



Dynamic Currency Debt Management

1st Quarter 2011 Report

4 April 2011

Profits from weakness in our funding currencies EUR Debt Management 2011-to-date: +5.91%

At the end of 4Q2010 we re-entered USD (50%), GBP (25%) and JPY (25%) in order to service euro loans. The results for the first quarter of 2011 have been spectacular:

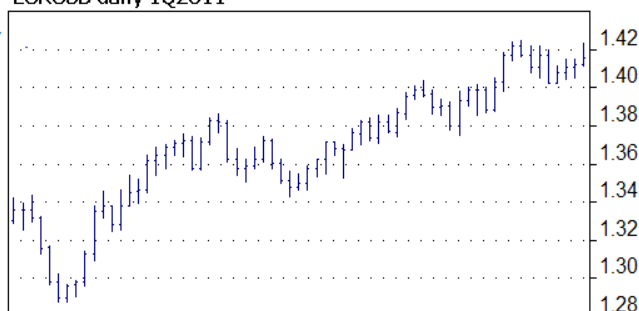
borrowings in	result from currency moves	result from interest difference	combined result (pro rata contribution)
USD	+5.77%	+0.37%	+2.93%
GBP	+3.09%	+0.07%	+0.78%
JPY	+8.78%	+0.51%	+2.20%
total from EUR debt management in 2011-to-date			+5.91%

During the first quarter of 2011, we experienced a windfall profit. This puts us on an alert to protect all the profits harvested year-to-date. While not changing our current portfolio, we might choose to step aside in the near future.

Another bout of extreme EUR bearishness among some of the most prominent currency funds (as observed in our 4Q2010 letter) propelled the EUR against our major funding currency, the US dollar (50%). Its siblings benefited too. There is no reason to expect a turn-around in these trends soon, thus we enter the second quarter with the same portfolio composition as in 1Q2011 namely 50%, 25% and 25% respectively.

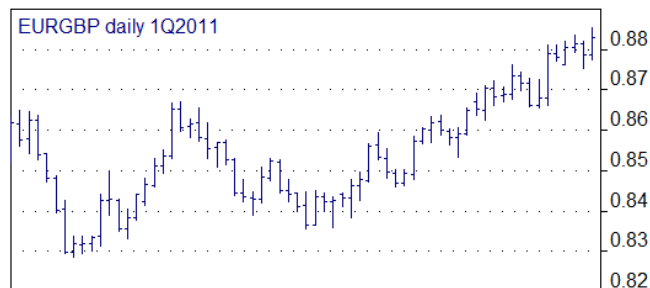
as of 31 Mar 2011 - USD: 50%

EURUSD daily 1Q2011



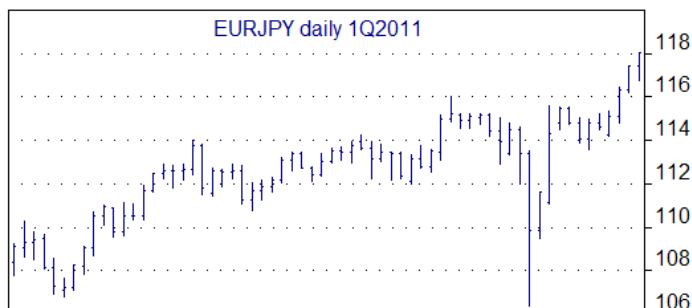
as of 31 Mar 2011 - GBP: 25%

EURGBP daily 1Q2011



as of 31 Mar 2011 - JPY: 25%

EURJPY daily 1Q2011



DBFX PI-Positioning Indices

	Latest	3mma	Last week	Change
EUR	-5.9	-2.9	-4.8	-1.1
JPY	-0.4	4.1	1.0	-1.5
GBP	-6.3	-2.7	-5.1	-1.1
CHF	1.1	4.0	2.1	-1.0
AUD	-1.2	-0.2	-2.3	1.1
CAD	1.3	-0.6	1.3	0.0

+10 = max, -10 = min

Source: DB Global Markets Research, Bloomberg Finance LP

Current EUR-based loan portfolio

50% USD → current rate: 1.4158

25% GBP → current rate: 0.8830

25% JPY → current rate: 118.03

Previous quarter-end rates

EURUSD	EURGBP	EURJPY
1.3385	0.8565	108.50

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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