Dexion EQUITY alternative

A FTSE All-Share Company

November 2008

£	
NAV	115.53p
RETURN	**1.79%**
SHARE PRICE*	91.50p

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 FX hedging policy to protect the Sterling value of its US Dollar denominated investments. For further information please refer to the RNS announcement of 17 November 2008 (No. 2630I) entitled 'Currency hedging arrangements'.

PERFORMANCE DATA

	NOVEMBER(%)	YTD (%)	ITD* (%)	VOLATILITY* (%)	SHARPE*^
DEXION EQUITY ALTERNATIVE £ SHARE NAV	**1.79**	**-12.43**	**3.53**	**5.86**	**-0.27**
HFRI FUND OF FUNDS INDEX (US$)	-1.93	-19.42	1.91	6.71	-0.28
MSCI WORLD INDEX GROSS (TR) (US$)	-6.40	-42.22	-1.25	14.86	-0.34
JPM GLOBAL GOV'T BOND INDEX (TR) (US$)	3.89	4.62	4.71	6.52	0.15

* Annualised from inception date of DEA £, based on monthly data. ^ Risk free rate is average of 1M GBP LIBOR since April 2004 (5.11%) for DEA £ and average of 1M USD LIBOR since April 2004 (3.76%) for US$ indices.

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

MONTHLY COMMENTARY

Poor economic reports, continued mutual and hedge fund redemptions, and concerns over corporate solvency trends all put pressure on global capital markets during November. Investors continued their defensive positioning during the month as news regarding global fundamentals continued to be bleak and fears of deflation took hold. As a result, the primary global equity markets experienced losses in November, despite rallying towards month end. While much of the news was negative, there were signs of variations in performance amongst the various equity sectors, allowing well-placed market participants to generate gains. Global government bond markets saw gains during November; for example, the Lehman Aggregate Bond index increased by +3.25%. In contrast, the Lehman High Yield index declined for the 7th month in a row. Beneficiaries of the continued global de-risking were the US Dollar and the Yen. A broad trade-weighted index of the US Dollar versus other major currencies saw its fifth consecutive month of gains, rising by over +1%. The performance range continued to be significant, with the Yen gaining close to +3% versus the US Dollar and Sterling losing close to -4.5%. Global growth estimates continued to decline, adversely affecting commodity markets. For the month, the S&P Goldman Sachs Commodity index lost -14.8%, and so had corrected by more than -57% since its peak in early July 2008.

Long/Short Equity: **-1.40%.** This strategy held up well given the large draw-downs in the equity markets. Losses derived from managers' long positions in transportation, technology, consumer/retail and industrials. Partially offsetting gains came from shorts in the financials, consumer/retail, real estate and technology sectors. Defensive portfolio positioning continued, and managers observed meaningful price dispersion across sectors and sub-sectors, leading to alpha generation through sector selection. **Specialist Credit**: **-8.84%.** Our Specialist Credit managers were down for the month as credit markets experienced another historic sell-off in November. Credit and equity markets continued to be highly correlated, and volatility spiked, as a result of the ongoing global de-leveraging. During November, both corporate loans and high yield sold off more than the S&P 500, and 84% of high yield issuers traded at distressed levels, up from 22% in June, with spreads reaching all-time highs of over 1800bp. **Event-Driven: -1.11%.** This strategy was not immune from the continued historic equity and credit market dislocations, and merger and other event-driven spreads remained at elevated levels. These dislocations have the potential to offer attractive opportunities for our managers in the future. **Relative Value Arbitrage: -1.26%.** The performance of this strategy was driven by a number of factors, principally the significant de-leveraging which resulted in forced selling across instrument types. **Alternate Strategies: -0.71%.** The largest contributor to losses this month was credit. Commodity managers experienced mixed returns, while emissions and shipping were slightly negative and the weather strategy generated gains. The royalties strategy performed well as stable production and the manager's oil and gas hedges contributed positively. At the end of November the Company redeemed from the K2 Alternate Strategies fund as a result of an overall portfolio realignment that reflected prevailing market conditions and the market outlook. **K2 Emerging Managers: -1.26%.** The best performing manager generated alpha on both longs (in energy and healthcare) and shorts (in consumer discretionary). Long positions in technology and industrials drove performance for the biggest losing manager. It is anticipated that the Company's exposure to the K2 Emerging Managers fund will be reduced to zero over the next year.

Outlook During 2009, we expect many of the forced liquidation pressures seen in today's capital markets to diminish somewhat. However, any directional recovery in the equity markets may be limited and hedged positions seem prudent until macro fundamentals improve further. Substantial risks remain that could weigh heavily on the global economy and markets in the coming year. In such an environment, there are companies that will prosper and others that will falter, and this should provide better opportunities for fundamentally driven equity long/short managers searching for relative winners and losers. Our outlook for credit is also positive. We believe our managers are well positioned to profit from the current pricing the market offers relative to fundamentals and prior credit stress periods. For example, at today's valuations, the market is pricing in a 70% cumulative default rate (it peaked at 23% during the 2002 credit crisis). With so much bad news priced in, those managers able to identify financially stable securities may generate above average gains as market sentiment improves. In summary, we believe the outlook for both equity and debt-related strategies is the best we have seen in years. Many of the leverage and valuation risks seen over recent years have been reduced. We anticipate the clarity of fundamentals to improve and this should help the Company's hedge fund holdings capture positive returns through sector and security selection, while continuing to hedge against the broader market pressures.

KEY FACTS

MANAGER
DEXION CAPITAL (GUERNSEY) LIMITED

INVESTMENT ADVISER
K2 ADVISORS LLC

INVESTMENT CONSULTANT
DEXION CAPITAL PLC

TOTAL NET ASSETS
£119.83M

MANAGEMENT FEE
1.50%

PERFORMANCE FEE
10%
(TRIGGER 3%)

CONTACT DETAILS

DEXION EQUITY
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GUERNSEY

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web www.dexionequity.com

SHARE CLASS

	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL	TOTAL NET ASSETS
£	1 APR 2004	DEA LN	DEA.L	GB0034312321	3431232	£119.83M

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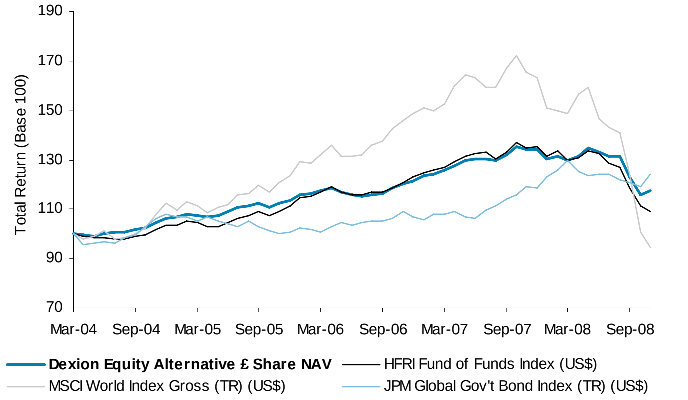
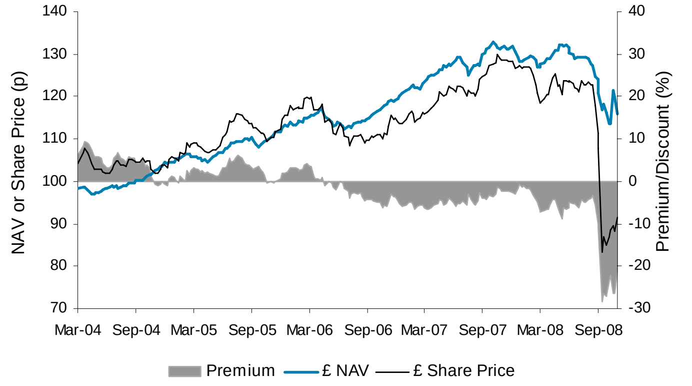
NET ASSET VALUE PERFORMANCE



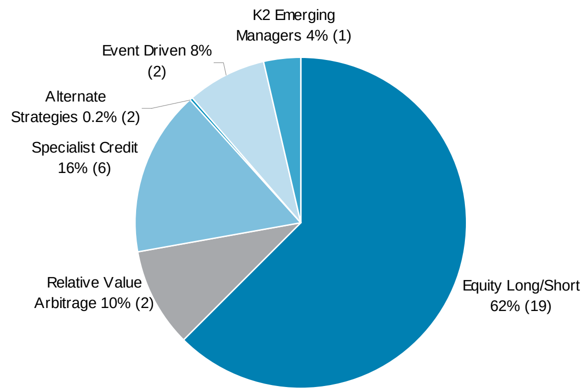
Source: Bloomberg

SHARE PRICE PERFORMANCE



Source: Bloomberg

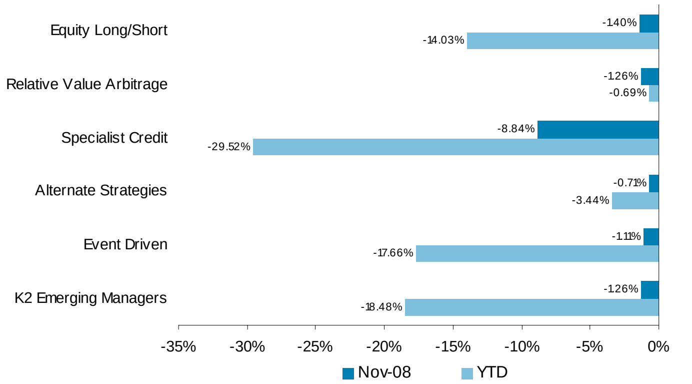
PORTFOLIO ALLOCATION
AS OF 1 DECEMBER 2008



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	1.79		**-12.43**
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**