# POWERSHARES EXCHANGE-TRADED FUND TRUST II

## SUPPLEMENT DATED DECEMBER 1, 2008 TO THE PROSPECTUS DATED MAY 5, 2008 OF:

PowerShares Autonomic Growth NFA Global Asset Portfolio
PowerShares Autonomic Balanced Growth NFA Global Asset Portfolio
PowerShares Autonomic Balanced NFA Global Asset Portfolio
(each a "Fund" and collectively, the "Funds")

The fifth paragraph of the section titled "Management of the Fund" is hereby removed and replaced with the following:

> John W. Southard Jr., CFA, MBA, oversees all research, portfolio management and trading operations of the Funds. In this capacity, Mr. Southard oversees a team of portfolio managers (with Mr. Southard, the "Portfolio Managers") who are responsible for the day-to-day management of the Funds. Peter Hubbard, who reports to Mr. Southard, is the member of the portfolio management team who is currently primarily responsible for the Funds' day-to-day management. Mr. Hubbard receives management assistance from Michael Jeanette, Tom Siomades and Jason Stoneberg, who perform 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 member of the portfolio management team has appropriate limitations on his authority for risk management and compliance purposes.

The following paragraph is hereby added after the third paragraph of the section titled "Management of the Funds—Portfolio Managers":

> Tom Siomades is a Vice President and Portfolio Manager of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since November 2008. Prior to joining the Adviser, Mr. Siomades was a Senior Quantitative Portfolio Strategist with Oppenheimer Funds from 2006 to 2007. Prior to this, he was the Vice President of Portfolio Management at Denver based RIA Curian Capital, LLC, from 2002 to 2005. Tom is a graduate of the U.S. Military Academy at West Point and has earned the Chartered Financial Analyst designation.

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

## POWERSHARES EXCHANGE-TRADED FUND TRUST II

## SUPPLEMENT DATED OCTOBER 27, 2008 TO THE PROSPECTUS DATED May 5, 2008 OF:

PowerShares Autonomic Growth NFA Global Asset Portfolio
PowerShares Autonomic Balanced Growth NFA Global Asset Portfolio
PowerShares Autonomic Balanced NFA Global Asset Portfolio
(each a "Fund" and collectively, the "Funds")

The Shares of the Funds are currently listed and traded on the American Stock Exchange LLC ("AMEX"). As soon as practicable following the acquisition of AMEX by NYSE Euronext (the "Acquisition"), it is anticipated that the Shares of the Funds will be listed and begin trading on NYSE Arca, Inc. ("NYSE Arca"), an affiliate of NYSE Euronext.

The Acquisition was completed on October 1, 2008. The Funds have taken initial steps to transfer the listing of their Shares from AMEX to NYSE Arca, with a target effective date for listing of November 3, 2008.

On the effective date, all references in the prospectus to the AMEX will be replaced with the NYSE Arca. This change has no effect on the Funds' investment objectives and strategies.

No assurance can be given as to the continued listing of the Shares of each Fund or the liquidity or trading market for the Shares.

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

## POWERSHARES EXCHANGE-TRADED FUND TRUST II
## (the "Trust")

### Supplement Dated August 21, 2008 to the Prospectus
### Dated May 5, 2008 of:

PowerShares Autonomic Balanced Growth NFA Global Asset Portfolio
PowerShares Autonomic Balanced NFA Global Asset Portfolio
PowerShares Autonomic Growth NFA Global Asset Portfolio
(the "Funds")

Rudolf Reitmann has taken an operational role with the Trust and is no longer responsible for the day-to-day management of the Fund. Therefore, all references relating to Rudolf Reitmann are hereby removed.

The fifth paragraph of the section titled "Management of the Funds" is hereby removed and replaced with the following:

> John W. Southard, Jr., CFA, MBA, oversees all research, portfolio management and trading operations of the Funds. In this capacity, Mr. Southard oversees a team of portfolio managers (with Mr. Southard, the "Portfolio Managers") who are responsible for the day-to-day management of the Fund. Peter Hubbard, who reports to Mr. Southard, is the member of the portfolio management team who is currently primarily responsible for the Fund's day-to-day management. Mr. Hubbard receives management assistance from Michael Jeanette and Jason Stoneberg. Messrs. Jeanette and Stoneberg each report to Mr. Hubbard. Each Portfolio Manager is responsible for various functions related to portfolio management, including investing cash flows, coordinating with members of his team to focus on certain asset classes, implementing investment strategy, researching and reviewing investment strategy, and overseeing members of his portfolio management team with more limited responsibilities, but each Portfolio Manager has appropriate limitations on his authority for risk management and compliance purposes.

The following paragraph is hereby added after the fourth paragraph of the section titled "Management of the Funds—Portfolio Managers":

> Michael Jeanette is a Vice President and Portfolio Manager of the Adviser and 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.

**PLEASE RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE.**

# PowerShares Exchange-Traded Fund Trust II

powerSHARES™
xchange traded funds™

PowerShares Autonomic Growth NFA Global Asset Portfolio – PTO

PowerShares Autonomic Balanced Growth NFA Global Asset Portfolio – PAO

PowerShares Autonomic Balanced NFA Global Asset Portfolio – PCA

PowerShares Exchange-Traded Fund Trust II (the "Trust") is a registered investment company that currently consists of twenty-nine separate exchange-traded index funds. Additional funds may be offered in the future. This Prospectus relates to the three funds of the Trust identified on the cover page (each a "Fund" and, together, the "Funds").

The Funds anticipate that their shares (the "Shares") will be listed on the American Stock Exchange ("AMEX"). The market prices for the Shares may be different from their net asset value ("NAV"). Each Fund will issue and redeem Shares only in large blocks consisting of 100,000 Shares ("Creation Units"). Creation Units are issued and redeemed principally in-kind for securities included in a specified index.

*Except when aggregated in Creation Units, the Shares are not redeemable securities of the Funds.*

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

Prospectus dated May 5, 2008

**NOT FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC") INSURED. MAY LOSE VALUE. NO BANK GUARANTEE.**

# TABLE OF CONTENTS

## INTRODUCTION – POWERSHARES EXCHANGE-TRADED FUND TRUST II

The Trust is an investment company consisting of twenty-nine separate exchange-traded "index funds." The investment objective of each of the Funds of the Trust is to replicate as closely as possible, before fees and expenses, the price and yield of a specified market index. This Prospectus relates to the Funds listed on the cover page. Invesco PowerShares Capital Management LLC (the "Adviser") is the investment adviser for the Funds.

The Funds anticipate that their Shares will trade on the AMEX. The market prices for the Shares may be different from their NAV. Unlike conventional mutual funds, each Fund issues and redeems Shares on a continuous basis, at NAV, only in large specified blocks, each called a "Creation Unit." Creation Units are issued and redeemed principally in-kind for securities included in the relevant index. Except when aggregated in Creation Units, Shares of the Funds are not redeemable securities of the Funds.

## WHO SHOULD INVEST IN THE FUNDS

The Funds are designed for investors who seek a relatively low-cost approach for investing in a portfolio of securities in a specified index. The Funds may be suitable for long-term investment in the markets represented in the relevant index and may also be used as an asset allocation tool or as a speculative trading instrument.

## TAX ADVANTAGED PRODUCT STRUCTURE

Unlike interests in conventional mutual funds, the Shares are traded throughout the day on a national securities exchange, whereas mutual fund interests are typically only bought and sold at closing NAVs. The Shares have been designed to be tradable in the secondary market on a national securities exchange on an intra-day basis, and to be created and redeemed, principally in-kind, in Creation Units at each day's next calculated NAV. These 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 a Fund or its ongoing shareholders.

## Investment Objective, Strategies and Risks

### Investment Objective

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of an index called the New Frontier Global Dynamic Growth Index™ (the "Underlying Index").

### Principal Investment Strategies

The Adviser will seek to match the performance of the Underlying Index. The Fund will normally invest at least 90% of its total assets in securities of funds included in the Underlying Index. The Fund is a "fund of funds," as it invests its assets in the securities of funds included in the Underlying Index, which includes underlying funds rather than individual securities. The funds included in the Underlying Index are exchange-traded funds ("ETFs") advised by the Adviser or its affiliates ("PowerShares ETFs"), or, if the asset exposure sought is not available through a PowerShares ETF, ETFs advised by unaffiliated entities (collectively, the "Underlying ETFs"). The Fund and any PowerShares ETFs in which the Fund invests are part of the same group of investment companies.

The Underlying Index is compiled and calculated by New Frontier Advisors, LLC ("New Frontier Advisors" or the "Index Provider"). The Index Provider is a registered investment adviser based in Massachusetts with an extensive background in quantitative research, consulting and management. The Index Provider uses a proprietary methodology to select Underlying ETFs covering a combination of asset classes designed to maximize long-term returns for a given level of risk. The Underlying Index utilizes the Index Provider's proprietary and patented Resampled Efficiency™ optimization process to create an optimal combination of Underlying ETFs to maximize long-term returns based on a growth risk profile targeting approximately 90% equities and 10% fixed income. The 90% equity target is comprised of Underlying ETFs whose underlying securities are U.S. equities, non-U.S. equities and real estate investment trusts ("REITs"). The 10% fixed income target consists of Underlying ETFs whose underlying securities are fixed income instruments. The Index Provider may classify ETFs that invest in commodities, futures and currency as either fixed income or equities depending on the risk and return characteristics of the Underlying ETF. As of May 1, 2008, the Underlying Index included 30 Underlying ETFs. The Fund's investment objective and 90% investment policy are non-fundamental and require 60 days' prior written notice to shareholders before they can be changed.

The Underlying Index is generally adjusted quarterly, though monthly rebalancing may be necessary in volatile markets to ensure that the 90/10 equity to fixed income risk target is met. The Fund, using an "indexing" investment approach, attempts to replicate, before fees and expenses, the performance of the Underlying Index. The Adviser seeks correlation over time of 0.95 or better between the Fund's performance and the performance of the Underlying Index; a figure of 1.00 would represent perfect correlation. The Fund generally will invest in the Underlying ETFs comprising the Underlying Index in proportion to their weightings in the Underlying Index. However, under various circumstances, it may not be possible or practicable to purchase all of those Underlying ETFs in those weightings. In those circumstances, the Fund may purchase a sample of Underlying ETFs in the Underlying Index. There may also be instances in which the Adviser may choose to overweight another security in the Underlying Index, purchase securities not in the Underlying Index which the Adviser believes are appropriate to substitute for certain securities in the Underlying Index or utilize various combinations of other available investment techniques, in seeking to track the Underlying Index. The Fund may sell securities that are represented in the Underlying Index in anticipation of their removal from the Underlying Index or purchase securities not represented in the Underlying Index in anticipation of their addition to the Underlying Index.

### Index Methodology

The Underlying Index includes Underlying ETFs selected pursuant to a proprietary methodology of New Frontier Advisors designed to identify Underlying ETFs covering a combination of asset classes expected to maximize long-term returns for a risk profile targeting approximately 90% equities and 10% fixed income.

### Index Construction

The Underlying Index includes constituent Underlying ETFs of various asset classes and their corresponding weightings by using New Frontier Advisors' proprietary and patented Resampled Efficiency™ optimization process. The Resampled Efficiency™ optimization process seeks to create an optimal combination of Underlying ETFs that meet the 90/10 equity to fixed income risk target and to monitor the Underlying Index on a regular basis to maintain such risk target, while seeking to maximize long-term returns for the given level of risk. The Resample Efficiency™ optimization process selects Underlying ETFs based upon inputs of expected return, standard deviation and correlation. The Underlying Index rebalances quarterly, though monthly rebalancing may be necessary in volatile markets to ensure the risk target is met. The Underlying

Index is modified capitalization weighted once the weights are established after each rebalance.

The Underlying Index began operations on January 1, 2008. Valuation data regarding the Underlying Index is available via Bloomberg, L.P.

### Principal Risks of Investing in the Fund

The following specific risk factors have been identified for the Fund. See also the section "Additional Risks" for other risk factors.

### Fund of Funds Risk

The Fund pursues its investment objective by investing its assets in the Underlying ETFs rather than investing directly in stocks, bonds, cash or other investments. The Fund's investment performance, because it is a fund of funds, depends on the investment performance of the Underlying ETFs in which it invests. An investment in the Fund is subject to the risks associated with the Underlying ETFs that comprise the Underlying Index. The Fund will indirectly pay a proportional share of the asset-based fees of the Underlying ETFs in which it invests. There is a risk that New Frontier Advisors' evaluations and assumptions regarding the broad asset classes represented in the Underlying Index may be incorrect based on actual market conditions. In addition, at times certain of the segments of the market represented by constituent Underlying ETFs in the Underlying Index may be out of favor and underperform other segments.

### Underlying ETFs Risk

Investment in the Underlying ETFs may subject the Fund to the following risks: Market Risk; Market Trading Risk; Non-Correlation Risk; Replication Management Risk; Equity Securities Risk; Fixed Income Securities Risk; Zero Coupon Securities Risk; Mortgage-Backed Securities Risk; Small and Medium Capitalization Company Risk; Large Capitalization Company Risk; Micro Cap Company Risk; Value Investing Style Risk; Growth Style Investing Risk; Foreign Securities Risk; Developing Market Securities Risk; Emerging Markets Securities Risk; Call Risk; High Yield Securities Risk; Sovereign Debt Risk; Emerging Markets Sovereign Debt Risk; Derivatives Risk; Liquidity Risk; Valuation Risk; Real Estate Securities Risk; and Commodities Risk. See "Risks of Underlying ETFs."

### Non-Diversified Fund Risk

In addition, the Fund is considered non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a diversified fund.

**The Fund's Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.**

### How the Fund Has Performed

The Fund had not yet commenced operations as of the date of this Prospectus and therefore does not have a performance history for a full calendar year.

### What are the Costs of Investing?

This table describes the fees and expenses that you may pay if you buy and hold Shares of the Fund. Investors purchasing Shares in the secondary market will not pay the Creation/Redemption Transaction Fees shown below, but may be subject to costs (including customary brokerage commissions) charged by their broker.(1)

| | |
|---|---|
| Shareholder Transaction Expenses | |
| (fees paid directly from your investments) | None* |
| Standard Creation/Redemption Transaction Fee | $ 500 |
| Maximum Creation/Redemption Transaction Fee(2) | $2,000 |
| Annual Fund Operating Expenses(3) (expenses that are deducted from the Fund's assets) | |
| Management Fees | 0.25% |
| Other Expenses(4) | 0.00% |
| Acquired Funds Fees and Expenses(5)(6) | 0.61% |
| Total Annual Fund Operating Expenses | 0.86% |

### 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 does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The 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 gross operating expenses remain the same. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

| 1 YEAR | 3 YEARS |
|---|---|
| $88 | $274 |

(1) *The Fund had not commenced operations as of the date of this Prospectus. The expenses listed in the table, including the Acquired Funds Fees and Expenses, are estimates based on the expenses the Fund expects to incur for the fiscal year ending October 31, 2008.*

*(2) If a Creation Unit is purchased or redeemed outside the usual process through the National Securities Clearing Corporation ("NSCC"), if any, or for cash, a variable fee of up to four times the standard creation or redemption transaction fee will be charged.*
*(3) Expressed as a percentage of average net assets.*
*(4) The Trust's Investment Advisory Agreement provides that the Adviser will pay all expenses of the Fund, except for the fee payments under the Investment Advisory Agreement, distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses and other extraordinary expenses.*
*(5) The Fund indirectly bears the management fee of the Underlying ETFs which comprise the Underlying Index. The Adviser serves as the investment adviser to some of the Underlying ETFs which comprise the Underlying Index. By virtue of the Fund's investment in the Underlying ETFs, the management fee paid to the Adviser, will increase. In addition, certain affiliates of the Adviser may receive increased marketing fees due to the Fund's investment in certain Underlying ETFS. The marketing fees are not an expense of the Fund.*
*(6) Acquired fund fees and expenses are not fees and expenses incurred by the Fund directly, but are expenses of the Underlying ETFs in which the Fund invests. Acquired fund fees and expenses are not paid by the Adviser and the impact of the acquired fund fees and expenses are included in the total returns of the Fund.*
** See "Creation Transaction Fees and Redemption Transaction Fees" below.*

### Creation Transaction Fees and Redemption Transaction Fees

The Fund issues and redeems Shares at NAV only in large blocks of 100,000 Shares (each block of 100,000 Shares called a "Creation Unit") or multiples thereof. As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements and called authorized participants ("Authorized Participants," or "APs") can purchase or redeem these Creation Units. Purchasers of Creation Units at NAV must pay a standard Creation Transaction Fee of $500 per transaction (regardless of the number of Creation Units involved). An AP who holds Creation Units and wishes to redeem at NAV would also pay a standard Redemption Transaction Fee of $500 for each redemption transaction (regardless of the number of Creation Units involved).* APs who hold Creation Units in inventory will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of $1,500,000 and a 5% return each year, and assuming that the Fund's operating expenses remain the same, the total costs would be $14,167 if the Creation Unit is redeemed after one year, and $42,159 if the Creation Unit is redeemed after three years.

If a Creation Unit is purchased or redeemed outside the usual process through the NSCC, if any, or for cash, a variable fee of up to four times the standard Creation or Redemption Transaction Fee may be charged to the AP making the transaction.

The Creation Transaction Fee, Redemption Transaction Fee and variable fee are not expenses of the Fund and do not impact the Fund's expense ratio.

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* See "Creations, Redemptions and Transaction Fees" later in this Prospectus.

## Investment Objective, Strategies and Risks

### Investment Objective

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of an index called the New Frontier Global Dynamic Balanced Growth Index™ (the "Underlying Index").

### Principal Investment Strategies

The Adviser will seek to match the performance of the Underlying Index. The Fund will normally invest at least 90% of its total assets in the securities of funds included in the Underlying Index. The Fund is a "fund of funds," as it invests its assets in the securities of funds included in the Underlying Index, which includes underlying funds rather than individual securities. The funds included in the Underlying Index are ETFs advised by the Adviser or its affiliates ("PowerShares ETFs"), or, if the asset exposure sought is not available through a PowerShares ETF, ETFs advised by unaffiliated entities (collectively, the "Underlying ETFs").

The Fund and any PowerShares ETFs in which the Fund invests are part of the same group of investment companies. The Underlying Index is compiled and calculated by New Frontier Advisors, LLC ("New Frontier Advisors" or the "Index Provider"). The Index Provider is a registered investment adviser based in Massachusetts with an extensive background in quantitative research, consulting and management. The Index Provider uses a proprietary methodology to select Underlying ETFs covering a combination of asset classes designed to maximize long-term returns for a given level of risk. The Underlying Index utilizes the Index Provider's proprietary and patented Resampled Efficiency™ optimization process to create an optimal combination of Underlying ETFs to maximize long-term returns based on a growth risk profile targeting approximately 75% equities and 25% fixed income. The 75% equity target is comprised of Underlying ETFs whose underlying securities are U.S. equities, non-U.S. equities and REITs. The 25% fixed income target consists of Underlying ETFs whose underlying securities are fixed income instruments. The Index Provider may classify ETFs that invest in commodities, futures and currency as either fixed income or equities depending on the risk and return characteristics of the Underlying ETF. As of May 1, 2008, the Underlying Index included 27 Underlying ETFs. The Fund's investment objective and 90% investment policy are non-fundamental and require 60 days' prior written notice to shareholders before they can be changed.

The Underlying Index is generally adjusted quarterly, though monthly rebalancing may be necessary in volatile markets to ensure that the 75/25 equity to fixed income risk target is met. The Fund, using an "indexing" investment approach, attempts to replicate, before fees and expenses, the performance of the

Underlying Index. The Adviser seeks correlation over time of 0.95 or better between the Fund's performance and the performance of the Underlying Index; a figure of 1.00 would represent perfect correlation. The Fund generally will invest in the Underlying ETFs comprising the Underlying Index in proportion to their weightings in the Underlying Index. However, under various circumstances, it may not be possible or practicable to purchase all of those Underlying ETFs in those weightings. In those circumstances, the Fund may purchase a sample of Underlying ETFs in the Underlying Index. There may also be instances in which the Adviser may choose to overweight another security in the Underlying Index, purchase securities not in the Underlying Index which the Adviser believes are appropriate to substitute for certain securities in the Underlying Index or utilize various combinations of other available investment techniques, in seeking to track the Underlying Index. The Fund may sell securities that are represented in the Underlying Index in anticipation of their removal from the Underlying Index or purchase securities not represented in the Underlying Index in anticipation of their addition to the Underlying Index.

### Index Methodology

The Underlying Index includes Underlying ETFs selected pursuant to a proprietary methodology of New Frontier Advisors designed to identify Underlying ETFs covering a combination of asset classes expected to maximize long-term returns for a risk profile targeting approximately 75% equities and 25% fixed income.

### Index Construction

The Underlying Index includes constituent Underlying ETFs of various asset classes and their corresponding weightings by using New Frontier Advisors' proprietary and patented Resampled Efficiency™ optimization process. The Resampled Efficiency™ optimization process seeks to create an optimal combination of Underlying ETFs that meet the 75/25 equity to fixed income risk target and to monitor the Underlying Index on a regular basis to maintain such risk target, while seeking to maximize long-term returns for the given level of risk. The Resampled Efficiency™ optimization process selects Underlying ETFs based upon inputs of expected return, standard deviation and correlation. The Underlying Index rebalances quarterly, though monthly rebalancing may be necessary in volatile markets to ensure the risk target is met. The Underlying Index is modified capitalization weighted once the weights are established after each rebalance.

The Underlying Index began operations on January 1, 2008. Valuation data regarding the Underlying Index is available via Bloomberg, L.P.

### Principal Risks of Investing in the Fund

The following specific risk factors have been identified for the Fund. See also the section "Additional Risks" for other risk factors.

### Fund of Funds Risk

The Fund pursues its investment objective by investing its assets in the Underlying ETFs rather than investing directly in stocks, bonds, cash or other investments. The Fund's investment performance, because it is a fund of funds, depends on the investment performance of the Underlying ETFs in which it invests. An investment in the Fund is subject to the risks associated with the Underlying ETFs that comprise the Underlying Index. The Fund will indirectly pay a proportional share of the asset-based fees of the Underlying ETFs in which it invests. There is a risk that the Index Provider's evaluations and assumptions regarding the broad asset classes represented in the Underlying Index may be incorrect based on actual market conditions. In addition, at times certain of the segments of the market represented by constituent Underlying ETFs in the Underlying Index may be out of favor and underperform other segments.

### Underlying ETFs Risk

Investment in the Underlying ETFs may subject the Fund to the following risks: Market Risk; Market Trading Risk; Non-Correlation Risk; Replication Management Risk; Equity Securities Risk; Fixed Income Securities Risk; Zero Coupon Securities Risk; Mortgage-Backed Securities Risk; Small and Medium Capitalization Company Risk; Large Capitalization Company Risk; Micro Cap Company Risk; Value Investing Style Risk; Growth Style Investing Risk; Foreign Securities Risk; Developing Market Securities Risk; Emerging Markets Securities Risk; Call Risk; High Yield Securities Risk; Sovereign Debt Risk; Emerging Markets Sovereign Debt Risk; Derivatives Risk; Liquidity Risk; Valuation Risk; Real Estate Securities Risk; and Commodities Risk. See "Risks of Underlying ETFs."

### Non-Diversified Fund Risk

In addition, the Fund is considered non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a diversified fund.

**The Fund's Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.**

### How the Fund Has Performed

The Fund had not yet commenced operations as of the date of this Prospectus and therefore does not have a performance history for a full calendar year.

### What are the Costs of Investing?

This table describes the fees and expenses that you may pay if you buy and hold Shares of the Fund. Investors purchasing Shares in the secondary market will not pay the Creation/Redemption Transaction Fees shown below, but may be subject to costs (including customary brokerage commissions) charged by their broker.(1)

| | |
|---|---|
| Shareholder Transaction Expenses (fees paid directly from your investments) | None* |
| Standard Creation/Redemption Transaction Fee | $ 500 |
| Maximum Creation/Redemption Transaction Fee(2) | $2,000 |
| Annual Fund Operating Expenses(3) (expenses that are deducted from the Fund's assets) | |
| Management Fees | 0.25% |
| Other Expenses(4) | 0.00% |
| Acquired Funds Fees and Expenses(5)(6) | 0.57% |
| Total Annual Fund Operating Expenses | 0.82% |

### 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 does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The 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 gross operating expenses remain the same. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

| 1 YEAR | 3 YEARS |
|---|---|
| $84 | $262 |

(1) *The Fund had not commenced operations as of the date of this Prospectus. The expenses listed in the table, including the Acquired Funds Fees and Expenses, are estimates based on the expenses the Fund expects to incur for the fiscal year ending October 31, 2008.*

(2) *If a Creation Unit is purchased or redeemed outside the usual process through the NSCC, if any, or for cash, a variable fee of up to four times the standard creation or redemption transaction fee will be charged.*
(3) *Expressed as a percentage of average net assets.*
(4) *The Trust's Investment Advisory Agreement provides that the Adviser will pay all expenses of the Fund, except for the fee payments under the Investment Advisory Agreement, distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses and other extraordinary expenses.*
(5) *The Fund indirectly bears the management fee of the Underlying ETFs which comprise the Underlying Index. The Adviser serves as the investment adviser to some of the Underlying ETFs which comprise the Underlying Index. By virtue of the Fund's investment in the Underlying ETFs, the management fee paid to the Adviser, will increase. In addition, certain affiliates of the Adviser may receive increased marketing fees due to the Fund's investment in certain Underlying ETFS. The marketing fees are not an expense of the Fund.*
(6) *Acquired fund fees and expenses are not fees and expenses incurred by the Fund directly, but are expenses of the Underlying ETFs in which the Fund invests. Acquired fund fees and expenses are not paid by the Adviser and the impact of the acquired fund fees and expenses are included in the total returns of the Fund.*
* *See "Creation Transaction Fees and Redemption Transaction Fees" below.*

### Creation Transaction Fees and Redemption Transaction Fees

The Fund issues and redeems Shares at NAV only in large blocks of 100,000 Shares (each block of 100,000 Shares called a "Creation Unit") or multiples thereof. As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements and called authorized participants ("Authorized Participants," or "APs") can purchase or redeem these Creation Units. Purchasers of Creation Units at NAV must pay a standard Creation Transaction Fee of $500 per transaction (regardless of the number of Creation Units involved). An AP who holds Creation Units and wishes to redeem at NAV would also pay a standard Redemption Transaction Fee of $500 for each redemption transaction (regardless of the number of Creation Units involved).* APs who hold Creation Units in inventory will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of $1,500,000 and a 5% return each year, and assuming that the Fund's operating expenses remain the same, the total costs would be $13,557 if the Creation Unit is redeemed after one year, and $40,268 if the Creation Unit is redeemed after three years.

If a Creation Unit is purchased or redeemed outside the usual process through the NSCC, if any, or for cash, a variable fee of up to four times the standard Creation or Redemption Transaction Fee may be charged to the AP making the transaction.

The Creation Transaction Fee, Redemption Transaction Fee and variable fee are not expenses of the Fund and do not impact the Fund's expense ratio.

* See "Creations, Redemptions and Transaction Fees" later in this Prospectus.

## Investment Objective, Strategies and Risks

### Investment Objective

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of an index called the New Frontier Global Dynamic Balanced Index™ (the "Underlying Index").

### Principal Investment Strategies

The Adviser will seek to match the performance of the Underlying Index. The Fund will normally invest at least 90% of its total assets in the Underlying Index. The Fund is a "fund of funds," as it invests its assets in the securities of funds included in the Underlying Index, which includes underlying funds rather than individual securities. The funds included in the Underlying Index are ETFs advised by the Adviser or its affiliates ("PowerShares ETFs"), or, if the asset exposure sought is not available through a PowerShares ETF, ETFs advised by unaffiliated entities (collectively, the "Underlying ETFs"). The Fund and any PowerShares ETFs in which the Fund invests are part of the same group of investment companies.

The Underlying Index is compiled and calculated by New Frontier Advisors (the "Index Provider"). The Index Provider is a registered investment adviser based in Massachusetts with an extensive background in quantitative research, consulting and management. The Index Provider uses a proprietary methodology to select Underlying ETFs covering a combination of asset classes designed to maximize long-term returns for a given level of risk. The Underlying Index utilizes the Index Provider's proprietary and patented Resampled Efficiency™ optimization process to create an optimal combination of Underlying ETFs to maximize long-term returns based on a growth risk profile targeting approximately 60% equities and 40% fixed income. The 60% equity target is comprised of Underlying ETFs whose underlying securities are U.S. equities, non-U.S. equities and REITs. The 40% fixed income target consists of Underlying ETFs whose underlying securities are fixed income instruments. The Index Provider may classify ETFs that invest in commodities, futures and currency as either fixed income or equities depending on the risk and return characteristics of the Underlying ETF. As of May 1, 2008, the Underlying Index included 27 Underlying ETFs. The Fund's investment objective and 90% investment policy are non-fundamental and require 60 days' prior written notice to shareholders before they can be changed.

The Underlying Index is generally adjusted quarterly, though monthly rebalancing may be necessary in volatile markets to ensure that the 60/40 equity to fixed income risk target is met. The Fund, using an "indexing" investment approach, attempts to replicate, before fees and expenses, the performance of the Underlying Index. The Adviser seeks correlation over time of 0.95 or better between the Fund's performance and the performance of the Underlying Index; a figure of 1.00 would represent perfect correlation. The Fund generally will invest in the securities comprising the Underlying Index in proportion to their weightings in the Underlying Index. However, under various circumstances, it may not be possible or practicable to purchase all of those Underlying ETFs in those weightings. In those circumstances, the Fund may purchase a sample of Underlying ETFs in the Underlying Index. There may also be instances in which the Adviser may choose to overweight another Underlying ETFs in the Underlying Index, purchase securities not in the Underlying Index which the Adviser believes are appropriate to substitute for certain securities in the Underlying Index or utilize various combinations of other available investment techniques, in seeking to track the Underlying Index. The Fund may sell securities that are represented in the Underlying Index in anticipation of their removal from the Underlying Index or purchase securities not represented in the Underlying Index in anticipation of their addition to the Underlying Index.

### Index Methodology

The Underlying Index includes Underlying ETFs selected pursuant to a proprietary methodology of New Frontier Advisors designed to identify Underlying ETFs covering a combination of asset classes expected to maximize long-term returns for a risk profile targeting approximately 60% equities and 40% fixed income.

### Index Construction

The Underlying Index includes constituent Underlying ETFs of various asset classes and their corresponding weightings by using New Frontier Advisors' proprietary and patented Resampled Efficiency™ optimization process. The Resampled Efficiency™ optimization process seeks to create an optimal combination of Underlying ETFs that meet the 60/40 equity to fixed income risk target and to monitor the Underlying Index on a regular basis to maintain such risk target, while seeking to maximize long-term returns for the given level of risk. The Resampled Efficiency™ optimization process selects Underlying ETFs based upon inputs of expected return, standard deviation and correlation. The Underlying Index rebalances quarterly, though monthly rebalancing may be necessary in volatile markets to ensure the risk target is met. The Underlying Index is modified capitalization weighted once the weights are established after each rebalance.

The Underlying Index began operations on January 1, 2008. Valuation data regarding the Underlying Index is available via Bloomberg, L.P.

### Principal Risks of Investing in the Fund

The following specific risk factors have been identified for the Fund. See also the section "Additional Risks" for other risk factors.

### Fund of Funds Risk

The Fund pursues its investment objective by investing its assets in the Underlying ETFs rather than investing directly in stocks, bonds, cash or other investments. The Fund's investment performance, because it is a fund of funds, depends on the investment performance of the Underlying ETFs in which it invests. An investment in the Fund is subject to the risks associated with the Underlying ETFs that comprise the Underlying Index. The Fund will indirectly pay a proportional share of the asset-based fees of the Underlying ETFs in which it invests. There is a risk that the Index Provider's evaluations and assumptions regarding the broad asset classes represented in the Underlying Index may be incorrect based on actual market conditions. In addition, at times certain of the segments of the market represented by constituent Underlying ETFs in the Underlying Index may be out of favor and underperform other segments.

### Underlying ETFs Risk

Investment in the Underlying ETFs may subject the Fund to the following risks: Market Risk; Market Trading Risk; Non-Correlation Risk; Replication Management Risk; Equity Securities Risk; Fixed Income Securities Risk; Zero Coupon Securities Risk; Mortgage-Backed Securities Risk; Small and Medium Capitalization Company Risk; Large Capitalization Company Risk; Micro Cap Company Risk; Value Investing Style Risk; Growth Style Investing Risk; Foreign Securities Risk; Developing Market Securities Risk; Emerging Markets Securities Risk; Call Risk; High Yield Securities Risk; Sovereign Debt Risk; Emerging Markets Sovereign Debt Risk; Derivatives Risk; Liquidity Risk; Valuation Risk; Real Estate Securities Risk; and Commodities Risk. See "Risks of Underlying ETFs."

### Non-Diversified Fund Risk

In addition, the Fund is considered non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a diversified fund.

**The Fund's Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.**

## How the Fund Has Performed

The Fund had not yet commenced operations as of the date of this Prospectus and therefore does not have a performance history for a full calendar year.

## What are the Costs of Investing?

This table describes the fees and expenses that you may pay if you buy and hold Shares of the Fund. Investors purchasing Shares in the secondary market will not pay the Creation/Redemption Transaction Fees shown below, but may be subject to costs (including customary brokerage commissions) charged by their broker.(1)

| | |
|---|---|
| Shareholder Transaction Expenses | |
| (fees paid directly from your investments) | None* |
| Standard Creation/Redemption Transaction Fee | $ 500 |
| Maximum Creation/Redemption Transaction Fee(2) | $2,000 |
| Annual Fund Operating Expenses(3) (expenses that are deducted from the Fund's assets) | |
| Management Fees | 0.25% |
| Other Expenses(4) | 0.00% |
| Acquired Funds Fees and Expenses(5)(6) | 0.50% |
| Total Annual Fund Operating Expenses | 0.75% |

## 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 does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The 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 gross operating expenses remain the same. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

| 1 YEAR | 3 YEARS |
|---|---|
| $77 | $240 |

*(1) The Fund had not commenced operations as of the date of this Prospectus. The expenses listed in the table, including the Acquired Funds Fees and Expenses, are estimates based on the expenses the Fund expects to incur for the fiscal year ending October 31, 2008.*

*(2) If a Creation Unit is purchased or redeemed outside the usual process through the NSCC, if any, or for cash, a variable fee of up to four times the standard creation or redemption transaction fee will be charged.*

*(3) Expressed as a percentage of average net assets.*

(4) *The Trust's Investment Advisory Agreement provides that the Adviser will pay all expenses of the Fund, except for the fee payments under the Investment Advisory Agreement, distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses and other extraordinary expenses.*

(5) *The Fund indirectly bears the management fee of the Underlying ETFs which comprise the Underlying Index. The Adviser serves as the investment adviser to some of the Underlying ETFs which comprise the Underlying ETFs. By virtue of the Fund's investment in the Underlying Index, the management fee paid to the Adviser, will increase. In addition, certain affiliates of the Adviser may receive increased marketing fees due to the Fund's investment in certain Underlying ETFS. The marketing fees are not an expense of the Fund.*

(6) *Acquired fund fees and expenses are not fees and expenses incurred by the Fund directly, but are expenses of the Underlying ETFs in which the Fund invests. Acquired fund fees and expenses are not paid by the Adviser and the impact of the acquired fund fees and expenses are included in the total returns of the Fund.*

* *See "Creation Transaction Fees and Redemption Transaction Fees" below.*

## Creation Transaction Fees and Redemption Transaction Fees

The Fund issues and redeems Shares at NAV only in large blocks of 100,000 Shares (each block of 100,000 Shares called a "Creation Unit") or multiples thereof. As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements and called authorized participants ("Authorized Participants," or "APs") can purchase or redeem these Creation Units. Purchasers of Creation Units at NAV must pay a standard Creation Transaction Fee of $500 per transaction (regardless of the number of Creation Units involved). An AP who holds Creation Units and wishes to redeem at NAV would also pay a standard Redemption Transaction Fee of $500 for each redemption transaction (regardless of the number of Creation Units involved).* APs who hold Creation Units in inventory will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of $1,500,000 and a 5% return each year, and assuming that the Fund's operating expenses remain the same, the total costs would be $12,489 if the Creation Unit is redeemed after one year, and $36,953 if the Creation Unit is redeemed after three years.

If a Creation Unit is purchased or redeemed outside the usual process through the NSCC, if any, or for cash, a variable fee of up to four times the standard Creation or Redemption Transaction Fee may be charged to the AP making the transaction.

The Creation Transaction Fee, Redemption Transaction Fee and variable fee are not expenses of the Fund and do not impact the Fund's expense ratio.

* See "Creations, Redemptions and Transaction Fees" later in this Prospectus.

## Underlying ETFs

The following chart illustrates the approximate asset allocation among the Underlying ETFs for each Underlying Index as of the Funds' inception.

| Underlying ETFs | New Frontier Global Dynamic Growth Index™ | New Frontier Global Dynamic Balanced Growth Index™ | New Frontier Global Dynamic Balanced Index™ |
|---|---|---|---|
| **Domestic Equity** | 9 Underlying ETFs | 8 Underlying ETFs | 8 Underlying ETFs |
| PowerShares Dynamic Mid Cap Portfolio | 0.51% | | |
| PowerShares Dynamic Mid Cap Growth Portfolio | 4.57% | 3.97% | 3.16% |
| PowerShares Dynamic Mid Cap Value Portfolio | 2.55% | 2.61% | 2.27% |
| PowerShares Dynamic Large Cap Portfolio | 13.06% | 9.07% | 4.58% |
| PowerShares Dynamic Large Cap Growth Portfolio | 4.08% | 4.18% | 4.36% |
| PowerShares Dynamic Large Cap Value Portfolio | 4.49% | 4.40% | 4.32% |
| PowerShares Dynamic Small Cap Growth Portfolio | 2.90% | 2.00% | 1.53% |
| PowerShares Dynamic Small Cap Value Portfolio | 3.50% | 3.49% | 3.10% |
| PowerShares Zacks Micro Cap Portfolio | 1.21% | 0.96% | 0.80% |
| **Other Domestic Equity** | No Underlying ETFs | No Underlying ETFs | No Underlying ETFs |
| **Foreign Equity** | 3 Underlying ETFs | 3 Underlying ETFs | 3 Underlying ETFs |
| PowerShares Dynamic Asia Pacific Portfolio | 4.59% | 4.66% | 4.71% |
| PowerShares Dynamic Developed International Opportunities Portfolio | 22.31% | 15.00% | 7.43% |
| PowerShares Dynamic Europe Portfolio | 7.44% | 13.26% | 14.57% |
| **Other Foreign Equity** | 4 Underlying ETFs | 2 Underlying ETFs | 1 Underlying ETF |
| | 14.49% | 6.20% | 4.17% |
| **Real Estate** | 2 Underlying ETFs | 2 Underlying ETFs | 2 Underlying ETFs |
| | 4.87% | 6.45% | 6.51% |

| Underlying ETFs | New Frontier Global Dynamic Growth Index™ | New Frontier Global Dynamic Balanced Growth Index™ | New Frontier Global Dynamic Balanced Index™ |
|---|---|---|---|
| **Commodities Funds** | 3 Underlying ETFs | 3 Underlying ETFs | 3 Underlying ETFs |
| | 1.49% | 2.31% | 2.73% |
| **Fixed Income/Bond Funds** | 3 Underlying ETFs | 3 Underlying ETFs | 3 Underlying ETFs |
| PowerShares Emerging Markets Sovereign Debt Portfolio | 1.64% | 2.34% | 2.68% |
| PowerShares High Yield Corporate Bond Portfolio | 0.52% | 1.27% | 1.78% |
| PowerShares 1-30 Laddered Treasury Portfolio | 1.24% | 3.72% | 4.27% |
| **Other Fixed Income** | 6 Underlying ETFs | 6 Underlying ETFs | 7 Underlying ETFs |
| | 4.51% | 14.12% | 27.03% |
| Total | 100.00% | 100.00% | 100.00% |

A description of the PowerShares ETFs in which the Funds initially intend to invest is set forth below. To gain exposure to certain asset classes, the Adviser will also invest in other unaffiliated ETFs. More information regarding the PowerShares ETFs is available in their Prospectuses and Statements of Additional Information, which are available at www.InvescoPowerShares.com. In addition, a list of all Underlying ETFs in which each Fund invests is available at www.InvescoPowerShares.com.

## Domestic Equity Funds

*PowerShares Dynamic Large Cap Portfolio*

The PowerShares Dynamic Large Cap Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Dynamic Large Cap Intellidex℠ Index (the "underlying index").

The fund will normally invest at least 80% of its assets in common stocks of large cap companies. A company is considered to be a large capitalization company if it falls within the underlying index's proprietary model, which selects 100 U.S. large cap stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the New York Stock Exchange ("NYSE"), the AMEX and the NASDAQ Stock Market Inc. ("NASDAQ") segregated into three size groups, Large Cap, Mid Cap and Small Cap. The 250 largest stocks are considered Large Cap. The next 750 are considered Mid Cap and the remaining

1000 stocks are considered Small Cap. The 100 U.S. large cap stocks with the largest capital appreciation potential are identified by the AMEX pursuant to the underlying index's proprietary methodology. The fund will normally invest at least 90% of its total assets in common stocks that comprise the underlying index.

*PowerShares Dynamic Large Cap Growth Portfolio*
PowerShares Dynamic Large Cap Growth Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Dynamic Large Cap Growth Intellidex[SM] Index (the "underlying index").

The fund will normally invest at least 80% of its assets in common stocks of large cap companies. A company is considered to be a large capitalization company if it falls within the underlying index's proprietary model, which selects 50 U.S. large cap growth stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, the AMEX and the NASDAQ segregated into three size groups, Large Cap, Mid Cap and Small Cap. The 250 largest stocks are considered Large Cap. The next 750 are considered Mid Cap and the remaining 1000 stocks are considered Small Cap. The 50 U.S. large cap growth stocks are identified by the AMEX pursuant to the underlying index's proprietary model based on a variety of criteria, including fundamental growth, stock valuation, investment timeliness and risk factors. The fund will normally invest at least 90% of its total assets in common stocks that comprise the underlying index.

*PowerShares Dynamic Large Cap Value Portfolio*
PowerShares Dynamic Large Cap Value Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Dynamic Large Cap Value Intellidex[SM] Index (the "underlying index").

The fund will normally invest at least 80% of its assets in common stocks of large cap companies. A company is considered to be a large capitalization company if it falls within the underlying index's proprietary model, which selects 50 U.S. large cap value stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, the AMEX and the NASDAQ segregated into three size groups, Large Cap, Mid Cap and Small Cap. The 250 largest stocks are considered Large Cap. The next 750 are considered Mid Cap and the remaining 1000 stocks are considered Small Cap. The 50 U.S. large cap value stocks are identified by the AMEX pursuant to the underlying index's proprietary model based on a variety of criteria, including fundamental growth, stock valuation, investment timeliness and risk factors. The fund will normally invest at least 90% of its total assets in common stocks that comprise the underlying index.

*PowerShares Dynamic Mid Cap Portfolio*
The PowerShares Dynamic Mid Cap Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Dynamic Mid Cap Intellidex℠ Index (the "underlying index").

The fund will normally invest at least 80% of its assets in common stocks of mid capitalization companies. A company is considered to be a mid capitalization company if it falls within the underlying index's proprietary model, which selects 150 U.S. mid capitalization growth stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, the AMEX and the NASDAQ segregated into three size groups, Large Cap, Mid Cap and Small Cap. The 250 largest stocks are considered Large Cap. The next 750 are considered Mid Cap and the remaining 1000 stocks are considered Small Cap. The 150 U.S. mid capitalization stocks with the largest capital appreciation potential are identified by the AMEX pursuant to the underlying index's proprietary methodology.

*PowerShares Dynamic Mid Cap Growth Portfolio*
PowerShares Dynamic Mid Cap Growth Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Dynamic Mid Cap Growth Intellidex℠ Index (the "underlying index").

The fund will normally invest at least 80% of its assets in common stocks of mid cap companies. A company is considered to be a mid capitalization company if it falls within the underlying index's proprietary model, which selects 75 U.S. mid cap growth stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, the AMEX and the NASDAQ segregated into three size groups, Large Cap, Mid Cap and Small Cap. The 250 largest stocks are considered Large Cap. The next 750 are considered Mid Cap and the remaining 1000 stocks are considered Small Cap. The 75 U.S. mid cap growth stocks are identified by the AMEX pursuant to the underlying index's proprietary model based on a variety of criteria, including fundamental growth, stock valuation, investment timeliness and risk factors. The fund will normally invest at least 90% of its total assets in common stocks that comprise the underlying index.

*PowerShares Dynamic Mid Cap Value Portfolio*

PowerShares Dynamic Mid Cap Value Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Dynamic Mid Cap Value Intellidex℠ Index (the "underlying index").

The fund will normally invest at least 80% of its assets in common stocks of mid cap companies. A company is considered to be a mid capitalization company if it falls within the underlying index's proprietary model, which selects 75 U.S. mid cap value stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, the AMEX and the NASDAQ segregated into three size groups, Large Cap, Mid Cap and Small Cap. The 250 largest stocks are considered Large Cap. The next 750 are considered Mid Cap and the remaining 1000 stocks are considered Small Cap. The 75 U.S. mid cap value stocks are identified by the AMEX pursuant to the underlying index's proprietary model based on a variety of criteria, including fundamental growth, stock valuation, investment timeliness and risk factors. The fund will normally invest at least 90% of its total assets in common stocks that comprise the underlying index.

*PowerShares Dynamic Small Cap Growth Portfolio*

PowerShares Dynamic Small Cap Growth Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Dynamic Small Cap Growth Intellidex℠ Index (the "underlying index").

The fund will normally invest at least 80% of its assets in common stocks of small cap companies. A company is considered to be a small capitalization company if it falls within the underlying index's proprietary model, which selects 100 U.S. small cap growth stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, the AMEX and the NASDAQ segregated into three size groups, Large Cap, Mid Cap and Small Cap. The 250 largest stocks are considered Large Cap. The next 750 are considered Mid Cap and the remaining 1000 stocks are considered Small Cap. The 100 U.S. small cap growth stocks are identified by the AMEX pursuant to the underlying index's proprietary model based on a variety of criteria, including fundamental growth, stock valuation, investment timeliness and risk factors. The fund will normally invest at least 90% of its total assets in common stocks that comprise the underlying index.

*PowerShares Dynamic Small Cap Value Portfolio*

PowerShares Dynamic Small Cap Value Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Dynamic Small Cap Value Intellidex℠ (the "underlying index").

The fund will normally invest at least 80% of its assets in common stocks of small cap companies. A company is considered to be a small capitalization company if it falls within the underlying index's proprietary model, which selects 100 U.S. small cap value stocks from the 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, the AMEX and the NASDAQ segregated into three size groups, Large Cap, Mid Cap and Small Cap. The 250 largest stocks are considered Large Cap. The next 750 are considered Mid Cap and the remaining 1000 stocks are considered Small Cap. The 100 U.S. small cap value stocks are identified by the AMEX pursuant to the underlying index's proprietary model based on a variety of criteria, including fundamental growth, stock valuation, investment timeliness and risk factors. The fund will normally invest at least 90% of its total assets in common stocks that comprise the underlying index.

*PowerShares Zacks Micro Cap Portfolio*

PowerShares Zacks Mico Cap Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Zacks Micro Cap Value Index (the "underlying index").

The fund will normally invest at least 80% of its total assets in common stocks of micro cap companies. The Fund will normally invest at least 90% of its total assets in common stocks that comprise the underlying index. The underlying index is comprised of between 300 and 500 U.S. stocks selected by Zacks Investment Research ("Zacks") from a universe of 7,000 domestic companies. For the purpose of constituent selection, the micro cap subset is defined relative to the entire investable universe of stocks with the upper threshold equal to 0.15% of the capitalization of the largest capitalization domestic company at the time of selection and a minimum capitalization of approximately 0.015% of the largest capitalization domestic company.

## Foreign Funds

*PowerShares Dynamic Asia Pacific Portfolio*
The PowerShares Dynamic Asia Pacific Portfolio seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the equity index called the QSG Asia-Pacific Opportunities Index (the "underlying index").

The fund will normally invest at least 90% of its total assets in stocks that comprise the underlying and American Depository Receipts ("ADRs") based on the stocks in the underlying index. The fund anticipates that the majority of its investments will be in the stocks that comprise the underlying index rather than in ADRs. The fund will normally invest at least 80% of its total assets in securities of companies domiciled in Asia Pacific countries or primarily listed on an exchange in such countries. The underlying index is comprised of securities selected principally on the basis of their capital appreciation potential as identified by the Quantitative Services Group, LLC ("QSG") pursuant to a proprietary quantitative methodology (the "Methodology"). The Methodology evaluates companies monthly, using a proprietary multi-factor model based on the following measures of expected outperformance: balance sheet strength, capital structure, leverage, earnings growth, earnings quality and price momentum, and then ranks and sorts them based on their cumulative scores.

*PowerShares Dynamic Developed International Opportunities Portfolio*
The PowerShares Dynamic Developed International Opportunities Portfolio (the "fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the equity index called the QSG Developed International Opportunities Index (the "underlying index").

The fund will normally invest at least 90% of its total assets in stocks that comprise the underlying index and ADRs based on the stocks in the underlying index. The fund anticipates that the majority of its investments will be in the stocks that comprise the underlying index rather than in ADRs. The fund will normally invest at least 80% of its total assets in securities of non-U.S. companies. The underlying index is comprised of securities selected principally on the basis of their capital appreciation potential as identified by QSG pursuant to a proprietary quantitative methodology (the "Methodology"). The Methodology evaluates companies monthly, using a proprietary multi-factor model based on the following measures of expected outperformance: balance sheet strength, capital structure, leverage, earnings growth, earnings quality and price momentum and then ranks and sorts them based on their cumulative scores.

*PowerShares Dynamic Europe Portfolio*
The PowerShares Dynamic Europe Portfolio (the “fund”) seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the equity index called the QSG Europe Index (the “underlying index”).

The fund will normally invest at least 90% of its total assets in stocks that comprise the underlying index and ADRs based on the stocks in the underlying index. The fund anticipates that the majority of its investments will be in the stocks that comprise the underlying index rather than in ADRs. The fund will normally invest at least 80% of its total assets in securities of companies domiciled in Europe or primarily listed on an European exchange. The underlying index is comprised of securities selected principally on the basis of their capital appreciation potential as identified by QSG pursuant to a proprietary quantitative methodology (the “Methodology”). The Methodology evaluates companies monthly, using a proprietary multi-factor model based on the following measures of expected outperformance: balance sheet strength, capital structure, leverage, earnings growth, earnings quality and price momentum and then ranks and sorts them based on their cumulative scores.

## Fixed-Income/Bond Funds

*PowerShares Emerging Markets Sovereign Debt Portfolio*
PowerShares Emerging Markets Sovereign Debt Portfolio (the “fund”) seeks investment results that correspond generally to the price and yield (before fees and expenses) of an index called the DB Emerging Market USD Liquid Balanced Index (the “underlying index”).

The fund will normally invest at least 80% of its total assets in emerging markets U.S. dollar-denominated government bonds. The fund will normally invest at least 90% of its total assets in the securities that comprise the underlying index. The underlying index is a benchmark index that measures potential returns of a theoretical portfolio of liquid emerging markets U.S. dollar-denominated government bonds. Deutsche Bank Securities Inc. selects zero to three securities from the 22 emerging market countries set forth below, on the basis of potential out-performance, that a) are denominated in U.S. dollars, b) are a sovereign bond, c) have more than three years to maturity and d) have an outstanding float of at least $500 million. As of December 31, 2007, the DB Emerging Market USD Liquid Balanced Index included approximately 25 bonds issued by Argentina, Bulgaria, Brazil, Chile, China, Columbia, Indonesia, Korea, Mexico, Panama, Peru, Philippines, Poland, Quatar, Russia, South Africa, Turkey, Ukraine, Uruguay, El Salvador, Vietnam and Venezuela.

*PowerShares High Yield Corporate Bond Portfolio*

PowerShares High Yield Corporate Bond Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before fees and expenses) of an index called Wachovia High Yield Bond Index (the "underlying index").

The fund will normally invest at least 80% of its total assets in high yield corporate bonds payable in U.S. dollars. The fund will normally invest at least 80% of its total assets in the securities that comprise the underlying index. In addition, the fund may invest up to 20% of its assets in futures, options, swaps contracts and high yield corporate bonds not included in the underlying index. The underlying index is a benchmark index that measures potential returns of a theoretical portfolio of high yield corporate bonds rated below investment grade by Moody's Investors Service, Inc., Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc. or Fitch Ratings, Inc., issued by U.S. issuers or foreign private issuers organized outside the U.S. that issue high yield bonds payable in U.S. dollars. All securities included in the underlying index are registered with the SEC and will be selected by Wachovia Capital Markets, LLC.

*PowerShares 1-30 Laddered Treasury Portfolio*

The PowerShares 1-30 Laddered Treasury Portfolio (the "fund") seeks investment results that correspond generally to the price and yield (before fees and expenses) of an index called the Ryan/Mergent 1-30 Year Treasury Laddered Index (the "underlying index").

The fund will normally invest at least 80% of its total assets in U.S. Treasury securities. The fund will normally invest at least 90% of its total assets in the securities that comprise the underlying index. The underlying index is a benchmark index that measures potential returns of a theoretical portfolio of U.S. Treasury securities with a yield curve based upon 30 distinct annual maturities. The underlying index seeks to maintain a continuous maturity laddered portfolio of securities, meaning that securities holdings are scheduled to mature in a proportional, annual sequential pattern. However, if securities with a desired maturity date are not available, a six-month deviation is allowed. Only Treasury auctioned issues with fixed coupon rates that are non-callable are selected. No treasury inflation-protected securities, bills or zero-coupon securities are allowed. Securities included in the underlying index are selected by Mergent, Inc., ALM Research Solutions, LLC ("ALM") and Ryan Holdings, LLC ("Ryan") (collectively, "Ryan/Mergent").

## Risks of Underlying ETFs

Investments in each Fund are subject to the risks associated with an investment in the Underlying ETFs. These include the following risks. See also the section on "Additional Risks" for other risk factors.

### Market Risk

The shares of the Underlying ETFs are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stock prices. Overall stock values could decline generally or could underperform other investments.

### Market Trading Risk

An investment in an Underlying ETF involves risks similar to those of investing in any fund of equity securities, fixed income securities and/or commodities traded on an exchange. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the Underlying ETFs.

### Non-Correlation Risk

An Underlying ETF may not match the return of its underlying index for a number of reasons. For example, an Underlying ETF may incur a number of operating expenses not applicable to its underlying index, and incur costs in buying and selling securities, especially when rebalancing its securities holdings to reflect changes in the composition of its underlying index. In addition, the performance of an Underlying ETF and its underlying index may vary due to asset valuation differences and differences between the Underlying ETF's portfolio and its underlying index resulting from legal restrictions (such as diversification requirements that apply to an Underlying ETF but not to its underlying index).

Since the Underlying Indexes are not subject to the diversification requirements to which the Funds must adhere, the Funds may be required to deviate their investments from the securities and relative weightings of the Underlying Indexes. The Funds may not invest in certain securities included in the

Underlying Indexes due to liquidity constraints. Liquidity constraints may delay the Funds' purchase or sale of securities included in the Underlying Indexes. For tax efficiency purposes, the Funds may sell certain securities to realize losses, causing it to deviate from the Underlying Indexes.

An Underlying ETF may not be fully invested at times, either as a result of cash flows into the Underlying ETF or reserves of cash held by the Underlying ETF to meet redemptions and expenses. If an Underlying ETF utilizes a sampling approach or futures or other derivative positions, its return may not correlate as well with the return on its underlying index, as would be the case if it purchased all of the stocks in its underlying index with the same weightings as the underlying index.

### Replication Management Risk

Unlike many investment companies, the Underlying ETFs are not "actively" managed. Therefore, they would not necessarily sell a stock because the stock's issuer was in financial trouble unless that stock is removed from its underlying index.

### Equity Securities Risk

The prices of equity securities change in response to many factors including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

### Fixed Income Securities Risk

All fixed-income securities are subject to two types of risk: credit risk and interest rate risk. Credit risk refers to the possibility that the issuer of a security will be unable to make interest payments and/or repay the principal on its debt. Interest rate risk refers to fluctuations in the value of a fixed-income security resulting from changes in the general level of interest rates. When the general level of interest rates goes up, the prices of most fixed-income securities go down. When the general level of interest rates goes down, the prices of most fixed-income securities go up.

The prices of fixed-income securities tend to fall as interest rates rise. Securities that have longer maturities tend to fluctuate more in price in response to changes in market interest rates. A decline in the prices of the fixed-income securities owned by an Underlying ETF would adversely affect the trading price of the Underlying ETF's shares. This "market risk" is usually greater among fixed-income securities with longer maturities or durations.

### Zero Coupon Securities

The interest earned on zero coupon securities is, implicitly, automatically compounded and paid out at maturity. While such compounding at a constant rate eliminates the risk of receiving lower yields upon reinvestment of interest if prevailing interest rates decline, the owner of a zero coupon security will be unable to participate in higher yields upon reinvestment of interest received if prevailing interest rates rise. For this reason, zero coupon securities are subject to substantially greater market price fluctuations during periods of changing prevailing interest rates than are comparable debt securities which make current distributions of interest. Current federal tax law requires that a holder of a zero coupon security accrue a portion of the discount at which the security was purchased as income each year even though Underlying ETFs receive no interest payments in cash on the security during the year.

### Mortgage-Backed Securities Risk

Mortgage-backed securities represent a participation interest in a pool of residential mortgage loans originated by governmental or private lenders such as banks. They differ from conventional debt securities, which provide for periodic payment of interest in fixed amounts and principal payments at maturity or on specified call dates. Mortgage pass-through securities provide for monthly payments that are a "pass-through" of the monthly interest and principal payments made by the individual borrowers on the pooled mortgage loans. Mortgage pass-through securities may be collateralized by mortgages with fixed rates of interest or adjustable rates.

Mortgage-backed securities have different risk characteristics than traditional debt securities. Although generally the value of fixed-income securities increases during periods of falling interest rates and decreases during periods of rising rates, this is not always the case with mortgage-backed securities. This is due to the fact that principal on underlying mortgages may be prepaid at any time as well as other factors. Generally, prepayments will increase during a period of falling interest rates and decrease during a period of rising interest rates. The rate of prepayments also may be influenced by economic and other factors. Prepayment risk includes the possibility that, as interest rates fall, securities with stated interest rates may have the principal prepaid earlier than expected, requiring an Underlying ETF to invest the proceeds at generally lower interest rates. Certain mortgage-backed securities may be more volatile and less liquid than other traditional types of debt securities.

### Small and Medium Capitalization Company Risk

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

### Large Capitalization Company Risk

Returns of large U.S. companies could trail the returns on investments in stocks of smaller companies.

### Micro Capitalization Company Risk

Micro cap stocks involve substantially greater risks of loss and price fluctuations. Micro cap companies carry additional risks because their earnings and revenues tend to be less predictable (and some companies may be experiencing significant losses), and their share prices tend to be more volatile and their markets less liquid than companies with larger market capitalizations. Micro cap companies may be newly formed or in the early stages of development, with limited product lines, markets or financial resources and may lack management depth. In addition, there may be less public information available about these companies. The shares of micro cap companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the future ability to sell these securities. Also, it may take a long time before the Fund realizes a gain, if any, on an investment in a micro cap company.

### Value Investing Style Risk

Certain Underlying ETFs emphasize a "value" style of investing, which focuses on undervalued companies with characteristics for improved valuations. This style of investing is subject to the risk that the valuations never improve or that the returns on "value" equity securities are less than returns on other styles of investing or the overall stock market. Different types of stocks tend to shift in and out of favor depending on market and economic conditions.

### Growth Investing Style Risk

Certain Underlying ETFs emphasize a "growth" style of investing. The market values of such securities may be more volatile than other types of investments.

The returns on "growth" securities may or may not move in tandem with the returns on other styles of investing or the overall stock markets.

### Foreign Securities Risk

Foreign securities have additional risks, including fluctuations in the value of the U.S. dollar relative to the values of other currencies, and may have relatively low market liquidity, decreased publicly available information about issuers, inconsistent and potentially less stringent accounting, auditing and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers, expropriation, nationalization or other adverse political or economic developments and the difficulty of enforcing obligations in other countries. Investments in foreign securities may also be subject to dividend withholding or confiscatory taxes, currency blockage and/or transfer restrictions.

### Developing Market Securities Risk

The factors described above for "Foreign Securities Risk" may affect the prices of securities issued by foreign companies located in developing countries more than those in countries with mature economies. For example, many developing countries (i.e., those that are in the initial stages of their industrial cycle) have, in the past, experienced high rates of inflation or sharply devalued their currencies against the U.S. dollar, thereby causing the value of investments in companies located in those countries to decline. Transaction costs are often higher in developing countries and there may be delays in settlement procedures.

### Emerging Market Securities Risk

Investment in securities in emerging market countries involves risks not associated with investments in securities in developed countries. Emerging markets are subject to greater market volatility, lower trading volume, political and economic instability, uncertainty regarding the existence of trading markets and more governmental limitations on foreign investment than more developed markets. In addition, securities in emerging markets may be subject to greater price fluctuations than securities in more developed markets. There may be less information publicly available with regard to emerging market issuers and such issuers are not subject to the uniform accounting, auditing and financial reporting standards applicable to U.S. issuers. There may be no single centralized securities exchange on which securities are traded in emerging market countries and the systems of corporate governance to which companies in emerging markets are subject may be less advanced than that to which U.S. issuers are subject, and therefore, shareholders in such companies may not receive many of the protections available to shareholders in U.S. issuers. Securities law in many emerging markets countries is relatively new and unsettled. Therefore, laws regarding foreign investment in emerging market securities, securities regulation, title to securities, and shareholder rights may change quickly and unpredictably. In addition, the enforcement of systems of taxation at federal, regional and local levels in emerging market countries may be inconsistent, and subject to sudden change.

### Call Risk

If interest rates fall, it is possible that issuers of callable securities with high interest coupons will "call" (or prepay) their bonds before their maturity date. If a call were exercised by the issuer during a period of declining interest rates, an Underlying ETF is likely to have to replace such called security with a lower yielding security. If that were to happen, it would decrease the Underlying ETF's net investment income.

### High Yield Securities Risk

High yield securities generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. Securities rated below investment grade are commonly referred to as "junk bonds." The ability of issuers of high yield securities to make timely payments of interest and principal may be adversely impacted by adverse changes in general economic conditions, changes in the financial condition of their issuers and price fluctuations in response to changes in interest rates. Periods of economic downturn or rising interest rates may cause the issuers of high yield securities to experience financial distress, which could adversely impact their ability to make timely payments of principal and interest and increases the possibility of default. The market value and liquidity of high yield securities may be negatively impacted by adverse publicity and investor perceptions, whether or not based on fundamental analysis, especially in a market characterized by a low volume of trading.

### Sovereign Debt Risk

Investments in sovereign debt securities involve special risks. The governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to: the extent of its foreign reserves; the availability of sufficient foreign exchange on the date a payment is due; the relative size of the debt service burden to the economy as a whole; or the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. If an issuer of sovereign debt defaults on payments of principal and/or interest, an Underlying ETF may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and an Underlying ETF's ability to obtain recourse may be limited.

Certain issuers of sovereign debt may be dependent on disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearages on their debt. Such disbursements may be conditioned upon a debtor's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. A failure on the part of the debtor to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the government debtor, which may impair the debtor's ability to service its debts on a timely basis. As a holder of government debt, an Underlying ETF may be requested to participate in the rescheduling of such debt and to extend further loans to government debtors.

**Emerging Markets Sovereign Debt Risk**

Government obligors in emerging market countries are among the world's largest debtors to commercial banks, other governments, international financial organizations and other financial institutions. Historically, certain issuers of the government debt securities in which certain Underlying ETFs may invest have experienced substantial difficulties in meeting their external debt obligations, resulting in defaults on certain obligations and the restructuring of certain indebtedness. Such restructuring arrangements have included obtaining additional credit to finance outstanding obligation and the reduction and rescheduling of payments of interest and principal through the negotiation of new or amended credit agreements. As a holder of government debt securities, an Underlying ETF may be asked to participate in the restructuring of such obligations and to extend further loans to their issuers. There can be no assurance that the securities in which an Underling ETF will invest will not be subject to restructuring arrangements or to requests for additional credit. In addition, certain participants in the secondary market for such debt may be directly involved in negotiating the terms of these arrangements and may therefore have access to information not available to other market participants, such as certain Underlying ETFs.

### Derivatives Risk

A derivative is a financial contract, the value of which depends on, or is derived from, the value of an underlying asset such as a security or an index. Certain Underlying ETFs may invest in certain types of derivatives contracts, including futures, options and swaps. Compared to conventional securities, derivatives can be more sensitive to changes in interest rates or to sudden fluctuations in market prices and thus an Underlying ETF's losses may be greater if it invests in derivatives than if it invests only in conventional securities.

### Liquidity Risk

Liquidity risk exists when particular investments are difficult to purchase or sell. If an Underlying ETF invests in illiquid securities or securities that become illiquid, it may reduce the returns of the Underlying ETF because the Underlying ETF may be unable to sell the illiquid securities at an advantageous time or price.

### Valuation Risk

Because foreign exchanges may be open on days when an Underlying ETF does not price its shares, the value of the securities in the Underlying ETF's portfolio may change on days when shareholders, such as the Funds, will not be able to purchase or sell the Underlying ETF's shares.

### Real Estate Securities Risk

Certain Underlying ETFs will concentrate their investments in the real estate sector. Adverse economic, business or political developments affecting real estate could have a major effect on the value of the investments of those Underlying ETFs. Investing in real estate securities (which include REITs) may subject Underlying ETFs to risks associated with the direct ownership of real estate, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions, increases in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent and fluctuations in rental income. Changes in interest rates may also affect the value of the Underlying ETF's investments in real estate securities. Certain real estate securities have a relatively small market capitalization, which may tend to increase the volatility of the market price of these securities. Real estate securities are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in operating and financing a limited number of projects. Real estate securities are also subject to heavy cash flow dependency and defaults by borrowers. In addition, REITs are subject to the possibility of failing to qualify for tax free pass-through of income under the Internal Revenue Code and maintaining exemption from the registration requirements of the Investment Company Act of 1940, as amended (the "1940 Act").

### Commodities Risk

Certain Underlying ETF's have investment exposure to the commodities markets which may subject them to greater volatility than investments in traditional securities, such as stocks and bonds. The commodities markets may fluctuate widely based on a variety of factors. These include changes in overall market movements, domestic and foreign political and economic events and policies, war, acts of terrorism, changes in domestic or foreign interest rates and/or investor expectations concerning interest rates, domestic and foreign inflation rates and/or investor expectations concerning inflation rates and investment and trading activities of mutual funds, hedge funds and commodities funds.

Prices of various commodities may also be affected by factors such as drought, floods, weather, livestock disease, embargoes, tariffs and other regulatory developments. Many of these factors are very unpredictable. The prices of commodities can also fluctuate widely due to supply and demand disruptions in major producing or consuming regions. Certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers. As a result, political, economic and supply related events in such countries could have a disproportionate impact on the prices of such commodities.

Because the performance of certain Underlying ETFs is linked to the performance of highly volatile commodities, investors should be willing to assume the risks of potentially significant fluctuations in the value of shares of the Underlying ETFs.

## Additional Investment Strategies

Each Fund will normally invest at least 90% of its total assets in component securities that comprise its Underlying Index. Each Fund may invest its remaining assets in money market instruments, including repurchase agreements or other funds which invest exclusively in money market instruments (subject to applicable limitations under 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 security or securities index), and in swaps and options (subject to the receipt by the Funds of any necessary exemptive relief). Swaps and options (and convertible securities and structured notes) may be used by the Funds in seeking performance that corresponds to its Underlying Index and in managing cash flows. The Funds will not invest in money market instruments as part of a temporary defensive strategy to protect against potential securities market declines. The Adviser anticipates that it may take approximately three business days (i.e., each day the AMEX is open) for additions and deletions to the Funds' Underlying Indexes to be reflected in the portfolio composition of the Fund.

Each of the policies described herein, including the investment objective of each Fund, constitutes a non- fundamental policy that may be changed by the Board of Trustees without shareholder approval. Certain fundamental policies of the Funds are set forth in the Funds' Statement of Additional Information ("SAI") under "Investment Restrictions."

### Borrowing Money

The Funds 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

The Funds may lend their portfolio securities. In connection with such loans, the Funds receive liquid collateral equal to at least 102% of the value of the portfolio securities being lent. This collateral is marked to market on a daily basis.

## Additional Risks

### Trading Issues

Trading in Shares on the AMEX may be halted due to market conditions or for reasons that, in the view of the AMEX, make trading in Shares inadvisable. In addition, trading in Shares on the AMEX is subject to trading halts caused by extraordinary market volatility pursuant to the AMEX "circuit breaker" rules. There can be no assurance that the requirements of the AMEX necessary to maintain the listing of a Fund will continue to be met or will remain unchanged. Foreign exchanges may be open on days when Shares are not priced, and therefore, the value of the securities in a Fund's portfolio may change on days when shareholders will not be able to purchase or sell Shares.

### Fluctuation of Net Asset Value

The NAV of a Fund's Shares will generally fluctuate with changes in the market value of the Fund's holdings. The market prices of the Shares will generally fluctuate in accordance with changes in NAV as well as the relative supply of and demand for the Shares on the AMEX. The Adviser cannot predict whether the Shares will trade below, at or above their NAV. Price differences may be due, in large part, to the fact that supply and demand forces at work in the secondary trading market for the Shares will be closely related to, but not identical to, the same forces influencing the prices of the securities of a Fund's Underlying Index trading individually or in the aggregate at any point in time. However, given that the Shares can be purchased and redeemed in Creation Units (unlike shares of closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their NAV), the Adviser believes that large discounts or premiums to the NAV of the Shares should not be sustained.

### Securities Lending

Although each Fund will receive collateral in connection with all loans of its securities holdings, a Fund would be exposed to a risk of loss should a borrower default on its obligation to return the borrowed securities (e.g., the loaned securities may have appreciated beyond the value of the collateral held by the Fund). In addition, a Fund will bear the risk of loss of any cash collateral that it invests.

## 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 Funds' SAI.

## 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, the PowerShares India Exchange-Traded Fund Trust, PowerShares Actively Managed Exchange-Traded Fund Trust and the PowerShares Exchange-Traded Fund Trust, a family of exchange-traded funds, with combined assets under management of more than $12.7 billion as of March 31, 2008. The Trust is currently comprised of 29 exchange-traded funds.

On September 18, 2006, Invesco Aim Management Group, Inc., a subsidiary of Invesco Ltd., acquired Invesco PowerShares Capital Management LLC. Invesco

Ltd. is an independent global investment manager. By delivering the combined power of its distinctive worldwide investment management capabilities, including AIM, Atlantic Trust, Invesco, Perpetual, PowerShares, Trimark, and WL Ross, Invesco Ltd. provides a comprehensive array of enduring investment solutions for retail, institutional and high net worth clients around the world. Operating in 20 countries, the company is listed on the New York Stock Exchange under the symbol "IVZ" and had more than $470 billion in assets under management as of March 31, 2008.

Invesco PowerShares Capital Management LLC has overall responsibility as the Funds' investment adviser for the selection and ongoing monitoring of the Funds' investments, managing the Funds' business affairs and providing certain clerical, bookkeeping and other administrative services.

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 resources.

John W. Southard Jr., CFA, MBA, oversees all research, portfolio management and trading operations of the Funds. In this capacity, Mr. Southard oversees a team of portfolio managers (with Mr. Southard, the "Portfolio Managers") who are responsible for the day-to-day management of the Funds. Peter Hubbard, who reports to Mr. Southard, is the member of the portfolio management team who is currently primarily responsible for the Funds' day-to-day management. Mr. Hubbard receives management assistance from Jason Stoneberg, Rudolf Reitmann and Travis Trampe, who perform 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 member of the portfolio management team has appropriate limitations on his authority for risk management and compliance purposes.

### Portfolio Managers

John Southard is a Managing Director at the Adviser and has been with the Adviser since its inception in February 2003. Mr. Southard has managed each Fund since inception. Prior to his current position, he was a Senior Equity Analyst at Charles Schwab & Company from May 2001 to August 2002. Prior to this, Mr. Southard was a Vice President, Portfolio Manager and Equity Analyst at First Trust Portfolios LP (formerly, Nike Securities LP) from October 1992 to May 2001.

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 their inception. Mr. Hubbard was a Research Analyst for the Adviser from May 2005 to June 2007. Mr. Hubbard has been a Portfolio Manager of the Adviser since 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, after receiving a bachelor of science degree in Business and Economics from Wheaton College.

Jason Stoneberg is a Portfolio Manager of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since its inception. Mr. Stoneberg joined the Adviser as a research analyst in January 2006, after receiving a bachelor of science degree in Business and Economics from Wheaton College. Mr. Stoneberg has been a Portfolio Manager of the Adviser since June 2007.

Rudolf Reitmann is the Vice President of Operations Management of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since inception. Mr. Reitmann has been the Vice President of Operations Management of the Adviser since October 2006. Prior to joining the Adviser, Mr. Reitmann worked as Assistant Vice President of ETF Services for The Bank of New York from July 1996 to September 2006.

Travis Trampe is a Portfolio Manager of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since inception. Mr. Trampe has been an employee of the Adviser since April 2006. Prior to joining the Adviser, Mr. Trampe was an Analyst for Principal Global Investors from December 1994 to September 2006 and Research Analyst for Quantitative Services Group LLC from October 2006 to May 2007.

Each Portfolio Manager may serve as a Portfolio Manager for the PowerShares ETFs.

The Funds' SAI provides additional information about the Portfolio Managers' compensation structure, other accounts managed by the Portfolio Managers and the Portfolio Managers' ownership of securities in the Trust.

Out of the unitary management fee, the Adviser pays substantially all expenses of the Fund, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for the fee payments under the Investment Advisory Agreement, distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses and other extraordinary expenses.

The Adviser's unitary management fee is designed to pay the Funds' expenses and to compensate the Adviser for providing services for the Funds.

A discussion regarding the Board of Trustees' basis for approving the Funds' Investment Advisory Agreement will be available in the Semi-annual report to shareholders for the period ending April 30, 2008.

## How to Buy and Sell Shares

The Shares will be issued or redeemed by each Fund at NAV per Share only in Creation Units. See "Creations, Redemptions and Transaction Fees."

Most investors will buy and sell Shares of each Fund in secondary market transactions through brokers. Each Fund anticipates that its Shares will be listed for trading on the secondary market on the AMEX. Shares can be bought and sold throughout the trading day like other publicly traded shares. There is no minimum investment. Although Shares are generally 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 Funds anticipate that their Shares will trade on the AMEX under the following symbols:

| Fund | Trading Symbol |
|---|---|
| PowerShares Autonomic Growth NFA Global Asset Portfolio | PTO |
| PowerShares Autonomic Balanced Growth NFA Global Asset Portfolio | PAO |
| PowerShares Autonomic Balanced NFA Global Asset Portfolio | PCA |

Share prices are reported in dollars and cents per Share.

Investors may acquire Shares directly from each Fund, and shareholders may tender their Shares for redemption directly to each Fund, only in Creation Units of 100,000 Shares, as discussed in the "Creations, Redemptions and Transaction Fees" section below.

*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 the AMEX may differ from the Fund's daily NAV and can be affected by market forces of supply and demand, economic conditions and other factors.

The AMEX intends to disseminate the approximate value of Shares of each Fund every fifteen seconds. 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.

*Frequent Purchases and Redemptions of Fund Shares*

The Trust's Board of Trustees has adopted a policy of not monitoring for frequent purchases and redemptions of Fund Shares ("market timing"). In establishing this policy, the Board evaluated the risks of market timing activities by the Trust's shareholders. The Board noted that a Fund's Shares can only be purchased and redeemed directly from the Fund in Creation Units by Authorized Participants and that the vast majority of trading in the Funds' Shares occurs on the secondary market. Because the secondary market trades do not involve a Fund directly, it is unlikely those trades would cause many of the harmful effects of market timing, including dilution, disruption of portfolio management, increases in the Funds' trading costs and the realization of capital gains. With respect to trades directly with the Funds, to the extent effected in-kind (i.e., for securities), those trades do not cause any of the harmful effects (as previously noted) that may result from frequent cash trades. To the extent trades are effected in whole or in part in cash, the Board noted that those trades could result in dilution to a Fund and increased transaction costs, which could negatively impact a Fund's ability to achieve its investment objective. However, the Board noted that direct trading by Authorized Participants is critical to ensuring that the Funds' Shares trade at or close to NAV. The Funds also employ fair valuation pricing to minimize potential dilution from market timing. The Funds impose transaction fees on in-kind purchases and redemptions of Fund Shares to cover the custodial and other costs incurred by a Fund in effecting in-kind trades, these fees increase if an investor substitutes cash in part or in whole for securities, reflecting the fact that a Fund's trading costs increase in those circumstances. Given this structure, the Board determined that it is not necessary to adopt policies and procedures to detect and deter market timing of the Funds' Shares.

## Creations, Redemptions and Transaction Fees

*Creation Units*

Investors such as market makers, large investors and institutions who wish to deal in Creation Units directly with a Fund must have entered into an authorized participant agreement with the principal underwriter and the transfer agent, or purchase through a dealer that has entered into such an agreement. Set forth below is a brief description of the procedures applicable to the purchase and redemption of Creation Units. For more detailed information, see "Creation and Redemption of Creation Unit Aggregations" in the SAI.

*Purchase*

In order to purchase Creation Units of a Fund, an investor must generally deposit a designated portfolio of equity securities constituting a substantial replication, or a representation, of the securities included in the relevant Fund's Underlying Index (the "Deposit Securities") and generally make a small cash payment referred to as the "Cash Component." The list of the names and the numbers of shares of the Deposit Securities is made available by the Funds' custodian through the facilities of the NSCC, immediately prior to the opening of business each day of the AMEX. The Cash Component represents the difference between the NAV of a Creation Unit and the market value of the Deposit Securities.

Orders must be placed in proper form by or through either (i) a "Participating Party," i.e., a broker-dealer or other participant in the Clearing Process of the

Continuous Net Settlement System of the NSCC (the "Clearing Process") or (ii) a participant of DTC ("DTC Participant") that has entered into an agreement with the principal underwriter and the transfer agent, with respect to purchases and redemptions of Creation Units. All orders must be placed for one or more whole Creation Units of Shares of a Fund and must be received by the principal underwriter in proper form no later than the close of regular trading on the (ordinarily 4:00 p.m. New York time) ("Closing Time") in order to receive that day's closing NAV per Share. In the case of custom orders, as further described in the SAI, the order must be received by the principal underwriter no later than 3:00 p.m. New York time. A custom order may be placed by an Authorized Participant in the event that the Trust permits or requires the substitution of an amount of cash to be added to the Cash Component to replace any Deposit Security which may not be available in sufficient quantity for delivery or which may not be eligible for trading by such Authorized Participant or the investor for which it is acting or any other relevant reason. In the event that the Trust permits or requires the substitution of an amount of cash to be added to the Cash Component to replace any or all Deposit Securities, the Funds will purchase the Deposit Securities in the secondary market. See "Creation and Redemption of Creation Unit Aggregations" in the SAI.

A fixed Creation Transaction Fee of $500 is applicable to each transaction regardless of the number of Creation Units purchased in the transaction. An additional charge of up to four times the Creation Transaction Fee may be imposed with respect to transactions effected outside of the Clearing Process (through a DTC Participant) or to the extent that cash is used in lieu of securities to purchase Creation Units. See "Creation and Redemption of Creation Unit Aggregations" in the SAI. The price for each Creation Unit will equal the daily NAV per Share times the number of Shares in a Creation Unit plus the fees described above and, if applicable, any transfer taxes.

Shares of a Fund may be issued in advance of receipt of all Deposit Securities subject to various conditions, including a requirement to maintain on deposit with the Fund cash at least equal to 115% of the market value of the missing Deposit Securities. See "Creation and Redemption of Creation Unit Aggregations" in the SAI.

*Legal Restrictions on Transactions in Certain Securities*

An investor subject to a legal restriction with respect to a particular stock required to be deposited in connection with the purchase of a Creation Unit may, at a Fund's discretion, be permitted to deposit an equivalent amount of cash in substitution for any stock which would otherwise be included in the Deposit Securities applicable to the purchase of a Creation Unit. For more details, see "Creation and Redemption of Creation Unit Aggregations" in the SAI.

*Redemption*

Each Fund's custodian makes available immediately prior to the opening of business each day of the, through the facilities of the NSCC, the list of the names and the numbers of shares of the Fund's portfolio securities that will be applicable that day to redemption requests in proper form ("Fund Securities"). Fund Securities received on redemption may not be identical to Deposit Securities which are applicable to purchases of Creation Units. Unless cash redemptions are available or specified for a Fund, the redemption proceeds consist of the Fund Securities, plus cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after receipt by the transfer agent of a redemption request in proper form, and the value of the Fund Securities (the "Cash Redemption Amount"), less the applicable redemption fee and, if applicable, any transfer taxes. Should the Fund Securities have a value greater than the NAV of Shares being redeemed, a compensating cash payment to the Trust equal to the differential, plus the applicable redemption fee and, if applicable, any transfer taxes will be required to be arranged for by or on behalf of the redeeming shareholder. For more details, see "Creation and Redemption of Creation Unit Aggregations" in the SAI.

An order to redeem Creation Units of a Fund may only be effected by or through an Authorized Participant. An order to redeem must be placed for one or more whole Creation Units and must be received by the transfer agent in proper form no later than the close of regular trading on the AMEX (ordinarily 4:00 p.m. New York time) in order to receive that day's closing NAV per Share. In the case of custom orders, as further described in the SAI, the order must be received by the transfer agent no later than 3:00 p.m. New York time.

A fixed Redemption Transaction Fee of $500 is applicable to each redemption transaction regardless of the number of Creation Units redeemed in the transaction. An additional charge of up to four times the Redemption Transaction Fee may be charged to approximate additional expenses incurred by the Trust with respect to redemptions effected outside of the Clearing Process or to the extent that redemptions are for cash. Each Fund reserves the right to effect redemptions in cash. A shareholder may request a cash redemption in lieu of securities, however, each Fund may, in its discretion, reject any such request. See "Creation and Redemption of Creation Unit Aggregations" in the SAI.

# Dividends, Distributions and Taxes

Ordinarily, dividends from net investment income, if any, are declared and paid quarterly. 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 the AMEX, and
- You purchase or redeem Creation Units.

### Taxes on Distributions

Ordinarily, dividends from net investment income, if any, 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 a Fund. Dividends paid out of the Funds' income and net short-term gains, if any, 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 are generally taxed at a maximum rate of 15% for taxable years beginning before January 1, 2011. In addition, for these taxable years, some ordinary dividends declared and paid by a Fund to non-corporate shareholders may qualify for taxation at the lower reduced tax rates applicable to long-term capital gains, provided that holding period and other requirements are met by the Fund and the shareholder. Without future congressional action, the maximum rate of long-term capital gains will return to 20% in 2011, and all dividends will be taxed at ordinary income rates.

Distributions in excess of a 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 must 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 is generally 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 will generally 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.

## Distributor

Invesco Aim 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.

## Net Asset Value

The Bank of New York ("BONY") calculates each Fund's NAV at the close of regular trading (normally 4:00 p.m. New York time) every day the NYSE is open. The NAV is calculated by deducting all of the Funds' 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 of Trustees or its delegate.

In determining NAV, expenses are accrued and applied daily and securities and other assets for which market quotations are available are valued at market value. Common stocks and other equity securities are valued at the last sales price that day. Securities regularly traded in an over the counter market are valued at the latest quoted sale price in such market, or in the case of the NASDAQ, at the NASDAQ official closing price. Money market securities maturing in 60 days or less will be valued at amortized cost. When price quotes are not readily available, securities will be valued at fair value. Investments that may be valued at fair value include, among others, an unlisted security related to corporate actions, a restricted security, a security whose trading has been suspended from trading on its primary trading exchange, a security that is thinly traded, a security in default or bankruptcy proceedings for which there is no current market quotation and a security affected by a significant event, which event includes acts of terrorism, natural disasters, government action, armed conflict and significant market fluctuations. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security is materially different than the value that could be realized upon the sale of that security.

## Fund Service Providers

BONY, 101 Barclay Street, New York, New York 10286, is the administrator, custodian and fund accounting and transfer agent for each Fund. Clifford Chance US LLP, 31 West 52nd Street, New York, New York 10019, serves as legal counsel to the Funds.

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, New York 10017, serves as the Funds' independent registered public accounting firm. The independent registered public accounting firm is responsible for auditing the annual financial statements of the Funds.

## Index Provider

New Frontier Advisors, acting under contract with New Frontier Management Company, LLC ("New Frontier Management"), is the Index Provider for the Funds. Neither New Frontier Advisors nor New Frontier Management is affiliated with the Trust, the Adviser or the Distributor.

No entity that creates, compiles, sponsors or maintains an Underlying Index 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 a Fund.

Neither the Adviser nor any affiliate of the Adviser has any rights to influence the selection of Underlying ETFs in the Underlying Indexes.

## Disclaimers

The Underlying Indexes are trademarks of New Frontier Advisors and have been licensed for use for certain purposes by New Frontier Management, LLC, which has sub-licensed the Underlying Indexes for use for certain purposes to the Adviser. The Funds are entitled to use the New Frontier Global Dynamic Balanced Index, New Frontier Global Dynamic Growth Index and New Frontier Global Dynamic Balanced Growth Index pursuant to a sub-licensing agreement with the Adviser. Set forth below is a list of each Fund and its Underlying Index:

| Fund | Underlying Index |
|---|---|
| PowerShares Autonomic Growth NFA Global Asset Portfolio | New Frontier Global Dynamic Growth Index™ |
| PowerShares Autonomic Balanced Growth NFA Global Asset Portfolio | New Frontier Global Dynamic Balanced Growth Index™ |
| PowerShares Autonomic Balanced NFA Global Asset Portfolio | New Frontier Global Dynamic Balanced Index™ |

The Funds are not sponsored, endorsed, sold or promoted by New Frontier Management, LLC or New Frontier Advisors, and neither company makes any representation regarding the advisability of investing in Shares of the Funds.

There is no relationship between New Frontier Advisors and the Adviser other than a license by New Frontier Management to the Adviser of certain New Frontier Management or New Frontier Advisors trademarks and trade names, and the New Frontier Global Dynamic Balanced Index,™ New Frontier Global Dynamic Growth Index™ and New Frontier Global Dynamic Balanced Growth Index™ for use by the Adviser. Such trademarks, trade names and Underlying Indexes have been created and developed by New Frontier Advisors or New Frontier Management without regard to and independently of the Adviser, its businesses, its development of the Funds, and/or any prospective investor.

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The Wachovia High Yield Bond Index is a trademark of Wachovia Corporation and has been licensed for use by Invesco PowerShares Capital Management LLC. The Funds are not sponsored, endorsed, sold or promoted by Wachovia Corporation or its affiliates and Wachovia Corporation makes no representation regarding the advisability of investing in the Funds.

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

Wachovia 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 securities generally or in Shares particularly. Wachovia's only relationship to the Distributor, the Adviser or the Trust is the licensing of certain Wachovia trademarks and trade names of Wachovia and Wachovia High Yield Bond Index, which is composed by Wachovia without regard to the Distributor. AMEX acts as the exchange on which the shares of the PowerShares High Yield Corporate Bond Portfolio are traded.

The Wachovia High Yield Bond Index is selected and calculated without regard to the Distributor, the Adviser, the Trust or any holders of Shares. Wachovia has no obligation to take the needs of the Distributor, the Adviser, the Trust, the owners of Shares, New Frontier Advisors or the Underlying Indexes for the Funds into consideration in determining, composing or calculating the Wachovia High Yield Bond Index. Wachovia 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. Wachovia has no obligation or liability in connection with the administration of the Trust, or marketing of the Shares. Wachovia does not guarantee the accuracy and/or the completeness of the Wachovia High Yield Bond Index or any data included therein, and Wachovia shall have no liability for any errors, omissions, or interruptions therein. Wachovia makes no warranty, express or implied, as to results to be obtained by the Distributor, the Adviser, the Trust, New Frontier Advisors or owners of Shares, or any other person or entity, from the use of the Wachovia High Yield Bond Index or any data included therein. Wachovia 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 Wachovia High Yield Bond Index or any data included therein, the PowerShares High Yield Corporate Bond Portfolio, the Trust or the Shares. Without limiting any of the foregoing, in no event shall Wachovia have any liability for any special, punitive, indirect, or consequential damages (including lost profits) resulting from the use of the Wachovia High Yield Bond Index or any data included therein, the PowerShares High Yield Corporate Bond Portfolio, the Trust or the Shares, even if notified of the possibility of such damages. The Adviser does not guarantee the accuracy and/or the completeness of the Wachovia High Yield Bond Index or any data included therein, and the Adviser shall have no liability for any errors, omissions, or interruptions therein. The Adviser makes no warranty, express or implied, as to results to be obtained by the PowerShares High Yield Corporate Bond Portfolio, owners of the Shares of the PowerShares High Yield Corporate Bond Portfolio or any other person or entity from the use of the Wachovia High Yield Bond Index or any data included therein. The Adviser 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 Wachovia High Yield Bond Index or any data included therein. Without limiting any of the foregoing, in no event shall the Adviser have any liability for any special, punitive, direct, indirect or consequential damages (including lost profits) arising out of matters relating to the use of the Wachovia High Yield Bond Index even if notified of the possibility of such damages.

PowerShares High Yield Corporate Bond Portfolio is not sponsored, endorsed, sold or promoted by Wachovia. Wachovia makes no representation or warranty, express or implied, to Fund investors or any member of the public regarding the advisability of investing in securities generally or in the Fund particularly or the ability of any data supplied by Wachovia to track high yield bond or other securities' performance. Wachovia's only relationship to the Distributor, the Adviser or the Trust is the licensing of certain trademarks and trade names of Wachovia and of the data supplied by Wachovia that is determined, composed and calculated by Wachovia without regard to the Fund, the Shares or the Underlying Indexes. Wachovia has no obligation to take the needs of or the Fund into consideration when determining, composing or calculating the Wachovia High Yield Bond Index. Wachovia has no obligation or liability in connection with the administration, marketing or trading of the Fund.

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## Other Information

For purposes of the 1940 Act, the Funds are treated as registered investment companies and the acquisition of Shares by other investment companies is subject to the restrictions of Section 12(d)(1) of the 1940 Act.

## 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, are generally required to deliver a prospectus. This is because the prospectus delivery exemption in Section 4(3) of the Securities Act is not available with respect to 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 ordinary secondary market transactions) and thus dealing with the Shares that are part of an overallotment within the meaning of Section 4(3)(a) of the Securities Act would be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act. The Trust, however, has received from the SEC an exemption from the prospectus delivery obligation in ordinary secondary market transactions under certain circumstances, on the condition that purchasers are provided with a product description of the Shares. Firms that incur a prospectus delivery obligation with respect to Shares are reminded that, under the Securities Act Rule 153, a prospectus delivery obligation under Section 5(b)(2) of the Securities Act owed to an exchange member in connection with a sale on the AMEX is satisfied by the fact that the prospectus is available at the AMEX upon request. The prospectus delivery mechanism provided in Rule 153 is only available with respect to transactions on an exchange.

### For More Information

For more detailed information on the Trust, the Funds and the Shares, you may request a copy of the Funds' SAI. The SAI provides detailed information about the Funds, and is incorporated by reference into this Prospectus. This means that the SAI, for legal purposes, is a part of this Prospectus. More information about the fees, expenses, investment objectives, strategies and risks of the PowerShares ETFs in which the Funds invest may be found in the prospectuses for each PowerShares ETF at www.invescopowershares.com. If you have questions about the Funds, Shares, the Underlying ETFs or if you wish to obtain the SAI free of charge, please:

Call: Invesco Aim Distributors, Inc. at 1-800-337-4246
Monday through Friday
8:00 a.m. to 5:00 p.m. Central Time

Write: PowerShares Exchange-Traded Fund Trust II
c/o Invesco Aim Distributors, Inc.
11 Greenway Plaza
Suite 100
Houston, Texas 77046-1173

Visit: www.invescopowershares.com

Information about the Funds (including the SAI) and the Underlying ETFs which comprise the Underlying Indexes in which the Funds invest (including the SAIs) can be reviewed and copied at SEC's Public Reference Room in Washington, D.C. and information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-202-942-8090. Reports and other information about the Funds are available on the EDGAR Database on the Commission's Internet site at 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

or by writing the Commission's Public Reference Section, Washington, D.C. 20549-0102.

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 the Prospectus for future reference.

**The Trust's registration number under the 1940 Act is 811-21977.**

**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.**

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