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## Income ETFs

Investment opportunities for multiple economic conditions

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**Tax-Free**

PZA PowerShares Insured National Municipal Bond Portfolio  
PWZ PowerShares Insured California Municipal Bond Portfolio  
PZT PowerShares Insured New York Municipal Bond Portfolio  
PLW PowerShares 1-30 Laddered Treasury Portfolio  
PVI PowerShares VRDO Tax-Free Weekly Portfolio

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**Taxable**

PHB PowerShares Fundamental High Yield<sup>®</sup> Corporate Bond Portfolio  
PCY PowerShares Emerging Markets Sovereign Debt Portfolio

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. There is no guarantee that the Funds' income will be exempt from federal or state income taxes.

# Invesco PowerShares

## Providing Fixed-Income Solutions

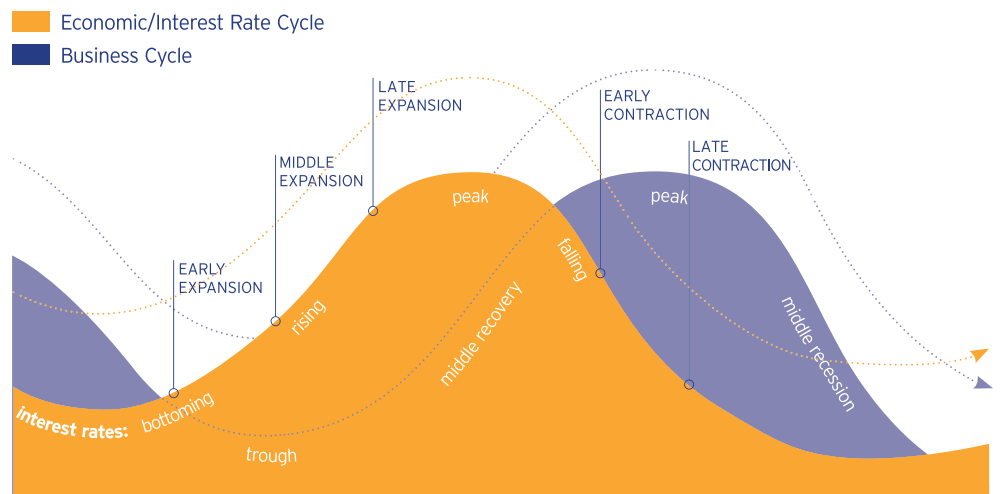
At any given time, the economy is either expanding or contracting, creating varying conditions that may favor certain bond classes over others. Invesco PowerShares offers a broad line-up of fixed-income solutions that may suit each one of these peaks and valleys.

Many investors understand the importance of calibrating their stock portfolios to ensure diversity among investment styles, market-cap sizes and global regions. Often, however, those same investors neglect to give the same attention to their fixed-income portfolio. They may simply tack on a bond fund or two and call it a day.

But having a diversified fixed-income portfolio is just as important as having a diversified stock portfolio. Different types of bonds react differently to interest-rate changes (see illustration below). Some bonds are taxable; others are tax free. They can be issued by any government entity – federal, state or local, in the U.S. or another country – or by corporations.

### Investment opportunities and the economic cycle

At any given time, the economy is either expanding or contracting, creating varying conditions that may favor certain bond classes over others. The illustration of the economic cycle below and the bullet points to the left show which bond classes have historically performed optimally under which economic conditions. Past performance is no guarantee of future results.



### Investment Opportunities and the Economic Cycle

- Credit-quality-sensitive bonds, such as high-yield bonds or bank loans, may outperform during times of economic expansion when interest rates are rising.<sup>2</sup>
- Short-duration bonds may serve as defensive investments during middle and late expansion periods when interest rates are rising.
- Interest-rate-sensitive bonds, such as investment-grade corporate bonds or U.S. government bonds, may outperform during times of economic contraction when interest rates peak and fall.
- Long-duration bonds may provide an offensive play for investors when the economy is contracting and interest rates are falling.

### Opportunity through Invesco PowerShares

By working with a financial adviser, you can craft a fixed-income portfolio that has exposure to bonds of varying credit qualities, maturities, tax treatments and global regions. This strategy may help you avoid being caught off-guard when market conditions and interest rates change.

Invesco PowerShares' family of fixed-income exchange-traded funds (ETFs) includes all types of products, including the industry's first insured municipal bond ETFs,<sup>1</sup> the first ladder treasury ETF and the first ETF to invest solely in the sovereign debt of emerging market countries.

Our ETFs can help you and your financial adviser develop an intelligent income strategy for your portfolio.

There are risks involved with investing in ETFs, including possible loss of money. Shares are subject to risks similar to those of investing in any fund of fixed-income securities traded on exchanges, including credit, interest rate and general market risks, as well as those risks related to short selling and margin maintenance. Ordinary brokerage commissions apply. Insurance does not protect against a loss to the investor. Certain funds and portfolios, particularly the PowerShares ETFs, in and of themselves do not qualify as diversified investment strategies.

<sup>1</sup> There is no guarantee that the Funds' income will be exempt from federal or state income taxes. There are risks involved with investing in ETFs, including possible loss of money.

<sup>2</sup> There are special risks associated with investing in high-yield bonds, including, but not limited to: high-yield securities generally offer a higher current yield than that available from higher grade issuers but typically involve greater risk. Securities rated below investment grade are commonly referred to as "junk bonds."

# PowerShares Tax-Free Solutions

## Insured Municipal Bonds

### PowerShares Insured Municipal Bond ETF Highlights

- Provide access to high-quality municipal bond investments
- Track exclusive, innovative indexes
- Offer long-term maturities
- Have no exposure to alternative minimum tax bonds
- Seek to reduce risk through insured bonds<sup>3</sup>
- Are exchange-traded throughout the day
- Seek to provide predictable income
- Have an attractive risk/return profile
- Provide stable maturity
- Require a low minimum investment<sup>4</sup>

### Taxable Equivalent Yield Table<sup>5</sup>

#### 35% Marginal Federal Income Tax Bracket

Tax-Exempt Yield on a Municipal Bond	Taxable Equivalent Yield
4.0%	6.2%
5.0%	7.7%
6.0%	9.2%
7.0%	10.8%

Tax bracket is for illustrative purposes. Invesco PowerShares does not offer tax advice. Please consult a tax adviser for information regarding your own tax situation.

### PowerShares Insured National Municipal Bond Portfolio

### PowerShares Insured California Municipal Bond Portfolio

### PowerShares Insured New York Municipal Bond Portfolio

#### What are municipal bonds?

Generally speaking, municipal bonds are debt obligations issued by states, cities, counties and other governmental entities. They are issued largely to finance public projects such as school buildings, highways, hospitals and sewer systems.

As municipal bonds are issued, investors lend money to the bond's issuer, who is obligated to pay a specified amount of interest and return the principal at a predetermined date. One key benefit is that the interest income received from municipal bonds is often exempt from federal and most state and local taxes.<sup>1</sup>

#### Tax advantages of municipal bonds

When determining just how much of a tax advantage a municipal bond offers over a taxable investment, investors may look to the taxable equivalent yield.

For example, as the table at left illustrates, if an investor in the 35% marginal federal income tax bracket obtains a yield of 6.0% in a tax-exempt municipal bond ETF, that investor would need to earn 9.2% in a taxable bond to produce an equivalent amount of interest, after tax.

It is important to note that only the interest paid by the bonds and the income collected by the ETF and passed through to investors are tax exempt for federal purposes. Gains or losses from the sale of municipal bond ETFs are taxed as capital gains or losses.

#### Insured municipal bonds

Insured municipal bonds, as their name indicates, are backed by municipal bond insurance. The primary advantage of insured municipal bonds is that when these bonds are issued, an insurance policy guarantees bond holders against losses resulting from a default by the issuer for the full term of the issue. This guarantee is provided by an insurance company and usually results in insured municipal bonds receiving a rating of AAA.<sup>2</sup>

Municipal security insurance does not insure against market fluctuations or fluctuations in the Fund's share price. In addition, a municipal security insurance policy will not cover: (i) repayment of a municipal security before maturity (redemption), (ii) prepayment or payment of an acceleration premium (except for a mandatory sinking fund redemption) or any other provision of a bond indenture that advances the maturity of the bond or (iii) nonpayment of principal or interest caused by negligence or bankruptcy of the paying agent.

- 1 Invesco PowerShares does not offer tax advice. Only interest paid by the bonds and income dividends collected by the ETF and passed through to investors are tax exempt and may be subject to state and local taxes. Please consult a tax adviser for information regarding your own tax situation.
- 2 Credit ratings are assigned by Nationally Recognized Statistical Rating Organizations based on assessment of the credit worthiness of the underlying bond issuers. The ratings range from AAA (highest) to D (lowest) and are subject to change. Not rated indicates the debtor was not rated, and should not be interpreted as indicating low quality. For more information on rating methodologies, please visit the following NRSRO websites: [standardandpoors.com](http://standardandpoors.com) and select "Understanding Ratings" under Rating Resources and [moody.com](http://moody.com) and select "Rating Methodologies" under Research and Ratings.
- 3 Insurance does not protect against a loss to the investor.
- 4 Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in Creation Unit aggregations only, typically consisting of 50,000 shares.
- 5 Federally tax-exempt yields and tax rates shown are for illustrative purposes only and do not represent or predict the tax-exempt yield of this portfolio or any actual investment. Tax rate represents the highest federal tax rate for 2011. Taxable equivalent yields do not take into account the potential effects of capital gains taxes, state and/or local taxes or the federal alternative minimum tax.

# PowerShares Tax-Free Solutions

## The Next Generation

### PowerShares 1-30 Laddered Treasury Portfolio Highlights

- Provides convenient access to Treasury bonds in a laddered structure
- Requires no extensive bond research
- Requires no continual portfolio maintenance
- Seeks to reduce risk
- Provides an alternative to traditional market-cap weighted indexes
- Seeks to provide predictable income

## PowerShares 1-30 Laddered Treasury Portfolio

### Laddered Treasuries

Treasury securities are debt obligations issued by the U.S. Treasury. They typically pay a fixed rate of interest every six months until they mature. Generally speaking, the higher the yield, the longer the maturity and the more price risk investors assume.

Treasury investors face a strategic choice between higher yield or lower exposure to price volatility. One way to mitigate this price risk is to invest in multiple Treasury securities with progressively longer maturities. This approach is often referred to as a "laddered" portfolio. Bond ladders have become an effective way to participate in fixed-income securities while managing exposure to bond price volatility. The more maturities the ladder holds, the greater the potential benefit.

Bond ladders have not always been efficient to build due to high costs, time-consuming research and continual portfolio maintenance. With the ETF industry's first laddered Treasury portfolio, we believe Invesco PowerShares provides investors cost-effective and efficient access to laddered Treasuries. The PowerShares 1-30 Laddered Treasury Portfolio holds up to 30 different Treasury issues with maturities about one year apart.

### PowerShares VRDO Tax-Free Weekly Portfolio Highlights

- Generates federally tax-exempt income
- Serves as a potential short-term investment due to strong liquidity, investment grade and tax-exempt status
- Often generates state and locally tax-exempt income<sup>1</sup>
- Provides income in a short-term time frame
- Requires a low minimum investment<sup>2</sup>
- Invests in a variety of issuers

## PowerShares VRDO Tax-Free Weekly Portfolio

### VRDOs

Variable rate demand obligations (VRDOs) are investment-grade, floating-rate bonds that provide investors with tax-exempt income in a short-term time frame.

VRDOs are popular with many types of issuers, including state and local governments, health care entities and universities. From an issuer's perspective, VRDOs provide long-term financing at short-term interest rates. From an investor's perspective, VRDOs may serve as a potential short-term investment due to their strong liquidity, investment grade and tax-exempt status. Generally, interest from VRDOs is exempt from federal income taxes, and often is exempt from state and local income taxes for residents of the issuing state.<sup>1</sup>

Although VRDOs often have long-term maturities, investors can choose to sell, or "put," them back to an investment dealer whenever the yield is reset, which is typically on a weekly basis. A bond holder exercising the put option receives the purchase price plus any accrued interest.

VRDOs have been difficult for individual investors to access due to high minimums – typically \$100,000 – and have historically been held by institutions, corporations and high-net-worth individuals. However, the PowerShares VRDO Tax-Free Weekly Portfolio provides convenient access to a portfolio of VRDOs through a single transaction.

**There may not be an active secondary market with respect to particular variable rate instruments in which the PowerShares VRDO Tax-Free Weekly Portfolio invests, which could make it difficult for the Fund to dispose of a variable rate instrument if the issuer and/or the Remarketing Agent defaulted on its payment obligation or during periods that the Fund is not entitled to exercise its demand rights, and the Fund could, for these or other reasons, suffer a loss with respect to such instruments. There is no guarantee that VRDOs will maintain the value of their investment.**

A bond is considered to be investment grade if its credit rating is BBB or higher. A floating-rate bond is a bond whose coupon fluctuates with a designated reference rate. A put feature allows an investor to sell a security at a specified time and price. A standby bond purchase agreement is a contractual source of liquidity from a financial institution enabling investors to sell their bond at par plus accrued interest.

1 Invesco PowerShares does not offer tax advice. Please consult a tax adviser for information regarding your own tax situation. There is no guarantee the interest generated from the VRDOs held within the Fund will be exempt from state and local taxes.

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

# PowerShares Taxable Solutions

## High Yields and Low Correlations

### PowerShares Fundamental High Yield Corporate Bond Portfolio Highlights

- Weights constituents by the size of issuer fundamentals rather than the size of the bond
- Provides exposure only to issuers with publicly available accounting data
- Generally offers higher yields than common stock dividends and other bond sectors
- Tracks an asset class with historically low correlation to stocks, bonds and cash

### PowerShares Fundamental High Yield Corporate Bond Portfolio

#### High-yield bonds

High-yield bonds are bonds that are rated below investment grade by at least one of the three major ratings agencies. They may play an important role in a diversified fixed-income portfolio because they have historically demonstrated a low correlation to other asset classes, as illustrated in the correlation table below.

Some investors may think of high-yield bonds as highly volatile. But from a price perspective, even though high-yield bonds pose higher credit risk than other types of fixed-income securities, they may be less sensitive to interest-rate changes. Why? High-yield bonds are typically issued in terms of 10 years or less and are callable after the fourth or fifth year. Investment-grade issuers, on the other hand, often issue securities with longer maturities and durations, rendering them more sensitive to interest-rate changes.

#### Correlation matrix<sup>1</sup>

	High Yield	Stocks	Bonds	Cash
High Yield	1.00			
Stocks	0.66	1.00		
Bonds	0.20	-0.08	1.00	
Cash	-0.14	-0.06	-0.01	1.00

Source: Invesco PowerShares. Data points shown are 10-year historical correlation numbers as of Dec. 31, 2010. Performance data quoted represents past performance and is no indication or guarantee of future returns. An investor cannot invest directly in an index.

**There are special risks associated with investing in high-yield bonds including, but not limited to: high-yield securities generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. Securities rated below investment grade are commonly referred to as "junk bonds." The ability of issuers of high-yield securities to make timely payments of interest and principal may be adversely impacted by adverse changes in general economic conditions, changes in the financial condition of their issuers and price fluctuation in response to changes in interest. Periods of economic downturn or rising interest rates may cause the issuers of high-yield securities to experience financial distress, which could adversely impact their ability to make timely payments of principal and interest and increase the possibility of default. The market value and liquidity of high-yield securities may be negatively impacted by adverse publicity and investor perceptions, whether or not based on fundamental analysis, especially in a markets characterized by a low volume of trading. Global bonds are subject to the same risks as other debt issues, notably credit risk, market risk and liquidity risk. To a limited extent, they may also be subject to certain sovereign risks. Generally, investments in the securities of non-U.S. issuers involve risks beyond those associated with investments in U.S. securities.**

<sup>1</sup> 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. High-yield bonds are represented by the BofA ML High Yield Master II Index; stocks are represented by the S&P 500® Index; bonds are represented by the Barclays Capital US Aggregate Bond Index; cash is represented by one-month U.S. Treasuries.

# PowerShares Taxable Solutions

## Sovereign Debt

### PowerShares Emerging Market Sovereign Debt Portfolio Highlights

- Convenient access to emerging market sovereign debt
- No direct foreign currency risk
- Asset allocation among the emerging market sovereign debt space
- U.S.-dollar-denominated bonds
- No extensive bond research required
- High yield potential

### Estimated 2011 GDP Growth Rates

Emerging Markets		Developed Markets	
Argentina	6.8%	Australia	2.3%
Brazil	5.1%	Canada	0.4%
Colombia	2.5%	Japan	-0.7%
Indonesia	6.1%	New Zealand	0.2%
Mexico	1.3%	U.K.	0.7%
Peru	9.8%	U.S.	1.1%
Philippines	3.8%		
Qatar	13.4%		
South Africa	3.1%		
Turkey	1.1%		

Source: IMF, 2010. Countries listed are for illustrative purposes only and do not necessarily represent countries of index constituents. For a complete and current list of holdings, please visit [invescopowershares.com](http://invescopowershares.com).

## PowerShares Emerging Markets Sovereign Debt Portfolio

### Emerging markets sovereign debt

Emerging market sovereign debt consists of bonds issued and backed by the national governments of emerging market countries. Many emerging markets have gross domestic product (GDP) growth rates that are much higher than those of developed markets (see table at left).

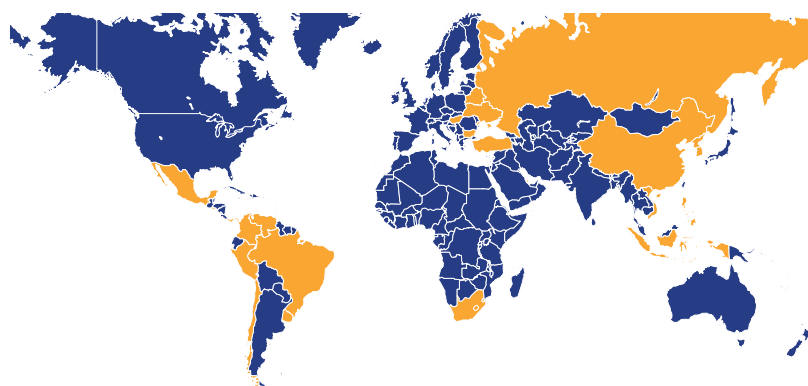
Additionally, compared with developed nations, emerging market countries generally must pay higher interest rates to attract capital. By including emerging market sovereign bonds in a fixed-income portfolio, investors gain the potential to increase yield and total return.

Most sovereign debt is rated by the largest rating agencies, such as Standard & Poor's and Moody's. These ratings ultimately reflect the agency's view of the economic health and debt repayment ability of an emerging market's national government. Such debt is generally considered to be higher in quality than corporate bonds issued by companies operating in the same countries.

Through the PowerShares Emerging Markets Sovereign Debt Portfolio, investors can now participate in sovereign debt obligations issued and backed by national government entities. The ETF invests only in sovereign debt that is issued in U.S. dollars. These bonds pay interest and repay principal in dollars, so U.S. investors are not exposed to changes in the local currencies of bond issuers.

### Reducing default risk

Investing in individual emerging market countries and their bonds carries risks related to political, economic or financial market events. Nations may even default on their sovereign debt, as Russia did in 1998 amid a currency crisis and domestic political upheavals. Participating in a portfolio of multiple national government issuers (and multiple bonds per issuer) can reduce the impact of any problems in a given bond or country.



The PowerShares Emerging Markets Sovereign Debt Portfolio is spread out across more than 20 countries, including Brazil, Bulgaria, Chile, China, Colombia, El Salvador, Hungary, Indonesia, Korea, Mexico, Panama, Peru, Philippines, Poland, Qatar, Russia, South Africa, Turkey, Ukraine, Uruguay, Venezuela and Vietnam.

Source: Invesco PowerShares as of Dec. 31, 2010. Countries are subject to change. For a current list of holdings, please visit [invescopowershares.com](http://invescopowershares.com).

Investment in securities in emerging market countries involves risks not associated with investments in securities in developed countries. Risks include greater market volatility, lower trading volume, political and economic instability, uncertainty regarding the existence of trading markets and more governmental limitations on foreign investment than more developed markets, among others.

