Invesco PowerShares

powerSHARES®
Xchange traded funds™

# PGX

**As of Dec. 31, 2009**

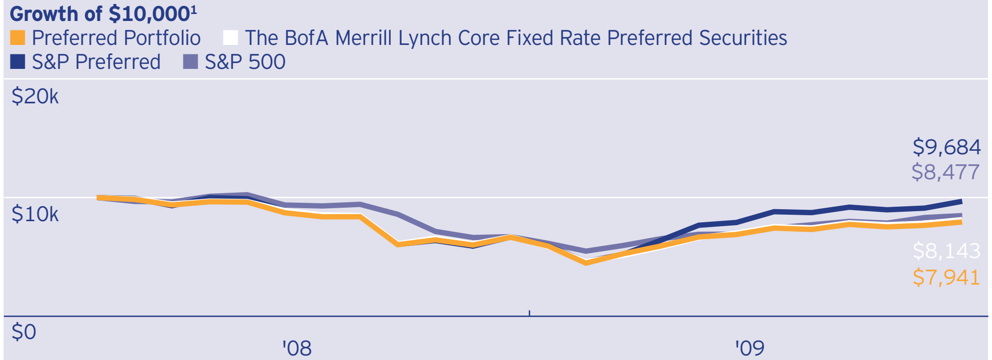
# PowerShares Preferred Portfolio

## Fund Description

The PowerShares Preferred Portfolio is based on The BofA Merrill Lynch Core Fixed Rate Preferred Securities Index. The Fund will normally invest at least 90% of its total assets in securities that comprise the Index. The Index is designed to replicate the total return of a diversified group of investment-grade preferred securities. (Securities must be investment grade, based on an average of three leading ratings agencies: Moody's, S&P and Fitch). The Index is rebalanced on a monthly basis.

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

**Growth of $10,000**[1]




Data beginning Jan. 31, 2008, the month end following Fund inception

**Fund Performance & Index History (%)**[1]

| | 1 Year | 3 Year | 5 Year | 10 Year | Fund Inception[2] |
|---|---|---|---|---|---|
| **Underlying Index** | | | | | |
| The BofA Merrill Lynch Core Fixed Rate Preferred Securities | 21.54 | -6.94 | - | - | -10.16 |
| **Benchmark Indexes** | | | | | |
| S&P Preferred | 45.01 | -1.85 | - | - | -1.66 |
| S&P 500 | 26.47 | -5.62 | - | - | -8.26 |
| **Fund** | | | | | |
| NAV | 19.28 | - | - | - | -11.33 |
| After Tax Held | 15.47 | - | - | - | -14.12 |
| After Tax Sold | 12.12 | - | - | - | -11.18 |
| Market Price | 18.67 | - | - | - | -11.86 |

*Performance data quoted represents past performance. As stated in the Fund's prospectus, the gross annual Fund's operating expense ratio is 0.50%. However, the Adviser has contractually agreed to waive fees and/or pay certain Fund expenses which resulted in a lower fee actually paid by investors. These waivers and reimbursement contracts extend through at least Aug. 30, 2010. Past performance is not a guarantee of future results; 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. See invescopowershares.com to find the most recent month-end performance numbers. After Tax Held represents total return after taxes on distributions and assumes Shares have not been sold. After Tax Sold represents total return after taxes on distributions and the sale of Fund Shares. After-tax returns reflect the highest federal income tax rate but exclude state and local taxes. Market returns are based on the midpoint of the bid/ask spread at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times.*

**Fund Data**[3]

| | |
|---|---|
| Preferred Portfolio | PGX |
| Intraday NAV (IIV) | PGX.IV |
| # of Holdings | 68 |
| CUSIP | 73936T565 |
| Listing Exchange | NYSE Arca |
| Weighted Average Maturity | 11/15/2049 |
| 30-Day SEC Yield | 6.91% |
| Average Duration | 7.54 |
| Average Credit Quality | BBB+/A3 |
| Expense Ratio | 0.50% |
| Options | Yes |

**Underlying Index Data**[3]

| | |
|---|---|
| Average Duration | 8.97 |
| Average Credit Quality | BBB+/Baa1 |
| Weighted Average Maturity | 10/28/2051 |
| Average Yield to Worst | 6.13 |
| # of Holdings | 226 |

**3-Year Index Statistics**[1,3]

| | Performance (%) | Volatility (%) | Beta | Sharpe Ratio | Correlation |
|---|---|---|---|---|---|
| The BofA Merrill Lynch Core Fixed Rate Preferred Securities | -6.94 | 29.30 | - | -0.30 | - |
| S&P Preferred | -1.85 | 34.26 | 0.83 | -0.11 | 0.95 |
| S&P 500 | -5.62 | 19.89 | 0.83 | -0.38 | 0.31 |

**Fund Inception: Jan. 31, 2008**

[1] Index returns do not represent Fund returns. An investor cannot invest directly in an index.

[2] Returns for the benchmark indexes are based on the closest month end to the Fund's inception date.

Neither the underlying Index nor the benchmark indexes charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown; nor do any of the indexes lend securities, and no revenues from securities lending were added to the 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 Preferred Index is an unmanaged index consisting of U.S.-listed preferred stocks. The S&P 500® Index is an unmanaged index considered representative of the U.S. stock market.

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

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

PGX

# PowerShares Preferred Portfolio

As of Dec. 31, 2009

**Top 10 Fund Holdings**[4]

| Name | Coupon | Maturity | S&P/Moody's Rating | Weight (%) |
|---|---|---|---|---|
| JP Morgan Chase | 7.00 | 2/15/2032 | BBB+/A1 | 6.92 |
| Barclays Bk. Plc. | 8.125 | - | BBB+/Baa2 | 6.63 |
| HSBC Holdings Plc. | 8.125 | - | A-/NR | 5.56 |
| Wells Fargo Cap. | 7.00 | 9/1/2031 | A-/Baa2 | 4.94 |
| Morgan Stanley Cap. Trust | 6.60 | 10/15/2066 | BBB/A3 | 4.67 |
| DB Cont. Cap. Trust V | 8.05 | - | BBB+/Aa3 | 3.97 |
| General Electric Cap. | 6.10 | 11/15/2032 | AA+/Aa2 | 3.84 |
| JP Morgan Chase | 8.625 | - | BBB+/A2 | 3.83 |
| Public Storage | 7.25 | - | BBB/Baa1 | 3.78 |
| Wells Fargo Co. | 8.00 | - | A-/Ba1 | 3.73 |

**Annual Index Performance (%)**

| | The BofA ML Preferred | S&P Preferred |
|---|---|---|
| 2007 | -11.31 | -12.17 |
| 2008 | -25.24 | -25.76 |
| 2009 | 21.54 | 45.01 |

**Maturity (years)**

| | Weight (%) |
|---|---|
| 0 - 1 | 48.75 |
| 1 - 5 | - |
| 5 - 10 | - |
| 10 - 15 | - |
| 15 - 20 | - |
| 20 - 25 | 17.48 |
| 25+ | 33.11 |

**Fund Sector Allocations (%)**

| | |
|---|---|
| Consumer Discretionary | 4.28 |
| Consumer Staples | - |
| Energy | 0.85 |
| Financials | 85.80 |
| Health Care | - |
| Industrials | - |
| Information Technology | - |
| Materials | 0.28 |
| Telecommunication Services | 2.19 |
| Utilities | 6.60 |

**Credit Ratings Breakdown (%)**[3]

| | S&P | Moody's |
|---|---|---|
| AAA/Aaa | - | - |
| AA/Aa | 3.84 | 13.06 |
| A/A | 26.62 | 31.73 |
| BBB/Baa | 62.01 | 44.47 |
| BB/Ba | 6.69 | 3.93 |
| B/B | - | - |
| Other | 0.84 | 6.82 |

**Leading** the Intelligent ETF Revolution®

Underlying Index performance does not represent Fund performance.

[3] The Intraday NAV is a symbol representing estimated fair value based on the most recent intraday price of underlying assets.

Volatility is the annualized standard deviation of monthly index returns.

Beta is a measure of relative risk and the slope of regression.

Sharpe Ratio is a risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. A higher Sharpe Ratio indicates better risk-adjusted performance.

Correlation indicates the degree to which two investments have historically moved in the same direction and magnitude.

Weighted Average Maturity is the weighted average date to the final payment of each issue.

The credit quality of the Fund's holdings represents the weighted average quality rating of the securities in the portfolio as assigned by Nationally Recognized Statistical Rating Organizations based on assessment of the credit worthiness of the underlying securities. The ratings range from AAA (highest) to D (lowest).

Average Yield to Worst is the average yield to maturity if the worst possible bond repayment takes place.

[4] Please see the website for complete holdings information. Holdings are subject to change.

Shares are subject to risks including: Small and Medium-Sized Company Risk – investing in securities of small and medium-sized companies involves greater risk than is customarily associated with investing in more established companies.

**There are special risks associated with investing in preferred securities, including, but not limited to: provisions that permit the issuer, in its discretion, to defer or omit distributions for a certain period of time. If the Fund owns a security that is deferring or omitting its distributions, the Fund may be required to report the distribution on its tax returns, even though it may not have received this income; preferred securities may lose substantial value due to the omission or deferment of dividend payments; preferred securities may be less liquid than many other securities, such as common stocks, and generally offer no voting rights with respect to the issuer; preferred securities may also be subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of nonpayment than more senior securities. In certain circumstances, an issuer of preferred securities may redeem the securities prior to a specified date, and this may negatively impact the return of the security. Investments in financial institutions may be subject to certain risks, including, but not limited to, the risk of regulatory actions, changes in interest rates and concentration of loan portfolios in an industry or sector. Financial institutions are highly regulated and may suffer setbacks should regulatory rules under which they operate change. Likewise, there is a high level of competition among financial institutions that could adversely affect the viability of an institution. The Fund's investments in non-U.S. issuers, although limited to American depositary receipts, may involve unique risks compared to investing in securities of U.S. issuers, including, among others, greater market volatility, the availability of less reliable financial information, higher transactional costs, taxation by foreign governments, decreased market liquidity and political instability. Please see the prospectus for more complete risk information.**

The Fund's use of a representative sampling approach will result in it holding a smaller number of bonds that are in the underlying Index, potentially resulting in a greater decline in NAV than would be the case if the Fund held all of the bonds in the underlying Index. As a result, an adverse development respecting an issuer of bonds held by the Fund could result in a greater decline in NAV than would be the case if the Fund held all of the bonds in the Fund's underlying Index. To the extent the assets in the Fund are smaller, these risks will be greater.

The Fund may not be fully invested at times, either as a result of cash flows into the fund or reserves of cash held by the Fund to meet redemptions and expenses.



**Invesco Aim Distributors, Inc. is the distributor of the PowerShares Exchange-Traded Fund Trust II.**

**PowerShares® is a registered trademark of Invesco PowerShares Capital Management LLC. Invesco PowerShares Capital Management LLC and Invesco Aim Distributors, Inc. are indirect, wholly owned subsidiaries of Invesco Ltd.**

***An investor should consider the Fund's investment objective, risks, charges and expenses carefully before investing. For this and more complete information about the Fund call 800 983 0903 or visit www.invescopowershares.com for a prospectus. Please read the prospectus carefully before investing.***

Note: Not all products available through all firms.