

Dexion Equity Alternative Limited

JULY 2009

Monthly Portfolio Review

www.dexionequity.com

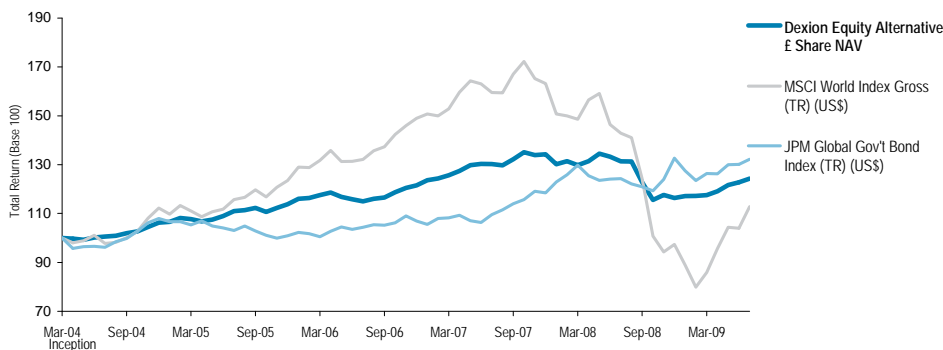
Investment Adviser Portfolio Outlook

The Investment Adviser cautions that despite the sharp rallies seen in both equity and credit markets, illustrated for example by the +47% gain in the S&P 500 index from its low levels in February 2009, further gains of around +40% are needed in order to return to the highs seen at the beginning of 2008. The Investment Adviser believes that these large market moves support the need for capital protection, and furthermore illustrate the level of subsequent gains that are required following losses of the magnitude seen over the past year.

The Investment Adviser has observed the frustration of hedge fund managers in this recent period of sharply rising markets, during which shorting has been costly through inducing low net exposures. Additional frustrations have arisen due to companies whose fundamentals were weak outperforming stronger companies. Overall, the risk exposures of managers in the Portfolio remain low and they are cautiously positioned, with low leverage and net exposures.

The Investment Adviser believes that the recent equity market rally has raised equity valuations back above average levels and that the benefits of corporate cost cutting are unlikely to continue at the same pace. Credit spreads have also narrowed significantly and further tightening is likely to be more modest. Against this backdrop, the Investment Adviser will continue allocating to managers who are seeking to profit through their security selection and sector weighting.

Performance Data¹



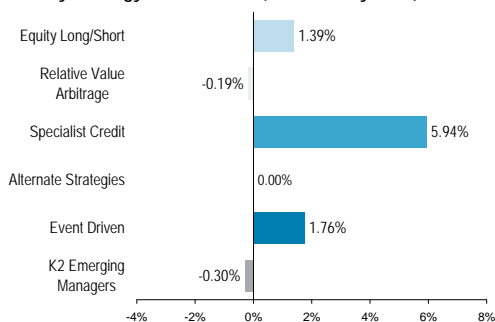
Source: Bloomberg

	Jul (%) 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	1.24%	6.85%	2.63%	4.32%	4.16%	5.61%	-0.08
MSCI World Index Gross (TR) (US\$)	8.50%	15.87%	-5.14%	2.90%	2.29%	17.12%	-0.06
JPM Global Gov't Bond Index (TR)(US\$)	1.60%	-0.37%	8.20%	6.57%	5.37%	7.33%	0.28

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

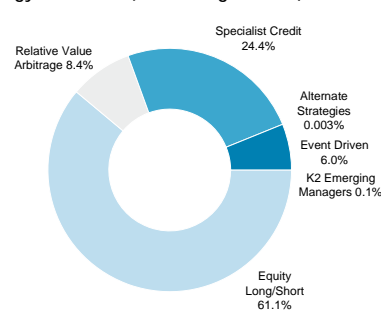
Strategy Overview

Monthly Strategy Performance (as at 31 July 2009)⁵



Source: Dexion Capital plc

Strategy Allocation (as at 1 August 2009)⁶



Source: Dexion Capital plc

Share Class Information

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

£ as at 31 July 2009	
NAV	122.11p
Return¹	+ 1.24%
Share Price*	99.125p
Net Assets	£98.43M
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 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 £98.43M

Fees

Management 1.50%
Performance 10% (Trigger 3%)

Contact Details

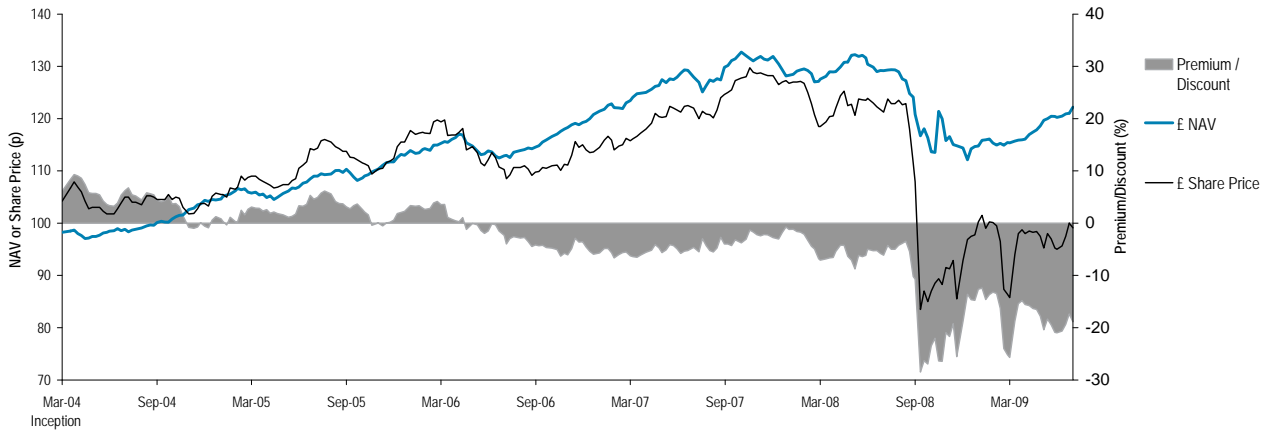
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Share Price Performance (€)^{1,7}



Source: Bloomberg

Historical NAV Performance (%)⁸

Monthly € NAV Performance (%)

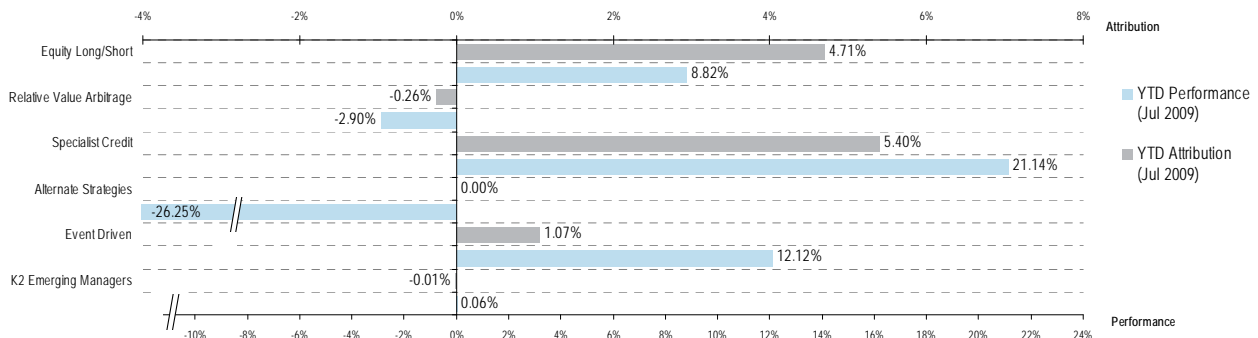
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	0.65%	0.10%	0.29%	1.30%	2.22%	0.88%	1.24%						6.85%
2008	-3.05%	0.96%	-1.26%	1.27%	2.34%	-0.97%	-1.39%	-0.09%	-6.38%	-5.98%	1.79%	-1.08%	-13.38%
2007	1.73%	0.58%	1.09%	1.32%	1.89%	0.41%	-0.06%	-0.41%	1.94%	2.22%	-0.90%	0.27%	10.48%
2006	1.98%	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 exchange¹ Reflects the impact of the reverse auction and foreign exchange¹

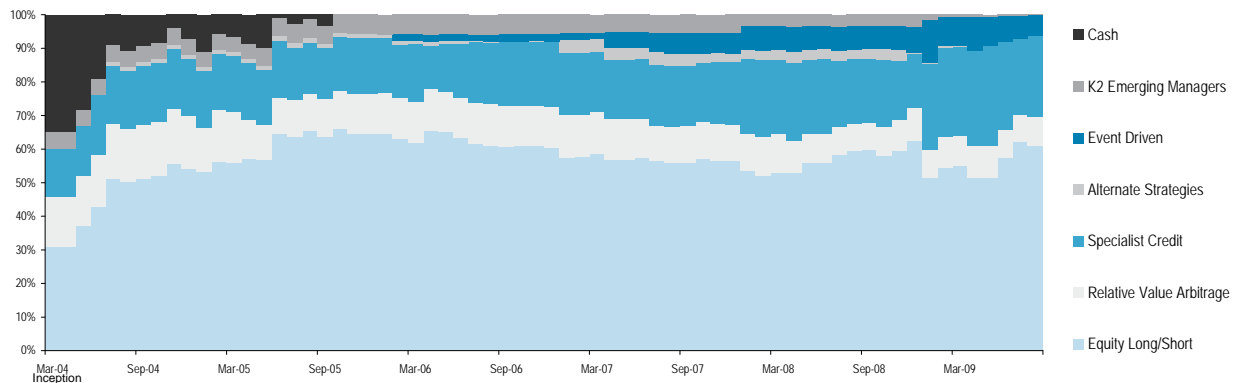
Source: Bloomberg

Strategy Performance and Attribution⁹



Source: Dexion Capital plc

Historical Strategy Allocation⁶



Source: Dexion Capital plc

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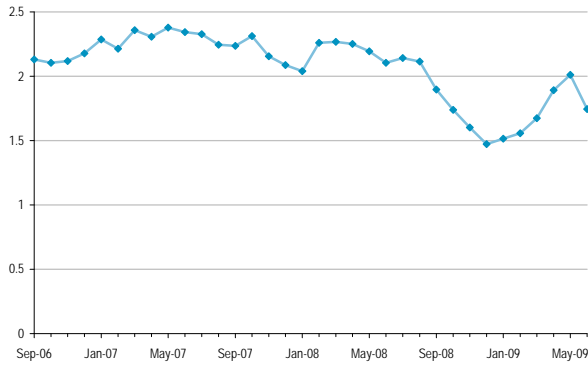
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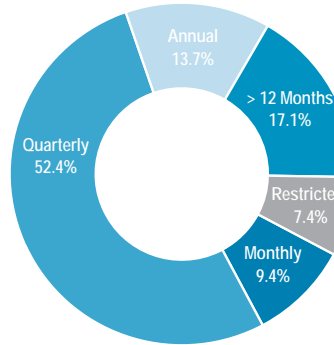
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Historical Look-Through Portfolio Leverage¹⁰



Source: K2 Advisors¹¹

Portfolio Liquidity¹²



Redemption Frequency of Managers	Days Notice	% of the Portfolio
Monthly		9.43%
1 Manager	15	1.13%
1 Manager	45	5.68%
1 Manager	90	2.62%
Quarterly		52.38%
6 Managers	30	22.28%
3 Managers	45	10.15%
3 Managers	60	8.52%
2 Managers	90	8.10%
1 Manager	95	3.33%
Annual		13.74%
2 Managers	60	8.10%
2 Managers	90	5.64%
1 Manager	180	0.00%
> 12 Months		17.07%
1 Manager	45	4.68%
1 Manager	60	5.90%
1 Manager	65	6.49%
*Gated, Suspended, or in Liquidation		7.38%
3 Managers		7.38%

Source: K2 Advisors¹¹

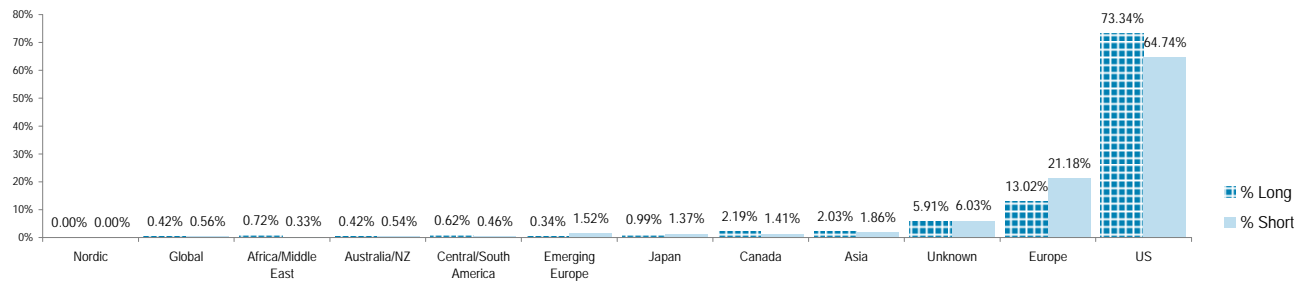
Exposure Analysis

Exposure Overview¹³

	Long	Short	Net	Gross
Total Portfolio	106.5%	-68.0%	38.5%	174.5%
Equities Only	80.2%	-63.0%	17.2%	143.3%

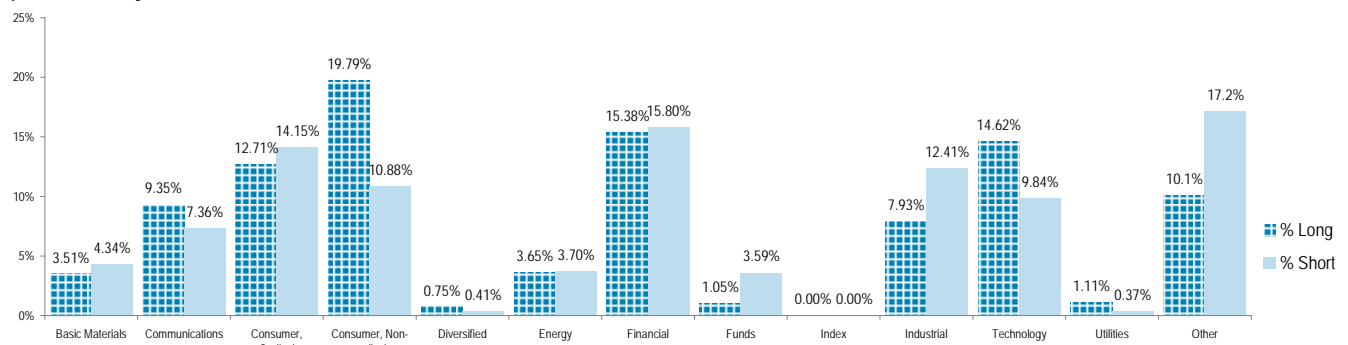
Source: K2 Advisors¹¹

Portfolio - Geographical Regions¹⁴



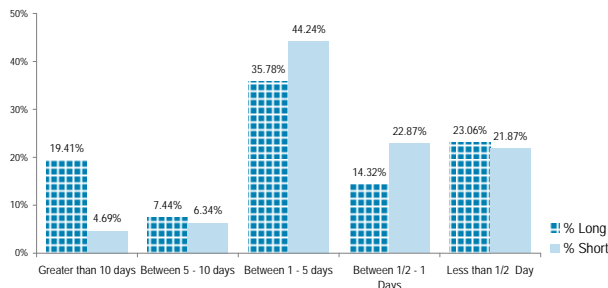
Source: K2 Advisors¹¹

Equities - Industry Sector¹⁵



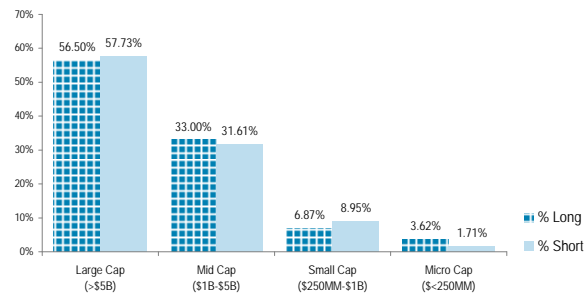
Source: K2 Advisors¹¹

Equities - Liquidity¹⁶



Source: K2 Advisors¹¹

Equities - Market Capitalisation¹⁷



Source: K2 Advisors¹¹

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Strategy

Market Overview

Equities regained their upward momentum as the S&P 500 and the MSCI World indices climbed +7.4% and +8.47%, respectively. The equity markets rose as corporations made earnings announcements for Q2 showing that they were losing less money than they had in the prior two quarters, which reinforced the conviction amongst investors that the worst of the recession had passed. In addition, several companies provided better than anticipated outlooks. Much of the earnings improvement, however, was the result of cost cutting by companies rather than revenue gains. Corporate credit markets continued to improve as the ML High Yield Master index gained another +6.18% and the Credit Suisse Leveraged Loan index climbed +4.15%. The Goldman Sachs Commodity index gained +0.44%.

	Perf MTD ⁵	Alloc.% ⁶	Number of Mgrs	Context for performance
Equity Long/Short	1.39%	61.1%	17	In the upward moving, momentum-driven markets seen in July the Portfolio's long/short equity allocation underperformed equities overall, as anticipated. Leverage levels, portfolio hedging and in some cases high cash levels dampened results. Weak performance was exacerbated by the Portfolios' low beta to the equity markets and low Value at Risk. The strongest managers tended to be those carrying higher market exposures in their portfolios and/or those that were able to generate higher alpha on their long books. Their gains for the month were driven by positions in the technology, industrials, telecom, and consumer/retail sectors.
Relative Value Arbitrage	-0.19%	8.4%	2	Convertible bond arbitrage was the best performing strategy within the relative value arbitrage strategy allocation. Improving credit spreads, easier access to financing and flows from the long-only buyers, have combined to improve market liquidity and extend the current rally in convertible bond valuations. Multi-strategy managers' returns were positive, benefiting both from the strength of the convertible arbitrage strategy and the overall rally in equities and credit markets. As anticipated, market hedges were a detractor. The ongoing decline in implied and realised market volatilities was responsible for the majority of the losses in volatility arbitrage. The Investment Adviser remains committed to the strategy, seeing the long volatility exposure as the means to hedge against a potential market correction.
Specialist Credit	5.94%	24.4%	6	Credit markets continued their strong rally with positive performance in many sectors, including autos, technology and chemicals. The Portfolio's managers benefited from their long positions, particularly in corporate loans and bonds, across various industries. Stressed and distressed long positions did particularly well, as lower-rated credit outperformed higher-rated credit this month. A number of the Portfolio's managers' positions also benefited from specific events, such as a covenant breach in a debt holding or a company issuing new debt to repay existing obligations. These gains were partially offset by hedges using equity and credit indices. The Investment Adviser cautions that despite the considerable year-to-date rally in the credit markets, defaults continue to rise. The Portfolio's managers are finding good opportunities on both the long and short sides, and remain conservatively positioned in anticipation of continued deterioration in fundamentals.
Alternate Strategies	0.00%	0.003%	1	There are no comments on this strategy as the holding has been reduced to a de minimis holding held in the side-pocket of one underlying fund.
Event Driven	1.76%	6.0%	2	The Portfolio's event driven managers continued to benefit from the ongoing equity and credit market rally, with a number of idiosyncratic events helping their portfolios outperform. Several deals closed at the end of the month, generating positive performance for managers. Those gains were marginally offset by manager's broad market hedges. Despite the volume of M&A activity remaining historically low, several recently announced smaller deals, along with some larger existing deals, continued to present attractive opportunities. Managers' credit portfolios continued to benefit from the improved liquidity in the marketplace and the accelerating pace of corporate restructuring activity. The Portfolio's managers remain optimistic on the strategy due to attractive spreads and improving valuations.
K2 Emerging Managers Fund	-0.30%	0.1%	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

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Concentration of Investments^{18,19}

Investments in Portfolio	% Allocation
Largest investment	4.2%
Top 3 investments	12.0%
Top 5 investments	19.1%
Top 10 investments	35.0%
Total number of underlying investment holdings	29

Source: Dexion Capital plc

Top 10 Investments²⁰

Name of Investment	Strategy	Alloc. %
GSO Special Situations Overseas Fund	Specialist Credit	4.17%
GSO Liquidity Partners Overseas Fund LP	Specialist Credit	4.06%
Steadfast International Limited	Equity Long/Short	3.79%
Karsch Capital Limited	Equity Long/Short	3.65%
Ivory Offshore Flagship Fund Limited	Equity Long/Short	3.45%
Highline Capital International Limited	Equity Long/Short	3.34%
Level Global Overseas Limited	Equity Long/Short	3.28%
Seligman Tech Spectrum Fund	Equity Long/Short	3.28%
Shepherd Investments International Limited	Relative Value Arbitrage	3.02%
Pershing Square International Limited	Equity Long/Short	3.00%

Source: Dexion Capital plc

Summary of Recent RNS Announcements*

Result of Redemption Offer (17 August 2009)

The Board of Dexion Equity Alternative Limited (the "Company") announces that acceptances of the Redemption Offer have been received for 56,827,492 £ Shares (of which 42,649,872 £ Shares represent acceptances in excess of the Basic Entitlement). Shareholders tendering £ Shares in excess of their Basic Entitlement will have approximately 4.56% of the excess satisfied. Accordingly, an aggregate of 16,121,906 £ Shares (representing approximately 20.0% of the issued £ Shares (excluding £ Shares held in treasury)) will be redeemed pursuant to the Redemption Offer.

*Please refer to the original announcement for further detail.

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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 (4.63%) for DEAL £ and average 1M USD LIBOR since April 2004 (3.35%) 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 July 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 June 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 August 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 June 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 June 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 June 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 June 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 June 2009.
- 18 Manager allocations are shown net of cash and are calculated on a look-through basis as at 31 July 2009.
- 19 Total number of underlying investment holdings as at 1 August 2009.
- 20 Top 10 manager allocations are as of 31 July 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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