



# 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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### 3rd Quarter 2007 Report

Stellar performance start at 11.24% annualised rate (in effect a \$10m loan reduced to \$9.8m, in 3Q2007)

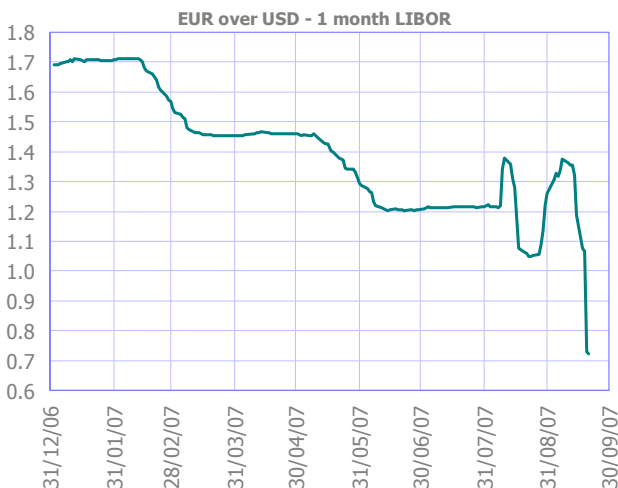
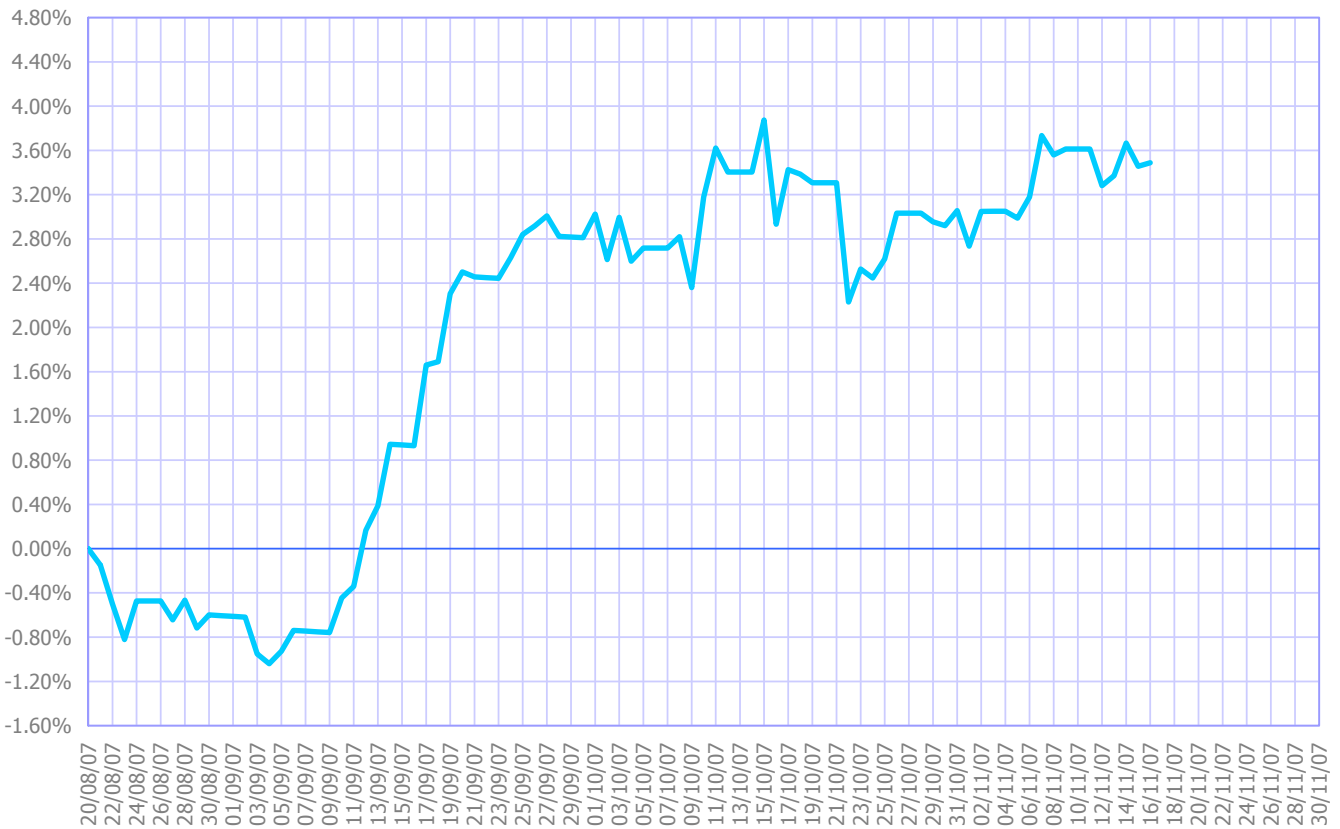
Trading for 3Q2007 began just after mid-August and started with a switch from EUR into GBP, expecting a fall in GBP versus EUR, according to method b) in dynamic debt management (see left).

Initial resilience in EURGBP eventually unfolded into a strong rise of EURGBP from the 0.67 area to 0.70 (equivalent to a 3% drop in GBP against EUR).

Method a) (see left paragraph) in dynamic debt management started to move to the limelight when interest rates in Euroland and the United States started to converge (see interest rate chart further below).

Mid-September DynexCorp therefore switched half the loan balances into USD. This move also resulted in further loan reduction because of the concurrent fall in the dollar.

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



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)

For further information please contact:

Marlene Harrison  
 DynexCorp SA  
 8 rue de la Rôtisserie  
 CH-1204 Geneva, Switzerland  
 +41 22 317 8888  
 +41 22 594 8880  
[info@dynexcorp.com](mailto:info@dynexcorp.com)  
<http://dynexcorp.com>

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