

# 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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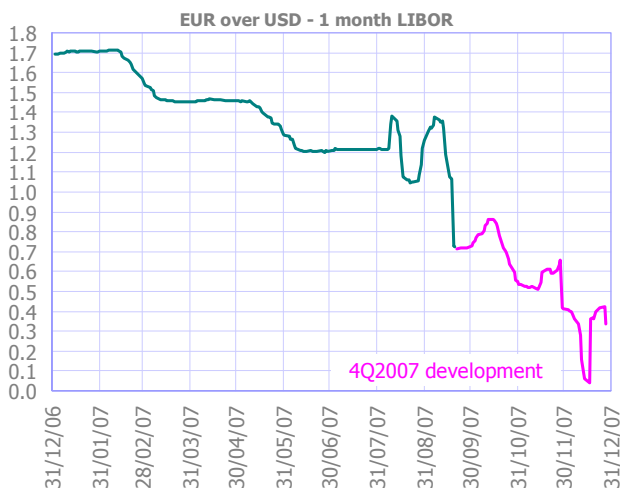
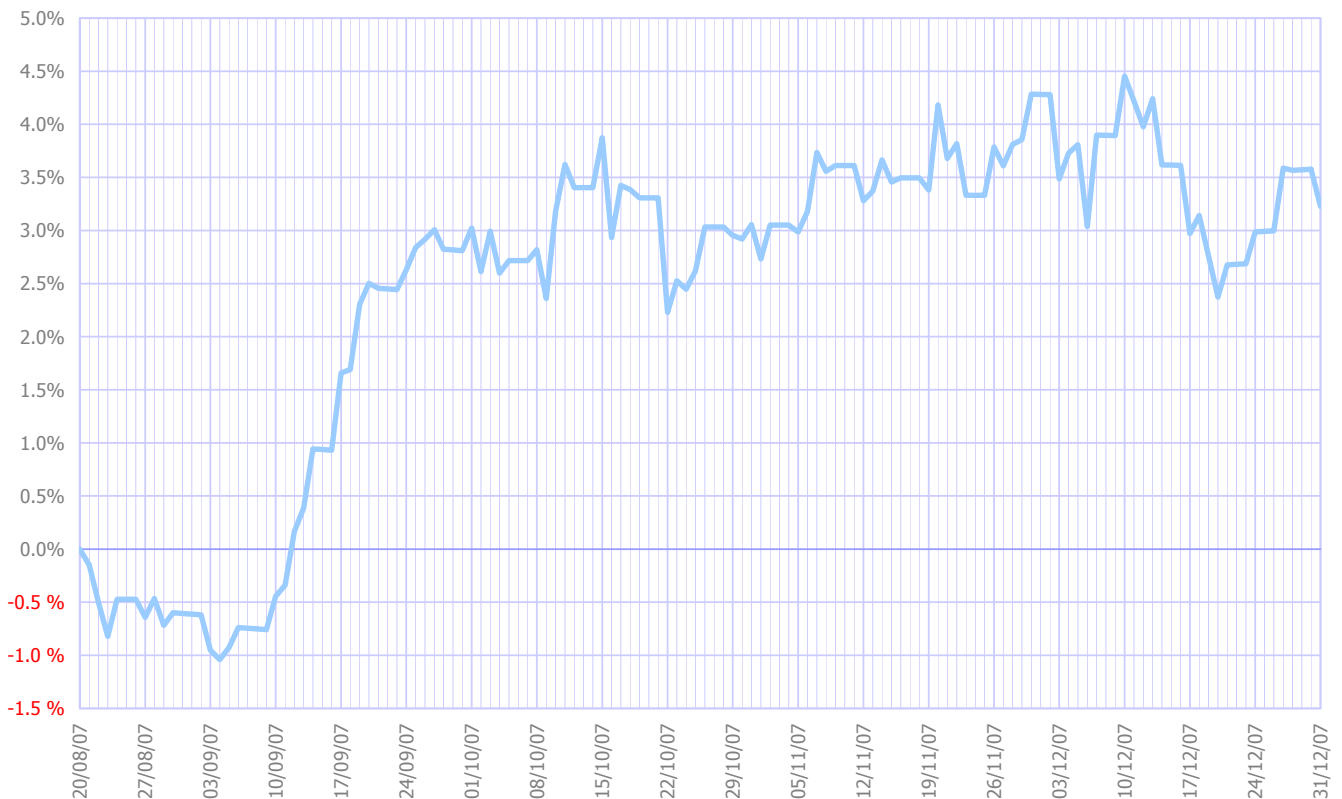
## 4<sup>th</sup> Quarter 2007 Report

+0.42% 4Q gain follows a +2.81% gain in 3Q2007

The usual December jitters affected our USD position: the dollar rallied to everybody's "fear level" (including ours) and stop loss orders took us out near - the dollar top. Conditions for continued dollar weakness haven't changed, as can be seen from the interest rate differential graph at the bottom (updated to include 4Q).

After reaching an intra-period peak of up almost 2%, carry-trade liquidation affected our JPY exposure creating a performance setback, mirroring the stress experienced earlier in the USD rally. Quoting John Percival, our bet is that the 600 point drop in USDJPY "is enough to steady the ship". "At a certain point, you just have to decide, and our resolve would be that we won't have a self-feeding further rout in (short) yen - partly because of the sense that yen borrowing by non-Japanese investors in the area of high-yield debt investment is no longer a big number; whereas real money investment in foreign bonds by Japanese investors is here to stay in 2008."

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



\* 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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