**. This was predominantly driven by short positions in mortgage lending, housing, banks and insurance sectors. However, performance was led by the financial services sector manager posting a return of +4.20%. **Relative value/multi-strategy: +0.70%**. High levels of new convertible issuance and continued M&A activity benefited the managers, while a decline in equity volatility from the February highs created a slight drag on performance. **Specialist credit: +1.29%**. This sub-portfolio continued its exceptionally strong start to the year with the managers all posting gains at or above +0.90%. This performance was achieved through superior security selection. **Event driven: +3.94%**. The event driven manager benefited from a continued concentration in European equity event investments with moderate exposure to distressed. **Alternate strategies: +0.59%**. Energy investments and credit strategies provided the largest returns. These were further enhanced by lending strategies which continued to generate steady, positive gains. **K2 Emerging Managers Fund: +1.20%**. The long/short generalist and event driven managers generated strong returns of +2.04% and +1.72% respectively through superior security selection in both the long and short books.

**Outlook** We believe that some of the fundamental themes that created opportunities on the long and short side for various hedge fund categories will continue into the second quarter. These include the possibility of increasing defaults in the US sub-prime lending market, resulting in wider credit spreads and a possible decrease in capital liquidity later in 2007. Additionally, we believe there is potential for tighter consumer liquidity or a credit crunch in the US which may lead to weaker consumer spending in the North American region. In Europe, we expect inflation and economic growth rates will remain high relative to the US and Asia. Lastly, we expect the recent 'earnings rotation' to continue, from sectors that have done well in recent years and whose earnings growth rates are slowing towards sectors showing improved estimates and above consensus growth potential. This, and other fundamental influences on markets, regions and individual securities should continue to benefit the Company through its investments in various hedged and relative value funds.

## KEY FACTS

### MANAGER

DEXION CAPITAL  
(GUERNSEY) LIMITED

### INVESTMENT ADVISER

K2 ADVISORS LLC

### INVESTMENT CONSULTANT

DEXION CAPITAL PLC

### TOTAL NET ASSETS

£153.84M

### MANAGEMENT FEE

1.50%

### PERFORMANCE FEE

10%  
(TRIGGER 3%)

## CONTACT DETAILS

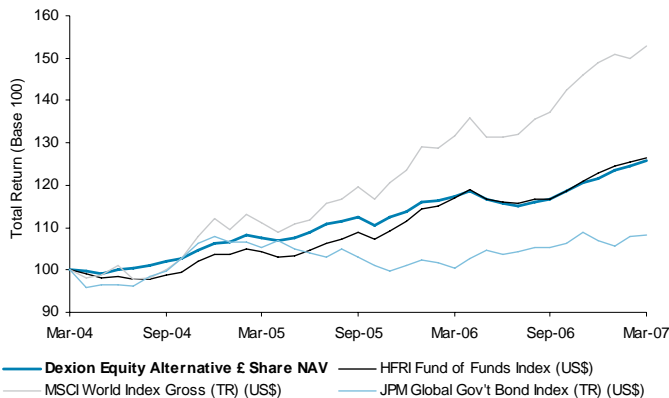
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## SHARE CLASS

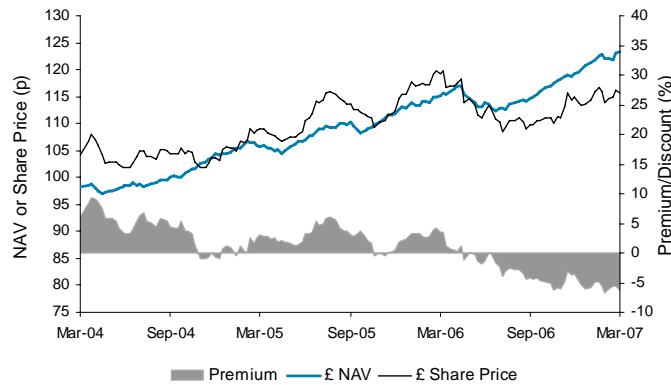
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£153.84m

NET ASSET VALUE PERFORMANCE



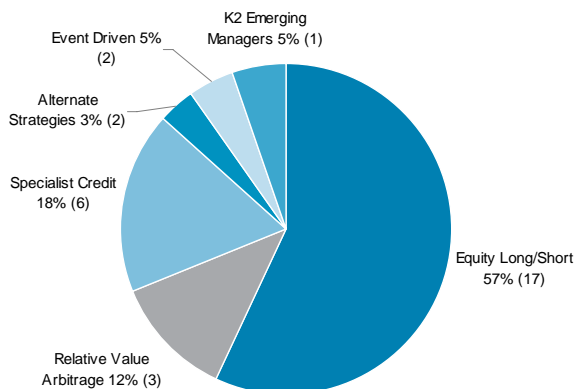
Source: Bloomberg

SHARE PRICE PERFORMANCE



Source: Bloomberg

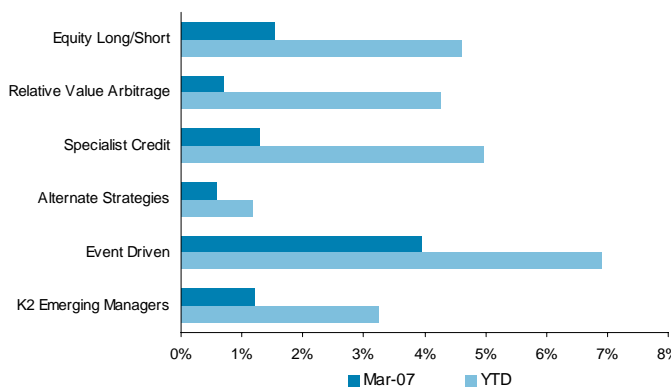
PORTFOLIO ALLOCATION AS OF 1 APRIL 2007



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
<b>2007</b>	1.73	0.58	1.09										<b>3.43</b>
<b>2006</b>	1.98	0.26	0.97	0.94	-1.50	-0.81	-0.76	0.89	0.49	1.83	1.49	0.90	<b>6.82</b>
<b>2005</b>	0.32	1.47	-0.47	-0.77	0.67	1.27	1.92	0.37	0.83	-1.49	1.50	1.31	<b>7.09</b>
<b>2004</b>	-	-	-	-0.24	-0.54	1.02	0.36	0.35	0.95	0.71	1.84	1.67	<b>6.25</b>

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