

Dexion Equity Alternative Limited SEPTEMBER 2009

Monthly Portfolio Review

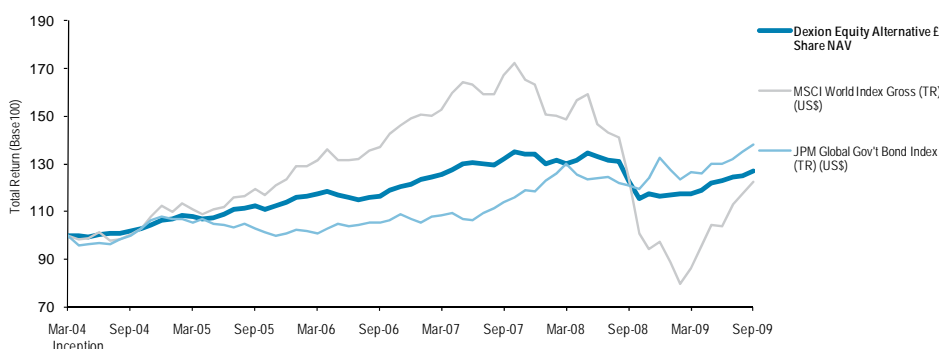
www.dexionequity.com

Investment Adviser Portfolio Outlook

Strong market momentum continued to drive investors to buy stocks and credit worldwide, both to cover short positions and to gain the most from potential investment opportunities. Additionally, positive US earnings reports were announced, and although the results appeared to be the consequence of cost cutting rather than revenue growth, investors benefited from the effects of increased earnings and readily took on greater risk, given that government securities offered little yield.

Given the markets' rapid ascent, the Investment Adviser fully expects to see price dispersion increase substantially in future months. The Investment Adviser believes that these market conditions should enable the Portfolio's managers' long and short positions to outperform the market as a whole. In the event driven strategy the Investment Adviser has observed that the pace of other forms of corporate restructuring, such as debt exchanges and refinancing, has expanded the potential investment opportunities for the Portfolio's managers.

Performance Data¹



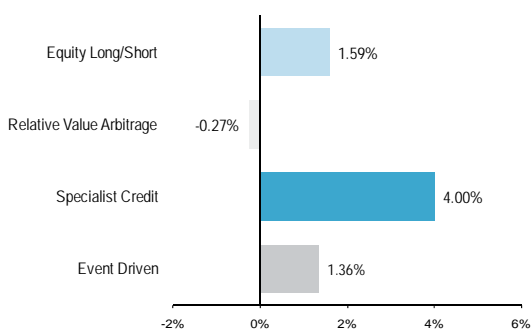
Source: Bloomberg

	Sep (%) 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	1.59%	9.19%	2.90%	4.50%	4.44%	5.55%	-0.01
MSCI World Index Gross (TR) (US\$)	4.02%	25.55%	-3.80%	4.07%	3.72%	17.00%	0.03
JPM Global Gov't Bond Index (TR)(US\$)	2.26%	3.89%	9.43%	6.67%	6.01%	7.29%	0.38

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

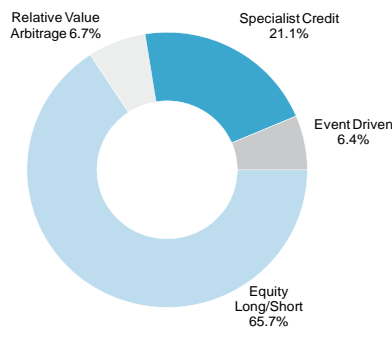
Strategy Overview

Monthly Strategy Performance (as at 30 September 2009)⁵



Source: Dexion Capital plc

Strategy Allocation (as at 1 October 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 30 September 2009

NAV	124.78p
Return¹	+ 1.59%
Share Price*	102.75p
Net Assets	£80.47M
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 £80.47M

Fees

Management 1.50%
Performance 10% (Trigger 3%)

Contact Details

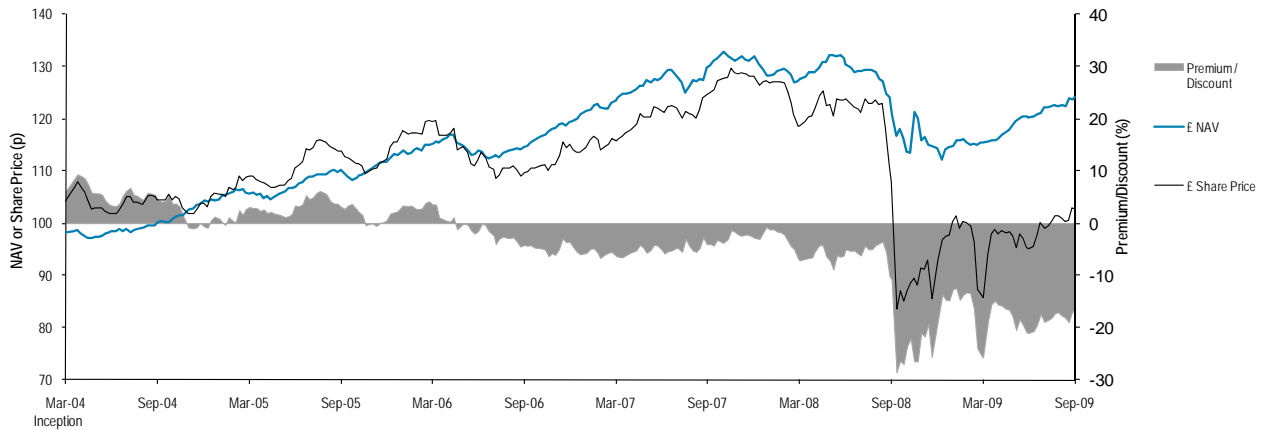
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Share Price Performance (£)^{1,7}



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%	0.59%	1.59%				9.19%
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%

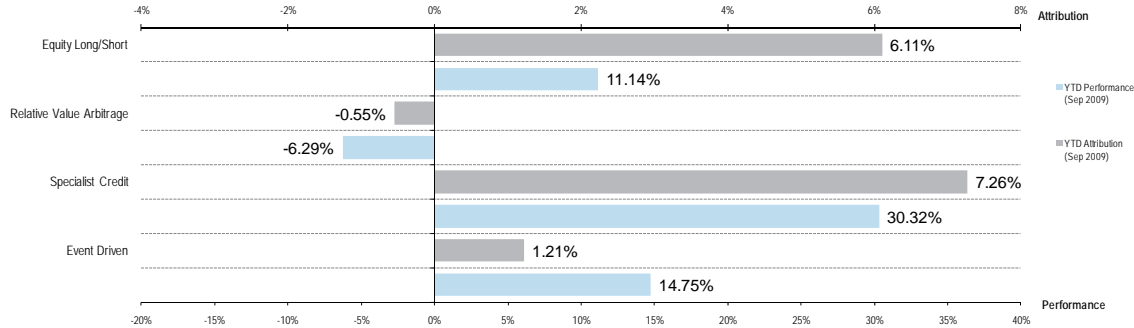
Legend:

Reflects the impact of foreign exchange¹

Reflects the impact of the reverse auction and foreign exchange¹

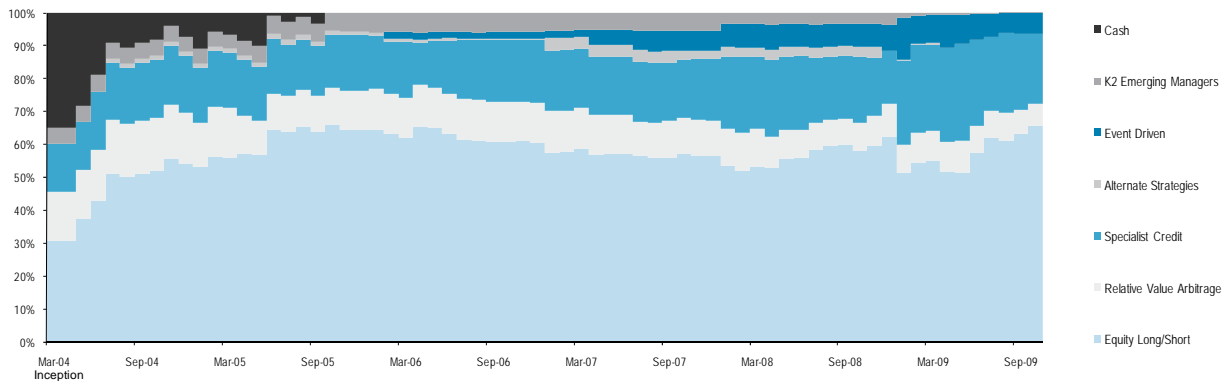
Source: Bloomberg

Strategy Performance and Attribution⁹



Source: Dexion Capital plc

Historical Strategy Allocation^{5,6}



Source: Dexion Capital plc

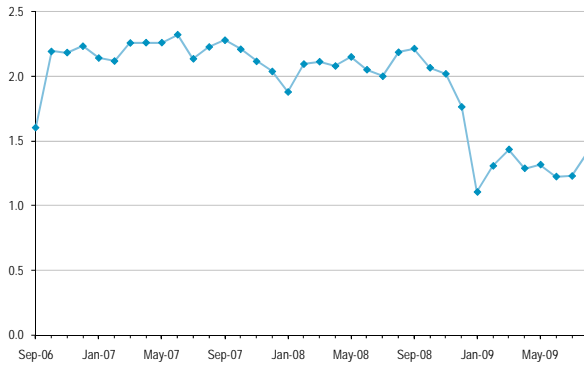
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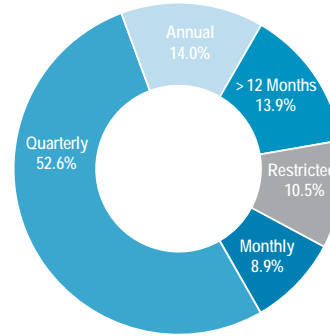
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Historical Look-Through Portfolio Leverage¹⁰



Source: K2 Advisors¹¹

Portfolio Liquidity¹²



Redemption Frequency of Managers	Days Notice	% of the Portfolio
Monthly		8.94%
1 Manager	15	0.49%
1 Manager	45	6.02%
1 Manager	90	2.43%
Quarterly		52.63%
5 Managers	30	18.73%
3 Managers	45	12.24%
4 Managers	60	11.61%
2 Managers	90	6.95%
1 Manager	95	3.11%
Annual		14.00%
2 Managers	60	9.14%
2 Managers	90	4.86%
1 Manager	180	0.00%
> 12 Months		13.92%
1 Manager	45	4.48%
1 Manager	60	5.33%
1 Manager	65	4.10%
*Gated, Suspended, or in Liquidation		10.51%
4 Managers		10.51%

Source: K2 Advisors¹¹

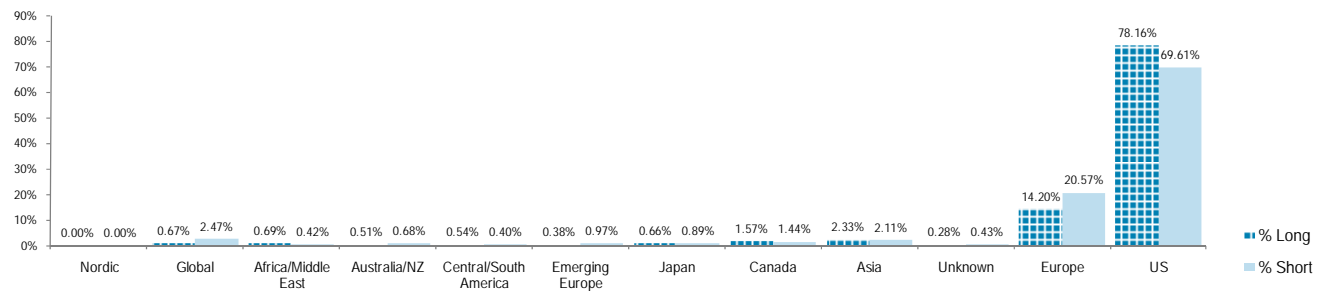
Exposure Analysis

Exposure Overview¹³

	Long	Short	Net	Gross
Total Portfolio	88.6%	-53.2%	35.3%	141.8%
Equities Only	40.7%	-28.1%	12.6%	68.8%

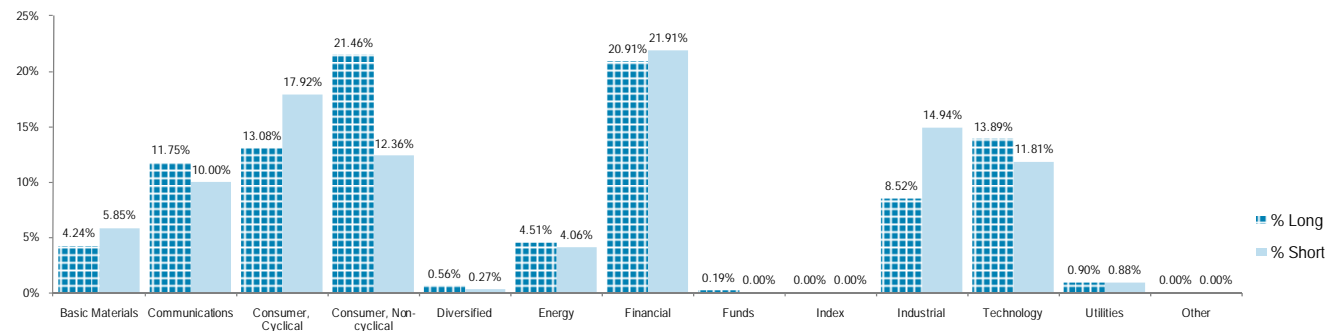
Source: K2 Advisors¹¹

Portfolio - Geographical Regions¹⁴



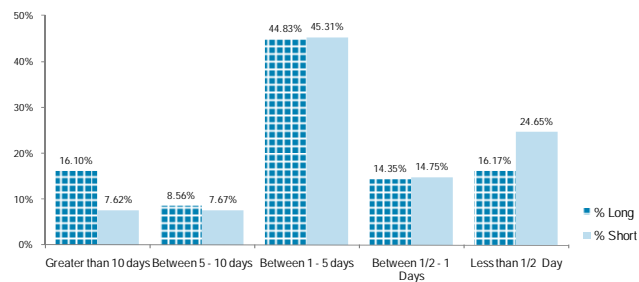
Source: K2 Advisors¹¹

Equities - Industry Sector¹⁵



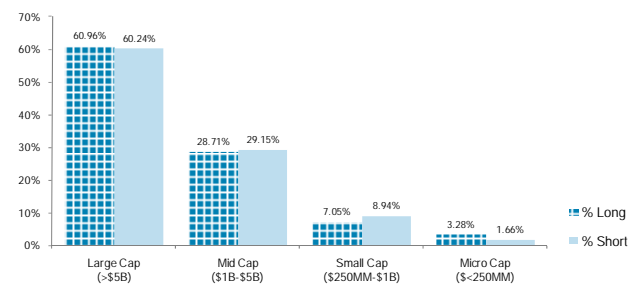
Source: K2 Advisors¹¹

Equities - Liquidity¹⁶



Source: K2 Advisors¹¹

Equities - Market Capitalisation¹⁷



Source: K2 Advisors¹¹

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Strategy

Market Overview

The equity markets maintained their upward momentum with the S&P 500, Nasdaq Composite and MSCI indices all rising. Factors which contributed significantly to these gains in stock prices included optimism that the economic recovery was gaining strength, the levels of merger and acquisition activity along with the potential of additional deal-making, the release of favourable data on US retail sales, housing starts and industrial output. Additional reassurance was given by the Chairman of the US Federal Reserve Bank who commented that the recession may be ending. In addition, credit markets continued their rally and commodities were also up slightly.

The Portfolio's hedged strategy continued to have an extremely low beta to the S&P 500 index and therefore the majority of the returns year-to-date can be attributed to the underlying managers' skill, or "alpha". Typically, short positions continued to cause losses as the market rose sharply and stock price dispersion remained at historic lows.

	Perf MTD ⁵	Alloc.% ^{5,6}	Number of Mgrs	Context for performance
Equity Long/Short	1.59%	65.7%	18	Despite difficulties associated with the short positions, the returns from the Portfolio's long/short equity managers were positive. Typically managers with the largest gains for the month were funds which layered good stock selection on top of sizeable market exposures and were able to generate alpha. Key sources of returns came from holdings in the industrials, energy, healthcare and technology sectors. However, short and conservative positioning, both at the underlying investment level and at the Portfolio's allocation level, had a negative impact on the overall result. Short positions in consumer discretionary and financials stocks were particularly costly as the market continued to bid up stocks of leveraged, cyclical companies. The Investment Adviser observed that fundamental valuations did not always justify the share price.
Relative Value Arbitrage	-0.27%	6.7%	2	Convertible arbitrage was once again the best performing strategy within relative value arbitrage. Positive developments in the credit markets, the additional tightening of the basis between cash and synthetic bonds, and the continued rally in equities all contributed to good uplift in convertible bond valuations. Volatility arbitrage was again a detractor from performance. Despite experiencing a brief increase early in the month the implied equity market volatility was once again down at month end in response to the continuing equity market rally. Volatility in commodities, interest rates and currencies remained low, thereby further contributing to the weakness of the strategy. However, this strategy's role as a hedge against a potential market correction ensures that the Portfolio will continue with a modest allocation. The Portfolio's multi-strategy managers benefited from the strong credit and equity markets, including their exposures in convertible arbitrage and event driven strategies. However, hedges and derivatives exposures were significant detractors.
Specialist Credit	4.00%	21.1%	6	Credit markets continued their rally, albeit more moderately than in previous months, with positive performance in many sectors, including financials, homebuilders and cyclicals. The Portfolio's specialist credit managers performed well in this environment, benefiting from gains in their long positions with only small losses from hedges or alpha short positions. Stressed and distressed corporate loan and bond positions did particularly well as lower-rated credit outperformed higher-rated credit. A number of the Portfolio's managers' positions benefited from specific events such as companies refinancing existing liabilities or advancing in the restructuring process. A few of the Portfolio's managers also took write-downs in less liquid positions. Many of the Portfolio's managers believe that the rally in credit so far this year has been liquidity-driven rather than fundamentally-driven. The availability of credit has allowed companies to refinance near term maturities, postponing potential defaults.
Event Driven	1.36%	6.4%	2	The Portfolio's event driven managers continued to benefit from the strong equity and credit markets and the on-going tightening of arbitrage spreads on a number of high profile deals. Mergers and acquisitions activity increased with a number of takeover deals being announced. A significant majority of the deals are strategic in nature and most are trading at attractive deal spreads. The Portfolio's managers anticipate continued consolidation and are positive on the potential for investment opportunities. They remain aware of the potential for higher equity market volatility following the sustained rally of the past several months and continue to take advantage of near-term catalysts, actively trading around existing positions.

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

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Concentration of Investments^{5,18,19}

Investments in Portfolio	% Allocation
Largest investment	6.0%
Top 3 investments	17.4%
Top 5 investments	27.4%
Top 10 investments	48.9%
Total number of underlying investment holdings	28

Source: Dexion Capital plc

Top 10 Investments²⁰

Name of Investment	Strategy	Alloc. %
GSO Liquidity Partners Overseas Fund LP	Specialist Credit	6.00%
GSO Special Situations Overseas Fund	Specialist Credit	5.89%
Karsch Capital Limited	Equity Long/Short	5.47%
Ivory Offshore Flagship Fund Limited	Equity Long/Short	5.20%
Steadfast International Limited	Equity Long/Short	4.85%
Elm Ridge Value Partners Offshore Fund	Equity Long/Short	4.64%
Seligman Tech Spectrum Fund	Equity Long/Short	4.36%
Highline Capital International Limited	Equity Long/Short	4.21%
Chilton Small Cap International (BVI) Limited	Equity Long/Short	4.18%
Level Global Overseas Limited	Equity Long/Short	4.12%

Source: Dexion Capital plc

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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 (4.51%) for DEAL £ and average 1M USD LIBOR since April 2004 (3.26%) 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.

Strategy returns and allocations are shown for strategies representing more than 0.1% of the portfolio.

Not included in the calculations are Alternate Strategies (a 0.002% allocation, where the holding is in a side-pocket of one underlying fund) and the K2 Emerging Managers Fund (a 0.1% allocation, where the holding is in the liquidating share class of the one remaining long/short equity fund).

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 September 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.

Strategy returns and allocations are shown for strategies representing more than 0.1% of the portfolio. Excluded strategies are shown below:

Strategy	Allocation	Strategy Attribution YTD	Strategy Performance YTD
Alternate Strategies	0.002%	0.01%	53.22%
K2 Emerging Managers Fund	0.1%	-0.002%	-14.77%

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 August 2009. Calculation methodology reflects the industry standard practice of calculating portfolio leverage exposures as percentages of NAV.

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 October 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 31 August 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 31 August 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 31 August 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 31 August 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 31 August 2009.

18 Manager allocations are shown net of cash and are calculated on a look-through basis as at 30 September 2009.

19 Total number of underlying investment holdings as at 1 October 2009.

20 Top 10 manager allocations are as of 30 September 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.

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