DynexCorp

Dynamic Currency Debt Management

2nd Quarter 2012 Report — 2 July 2012

Repeat of 2H2011 – On the Sidelines

Total profits from EUR debt management 2012-to-date: 7.79%

The emperor is not wearing "new clothes" and the onlookers will require patience.

During the first quarter of 2011, we experienced a windfall profit, causing us to scale down and eventually completely step aside for the second half of 2011. Our current situation is not dissimilar, and we see little scope for 2Q2012, causing us to leave euro denominated loans unhedged as at the end of this quarter.

as of 31 Mar 2012 - USD: 0%

as of 31 Mar 2012 - JPY: 0%

Current G10 SPI Values (e.g. fund net delta / NAV, averaged across funds) and Percentile Ranks (4y, 1y)

	as % of NAV				No. Funds	
	Value	Last Week	4y Percentile	1y Percentile	Long	Short
AUD	-3.1%	-1.3%	3.5%	2.7%	14	17
CAD	0.7%	-1.3%	49.2%	29.8%	14	17
CHF	-5.8%	-4.2%	27.3%	47.8%	8	24
EUR	-12.0%	-10.1%	17.1%	47.0%	11	22
GBP	-4.9%	-3.3%	14.3%	11.9%	13	19
JPY	2.6%	5.3%	68.8%	74.5%	15	17
NOK	1.5%	2.1%	32.1%	42.2%	14	9
NZD	-0.2%	-3.8%	46.9%	57.7%	15	14
SEK	-0.3%	2.5%	30.0%	5.9%	14	9
USD	11.0%	6.8%	94.4%	87.2%	20	13

Mid Stream?

At the end of 2Q2012, sentiment indicators and positioning analysis do not provide us with clues as to where the market will turn during the summer doldrums. Thus we shall prefer to leave it to its own devices. Both, EURUSD and EURJPY remain in well-entrenched down trends, and do not provide us with any sentiment extremes. This suggests that we find ourselves mid-stream in our sidelined attitude and well advised to maintain a wait-and-see stance for the purpose of managing the debt risk in euro denominated loans.

Current EUR-based loan portfolio

0% USD → current rate: 1.2441

0% JPY → current rate: 98.66

Previous quarter-end rates

EURUSD	EURJPY
1.3314	110.50

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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