



Dynamic Currency Debt Management

4th Quarter 2010 Report

4 January 2011

Sidelined until year-end, but a fresh start in 2011

DyneXCorp EUR Debt Management 2010: +3.52%

At the end of 3Q2010 we recommended standing aside and leaving the portfolio 100% unhedged in EUR. The results for the calendar year 2010 have been very rewarding:

borrowings in	result from currency moves	result from interest difference	combined result (pro rata time)
USD	+1.30%	+0.12%	+1.42%
GBP	+0.96%	0.00%	+0.96%
JPY	+1.00%	+0.14%	+1.14%
total from EUR debt management in 2010			+3.52%

Just like a year earlier, at the end of 3Q2010, we faced sentiment extremes in all euro crosses. Even more significantly, we experienced a windfall profit. We chose to step aside – wisely as it turns out – moving all borrowings back into EUR.

Unlike last year, on the other hand, we are now ready again to re-enter foreign currencies for our debt portfolio, the simple reason being another bout of extreme EUR bearishness among some of the most prominent currency funds.

Our time-tested trio of USD, GBP and JPY is back in the same proportion as in 2Q2010, namely 50%, 25% and 25% respectively.

as of 3 Jan 2011 - USD: 50%



as of 3 Jan 2011 - USD: GBP: 25%



as of 3 Jan 2011 - USD: JPY: 25%



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: 1.3385
 25% GBP → current rate: 0.8565
 25% JPY → current rate: 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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