Invesco PowerShares

Leading the Intelligent ETF Revolution®

PowerShares **Build America Bond** Portfolio (BAB)

Not FDIC Insured | May Lose Value | No Bank Guarantee

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BAB

PowerShares **Build America Bond** Portfolio

Fund Details	
Fund Ticker	BAB
CUSIP	73937B407
Intraday NAV[4]	BAB.IV
Index Ticker	BABS
Expense Ratio[5]	0.35%
Marginable	Yes
Short Selling	Yes
Options	No
Exchange	NYSE Arca

The PowerShares Build America Bond Portfolio seeks investment results that correspond generally to the price and yield (before fees and expenses) of The BofA Merrill Lynch Build America Bond Index (Underlying Index).

The Fund will normally invest at least 80% of its total assets in taxable municipal securities eligible to participate in the Build America Bond (BAB) program created under the American Recovery and Reinvestment Act of 2009 or other legislation providing for the issuance of taxable municipal securities on which the issuer receives federal support of the interest paid.

The PowerShares Build America Bond Portfolio:

- Offers access to a distinct asset class.
- Invests in Build America Bonds (BABs) that meet specific qualitative investment criteria.
- Provides low cost,[1] broad exposure to the BAB market.
- Offers the benefits of the ETF structure including intra-day liquidity[2] and transparency.[3]
- Offers the potential for monthly income.

1 Since ordinary brokerage commissions apply for each buy and sell transaction, frequent trading activity may increase the costs of ETFs.
2 Shares are not individually redeemable and owners of the Shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in Creation Unit aggregations only, typically consisting of 50,000 Shares.
3 ETFs disclose their full portfolio holdings daily.
4 The Intraday NAV is a symbol representing estimated fair value based on the most recent intraday price of underlying assets.
5 As stated in the Fund's prospectus, the expense ratio of 0.35% is expressed as a unitary fee to cover expenses incurred in connection with managing the portfolio. However, the Adviser has voluntarily agreed to waive 0.07% of its Advisory Fee for its investment advisory services to the Fund. After giving effect to such voluntary waiver, the Advisory Fee will be 0.28%. The Advisory Fee waiver may be amended or terminated at any time.

What are **Build America Bonds?**

Build America Bonds are taxable municipal bonds issued by state and local governments. The interest from BABs is subsidized by the U.S. Treasury.

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Build America Bonds are taxable municipal bonds (munis) issued by state and local governments. The interest from BABs is subsidized by the U.S. Treasury. BABs are offered through the BAB program, which was launched by the U.S. Treasury under the American Recovery and Reinvestment Act of 2009 (ARRA). The objective of the program is to reduce the borrowing costs of state and local governments.

Since the program's inception in April through the end of November 2009, more than $55 billion in BABs had been issued. This represents nearly 20% of total long-term U.S. municipal issuance during that time period.[1]

Top five states through Q3 2009:[1]

Number of BAB Deals	
Illinois	51
California	33
Wisconsin	30
Texas	24
Minnesota	23

Amount Issued ($ Millions)	
California	8,279.8
Texas	6,278.7
Illinois	2,941.3
New York	2,546.3
New Jersey	1,913.9

How do **Build America Bonds** Work?

Build America Bonds Risk

There is no guarantee that municipalities will continue to take advantage of the BAB program in the future and there can be no assurance that BABs will be actively traded. Furthermore, under the American Recovery and Reinvestment Act of 2009, the ability of municipalities to issue BABs expires on Dec. 31, 2010. If the BAB program is not extended and additional issuance not permitted beyond 2010, the number of BABs available in the market will gradually decrease as issues reach maturity or are called. In addition, illiquidity may negatively affect the value of the bonds.

Two types of BABs

Congress has authorized two types of BABs that state and local governments may issue: "direct payment" and "tax credit." Each type offers a different treatment of the federal subsidy.

For direct-payment bonds, the U.S. Treasury makes a payment directly to the issuer in the amount of 35% of the total interest payable to investors, or 45% on Recovery Economic Development Bonds, which are a special category of direct-payment BABs. For tax-credit bonds, the 35% subsidy is passed along directly to investors in the form of a federal tax credit.[2] Payments from the U.S. Treasury will be periodic for the life of the debt.

The program does not impose any limits on the amount of debt that may be issued except for Recovery Zone Economic Development Bonds.[3] However, under the ARRA, the BAB program is set to expire on Dec. 31, 2010, at which point no further issuance will be permitted, unless the program is extended by Congress.

1 Source: Securities Industry and Financial Markets Association (SIFMA), as of Nov. 30, 2009
2 The Fund will not invest in tax credit BABs.
3 Source: Internal Revenue Service

Why Invest in **Build America Bonds?**

A unique opportunity

BABs integrate characteristics of various types of bonds, making them a distinctive fixed-income investment: they are municipal bonds, but are taxable; they generally offer yields comparable to corporate bonds but have lower default rates; they are subsidized by the U.S. Treasury but not backed by the federal government. These differentiating traits have the potential to make BABs an attractive addition to the fixed-income portion of a portfolio.

BABs offer yields that are competitive with the yields of similar corporate bonds.

As measured by the four indexes listed in the table below, BABs generally offer a favorable profile in terms of their yield, duration and credit quality. BABs offer a higher duration than investment grade corporates (BofA ML U.S. Corporate Master), but also a higher yield and credit quality. When compared to corporate bonds with a similar duration (BofA ML U.S. Corporates 10+ Yrs), BABs offer a comparable yield and higher credit quality.

Build America Bonds Compared to Corporate Bonds and U.S. Treasuries

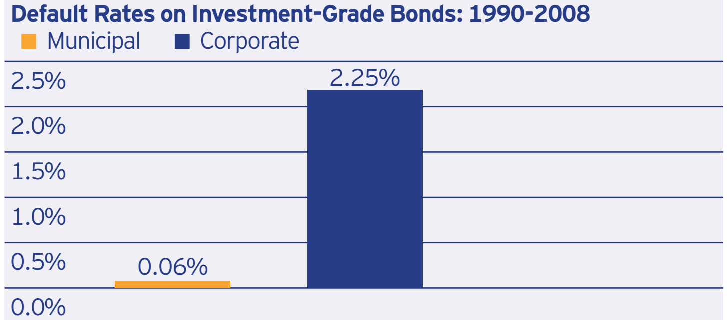
	Yield to Worst	Modified Duration	Credit Quality
BofA ML BAB Index	5.93%	11.37	AA3
BofA ML U.S. Corporate Master	4.62%	6.29	A3
BofA ML U.S. Corporates 10+ Yrs	6.11%	11.92	A3
BofA ML U.S. Treasuries 15+ Yrs	4.09%	14.55	AAA

Source: BofA Merrill Lynch, as of Nov. 30, 2009

The default rates on taxable municipal bonds have historically been lower than rates of similarly rated corporate bonds.

Between 1990 and 2008, the 10-year cumulative default rate for all investment-grade munis was 0.06%, compared to 2.25% for all investment-grade corporate bonds. The average recovery rate on defaulted munis has been 68% of par, compared to 42% of par for defaulted corporate bonds.

Default Rates on Investment-Grade Bonds: 1990-2008



Source: S&P research reports as of March 11, 2009 and April 2, 2009

Yield to worst is the lowest of all yield to calls or the yield to maturity.

Duration is the change in the value of a fixed income security that will result from a 1% change in interest rates.

Credit quality is assigned by National Recognized Statistical Rating Organizations based on assessment of the credit worthiness of the underlying securities. The ratings range from AAA (highest) to D (lowest).

The BofA Merrill Lynch U.S. Corporate Master Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market.

The BofA Merrill Lynch U.S. Corporates 10+ Years Index is a subset of The BofA Merrill Lynch U.S. Corporate Index including all securities with a remaining term to final maturity greater than or equal to 10 years.

The BofA Merrill Lynch U.S. Treasuries 15+ Years Index is a subset of The BofA Merrill Lynch U.S. Treasuries Index including all securities with a remaining term to final maturity greater than or equal to 15 years.

Past performance is not indicative of future results.

Why Invest in **Build America Bonds?** (cont.)

Expanding the muni-investor demographic

The relatively strong credit quality and low default rates are attributes that attract investors to municipal bonds. On the other hand, the relatively low yields offered by tax-exempt munis have generally limited the scope of the muni market to investors who are most able to take advantage of the tax benefit (i.e., those in higher income tax brackets).

BABs, however, are taxable, which means they will generally offer higher yields than their tax-exempt counterparts. The higher yields are likely to make BABs attractive to investors who are interested in munis, but unable to capture the maximum tax benefit from traditional tax-exempt munis. BABs may be of particular interest within qualified accounts, as well as to public pension funds, endowments and foreign investors.

The BofA Merrill Lynch **Build America Bonds** Index

About the underlying index

The BofA Merrill Lynch Build America Bond Index began operations on Nov. 6, 2009. Valuation data regarding the index is available via Bloomberg L.P. under the ticker BABS. The index is designed to track the performance of U.S. dollar-denominated investment grade taxable municipal debt publicly issued under the BAB program.

Qualifying securities must have:

- An investment grade rating.[1]
- At least one year remaining term to final maturity.[2]
- A fixed coupon schedule.[3]
- A minimum amount outstanding of $1 million.
- A direct pay federal subsidy.

Securities that are included in the Underlying Index are capitalization-weighted based on their current amount outstanding. The Underlying Index is rebalanced on the last calendar day of the month. Intra-month cash flows are reinvested daily, at the beginning-of-month SIFMA Municipal Swap Index yield, until the end of the month at which point all cash is removed from the Underlying Index.

1 A classification given to a bond when its credit rating is BBB- or higher from Standard & Poor's, Baa3 or higher from Moody's or BBB- or higher from Fitch.
2 The length of time until the principal amount of a bond must be paid back.
3 Fixed amount of interest paid on bonds over a specific period of time

There are risks involved with investing in ETFs, including possible loss of money. The Fund is not actively managed and is subject to risk similar to those of stocks, including those related to short selling and margin maintenance. Ordinary brokerage commissions apply.

Invesco PowerShares does not offer tax advice. Please consult a tax adviser for advice regarding your specific situation.

Municipal securities are subject to the risk that litigation, legislation or other political events, local business or economic conditions or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes or the rights of municipal security holders. Because many securities are issued to finance similar projects, especially those relating to education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal market. In addition, changes in the financial condition of an individual municipal insurer can affect the overall municipal market.

There is no guarantee that municipalities will continue to take advantage of the BAB program in the future and there can be no assurance that BABs will be actively traded. Furthermore, under the American Recovery and Reinvestment Act of 2009, the ability of municipalities to issue BABs expires on Dec. 31, 2010. If the BAB program is not extended, the number of BABs available in the market will be limited. In addition, illiquidity of the BABs may negatively affect the value of the BABs.

Fixed-income securities are subject to interest rate risk and credit risk. Generally, the prices of fixed-income securities tend to fall as interest rates rise. To the extent the Fund invests a substantial portion of its assets in fixed-income securities with longer term maturities, rising interest rates may cause the value of the Fund's investments to decline significantly. 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. Credit risk refers to the possibility that the issuer of a security will be unable and/or unwilling to make timely interest payments and/or repay the principal on its debt, which may adversely affect the value of the security.

The Shares are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in securities prices.

The Fund's use of a representative sampling approach will result in its holding a smaller number of securities than are in the Underlying Index. As a result, an adverse development respecting an issuer of securities held by the Fund could result in a greater decline in NAV than would be the case if the Fund held all of the securities in the Underlying Index. To the extent the assets in the Fund are smaller, these risks will be greater.

The Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund.

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Shares are not individually redeemable and owners of the Shares may acquire those Shares from the Fund and tender those Shares for redemption to the Fund in Creation Unit aggregations only, typically consisting of 50,000 Shares.

An investor should consider the Fund's investment objective, risks, charges and expenses carefully before investing. For this and more complete information about the Fund call 800 983 0903 or visit www.invescopowershares.com for a prospectus. Please read the prospectus carefully before investing.