While the Xtrackers MSCI Europe Hedged Equity Fund (DBEU) offers broad exposure to European stocks, its currency hedge makes it distinct among Europe-focused index. This fund delivers isolated exposure to the performance of the underlying equities in local prices. Currency fluctuations can be a significant driver of gains and losses, and some investors may prefer the potential diversification benefit of exposure to non-U.S. dollar investments.

DBEU maintains broadly similar exposure to the unhedged iShares Core MSCI Europe ETF (IEUR), but the currency hedges means the performance of the two will be substantially different. Investors who expect the U.S. dollar to appreciate relative to the euro might prefer this fund as a way to bet on the performance of European stocks; DBEU should outperform IEUR when the U.S. currency strengthens. Those expecting the dollar to lose value relative to the euro will probably prefer to leave currency exposure unhedged, utilizing a fund such as IEUR instead. Those investors without a strong view in either direction might use a mix of both hedged and unhedged European equity ETFs (e.g., 50% DBEU and 50% IEUR).

Competitors offer similar hedged exposure to European stocks, such as the iShares Currency Hedged MSCI Eurozone ETF (HEZU) or the WisdomTree Europe Hedged Equity Fund (HEDJ). DWS Group’s Xtrackers lineup also includes the Xtrackers MSCI Eurozone Hedged Equity ETF (DBEZ). The biggest difference between the two is that DBEU includes stocks from the U.K. and other countries, like Sweden, that aren’t part of the Eurozone.