The Hedged-or-Not Checklist

Measure matched data, identify the policy, then decide which currency risk you need to manage.

1. Measure a matched benchmark gap

Use the exact benchmark, market, size, style, dates and total-return convention. Compare local currency with USD, gross with gross or net with net. A fund statement can differ because of fees, tracking, taxes and cash-flow timing. A local-currency benchmark is not a hedged ETF return. If matched history is unavailable, request it from the issuer or MSCI; leave the currency contribution unquantified.

2. Identify the exact share class and hedge

The fund name is a clue, not proof. Confirm the policy in the prospectus or official factsheet: which currencies, what share of exposure and what period are covered? Compare actual expenses, transaction costs, forward carry and tracking. A fee spread between funds with different indexes does not isolate the cost of hedging.

3. Decide from horizon, spending currency and risk

A shorter horizon or bond-heavy sleeve can make currency risk harder to absorb. A long equity horizon does not guarantee that unhedged wins. Specify the risk you want to reduce, then assess the actual implementation. There is no universal five-year cutoff or assured hedge premium. A hedge changes exposure; it does not guarantee higher returns.

Fund / exact share class: _____

Benchmark / dates / return convention: _____

Hedge policy confirmed: Yes [ ] No [ ] Unclear [ ] Source/date: _____

Spending currency / horizon / risk to reduce: _____

Decision and costs checked: _____

Keep the model separate

The article's $163,177 gap uses $300,000 initially, $1,500 per month, a normalized 10-year horizon and a 70/30 developed/emerging split. Its $20,366 cost-only hedge gap assumes a fixed 0.30-point annual cost. Neither is an observed account result or a real hedged ETF result. The developed-index endpoints are 110.59% local versus 64% USD, 2014-01-01 to 2024-02-29.

Research context: Obstfeld & Zhou (2023), NBER w31004, attribute about one fifth of emerging-market equity movements over two-year horizons to dollar shocks. This is a separate measure, not a hedge recommendation.

Full article, matching procedure and research links | Updated October 17, 2026