

£	
NAV	132.15p
RETURN	+2.34%
SHARE PRICE*	122.75p
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

	MAY(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE**
DEXION EQUITY ALTERNATIVE £ SHARE NAV	2.34	0.17	7.37	3.90	0.59
HFRF FUND OF FUNDS INDEX (US\$)	1.92	-1.44	7.20	4.92	0.67
MSCI WORLD INDEX GROSS (TR) (US\$)	1.65	-2.50	11.79	9.31	0.85
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	-1.50	4.27	5.20	6.51	0.20

* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (5.09%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.89%) for US\$ indices.

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

MONTHLY COMMENTARY

Global equity markets were slightly positive during May as momentum from the strong performance in April continued. The gains in the broad market indices masked the large degree of variation in equity sector performance. Specifically, the energy, technology and utility sectors showed superior gains relative to the overall index, while the financial sector continued to experience widespread losses during May. Away from the financial sector concerns, investors remained concerned about the current energy-driven inflation cycle and the potential for reduced consumer spending dragging corporate earnings growth lower. Global Treasury bond benchmarks were lower for the second consecutive month. Commodity markets continued to rise sharply, with the S&P Goldman Sachs Commodity Index jumping +9.10%. For 2008 so far, the index is up +38.6%, surpassing the 2007 gain of +32.7%. The fundamental catalysts for strength included a strong demand for raw materials from China. Hedged strategies benefited for the most part from both the large variation in equity sector returns and the ongoing strength in commodities. As an indication of the general hedge fund profitability during the month, it can be noted that only 3 of the 37 HFR hedge fund strategy indices showed losses for May, those being hedged strategies focusing on emerging markets Asia ex-Japan, the financial sector and short-sellers.

Long/Short Equity: +3.25%. This strategy had a strong month, especially in light of its relatively conservative positioning. Key sources of strength in underlying portfolios included long positions in energy, basic materials, technology, telecom/media and industrial stocks. On the short side, managers continued to successfully exploit the ongoing pressures that banks and broker-dealers are experiencing in their businesses. Key sources of weakness in May were managers' consumer/retail holdings and short technology positions. **Specialist Credit: +1.43%.** Our Specialist Credit managers were up this month, a good result in the mildly positive credit environment. Managers continue to position their portfolios with an expectation for increased defaults in corporate and consumer credit. The outlook for this strategy remains extremely positive, as the opportunity set for stressed and distressed credit investing continues to improve. Nevertheless, our managers are not yet calling the bottom of the credit markets, and so remain hedged and under-levered, and continue to amass available cash and financing in expectation of attractive buying opportunities to come. **Event-Driven: +0.56%.** Our Event-Driven managers were up this month, benefiting from the rising equity markets and a number of deals experiencing positive events. Some of the gains were offset by hedging losses, but our managers remain hedged given the expectation for continued market volatility. Managers are beginning to see a more robust pipeline of corporate events, many of which continue to trade at attractive spreads. **Relative Value and Multi-Strategy: +1.51%.** Our Relative Value managers generated a strong return in the month of May. Convertible arbitrage managers benefited from record new issuance in the convertible bond markets, and from the overall tightening in credit spreads. Volatility arbitrage exposures were up despite the decline in volatility, since intra-month equity moves provided ample opportunity for profitable trading. Our multi-strategy managers were up in aggregate, benefiting from tightening credit spreads and rising equity markets, with gains partially offset by the cost of hedging. **Alternate Strategies: -0.21%.** The energy/commodities strategy was the largest positive contributor, as our managers positioned themselves successfully to benefit from the rally in the commodities complex through May. The direct lending strategy was flat for the month as there were no credit events. Both the royalties and carbon emissions strategies were positive on the month. The weather strategy was a negative contributor in May, due to less than expected precipitation in Northern California, as was the insurance strategy. **Emerging Managers: +1.73%.** The long/short equity allocation within this sub-portfolio saw strength in underlying positions in the energy, basic materials, utilities and industrials sectors. International stocks, especially European ones, and consumer cyclical positions were a drag on performance. The low-volatility portion was up this month, with all underlying strategies delivering positive attribution.

Outlook The debate over the future direction of global stock and bond markets continues. Given the uncertain political and economic outlook, many fund managers have reduced their exposures and increased cash holdings during the first half of 2008 and are taking a cautious approach. The second half of 2008 should continue to exhibit substantial performance variations amongst sectors similar to that seen in April and May. And one should see continued strong relative performance as managers capture gains in both long and short positions. Our specialist credit managers remain particularly excited about the opportunities they are seeing but continue to hedge. In today's environment, security and sector selection will continue to be the largest drivers of portfolio performance. Accordingly, we continue to favour hedged exposures with a low sensitivity to market direction and a conservative use of leverage.

KEY FACTS

MANAGER

DEXION CAPITAL
(GUERNSEY) LIMITED

INVESTMENT ADVISER

K2 ADVISORS LLC

INVESTMENT CONSULTANT

DEXION CAPITAL PLC

TOTAL NET ASSETS

£147.35M

MANAGEMENT FEE

1.50%

PERFORMANCE FEE

10%
(TRIGGER 3%)

CONTACT DETAILS

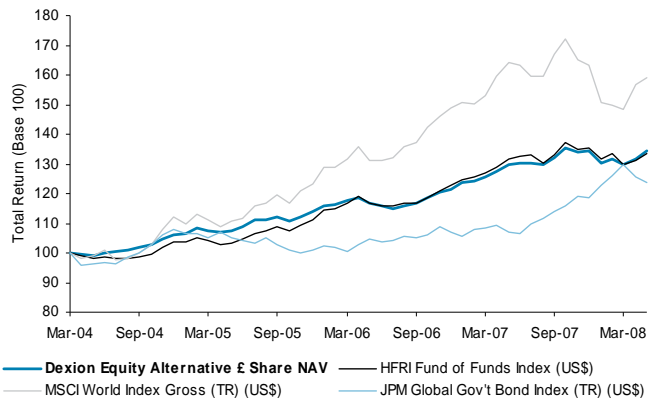
DEXION EQUITY
ALTERNATIVE LIMITED
1 LE TRUCHOT
ST PETER PORT
GUERNSEY

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SHARE CLASS

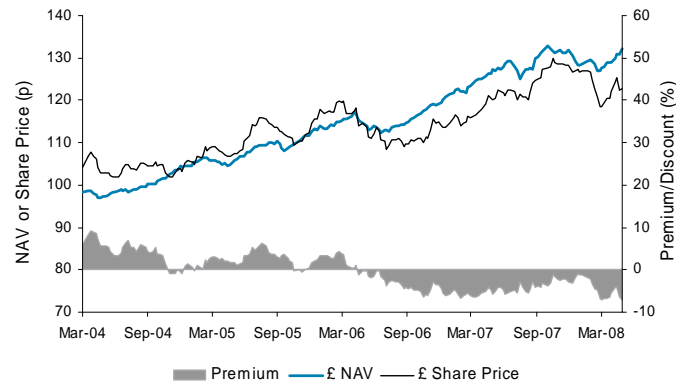
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£147.35M

NET ASSET VALUE PERFORMANCE



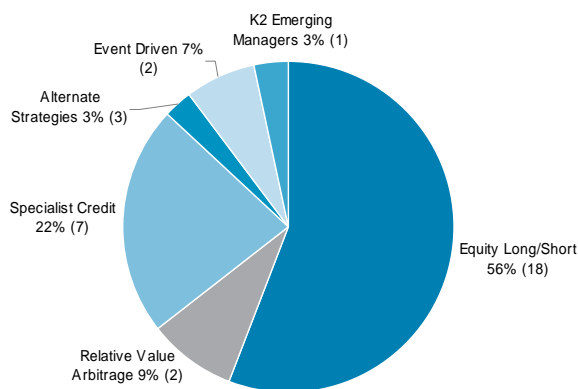
Source: Bloomberg

SHARE PRICE PERFORMANCE



Source: Bloomberg

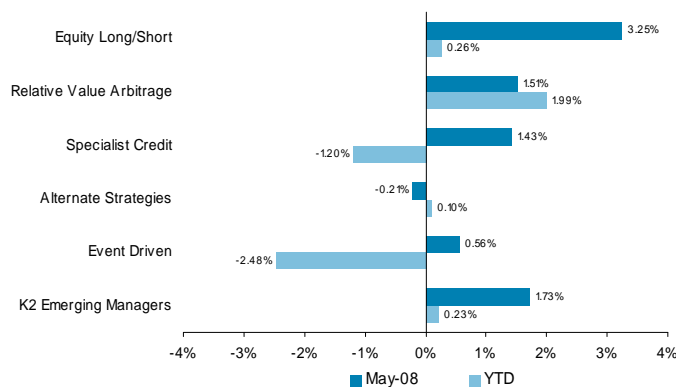
PORTFOLIO ALLOCATION AS OF 1 JUNE 2008



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
2008	-3.05	0.96	-1.26	1.27	2.34								0.17
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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