

# HSCZ

## iShares Currency Hedged MSCI EAFE Small-Cap ETF

### Fund Description

HSCZ tracks an index of small-cap stocks from developed markets outside the US and Canada, hedged against movements in the underlying currencies for US investors.

### FactSet Analyst Report

HSCZ, launched July 1, 2015, offers no-frills exposure to small-cap developed-market stocks outside the US and Canada, with a currency hedge for US investors. The fund holds large and liquid SCZ to provide the equity exposure, which in turn holds the underlying stocks directly. This structure is akin to a Russian doll, rather than a derivative. Still, derivatives are used for the FX hedge: 1-month forward contracts. We see little additional risk from the forwards themselves, which should provide effective, but not perfect, hedging. HSCZ charges a reasonable fee, but tracking stats won't be helpful as a gauge of holding costs. Its tracking error will look bad because its NAV is based on the market price of SCZ, which can trade when the index's stock markets are closed. In all, HSCZ offers a straightforward basket of currency-hedged stocks. Trade the new fund with care.