Dexion Equity Alternative Limited

JANUARY 2009

Monthly Portfolio Review

www.dexionequity.com

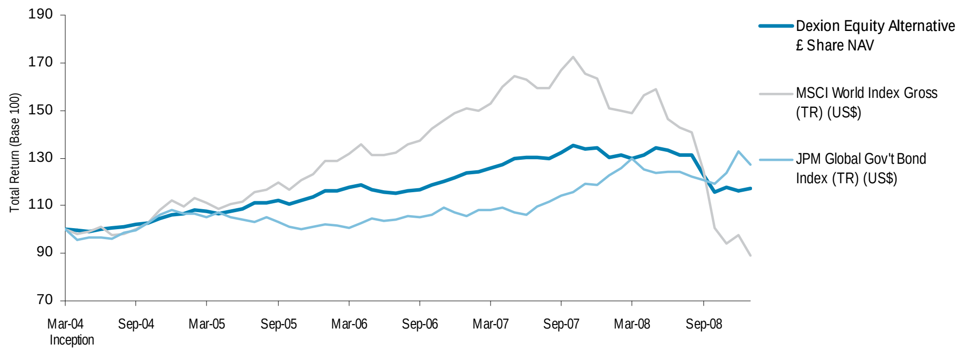
Investment Adviser Portfolio Outlook

January was a strong environment for investment products that focused on security and sector-selection opportunities while penalising those that took directional risks. With the credit crisis continuing to heavily influence the stability of the global banking system and the outlook for economic growth remaining weak, a hedged portfolio strategy seems prudent.

As a result of the ongoing weak economic fundamentals, the Investment Adviser remains diligent in limiting any substantial directional themes in the Portfolio. Managers are seeing indications of substantial long versus short opportunities between and amongst the different equity and bond rating sectors. Thus, there is limited need to apply large levels of leverage or take strong outright long positions.

The Investment Adviser believes that overall market volatility will remain at above average levels maintaining dispersion, which in turn supports opportunities for hedge funds. In addition, improvements in the clarity of fundamentals in the valuation, growth, and balance sheet characteristics of various sectors and individual companies within a given sector along with the numerous cost-cutting and bailout initiatives, will enable long and short hedge positions to be implemented with more confidence.

Performance Data[1]



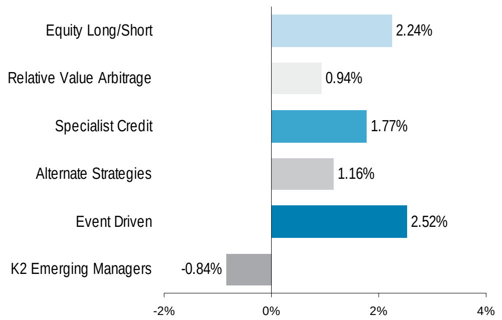
Source: Bloomberg

	Jan (%)[1]	YTD (%)[1]	3 Y (%)[1]	Inc (%)[1,2]	Vol (%)[1,2]	Sharpe Ratio[1,2,3]
Dexion Equity Alternative £ Share NAV	0.65%	0.65%	0.30%	3.31%	5.80%	-0.29
MSCI World Index Gross (TR) (US$)	-8.73%	-8.73%	-11.68%	-2.41%	15.20%	-0.40
JPM Global Govt Bond Index (TR)(US$)	-3.94%	-3.94%	7.64%	5.15%	7.37%	0.20

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

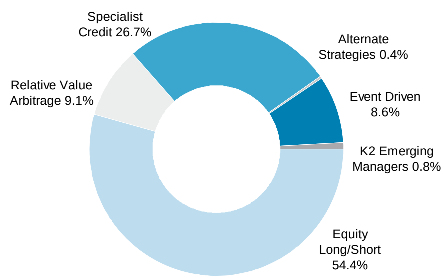
Strategy Overview

Monthly Strategy Performance (as at 31 January 2009)[5]



Source: Dexion Capital plc

Monthly Strategy Allocation (as at 1 February 2009)[6]



Source: Dexion Capital plc

Share Class Information

	INCEPTION DATE	BLOOMBERG	REUTERS	ISIN	SEDOL
£	1 Apr 2004	DEA LN	DEA.L	GB0034312321	3431232

£	
NAV	115.02p
Return[1]	**+0.65%**
Share Price*	100.250p
Net Assets	£101.43M
Opening NAV per £ share 98.25p	
*Closing mid-price at month end	

Key Facts

FTSE All-Share Company

Manager
Dexion Capital (Guernsey) Limited

Investment Adviser
K2 Advisors LLC

Investment Consultant
Dexion Capital plc

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. The Company invests in underlying assets which are predominantly US Dollar denominated and the Company generally implements a hedging policy in an attempt to reducte the impact of currency fluctuation on the Sterling Shares. (Currency hedging was suspended between 4 November 2008 and 17 November 2008.)

Total Net Assets £101.43M

Fees
Management 1.50%
Performance 10% (Trigger 3%)

Contact Details
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Guernsey

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clientservices@dexionequity.com

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Past performance is not necessarily indicative of, and cannot be relied on as a guide to, future performance and may be affected by currency fluctuations.

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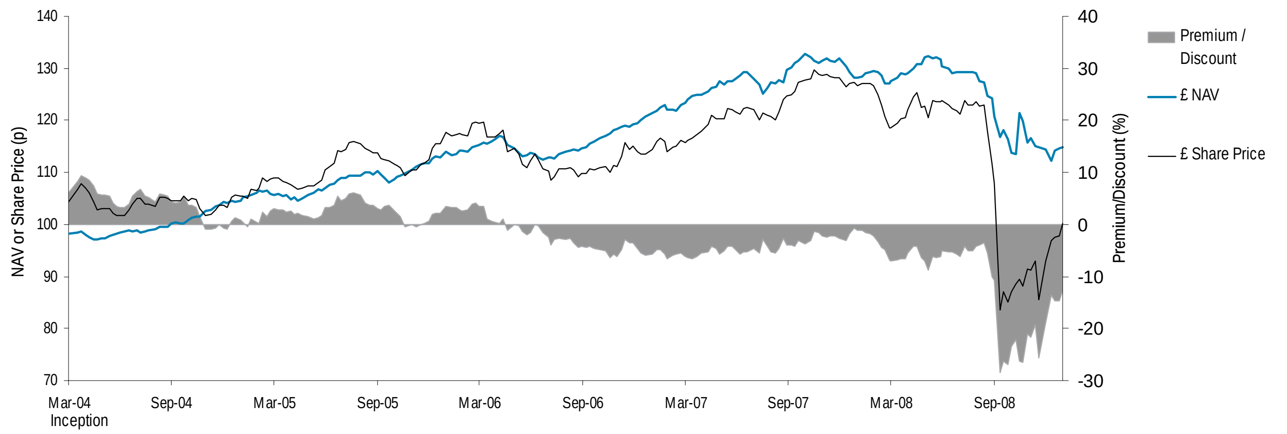
Share Price Performance (£)[1,7]



Source: Bloomberg

Historical NAV Performance (%)[8]

Monthly £ NAV Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	0.65%												0.65%
2008	-3.05%	0.96%	-1.26%	1.27%	2.34%	-0.97%	-1.39%	-0.09%	-6.38%	-5.98%	1.79%	-1.08%	-13.38%
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%

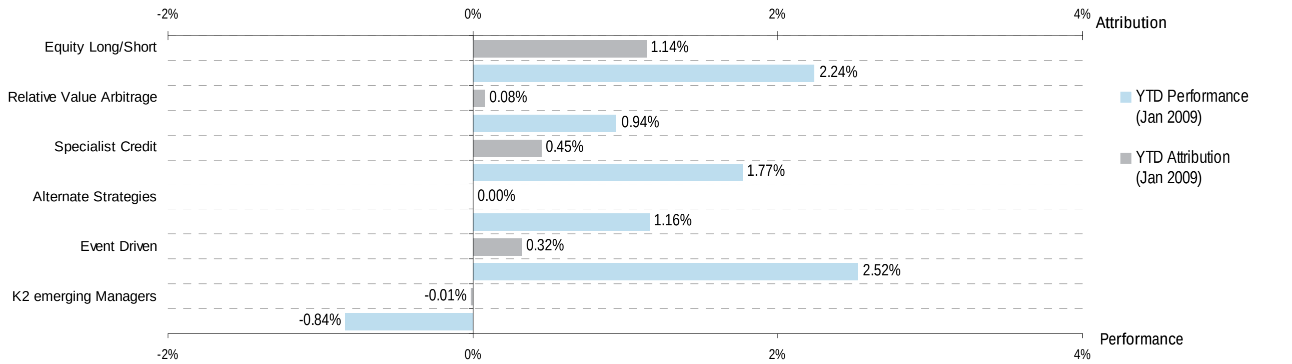
Legend:

Reflects the impact of foreign exchange[1]

Reflects the impact of the reverse auction and foreign exchange[1]

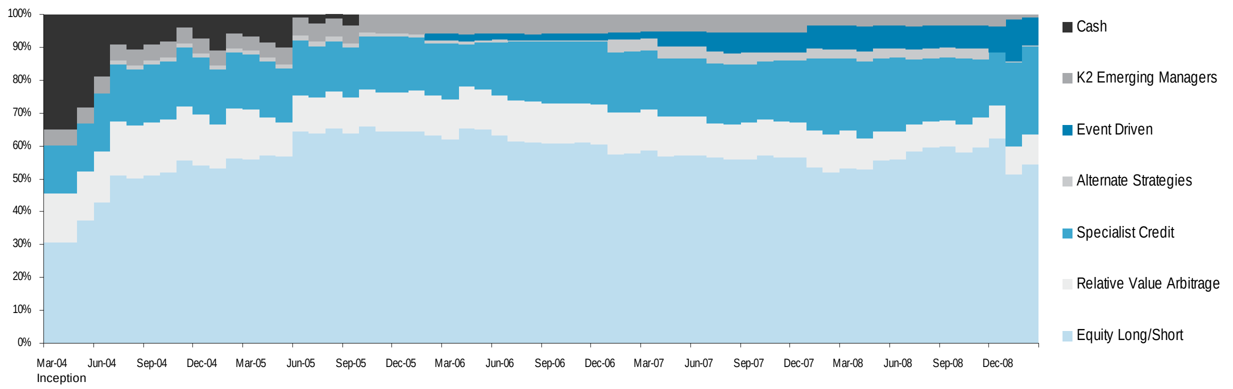
Source: Bloomberg

Strategy Performance and Attribution[9]



Source: Dexion Capital plc

Historical Strategy Allocation[6]



Source: Dexion Capital plc

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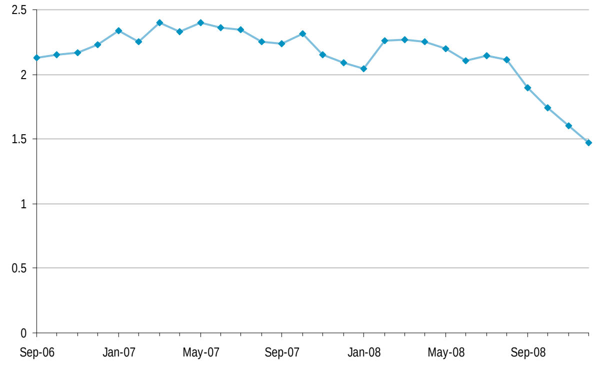
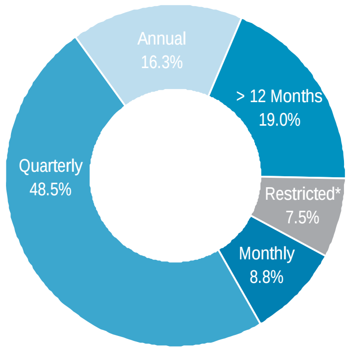
Historical Look-Through Portfolio Leverage[10]



Source: K2 Advisors[11]

Portfolio Liquidity[12]

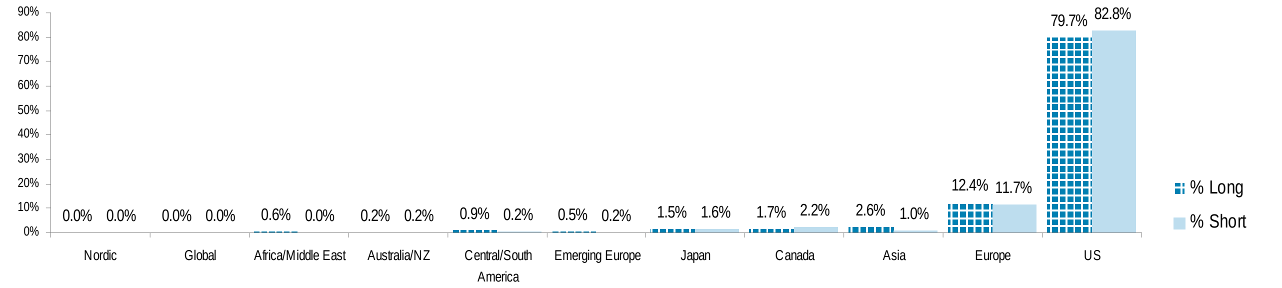


Redemption Frequency of Managers	Days Notice	% of the Portfolio
Monthly		8.81%
2 Managers	15	0.86%
1 Manager	45	3.70%
1 Manager	90	4.26%
Quarterly		48.46%
6 Managers	30	15.67%
2 Managers	45	3.49%
3 Managers	60	17.64%
2 Managers	90	8.84%
1 Manager	95	2.81%
Annual		16.28%
1 Manager	60	4.30%
2 Managers	90	11.61%
1 Manager	180	0.37%
> 12 Months		18.96%
1 Manager	45	3.36%
1 Manager	60	10.37%
1 Manager	65	5.24%
*Gated, Suspended, or in Liquidation		7.49%
4 Managers		7.49%

Source: K2 Advisors[11]

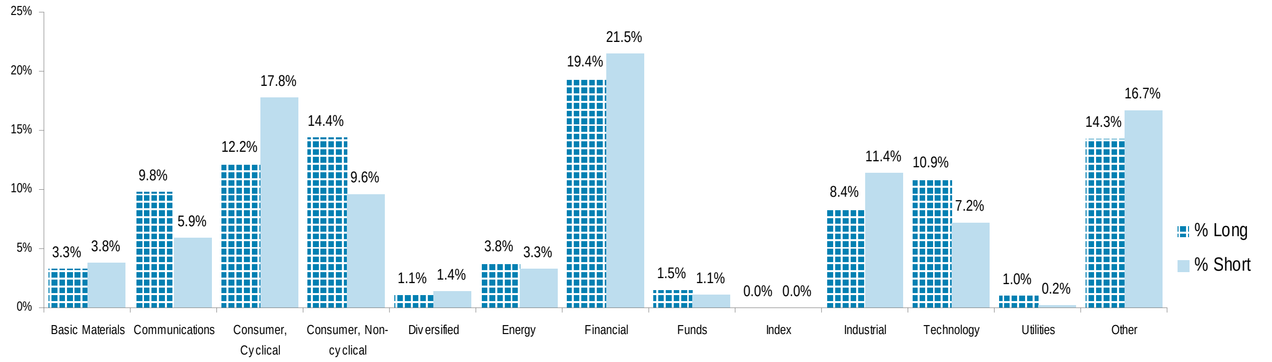
Exposure Analysis

Portfolio – Geographical Regions[13]



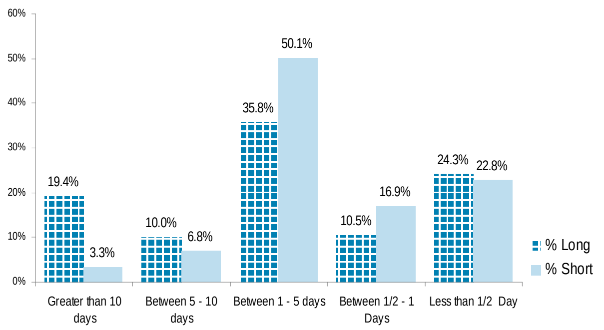
Source: K2 Advisors[11]

Equities - Industry Sector[14]



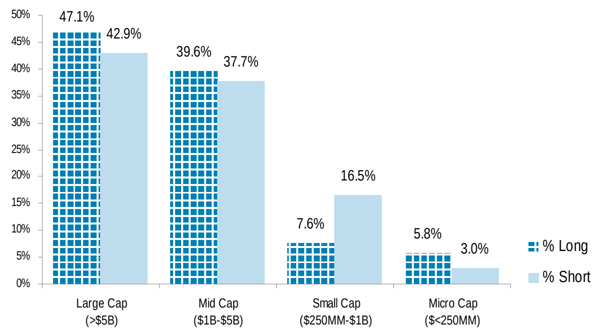
Source: K2 Advisors[11]

Equities - Liquidity[15]



Source: K2 Advisors[11]

Equities - Market Capitalisation[16]



Source: K2 Advisors[11]

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Strategy

Market Overview

Market indices began 2009 with a continuation of the nervous investor trends seen in the second half of 2008. Equity markets moved substantially lower as market participants remained risk-averse due to concerns over earnings growth and corporate balance sheets. Significant variations in relative performance were evident as investors continue to aggressively liquidate those groups with negative or deteriorating fundamentals. Specifically, the financial, telecom, consumer discretionary, and industrial sectors underperformed the broader S&P Index. The bond market also ended lower during the month due to profit-taking in the higher grade corporate bond and government debt security sectors. The US Dollar remained strong against foreign currencies and investor selling was centered on the Euro which declined by -8.29% versus the US Dollar.

On average, hedge funds performed well with gains evident across a variety of sub-strategies. This positive performance, in light of the declines in the global equity and bond benchmarks, was indicative that much of the technically-driven selling pressures may be easing and fundamentals are beginning to reassert themselves. Equity hedged strategies benefited from the wide variations in sector fundamentals and the associated discrepancies in sector returns. Managers were able to capture gains on both short and long positions regardless of the equity market downtrend. Corporate and economic fundamentals seem to have returned and this helped improve performance driven by security selection. Generally, those managers with limited directional exposure to the equity markets were able to capture above average stock and sector selection alpha during January. The specialist credit and debt strategies also witnessed favourable conditions. Many managers have noted over the past few months that the forced selling seen towards the end of 2008 had led to many debt securities looking cheap relative to fundamentals. This selling pressure has now reduced and many securities saw prices recover. Whilst remaining hedged, those managers that had selectively purchased these discounted securities towards the end of 2008 were rewarded this month.

	Perf MTD%[5]	Alloc.%[6]	Number of Mgrs	Context for performance
Equity Long/Short	2.24%	54.4%	17	Despite steep declines in the broad equity markets; both in the US and globally, fund managers were able to soften the adverse impact of share price declines within their long portfolios through a combination of significant cash holdings and positive stock selection. The Portfolio remained well-hedged and managers saw significant gains on the short side of their books. Major pockets of strength for the month included managers' short positions, specifically in the real estate, financial services, and consumer/retail sectors. The biggest outlier on the upside was a long/short equity manager focused on technology. The manager generated gains on both long and short holdings. Specifically within its long book, this fund manager benefited from one of its holdings which was the object of an acquisition bid and whose shares soared +230% in response. The biggest outlier on the downside was a US focused long/short equity manager. The manager's long positions were hurt in January, with airline and trucking holdings particularly hard hit as well as some of the manager's consumer-sensitive positions. While this manager's short portfolio performed well for the month, this portion of his portfolio was underweight and, as a result, could not overcome the drag on performance from the manager's long portfolio.
Relative Value Arbitrage	0.94%	9.1%	2	The volatility arbitrage allocation benefited from the rebound in equity market volatility associated with the continued sell-off in equities. The Investment Adviser believes continued market volatility will present attractive arbitrage opportunities for the Portfolio's managers.
Specialist Credit	1.77%	26.7%	6	After a difficult fourth quarter in 2008, corporate loan and high yield indices performed well this month as prime funds and high yield funds enjoyed net inflows. However, there was a wide divergence in performance as larger more liquid credits outperformed more illiquid credits and higher rated credits outperformed lower rated credits. The Portfolio's only specialist credit manager with a negative return this month was a distressed credit manager. This manager invests primarily in heavily distressed credits, and suffered losses in long investments in some chemical and energy positions which did not trade in line with the headline indices. On the short side, they lost money in car rental and homebuilder positions as the market speculated that government intervention could benefit these industries.
Alternate Strategies	1.16%	0.4%	1	The single manager in this strategy performed positively for the month. The manager opportunistically traded discounted catastrophe bonds for profit.
Event Driven	2.52%	8.6%	2	In general, these managers benefited from their market hedges given the continued sell-off in equities, and from their credit books which were up along with the rally in corporate credit. The Investment Adviser anticipates continued market volatility and remains cautious with respect to the risk factors affecting the strategy. There are very few merger deals left outstanding, so merger arbitrage exposure is likely to be below average in the near term. Longer-term, the Investment Adviser believes the current dislocation in the markets may result in companies needing to consolidate or undergo other forms of corporate restructuring, offering attractive opportunities to the Portfolio's Event Driven managers.
K2 Emerging Managers Fund	-0.84%	0.8%	1	The K2 Emerging Managers Fund has been unwinding. K2 expected to receive 100% of the proceeds of its investment in an underlying long/short manager in January. This investment solely resided in the K2 Emerging Managers Fund. The exit of this manager leaves only one remaining long/short equity investment in the Emerging Managers Fund. The Portfolio's current investment with this manager is through the manager's liquidating share class.

Source of commentary: K2 Advisors
Source of data: Dexion Capital plc

Concentration of Investments[17,18]

Investments in Portfolio	% Allocation
Largest investment	10%
Top 3 investments	26%
Top 5 investments	36%
Top 10 investments	54%
Total number of underlying investment holdings	29

Source: Dexion Capital plc

Summary of Recent RNS Announcements*

Currency Hedging (12 January 2009)
Further to the Company's announcement on 17 November 2008, the foreign exchange call option expires on 14 January 2009. The Board has determined that the Company now has sufficient available liquidity to reinstate its currency hedging arrangements through the use of monthly rolling forward foreign exchange contracts. Such arrangements will be implemented within the next two business days.

Results of Redemption Offer (16 January 2009)
The Board of Dexion Equity Alternative Limited (the "Company") announces that the Strike Price to be applied across each Share class in determining the Redemption Price will be 11.25%. Those Shareholders who validly offered for redemption Shares at a Discount Level wider than the Strike Price will have all such Shares redeemed in full under the Redemption Offer. Those Shareholders who validly offered for redemption Shares at the Strike Price have been scaled back pro rata in proportion to other Shares offered for redemption at the Strike Price with approximately 10.3% of such offers being accepted. Those Shareholders who offered for redemption Shares at a Discount Level narrower than the Strike Price will not have their Shares redeemed in the Redemption Offer.

Continuation Votes (23 January 2009)
Following the Company's announcement of 12 November 2008, the Company's rolling 12 month discount floor provision has now been triggered. This requires, in accordance with the Company's articles of association, separate continuation votes to be proposed by way of ordinary resolution. The articles further provide that the Board must put forward a continuation vote within 4 months of the discount floor provision being triggered. As previously announced, the Board expects to post a circular to shareholders in March 2009 to convene an extraordinary general meeting for the purpose of holding the continuation vote.

December Net Asset Values (29 January 2009)
The net asset values of the Company's Ordinary Shares as of 31 December 2008 and Manager's Report were announced.

Redemption Prices (30 January 2009)
Further to the Company's announcement of 16 January 2009, the Company announces that the Redemption Price per share using the actual strike price of 11.25% and the final Net Asset Values of each class of the Company's Shares as at 31 December 2008 will be as follows:

Redemption Price per £ Share	£1.0142

Those Shareholders who validly offered for redemption Shares at the Strike Price have been scaled back pro rata in proportion to the other Shares offered for redemption at the Strike Price with 70.83% of such offers being accepted.

Compliance with the Model Code (13 February 2009)
Pursuant to Listing Rule 15.5.1R (Compliance with the Model Code) the Company hereby wishes to notify the market that its close period will commence on 13 February 2009 and is anticipated to end following the release of its annual financial results for the year ended 31 December 2008 on or around 14 April 2009.

Investor Audio Web Conference (26 February 2009)
Investor Audio Web Conference on Thursday 26 February 2009 at 16:00 hrs (GMT), to be held with John 'Brooks' Ritchey, Managing Director, about DEAL and the current market environment. Mr. Ritchey has been with K2 Advisors, L.L.C. since 2005 and is responsible for Portfolio Construction and Macro Analysis.

*Please refer to the original announcement for further detail.

FOOTNOTES

Dexion Equity Alternative Limited ("DEAL" or "the Company")

1 *Foreign Exchange: The approximate impact of foreign exchange (including the value of the call option) on the net asset value of the Company's ordinary shares during the period between the Company suspending its currency hedging arrangements and 31 December 2008 was +6.2%. The approximate impact of foreign exchange (including the value of the call option) on the net asset value of the Company's ordinary shares during the period from 1 January 2009 to the reinstatement of its currency hedging arrangements was -2.4%. Currency hedging was suspended on 3 November 2008 and reinstated on 14 January 2009 following the expiry of the foreign exchange call option (see RNS dated 12 January 2009, No. 5002L).*

Reverse Auction: The approximate impact of the reverse auction on the net asset value of the Company's ordinary shares on the basis of the Redemption Price as announced on 30 January 2009 was +1.7%.

2 *Annualised from inception date of DEAL £ and based on monthly data.*

3 *Risk free rate is average 1M GBP LIBOR since April 2004 (5.01%) for DEAL £ and average 1M USD LIBOR since April 2004 (3.65%) for US$ indices.*

4 *MSCI World Index and JPM Global Government Bond Index annualised since April 2004.*

5 *Strategy returns are in US$, net of underlying manager fees only and not inclusive of DEAL's fees and expenses.*

6 *After September 2005 strategy allocations shown are net of cash effect and are calculated on a look-through basis.*

7 *Calculated using monthly published NAVs and closing monthly share prices to January 2009. Note that current premium/discount may be higher or lower.*

8 *Historical monthly NAV performance is net of all fees.*

9 *Strategy attributions and returns have been calculated using start of month weighting and performance during the month, are in US$, net of underlying manager fees only, and not inclusive of DEAL's fees and expenses. The strategy attributions are shown net of cash and are calculated on a look-through basis.*

10 *The look-through leverage for the Portfolio based on managers that report to, or whose exposures are provided to, K2 Advisors' third party risk analytics provider. Data as at 31 December 2008.*

11 *This data has been prepared and provided to K2 Advisors by our third-party risk analytics provider. K2 Advisors does not independently verify such information and is not responsible or liable for any error or miscalculation made by such third-party risk analytics provider, or for any loss, liability, claim, damage or expense arising out of such error or miscalculation.*

12 *As at 1 February 2009 a profile of the DEAL portfolio of underlying hedge funds summarising the redemption frequency within various time periods of the hedge funds and their notice period in days based on the hedge fund managers which report to K2 Advisors. DEAL's liquidity is subject to change and the information set forth in the chart and table above is not an indication of the Portfolio's future liquidity. The Portfolio's liquidity will change as it allocates and reallocates capital among the underlying hedge funds. In addition, underlying hedge funds often have the ability to suspend redemptions, restrict redemptions to a specified percentage of the underlying hedge fund's net assets (eg a "gate") and/or restrict investors from redeeming their interest in certain investments (eg "side pockets"), all of which would reduce the liquidity of DEAL. In particular, the likelihood that a hedge fund may suspend redemptions, invoke a gate or side pocket certain investments is likely to increase during times of market stress that cause investors to redeem from hedge funds. Certain investments in underlying hedge funds may not be liquid for several years or longer. Cash proceeds from redemptions are received after the redemption date and this period will vary between hedge funds. Typically, hedge funds distribute 90% of a redemption amount within 30-60 days, with the remainder of the full balance of the redemption amount distributed after the completion of that hedge funds' audit, which can be several months after the redemption date, typically without the payment of any interest. This analysis does not account for lock-ups, under which the ability to redeem is restricted for a period, typically one or two years. While most of the investments in the Portfolio have "burned off" their lock-ups, certain investments may still be subject to a lock-up. In certain cases, there may be an ability to redeem prior to the expiration of a lock-up period through the payment of an early redemption fee, generally ranging from 2-5%.*

13 *For the Portfolio, the percentage of long and short exposures allocated to the various geographic regions, wherever that data is available to K2 Advisors' third party risk analytics provider as at 31 December 2008.*

14 *For the equity part of the Portfolio (which generally constitutes over 60% of the Portfolio), the percentage of long and short exposures allocated to the various industry sectors as at 31 December 2008.*

15 *For the equity part of the Portfolio (which generally constitutes over 60% of the Portfolio), the percentage of long and short exposures allocated to the various levels of liquidity of underlying equity investment holdings. The average daily trading volume used as the reference for the equity liquidity calculations is measured over the prior 30 trading days. Liquidity is determined with respect to 20% of this number. Percentages are based upon the market values of those securities for which data is available to K2 Advisors' third party risk analytics provider as at 31 December 2008.*

16 *For the equity part of the Portfolio (which generally constitutes over 60% of the Portfolio), the percentage of long and short exposures allocated to the various levels of market capitalisation of underlying equity investment holdings. Percentages are based upon the market values of those securities for which data is available to K2 Advisors' third party risk analytics provider as at 31 December 2008.*

17 *Manager allocations are shown net of cash and are calculated on a look-through basis as at 31 January 2009.*

18 *Total number of underlying investment holdings as at 1 February 2009.*

Dexion Capital plc
Authorised and Regulated by the Financial Services Authority
Registered Office: 9 Bridewell Place, London EC4V 6AW. Registered in England and Wales No. 4040660.

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