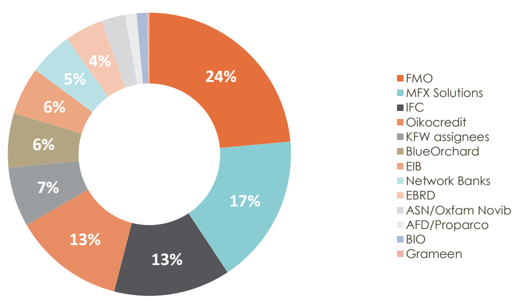
hedging frontier currencies

The Currency Exchange Fund N.V.

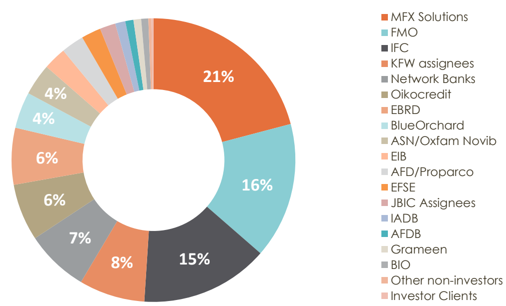
Monthly Report July 2018

TCX Derivatives Portfolio By type of investment	Long local Currency	Short local Currency	Net Exposure (Long-Short)	Gross outstandings (Long+Short)	Gross outstandings Dec-2017
Primary	2,220	377	1,844	2,597	1,950
Trading	5	-	5	5	-
Hedging (LCY:USD)	-	322	(322)	322	199
Total LCY portfolio	**2,225**	**698**	**1,527**	**2,924**	**2,149**
Hedging (EUR:USD)	265	4	261	269	88
Total TCX portfolio	**2,491**	**702**	**1,788**	**3,193**	**2,237**

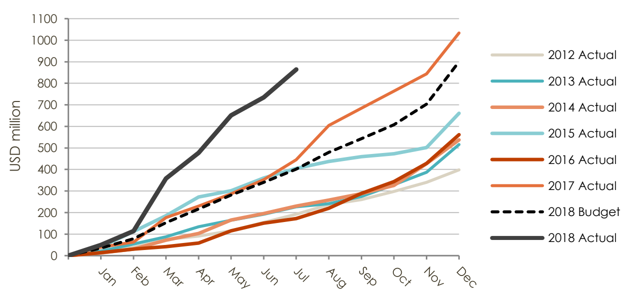
Primary production per counterparty, 2018 ytd (excluding rolls)



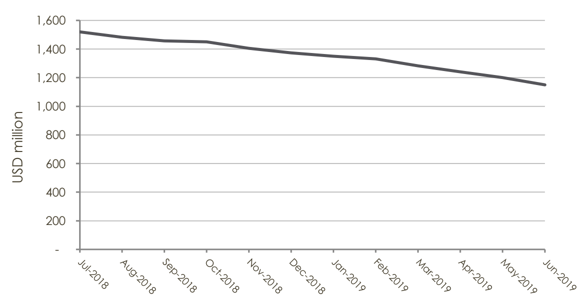
Primary gross outstandings per counterparty



Primary production 2012-2018 (excl. rolls)



Maturity Profile: net LCY portfolio



Profit / Loss	Jul-18 (USD million)	2018 ytd (USD million)	2017 (USD million)
Realized net interest income/loss on swaps/forwards	5.1	57.5	84.3
Realised FX result on principal for swaps/forwards	-2.8	-15.8	-53.9
Unrealised (MtM) income/loss on swaps/forwards	9.8	-29.9	47.2
Results on liquidity investments, incl. translation gains/losses	1.2	6.6	12.1
Results on other items, incl. translation gains/losses	0.4	0.8	7.9
Operational expenses	-1.0	-6.9	-9.4
Other income / expenses (incl. interest on debt)	-0.2	-3.0	-4.4
Net profit/loss realised	12.5	9.3	83.7

On a significant portion of its local currency derivatives portfolio (typically 20%-30%), TCX is short EUR as opposed to USD. This short EUR position is managed in two ways: first, through the purchase of EUR denominated securities (the 'liquidity' portfolio), and second through EUR:USD swaps. These instruments combine to create a matching long EUR position that is designed to neutralize the P&L impact of EUR:USD exchange rate movements. However, for IFRS reporting purposes, the derivatives and securities portfolios must be reported separately. Depending on the movements of the EUR:USD exchange rate, this can lead to reporting translation losses on the liquidity investments. Such losses are always offset by gains on the EUR leg of the local currency derivatives where TCX is short EUR.

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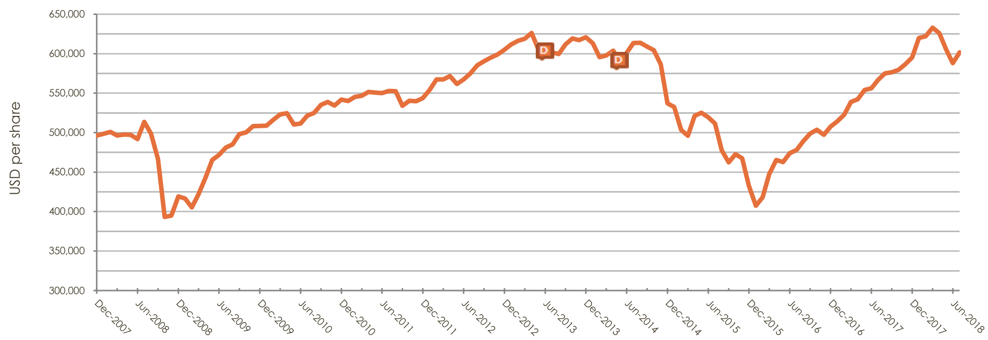
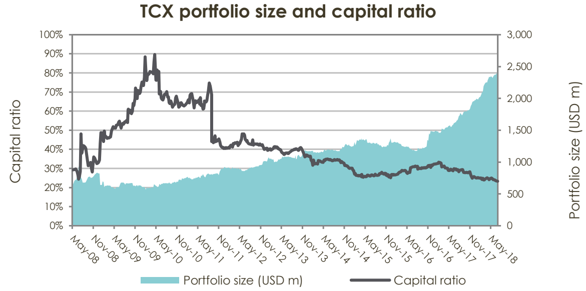
TCX Net Asset Value per A-Share

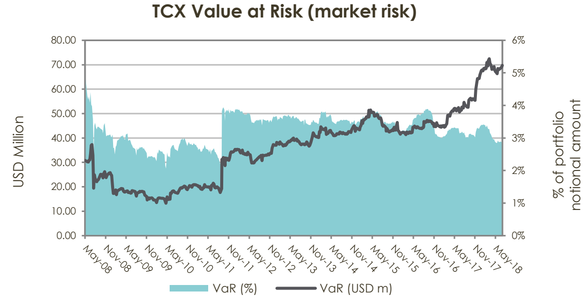


NAV performance	**Jul-18 (USD million)**	**2018 ytd (USD million)**	**Jul-18 (USD/share)**
NAV at start of period	555.1	558.4	587,997
P/L in period	12.5	9.3	13,679
Issuance & redemptions in period	-17.7	-17.8	-31
Distributions to shareholders	0.0	0.0	0.0
NAV at end of period	549.9	549.9	601,644
VaR and capital efficiency	**Jul-18**	**Jun-18**	**Dec-17**
Market risk exposure (USD million)	69.8	68.0	64.3
Market risk exposure (% of notional exposure)	3.1%	3.1%	3.6%
Available Capital (USD million)	762.3	767.7	770.7
Risk Weighted Assets (USD million)	3,273.1	3,186.3	3,005.2
Capital / Risk Weighted Assets (Capital Ratio)	23%	24%	26%
Diversified 12m FX stress test (USD million)	132.9	136.8	135.3
Available Capital/Diversified 12m FX stress test (USD million)	5.7	5.6	5.7
Undiversified 12m FX stress test (USD million)	483.2	475.1	474.3
Available Capital / Undiversified 12m FX stress test (USD million)	1.6	1.6	1.6
Ratio Undiversified/Diversifed stress test	3.64	3.47	3.51

TCX portfolio size and capital ratio



TCX Value at Risk (market risk)



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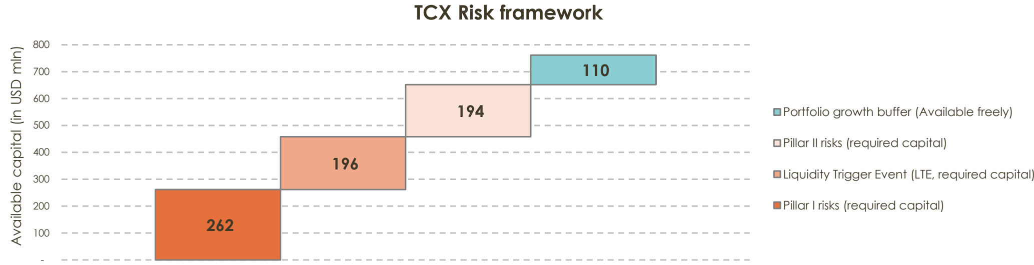
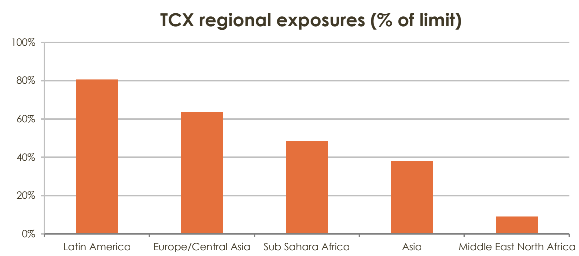
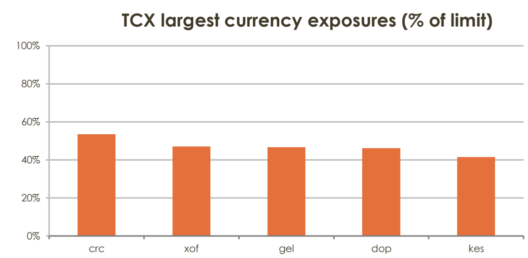


Currency exposures





Country Classification