

£	
NAV	130.87p
RETURN	-0.97%
SHARE PRICE*	123.875p
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	-0.97	-0.80	6.98	3.94	0.48
HFRI FUND OF FUNDS INDEX (US\$)	-0.95	-2.54	6.77	4.92	0.59
MSCI WORLD INDEX GROSS (TR) (US\$)	-7.94	-10.25	9.39	10.18	0.54
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	0.47	4.76	5.21	6.44	0.21

\* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (5.10%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.87%) for US\$ indices.

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

## MONTHLY COMMENTARY

Global equity markets were extremely weak in June and volatility increased steadily during the month as poor earnings prospects, the upward trend in inflation indicators and below trend economic growth heightened investor uncertainty. Bond markets worldwide generated flat to slightly positive performance. Government fixed income securities attracted buyers as investors moved assets away from riskier equity investments, seeking the relative safety of sovereign debt. The S&P GSCI Commodity Total Return Index gained +9.2% during the month and is now showing a year-to-date gain of over +41%. The energy sector led the move higher as the demand from the emerging economies continued to exceed estimates, while the prospects for increased supply will take years to implement.

**Long/Short Equity: -2.80%.** Despite declines of 8% to 10% in global stock market indices the long/short equity allocation held up well. Pronounced pockets of weakness were in long exposure to industrials, consumer/retail and telecom/media holdings. These losses were partially offset by gains from exposure to energy stocks and from short positions in various sectors. **Specialist Credit: +0.40%.** Overall our managers were up this month, a strong result in what was a mixed environment at best. The performance continued to indicate significant capital preservation capabilities in very challenging market conditions. The fixed income market largely resumed its sell off after a brief respite in April and May. Individual sectors such as financials, autos and airlines experienced significant volatility. Our outlook for this strategy remains extremely positive as the opportunity set for stressed and distressed credit investing continues to improve. **Event Driven: -1.33%.** Significant volatility in equity markets, in particular in Europe, negatively affected returns. Overall, managers remained cautious and were well hedged, given their expectation for continued market volatility. Some, however, began to see a more robust pipeline of corporate events and strategic M&A deals, many of which were trading at attractive spreads. **Relative Value Arbitrage: +1.69%.** Convertible arbitrage managers were hurt as global equity markets declined, particularly in Asia, and high yield credit spreads widened. However, volatility arbitrage strategies performed well, benefiting from the increased market volatility and numerous attractive trading opportunities. Our multi-strategy managers posted negative returns due to the challenging environment for convertible arbitrage, credit, event and other low volatility strategies. **Alternate Strategies: +1.06%.** Overall, the strategy posted positive returns, highlighting its low correlation return characteristics with traditional markets and other hedge fund strategies. The energy/commodity strategy was a positive contributor, even though the managers experienced very volatile markets; portfolio risk exposures were accordingly low throughout the month. The lending strategy posted a very modest loss but out-performed corporate credit indices in a very difficult market environment. The weather exposure was marginally down due to less than expected precipitation in the southwest US. The life insurance and royalty managers performed positively, in line with return expectations. The emissions strategy was the biggest positive contributor to the portfolio return, benefiting from a strong upward move in CER credits. **K2 Emerging Managers: -2.13%.** The long/short equity allocation saw strength from underlying short industrial and financial stock exposures, and long positions in commodity-linked stocks. European holdings, as well as long positions in the industrial and healthcare sectors, were a drag on performance. The low volatility portion of the portfolio was down modestly this month, with negative performance driven primarily by the event driven and multi-strategy managers.

**Outlook** The ongoing credit pressures, heightened inflationary concerns, consumer-led slowdown and investors' reduced appetite for risk will continue to be key themes driving markets during the second half of 2008. Geopolitics will also be an element in determining how the markets perform. The November US elections, the Middle East tensions and civil instability amongst some of the oil producing nations may help to limit any improvement in investors' outlook for the riskier asset classes, and we believe that in this environment hedge fund strategies will perform well. Going forward we expect volatility to remain above average levels, that economic and corporate fundamentals will remain a concern as the cost of borrowing remains high for weaker entities, consumer spending will continue to slow and inflationary pressures will further reduce profit margins. So far this year we are pleased that the portfolio has managed to avoid much of the market declines, and it remains defensively positioned going forward. We anticipate that managers will remain focused on generating gains through fundamentally-driven security and sector dislocations while avoiding significant directional exposures.

## KEY FACTS

### MANAGER

DEXION CAPITAL (GUERNSEY) LIMITED

### INVESTMENT ADVISER

K2 ADVISORS LLC

### INVESTMENT CONSULTANT

DEXION CAPITAL PLC

### TOTAL NET ASSETS

£144.73M

### MANAGEMENT FEE

1.50%

### PERFORMANCE FEE

10% (TRIGGER 3%)

## CONTACT DETAILS

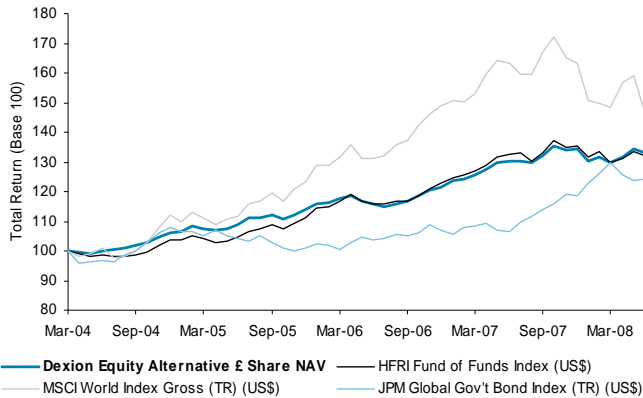
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## SHARE CLASS

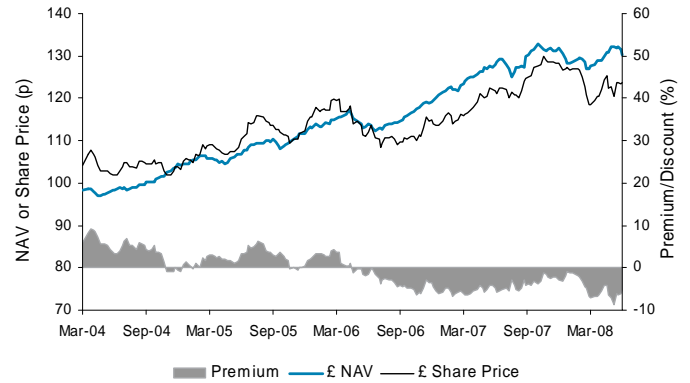
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£144.73M

NET ASSET VALUE PERFORMANCE



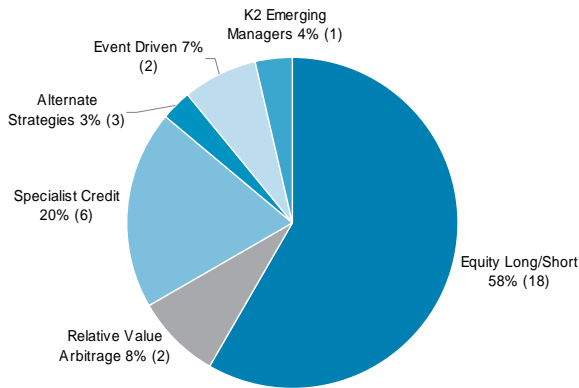
Source: Bloomberg

SHARE PRICE PERFORMANCE



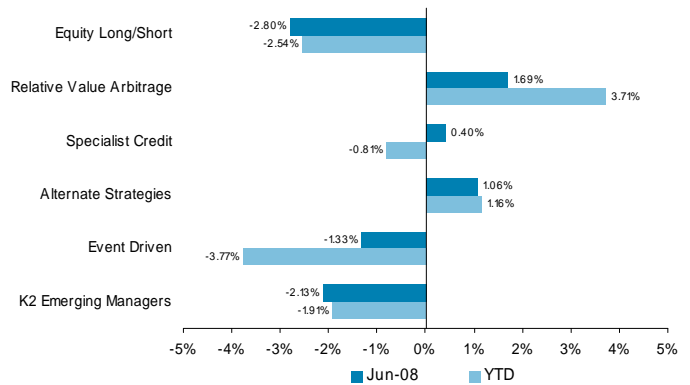
Source: Bloomberg

PORTFOLIO ALLOCATION AS OF 1 JULY 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	-0.97							-0.80
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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