Global Asset Allocation
A Family of ETFs of ETFs
Tax-Advantaged ETF Structure*
Patented Resampled Efficiency™ Optimization Process
Transparency

There are risks involved with investing in the Funds. There are risks involved with investing in ETFs, including possible loss of money. The Funds are not actively managed and are subject to risks similar to stocks. Shares are subject to risks. Ordinary brokerage commissions apply.

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in Creation Unit aggregations only, typically consisting of 100,000 shares.

* Invesco PowerShares does not offer tax advice. Please consult your tax advisor regarding your own personal tax situation. Please see the prospectus for more complete tax information associated with an investment in the Funds. There is no guarantee that the Funds will not distribute capital gains to their shareholders.
PowerShares Autonomic Global Asset Portfolios seek to provide efficient access to global, risk-controlled asset allocation strategies through investment in other ETFs.

### The Importance of Asset Allocation

Research shows that a properly allocated portfolio is a critical factor in explaining the difference in returns across portfolios.  

- Security Selection 2.8%
- Other Factors 3.9%
- Market Timing 1.8%
- Asset Allocation 91.5%

### Autonomic:

The quarterly process by which the indexes are rebalanced in an effort to maximize long-term returns for a risk profile targeting a given percentage of investment in equity and fixed-income securities.

### Index Construction

- Risk/return estimation
- Global asset allocation
- Portfolio construction
- Rebalancing

### Benefits of the “ETF of ETFs” structure

In general, ETFs are tax-efficient, liquid, fully transparent and provide access to nearly every major asset class. We believe these attributes make ETFs an ideal asset allocation tool for portfolio managers, institutions and individual investors.

The PowerShares Autonomic Global Asset Portfolios are “ETFs of ETFs” that seek to provide efficient access to global, risk-controlled strategic asset allocation strategies. They are ETFs that track indexes composed of other ETFs. These ETFs are selected for inclusion in the applicable indexes by New Frontier Advisors LLC (NFA) (e.g., New Frontier Global Dynamic® Balanced Index, New Frontier Global Dynamic® Balanced Growth Index or New Frontier Global Dynamic® Growth Index, each an “Index,” collectively “indexes”) and are weighted and rebalanced by NFA using its patented Resampled Efficiency™ methodology – a process designed to effectively consider investment uncertainty in the portfolio optimization process. Generally, it is expected that the indexes will include PowerShares ETFs, however, in certain circumstances (e.g., availability) ETFs advised by unaffiliated entities may be selected for inclusion in the indexes. An investment in the Funds is subject to the risks associated with Underlying ETFs in which they invest.

The Funds’ investment performance, because they are funds of funds, depend on the investment performance of the Underlying ETFs in which they invest. The Funds will indirectly bear its proportionate share of the fees and expenses of the underlying ETFs in which they invest.

### Global strategic asset allocation: a core solution

Strategic asset allocation is an investment strategy that seeks to balance risk and reward in a portfolio by spreading investments over several types of asset classes – such as equities and fixed income. Strategic asset allocation is widely considered to be the basis of a properly designed long-term investment program for many investors and institutions.

Because different kinds of investments tend to perform differently over time, investing in a variety of asset classes may reduce a portfolio’s exposure to a downturn in any one particular type of asset.

Additionally, a global approach to strategic asset allocation increases the opportunity to capitalize on more of the world’s long-term growth than a portfolio including only domestic securities.

An investment in the securities of non-U.S. issuers involves risks beyond those associated with investments in U.S. securities, including, but not limited to: greater market volatility, the availability of less reliable financial information, higher transactional and custody costs, taxation by foreign governments, decreased market liquidity, political instability, negative impact of changes in currency exchange rates or foreign governmental regulation.

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### Index construction: four-step process

The PowerShares Autonomic Portfolios are based on indexes that follow NFA’s “autonomic” four-step process for maximizing investable long-term economic growth at a given investor risk level by targeting a certain percentage of investment in equity and fixed-income securities.

1. **Risk/return estimation:** NFA uses a number of statistical techniques designed to improve the forecast value of historically based estimates. NFA believes that effective risk/return estimation requires considerations of contemporary economic, regulatory and political issues, as well as the evolving structure of capital markets and the impact of global investment strategies. NFA employs advanced proprietary statistical methodologies intended to optimally combine current and historical data for enhanced index construction.

2. **Global asset allocation:** Each Index is based on a group of ETFs chosen by NFA to optimally represent factors in global economic growth. Global asset allocation is intended to provide more opportunities to add investment value and risk management.

3. **Portfolio construction:** Each Index uses NFA’s patented Resampled Efficiency™ portfolio optimization to construct an optimal mix of ETFs for each equity-to-fixed-income risk profile. The Indexes are designed to be global, optimized, risk-adjusted ETF portfolios for three levels of strategic investor risk: balanced, balanced growth and growth.

4. **Rebalancing:** Each Index employs NFA’s patented Resampled Efficiency™ rebalancing and monitoring technology. Each Index rebalances quarterly, though monthly rebalancing may be necessary in volatile markets to ensure meeting each portfolio’s risk target.
Limitations of traditional portfolio optimizers

Many commercial portfolio optimizers and asset allocators use optimization technology invented by Harry Markowitz more than 50 years ago. NFA believes Markowitz's optimization is theoretically valid and provides a rich investment framework for defining risk-adjusted optimal portfolios, but in practice, the technology exhibits poor investment performance characteristics. The problem, NFA feels, is not with Markowitz's theory, but in the way optimizers use investment information. NFA believes that because traditional optimization methods assume 100% certainty in optimization inputs, they may make little investment sense to experienced investors and often have little investment value in practice.

Resampled Efficiency™

NFA's patented Resampled Efficiency™ Optimizer is a resampling portfolio construction technology available for practical asset management. The resampling process calculates thousands of statistically equivalent efficient portfolios from multiple sets of equivalent risk/return estimates with a view toward realistically capturing the uncertainty implicit in investment information. Resampled Efficiency™ optimization is designed to result in portfolios that typically reflect investment intuition, display stability under alternative scenarios and, most importantly, are historically effective at enhancing investment value on average.

Applying Resampled Efficiency

Strategic asset allocation is widely considered to be one of the most important investment decisions for investors. The stock/bond mix is a valuable way to represent the investor risk that drives optimal long-term investment performance. In addition, investment theory has shown that short-term optimal investment strategies may not be optimal over time. As a result, an optimally managed, lower risk, asset allocation strategy may often result in higher long-term returns than a short-term, high-return strategy.

New Frontier Advisors, LLC

New Frontier Advisors (NFA) offers global, risk-controlled, strategic asset allocations that are intended as long-term or core investments in a well-defined investment program. NFA is a Boston-based institutional research and investment advisory firm with an extensive background in quantitative research, consulting and management. The firm continues to pioneer new developments in asset allocation and portfolio selection. Based on cutting-edge practical economic theory, NFA's services help institutional investors worldwide select and maintain more effective portfolios.

"Father of [Modern Portfolio Theory] concedes that resampling technique creates better asset allocations”

Headline, Pensions & Investments. December 22, 2003

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**Tax Efficiency of ETFs of ETFs**

**It is quite possible that PowerShares Autonomic ETFs will never distribute a capital gain to their shareholders.**

**Tax-efficient product design**

Taxes may be one of the most critical and overlooked factors in wealth creation over time. For investors in a mutual fund, redemptions can have an adverse tax impact on taxable shareholders if the mutual fund needs to sell portfolio securities to obtain cash to meet fund redemptions. These sales may generate taxable gains for mutual fund shareholders. Over the past 10 years, losses from taxes on capital gains distributions by the average balanced/mixed equity mutual fund have amounted to 163 basis points each year. The unique in-kind redemption mechanism inherent to ETFs, on the other hand, generally should not lead to a tax event for an ETF or its ongoing shareholders.

**Two tax management strategies unique to ETFs**

Conventional mutual funds use a HI-FO (Highest In - First Out) pooled tax treatment strategy for managing most portfolios. This method typically creates embedded, unrealized capital-gain exposure and eventual taxable distributions. These distributions are declared and must be distributed annually and can occur regardless of whether an investor has made or lost money in the mutual fund.

1. **LI-FO in-kind tax management strategy.** PowerShares Autonomic ETFs, on the other hand, may mitigate and possibly avoid capital gains distributions through a LI-FO (lowest in - first out) in-kind tax management strategy unique to ETFs. This method typically allows the portfolio manager, during the creation and redemption process, to purge the lowest cost basis stocks in-kind, non-taxable stock transfers. As illustrated below, this unique operational trait leaves the ETF with the highest cost basis securities, which systematically reduces tax exposure.

### LI-FO In-Kind Tax Management Strategy

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<thead>
<tr>
<th>ABC Stock</th>
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<tbody>
<tr>
<td>Current Price</td>
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<tr>
<td>Cost Basis Positions</td>
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<tr>
<td>Lowest Cost-Basis Stocks Selected</td>
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<tr>
<td>Capital Gain Mitigated by the ETF</td>
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<tr>
<td>New Stock Added to the Portfolio</td>
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2. **Market sale tax management strategy.** Additionally, in the event that stocks have depreciated from their acquisition price, the portfolio manager can sell the highest cost-basis stocks in order to realize the capital loss. This potentially offsets future significant capital-gain exposure.

### The In-Kind Transfer Process

When ETFs create new shares or redeem existing shares, they generally do so through a unique in-kind creation/redemption process. While retail investors are largely unaware of this process, it contributes to an ETF’s tax efficiency.

Each trading day, entities called Authorized Participants, or APs (usually large institutional traders), may take a fixed number of newly created ETF shares in exchange for a basket of securities that generally replicate the ETF’s holdings.

The AP can hold these ETF shares or sell them to retail investors over a stock exchange. Retail investors cannot purchase shares directly from Invesco PowerShares except through an AP.

This process can work in reverse when an AP wants to redeem its ETF shares and APs receive baskets of underlying securities that generally replicate an ETF’s portfolio.

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6 “Average balanced/mixed equity mutual fund” is derived from a Lipper study of a group of 632 unique portfolios comprising 2,019 classes of shares with at least one year of performance as of Dec. 31, 2006.


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Invesco PowerShares Asset Allocation ETFs
The PowerShares Autonomic Global Asset Portfolios are designed to provide investors convenient access to long-term, core asset allocation strategies based on three targeted risk profiles: balanced, balanced growth and growth.

PCA  PowerShares Autonomic Balanced NFA Global Asset Portfolio

The PowerShares Autonomic Balanced NFA Global Asset Portfolio is based on the New Frontier Global Dynamic® Balanced Index. This “Index of ETFs” is designed to select ETFs and their appropriate weights through New Frontier Advisors’ proprietary and patented Resampled Efficiency™ optimization process. PCA covers a combination of asset classes designed to maximize long-term returns for a risk profile that includes approximately 60% equity and 40% taxable fixed income.

PAO  PowerShares Autonomic Balanced Growth NFA Global Asset Portfolio

The PowerShares Autonomic Balanced Growth NFA Global Asset Portfolio is based on the New Frontier Global Dynamic® Balanced Growth Index. This “Index of ETFs” is designed to select ETFs and their appropriate weights through New Frontier Advisors’ proprietary and patented Resampled Efficiency™ optimization process. PAO covers a combination of asset classes designed to maximize long-term returns for a risk profile that includes approximately 75% equity and 25% taxable fixed income.

PTO  PowerShares Autonomic Growth NFA Global Asset Portfolio

The PowerShares Autonomic Growth NFA Global Asset Portfolio is based on the New Frontier Global Dynamic® Growth Index. This “Index of ETFs” is designed to select ETFs and their appropriate weights through New Frontier Advisors’ proprietary and patented Resampled Efficiency™ optimization process. PTO covers a combination of asset classes designed to maximize long-term returns for a risk profile that includes approximately 90% equity and 10% taxable fixed income.
Autonomic
Global Asset Portfolios

**Global Asset Allocation**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>PCA</td>
<td>PowerShares Autonomic Balanced NFA Global Asset Portfolio</td>
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<tr>
<td>PAO</td>
<td>PowerShares Autonomic Balanced Growth NFA Global Asset Portfolio</td>
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General Risk Information
There are risks involved with investing in the Funds. There are risks involved with investing in ETFs, including possible loss of money. The Funds are not actively managed and are subject to risks similar to stocks. Shares are subject to risks. Ordinary brokerage commissions apply.
Shares are not FDIC insured, may lose value and have no bank guarantee.

ETF of ETF Risk Information
The Funds pursue their investment objectives primarily by investing their assets in the Funds' underlying ETFs rather than investing directly in stocks, bonds, cash or other investments. The Funds' investment performance, because they are funds of funds, depend on the investment performance of the Underlying ETFs in which they invests. There is a risk that New Frontier Advisors’ evaluations and assumptions regarding the broad asset classes represented in the Underlying Indexes may be incorrect, based on actual market conditions. In addition, at times the segments of the market represented by constituent Underlying ETFs in the Underlying Indexes may be out of favor and under perform other segments. Investment in Underlying ETFs may subject the Funds to the following risks: Market Risk; Non-Correlation Risk; Replication Management Risk; Equity Securities Risk; Fixed-Income Securities Risk; Zero Coupon Securities Risk; Mortgage-Backed Securities Risk; Small and Medium-Sized Company Risk; Large-Sized Company Risk; Value Investing Style Risk; Growth Investing Risk; Foreign Securities Risk; Developing Markets Securities and Commodities Risk, among others. Please see the prospectus for more complete risk information.

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Invesco Aim Distributors, Inc. is the distributor of the PowerShares Exchange-Traded Fund Trust II.
An investor should consider the Funds’ investment objectives, risks, charges and expenses carefully before investing. For a copy of the prospectus which contains this and other information about the Funds, call 800.983.0903 or visit www.invescopowershares.com to download a copy. Please read the prospectus carefully before investing.