



powerSHARES®
Xchange Traded Funds™

2011 Annual Report to Shareholders

October 31, 2011

PowerShares Senior Loan Portfolio (BKLN)

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The Market Environment

Global Fixed Income:

Global financial markets were unsettled and volatile during the fiscal year as investors assessed and reacted to the economic implications of several systemic shocks, including the Japanese earthquake disaster, the Arab Spring, and a reinvigorated Eurozone sovereign debt crisis. Even so, the global investment grade bond market, as measured by the Barclays Capital Global Aggregate ex. US Index, generated a positive total return for the 12 months ended October 31, 2011.

During the early part of the fiscal year, interest rates trended higher across the globe. In the developed west, economies appeared to be on the mend and GDP growth prospects, although low, were improving. In Europe, growing uncertainties about Greece and other European countries' solvency led to higher yields for certain countries and a growing divergence of borrowing costs across the Eurozone. Emerging market economies, especially in the Asia/Pacific region, rebounded particularly well following the global financial crisis, and their currencies attracted global capital flows, sparking some concerns of inflation, asset pricing bubbles and overheating economies. During the latter part of the fiscal year, the European sovereign debt crisis and related concerns about financial sector stability dominated news headlines, leading to periods of extreme risk aversion, wider credit spreads, and subsequently higher demand for the perceived safe havens of U.S. Treasuries and German Bunds. This demand, despite the Standard & Poor ("S&P") credit rating downgrade of the U.S., led to concerns over the future of the Euro, and diminishing forecasts for economic growth across key developed and emerging markets. Central banks activities mirrored the differences across regions of the globe during the year. Monetary tightening occurred across many markets where signs of inflation began to appear. In contrast, the U.S., Japan, and the Eurozone maintained key lending rates at or near historic lows as below target economic growth persisted and inflation was less of a concern.

Manager's Analysis

PowerShares Senior Loan Portfolio (ticker: BKLN)

The PowerShares Senior Loan Portfolio (the “Fund”) seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the S&P/LSTA U.S. Leveraged Loan 100 Index (the “Index”). The Fund will normally invest at least 80% of its total assets in the component securities that comprise the Index. The Index is designed to track the market-weighted performance of the largest institutional leveraged loans based on market weightings, spreads and interest payments.

The Fund began trading on March 3, 2011. For the period ended October 31, 2011, on a share price basis, the Fund returned (1.84)%. On an NAV basis, the Fund returned (1.16)%. During this same time period the Index returned (1.17)% and the Barclays Capital U.S. Aggregate Index returned 6.37%. The senior loan market sold off in August 2011 over fears of heightened credit risk in the midst of weak economic growth. Economic concerns notwithstanding, the trailing 12-month default rate for October remained near historic lows at 0.32%. During the period, 3-Month LIBOR, the floating rate to which many senior loans are linked, fell from 31 basis points to 25 basis points during the summer months, before climbing back to 43 basis points by the end of October.

▼ Credit Quality Rating Breakdown* (% of the Fund's Net Assets) as of October 31, 2011

Baa3	4.4
Ba3	24.0
Ba2	8.9
Ba1	6.4
B3	4.4
B2	13.5
B1	27.6
Caa2	0.4
Caa1	2.4
Not Rating	4.5
Closed-End Funds	3.1
Money Market Fund	3.9
Liabilities in excess of other assets	(3.5)

▼ Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security

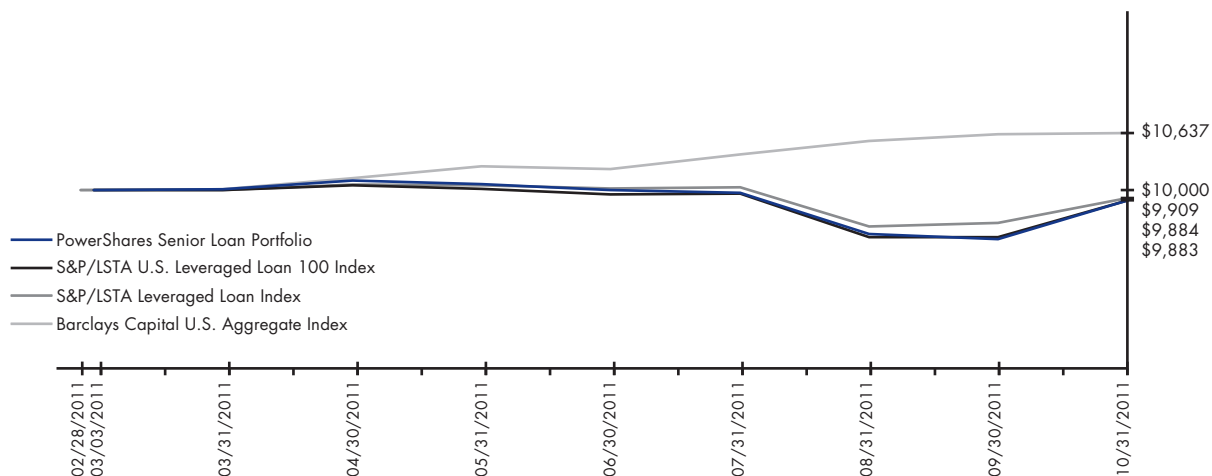
Tribune Co., 6/4/14, Term Loan B	2.7
Springleaf Financial Corp., 5.500%, 5/10/17, Term Loan	2.1
First Data Corp., 4.245%, 3/23/18, Term Loan	2.0
Intelsat Jackson Holdings S.A., 5.250%, 4/2/18, Term Loan B	1.9
Clear Channel Communications, Inc., 3.896%, 1/28/16, Term Loan B	1.9
Texas Competitive Electric Holdings Co. LLC 3.760%, 10/10/14, Term Loan	1.7
Charter Communications Operating, LLC 3.620%, 9/6/16, Extended Term Loan C	1.7
Texas Competitive Electric Holdings Co. LLC 4.760%, 10/10/17, Extended Term Loan	1.7
CHS/Community Health Systems, Inc., 2.569%, 7/25/14, Term Loan	1.5
Caesars Entertainment Operating Co., Inc. 3.360%, 1/28/15, Term Loan B2	1.5
Total	18.7

* Source: Moody's. A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other debts. Ratings are measured on a scale that generally ranges from Aaa (highest) to C (lowest); ratings are subject to change without notice. “Non-Rated” indicates the debtor was not rated, and should not be interpreted as indicating low quality. For more information on Moody's rating methodology, please visit moodys.com and select “Rating Methodologies” under Research and Ratings on the homepage.

Manager's Analysis (Continued)

PowerShares Senior Loan Portfolio (ticker: BKLN)

▼ Growth of a \$10,000 Investment Since Inception[†]



▼ Fund Performance History (%)

As of October 31, 2011

	Fund Inception [†] Cumulative
Index	
S&P/LSTA U.S. Leveraged Loan 100 Index	(1.17)%
S&P/LSTA Leveraged Loan Index	(0.91)%
Barclays Capital U.S. Aggregate Index	6.37%
Fund	
Net Asset Value ("NAV") Return	(1.16)%
Share Price Return	(1.84)%

Fund Inception: March 3, 2011

Performance quoted above represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. According to the Fund's current prospectus, the total annual Fund Operating expenses ratio of 0.83% includes the unitary management fee of 0.75% (0.65% after fee waiver) and estimated acquired fund fees and expenses of 0.18%. NAV and Share Price returns assume that dividends and capital gain distributions have been reinvested in the Fund at NAV and Share Price, respectively. The returns shown in the table above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption or sale of Fund Shares. See invescopowershares.com to find the most recent month-end performance numbers.

Index performance results are based upon a hypothetical investment in its constituent securities. Index returns do not represent Fund returns. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in the Fund.

The S&P/LSTA Leveraged Loan Index, S&P/LSTA U.S. Leveraged Loan 100 Index and Barclays Capital U.S. Aggregate Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 100, 100 and 7,833 loans, respectively.

[†] Fund and Index returns are based on the inception date of the Fund. Returns for the Benchmark Indices are based on the closest month-end to the Fund's inception date.

Frequency Distribution of Discounts & Premiums

Since Inception through October 31, 2011

Ticker	Fund Name	Inception	Trading Days	Closing Price Above NAV (bps)					
				0-24	25-49	50-99	100-149	150-199	200+
BKLN	PowerShares Senior Loan Portfolio	3/3/11	169	10	32	79	1	0	0

Closing Price Below NAV (bps)					
-0-24	-25-49	-50-99	-100-149	-150-199	-200+
18	19	8	2	0	0

Fees and Expenses

As a shareholder of a Fund of the PowerShares Exchange-Traded Fund Trust II, you incur a unitary management fee. The expense examples below are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held through the six-month (or shorter) period ended October 31, 2011.

In pursuing its investment objective, PowerShares Senior Loan Portfolio (the “Portfolio”) may invest a portion of its assets in investment companies. The Portfolio indirectly bears a pro rata share of the fees and expenses of the investment companies in which the Portfolio invests. The effects of the investment companies’ expenses are included in the Portfolio’s total return.

Actual Expenses

The first line in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading “Expenses Paid During the Six-Month Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line in the following table provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed annualized rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only, and do not reflect any transactional costs such as sales charges and brokerage commissions. Therefore the second line in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value Value May 1, 2011	Ending Account Value October 31, 2011	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During the Six-Month Period ⁽¹⁾
PowerShares Senior Loan Portfolio (BKLN)				
Actual	\$1,000.00	\$978.11	0.65%	\$3.24
Hypothetical (5% return before expenses)	\$1,000.00	\$1,021.93	0.65%	\$3.31

⁽¹⁾ Expenses are calculated using the annualized expense ratio, which represents the ongoing expenses as a percentage of net assets for the six months ended October 31, 2011. Expenses are calculated by multiplying the Fund’s annualized expense ratio by the average account value for the period, then multiplying the result by 184/365. Expense ratios for the most recent six month period may differ from expense ratios based on the one year data in the Financial Highlights.

Schedule of Investments

PowerShares Senior Loan Portfolio (BKLN)

October 31, 2011

Principal Amount		Interest Rate	Maturity Date	Value
Senior Floating Rate Loans—91.8%(a)(b)				
<i>Advertising—1.2%</i>				
\$ 984,382	Getty Images, Inc., Term Loan	5.250%	11/07/16	\$ 987,049
993,744	Visant Corp. Term Loan B	5.250	12/22/16	945,920
				<u>1,932,969</u>
<i>Aerospace/Defense—1.3%</i>				
	Hawker Beechcraft Acquisition Co. LLC			
55,300	Synthetic Letter of Credit	2.369	03/26/14	41,285
894,277	Term Loan	2.369	03/26/14	667,636
1,489,994	TransDigm, Inc., Term Loan	4.000	02/14/17	1,488,593
				<u>2,197,514</u>
<i>Airlines—2.0%</i>				
1,246,875	Delta Air Lines, Inc., Term Loan B	5.500	04/20/17	1,217,785
1,240,839	United Air Lines, Inc., Term Loan B	2.250	02/03/14	1,203,614
1,042,361	US Airways Group, Inc., Term Loan	2.746	03/21/14	905,812
				<u>3,327,211</u>
<i>Auto Manufacturers—1.5%</i>				
2,693,250	Chrysler Group LLC, Term Loan B	6.000	05/24/17	2,538,388
<i>Auto Parts & Equipment—2.9%</i>				
2,427,170	Allison Transmission, Inc., Term Loan	2.750	08/07/14	2,354,962
1,509,051	Federal-Mogul Corp., Term Loan B	2.178	12/29/14	1,429,509
1,000,000	Goodyear Tire & Rubber Co. (The), Term Loan	1.930	04/30/14	989,375
				<u>4,773,846</u>
<i>Building Materials—0.9%</i>				
1,448,752	Goodman Global, Inc., Term Loan	5.750	10/28/16	1,450,788
<i>Chemicals—2.9%</i>				
1,250,000	Ashland, Inc., Term Loan B	3.750	08/23/18	1,256,462
994,962	Celanese Holdings, LLC, Extended Term Loan C	3.122	10/31/16	999,624
1,166,181	Styron, LLC, Term Loan	6.000	08/02/17	1,070,263
1,486,237	Univar, Inc., Term B Loan	5.000	06/30/17	1,458,742
				<u>4,785,091</u>
<i>Coal—0.7%</i>				
1,168,356	Walter Energy, Inc., Term Loan B	4.000	04/02/18	1,168,175
<i>Commercial Services—4.1%</i>				
	ARAMARK Corp.			
1,079,037	Extended Term Loan B	3.619	07/26/16	1,068,786
70,962	Letter of Credit 2	3.496	07/26/16	70,288
1,092,256	Hertz Corp. (The), Term Loan B	3.750	03/09/18	1,087,308
997,494	Interactive Data Corp., Term Loan B	4.500	02/12/18	994,167
1,496,250	Kar Auction Services, Inc., Term Loan B	5.000	05/19/17	1,493,901
	ServiceMaster Co. (The)			
45,048	Delay Draw Term Loan	2.750	07/24/14	43,246
2,190,687	Term Loan B	2.760	07/24/14	2,103,059
				<u>6,860,755</u>

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Senior Loan Portfolio (BKLN)

October 31, 2011

Principal Amount		Interest Rate	Maturity Date	Value
Senior Floating Rate Loans (Continued)				
<i>Computers—2.2%</i>				
SunGard Data Systems, Inc.				
\$2,000,000	Term Loan A	1.990%	02/28/14	\$ 1,968,500
1,600,000	Term Loan B	3.900	02/26/16	1,588,664
				<u>3,557,164</u>
<i>Diversified Financial Services—3.5%</i>				
1,372,531	Pinafore, LLC, Term Loan B1	4.250	09/29/16	1,373,176
997,876	Pinnacle Foods Finance, LLC, Term Loan	2.770	04/02/14	984,784
3,750,000	Springleaf Financial Corp., Term Loan	5.500	05/10/17	3,449,344
				<u>5,807,304</u>
<i>Electric—4.4%</i>				
1,750,000	NRG Energy, Inc., Term Loan	4.000	07/02/18	1,753,281
4,053,410	Texas Competitive Electric Holdings Co. LLC Extended Term Loan	4.760	10/10/17	2,765,824
3,797,680	Term Loan	3.760	10/10/14	2,842,982
				<u>7,362,087</u>
<i>Entertainment—0.6%</i>				
1,023,529	Cedar Fair L.P., Term Loan 1	4.000	12/15/17	1,025,018
<i>Food—2.3%</i>				
2,493,750	Del Monte Foods Co., Term Loan	4.500	03/08/18	2,429,324
1,487,040	U.S. Foodservice, Term Loan	2.750	07/03/14	1,383,564
				<u>3,812,888</u>
<i>Healthcare - Products—2.7%</i>				
993,550	Bausch & Lomb, Inc., Term Loan	3.590	04/26/15	985,686
1,985,768	Biomet, Inc., Term Loan	3.320	03/25/15	1,961,264
1,740,542	Carestream Health, Inc., Term Loan	5.000	02/25/17	1,572,649
				<u>4,519,599</u>
<i>Healthcare - Services—10.5%</i>				
CHS/Community Health Systems, Inc.				
97,133	Delay Draw Term Loan	2.569	07/25/14	94,483
1,491,215	Extended Term Loan	3.819	01/25/17	1,451,452
2,638,879	Term Loan	2.569	07/25/14	2,566,904
1,540,862	DaVita, Inc., Term Loan B	4.500	10/20/16	1,538,936
1,492,105	Fresenius Medical Care Holdings, Inc., Term Loan B (Germany)	1.744	03/31/13	1,482,511
1,496,160	Golden Gate National Senior Care LLC, Term Loan	5.000	05/04/18	1,365,994
HCA, Inc.				
1,500,000	Term Loan B1	2.619	11/18/13	1,478,625
1,750,000	Term Loan B2	3.619	03/31/17	1,701,875
2,000,000	Term Loan B3	3.619	05/01/18	1,938,610
2,483,353	Health Management Associates, Inc., Term Loan B	2.119	02/28/14	2,476,363
1,246,592	Universal Health Services, Inc., Term Loan B	4.000	11/15/16	1,247,764
				<u>17,343,517</u>
<i>Household Products/Wares—0.4%</i>				
696,500	Reynolds Group Holdings, Inc., Term Loan B	6.500	02/09/18	693,888
<i>Insurance—1.2%</i>				
2,000,000	Asurion Corp., Term Loan	5.500	05/24/18	1,976,880

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Senior Loan Portfolio (BKLN)

October 31, 2011

Principal Amount		Interest Rate	Maturity Date	Value
Senior Floating Rate Loans (Continued)				
<i>Leisure Time—1.5%</i>				
\$2,841,169	Sabre, Inc., Term Loan	2.300%	09/30/14	\$ 2,500,229
<i>Lodging—3.1%</i>				
Caesars Entertainment Operating Co., Inc.				
1,050,000	Term Loan B1	3.418	01/28/15	926,846
2,900,000	Term Loan B2	3.360	01/28/15	2,559,859
545,517	Term Loan B3	3.420	01/28/15	481,533
Las Vegas Sands, LLC				
124,881	Extended Delay Draw Term Loan I	2.840	11/23/16	120,718
1,117,572	Extended Term Loan B	2.840	11/23/16	1,080,324
				<u>5,169,280</u>
<i>Media—14.5%</i>				
2,731,889	Cengage Learning Acquisitions, Inc., Term Loan	2.500	07/03/14	2,373,902
1,489,590	Cequel Communications, LLC, Term Loan	2.241	11/05/13	1,465,906
Charter Communications Operating, LLC				
2,833,434	Extended Term Loan C	3.620	09/06/16	2,817,241
34,059	Term Loan B1	2.250	03/06/14	33,882
3,950,000	Clear Channel Communications, Inc., Term Loan B	3.896	01/28/16	3,108,966
CSC Holdings, Inc				
1,787,132	Extended Term Loan B2	3.490	03/29/16	1,774,685
994,949	Extended Term Loan B3	3.240	03/29/16	986,990
Nielsen Finance, LLC				
1,322,434	Term Loan A	2.242	08/09/13	1,316,099
1,315,003	Term Loan C	3.492	05/02/16	1,302,267
2,031,022	SuperMedia, Inc., Term Loan	11.000	12/31/15	911,055
7,000,000	Tribune Co., Term Loan B(c)(d)	—	06/04/14	4,449,865
1,493,747	TWCC Holding Corp., Term Loan B	4.250	02/13/17	1,499,819
2,216,430	Univision Communications, Inc., Extended Term Loan	4.496	03/31/17	2,021,695
				<u>24,062,372</u>
<i>Mining—0.8%</i>				
1,246,859	Novelis, Inc., Term Loan B	3.750	03/10/17	1,240,625
<i>Miscellaneous Manufacturing—0.8%</i>				
1,517,739	Harland Clarke Holdings, Corp., Term Loan B	2.760	06/30/14	1,287,369
<i>Oil & Gas Services—1.5%</i>				
1,246,762	CCS, Inc., Term Loan (Canada)	3.369	11/14/14	1,140,787
1,413,807	Frac Tech International LLC, Term Loan	6.250	05/06/16	1,408,505
				<u>2,549,292</u>
<i>Pharmaceuticals—1.5%</i>				
1,591,228	NBTY, Inc., Term Loan B1	4.250	10/02/17	1,590,234
833,918	Warner Chilcott Corp., Term Loan A	3.750	03/17/16	823,840
				<u>2,414,074</u>
<i>Real Estate—1.6%</i>				
1,231,258	Capital Automotive LP, Term Loan B	5.000	03/10/17	1,213,559
Realogy Corp.				
1,554,054	Extended Term Loan B	4.522	10/10/16	1,359,362
145,012	Synthetic Letter of Credit	4.489	10/10/13	126,844
				<u>2,699,765</u>

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Senior Loan Portfolio (BKLN)

October 31, 2011

Principal Amount		Interest Rate	Maturity Date	Value
Senior Floating Rate Loans (Continued)				
<i>REITS—1.5%</i>				
	iStar Financial, Inc.			
\$1,018,592	Term Loan A1	5.000%	06/28/13	\$ 1,013,713
1,500,000	Term Loan A2	7.000	06/30/14	1,464,690
				<u>2,478,403</u>
<i>Retail—4.6%</i>				
1,246,859	Burger King Corp., Term Loan B	4.500	10/19/16	1,241,093
1,180,543	Claire's Stores, Inc., Term Loan B	3.030	05/29/14	1,045,524
1,000,000	Dollar General Corp., Term Loan B1	3.030	07/07/14	1,000,175
995,000	J Crew Group, Inc., Term Loan	4.750	03/07/18	937,648
750,000	Michaels Stores, Inc., Term Loan B1	2.660	10/31/13	735,682
1,750,000	Neiman Marcus Group, Inc. (The), Term Loan	4.750	05/16/18	1,708,989
990,000	Petco Animal Supplies, Inc., Term Loan	4.500	11/24/17	979,605
				<u>7,648,716</u>
<i>Semiconductors—1.8%</i>				
1,885,562	Freescale Semiconductor, Inc., Extended Term Loan	4.489	12/01/16	1,818,624
1,150,000	Sensata Technologies BV, Term Loan B	4.000	05/11/18	1,147,844
				<u>2,966,468</u>
<i>Software—6.5%</i>				
1,246,851	Fidelity National Information Services, Inc., Term Loan B	5.250	07/18/16	1,255,891
	First Data Corp.			
3,750,000	Term Loan	4.245	03/23/18	3,247,762
1,924,116	Term Loan B1	2.995	09/24/14	1,786,763
1,860,960	Term Loan B2	2.995	09/24/14	1,728,115
2,000,875	Term Loan B3	2.995	09/24/14	1,858,042
963,203	MSCI, Inc., Term Loan B1	3.750	03/14/17	971,034
				<u>10,847,607</u>
<i>Telecommunications—6.8%</i>				
	Avaya, Inc.			
1,596,731	Term Loan B1	3.064	10/24/14	1,527,880
1,736,323	Term Loan B3	4.814	10/26/17	1,590,906
573,142	Insight Midwest Holdings, LLC, Term Loan B	1.990	04/07/14	568,557
3,234,380	Intelsat Jackson Holdings S.A., Term Loan B	5.250	04/02/18	3,221,572
1,500,000	Level 3 Financing, Inc., Term Loan A	2.648	03/13/14	1,461,570
1,497,492	MetroPCS Wireless, Inc., Term Loan B3	4.000	03/16/18	1,481,768
	Telesat Canada (Canada)			
1,374,220	Term Loan I	3.250	10/31/14	1,351,889
118,045	Term Loan II	3.250	10/31/14	116,126
				<u>11,320,268</u>
	Total Senior Floating Rate Loans			<u>152,317,550</u>
	(Cost \$158,077,656)			
<u>Number of Shares</u>				
Closed-End Funds—3.1%				
157,978	Eaton Vance Senior Income Trust			1,045,814
139,260	First Trust Senior Floating Rate Income Fund II			1,895,329
416,670	ING Prime Rate Trust			2,204,184
	Total Closed-End Funds			<u>2,204,184</u>
	(Cost \$5,750,647)			<u>5,145,327</u>

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Senior Loan Portfolio (BKLN)

October 31, 2011

Principal Amount		Interest Rate	Maturity Date	Value
	Corporate Bonds—4.7%			
	<i>Electric—1.9%</i>			
\$2,250,000	Calpine Corp.(e)	7.250%	10/15/17	\$ 2,351,250
750,000	Calpine Corp.(e)	7.875	01/15/23	<u>795,000</u>
				<u>3,146,250</u>
	<i>Healthcare - Services—0.4%</i>			
611,000	HCA, Inc.	6.500	02/15/20	<u>641,550</u>
	<i>Household Products/Wares—0.9%</i>			
1,500,000	Reynolds Group Holdings Ltd.(e)	7.125	04/15/19	<u>1,537,500</u>
	<i>Media—0.6%</i>			
1,000,000	Univision Communications, Inc.(e)	6.875	05/15/19	<u>980,000</u>
	<i>Packaging & Containers—0.9%</i>			
1,500,000	Berry Plastics Corp.(f)	5.153	02/15/15	<u>1,488,750</u>
	Total Corporate Bonds			
	(Cost \$7,720,063)			<u>7,794,050</u>
Number of Shares				
	Money Market Fund—3.9%			
6,411,198	Bank of New York (The) Cash Reserve (Cost \$6,411,198)			<u>6,411,198</u>
	Total Investments			
	(Cost \$177,959,564)—103.5%			171,668,125
	Liabilities in excess of other assets—(3.5)%			<u>(5,731,560)</u>
	Net Assets—100.0%			<u>\$165,936,565</u>

Investment Abbreviations:

REIT—Real Estate Investment Trust

Notes to Schedule of Investments:

- (a) Senior secured corporate loans and senior secured debt securities are, at present, not readily marketable, not registered under the Securities Act of 1933, as amended and may be subject to contractual and legal restrictions on sale. Senior secured corporate loans and senior secured debt securities in the Fund's portfolio generally have variable rates which adjust to a base, such as the London Inter-Bank Offered Rate ("LIBOR"), on set dates, typically every 30 days, but not greater than one year, and/or have interest rates that float at a margin above a widely recognized base lending rate such as the Prime Rate of a designated U.S. bank.
- (b) Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with any accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturities shown. However, it is anticipated that the senior secured floating rate loans will have an expected average life of three to five years.
- (c) Defaulted security. Currently, the issuer is partially or fully in default with respect to interest payments. The aggregate value of these securities at October 31, 2011 was \$4,449,865, which represented 2.68% of the Fund's net assets.
- (d) The borrower has filed for protection in federal bankruptcy court.
- (e) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933 (the "1933 Act"), as amended. The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The aggregate value of these securities at October 31, 2011 was \$5,663,750, which represented 3.41% of the Fund's Net Assets.
- (f) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on October 31, 2011.

See Notes to Financial Statements.

Statement of Assets and Liabilities

PowerShares Senior Loan Portfolio (BKLN)

October 31, 2011

ASSETS:

Investments, at value	\$171,668,125
Cash	25,336
Receivables:	
Shares sold	4,835,385
Investments sold	907,500
Interest	479,067
Total Assets	<u>177,915,413</u>

LIABILITIES:

Payable for investment purchased	11,892,766
Accrued unitary management fees	86,082
Total Liabilities	<u>11,978,848</u>

NET ASSETS	<u>\$165,936,565</u>
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NET ASSETS CONSIST OF:

Shares of beneficial interest	\$174,636,204
Undistributed net investment income	308,196
Undistributed net realized gain (loss)	(2,716,396)
Net unrealized appreciation (depreciation)	(6,291,439)
Net Assets	<u>\$165,936,565</u>

Shares outstanding (unlimited amount authorized, \$0.01 par value)	6,900,100
Net asset value	<u>\$ 24.05</u>

Share price	<u>\$ 24.02</u>
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Investments, at cost	<u>\$177,959,564</u>
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See Notes to Financial Statements.

Statement of Operations

PowerShares Senior Loan Portfolio (BKLN)

For the Period March 1, 2011* through October 31, 2011

INVESTMENT INCOME:

Interest income	\$ 4,423,471
Dividend income	<u>275,836</u>
Total Income	<u>4,699,307</u>

EXPENSES:

Unitary management fees	711,755
Interest expense	<u>3,094</u>
Total Expenses	714,849
Unitary management fees waivers	<u>(94,901)</u>
Net Expenses	<u>619,948</u>
Net Investment Income	<u>4,079,359</u>

REALIZED AND UNREALIZED GAIN (LOSS) ON:

Net realized gain (loss)	(2,729,050)
Net change in unrealized appreciation (depreciation)	<u>(6,291,439)</u>
Net realized and unrealized gain (loss)	<u>(9,020,489)</u>
Net increase (decrease) in net assets resulting from operations	<u><u>\$(4,941,130)</u></u>

* Commencement of Investment Operations.

See Notes to Financial Statements.

Statement of Changes in Net Assets

PowerShares Senior Loan Portfolio (BKLN)

	For the Period March 1, 2011* through October 31, 2011
OPERATIONS:	
Net investment income	\$ 4,079,359
Net realized gain (loss)	(2,729,050)
Net change in unrealized appreciation (depreciation)	<u>(6,291,439)</u>
Net increase (decrease) in net assets resulting from operations	<u>(4,941,130)</u>
Undistributed net investment income included in the price of units issued and redeemed	<u>167,470</u>
DISTRIBUTIONS TO SHAREHOLDERS FROM:	
Net investment income	<u>(3,758,509)</u>
SHAREHOLDER TRANSACTIONS:	
Proceeds from shares sold	207,127,920
Value of shares repurchased	(32,491,716)
Net income (loss) equalization	<u>(167,470)</u>
Net increase in net assets resulting from share transactions	<u>174,468,734</u>
Increase in Net Assets	<u>165,936,565</u>
NET ASSETS:	
Beginning of period	<u>—</u>
End of period	<u>\$165,936,565</u>
Undistributed net investment income at end of year	<u>\$ 308,196</u>
CHANGES IN SHARES OUTSTANDING:	
Shares sold	8,300,100
Shares repurchased	(1,400,000)
Shares outstanding, beginning of period	<u>—</u>
Shares outstanding, end of period	<u>6,900,100</u>

* Commencement of Investment Operations.

See Notes to Financial Statements.

Statement of Cash Flows

PowerShares Senior Loan Portfolio (BKLN)

For the Period March 1, 2011* through October 31, 2011

CASH PROVIDED BY OPERATING ACTIVITIES

Net increase (decrease) in net assets resulting from operations \$ (4,941,130)

ADJUSTMENTS TO RECONCILE NET INCREASE IN NET ASSETS TO

NET CASH USED IN OPERATING ACTIVITIES

Purchases of investments (245,153,619)

Proceeds from disposition of investments sold 71,661,266

Amortization of premiums and accretion of discounts on investment securities (785,063)

Increase in receivables (1,386,567)

Increase in payables and accrued expenses 11,978,848

Net change in unrealized appreciation (depreciation) on investments 6,291,439

Net realized gain (loss) from investments securities 2,729,050

Net cash used in operating activities (159,605,776)

CASH PROVIDED BY FINANCING ACTIVITIES

Dividends paid to shareholders (3,758,509)

Proceeds from shares sold 202,292,535

Value of shares repurchased (32,491,716)

Net cash provided by financing activities 166,042,310

Net increase in cash and cash equivalents 6,436,534

Cash and cash equivalents at beginning of period —

Cash and cash equivalents at end of period \$ 6,436,534

Supplemental disclosures of cash flow information

Cash paid during the period for interest \$ 3,094

* Commencement of Investment Operations.

See Notes to Financial Statements.

Financial Highlights

PowerShares Senior Loan Portfolio (BKLN)

For the Period
March 1, 2011*
through
October 31, 2011

PER SHARE OPERATING PERFORMANCE:

Net asset value at beginning of period	\$ 25.00
Net investment income**	0.69
Net realized and unrealized gain (loss) on investments	(1.05)
Total from investment operations	(0.36)
Distributions to shareholders from:	
Net investment income	(0.59)
Net asset value at end of period	\$ 24.05
Share price at end of period***	\$ 24.02
NET ASSET VALUE, TOTAL RETURN****	(1.44)% ^(a)
SHARE PRICE TOTAL RETURN****	(1.57)% ^(a)
RATIOS/SUPPLEMENTAL DATA:	
Net assets at end of period (000's omitted)	\$165,937
Ratio to average net assets of:	
Expenses, after Waivers ^{>}	0.65%†
Expenses, prior Waivers ^{>}	0.75%†
Expenses, after interest expenses	0.65%†
Net investment income	4.30%†
Portfolio turnover rate ††	49%
Undistributed net investment income included in price of units issued and redeemed**#	\$ 0.03

* Commencement of Investment Operations.

** Based on average shares outstanding.

*** The mean between the last bid and ask prices.

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

> In addition to the fees and expenses, which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the investment companies in which the Fund invests. The effects of the investment companies' expenses are included in the Fund's total return.

† Annualized.

†† Portfolio turnover rate is not annualized.

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

(a) The net asset value total return from Fund Inception (March 3, 2011, first day of trading on the Exchange) to October 31, 2011 was (1.16)%. The share price total return from Fund Inception to October 31, 2011 was (1.84)%.

See Notes to Financial Statements.

Notes to Financial Statements

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

Note 1. Organization

PowerShares Exchange-Traded Fund Trust II (the “Trust”) was organized as a Massachusetts business trust on October 10, 2006 and is authorized to have multiple series of portfolios. The Trust is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). As of October 31, 2011, the Trust offered fifty portfolios. This report includes the following portfolio:

<u>Full Name</u>	<u>Short Name</u>
PowerShares Senior Loan Portfolio (BKLN)	“Senior Loan Portfolio”

The portfolio (the “Fund”) represents a separate series of the Trust. The shares of the Fund are referred to herein as “Shares” or “Fund’s Shares.” The Fund’s Shares are listed and traded on the NYSE Arca, Inc.

The Fund’s market price may differ to some degree from the net asset value (“NAV”) of the Fund’s Shares. Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at NAV, only in a large specified number of Shares, each called a “Creation Unit.” Creation Units are issued and redeemed generally for cash only. Except when aggregated in Creation Units by Authorized Participants, the Shares are not individually redeemable securities of the Fund.

The investment objective of the Fund is to seek investment results that correspond (before fees and expenses) generally to the price and yield of the S&P/LSTA U.S. Leveraged Loan 100 Index (the “Underlying Index”).

Note 2. Significant Accounting Policies

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements, including estimates and assumptions related to taxation. Actual results could differ from these estimates. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

A. Security Valuation

Senior secured floating rate loans and senior secured floating rate debt securities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may reflect appropriate factors such as ratings, tranche type, industry, company performance, spread, individual trading characteristics, institution-size trading in similar groups of securities and other market data.

Securities, including restricted securities, are generally valued according to the following policies. A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. Listed options, if no closing price is available, are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

Investments in open-end registered investment companies not traded on an exchange are valued at the end of day NAV per share.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Securities with a demand feature exercisable with one to seven days are valued at par. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the London world markets. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the New York Stock Exchange ("NYSE"), closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American depository receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

B. Other Risks

Bank Loan Risk Disclosures. Although the resale, or secondary market for floating rate loans has grown substantially over the past decade, both in overall size and number of market participants, there is no organized exchange or board of trade on which floating rate loans are traded. Instead, the secondary market for floating rate loans is a private, unregulated interdealer or interbank resale market. Such a market may therefore be subject to irregular trading activity, wide bid/ask spreads, and extended trade settlement periods. Similar to other asset classes, bank loan funds may be exposed to counterparty credit risk, or the risk that an entity with which the Fund has unsettled or open transactions may fail to or be unable to perform on its commitments. The Fund manages counterparty credit risk by entering into transactions only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

Non-Investment Grade Securities Risk. Non-investment grade loans and bonds, and unrated loans and bonds of comparable credit quality are subject to the increased risk of a borrower's or issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative perceptions of the non-investment grade securities markets generally, real or perceived adverse economic and competitive industry conditions and less secondary market liquidity. If the borrower of lower-rated loans or issuer of lower-rated bonds defaults, the Fund may incur additional expenses to seek recovery.

Reinvestment Risk. Proceeds from a current investment of the Fund, both interest payments and principal payments, may be reinvested in instruments that offer lower yields than the current investment due in part to market conditions and the interest rate environment at the time of reinvestment. Reinvestment risk is greater on short to intermediate-term loans.

Risks of Loan Assignments and Participations. As the purchaser of an assignment, the Fund typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the Fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. Because assignments may be arranged through private negotiations between potential assignees and potential assignors, the rights and obligations acquired by the Fund as the purchaser of an assignment may differ from, and be more limited than, those held by the assigning lender. In addition, if the loan is foreclosed, the Fund could become part owner of any collateral and could bear the costs and liabilities of owning and disposing of the collateral. The Fund may be required to pass along to a purchaser that buys a loan from the Fund by way of assignment a portion of any fees to which the Fund is entitled under the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower, and the Fund may not directly benefit from any collateral supporting the loan in which it has purchased the participation. As a result, the Fund will be subject to the credit risk of both the borrower and the lender that is selling the participation. In the event of the insolvency of the lender selling a participation, the Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

Risks of Investing in Closed-End Funds. The shares of closed-end funds may trade at a discount or premium to, or at, their NAV. To the extent that the Fund invests a portion of its assets in closed-end funds, those assets will be subject to the risks of the closed-end fund's portfolio securities, and a

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

shareholder in the Fund will bear not only his or her proportionate share of the expenses of the Fund, but also, indirectly, the expenses of the closed-end fund. The securities of closed-end funds in which the Fund may invest may be leveraged. As a result, the Fund may be indirectly exposed to leverage through an investment in such securities.

Cash Transaction Risk. Unlike most exchange-traded funds (“ETFs”), the Fund currently effects creations and redemptions principally for cash and partially in-kind, rather than primarily in-kind, because of the nature of the Fund’s investments. As such, investments in the Fund’s Shares may be less tax efficient than investments in conventional ETFs.

Non-Diversified Fund Risk. 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. This may increase the Fund’s volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund’s performance.

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

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

Other Risks. The Fund may invest all or substantially of its assets in senior secured floating rate loans, senior secured debt securities or other securities rated below investment grade. These securities are generally considered to have speculative characteristics and are subject to greater risk of loss of principal and interest than higher rated securities. The value of lower quality debt securities and floating rate loans can be more volatile due to increased sensitivity to adverse issuer, political, regulatory, market or economic developments.

The Fund invests in Corporate Loans from U.S. or non-U.S. companies (the “Borrowers”). The investment of the Fund in a Corporate Loan may take the form of participation interests or assignments. If the Fund purchases a participation interest from a syndicate of lenders (“Lenders”) or one of the participants in the syndicate (“Participant”), one or more of which administers the loan on behalf of all the Lenders (the “Agent Bank”), the Fund would be required to rely on the Lender that sold the participation interest not only for the enforcement of the Fund’s rights against the Borrower but also for the receipt and processing of payments due to the Fund under the Corporate Loans. As such, the Fund is subject to the credit risk of the Borrower and the Participant. Lenders and Participants interposed between the Fund and a Borrower, together with Agent Banks, are referred to as “Intermediate Participants”.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

C. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows the Fund defines Cash and Cash Equivalents as cash (including foreign currency), money market funds and other investments held in lieu of cash and excludes investments made with cash collateral received.

D. Securities Purchased on a When-Issued and Delayed Delivery Basis

The Fund may purchase and sell interests in Corporate Loans and Corporate Debt Securities and other portfolio securities on a when-issued and delayed delivery basis, with payment and delivery scheduled for a future date. No income accrues to the Fund on such interests or securities in connection with such transactions prior to the date the Fund actually takes delivery of such interests or securities. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of acquiring such securities, they may sell such securities prior to the settlement date.

E. Federal Income Taxes

The Fund intends to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of the Fund's taxable earnings to its shareholders. As such, the Fund will not be subject to Federal income taxes on otherwise taxable income (including net realized gains) that is distributed to the shareholders. Therefore, no provision for Federal income taxes is recorded in the financial statements.

Income and capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing book and tax treatments for losses deferred due to wash sales and passive foreign investment company adjustments, if any.

The Fund files tax returns in the United States Federal jurisdiction and certain other jurisdictions. Generally, a Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Investment Income and Investment Transactions

Dividend income is recorded on the ex-dividend date net of foreign taxes withheld, if any. Interest income is recorded on the accrual basis. Bond premiums and discounts are amortized and/or accreted for financial reporting purposes. Investment transactions are recorded on the trade date. Realized gains and losses from the sale or disposition of securities are calculated on the specific identified cost basis. Dividends and interest received by the Fund may give rise to withholding and other taxes imposed by foreign countries. Corporate actions (including cash dividends) are recorded net of non-reclaimable foreign tax withholdings on the ex-dividend date. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. Other income is comprised primarily of amendment fees which are recorded when received. Amendment fees are received in return for changes in the terms of a loan or note.

G. Expenses

The Fund has agreed to pay an annual unitary management fee to Invesco PowerShares Capital Management LLC (the "Adviser"). The Adviser has agreed to pay substantially all expenses of the Fund, including the payments to the Sub-Adviser, defined below, set-up fees and commitment fees associated with the line of credit and the cost of transfer agency, custody, fund administration, legal, audit and other services, except for distribution fees, if any, brokerage expenses, taxes, interest (including interest expenses

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

associated with the line of credit), litigation expenses, expenses of the underlying funds that are paid indirectly as a result of share ownership of the investment companies and other extraordinary expenses.

Expenses included in the accompanying financial statements reflect the expenses of the Fund and do not include any expenses of the investment companies in which it invests. The effects of the investment companies' expenses are included in the realized and unrealized gain/loss on the investments in the investment companies.

H. Dividends and Distributions to Shareholders

The Fund declares and pays dividends from net investment income, if any, to its shareholders monthly and records such dividends on ex-dividend date. The Fund distributes net realized taxable capital gains, if any, generally annually in cash and records them on ex-dividend date. Such distributions on a tax basis are determined in conformity with income tax regulations which may differ from GAAP. Distributions in excess of tax basis earnings and profits, if any, are reported in the Fund's financial statements as a tax return of capital at fiscal period-end.

I. Equalization

The Fund uses the accounting practice of equalization. This accounting method is used to keep the continuing shareholder's per Share equity in undistributed net investment income from being affected by the continuous sales and redemptions of capital Shares. Equalization is calculated on a per Share basis whereby a portion of the proceeds from the sales and cost of repurchases of capital Shares is applied to undistributed net investment income. The amount of equalization is disclosed in the Statement of Changes in Net Assets as undistributed net investment income (loss) included in the price of capital Shares issued or redeemed. The distributions to shareholders of amounts so applied may be deemed to be a return of capital for tax purposes to the extent that such distributions exceed taxable income.

Note 3. Investment Advisory Agreement and Other Agreements

The Trust has entered into an Investment Advisory Agreement with the Adviser pursuant to which the Adviser has overall responsibility as the Fund's investment adviser for the selection and ongoing monitoring of the Fund's investments, managing the Fund's business affairs and providing certain clerical, bookkeeping and other administrative services. As compensation for its services, the Fund has agreed to pay the Adviser an annual unitary management fee of 0.75% of the Fund's average daily net assets. The Adviser has agreed to waive 0.10% of its unitary management fee until April 20, 2012. The Adviser has agreed to pay substantially all expenses of the Fund, including payments to the Sub-Adviser, set-up fees and commitment fees associated with the line of credit and the cost of transfer agency, custody, fund administration, legal, audit and other services, except for distribution fees, if any, brokerage expenses, taxes, interest (including interest expenses associated with the line of credit), litigation expenses, expenses of the underlying funds that are paid indirectly as a result of share ownership of the investment companies and other extraordinary expenses.

The Adviser has entered into a sub-advisory agreement with Invesco Senior Secured Management Inc. (the "Sub-Adviser"), the primary sub-adviser to the Fund. The sub-advisory fee is paid by the Adviser to the Sub-Adviser at the annual rate of 40% of compensation paid to the Adviser.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

The Trust has entered into a Distribution Agreement with Invesco Distributors, Inc. (the “Distributor”), which serves as the distributor of Creation Units for the Fund. The Distributor does not maintain a secondary market in the Shares. The Distributor is an affiliate of the Adviser.

The Adviser has entered into a licensing agreement for the Fund with Standard & Poor’s (the “Licensor”). The Underlying Index name trademark is owned by the Licensor. This trademark has been licensed to the Adviser for use with the Fund. The Fund is entitled to use its Underlying Index pursuant to the Trust’s sub-licensing agreement with the Adviser. The Fund is not sponsored, endorsed, sold or promoted by the Licensor and the Licensor makes no representation regarding the advisability of investing in the Fund.

The Trust has entered into service agreements whereby The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation, serves as the administrator, custodian, fund accountant and transfer agent for the Fund.

Note 4. Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment’s assigned level:

Level 1 – Prices are determined using quoted prices in an active market for identical assets.

Level 2 – Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 – Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund’s own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of October 31, 2011. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

During the period March 1, 2011 to October 31, 2011, there were no significant transfers between investment levels.

	Investment in Securities			Total
	Level 1	Level 2	Level 3	
Closed-End Funds	\$ 5,145,327	\$ —	\$—	\$ 5,145,327
Senior Floating Rate Loans	—	152,317,550	—	152,317,550
Corporate Bonds	—	7,794,050	—	7,794,050
Money Market Fund	6,411,198	—	—	6,411,198
Total Investments	<u>\$11,556,525</u>	<u>\$160,111,600</u>	<u>\$—</u>	<u>\$171,668,125</u>

Note 5. Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Period March 1, 2011 to October 31, 2011:

	2011
Ordinary Income	\$3,758,509

Tax Components of Net Assets at Period End:

Undistributed Ordinary Income	Net Unrealized Appreciation (Depreciation)-Investments	Net Unrealized Appreciation (Depreciation)-Other Investments	Capital Loss Carryforward	Shares of Beneficial Interest	Total Net Assets
\$308,196	\$(6,291,439)	\$—	\$(2,716,396)	\$174,636,204	\$165,936,565

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the “Act”) eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund has a short-term capital loss carryforward in amount of \$2,716,396 as of October 31, 2011 which is not subject to expiration.

Note 6. Investment Transactions

The aggregate amount of investment securities purchased and sold by the Fund during the period March 1, 2011 to October 31, 2011 was \$245,153,619 and \$71,661,266, respectively.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

At October 31, 2011, the aggregate costs and the net unrealized appreciation (depreciation) of investments for tax purposes were as follows:

<u>Cost</u>	<u>Net Unrealized Appreciation (Depreciation)</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized (Depreciation)</u>
\$177,944,801	\$(6,276,676)	\$285,695	\$(6,562,371)

Note 7. Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of book equalization, on October 31, 2011, amounts were reclassified between undistributed net investment income (loss), undistributed net realized gain (loss) and shares of beneficial interest. These reclassifications had no effect on the net assets of the Fund. For the period March 1, 2011 to October 31, 2011, the reclassifications were as follows:

<u>Undistributed Net Investment Income</u>	<u>Undistributed Net Realized Gain (Loss)</u>	<u>Shares of Beneficial Interest</u>
\$(180,124)	\$12,654	\$167,470

Note 8. Trustees' Fees

The Fund compensates each Trustee who is not an "interested person" as defined in the 1940 Act (an "Independent Trustee"). The Non-Independent Trustees of the Trust do not receive any Trustees' fees.

The Trust has adopted a deferred compensation plan (the "Plan"). Under the Plan, an Independent Trustee who has executed a Deferred Fee Agreement (a "Participating Trustee") may defer receipt of all or a portion of his compensation ("Deferral Fees"). Such Deferral Fees are deemed to be invested in select PowerShares Funds. The Deferral Fees payable to the Participating Trustee are valued as of the date such Fees would have been paid to the Participating Trustee. The value increases with contributions or with increases in the value of the Shares selected, and the value decreases with distributions or with declines in the value of the Shares selected.

Note 9. Senior Loan Participation Commitments

The Fund invests in participations, assignments, or acts as a party to the primary lending syndicate of a Senior Loan interest to corporations, partnerships, and other entities. When the Fund purchases a participation of a Senior Loan interest, the Fund typically enters into a contractual agreement with the lender or other third party selling the participation, but not with the borrower directly. As such, the Fund assumes the credit risk of the borrower, selling participant or other persons interpositioned between the Fund and the borrower. At the period ended October 31, 2011, there were no interests in Senior Loans purchased by the Fund on a participation basis.

Note 10. Borrowing Note

The Fund is a party to a committed line of credit facility with a syndicate administered by State Street Bank and Trust Company. The Fund may borrow up to the lesser of (1) \$50,000,000, or (2) the limits set by its prospectus for borrowings. The Fund is charged a commitment fee of 0.13% on the excess balance of the committed line and an up front fee 0.05% on the aggregate commitment.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

During the year ended October 31, 2011, the Fund had average borrowings for the 8 days the borrowings were outstanding of \$10,000,000, with a weighted average interest rate of 1.39% and interest expense of \$3,094.

Note 11. Capital

Shares are created and redeemed by the Trust only in Creation Unit size aggregations of 100,000 Shares. Only Authorized Participants are permitted to purchase or redeem Creation Units from the Fund. Unlike most exchange-traded funds (“ETFs”), the Fund currently effects creations and redemptions principally for cash, rather than primarily in-kind because of the nature of the Fund’s investments. As such, investments in Shares may be less tax efficient than investments in conventional ETFs. Transactions in capital Shares are disclosed in detail on the Statement of Changes in Net Assets.

The Fund charges fixed and variable transaction fees for creations and redemptions which are treated as increases in capital.

Note 12. Indemnifications

Under the Trust’s organizational documents, its officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. Each Independent Trustee is also indemnified against certain liabilities arising out of the performance of his duties to the Trust pursuant to an Indemnification Agreement between the Independent Trustee and the Trust. Additionally, in the normal course of business, the Trust enters into contracts with service providers that contain general indemnification clauses. The Trust’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Trust that have not yet occurred. However, based on experience, the Trust believes the risk of loss to be remote.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of PowerShares Exchange-Traded Fund Trust II:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets, and of cash flows and the financial highlights present fairly, in all material respects, the financial position of PowerShares Senior Loan Portfolio (a portfolio of PowerShares Exchange-Trade Fund Trust II, hereafter referred to as the “Trust”) at October 31, 2011, and the results of its operations, the changes in its net assets, its cash flows and the financial highlights for the period March 1, 2011 through October 31, 2011, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Trust’s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities at October 31, 2011 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
New York, New York
December 27, 2011

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different the maximum amount allowable for the period March 1, 2011 to October 31, 2011:

Federal Income Tax Information

Qualified Dividend Income*	0%
Corporate Dividends Received Deduction*	0%
Qualified Interest Income*	100%

* The above percentages are based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The Independent Trustees, the Trustees who are affiliated with the Adviser (the “Non-Independent Trustees”) and the executive officers of the Trust, their term of office and length of time served, their principal business occupations during at least the past five years, the number of portfolios in the Fund Complex overseen by each Trustee and the other directorships, if any, held by a Trustee, are shown below.

The Trustees and officers information is current as of October 31, 2011.

Name, Address, and Age of Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Overseen by Independent Trustees	Other Directorships Held by Independent Trustees
Ronn R. Bagge (53) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2007	Founder and Principal, YQA Capital Management LLC (1998-Present); formerly, Owner/CEO of Electronic Dynamic Balancing Co., Inc. (high-speed rotating equipment service provider)	112	None
Todd J. Barre (53) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2010	Assistant Professor of Business, Trinity Christian College (2010-Present); formerly, Vice President and Senior Investment Strategist (2001-2008); Director of Open Architecture and Trading (2007-2008); Head of Fundamental Research (2004-2007); and Vice President and Senior Fixed Income Strategist (1994-2001); BMO Financial Group/Harris Private Bank	112	None

* This is the date the Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consisted of the Trust’s 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

Name, Address, and Age of Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Overseen by Independent Trustees	Other Directorships Held by Independent Trustees
Marc M. Kole (51) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2007	Chief Financial Officer, Hope Network (social services) (2008-Present); formerly, Assistant Vice President and Controller, Priority Health (health insurance) (2005-2008); Senior Vice President of Finance, United Healthcare (2004-2005); Senior Vice President of Finance, Oxford Health Plans (2000-2004)	112	None
Philip M. Nussbaum (49) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2007	Chairman, Performance Trust Capital Partners (2004-Present)	112	None

* This is the date the Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consisted of the Trust's 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

Name, Address, and Age of Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Overseen by Independent Trustees	Other Directorships Held by Independent Trustees
Donald H. Wilson (51) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2007	Chairman and Chief Executive Officer, Stone Pillar Advisers, Ltd. (2010-Present); formerly, Chief Operating Officer, AMCORE Financial, Inc. (bank holding company) (2007-2009); Executive Vice President and Chief Financial Officer, AMCORE Financial, Inc. (2006-2007); Senior Vice President and Treasurer, Marshall & Ilsley Corp. (bank holding company) (1995-2006)	112	None

* This is the date the Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consisted of the Trust's 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

The Non-Independent Trustees and the executive officers of the Trust, their term of office and length of time served, their principal business occupations during the past five years, the number of portfolios in the Fund Complex overseen by the Non-Independent Trustees and the other directorships, if any, held by the Trustees are shown below.

Name, Address, and Age of Non-Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Overseen by Non-Independent Trustees	Other Directorships Held by Non-Independent Trustees
H. Bruce Bond (48) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Chairman of the Board and Trustee	Since 2006	Chairman, Invesco PowerShares Capital Management LLC (2009-Present); formerly, Managing Director, Invesco PowerShares Capital Management LLC (2002-2009); Manager, Nuveen Investments (1998-2002)	112	None

* This is the date the Interested Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consists of the Trust's 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

Name, Address, and Age of Non-Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Overseen by Non-Independent Trustees	Other Directorships Held by Non-Independent Trustees
Kevin M. Carome (55) Invesco Ltd. Two Peachtree Pointe 1555 Peachtree St., N.E., Suite 1800 Atlanta, GA 30309	Trustee	Since 2010	Senior Managing Director and General Counsel, Invesco Ltd. (2006-Present); formerly, Senior Vice President and General Counsel, Invesco Advisors, Inc. (2003-2005); Senior Vice President and General Counsel, Liberty Financial Companies, Inc. (2000-2001); General Counsel of certain investment management subsidiaries of Liberty Financial Companies, Inc. (1998-2000); Associate General Counsel, Liberty Financial Companies, Inc. (1993-1998); Associate, Ropes & Gray LLP	112	None

* This is the date the Interested Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consisted of the Trust's 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

Name, Address, and Age of Executive Officer	Position(s) Held with Trust	Length of Time Served*	Principal Occupation(s) During Past 5 Years
Andrew Schlossberg (37) Invesco Management Group, Inc. 11 Greenway Plaza Suite 2500 Houston, TX 77046	President	Since 2009	Managing Director, U.S. head of business strategy and chief marketing officer for Invesco Ltd. In the United States (2008-Present); formerly, Mr. Schlossberg served in multiple roles within Invesco, including head of corporate development, as well as global leadership roles in strategy and product development in the company's North American Institutional and Retirement divisions (2002-2007)
Benjamin Fulton (50) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Vice President	Since 2009	Executive Vice President – Global Product Development, Invesco PowerShares Capital Management LLC (2005-Present); formerly, principal of Clermont Consulting, a consulting firm focused on the creation and development of retail investment products (2003-2005); President and a founding partner of Claymore Securities, a financial services firm in the Chicago land area (2001-2003); Managing Director of Structured Investments at Nuveen Investments (1998-2001)
Peter Hubbard (30) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Vice President	Since 2009	Vice President and Director of Portfolio Management – Invesco PowerShares Capital Management LLC (2008-Present); formerly, Portfolio Manager, Invesco PowerShares Capital Management LLC (2007-2008); Research Analyst, Invesco PowerShares Capital Management LLC (2005-2007); Research Analyst and Trader, Ritchie Capital, a hedge fund operator (2003-2005)
David Warren (54) Invesco Trimark Ltd. 5140 Yonge Street Suite 900 Toronto, Ontario M2N 6X7	Vice President	Since 2009	Director, Executive Vice President and Chief Financial Officer, Invesco Canada Ltd. (formerly Invesco Trimark Ltd.) and Chief Administrative Officer, North American Retail, Invesco Ltd (2007-Present); formerly, Director, Executive Vice President and Chief Financial Officer, Invesco Canada Ltd. (2000-2006)

* This is the period for which the Officers began serving the Trust. Each Officer serves an indefinite term, until his successor is elected.

Trustees and Officers (Continued)

Name, Address, and Age of Executive Officer	Position(s) Held with Trust	Length of Time Served*	Principal Occupation(s) During Past 5 Years
<p>Todd Spillane (52) Invesco Management Group, Inc. 11 Greenway Plaza Suite 2500 Houston, TX 77046</p>	<p>Chief Compliance Officer</p>	<p>Since 2010</p>	<p>Senior Vice President, Invesco Management Group, Inc.; Chief Compliance Officer, Invesco Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser) and Invesco Senior Secured Management, Inc. (registered investment adviser); Chief Compliance Officer and Senior Vice President, Invesco Advisers, Inc. (formerly Invesco Institutional, (N.A.), Inc. – registered investment adviser) and Vice President, Invesco Distributors, Inc. and Invesco Investment Services, Inc.; formerly, Chief Compliance Officer, Invesco Global Asset Management (N.A.), Inc. – (registered investment adviser) and Invesco Advisers, Inc. (formerly Invesco Institutional (N.A.), Inc. – registered investment adviser); Senior Vice President and Chief Compliance Officer, Invesco Advisors, Inc., Invesco Capital Management, Inc. and Invesco Private Asset Management, Inc.; Vice President, Invesco Capital Management, Inc. and Fund Management Company</p>
<p>Steven M. Hill (47) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187</p>	<p>Treasurer</p>	<p>Since 2011</p>	<p>Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; Head of Global ETF Operations, Invesco PowerShares Capital Management LLC; formerly, Senior Managing Director and Chief Financial Officer, Destra Capital Management LLC and its subsidiaries (2010-2011); Chief Financial Officer, Destra Investment Trust and Destra Investment Trust II (2010-2011); Senior Managing Director, Claymore Securities, Inc. (2003-2010); and Chief Financial Officer, Claymore sponsored mutual funds (2003-2010).</p>

* This is the period for which the Officers began serving the Trust. Each Officer serves an indefinite term, until his successor is elected.

Trustees and Officers (Continued)

Name, Address, and Age of Executive Officer	Position(s) Held with Trust	Length of Time Served*	Principal Occupation(s) During Past 5 Years
Anna Paglia (37) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Secretary	Since 2011	Head of Legal, Invesco PowerShares Capital Management LLC (2010-Present); formerly, Partner, K&L Gates LLP (formerly, Bell Boyd & Loyd LLP) (2007-2010). Associate Counsel at Barclays Global Investors Ltd. (2004-2006).

Availability of Additional Information About the Trustees

The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request at (800) 983-0903.

* This is the period for which the Officers began serving the Trust. Each Officer serves an indefinite term, until his successor is elected.

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PROXY VOTING POLICIES AND PROCEDURES

A description of the Trust's proxy voting policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available, without charge and upon request, by calling (800) 983-0903. This information is also available on the Securities and Exchange Commission's ("Commission") website at www.sec.gov.

Information regarding how the Funds voted proxies for portfolio securities, if applicable, during the most recent 12-month period ended June 30, is also available, without charge and upon request, by (i) calling (800) 983-0903; or (ii) accessing the Trust's Form N-PX on the Commission's website at www.sec.gov.

QUARTERLY PORTFOLIOS

The Trust files its complete schedule of portfolio holdings for the Funds with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Trust's Form N-Q is available on the Commission's website at www.sec.gov. The Trust's Form N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, D.C.; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

powerSHARES®

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