

£	
NAV	128.02p
RETURN	+0.41%
SHARE PRICE*	121.625p
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

	JUNE(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE**
DEXION EQUITY ALTERNATIVE £ SHARE NAV	0.41	7.21	8.48	3.25	1.12
HFRI FUND OF FUNDS INDEX (US\$)	0.77	7.92	9.08	4.04	1.31
MSCI WORLD INDEX GROSS (TR) (US\$)	-0.74	9.48	16.24	7.77	1.60
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	0.65	0.75	2.31	5.88	-0.25

* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (4.85%) for DEA £ and average of 1M US LIBOR since April 2004 (3.80%) for US\$ indices.

MONTHLY COMMENTARY

The woes of the Bear Stearns hedge funds and the reeling losses inflicted on them by the meltdown of sub-prime mortgage lending dominated the headlines. The Company had no exposure to those funds and overall the portfolio was slightly net short financials and therefore benefited from the turmoil. Volatility returned to the markets in June, global equity and bond markets moved lower due to increased investor uncertainty involving the risk of lower quality credit defaults, the heightened possibility of further credit downgrades and ongoing rate hikes by G3 central banks intended to further dampen inflation trends. Even traditional safe havens such as utilities, financials, real estate and consumer staples stocks did not provide protection in June, as surging bond yields took their toll on dividend paying stocks and, in the case of the first three, rate sensitive sectors. The US Dollar continued its slow decline against most major G7 currencies.

Long/short Equity strategies: +0.60%. Despite the markets trading down, the portfolio's long/short equity investments held up well as managers successfully offset the beta drag of their portfolios through strong stock selection. Eleven of the seventeen core long/short equity managers generated gains in June, while four funds lost money and the rest posted flattish performance. Short positions in many underlying portfolios represented a source of positive returns, and the strongest performer within the portfolio had a short bet on housing and sub-prime mortgages. The second strongest performer within the portfolio returned +2.86% on the back of various equity positions in the airlines, trucking, auto-parts and alternative energy sectors. On the downside, the worst performing investment in the portfolio was hurt by its consumer, financials and healthcare holdings as well as by European stock positions. **Specialist Credit strategies: +0.40%.** The credit portfolio has performed quite well this month compared to the general credit markets, which were down -1.69% as measured by the Merrill Lynch High Yield Index. Credit spreads widened overall in response to worries about the sub-prime and structured finance sectors and the possible spill-over into corporate credit. Credit markets benefited from a lack of long sub-prime or structured credit exposure, with its general focus on more floating rate senior exposures and corporate event-driven situations. The Company remains cautious regarding the outlook on credit. **Event Driven strategies: +0.60%.** The event portfolio posted a positive return despite Event Driven results being somewhat subdued reflecting the broad sell-off in equities and credit during the month. The globally diversified approach to event was beneficial during the month. The persistent pace of global corporate activity continued to offer a fertile opportunity set for the managers in this strategy, at least in the near term. **Relative Value arbitrage / multi-strategy strategies: +0.91%.** It was a relatively quiet month for convertible arbitrage managers which posted good returns given a combination of issuance and volatility. The volatility arbitrage manager posted a solid return driven by increased intra-month volatility. Results for the multi-strategy managers were modest reflecting general weakness in capital markets. Nevertheless, a positive return was posted driven by good capital allocation and event driven situations in credit, as well as convertible arbitrage returns. **Alternate Strategies: +0.55%.** All sub-strategies were positive with the exception of those exposed to weather and royalties. Lending, energy and insurance generated the highest attribution for the portfolio with other strategies generating small gains.

Outlook The first half of 2007 is now complete with the hedged strategies having shown particularly strong performance considering the risks taken. The increase in equity volatility continues to favour our managers. The overall risk premium of lower quality bonds remains too low by historical measures and investors should take comfort in being hedged. There is risk that further credit deterioration or an economic slowdown may put a lid on further stock gains. All of these factors highlight the importance of successful security selection by our investment managers. In such an environment, individual corporate valuations and growth fundamentals will determine the performance of companies. In summary, the strong returns, and positive alpha, that has been captured by hedged strategies over the recent period should continue during the second half of 2007.

KEY FACTS

MANAGER

DEXION CAPITAL
(GUERNSEY) LIMITED

INVESTMENT ADVISER

K2 ADVISORS LLC

INVESTMENT CONSULTANT

DEXION CAPITAL PLC

TOTAL NET ASSETS

£159.47M

MANAGEMENT FEE

1.50%

PERFORMANCE FEE

10%
(TRIGGER 3%)

CONTACT DETAILS

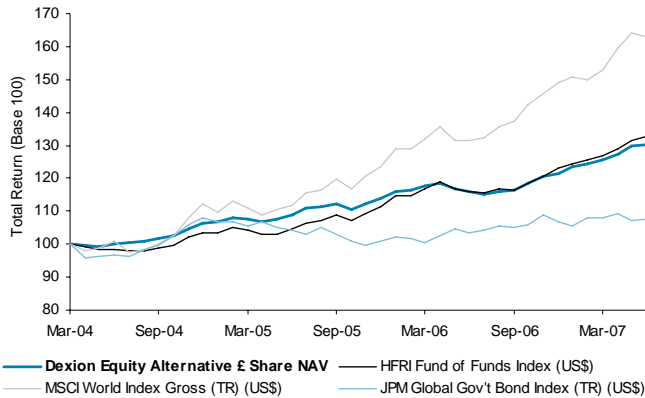
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SHARE CLASS

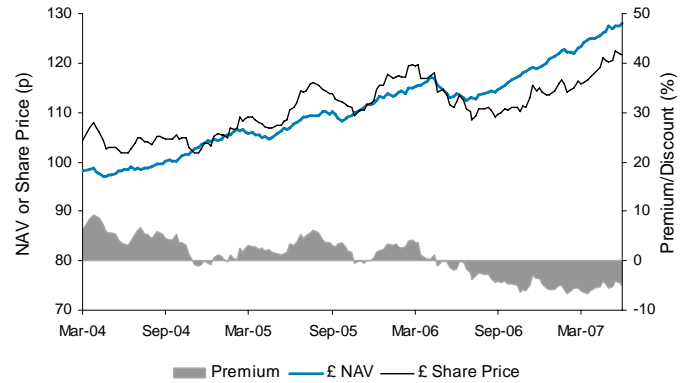
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£159.47m

NET ASSET VALUE PERFORMANCE



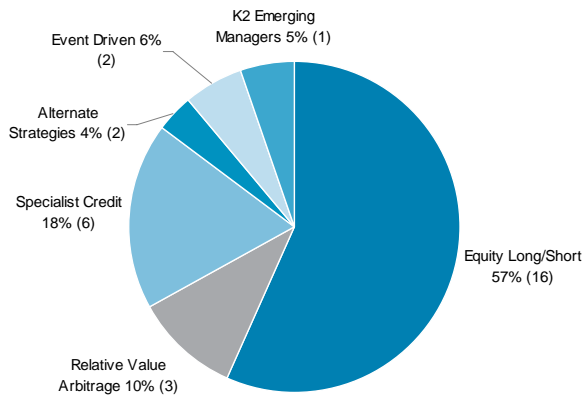
Source: Bloomberg

SHARE PRICE PERFORMANCE



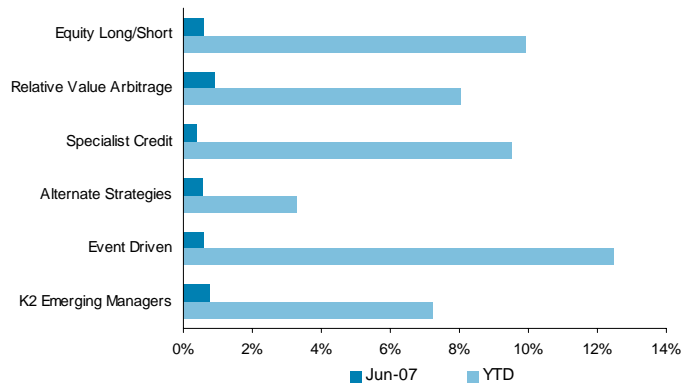
Source: Bloomberg

PORTFOLIO ALLOCATION AS OF 1 JULY 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	1.09	1.32	1.89	0.41							7.21
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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