

£	
NAV	132.77p
RETURN	+2.22%
SHARE PRICE*	127.75p
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

	OCTOBER(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE**
DEXION EQUITY ALTERNATIVE £ SHARE NAV	2.22	11.19	8.77	3.34	1.13
HFRI FUND OF FUNDS INDEX (US\$)	2.88	11.23	9.12	4.37	1.18
MSCI WORLD INDEX GROSS (TR) (US\$)	3.09	15.64	16.38	7.94	1.57
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	1.55	8.24	4.16	5.98	0.04

* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (4.98%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.95%) for US\$ indices.

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

MONTHLY COMMENTARY

October was positive for most market indices globally with stock, bond and commodity markets closing up, boosted by the Fed rate cut. Commodities were particularly strong, with the GSCI index returning nearly +10% for the second month in a row, reaching +30% year-to-date, and the equity volatility VIX index increasing by 40%. Bears focussed on slowing profit growth, losses in mortgage-related investments, soaring oil prices, a weaker US Dollar and declining consumer confidence, while bulls pointed to robust worldwide economic growth and speculation that the Fed would continue to cut rates to support their views. In this context, October was very favourable for our managers. Increased volatility and dispersion of security prices between poor and attractive companies, resulting from renewed emphasis on fundamentals, allowed our managers to earn out-sized returns. The portfolio continued to benefit from the conservative positioning that has been maintained in all the investment strategies in which the Company invests.

Long/Short Strategy: +3.60%. Performance was driven by strong security selection; long positions outperformed the market and many managers benefited substantially from short positions. Areas of strength included long exposure to technology/communications, consumer/retail, industrial and energy companies. On the short side, managers profited from companies suffering as a result of on-going problems in the credit markets. **Specialist Credit: +0.96%.** Managers had a strong month, again generating gains both from both long and short positions. Credit spreads spiked intra-month in response to continued concerns about sub-prime debt and the overhang of LBO-related bonds and bank debt. Managers profited from short exposure to financials, sub-prime and also from several LBO and merger-related trades. In general, manager sentiment going forward is one of caution, with the expectation of continued volatility. **Event-Driven: +1.32%.** Managers performed well, deriving profits from positions that continued their recovery from the lows of August. Several M&A deals closed in October, crystallizing the gains in those positions. Overall, managers remain defensively positioned with significant credit and equity hedges in place, although there is some guarded optimism regarding opportunities in Europe now that the pace of LBO activity has slowed down. **Relative Value and Multi-Strategy: +0.72%.** Managers benefited from the higher volatility environment, and convertible arbitrage managers in particular had a strong month. This was a result of improved valuations in convertible bonds and an increased pace of new issuance. A decrease in volatility mid-month led to volatility arbitrage investments being marginally down for the month, although the markets are expected to present plenty of trading opportunities in the future. Multi-Strategy managers profited from strong performance in their relative value, event driven and convertible arbitrage portfolios, and Asian allocations performed particularly well. **Alternate Investment Strategies: +0.52%.** Lending, energy and insurance managers were the largest contributors but the best performing investment was the currency allocation. The energy book benefited from successful basis and fixed price trading, as well as a long bias towards crude prices. Insurance managers continued to collect a premium in the absence of any major event. Weather and emissions investments both contributed to the month in line with expectations. **Emerging Managers: +3.81%.** Managers were affected by the same themes as the other strategies. Some made gains from short positions in financials and sub-prime, while others (e.g. European equities) were a drag on performance. The long/short allocation had a wide dispersion of returns, with most of them positive.

Outlook Investors continue to look for guidance on four market themes: the impact of the credit crisis on earnings growth, balance sheets and the availability of credit in the future; the potential for a rapid decline in the US Dollar and the effect this might have on certain sectors; the continued increase in commodity prices and the resulting inflationary pressures; and lastly, the impact of the US real estate correction on consumer spending in the world's largest economy. Market volatility is likely to remain high as long as these questions remain unanswered. The environment will lead to managers focussing ever more diligently on the fundamentals of the companies in which they invest, and, we believe, will provide ample opportunity for good hedge fund managers to produce substantial out-performance compared to those from broad indices.

KEY FACTS

MANAGER

DEXION CAPITAL
(GUERNSEY) LIMITED

INVESTMENT ADVISER

K2 ADVISORS LLC

INVESTMENT CONSULTANT

DEXION CAPITAL PLC

TOTAL NET ASSETS

£155.82M

MANAGEMENT FEE

1.50%

PERFORMANCE FEE

10%
(TRIGGER 3%)

CONTACT DETAILS

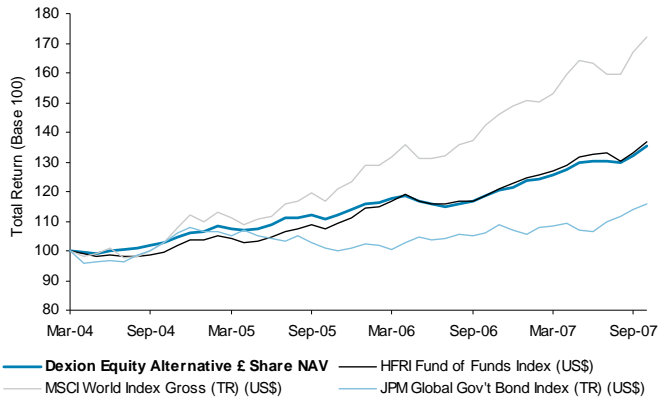
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SHARE CLASS

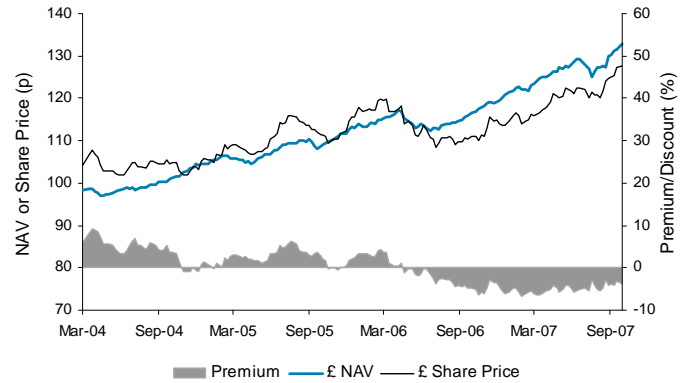
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£155.82m

NET ASSET VALUE PERFORMANCE



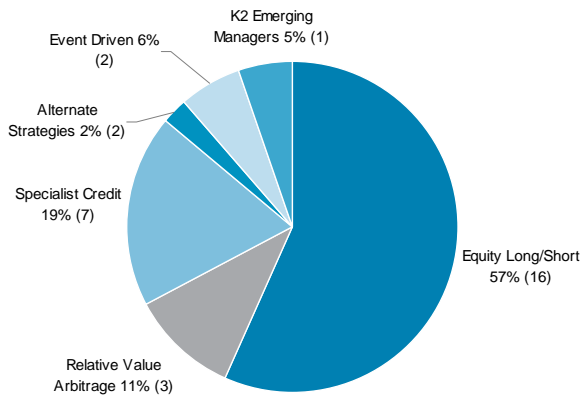
Source: Bloomberg

SHARE PRICE PERFORMANCE



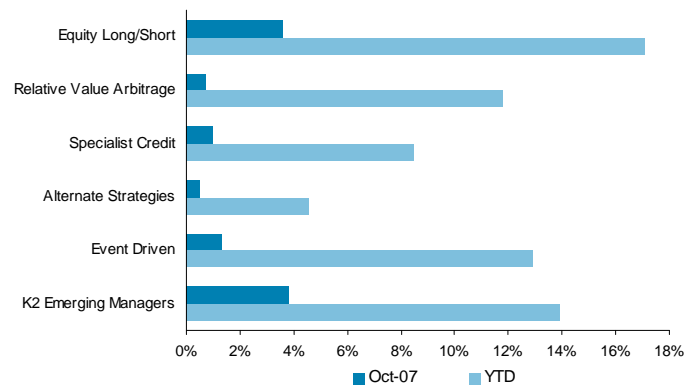
Source: Bloomberg

PORTFOLIO ALLOCATION AS OF 1 NOVEMBER 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	-0.06	-0.41	1.94	2.22			11.19
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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