DynexCorp

Dynamic Currency Debt Management

2nd Quarter 2008 second Interim Report 5 June 2008

Market Sentiment, Bullish Consensus® and Contrary Opinion as a Positioning Guide:

Market Vane has published and DynexCorp has collected their Weekly Bullish Consensus figures since 1969. Trader sentiment determines the course of the markets. The Bullish Consensus® measures market sentiment each day by following the recommendations of leading Advisors. DynexCorp has developed its own unique way of interpreting sentiment extremes and uses the following IN-GEAR and OUT OF GEAR rules:

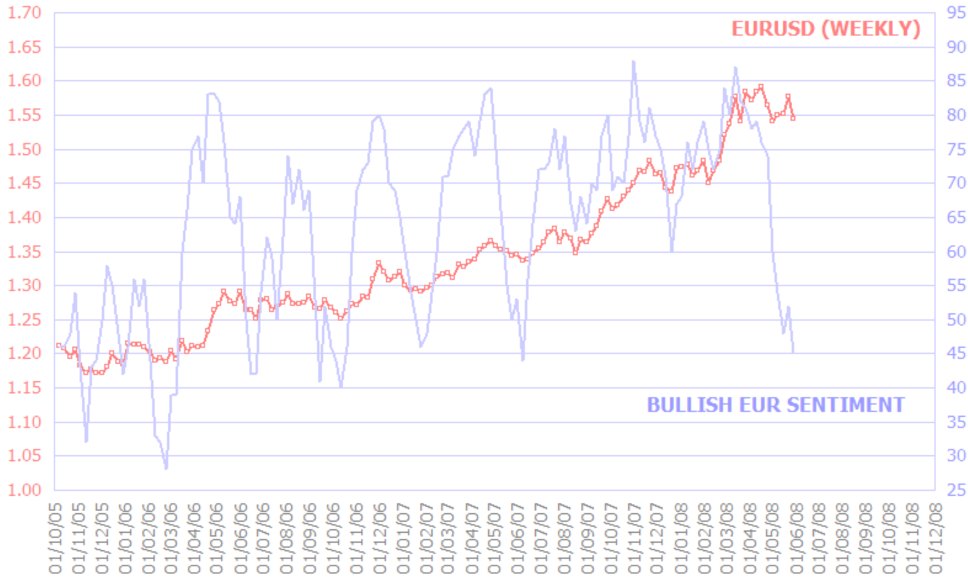
- High consensus numbers in a bull trend and low consensus numbers in a bear trend do not necessarily provide any new information; they are "*in gear*" with the market.
- It is DynexCorp's "*out-of-gear*" rule that provides significant trading opportunities or confirmation of current positioning: in a bull trend, if a low consensus occurs at a much higher price level than a prior recorded similarly low consensus, then a long-term buying opportunity arises (the same holds for high consensus numbers in an bear trend)

From our prior Interim Report

Abrupt overnight 'rifts' in EUR/USD were generated by stop-loss cascades, which we continue to prefer "looking through". Our strategy is to persist extracting an interest advantage combined with currency movements. We believe that despite high PPP and despite high historic price levels the general bull trend in the EUR and the general bear trend in the USD will resume. We also see renewed and increasing interest in carry trades.

Regarding risk management: As to how much of an equity setback we should allow is governed by transaction costs and time-horizon available. Higher than short-term trading transaction costs such as 25 pips (e.g. 0.15% of EURUSD at 1.60) versus 2 pips call for less frequent trading. As an example, currency traders may generally trade with a target of 50 pips in mind, having at their disposal a 24-hour FX platform and a transaction cost of 2 pips. Projecting this risk / reward / cost relationship from a 2 pip transaction cost to 25 pips faced by Dynex/Apis, then the risk/reward distance of 50 pips increases proportionately to 600 pips.

The race is not always to the swift but to those who keep on running…



With regard to the OUT-OF-GEAR rule explained above, the current situation in the EUR/USD Market Sentiment Chart is self-evident: after making a historic high at 1.3675 in May of last year, a low sentiment reading occurred a few weeks later, after the market had retreated 600 points! The combined price and sentiment retrace provided a long positioning opportunity. The situation and sentiment reading today is not dissimilar, but at a higher price level: another typical example of DynexCorp's OUT-OF-GEAR sentiment rule.

While the consensus on the US economy is now set on recession, the impression is that the view on the €-zone is that it is far enough from and behind the US business cycle to give a good chance it will avoid recession, if only because the still-deteriorating residential market – along with oil prices – lays so much heavier a burden on the US economy than it does in Euroland: Spain and Ireland are hardly key determinants of the €-economy. Meanwhile euro positioning on the DB index has gone marginally short from marginally long. (from Currency Bulletin's Weekly Flash)

DynexCorp Dynamic Foreign 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.

For further information please contact:
Marlene Harrison, DynexCorp Ltd
8 rue de la Rôtisserie,
CH-1204 Geneva, Switzerland
+41 22 317 8888
+41 22 594 8880
marlene@dynexcorp.com
http://dynexcorp.com