

Invesco CurrencyShares Euro Trust
Form 10-Q
June 11, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended April 30, 2018

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-32694

Invesco CurrencyShares® Euro Trust

Sponsored by Invesco Specialized Products, LLC

(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of	20-3613421 (IRS Employer
incorporation or organization)	Identification No.)
3500 Lacey Road, Suite 700 Downers Grove, Illinois (Address of principal executive offices)	60515 (Zip Code)
(800) 983-0903 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (d232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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INVESCO CURRENCYSHARES® EURO TRUST

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Invesco CurrencyShares® Euro Trust****Statements of Financial Condition**

	April 30, 2018 (Unaudited)	October 31, 2017
<u>Assets</u>		
Current Assets:		
Euro deposits, interest bearing	\$ 394,980,172	\$ 376,734,108
Euro deposits, non-interest bearing		
Subscriptions receivable		16,859,306
Total Current Assets	\$ 394,980,172	\$ 393,593,414
<u>Liabilities, Redeemable Capital Shares and Shareholders' Equity</u>		
Current Liabilities:		
Accrued Sponsor's fee	\$ 126,381	\$ 108,181
Accrued interest expense	128,309	109,910
Total Current Liabilities	254,690	218,091
Commitments and Contingent Liabilities (note 8)		
Redeemable Capital Shares, at redemption value, no par value, 139,500,000 and 137,000,000 authorized, respectively 3,400,000 and 3,500,000 issued and outstanding, respectively	394,725,482	393,375,323
Shareholders' Equity:		
Retained Earnings		
Cumulative Translation Adjustment		
Total Liabilities, Redeemable Capital Shares and Shareholders' Equity	\$ 394,980,172	\$ 393,593,414

See Notes to Financial Statements.

Table of Contents**Invesco CurrencyShares® Euro Trust****Statements of Comprehensive Income****(Unaudited)**

	Three months ended April 30, 2018	Three months ended April 30, 2017	Six months ended April 30, 2018	Six months ended April 30, 2017
<u>Income</u>				
Interest Income	\$	\$	\$	\$
Total Income				
<u>Expenses</u>				
Sponsor's fee	(352,863)	(231,287)	(657,367)	(431,772)
Interest Expense	(358,409)	(234,179)	(678,111)	(440,974)
Total Expenses				
Net Loss	\$ (711,272)	\$ (465,466)	\$ (1,335,478)	\$ (872,746)
Basic and Diluted Earnings per Share				
	\$ (0.23)	\$ (0.20)	\$ (0.47)	\$ (0.41)
Weighted-average Shares Outstanding				
	3,076,966	2,321,348	2,835,359	2,108,840
Cash Dividends per Share				
	\$	\$	\$	\$
Other Comprehensive Income/(Loss):				
Currency translation adjustment	13,288	(8,908)	(14,477)	(14,951)
Total Comprehensive Loss				
	\$ (697,984)	\$ (474,374)	\$ (1,349,955)	\$ (887,697)

See Notes to Financial Statements.

Table of Contents**Invesco CurrencyShares® Euro Trust****Statements of Changes in Shareholders' Equity**

	Six months ended April 30, 2018 (Unaudited)	Year ended October 31, 2017
Retained Earnings, Beginning of Period	\$	\$
Net Loss	(1,335,478)	(2,178,761)
Adjustment of redeemable capital shares to redemption value	1,335,478	2,178,761
Retained Earnings, End of Period	\$	\$
Cumulative Translation Adjustment, Beginning of Period	\$	\$
Currency translation adjustment	(14,477)	(33,837)
Adjustment of redeemable capital shares to redemption value	14,477	33,837
Cumulative Translation Adjustment, End of Period	\$	\$

See Notes to Financial Statements.

Table of Contents**Invesco CurrencyShares® Euro Trust****Statements of Cash Flows****(Unaudited)**

	Six months ended April 30, 2018	Six months ended April 30, 2017
<u>Cash flows from operating activities</u>		
Cash received for accrued income	\$	\$
Cash paid for expenses	(1,305,463)	(853,452)
Net cash used in operating activities	(1,305,463)	(853,452)
<u>Cash flows from financing activities</u>		
Cash received to purchase redeemable shares	466,558,600	434,736,142
Cash paid to redeem redeemable shares	(460,981,544)	(414,238,526)
Net cash provided by financing activities	5,577,056	20,497,616
Adjustment to period cash flows due to currency movement	13,974,471	(1,354,313)
Increase in cash	18,246,064	18,289,851
Cash at beginning of period	376,734,108	266,705,058
Cash at end of period	\$ 394,980,172	\$ 284,994,909
<u>Reconciliation of net loss to net cash used in operating activities</u>		
Net Loss	\$ (1,335,478)	\$ (872,746)
Adjustments to reconcile net loss to net cash used in operating activities:		
Currency translation adjustment	(6,584)	709
Accrued sponsor fee	126,381	86,213
Accrued interest expense	128,309	85,624
Prior period accrued sponsor fee	(108,181)	(75,126)
Prior period accrued interest expense	(109,910)	(78,126)
Net cash used in operating activities	\$ (1,305,463)	\$ (853,452)

See Notes to Financial Statements.

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Invesco CurrencyShares® Euro Trust

Notes to Financial Statements

(Unaudited)

1. Background

On September 28, 2017, Guggenheim Capital, LLC (Guggenheim) and Invesco Ltd. entered into a Transaction Agreement (the Transaction Agreement), pursuant to which Guggenheim agreed to transfer all of the membership interests of Guggenheim Specialized Products, LLC (the Sponsor) to Invesco Capital Management LLC (Invesco Capital Management).

The Transaction Agreement was consummated on April 6, 2018 (the Closing) and immediately following the Closing, Invesco Capital Management changed the name of the Sponsor to Invesco Specialized Products, LLC.

2. Organization and Description of the Trust

The Invesco CurrencyShares® Euro Trust (the Trust) was formed under the laws of the State of New York on December 5, 2005 when the Sponsor deposited 100 euro in the Trust 's primary deposit account held by JPMorgan Chase Bank, N.A., London Branch (the Depository). The Sponsor is a Delaware limited liability company whose sole member is Invesco Capital Management. The Sponsor is responsible for, among other things, overseeing the performance of The Bank of New York Mellon (the Trustee) and the Trust 's principal service providers, including the preparation of financial statements. The Trustee is responsible for the day-to-day administration of the Trust.

The investment objective of the Trust is for the Trust 's shares (the Shares) to reflect the price in U.S. Dollars (USD) of the euro plus accrued interest, if any, less the Trust 's expenses and liabilities. The Shares are intended to provide investors with a simple, cost-effective means of gaining investment benefits similar to those of holding euro. The Trust 's assets primarily consist of euro on demand deposit in two deposit accounts maintained by the Depository: a primary deposit account which may earn interest and a secondary deposit account which does not earn interest. The secondary deposit account is used to account for any interest that may be received and paid out on creations and redemptions of blocks of 50,000 Shares (Baskets). The secondary account is also used to account for interest earned, if any, on the primary deposit account, pay Trust expenses and distribute any excess interest to holders of Shares (Shareholders) on a monthly basis.

The accompanying unaudited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and with the instructions for Form 10-Q and the rules and regulations of the U.S. Securities and Exchange Commission. In the opinion of management, all material adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement of the interim period financial statements have been made. Interim period results are not necessarily indicative of results for a full-year period. These financial statements and the notes thereto should be read in conjunction with the Trust 's financial statements included in the Form 10-K as filed on January 11, 2018.

3. Significant Accounting Policies

A. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets, liabilities and disclosures of contingent liabilities at the date of the financial statements, the reported amounts of revenue and expenses during the period and the evaluation of subsequent events through the issuance date of the financial statements. Actual results could differ from those estimates.

B. Foreign Currency Translation

The Trustee calculates the Trust's net asset value (NAV) each business day, as described in Note 4. For NAV calculation purposes, euro deposits (cash) are translated at the Closing Spot Rate, which is the euro/USD exchange rate as determined and published by The WM Company at 4:00 PM (London time / London fixing) on each day that NYSE Arca, Inc. (NYSE Arca) is open for regular trading.

The Trust maintains its books and records in euro. For financial statement reporting purposes, the U.S. Dollar is the reporting currency. As a result, the financial records of the Trust are translated from euro to USD. The Closing Spot Rate on the last day of the period is used for translation in the statements of financial condition. The average Closing Spot Rate for the period is used for translation in the statements of comprehensive income and the statements of cash flows. Any currency translation adjustment is included in comprehensive income.

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C. Federal Income Taxes

The Trust is treated as a grantor trust for federal income tax purposes and, therefore, no provision for federal income taxes is required. Interest, gains and losses are passed through to the Shareholders.

Shareholders generally will be treated, for U.S. federal income tax purposes, as if they directly owned a pro-rata share of the assets held in the Trust. Shareholders also will be treated as if they directly received their respective pro-rata portion of the Trust's income, if any, and as if they directly incurred their respective pro-rata portion of the Trust's expenses. The acquisition of Shares by a U.S. Shareholder as part of a creation of a Basket will not be a taxable event to the Shareholder.

The Sponsor's fee accrues daily and is payable monthly. For U.S. federal income tax purposes, an accrual-basis U.S. Shareholder generally will be required to take into account as an expense its allocable portion of the USD-equivalent of the amount of the Sponsor's fee that is accrued on each day, with such USD-equivalent being determined by the currency exchange rate that is in effect on the respective day. To the extent that the currency exchange rate on the date of payment of the accrued amount of the Sponsor's fee differs from the currency exchange rate in effect on the day of accrual, the U.S. Shareholder will recognize a currency gain or loss for U.S. federal income tax purposes.

The Trust does not expect to generate taxable income except for interest income (if any) and gain (if any) upon the sale of euro. A non-U.S. Shareholder generally will not be subject to U.S. federal income tax with respect to gain recognized upon the sale or other disposition of Shares, or upon the sale of euro by the Trust, unless: (1) the non-U.S. Shareholder is an individual and is present in the United States for 183 days or more during the taxable year of the sale or other disposition, and the gain is treated as being from United States sources; or (2) the gain is effectively connected with the conduct by the non-U.S. Shareholder of a trade or business in the United States.

A non-U.S. Shareholder's portion of any interest income earned by the Trust generally will not be subject to U.S. federal income tax unless the Shares owned by such non-U.S. Shareholder are effectively connected with the conduct by the non-U.S. Shareholder of a trade or business in the United States.

D. Revenue Recognition

Interest on the primary deposit account, if any, accrues daily as earned and is received or paid on a monthly basis. Any interest below zero for the period is reflected as interest expense. The Depository may change the rate at which interest accrues, including reducing the interest rate to zero or below zero, based upon changes in market conditions or based on the Depository's liquidity needs. Interest charged on the primary deposit account will be disclosed as interest expense.

E. Dividends

To the extent that the interest earned by the Trust, if any, exceeds the sum of the Sponsor's fee for the prior month plus other Trust expenses, if any, the Trust will distribute, as a dividend (herein referred to as dividends or distributions), the excess interest earned in euro effective on the first business day of the subsequent month. The Trustee will direct that the excess euro be converted into USD at the prevailing market rate and the Trustee will distribute the USD as promptly as practicable to Shareholders on a pro-rata basis (in accordance with the number of Shares that they own).

4. Euro Deposits

Euro principal deposits are held in a euro-denominated, interest-bearing demand account. The interest rate in effect as of April 30, 2018 was an annual nominal rate of -0.40%. For the six months ended April 30, 2018, there were euro principal deposits of 370,604,298, euro principal redemptions of 380,473,377 and euro withdrawals (to pay expenses) of 1,077,470, resulting in an ending euro principal balance of 326,916,399. This equates to 394,980,172 USD. For the year ended October 31, 2017, there were euro principal deposits of 997,328,606, euro principal redemptions of 900,863,979 and euro withdrawals (to pay expenses) of 1,901,235, resulting in an ending euro principal balance of 337,862,948. This equates to 393,593,414 USD (which includes USD subscriptions receivable).

Net interest, if any, associated with creation and redemption activity is held in a euro-denominated non-interest-bearing account, and any balance is distributed in full as part of the monthly income distributions, if any.

5. Redeemable Capital Shares

Shares are classified as redeemable for financial statement purposes, since they are subject to redemption. Shares are issued and redeemed continuously in Baskets in exchange for euro. Individual investors cannot purchase or redeem Shares in direct transactions with the Trust. Only Authorized Participants (as defined below) may place orders to create and redeem Baskets.

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An Authorized Participant is a Depository Trust Company (DTC) participant that is a registered broker-dealer or other institution eligible to settle securities transactions through the book-entry facilities of the DTC and which has entered into a contractual arrangement with the Trust and the Sponsor governing, among other matters, the creation and redemption process. Authorized Participants may redeem their Shares at any time in Baskets.

Due to expected continuing creations and redemptions of Baskets and the two-day period for settlement of each creation or redemption, the Trust reflects Shares created as a receivable on the trade date. Shares redeemed are reflected as a liability on the trade date. Outstanding Shares are reflected at a redemption value, which is the NAV per Share at the period end date. Adjustments to redeemable capital Shares at redemption value are recorded against retained earnings or, in the absence of retained earnings, by charges against the cumulative translation adjustment.

Activity in redeemable capital Shares is as follows:

	Six months ended April 30, 2018 (Unaudited)		Year ended October 31, 2017	
	Shares	U.S. Dollar Amount	Shares	U.S. Dollar Amount
Opening Balance	3,500,000	\$ 393,375,323	2,500,000	\$ 266,551,806
Shares issued	3,850,000	449,024,167	10,300,000	1,108,131,814
Shares redeemed	(3,950,000)	(460,981,544)	(9,300,000)	(1,000,949,967)
Adjustment to period Shares due to currency movement and other		13,307,536		19,641,670
Ending Balance	3,400,000	\$ 394,725,482	3,500,000	\$ 393,375,323

The Trustee calculates the Trust's NAV each business day. To calculate the NAV, the Trustee subtracts the Sponsor's accrued fee through the previous day from the euro held by the Trust (including all unpaid interest, if any, accrued through the preceding day) and calculates the value of the euro in USD based upon the Closing Spot Rate. If, on a particular evaluation day, the Closing Spot Rate has not been determined and announced by 6:00 PM (London time), then the most recent Closing Spot Rate will be used to determine the NAV of the Trust unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for the valuation. If the Trustee and the Sponsor determine that the most recent Closing Spot Rate is not an appropriate basis for valuation of the Trust's euro, they will determine an alternative basis for the valuation. The Trustee also determines the NAV per Share, which equals the NAV of the Trust, divided by the number of outstanding Shares. Shares deliverable under a purchase order are considered outstanding for purposes of determining NAV per Share; Shares deliverable under a redemption order are not considered outstanding for this purpose.

6. Related Party Agreements

The Sponsor is a related party of the Trust. The Sponsor's fee accrues daily at an annual nominal rate of 0.40% of the euro in the Trust (including all unpaid interest but excluding unpaid fees, each as accrued through the immediately preceding day) and is paid monthly.

The Sponsor assumes and pays the following administrative and marketing expenses incurred by the Trust: the Trustee's monthly fee, NYSE Arca listing fees, SEC registration fees, typical maintenance and transaction fees of the Depository, printing and mailing costs, audit fees and expenses, up to \$100,000 per year in legal fees and expenses, and applicable license fees.

In certain exceptional cases the Trust will pay for some expenses in addition to the Sponsor's fee. These exceptions include expenses not assumed by the Sponsor (i.e., expenses other than those identified in the preceding paragraph), expenses resulting from a negative interest rate, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Trustee or the Sponsor on behalf of the Trust or action taken by the Trustee or the Sponsor to protect the Trust or the interests of Shareholders, indemnification of the Sponsor under the Depository Trust Agreement, audit fees and legal expenses in excess of \$100,000 per year.

7. Concentration Risk

All of the Trust's assets are euro, which creates a concentration risk associated with fluctuations in the price of euro. Accordingly, a decline in the euro to USD exchange rate will have an adverse effect on the value of the Shares. Factors that may have the effect of causing a decline in the price of euro include national debt levels and trade deficits, domestic and foreign inflation rates, domestic and foreign interest rates, investment and trading activities of institutions and global or

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regional political, economic or financial events and situations. The price of euro has fluctuated widely over the past several years, and volatility has increased due, in part, to concern over the sovereign debt levels of certain European Union members and the potential impact of this debt on the composition of the European Union members and the value of the euro. Substantial sales of euro by the official sector (central banks, other governmental agencies and related institutions that buy, sell and hold euro as part of their reserve assets) could adversely affect an investment in the Shares.

All of the Trust's euro are held by the Depository. Accordingly, a risk associated with the concentration of the Trust's assets in accounts held by a single financial institution exists and increases the potential for loss by the Trust and the Trust's beneficiaries in the event that the Depository becomes insolvent.

8. Commitments and Contingencies

Under the Trust's organizational documents, the Sponsor is indemnified against any liability or expense it incurs without negligence, bad faith or willful misconduct on its part. The Trust's maximum exposure under this arrangement is unknown, as this would involve future claims that may be made against the Trust that have not yet occurred.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as anticipate, expect, intend, plan, believe, outlook and estimate and other similar words. Forward-looking statements are based upon our current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance. Various factors may cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include fluctuations in the price of the euro, as the value of the Shares relates directly to the value of the euro held by the Trust and price fluctuations could materially adversely affect an investment in the Shares. Readers are urged to review the Risk Factors section contained in the Trust's most recent annual report on Form 10-K for a description of other risks and uncertainties that may affect an investment in the Shares.

Neither Invesco Specialized Products, LLC (the Sponsor) nor any other person assumes responsibility for the accuracy or completeness of forward-looking statements contained in this report. The forward-looking statements are made as of the date of this report, and will not be revised or updated to reflect actual results or changes in the Sponsor's expectations or predictions.

Trust Overview

The Invesco CurrencyShares® Euro Trust (the Trust) is a grantor trust that was formed on December 5, 2005. The Trust issues shares (the Shares) in blocks of 50,000 (a Basket) in exchange for deposits of euro and distributes euro in connection with the redemption of Baskets. The Shares began trading on the New York Stock Exchange under the ticker symbol FXE on December 12, 2005. The primary listing of the Shares was transferred to NYSE Arca on October 30, 2007.

The investment objective of the Trust is for the Shares to reflect the price of the euro plus accrued interest, if any, less the expenses of the Trust's operations. The Shares are intended to offer investors an opportunity to participate in the market for the euro through an investment in securities. The Shares are intended to provide institutional and retail investors with a simple, cost-effective means of gaining investment benefits similar to those of holding the euro. The Shares are bought and sold on NYSE Arca like any other exchange-listed security. The Shares are backed by the assets of the Trust, which does not hold or use derivative products. The Trust is a passive investment vehicle and does not have any officers, directors or employees. The Trust does not engage in any activities designed to obtain profit from, or ameliorate losses caused by, changes in the price of the euro. Investing in the Shares does not insulate the investor from certain risks, including price volatility.

Definition of Net Asset Value

The Trustee calculates, and the Sponsor publishes, the Trust's Net Asset Value (NAV) each business day. To calculate the NAV, the Trustee adds to the amount of euro in the Trust at the end of the preceding day accrued but unpaid interest, if any, euro receivable under pending purchase orders and the value of other Trust assets, and subtracts the accrued but unpaid Sponsor's fee, euro payable under pending redemption orders and other Trust expenses and liabilities, if any. The NAV is expressed in USD based on the euro/USD exchange rate as determined by The WM Company as of 4:00 PM (London time / London fixing) (the Closing Spot Rate) on each day that NYSE Arca is open for regular trading. If, on a particular evaluation day, the Closing Spot Rate has not been determined and announced by 6:00 PM (London time), then the most recent Closing Spot Rate is used to determine the NAV of the Trust un-