

**POWERSHARES EXCHANGE-TRADED FUND TRUST**  
**SUPPLEMENT DATED DECEMBER 18, 2012 TO THE**  
**PROSPECTUS DATED AUGUST 31, 2012 OF:**

PowerShares Dynamic Banking Portfolio  
PowerShares Dynamic Biotechnology & Genome Portfolio  
PowerShares Dynamic Building & Construction Portfolio  
PowerShares Dynamic Energy Exploration & Production Portfolio  
PowerShares Dynamic Food & Beverage Portfolio  
PowerShares Dynamic Insurance Portfolio  
PowerShares Dynamic Leisure and Entertainment Portfolio  
PowerShares Dynamic Media Portfolio  
PowerShares Dynamic Networking Portfolio  
PowerShares Dynamic Oil & Gas Services Portfolio  
PowerShares Dynamic Pharmaceuticals Portfolio  
PowerShares Dynamic Retail Portfolio  
PowerShares Dynamic Semiconductors Portfolio  
PowerShares Dynamic Software Portfolio

At a meeting held on December 18, 2012, the Board of Trustees of the PowerShares Exchange-Traded Fund Trust approved the liquidation of PowerShares Dynamic Banking Portfolio and PowerShares Dynamic Insurance Portfolio (each, a “Fund,” and collectively, the “Funds”), which is expected to commence on February 26, 2013.

After the close of business on February 20, 2013, the Funds no longer will accept creation orders. The last day of trading in the Funds on NYSE Arca, Inc. (“NYSE Arca”) will be February 26, 2013. Following that date, the Funds will begin the process of liquidating their portfolio securities. Shareholders should be aware that, thereafter, neither Fund will be pursuing its stated investment objective or engaging in any business activities except for the purposes of winding up its business and affairs, preserving the value of its assets, paying its liabilities, and distributing its remaining assets to shareholders.

Shareholders may sell their holdings of a Fund on NYSE Arca until market close on February 26, 2013, and may incur typical transaction fees from their broker-dealer. The Funds will be de-listed from NYSE Arca on or about March 8, 2013. Shareholders who do not sell their shares of a Fund before the market close on February 26, 2013 will receive cash equal to the amount of the net asset value of their shares, which will include any capital gains and dividends, in the cash portion of their brokerage accounts, on or about March 7, 2013.

Shareholders generally will recognize a capital gain or loss equal to the amount received for their shares over their adjusted basis in such shares.

Shareholders should call 1-800-983-0903 for additional information.

**Please Retain This Supplement For Future Reference.**



powerSHARES™  
xchange traded funds™

## PowerShares Exchange-Traded Fund Trust

PowerShares Dynamic Banking Portfolio (NYSE Arca, Inc. - PJB)

PowerShares Dynamic Biotechnology & Genome Portfolio  
(NYSE Arca, Inc. - PBE)

PowerShares Dynamic Building & Construction Portfolio  
(NYSE Arca, Inc. - PKB)

PowerShares Dynamic Energy Exploration & Production Portfolio  
(NYSE Arca, Inc. - PXE)

PowerShares Dynamic Food & Beverage Portfolio (NYSE Arca, Inc. - PBJ)

PowerShares Dynamic Insurance Portfolio (NYSE Arca, Inc. - PIC)

PowerShares Dynamic Leisure and Entertainment Portfolio  
(NYSE Arca, Inc. - PEJ)

PowerShares Dynamic Media Portfolio (NYSE Arca, Inc. - PBS)

PowerShares Dynamic Networking Portfolio (NYSE Arca, Inc. - PXQ)

PowerShares Dynamic Oil & Gas Services Portfolio (NYSE Arca, Inc. - PXJ)

PowerShares Dynamic Pharmaceuticals Portfolio (NYSE Arca, Inc. - RJP)

PowerShares Dynamic Retail Portfolio (NYSE Arca, Inc. - PMR)

PowerShares Dynamic Semiconductors Portfolio (NYSE Arca, Inc. - PSI)

PowerShares Dynamic Software Portfolio (NYSE Arca, Inc. - PSJ)

August 31, 2012

The U.S. Securities and Exchange Commission ("SEC") has not approved or disapproved these securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

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# PowerShares Dynamic Banking Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Banking Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Banking Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	1.33%
Total Annual Fund Operating Expenses(1) .....	1.83%
Fee Waivers and Expense Assumption(2) .....	1.18%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1)(2) ..	0.65%

- (1) Total Annual Fund Operating Expenses in the table above have been restated to reflect current fees.
- (2) Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds.

This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund

Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

1 YEAR	3 YEARS	5 YEARS	10 YEARS
\$66	\$461	\$880	\$2,051

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 120% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### Principal Investment Strategies

The Fund generally will invest at least 90% of its total assets in common stocks of banking companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. banking companies. These companies include money center banks, regional banks or thrifts that are engaged principally in providing a range of consumer and commercial products and services, including depository and cash management services; consumer and commercial loans; residential and commercial real estate loans; and other related banking products and services. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of banking companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### Principal Risks of Investing in the Fund

The following summarizes the principal risks of the Fund.

*Banking Industry Concentration Risk.* The Fund may be susceptible to adverse economic or regulatory occurrences affecting the banking industry. Banks are subject to extensive government regulation that may affect the scope of their activities, their profitability, the prices that they can charge and the amount of capital that they must maintain. In addition, unstable interest rates can have a disproportionate effect on the banking industry; banks whose securities the Fund may purchase may themselves have concentrated portfolios of loans or investments that make them vulnerable to economic conditions that affect that industry. Increased competition also may affect adversely the profitability or viability of banks.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the

overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

*Non-Diversified Fund Risk.* Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

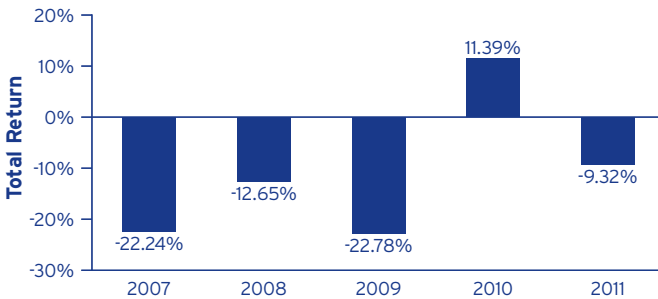
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

### Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 12.36%.

#### Best Quarter

24.51% (4th Quarter 2011)

#### Worst Quarter

(25.53)% (1st Quarter 2009)

## Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (10/12/06)</u>
Return Before Taxes .....	(9.32)%	(11.93)%	(11.39)%
Return After Taxes on Distributions .....	(9.95)%	(12.67)%	(12.16)%
Return After Taxes on Distributions and Sale of Fund Shares .....	(6.06)%	(10.05)%	(9.61)%
<hr/>			
Dynamic Banking Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) .....	(8.67)%	(11.04)%	(10.51)%
S&P Composite 1500 Commercial Banks Index (reflects no deduction for fees, expenses or taxes) .....	(9.54)%	(13.06)%	(12.19)%
Dow Jones US Banks Index (reflects no deduction for fees, expenses or taxes) .....	(25.37)%	(19.53)%	(18.26)%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) .....	.21%	(0.24)%	0.61%

### Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.



# PowerShares Dynamic Biotechnology & Genome Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Biotechnology & Genome Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Biotechnology & Genome Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

#### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.14%
Total Annual Fund Operating Expenses .....	0.64%
Fee Waivers and Expense Assumption(1) .....	0.01%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the

Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$204	\$356	\$797

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 53% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of biotechnology companies and genome companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. biotechnology and genome companies. These companies are engaged principally in the research, development, manufacture and marketing and distribution of various biotechnological products, services and processes, and are companies that benefit significantly from scientific and technological advances in biotechnology and genetic engineering and research. These companies may include, for example, companies involved in the research, development or production of pharmaceuticals, including veterinary drugs. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of biotechnology and genome companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Biotechnology/Genome Industry Concentration Risk.* The biotechnology and genome industry can be significantly affected by patent considerations, including the termination of patent protections for their products, intense competition both domestically and internationally, rapid technological change and obsolescence, government regulation and expensive insurance costs due to the risk of product liability lawsuits. In addition, the biotechnology and genome industry is an emerging growth industry, and therefore biotechnology and genome companies may be thinly capitalized and more volatile than companies with greater capitalizations. Biotechnology and genome companies must contend with high development costs,

which may be exacerbated by the inability to raise prices to cover costs because of managed care pressure, government regulation or price controls.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated

with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

**Non-Diversified Fund Risk.** Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

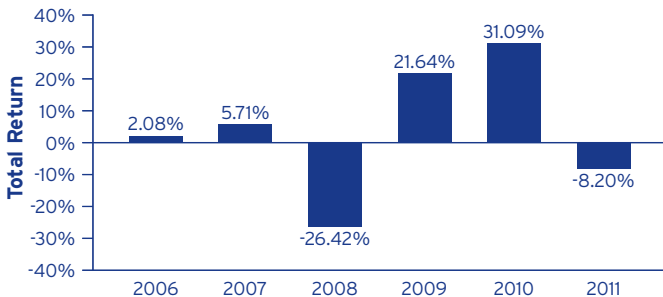
**Issuer-Specific Changes.** The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

### Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 16.01%.

#### Best Quarter

21.89% (3rd Quarter 2009)

#### Worst Quarter

(23.47)% (4th Quarter 2008)

## Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and /or returns after taxes on distributions.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (06/23/05)</u>
Return Before Taxes .....	(8.20)%	2.63%	4.94%
Return After Taxes on Distributions .....	(8.20)%	2.60%	4.91%
Return After Taxes on Distributions and Sale of Fund Shares .....	(5.33)%	2.23%	4.26%
<hr/>			
Dynamic Biotechnology & Genome Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) .....	(7.53)%	3.38%	5.42%
S&P Composite 1500 Biotech Index (reflects no deduction for fees, expenses or taxes) .....	20.41%	4.79%	7.10%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) .....	2.11%	(0.24)%	2.84%

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser; Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Building & Construction Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Building & Construction Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Building & Construction Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.51%
Total Annual Fund Operating Expenses .....	1.01%
Fee Waivers and Expense Assumption(1) .....	0.38%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the

Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$284	\$521	\$1,202

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 72% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of building and construction companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. building and construction companies. These companies are engaged primarily in providing construction and related engineering services for building and remodeling residential properties, commercial or industrial buildings, or working on large-scale infrastructure projects, such as highways, tunnels, bridges, dams, power lines and airports. These companies also may include manufacturers of building materials for home improvement and general construction projects and specialized machinery used for building and construction; companies that provide installation, maintenance or repair work; and land developers. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of building and construction companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Building and Construction Industry Concentration Risk.* Companies in the building and construction industry are affected by supply and demand both for their specific products or services and for industrial sector products in general. The building and construction industry also may be significantly affected by changes in government spending, zoning laws, economic conditions, interest rates, taxation, real estate values and overbuilding. The products of companies that operate in the building and construction industry may face obsolescence due to rapid technological developments and frequent new product introduction. In addition, government

regulation, world events and economic conditions affect the performance of companies in these industries.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated



with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

**Non-Diversified Fund Risk.** Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

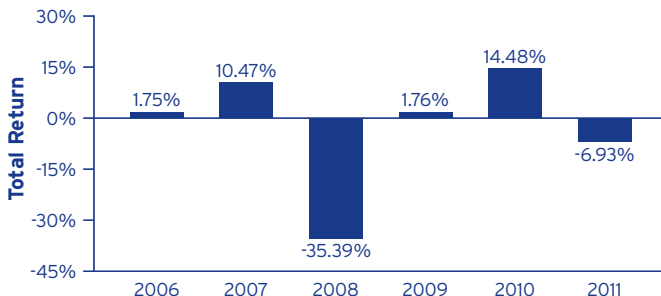
**Issuer-Specific Changes.** The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

### Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 15.53%.

#### Best Quarter

20.81% (4th Quarter 2011)

#### Worst Quarter

(24.71)% (3rd Quarter 2011)

## Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (10/26/05)</u>
Return Before Taxes .....	(6.93)%	(5.00)%	(2.83)%
Return After Taxes on Distributions .....	(6.98)%	(5.41)%	(3.18)%
Return After Taxes on Distributions and Sale of Fund Shares .....	(4.51)%	(4.40)%	(2.56)%
<hr/>			
Dynamic Building & Construction Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) .....	(6.25)%	(4.38)%	(1.98)%
S&P Composite 1500 Construction & Engineering Index (reflects no deduction for fees, expenses or taxes) .....	(14.86)%	0.64%	5.87%
S&P Composite 1500 Homebuilders Index (reflects no deduction for fees, expenses or taxes) .....	(5.37)%	(18.40)%	(16.93)%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) .....	2.09%	(0.25)%	3.03%

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Energy Exploration & Production Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Energy Exploration & Production Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Energy Exploration & Production Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

#### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.23%
Total Annual Fund Operating Expenses .....	0.73%
Fee Waivers and Expense Assumption(1) .....	0.08%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.65%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the

Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$66	\$225	\$398	\$899

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 94% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of companies engaged in energy exploration and production that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. companies involved in the exploration and production of natural resources used to produce energy. These companies are engaged principally in exploration, extraction and production of crude oil and natural gas from land-based or offshore wells. These companies include petroleum refineries that process the crude oil into finished products, such as gasoline and automotive lubricants, and companies involved in gathering and processing natural gas, and manufacturing natural gas liquid. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of energy exploration and production companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Energy Exploration and Production Industry Concentration Risk.* Companies in the energy exploration and production industry are subject to extensive government regulation, which may increase the cost of business and limit these companies’ earnings. In addition, these companies are at risk of civil liability from accidents resulting in injury or loss of life or property, pollution or other environmental damage claims and risk of loss from terrorism and natural disasters. Companies in this industry could be adversely affected by levels and volatility of global energy prices, commodity price volatility, changes in exchange rates and interest rates, imposition of import controls, increased competition, capital expenditures on exploration and production, depletion of resources, development of alternative

energy sources and energy conservation efforts, technological developments and labor relations.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated

with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

**Non-Diversified Fund Risk.** Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

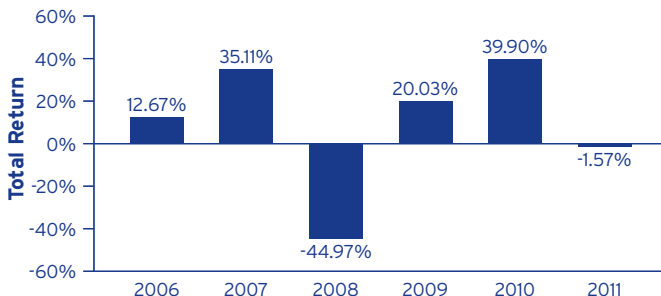
**Issuer-Specific Changes.** The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 3.67%.

#### Best Quarter

29.80% (2nd Quarter 2008)

#### Worst Quarter

(33.65)% (3rd Quarter 2008)

## Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and /or returns after taxes on distributions.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (10/26/05)</u>
Return Before Taxes .....	(1.57)%	4.21%	6.19%
Return After Taxes on Distributions .....	(2.01)%	3.98%	5.97%
Return After Taxes on Distributions and Sale of Fund Shares .....	(1.02)%	3.48%	5.24%
<hr/>			
Dynamic Energy Exploration & Production Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) .....	(0.84)%	4.92%	6.83%
S&P Composite 1500 Oil & Gas Exploration & Production Index (reflects no deduction for fees, expenses or taxes) .....	(7.59)%	6.37%	6.91%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) .....	.21%	(0.24)%	3.03%

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Food & Beverage Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Food & Beverage Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Food & Beverage Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.14%
Total Annual Fund Operating Expenses .....	0.64%
Fee Waivers and Expense Assumption(1) .....	0.01%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the



Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$204	\$356	\$797

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 134% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of food and beverage companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. food and beverage companies. These companies are engaged principally in the manufacture, sale or distribution of food and beverage products, agricultural products and products related to the development of new food technologies. These companies may include, for example, companies that sell products and services, such as meat and poultry processing and wholesale and retail distribution, and warehousing of food and food-related products, including restaurants, grocery stores, brewers, distillers and vintners; and companies that manufacture and distribute products including soft drinks, packaged food products (such as cereals, pet foods, and frozen foods), health food and dietary products. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of food and beverage companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Food and Beverage Industry Concentration Risk.* The food and beverage industry is highly competitive and can be significantly affected by demographic and product trends, competitive pricing, food fads, marketing campaigns, environmental factors, government regulation, adverse changes in general economic conditions, evolving consumer preferences, nutritional and health-related concerns, federal, state and local food inspection and processing controls, consumer product liability claims, consumer boycotts, risks of product tampering and the availability and expense of liability insurance.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies.

These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

*Non-Diversified Fund Risk.* Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund.

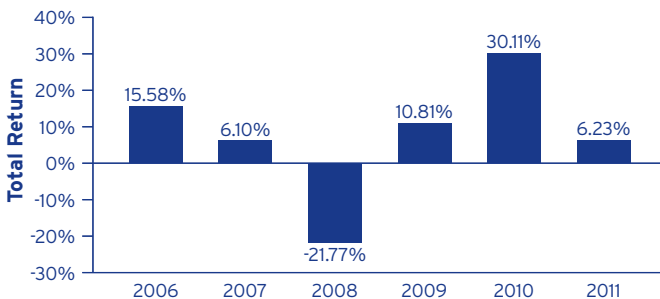
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 5.07%.

#### Best Quarter

12.23% (2nd Quarter 2009)

#### Worst Quarter

(13.67)% (4th Quarter 2008)

## Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (06/23/05)</u>
Return Before Taxes .....	6.23%	4.92%	5.64%
Return After Taxes on Distributions .....	5.88%	4.28%	5.06%
Return After Taxes on Distributions and Sale of Fund Shares .....	4.05%	3.83%	4.52%
<hr/>			
Dynamic Food & Beverage Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) .....	6.93%	5.63%	6.34%
S&P Composite 1500 Food Beverage & Tobacco Index (reflects no deduction for fees, expenses or taxes) .....	17.68%	10.70%	11.48%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) .....	2.11%	(0.24)%	2.84%

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Insurance Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Insurance Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Insurance Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	1.80%
Total Annual Fund Operating Expenses(1) .....	2.30%
Fee Waivers and Expense Assumption(2) .....	1.67%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1)(2) .	0.63%

- (1) Total Annual Fund Operating Expenses in the table above have been restated to reflect current fees.
- (2) Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include

the brokerage commissions that investors may pay to buy and sell Shares of the Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$558	\$1,078	\$2,506

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 87% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of insurance companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. insurance companies. These companies are engaged principally in underwriting or distributing and reselling life, health and property/casualty insurance policies. The Underlying Intellidex may include companies that provide coverage for various types of property and casualty risks; guarantee payment to a beneficiary when an insured person ceases to generate income, typically at death or retirement; or protect against financial loss resulting from medical bills and/or the financial consequences of poor health. The Underlying Intellidex also may include insurance brokerage and reinsurance companies. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of insurance companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Insurance Industry Concentration Risk.* Many factors, including changes in interest rates, general economic conditions, the imposition of premium rate caps, competition and pressure to compete globally, including price and marketing competition, and other changes in government regulation or tax law, can significantly affect companies in the insurance industry. In addition, different segments of the insurance industry can be significantly affected by mortality and morbidity rates, actuarial miscalculations, environmental clean-up costs and catastrophic events such as earthquakes, hurricanes and terrorist acts, and availability and cost of reinsurance.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies.

These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

*Non-Diversified Fund Risk.* Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

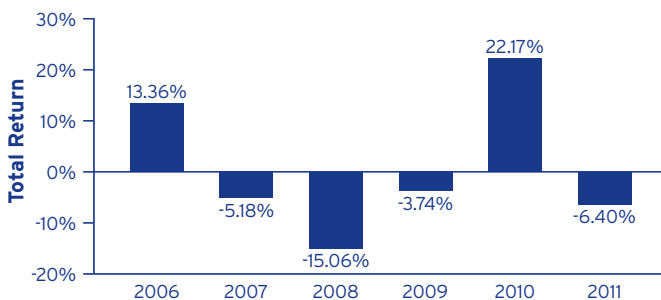
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 6.80%.

#### Best Quarter

18.28% (3rd Quarter 2009)

#### Worst Quarter

(23.71)% (1st Quarter 2009)



## Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (10/26/05)</u>
Return Before Taxes .....	(6.40)%	(2.38)%	1.06%
Return After Taxes on Distributions .....	(7.11)%	(2.95)%	0.52%
Return After Taxes on Distributions and Sale of Fund Shares .....	(4.16)%	(2.33)%	0.59%
<hr/>			
Dynamic Insurance Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) .....	(5.71)%	(1.72)%	1.70%
S&P Composite 1500 Insurance Index (reflects no deduction for fees, expenses or taxes) .....	(6.90)%	(12.19)%	(7.58)%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) .....	2.11%	(0.24)%	3.03%

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Leisure and Entertainment Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Leisure and Entertainment Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Leisure and Entertainment Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

#### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.30%
Total Annual Fund Operating Expenses .....	0.80%
Fee Waivers and Expense Assumption(1) .....	0.17%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the

Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$238	\$427	\$974

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 90% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of leisure companies and entertainment companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. leisure and entertainment companies. These companies are engaged principally in the design, production or distribution of goods or services in the leisure and entertainment industries. These companies may include, for example, companies that provide goods or services, including television and radio broadcast or manufacture (including cable television); motion pictures and photography; recordings and musical instruments; publishing, including newspapers and magazines; sporting goods and camping and recreational equipment; toys and games, including video and other electronic games; amusement and theme parks; travel and travel-related services; leisure apparel or footwear; and owners and operators of sports arenas and gaming casinos, hotels and motels. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of leisure companies and entertainment companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Leisure and Entertainment Industries Concentration Risk.* Companies engaged in the design, production, or distribution of goods or services for the leisure and entertainment industries (including sports arenas, amusement and theme parks, gaming casinos, sporting goods, camping and recreational equipment, toys and games, travel-related services, hotels and motels and fast food and other restaurants) may become obsolete quickly. Additionally, several factors can

significantly affect the leisure and entertainment industries, including the performance of the overall economy, changing consumer tastes and discretionary income levels, intense competition, technological developments and government regulation.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

*Non-Diversified Fund Risk.* Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

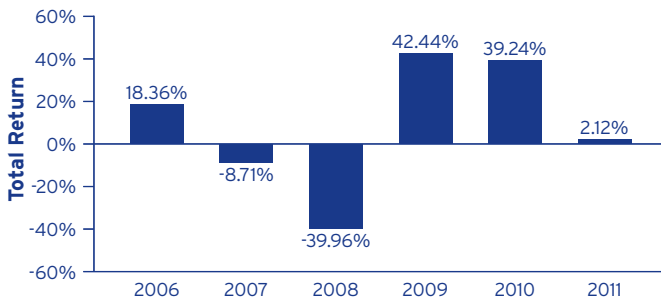
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

## Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 16.63%.

**Best Quarter****Worst Quarter**

28.08% (2nd Quarter 2009)

(22.43)% (4th Quarter 2008)

**Average Annual Total Returns for the Periods Ended December 31, 2011**

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (06/23/05)</u>
Return Before Taxes .....	2.12%	2.11%	4.76%
Return After Taxes on Distributions .....	1.87%	1.66%	4.38%
Return After Taxes on Distributions and Sale of Fund Shares .....	1.37%	1.52%	3.88%
<hr/>			
Dynamic Leisure and Entertainment Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) .....	2.97%	2.59%	5.30%
S&P Composite 1500 Hotels, Restaurants & Leisure Index (reflects no deduction for fees, expenses or taxes) .....	16.65%	8.25%	10.26%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) .....	2.11%	(0.24)%	2.84%

**Management of the Fund**

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Media Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Media Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Media Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.15%
Total Annual Fund Operating Expenses .....	0.65%
Fee Waivers and Expense Assumption(1) .....	0.02%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the

Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$206	\$360	\$809

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 89% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of media companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. media companies. These companies are engaged principally in the development, production, sale and distribution of goods or services used in the media industry. These companies may include, for example, advertising, marketing and public relations companies; companies that own, operate, or broadcast free or pay television, radio or cable stations; theaters; film studios; publishers or sellers of newspapers, magazines, books or video products; printing, cable television and video companies and equipment providers; pay-per-view television companies; companies involved in emerging technologies for the broadcast and media industries; cellular communications companies; companies involved in the development, syndication, and transmission of television, movie programming, advertising and cellular communications; companies that distribute data-based information; and other companies involved in the ownership, operation, or development of media products or services. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of media companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Media Industry Concentration Risk.* Companies engaged in design, production or distribution of goods or services for the media industry (including television or radio broadcasting or manufacturing, publishing, recordings and musical instruments, motion pictures and photography) may become obsolete quickly. Media companies



are subject to risks that include cyclicity of revenues and earnings, a decrease in the discretionary income of targeted individuals, changing consumer tastes and interests, fierce competition in the industry and the potential for increased government regulation. Media company revenues largely are dependent on advertising spending. A weakening general economy or a shift from online to other forms of advertising may lead to a reduction in discretionary spending on online advertising. Additionally, competitive pressures and government regulation can significantly affect companies in the media industry.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary

markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

*Non-Diversified Fund Risk.* Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

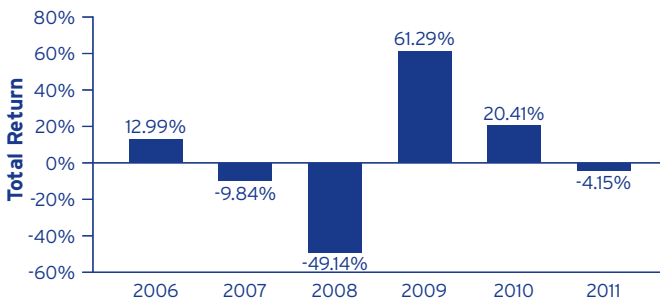
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 11.44%.

<b>Best Quarter</b>	<b>Worst Quarter</b>
29.39% (2nd Quarter 2009)	(28.34)% (4th Quarter 2008)

### **Average Annual Total Returns for the Periods Ended December 31, 2011**

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

	<b>One Year</b>	<b>Five Years</b>	<b>Since Inception (06/23/05)</b>
Return Before Taxes . . . . .	(4.15)%	(3.12)%	(1.16)%
Return After Taxes on Distributions . . . . .	(4.33)%	(3.38)%	(1.38)%
Return After Taxes on Distributions and Sale of Fund Shares . . . . .	(2.69)%	(2.77)%	(1.10)%
Dynamic Media Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) . . .	(3.39)%	(2.66)%	(0.64)%
S&P Composite 1500 Media Index (reflects no deduction for fees, expenses or taxes) . . .	.771%	(0.82)%	2.51%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) . . .	.211%	(0.24)%	2.84%

### **Management of the Fund**

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<b>Name</b>	<b>Title with Adviser/Trust</b>	<b>Date Began Managing the Fund</b>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Networking Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Networking Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Networking Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.17%
Total Annual Fund Operating Expenses .....	0.67%
Fee Waivers and Expense Assumption(1) .....	0.04%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the

Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$210	\$369	\$831

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 84% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of networking companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. networking companies. These companies are engaged principally in the development, manufacture, sale or distribution of products, services or technologies that support the flow of electronic information, including voice, data, images and commercial transactions. These companies may include, for example, providers of telecommunications and networking equipment; data storage; systems software; internet hardware including servers; routers; switches and related equipment; systems for data encryption and security; internet services including hosting and commercial exchanges; fiber optics; satellites; cable equipment and other companies involved in supporting the flow of information. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of networking companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Networking Industry Concentration Risk.* The networking industry is evolving rapidly and can be significantly affected by corporate capital expenditure trends, competitive pressures such as the ability to attract and retain skilled employees and obsolescence due to rapid technological innovation or changing consumer preferences. Further, many network companies rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and protect their proprietary rights in their products and technologies. There can be no assurance that the steps taken by network companies to protect their proprietary rights will be

adequate to prevent misappropriation of their technology or that competitors will not independently develop technologies that are substantially equivalent or superior to such companies' technology.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

*Non-Diversified Fund Risk.* Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

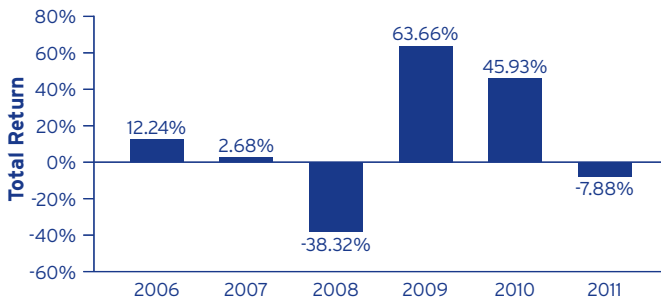
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

## Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 3.37%.

**Best Quarter****Worst Quarter**

35.60% (2nd Quarter 2009)

(26.50)% (3rd Quarter 2011)

**Average Annual Total Returns for the Periods Ended December 31, 2011**

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (06/23/05)</u>
Return Before Taxes . . . . .	(7.88)%	6.86%	7.79%
Return After Taxes on Distributions . . . . .	(7.88)%	6.83%	7.76%
Return After Taxes on Distributions and Sale of Fund Shares . . . . .	(5.12)%	5.92%	6.79%
Dynamic Networking Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) . . .	(7.16)%	7.63%	8.47%
S&P Composite 1500 Communications Equipment Index (reflects no deduction for fees, expenses or taxes) . .	(4.90)%	(2.46)%	1.12%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) . . .	2.11%	(0.24)%	2.84%

**Management of the Fund**

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.



# PowerShares Dynamic Oil & Gas Services Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Oil & Gas Services Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Oil Services Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	.050%
Other Expenses .....	.013%
Total Annual Fund Operating Expenses .....	.063%

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$202	\$351	\$786

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate

was 70% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund's in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of companies that assist in the production, processing and distribution of oil and gas that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. companies that assist in the production, processing and distribution of oil and gas. The Underlying Intellidex may include companies that are engaged in the drilling of oil and gas wells; manufacturing oil and gas field machinery and equipment; or providing services to the oil and gas industry, such as well analysis, platform and pipeline engineering and construction, logistics and transportation services, oil and gas well emergency management and geophysical data acquisition and processing. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. ("NYSE Arca" or the "Intellidex Provider") includes common stocks of oil and gas services companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Oil and Gas Services Industry Concentration Risk.* The profitability of companies in the oil and gas services industry may be affected adversely by changes in worldwide energy prices, exploration and production spending. Changes in government regulation, economic conditions, government regulation and events in the regions that the companies operate (e.g., expropriation, nationalization, confiscation of assets and property or the imposition of restrictions on foreign investments and repatriation of capital, military coups, social unrest, violence or labor unrest, and terrorism and natural disasters) also affect companies in this industry. In addition, these companies are at risk for environmental damage claims. Companies in this industry could be adversely affected by commodity price volatility, changes in exchange rates, interest rates, imposition of import controls, increased competition, depletion of resources, development of alternative energy sources, energy conservation efforts, technological developments and labor relations. Companies in the oil and gas services industry may have significant capital investments in, or engage in transactions involving, emerging market countries, which may heighten these risks.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in

the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

*Non-Diversified Fund Risk.* Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations

in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

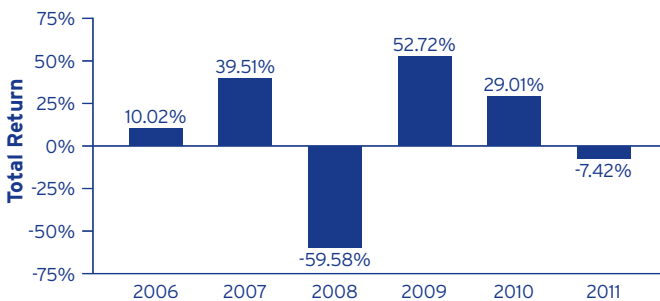
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 11.69%.

#### Best Quarter

32.80% (2nd Quarter 2009)

#### Worst Quarter

(48.66)% (4th Quarter 2008)

### Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are

calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

	<b>One Year</b>	<b>Five Years</b>	<b>Since Inception (10/26/05)</b>
Return Before Taxes .....	(7.42)%	0.56%	3.59%
Return After Taxes on Distributions .....	(7.42)%	0.47%	3.52%
Return After Taxes on Distributions and Sale of Fund Shares .....	(4.82)%	0.42%	3.05%
<hr/>			
Dynamic Oil Services Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) ..	(6.82)%	1.22%	4.17%
S&P Composite 1500 Energy Equipment & Services Index (reflects no deduction for fees, expenses or taxes) ..	(9.83)%	3.09%	6.13%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) . . .	.21%	(0.24)%	3.03%

### Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<b>Name</b>	<b>Title with Adviser/Trust</b>	<b>Date Began Managing the Fund</b>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Pharmaceuticals Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Pharmaceuticals Portfolio (the "Fund") seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Pharmaceuticals Intellidex<sup>SM</sup> Index (the "Underlying Intellidex").

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund ("Shares"). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.14%
Total Annual Fund Operating Expenses .....	0.64%
Fee Waivers and Expense Assumption(1) .....	0.01%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the "Adviser") has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund's average daily net assets per year (the "Expense Cap") until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the

Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$204	\$356	\$797

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 23% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of pharmaceutical companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. pharmaceuticals companies. These companies are engaged principally in the research, development, manufacture, sale or distribution of pharmaceuticals and drugs of all types. These companies may include, for example, pharmaceutical companies and other companies involved in the research, development, manufacture, sale or distribution of drugs, including companies that facilitate the testing or regulatory approval of drugs. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of pharmaceutical companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Pharmaceuticals Industry Concentration Risk.* Government approval of products and services, government regulation and reimbursement rates, product liability claims, patent expirations and protection and intense competition can significantly affect the pharmaceuticals industry.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general

movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.



**Non-Diversified Fund Risk.** Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

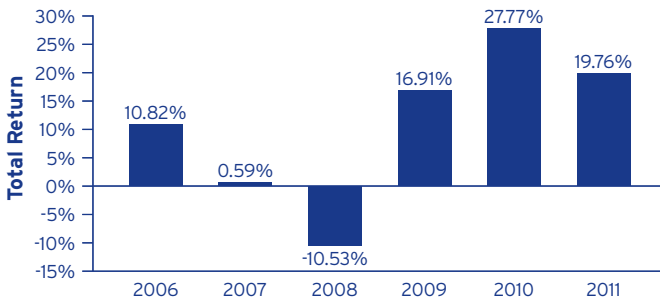
**Issuer-Specific Changes.** The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

**Performance**

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

**Annual Total Returns—Calendar Years**



The Fund's year-to-date total return for the six months ended June 30, 2012 was 18.26%.

**Best Quarter**

**Worst Quarter**

16.63% (3rd Quarter 2010)

(12.43)% (1st Quarter 2009)

**Average Annual Total Returns for the Periods Ended December 31, 2011**

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to

investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (06/23/05)</u>
Return Before Taxes . . . . .	19.76%	9.99%	11.09%
Return After Taxes on Distributions . . . . .	19.47%	9.69%	10.82%
Return After Taxes on Distributions and Sale of Fund Shares . . . . .	12.83%	8.50%	9.58%
<hr/>			
Dynamic Pharmaceuticals Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) . .	20.55%	10.76%	11.78%
S&P Composite 1500 Pharmaceuticals Index (reflects no deduction for fees, expenses or taxes) . .	18.17%	4.13%	4.38%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) . . .	2.11%	(0.24)%	2.84%

### **Management of the Fund**

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Retail Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Retail Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Retail Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.37%
Total Annual Fund Operating Expenses .....	0.87%
Fee Waivers and Expense Assumption(1) .....	0.24%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the

Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$254	\$459	\$1,050

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 111% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of retail companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. retailers. These companies are engaged principally in operating general merchandise stores such as department stores, discount stores, warehouse clubs and superstores; specialty stores, including apparel, electronics, accessories and footwear stores; and home improvement and home furnishings stores. Dealers of motor vehicles and parts, auction houses or rental companies also may be included. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of retail companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or group of industries only to the extent that the Underlying Intellidex reflects a concentration in that industry or group of industries. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or group of industries.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Retail Industry Concentration Risk.* The retail industry may be affected by the performance of the domestic and international economy, interest rates, competition and consumer confidence. The success of companies in the retail industry depends heavily on disposable household income and consumer spending, and changes in demographics and consumer preferences can affect the success of retail products. The success of retail products may be strongly affected by fads, marketing campaigns and other factors affecting supply and demand. In addition, the retail industry is subject to severe competition.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the

industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the

industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

*Non-Diversified Fund Risk.* Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

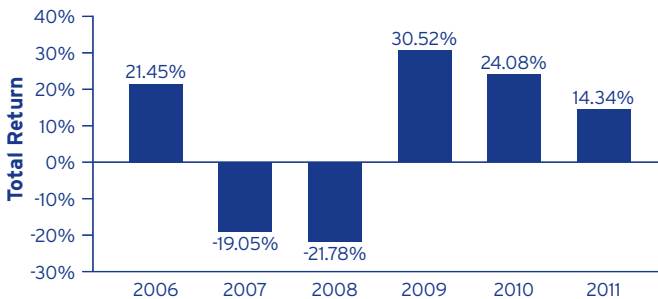
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

## Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 12.07%.

### Best Quarter

16.13% (4th Quarter 2011)

### Worst Quarter

(16.74)% (4th Quarter 2008)

## Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (10/26/05)</u>
Return Before Taxes .....	14.34%	3.23%	7.00%
Return After Taxes on Distributions .....	13.91%	2.93%	6.73%
Return After Taxes on Distributions and Sale of Fund Shares .....	9.30%	2.58%	5.92%
<hr/>			
Dynamic Retail Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) ..	15.12%	3.87%	7.63%
S&P Composite 1500 Retailing Index (reflects no deduction for fees, expenses or taxes) ..	5.07%	3.24%	5.30%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) ...	2.11%	(0.24)%	3.03%

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Semiconductors Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Semiconductors Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Semiconductors Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.52%
Total Annual Fund Operating Expenses .....	1.02%
Fee Waivers and Expense Assumption(1) .....	0.39%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the



Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$286	\$525	\$1,212

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 57% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of semiconductor companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. semiconductor companies. These companies are engaged principally in the manufacture of semiconductors. These companies may include, for example, companies involved in all aspects of the electronics business and in new technologies or specialty areas, including advanced design and manufacturing technologies, and lasers and electro-optics. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of semiconductor companies in Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or group of industries only to the extent that the Underlying Intellidex reflects a concentration in that industry or group of industries. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or group of industries.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Semiconductors Industry Concentration Risk.* Competitive pressures, intense competition, aggressive pricing, technological developments, changing demand, research and development costs, availability and price of components and product obsolescence can significantly affect the semiconductors industry.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general

movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

**Non-Diversified Fund Risk.** Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

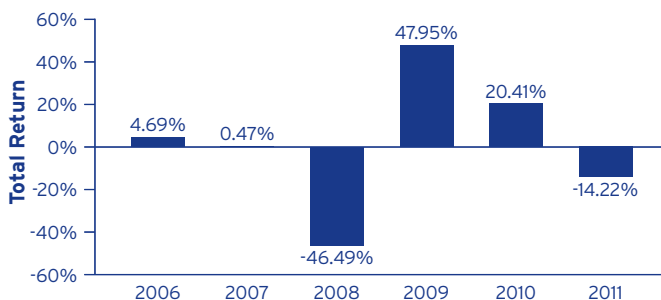
**Issuer-Specific Changes.** The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2012 was 4.83%.

#### Best Quarter

24.42% (4th Quarter 2010)

#### Worst Quarter

(28.63)% (3rd Quarter 2011)

### Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to

investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

	<b>One Year</b>	<b>Five Years</b>	<b>Since Inception (06/23/05)</b>
Return Before Taxes . . . . .	(14.22)%	(3.86)%	(0.84)%
Return After Taxes on Distributions . . . . .	(14.30)%	(3.95)%	(0.92)%
Return After Taxes on Distributions and Sale of Fund Shares . . . . .	(9.25)%	(3.29)%	(0.76)%
Dynamic Semiconductors Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) . .	(13.62)%	(3.13)%	(0.15)%
S&P Composite 1500 Semiconductor Index (reflects no deduction for fees, expenses or taxes) . .	(3.14)%	(1.74)%	0.44%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) . . .	.21%	(0.24)%	2.84%

### **Management of the Fund**

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<b><u>Name</u></b>	<b><u>Title with Adviser/Trust</u></b>	<b><u>Date Began Managing the Fund</u></b>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

# PowerShares Dynamic Software Portfolio

## Summary Information

### Investment Objective

The PowerShares Dynamic Software Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Dynamic Software Intellidex<sup>SM</sup> Index (the “Underlying Intellidex”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fees .....	0.50%
Other Expenses .....	0.28%
Total Annual Fund Operating Expenses .....	0.78%
Fee Waivers and Expense Assumption(1) .....	0.15%
Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) ..	0.63%

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2013, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses are equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the

Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
\$64	\$234	\$419	\$952

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 100% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of the Fund’s in-kind creations and redemptions.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks of software companies that comprise the Underlying Intellidex. As of June 30, 2012, the Underlying Intellidex was composed of common stocks of 30 U.S. software companies. These companies are engaged principally in the research, design, production or distribution of products or processes that relate to software applications and systems and information-based services. These companies may include, for example, companies that design products such as systems-level software (to run the basic functions of a computer) or applications software (for one type of work) for general use or use by certain industries or groups; companies that provide communications software; and companies that provide time-sharing services, Internet software and home entertainment software. Strictly in accordance with its guidelines and mandated procedures, NYSE Arca, Inc. (“NYSE Arca” or the “Intellidex Provider”) includes common stocks of software companies in the Underlying Intellidex principally on the basis of their capital appreciation potential that NYSE Arca identifies pursuant to a proprietary selection methodology.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or sector only to the extent that the Underlying Intellidex reflects a concentration in that industry or sector. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or sector.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Software Industry Concentration Risk.* Technological developments, fixed-rate pricing and the ability to attract and retain skilled employees, can significantly affect the software industry. The success of companies in the industry is also subject to the continued demand for internet services.

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse

event, such as an unfavorable earnings report, may depress the value of securities the Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities the Fund holds. In addition, securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

*Industry Concentration Risk.* In following its methodology, the Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that the Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, the Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, the Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which the Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole.

*Non-Correlation Risk.* The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Intellidex, even if that security generally is underperforming.

*Market Risk.* Securities in the Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Intellidex.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the

industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

*Non-Diversified Fund Risk.* Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

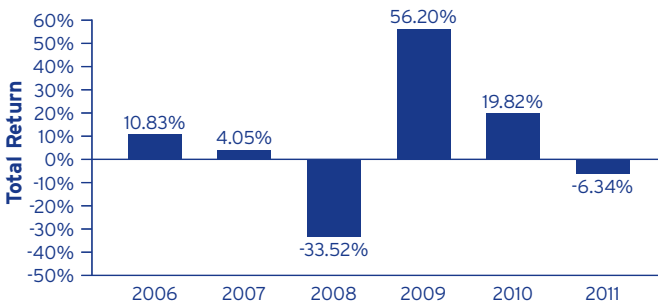
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.**

**Performance**

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with broad measures of market performance and additional indexes with characteristics relevant to the Fund. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

**Annual Total Returns—Calendar Years**



The Fund's year-to-date total return for the six months ended June 30, 2012 was 13.67%.

**Best Quarter**

**Worst Quarter**

20.10% (2nd Quarter 2009)

(18.27)% (3rd Quarter 2011)



## Average Annual Total Returns for the Periods Ended December 31, 2011

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (06/23/05)</u>
Return Before Taxes .....	(6.34)%	3.93%	7.03%
Return After Taxes on Distributions .....	(6.34)%	3.93%	7.03%
Return After Taxes on Distributions and Sale of Fund Shares .....	(4.12)%	3.38%	6.13%
Dynamic Software Intellidex <sup>SM</sup> Index (reflects no deduction for fees, expenses or taxes) ..	(5.65)%	4.62%	7.67%
S&P Composite 1500 Software & Services Index (reflects no deduction for fees, expenses or taxes) ...	3.62%	3.53%	5.13%
S&P 500 <sup>®</sup> Index (reflects no deduction for fees, expenses or taxes) ...	2.11%	(0.24)%	2.84%

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are responsible jointly and primarily for the day-to-day management of the Fund's portfolio:

<u>Name</u>	<u>Title with Adviser/Trust</u>	<u>Date Began Managing the Fund</u>
Peter Hubbard	Vice President and Director of Portfolio Management of the Adviser and Vice President of the Trust	June 2007
Michael Jeanette	Vice President and Portfolio Manager of the Adviser	August 2008
Brian Picken	Vice President and Portfolio Manager of the Adviser	August 2010

For important information about the purchase and sale of Shares and taxes, please turn to "Summary Information About Purchases and Sales and Taxes" on page 73 of the Prospectus.

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# Summary Information About Purchases and Sales and Taxes

## **Purchase and Sale of Fund Shares**

Each Fund issues and redeems Shares at net asset value (“NAV”) only with authorized participants (“APs”) and only in large blocks of 50,000 Shares (each block of Shares is called a “Creation Unit”) or multiples thereof (“Creation Unit Aggregations”) in exchange for the deposit or delivery of a basket of securities. Except when aggregated in Creation Units, the Shares are not redeemable securities of the Funds.

Individual Shares of the Funds may be purchased and sold only on a national securities exchange through brokers. Shares of each Fund are listed for trading on NYSE Arca, Inc. (“NYSE Arca”) and because Shares of each Fund will trade at market prices rather than NAV, Shares may trade at prices greater than NAV (at a premium), at NAV, or less than NAV (at a discount).

## **Tax Information**

Each Fund’s distributions generally will be taxable as ordinary income or capital gains. A sale of Shares may result in capital gain or loss.

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# Additional Information About the Funds' Strategies and Risks

## **Principal Investment Strategies**

Each Fund uses an "indexing" investment approach to attempt to replicate, before fees and expenses, the performance of its Underlying Intellidex. The Adviser seeks correlation over time of 0.95 or better between each Fund's performance and the performance of its Underlying Intellidex; a figure of 1.00 would represent perfect correlation. Another means of evaluating the relationship between the returns of a Fund and its Underlying Intellidex is to assess the "tracking error" between the two. Tracking error means the variation between each Fund's annual return and the return of its Underlying Intellidex, expressed in terms of standard deviation. Each Fund seeks to have a tracking error of less than 5%, measured on a monthly basis over a one-year period by taking the standard deviation of the difference in the Fund's returns versus its Underlying Intellidex's returns.

Each Fund generally invests in all of the securities comprising its Underlying Intellidex in proportion to the weightings of the securities in the Underlying Intellidex. However, under various circumstances, it may not be possible or practicable to purchase all of those securities in those same weightings. In those circumstances, a Fund may purchase a sample of securities in its Underlying Intellidex. There also may be instances in which the Adviser may choose to (i) overweight a security in the applicable Underlying Intellidex, (ii) purchase securities not contained in an Underlying Intellidex that the Adviser believes are appropriate to substitute for certain securities in the Underlying Intellidex, or (iii) utilize various combinations of other available investment techniques in seeking to track the Underlying Intellidex. Each Fund may sell securities included in an Underlying Intellidex in anticipation of their removal from the Underlying Intellidex, or purchase securities not included in an Underlying Intellidex in anticipation of their addition to the Underlying Intellidex.

Additional information about the construction of each Fund's Underlying Intellidex is set forth below.

## **General Underlying Intellidex Information**

Each Underlying Intellidex's methodology is intended to objectively identify those securities within a particular market segment that have the greatest potential for capital appreciation. The methodology evaluates companies quarterly, based on a variety of criteria, including fundamental growth, stock valuation, investment timeliness and risk factors, and then ranks and sorts the companies based on their cumulative scores. Component stocks for each Underlying Intellidex are selected from among the companies with the highest-ranking cumulative score ("Model Score") within their respective sub-groups.

## **Dynamic Banking Intellidex<sup>SM</sup> Index**

The Underlying Intellidex is composed of stocks of 30 U.S. banking companies, including money center banks, regional banks and thrifts that are engaged principally in providing a range of consumer and commercial products and services, including depository and cash management services; consumer and commercial loans; residential and commercial real estate loans; and other related banking

services. Strictly in accordance with its existing guidelines and mandated procedures, the Intellidex Provider includes banking stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the New York Stock Exchange (“NYSE”), NYSE MKT and The NASDAQ Stock Market LLC (“NASDAQ”). The Intellidex Provider ranks the stocks for capital appreciation potential using a proprietary NYSE Arca Intellidex model. The Intellidex Provider defines the universe of companies in the Underlying Intellidex using research provided by Revere Data, LLC to help identify those companies that have significant operations in the industry group (the “Banking Industry Group Universe”). The Intellidex Provider further divides stocks within the Banking Industry Group Universe into two market capitalization groups, larger and smaller (the “Sub-Groups”). The Intellidex Provider splits stocks in the Banking Industry Group Universe into quintiles based on market capitalization. Larger stocks are defined by inclusion in the top quintile and smaller stocks are the bottom four quintiles. Within the Banking Industry Group Universe, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their Sub-Groups. The Intellidex Provider predetermines the number of stocks included from the Banking Industry Group as follows:

- a. The Underlying Intellidex includes 30 stocks from the Banking Industry Group Universe based on their Model Score as follows:
  - i. The Intellidex Provider includes eight of the top-ranked relatively larger stocks, which collectively receive 40% of the total Underlying Intellidex weight (each larger stock receives on average 5%). The eight component stocks with the best Model Score in the Sub-Group are included.
  - ii. The Intellidex Provider includes 22 of the top-ranked relatively smaller stocks, which collectively receive 60% of the total Underlying Intellidex weight (each smaller stock receives on average 2.73%). The 22 component stocks with the best Model Score in the Sub-Group are included.
- b. In the event that the Banking Industry Group Universe consists of less than 50 stocks at the time of a quarterly review, the Intellidex Provider includes 30 component stocks with the best Model Score in the Banking Industry Group Universe, and determines the weighting for the 30 stocks as follows:
  - i. The Intellidex Provider includes the eight largest stocks by market capitalization, which collectively receive 40% of the total Underlying Intellidex weight (each of the eight largest stocks receives on average 5%).
  - ii. The remaining 22 stocks collectively receive 60% of the total Underlying Intellidex weight (each of the 22 smaller stocks receives on average 2.73%).

### ***Dynamic Biotechnology & Genome Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. biotechnology and genome companies that are engaged principally in the research, development, manufacture, marketing and distribution of various biotechnological products, services, processes, as well as companies that benefit significantly from scientific and technological advances in biotechnology and genetic engineering and research. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes biotechnology and genome stocks from the 3,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks using a proprietary NYSE Arca Intellidex model. Within the biotechnology and genome industry, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included

stocks within their size sub-groups. The Underlying Intellidex includes 30 stocks and is divided as follows:

- a. The Intellidex Provider includes ten of the top-ranked relatively larger stocks, which collectively receive 50% of the total index weight (each larger stock receives on average 5.0%). The Intellidex Provider includes the ten component stocks with the best Model Score in the sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the twelfth ranked stock in the sub-group.
- b. The Intellidex Provider includes 20 of the top-ranked relatively smaller stocks, which collectively receive 50% of the total index weight (each smaller stock receives on average 2.5%). The Intellidex Provider includes the 20 component stocks with the best Model Score in that sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the 24th ranked stock in the sub-group.

### ***Dynamic Building & Construction Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. building and construction companies that are primarily engaged in providing construction and related engineering services for building and remodeling residential properties, commercial or industrial buildings, or working on large-scale infrastructure projects, such as highways, tunnels, bridges, dams, power lines and airports. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes building and construction stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks for investment potential using a proprietary NYSE Arca Intellidex model. The Intellidex Provider defines the universe of companies in the Underlying Intellidex by using research provided by Revere Data, LLC to help identify those companies that have significant operations in that industry group (the "Building & Construction Industry Group Universe"). The Intellidex Provider further divides stocks within the Building & Construction Industry Group Universe into two market capitalization groups, larger and smaller (the "Sub-Groups"). The Intellidex Provider splits stocks in the Building & Construction Industry Group Universe into quintiles based on market capitalization. Larger stocks are defined by inclusion in the top quintile and smaller stocks are the bottom four quintiles. Within the Building & Construction Industry Group Universe, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their Sub-Groups. The Intellidex Provider predetermines the number of stocks included from the Building & Construction Industry Group Universe as follows:

- a. The Underlying Intellidex includes 30 stocks from the Building & Construction Industry Group Universe based on their Model Score as follows:
  - i. The Intellidex Provider includes eight of the top-ranked relatively larger stocks, which collectively receive 40% of the total Underlying Intellidex weight (each larger stock receives on average 5%). The eight component stocks with the best Model Score in the Sub-Group are included.
  - ii. The Intellidex Provider includes 22 of the top-ranked relatively smaller stocks, which collectively receive 60% of the total Underlying Intellidex weight (each smaller stock receives on average 2.73%). The 22 component stocks with the best Model Score in the Sub-Group are included.

- b. In the event that the Building & Construction Industry Group Universe consists of less than 50 stocks at the time of a quarterly review, the Intellidex Provider includes the 30 component stocks with the best Model Score in the Building & Construction Industry Group Universe, and determines the weighting for the 30 stocks as follows:
  - i. The Intellidex Provider includes the eight largest stocks by market capitalization, which collectively receive 40% of the total Underlying Intellidex weight (each of the eight largest stocks receives on average 5%).
  - ii. The remaining 22 stocks collectively receive 60% of the total Underlying Intellidex weight (each of the 22 smaller stocks receives on average 2.73%).

### ***Dynamic Energy Exploration & Production Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. companies involved in the exploration and production of natural resources used to produce energy. These companies are engaged principally in exploration, extraction and production of crude oil and natural gas from land-based or offshore wells. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes energy exploration and production stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks for investment potential using a proprietary NYSE Arca Intellidex model. The Intellidex provider defines the universe of companies in the Underlying Intellidex by using research provided by Revere Data, LLC to help identify those companies that have significant operations in that industry group (the "Energy Exploration & Production Industry Group Universe"). The Intellidex Provider further divides stocks within the Energy Exploration & Production Industry Group Universe into two market capitalization groups, larger and smaller (the "Sub-Groups"). The Intellidex Provider splits stocks in the Energy Exploration & Production Industry Group Universe into quintiles based on market capitalization. Larger stocks are defined by inclusion in the top quintile and smaller stocks are the bottom four quintiles. Within the Energy Exploration & Production Industry Group Universe, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their Sub-Groups. The Intellidex Provider predetermines the number of stocks included from the Energy Exploration & Production Industry Group Universe as follows:

- a. The Underlying Intellidex includes 30 stocks from the Energy Exploration & Production Industry Group Universe based on their Model Score as follows:
  - i. The Intellidex Provider includes eight of the top-ranked relatively larger stocks, which collectively receive 40% of the total Underlying Intellidex weight (each larger stock receives on average 5%). The eight component stocks with the best Model Score in the Sub-Group are included.
  - ii. The Intellidex Provider includes 22 of the top-ranked relatively smaller stocks, which collectively receive 60% of the total Underlying Intellidex weight (each smaller stock receives on average 2.73%). The 22 component stocks with the best Model Score in the Sub-Group are included.
- b. In the event that the Energy Exploration & Production Industry Group Universe consists of less than 50 stocks at the time of a quarterly review, the Intellidex Provider includes the 30 component stocks with the best Model

Score in the Energy Exploration & Production Industry Group Universe, and determines the weighting for the 30 stocks as follows:

- i. The Intellidex Provider includes the eight largest stocks by market capitalization, which collectively receive 40% of the total Underlying Intellidex weight (each of the eight largest stocks receives on average 5%).
- ii. The remaining 22 stocks collectively receive 60% of the total Underlying Intellidex weight (each of the 22 smaller stocks receives on average 2.73%).

### ***Dynamic Food & Beverage Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. food and beverage companies that are engaged principally in the manufacture, sale or distribution of food and beverage products, agricultural products and products related to the development of new food technologies. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes food and beverage stocks from the 3,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks for investment potential using a proprietary NYSE Arca Intellidex model. Within the food and beverage industry, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their size sub-groups. The Underlying Intellidex includes 30 stocks and is divided as follows:

- a. The Intellidex Provider includes ten of the top-ranked relatively larger stocks, which collectively receive 50% of the total index weight (each larger stock receives on average 5.0%). The Intellidex Provider includes the ten component stocks with the best Model Score in the sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the twelfth ranked stock in the sub-group.
- b. The Intellidex Provider includes 20 of the top-ranked relatively smaller stocks, which collectively receive 50% of the total index weight (each smaller stock receives on average 2.5%). The Intellidex Provider includes the 20 component stocks with the best Model Score in that sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the 24th ranked stock in the sub-group.

### ***Dynamic Insurance Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. insurance companies that are engaged principally in underwriting or distributing and reselling life, health and property/casualty insurance policies. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes insurance stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks for investment potential using a proprietary NYSE Arca Intellidex model. The Intellidex Provider defines the universe of companies in the Underlying Intellidex by using research provided by Revere Data, LLC to help identify those companies that have significant operations in that industry group (the "Insurance Industry Group Universe"). The Intellidex Provider further divides stocks within the Insurance Industry Group Universe into two market capitalization groups, larger and smaller (the "Sub-Groups"). The Intellidex Provider splits stocks in the Insurance Industry Group Universe into quintiles based on market capitalization. Larger stocks are defined by inclusion in the

top quintile and smaller stocks are the bottom four quintiles. Within the Insurance Industry Group Universe, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their Sub-Groups. The Intellidex Provider predetermines the number of stocks included from the Insurance Industry Group Universe as follows:

- a. The Underlying Intellidex includes 30 stocks from the Insurance Industry Group Universe based on their Model Score as follows:
  - i. The Intellidex Provider includes eight of the top-ranked relatively larger stocks, which collectively receive 40% of the total Underlying Intellidex weight (each larger stock receives on average 5%). The eight component stocks with the best Model Score in the Sub-Group are included.
  - ii. The Intellidex Provider includes 22 of the top-ranked relatively smaller stocks, which collectively receive 60% of the total Underlying Intellidex weight (each smaller stock receives on average 2.73%). The 22 component stocks with the best Model Score in the Sub-Group are included.
- b. In the event that the Insurance Industry Group Universe consists of less than 50 stocks at the time of a quarterly review, the Intellidex Provider includes the 30 component stocks with the best Model Score in the Insurance Industry Group Universe, and determines the weighting for the 30 stocks as follows:
  - i. The Intellidex Provider includes the eight largest stocks by market capitalization, which collectively receive 40% of the total Underlying Intellidex weight (each of the eight largest stocks receives on average 5%).
  - ii. The remaining 22 stocks collectively receive 60% of the total Underlying Intellidex weight (each of the 22 smaller stocks receives on average 2.73%).

### ***Dynamic Leisure and Entertainment Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. leisure and entertainment companies that are engaged principally in the design, production or distribution of goods or services in the leisure and entertainment industries. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes leisure and entertainment stocks from the 3,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks using a proprietary NYSE Arca Intellidex model. Within the leisure and entertainment industry, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their size sub-groups. The Underlying Intellidex includes 30 stocks and is divided as follows:

- a. The Intellidex Provider includes ten of the top-ranked relatively larger stocks, which collectively receive 50% of the total index weight (each larger stock receives on average 5.0%). The Intellidex Provider includes the ten component stocks with the best Model Score in the sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the twelfth ranked stock in the sub-group.
- b. The Intellidex Provider includes 20 of the top-ranked relatively smaller stocks, which collectively receive 50% of the total index weight (each smaller stock receives on average 2.5%). The Intellidex Provider includes the 20 component stocks with the best Model Score in that sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the 24th ranked stock in the sub-group.



### ***Dynamic Media Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. media companies that are engaged principally in the development, production, sale and distribution of goods or services used in the media industry. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes media stocks from the 3,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks using a proprietary NYSE Arca Intellidex model. Within the media industry, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their size sub-groups. The Underlying Intellidex includes 30 stocks and is divided as follows:

- a. The Intellidex Provider includes ten of the top-ranked relatively larger stocks, which collectively receive 50% of the total index weight (each larger stock receives on average 5.0%). The Intellidex Provider includes the ten component stocks with the best Model Score in the sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the twelfth ranked stock in the sub-group.
- b. The Intellidex Provider includes 20 of the top-ranked relatively smaller stocks, which collectively receive 50% of the total index weight (each smaller stock receives on average 2.5%). The Intellidex Provider includes the 20 component stocks with the best Model Score in that sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the 24th ranked stock in the sub-group.

### ***Dynamic Networking Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. networking companies that are engaged principally in the development, manufacture, sale or distribution of products, services or technologies that support the flow of electronic information, including voice, data, images and commercial transactions. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes networking stocks from the 3,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks using a proprietary NYSE Arca Intellidex model. Within the networking industry, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their size sub-groups. The Underlying Intellidex includes 30 stocks and is divided as follows:

- a. The Intellidex Provider includes ten of the top-ranked relatively larger stocks, which collectively receive 50% of the total index weight (each larger stock receives on average 5.0%). The Intellidex Provider includes the ten component stocks with the best Model Score in the sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the twelfth ranked stock in the sub-group.
- b. The Intellidex Provider includes 20 of the top-ranked relatively smaller stocks, which collectively receive 50% of the total index weight (each smaller stock receives on average 2.5%). The Intellidex Provider includes the 20 component stocks with the best Model Score in that sub-group, except that the Intellidex

Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the 24th ranked stock in the sub-group.

### **Dynamic Oil Services Intellidex<sup>SM</sup> Index**

The Underlying Intellidex is composed of stocks of 30 U.S. companies that assist in the production, processing and distribution of oil and gas. The Underlying Intellidex may include companies that engage in the drilling of oil and gas wells; manufacturing oil and gas field machinery and equipment; or providing services to the oil and gas industry, such as well analysis, platform and pipeline engineering and construction, logistics and transportation services, oil and gas well emergency management and geophysical data acquisition and processing. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes stocks of companies that provide support for oil and gas operations from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks for investment potential using a proprietary NYSE Arca Intellidex model. The Intellidex Provider defines the universe of companies in the Underlying Intellidex by using research provided by Revere Data, LLC to help identify those companies that have significant operations in that industry group (the "Oil Services Industry Group Universe"). The Intellidex Provider further divides stocks within the Oil Services Industry Group Universe into two market capitalization groups, larger and smaller (the "Sub-Groups"). The Intellidex Provider splits stocks in the stocks in the Oil Services Industry Group Universe into quintiles based on market capitalization. Larger stocks are defined by inclusion in the top quintile and smaller stocks are the bottom four quintiles. Within the Oil Services Industry Group Universe, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their Sub-Groups. The Intellidex Provider predetermines the number of stocks included from the Oil Services Industry Group Universe as follows:

- a. The Underlying Intellidex includes 30 stocks from the Oil Services Industry Group Universe based on their Model Score as follows:
  - i. The Intellidex Provider includes eight of the top-ranked relatively larger stocks, which collectively receive 40% of the total Underlying Intellidex weight (each larger stock receives on average 5%). The eight component stocks with the best Model Score in the Sub-Group are included.
  - ii. The Intellidex Provider includes 22 of the top-ranked relatively smaller stocks, which collectively receive 60% of the total Underlying Intellidex weight (each smaller stock receives on average 2.73%). The 22 component stocks with the best Model Score in the Sub-Group are included.
- b. In the event that the Oil Services Industry Group Universe consists of less than 50 stocks at the time of a quarterly review, the Intellidex Provider includes the 30 component stocks with the best Model Score in the Oil Services Industry Group Universe, and determines the weighting for the 30 stocks as follows:
  - i. The Intellidex Provider includes the eight largest stocks by market capitalization, which collectively receive 40% of the total Underlying Intellidex weight (each of the eight largest stocks receives on average 5%).
  - ii. The remaining 22 stocks collectively receive 60% of the total Underlying Intellidex weight (each of the 22 smaller stocks receives on average 2.73%).

### ***Dynamic Pharmaceuticals Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. pharmaceuticals companies that are engaged principally in the research, development, manufacture, sale or distribution of pharmaceuticals and drugs of all types. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes pharmaceuticals stocks from the 3,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks using a proprietary NYSE Arca Intellidex model. Within the pharmaceuticals industry, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their size sub-groups. The Underlying Intellidex includes 30 stocks and is divided as follows:

- a. The Intellidex Provider includes ten of the top-ranked relatively larger stocks, which collectively receive 50% of the total index weight (each larger stock receives on average 5.0%). The Intellidex Provider includes the ten component stocks with the best Model Score in the sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the twelfth ranked stock in the sub-group.
- b. The Intellidex Provider includes 20 of the top-ranked relatively smaller stocks, which collectively receive 50% of the total index weight (each smaller stock receives on average 2.5%). The Intellidex Provider includes the 20 component stocks with the best Model Score in that sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the 24th ranked stock in the sub-group.

### ***Dynamic Retail Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. retailers that are engaged principally in operating general merchandise stores such as department stores, discount stores, warehouse clubs, superstores, specialty stores (including apparel, electronics, accessories and footwear stores) and home improvement and home furnishings stores. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes retail stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks for investment potential using a proprietary NYSE Arca Intellidex model. The Intellidex Provider defines the universe of companies in the Underlying Intellidex by using research provided by Revere Data, LLC to help identify those companies that have significant operations in that industry group (the "Retail Industry Group Universe"). The Intellidex Provider further divides stocks within the Retail Industry Group Universe into two market capitalization groups, larger and smaller (the "Sub-Groups"). The Intellidex Provider splits stocks in the Retail Industry Group Universe into quintiles based on market capitalization. Larger stocks are defined by inclusion in the top quintile and smaller stocks are the bottom four quintiles. Within the Retail Industry Group Universe, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their Sub-Groups. The Intellidex Provider predetermines the number of stocks included from the Retail Industry Group Universe as follows:

- a. The Underlying Intellidex includes 30 stocks from the Retail Industry Group Universe based on their Model Score as follows:
  - i. The Intellidex Provider includes eight of the top-ranked relatively larger stocks, which collectively receive 40% of the total Underlying Intellidex

weight (each larger stock receives on average 5%). The eight component stocks with the best Model Score in the Sub-Group are included.

- ii. The Intellidex Provider includes 22 of the top-ranked relatively smaller stocks, which collectively receive 60% of the total Underlying Intellidex weight (each smaller stock receives on average 2.73%). The 22 component stocks with the best Model Score in the Sub-Group are included.
- b. In the event that the Retail Industry Group Universe consists of less than 50 stocks at the time of a quarterly review, the Intellidex Provider includes the 30 component stocks with the best Model Score in the Retail Industry Group Universe, and determines the weighting for the 30 stocks as follows:
    - i. The Intellidex Provider includes the eight largest stocks by market capitalization, which collectively receive 40% of the total Underlying Intellidex weight (each of the eight largest stocks receives on average 5%).
    - ii. The remaining 22 stocks collectively receive 60% of the total Underlying Intellidex weight (each of the 22 smaller stocks receives on average 2.73%).

### ***Dynamic Semiconductors Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. semiconductor companies that are engaged principally in the manufacture of semiconductors. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes semiconductor stocks from the 3,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks using a proprietary NYSE Arca Intellidex model. Within the semiconductors industry, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their size sub-groups. The Underlying Intellidex includes 30 stocks and is divided as follows:

- a. The Intellidex Provider includes ten of the top-ranked relatively larger stocks, which collectively receive 50% of the total index weight (each larger stock receives on average 5.0%). The Intellidex Provider includes the ten component stocks with the best Model Score in the sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the twelfth ranked stock in the sub-group.
- b. The Intellidex Provider includes 20 of the top-ranked relatively smaller stocks, which collectively receive 50% of the total index weight (each smaller stock receives on average 2.5%). The Intellidex Provider includes the 20 component stocks with the best Model Score in that sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the 24th ranked stock in the sub-group.

### ***Dynamic Software Intellidex<sup>SM</sup> Index***

The Underlying Intellidex is composed of stocks of 30 U.S. software companies that are engaged principally in the research, design, production or distribution of products or processes that relate to software applications and systems and information-based services. Strictly in accordance with its guidelines and mandated procedures, the Intellidex Provider includes software stocks from the 3,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE MKT and the NASDAQ. The Intellidex Provider ranks the stocks using a proprietary NYSE Arca

Intellidex model. Within the software industry, the Intellidex Provider identifies a defined number of the top-ranked larger and smaller stocks for inclusion in the Underlying Intellidex. The Intellidex Provider equally weights the included stocks within their size sub-groups. The Underlying Intellidex includes 30 stocks and is divided as follows:

- a. The Intellidex Provider includes ten of the top-ranked relatively larger stocks, which collectively receive 50% of the total index weight (each larger stock receives on average 5.0%). The Intellidex Provider includes the ten component stocks with the best Model Score in the sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the twelfth ranked stock in the sub-group.
- b. The Intellidex Provider includes 20 of the top-ranked relatively smaller stocks, which collectively receive 50% of the total index weight (each smaller stock receives on average 2.5%). The Intellidex Provider includes the 20 component stocks with the best Model Score in that sub-group, except that the Intellidex Provider does not remove any component stock that is currently included in the Underlying Intellidex unless its Model Score falls below that of the 24th ranked stock in the sub-group.

### **Principal Risks of Investing in the Funds**

The following provides additional information about certain of the principal risks identified under “Principal Risks of Investing in the Fund” in each Fund’s “Summary Information” section.

#### ***Banking Industry Concentration Risk***

For PowerShares Dynamic Banking Portfolio, banks are subject to extensive government regulation that may affect the scope of their activities, their profitability, the prices that they can charge and the amount of capital that they must maintain. In addition, unstable interest rates can have a disproportionate effect on the banking industry; banks whose securities the Fund may purchase may themselves have concentrated portfolios of loans or investments that make them vulnerable to economic conditions that affect that industry. Increased competition also may affect adversely the profitability or viability of banks. In addition, the banking industry is undergoing numerous changes, including continuing consolidations, development of new products and structures and changes to its regulatory framework. Increased government involvement in the banking industry, including measures such as taking ownership positions in such institutions, could result in a dilution in the value of the shares that shareholders hold in such institutions. The recent deterioration of the credit markets has caused an adverse impact on a broad range of financial markets, thereby causing certain banking institutions to incur large losses. Certain banking institutions have experienced declines in the valuation of their assets and even ceased operations.

#### ***Biotechnology and Genome Industry Concentration Risk***

PowerShares Dynamic Biotechnology & Genome Portfolio faces the risk that certain factors can affect the biotechnology and genome industry significantly, including patent considerations, the termination of patent protections for products, intense domestic and international competition, rapid technological change and obsolescence, government regulation and expensive insurance costs due to the risk of product liability lawsuits. In addition, the biotechnology and genome industry is an

emerging growth industry, and therefore biotechnology and genome companies may be capitalized thinly and may be more volatile than companies with greater capitalizations. Biotechnology and genome companies may have persistent losses during a new product's transition from development to production, and their revenue patterns may be erratic. Biotechnology and genome companies also must contend with high development costs, which may be exacerbated by their inability to raise prices to cover costs because of managed care pressure, government regulation or price controls. Moreover, stock prices of biotechnology and genome companies are volatile, particularly when their products are up for regulatory approval or under regulatory scrutiny. Companies involved in this industry also may be subject to extensive government regulations by the Food and Drug Administration ("FDA"), the Environmental Protection Agency and the United States Department of Agriculture. These regulations may affect and significantly limit a biotechnology and genome company's research, product development and approval of products.

### ***Building and Construction Industry Concentration Risk***

For PowerShares Dynamic Building & Construction Portfolio, supply and demand for specific products or services, as well as for industrial sector products in general, may affect significantly the companies in the building and construction industry. In addition, changes in government spending, zoning laws, economic conditions, interest rates, taxation, real estate values and overbuilding also may affect significantly the building and construction industry. The products of companies that operate in the building and construction industry may face obsolescence due to rapid technological developments and frequent new product introduction. Government regulation, world events and economic conditions also affect the performance of companies in these industries. Companies in this industry also face risks of environmental damage and product liability claims. In addition, environmental clean-up costs and catastrophic events such as earthquakes, hurricanes and terrorist acts may affect significantly certain segments of the building and construction industry.

### ***Energy Exploration and Production Industry Concentration Risk***

PowerShares Dynamic Energy Exploration & Production Portfolio faces the risk that companies in the energy exploration and production industry are subject to extensive government regulation, which may increase the cost of business and limit these companies' earnings. In addition, these companies are at risk of civil liability from accidents resulting in injury or loss of life or property, pollution or other environmental damage claims and risk of loss from terrorism and natural disasters. Changes in economic conditions and events in the regions where the companies operate (e.g., nationalization, expropriation, imposition of restrictions on foreign investments and repatriation of capital and social or labor unrest) also affect companies in this industry significantly. Companies in this industry could be affected adversely by levels and volatility of global energy prices, commodity price volatility, changes in exchange rates, interest rates imposition of import controls, increased competition, capital expenditures on exploration and production, depletion of resources, development of alternative energy sources and energy conservation efforts, technological developments and labor relations.

### ***Food and Beverage Industry Concentration Risk***

For PowerShares Dynamic Food & Beverage Portfolio, the food and beverage industry is highly competitive and can be significantly affected by demographic and product trends, competitive pricing, food fads, marketing campaigns, environmental factors, government regulation, adverse changes in general economic conditions,

evolving consumer preferences, nutritional and health-related concerns, federal, state and local food inspection and processing controls, consumer product liability claims, consumer boycotts, risks of product tampering, and the availability and expense of liability insurance. Product recalls require companies in the food and beverage industry to withdraw contaminated or mislabeled products from the market. In addition, there are risks pertaining to raw materials and the suppliers of such raw materials that include changing market prices. The prices for raw materials fluctuate in response to a number of factors, including, but not limited to, changes in the U.S. Government farm support programs, changes in international agricultural and trading policies, weather and other conditions during the growing and harvesting seasons.

### ***Insurance Industry Concentration Risk***

PowerShares Dynamic Insurance Portfolio faces the risk that many factors, including changes in interest rates, general economic conditions, the imposition of premium rate caps, competition and pressure to compete globally, including price and marketing competition, and other changes in government regulation or tax law, can significantly affect companies in the insurance industry. In addition, different segments of the insurance industry may be affected significantly by mortality and morbidity rates, actuarial miscalculations, environmental clean-up costs and catastrophic events, such as earthquakes, hurricanes and terrorist acts, and availability and cost of reinsurance.

### ***Leisure and Entertainment Industries Concentration Risk***

For PowerShares Dynamic Leisure and Entertainment Portfolio, companies engaged in the design, production, or distribution of goods or services for the leisure and entertainment industries (including sports arenas, amusement and theme parks, gaming casinos, sporting goods, camping and recreational equipment, toys and games, travel-related services, hotels and motels and fast food and other restaurants) may become obsolete quickly. Additionally, several factors can significantly affect the leisure and entertainment industries, including the performance of the overall economy, changing consumer tastes and discretionary income levels, intense competition, technological developments and government regulation.

### ***Media Industry Concentration Risk***

For PowerShares Dynamic Media Portfolio, companies engaged in design, production or distribution of goods or services for the media industry (including television or radio broadcasting or manufacturing, publishing, recordings and musical instruments, motion pictures and photography) may become obsolete quickly. Media companies are subject to a variety of risks, which include cyclicalities of revenues and earnings; a decrease in the discretionary income of targeted individuals; changing consumer tastes and interests; fierce competition in the industry; and the potential for increased government regulation. Media company revenues largely are dependent on advertising spending. A weakening general economy or a shift from online to other forms of advertising may lead to a reduction in discretionary spending on online advertising. Additionally, federal deregulation of cable and broadcasting, competitive pressures and government regulation may affect companies in the media industry significantly.

### ***Networking Industry Concentration Risk***

PowerShares Dynamic Networking Portfolio faces the risk that the networking industry is evolving rapidly and, as a result, many factors may affect the industry significantly, including corporate capital expenditure trends, competitive pressures such as the ability to attract and retain skilled employees, and obsolescence due to rapid technological innovation or changing consumer preferences. The market for these network products is characterized by rapidly changing technology, rapid product obsolescence, cyclical market patterns, evolving industry standards and frequent new product introductions. The success of network companies depends substantially on the timely and successful introduction of new products or services. An unexpected change in one or more of the technologies affecting a company's products or in the market for products based on a particular technology could have a material adverse affect on the company's operating results. Furthermore, there can be no assurance that the network companies will be able to respond in a timely manner to compete in the rapidly developing marketplace.

Many network companies rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and protect their proprietary rights in their products and technologies. There can be no assurance that the steps taken by network companies to protect their proprietary rights will be adequate to prevent misappropriation of their technology or that competitors will not develop technologies independently that substantially are equivalent or superior to such companies' technology. The networking industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent, trade secret and other intellectual property rights.

### ***Oil and Gas Services Industry Concentration Risk***

For PowerShares Dynamic Oil & Gas Services Portfolio, the profitability of companies in the oil and gas services industry may be affected adversely by changes in worldwide energy prices, exploration and production spending. Changes in government regulation, economic conditions, government regulation and events in the regions that the companies operate (e.g., expropriation, nationalization, confiscation of assets and property or the imposition of restrictions on foreign investments and repatriation of capital, military coups, social unrest, violence or labor unrest, and terrorism and natural disasters), also affect companies in this industry. In addition, these companies are at risk for environmental damage claims. Companies in this industry could be adversely affected by commodity price volatility, changes in exchange rates, interest rates, imposition of import controls, increased competition, depletion of resources, development of alternative energy sources, energy conservation efforts, technological developments and labor relations. Companies in the oil and gas services industry may have significant capital investments in, or engage in transactions involving, emerging market countries, which may heighten these risks.

### ***Pharmaceuticals Industry Concentration Risk***

For PowerShares Dynamic Pharmaceuticals Portfolio, factors such as government approval of products and services, government regulation and reimbursement rates, product liability claims, patent expirations and protection, and intense competition may all affect significantly companies in the pharmaceuticals industry.

Substantially all pharmaceutical products are subject to FDA regulation. The research, design, testing, manufacturing, labeling, marketing, distribution and advertising of pharmaceutical products are subject to extensive regulation by



governmental authorities in the United States and other countries. The FDA and foreign regulatory agencies require pharmaceutical companies to comply with an array of manufacturing and design controls and testing, quality control, storage and documentation procedures. Manufacturing and sales of pharmaceutical products outside the United States are also subject to foreign regulatory requirements that vary from country to country. The approval process for pharmaceutical products in the United States and abroad can be lengthy, expensive and require extensive preclinical and clinical trials. As a result, pharmaceutical companies may expend substantial resources in developing and testing a new product but fail to obtain the necessary approvals or clearances to market or manufacture the products on a timely basis or at all. Failure to comply with applicable domestic and/or foreign requirements can result in: fines or other enforcement actions, recall or seizure of products, total or partial suspension of production, withdrawal of existing product approvals or clearances, refusal to approve or clear new applications or notifications, increased quality control costs, or criminal prosecution. The pharmaceutical industry is also subject to federal, state, local and foreign laws and regulations governing the protection of the environment and occupational health and safety, including laws regulating air emissions, wastewater discharges, the management and disposal of hazardous materials and wastes, and the health and safety of employees. Pharmaceutical companies also are required to obtain permits from governmental authorities for certain operations. Violation or failure to comply with these laws or regulations or failure to obtain these permits could result in fines, penalties or other sanctions.

Pharmaceutical companies are exposed to significant potential product liability risks that are inherent in the development, manufacturing and marketing of human therapeutic products. Product liability claims could delay or prevent completion of companies' clinical development programs as well as result in FDA investigations of the safety and effectiveness of companies' products, manufacturing processes and facilities, and marketing programs.

Pharmaceutical companies depend on rapidly identifying and seeking patent protection for their discoveries. The process of obtaining patent protection is expensive and time consuming. Furthermore, there can be no assurance that the steps taken by pharmaceutical companies to protect their proprietary rights will be adequate to prevent misappropriation of their proprietary rights or that competitors will not independently develop products that are substantially equivalent or superior to such companies' products. Pharmaceutical companies also rely on trade secrets, know-how and technology, which are not protected by patents, to maintain their competitive position. If any trade secret, know-how or other technology not protected by a patent were disclosed to, or independently developed by, a competitor, that company's business and financial condition could be materially adversely affected.

### ***Retail Industry Concentration Risk***

For PowerShares Dynamic Retail Portfolio, factors such as the performance of the domestic and international economy, interest rates, competition and consumer confidence may affect the retail industry. The success of companies in the retail industry depends heavily on disposable household income and consumer spending. Changes in demographics and consumer preferences, fads, marketing campaigns and other factors that affect supply and demand also may affect the success of retail products. In addition, the retail industry is subject to severe competition.

### ***Semiconductors Industry Concentration Risk***

For PowerShares Dynamic Semiconductors Portfolio, factors that may affect significantly the semiconductors industry include competitive pressures, intense competition, aggressive pricing, technological developments, changing demand, research and development costs, availability and price of components and product obsolescence. The semiconductors industry is characterized by rapid technological change, cyclical market patterns, significant price erosion, periods of over-capacity and production shortages, changing demand, variations in manufacturing costs and yields and significant expenditures for capital equipment and product development. The semiconductors industry has from time to time experienced depressed business conditions. In the past, business conditions in this industry have changed rapidly from periods of strong demand to periods of weak demand. Any future downturn in the industry could harm the business and operating results of semiconductor companies.

Semiconductor design and process methodologies are subject to rapid technological change requiring large expenditures for research and development in order to improve product performance and increase manufacturing yields. Current technology is likely to become obsolete at some point in the future.

The success of semiconductor companies largely depends on their ability to obtain and maintain protection of certain proprietary technologies used in their principal products. Semiconductor companies rely on a combination of patents, trade secret laws and contractual provisions to protect our technologies. The process of seeking patent protection can be long and expensive. In addition, the semiconductors industry in general is characterized by frequent litigation regarding patent and other intellectual property rights, which may require semiconductor companies to defend against competitors' assertions of intellectual property infringement or misappropriation.

### ***Software Industry Concentration Risk***

For PowerShares Dynamic Software Portfolio, various factors may affect the software industry significantly, such as technological developments, fixed-rate pricing and the ability to attract and retain skilled employees. The success of companies in the industry is subject to the continued demand for internet services. For example, as product cycles shorten and manufacturing capacity increases, these companies increasingly could become subject to aggressive pricing, which hampers profitability. Changing domestic and international demand, research and development costs, availability and price of components and product obsolescence can affect the profitability of software companies. Software company stocks may experience substantial fluctuations in market price.

The market for software products is characterized by rapidly changing technology, rapid product obsolescence, cyclical market patterns, evolving industry standards and frequent new product introductions. The success of software and services companies depends substantially on the timely and successful introduction of new products. An unexpected change in one or more of the technologies affecting a company's products or in the market for products based on a particular technology could have a material adverse affect on the company's operating results. Furthermore, there can be no assurance that the software companies will be able to respond in a timely manner to compete in the rapidly developing marketplace.

Many software companies rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and protect their proprietary rights in their products and technologies. There can be no assurance that the steps taken by

software companies to protect their proprietary rights will be adequate to prevent misappropriation of their technology or that competitors will not develop technologies independently that substantially are equivalent or superior to such companies' technology.

### ***Market Risk***

Securities in each Underlying Intellidex are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in its respective Underlying Intellidex.

### ***Market Trading Risk***

The Funds face numerous market trading risks, including the potential lack of an active market for each Fund's Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Funds. Any of these factors may lead to the Shares trading at a premium or discount to each Fund's NAV.

### ***Equity Risk***

Equity risk is the risk that the value of the securities a Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities a Fund holds participate or factors relating to specific companies in which the Funds invest. For example, an adverse event, such as an unfavorable earnings report, may depress the value of securities each Fund holds; the price of securities may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the securities a Fund holds. In addition, securities of an issuer in a Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

### ***Industry Concentration Risk***

In following its methodology, a Fund's Underlying Intellidex from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or sector. To the extent that an Underlying Intellidex concentrates in the securities of issuers in a particular industry or sector, a Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or group of industries, a Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which a Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, an industry or sector may be out of favor and underperform other industries or the market as a whole. Information about the Funds' exposure to a particular industry is available in the Funds' Annual and Semi-Annual Reports to Shareholders, as well as on their Forms N-Q as filed with the Securities and Exchange Commission.

## ***Non-Correlation Risk***

A Fund's return may not match the return of its Underlying Intellidex for a number of reasons. For example, a Fund incurs operating expenses not applicable to its Underlying Intellidex and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of a Fund and its Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and its Underlying Intellidex resulting from legal restrictions, cost or liquidity constraints. A Fund may fair value certain of the securities it holds. To the extent a Fund calculates its NAV based on fair value prices, the Fund's ability to track its Underlying Intellidex may be adversely affected. Since each Underlying Intellidex is not subject to the tax diversification requirements to which a Fund must adhere, a Fund may be required to deviate its investments from the securities and relative weightings of its Underlying Intellidex. A Fund may not invest in certain securities included in its Underlying Intellidex due to liquidity constraints. Liquidity constraints may delay a Fund's purchase or sale of securities included in its Underlying Intellidex. For tax efficiency purposes, the Funds may sell certain securities to realize losses, causing them to deviate from their Underlying Intellidexes.

The investment activities of one or more of the Adviser's affiliates, including other subsidiaries of the Adviser's parent company, Invesco Ltd., for their proprietary accounts and for client accounts also may adversely impact a Fund's ability to track its Underlying Intellidex. For example, in regulated industries, and in corporate and regulatory ownership definitions, there may be limits on the aggregate amount of investment by affiliated investors that may not be exceeded, or that may not be exceeded without the grant of a license or other regulatory or corporate consent or, if exceeded, may cause the Adviser, a Fund or other client accounts to suffer disadvantages or business restrictions. As a result, a Fund may be restricted in its ability to acquire particular securities due to positions held by the Adviser's affiliates.

The Adviser may not fully invest a Fund at times, either as a result of cash flows into the Fund or the need to reserve cash the Fund holds to meet redemptions and expenses. If a Funds utilizes a sampling approach, its return may not correlate as well with the return of its Underlying Intellidex as would be the case if they purchased all of the securities in its Underlying Intellidex with the same weightings as the Underlying Intellidex.

## ***Index Risk***

Unlike many investment companies, the Funds do not utilize investing strategies that seek returns in excess of the Underlying Intellidexes. Therefore, a Fund would not necessarily buy or sell a security unless that security is added or removed, respectively, from its Underlying Intellidex, even if that security generally is underperforming.

## ***Small and Medium Capitalization Company Risk***

Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

### ***Non-Diversified Fund Risk***

Because the Funds are non-diversified and can invest a greater portion of their assets in securities of individual issuers than diversified funds, changes in the market value of a single investment could cause greater fluctuations in Share price of the Fund than would occur in a diversified fund. This may increase the Funds' volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Funds' performance.

### ***Non-Principal Investment Strategies***

Each Fund, after investing at least 90% of its total assets in securities that comprise its respective Underlying Intellidex, may invest its remaining assets in securities not included in its Underlying Intellidex and in money market instruments, including repurchase agreements or other funds that invest exclusively in money market instruments (subject to applicable limitations under the Investment Company Act of 1940, as amended (the "1940 Act"), or exemptions therefrom), convertible securities, structured notes (notes on which the amount of principal repayment and interest payments are based on the movement of one or more specified factors, such as the movement of a particular stock or stock index) and in options and futures contracts. The Funds may use options and futures contracts (and convertible securities and structured notes) to seek performance that corresponds to its respective Underlying Intellidex and to manage cash flows. The Adviser anticipates that it may take approximately three business days (a business day is any day that the NYSE is open) for the Adviser to fully reflect the additions and deletions to each Fund's Underlying Intellidex in the portfolio composition of that Fund.

Each Fund normally will invest at least 80% of its total assets in securities suggested by the name of that Fund ( the "80% investment policy"). Each Fund considers securities suggested by the name of that Fund to be those securities that comprise its respective Underlying Intellidex.

Each Fund's investment objective and 80% investment policy constitutes a non-undamental policy that the Board of Trustees (the "Board") of PowerShares Exchange-Traded Fund Trust (the "Trust") may change without shareholder approval, upon 60 days' prior written notice to shareholders. The fundamental and non-fundamental policies of the Funds are set forth in the Funds' Statement of Additional Information ("SAI") under the section "Investment Restrictions."

### ***Borrowing Money***

Each Fund may borrow money from a bank up to a limit of 10% of the value of its assets, but only for temporary or emergency purposes.

### ***Securities Lending***

PowerShares Dynamic Media Portfolio lends its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Fund receives liquid collateral equal to at least 102% of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

### ***Additional Risks of Investing in the Funds***

The following provides additional risk information regarding investing in the Funds.

### ***Risks of Futures and Options***

Each Fund may enter into U.S. futures contracts, options and options on futures contracts to simulate full investment in its Underlying Intellidex, to facilitate trading or to reduce transaction costs. The Funds will not use futures or options for speculative purposes.

Because futures contracts project price levels in the future, market circumstances may cause a discrepancy between the price of the stock index future and the movement in the Underlying Intellidex. In the event of adverse price movements, each Fund would remain required to make daily cash payments to maintain its required margin. The risk of loss in trading futures contracts or uncovered call options in some strategies (e.g., selling uncovered stock index futures contracts) potentially is unlimited. However, each Fund intends to use futures and options contracts to limit its risk exposure to levels comparable to direct investment in securities.

Each Fund must segregate liquid assets or take other appropriate measures to “cover” open positions in futures contracts. For futures contracts that do not cash settle, each Fund must segregate liquid assets equal to the full notional value of the futures contracts while the positions are open. For futures contracts that do cash settle, each Fund is permitted to set aside liquid assets in an amount equal to the Fund’s daily marked-to-market net obligations (i.e., the Fund’s daily net liability) under the futures contract, if any, rather than their full notional value. For more information, see “Investment Strategies and Risks - Futures and Options” in the SAI.

### ***Securities Lending Risk***

Securities lending involves a risk of loss because the borrower may fail to return the securities in a timely manner or at all. If PowerShares Dynamic Media Portfolio is not able to recover the securities loaned, it may sell the collateral and purchase a replacement security in the market. Lending securities entails a risk of loss to the Fund if and to the extent that the market value of the loaned securities increases and the collateral is not increased accordingly.

Any cash received as collateral for loaned securities will be invested in an affiliated money market fund. This investment is subject to market appreciation or depreciation and the Fund will bear any loss on the investment of cash collateral.

### ***Shares May Trade at Prices Different than NAV***

The NAV of the Shares generally will fluctuate with changes in the market value of the Funds’ holdings. The market prices of Shares generally will fluctuate in accordance with changes in NAV, as well as the relative supply of and demand for Shares on NYSE Arca. The Adviser cannot predict whether the Shares will trade below, at or above their NAV. Price differences may be due largely to the fact that supply and demand forces at work in the secondary trading market for the Shares will be related, but not identical, to the same forces influencing the prices of the securities of each Fund’s Underlying Intellidex trading individually or in the aggregate at any point in time. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from NAV. If a shareholder purchases at a time when the market price is at a premium to the NAV or sells at a time when the market price is at a discount to the NAV, the shareholder may sustain losses.

## **Trading Issues**

Trading in Shares on NYSE Arca may be halted due to market conditions or for reasons that, in the view of NYSE Arca, make trading in Shares inadvisable. In addition, trading in Shares on NYSE Arca is subject to trading halts caused by extraordinary market volatility pursuant to NYSE Arca "circuit breaker" rules. There can be no assurance that the requirements of NYSE Arca necessary to maintain the listing of each Fund will continue to be met or will remain unchanged.

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## **Tax-Advantaged Structure of ETFs**

Unlike interests in conventional mutual funds, which typically are bought and sold only at closing NAVs, the Shares are traded throughout the day in the secondary market on a national securities exchange on an intra-day basis, and are created and redeemed principally in-kind. These in-kind arrangements are designed to protect ongoing shareholders from the adverse effects on the portfolio of each Fund that could arise from frequent cash creation and redemption transactions. In a conventional mutual fund, redemptions can have an adverse tax impact on taxable shareholders because of the mutual fund's need to sell portfolio securities to obtain cash to meet fund redemptions. These sales may generate taxable gains for the shareholders of the mutual fund, whereas the Shares' in-kind redemption mechanism generally will not lead to a tax event for each Fund or its ongoing shareholders.

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## **Portfolio Holdings**

A description of the Trust's policies and procedures with respect to the disclosure of the Funds' portfolio holdings is available in the Trust's SAI, which is available at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

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## **Management of the Funds**

Invesco PowerShares Capital Management LLC is a registered investment adviser with its offices at 301 West Roosevelt Road, Wheaton, Illinois 60187. Invesco PowerShares Capital Management LLC serves as the investment adviser to the Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust, a family of exchange-traded funds ("ETFs"), with combined assets under management of \$23.5 billion as of July 31, 2012. The Trust currently is composed of 58 ETFs.

As the Funds' investment adviser, the Adviser has overall responsibility for selecting and continuously monitoring the Funds' investments, managing the Funds' business affairs and providing certain clerical, bookkeeping and other administrative services for the Trust.

The Adviser uses a team of portfolio managers, investment strategists and other investment specialists. This team approach brings together many disciplines and leverages the Adviser's extensive resources.

## **Portfolio Managers**

Peter Hubbard, Vice President of the Trust, oversees all research, portfolio management and trading operations of each Fund. In this capacity, Mr. Hubbard oversees a team of portfolio managers (with Mr. Hubbard, the "Portfolio Managers") who are responsible for the day-to-day management of the Funds. Mr. Hubbard receives management assistance from Michael Jeanette and Brian Picken. Each Portfolio Manager is responsible for various functions related to portfolio management, including investing cash flows, coordinating with other team members to focus on certain asset classes, implementing investment strategy and researching and reviewing investment strategy. Each Portfolio Manager has limitations on his authority for risk management and compliance purposes that the Adviser believes to be appropriate.

Peter Hubbard is a Vice President of Portfolio Management of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since June 2007. Mr. Hubbard was a Research Analyst for the Adviser from May 2005 to June 2007. Prior to joining the Adviser, Mr. Hubbard was employed by Ritchie Capital, a hedge fund operator, where he was a Research Analyst and Trader from September 2003 to May 2005.

Michael Jeanette is a Vice President and Portfolio Manager of the Adviser and has been employed by the Adviser since May 2005. He has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since August 2008. Prior to joining the Adviser, Mr. Jeanette was a trust advisor and GM of Chicago based Richard Lamb, LLC from 1998 to 2007. Prior to this he was a financial advisor with Smith Barney and First Bank Systems.

Brian Picken is a Vice President of the Adviser. He has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since August 2010. Mr. Picken was an ETF Portfolio Operations Specialist for the Adviser from August 2008 to August 2009, and prior to that a Research Analyst for the Adviser from August 2007 to August 2008.

The Trust's SAI provides additional information about the Portfolio Managers' compensation structure, other accounts that the Portfolio Managers manage and the Portfolio Managers' ownership of Shares.

The Adviser receives fees from each Fund equal to 0.50% of the Fund's average daily net assets. The Trust and the Adviser have entered into an Amended and Restated Excess Expense Agreement (the "Expense Agreement") pursuant to which the Adviser has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of each Fund (excluding interest expenses, brokerage commissions and other trading expenses, offering costs, sub-licensing fees, taxes, Acquired Fund Fees and Expenses, if applicable, and extraordinary expenses) from exceeding 0.60% of the Fund's average daily net assets per year, at least until August 31, 2013. The offering costs excluded from the 0.60% expense cap are: (a) initial legal fees pertaining to each Fund's Shares offered for sale; (b) initial SEC and state registration fees; and (c) initial fees paid to be listed on an exchange. The Expense Agreement also provides that the expenses that the Adviser bears are subject to recapture by the Adviser for up to three years from the date that the Adviser bore the fee or expense, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.



Each Fund is responsible for all of its expenses, including the investment advisory fees, costs of transfer agency, custody, fund administration, legal, audit and other services, interest, taxes, Acquired Fund Fees and Expenses, if applicable, brokerage commissions and other expenses connected with executions of portfolio transactions, sub-licensing fees related to its respective Underlying Intellidex, any distribution fees or expenses, litigation expenses, fees payable to the Trust's Board members and officers who are not "interested persons" of the Trust or the Adviser, expenses incurred in connection with the Board members' services, including travel expenses and legal fees of counsel for those members of the Board who are not "interested persons" of the Trust and extraordinary expenses.

A discussion regarding the basis for the Board's approval of the Trust's Investment Advisory Agreement on behalf of each Fund is available in the Funds' Annual Report to Shareholders for the fiscal year ended April 30, 2012.

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## How to Buy and Sell Shares

Each Fund issues or redeems its Shares at NAV per Share only in Creation Units.

Most investors will buy and sell Shares of each Fund in secondary market transactions through brokers. Shares of each Fund are listed for trading on the secondary market on NYSE Arca. Shares can be bought and sold throughout the trading day like other publicly traded shares. There is no minimum investment. Although Shares generally are purchased and sold in "round lots" of 100 Shares, brokerage firms typically permit investors to purchase or sell Shares in smaller "oddlots" at no per share price differential. When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges, and you may pay some or all of the spread between the bid and the offered price in the secondary market on each leg of a round trip (purchase and sale) transaction. The Shares of the Funds trade on NYSE Arca under the following symbols:

<b><u>Fund</u></b>	<b><u>Symbol</u></b>
PowerShares Dynamic Banking Portfolio .....	.PJB
PowerShares Dynamic Biotechnology & Genome Portfolio .....	.PBE
PowerShares Dynamic Building & Construction Portfolio .....	.PKB
PowerShares Dynamic Energy Exploration & Production Portfolio .....	.PXE
PowerShares Dynamic Food & Beverage Portfolio .....	.PBJ
PowerShares Dynamic Insurance Portfolio .....	.PIC
PowerShares Dynamic Leisure and Entertainment Portfolio .....	.PEJ
PowerShares Dynamic Media Portfolio .....	.PBS
PowerShares Dynamic Networking Portfolio .....	.PXQ
PowerShares Dynamic Oil & Gas Services Portfolio .....	.PXJ
PowerShares Dynamic Pharmaceuticals Portfolio .....	.PJP
PowerShares Dynamic Retail Portfolio .....	.PMR
PowerShares Dynamic Semiconductors Portfolio .....	.PSI
PowerShares Dynamic Software Portfolio .....	.PSJ

Share prices are reported in dollars and cents per Share.

APs may acquire Shares directly from each Fund, and APs may tender their Shares for redemption directly to each Fund, at NAV per Share, only in Creation Units or Creation Unit Aggregations, and in accordance with the procedures described in the SAI.

Each Fund may liquidate and terminate at any time without shareholder approval.

### **Book Entry**

Shares are held in book-entry form, which means that no stock certificates are issued. The Depository Trust Company (“DTC”) or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

Investors owning Shares are beneficial owners as shown on the records of DTC or its participants. DTC serves as the securities depository for all Shares. Participants in DTC include securities brokers and dealers, banks, trust companies, clearing corporations and other institutions that directly or indirectly maintain a custodial relationship with DTC. As a beneficial owner of Shares, you are not entitled to receive physical delivery of stock certificates or to have Shares registered in your name, and you are not considered a registered owner of Shares. Therefore, to exercise any right as an owner of Shares, you must rely upon the procedures of DTC and its participants. These procedures are the same as those that apply to any other stocks that you hold in book entry or “street name” form.

### **Fund Share Trading Prices**

The trading prices of Shares of each Fund on NYSE Arca may differ from the Fund’s daily NAV. Market forces of supply and demand, economic conditions and other factors may affect the trading prices of Shares of each Fund.

The approximate value of Shares of each Fund, an amount representing on a per share basis the sum of the current market price of the securities accepted by the Fund in exchange for Shares of the Fund and an estimated cash component will be disseminated every 15 seconds throughout the trading day through the facilities of the Consolidated Tape Association. This approximate value should not be viewed as a “real-time” update of the NAV per Share of the Fund because the approximate value may not be calculated in the same manner as the NAV, which is computed once a day, generally at the end of the business day. The Funds are not involved in, or responsible for, the calculation or dissemination of the approximate value and the Funds do not make any warranty as to its accuracy.

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## **Frequent Purchases and Redemptions of Fund Shares**

Shares of the Funds may be purchased and redeemed directly from the Funds only in Creation Units by APs. The vast majority of trading in Shares of the Funds occurs on the secondary market and does not involve the Funds directly. In-kind purchases and redemptions of Creation Units by APs and cash trades on the secondary market are unlikely to cause many of the harmful effects of frequent purchases and/or redemptions of the Shares of the Funds. Cash purchases and/or redemptions of Creation Units, however, can result in increased tracking error, disruption of portfolio

management, dilution to the Fund and increased transaction costs, which could negatively impact the Fund's ability to achieve its investment objective, and may lead to the realization of capital gains. These consequences may increase as the frequency of cash purchases and redemptions of Creation Units by APs increases. However, direct trading by APs is critical to ensuring that Shares trade at or close to NAV. To minimize these potential consequences of frequent purchases and redemptions of Shares, each Fund employs fair valuation pricing and imposes transaction fees on purchases and redemptions of Creation Units to cover the custodial and other costs the Fund incurs in effecting trades. In addition, the Adviser monitors trades by APs for patterns of abusive trading and the Funds reserve the right not to accept orders from APs that the Adviser has determined may be disruptive to the management of the Funds, or otherwise are not in the best interests of the Funds. For these reasons, the Board has not adopted policies and procedures with respect to frequent purchases and redemptions of Shares of the Funds.

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## Dividends, Distributions and Taxes

Ordinarily, dividends from net investment income, if any, are declared and paid quarterly by each Fund. Each Fund distributes its net realized capital gains, if any, to shareholders annually.

Distributions in cash may be reinvested automatically in additional whole Shares only if the broker through whom you purchased Shares makes such option available.

### **Taxes**

As with any investment, you should consider how your investment in Shares will be taxed. The tax information in this Prospectus is provided as general information. You should consult your own tax professional about the tax consequences of an investment in Shares.

Unless your investment in Shares is made through a tax-exempt entity or tax-deferred retirement account, such as an IRA plan, you need to be aware of the possible tax consequences when:

- Your Fund makes distributions,
- You sell your Shares listed on NYSE Arca, and
- You purchase or redeem Creation Units.

### **Taxes on Distributions**

As stated above, dividends from net investment income, if any, ordinarily are declared and paid quarterly. Each Fund may also pay a special distribution at the end of the calendar year to comply with federal tax requirements. In general, your distributions are subject to federal income tax when they are paid, whether you take them in cash or reinvest them in the Funds. Dividends paid out of each Fund's income and net short-term gains, if any, generally are taxable as ordinary income.

Distributions of net long-term capital gains, if any, in excess of net short-term capital losses are taxable as long-term capital gains, regardless of how long you have held the Shares.

Long-term capital gains of non-corporate taxpayers generally are taxed at a maximum rate of 15% for taxable years beginning before January 1, 2013. In addition, for those taxable years, some ordinary dividends declared and paid by each Fund to non-corporate shareholders may qualify for taxation at the lower reduced tax rates applicable to long-term capital gains. Without future congressional action, the maximum rate of long-term capital gains will return to 20% in 2013, and all dividends will be taxed at ordinary income rates.

Distributions in excess of each Fund's current and accumulated earnings and profits are treated as a tax-free return of capital to the extent of your basis in the Shares, and as capital gain thereafter. A distribution will reduce a Fund's NAV per Share and may be taxable to you as ordinary income or capital gain even though, from an investment standpoint, the distribution may constitute a return of capital.

By law, each Fund may be required to withhold a percentage of your distributions and proceeds if you have not provided a taxpayer identification number or social security number.

### **Taxes on Exchange-Listed Share Sales**

Currently, any capital gain or loss realized upon a sale of Shares generally is treated as long-term capital gain or loss if the Shares have been held for more than one year and as short-term capital gain or loss if the Shares have been held for one year or less. The ability to deduct capital losses may be limited.

### **Taxes on Purchase and Redemption of Creation Units**

An AP who exchanges equity securities for Creation Units generally will recognize a gain or a loss. The gain or loss will be equal to the difference between the market value of the Creation Units at the time and the exchanger's aggregate basis in the securities surrendered and the cash component paid. A person who exchanges Creation Units for equity securities generally will recognize a gain or loss equal to the difference between the exchanger's basis in the Creation Units and the aggregate market value of the securities received and the cash redemption amount. The Internal Revenue Service, however, may assert that a loss realized upon an exchange of securities for Creation Units cannot be deducted currently under the rules governing "wash sales," or on the basis that there has been no significant change in economic position. Persons exchanging securities should consult their own tax advisor with respect to whether wash sale rules apply and when a loss might be deductible.

Under current federal tax laws, any capital gain or loss realized upon redemption of Creation Units is generally treated as long-term capital gain or loss if the Shares have been held for more than one year and as a short-term capital gain or loss if the Shares have been held for one year or less.

If you purchase or redeem Creation Units, you will be sent a confirmation statement showing how many Shares you purchased or sold and at what price.

The foregoing discussion summarizes some of the possible consequences under current federal tax law of an investment in the Funds. It is not a substitute for personal tax advice. You also may be subject to state and local tax on Fund distributions and sales of Shares. Consult your personal tax advisor about the potential tax consequences of an investment in Shares under all applicable tax laws. For more information, please see the section "Taxes" in the SAI.

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# Distributor

Invesco Distributors, Inc. (the “Distributor”) serves as the distributor of Creation Units for each Fund on an agency basis. The Distributor does not maintain a secondary market in Shares. The Distributor is an affiliate of the Adviser.

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# Net Asset Value

The Bank of New York Mellon (“BNYM”) calculates each Fund’s NAV at the close of regular trading (normally 4:00 p.m., Eastern time) every day the NYSE is open. NAV is calculated by deducting all of the Fund’s liabilities from the total value of its assets and dividing the result by the number of Shares outstanding, rounding to the nearest cent. All valuations are subject to review by the Trust’s Board or its delegate.

In determining NAV, expenses are accrued and applied daily and securities and other assets for which market quotations are readily available are valued at market value. Securities listed or traded on an exchange generally are valued at the last sales price or official closing price that day as of the close of the exchange where the security is primarily traded. The NAV for each Fund will be disseminated daily on each day the NYSE is open. If a security’s market price is not readily available, the security will be valued using pricing provided from independent pricing services or by another method that the Adviser, in its judgment, believes will better reflect the security’s fair value in accordance with the Trust’s valuation policies and procedures approved by the Board.

Even when market quotations are available for portfolio securities, they may be stale or unreliable because the security is not traded frequently, trading on the security ceased before the close of the trading market or issuer specific events occurred after the security ceased trading or because of the passage of time between the close of the market on which the security trades and the close of the NYSE and when each Fund calculates its NAV. Events that may cause the last market quotation to be unreliable include a merger or insolvency, events which affect a geographical area or an industry segment, such as political events or natural disasters, or market events such as a significant movement in the U.S. market. Where market quotations are not readily available, including where the Adviser determines that the closing price of the security is unreliable, the Adviser will value the security at fair value in good faith using procedures approved by the Board. Fair value pricing involves subjective judgments, and it is possible that a fair value determination for a security is materially different from the value that could be realized upon the sale of the security. In addition, fair value pricing could result in a difference between the prices used to calculate each Fund’s NAV and the prices used by the Fund’s Underlying Intellidex. This may adversely affect each Fund’s ability to track its Underlying Intellidex.

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# Fund Service Providers

BNYM, 101 Barclay Street, New York, New York 10286, is the administrator, custodian and fund accounting and transfer agent for each Fund.

K&L Gates LLP, 70 W. Madison Street, Chicago, Illinois 60602, and 1601 K Street, N.W. Washington, D.C. serves as legal counsel to the Trust.

PricewaterhouseCoopers LLP, One North Wacker Drive, Chicago, IL 60606, serves as the Funds' independent registered public accounting firm. PricewaterhouseCoopers LLC is responsible for auditing the annual financial statements of each Fund.

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# Financial Highlights

The financial highlights table below is intended to help you understand each Fund's financial performance for the past five years. Certain information reflects financial results for a single Share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in each Fund (assuming reinvestment of all dividends and distributions). This information has been derived from the Funds' financial statements which have been audited by PricewaterhouseCoopers LLP, whose report, along with the Funds' financial statements, are included in the Funds' Annual Report for the fiscal year ended April 30, 2012, which is available upon request.

# PowerShares Dynamic Banking Portfolio (PJB)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD . . . . .	\$12.98	\$14.11	\$12.46	\$19.57	\$23.68
Net investment income(a) . . . . .	0.18	0.20	0.24	0.46	0.52
Net realized and unrealized gain (loss) on investments . . . . .	0.41	(1.19)	1.89	(7.04)	(4.22)
TOTAL FROM INVESTMENT OPERATIONS . . . . .	0.59	(0.99)	2.13	(6.58)	(3.70)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Net investment income . . . . .	(0.28)	(0.14)	(0.48)	(0.53)	(0.41)
Return of capital . . . . .	-	-	(0.00)(b)	-	-
TOTAL DISTRIBUTIONS . . . . .	(0.28)	(0.14)	(0.48)	(0.53)	(0.41)
NET ASSET VALUE AT END OF PERIOD . . . . .	\$13.29	\$12.98	\$14.11	\$12.46	\$19.57
SHARE PRICE AT END OF PERIOD(c) . . . . .	\$13.28	\$12.98	\$14.11	\$12.43	
<b>NET ASSET VALUE, TOTAL RETURN(d) . . . . .</b>					
	4.82%	(6.98)%	17.91%	(34.34)%	(15.80)%
<b>SHARE PRICE TOTAL RETURN(d) . . . . .</b>					
	4.74%	(6.99)%	18.21%	(34.49)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of period (000's omitted) . . . . .	\$13,287	\$20,120	\$25,404	\$74,774	\$107,648
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers . . . . .	0.65%	0.65%	0.65%	0.65%	0.66%
Expenses, prior to Waivers . . . . .	1.58%	1.17%	1.07%	0.72%	0.78%
Net investment income, after Waivers . . . . .	1.53%	1.49%	2.12%	2.82%	2.71%
Portfolio turnover rate(e) . . . . .	120%	114%	84%	93%	111%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(f) . . . . .	\$0.05	\$(0.02)	\$(0.00)(b)	\$(0.01)	\$(0.05)

(a) Based on average shares outstanding.

(b) Amount represents less than \$0.005.

(c) The mean between the last bid and ask prices.

(d) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(e) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(f) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

# PowerShares Dynamic Biotechnology & Genome Portfolio (PBE)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD.....	\$23.14	\$19.67	\$12.90	\$17.77	\$19.30
Net investment income					
(loss)(a).....	(0.04)	(0.05)	0.06(g)	(0.06)	(0.11)
Net realized and unrealized gain (loss) on investments.....	(0.84)	3.52	6.79	(4.81)	(1.42)
TOTAL FROM INVESTMENT OPERATIONS.....	(0.88)	3.47	6.85	(4.87)	(1.53)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Net investment income.....	-	-	(0.06)	-	-
Return of capital.....	-	-	(0.02)	-	-
TOTAL DISTRIBUTIONS.....	-	-	(0.08)	-	-
NET ASSET VALUE AT END OF PERIOD..	\$22.26	\$23.14	\$19.67	\$12.90	\$17.77
SHARE PRICE AT END OF PERIOD(c) ..	\$22.21	\$23.18	\$19.68	\$12.87	
<b>NET ASSET VALUE, TOTAL RETURN(d).....</b>					
	(3.80)%	17.64%	53.19%	(27.41)%	(7.93)%
<b>SHARE PRICE TOTAL RETURN(d).....</b>					
	(4.18)%	17.78%	53.63%	(27.62)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted).....	\$136,903	\$217,553	\$214,391	\$139,297	\$199,000
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers.....	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers....	0.64%	0.65%	0.61%	0.62%	0.62%
Net investment income (loss), after Waivers.....	(0.21)%	(0.23)%	0.36%(g)	(0.38)%	(0.57)%
Portfolio turnover rate(e).....	53%	81%	80%	93%	91%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(f).....	\$0.01	\$0.00(b)	\$(0.01)	\$(0.01)	\$0.01

(a) Based on average shares outstanding.

(b) Amount represents less than \$0.005.

(c) The mean between the last bid and ask prices.

(d) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(e) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(f) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

(g) Net investment income per share and the ratio of net investment income to average net assets include a special cash dividend received of \$1.41 per share owned of PDL BioPharma, Inc. on December 15, 2009. Net investment loss per share and the ratio of net investment loss to average net assets excluding the special dividend are \$(0.03) and (0.18)%, respectively.



# PowerShares Dynamic Building & Construction Portfolio (PKB)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD . . . . .	\$14.11	\$13.92	\$10.92	\$17.25	\$18.70
Net investment income(a) . . . . .	0.02	0.68(b)	0.01	0.02	0.02
Net realized and unrealized gain (loss) on investments . . . . .	0.12	0.29(c)	3.01	(6.33)	(1.45)
TOTAL FROM INVESTMENT OPERATIONS . . . . .	0.14	0.97	3.02	(6.31)	(1.43)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Net investment income . . . . .	(0.02)	(0.66)	(0.02)	(0.02)	(0.02)
Return of capital . . . . .	-	(0.12)	-	-	-
TOTAL DISTRIBUTIONS . . . . .	(0.02)	(0.78)	(0.02)	(0.02)	(0.02)
NET ASSET VALUE AT END OF PERIOD . . . . .	\$14.23	\$14.11	\$13.92	\$10.92	\$17.25
SHARE PRICE AT END OF PERIOD(d) . . . . .	\$14.20	\$14.09	\$13.92	\$10.94	
<b>NET ASSET VALUE,</b>					
TOTAL RETURN(e) . . . . .	0.99%	7.49%	27.65%	(36.61)%	(7.66)%
<b>SHARE PRICE TOTAL RETURN(e) . . . . .</b>					
	0.92%	7.34%	27.42%	(36.46)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted) . . . . .	\$30,600	\$40,204	\$50,114	\$49,142	\$15,523
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers . . . . .	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers . . . . .	1.01%	0.91%	0.76%	1.06%	1.18%
Net investment income (loss), after Waivers . . . . .	0.12%	5.25%(b)	0.07%	0.19%	0.09%
Portfolio turnover rate(f) . . . . .	72%	75%	59%	50%	75%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(g) . . . . .	\$0.02	\$0.03	\$(0.00)(h)	\$0.05	\$(0.02)

(a) Based on average shares outstanding.

(b) Net investment income per share and the ratio of net investment income to average net assets include a special cash dividend received of \$1.65 per share owned of Weyerhaeuser Co. on July 20, 2010. Net investment income per share and the ratio of net investment income to average net assets excluding the special dividend are \$0.03 and 0.26%, respectively.

(c) Due to the timing of creations and redemptions of capital shares, the net realized and unrealized gain (loss) per share is not in accord with the Fund's change in net realized and unrealized gain (loss) on investment securities and in-kind transactions for the period.

(d) The mean between the last bid and ask prices.

(e) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(f) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(g) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

(h) Amount represents less than \$0.005.

# PowerShares Dynamic Energy Exploration & Production Portfolio (PXE)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD.....	\$27.67	\$18.46	\$13.17	\$26.69	\$21.29
Net investment income(a).....	0.19	0.12	0.10	0.06	0.05
Net realized and unrealized gain (loss) on investments.....	(2.94)	9.21	5.27	(13.50)	5.41
TOTAL FROM INVESTMENT OPERATIONS.....	(2.75)	9.33	5.37	(13.44)	5.46
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Net investment income.....	(0.34)	(0.12)	(0.07)	(0.08)	(0.06)
Return of capital.....	-	-	(0.01)	-	0.00(f)
TOTAL DISTRIBUTIONS.....	(0.34)	(0.12)	(0.08)	(0.08)	(0.06)
NET ASSET VALUE AT END OF PERIOD..	\$24.58	\$27.67	\$18.46	\$13.17	\$26.69
SHARE PRICE AT END OF PERIOD(b)..	\$24.57	\$27.65	\$18.46	\$13.15	
<b>NET ASSET VALUE, TOTAL RETURN(c).....</b>					
	(9.86)%	50.80%	40.87%	(50.42)%	25.69%
<b>SHARE PRICE TOTAL RETURN(c) ..</b>					
	(9.83)%	50.69%	41.08%	(50.44)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted).....	\$67,592	\$118,975	\$59,983	\$51,344	\$138,802
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers.....	0.65%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers.....	0.73%	0.76%	0.76%	0.69%	0.65%
Net investment income, after Waivers.....	0.81%	0.57%	0.62%	0.30%	0.23%
Portfolio turnover rate(d).....	94%	57%	68%	68%	39%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(e).....	\$0.00(f)	\$(0.00)(f)	\$(0.00)(f)	\$0.00(f)	\$0.00(f)

(a) Based on average shares outstanding.

(b) The mean between the last bid and ask prices.

(c) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(d) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(e) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

(f) Amount represents less than \$0.005.

# PowerShares Dynamic Food & Beverage Portfolio (PBJ)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD . . . . .	\$19.76	\$16.00	\$12.73	\$16.73	\$17.53
Net investment income(a) . . . . .	0.22	0.24	0.20	0.25	0.18
Net realized and unrealized gain (loss) on investments . . . . .	(0.03)	3.73	3.33	(4.08)	(0.42)
TOTAL FROM INVESTMENT OPERATIONS . . . . .	0.19	3.97	3.53	(3.83)	(0.24)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Net investment income . . . . .	(0.18)	(0.21)	(0.26)	(0.17)	(0.40)
Return of capital . . . . .	—	—	—	—	(0.16)
TOTAL DISTRIBUTIONS . . . . .	(0.18)	(0.21)	(0.26)	(0.17)	(0.56)
NET ASSET VALUE AT END OF PERIOD . . . . .	\$19.77	\$19.76	\$16.00	\$12.73	\$16.73
SHARE PRICE AT END OF PERIOD(b) . . . . .	\$19.77	\$19.81	\$16.01	\$12.74	
<b>NET ASSET VALUE,</b>					
TOTAL RETURN(c) . . . . .	1.02%	24.99%	28.08%	(22.99)%	(1.40)%
<b>SHARE PRICE TOTAL RETURN(c) . . . . .</b>					
	0.77%	25.23%	28.06%	(22.89)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted) . . . . .	\$169,039	\$91,881	\$72,795	\$86,592	\$87,013
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers . . . . .	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers . . . . .	0.64%	0.71%	0.74%	0.71%	0.88%
Net investment income, after Waivers . . . . .	1.13%	1.39%	1.41%	1.80%	1.11%
Portfolio turnover rate(d) . . . . .	134%	73%	65%	65%	64%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(e) . . . . .	\$0.04	\$0.02	\$(0.06)	\$0.04	\$0.07

(a) Based on average shares outstanding.

(b) The mean between the last bid and ask prices.

(c) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(d) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(e) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

# PowerShares Dynamic Insurance Portfolio (PIC)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD . . . . .	\$17.19	\$15.49	\$11.66	\$16.20	\$18.84
Net investment income(a) . . . . .	0.23	0.38	0.16	0.15	0.27(f)
Net realized and unrealized gain (loss) on investments . . . .	(0.75)	1.66	3.86	(4.54)	(2.61)
TOTAL FROM INVESTMENT OPERATIONS .	(0.52)	2.04	4.02	(4.39)	(2.34)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Net investment income . . . . .	(0.31)	(0.34)	(0.19)	(0.15)	(0.30)
NET ASSET VALUE AT END OF PERIOD . . .	\$16.36	\$17.19	\$15.49	\$11.66	\$16.20
SHARE PRICE AT END OF PERIOD(b) . . . .	\$16.36	\$17.19	\$15.50	\$11.61	
<b>NET ASSET VALUE, TOTAL RETURN(c) . . . . .</b>					
	(2.85)%	13.38%	34.85%	(27.26)%	(12.56)%
<b>SHARE PRICE TOTAL RETURN(c) . . . . .</b>					
	(2.85)%	13.31%	35.53%	(27.53)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted) . . . . .	\$7,361	\$9,452	\$18,592	\$26,809	\$34,012
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers . . . . .	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers . . . . .	2.15%	1.36%	1.23%	0.98%	0.82%
Net investment income, after Waivers . . . . .	1.51%	2.39%	1.20%	1.13%	1.54%(f)
Portfolio turnover rate(d) . . . . .	87%	66%	72%	52%	82%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(e) . . . . .	\$0.01	\$0.02	\$0.01	\$(0.01)	\$(0.03)

(a) Based on average shares outstanding.

(b) The mean between the last bid and ask prices.

(c) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(d) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(e) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

(f) Net investment income per share and the ratio of net investment income to average net assets include a special cash dividend received of \$2.00 per share owned of Progressive Corp. (The) on September 14, 2007. Net investment income per share and the ratio of net investment income to average net assets excluding the special dividend are \$0.17 and 0.96%, respectively.

# PowerShares Dynamic Leisure and Entertainment Portfolio (PEJ)

Year Ended April 30,

2012    2011    2010    2009    2008

## PER SHARE OPERATING PERFORMANCE:

### NET ASSET VALUE AT

BEGINNING OF PERIOD .....	\$19.34	\$16.52	\$10.65	\$15.11	\$18.32
Net investment income(a) .....	0.15	0.16	0.05	0.10	0.12
Net realized and unrealized gain (loss) on investments ..	2.82	2.81	5.88	(4.46)	(2.75)
TOTAL FROM INVESTMENT OPERATIONS..	2.97	2.97	5.93	(4.36)	(2.63)

### DISTRIBUTIONS TO SHAREHOLDERS FROM:

Net investment income .....	(0.13)	(0.15)	(0.06)	(0.10)	(0.19)
Return of capital .....	-	-	-	-	(0.39)
TOTAL DISTRIBUTIONS .....	(0.13)	(0.15)	(0.06)	(0.10)	(0.58)
NET ASSET VALUE AT END OF PERIOD..	\$22.18	\$19.34	\$16.52	\$10.65	\$15.11
SHARE PRICE AT END OF PERIOD(b) ...	\$22.20	\$19.34	\$16.54	\$10.63	

### NET ASSET VALUE,

TOTAL RETURN(c) .....	15.49%	18.03%	55.81%	(28.91)%	(14.58)%
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SHARE PRICE TOTAL RETURN(c) ....	15.59%	17.89%	56.29%	(29.09)%	
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### RATIOS/SUPPLEMENTAL DATA:

Net assets at end of year (000's omitted).....	\$57,679	\$60,933	\$62,794	\$12,776	\$15,115
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### RATIO TO AVERAGE NET ASSETS OF:

Expenses, after Waivers .....	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers .....	0.80%	0.78%	1.06%	1.65%	0.95%
Net investment income, after Waivers.....	0.80%	0.92%	0.41%	0.96%	0.70%
Portfolio turnover rate(d).....	90%	58%	68%	50%	58%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(e) .....	\$0.06	\$0.05	\$(0.44)	\$(0.04)	\$(0.16)

(a) Based on average shares outstanding.

(b) The mean between the last bid and ask prices.

(c) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(d) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(e) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

# PowerShares Dynamic Media Portfolio (PBS)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD .....	\$15.61	\$13.68	\$8.25	\$13.44	\$16.48
Net investment income(a) .....	0.08	0.07	0.06	0.05	0.06
Net realized and unrealized gain (loss) on investments ..	(0.76)	1.93	5.42	(5.18)	(2.82)
TOTAL FROM INVESTMENT OPERATIONS .....	(0.68)	2.00	5.48	(5.13)	(2.76)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Net investment income .....	(0.09)	(0.07)	(0.05)	(0.04)	(0.06)
Return of capital .....	—	—	(0.00)(f)	(0.02)	(0.22)
TOTAL DISTRIBUTIONS .....	(0.09)	(0.07)	(0.05)	(0.06)	(0.28)
NET ASSET VALUE AT END OF PERIOD ..	\$14.84	\$15.61	\$13.68	\$8.25	\$13.44
SHARE PRICE AT END OF PERIOD(b) ...	\$14.84	\$15.61	\$13.70	\$8.26	
<b>NET ASSET VALUE,</b>					
TOTAL RETURN(c) .....	(4.33)%	14.68%	66.55%	(38.30)%	(16.91)%
SHARE PRICE TOTAL RETURN(c) ....	(4.33)%	14.51%	66.59%	(38.31)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted) .....	\$137,975	\$156,881	\$125,875	\$8,254	\$30,923
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers .....	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers .....	0.65%	0.69%	0.77%	1.22%	0.85%
Net investment income, after Waivers .....	0.60%	0.57%	0.51%	0.52%	0.36%
Portfolio turnover rate(d) .....	89%	53%	50%	69%	62%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(e) .....	\$0.01	\$(0.01)	\$(0.12)	\$0.05	\$(0.04)

(a) Based on average shares outstanding.

(b) The mean between the last bid and ask prices.

(c) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(d) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(e) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

(f) Amount represents less than \$0.005.

# PowerShares Dynamic Networking Portfolio (PXQ)

	<b>Year Ended April 30,</b>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD . . . . .	\$29.20	\$21.08	\$13.56	\$16.04	\$18.68
Net investment income (loss)(a) . . .	(0.06)	(0.10)	(0.09)	(0.06)	(0.09)
Net realized and unrealized gain (loss) on investments . . . .	(1.43)	8.33	7.61	(2.42)	(2.55)
TOTAL FROM INVESTMENT OPERATIONS. . .	(1.49)	8.23	7.52	(2.48)	(2.64)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Return of capital . . . . .	-	(0.11)	-	-	-
NET ASSET VALUE AT END OF PERIOD . . .	\$27.71	\$29.20	\$21.08	\$13.56	\$16.04
SHARE PRICE AT END OF PERIOD(b) . . . .	\$27.68	\$29.20	\$21.11	\$13.58	
<b>NET ASSET VALUE,</b>					
<b>TOTAL RETURN(c) . . . . .</b>	(5.10)%	39.08%	55.46%	(15.46)%	(14.13)%
<b>SHARE PRICE TOTAL RETURN(c) . . . . .</b>	(5.20)%	38.89%	55.45%	(15.28)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted) . . . . .	\$81,739	\$172,291	\$47,437	\$16,276	\$12,831
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers . . . . .	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers . . . . .	0.67%	0.70%	0.95%	1.92%	1.25%
Net investment income (loss), after Waivers . . . . .	(0.22)%	(0.38)%	(0.50)%	(0.49)%	(0.51)%
Portfolio turnover rate(d) . . . . .	84%	61%	29%	23%	17%
Undistributed net investment income included in price of units issued and redeemed(a)(e) . . . . .	\$0.08	\$0.02	\$0.02	\$0.11	\$0.01

(a) Based on average shares outstanding.

(b) The mean between the last bid and ask prices.

(c) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(d) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(e) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

# PowerShares Dynamic Oil & Gas Services Portfolio (PXJ)

Year Ended April 30,

	2012	2011	2010	2009	2008
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## PER SHARE OPERATING PERFORMANCE:

NET ASSET VALUE AT					
BEGINNING OF PERIOD . . . . .	\$26.38	\$18.03	\$13.09	\$29.23	\$22.70
Net investment income (loss)(a) . . . . .	(0.01)	0.07	0.04	0.06	(0.02)
Net realized and unrealized gain (loss) on investments . . . . .	(5.89)	8.36	4.98	(16.16)	6.55
TOTAL FROM INVESTMENT OPERATIONS . . . . .					
	(5.90)	8.43	5.02	(16.10)	6.53

## DISTRIBUTIONS TO SHAREHOLDERS FROM:

Net investment income . . . . .	(0.00)(f)	(0.08)	(0.06)	(0.04)	-
Return of capital . . . . .	-	-	(0.02)	-	-
TOTAL DISTRIBUTIONS . . . . .					
	-	(0.08)	(0.08)	(0.04)	-
NET ASSET VALUE AT END OF PERIOD . . . . .	\$20.48	\$26.38	\$18.03	\$13.09	\$29.23
SHARE PRICE AT END OF PERIOD(b) . . . . .	\$20.48	\$26.38	\$18.02	\$13.11	

## NET ASSET VALUE,

TOTAL RETURN(c) . . . . . (22.36)% 46.84% 38.41% (55.04)% 28.77%

SHARE PRICE TOTAL RETURN(c) . . . . . (22.36)% 46.93% 38.13% (54.93)%

## RATIOS/SUPPLEMENTAL DATA:

Net assets at end of year  
(000's omitted) . . . . . \$147,485 \$309,972 \$170,358 \$155,716 \$379,939

## RATIO TO AVERAGE NET ASSETS OF:

Expenses, after Waivers . . . . .	0.63%	0.63%	0.63%	0.62%	0.62%
Expenses, prior to Waivers . . . . .	0.63%	0.64%	0.63%	0.61%	0.60%
Net investment income (loss), after Waivers . . . . .	(0.03)%	0.36%	0.24%	0.29%	(0.06)%
Portfolio turnover rate(d) . . . . .	70%	39%	56%	48%	67%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(e) . . . . .	\$ (0.00)(f)	\$ 0.01	\$ (0.00)(f)	\$ 0.00(f)	\$ 0.00(f)

(a) Based on average shares outstanding.

(b) The mean between the last bid and ask prices.

(c) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(d) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(e) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

(f) Amount represents less than \$0.005.



# PowerShares Dynamic Pharmaceuticals Portfolio (PJP)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD.....	\$26.15	\$19.55	\$13.91	\$17.20	\$19.61
Net investment income(a) .....	0.22	0.17	0.14	0.15	0.10
Net realized and unrealized gain (loss) on investments ..	5.83	6.56	5.76	(3.32)	(2.45)
TOTAL FROM INVESTMENT OPERATIONS .....	6.05	6.73	5.90	(3.17)	(2.35)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Net investment income.....	(0.20)	(0.13)	(0.26)	(0.12)	(0.06)
NET ASSET VALUE AT END OF PERIOD ..	\$32.00	\$26.15	\$19.55	\$13.91	\$17.20
SHARE PRICE AT END OF PERIOD(b)....	\$31.99	\$26.17	\$19.54	\$13.92	
<b>NET ASSET VALUE, TOTAL RETURN(c).....</b>	23.29%	34.55%	42.69%	(18.52)%	(11.99)%
<b>SHARE PRICE TOTAL RETURN(c) ....</b>	23.16%	34.73%	42.51%	(18.41)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted).....	\$270,385	\$87,606	\$57,662	\$104,349	\$106,615
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers .....	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers.....	0.64%	0.76%	0.74%	0.66%	0.69%
Net investment income, after Waivers .....	0.77%	0.78%	0.83%	0.95%	0.52%
Portfolio turnover rate(d).....	23%	9%	35%	31%	45%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(e).....	\$(0.04)	\$(0.01)	\$(0.04)	\$0.00(f)	\$(0.01)

(a) Based on average shares outstanding.

(b) The mean between the last bid and ask prices.

(c) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(d) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(e) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

(f) Amount represents less than \$0.005.

# PowerShares Dynamic Retail Portfolio (PMR)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD . . . . .	\$21.88	\$18.67	\$14.64	\$15.99	\$20.02
Net investment income(a) . . . . .	0.16	0.18	0.06	0.05	0.04
Net realized and unrealized gain (loss) on investments . . . . .	4.17	3.21	4.08	(1.36)	(3.92)
TOTAL FROM INVESTMENT OPERATIONS . . . . .	4.33	3.39	4.14	(1.31)	(3.88)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>					
Net investment income . . . . .	(0.23)	(0.18)	(0.11)	(0.04)	(0.10)
Return of capital . . . . .	—	—	—	—	(0.05)
TOTAL DISTRIBUTIONS . . . . .	(0.23)	(0.18)	(0.11)	(0.04)	(0.15)
NET ASSET VALUE AT END OF PERIOD . . . . .	\$25.98	\$21.88	\$18.67	\$14.64	\$15.99
SHARE PRICE AT END OF PERIOD(b) . . . . .	\$25.98	\$21.90	\$18.68	\$14.64	
<b>NET ASSET VALUE,</b>					
TOTAL RETURN(c) . . . . .	20.06%	18.35%	28.49%	(8.11)%	(19.41)%
SHARE PRICE TOTAL RETURN(c) . . . . .	19.95%	18.39%	28.56%	(8.11)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted) . . . . .	\$76,643	\$13,130	\$24,273	\$77,607	\$14,391
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers . . . . .	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers . . . . .	0.87%	1.63%	0.89%	1.08%	1.46%
Net investment income, after Waivers . . . . .	0.75%	1.01%	0.44%	0.45%	0.22%
Portfolio turnover rate(d) . . . . .	111%	102%	52%	53%	198%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(e) . . . . .	\$(0.29)	\$0.13	\$0.10	\$(0.17)	\$(0.07)

(a) Based on average shares outstanding.

(b) The mean between the last bid and ask prices.

(c) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(d) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(e) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

# PowerShares Dynamic Semiconductors Portfolio (PSI)

Year Ended April 30,

2012    2011    2010    2009    2008

## PER SHARE OPERATING PERFORMANCE:

### NET ASSET VALUE AT

BEGINNING OF PERIOD .....	\$18.19	\$14.29	\$10.39	\$16.32	\$19.05
Net investment income (loss)(a) . . . .	0.06	0.01	0.05	0.04	(0.01)
Net realized and unrealized gain (loss) on investments . . . .	(2.47)	3.92	3.91	(5.92)	(2.72)
TOTAL FROM INVESTMENT OPERATIONS . .	(2.41)	3.93	3.96	(5.88)	(2.73)

## DISTRIBUTION TO SHAREHOLDER FROM:

Net investment income .....	(0.03)	(0.01)	(0.06)	(0.05)	-
Return of capital .....	-	(0.02)	(0.00)(b)	-	-
TOTAL DISTRIBUTIONS .....	(0.03)	(0.03)	(0.06)	(0.05)	-
NET ASSET VALUE AT END OF PERIOD . . .	\$15.75	\$18.19	\$14.29	\$10.39	\$16.32
SHARE PRICE AT END OF PERIOD(c) . . . .	\$15.71	\$18.20	\$14.29	\$10.39	

## NET ASSET VALUE,

TOTAL RETURN(d) .....	(13.20)%	27.57%	38.16%	(36.01)%	(14.33)%
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SHARE PRICE TOTAL RETURN(d) .....	(13.47)%	27.64%	38.16%	(36.01)%	
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## RATIOS/SUPPLEMENTAL DATA:

Net assets at end of year (000's omitted) .....	\$21,261	\$42,749	\$28,573	\$36,373	\$75,056
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## RATIO TO AVERAGE NET ASSETS OF:

Expenses, after Waivers .....	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers .....	1.02%	0.97%	0.90%	0.82%	0.67%
Net investment income (loss), after Waivers .....	0.42%	0.04%	0.39%	0.32%	(0.04)%
Portfolio turnover rate(e) .....	57%	64%	68%	65%	56%
Undistributed net investment income (loss) included in price of units issued and redeemed(a)(f) .....	\$(0.00)(b)	\$0.00(b)	\$(0.01)	\$(0.01)	\$0.02

(a) Based on average shares outstanding.

(b) Amount represents less than \$0.005.

(c) The mean between the last bid and ask prices.

(d) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(e) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(f) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

# PowerShares Dynamic Software Portfolio (PSJ)

	Year Ended April 30,				
	2012	2011	2010	2009	2008
<b>PER SHARE OPERATING PERFORMANCE:</b>					
NET ASSET VALUE AT					
BEGINNING OF PERIOD .....	\$27.47	\$22.54	\$15.37	\$17.53	\$20.39
Net investment income (loss)(a) ..	(0.07)	(0.07)	(0.07)	(0.06)	(0.10)
Net realized and unrealized gain (loss) on investments ..	(0.53)	5.00	7.24	(2.10)	(2.76)
TOTAL FROM INVESTMENT OPERATIONS .....	(0.60)	4.93	7.17	(2.16)	(2.86)
NET ASSET VALUE AT END OF PERIOD ..	\$26.87	\$27.47	\$22.54	\$15.37	\$17.53
SHARE PRICE AT END OF PERIOD(c) . . .	\$26.87	\$27.48	\$22.55	\$15.37	
<b>NET ASSET VALUE, TOTAL RETURN(d) .....</b>	(2.19)%	21.87%	46.65%	(12.32)%	(14.03)%
<b>SHARE PRICE TOTAL RETURN(d) . . . .</b>	(2.22)%	21.86%	46.71%	(12.37)%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets at end of year (000's omitted) .....	\$49,710	\$83,774	\$67,626	\$36,896	\$35,055
<b>RATIO TO AVERAGE NET ASSETS OF:</b>					
Expenses, after Waivers .....	0.63%	0.63%	0.63%	0.63%	0.63%
Expenses, prior to Waivers .....	0.78%	0.77%	0.75%	0.97%	0.78%
Net investment income (loss), after Waivers .....	(0.29)%	(0.29)%	(0.38)%	(0.42)%	(0.49)%
Portfolio turnover rate(e) .....	100%	46%	33%	53%	64%
Undistributed net investment income included in price of units issued and redeemed(a)(f) .....	\$0.01	\$0.01	\$0.00(b)	\$0.02	\$0.05

(a) Based on average shares outstanding.

(b) Amount represents less than \$0.005.

(c) The mean between the last bid and ask prices.

(d) Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment returns calculated for a period of less than one year are not annualized.

(e) Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

(f) The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

# Intellidex Provider

NYSE Arca is the Intellidex Provider for each Fund. NYSE Arca is not affiliated with the Trust, the Adviser, the Distributor or a promoter of the Funds. The Adviser has entered into a license agreement with NYSE Arca to use each Underlying Intellidex. Each Fund is entitled to use its respective Underlying Intellidex pursuant to a sub-licensing arrangement with the Adviser.

Neither the Adviser nor any affiliate of the Adviser has any rights to influence the selection of the securities in the Underlying Intellidexes.

No entity that creates, compiles, sponsors or maintains the Underlying Intellidexes is or will be an affiliated person, as defined in Section 2(a)(3) of the 1940 Act, or an affiliated person of an affiliated person, of the Trust, the Adviser, the Distributor or a promoter of the Funds.

NYSE Arca develops, calculates and maintains its own proprietary indices and serves as the calculation agent for third-party indices. NYSE Arca publishes index values to market data vendors through the facilities of the Consolidated Tape Association's Network B. The more than 200 index values that NYSE Arca currently calculates are used as benchmarks, or to support the trading of exchange traded funds, index options and other structured products listed on NYSE Arca. NYSE Arca announces index changes (additions, deletions, share changes, price adjustments, rebalances, etc.) as early as practicable prior to the effectiveness of the change or scheduled event. Such announcements currently are available on the Indexes Daily List at [www.nyxdata.com](http://www.nyxdata.com).

Set forth below is a list of each Fund and the Underlying Intellidex upon which it is based:

<b>Fund</b>	<b>Underlying Intellidex</b>
PowerShares Dynamic Banking Portfolio	Dynamic Banking Intellidex <sup>SM</sup> Index
PowerShares Dynamic Biotechnology & Genome Portfolio	Dynamic Biotechnology & Genome Intellidex <sup>SM</sup> Index
PowerShares Dynamic Building & Construction Portfolio	Dynamic Building & Construction Intellidex <sup>SM</sup> Index
PowerShares Dynamic Energy Exploration & Production Portfolio	Dynamic Energy Exploration & Production Intellidex <sup>SM</sup> Index
PowerShares Dynamic Food & Beverage Portfolio	Dynamic Food & Beverage Intellidex <sup>SM</sup> Index
PowerShares Dynamic Insurance Portfolio	Dynamic Insurance Intellidex <sup>SM</sup> Index
PowerShares Dynamic Leisure and Entertainment Portfolio	Dynamic Leisure and Entertainment Intellidex <sup>SM</sup> Index
PowerShares Dynamic Media Portfolio	Dynamic Media Intellidex <sup>SM</sup> Index
PowerShares Dynamic Networking Portfolio	Dynamic Networking Intellidex <sup>SM</sup> Index
PowerShares Dynamic Oil & Gas Services Portfolio	Dynamic Oil Services Intellidex <sup>SM</sup> Index
PowerShares Dynamic Pharmaceuticals Portfolio	Dynamic Pharmaceuticals Intellidex <sup>SM</sup> Index
PowerShares Dynamic Retail Portfolio	Dynamic Retail Intellidex <sup>SM</sup> Index
PowerShares Dynamic Semiconductors Portfolio	Dynamic Semiconductors Intellidex <sup>SM</sup> Index
PowerShares Dynamic Software Portfolio	Dynamic Software Intellidex <sup>SM</sup> Index

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# Disclaimers

The Dynamic Banking Intellidex<sup>SM</sup> Index, Dynamic Biotechnology & Genome Intellidex<sup>SM</sup> Index, Dynamic Building & Construction Intellidex<sup>SM</sup> Index, Dynamic Energy Exploration & Production Intellidex<sup>SM</sup> Index, Dynamic Food & Beverage Intellidex<sup>SM</sup> Index, Dynamic Insurance Intellidex<sup>SM</sup> Index, Dynamic Leisure and Entertainment Intellidex<sup>SM</sup> Index, Dynamic Media Intellidex<sup>SM</sup> Index, Dynamic Networking Intellidex<sup>SM</sup> Index, Dynamic Oil Services Intellidex<sup>SM</sup> Index, Dynamic Pharmaceuticals Intellidex<sup>SM</sup> Index, Dynamic Retail Intellidex<sup>SM</sup> Index, Dynamic Semiconductors Intellidex<sup>SM</sup> Index and Dynamic Software Intellidex<sup>SM</sup> Index are service marks of NYSE Arca and have been licensed for use for certain purposes by the Adviser.

None of the Funds is sponsored, endorsed, sold or promoted by NYSE Arca and NYSE Arca does not make any representation regarding the advisability of investing in Shares of these Funds.

The Funds are not sponsored, or endorsed by NYSE Arca and NYSE Arca makes no representation or warranty, express or implied, to the owners of Fund Shares or any member of the public regarding the advisability of investing in Shares particularly or the ability of the product to track the performance of any sector of the stock market. NYSE Arca's only relationship to the Distributor, the Adviser or the Trust is the licensing of certain trademarks and indices, which are determined, composed and calculated by NYSE Arca without regard to the Funds. NYSE Arca has no obligation to take the needs of the Funds or their Shareholders into consideration in determining, composing or calculating the Underlying Intellidexes. NYSE Arca is not responsible for and has not participated in any determination or calculation made with respect to issuance or redemption of Shares of the Funds. In addition, NYSE Arca acts as the exchange on which the Shares are traded. The Underlying Intellidexes are selected and calculated without regard to the Distributor, the Adviser, the Trust or any holders of Shares. NYSE Arca has no obligation to take the needs of the Distributor, the Adviser, the Trust or the owners of Shares into consideration in determining, composing or calculating the Underlying Intellidexes. NYSE Arca is not responsible for and has not participated in the determination of the prices and amount of Shares or the timing of the issuance or sale of Shares or in the determination of any financial calculations relating thereto. NYSE Arca has no obligation or liability in connection with the administration of the Trust, or marketing of the Shares. NYSE Arca does not guarantee the accuracy and/or the completeness of the Underlying Intellidexes or any data included therein, and NYSE Arca shall have no liability for any errors, omissions, or interruptions therein. NYSE Arca makes no warranty, express or implied, as to results to be obtained by the Distributor, the Adviser, the Trust or owners of Shares, or any other person or entity, from the use of the Underlying Intellidexes or any data included therein. NYSE Arca makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Underlying Intellidexes or any data included therein, the Funds, the Trust or the Shares. Without limiting any of the foregoing, in no event shall NYSE Arca have any liability for any special, punitive, indirect, or consequential damages (including lost profits) resulting from the use of the Underlying Intellidexes or any data included therein, the Funds, the Trust or the Shares, even if notified of the possibility of such damages.

NYSE Arca does not guarantee the accuracy and/or the completeness of the Underlying Intellidexes or any data included therein, and the Adviser shall have no liability for any errors, omissions, restatements, re-calculations, or interruptions therein. NYSE Arca makes no warranty, express or implied, as to results to be

obtained by the Funds, owners of the Shares of the Funds or any other person or entity from the use of the Underlying Intellidexes or any data included therein in connection with the Rights Licensing or for any other use. The Adviser makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the Underlying Intellidexes or any data included therein. Without limiting any of the foregoing, in no event shall NYSE Arca have any liability for any special, punitive, direct, indirect or consequential damages (including lost profits), if notified of the possibility of such damages.

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## Premium/Discount Information

Information regarding how often the Shares of each Fund traded on NYSE Arca at a price above (i.e., at a premium) or below (i.e., at a discount) the NAV of the Fund during the past four calendar quarters is available at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

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## Other Information

Section 12(d)(1) of the 1940 Act restricts investments by investment companies in the securities of other investment companies, including Shares of the Funds. Registered investment companies are permitted to invest in the Funds beyond the limits set forth in Section 12(d)(1) subject to certain terms and conditions set forth in an SEC exemptive order issued to the Trust, including that such investment companies enter into an agreement with the Trust on behalf of the Funds prior to exceeding the limits imposed by Section 12(d)(1).

### **Continuous Offering**

The method by which Creation Unit Aggregations of Fund Shares are created and traded may raise certain issues under applicable securities laws. Because new Creation Unit Aggregations of Shares are issued and sold by the Funds on an ongoing basis, a "distribution," as such term is used in the Securities Act of 1933, as amended (the "Securities Act"), may occur at any point. Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner which could render them statutory underwriters and subject them to the prospectus-delivery requirement and liability provisions of the Securities Act.

For example, a broker-dealer firm or its client may be deemed a statutory underwriter if it takes Creation Unit Aggregations after placing an order with the Distributor, breaks them down into constituent Shares and sells such Shares directly to customers, or if it chooses to couple the creation of a supply of new Shares with an active selling effort involving solicitation of secondary market demand for Shares. A determination of whether one is an underwriter for purposes of the Securities Act must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that could lead to a characterization as an underwriter.

Broker-dealer firms should also note that dealers who are not “underwriters” but are effecting transactions in Shares, whether or not participating in the distribution of Shares, generally are required to deliver a prospectus. This is because the prospectus delivery exemption in Section 4(a)(3)(C) of the Securities Act is not available in respect of such transactions as a result of Section 24(d) of the 1940 Act. As a result, broker-dealer firms should note that dealers who are not “underwriters” but are participating in a distribution (as contrasted with engaging in ordinary secondary market transactions), and thus dealing with the Shares that are part of an overallocation within the meaning of Section 4(a)(3)(C) of the Securities Act, will be unable to take advantage of the prospectus delivery exemption provided by Section 4(a)(3) of the Securities Act. For delivery of prospectuses to exchange members, the prospectus delivery mechanism of Rule 153 under the Securities Act only is available with respect to transactions on a national exchange.

### **Delivery of Shareholder Documents—Householding**

Householding is an option available to certain investors of the Funds. Householding is a method of delivery, based on the preference of the individual investor, in which a single copy of certain shareholder documents can be delivered to investors who share the same address, even if their accounts are registered under different names. Householding for the Funds is available through certain broker-dealers. If you are interested in enrolling in householding and receiving a single copy of prospectuses and other shareholder documents, please contact your broker-dealer. If you currently are enrolled in householding and wish to change your householding status, please contact your broker-dealer.

### **For More Information**

For more detailed information on the Trust, Funds and Shares, you may request a copy of the Trust’s SAI. The SAI provides detailed information about the Funds, and is incorporated by reference into this Prospectus. This means that the SAI legally is a part of this Prospectus. Additional information about the Funds’ investments also is available in the Funds’ Annual and Semi-Annual Reports to Shareholders. In the Funds’ Annual Report, you will find a discussion of the market conditions and investment strategies that significantly affected each Fund’s performance during the last fiscal year. If you have questions about the Funds or Shares or you wish to obtain the SAI, Annual Report and/or Semi-Annual Report free of charge or make shareholder inquiries, please:

Call: Invesco Distributors, Inc. at 1-800-983-0903  
Monday through Friday  
8:00 a.m. to 5:00 p.m. Central Time

Write: PowerShares Exchange-Traded Fund Trust  
c/o Invesco Distributors, Inc.  
11 Greenway Plaza, Suite 1000  
Houston, Texas 77046-1173

Visit: [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com)

Information about the Funds (including the SAI) can be reviewed and copied at the SEC’s Public Reference Room, 100 F. Street N.E., Washington, D.C. 20549, and information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-551-8090. Reports and other information about the Funds are available on the EDGAR Database on the SEC’s Internet site at [www.sec.gov](http://www.sec.gov), and copies of this information may be obtained, after paying a duplicating fee, by electronic



request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, Washington, D.C. 20549-1520.

No person is authorized to give any information or to make any representations about the Funds and their Shares not contained in this Prospectus and you should not rely on any other information. Read and keep this Prospectus for future reference.

**Dealers effecting transactions in the Funds' Shares, whether or not participating in this distribution, are generally required to deliver a Prospectus. This is in addition to any obligation of dealers to deliver a Prospectus when acting as underwriters.**

The Trust's registration number under the 1940 Act is 811-21265.

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