

£	
NAV	120.72p
RETURN	-6.38%
SHARE PRICE*	107.875p
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

	SEPTEMBER(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE**
DEXION EQUITY ALTERNATIVE £ SHARE NAV	-6.38	-8.50	4.68	5.11	-0.09
HFRI FUND OF FUNDS INDEX (US\$)	-5.76	-11.84	4.04	5.88	0.04
MSCI WORLD INDEX GROSS (TR) (US\$)	-11.85	-23.84	4.95	11.66	0.10
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	-0.97	2.07	4.31	6.38	0.08

* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (5.12%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.80%) for US\$ indices.

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

MONTHLY COMMENTARY

Global equity markets trended lower during September, with the S&P 500 index declining by approximately -9% and the MSCI World index losing more than -12% as the global growth outlook and corporate earnings estimates continued to look bleak. The global treasury and corporate bond markets saw a wide variation in performance as investors favoured the relative safety of government securities while shunning levered loans and corporate bonds. The primary foreign exchange markets of the world witnessed large cross-currency movements. The Euro weakened against the US Dollar by -4% as investors perceived US policy makers were moving faster than their European counterparts to limit further damage from the credit crisis. Commodities declined steadily throughout the month with the S&P Goldman Sachs Commodity index falling -12.4%. Recent gains in the US Dollar have made many commodities, priced in US Dollars, more expensive to purchase, and the continued lowering of global economic growth forecasts have mirrored the decline in demand for raw materials.

Long/Short Equity: -7.17%. Losses were predominantly derived from managers' long positions given the fierce selling pressure in the markets and the underperformance of underlying short holdings due to deleveraging and redemption-induced short covering. Negative sectors included energy, technology, media/telecom and industrials, and European exposures were particularly hard hit. **Specialist Credit: -6.57%.** Despite the negative result, the Specialist Credit managers demonstrated relative outperformance compared to credit indices during one of the worst months on record for the credit and fixed income markets. The managers remained conservatively positioned in anticipation of significant and continuing volatility in both credit and equity markets. **Event Driven: -6.44%.** Event driven was not immune from the historic equity and credit market dislocation seen recently. Managers witnessed a dramatic widening of merger and other event driven spreads, to levels not seen for over a decade. **Relative Value Arbitrage: 0.59%.** Extraordinary dislocations in the markets traded by relative value managers were driven by a number of factors, including the systemic increase in risk premia across the credit and equity markets. Another key driver was the significant technical selling pressure from sales of collateral assets following Lehman Brothers' bankruptcy, as well as the system-wide deleveraging across a variety of instruments. Despite their conservative positioning and consistently cautious outlook, multi-strategy managers were not immune from the impact of selling pressure as hedge funds and banks' proprietary trading desks de-levered or liquidated portfolios. **Alternate Strategies: -0.56%.** While still experiencing relatively low sensitivity to traditional markets, negative contributors to the portfolio performance were energy/commodities, emissions, lending and weather. Positive strategies included royalties and insurance; Hurricane Ike, which affected Texas and other parts of the US Midwest, was not expected to have a large insured loss impact on catastrophe bond positions. **K2 Emerging Managers: -8.37%.** The long/short equity allocation incurred losses, albeit to a lesser extent than the broad market indices. The industrial, technology and commodity sector holdings represented particular pockets of weakness amongst managers' long positions, with the protection of short positions helping to create strong performance relative to peers.

Outlook Global market uncertainties remain a key theme. However, improved transparency of fundamentals should help to clarify the long versus short opportunities for all hedge fund strategies and allow for a more orderly market. Many market participants are focusing specifically on opportunities developing within the fixed income and loan asset classes. Specialist Credit managers have amassed cash and financing in order to prepare themselves for increased defaults and other distressed credit situations. The equity-related hedge fund strategies may stand to benefit ultimately from the current market correction. Many sectors have seen declines that now place valuations relative to earnings at advantageous levels. The recent central bank interest rate cuts will eventually reduce financing cost pressures and help to stabilise profit margins, while the 50% decline in energy and other raw material prices since June of this year has helped to reduce input costs. For now, the Company's portfolio positioning remains defensive until markets decline to valuation levels that present a substantial positive performance opportunity for both the directionally-biased and market neutral managers.

KEY FACTS

MANAGER

DEXION CAPITAL
(GUERNSEY) LIMITED

INVESTMENT ADVISER

K2 ADVISORS LLC

INVESTMENT CONSULTANT

DEXION CAPITAL PLC

TOTAL NET ASSETS

£127.26M

MANAGEMENT FEE

1.50%

PERFORMANCE FEE

10%
(TRIGGER 3%)

CONTACT DETAILS

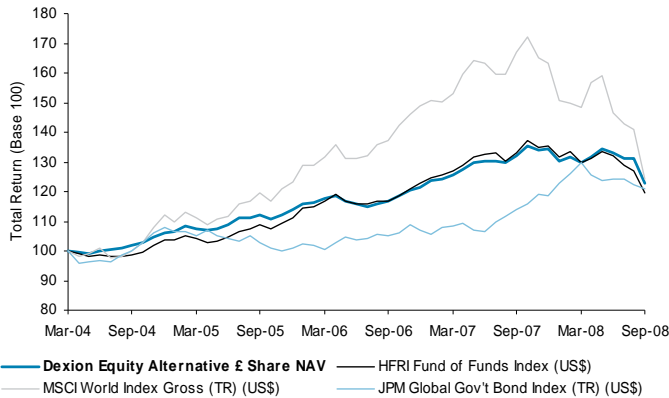
DEXION EQUITY
ALTERNATIVE LIMITED
1 LE TRUCHOT
ST PETER PORT
GUERNSEY

email clientservices@dexionequity.com
web www.dexionequity.com

SHARE CLASS

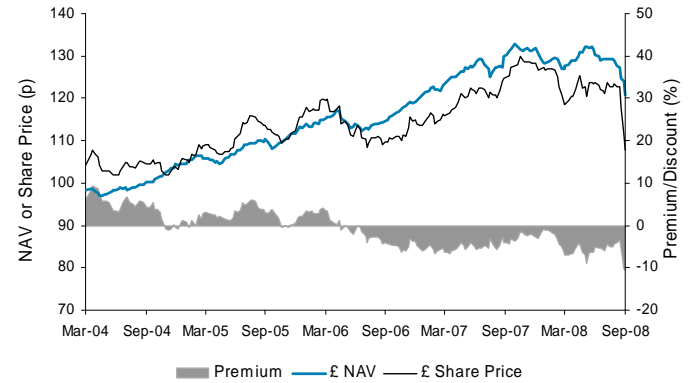
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£127.26M

NET ASSET VALUE PERFORMANCE



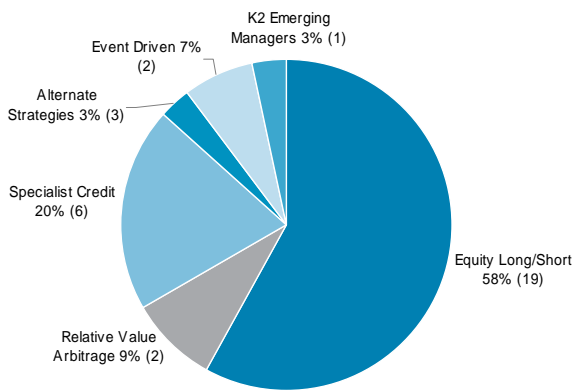
Source: Bloomberg

SHARE PRICE PERFORMANCE



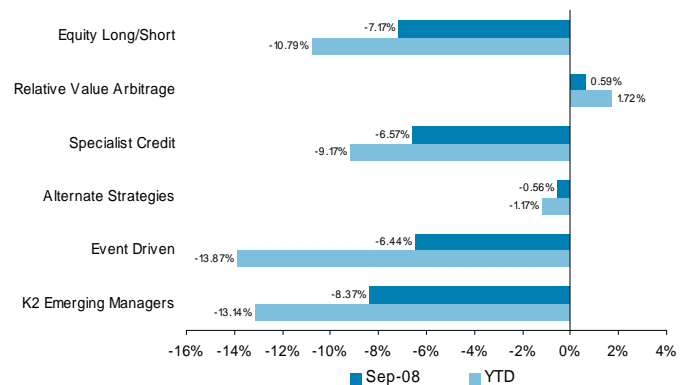
Source: Bloomberg

PORTFOLIO ALLOCATION AS OF 1 OCTOBER 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	-0.09	-6.38				-8.50
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

This report is issued and has been approved for the purposes of section 21 Financial Services and Markets Act 2000 by Dexion Capital Plc, which is authorised and regulated by the Financial Services Authority in the United Kingdom. This document contains information only and relates solely to Dexion Equity Alternative Limited ("the Company") whose securities are traded on the London Stock Exchange. It does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any securities in the Company and should not be construed as a recommendation to any person to engage in any of the foregoing activities. It does not constitute an invitation to effect any transaction with the Company or any other person. Whilst certain of the information in this document may refer to the price of the Company's securities or the yield on them, past performance cannot be relied upon as a guide to future performance. The information in this report is based on information which is otherwise publicly available and whilst the Company and Dexion Capital Plc use all reasonable efforts to ensure that the information in this report is accurate and up to date, no representations or warranties are given as to the reliability, accuracy or completeness of the information in this report. Neither the Company nor Dexion Capital Plc accept any liability for any loss or damage which may arise directly or indirectly from any use of or reliance on such information save in the circumstances where such exclusion or restriction of liability would be expressly prohibited by the rules of the Financial Services Authority or any other applicable laws or regulations in England and Wales. In particular, recipients should note that, since many or all of the Company's investments are unquoted, net asset value figures in relation to the Company are based wholly or partly on estimates of the values of the Company's investments provided by the investment managers or administrators of those underlying investments, which estimates may themselves have been subject to no verification or auditing process or may relate to a valuation at a date before the relevant net asset valuation for the Company, or which have otherwise been estimated by the Company's Investment Adviser. Other information in this report may be historic and/or may no longer be of relevance. The information contained in this report which relates to the net asset value performance of the Company may not be indicative of how the Company's investments may perform in the future. Moreover the value of such investments may fluctuate considerably and the historic net asset values shown for the Company take no account of the costs or practical difficulties of realising some or all of such investments. The value of investments mentioned in this report may go down as well as up and investors may not get back the amount invested. Information on past performance, where given, is not necessarily a guide to future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase. The information in this report is provided solely for information and does not constitute investment advice or personal investment recommendations. Investments mentioned in this report may not be suitable for all recipients and in each case potential investors are advised not to take any investment decision unless they have taken independent advice from a suitably qualified advisor. Your attention is drawn to the Risk Factors set out in the Company's prospectus dated 11 March 2005 and the fact that no securities are currently being offered by the Company and that certain information in the above prospectus may now be out of date. This report may not be mailed or distributed or redistributed or otherwise sent into, and does not constitute any offer to sell or the solicitation of any offer to buy securities in or from any territory where the same would require compliance with any regulatory, filing or like requirement or where the same would constitute an offence. In particular, the information in this report is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America to or for the benefit of United States persons being resident in the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof. The securities in the Company have not been, and will not be, registered under the United States Securities Act 1933.