Dexion Equity Alternative Limited

JULY 2010

Monthly Portfolio Review

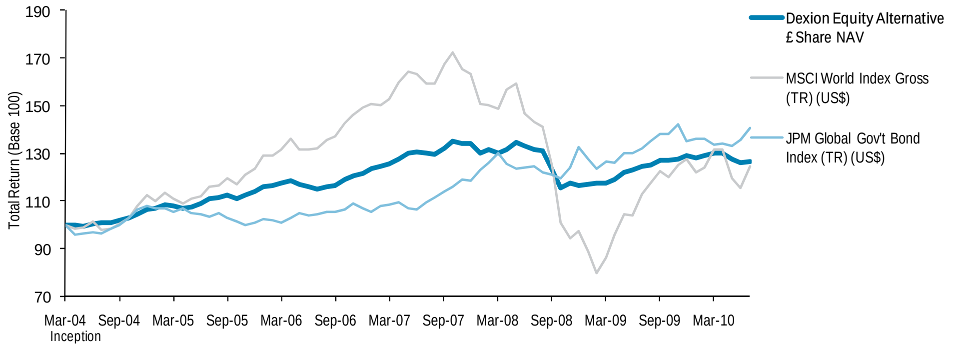
www.dexionequity.com

£	as at 30 July 2010
NAV	124.35p
Return[1]	**+0.61%**
Share Price*	103.00p
Net Assets	£78.81M
Opening NAV per £ share 98.25p	
*Closing mid-price at month end	

Investment Adviser Portfolio Outlook

While recent economic data suggests a sluggish and protracted economic recovery in the months and years to come, the Investment Adviser does anticipate that fundamentals will regain their importance. Markets should provide ample differentiation in the second half of 2010, and the adviser anticipates a calmer end to the year. The European credit crisis seems to have subsided (at least in terms of investor sentiment if not in reality) and fundamentals are again imposing some influence on market directional moves. However, sovereign debt issues are likely to take years to be fully rationalised, as such fluctuations between ‘risk on’ and ‘risk off’ environments continue. The Investment Adviser expects episodes of high volatility, sharp reversals and extended periods of flat returns for the foreseeable future. These types of environments can be very beneficial to hedge funds, in that they provide tactically hedged strategies an opportunity to earn fundamental alpha across many asset classes and on both sides of a trade.

Performance Data[1]



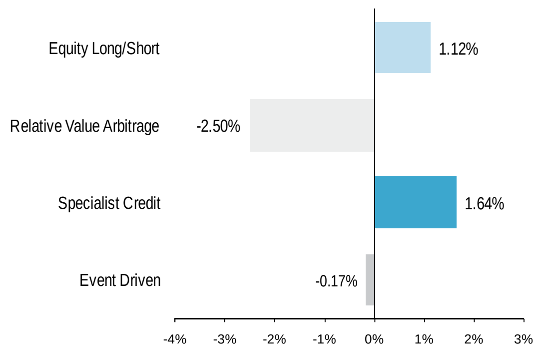
Source: Bloomberg

	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	0.61%	-1.93%	-0.94%	2.66%	3.79%	5.35%	-0.04
MSCI World Index Gross (TR) (US$)	8.13%	-2.20%	-7.91%	1.49%	3.53%	17.04%	0.04
JPM Global Govt Bond Index (TR)(US$)	3.40%	3.79%	8.61%	6.38%	5.50%	7.40%	0.36

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

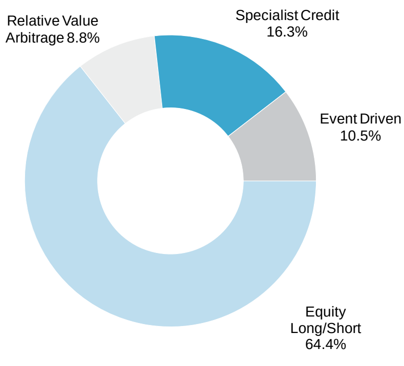
Strategy Overview

Monthly Strategy Performance (as at 30 July 2010)[5]



Source: Dexion Capital plc

Strategy Allocation (as at 1 August 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 £78.81M

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

Contact Details
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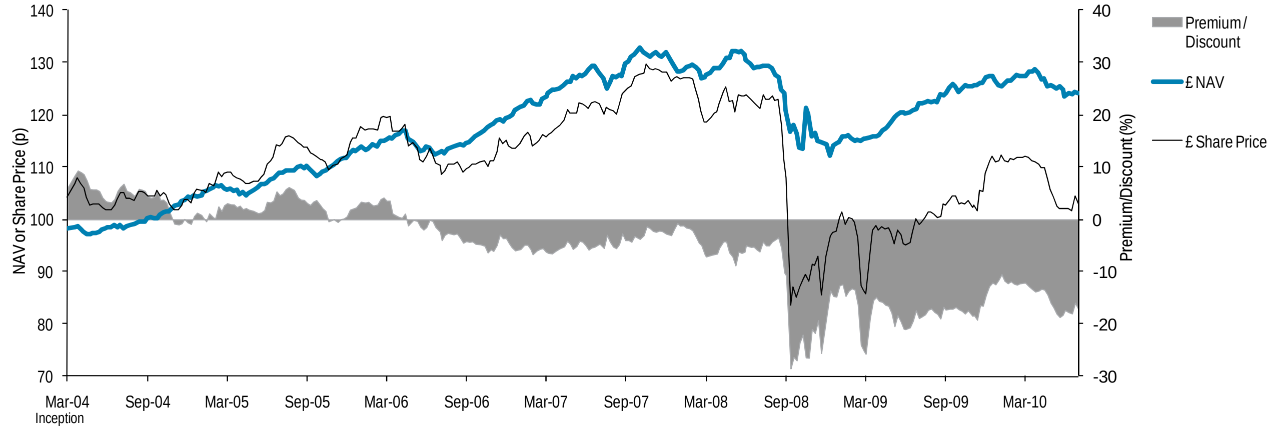
Dexion EQUITY alternative

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%	0.92%	0.15%	-2.02%	-1.40%	0.61%						-1.93%
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%

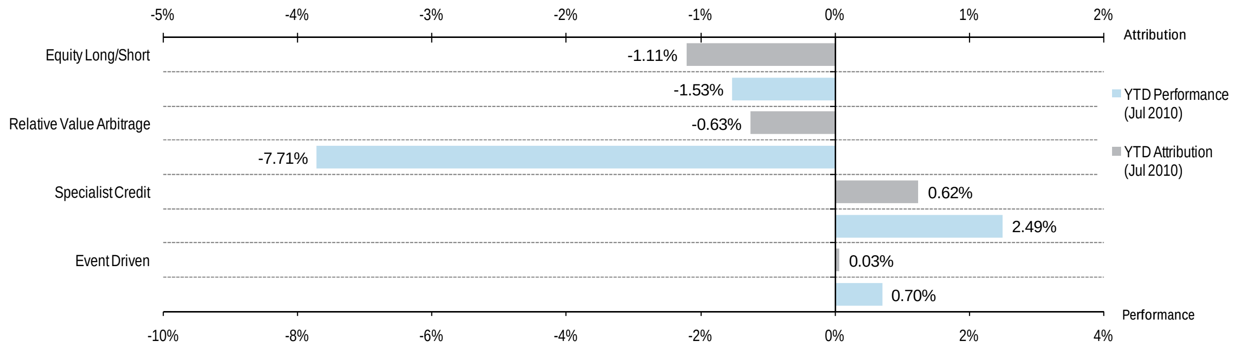
Legend:

Reflects the impact of foreign exchange[1]

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

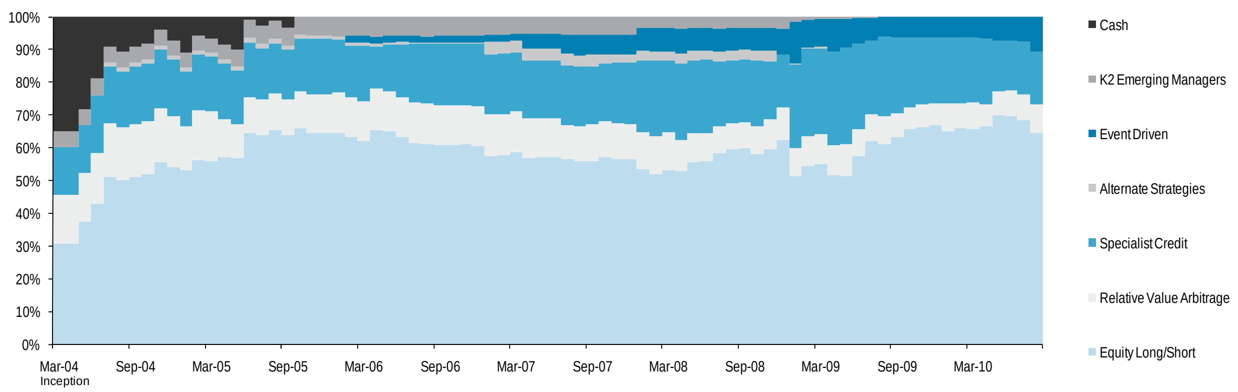
Source: Bloomberg

Strategy Performance and Attribution[9]



Source: Dexion Capital plc

Historical Strategy Allocation[5,6]



Source: Dexion Capital plc

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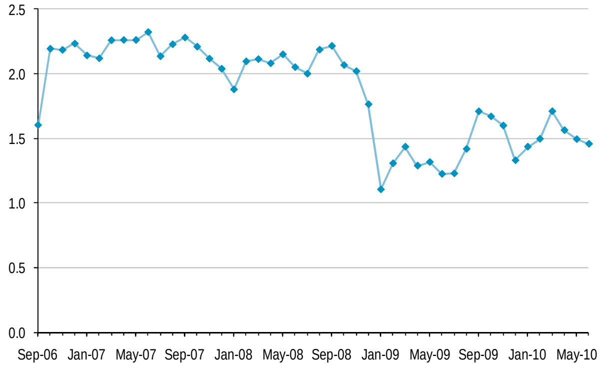
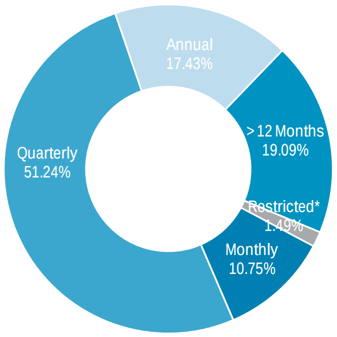
Historical Look-Through Portfolio Leverage[10]



Source: K2 Advisors[11]

Portfolio Liquidity[12]



Redemption Frequency of Managers	Days Notice	% of the Portfolio
Monthly		10.75%
1 Manager	30	3.62%
1 Manager	45	2.60%
1 Manager	90	4.53%
Quarterly		51.24%
5 Managers	30	15.30%
3 Managers	45	13.17%
4 Managers	60	17.12%
2 Managers	90	5.65%
Annual		17.43%
1 Manager	45	2.87%
2 Managers	60	10.78%
2 Managers	90	3.78%
> 12 Months		19.09%
1 Manager	N/A	3.55%
1 Manager	45	5.55%
1 Manager	60	5.57%
1 Manager	65	4.43%
Gated, Suspended, or in Liquidation		1.49%
3 Managers		1.49%

Source: K2 Advisors[11]

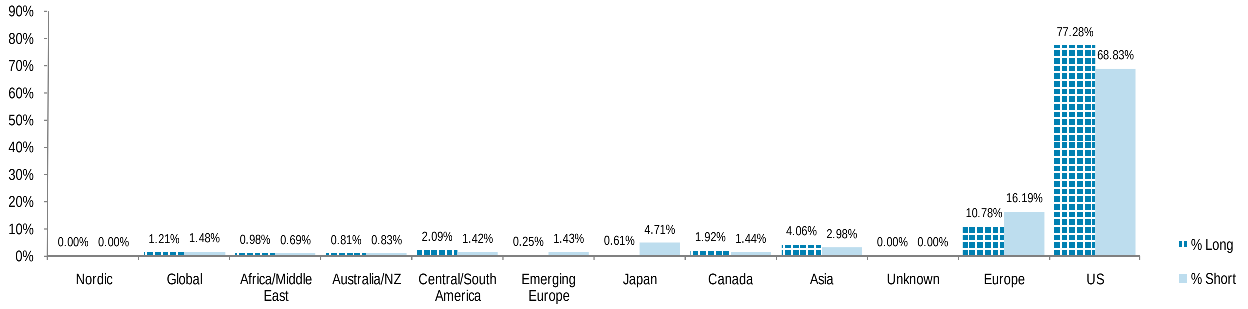
Exposure Analysis

Exposure Overview[13]

	Long	Short	Net	Gross
Total Portfolio	83.1%	-62.6%	20.4%	145.8%
Equities Only	48.9%	-38.3%	10.6%	87.2%

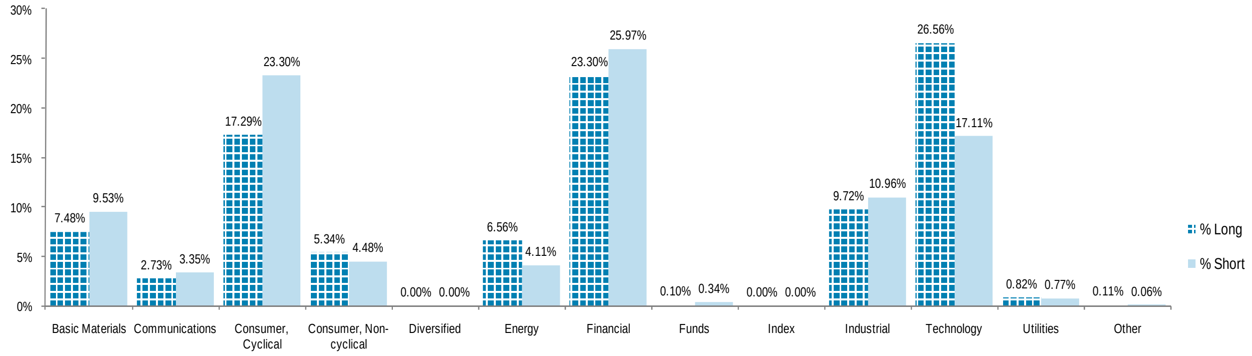
Source: K2 Advisors[11]

Portfolio – Geographical Regions[14]



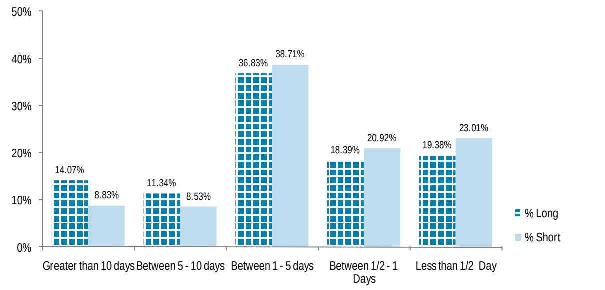
Source: K2 Advisors[11]

Equities - Industry Sector[15]



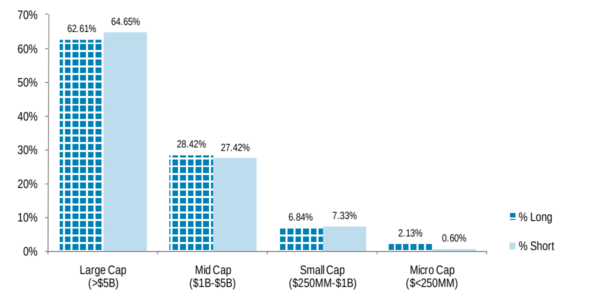
Source: K2 Advisors[11]

Equities - Liquidity[16]



Source: K2 Advisors[11]

Equities - Market Capitalisation[17]



Source: K2 Advisors[11]

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Strategy

Market Overview

In July, market sentiment dramatically reversed from being 'risk-off' to being 'risk-on'. The VIX declined 32%, credit spreads tightened sharply and the majority of global equity indices rallied more than 5% (with the exception of the Nikkei 225). Investors seemed to ignore macro signs of slow economic recovery and speculation about a 'double-dip' recession, focusing instead on strong second quarter corporate earnings. Global equities rallied significantly, offsetting most of the losses generated during the previous month. The S&P 500 returned +7.01%, the Dow Jones Industrial Average gained +7.23% and the MSCI EAFE Index returned +9.48% for the month. All ten S&P sectors finished higher for the first time in four months, led by the economically sensitive sectors, such as materials (+12.3%), industrials (+10.4%) and telecoms (+9.4%), while the more defensive sectors lagged relative to these. Small-cap equities (Russell 2000 +6.9%) modestly underperformed large-cap equities (S&P 500 +7.0%), but value outperformed growth at all three market-cap levels. The UK posted its best monthly returns since May 2009 as second quarter GDP showed the first significant increase (+1.1% YoY) in two years. Europe benefited from the end of the European bank stress tests which showed only seven of the 91 European Union banks were required to improve their balance sheets (though questions remain on the level of the 'stress' applied during those tests). In Asia, ongoing monetary tightening concerns out of China, left investors wary of growth prospects. Returns within the fixed income markets were led by international bonds. The Barclays Emerging Market Bond Index and the Barclays Global G7 ex US Index both rose 4.2%, as spreads narrowed on European peripheral sovereign bonds and the US Dollar had its worst decline (Trade Weighted Dollar Index -5.2%) since May 2009. Within the US, credit outperformed treasuries, as the Barclays High Yield Bond Index Composite (+3.6%) had its best monthly return in 10 months. The Dow Jones UBS Commodity Index (+6.8%) rose at the fastest pace since May 2009. The strength was broad based as precious metals (-4.9%) were the only major commodity sector to post negative returns. Grains (Dow Jones UBS Grains Index +16.5%) were the best performing commodities. Wheat (+37.7%) was also positive as prices rose at the fastest pace on record given a drought in the eastern European wheat producing regions which caused a reduction in production. Industrial metals (+10.7%) also rose in July led by the largest increase in copper prices (+12.8%) since July 2009 as inventories fell to the lowest level since November 2009. Energy prices rose (Dow Jones UBS Energy Index +4.2%) led by natural gas (+5.8%) and oil (+4.4%) as demand forecasts were higher than previously expected. In addition, declining concerns surrounding the sovereign debt issues drove gold prices lower (-5.0%).

	Perf MTD%[5]	Alloc.%[5,6]	Number of Mgrs	Context for performance
Equity Long/Short	1.12%	64.4%	17	Equity indices experienced broad based gains as a result of increased positive earnings, thereby creating a favourable environment for long biased managers. On the short side, however, managers were less productive in terms of alpha. Stock prices remained very highly correlated, presenting a difficult environment in which to add value through individual security selection. Despite this, a number of managers were able to overcome this conformity and perform ahead of expectations. Broadly speaking, from a sector perspective, gains were generated from positions in sectors such as energy, telecom and media, banking, technology, energy, business services and leisure. Gaming also did well given the increased probability of legislation favourable for the industry passing, as state budgets in the US are in dire need of revenues. From a stock specific perspective profits were generated from exposure to a UK based cable company, a large Chinese internet search provider, two American auto companies, a security software firm and an engineering consulting company. On the short side, exposures to financials, consumer discretionary, healthcare, ETF hedges and machinery stocks were a significant detractor from performance. One manager was particularly hurt by a loss in its healthcare book, where a specialty pharmaceutical company had its obesity drug rejected by an FDA advisory panel. Generally speaking, many underlying funds had moved to be more net short given the recent market volatility, consequently not benefiting from the rally which took place throughout the month.
Relative Value Arbitrage	-2.50%	8.8%	3	July was a challenging month for arbitrage strategies, as the CBOE Volatility Index (VIX) declined by 32%, ending the month at 23.50. This represents the largest decrease for the equity volatility index since 1994. Volatility in other asset classes, including FX and commodities, also experienced steep declines. In past months the Portfolio's underlying managers were able to generate some positive contribution from embedded options when volatility decreased, but not with correlations at the levels experienced. The losses in volatility arbitrage were marginally offset by positive performance in convertible arbitrage, for which exposures benefited from the rally in the broader equity markets, as well as a tightening in overall credit spreads. Managers are beginning to put on more dispersion trades to take advantage of the unusually high correlations in the equity markets.
Specialist Credit	1.64%	16.3%	5	The Portfolio's specialist credit managers posted strong returns in July, benefiting from the rally in both the high yield and corporate loan markets. Managers were successful in generating profits from corporate loans, as several companies with large loan issuances were able to refinance existing maturities, thereby driving their outstanding loan values higher. Large-cap post-reorganisation equities in the financials, autos and chemical sectors also performed well, recovering some of the losses in May and June. These companies benefited from both strong earnings results and company specific news. The exposure to residential mortgage backed securities was also profitable. The only losses derived from equity and credit hedges, as well as shorts in sovereign credit default swap protection. Gross and net exposure levels were largely unchanged, following the period of reduced exposures seen in May and June. Intra-month, managers traded hedges actively, with several taking advantage of the reduction in volatility to add, or reset, existing equity and credit hedges. The continued lack of clarity in the macroeconomic environment caused managers to be wary of increasing market exposure.

Strategy Cont'd

	Perf MTD%[5]	Alloc.%[5,6]	Number of Mgrs	Context for performance
Event Driven	-0.17%	10.5%	3	Merger arbitrage strategies gained as spreads decreased for a number of deals. In particular, deals in the oil, gas and mining sectors were significant contributors. Special situations exposures in the health care and technology space also generated modest positive returns, while losses were incurred largely from hedges and directional shorts in equities and credit. The Investment Adviser's outlook for the strategy remains positive, as the fundamental and macro factors continue to be supportive of increased levels of corporate activity, including mergers and acquisitions, as well as special situations such as spin-offs, finance-driven activity and tax-driven activity. The Portfolio's managers continue to maintain conservative exposures, and where possible, take advantage of additional buying opportunities, given their expectation for an increase in the level of various types of corporate activity.

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

Concentration of Investments[5,18,19]

Investments in Portfolio	% Allocation
Largest investment	5.0%
Top 3 investments	14.7%
Top 5 investments	23.9%
Top 10 investments	43.5%
Total number of underlying investment holdings	28

Source: Dexion Capital plc

Top 10 Investments[20]

Name of Investment	Strategy	Alloc. %
Steadfast International Limited	Equity Long/Short	4.99%
Pershing Square International Limited	Equity Long/Short	4.97%
SCP Atlantic Fund Limited	Equity Long/Short	4.75%
Elm Ridge Value Partners Offshore Fund	Equity Long/Short	4.73%
Chilton Small Cap International (BVI) Limited	Equity Long/Short	4.46%
Level Global Overseas Limited	Equity Long/Short	4.38%
Hunter Global Investors Offshore Fund Limited	Equity Long/Short	4.20%
GSO Special Situations Overseas Fund Limited	Specialist Credit	3.97%
Ivory Offshore Flagship Fund Limited	Equity Long/Short	3.76%
Impala Fund Limited	Equity Long/Short	3.30%

Source: Dexion Capital plc

Summary of Recent RNS Announcements*

Half Yearly Report (25 August 2010)
The Company has today, in accordance with DTR 6.3.5, released its Interim Financial Report for the six months ended 30 June 2010. The Report will shortly be available via www.dexionequity.com and will shortly be available for inspection at the UK Listing Authority's Document Viewing Facility

*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 (3.99%) for DEAL £ and average 1M USD LIBOR since April 2004 (2.86%) for US$ indices.*
4 *MSCI World Index and JPM Global Government Bond Index annualised since April 2004.*
5 *Strategy returns are in US$, net of underlying manager fees only and not inclusive of DEAL's fees and expenses.*
Strategy returns and allocations are shown for strategies representing more than 0.1% of the portfolio.
Not included in the calculations is the K2 Emerging Managers Fund (a 0.057% allocation, where the holding is in the liquidating share class of the one remaining long/short equity fund).
6 *After September 2005 strategy allocations shown are net of cash effect and are calculated on a look-through basis.*
7 *Calculated using monthly published NAVs and closing monthly share prices to July 2010. Note that current premium/discount may be higher or lower.*
8 *Historical monthly NAV performance is net of all fees.*
9 *Strategy attributions and returns have been calculated using start of month weighting and performance during the month, are in US$, 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 August 2010	Strategy Attribution YTD	Strategy Performance YTD
Alternate Strategies	0.000%	0.0000%	-0.01%
K2 Emerging Managers Fund	0.057%	0.0024%	3.88%

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 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 August 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. 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 90 days of the redemption date, with the remainder of the full balance of the redemption amount distributed up to 60 days 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 show 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%. DEAL's liquidity is subject to change and the information in this chart and table 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 (e.g. a "gate") and/or restrict investors from redeeming their interest in certain investments (e.g. "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.*
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 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 30 June 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 30 June 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 30 June 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 30 June 2010.*
18 *Manager allocations are shown net of cash and are calculated on a look-through basis as at 30 July 2010.*
19 *Total number of underlying investment holdings as at 1 August 2010.*
20 *Top 10 manager allocations are as at 30 July 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
Authorised and Regulated by the Financial Services Authority
Registered Office: 9 Bridewell Place, London EC4V 6AW. Registered in England and Wales No. 4040660.

Dexion EQUITY alternative