Dexion Equity Alternative Limited FEBRUARY 2010

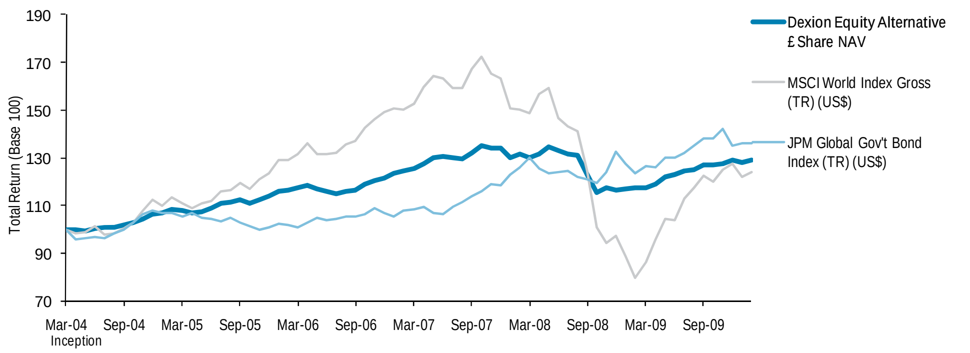
Monthly Portfolio Review www.dexionequity.com

£	as at 26 February 2010
NAV	126.59p
Return[1]	**+0.69%**
Share Price*	111.625p
Net Assets	£81.00M
Opening NAV per £ share 98.25p	
*Closing mid-price at month end	

Investment Adviser Portfolio Outlook

The Investment Adviser is pleased with the Company's return for February and feels confident with regard to the outlook for the markets and for the gains that can be generated from the strategies in which it invests. Markets continued to rally while the increase in liquidity, through central bank interventions, eased and is heading towards contraction later in the year. This should lead to fewer directional market moves and a greater emphasis on issuer fundamentals, which the Investment Adviser believes will be supportive of its hedged approach.

Performance Data[1]



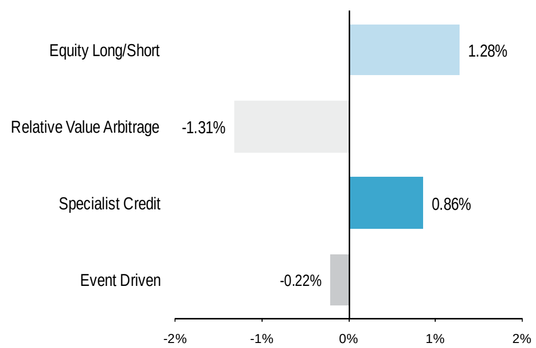
Source: Bloomberg

	Feb (%)[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	0.69%	-0.17%	1.19%	3.56%	4.38%	5.39%	0.03
MSCI World Index Gross (TR) (US$)	1.45%	-2.72%	-6.18%	1.82%	3.69%	16.61%	0.04
JPM Global Gov't Bond Index (TR)(US$)	0.25%	0.76%	8.05%	5.02%	5.37%	7.47%	0.31

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

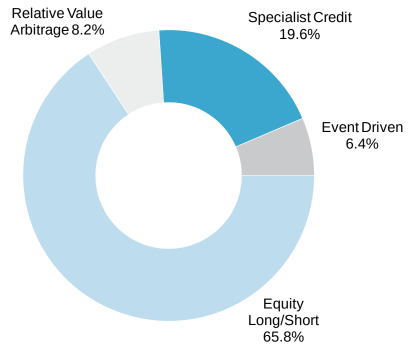
Strategy Overview

Monthly Strategy Performance (as at 26 February 2010)[5]



Source: Dexion Capital plc

Strategy Allocation (as at 1 March 2010)[5,6]



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 £81.00M

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

Contact Details
Dexion Equity Alternative Limited,
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St Peter Port,
Guernsey

Email
clientservices@dexionequity.com

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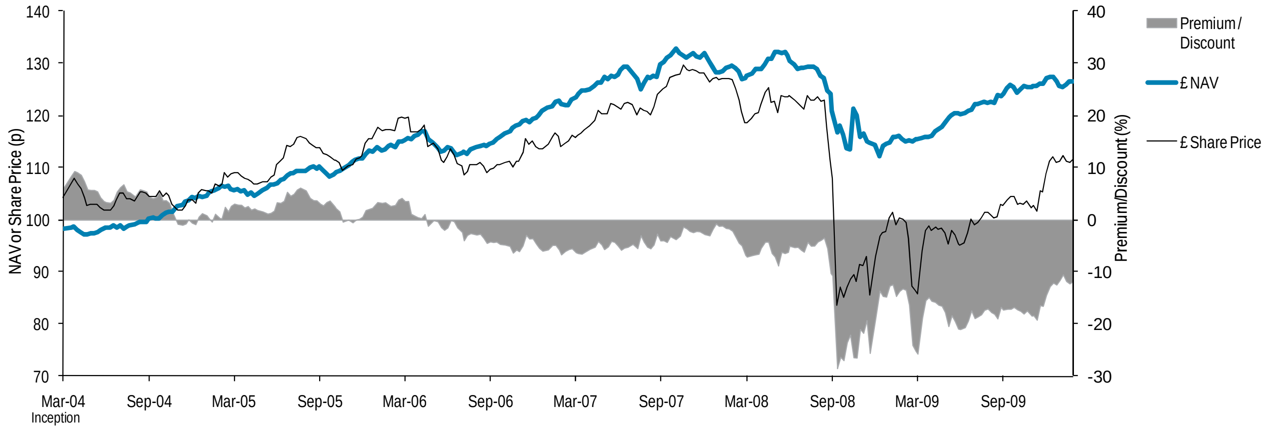
Dexion EQUITY alternative

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
2010	-0.85%	0.69%											-0.17%
2009	0.65%	0.10%	0.29%	1.30%	2.22%	0.88%	1.24%	0.59%	1.59%	-0.15%	0.64%	1.12%	10.96%
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%

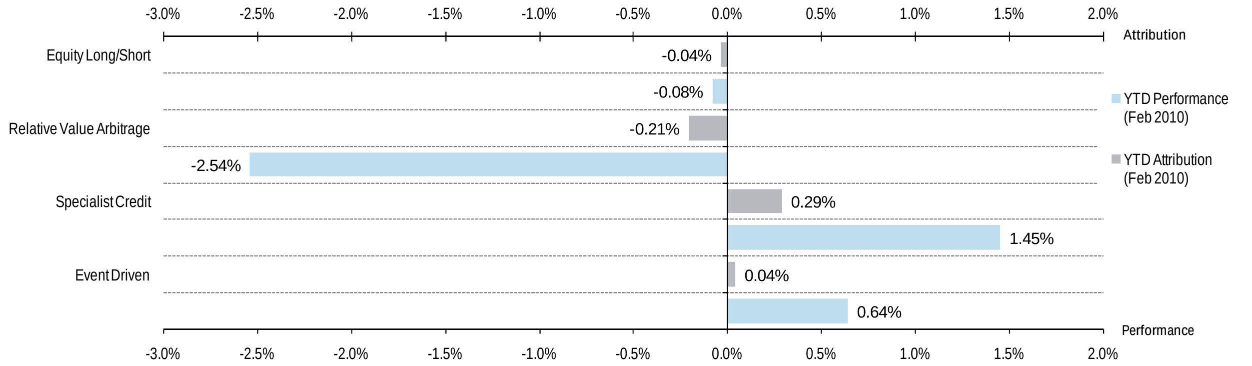
Legend:

Reflects the impact of foreign exchange[1]

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

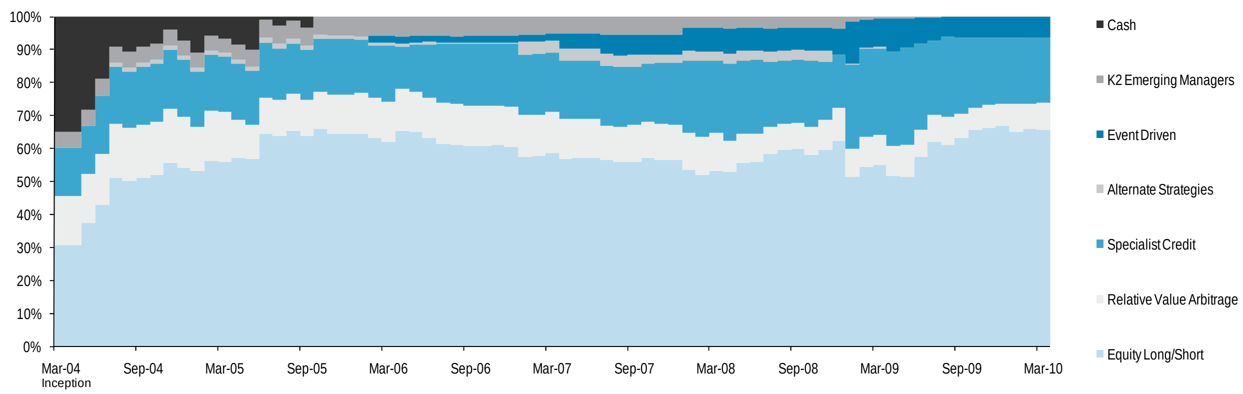
Source: Bloomberg

Strategy Performance and Attribution[9]



Source: Dexion Capital plc

Historical Strategy Allocation[5,6]



Source: Dexion Capital plc

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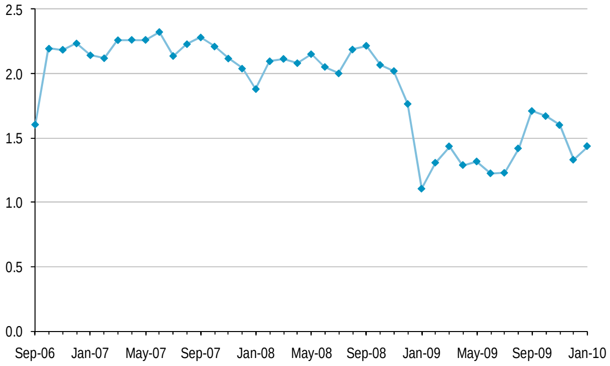
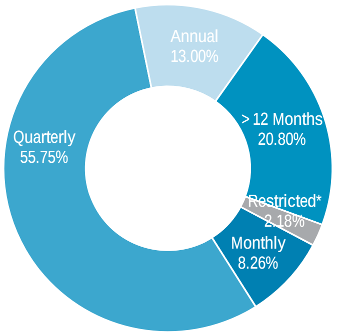
Historical Look-Through Portfolio Leverage[10]



Source: K2 Advisors[11]

Portfolio Liquidity[12]



Redemption Frequency of Managers	Days Notice	% of the Portfolio
Monthly		8.26%
1 Manager	15	0.49%
1 Manager	45	5.22%
1 Manager	90	2.55%
Quarterly		55.75%
5 Managers	30	17.49%
3 Managers	45	12.17%
5 Managers	60	16.83%
2 Managers	90	6.37%
1 Manager	95	2.89%
Annual		13.00%
2 Managers	60	9.00%
2 Managers	90	4.00%
> 12 Months		20.80%
1 Manager	N/A	5.99%
1 Manager	45	5.12%
1 Manager	60	5.51%
1 Manager	65	4.19%
*Gated, Suspended, or in Liquidation		2.18%
3 Managers		2.18%

Source: K2 Advisors[11]

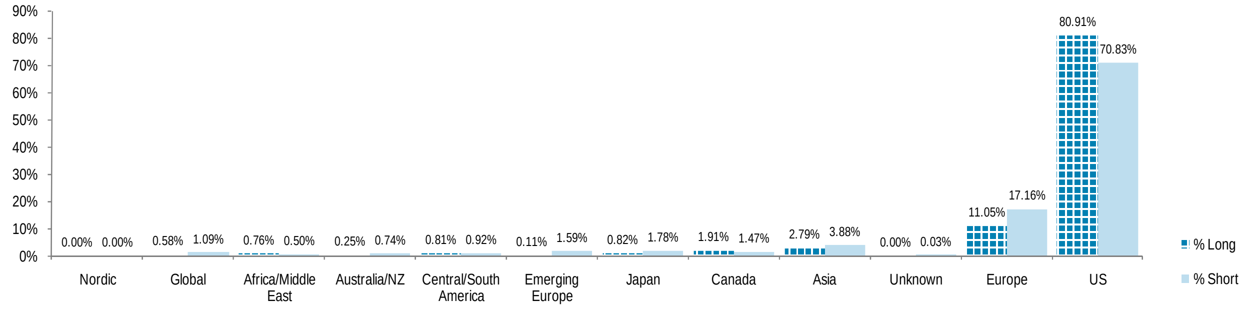
Exposure Analysis

Exposure Overview[13]

	Long	Short	Net	Gross
Total Portfolio	89.1%	-54.5%	34.6%	143.6%
Equities Only	54.5%	-33.3%	21.2%	87.8%

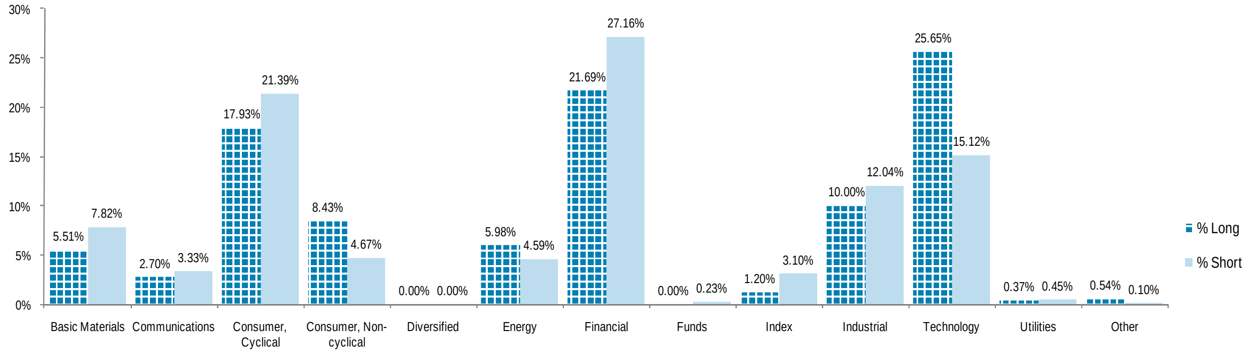
Source: K2 Advisors[11]

Portfolio – Geographical Regions[14]



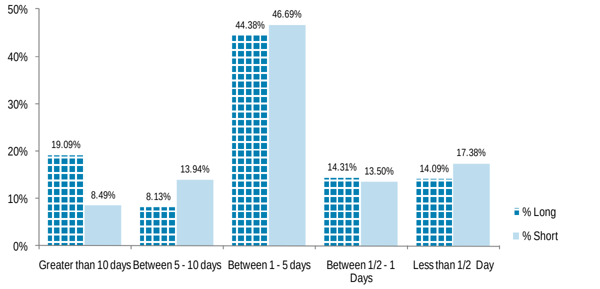
Source: K2 Advisors[11]

Equities - Industry Sector[15]



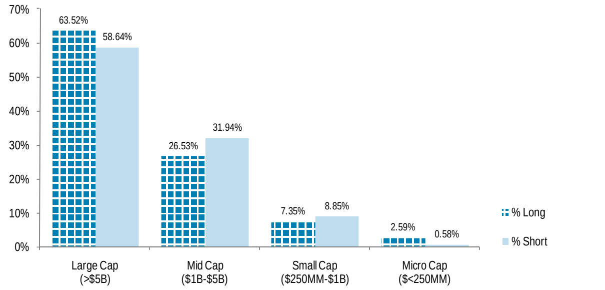
Source: K2 Advisors[11]

Equities - Liquidity[16]



Source: K2 Advisors[11]

Equities - Market Capitalisation[17]



Source: K2 Advisors[11]

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Strategy

Market Overview

Equity market performance was solid throughout the month, though it varied by region and market capitalisation. Credit markets were also positive, although modestly so, while commodity market performance was strong. In world stock markets, the US led the major equity markets, with the S&P 500 increasing in response to improving economic results and strong corporate earnings reports. Asian markets also performed well following the stronger global economic environment and prospects that US interest rates would remain low. The MSCI Pacific ex Japan Index also rose, while the DJ Stoxx 600 decreased. Stock markets in Europe came under continued pressure from the debt crisis in Greece and fears that it may spread to some of the region's other weak economies. The Nikkei 225 also decreased as export-related shares dragged the Japanese market lower against the backdrop of a rising Yen. In the US, small- and mid-capitalisation stocks tended to outperform large-capitalisation stocks as they were thought to have less exposure to the problems in Europe. The leading sector was consumer discretionary, which saw strong earnings following several strong earnings reports across a number of consumer firms. The industrials, materials and technology sectors also performed well, while the utility and telecommunications sectors traded lower. Losses in Europe were caused largely by growing concerns over the increasing budget deficits in Spain, Portugal, Italy and Ireland, thereby extending the debt crisis beyond Greece. Markets in stronger economies such as Germany and France were kept in check by disappointing corporate earnings results, particularly in the automotive sector. Positive performance in the UK market was largely driven by stronger earnings in the banking sector. Swiss stocks also moved higher following strong earnings reports across various industries, including insurance, pharmaceuticals, food and industrials. Economic data, ranging from retail sales in Hong Kong to Korean manufacturing confidence to homebuilder confidence in the US, provided encouragement to investors. Some smaller markets such as those in Thailand and the Philippines also drove returns as a result of some favourable earnings reports. On the other hand, the Taiwanese market was more sensitive to international concerns such as the situation in Europe and losses in Japan were skewed toward the technology and auto sectors, with the latter made worse by the mechanical problems afflicting Toyota.

	Perf MTD%[5]	Alloc.%[5,6]	Number of Mgrs	Context for performance
Equity Long/Short	1.28%	65.8%	18	The aggregate performance of the Portfolio's Equity Long/Short managers was positive. However, the gains did not keep pace with the long-only US equity indices. The best performing managers were those with the highest market exposure. Many managers increased their gross exposure while leaving their net exposure relatively unchanged. While the majority of managers remained guarded in their market view, they are generally optimistic that fundamentals will return to the forefront eventually. On the short side, although some managers profited, others experienced challenges as it was difficult to generate alpha. Size was another key factor as managers with a large quantity of small- and mid-cap companies in their portfolios generally benefited. The environment for equities remains positive, with interest rates likely to remain low and the general economic climate improving. However, many of the factors that led to the crash have not been eliminated, particularly on the debt side. Therefore, investing in equities through a portfolio of fundamentally oriented hedged equity managers should be an attractive way to benefit from the market's strengths and weaknesses.
Relative Value Arbitrage	-1.31%	8.2%	3	Convertible arbitrage managers delivered positive performance, benefiting from the strong equity markets and the continued strengthening of convertible bonds. The managers continued to position their portfolios defensively by increasing hedges. Exposure to volatility arbitrage continued to be affected by the ongoing decline in volatilities. This decline impacted both the equity markets and volatilities in many other instrument classes, including foreign exchange, interest rates and commodities. Multi-strategy managers were flat as positive performance for the merger arbitrage and credit strategies was offset by losses in equity strategies. The managers in this strategy have been gradually turning more defensive regarding their portfolio positioning.
Specialist Credit	0.86%	19.6%	6	Specialist Credit managers produced gains on both the long and the short sides, despite the less favourable credit market environment. Performance was largely driven by several large distressed situations, along with exposure to a few smaller event-specific issuers. Exposures to commercial and residential real estate were also positive, as were some of the hedges. Some managers continued to reduce their net market exposure through realisations of some long exposures, as well as the addition of shorts and portfolio hedges. Continued concerns about individual issuers, as well as the macroeconomic environment, led managers to increase their cautious positioning with respect to the broader credit markets. This reduction in directional exposure is consistent with the Investment Adviser's views of the credit markets and its continued efforts to reduce the credit sensitivity of its portfolios through allocations to more hedged managers.
Event Driven	-0.22%	6.4%	2	Event Driven managers' negative performance was largely caused by hedges, which were a notable detractor. However, some managers benefited from the successful conclusions of the Cadbury and Burlington Northern acquisitions, as well as from the continuing tightening of other deal spreads in response to those two large transactions being finalised. With only one sizable deal being announced in the US (Smith International by Schlumberger), activity remains at low levels relative to the peaks seen in 2006 and 2007. One of the reasons for this is the fact that although there were many willing buyers (typically strategic corporates with significant cash on the balance sheet or access to cheap financing), management teams of potential acquisition targets have been less willing to sell. This could lead to an increase in the number of hostile deals, which due to their complexity tend to offer better investment opportunities for the managers in the Portfolio. At approximately $140 billion, the volume of new M&A deals globally was in line with that seen in January, but still down from late 2009 levels.

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

Concentration of Investments[5,18,19]

Investments in Portfolio	% Allocation
Largest investment	6.0%
Top 3 investments	17.1%
Top 5 investments	27.3%
Top 10 investments	50.3%
Total number of underlying investment holdings	29

Source: Dexion Capital plc

Top 10 Investments[20]

Name of Investment	Strategy	Alloc. %
GSO Liquidity Partners Overseas Fund LP	Specialist Credit	5.97%
Karsch Capital Limited	Equity Long/Short	5.80%
Ivory Offshore Flagship Fund Limited	Equity Long/Short	5.36%
Steadfast International Limited	Equity Long/Short	5.26%
SCP Atlantic Fund Limited	Equity Long/Short	4.93%
Pershing Square International Limited	Equity Long/Short	4.89%
Elm Ridge Value Partners Offshore Fund	Equity Long/Short	4.74%
Seligman Tech Spectrum Fund	Equity Long/Short	4.71%
Chilton Small Cap International (BVI) Limited	Equity Long/Short	4.38%
Hunter Global Investors Offshore Fund Limited	Equity Long/Short	4.22%

Source: Dexion Capital plc

Summary of Recent RNS Announcements*

Continuation Resolution (10 March 2010)

The Company is today posting a Circular to Shareholders in connection with the 2010 Continuation Resolution.
Details of the Board's current expectation as to the nature of any Redemption Proposal is as follows:

- If the 2010 Continuation Resolution is not passed and the votes cast on the 2010 Continuation Resolution indicate to the Board that acceptances of a Redemption Proposal are likely to be of a magnitude that the Continuing Portfolio would be less than a size at which the Board believes that the Company can meet its investment objective or if the Board believes that it is impracticable or otherwise inadvisable for the Company to continue pursuing its investment objective, the Board would expect to put a Winding Up Proposal to Shareholders within 2 months of the conclusion of the Meeting.
- If a Winding Up Proposal is not put to Shareholders as referred to above, the Board would put forward a Redemption Proposal within 2 months of the conclusion of the Meeting.
- A proportion of each investment (including cash) in the Portfolio, equivalent (insofar as practicable and subject to variation as determined by the Board) to the proportion that the NAV (at a NAV Calculation Date determined by the Board for the purpose which is expected to be shortly before or after the closing of the Redemption Proposal (the "Portfolio Split Date")) of the Shares to be redeemed bears to the Company's total NAV (at the Portfolio Split Date), would be segregated (for accounting purposes only) and would constitute the Redemption Portfolio. However, in the event that acceptances of the Redemption Proposal are very limited such that certain investments in the Portfolio may, in the Investment Adviser's view, be realised without prejudicing the anticipated performance or balance of the Portfolio, the Board reserves the right not to create a Redemption Portfolio but instead to realise only those investments. There can, however, be no guarantee that this would happen even if such acceptances were very limited.
- Acceptances of a Redemption Proposal would be settled in tranches as cash proceeds from realisations of investments in the Redemption Portfolio were received by the Company. In that way, Redeeming Shareholders would receive the value of the assets attributable to their holding in the Company on a basis which corresponded to the amounts realised on a redemption of investments in the Redemption Portfolio (less costs). The Redemption Portfolio would be managed with a view to realisation rather than to meeting the Company's investment objective.
- No currency hedging would take place in respect of redemption monies outstanding. Accordingly, the proportion of the Redemption Portfolio attributable and payable to each Redeeming Shareholder will be fixed by reference to the proportion that the NAV of the Redeemed Shares of that Redeeming Shareholder at the Portfolio Split Date bears to the NAV of all the Redeemed Shares (at that date) (all calculated in US$ and using spot currency exchange rates at that date where relevant).

However, it is emphasised that these are current expectations and any actual Redemption Offer or Redemption Proposal put forward following the Meeting may differ materially from those set out in the Circular.

*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 (4.23%) for DEAL £ and average 1M USD LIBOR since April 2004 (3.05%) 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 is the K2 Emerging Managers Fund (a 0.052% 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 February 2010. 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 1 March 2010*	*Strategy Attribution YTD*	*Strategy Performance YTD*
Alternate Strategies	*0.000%*	*0.0000%*	*-0.01%*
K2 Emerging Managers Fund	*0.052%*	*0.0008%*	*1.44%*

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 29 January 2010. 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 March 2010 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%.*
From this monthly report onwards, until redeemed from the Company's portfolio (whenever that might be), GSO Liquidity Partners Overseas Fund LP will be classified as having "> 12 Months" liquidity, as opposed to its previous categorisation "Restricted".

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 29 January 2010.*

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 29 January 2010.*

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 29 January 2010.*

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 29 January 2010.*

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 29 January 2010.*

18 *Manager allocations are shown net of cash and are calculated on a look-through basis as at 26 February 2010.*

19 *Total number of underlying investment holdings as at 1 March 2010.*

20 *Top 10 manager allocations are as of 26 February 2010. 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 Capital plc
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Registered Office: 9 Bridewell Place, London EC4V 6AW. Registered in England and Wales No. 4040660.