

£	
NAV	113.50p
RETURN	-5.98%
SHARE PRICE*	87.00p
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

	OCTOBER(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE**
DEXION EQUITY ALTERNATIVE £ SHARE NAV	-5.98	-13.97	3.20	5.88	-0.33
HFRI FUND OF FUNDS INDEX (US\$)	-6.89	-18.52	2.19	6.87	-0.23
MSCI WORLD INDEX GROSS (TR) (US\$)	-18.93	-38.26	0.16	14.68	-0.25
JPM GLOBAL GOV'T BOND INDEX (TR) (US\$)	-1.34	0.70	3.93	6.37	0.02

\* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (5.13%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.80%) for US\$ indices.

## MONTHLY COMMENTARY

October was marked by extreme volatility across markets as investors shifted from focusing on the ongoing credit and real estate-related stresses to the underlying concerns about the global economy. Consumer confidence plummeted as markets declined and global economic data showed a poor earnings outlook. Global equity markets saw the bulk of the selling pressures as de-leveraging and de-risking continued. Sovereign bond markets attracted buyers as investors shifted assets to instruments perceived as safe. However, away from treasuries, there were losses in the corporate and emerging markets. The deterioration in global economic growth continued to severely impact the price of commodities. Currency volatility was above average during October as market participants reduced exposure from commodity related currencies. The US Dollar strengthened along with the Japanese Yen, which benefited given the high levels of reserves and personal savings.

**Long/Short Equity: -2.26%.** Relative to global equity markets, losses in this strategy were contained as managers took steps to decrease gross exposures and increase cash positions, along with actively shrinking the market exposures of their portfolios. Underlying short positions were not only sources of absolute gains in portfolios but many managers also generated alpha through their short stock selection. **Specialist Credit: -14.89%.** The strategy was down markedly for the month, yet the managers remained conservatively positioned, given the short-term expectation for continued volatility in credit and equity markets. In the intermediate to long term, the managers remain confident as fundamental valuations in credit are very attractive. The opportunity set for stressed and distressed credit investing also continues to improve, for fundamental credit pickers looking for cheap valuations of high quality companies. **Event-Driven: -3.32%.** The underlying managers' more conservative positioning cushioned, to some extent, the portfolio from the impact of the extraordinary equity and credit market dislocations, and the resulting widening of merger and other event-driven spreads. **Relative Value Arbitrage: -1.12%.** The unprecedented sell-off within relative value strategies was driven by a number of factors, the most notable being the significant de-leveraging resulting in forced selling across a number of instrument types. Additionally, multi-strategy managers were not immune to the historic dislocations affecting equity and credit markets, despite their conservative positioning and continuing cautious outlook. The selling pressure resulted from the de-levering and liquidations by hedge funds and banks' proprietary trading desks. **Alternate Strategies: -1.59%.** The largest negative sub-strategy contributor was credit. The returns of commodity managers were mixed, with several managers posting positive returns. The insurance exposure was positive for the month, though below expectations. Another positive contribution to the portfolio was the royalty sub-strategy. **K2 Emerging Managers: -4.95%.** The long/short equity allocation had mixed performance, with positive performance coming in part from long positions in airline stocks, and negative returns from one manager's continued use of leverage and concentration of capital within the portfolio.

**Outlook** Wide variations in security valuations will emerge across many industry sectors as the impact of the credit crisis continues to affect markets globally. With the prospect of a persistent recession, many companies will continue to be under pressure as their stocks decline further. However, some companies may benefit as competitors go out of business or cost cuts are implemented. The resulting performance dispersion within various sectors should be beneficial for hedge fund strategies that are able to go long and short. It is anticipated that the massive liquidity injections, corporate bailouts, and interest rate cuts implemented by global decision-makers allow the stronger organisations to begin to stabilise their balance sheets and rebuild their earnings momentum. There are now some signs of greater clarity with regard to the macroeconomic and security valuation environment, and this has helped to improve the efficiency of the fundamental analysis carried out by the underlying managers. For now, long-only market gains may be limited while investor flows adjust to the new economic landscape, resulting in performance dispersion amongst the various sectors and asset classes. Under these conditions, hedge fund performances should begin to improve on an outright basis, and continue to outperform conventional long-only benchmark returns.

## KEY FACTS

### MANAGER

DEXION CAPITAL  
(GUERNSEY) LIMITED

### INVESTMENT ADVISER

K2 ADVISORS LLC

### INVESTMENT CONSULTANT

DEXION CAPITAL PLC

### TOTAL NET ASSETS

£117.72M

### MANAGEMENT FEE

1.50%

### PERFORMANCE FEE

10%  
(TRIGGER 3%)

## CONTACT DETAILS

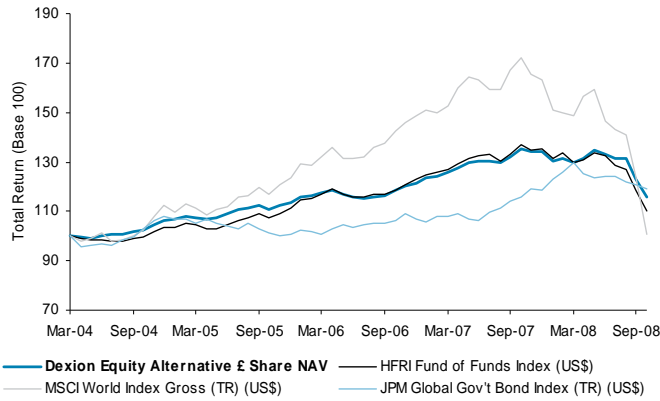
DEXION EQUITY  
ALTERNATIVE LIMITED  
1 LE TRUCHOT  
ST PETER PORT  
GUERNSEY

email [clientservices@dexionequity.com](mailto:clientservices@dexionequity.com)  
web [www.dexionequity.com](http://www.dexionequity.com)

## SHARE CLASS

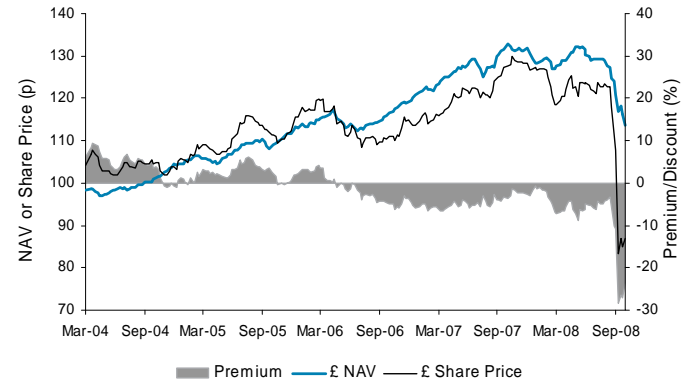
	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£117.72M

NET ASSET VALUE PERFORMANCE



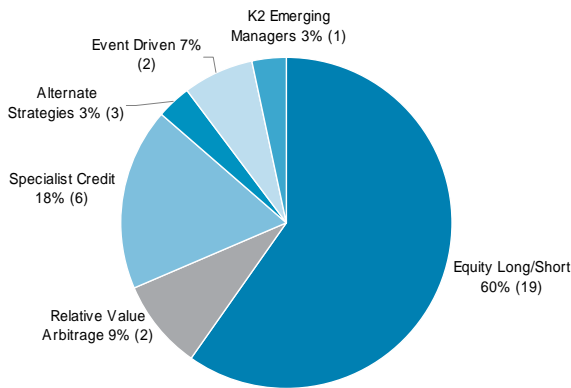
Source: Bloomberg

SHARE PRICE PERFORMANCE



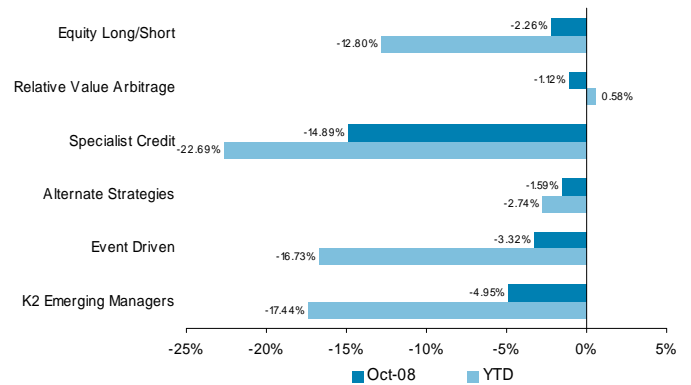
Source: Bloomberg

PORTFOLIO ALLOCATION AS OF 1 NOVEMBER 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	-5.98			-13.97
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.