

£	
NAV	129.05p
RETURN	-1.39%
SHARE PRICE*	121.25p
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

	JULY(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE**
DEXION EQUITY ALTERNATIVE £ SHARE NAV	-1.39	-2.18	6.49	4.01	0.35
HFRI FUND OF FUNDS INDEX (US\$)	-2.73	-5.04	6.00	5.11	0.42
MSCI WORLD INDEX GROSS (TR) (US\$)	-2.42	-12.42	8.59	10.20	0.47
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	0.11	4.88	5.14	6.38	0.20

* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (5.10%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.84%) for US\$ indices.

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

MONTHLY COMMENTARY

During July, equity markets worldwide experienced significant intra-month volatility, caused by the uncertainty of investors regarding the outlook for global growth, inflation and the ongoing credit and liquidity crisis. This malaise was reversed somewhat following the mid-month announcement of a rescue package for Fannie Mae and Freddie Mac. In bond markets, indications that future US Fed policy rate changes might target higher yield levels contributed to mixed results in this asset class. The US Dollar appreciated against the Euro, Yen, Australian Dollar and Sterling. In commodities, the GS Commodity Index fell -12.24%, mainly driven by sizable declines in crude oil and natural gas prices.

Long/Short Equity: -1.87%. Losses derived predominantly from long sector and sub-sector exposures, but some managers struggled on the short side of their portfolios too. The generally conservative overall positioning of underlying portfolios and managers' overall effectiveness in managing their risk exposures helped to limit the size of the loss for the month. **Specialist Credit: -1.12%.** Negative returns came from long positions in energy, autos and gaming. Generally, managers are not yet calling the bottom of the credit markets, as the macro-economic and issuer-specific factors responsible for the current environment are still fundamentally negative. As such, they remain hedged and under-levered, and continue to amass cash and financing in expectation of attractive buying opportunities to come. **Event Driven: -2.75%.** Although managers benefited from several successful M&A deals, they too were adversely affected by the massive dislocation between financials and commodity-related exposures. European event exposure, and the significant volatility observed in the global equity markets, also generally hurt. **Relative Value Arbitrage: -1.62%.** The convertible bond arbitrage space saw a significant dislocation this month, with the convertible bond market down significantly in response to continued hedge fund liquidations. The dislocation was the worst on record and our managers remain vigilant for opportunities as valuation levels improve. **Alternate Strategies: -1.50%.** The largest negative contributor to the portfolio performance was the energy/commodity strategy. Significant changes in the Nordic and US power curves were also detrimental. The weather strategy remained positioned to benefit from precipitation in the US Southwest; however, an ongoing drought in the area limited the portfolio's overall performance. Emissions markets saw severe corrections in prices, which led to further losses. Positive returns came from the temperature portfolio, life and natural catastrophe insurance, and royalties. **K2 Emerging Managers: -2.82%.** The long/short equity allocation incurred weakness, particularly from underlying long positions in energy and basic materials stocks which declined in value amidst the sell-off in commodities. Sadly, the key positions which overwhelmingly accounted for the fund's loss nearly all traded down, despite the absence of company-specific developments or announcements.

Outlook Any decision to shift away from the portfolio's current mode of "capital preservation" will be heavily dependent on evidence that the global real estate and credit crises are diminishing and the growth outlook becoming more stable. As of early August, the global total for credit write-downs and losses breached the US\$500 billion mark and in recent months Wall Street strategists have stated a total loss of US\$1 trillion is possible before the current credit cycle pressures come to an end. On the positive side of the macroeconomic picture, the significant recent correction in energy prices, whilst partially due to a reduced expectations for global growth, does reduce inflationary pressures for both the consumer and corporation sectors and, we believe, lowers the probability of the primary global central banks to increase interest rates. Continued low rates will help to maintain profit margins, reduce the cost of borrowing, and assist earnings growth rates in 2009. With the liquidity and lending environment remaining constrained and the real estate cycle still seen as weak, consumer spending and global economic growth remains a heightened concern. Recent macroeconomic reports and corporate earnings announcements have been underwhelming and the reactions of various equity and bond sectors to bad news continues to be dramatically negative. This has helped to maintain the performance variations between securities with positive fundamentals versus those whose operations are constrained by the current environment. In short, the credit and liquidity crisis has been in force for over a year and there are signs that central bankers, regulators and market forces are working together to stabilize the real estate, lending and growth pressures. Until the global situation improves universally, we are comfortable with our hedged exposures as the capability of our managers to generate positive performance independent of the overall market trend remains above average.

KEY FACTS

MANAGER

DEXION CAPITAL
(GUERNSEY) LIMITED

INVESTMENT ADVISER

K2 ADVISORS LLC

INVESTMENT CONSULTANT

DEXION CAPITAL PLC

TOTAL NET ASSETS

£139.54M

MANAGEMENT FEE

1.50%

PERFORMANCE FEE

10%
(TRIGGER 3%)

CONTACT DETAILS

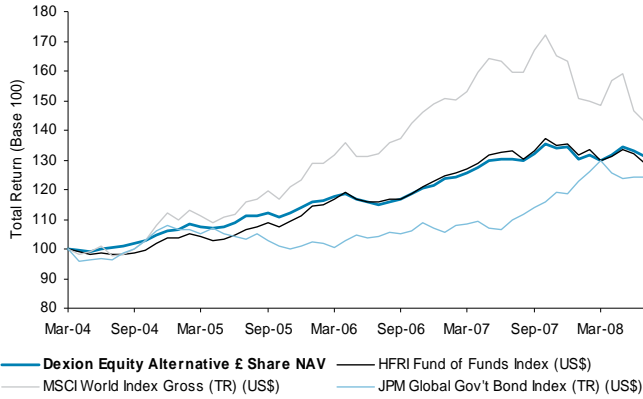
DEXION EQUITY
ALTERNATIVE LIMITED
1 LE TRUCHOT
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GUERNSEY

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SHARE CLASS

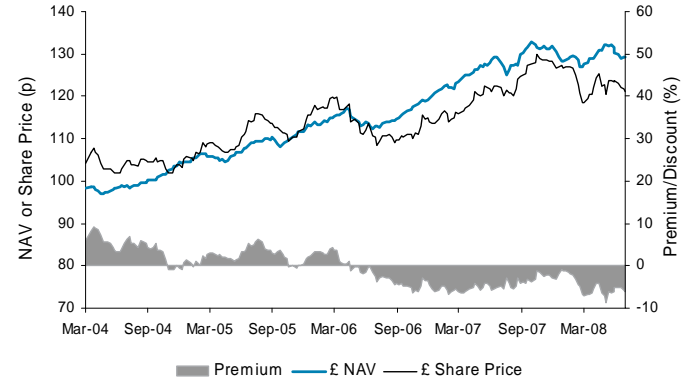
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£139.54M

NET ASSET VALUE PERFORMANCE



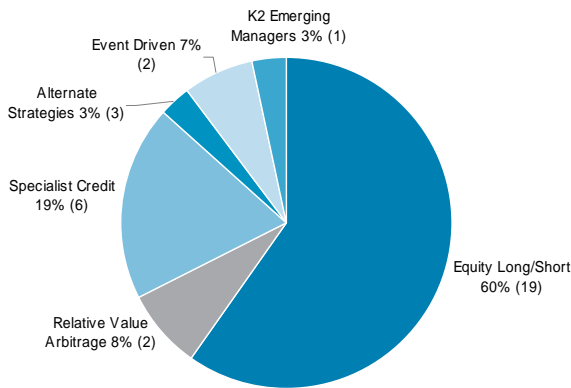
Source: Bloomberg

SHARE PRICE PERFORMANCE



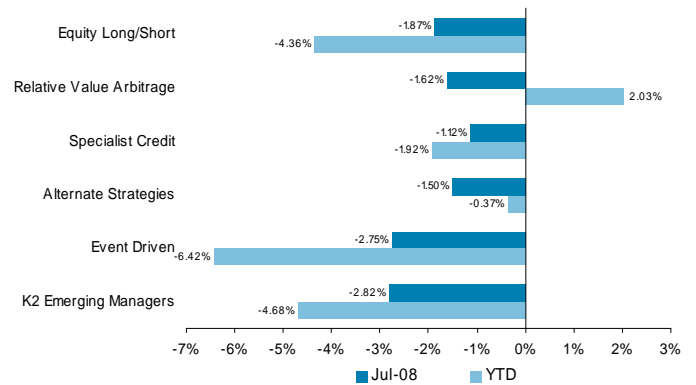
Source: Bloomberg

PORTFOLIO ALLOCATION AS OF 1 AUGUST 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	-1.39						-2.18
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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