

High Beta/Low Volatility Switching Strategy

A Disciplined Strategy for Raising and Lowering Beta in your Portfolio

PowerShares High Beta/Low Volatility Switching Strategy ETFs:

SPHB PowerShares **S&P 500®**
High Beta Portfolio

SPLV PowerShares **S&P 500®**
Low Volatility Portfolio

Advisors often look for tactical allocation strategies that may provide portfolio outperformance over time. Additionally, advisors understand the importance of utilizing a strategy that is simple to implement, and simple to explain to clients.

Tactical trading strategies have proven to be effective based upon a quantitative approach that seeks to improve risk-adjusted returns across various asset classes.¹

Using a high beta/low volatility switching strategy may outperform strategic and passive allocations. Investor may be able to capitalize on bull markets by adding beta to their portfolio, while having the flexibility to reduce risk in flat/bear markets while maintaining equity exposure. In May 2011, Invesco PowerShares launched two ETFs whose indexes are derived from one of the industry's most well-known benchmarks, the S&P 500® Index. The PowerShares S&P 500 High Beta Portfolio is based on the S&P 500 High Beta Index. The PowerShares S&P 500 Low Volatility Portfolio is based on the S&P 500 Low Volatility Index.

How does the Strategy Work?

The High Beta / Low Volatility Switching Strategy is a tactical equity strategy using the S&P 500 High Beta and Low Volatility Indexes. The positions are determined by whether or not the S&P 500 Index is above or below its 200 day moving average at the end of each month.

- If the S&P 500 Index is above its 200 day moving average at the end of the month, the high beta position is purchased by the investor.
- If the S&P 500 Index is below its 200 day moving average at the end of the month, the low volatility position is purchased by the investor.

Strategy Implementation

This simple yet sophisticated strategy can be easily implemented using two PowerShares ETFs (SPHB and SPLV) which seeks to offer domestic equity exposure while attempting to manage beta exposure and maximize return.

Strategy Rules

- Long SPHB (high beta) positions when the S&P 500 is above its 200 day moving average.
- Long SPLV (low volatility) positions when the S&P 500 is below its 200 days moving average.
- Positioning is determined at the end of each month based on the descriptions above.

Discovery:

The objective of this series is to offer timely investing perspectives on current trends and events. Wide-ranging and educational in nature, these pieces will attempt to offer actionable ideas to help investors optimize their approach to investing.

¹ Source: mebanefaber.com, as of September 2011

Important Risk Information

There are risks involved with investing in ETFs, including possible loss of money. Shares are not actively managed and are subject to risks including those regarding short selling and margin maintenance requirements. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Underlying Index.

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

The Funds are non-diversified and can invest a greater portion of their assets in securities of individual issuers than a diversified fund.

The S&P 500® Index is an unmanaged index considered representative of the U.S. stock market. Index returns do not represent Fund returns. An investor cannot invest directly in an index.

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

Note: Not all products are available through all firms.

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