



powerSHARES®
Xchange Traded Funds™

2011 Annual Report to Shareholders

October 31, 2011

PowerShares KBW High Dividend Yield Financial Portfolio (KBWD)
PowerShares KBW International Financial Portfolio (KBWX)
PowerShares KBW Premium Yield Equity REIT Portfolio (KBWY)
PowerShares KBW Property & Casualty Insurance Portfolio (KBWP)

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The Market Environment

U.S. Equity:

The fiscal year began with equity markets fueled by the second round of Federal Reserve “Quantitative Easing” and on an upward trend through the first quarter of 2011. However, with the spring came increased volatility and significant macro-economic distortions due to civil unrest in Egypt and Libya, flooding in Australia, and the devastating earthquake and tsunami in Japan. Corporate earnings remained strong with largely positive surprises, but often were overshadowed by investor concerns about continuing high unemployment and soft housing data. Although markets stabilized and generally were positive through the summer, the major equity indices sold off precipitously in August as the U.S. struggled with the debt ceiling and ultimately received the first-ever downgrade to its credit rating from Standard & Poor’s. Uncertainty created by the U.S. credit downgrade, combined with a lack of consumer confidence and an intensifying debt crisis in the Eurozone, continued to weigh on investors through the end of the period, reigniting fears of a global recession and a double-dip in the U.S.

Non U.S. Equity:

Global equity markets faced headwinds in 2010 and 2011. Notably, several southern European economies, including those of Greece, Spain, Portugal, and Italy, faced solvency concerns amid massive fiscal deficits. The reporting period ended with a market upswing, however, as European leaders took steps to address the Greek sovereign debt issue, expand the bailout fund, and stabilize the banking system.

Market volatility was a common theme during the reporting period. During mid-2011, Greek sovereign debt concerns and signs of slowing global growth continued to worry investors. In addition, numerous world events caught investors’ attention, including the growing unrest in the Middle East and Northern Africa, and the devastating earthquake and tsunami in Japan on March 11th. Renewed credit problems overseas and the market corrections that occurred in May, June and August, however, created a more uncertain environment, which prompted many investors to favor safety over risk.

Although Europe’s debt status bore the greatest negative macroeconomic heft globally, inflation was the major concern across Asia throughout the year. Fortunately, these concerns started to subside towards the end of the period, with a surprise interest rate reduction in Indonesia, inflationary easing in China, and an expected crest in India’s inflation rate. The slowdown in inflation rates gave Asian governments the ability to loosen monetary policy as needed to help maintain financial stability and potentially stimulate economic growth. Though inflation rates in China receded from peak levels over the period, China’s capacity to continue its economic expansion and serve as the world’s growth engine came into question due to a more recent slowdown that negatively affected investor sentiment. The growth numbers in China, however, remained healthy.

In emerging market countries, investors became risk-averse on news of potential defaults in Europe, as well as slowing growth and accounting concerns in China leading to a relatively indiscriminate correction in almost all emerging market countries. Concerns about potential overheating in emerging market economies, coupled with concerns of a potential double-dip recession in developed economies, continued to foster uncertainty about the pace and vigor of a global economic recovery.

Manager's Analysis

PowerShares KBW High Dividend Yield Financial Portfolio (ticker: KBWD)

The PowerShares KBW High Dividend Yield Financial Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the KBW Financial Sector Dividend Yield Index (the "Index"). The Fund will normally invest at least 90% of its total assets in securities that comprise the Index. The Index is calculated using a dividend yield weighted methodology that seeks to reflect the performance of approximately 24 to 40 publicly listed financial companies that are principally engaged in the business of providing financial services and products, including banking, insurance and diversified financial services, in the United States. The Index may also include securities of business development companies and equity and mortgage real estate investment trusts ("REITs").

The Fund began trading on December 2, 2010. For the period ended October 31, 2011, on a share price basis, the Fund returned 3.38%. On an NAV basis, the Fund returned 2.97%. During this same time period the Index returned 3.40%, the Financial Select Sector Index returned (5.25)% and the S&P 500® Index returned 8.05%.

For the period ended October 31, 2011, the property & casualty insurance industry contributed most significantly to the Fund's return, followed by insurance brokers and residential REITs, respectively. The mortgage REITs industry detracted most from the Fund's return, followed by the asset management & custody banks industry.

Positions that contributed most significantly to return included Harleysville Group, Inc., a property & casualty insurance company (3.86% of assets at October 31, 2011); and Capstead Mortgage Corp., a mortgage REIT company (4.11% of assets at October 31, 2011). Positions that detracted most significantly from return included Invesco Mortgage Capital, Inc., a mortgage REIT company (5.29% of assets at October 31, 2011); and Apollo Investment Corp. an asset management & custody bank company (3.84% of assets at October 31, 2011).

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

REITs	48.0
Banks	15.1
Insurance	13.4
Investment Companies	10.5
Diversified Financial Services	6.6
Savings & Loans	4.1
Trucking & Leasing	2.3
Money Market Fund	0.7
Liabilities in excess of other assets	(0.7)

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Value	63.2
Mid-Cap Value	30.3
Large-Cap Value	4.0
Small-Cap Growth	1.5
Large-Cap Growth	1.0

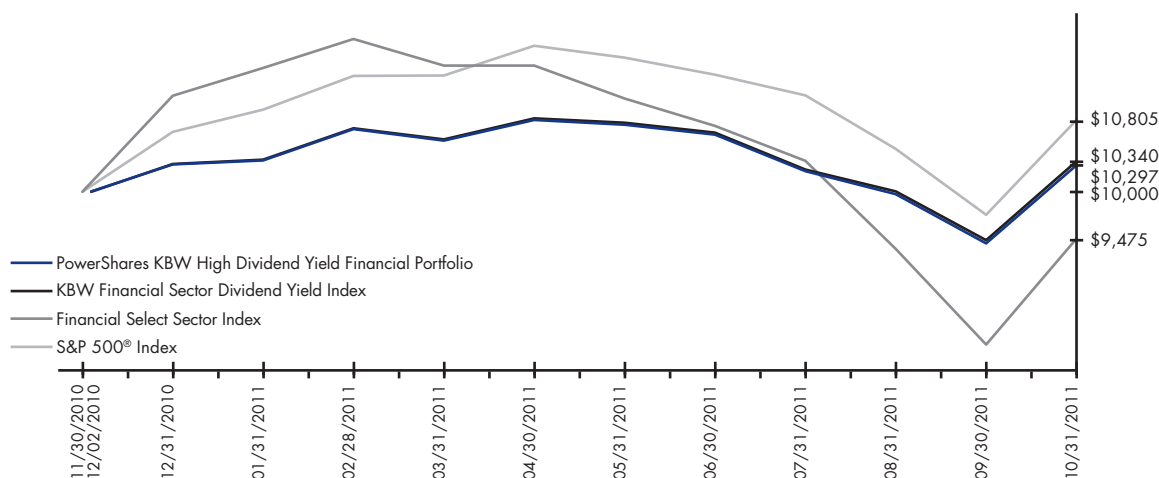
Top Ten Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
Chimera Investment Corp.	5.7
American Capital Agency Corp.	5.4
Invesco Mortgage Capital, Inc.	5.3
Hatteras Financial Corp.	4.3
Capstead Mortgage Corp.	4.1
Annaly Capital Management, Inc.	4.1
Anworth Mortgage Asset Corp.	4.0
MFA Financial, Inc.	4.0
Harleysville Group, Inc.	3.9
Apollo Investment Corp.	3.8
Total	44.6

Manager's Analysis (Continued)

PowerShares KBW High Dividend Yield Financial Portfolio (ticker: KBWD)

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



▼ Fund Performance History (%)

As of October 31, 2011

	Fund Inception [†] Cumulative
Index	
KBW Financial Sector Dividend Yield Index	3.40%
Financial Select Sector Index	(5.25)%
S&P 500 [®] Index	8.05%
Fund	
Net Asset Value ("NAV") Return	2.97%
Share Price Return	3.38%

Fund Inception: December 2, 2010

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 expense ratio of 0.93% includes the unitary management fee of 0.35% and estimated acquired fund fees and expenses of 0.58%. 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 Financial Select Sector Index and S&P 500[®] Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 82 and 500 common stocks, 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.

Manager's Analysis

PowerShares KBW International Financial Portfolio (ticker: KBWX)

The PowerShares KBW International Financial Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the KBW Global ex-U.S. Financial Sector Index (the "Index"). The Fund will normally invest at least 90% of its total assets in securities that comprise the Index. The Index is currently comprised primarily of American depository receipts ("ADRs"). The Index is a modified market capitalization weighted index that seeks to reflect the performance of approximately 60 non-U.S. financial companies that are principally engaged in the business of providing financial services and products, including banking, insurance and diversified financial services.

The Fund began trading on December 2, 2010. For the period ended October 31, 2011, on a share price basis, the Fund returned (15.40)%. On an NAV basis, the Fund returned (15.50)%. During this same time period the Index returned (16.36)%, the S&P Global Financials Sector Index returned (5.76)% and the S&P 500® Index returned 8.05%.

For the period ended October 31, 2011, the Multi-line Insurance industry contributed most significantly to the Fund's return, followed by the Property/Casualty Insurance industry. The Diversified Banks and Diversified Capital Markets industries detracted most from the Fund's return.

Positions that contributed most significantly to return included Allianz SE ADR a multi-line insurance company (3.82% of net assets at October 31, 2011); and ACE Ltd., a property/casualty insurance company (2.34% of net assets at October 31, 2011). Positions that detracted most significantly from return included China Life Insurance Co. Ltd. ADR, a Life & Health insurance company (2.21% of net assets at October 31, 2011) and Gafisa SA ADR, a homebuilding company (0.75% of net assets at October 31, 2011).

The Fund outperformed the Index net of expenses primarily due to an underweight Governor and Co. of the Bank of Ireland (The) ADR (0.25% of net assets as of October 31, 2011) compared to the Index.

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Banks	70.2
Insurance	18.3
Diversified Financial Services	6.7
Real Estate	2.8
Investment Companies	1.3
Building Materials	0.4
Commercial Services	0.1
Home Builders	0.1
Other assets less liabilities	0.1

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Large-Cap Value	62.9
Large-Cap Growth	24.1
Mid-Cap Value	6.1
Small-Cap Value	4.4
Small-Cap Growth	2.0
Other	0.4
Mid-Cap Growth	0.1

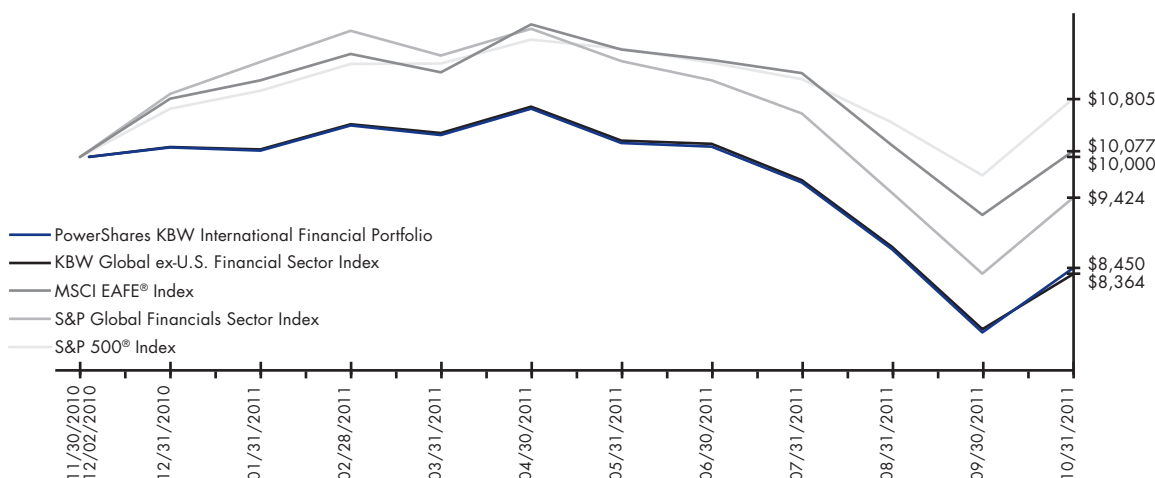
Top Ten Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
Westpac Banking Corp. ADR	5.4
Banco Bilbao Vizcaya Argentaria SA ADR	4.1
Itau Unibanco Holding SA ADR	4.0
Allianz SE ADR	3.8
HDFC Bank Ltd. ADR	3.5
Toronto-Dominion Bank (The)	3.4
Banco Santander Brasil SA ADR	3.3
Mitsubishi UFJ Financial Group, Inc. ADR	3.1
Bancolombia SA ADR	3.0
Bank of Nova Scotia	3.0
Total	36.6

Manager's Analysis (Continued)

PowerShares KBW International Financial Portfolio (ticker: KBWX)

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



▼ Fund Performance History (%)

As of October 31, 2011

	Fund Inception [†] Cumulative
Index	
KBW Global ex-U.S. Financial Sector Index	(16.36)%
MSCI EAFE Index	0.77%
S&P Global Financials Sector Index	(5.76)%
S&P 500 Index	8.05%
Fund	
Net Asset Value ("NAV") Return	(15.50)%
Share Price Return	(15.40)%

Fund Inception: December 2, 2010

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 expense ratio of 0.40% is expressed as a unitary fee to cover operating expenses and expenses incurred in connection with managing the portfolio. 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 MSCI EAFE Index, S&P Global Financial Sector Index and S&P 500 Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 1,137, 217 and 500 common stocks, 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.

Manager's Analysis

PowerShares KBW Premium Yield Equity REIT Portfolio (ticker: KBWY)

The PowerShares KBW Premium Yield Equity REIT Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the KBW Premium Yield Equity REIT Index (the "Index"). The Fund will normally invest at least 90% of its total assets in the securities that comprise the Index. The Index is calculated using a dividend yield weighted methodology that seeks to reflect the performance of approximately 24 to 40 small- and mid-cap equity real estate investment trusts ("REITs") in the United States.

The Fund began trading on December 2, 2010. For the period ended October 31, 2011, on a share price basis, the Fund returned (1.55)%. On an NAV basis, the Fund returned (1.87)%. During this same time period the Index returned (1.52)%, the Dow Jones U.S. Real Estate Index returned 10.74% and the S&P 500® Index returned 8.05%

For the period ended October 31, 2011, the residential REITs industry contributed most significantly to the Fund's return, followed by the industrial REITs and specialized REITs industry, respectively. The office REITs industry detracted most from the Fund's return, followed by the retail REITs industry.

Positions that contributed most significantly to return included Sun Communities, Inc., a residential REIT company (3.07% of assets at October 31, 2011); and HCP, Inc., a specialized REIT company (2.75% of assets at October 31, 2011).

Positions that detracted most significantly from return included Getty Realty Corp. a retail REIT company (4.65% of assets at October 31, 2011); and Cogdell Spencer, Inc., a specialized REIT company (4.48% of assets at October 31, 2011).

Property Type and Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Health Care	30.3
Diversified	15.8
Office Property	14.3
Shopping Centers	11.9
Single Tenant	11.6
Warehouse/Industrial	9.2
Hotels	3.8
Manufactured Homes	3.1
Money Market Fund	0.2
Liabilities in excess of other assets	(0.2)

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Value	73.6
Small-Cap Growth	11.3
Mid-Cap Value	9.6
Mid-Cap Growth	2.8
Large-Cap Value	2.7

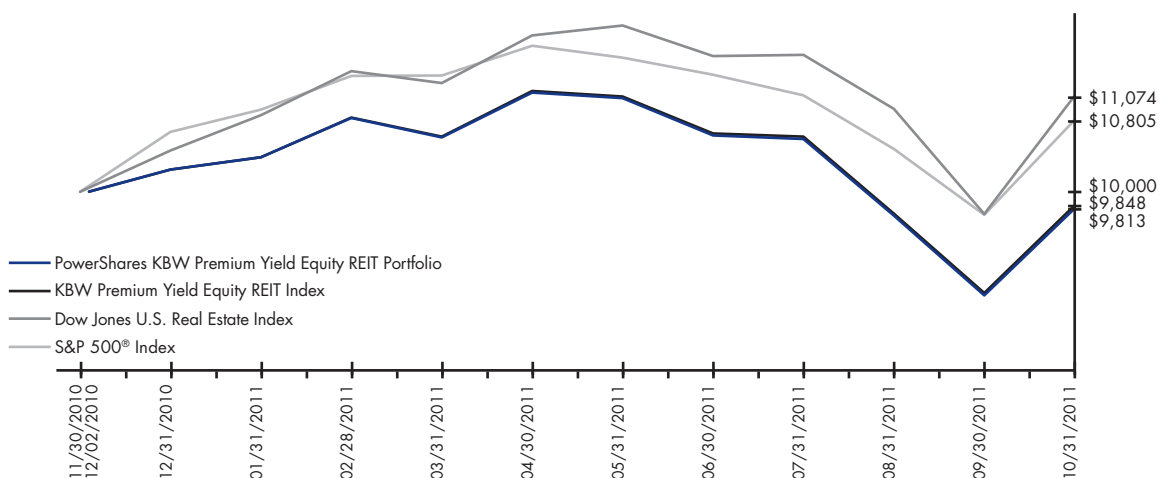
Top Ten Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
CommonWealth REIT	4.7
Getty Realty Corp.	4.7
Cogdell Spencer, Inc.	4.5
Agree Realty Corp.	4.2
OMEGA Healthcare Investors, Inc.	4.1
Government Properties Income Trust	3.8
Hospitality Properties Trust	3.8
Medical Properties Trust, Inc.	3.7
Entertainment Properties Trust	3.6
Lexington Realty Trust	3.6
Total	40.7

Manager's Analysis (Continued)

PowerShares KBW Premium Yield Equity REIT Portfolio (ticker: KBWY)

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



▼ Fund Performance History (%)

As of October 31, 2011

	Fund Inception [†] Cumulative
Index	
KBW Premium Yield Equity REIT Index	(1.52)%
Dow Jones U.S. Real Estate Index	10.74%
S&P 500® Index	8.05%
Fund	
Net Asset Value ("NAV") Return	(1.87)%
Share Price Return	(1.55)%

Fund Inception: December 2, 2010

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 expense ratio of 0.35% is expressed as a unitary fee to cover operating expenses and expenses incurred in connection with managing the portfolio. 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 Dow Jones U.S. Real Estate Index and S&P 500® Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 99 and 500 common stocks, 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.

Manager's Analysis

PowerShares KBW Property & Casualty Insurance Portfolio (ticker: KBWP)

The PowerShares KBW Property & Casualty Insurance Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the KBW Property & Casualty Index (the "Index"). The Fund will normally invest at least 90% of its total assets in securities that comprise the Index. The Index is a modified market capitalization weighted index that seeks to reflect the performance of approximately 24 property and casualty insurance companies.

The Fund began trading on December 2, 2010. For the period ended October 31, 2011, on a share price basis, the Fund returned 0.45%. On an NAV basis, the Fund returned 0.38%. During this same time period the Index returned 0.75%, the S&P 500[®] Insurance Index returned (0.09)% and the S&P 500[®] Index returned 8.05%.

For the period ended October 31, 2011, the Multi-line Insurance industry contributed most significantly to the Fund's return, followed by the Property/Casualty Insurance industry. The Reinsurance industry detracted most from the Fund's return.

Positions that contributed most significantly to return included Chubb Corp. (The), a property/casualty insurance company (10.06% of assets at October 31, 2011); and W.R. Berkley Corp., a property/casualty insurance company (4.43% of assets at October 31, 2011). Positions that detracted most significantly from return included Allstate Corp. (The), a property/casualty insurance company (8.24% of assets at October 31, 2011); and PartnerRe Ltd., a reinsurance company (3.87% of assets at October 31, 2011).

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Property/Casualty Insurance	50.5
Reinsurance	34.4
Multi-line Insurance	15.1
Money Market Fund	0.0
Liabilities in excess of other assets	(0.0)

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Mid-Cap Value	36.0
Large-Cap Value	35.3
Small-Cap Value	12.6
Small-Cap Growth	12.2
Mid-Cap Growth	3.9

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

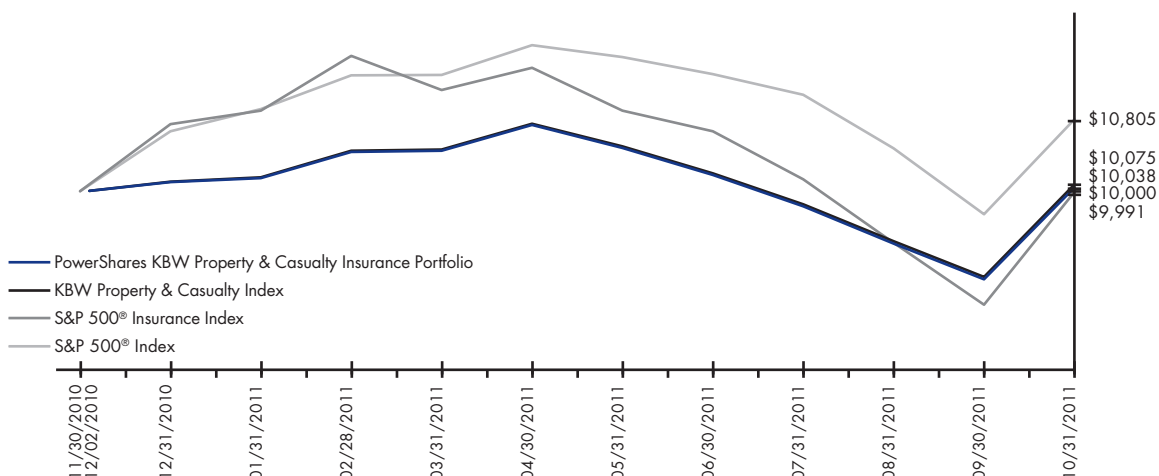
Security

Chubb Corp. (The)	10.1
Travelers Cos., Inc. (The)	9.6
Allstate Corp. (The)	8.2
Progressive Corp. (The)	7.3
W.R. Berkley Corp.	4.4
Allied World Assurance Co. Holdings AG (Switzerland)	4.4
American Financial Group, Inc.	4.2
ProAssurance Corp.	4.1
Arch Capital Group Ltd.	4.0
Transatlantic Holdings, Inc.	3.9
Total	60.2

Manager's Analysis (Continued)

PowerShares KBW Property & Casualty Insurance Portfolio (ticker: KBWP)

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



▼ Fund Performance History (%)

As of October 31, 2011

	Fund Inception [†] Cumulative
Index	
KBW Property & Casualty Index	0.75%
S&P 500 [®] Insurance Index	(0.09)%
S&P 500 [®] Index	8.05%
Fund	
Net Asset Value ("NAV") Return	0.38%
Share Price Return	0.45%

Fund Inception: December 2, 2010

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 expense ratio of 0.35% is expressed as a unitary fee to cover operating expenses and expenses incurred in connection with managing the portfolio. 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 500[®] Insurance Index and S&P 500[®] Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 22 and 500 common stocks, 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+
KBWD	PowerShares KBW High Dividend Yield Financial Portfolio	12/2/10	231	163	8	1	0	0	1
KBWX	PowerShares KBW International Financial Portfolio	12/2/10	231	115	0	0	1	0	0
KBWY	PowerShares KBW Premium Yield Equity REIT Portfolio	12/2/10	231	123	2	0	0	0	1
KBWP	PowerShares KBW Property & Casualty Insurance Portfolio	12/2/10	231	118	2	2	2	0	0

Closing Price Below NAV (bps)					
-0-24	-25-49	-50-99	-100-149	-150-199	-200+
57	1	0	0	0	0
107	6	2	0	0	0
103	2	0	0	0	0
92	2	4	1	2	6

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 Funds 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 period ended October 31, 2011.

In pursuing its investment objective, PowerShares KBW High Dividend Yield Financial 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 effect of such 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 each 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 Funds 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 May 1, 2011	Ending Account Value October 31, 2011	Annualized Expense Ratio Based on Number of Days in the Period	Expenses Paid During the Six-Month Period ⁽¹⁾
PowerShares KBW High Dividend Yield Financial Portfolio (KBWD)				
Actual	\$1,000.00	\$953.21	0.38%	\$1.87
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.29	0.38%	\$1.94
PowerShares KBW International Financial Portfolio (KBWX)				
Actual	\$1,000.00	\$791.99	0.41%	\$1.85
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.14	0.41%	\$2.09
PowerShares KBW Premium Yield Equity REIT Portfolio (KBWY)				
Actual	\$1,000.00	\$883.20	0.36%	\$1.71
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.39	0.36%	\$1.84
PowerShares KBW Property & Casualty Insurance Portfolio (KBWP)				
Actual	\$1,000.00	\$934.73	0.38%	\$1.85
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.29	0.38%	\$1.94

⁽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 KBW High Dividend Yield Financial Portfolio (KBWD)

October 31, 2011

Number of Shares		Value	Number of Shares		Value
	Common Stocks and Other Equity Interests—100.0%			Common Stocks and Other Equity Interests (Continued)	
	<i>Banks—15.1%</i>			<i>Savings & Loans—4.1%</i>	
9,204	Bank of Hawaii Corp.	\$ 388,685	46,015	First Niagara Financial Group, Inc.	\$ 422,878
15,595	Bryn Mawr Bank Corp.	286,324	51,637	New York Community Bancorp, Inc.	687,288
12,784	City Holding Co.	420,082			<u>1,110,166</u>
40,645	CVB Financial Corp.	394,663		<i>Trucking & Leasing—2.3%</i>	
50,360	F.N.B. Corp.	508,133	22,497	Textainer Group Holdings Ltd.	<u>617,543</u>
36,811	FirstMerit Corp.	515,722			
10,737	Park National Corp.	641,106		Total Common Stocks and Other Equity Interests	
33,489	Renasant Corp.	482,911		(Cost \$27,864,480)	<u>26,836,164</u>
18,406	Trustmark Corp.	407,509			
		<u>4,045,135</u>			
	<i>Diversified Financial Services—6.6%</i>			Money Market Fund—0.7%	
123,219	BGC Partners, Inc., Class A	844,050	185,559	Goldman Sachs Financial Square Prime Obligations Institutional Share Class	
26,842	Federated Investors, Inc., Class B	524,493		(Cost \$185,559)	<u>185,559</u>
93,051	GFI Group, Inc.	401,980		Total Investments	
		<u>1,770,523</u>		(Cost \$28,050,039)—100.7%	27,021,723
	<i>Insurance—13.4%</i>			Liabilities in excess of other assets—(0.7)%	<u>(178,757)</u>
14,316	Arthur J. Gallagher & Co.	442,364		Net Assets—100.0%	<u><u>\$26,842,966</u></u>
14,316	Fidelity National Financial, Inc., Class A	221,039			
17,638	Harleysville Group, Inc.	1,036,409		Investment Abbreviations:	
41,924	Maiden Holdings Ltd. (Bermuda)	341,681		REIT—Real Estate Investment Trust	
8,690	Marsh & McLennan Cos., Inc.	266,088			
12,526	Mercury General Corp.	542,376		Notes to Schedule of Investments:	
11,759	Safety Insurance Group, Inc.	501,168		- Affiliated company. The Fund's Adviser is a subsidiary of Invesco Ltd. and therefore, Invesco Mortgage Capital, Inc. is considered to be affiliated with the Fund. See Note 4.	
6,389	Willis Group Holdings PLC (Ireland)	231,985			
		<u>3,583,110</u>			
	<i>Investment Companies—10.5%</i>				
124,496	Apollo Investment Corp.	1,030,827			
55,730	Ares Capital Corp.	862,143			
87,172	PennantPark Investment Corp.	934,484			
		<u>2,827,454</u>			
	<i>REITs—48.0%</i>				
52,662	American Capital Agency Corp.	1,448,732			
64,678	Annaly Capital Management, Inc.	1,089,824			
167,187	Anworth Mortgage Asset Corp.	1,078,356			
91,007	Capstead Mortgage Corp.	1,103,005			
509,743	Chimera Investment Corp.	1,534,326			
44,481	Hatteras Financial Corp.	1,143,162			
27,609	Hospitality Properties Trust	663,444			
89,983	Invesco Mortgage Capital, Inc. ⁽⁻⁾	1,419,932			
158,495	MFA Financial, Inc.	1,069,841			
57,007	PennyMac Mortgage Investment Trust	974,820			
43,714	Starwood Property Trust, Inc.	821,386			
14,060	Sun Communities, Inc.	535,405			
		<u>12,882,233</u>			

See Notes to Financial Statements.

Schedule of Investments

PowerShares KBW International Financial Portfolio (KBWX)

October 31, 2011

Number of Shares		Value	Number of Shares		Value
Foreign Stocks and Other Equity Interests—99.9%			Foreign Stocks and Other Equity Interests (Continued)		
<i>Argentina—1.7%</i>			<i>Colombia—3.0%</i>		
664	Banco Macro SA ADR	\$ 13,313	1,555	Bancolombia SA ADR	\$ 97,001
2,056	BBVA Banco Frances SA ADR	12,768			
1,877	Grupo Financiero Galicia SA ADR	15,504		<i>Germany—6.6%</i>	
1,283	IRSA Inversiones y Representaciones SA ADR	12,907	10,857	Allianz SE ADR	121,598
			2,111	Deutsche Bank AG	87,417
		<u>54,492</u>			<u>209,015</u>
<i>Australia—5.4%</i>			<i>Greece—0.4%</i>		
1,464	Westpac Banking Corp. ADR	170,483	23,312	National Bank of Greece SA ADR*	12,621
<i>Bermuda—1.7%</i>			<i>India—5.7%</i>		
747	Alterra Capital Holdings Ltd.	16,195	3,505	HDFC Bank Ltd. ADR	110,968
765	Aspen Insurance Holdings Ltd.	20,265	1,896	ICICI Bank Ltd. ADR	70,456
1,062	Montpelier Re Holdings Ltd.	18,585			<u>181,424</u>
		<u>55,045</u>		<i>Ireland—0.7%</i>	
<i>Brazil—10.0%</i>			1,369	Governor and Co. of the Bank of Ireland (The) ADR*	8,077
4,531	Banco Bradesco SA ADR	82,464	621	XL Group PLC	13,501
9,418	Banco Santander Brasil SA ADR	85,704			<u>21,578</u>
3,212	Gafisa SA ADR	23,897		<i>Japan—8.4%</i>	
6,624	Itau Unibanco Holding SA ADR	126,651		Mitsubishi UFJ Financial Group, Inc. ADR	98,161
		<u>318,716</u>	22,670	Mizuho Financial Group, Inc. ADR	11,380
<i>Canada—17.0%</i>			4,050	Nomura Holdings, Inc. ADR	30,320
1,406	Bank of Montreal	83,193	7,958	ORIX Corp. ADR	34,082
1,837	Bank of Nova Scotia	96,645	776	Sumitomo Mitsui Financial Group, Inc. ADR	92,952
1,479	Brookfield Asset Management, Inc., Class A	42,891	16,658		<u>266,895</u>
785	Canadian Imperial Bank of Commerce	59,228		<i>Mexico—0.4%</i>	
2,355	Manulife Financial Corp.	31,110		Desarrolladora Homex SAB de CV ADR*	12,836
1,761	Royal Bank of Canada	86,148	858		
1,388	Sun Life Financial, Inc.	35,005		<i>Netherlands—1.8%</i>	
1,429	Toronto-Dominion Bank (The)	107,575	4,349	AEGON NV*	20,788
		<u>541,795</u>	4,133	ING Groep NV ADR*	35,709
<i>Cayman Islands—0.6%</i>					<u>56,497</u>
596	China Real Estate Information Corp. ADR*	3,546		<i>South Korea—4.7%</i>	
836	CNinsure, Inc. ADR*	6,312		KB Financial Group, Inc. ADR	52,093
1,355	E-House China Holdings Ltd. ADR	10,637	1,334	Shinhan Financial Group Co. Ltd. ADR	62,486
		<u>20,495</u>	785	Woori Finance Holdings Co. Ltd. ADR	34,044
<i>Chile—6.6%</i>			1,178		<u>148,623</u>
654	Administradora de Fondos de Pensiones Provida SA ADR	40,430		<i>Spain—7.4%</i>	
686	Banco de Chile ADR	55,628	14,564	Banco Bilbao Vizcaya Argentaria SA ADR	131,659
744	Banco Santander Chile ADR	60,770	12,213	Banco Santander Brasil SA ADR	104,543
2,629	Corpbanca SA ADR	54,814			<u>236,202</u>
		<u>211,642</u>		<i>Switzerland—5.1%</i>	
<i>China—2.3%</i>			2,966	Credit Suisse Group AG ADR	85,925
1,814	China Life Insurance Co. Ltd. ADR	70,292	6,089	UBS AG*	76,843
979	Xinyuan Real Estate Co. Ltd. ADR	1,821			<u>162,768</u>
		<u>72,113</u>			

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares KBW International Financial Portfolio (KBWX)

October 31, 2011

<u>Number of Shares</u>		<u>Value</u>
	Foreign Stocks and Other Equity Interests (Continued)	
	<i>United Kingdom—7.4%</i>	
3,494	Aviva PLC ADR	\$ 38,259
3,136	Barclays PLC ADR	39,231
1,450	HSBC Holdings PLC ADR	63,307
13,391	Lloyds Banking Group PLC ADR*	27,586
2,850	Prudential PLC ADR	58,910
1,099	Royal Bank of Scotland Group PLC ADR*	8,506
		<u>235,799</u>
	<i>United States—3.0%</i>	
1,034	ACE Ltd.	74,603
346	PartnerRe Ltd.	21,528
		<u>96,131</u>
	Total Investments	
	(Cost \$3,523,409)—99.9%	3,182,171
	Other assets less liabilities—0.1%	2,662
	Net Assets—100.0%	<u><u>\$3,184,833</u></u>

Investment Abbreviations:

ADR—American Depositary Receipt

Notes to Schedule of Investments:

* Non-income producing security.

See Notes to Financial Statements.

Schedule of Investments

PowerShares KBW Premium Yield Equity REIT Portfolio (KBWY)

October 31, 2011

Number of Shares		Value	Number of Shares		Value
	Real Estate Investment Trust, Common Stocks and Other Equity Interests—100.0%			Real Estate Investment Trust, Common Stocks and Other Equity Interests (Continued)	
	<i>Diversified—15.8%</i>			<i>Warehouse/Industrial—9.2%</i>	
17,346	Duke Realty Corp.	\$ 213,009	45,517	DCT Industrial Trust, Inc.	\$ 225,764
5,655	Entertainment Properties Trust	253,344	4,168	EastGroup Properties, Inc.	181,766
32,047	Lexington Realty Trust	251,890	16,832	First Potomac Realty Trust	239,183
6,318	Washington Real Estate Investment Trust	182,969			<u>646,713</u>
23,027	Winthrop Realty Trust	208,394			
		<u>1,109,606</u>		Total Common Stocks and Other Equity Interests	
	<i>Health Care—30.3%</i>			(Cost \$7,654,665)	<u>7,012,748</u>
77,823	Cogdell Spencer, Inc.	314,405			
4,840	HCP, Inc.	192,874			
3,764	Health Care REIT, Inc.	198,325			
13,329	Healthcare Realty Trust, Inc.	251,785	15,345	Money Market Fund—0.2%	
7,396	LTC Properties, Inc.	209,751		Goldman Sachs Financial Square Prime Obligations Institutional Share Class	
25,415	Medical Properties Trust, Inc.	256,692		(Cost \$15,345)	<u>15,345</u>
4,034	National Health Investors, Inc.	180,279		Total Investments	
16,133	OMEGA Healthcare Investors, Inc.	286,522		(Cost \$7,670,010)—100.2%	7,028,093
6,194	Universal Health Realty Income Trust	235,186		Liabilities in excess of other assets—(0.2)%	<u>(16,328)</u>
		<u>2,125,819</u>		Net Assets—100.0%	<u><u>\$7,011,765</u></u>
	<i>Hotels—3.8%</i>				
11,177	Hospitality Properties Trust	<u>268,583</u>		Investment Abbreviations:	
				REIT—Real Estate Investment Trust	
	<i>Manufactured Homes—3.1%</i>				
5,656	Sun Communities, Inc.	<u>215,380</u>			
	<i>Office Property—14.3%</i>				
24,375	Brandywine Realty Trust	222,056			
16,965	CommonWealth REIT	328,273			
11,429	Government Properties Income Trust	268,925			
6,588	Mack-Cali Realty Corp.	184,859			
		<u>1,004,113</u>			
	<i>Shopping Centers—11.9%</i>				
9,818	Equity One, Inc.	168,379			
30,834	Inland Real Estate Corp.	231,255			
23,028	Ramco-Gershenson Properties Trust	222,220			
11,852	Urstadt Biddle Properties, Inc., Class A	211,440			
		<u>833,294</u>			
	<i>Single Tenant—11.6%</i>				
12,235	Agree Realty Corp.	292,539			
20,464	Getty Realty Corp.	326,196			
6,991	National Retail Properties, Inc.	190,505			
		<u>809,240</u>			

See Notes to Financial Statements.

Schedule of Investments

PowerShares KBW Property & Casualty Insurance Portfolio (KBWP)

October 31, 2011

Number of Shares		Value	
	Common Stocks—100.0%		Notes to Schedule of Investments:
	<i>Multi-line Insurance—15.1%</i>		This Fund has holdings greater than 10% of net assets in the following
11,656	Allstate Corp. (The)	\$ 307,019	country:
4,348	American Financial Group, Inc.	155,789	Bermuda
3,774	Kemper Corp.	101,483	19.9%
		<u>564,291</u>	* Non-income producing security.
	<i>Property/Casualty Insurance—50.5%</i>		
4,122	Arch Capital Group Ltd.*	148,268	
5,588	Chubb Corp. (The)	374,676	
2,789	Hanover Insurance Group, Inc. (The)	106,428	
4,093	HCC Insurance Holdings, Inc.	108,915	
2,141	Mercury General Corp.	92,705	
1,976	ProAssurance Corp.	151,263	
14,337	Progressive Corp. (The)	272,546	
451	RLI Corp.	31,723	
4,310	Selective Insurance Group, Inc.	69,089	
6,153	Travelers Cos., Inc. (The)	359,028	
4,742	W.R. Berkley Corp.	165,069	
		<u>1,879,710</u>	
	<i>Reinsurance—34.4%</i>		
2,823	Allied World Assurance Co. Holdings AG (Switzerland)	164,016	
4,479	Aspen Insurance Holdings Ltd. (Bermuda)	118,649	
4,658	Axis Capital Holdings Ltd. (Bermuda)	146,028	
3,529	Endurance Specialty Holdings Ltd. (Bermuda)	131,279	
5,549	Montpelier Re Holdings Ltd. (Bermuda)	97,108	
2,315	PartnerRe Ltd.	144,039	
3,014	Platinum Underwriters Holdings Ltd. (Bermuda)	104,375	
2,117	RenaissanceRe Holdings Ltd. (Bermuda)	144,210	
2,823	Transatlantic Holdings, Inc.	146,909	
3,098	Validus Holdings Ltd.	84,761	
		<u>1,281,374</u>	
	Total Common Stocks (Cost \$3,856,834)	<u>3,725,375</u>	
	Money Market Fund—0.0%		
718	Goldman Sachs Financial Square Prime Obligations Institutional Share Class (Cost \$718)	718	
	Total Investments (Cost \$3,857,552)—100.0%	3,726,093	
	Liabilities in excess of other assets—(0.0)%	(1,046)	
	Net Assets—100.0%	<u><u>\$3,725,047</u></u>	

See Notes to Financial Statements.

Statements of Assets and Liabilities

October 31, 2011

	PowerShares KBW High Dividend Yield Financial Portfolio (KBWD)	PowerShares KBW International Financial Portfolio (KBWX)	PowerShares KBW Premium Yield Equity REIT Portfolio (KBWY)	PowerShares KBW Property & Casualty Insurance Portfolio (KBWP)
ASSETS:				
Unaffiliated investments, at value	\$25,601,791	\$3,182,171	\$7,028,093	\$3,726,093
Affiliated investments, at value (Note 4)	<u>1,419,932</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments, at value	<u>27,021,723</u>	<u>3,182,171</u>	<u>7,028,093</u>	<u>3,726,093</u>
Receivables:				
Shares sold	3,406,840	—	—	—
Dividends	11,796	6,464	31,323	—
Foreign tax reclaims	<u>—</u>	<u>379</u>	<u>—</u>	<u>—</u>
Total Assets	<u>30,440,359</u>	<u>3,189,014</u>	<u>7,059,416</u>	<u>3,726,093</u>
LIABILITIES:				
Due to custodian	184,347	3,149	35,292	—
Payables:				
Investments purchased	3,407,013	—	10,415	—
Accrued unitary management fees	<u>6,033</u>	<u>1,032</u>	<u>1,944</u>	<u>1,046</u>
Total Liabilities	<u>3,597,393</u>	<u>4,181</u>	<u>47,651</u>	<u>1,046</u>
NET ASSETS	<u>\$26,842,966</u>	<u>\$3,184,833</u>	<u>\$7,011,765</u>	<u>\$3,725,047</u>
NET ASSETS CONSIST OF:				
Shares of beneficial interest	\$27,914,712	\$3,547,750	\$7,740,860	\$3,859,053
Undistributed net investment income	—	11,636	—	11,198
Undistributed net realized gain (loss)	(43,430)	(33,315)	(87,178)	(13,745)
Net unrealized appreciation (depreciation)	<u>(1,028,316)</u>	<u>(341,238)</u>	<u>(641,917)</u>	<u>(131,459)</u>
Net Assets	<u>\$26,842,966</u>	<u>\$3,184,833</u>	<u>\$7,011,765</u>	<u>\$3,725,047</u>
Shares outstanding (unlimited amount authorized, \$0.01 par value)	1,200,000	150,000	300,000	150,000
Net asset value	<u>\$ 22.37</u>	<u>\$ 21.23</u>	<u>\$ 23.37</u>	<u>\$ 24.83</u>
Share price	<u>\$ 22.43</u>	<u>\$ 21.24</u>	<u>\$ 23.40</u>	<u>\$ 24.84</u>
Unaffiliated investments, at cost	<u>\$26,336,792</u>	<u>\$3,523,409</u>	<u>\$7,670,010</u>	<u>\$3,857,552</u>
Affiliated investments, at cost	<u>\$ 1,713,247</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total investments, at cost	<u>\$28,050,039</u>	<u>\$3,523,409</u>	<u>\$7,670,010</u>	<u>\$3,857,552</u>

See Notes to Financial Statements.

Statements of Operations

For the Period November 29, 2010* through October 31, 2011

	PowerShares KBW High Dividend Yield Financial Portfolio (KBWD)	PowerShares KBW International Financial Portfolio (KBWX)	PowerShares KBW Premium Yield Equity REIT Portfolio (KBWY)	PowerShares KBW Property & Casualty Insurance Portfolio (KBWP)
INVESTMENT INCOME:				
Unaffiliated dividend income	\$ 1,002,319	\$ 75,911	\$ 234,714	\$ 80,703
Affiliated dividend income (Note 4)	114,419	—	—	—
Foreign withholding tax	—	(7,667)	—	—
Total Income	<u>1,116,738</u>	<u>68,244</u>	<u>234,714</u>	<u>80,703</u>
EXPENSES:				
Unitary management fees	41,079	9,606	16,772	10,273
Other expenses	2,502	118	485	717
Total Expenses	<u>43,581</u>	<u>9,724</u>	<u>17,257</u>	<u>10,990</u>
Net Investment Income	<u>1,073,157</u>	<u>58,520</u>	<u>217,457</u>	<u>69,713</u>
REALIZED AND UNREALIZED GAIN (LOSS):				
Net realized gain (loss) from:				
Unaffiliated investments	80,851	(33,315)	(87,178)	(13,745)
Affiliated investments (Note 4)	(6,714)	—	—	—
In-kind redemptions	16,151	2,387	4,292	110,094
Net realized gain (loss)	<u>90,288</u>	<u>(30,928)</u>	<u>(82,886)</u>	<u>96,349</u>
Net unrealized appreciation (depreciation) on:				
Unaffiliated investments	(735,001)	(341,238)	(641,917)	(131,459)
Affiliated investments (Note 4)	(293,315)	—	—	—
Net unrealized appreciation (depreciation)	<u>(1,028,316)</u>	<u>(341,238)</u>	<u>(641,917)</u>	<u>(131,459)</u>
Net realized and unrealized gain (loss)	<u>(938,028)</u>	<u>(372,166)</u>	<u>(724,803)</u>	<u>(35,110)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 135,129</u>	<u>\$(313,646)</u>	<u>\$(507,346)</u>	<u>\$ 34,603</u>

* Commencement of Investment Operations.

See Notes to Financial Statements.

Statements of Changes in Net Assets

For the Period November 29, 2010* through October 31, 2011

	PowerShares KBW High Dividend Yield Financial Portfolio (KBWD)	PowerShares KBW International Financial Portfolio (KBWX)	PowerShares KBW Premium Yield Equity REIT Portfolio (KBWY)	PowerShares KBW Property & Casualty Insurance Portfolio (KBWP)
OPERATIONS:				
Net investment income	\$ 1,073,157	\$ 58,520	\$ 217,457	\$ 69,713
Net realized gain (loss)	90,288	(30,928)	(82,886)	96,349
Net unrealized appreciation (depreciation)	(1,028,316)	(341,238)	(641,917)	(131,459)
Net increase (decrease) in net assets resulting from operations	135,129	(313,646)	(507,346)	34,603
Undistributed net investment income (loss) included in the price of units issued and redeemed	(2,470)	4,927	1,448	(2,753)
DISTRIBUTIONS TO SHAREHOLDERS FROM:				
Net investment income	(1,193,226)	(47,001)	(217,941)	(59,232)
Return of capital	—	—	(62,420)	—
Total distributions to shareholders	(1,193,226)	(47,001)	(280,361)	(59,232)
SHAREHOLDER TRANSACTIONS:				
Proceeds from shares sold	29,114,305	4,814,031	9,033,763	7,568,453
Value of shares repurchased	(1,213,242)	(1,268,551)	(1,234,291)	(3,818,777)
Net income (loss) equalization	2,470	(4,927)	(1,448)	2,753
Net increase in net assets resulting from shares transactions	27,903,533	3,540,553	7,798,024	3,752,429
Increase in Net Assets	26,842,966	3,184,833	7,011,765	3,725,047
NET ASSETS:				
Beginning of period	—	—	—	—
End of period	\$26,842,966	\$ 3,184,833	\$ 7,011,765	\$ 3,725,047
Undistributed net investment income at end of period	\$ —	\$ 11,636	\$ —	\$ 11,198
CHANGES IN SHARES OUTSTANDING:				
Shares sold	1,250,000	200,000	350,000	300,000
Shares repurchased	(50,000)	(50,000)	(50,000)	(150,000)
Shares outstanding, beginning of period	—	—	—	—
Shares outstanding, end of period	1,200,000	150,000	300,000	150,000

* Commencement of Investment Operations.

See Notes to Financial Statements.

Financial Highlights

PowerShares KBW High Dividend Yield Financial Portfolio (KBWD)

For the Period
November 29, 2010*
through
October 31, 2011

PER SHARE OPERATING PERFORMANCE:

Net asset value at beginning of period	\$ 23.51
Net investment income**	1.91
Net realized and unrealized gain (loss) on investments	(0.82)
Total from investment operations	1.09
Distributions to shareholders from:	
Net investment income	(2.23)
Net asset value at end of period	\$ 22.37
Share price at end of period***	\$ 22.43
NET ASSET VALUE, TOTAL RETURN****	4.64% ^(a)
SHARE PRICE TOTAL RETURN****	4.92% ^(a)
RATIOS/SUPPLEMENTAL DATA:	
Net assets at end of period (000's omitted)	\$26,843
Ratio to average net assets of:	
Expenses [†]	0.37% [†]
Net investment income	9.14% [†]
Portfolio turnover rate ††	33%
Undistributed net investment income (loss) included in price of units issued and redeemed*##	\$ (0.00) ^(b)

PowerShares KBW International Financial Portfolio (KBWX)

For the Period
November 29, 2010*
through
October 31, 2011

PER SHARE OPERATING PERFORMANCE:

Net asset value at beginning of period	\$ 24.70
Net investment income**	0.54
Net realized and unrealized gain (loss) on investments	(3.57)
Total from investment operations	(3.03)
Distributions to shareholders from:	
Net investment income	(0.44)
Net asset value at end of period	\$ 21.23
Share price at end of period***	\$ 21.24
NET ASSET VALUE, TOTAL RETURN****	(12.45)% ^(c)
SHARE PRICE TOTAL RETURN****	(12.41)% ^(c)
RATIOS/SUPPLEMENTAL DATA:	
Net assets at end of period (000's omitted)	\$ 3,185
Ratio to average net assets of:	
Expenses	0.40% [†]
Net investment income	2.44% [†]
Portfolio turnover rate ††	8%
Undistributed net investment income included in price of units issued and redeemed*##	\$ 0.05

* 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. Estimated investment companies expenses are not expenses that are incurred directly by your Fund. They are expenses, that are incurred directly by the investment companies and are deducted from the value of the funds your Fund invests in. The effect of the estimated investment companies expenses that you bear indirectly is included in your Fund's total return.

† Annualized.

†† Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

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 (December 2, 2010, first day of trading on the Exchange) to October 31, 2011 was 2.97%. The share price total return from Fund Inception to October 31, 2011 was 3.38%.

(b) Amount represents less than \$0.005.

(c) The net asset value total return from Fund Inception (December 2, 2010, first day of trading on the Exchange) to October 31, 2011 was (15.50)%. The share price total return from Fund Inception to October 31, 2011 was (15.40)%.

See Notes to Financial Statements.

Financial Highlights (Continued)

PowerShares KBW Premium Yield Equity REIT Portfolio (KBWY)

For the Period
November 29, 2010*
through
October 31, 2011

PER SHARE OPERATING PERFORMANCE:

Net asset value at beginning of period	\$24.96
Net investment income**	1.01
Net realized and unrealized gain (loss) on investments	(1.27)
Total from investment operations	(0.26)
Distributions to shareholders from:	
Net investment income	(1.03)
Return of capital	(0.30)
Total distributions	(1.33)
Net asset value at end of period	\$23.37
Share price at end of period***	\$23.40
NET ASSET VALUE, TOTAL RETURN****	(1.20)% ^(a)
SHARE PRICE TOTAL RETURN****	(1.08)% ^(a)

RATIOS/SUPPLEMENTAL DATA:

Net assets at end of period (000's omitted)	\$7,012
Ratio to average net assets of:	
Expenses	0.36%†
Net investment income	4.54%†
Portfolio turnover rate ††	36%
Undistributed net investment income included in price of units issued and redeemed**#	\$ 0.01

PowerShares KBW Property & Casualty Insurance Portfolio (KBWP)

For the Period
November 29, 2010*
through
October 31, 2011

PER SHARE OPERATING PERFORMANCE:

Net asset value at beginning of period	\$24.75
Net investment income**	0.54
Net realized and unrealized gain on investments	0.04
Total from investment operations	0.58
Distributions to shareholders from:	
Net investment income	(0.50)
Net asset value at end of period	\$24.83
Share price at end of period***	\$24.84
NET ASSET VALUE, TOTAL RETURN****	2.36% ^(b)
SHARE PRICE TOTAL RETURN****	2.41% ^(b)

RATIOS/SUPPLEMENTAL DATA:

Net assets at end of period (000's omitted)	\$3,725
Ratio to average net assets of:	
Expenses	0.37%†
Net investment income	2.38%†
Portfolio turnover rate ††	4%
Undistributed net investment income (loss) included in price of units issued and redeemed**#	\$ (0.02)

* 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.

† Annualized.

†† Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

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 (December 2, 2010, first day of trading on the Exchange) to October 31, 2011 was (1.87)%. The share price total return from Fund inception to October 31, 2011 was (1.55)%.

(b) The net asset value total return from Fund Inception (December 2, 2010, first day of trading on the Exchange) to October 31, 2011 was 0.38%. The share price total return from Fund Inception to October 31, 2011 was 0.45%.

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 portfolios:

<u>Full Name</u>	<u>Short Name</u>
PowerShares KBW High Dividend Yield Financial Portfolio (KBWD)	“KBW High Dividend Yield Financial Portfolio”
PowerShares KBW International Financial Portfolio (KBWX)	“KBW International Financial Portfolio”
PowerShares KBW Premium Yield Equity REIT Portfolio (KBWY)	“KBW Premium Yield Equity REIT Portfolio”
PowerShares KBW Property & Casualty Insurance Portfolio (KBWP)	“KBW Property & Casualty Insurance Portfolio”

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

The Funds’ market prices may differ to some degree from the net asset value (“NAV”) of the Shares of each Fund. Unlike conventional mutual funds, each 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 in-kind for securities included in the relevant index. Except when aggregated in Creation Units by Authorized Participants, the Shares are not individually redeemable securities of the Funds.

The investment objective of each Fund is to seek investment results that correspond (before fees and expenses) generally to the price and yield performance of the following indices (each, an “Underlying Index”):

<u>Fund</u>	<u>Index</u>
KBW High Dividend Yield Financial Portfolio	KBW Financial Sector Dividend Yield Index
KBW International Financial Portfolio	KBW Global ex-U.S. Financial Sector Index
KBW Premium Yield Equity REIT Portfolio	KBW Premium Yield Equity REIT Index
KBW Property & Casualty Insurance Portfolio	KBW Property & Casualty 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 Funds monitor 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

Securities, including restricted securities, are valued according to the following policies.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

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.

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 depositary 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

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

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.

B. Other Risks

Replication Management Risk. Unlike many investment companies, the Funds do not utilize an investing strategy that seeks returns in excess of each Fund's respective Underlying Index. Therefore, a Fund would not necessarily sell a security unless that security is removed from its respective Underlying Index.

Non-Diversified Fund Risk. Each Fund is considered non-diversified and can invest a greater portion of 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.

Non-Correlation Risk. Each Fund's return may not match the return of its Underlying Index for a number of reasons. For example, each 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 each Fund and its Underlying Index may vary due to asset valuation differences and differences between each Fund's portfolio and its Underlying Index resulting from legal restrictions, cost or liquidity constraints.

Small and Medium Capitalization Company Risk. Investing in securities of small and medium capitalization companies involves greater risk than is customarily associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they are focused are still evolving and may make them be more sensitive to changing market conditions.

Equity Securities Risk. 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.

Concentration Risk. A significant percentage of the Underlying Index may be comprised of issuers in a single industry or sector of the economy. If the Fund is focused in an industry or sector, it may present more risks than if it were broadly diversified over numerous industries and sectors of the economy.

High Dividend Yield Securities Risk. The KBW High Dividend Yield Financial Portfolio's and the KBW Premium Yield Equity REIT Portfolio's investments in high yielding, dividend paying securities, at times, may be out of favor and underperform other market segments (e.g., growth stocks).

REIT Risk. The KBW High Dividend Yield Financial Portfolio's and the KBW Premium Yield Equity REIT Portfolio's investments in securities of real estate companies involve risks. Although the Funds will not invest in real estate directly, the REITs in which the Funds will invest will be subject to risks inherent in the direct ownership of real estate. These risks include, but are not limited to, the risk of a possible lack

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

of mortgage funds and associated interest rate risks, overbuilding, property vacancies, increases in property taxes and operating expenses, changes in zoning laws, losses due to environmental damages and changes in neighborhood values and appeal to purchasers.

Financial Sector Risk. The KBW High Dividend Yield Financial Portfolio's and KBW International Financial Portfolio's investments in securities of the financial sector involve risks. The market value of securities of issuers in the financial sector can be affected by factors such as adverse regulatory or economic occurrences affecting the financial sector, availability of credit, fluctuations in asset values, unstable interest rates, increased competition, continuing consolidations and development of new products and structures. Furthermore, increased government involvement in financial institutions, including measures such as taking ownership positions in such institutions, could result in a dilution in the value of the shares held by shareholders in such institutions.

Risk of Investing in BDCs. The KBW High Dividend Yield Financial Portfolio's investments in business development companies ("BDCs") involve risks. The 1940 Act imposes certain restraints upon the operations of a BDC. Generally, little public information exists for private and thinly traded companies and there is a risk that investors may not be able to make a fully informed investment decision. With investments in debt instruments, there is a risk that the issuer may default on its payments or declare bankruptcy. The limitations on a BDC's asset mix and leverage may prohibit the way that the BDC raises capital. BDCs generally invest in less mature private companies which involve greater risk than well-established publicly-traded companies. To the extent that the Fund invests a portion of its assets in BDCs, a 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 BDCs.

Foreign Institutions Risk. For KBW International Financial Portfolio, foreign companies, in general, are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about these companies. Moreover, foreign companies are often subject to less stringent requirements regarding accounting, auditing, financial reporting and record-keeping than are U.S. companies, and therefore, not all material information regarding these companies will be available.

Property and Casualty Insurance Industry Risk. The KBW Property & Casualty Insurance Portfolio's investments in securities of property and casualty insurance companies involve risks. Property and casualty insurance companies can be significantly affected by many factors, including changes in interest rates, general economic conditions, the imposition of premium rate caps, competition and pressure to compete globally, including price and marketing competition, and other changes in government regulation or tax law. In addition, different segments of the insurance industry can be significantly affected by mortality and morbidity rates, environmental clean-up costs and catastrophic events such as natural disasters and terrorist acts.

C. Federal Income Taxes

Each 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 Funds 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.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

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 in-kind transactions, losses deferred due to wash sales, and passive foreign investment company adjustments, if any.

The Funds file 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.

D. 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. 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 a 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.

E. Expenses

Each 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 Funds, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses, expenses of the investment companies that are paid indirectly as a result of share ownership of the investment companies in which KBW High Dividend Yield Financial Portfolio invests and other extraordinary expenses.

Expenses included in each of the accompanying financial statements, reflect the expenses of each 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.

F. Dividends and Distributions to Shareholders

Each Fund declares and pays dividends from net investment income, if any, to its shareholders quarterly for the KBW International Financial Portfolio and KBW Property & Casualty Insurance Portfolio, and monthly for the KBW Premium Yield Equity REIT Portfolio and KBW High Dividend Yield Financial Portfolio and records such dividends on ex-dividend date. Each 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 such Fund's financial statements as a tax return of capital at fiscal period-end.

G. Equalization

All of the Funds use 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 Statements of

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

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 Funds' investment adviser for the selection and ongoing monitoring of the Funds' investments, managing the Funds' business affairs and providing certain clerical, bookkeeping and other administrative services. As compensation for its services, each Fund has agreed to pay the Adviser an annual unitary management fee. The Adviser has agreed to pay substantially all expenses of the Funds, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses, expenses of the investment companies that are paid indirectly as a result of share ownership of the investment companies in which the Funds invest, if any and other extraordinary expenses. Each Fund (except for the KBW International Financial Portfolio) has agreed to pay the Adviser an annual unitary management fee of 0.35% of the Fund's average daily net assets. The KBW International Financial Portfolio has agreed to pay the Adviser an annual unitary management fee of 0.40% of the Fund's average daily net assets.

The Trust has entered into a Distribution Agreement with Invesco Distributors, Inc. (the "Distributor"), which serves as the distributor of Creation Units for each 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 each Fund with Keefe, Bruyette & Woods, Inc. (the "Licensor"). Each Underlying Index name trademark is owned by the Licensor. These trademarks have been licensed to the Adviser for use with the Funds. Each Fund is entitled to use its Underlying Index pursuant to the Trust's sub-licensing agreement with the Adviser. The Funds are not sponsored, endorsed, sold or promoted by the Licensor and the Licensor makes no representation regarding the advisability of investing in any of these Funds.

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 each Fund.

Note 4. Investments in Affiliates

The Fund's Adviser is a subsidiary of Invesco Ltd. and, therefore Invesco Mortgage Capital, Inc. is considered to be affiliated with the Fund. The table below shows the transactions in and earnings from the investment in Invesco Mortgage Capital, Inc. for the fiscal year ended October 31, 2011.

KBW High Dividend Yield Financial Portfolio

	Value 11/29/10	Purchases at Cost	Proceeds from Sales	Change in Unrealized Appreciation (Depreciation)	Realized Gain (Loss)	Value 10/31/11	Dividend Income
Invesco Mortgage Capital, Inc.	\$—	\$1,784,225	\$(64,264)	\$(293,315)	\$(6,714)	\$1,419,932	\$114,419

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

Note 5. 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.

As of October 31, 2011, the securities in each Fund were valued based on Level 1 inputs (see the Schedule of Investments for security categories). 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.

With respect to each Fund, during the period November 29, 2010 to October 31, 2011, there were no significant transfers between investment levels.

Note 6. Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Period November 29, 2010 to October 31, 2011:

	2011	
	Ordinary Income	Return of Capital
KBW High Dividend Yield Financial Portfolio	\$1,193,226	\$ —
KBW International Financial Portfolio	47,001	—
KBW Premium Yield Equity REIT Portfolio	217,941	62,420
KBW Property & Casualty Insurance Portfolio	59,232	—

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

Tax Components of Net Assets at Fiscal Period-End:

	<u>Undistributed Ordinary Income</u>	<u>Undistributed Long Term Gain</u>	<u>Net Unrealized Appreciation (Depreciation)</u>	<u>Capital Loss Carryforward</u>	<u>Shares of Beneficial Interest</u>	<u>Total Net Assets</u>
KBW High Dividend Yield Financial Portfolio	\$164,335	\$2,858	\$(1,238,939)	\$ —	\$27,914,712	\$26,842,966
KBW International Financial Portfolio	11,636	—	(363,721)	(10,832)	3,547,750	3,184,833
KBW Premium Yield Equity REIT Portfolio . . .	—	—	(685,737)	(43,358)	7,740,860	7,011,765
KBW Property & Casualty Insurance Portfolio	11,198	—	(134,269)	(10,935)	3,859,053	3,725,047

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 Funds to utilize. The ability to utilize capital loss carryforward in the future may be limited under Internal Revenue Code rules and related regulations based on the results of future transactions.

The following Funds had capital loss carryforward amounts as of October 31, 2011, which expire on October 31 of each year listed below:

	<u>2019</u>	<u>Total*</u>
KBW High Dividend Yield Financial Portfolio	\$ —	\$ —
KBW International Financial Portfolio	10,832	10,832
KBW Premium Yield Equity REIT Portfolio	43,358	43,358
KBW Property & Casualty Insurance Portfolio	10,935	10,935

*Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

Note 7. Investment Transactions

For the period November 29, 2010 to October 31, 2011, the cost of securities purchased and proceeds from sales of securities, excluding short-term securities, money market funds and in-kind transactions, were as follows:

	<u>Purchases</u>	<u>Sales</u>
KBW High Dividend Yield Financial Portfolio	\$4,356,868	\$4,432,077
KBW International Financial Portfolio	240,844	224,015
KBW Premium Yield Equity REIT Portfolio	1,924,944	1,895,116
KBW Property & Casualty Insurance Portfolio	196,771	160,812

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

For the period November 29, 2010 to October 31, 2011, in-kind transactions associated with creations and redemptions were as follows:

	<u>Securities Received</u>	<u>Securities Delivered</u>
KBW High Dividend Yield Financial Portfolio	\$28,175,306	\$ 325,905
KBW International Financial Portfolio	3,575,475	37,967
KBW Premium Yield Equity REIT Portfolio	7,947,580	239,857
KBW Property & Casualty Insurance Portfolio	6,436,792	2,712,266

Gains and (losses) on in-kind transactions are generally not considered taxable gains and (losses) for Federal income tax purposes.

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>
KBW High Dividend Yield Financial Portfolio	\$28,260,662	\$(1,238,939)	\$571,768	\$(1,810,707)
KBW International Financial Portfolio	3,545,892	(363,721)	52,403	(416,124)
KBW Premium Yield Equity REIT Portfolio	7,713,830	(685,737)	106,466	(792,203)
KBW Property & Casualty Insurance Portfolio	3,860,362	(134,269)	140,022	(274,291)

Note 8. Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of in-kind transactions, distribution reclassifications, excise taxes paid and utilization 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 each Fund. For the period November 29, 2010 to October 31, 2011, the reclassifications were as follows:

	<u>Undistributed Net Investment Income (Loss)</u>	<u>Undistributed Net Realized Gain (Loss)</u>	<u>Shares of Beneficial Interest</u>
KBW High Dividend Yield Financial Portfolio	\$122,539	\$(133,718)	\$ 11,179
KBW International Financial Portfolio	(4,810)	(2,387)	7,197
KBW Premium Yield Equity REIT Portfolio	(964)	(4,292)	5,256
KBW Property & Casualty Insurance Portfolio	3,470	(110,094)	106,624

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

Note 9. Trustees' Fees

The Funds compensate each Trustee who is not an "interested person" as defined in the 1940 Act (an "Independent Trustee"). The Adviser, as result of the unitary management fee, pays for such compensation. 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 Deferral 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 10. Capital

Shares are created and redeemed by the Trust only in Creation Unit size aggregations of 50,000 Shares. Only Authorized Participants are permitted to purchase or redeem Creation Units from the Funds. Such transactions are generally permitted on an in-kind basis, with a balancing cash component to equate the transaction to the NAV per Share of each Fund of the Trust on the transaction date. Cash may be substituted equivalent to the value of certain securities generally when they are not available in sufficient quantity for delivery, not eligible for trading by the Authorized Participant or as a result of other market circumstances. Transactions in capital shares for each Fund are disclosed in detail on the Statements of Changes in Net Assets.

Note 11. 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 statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of each of the portfolios indicated in Note 1 of the financial statements (each a portfolio of PowerShares Exchange-Traded Fund Trust II, hereafter referred to as the “Trust”) at October 31, 2011, and the results of each of their operations, the changes in each of their net assets, and the financial highlights for the period November 29, 2010 (commencement of operations) 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.

Each Fund designates the following amounts or, if subsequently determined to be different the maximum amount allowable for the period November 29, 2010 to October 31, 2011:

Federal Income Tax Information

	<u>Qualified Dividend Income*</u>	<u>Corporate Dividends Received Deduction*</u>
KBW High Dividend Yield Financial Portfolio	55%	55%
KBW International Financial Portfolio	100%	0%
KBW Premium Yield Equity REIT Portfolio	1%	1%
KBW Property & Casualty Insurance Portfolio	100%	79%

The Funds intend to elect to pass through to shareholders the credit for taxes paid to foreign countries. The gross foreign source income and foreign taxes paid are as follows:

	<u>Foreign Source Income</u>	<u>Foreign Taxes</u>
KBW International Financial Portfolio	75,910	7,667

* 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 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. (formerly Invesco Trimark 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
Todd Spillane (52) Invesco Management Group, Inc. 11 Greenway Plaza Suite 2500 Houston, TX 77046	Chief Compliance Officer	Since 2010	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 Advisers, Inc., Invesco Capital Management, Inc. and Invesco Private Asset Management, Inc.; Vice President, Invesco Capital Management, Inc. and Fund Management Company
Steven M. Hill (47) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Treasurer	Since 2011	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).

* 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 & Lloyd 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.

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, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

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