Dexion Equity Alternative Limited

MAY 2009

Monthly Portfolio Review

www.dexionequity.com

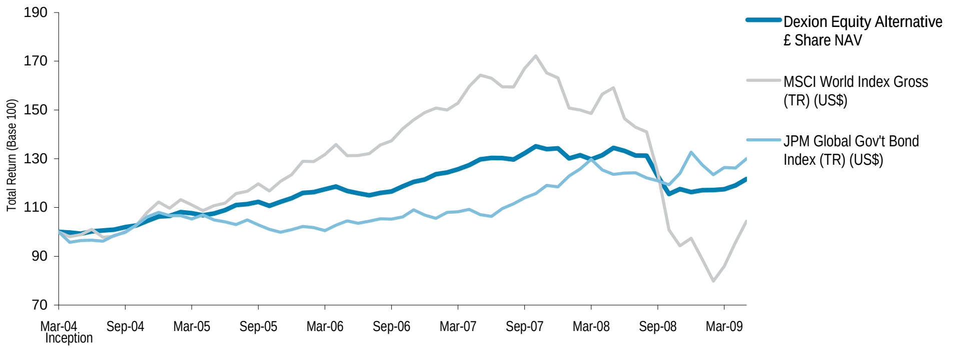
Investment Adviser Portfolio Outlook

The Investment Adviser has seen that the rise in markets has again benefited those companies whose fundamentals are not as strong as other companies. However, it believes that this spread should narrow in the coming months as the markets' sharp rises moderate and a combination of high earnings multiples and tight spreads on weak companies will provide the Portfolio's underlying managers with opportunities for shorting. The Investment Adviser believes superior security selection and active portfolio management are a prudent way to achieve the investment objectives.

While there is a widespread sense of relief that financial disaster appears to have been averted, investors are beginning to focus on the future challenges. Most notable is the huge debt burden which is creating fears of future inflation and causing larger than normal moves in currencies, bonds and commodities, including oil. In these markets the Investment Adviser remains vigilant in its portfolio management and monitoring of managers.

£	as at 29 May 2009
NAV	119.56p
Return[1]	**+2.22%**
Share Price*	97.50p
Net Assets	£96.37M
Opening NAV per £ share 98.25p	
*Closing mid-price at month end	

Performance Data[1]



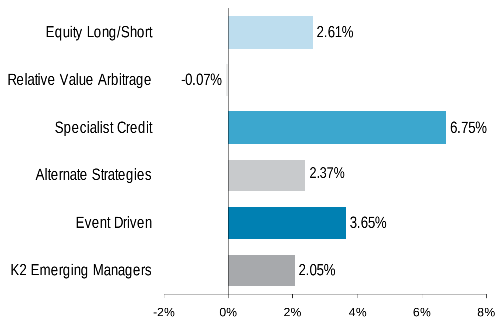
Source: Bloomberg

	May (%)[1]	YTD (%)[1]	3Y (%)[1,2]	5Y (%)[1,2]	Inc (%)[1,2]	Vol (%)[1,2]	Sharpe Ratio[1,2,3]
Dexion Equity Alternative £ Share NAV	2.22%	4.62%	1.38%	4.17%	3.87%	5.69%	-0.16
MSCI World Index Gross (TR) (US$)	9.19%	7.23%	-7.35%	1.09%	0.84%	17.01%	-0.15
JPM Global Gov't Bond Index (TR)(US$)	2.99%	-2.04%	7.53%	6.16%	5.21%	7.43%	0.24

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

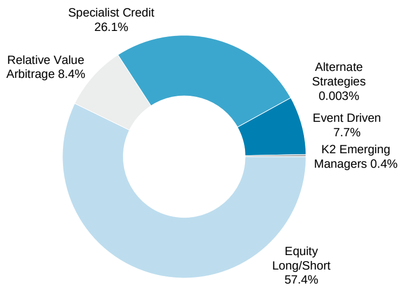
Strategy Overview

Monthly Strategy Performance (as at 29 May 2009)[5]



Source: Dexion Capital plc

Strategy Allocation (as at 1 June 2009)[6]



Source: Dexion Capital plc

Share Class Information

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

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 reduce the impact of currency fluctuation on the Sterling Shares. (Currency hedging was suspended between 4 November 2008 and 17 November 2008.)

Total Net Assets £96.37M

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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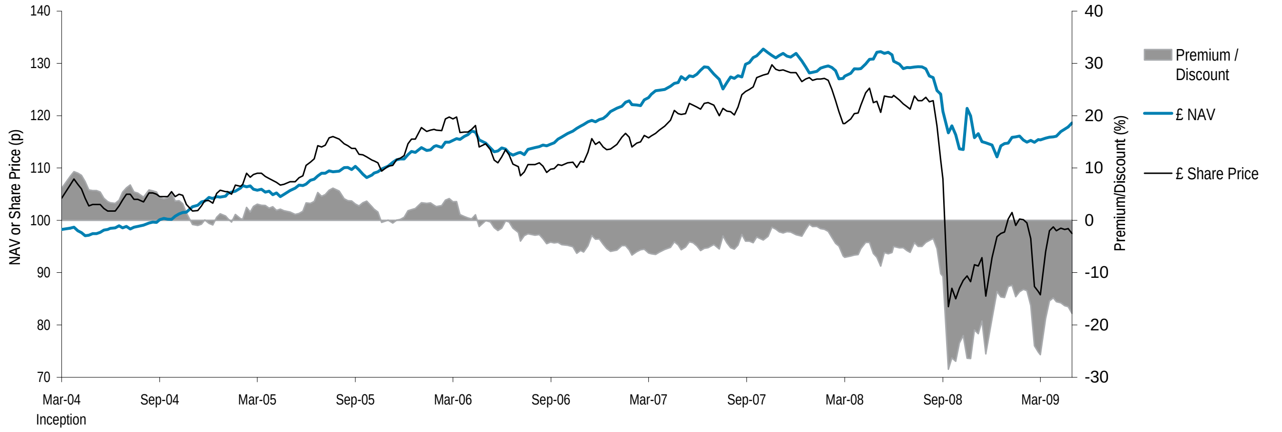
Share Price Performance (£)[1,7]



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%	0.10%	0.29%	1.30%	2.22%								4.62%
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%

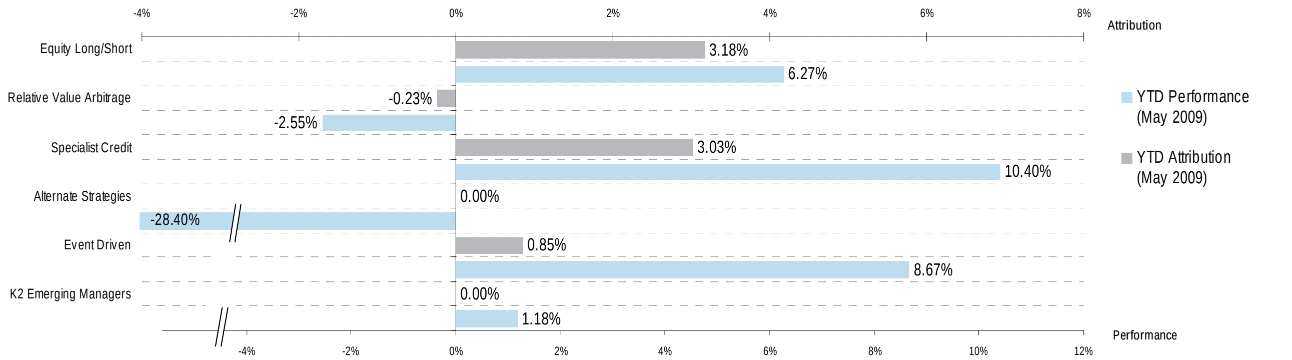
Legend:

Reflects the impact of foreign exchange[1]

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

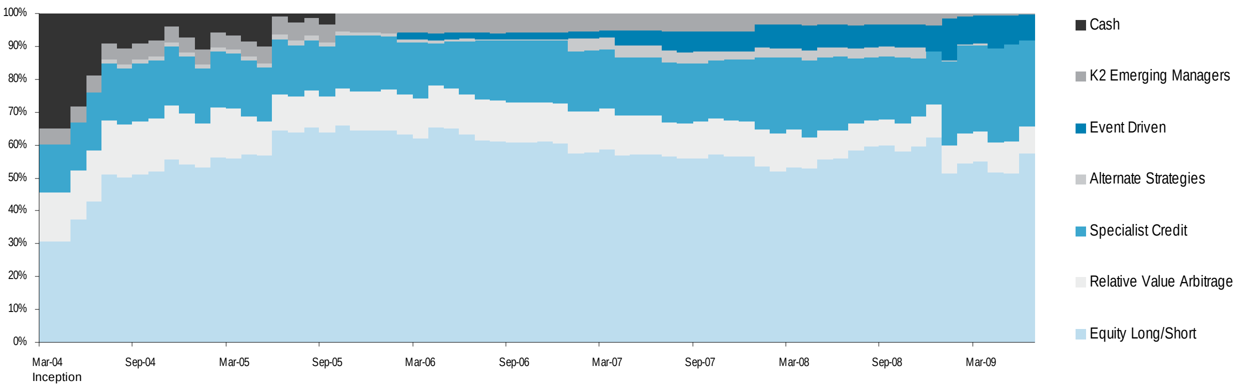
Source: Bloomberg

Strategy Performance and Attribution[9]



Source: Dexion Capital plc

Historical Strategy Allocation[6]



Source: Dexion Capital plc

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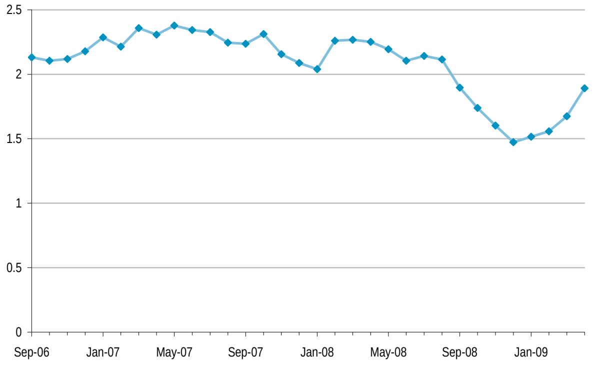
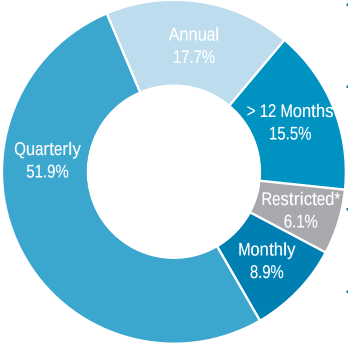
Historical Look-Through Portfolio Leverage[10]



Source: K2 Advisors[11]

Portfolio Liquidity[12]



Redemption Frequency of Managers	Days Notice	% of the Portfolio
Monthly		8.85%
1 Manager	15	1.02%
1 Manager	45	5.38%
1 Manager	90	2.45%
Quarterly		51.88%
6 Managers	30	21.43%
3 Managers	45	9.27%
3 Managers	60	9.62%
2 Managers	90	8.52%
1 Manager	95	3.04%
Annual		17.67%
2 Manager	60	7.70%
2 Managers	90	9.96%
1 Manager	180	0.00%
> 12 Months		15.54%
1 Manager	45	4.20%
1 Manager	60	5.63%
1 Manager	65	5.71%
Gated, Suspended, or in Liquidation		6.06%
3 Managers		6.06%

Source: K2 Advisors[11]

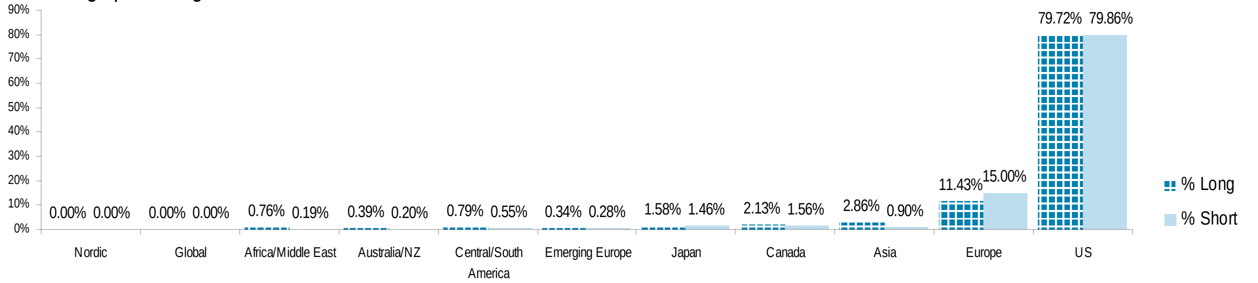
Exposure Analysis

Exposure Overview[13]

	Long	Short	Net	Gross
Total Portfolio	104.1%	-84.5%	19.6%	188.6%
Equities Only	35.2%	-34.4%	0.8%	69.6%

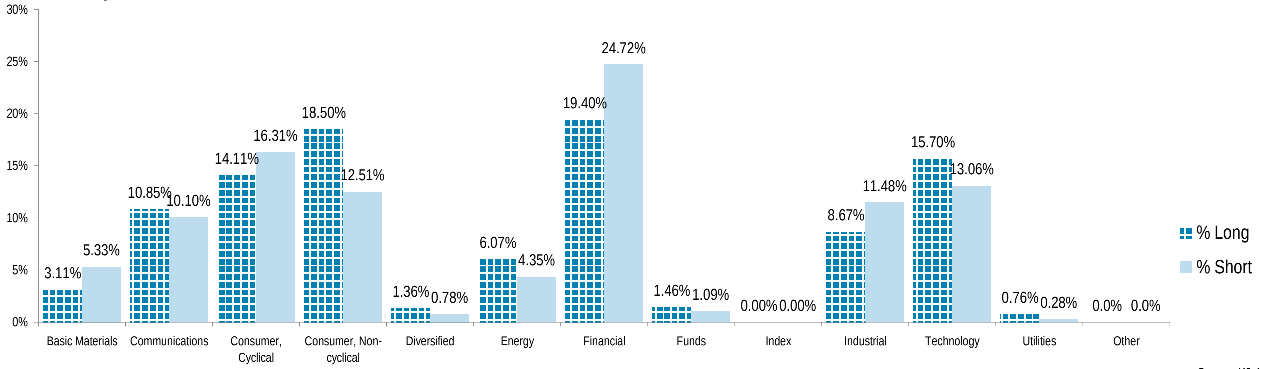
Source: K2 Advisors[11]

Portfolio – Geographical Regions[14]



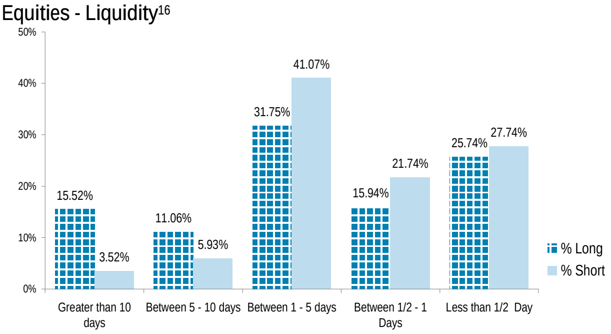
Source: K2 Advisors[11]

Equities - Industry Sector[15]



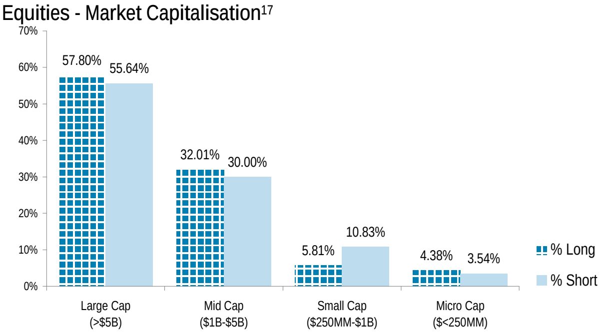
Source: K2 Advisors[11]

Equities - Liquidity[16]



Source: K2 Advisors[11]

Equities - Market Capitalisation[17]



Source: K2 Advisors[11]

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Strategy

Market Overview

Markets continued the recent rising trend and there were broad gains in equities and credit. In the US the S&P 500 gained +5.30% while the MSCI World gained +8.62%. Corporate credit markets continued their sharp rise as the ML High Yield Master Index gained +7.08% and the Credit Suisse Leveraged Loan Index climbed +5.70%. The Goldman Sachs Commodity Index rose an extraordinary +19.65% whilst the US Dollar sold off as concerns grew over the mounting deficit in the US.

As seen earlier in the year, companies with weaker fundamentals performed better than companies with healthier fundamentals. This was demonstrated by the credit market moving significantly higher despite a large increase in corporate defaults.

	Perf MTD%[5]	Alloc.%[6]	Number of Mgrs	Context for performance
Equity Long/Short	2.61%	57.4%	17	Strong stock and sector selection at the underlying investments level drove returns. Funds which carried a positive beta to the stock market benefited from a tailwind. The lift overall, however, was modest given on-going moderate market exposures within the portfolio. Managers in general seem to have become more constructive in their market outlooks although they still remain wary given the continuing challenges to business fundamentals. Once again, the markets' rally was led by lower quality, more speculative names which were typically not the types of names in which the Portfolio's managers invested. In many individual instances alpha was generated on both sides of the balance sheet, which led to some outsized returns for the month. Overall, alpha was generated principally from managers' long portfolios, where gains were especially pronounced among underlying technology, energy, financials (including banks) and industrials holdings.
Relative Value Arbitrage	-0.07%	8.4%	2	Convertible arbitrage was once again the best performing strategy in the relative value sector, driven by the continuing wave of new issuance and the on-going tightening in credit spreads. The multi-strategy managers also benefited from their credit and event-driven strategy allocations. The Investment Adviser saw the continuation of equity market volatility dropping significantly since the market lows in March, making volatility arbitrage a poor performer. Implied volatilities are now at levels last seen in the summer 2008. The Portfolio's managers view the current lull in volatility as a good point to increase their exposures and have been buying opportunistically. Convertible arbitrage valuations have rebounded but are still attractive relative to historical averages. Opportunities in several of the areas that the Company's underlying multi-strategy manager focuses on are also largely positive.
Specialist Credit	6.75%	26.1%	6	As credit markets maintained their rally the Portfolio's underlying managers benefited from long positions, particularly in corporate loans and bonds, across all industries. Stressed and distressed long positions did particularly well as lower-rated credit outperformed higher-rated credit this month. Several of the Portfolio's underlying managers had positions in interest rate options, designed to be inflation hedges, which were strong performers given the significant move in long-term interest rates. These gains were partially offset by losses in managers' short positions and portfolio hedges due to the rally in the high yield and equity markets. Short positions in more cyclical industries, such as autos and financials, were typically the largest detractors as these sectors rallied due to continued government support as well as short covering by investors. However, the Investment Adviser has observed that, despite the considerable rally in the markets, defaults continue to rise sharply. As of month end, the par weighted default rate for high yield bonds was at 8.40% (including the General Motor's default on 1 June 2009). The Portfolio's underlying managers remain hedged and conservatively positioned in anticipation of continued deterioration in fundamentals.
Alternate Strategies	2.37%	0.003%	1	There are no comments on this strategy as the holding has been reduced during the month to a deminimis holding of under 0.003% held in the side-pocket of one underlying fund.
Event Driven	3.65%	7.7%	2	In general, the Portfolio's underlying Event Driven managers benefited from the strong performance of their credit portfolios as well as the continued strength of merger arbitrage spreads in a number of currently outstanding deals. Credit and equity hedges were only a modest detractor from performance considering the significant rally in markets. Several newly announced deals serve to support the Investment Adviser's belief in a continued pipeline of corporate activity from which the Portfolio's underlying managers can benefit in the coming months. Merger arbitrage spreads remain attractive due in part to the decreased availability of capital in the strategy which would, under normal circumstances, serve to tighten those spreads significantly. The Portfolio's underlying managers generally remain defensively positioned, concentrating on near-term catalyst trades expressed in a tightly hedged fashion. They remain concerned about the fundamental economic challenges and their potential impact on the credit and equity markets in the near term, and the volume of corporate activity in the long term.
K2 Emerging Managers Fund	2.05%	0.4%	1	There is only one remaining long/short equity investment in the K2 Emerging Managers Fund. This current investment is through the manager's liquidating share class.

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

Concentration of Investments[18,19]

Investments in Portfolio	% Allocation
Largest investment	4.0%
Top 3 investments	11.7%
Top 5 investments	18.7%
Top 10 investments	34.6%
Total number of underlying investment holdings	29

Source: Dexion Capital plc

Top 10 Investments[20]

Name of Investment	Strategy	Alloc. %
GSO Special Situations Overseas Fund	Specialist Credit	4.00%
Steadfast International	Equity Long/Short	3.95%
Silver Point Capital Offshore Fund	Specialist Credit	3.76%
Highline Capital International	Equity Long/Short	3.47%
Level Global Overseas	Equity Long/Short	3.47%
GSO Liquidity Partners Overseas Fund LP	Specialist Credit	3.43%
Shepherd Investments International	Relative Value Arbitrage	3.29%
Strategic Value Restructuring Fund	Specialist Credit	3.23%
Financial Institution Partners	Equity Long/Short	3.03%
Pershing Square International	Equity Long/Short	2.95%

Source: Dexion Capital plc

Summary of Recent RNS Announcements*

There have been no significant RNS Announcements made over the past month.

*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 held in January 2009 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 (4.77%) for DEAL £ and average 1M USD LIBOR since April 2004 (3.46%) for US$ indices.*
4 *MSCI World Index and JPM Global Government Bond Index annualised since April 2004.*
5 *Strategy returns are in US$, net of underlying manager fees only and not inclusive of DEAL's fees and expenses.*
6 *After September 2005 strategy allocations shown are net of cash effect and are calculated on a look-through basis.*
7 *Calculated using monthly published NAVs and closing monthly share prices to May 2009. Note that current premium/discount may be higher or lower.*
8 *Historical monthly NAV performance is net of all fees.*
9 *Strategy attributions and returns have been calculated using start of month weighting and performance during the month, are in US$, 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 30 April 2009.*
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 June 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 *Data contained in this table has been prepared and provided to K2 Advisors by K2 Advisors' 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 K2 Advisors' third party risk analytics provider, or for any loss, liability, claim, damage or expense arising out of such error or miscalculation. Data as at 30 April 2009.*
14 *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 30 April 2009.*
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 industry sectors as at 30 April 2009.*
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 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 30 April 2009.*
17 *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 30 April 2009.*
18 *Manager allocations are shown net of cash and are calculated on a look-through basis as at 29 May 2009.*
19 *Total number of underlying investment holdings as at 1 June 2009.*
20 *Top 10 manager allocations are as of 29 May 2009. The allocation percentage is derived from dividing the value of DEAL's investment with the manager by the net asset value of DEAL, is net of the cash effect and is calculated on a look-through basis.*

Dexion Equity Alternative Limited ("the Company")'s investments in underlying funds may be considered speculative and involve a high degree of risk. Underlying hedge funds may trade with a high degree of leverage and performance may be volatile. Underlying funds and hence the Company's investments may have high fees and expenses that reduce returns. An investor in the Company could lose all or a substantial amount of his or her investment. Dexion Capital (Guernsey) Limited is responsible for the management of the Company's portfolio. Dexion Capital (Guernsey) Limited has delegated certain of its duties, including making investment decisions to K2 Advisors, L.L.C. and K2/D&S Management Co., L.L.C.. The use of a single fund of funds manager applying one set of allocation procedures could mean lack of diversification and, consequently, higher risk. There are restrictions on transferring interests in the Company to US and certain other persons. The high fees and expenses of the Company and underlying managers may offset the underlying manager's trading profits. A substantial portion of the trades executed by the underlying managers may take place on lightly regulated exchanges.

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