
Earnings ETFs

Uncover the power of dividends

Dividend-paying stocks may provide both income and growth potential.

Shares are not FDIC insured, may lose value and have no bank guarantee.

PowerShares ETFs are subject to special risks. Please refer to the back cover for more complete information.

Dividends

Income Plus Growth Potential

Rising Dividend Payments

Cash dividends paid by companies in the S&P 500 Index have steadily risen during the past several years.

Year	Dividends per share
2008	\$28.39
2007	\$27.73
2006	\$24.88
2005	\$22.22
2004	\$19.44
2003	\$17.39
2002	\$16.08

Source: Standard & Poor's, Dec. 31, 2008
Past performance cannot guarantee comparable future results.

The Rewards of Reinvestment

During the bursting of the speculative tech bubble from March 23, 2000, to March 31, 2003, dividend-paying stocks in the S&P 500 Index posted average cumulative returns 34.86% higher than the non-dividend payers.

March 23, 2000–March 31, 2003

Dividend payers	Non-dividend payers
9.63%	-25.23%

Source: IDC via Factset Research Systems Inc.
Note: Twenty-two constituents of the S&P 500 Index were excluded from the calculation due to lack of information.

Many investors view their portfolios as a dichotomy between stocks and bonds. Stocks provide growth potential, and bonds provide income. Stocks are for long-term investors, and bonds are for short-term investors.

But there's another asset class that may bridge these two worlds: equity income. Equity income refers to dividend-paying stocks, which may provide both income and growth potential. It should be noted that this strategy does not assure a profit and does not protect against loss in declining markets.

Income-oriented investors

Many investors who are nearing retirement and need income devote the majority of their nest egg to bonds or other fixed-income holdings that have a relatively low level of investment risk. But these investors may be underestimating a different kind of risk – inflation. If inflation levels rise, then the cash flow from fixed-income investments is worth less and less as time goes by. Because people today are living longer than previous generations, it's critical that a retiree's portfolio be built for the long term.

Dividend-paying investments offer growth potential that may help counteract the effects of inflation. Just as stock dividends may fall when a company's profits decrease, they also have the potential to increase as a company's profits increase. And, as with all equity investments, there's the potential for a stock's price to rise, increasing the value of a portfolio.

Growth-oriented investors

Income-focused investors may take their dividends in cash, whereas growth-oriented investors can reinvest their dividends and boost their potential for higher overall returns over the long term.

During the bursting of the speculative tech bubble period from March 23, 2000, to March 31, 2003, dividend-paying stocks in the S&P 500 Index posted average cumulative returns that were 34.86% higher than the returns of nondividend-paying stocks (see sidebar). This suggests that companies that pay a cash dividend – a tangible indicator of profitability – are higher quality companies.

Another potential benefit to bear-market dividends: By reinvesting dividends when stock prices are lower, dollars stretch farther and investors receive more shares. When the market recovers, those shares have the potential to increase in value. Since the potential benefits of reinvesting dividends in a bear market requires continuous investment regardless of volatility, investors should consider their financial ability to continue purchases through periods of low prices.

The S&P 500 Index® is an unmanaged index considered representative of the U.S. stock market.

Strategies for Investing In Dividend-Paying Stocks

Annualized Standard Deviation

	Dividend payers	Non-dividend payers
3 years	15.00%	20.53%
5 years	12.48%	17.85%
10 years	13.81%	24.84%

Source: FT Interactive Data via FactSet Research Systems Inc. Three-, five- and 10-year periods ending Dec. 31, 2008. The S&P 500® Index is an unmanaged index considered representative of the U.S. stock market. Annualized standard deviation is a measure of volatility over a specified time frame, on an annualized basis.

Reducing volatility through dividend-paying stocks

Dividend-paying stocks in the S&P 500 Index have experienced lower volatility than the index's nondividend-paying stocks in the three-, five- and 10-year periods ending Dec. 31, 2008.

The benefits of dividend-paying stocks can be seen in many types of market environments but become increasingly salient during periods of heightened volatility. Not only do they enhance returns in bull markets, but they also can provide a cushion in down markets.

Methods of investment

In 2003, Congress cut the tax rate through 2010 for qualified stock dividends from a maximum of 35% to 15%,¹ bringing it in line with the tax rate for capital gains. This prompted many companies to begin regular dividend payments, which means that dividend-seeking investors have more choices than ever.

Investors interested in dividend-paying stocks can work with their advisors to select from individual companies or invest in a fund that focuses on equity income. Investing in a fund can help reduce the company-specific risk that comes with choosing a single stock.

Invesco PowerShares has a diverse lineup of ETFs that track equity-income-focused indexes. These indexes are constructed using proprietary methods that identify and select stocks that meet the indexes' criteria for investment. If a company's dividend policy falls out of line with the index strategy, it may be removed.

1 Source: The CPA Journal, "Dividends and Capital Gains Planning After the 2003 Tax Act," Kathy Krawczyk and Lorraine Wright

It should be noted that this strategy does not assure a profit and does not protect against loss in declining markets. Also, because the potential benefits of reinvesting dividends in a bear market require continuous investment regardless of volatility, investors should consider their financial ability to continue purchases through periods of low prices.

PowerShares Equity Income ETFs Dividend Achievers™

PowerShares
Dividend Achievers Portfolio

PowerShares **High Yield Equity**
Dividend Achievers Portfolio

PowerShares **International**
Dividend Achievers Portfolio

Dividend Achievers

Dividend Achievers are a select group of companies, identified by Mergent Inc., that have demonstrated their commitment to rewarding shareholders through continuous dividend growth regardless of economic conditions. To earn the Dividend Achiever designation, a U.S. company must have increased its regular dividend every year for the last 10 years, and an international company must have increased its annual dividend each of the last five years.

Invesco PowerShares has created three distinct ETFs based on Mergent Dividend Achiever indexes:

PowerShares Dividend Achievers Portfolio includes all domestic companies that have earned the Dividend Achiever designation.

PowerShares High Yield Equity Dividend Achievers Portfolio includes the 50 highest yielding Dividend Achievers.

PowerShares International Dividend Achievers Portfolio includes all international companies that have earned the Dividend Achiever designation.

Mergent, formerly Moody's Financial Information Service, is a leading provider of global business and financial information on publicly traded companies and fixed-income securities.

PowerShares Equity Income ETFs Preferred

Preferred Portfolio Highlights

- Provides steady income that has priority over common dividends
- Generally has a higher yield than common dividends
- Tracks an asset class with historically low correlation to stocks, bonds and cash
- Requires no extensive research of preferred securities
- Invests in a variety of high-quality issues
- Automatically rebalances monthly

PowerShares Financial Preferred Portfolio

PowerShares Preferred Portfolio

Preferred securities

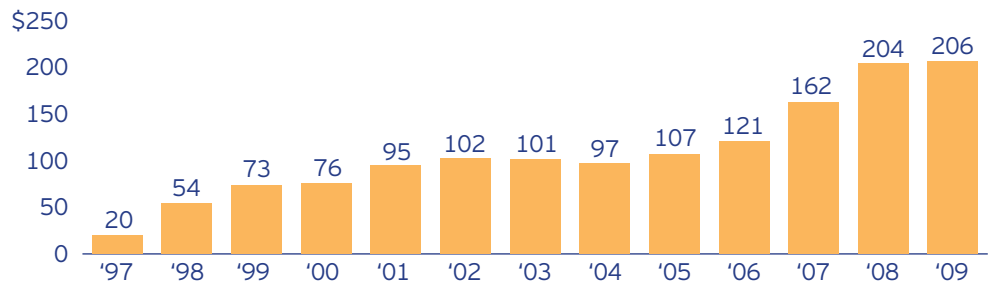
Many of the largest and strongest corporations in the U.S. issue preferred securities that pay steady fixed dividends. Preferred dividends must be paid before dividends on common stock can be distributed, which may help to provide a steadier stream of income to preferred investors.

Preferred securities are generally one of the highest yielding investment-grade securities in the market, creating what may be an attractive opportunity for those seeking to preserve credit quality and maximize returns. Additionally, preferred securities are not highly correlated to other asset classes. As such, they may be able to decrease volatility within an investment portfolio. (See correlation table below.)

Despite their advantages, preferred securities have been difficult for most investors to evaluate and select. Information about individual issues is not always readily available, and the terms under which preferred securities are issued can be confusing. Invesco PowerShares' family of preferred portfolios offer investors easy access to preferred securities.

U.S. preferred stock market

Market size (\$ billions)



Source: UBS Wealth Management Research, as of Sept. 1, 2009

Correlation matrix

	Preferreds	Stocks	Bonds	Cash
Preferreds	1.00			
Stocks	0.54	1.00		
Bonds	0.30	0.29	1.00	
Cash	0.05	0.22	0.00	1.00

Source: Invesco PowerShares. Data points shown are three-year historical correlation numbers as of Dec. 31, 2008. Performance data quoted represents past performance and is no indication or guarantee of future returns. An investor cannot invest directly in an index.

Correlation is a value, based on historical performance, indicating the degree to which two investments move in the same direction and magnitude at any point in time. A value of 1.00 indicates perfect correlation – the two investments tend to move in exactly the same direction and magnitude. A value of -1.00 indicates perfect negative correlation – the two investments tend to move in opposite directions. A value of zero indicates no correlation. Preferreds are represented by the Merrill Lynch Fixed Rate Preferred Securities Index; stocks are represented by the S&P 500 Index; bonds are represented by the Lehman Aggregate Bond Index; cash is represented by one-month U.S. Treasuries.

Earnings ETFs

Earnings

PFM PowerShares Dividend Achievers Portfolio

PEY PowerShares High Yield Equity Dividend Achievers Portfolio

PID PowerShares International Dividend Achievers Portfolio

Preferred

PGX PowerShares Preferred Portfolio

PGF PowerShares Financial Preferred Portfolio

