

# Dynamic Currency Debt Management

Borrowing can become an advantageous business if loan balances can be reduced through a) interest rate reduction and/or b) dynamic switching to weaker currencies. Interest rates for different currencies vary greatly. Switching loan balances into low interest rate currencies can reduce the interest burden. Switching loan balances into currencies that fall against the original loan currency can also reduce the loan burden. DynexCorp uses a combination of both to achieve benefits for the borrower.

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## 1<sup>st</sup> Quarter 2008 Report

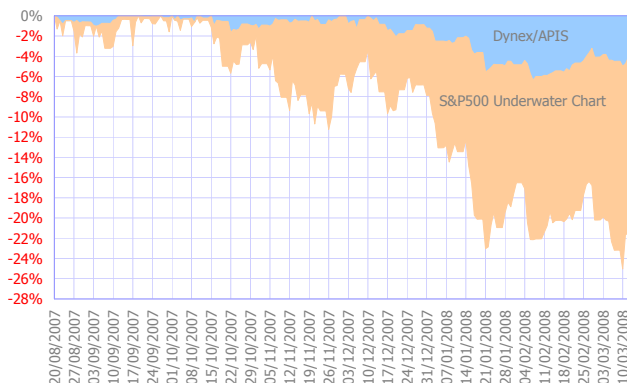
+0.15% 1Q gain follows a +3.09% gain in 2H2007

The Société Générale affair accounted for most of the drop in January. Contagion between stocks and currencies carried on in the after-math. We see this as an isolated event and "back to business" in the months ahead. First down from 1.4950 to below 1.44 (chasing stops through important moving average levels), then up to 1.59 before ending the quarter near its highs at 1.58. This sums up the volatile action in the eur\$. There was some data that wasn't helpful to the dollar, but this wasn't why it collapsed. It collapsed because it was suddenly seen to have no clothes. It seems that many traders have been left behind by the surge in eur\$, because of the speed of the bounce. If so the euro's rise may have a way to go yet. Traditional yen carry-traders strategies declined the most, making it all the more difficult to position ourselves with euro hedges.

### Capital Appreciation on managed Euro Loans (P/L from interest rate and currency movements) Daily Gross Performance



### The coupling between the stock market and Dynex Debt Management Performance during 1Q2008



\* Performance Data calculated with the using the following sources:

- Data are based on ACTUAL performance
- Order execution details of Borrower's Bank
- British Bankers Association LIBOR daily LIBOR data
- European Central Bank FX reference rates based on the regular daily concertation procedure between central banks within and outside the European System of Central Banks (normally at 2.15 p.m. ECB time)

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