Dexion Equity Alternative Limited

MARCH 2010

Monthly Portfolio Review

www.dexionequity.com

Investment Adviser Portfolio Outlook

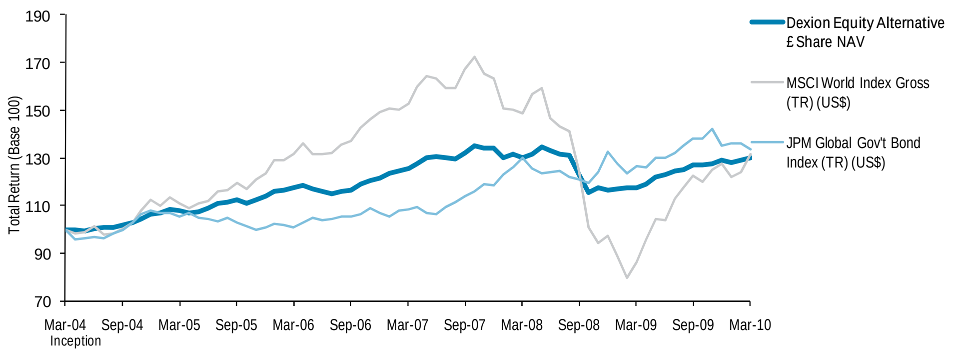
Although performance was varied amongst strategies and managers during March, the Investment Adviser was pleased as the portfolio's lower risk exposures still managed to generate decent positive returns. The Investment Adviser continues to believe that the best long-term performance opportunities will be delivered by managers who generate their returns from security and sector selection using a hedged approach. The Investment Adviser also believes that defensively positioned portfolios are most appropriate.

£	as at 31 March 2010
NAV	127.75p
Return[1]	**+0.92%**
Share Price*	112.00p
Net Assets	£81.61M

Opening NAV per £ share 98.25p

*Closing mid-price at month end

Performance Data[1]



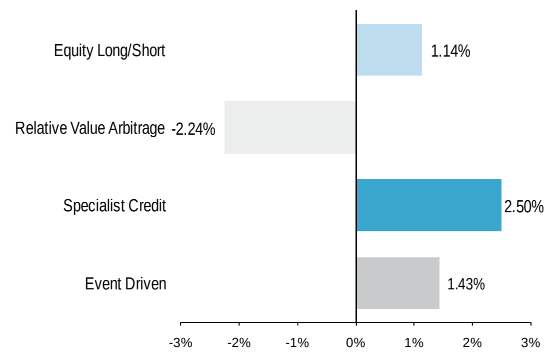
Source: Bloomberg

	Mar (%)[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	0.92%	0.75%	1.13%	3.85%	4.47%	5.36%	0.06
MSCI World Index Gross (TR) (US$)	6.25%	3.35%	-4.85%	3.45%	4.69%	16.66%	0.10
JPM Global Govt Bond Index (TR)(US$)	-1.82%	-1.07%	7.33%	4.90%	4.97%	7.47%	0.26

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

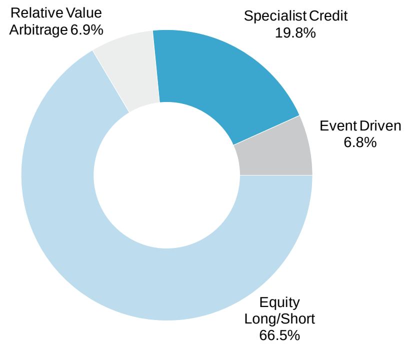
Strategy Overview

Monthly Strategy Performance (as at 31 March 2010)[5]



Source: Dexion Capital plc

Strategy Allocation (as at 1 April 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 £81.61M

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

Contact Details
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St Peter Port,
Guernsey

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clientservices@dexionequity.com

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Dexion EQUITY alternative

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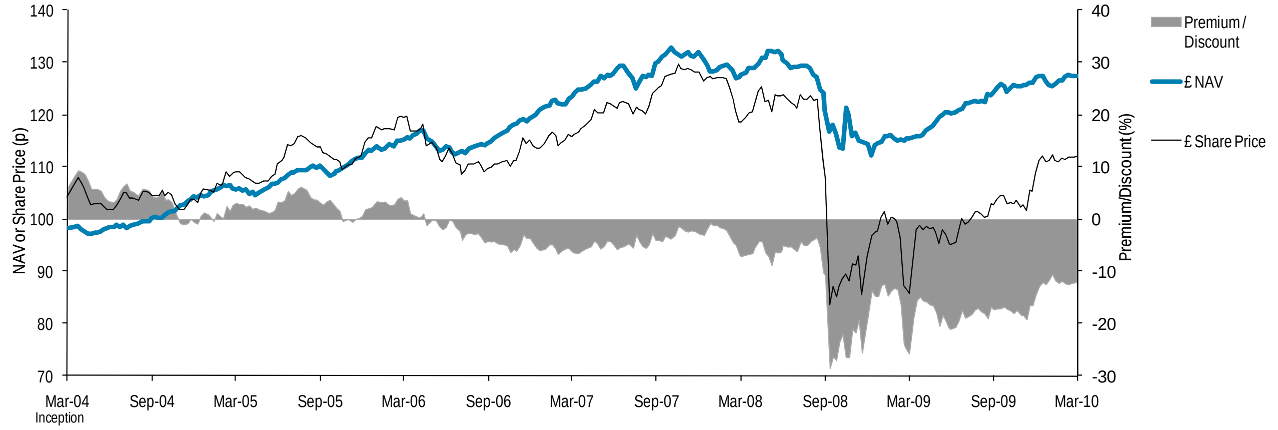
Share Price Performance (£)[1,7]



Source: Bloomberg

Historical NAV Performance (%)[8]

Monthly £ NAV Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	-0.85%	0.69%	0.92%										0.75%
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%

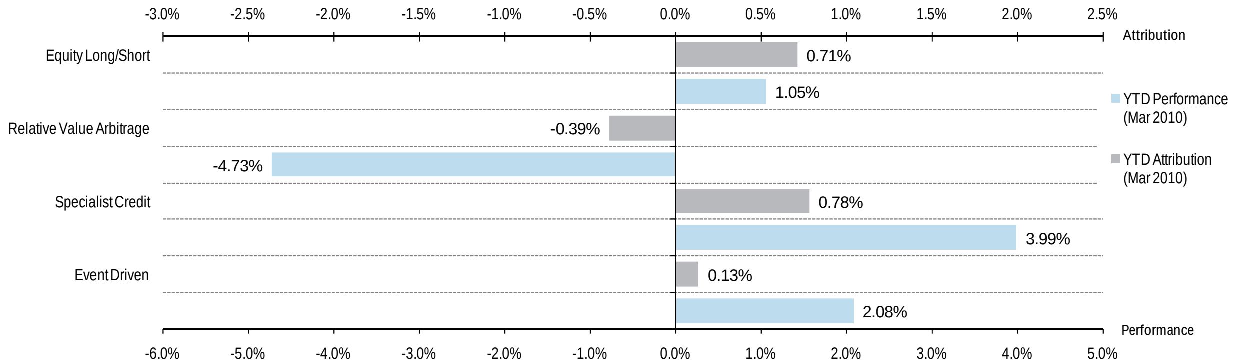
Legend:

Reflects the impact of foreign exchange[1]

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

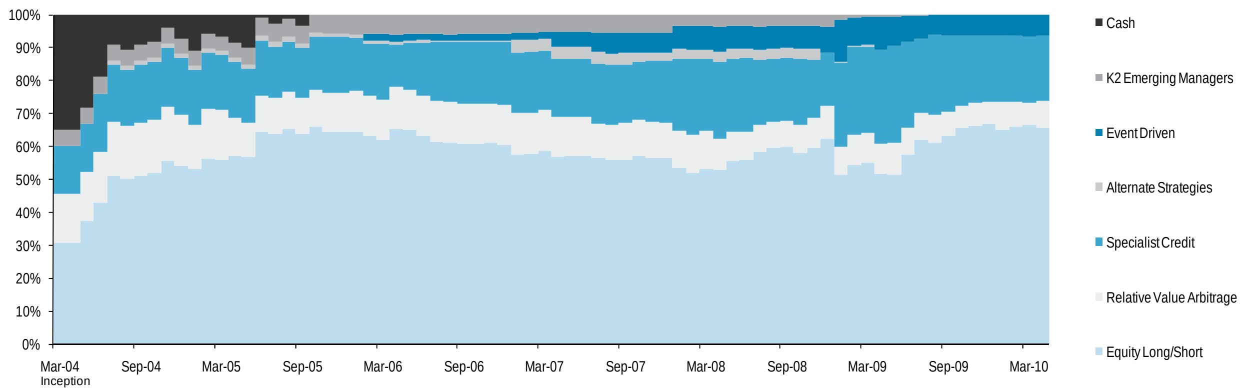
Source: Bloomberg

Strategy Performance and Attribution[9]



Source: Dexion Capital plc

Historical Strategy Allocation[5,6]



Source: Dexion Capital plc

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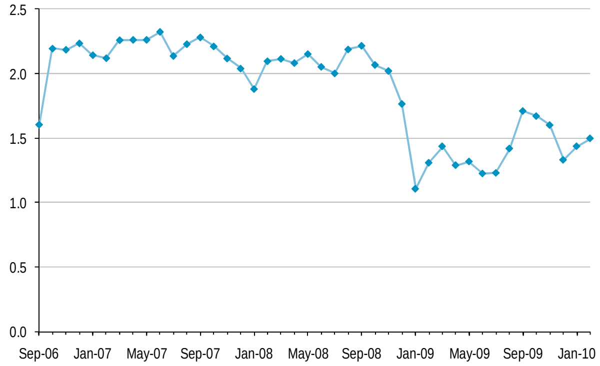
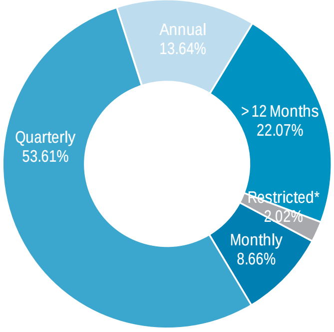
Dexion EQUITY alternative

Historical Look-Through Portfolio Leverage[10]



Source: K2 Advisors[11]

Portfolio Liquidity[12]



Redemption Frequency of Managers	Days Notice	% of the Portfolio
Monthly		8.66%
1 Manager	15	0.53%
1 Manager	45	5.45%
1 Manager	90	2.68%
Quarterly		53.61%
5 Managers	30	18.43%
3 Managers	45	12.37%
4 Managers	60	15.39%
2 Managers	90	5.36%
1 Manager	95	2.06%
Annual		13.64%
2 Managers	60	9.52%
2 Managers	90	4.12%
> 12 Months		22.07%
1 Manager	N/A	6.51%
1 Manager	45	5.57%
1 Manager	60	5.57%
1 Manager	65	4.42%
*Gated, Suspended, or in Liquidation		2.02%
3 Managers		2.02%

Source: K2 Advisors[11]

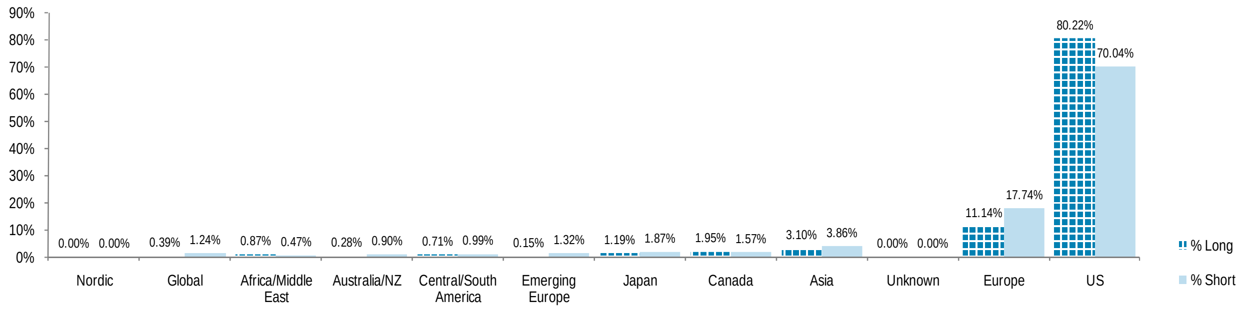
Exposure Analysis

Exposure Overview[13]

	Long	Short	Net	Gross
Total Portfolio	90.9%	-58.7%	32.2%	149.7%
Equities Only	57.7%	-37.5%	20.2%	95.2%

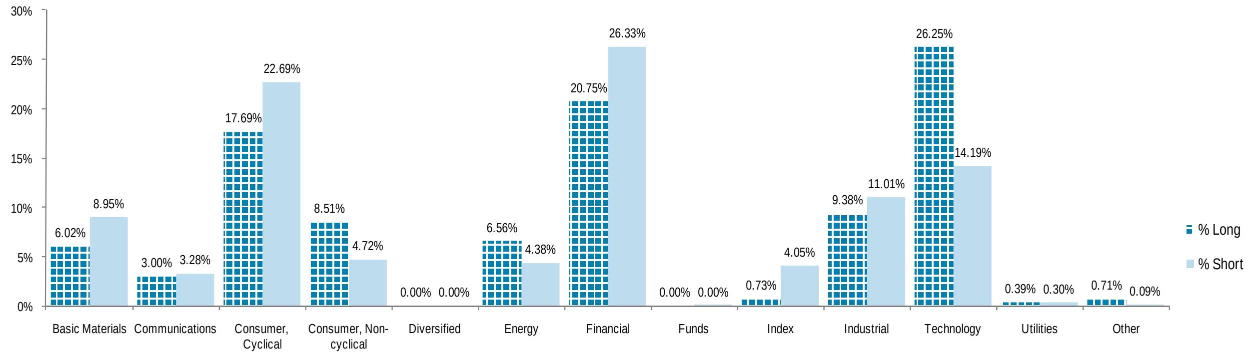
Source: K2 Advisors[11]

Portfolio – Geographical Regions[14]



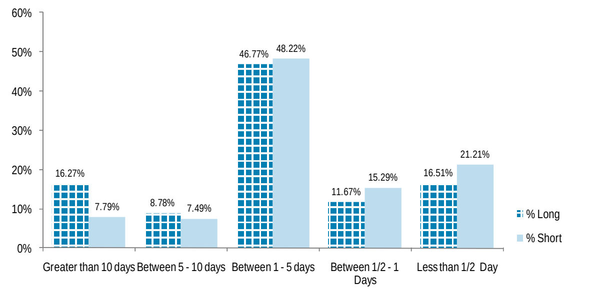
Source: K2 Advisors[11]

Equities - Industry Sector[15]



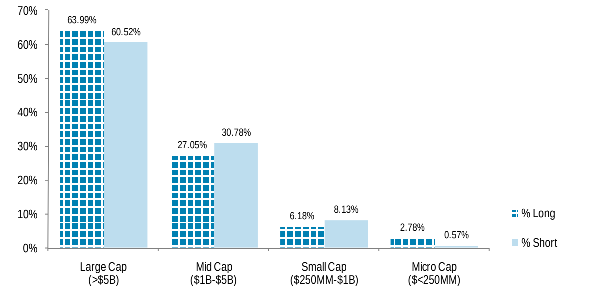
Source: K2 Advisors[11]

Equities - Liquidity[16]



Source: K2 Advisors[11]

Equities - Market Capitalisation[17]



Source: K2 Advisors[11]

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Strategy

Market Overview

Broad market performance in March was generally positive, led predominantly by equity and credit markets. Commodity markets remained volatile and ended the month on a positive note. Risk-seeking investor behaviour remained in place across asset classes.

Most of the equity indices posted considerable gains, with Japan posting the best results as export-related shares rebounded. Europe was the next best performer with the DJ STOXX 600 Index returning 7.23% in local currency terms. Markets rallied after news surfaced about a bailout plan for Greece. Stocks posted strong gains in the US, with the S&P 500 Index gaining 6.0%. The MSCI Pacific ex Japan Index rose 5.4% in local currency terms as markets there were able to shrug off higher commodity prices and responded to improving economic and financials trends in the US and Europe instead. Cyclical groups such as basic materials and industrials generally fared better than non-cyclical shares such as consumer staples and utilities. In the US, small- and mid-cap stocks were the leading players in the market. The sector which drove performance was industrials, aided by shares in a diverse group of machinery and building products. Financial shares also performed well. The continued rise in financial assets benefited the insurance companies as they invested their premiums in the markets. Utilities lagged as capacity utilisation in the industry remained low. The healthcare index was also down, primarily due to company-specific issues surrounding a handful of large holdings, rather than anything related to the approval of healthcare legislation in Washington, D.C. In Europe, the largest contributors to performance were last month's weakest performers. This group included Greece and other markets with similar debt concerns, such as Ireland and Italy. The big exception was Germany, which gained nearly 10%. Gains were led by a semiconductor manufacturer which reported continued strong demand and the country's largest bank, which soared partly in response to an analyst ratings upgrade. The Swiss market was the poorest performer due to weaknesses in two leading pharmaceutical manufacturers. Pharmaceutical stocks trailed in general due to initiatives by Germany, the world's third-largest pharmaceutical market, to cut drug spending. Currency was not a major factor affecting returns last month. In Asia, Japan was the largest contributor to performance. Most of the gains were fueled by a weaker Yen as that was viewed as beneficial to Japan's export-oriented economy. Marine transportation stocks were among the market leaders. The SET Index in Thailand rose 9.2% on the strength of the oil and gas sector. Bank stocks led the Indonesian market higher following ratings upgrades by Standard & Poor's. New Zealand was the weakest performer in the region, with the benchmark only gaining 1.1% due to weakness in Telecom Corp. Chinese shares also had below-average returns, as the government's recent credit tightening had a negative impact on profits.

	Perf MTD%[5]	Alloc.%[5,6]	Number of Mgrs	Context for performance
Equity Long/Short	1.14%	66.5%	17	Long/Short Equity managers generated positive performance. The returns were consistent with the current risk profile, which remains defensive. The gains came predominantly from long positions. Despite the strong performance of the equity indices, it was a difficult environment for Long/Short Equity managers. Other factors affecting performance were market capitalisation and momentum. Smaller companies tended to outperform larger companies, which the Investment Adviser did not benefit from due to being biased towards large-caps. The range of manager returns was varied. The top performers benefited from having long market exposure to leading cyclical and financial groups. The worst-performing manager suffered due to negative market exposure in the financials sector which drove returns in March. The Investment Adviser has begun to see an increase in dispersion in certain sectors. If this trend continues to spread, it will create a more favourable environment for Equity Long/Short managers. The Investment Adviser believes dispersion will be the result of a focus on fundamental factors.
Relative Value Arbitrage	-2.24%	6.9%	3	Convertible Arbitrage had a modestly positive month, as the strong convertible-bond market performance was offset by equity and credit hedges in light of the broad market rally. Managers have been decreasing the risk in their portfolio by establishing positions in higher-quality issuers with better liquidity and higher hedge ratios. Volatility Arbitrage exposures continued to suffer from the historic decline in volatilities across various instrument types and markets. Implied volatility in many of those markets is well below the all-time lows seen in 2006 and 2007. As realised volatility also declined, managers were unable to generate sufficient trading gains to offset the losses related to the market decline. On the positive side, the low absolute volatility levels enabled managers to continue building up long volatility exposures at a lower cost. Given Multi-Strategy managers' uncertain outlook, their recent focus has been on allocating capital to trading-oriented strategies or to opportunities with well-defined near-term catalysts.
Specialist Credit	2.50%	19.8%	6	Specialist Credit posted another strong month, benefiting from the rally in the credit markets. Virtually all managers in the strategy generated positive returns, with gains concentrated in long positions. Several large stressed situations (for example GMAC, CIT and AIG), along with a few smaller event-specific issuers, continued to drive profitability for a number of managers. Exposures in commercial and residential mortgage securities also generated positive returns. These gains were offset in part by losses from equity and credit hedges, as well as losses that a few managers experienced from their side-pocket investments in private corporate investments in companies whose businesses were experiencing weaknesses. Given the strong technical factors driving the credit markets, as well as several economic data points that provided early indications of a potential economic recovery, a few managers who had positioned their portfolio with a net short bias reduced their short positions, though they continued to maintain hedged portfolios. Some managers, whose portfolios were positioned net long, either maintained their positioning or reduced their long exposure and made profits during the rally. This positioning indicated that managers were reluctant to accept a full recovery scenario. Although the Investment Adviser expects the gradual recovery of the credit markets to enable default rates to continue to slow in 2010, investors should keep in mind that the increased availability of credit is enabling larger companies to refinance near-term maturities, thereby postponing potential defaults. The Investment Adviser continues to limit its directional exposure to the credit markets and instead is focused on security selection and generating attractive returns from a hedged approach to credit.

Strategy continued

	Perf MTD%[5]	Alloc.%[5,6]	Number of Mgrs	Context for performance
Event Driven	1.43%	6.8%	2	Event Driven had another positive month, benefiting from the strong credit and equity markets as well as numerous other events. The successful bids for Terra Industries and Millipore, combined with many other smaller mergers, continued to provide the managers in this strategy with an attractive opportunity set. Average merger deal spreads continued to tighten as an indication of increased market confidence regarding the relative certainty of outstanding transactions. Event Driven credit exposures benefited from the continued credit spread tightening, with hedges once again being a detractor to performance. M&A transaction volumes remained low by historical standards, though they were significantly improved from the most recent lull in activity seen in the third quarter of 2009. Hostile deal activity, in particular, was on the rise, as indicated by negative spreads on a number of recently announced deals. Issuer fundamentals continued to favour a potential increase in transactions, re-financings and other forms of corporate activity, adding to the attractiveness of the opportunity set for managers.

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	16.4%
Top 5 investments	26.6%
Top 10 investments	50.0%
Total number of underlying investment holdings	28

Source: Dexion Capital plc

Top 10 Investments[20]

Name of Investment	Strategy	Alloc. %
GSO Liquidity Partners Overseas Fund LP	Specialist Credit	5.98%
Ivory Offshore Flagship Fund Limited	Equity Long/Short	5.35%
Pershing Square International Limited	Equity Long/Short	5.11%
Steadfast International Limited	Equity Long/Short	5.11%
SCP Atlantic Fund Limited	Equity Long/Short	5.04%
Karsch Capital Limited	Equity Long/Short	5.00%
Seligman Tech Spectrum Fund	Equity Long/Short	4.82%
Elm Ridge Value Partners Offshore Fund	Equity Long/Short	4.81%
Chilton Small Cap International (BVI) Limited	Equity Long/Short	4.54%
Hunter Global Investors Offshore Fund Limited	Equity Long/Short	4.22%

Source: Dexion Capital plc

Summary of Recent RNS Announcements*

Result of Continuation Resolution (1 April 2010)

At the Class Meeting of Shareholders held today, the 2010 Continuation Resolution was passed as follows:

Result of Continuation Resolution	Total Shares voted (% of issued share capital of class)	Votes cast in favour (% of votes cast in favour)	Votes cast against (% of votes cast against)
Pass	51,169,154 (80.09%)	46,773,119 (91.41 %)	4,396,035 (8.59%)

*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 (4.17%) for DEAL £ and average 1M USD LIBOR since April 2004 (3.00%) 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 0.053% 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 March 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 April 2010	Strategy Attribution YTD	Strategy Performance YTD
Alternate Strategies	0.000%	0.0000%	-0.01%
K2 Emerging Managers Fund	0.053%	-0.0005%	-1.10%

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 26 February 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 April 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 26 February 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 26 February 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 26 February 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 26 February 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 26 February 2010.*

18 *Manager allocations are shown net of cash and are calculated on a look-through basis as at 31 March 2010.*

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

20 *Top 10 manager allocations are as of 31 March 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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