Currency as an Asset Class

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For many years, Foreign Exchange (Forex), or currency trading, has been a valuable tool for hedge funds and institutions. Forex trading allows institutions to hedge their global exposures, and provides an opportunity for hedge funds to benefit from fluctuating currencies. According to the Bank of International Settlements, the average daily turnover in the global foreign exchange is estimated to be $5.1 trillion[1], making it the largest and most liquid market in the world. Despite this fact, it was not until the introduction of CurrencyShares® in 2006 that investors of all sizes and sophistication could easily access the Forex markets.

[1] Source: Weber, Joel, and Jason Kelly. "Winds of Change in $5 Trillion FX Market." Bloomberg.com, March 29, 2018.

This information is intended to be general in nature and should neither be construed as investment advice nor a recommendation of any specific security or strategy. **Investors should have a thorough understanding of the risks, as well as potential benefits, of the products and strategies referenced throughout this presentation and consult their financial advisor before deciding what, if any, course of action to take for their own particular situation.**

I. History Lesson

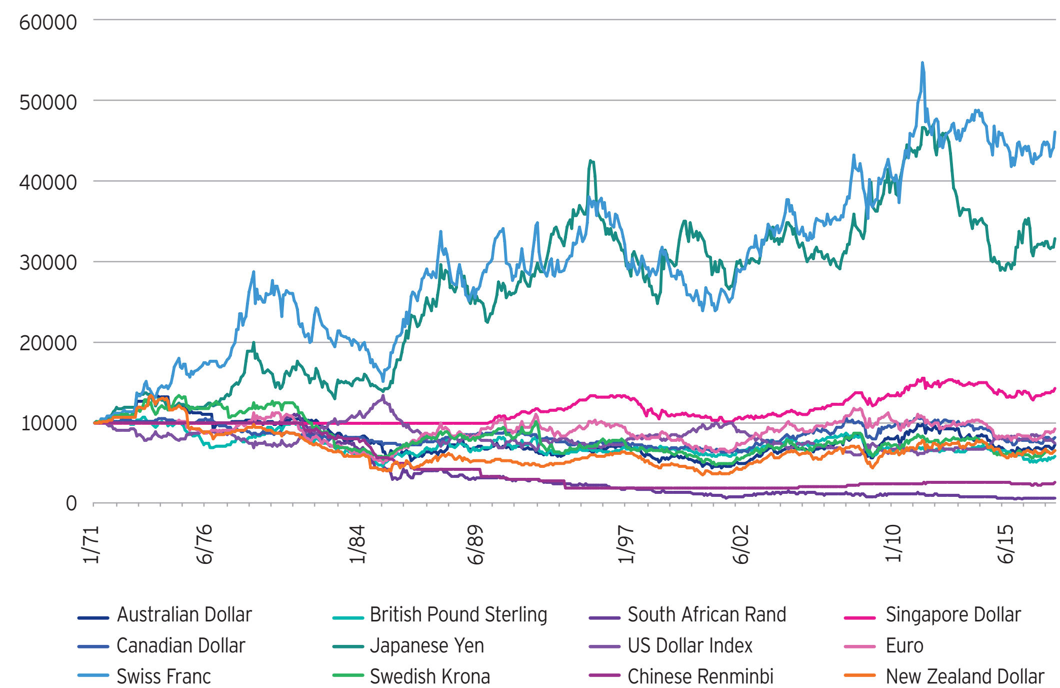
After World War I, world leaders attempted to revive the gold standard, but it collapsed after the Great Depression. Some argued that the adherence to the gold standard prevented the monetary authorities from expanding the money supply rapidly enough to revive the world's economies. In 1944, the world's leaders met in Bretton Woods, New Hampshire, to create a new international monetary system. At the time, the U.S. accounted for more than half of the world's gross domestic product (GDP), and held the most gold; therefore, the leaders decided to tie their currencies to the U.S. dollar, which in turn was convertible into gold at $35 per ounce.

Under Bretton Woods, the various Central Banks were given the task of maintaining fixed exchange rates between their currencies and the dollar. They accomplished this by intervening in the foreign exchange market. If a currency was too high, the Central Bank would sell its currency in exchange for dollars. Conversely, if a currency was too low, the Central Bank would buy its own currency. The Bretton Woods system lasted until 1971.

In 1971, the U.S. had high inflation and a growing trade deficit. The U.S. urged Germany and Japan to appreciate their currencies, but they were reluctant to intervene since raising the value of their currencies would hurt their exports. Eventually, the U.S. abandoned the fixed value, and allowed its rates to "float" (i.e., fluctuate relative to other currencies). In 1973, world leaders agreed to allow exchange rates to float.

Today, there are a number of factors that drive currency values, including interest rates, inflation/deflation, international trade, cross border investment flows, and commodity prices. While the Federal Reserve is well into the current interest rate tightening cycle, the relative attractiveness of investing in foreign economies is on the rise and the dollar has begun to resume its secular downtrend as growth in Europe and Emerging Market economies picks up. The Federal Reserve has indicated that it may tighten policy and raise interest rates.

Exhibit 1: Cumulative Return Chart 1.29.1971-1.31.2018



Source: Bloomberg L.P., based on currency spot rates. **Past performance is no guarantee of future results.** Currency performance shown is based on the currency spot rates and is not meant to represent the performance of the PowerShares CurrencyShares® trusts. The performance shown does not reflect fees, expenses, or transaction costs.

As the data above illustrates, currencies fluctuate a great deal. Currencies reflect the strengths and weaknesses of a particular economy, as well as the respective monetary policy. Central Banks may choose to intervene in order to stabilize their currencies or help balance their trade. Currencies represent a valuable investment option for an increasing number of investors.

II. Why Use Currencies?

Many currencies have historically exhibited low correlation to traditional exposures such as equity and fixed income. Currencies may serve as a complement to traditional exposure, and may help dampen a portfolio's volatility. Currencies can be used in a number of different ways. They can be used to speculate on price movements, or to hedge exposure to a particular market. They can be used as a means of diversifying cash.

Historically, many currencies have served as a hedge to equities and fixed income, due to their low correlation. Over the past 28 years as of Jan. 31, 2018, a basket of currencies, as represented by the US Dollar Index®, exhibited a -0.19 correlation to US equities, and a -0.21 correlation to fixed income.

Exhibit 2: Correlation[2] (1990-2018)

	US Dollar Index®	S&P 500® Index	Bloomberg Barclays U.S. Aggregate Bond Index
US Dollar Index®	1		
S&P 500® Index	-0.19	1	
Bloomberg Barclays U.S. Aggregate Bond Index	-0.21	0.096	1

Bloomberg L.P., Jan. 1, 1990 - Jan. 31, 2018

Another popular strategy is often referred to as the "carrytrade." In its simplest form, the carry-trade purchases a higher-yielding currency, and sells a lower-yielding currency. The investor would seek to profit from the interest rate differential between the two currencies, while accepting the risk that spot rates could move against him.

While the Forex market is very large and liquid, the average investor may lack a sufficient understanding of the futures markets to invest in the same manner as institutions and hedge funds. Until recently, currency trading was largely the domain of institutions and hedge funds due to the high costs, high minimums, and the over-the-counter nature of the Forex market. Exchange traded products (ETPs) provide another means of gaining currency exposure. For the average investor, currency ETPs can be used for investment purposes, or merely as a way of hedging the impact of currency fluctuations over time.

For example, consider an investor who would like to buy a second home in Europe. It might take him several months or more to find something and then actually settle on the house. If he is concerned that during the period his purchasing power could become eroded by a weakening dollar, he could purchase exposure to the euro. When he reaches the settlement date on the house, he just sells his euro exposure and puts the proceeds toward the purchase. Investments in these strategies are subject to certain risks. There can be no guarantee any investment will be successful. Investors should consider their own situation and risk tolerance before investing.

[2] Currency as measured by the US Dollar Index® Source: Bloomberg L.P., from Jan. 31, 1990 to Jan. 31, 2018. **Past performance is no guarantee of future results**. Index returns do not reflect fees, expenses, or transaction costs. You cannot invest directly in an index.

III. A Note About Risk

Currency investing does have inherent risks. As with any investment, investors should consider the investment objectives, risks, charges, and expenses of currency investments carefully before investing. Several factors may affect the price of foreign currency relative to the U.S. dollar, including: national debt levels and trade deficits; domestic and foreign inflation rates and investors' expectations concerning inflation rates; domestic and foreign interest rates and investors' expectation concerning interest rates; investment and trading activities of mutual funds, hedge funds, and currency funds; and global, or regional political, economic, or financial events and situations. When the price of the currency declines, an investor could be adversely affected. Short selling involves increased risks and costs, including paying more for a security than it received from its sale and the risk of unlimited losses.

IV. PowerShares CurrencyShares®

The leader in currency-based exchange traded funds based on assets, PowerShares CurrencyShares offers investors access to nine currencies in a cost-effective[2] exchange traded structure. PowerShares CurrencyShares are grantor trusts that hold actual foreign currency deposits in a segregated account, rather than using futures contracts or other proxies that may lead to imprecise tracking of the underlying currency. Interest earned, if any, accrues daily. After trust expenses are paid, remaining interest is distributed to shareholders monthly[1]. If the trust's expenses exceed interest earned, the trustee will withdraw currency held by the trust to pay the excess, thereby reducing the number of currency per share. This may create a taxable event. Please consult your tax advisor. Tickers for these products are as follows:

PowerShares CurrencyShares® Australian Dollar Trust (FXA)
PowerShares CurrencyShares® British Pound Sterling Trust (FXB)
PowerShares CurrencyShares® Canadian Dollar Trust (FXC)
PowerShares CurrencyShares® Chinese Renminbi Trust (FXCH)
PowerShares CurrencyShares® Euro Trust (FXE)
PowerShares CurrencyShares® Japanese Yen Trust (FXY)
PowerShares CurrencyShares® Singapore Dollar Trust (FXSG)
PowerShares CurrencyShares® Swedish Krona Trust (FXS)
PowerShares CurrencyShares® Swiss Franc Trust (FXF)

The PowerShares CurrencyShares ETPs provide a cost-effective means of investing in foreign currencies. The following are some additional key benefits

- **Accessibility.** Investors can access the currency markets through a traditional brokerage account. Shares are bought and sold on the NYSE Arca just like other exchange-listed securities.
- **Transparency.[3]** PowerShares CurrencyShares are grantor trusts, and they hold actual foreign currency deposits as their sole asset as opposed to money market debt instruments or derivatives contracts.
- **Direct Currency Access.** The foreign currencies are deposited into segregated depository accounts at J.P. Morgan (London).[4]
- **Exchange Traded.** PowerShares CurrencyShares are bought and sold on the NYSE Arca, providing an efficient means of incorporating tactical strategies or hedging exposures. PowerShares CurrencyShares are eligible for margin.
- **Liquidity.[5]** PowerShares CurrencyShares are liquid. They can be purchased in the secondary market. Shares of each trust can be created or redeemed in baskets of 50,000 units by authorized participants.
- **Choice.** With nine different products covering the world's major currencies, investors can easily customize their trades to help meet their investment objectives.
- **Direct Currency Holdings.** The assets of each trust back the shares. The trust does not hold or employ derivatives.

[1] Such interest is not expected to form a significant part of the shareholder's investment return. [2] Since ordinary brokerage commissions apply for each buy and sell transaction, frequent trading activity may increase the cost of ETFs. [3] Full portfolio holdings are disclosed daily. [4] Invesco is not affiliated with JP Morgan or the NYSE Arca. [5] Shares are not individually redeemable and owners of the shares may acquire those shares from the fund and tender those shares for redemption to the fund in creation unit aggregations only, typically consisting of 50,000 shares.

About PowerShares CurrencyShares

PowerShares CurrencyShares are offered by Invesco, an ETF industry innovator and beta disclosure pioneer. In addition to PowerShares CurrencyShares, we offer a suite of commodity ETFs to give investors access to products that seek commodity exposure on a global level.

Contact us to learn more:
Financial Advisors 800.983.0903
Registered Investment Advisors and Institutions 866.406.5693

Correlation is the degree to which two investments have historically moved in relation to each other. Beta is a measure of risk representing how a security is expected to respond to general market movements. Smart beta represents an alternative and selection index based methodology that seeks to outperform a benchmark or reduce portfolio risk, or both in active or passive vehicles. Smart beta funds may underperform cap-weighted benchmarks and increase portfolio risk.

Index Disclosure The US Dollar Index is a geometrically weighted measure of the value of the United States dollar relative to a basket of foreign currencies. **The Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). An investment cannot be made into an index.

This material must be accompanied or preceded by a prospectus.

This information does not constitute tax advice. Please consult your tax advisor and/or state and local tax offices for more complete information. This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

CurrencyShares are subject to risks similar to those of stocks and may not be suitable for all investors. The value of the Shares relates directly to the value of the respective currency held by the Trust. Fluctuations in the price of the respective currency could materially and adversely affect the value of the Shares.

The respective currency's' exchange rate, like foreign exchange rates in general, can be volatile and difficult to predict. This volatility could materially and adversely affect the performance of the Shares. Investment in foreign exchange related products is subject to many factors that contribute to or increase volatility, such as national debt levels and trade deficits, changes in domestic and foreign interest rates, and investors' expectations concerning interest rates, currency exchange rates and global or regional political, economic or financial events and situations.

If interest earned by the Trusts' do not exceed the Trusts' expenses, the Trustees will withdraw the currency from the Trust to pay these excess expenses, which will reduce the amount of currency represented by each Share on an ongoing basis and may result in adverse tax consequences for Shareholders.

The interest rate paid by the Depository, if any, may not be the best rate available. If the Sponsor determines that the interest rate is inadequate, then its sole recourse is to remove the Depository and terminate the Deposit Accounts.

If the Trusts incur expenses in USD, the Trusts would be required to sell the respective currency to pay these expenses. The sale of the Trust's currency to pay expenses in USD at a time of low prices of the currency could adversely affect the value of the Shares.

Substantial sales of the respective security by the official sector could adversely affect an investment in the Shares.

The Funds are subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with investments in the Funds.

The Funds are not mutual funds or any other type of Investment Company within the meaning of the Investment Company Act of 1940, as amended, and are not subject to regulation thereunder.

NOT FDIC INSURED | NOT BANK GUARANTEED | MAY LOSE VALUE.

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