

£	
NAV	131.93p
RETURN	+0.27%
SHARE PRICE*	128.25p
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

	DECEMBER(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE**
DEXION EQUITY ALTERNATIVE £ SHARE NAV	0.27	10.48	8.18	3.37	0.93
HFRF FUND OF FUNDS INDEX (US\$)	0.28	10.12	8.41	4.46	0.99
MSCI WORLD INDEX GROSS (TR) (US\$)	-1.26	9.57	13.95	8.33	1.20
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	-0.53	10.81	4.62	6.01	0.11

* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (5.04%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.99%) for US\$ indices.

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

MONTHLY COMMENTARY

After the significant volatility seen in October and November, the markets suffered minor losses in December. The global developed equity markets ended the month with returns ranging from -0.50% in Europe to -2.85% in the Asia-Pacific region. Global bond market performance was mixed; sovereign bonds declined slightly while corporate/high yield bonds showed muted gains. The US Dollar index recovered slightly from the losses of the previous three months, with a gain of +0.72%, while Sterling depreciated against the US Dollar after having shown strength for much of the year. Commodity prices generally increased during the month, with the GSCI up +5.77%. The inflationary pressures, combined with concerns regarding the potential for economic slow down, created difficulties for policymakers. In spite of the poor market performance, hedge funds showed compelling gains in December to finish a year of strong positive performance.

Long Short Strategy: +0.80%. This allocation successfully held onto its year-to-date gains in December, performing quite well compared to the broader equity market, which was flat to modestly negative, and the HFRX Equity Hedge index, which lost -0.44%. Many of our managers made money on both the long and short sides. **Specialist Credit: +0.45%.** The portfolio generated a small gain as interest income and profits from a number of event driven positions offset hedging costs. The credit markets were quiet, with a number of large, new bank debt and bond issues being pushed back until after the holidays. Managers saw very interesting opportunities on both the long and the short sides as the dislocation in credit markets continued. That said, managers remained defensively positioned, with low leverage, substantial shorts and more conservative long exposures. **Event Driven: +0.18%.** Our event driven allocation posted a modest gain for the month, benefiting from hedges and shorts, as well as several European positions experiencing positive events. The managers remain defensively positioned in the face of continued market volatility. Merger and acquisition volumes have decreased recently, although we anticipate renewed event-driven opportunities in 2008. **Relative Value and Multi-Strategy: -1.32%.** Our managers were down as a group as choppy equity markets detracted from performance. Convertible arbitrage managers benefited from a significant amount of new issuance, with performance being offset by continued concerns over credit quality. Multi-strategy managers experienced losses in response to the various market factors described above. Relative value strategies were down, as were event-sensitive equity and credit investments. Managers continued to benefit from their ability to allocate capital dynamically between strategies, although the outlook for the markets which they trade remains unsettled. **Alternative Strategies: +0.07%.** The main contributor to returns was the carbon emissions portfolio, while the energy/commodities and insurance portfolios also contributed well. Royalties performed well but had a small weight in the sub-portfolio. These gains were offset by negative contributions from weather derivatives, which suffered from warm weather in much of Europe, as well as direct lending, which was negatively impacted by a manager's write-down of one real estate position. **Emerging Managers: +0.40%.** Managers overall had a positive month, with both long/short equity and low volatility strategies posting modest gains. Long/short equity performance was led by two managers with short financials exposure, while low volatility strategy performance was helped by exposure to European event and multi-strategy managers.

Outlook The global investment environment has changed dramatically over the past several months and has become decidedly negative. Substantial problems remain within the financial sector as credit woes continue to surface. Now more than ever, one needs to focus attention on managers who are able to make investments while carefully hedging out market risks. We are excited about the environment for hedged investment strategies, particularly those which are focused on security selection as opposed to the direction of the market. The opportunities for hedged managers have increased as a result of stock and sector volatility and the corresponding increase in dispersion. Managers who are fundamental in their approach and who are conservative in managing market exposure will succeed better than others.

KEY FACTS

MANAGER

DEXION CAPITAL
(GUERNSEY) LIMITED

INVESTMENT ADVISER

K2 ADVISORS LLC

INVESTMENT CONSULTANT

DEXION CAPITAL PLC

TOTAL NET ASSETS

£154.50M

MANAGEMENT FEE

1.50%

PERFORMANCE FEE

10%
(TRIGGER 3%)

CONTACT DETAILS

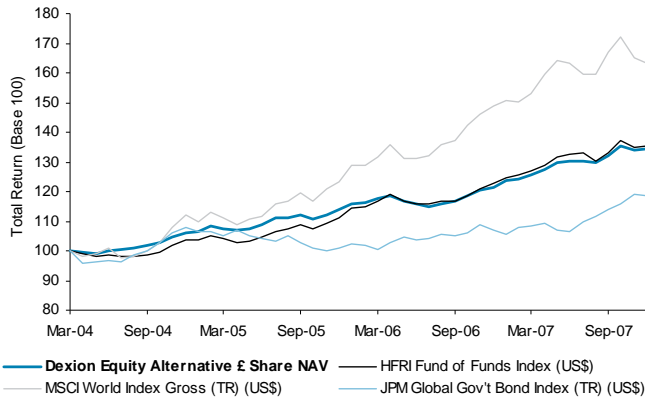
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SHARE CLASS

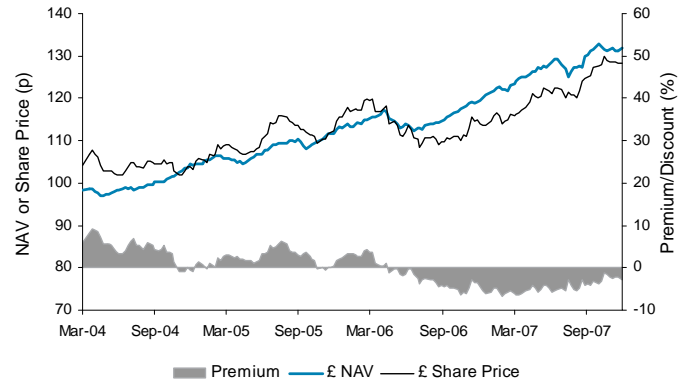
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£154.50m

NET ASSET VALUE PERFORMANCE



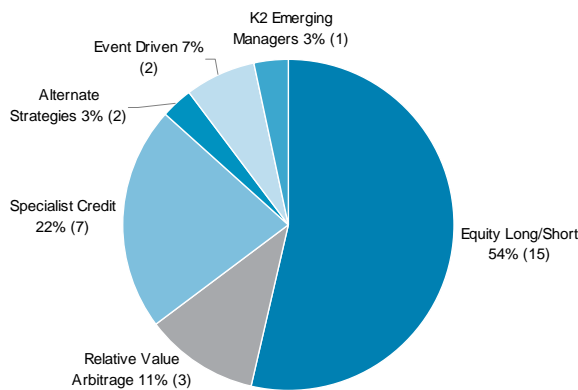
Source: Bloomberg

SHARE PRICE PERFORMANCE



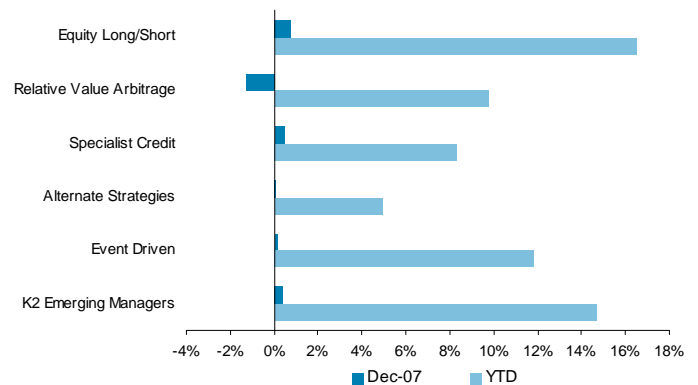
Source: Bloomberg

PORTFOLIO ALLOCATION AS OF 1 JANUARY 2008



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	-0.90	0.27	10.48
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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