

2009 Annual Report to Shareholders

October 31, 2009

PowerShares 1-30 Laddered Treasury Portfolio
PowerShares Emerging Markets Sovereign Debt Portfolio
PowerShares High Yield Corporate Bond Portfolio
PowerShares Insured California Municipal Bond Portfolio
PowerShares Insured National Municipal Bond Portfolio
PowerShares Insured New York Municipal Bond Portfolio
PowerShares Preferred Portfolio
PowerShares VRDO Tax-Free Weekly Portfolio

Table of Contents

| | |
|---|----|
| The Market Environment | 3 |
| Manager's Analysis | 4 |
| Frequency Distribution of Discounts & Premiums | 28 |
| Fees and Expenses | 30 |
| Schedules of Investments | |
| PowerShares 1-30 Laddered Treasury Portfolio | 32 |
| PowerShares Emerging Markets Sovereign Debt Portfolio | 33 |
| PowerShares High Yield Corporate Bond Portfolio | 35 |
| PowerShares Insured California Municipal Bond Portfolio | 38 |
| PowerShares Insured National Municipal Bond Portfolio | 41 |
| PowerShares Insured New York Municipal Bond Portfolio | 47 |
| PowerShares Preferred Portfolio | 50 |
| PowerShares VRDO Tax-Free Weekly Portfolio | 52 |
| Statements of Assets and Liabilities | 58 |
| Statements of Operations | 60 |
| Statements of Changes in Net Assets | 62 |
| Financial Highlights | 65 |
| Notes to Financial Statements | 69 |
| Report of Independent Registered Public Accounting Firm | 80 |
| Supplemental Information | 81 |

This page intentionally left blank

The Market Environment

Market Environment

For the year ended October 31, 2009, the global economic situation saw signs of recovery. Global markets continued their decline during the last two months of 2008, but experienced a significant rally after the equity markets bottomed in the early months of 2009. International markets saw a steep rebound, while the U.S. markets experienced a milder upswing. Volatility returned closer to its historic average during the year. Emerging markets had the strongest recovery with the benchmark MSCI Emerging Markets Index returning 64.13%. Developed international markets also posted strong returns with the benchmark MSCI EAFE Index returning 27.71%. The U.S. markets had the lowest equity returns over the reporting period with the S&P 500® Index returning 9.80%. Fixed-income markets trended higher over the year with the Barclays Aggregate Bond Index returning 13.79%.

Manager's Analysis

PowerShares 1-30 Laddered Treasury Portfolio (ticker: PLW)

The PowerShares 1-30 Laddered Treasury Portfolio (the “Fund”) seeks investment results that correspond, generally, to the price and yield (before fees and expenses) of the Ryan/Mergent 1-30 Year Treasury Laddered Index (the “Index”), which measures the potential returns of a theoretical portfolio of U.S. Treasury securities with a yield curve based upon 30 U.S. Treasury Bonds with fixed coupons, scheduled to mature in a proportional, annual sequential (“laddered”) structure.

For the year ended October 31, 2009, the Fund returned 8.55%. During this same year the Index returned 9.04% and the Barclays Capital U.S. Treasury Index returned 6.33%. It was a tale of two very distinct Treasury markets over the course of the reporting period, albeit resulting in a solid overall yearly gain. From November 2008 until March 2009, U.S. Treasuries benefited significantly from investors flight-to-quality status. From March through October 2009, U.S. Treasuries declined in value amidst a record amount of U.S. Treasuries (issued to fund the U.S. banking crisis), which flooded the marketplace.

Duration Breakdown (% of the Fund's Net Assets) as of October 31, 2009

| | |
|----------------------------|------|
| Maturing in 1 to 5 Years | 20.1 |
| Maturing in 6 to 10 Years | 16.7 |
| Maturing in 11 to 15 Years | 16.6 |
| Maturing in 16 to 20 Years | 16.2 |
| Maturing in 21 to 25 Years | 9.8 |
| Maturing in 26 to 30 Years | 19.0 |
| Money Market Fund | 0.8 |
| Other | 0.8 |

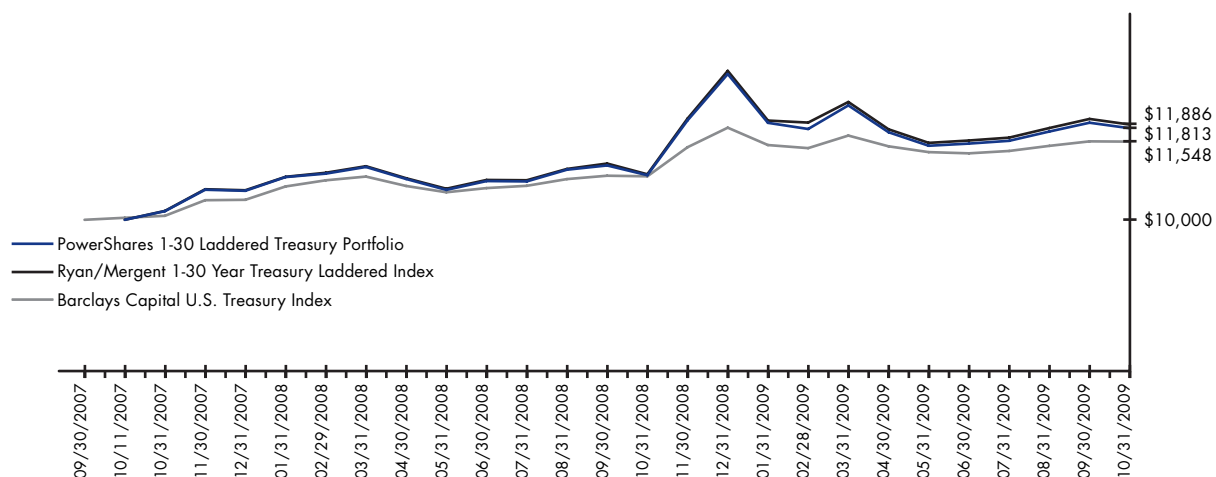
Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2009

| | |
|---|-------------|
| Security | |
| United States Treasury Bonds, 5.375%, 02/15/31 | 9.8 |
| United States Treasury Bonds, 4.500%, 02/15/36 | 9.6 |
| United States Treasury Bonds, 7.875%, 02/15/21 | 3.4 |
| United States Treasury Notes, 3.875%, 02/15/13 | 3.4 |
| United States Treasury Notes, 4.000%, 02/15/14 | 3.4 |
| United States Treasury Notes, 4.000%, 02/15/15 | 3.4 |
| United States Treasury Bonds, 8.875%, 02/15/19 | 3.4 |
| United States Treasury Bonds, 8.500%, 02/15/20 | 3.4 |
| United States Treasury Notes, 4.500%, 02/15/16 | 3.4 |
| United States Treasury Notes, 4.625%, 02/29/12 | 3.3 |
| Total | 46.5 |

Manager's Analysis (Continued)

PowerShares 1-30 Laddered Treasury Portfolio (ticker: PLW)

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



▼ Fund Performance History (%)

As of October 31, 2009

| | | Avg Ann. ^{††} 1 Year | Fund Inception [†] Avg Ann. ^{††} | Cumulative |
|-------|--|----------------------------------|---|------------|
| Index | Ryan/Mergent 1-30 Year Treasury Laddered Index | 9.04 | 8.77 | 18.86 |
| | Barclays Capital U.S. Treasury Index | 6.33 | 7.15 | 15.48 |
| Fund | NAV Return | 8.55 | 8.45 | 18.13 |
| | Share Price Return | 8.38 | 8.34 | 17.89 |

Fund Inception: October 11, 2007

Performance quoted 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 0.25% 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 Barclays Capital US Treasury Index (the "Benchmark Index") is an unmanaged index used as a measurement of change in stock market conditions based on the average performance of approximately 101 securities.

[†] Fund and underlying Index returns are based on the inception date of the Fund. Returns for the Benchmark Index are based on the closest month-end to the Fund's inception date.

^{††} Average annualized.

Manager's Analysis

PowerShares Emerging Markets Sovereign Debt Portfolio (ticker: PCY)

The PowerShares Emerging Markets Sovereign Debt Portfolio (the "Fund") seeks investment results that correspond, generally, to the price and yield (before fees and expenses) of the DB Emerging Market USD Liquid Balanced Index (the "Index"). The Index tracks the performance of a selected basket of liquid emerging markets U.S. dollar-denominated government bonds issued by emerging market countries. The countries in the Index are selected annually pursuant to a proprietary index methodology and the membership list is rebalanced quarterly.

For the year ended October 31, 2009, the Fund returned 52.11%. Over this same year the Index returned 56.60% while the Barclays Capital U.S. Aggregate Index returned 13.79%. The Fund's performance differential versus its Index, beyond regular Fund expenses, can largely be attributed to the negative impact of trading Emerging Market bonds with unusually wide bid/ask spreads (due to low liquidity and extremely high market volatility). In addition, the Fund and the Index utilize different bond pricing sources, which are trading desk-evaluated prices and thus subjective by nature.

The Index turned in its best October-October performance since 1999, after experiencing its worst performance last year. Several factors contributed to the huge rebound seen in emerging market bond prices since March 2009: rising valuations in commodity prices; the strong comeback of emerging market equities, International Monetary Fund loans provided to the weakest emerging market nations in 2009 and new emerging market debt supply. These fundamental factors, combined with increasing investor demand due to emerging market debt's low correlation to traditional bond sectors, created the perfect scenario for the massive gains witnessed in 2009.

Country Breakdown (% of the Fund's Net Assets) as of October 31, 2009

| | |
|---------------|-----|
| Ukraine | 7.3 |
| Pakistan | 6.6 |
| Indonesia | 5.4 |
| Venezuela | 5.1 |
| El Salvador | 4.6 |
| Turkey | 4.5 |
| Vietnam | 4.3 |
| Qatar | 4.3 |
| Russia | 4.2 |
| South Africa | 4.2 |
| Colombia | 4.1 |
| Hungary | 4.1 |
| Philippines | 4.1 |
| Mexico | 4.0 |
| South Korea | 4.0 |
| Peru | 4.0 |
| Brazil | 3.9 |
| Uruguay | 3.9 |
| Bulgaria | 3.9 |
| Poland | 3.9 |
| Panama | 3.9 |
| Chile | 3.7 |
| United States | 0.5 |
| Other | 1.5 |

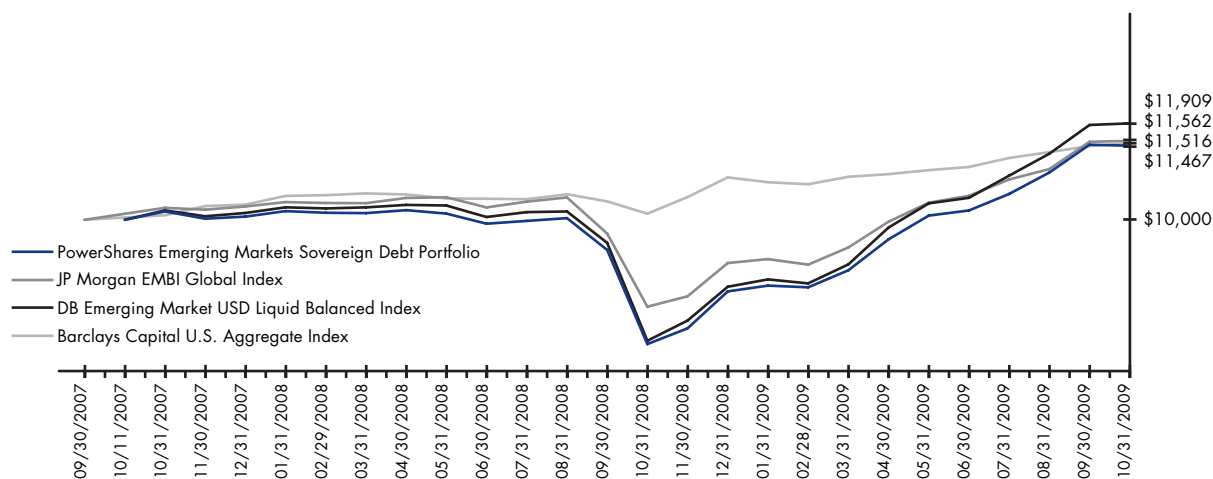
Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2009

| Security | | |
|--------------------------------|-------------------|-------------|
| Ukraine Government, | 7.650%, 06/11/13 | 7.3 |
| Republic of Indonesia, | 8.500%, 10/12/35 | 5.4 |
| Republic of Venezuela, | 13.625%, 08/15/18 | 5.1 |
| Republic of El Salvador, | 8.250%, 04/10/32 | 4.6 |
| Republic of Turkey, | 6.875%, 03/17/36 | 4.5 |
| Socialist Republic of Vietnam, | 6.875%, 01/15/16 | 4.3 |
| State of Qatar, | 9.750%, 06/15/30 | 4.3 |
| Russian Federation, | 11.000%, 07/24/18 | 4.2 |
| Republic of South Africa, | 6.875%, 05/27/19 | 4.2 |
| Islamic Republic of Pakistan, | 6.875%, 06/01/17 | 4.1 |
| Total | | 48.0 |

Manager's Analysis (Continued)

PowerShares Emerging Markets Sovereign Debt Portfolio (ticker: PCY)

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



▼ Fund Performance History (%)

As of October 31, 2009

| | | Avg. Ann. ^{††} 1 Year | Fund Inception [†] Avg. Ann. ^{††} | Cumulative |
|-------|--|-----------------------------------|--|------------|
| Index | DB Emerging Market USD Liquid Balanced Index | 56.60 | 8.88 | 19.09 |
| | JP Morgan EMBI Global Index | 39.64 | 7.21 | 15.62 |
| | Barclays Capital U.S. Aggregate Index | 13.79 | 7.01 | 15.16 |
| Fund | NAV Return | 52.11 | 6.89 | 14.67 |
| | Share Price Return | 66.52 | 7.12 | 15.17 |

Fund Inception: October 11, 2007

Performance quoted 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 0.50% 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 JP Morgan EMBI Global Index and Barclays Capital US Aggregate Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 188 and 8,717 securities, respectively.

[†] Fund and underlying 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.

^{††} Average annualized.

Manager's Analysis

PowerShares High Yield Corporate Bond Portfolio (ticker: PHB)

The PowerShares High Yield Corporate Bond Portfolio (the "Fund") seeks investment results that correspond, generally, to the price and yield (before fees and expenses) of the Wells Fargo High Yield Bond Index (the "Index"). This Index measures potential returns of a theoretical portfolio of high yield corporate bonds that are rated below investment grade by Moody's, S&P or Fitch and are payable in U.S. dollars. The Index evaluates securities each quarter using an equal-weighting methodology based on a defined set of qualifying criteria established by Wells Fargo Securities LLC.

For the year ended October 31, 2009, the Fund returned 23.73%. Over this same year the Index returned 35.38% while the Barclays Capital U.S. Corporate High Yield Index returned 48.10%. The large Fund-Index performance difference primarily occurred during the December 2008 to January 2009 period, when the Fund had significant cash inflows and the ability to purchase high yield corporate bonds (due to poor market volume) was extremely low. In addition to low liquidity, high yield bond market volatility was extremely high and thus unusually wide bid/ask spreads contributed to the Fund's underperformance versus the Index over the year.

Perhaps the greatest single contributor to 2009's substantial high yield corporate bond gains was optimism for a U.S. economic recovery. Despite a record amount of corporate defaults in 2009 based on JP Morgan statistics, investors' appetite for high yield bonds may reach record highs this year. AMG Data Services indicates that \$27.6 billion has already flowed into high yield bond funds in 2009, compared with a mere \$6.5 billion inflows in 2008. Strong supply has supported strong demand, as 2009 is currently on pace to become the highest year of new high yield corporate bond issuance in history according to J.P. Morgan high yield analysts.

Manager's Analysis (Continued)

PowerShares High Yield Corporate Bond Portfolio (ticker: PHB)

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2009

| | |
|---------------------------------|------|
| Telecommunications | 17.3 |
| Oil & Gas | 9.8 |
| Electric | 7.4 |
| Healthcare-Services | 5.7 |
| Commercial Services | 3.9 |
| Retail | 3.9 |
| Pipelines | 3.9 |
| Aerospace/Defense | 3.9 |
| Lodging | 3.9 |
| Healthcare-Products | 3.9 |
| Diversified Financial Services | 2.1 |
| Semiconductors | 2.1 |
| Machinery-Construction & Mining | 2.1 |
| Hand/Machine Tools | 2.0 |
| Software | 2.0 |
| Holding Companies-Diversified | 2.0 |
| Media | 2.0 |
| Auto Parts & Equipment | 2.0 |
| REITS | 1.9 |
| Computers | 1.9 |
| Coal | 1.9 |
| Household Products/Wares | 1.9 |
| Beverages | 1.9 |
| Food | 1.9 |
| Packaging & Containers | 1.9 |
| Mining | 1.9 |
| Chemicals | 1.9 |
| Money Market Fund | 0.9 |
| Other | 2.1 |

Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2009

Security

| | |
|-------------------------------|-------------|
| Ford Motor Credit Co. LLC | 2.1 |
| OPTI Canada, Inc. | 2.1 |
| Freescale Semiconductor, Inc. | 2.1 |
| Terex Corp. | 2.1 |
| Frontier Communications Corp. | 2.0 |
| Chesapeake Energy Corp. | 2.0 |
| Baldor Electric Co. | 2.0 |
| First Data Corp. | 2.0 |
| NRG Energy, Inc. | 2.0 |
| Rite Aid Corp. | 2.0 |
| Total | 20.4 |

Portfolio Composition by Credit Quality (% of the Fund's Net Assets) as of October 31, 2009

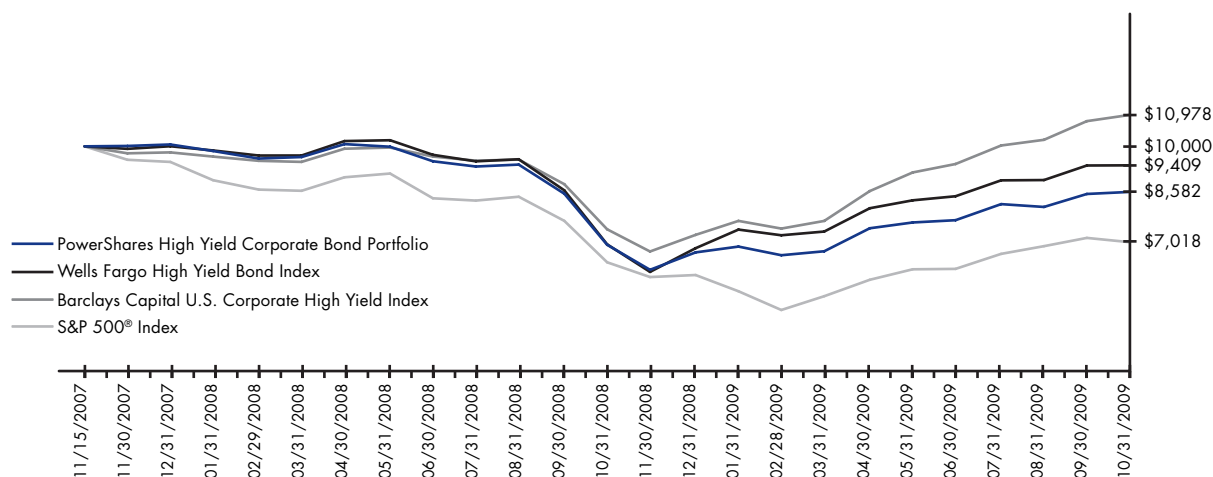
Rating

| | |
|-------|------|
| BB+ | 2.4 |
| BB- | 12.5 |
| BB | 8.2 |
| B+ | 6.4 |
| B- | 24.7 |
| B | 19.6 |
| CCC+ | 8.3 |
| CCC | 8.1 |
| Other | 9.8 |

Manager's Analysis (Continued)

PowerShares High Yield Corporate Bond Portfolio (ticker: PHB)

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



▼ Fund Performance History (%)

As of October 31, 2009

| | Avg. Ann. ^{††} 1 Year | Fund Inception [†] Avg. Ann. ^{††} | Cumulative |
|--|-----------------------------------|--|------------|
| Index | | | |
| Wells Fargo Yield Bond Index | 35.38 | -3.06 | -5.91 |
| Barclays Capital U.S. Corporate High Yield Index | 48.10 | 4.77 | 9.78 |
| S&P 500 [®] Index | 9.80 | -16.22 | -29.82 |
| Fund | | | |
| NAV Return | 23.73 | -7.50 | -14.18 |
| Share Price Return | 20.39 | -8.66 | -16.27 |

Fund Inception: November 15, 2007

Performance quoted 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 0.50% 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 Barclays Capital U.S. Corporate High Yield 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 121 and 500 securities, respectively.

[†] Fund and underlying 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.

^{††} Average annualized.

This page intentionally left blank

Manager's Analysis

PowerShares Insured California Municipal Bond Portfolio (ticker: PWZ)

The PowerShares Insured California Municipal Bond Portfolio (the "Fund") seeks investment results that correspond, generally, to the price and yield (before fees and expenses) of The BofA Merrill Lynch California Insured Long-Term Core Plus Municipal Securities Index (the "Index"). The Index is designed to track the performance of U.S. dollar-denominated, investment-grade, insured, tax-exempt debt publicly issued by U.S. municipalities in the U.S. domestic market. The Index is adjusted monthly and its constituents are capitalization-weighted based on their current amount outstanding.

For the year ended October 31, 2009, the Fund returned 16.06%. Over this same year the Index returned 16.22%. The Fund's slight underperformance versus the Index, can be attributed to the Fund expenses.

The municipal bond market rebounded dramatically since the financial crisis of last fall based on a variety of factors including the following: large inflows into Muni bond funds for much of the year; limited tax-free new issue supply; historically cheap absolute Muni yield levels relative to taxable yield levels. Even though the Municipal bond market has remained relatively stable in 2009, absolute Muni yield levels are still well above their historical averages.

Manager's Analysis (Continued)

PowerShares Insured California Municipal Bond Portfolio (ticker: PWZ)

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2009

| | |
|-------------------------|------|
| Ad Valorem Property Tax | 33.4 |
| Lease Revenue | 13.5 |
| Water Revenue | 10.9 |
| Hospital Revenue | 8.0 |
| Electric Power Revenue | 7.0 |
| Sewer Revenue | 7.0 |
| Sales Tax Revenue | 6.4 |
| Special Assessment | 5.1 |
| College Revenue | 4.5 |
| Highway Tolls Revenue | 1.1 |
| General Fund | 1.0 |
| Tax Increment Revenue | 1.0 |
| Other | 1.1 |

Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2009

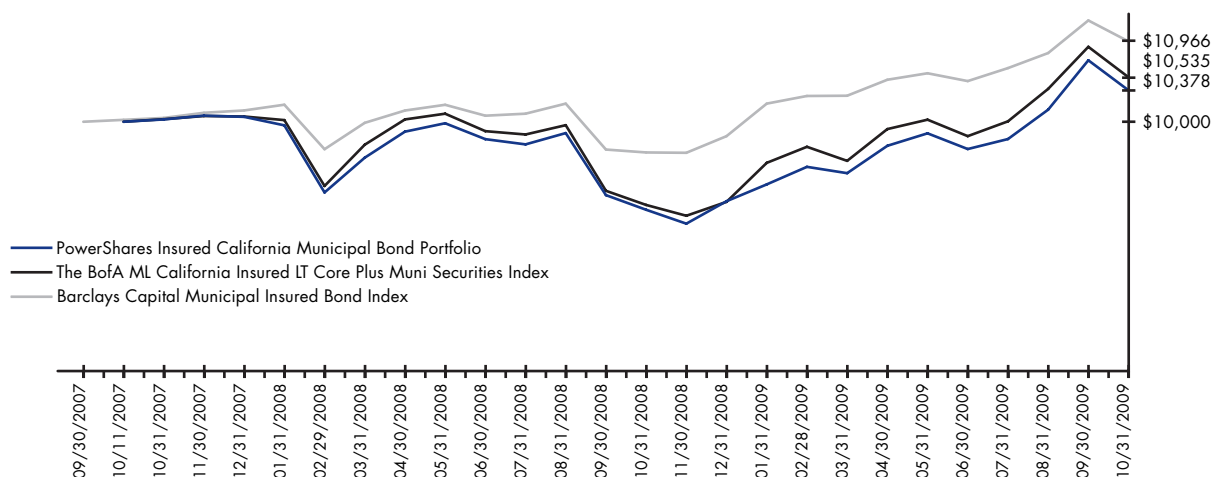
Security

| | |
|--|-------------|
| San Bernardino California Community College District (Election 2002) Ser. 08A, 6.250%, 08/01/33 | 7.2 |
| El Dorado California Irrigation District COP Ser. 09-A AGC, 5.750%, 08/01/39 | 6.6 |
| Sacramento California Area Flood Control Agency Consolidated Capital Assessment District Ser. 08, 5.625%, 10/01/37 | 5.1 |
| Los Angeles County California Metropolitan Transportation Auth. Sales Tax Rev. (Proposition A First Tier Senior) Ser. 05-A AMBAC, 5.000%, 07/01/35 | 4.8 |
| Antelope Valley California Community College District (Election 2004) Ser. 07B NATL RE, 5.250%, 08/01/39 | 4.4 |
| Puerto Rico Commonwealth Public Improvement Refunding Ser. 07-A-4 FSA, 5.000%, 07/01/31 | 3.5 |
| East Bay California Municipal Utility District Water System Rev. Ref. Ser. 07A NATL RE, 5.000%, 06/01/32 | 3.3 |
| Los Angeles California Municipal Improvement Corp. Lease Rev. (Real Property) Ser. 09B AGC, 5.500%, 04/01/39 | 3.3 |
| California Statewide Communities Development Auth. Rev. (Catholic Healthcare West) Ser. 07K AGC, 5.500%, 07/01/41 | 3.2 |
| California Statewide Communities Development Auth. Rev. (St. Joseph Health System-Remarketed) Insured Ser. 07C FGIC, 5.750%, 07/01/47 | 3.2 |
| Total | 44.6 |

Manager's Analysis (Continued)

PowerShares Insured California Municipal Bond Portfolio (ticker: PWZ)

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



▼ Fund Performance History (%)

As of October 31, 2009

| | Avg. Ann. ^{††} 1 Year | Fund Inception [†] Avg. Ann. ^{††} | Cumulative |
|---|-----------------------------------|--|------------|
| Index | | | |
| The BofA ML California Insured LT Core Plus Muni Securities Index | 17.06 | 2.57 | 5.35 |
| Barclays Capital Municipal Insured Bond Index | 13.87 | 4.53 | 9.66 |
| Fund | | | |
| NAV Return | 16.06 | 1.82 | 3.78 |
| Share Price Return | 16.38 | 1.42 | 2.94 |

Fund Inception: October 11, 2007

Performance quoted 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% (0.28% after fee waiver) 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 Barclays Capital Municipal Insured Bond Index (the "Benchmark Index") is an unmanaged index used as a measurement of change in stock market conditions based on the average performance of approximately 131 securities.

[†] Fund and underlying Index returns are based on the inception date of the Fund. Returns for the Benchmark Index are based on the closest month-end to the Fund's inception date.

^{††} Average annualized.

This page intentionally left blank

Manager's Analysis

PowerShares Insured National Municipal Bond Portfolio (ticker: PZA)

The PowerShares Insured National Municipal Bond Portfolio (the "Fund") seeks investment results that correspond, generally, to the price and yield (before fees and expenses) of The BofA Merrill Lynch National Insured Long-Term Core Plus Municipal Securities Index (the "Index"). The Index is designed to track the performance of U.S. dollar-denominated, investment-grade, insured, tax-exempt debt publicly issued by U.S. municipalities in the U.S. domestic market. The Index is adjusted monthly and its constituents are capitalization-weighted based on their current amount outstanding.

For the year ended October 31, 2009, the Fund returned 18.22%. Over this same year the Index returned 17.58%. The Fund's out-performance versus the Index can largely be attributed to the slight longer duration of the Fund versus the Index.

The municipal bond market rebounded dramatically since the financial crisis of last fall based on a variety of factors including the following: large inflows into Muni bond funds for much of the year; limited tax-free new issue supply; historically cheap absolute Muni yield levels relative to taxable yield levels. Even though the Municipal bond market has remained relatively stable in 2009, absolute Muni yield levels are still well above their historical averages.

Manager's Analysis (Continued)

PowerShares Insured National Municipal Bond Portfolio (ticker: PZA)

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2009

| | |
|--------------------------------|------|
| Hospital Revenue | 16.8 |
| Ad Valorem Property Tax | 14.2 |
| Water Revenue | 12.7 |
| Highway Tolls Revenue | 8.3 |
| Port, Airport & Marina Revenue | 8.2 |
| Lease Revenue | 5.8 |
| Sales Tax Revenue | 5.3 |
| Electric Power Revenue | 4.5 |
| College Revenue | 4.4 |
| Miscellaneous Revenue | 3.5 |
| Sewer Revenue | 3.4 |
| Transit Revenue | 3.0 |
| Recreational Revenue | 2.8 |
| Tax Increment Revenue | 2.3 |
| Student Loan Revenue | 1.2 |
| Special Assessment | 1.0 |
| Multiple Utility Revenue | 0.7 |
| General Fund | 0.1 |
| Other | 1.8 |

Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2009

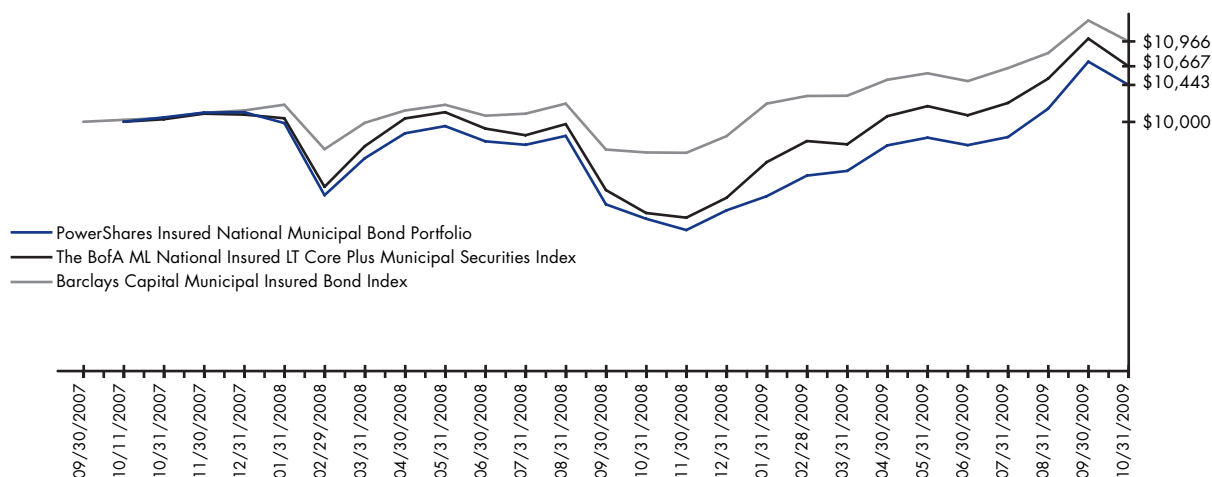
Security

| | |
|--|-------------|
| North Texas Thruway Auth. Rev. Ref. System (First Tier) Ser. 08K-1 AGC, 5.750%, 01/01/38 | 3.8 |
| New Jersey State Transportation Trust Fund Auth. (Transit System) Ser. 08A AGC, 5.500%, 12/15/38 | 2.4 |
| New Jersey Health Care Facilities Financing Auth. Rev. (Virtua Health) Ser. 09 AGC, 5.500%, 07/01/38 | 2.3 |
| Corona-Norca California Unified School District (Election 2006) Ser. 09B AGC, 5.375%, 02/01/34 | 2.3 |
| Miami-Dade County Florida Aviation Rev. Ser. 09B AGC, 5.125%, 10/01/41 | 2.3 |
| Atlanta Georgia Water & Wastewater Rev. Ser. 09-B FSA, 5.375%, 11/01/39 | 2.2 |
| Atlanta Georgia Water & Wastewater Rev. Ser. 09-B FSA, 5.250%, 11/01/34 | 2.2 |
| Clark County Nevada Airport Rev. Subordinate Lien Ser. 09-C FSA, 5.000%, 07/01/25 | 2.1 |
| Pennsylvania State Turnpike Common Turnpike Rev. Sub-Ser 08C AGC, 6.250%, 06/01/38 | 2.0 |
| Bi-State Development Agency of Missouri-Illinois Metropolitan District Mass Transit Sales Tax (MetroLink Cross County Extension) Ser. 09 AGC, 5.000%, 10/01/39 | 2.0 |
| Total | 23.6 |

Manager's Analysis (Continued)

PowerShares Insured National Municipal Bond Portfolio (ticker: PZA)

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



▼ Fund Performance History (%)

As of October 31, 2009

| | Avg. Ann. ^{††} 1 Year | Fund Inception [†] Avg. Ann. ^{††} | Cumulative |
|---|-----------------------------------|--|------------|
| Index | | | |
| The BofA ML National Insured LT Core Plus Muni Securities Index | 19.81 | 3.19 | 6.67 |
| Barclays Capital Municipal Insured Bond Index | 13.87 | 4.53 | 9.66 |
| Fund | | | |
| NAV Return | 18.22 | 2.13 | 4.43 |
| Share Price Return | 16.35 | 1.57 | 3.26 |

Fund Inception: October 11, 2007

Performance quoted 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% (0.28% after fee waiver) 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 Barclays Capital Municipal Insured Bond Index (the "Benchmark Index") is an unmanaged index used as a measurement of change in stock market conditions based on the average performance of approximately 131 securities.

[†] Fund and underlying Index returns are based on the inception date of the Fund. Returns for the Benchmark Index are based on the closest month-end to the Fund's inception date.

^{††} Average annualized.

This page intentionally left blank

Manager's Analysis

PowerShares Insured New York Municipal Bond Portfolio (ticker: PZT)

The PowerShares Insured New York Municipal Bond Portfolio (the "Fund") seeks investment results that correspond, generally, to the price and yield (before fees and expenses) of The BofA Merrill Lynch New York Insured Long-Term Core Plus Municipal Securities Index (the "Index"). The Index is designed to track the performance of U.S. dollar-denominated, investment-grade, insured, tax-exempt debt publicly issued by U.S. municipalities in the U.S. domestic market. The Index is adjusted monthly and its constituents are capitalization-weighted based on their current amount outstanding.

For the year ended October 31, 2009, the Fund returned 13.92%. Over this same year the Index returned 17.47%. The Fund's under-performance versus the Index, can largely be attributed to the impact of scarcity of New York bonds in the market, and thus the inability of the Fund to track the Index in its composite makeup of sector, quality and issuers.

The municipal bond market rebounded dramatically since the financial crisis of last fall based on a variety of factors including the following: large inflows into Muni bond funds for much of the year; limited tax-free new issue supply; historically cheap absolute Muni yield levels relative to taxable yield levels. Even though the Municipal bond market has remained relatively stable in 2009, absolute Muni yield levels are still well above their historical averages.

Manager's Analysis (Continued)

PowerShares Insured New York Municipal Bond Portfolio (ticker: PZT)

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2009

| | |
|--------------------------------|-------|
| College Revenue | 12.3 |
| Miscellaneous Revenue | 10.2 |
| Water Revenue | 9.8 |
| Recreational Revenue | 9.6 |
| Highway Tolls Revenue | 9.4 |
| Hospital Revenue | 8.0 |
| Lease Revenue | 7.4 |
| Port, Airport & Marina Revenue | 6.2 |
| Sales Tax Revenue | 6.2 |
| Electric Power Revenue | 4.8 |
| Income Tax Revenue | 4.7 |
| Ad Valorem Property Tax | 4.4 |
| Hotel Occupancy Tax | 4.2 |
| Transit Revenue | 3.3 |
| Other | (0.5) |

Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2009

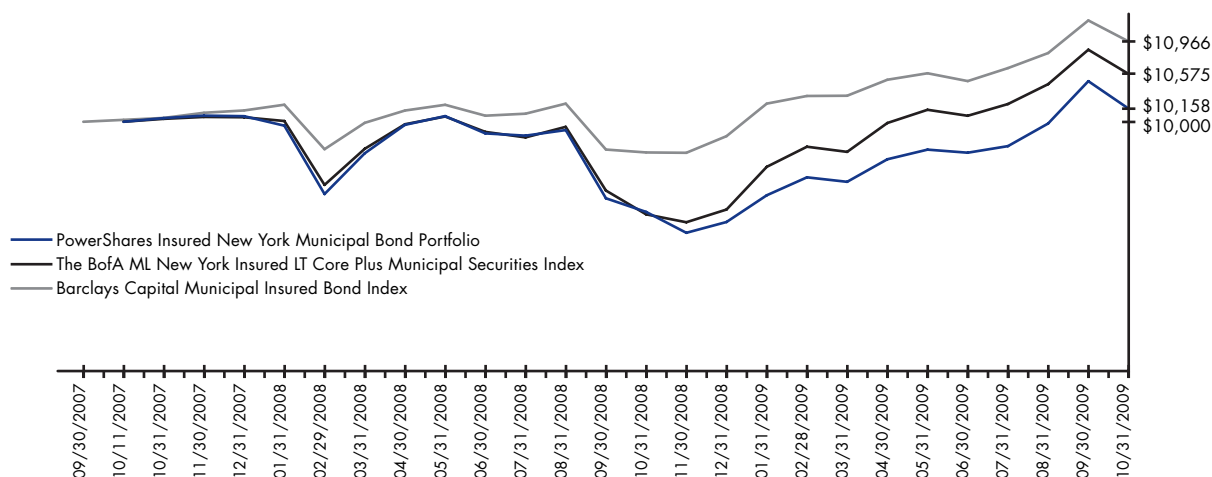
Security

| | |
|---|-------------|
| Sales Tax Asset Receivables Corp. Ser. 04A AMBAC, 5.000%, 10/15/32 | 6.2 |
| New York Convention Center Development Corp. Rev. (Hotel Unit Fee Secured) Ser. 05 AMBAC, 5.000%, 11/15/44 | 4.2 |
| New York City Industrial Development Agency Rev. Yankee Stadium (Pilot) Ser. 09 AGC, 7.000%, 03/01/49 | 3.5 |
| Triborough Bridge & Tunnel Auth. Rev. Ref. Ser. 02 NATL RE, 5.000%, 11/15/32 | 3.4 |
| New York City Industrial Development Agency Rev. Queens Baseball Stadium (Pilot) Ser. 09 AGC, 6.500%, 01/01/46 | 3.4 |
| New York City Municipal Water Finance Auth. Water & Sewer Rev. (2nd Generation Resolution) Ser. 08DD, 6.000%, 06/15/40 | 3.3 |
| Nassau County New York Sewer & Storm Water Finance Auth. System Rev. Ser. 08A BHAC, 5.375%, 11/01/28 | 3.3 |
| Long Island Power Auth. New York Electric Systems Rev. General Ser. 08A BHAC, 5.500%, 05/01/33 | 3.2 |
| New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (Cornell University) Ser. 09A, 5.000%, 07/01/39 | 3.2 |
| New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (Health Quest Systems) Ser. 07B AGC, 5.250%, 07/01/27 | 3.1 |
| Total | 36.8 |

Manager's Analysis (Continued)

PowerShares Insured New York Municipal Bond Portfolio (ticker: PZT)

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



▼ Fund Performance History (%)

As of October 31, 2009

| | | Avg. Ann. ^{††} 1 Year | Fund Inception [†] Avg. Ann. ^{††} | Cumulative |
|-------|--|-----------------------------------|--|------------|
| Index | The BofA ML New York Insured LT Core Plus Municipal Securities Index | 18.99 | 2.76 | 5.75 |
| | Barclays Capital Municipal Insured Bond Index | 13.87 | 4.53 | 9.66 |
| Fund | NAV Return | 13.92 | 0.77 | 1.58 |
| | Share Price Return | 13.13 | 0.24 | 0.50 |

Fund Inception: October 11, 2007

Performance quoted 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% (0.28% after fee waiver) 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 Barclays Capital Municipal Insured Bond Index (the "Benchmark Index") is an unmanaged index used as a measurement of change in stock market conditions based on the average performance of approximately 131 securities.

[†] Fund and underlying Index returns are based on the inception date of the Fund. Returns for the Benchmark Index are based on the closest month-end to the Fund's inception date.

^{††} Average annualized.

This page intentionally left blank

Manager's Analysis

PowerShares Preferred Portfolio (ticker: PGX)

The PowerShares Preferred Portfolio (the "Fund") seeks investment results that correspond, generally, to the price and yield (before fees and expenses) of The BofA Merrill Lynch Core Fixed Rate Preferred Securities Index (the "Index"). The Index is a market capitalization-weighted index designed to reflect the total return performance of the fixed rate U.S. dollar-denominated preferred securities market. Given the large number of preferred securities in the Index, the Fund holds less than the total number of securities in the Index's securities weighted in proportion to the Index issuer weights.

For the year ended October 31, 2009, the Fund returned 17.02%. Over this same year the Index returned 17.13%, the Barclays Capital Aggregate Index returned 13.79%, and the S&P 500® Index returned 9.80%.

Despite the turmoil experienced by the financial service sector over the past year, preferred securities outperformed many fixed-income and equity sectors. Part of the reason for the resiliency witnessed in the preferred market was structural: Bank of America, Citigroup, and Banco Santander offered appealing conversion options to some of their preferred stock shareholders which indicated the relative worth in owning these securities. The fact that many companies continued to pay their preferred stock dividends while slashing their common stock dividends was another positive factor behind the relatively strong total return performance of the preferred market. In addition, an improving U.S. economic landscape compelled companies to begin issuing new preferred securities again, providing further investor confidence in the preferred market.

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2009

| | |
|--------------------------------|-------|
| Banks | 42.1 |
| Diversified Financial Services | 26.7 |
| Insurance | 9.2 |
| Electric | 7.7 |
| REITS | 7.3 |
| Media | 4.1 |
| Telecommunications | 2.1 |
| Money Market Fund | 0.7 |
| Chemicals | 0.6 |
| Other | (0.5) |

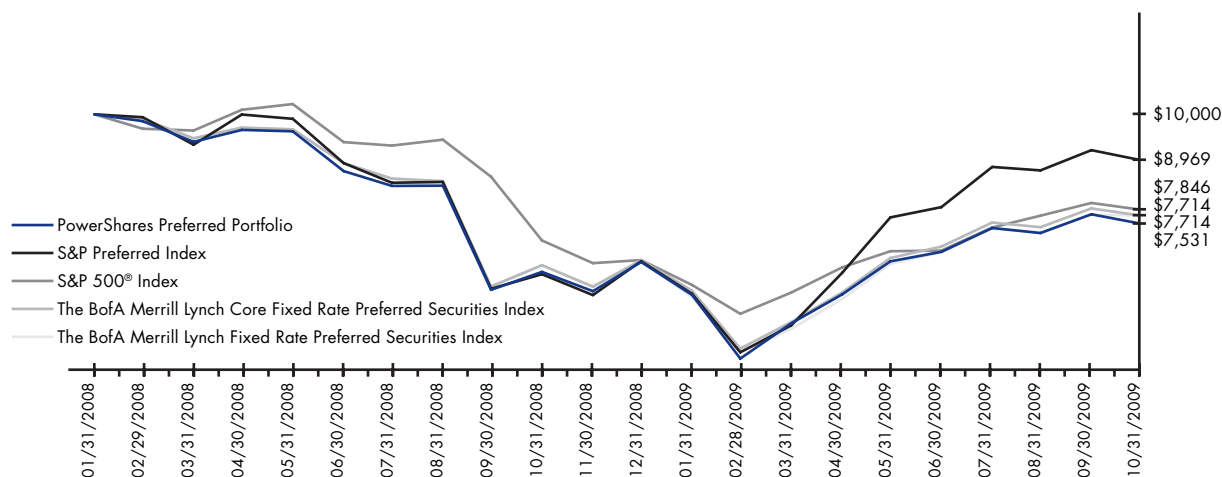
Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2009

| Security | |
|---|-------------|
| JPMorgan Chase Capital X, 7.00% | 7.2 |
| Barclays Bank PLC, 8.13%, Series 5 (United Kingdom) | 6.5 |
| HSBC Holdings PLC, 8.13%, (United Kingdom) | 5.5 |
| Wells Fargo Capital IV, 7.00% | 5.0 |
| Morgan Stanley Capital Trust VII, 6.60% | 4.8 |
| General Electric Capital Corp., 6.10% | 4.0 |
| Deutsche Bank Contingent Capital Trust V, 8.05% | 3.9 |
| Public Storage, 7.250%, Series I | 3.7 |
| JPMorgan Chase & Co., 8.63%, Series J | 3.7 |
| Wachovia Capital Trust IV, 6.38% | 3.7 |
| Total | 48.0 |

Manager's Analysis (Continued)

PowerShares Preferred Portfolio (ticker: PGX)

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



▼ Fund Performance History (%)

As of October 31, 2009

| | Avg. Ann. ^{††} 1 Year | Fund Inception [†] Avg. Ann. ^{††} | Cumulative |
|---|-----------------------------------|--|------------|
| Index | | | |
| The BofA Merrill Lynch Core Fixed Rate Preferred Securities Index | 17.13 | -13.78 | -22.86 |
| S&P Preferred Index | 40.54 | -6.03 | -10.31 |
| S&P 500 [®] Index | 9.80 | -12.94 | -21.54 |
| The BofA Merrill Lynch Fixed Rate Preferred Securities Index | 17.13 | -13.87 | -22.86 |
| Fund | | | |
| NAV Return | 17.02 | -14.96 | -24.69 |
| Share Price Return | 13.88 | -15.55 | -25.61 |

Fund Inception: January 31, 2008

Performance quoted 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 0.50% 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 investcopowershares.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 Preferred 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 86 and 500 securities, respectively.

The BofA Merrill Lynch Core Fixed Rate Preferred Securities Index will be used for comparative purposes going forward as this represents a more appropriate market index for this Fund.

[†] Fund and underlying 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.

^{††} Average annualized.

Manager's Analysis

PowerShares VRDO Tax-Free Weekly Portfolio (ticker: PVI)

The PowerShares VRDO Tax-Free Weekly Portfolio (the "Fund") seeks investment results that correspond, generally, to the price and yield (before fees and expenses) of the Thomson Municipal Market Data VRDO Index (the "Index"). This Index is designed to track the performance of a pool of tax-exempt Variable Rate Demand Obligations (VRDOs) issued by municipalities in the United States. The Index is adjusted monthly and its constituents are capitalization-weighted based on their current amount outstanding.

For the year ended October 31, 2009, the Fund returned 1.58%. Over this same year the Index returned 1.02%. The Fund's out-performance versus its Index can be attributed to the higher coupon average the Fund received versus the Index average.

The VRDO primary issuance market had a dramatic drop off in 2009 because municipal issuers were able to fund their borrowing program through other conduits such as the Build America Bond program. In addition, the number of liquidity providers has decreased due to the financial crisis, thus decreasing the number of new issuances into the market in 2009.

▼ Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2009

| | |
|--------------------------------|------|
| Hospital Revenue | 30.2 |
| Miscellaneous Revenue | 11.2 |
| Lease Revenue | 9.1 |
| Water Revenue | 8.3 |
| College Revenue | 8.3 |
| Highway Tolls Revenue | 6.0 |
| Electric Power Revenue | 5.0 |
| Ad Valorem Property Tax | 4.5 |
| Industrial Revenue | 4.1 |
| Port, Airport & Marina Revenue | 3.8 |
| Transit Revenue | 1.8 |
| Multiple Utility Revenue | 1.8 |
| Sales Tax Revenue | 1.5 |
| Economic Development Revenue | 1.5 |
| Miscellaneous Taxes | 1.1 |
| Fuel Sales Tax Revenue | 0.6 |
| Local Housing Revenue | 0.6 |
| Tax Increment Revenue | 0.2 |
| Other | 0.4 |

▼ Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2009

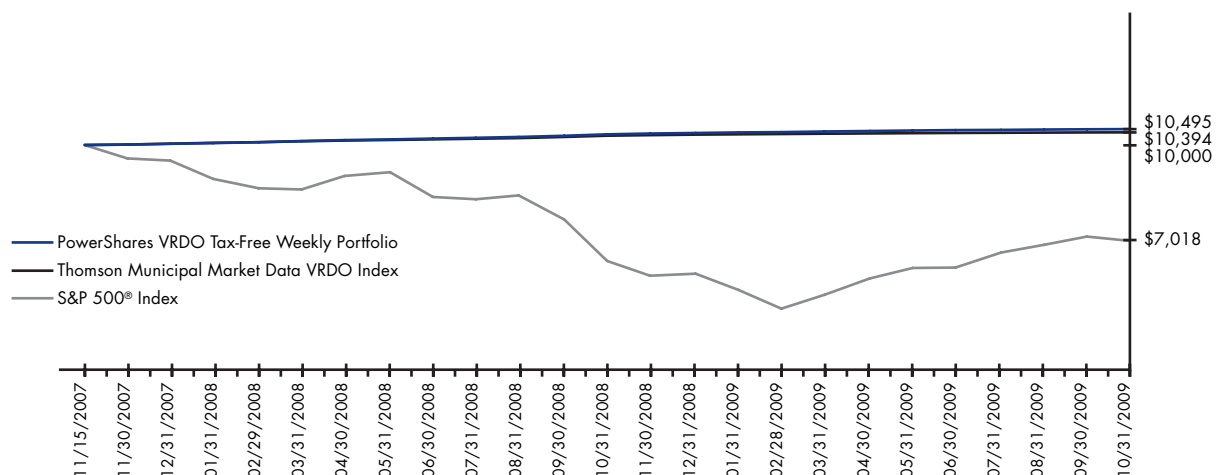
Security

| | |
|---|-------------|
| Hall County Gainesville Georgia Hospital Auth. RAC (Northeast Georgia) Ser. 07G AGC, 0.400%, 05/01/36 | 3.6 |
| San Bernardino County California COP (Medical Center Financing Project) Ser. 98 NATL RE, 4.350%, 08/01/26 | 3.3 |
| Charlotte-Mecklenburg Hospital Auth. North Carolina Health Care System Rev. Ref. (Carolina-Remarketed) Ser. 07-C, 0.600%, 01/15/37 | 3 |
| White County Industrial Hospital Association Lease Rental Rev. Ser. 06, 1.200%, 10/01/38 | 2.2 |
| Maryland State Health & Higher Educational Facilities Auth. Rev. (Carnegie Institution Issue) Ser. 02, 0.550%, 10/01/37 | 2.2 |
| Austin Texas Water & Wastewater System Rev. Ref. Ser. 04 FSA, 0.350%, 05/15/24 | 2.2 |
| University of South Florida Financing Corp. COP (University of South Florida College of Medicine Health Facilities) Ser. 07, 0.550%, 07/01/37 | 2.1 |
| Indiana Health & Educational Facility Financing Auth. Rev. (Clarian Health Obligated Group) Ser. 05-B FSA, 0.400%, 02/15/21 | 2.0 |
| California State Sub-Ser. 05B-5, 0.800%, 05/01/40 | 1.9 |
| Illinois Health Facilities Auth. Rev. (Centegra Health System) Ser. 02 FSA, 0.450%, 09/01/32 | 1.9 |
| Total | 24.4 |

Manager's Analysis (Continued)

PowerShares VRDO Tax-Free Weekly Portfolio (ticker: PVI)

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



▼ Fund Performance History (%)

As of October 31, 2009

| | | Avg. Ann. ^{††} 1 Year | Fund Inception [†] Avg. Ann. ^{††} | Cumulative |
|-------|--|-----------------------------------|--|------------|
| Index | Thomson Municipal Market Data VRDO Index | 1.02 | 1.99 | 3.94 |
| | S&P 500 [®] Index | 9.80 | -16.22 | -29.82 |
| Fund | NAV Return | 1.58 | 2.49 | 4.95 |
| | Share Price Return | 1.49 | 2.49 | 4.95 |

Fund Inception: November 15, 2007

Performance quoted 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 0.25% 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[®] Index (the "Benchmark Index") is an unmanaged index used as a measurement of change in stock market conditions based on the average performance of approximately 500 securities.

[†] Fund and underlying Index returns are based on the inception date of the Fund. Returns for the Benchmark Index are based on the closest month-end to the Fund's inception date.

^{††} Average annualized.

Frequency Distribution of Discounts & Premiums

Since Inception through October 31, 2009

| Ticker | Fund Name | Inception | Trading Days | Closing Price Above NAV (bps) | | | | | |
|--------|---|-----------|--------------|-------------------------------|-------|-------|---------|---------|------|
| | | | | 0-24 | 25-49 | 50-99 | 100-149 | 150-199 | 200+ |
| PLW | PowerShares 1-30 Laddered Treasury Portfolio | 10/11/07 | 518 | 278 | 61 | 5 | 0 | 0 | 0 |
| PCY | PowerShares Emerging Markets Sovereign Debt Portfolio | 10/11/07 | 518 | 15 | 23 | 38 | 98 | 84 | 186 |
| PHB | PowerShares High Yield Corporate Bond Portfolio | 11/15/07 | 493 | 13 | 23 | 102 | 115 | 59 | 144 |
| PWZ | PowerShares Insured California Municipal Bond Portfolio | 10/11/07 | 518 | 150 | 86 | 58 | 29 | 11 | 20 |
| PZA | PowerShares Insured National Municipal Bond Portfolio | 10/11/07 | 518 | 184 | 98 | 62 | 28 | 14 | 7 |
| PZT | PowerShares Insured New York Municipal Bond Portfolio | 10/11/07 | 518 | 112 | 68 | 58 | 23 | 14 | 22 |
| PGX | PowerShares Preferred Portfolio | 01/31/08 | 441 | 43 | 69 | 90 | 63 | 49 | 97 |
| PVI | PowerShares VRDO Tax-Free Weekly Portfolio | 11/15/07 | 493 | 420 | 3 | 0 | 0 | 0 | 0 |

| Closing Price Below NAV (bps) | | | | | |
|-------------------------------|--------|--------|----------|----------|-------|
| -0-24 | -25-49 | -50-99 | -100-149 | -150-199 | -200+ |
| 154 | 17 | 3 | 0 | 0 | 0 |
| 16 | 8 | 7 | 5 | 4 | 34 |
| 8 | 8 | 6 | 1 | 3 | 11 |
| 105 | 32 | 22 | 3 | 2 | 0 |
| 92 | 27 | 3 | 3 | 0 | 0 |
| 161 | 33 | 23 | 2 | 1 | 1 |
| 14 | 4 | 5 | 3 | 2 | 2 |
| 65 | 5 | 0 | 0 | 0 | 0 |

Fees and Expenses

As a shareholder of a Fund of the PowerShares Exchange-Traded Fund Trust II, you incur Fund expenses. 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, 2009.

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 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, 2009 | Ending Account Value October 31, 2009 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During the Six-Month Period (1) |
|--|---|---|---|---|
| PowerShares 1-30 Laddered Treasury Portfolio | | | | |
| Actual | \$1,000.00 | \$1,006.84 | 0.25% | \$1.26 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,023.95 | 0.25% | \$1.28 |
| PowerShares Emerging Markets Sovereign Debt Portfolio | | | | |
| Actual | \$1,000.00 | \$1,192.91 | 0.50% | \$2.76 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,022.68 | 0.50% | \$2.55 |
| PowerShares High Yield Corporate Bond Portfolio | | | | |
| Actual | \$1,000.00 | \$1,151.83 | 0.50% | \$2.71 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,022.68 | 0.50% | \$2.55 |

Fees and Expenses (Continued)

| | Beginning Account Value May 1, 2009 | Ending Account Value October 31, 2009 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During the Six-Month Period (1) |
|--|---|---|---|---|
| PowerShares Insured California Municipal Bond Portfolio | | | | |
| Actual | \$1,000.00 | \$1,068.76 | 0.28% | \$1.46 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,023.79 | 0.28% | \$1.43 |
| PowerShares Insured National Municipal Bond Portfolio | | | | |
| Actual | \$1,000.00 | \$1,074.85 | 0.28% | \$1.46 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,023.79 | 0.28% | \$1.43 |
| PowerShares Insured New York Municipal Bond Portfolio | | | | |
| Actual | \$1,000.00 | \$1,063.77 | 0.28% | \$1.46 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,023.79 | 0.28% | \$1.43 |
| PowerShares Preferred Portfolio | | | | |
| Actual | \$1,000.00 | \$1,271.00 | 0.50% | \$2.86 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,022.68 | 0.50% | \$2.55 |
| PowerShares VRDO Tax-Free Weekly Portfolio | | | | |
| Actual | \$1,000.00 | \$1,005.75 | 0.25% | \$1.26 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,023.95 | 0.25% | \$1.28 |

- (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, 2009. 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 and then dividing the result by 365. Expense ratios for the most recent half-year may differ from expense ratios based on the annualized data in the Financial Highlights.

Schedule of Investments

PowerShares 1-30 Laddered Treasury Portfolio

October 31, 2009

| Principal Amount | | Value |
|---|---|----------------------------|
| United States Government Obligations—98.4% | | |
| <i>United States Treasury Bonds—68.3%</i> | | |
| \$1,547,000 | 8.875%, 02/15/19 | \$ 2,225,626 |
| 1,555,000 | 8.500%, 02/15/20 | 2,222,193 |
| 1,612,000 | 7.875%, 02/15/21 | 2,236,903 |
| 1,558,000 | 8.000%, 11/15/21 | 2,195,563 |
| 1,652,000 | 7.125%, 02/15/23 | 2,198,452 |
| 1,772,000 | 6.250%, 08/15/23 | 2,198,111 |
| 1,519,000 | 7.625%, 02/15/25 | 2,134,195 |
| 1,766,000 | 6.000%, 02/15/26 | 2,160,867 |
| 1,660,000 | 6.625%, 02/15/27 | 2,166,820 |
| 1,705,000 | 6.125%, 11/15/27 | 2,127,521 |
| 1,899,000 | 5.250%, 02/15/29 | 2,160,411 |
| 1,660,000 | 6.250%, 05/15/30 | 2,128,691 |
| 5,585,000 | 5.375%, 02/15/31 | 6,491,691 |
| 6,062,000 | 4.500%, 02/15/36 | 6,331,007 |
| 1,932,000 | 4.750%, 02/15/37 | 2,095,617 |
| 2,022,000 | 4.375%, 02/15/38 | 2,070,024 |
| 2,326,000 | 3.500%, 02/15/39 | 2,039,614 |
| | | <u>45,183,306</u> |
| <i>United States Treasury Notes—30.1%</i> | | |
| 2,187,000 | 3.500%, 02/15/10 | 2,208,699 |
| 2,092,000 | 4.500%, 02/28/11 | 2,202,566 |
| 2,044,000 | 4.625%, 02/29/12 | 2,211,034 |
| 2,082,000 | 3.875%, 02/15/13 | 2,235,060 |
| 2,062,000 | 4.000%, 02/15/14 | 2,231,311 |
| 2,065,000 | 4.000%, 02/15/15 | 2,229,878 |
| 2,014,000 | 4.500%, 02/15/16 | 2,219,807 |
| 1,987,000 | 4.625%, 02/15/17 | 2,196,879 |
| 2,141,000 | 3.500%, 02/15/18 | 2,182,651 |
| | | <u>19,917,885</u> |
| Total United States Government Obligations | | |
| (Cost \$65,475,076) | | <u>65,101,191</u> |
| Number of Shares | | |
| Money Market Fund—0.8% | | |
| 543,099 | Goldman Sachs Financial Square Prime Obligations Institutional Share Class (Cost \$543,099) | <u>543,099</u> |
| Total Investments | | |
| (Cost \$66,018,175)—99.2% | | 65,644,290 |
| Other assets less liabilities—0.8% | | <u>535,995</u> |
| Net Assets—100.0% | | <u><u>\$66,180,285</u></u> |

See Notes to Financial Statements.

Schedule of Investments

PowerShares Emerging Markets Sovereign Debt Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|------------------|---|---------------|---------------|---------------|
| | Sovereign Debt Obligations—98.0% | | | |
| | <i>Brazil—3.9%</i> | | | |
| \$11,301,000 | Republic of Brazil | 10.125% | 05/15/27 | \$ 16,555,965 |
| | <i>Bulgaria—3.9%</i> | | | |
| 14,103,000 | Republic of Bulgaria | 8.250 | 01/15/15 | 16,429,995 |
| | <i>Chile—3.7%</i> | | | |
| 13,830,000 | Republic of Chile | 5.500 | 01/15/13 | 15,591,942 |
| | <i>Colombia—4.1%</i> | | | |
| 15,492,000 | Republic of Colombia | 7.375 | 09/18/37 | 17,234,850 |
| | <i>El Salvador—4.6%</i> | | | |
| 18,684,000 | Republic of El Salvador | 8.250 | 04/10/32 | 19,151,100 |
| | <i>Hungary—4.1%</i> | | | |
| 17,352,000 | Republic of Hungary | 4.750 | 02/03/15 | 17,224,480 |
| | <i>Indonesia—5.4%</i> | | | |
| 18,944,000 | Republic of Indonesia | 8.500 | 10/12/35 | 22,638,080 |
| | <i>Mexico—4.0%</i> | | | |
| 13,395,000 | United Mexican States, MTN | 8.300 | 08/15/31 | 17,011,650 |
| | <i>Pakistan—6.6%</i> | | | |
| 11,750,000 | Islamic Republic of Pakistan | 7.125 | 03/31/16 | 10,690,174 |
| 19,050,000 | Islamic Republic of Pakistan | 6.875 | 06/01/17 | 17,335,500 |
| | | | | 28,025,674 |
| | <i>Panama—3.9%</i> | | | |
| 12,890,000 | Republic of Panama | 8.875 | 09/30/27 | 16,305,850 |
| | <i>Peru—4.0%</i> | | | |
| 12,763,000 | Republic of Peru | 8.750 | 11/21/33 | 16,719,530 |
| | <i>Philippines—4.1%</i> | | | |
| 12,891,000 | Republic of Philippines | 9.500 | 02/02/30 | 17,177,258 |
| | <i>Poland—3.9%</i> | | | |
| 15,397,000 | Republic of Poland | 5.250 | 01/15/14 | 16,356,387 |
| | <i>Qatar—4.3%</i> | | | |
| 12,132,000 | State of Qatar | 9.750 | 06/15/30 | 17,894,700 |
| | <i>Russia—4.2%</i> | | | |
| 12,367,000 | Russian Federation | 11.000 | 07/24/18 | 17,530,222 |
| | <i>South Africa—4.2%</i> | | | |
| 15,602,000 | Republic of South Africa | 6.875 | 05/27/19 | 17,493,742 |
| | <i>South Korea—4.0%</i> | | | |
| 16,203,000 | Republic of Korea | 5.125 | 12/07/16 | 16,819,330 |
| | <i>Turkey—4.5%</i> | | | |
| 18,733,000 | Republic of Turkey | 6.875 | 03/17/36 | 18,967,162 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Emerging Markets Sovereign Debt Portfolio

October 31, 2009

| <u>Principal Amount</u> | | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Value</u> |
|-----------------------------|--|--------------------------|--------------------------|----------------------|
| | Sovereign Debt Obligations (Continued) | | | |
| | <i>Ukraine—7.3%</i> | | | |
| \$34,112,000 | Ukraine Government | 7.650% | 06/11/13 | \$ 30,700,800 |
| | <i>Uruguay—3.9%</i> | | | |
| 13,233,000 | Republic of Uruguay | 9.250 | 05/17/17 | 16,442,003 |
| | <i>Venezuela—5.1%</i> | | | |
| 22,154,000 | Republic of Venezuela | 13.625 | 08/15/18 | 21,489,380 |
| | <i>Vietnam—4.3%</i> | | | |
| 16,955,000 | Socialist Republic of Vietnam | 6.875 | 01/15/16 | 17,971,673 |
| | Total Sovereign Debt Obligations (Cost \$390,376,063) | | | <u>411,731,773</u> |
| | Number of Shares | | | |
| | Money Market Fund—0.5% | | | |
| 2,036,896 | Goldman Sachs Financial Square Prime Obligations Institutional Share Class (Cost \$2,036,896) | | | 2,036,896 |
| | Total Investments (Cost \$392,412,959)—98.5% | | | 413,768,669 |
| | Other assets less liabilities—1.5% | | | 6,108,112 |
| | Net Assets—100.0% | | | <u>\$419,876,781</u> |
| MTN | – Medium-Term Note | | | |

See Notes to Financial Statements.

Schedule of Investments

PowerShares High Yield Corporate Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|------------------|---|---------------|---------------|-------------------|
| | Corporate Bonds—97.0% | | | |
| | <i>Aerospace/Defense—3.9%</i> | | | |
| \$3,246,000 | BE Aerospace, Inc. | 8.500% | 07/01/18 | \$ 3,383,955 |
| 3,297,000 | L-3 Communications Corp., Series B | 6.375 | 10/15/15 | <u>3,272,273</u> |
| | | | | <u>6,656,228</u> |
| | <i>Auto Parts & Equipment—2.0%</i> | | | |
| 3,086,000 | Goodyear Tire & Rubber Co. (The) | 10.500 | 05/15/16 | <u>3,356,025</u> |
| | <i>Beverages—1.9%</i> | | | |
| 3,291,000 | Constellation Brands, Inc. | 7.250 | 09/01/16 | <u>3,315,683</u> |
| | <i>Chemicals—1.9%</i> | | | |
| 3,800,000 | Hexion US Finance Corp. | 9.750 | 11/15/14 | <u>3,249,000</u> |
| | <i>Coal—1.9%</i> | | | |
| 3,271,000 | Peabody Energy Corp. | 7.375 | 11/01/16 | <u>3,320,065</u> |
| | <i>Commercial Services—3.9%</i> | | | |
| 3,316,000 | ARAMARK Corp. | 8.500 | 02/01/15 | 3,365,740 |
| 3,400,000 | RSC Equipment Rental, Inc. | 9.500 | 12/01/14 | <u>3,374,500</u> |
| | | | | <u>6,740,240</u> |
| | <i>Computers—1.9%</i> | | | |
| 3,208,000 | SunGard Data Systems, Inc. | 10.250 | 08/15/15 | <u>3,324,290</u> |
| | <i>Diversified Financial Services—2.1%</i> | | | |
| 3,790,000 | Ford Motor Credit Co. LLC | 7.000 | 10/01/13 | <u>3,598,298</u> |
| | <i>Electric—7.4%</i> | | | |
| 3,243,000 | AES Corp. (The) | 8.000 | 10/15/17 | 3,275,430 |
| 3,934,000 | Edison Mission Energy | 7.000 | 05/15/17 | 3,196,375 |
| 6,082,000 | Energy Future Holdings Corp., Series R | 6.550 | 11/15/34 | 2,839,637 |
| 3,433,000 | NRG Energy, Inc. | 7.375 | 02/01/16 | <u>3,420,126</u> |
| | | | | <u>12,731,568</u> |
| | <i>Food—1.9%</i> | | | |
| 3,222,000 | SUPERVALU, Inc. | 8.000 | 05/01/16 | <u>3,294,495</u> |
| | <i>Hand/Machine Tools—2.0%</i> | | | |
| 3,332,000 | Baldor Electric Co. | 8.625 | 02/15/17 | <u>3,448,620</u> |
| | <i>Healthcare - Products—3.9%</i> | | | |
| 3,148,000 | Bausch & Lomb, Inc. | 9.875 | 11/01/15 | 3,273,920 |
| 3,039,000 | Biomet, Inc. | 11.625 | 10/15/17 | <u>3,346,699</u> |
| | | | | <u>6,620,619</u> |
| | <i>Healthcare - Services—5.7%</i> | | | |
| 3,239,000 | Community Health Systems, Inc. | 8.875 | 07/15/15 | 3,344,268 |
| 3,270,000 | DaVita, Inc. | 7.250 | 03/15/15 | 3,245,475 |
| 3,099,000 | HCA, Inc. | 9.250 | 11/15/16 | <u>3,246,202</u> |
| | | | | <u>9,835,945</u> |
| | <i>Holding Companies - Diversified—2.0%</i> | | | |
| 3,552,000 | Leucadia National Corp. | 7.125 | 03/15/17 | <u>3,374,400</u> |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares High Yield Corporate Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|---------------------|---|------------------|------------------|-------------------|
| | Corporate Bonds (Continued) | | | |
| | <i>Household Products/Wares—1.9%</i> | | | |
| \$3,350,000 | Jarden Corp. | 7.500% | 05/01/17 | \$ 3,316,500 |
| | <i>Lodging—3.9%</i> | | | |
| 4,441,000 | MGM Mirage, Inc. | 6.625 | 07/15/15 | 3,386,262 |
| 3,400,000 | Wynn Las Vegas LLC | 6.625 | 12/01/14 | 3,247,000 |
| | | | | <u>6,633,262</u> |
| | <i>Machinery - Construction & Mining—2.1%</i> | | | |
| 3,816,000 | Terex Corp. | 8.000 | 11/15/17 | 3,539,340 |
| | <i>Media—2.0%</i> | | | |
| 3,348,000 | DISH DBS Corp. | 7.125 | 02/01/16 | 3,364,740 |
| | <i>Mining—1.9%</i> | | | |
| 2,800,000 | Teck Resources Ltd. (Canada) | 10.750 | 05/15/19 | 3,276,000 |
| | <i>Oil & Gas—9.8%</i> | | | |
| 3,663,000 | Chesapeake Energy Corp. | 6.500 | 08/15/17 | 3,452,378 |
| 3,489,000 | Forest Oil Corp. | 7.250 | 06/15/19 | 3,270,937 |
| 4,534,000 | OPTI Canada, Inc. (Canada) | 8.250 | 12/15/14 | 3,581,860 |
| 3,286,000 | Plains Exploration & Production Co. | 7.750 | 06/15/15 | 3,261,355 |
| 3,897,000 | Sabine Pass LNG LP | 7.500 | 11/30/16 | 3,312,450 |
| | | | | <u>16,878,980</u> |
| | <i>Packaging & Containers—1.9%</i> | | | |
| 3,199,000 | Crown Americas LLC | 7.750 | 11/15/15 | 3,278,975 |
| | <i>Pipelines—3.9%</i> | | | |
| 3,549,000 | Dynegy Holdings, Inc. | 8.375 | 05/01/16 | 3,327,188 |
| 3,379,000 | El Paso Corp. | 7.000 | 06/15/17 | 3,397,111 |
| | | | | <u>6,724,299</u> |
| | <i>REITS—1.9%</i> | | | |
| 3,489,000 | Host Hotels & Resorts LP, Series Q | 6.750 | 06/01/16 | 3,340,717 |
| | <i>Retail—3.9%</i> | | | |
| 3,025,000 | Dollar General Corp. | 10.625 | 07/15/15 | 3,327,500 |
| 4,149,000 | Rite Aid Corp. | 9.500 | 06/15/17 | 3,402,180 |
| | | | | <u>6,729,680</u> |
| | <i>Semiconductors—2.1%</i> | | | |
| 4,350,000 | Freescale Semiconductor, Inc. | 8.875 | 12/15/14 | 3,556,125 |
| | <i>Software—2.0%</i> | | | |
| 3,700,000 | First Data Corp. | 9.875 | 09/24/15 | 3,431,750 |
| | <i>Telecommunications—17.3%</i> | | | |
| 3,264,000 | Crickit Communications, Inc. | 9.375 | 11/01/14 | 3,182,400 |
| 3,196,000 | Crown Castle International Corp. | 9.000 | 01/15/15 | 3,387,760 |
| 3,490,000 | Frontier Communications Corp. | 9.000 | 08/15/31 | 3,463,825 |
| 3,094,000 | Intelsat Jackson Holdings Ltd. (Bermuda) | 11.250 | 06/15/16 | 3,310,580 |
| 3,700,000 | Level 3 Financing, Inc. | 9.250 | 11/01/14 | 3,311,500 |
| 3,205,000 | MetroPCS Wireless, Inc. | 9.250 | 11/01/14 | 3,245,063 |
| 3,680,000 | Sprint Nextel Corp. | 6.000 | 12/01/16 | 3,183,200 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares High Yield Corporate Bond Portfolio

October 31, 2009

| <u>Principal Amount</u> | | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Value</u> |
|-----------------------------|--|--------------------------|--------------------------|---------------|
| | Corporate Bonds (Continued) | | | |
| \$3,100,000 | Virgin Media Finance PLC, Series 1 (United Kingdom) | 9.500% | 08/15/16 | \$ 3,293,750 |
| 3,266,000 | Windstream Corp. | 8.625 | 08/01/16 | 3,372,145 |
| | | | | 29,750,223 |
| | Total Corporate Bonds | | | |
| | (Cost \$152,371,549) | | | 166,686,067 |
| | Number of Shares | | | |
| | Money Market Fund—0.9% | | | |
| 1,603,997 | Goldman Sachs Financial Square Prime Obligations Institutional Share Class (Cost \$1,603,997) | | | 1,603,997 |
| | Total Investments | | | |
| | (Cost \$153,975,546)—97.9% | | | 168,290,064 |
| | Other assets less liabilities—2.1% | | | 3,646,055 |
| | Net Assets—100.0% | | | \$171,936,119 |
| REIT | – Real Estate Investment Trust | | | |

See Notes to Financial Statements.

Schedule of Investments

PowerShares Insured California Municipal Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|--------------------------------------|--|---------------|---------------|-------------------|
| Municipal Bonds—98.9% | | | | |
| <i>Ad Valorem Property Tax—33.4%</i> | | | | |
| \$1,350,000 | Antelope Valley California Community College District (Election 2004) Ser. 07B NATL RE | 5.250% | 08/01/39 | \$ 1,386,153 |
| 500,000 | Arcadia California Unified School District (Election 2006) Ser. 07A FSA | 5.000 | 08/01/37 | 507,240 |
| 1,000,000 | Carlsbad California University School District COP Ser. 09-A AGC | 5.000 | 10/01/34 | 966,780 |
| 1,000,000 | Colton California Joint Unified School District (Election 2008) Ser. 09-A AGC | 5.375 | 08/01/34 | 1,001,790 |
| 500,000 | Desert California Community College District Ser. 07C FSA | 5.000 | 08/01/37 | 507,660 |
| 400,000 | Foothill-De Anza California Community College District Ser. 07A AMBAC | 4.500 | 08/01/31 | 376,168 |
| 500,000 | Los Angeles California Community College District (Election 2001) Ser. 07A NATL RE | 5.000 | 08/01/32 | 510,905 |
| 500,000 | Los Angeles California Community College District Ref. (Election 2001) Ser. 05A FSA | 5.000 | 08/01/25 | 524,085 |
| 505,000 | Los Angeles Unified School District (Election 2002) Ser. 07C FSA | 5.000 | 07/01/32 | 514,292 |
| 1,100,000 | Puerto Rico Commonwealth Public Improvement Refunding Ser. 07-A-4 (Puerto Rico) FSA | 5.000 | 07/01/31 | 1,107,414 |
| 500,000 | Riverside Community College District (Election 2004) Ser. 07C NATL RE | 5.000 | 08/01/32 | 504,435 |
| 2,000,000 | San Bernardino California Community College District (Election 2002) Ser. 08A | 6.250 | 08/01/33 | 2,272,160 |
| 400,000 | San Diego California Community College District (Election 2006) Ser. 07 FSA | 5.000 | 08/01/32 | 411,344 |
| | | | | <u>10,590,426</u> |
| <i>College Revenue—4.5%</i> | | | | |
| 500,000 | California State University Rev. Systemwide Ser. 07A FSA | 5.000 | 11/01/37 | 502,790 |
| 945,000 | University of California Regents Medical Center Pooled Rev. Ser. 07A NATL RE | 4.750 | 05/15/31 | 936,183 |
| | | | | <u>1,438,973</u> |
| <i>Electric Power Revenue—7.0%</i> | | | | |
| 800,000 | Anaheim California Public Financing Auth. Rev. (Electric System Distribution Facilities) Ser. 02-A FSA | 5.000 | 10/01/31 | 811,848 |
| 400,000 | Los Angeles California Water & Power Rev. (Power System) Sub-Ser. 07A-1 AMBAC | 5.000 | 07/01/39 | 404,284 |
| 1,000,000 | Redding California Electric System Rev. COP Ser. 08A FSA | 5.000 | 06/01/30 | 998,690 |
| | | | | <u>2,214,822</u> |
| <i>General Fund—1.0%</i> | | | | |
| 400,000 | California State Ref. Ser. 07 NATL RE | 4.250 | 08/01/33 | 328,148 |
| <i>Highway Tolls Revenue—1.1%</i> | | | | |
| 400,000 | Puerto Rico Commonwealth Highway & Transportation Auth. Rev. Ref. Ser. 07N FGIC | 5.250 | 07/01/39 | 362,984 |
| <i>Hospital Revenue—8.0%</i> | | | | |
| 1,000,000 | California Statewide Communities Development Auth. Rev. (Catholic Healthcare West) Ser. 07K AGC | 5.500 | 07/01/41 | 1,025,660 |
| 1,000,000 | California Statewide Communities Development Auth. Rev. (St. Joseph Health System-Remarketed) Insured Ser. 07C FGIC | 5.750 | 07/01/47 | 1,020,410 |
| 500,000 | California Statewide Community Development Auth. Rev. (Sutter Health-Remarketed) Ser. 04C FSA | 5.050 | 08/15/38 | 494,720 |
| | | | | <u>2,540,790</u> |
| <i>Lease Revenue—13.5%</i> | | | | |
| 2,000,000 | El Dorado California Irrigation District COP Ser. 09-A AGC | 5.750 | 08/01/39 | 2,085,580 |
| 1,000,000 | Los Angeles California Municipal Improvement Corp. Lease Rev. (Real Property) Ser. 09B AGC | 5.500 | 04/01/39 | 1,034,840 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Insured California Municipal Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|------------------------------------|--|---------------|---------------|---------------------|
| Municipal Bonds (Continued) | | | | |
| \$ 400,000 | Los Angeles California Municipal Improvement Corp., Lease Rev. Police Headquarters FAC Ser. 06A NATL RE | 4.250% | 01/01/37 | \$ 324,252 |
| 500,000 | Los Angeles California Municipal Improvement Corp., Lease Rev. Ser. 07B-1 NATL RE | 4.750 | 08/01/37 | 442,385 |
| 400,000 | Santa Clara Valley California Water District (CTFS Partner Water Utility System Improvement) Ser. 07A NATL RE | 5.000 | 06/01/37 | 409,864 |
| | | | | <u>4,296,921</u> |
| <i>Sales Tax Revenue—6.4%</i> | | | | |
| 1,500,000 | Los Angeles County California Metropolitan Transportation Auth. Sales Tax Rev. (Proposition A First Tier Senior) Ser. 05-A AMBAC | 5.000 | 07/01/35 | 1,531,005 |
| 500,000 | San Mateo County California Transit District (Sales Tax) Rev. Ref. Ser. 05A NATL RE | 4.750 | 06/01/34 | 496,395 |
| | | | | <u>2,027,400</u> |
| <i>Sewer Revenue—7.0%</i> | | | | |
| 400,000 | Bakersfield California Wastewater Rev. Ser. 07A FSA | 5.000 | 09/15/32 | 408,848 |
| 400,000 | Clovis California Public Financing Auth. Wastewater Rev. Ser. 07 AMBAC | 4.500 | 08/01/38 | 336,888 |
| 500,000 | Fresno California Sewer Rev. Ser. 08A AGC | 5.000 | 09/01/37 | 508,530 |
| 460,000 | Hollister California Joint Powers Financing Auth. (Wastewater Rev. Refinancing & Improvement Project) Ser. 01 FSA | 5.000 | 06/01/32 | 453,247 |
| 500,000 | Los Angeles California Wastewater System Rev. Ref. Ser. 05A NATL RE | 4.750 | 06/01/35 | 497,780 |
| | | | | <u>2,205,293</u> |
| <i>Special Assessment—5.1%</i> | | | | |
| 1,500,000 | Sacramento California Area Flood Control Agency Consolidated Capital Assessment District Ser. 08 BHAC | 5.625 | 10/01/37 | 1,610,130 |
| <i>Tax Increment Revenue—1.0%</i> | | | | |
| 400,000 | San Jose California Redevelopment Agency Tax Allocation Ref. (Merged Area Redevelopment Project) Ser. 06C NATL RE | 4.250 | 08/01/30 | 328,128 |
| <i>Water Revenue—10.9%</i> | | | | |
| 1,000,000 | East Bay California Municipal Utility District Water System Rev. Ref. Ser. 07A NATL RE | 5.000 | 06/01/32 | 1,039,570 |
| 500,000 | East Bay California Municipal Utility District Water System Rev. Subordinated Ser. 05A NATL RE | 5.000 | 06/01/35 | 516,170 |
| 500,000 | Pomona California Public Financing (Water Facilities Project) Ser. 07AY AMBAC | 5.000 | 05/01/47 | 464,960 |
| 500,000 | Puerto Rico Commonwealth Aqueduct & Sewer Auth. Rev. (Senior Lien) Ser. 08A AGC | 5.125 | 07/01/47 | 481,815 |
| 500,000 | San Francisco City & County Public Utilities Commission Water Rev. Ser. 06A FSA | 4.500 | 11/01/31 | 476,495 |
| 500,000 | San Luis Obispo County California Financing Auth. Rev. (Nacimiento Water Project) Ser. 07A NATL RE | 5.000 | 09/01/38 | 469,510 |
| | | | | <u>3,448,520</u> |
| Total Investments | | | | |
| (Cost \$31,141,354)—98.9% | | | | 31,392,535 |
| Other assets less liabilities—1.1% | | | | 334,560 |
| Net Assets—100.0% | | | | <u>\$31,727,095</u> |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Insured California Municipal Bond Portfolio

October 31, 2009

| | |
|-------|--------------------------------|
| Auth. | – Authority |
| COP | – Certificate of Participation |
| Ref. | – Refunding Bonds |
| Rev. | – Revenue |
| Ser. | – Series |

Glossary of Terms:

| | |
|---------|---|
| AGC | – Assured Guaranty Corp. |
| AMBAC | – American Municipal Bond Assurance Corp. |
| BHAC | – Berkshire Hathaway Assurance Corp. |
| FGIC | – Financial Guaranty Insurance Co. |
| FSA | – Financial Security Assurance, Inc. |
| NATL RE | – National Public Finance Guarantee Corp. |

This table, as of October 31, 2009, provides a listing of those entities that have either guaranteed, backed or otherwise enhanced the credit quality of more than 5% of the value of securities held in the portfolio. In instances where the entity has guaranteed, backed or otherwise enhanced the credit quality of a security, it is not primarily responsible for the borrower's obligations but may be called upon to satisfy the borrower's obligations.

| <u>Entities</u> | <u>Percentage of Total Investments</u> |
|---|--|
| National Public Finance Guarantee Corp. | 26.1% |
| Financial Security Assurance, Inc. | 24.6 |
| Assured Guaranty Corp. | 22.6 |
| American Municipal Bond Assurance Corp. | 9.9 |
| Berkshire Hathaway Assurance Corp. | 5.1 |

See Notes to Financial Statements.

Schedule of Investments

PowerShares Insured National Municipal Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|--------------------------------------|---|---------------|---------------|-------------------|
| Municipal Bonds—98.2% | | | | |
| <i>Ad Valorem Property Tax—14.2%</i> | | | | |
| \$ 2,000,000 | Arcadia California Unified School District (Election 2006) Ser. 07A FSA | 5.000% | 08/01/37 | \$ 2,028,960 |
| 2,150,000 | Beaumont Texas Independent School District School Building Ser. 09 AGC | 5.000 | 02/15/38 | 2,169,436 |
| 3,000,000 | Beaver County Pennsylvania Ser. 09 FSA | 5.550 | 11/15/31 | 3,235,440 |
| 2,000,000 | Burleson Texas Independent School District (School Building) Ser. 09 AGC | 5.000 | 08/01/39 | 2,026,020 |
| 3,000,000 | California State Ser. 05 NATL RE | 4.750 | 03/01/35 | 2,667,480 |
| 3,000,000 | Carlsbad California University School District COP Ser. 09-A AGC | 5.000 | 10/01/34 | 2,900,340 |
| 10,000,000 | Corona-Norca California Unified School District (Election 2006) Ser. 09B AGC | 5.375 | 02/01/34 | 10,233,700 |
| 1,000,000 | Corpus Christi Texas (Certificates of Obligation-Solid Waste) Ser. 08 AGC | 5.375 | 03/01/33 | 1,064,420 |
| 2,000,000 | Desert California Community College District Ser. 07C FSA | 5.000 | 08/01/37 | 2,030,640 |
| 1,500,000 | District of Columbia Ser. 08E BHAC | 5.000 | 06/01/33 | 1,561,485 |
| 2,500,000 | El Monte California Union High School District (Election 2008) Ser. 09A AGC | 5.500 | 06/01/34 | 2,555,900 |
| 2,000,000 | Frisco Texas Independent School District (School Building) Ser. 09 AGC | 5.250 | 08/15/36 | 2,128,900 |
| 2,500,000 | Los Angeles Unified School District (Election 2002) Ser. 07C FSA | 5.000 | 07/01/32 | 2,546,000 |
| 2,500,000 | Philadelphia Pennsylvania Ser. 09B AGC | 7.125 | 07/15/38 | 2,919,650 |
| 3,000,000 | Port St. Lucie Florida Utility Rev. Ref. System Ser. 09 AGC | 5.000 | 09/01/35 | 3,064,200 |
| 3,600,000 | Puerto Rico Commonwealth Public Improvement Refunding Ser. 07-A-4 (Puerto Rico) FSA | 5.250 | 07/01/30 | 3,732,156 |
| 500,000 | Puerto Rico Commonwealth Public Improvement Refunding Ser. 07-A-4 (Puerto Rico) FSA | 5.000 | 07/01/31 | 503,370 |
| 890,000 | Reading Pennsylvania School District (State Aid Withholding) Ser. 08 FSA | 5.000 | 03/01/35 | 918,133 |
| 2,000,000 | Riverside Community College District (Election 2004) Ser. 07C NATL RE | 5.000 | 08/01/32 | 2,017,740 |
| 4,100,000 | San Bernardino California Community College District (Election 2002) Ser. 08A | 6.250 | 08/01/33 | 4,657,928 |
| 2,500,000 | San Jacinto Unified School District (Election 2006) Ser. 07 FSA | 5.250 | 08/01/32 | 2,578,350 |
| 3,500,000 | Victor Valley California Union High School District (Election 2008) Ser. 09-A AGC | 5.000 | 08/01/34 | 3,426,745 |
| 2,535,000 | Yosemite California Community College District (Election 2004) Ser. 08C FSA | 5.000 | 08/01/32 | 2,596,119 |
| | | | | <u>63,563,112</u> |
| <i>College Revenue—4.4%</i> | | | | |
| 5,000,000 | California State University Rev. Systemwide Ser. 09A AGC | 5.250 | 11/01/38 | 5,123,900 |
| 3,000,000 | District of Columbia Rev. (Catholic University of America) Ser. 07 NATL RE | 5.000 | 10/01/29 | 3,063,150 |
| 1,250,000 | Massachusetts State Health & Educational Facilities Auth. Rev. (Massachusetts Institute of Technology) Ser. 09O | 6.000 | 07/01/36 | 1,440,250 |
| 1,000,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (Cornell University) Ser. 09A | 5.000 | 07/01/39 | 1,052,370 |
| 250,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (Fordham University) Ser. 08B AGC | 5.000 | 07/01/38 | 255,805 |
| 1,000,000 | Rhode Island Health & Educational Building Corp. Higher Education Facility Rev. (University of Rhode Island) Ser. 09B AGC | 5.250 | 09/15/29 | 1,037,360 |
| 2,500,000 | Savannah Georgia Economic Development Auth. Rev. (AASU Windward Commons) Ser. 09 AGC | 5.000 | 06/15/39 | 2,528,400 |
| 2,750,000 | University Houston (Texas University Rev. Ref-Consolidated) Ser. 08 FSA | 5.000 | 02/15/38 | 2,832,500 |
| 450,000 | University of California Regents Medical Center Pooled Rev. Ser. 07A NATL RE | 4.750 | 05/15/31 | 445,801 |
| 2,000,000 | University of California Rev. Ser. 05C NATL RE | 4.750 | 05/15/37 | 1,966,760 |
| | | | | <u>19,746,296</u> |
| <i>Electric Power Revenue—4.5%</i> | | | | |
| 500,000 | Indiana Municipal Power Agency Power Supply System Rev. Ser. 07A NATL RE | 5.000 | 01/01/37 | 489,065 |
| 5,000,000 | Indiana Municipal Power Agency Power Supply System Rev. Ser. 07A NATL RE | 5.000 | 01/01/42 | 4,844,250 |
| 2,900,000 | Kentucky State Municipal Power Agency System Rev. (Prairie State Project) Ser. 07A NATL RE | 5.000 | 09/01/37 | 2,757,755 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Insured National Municipal Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|------------------------------------|---|---------------|---------------|-------------------|
| Municipal Bonds (Continued) | | | | |
| \$ 6,000,000 | Long Island Power Auth. New York Electric Systems Rev. General Ser. 08A BHAC | 5.500% | 05/01/33 | \$ 6,454,560 |
| 3,315,000 | Northern Illinois Municipal Power Agency Power Project Rev. Ser. 07A NATL RE | 5.000 | 01/01/42 | 3,316,989 |
| 1,000,000 | Paducah Kentucky Electric Plant Board Rev. Ser. 09A AGC | 5.250 | 10/01/35 | 1,049,920 |
| 1,000,000 | Redding California Electric System Rev. COP Ser. 08A FSA | 5.000 | 06/01/30 | 998,690 |
| | | | | <u>19,911,229</u> |
| <i>General Fund—0.1%</i> | | | | |
| 500,000 | California State Ref. Ser. 07 NATL RE | 4.250 | 08/01/33 | <u>410,185</u> |
| <i>Highway Tolls Revenue—8.3%</i> | | | | |
| 500,000 | Miami-Dade County Florida Expressway Auth. Toll System Rev. Ser. 06 AMBAC | 5.000 | 07/01/37 | 484,670 |
| 4,250,000 | North Carolina Turnpike Auth. Triangle Expressway System Rev. Ser. 09A AGC | 5.500 | 01/01/29 | 4,464,880 |
| 4,000,000 | North Carolina Turnpike Auth. Triangle Expressway System Rev. Ser. 09A AGC | 5.750 | 01/01/39 | 4,185,080 |
| 16,000,000 | North Texas Thruway Auth. Rev. Ref. System (First Tier) Ser. 08K-1 AGC | 5.750 | 01/01/38 | 17,102,400 |
| 8,000,000 | Pennsylvania State Turnpike Common Turnpike Rev. Sub-Ser 08C AGC | 6.250 | 06/01/38 | 9,047,360 |
| 1,500,000 | Puerto Rico Highway & Transportation Auth. Highway Rev. Ref. Ser. 07CC FSA | 5.250 | 07/01/33 | <u>1,564,350</u> |
| | | | | <u>36,848,740</u> |
| <i>Hospital Revenue—16.8%</i> | | | | |
| 500,000 | Birmingham Alabama Special Care Facilities Financing Auth. Health Care Facilities Rev. (Children's Hospital) Ser. 09 AGC | 6.000 | 06/01/34 | 553,700 |
| 2,500,000 | Birmingham Alabama Special Care Facilities Financing Auth. Health Care Facilities Rev. (Children's Hospital) Ser. 09 AGC | 6.000 | 06/01/39 | 2,762,375 |
| 1,000,000 | California Statewide Communities Development Auth. Rev. (Catholic Healthcare West) Ser. 07K AGC | 5.500 | 07/01/41 | 1,025,660 |
| 1,500,000 | California Statewide Community Development Auth. Rev. (Sutter Health-Remarketed) Ser. 04C FSA | 5.050 | 08/15/38 | 1,484,160 |
| 500,000 | Cape Girardeau County Missouri Industrial Development Auth. Health Care Facilities Rev. (St. Francis Medical Center) Ser. 09A | 5.500 | 06/01/34 | 509,680 |
| 500,000 | Cape Girardeau County Missouri Industrial Development Auth. Health Care Facilities Rev. (St. Francis Medical Center) Ser. 09A | 5.750 | 06/01/39 | 526,680 |
| 5,000,000 | Christian County Kentucky Hospital Rev. (Hospital-Jennie Stuart Medical Center) Ser. 06 AGC | 5.500 | 02/01/36 | 5,190,700 |
| 2,500,000 | Cobb County Georgia Kennestone Hospital Auth. Rev. Certificates Sub-Ser 05-B AMBAC | 5.500 | 04/01/37 | 2,600,350 |
| 5,000,000 | Colorado Health Facilities Auth. Rev. (Catholic Health) Ser. 06C-1 FSA | 5.100 | 10/01/41 | 5,135,100 |
| 3,000,000 | Colorado Health Facilities Auth. Rev. (Poudre Valley County Health Facilities Auth) Ser. 05A FSA | 5.200 | 03/01/31 | 3,084,870 |
| 300,000 | Connecticut State Health & Educational Facility Auth. (Yale - New Haven Hospital) Ser. 06J-1 AMBAC | 5.000 | 07/01/31 | 289,590 |
| 1,570,000 | District of Columbia Hospital Rev. (Children's Hospital Obligation Group) Ser. 08 AGC | 5.250 | 07/15/38 | 1,537,956 |
| 5,340,000 | District of Columbia Hospital Rev. (Children's Hospital Obligation Group) Ser. 08 FSA | 5.250 | 07/15/45 | 5,188,665 |
| 3,000,000 | District of Columbia Rev. (Medlantic/Helix-Remarketed) Ser. 98C FSA | 5.000 | 08/15/38 | 2,915,070 |
| 2,000,000 | Halifax Hospital Medical Center (Florida Hospital) Rev. Ser. 06B-1 FSA | 5.500 | 06/01/38 | 2,010,760 |
| 3,800,000 | Harris County Health Facilities Development Corp. Thermal Utility Rev. (TECO Project) Ser. 08 AGC | 5.125 | 11/15/37 | 3,870,072 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Insured National Municipal Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|------------------------------------|--|------------------|------------------|-------------------|
| Municipal Bonds (Continued) | | | | |
| \$ 1,700,000 | Indiana Health & Educational Facilities Finance Auth. Rev. (St. Francis) Ref. Ser. 06E FSA | 5.250% | 05/15/41 | \$ 1,689,596 |
| 2,500,000 | Iowa Finance Auth. Health Facilities Rev. (Remarketed) Ser. 08A AGC | 5.625 | 08/15/37 | 2,659,300 |
| 5,500,000 | Jefferson Parish Louisiana Hospital District No. 1 Hospital Rev. (West Jefferson Medical Center) Ser. 98-B FSA | 5.250 | 01/01/28 | 5,533,990 |
| 2,000,000 | Johnston North Carolina Memorial Hospital Auth. Ser. 08 FSA | 5.250 | 10/01/36 | 2,028,400 |
| 500,000 | Maryland State Health & Higher Educational Facilities Auth. Rev. Ser. 06A NATL RE | 4.750 | 07/01/36 | 480,960 |
| 2,500,000 | New Jersey Health Care Facilities Financing Auth. Rev. (Meridian Health) Ser. 07V AGC | 5.000 | 07/01/38 | 2,538,475 |
| 10,000,000 | New Jersey Health Care Facilities Financing Auth. Rev. (Virtua Health) Ser. 09 AGC | 5.500 | 07/01/38 | 10,433,100 |
| 1,000,000 | Pulaski County Arkansas Hospital Rev. (Arkansas Children's Hospital Project) Ser. 09 AGC | 5.500 | 03/01/34 | 1,017,430 |
| 4,000,000 | South Carolina Jobs Economic Development Auth. Hospital Facilities Rev. (Ref-Palmetto Health-Remarketed) Ser. 08A FSA | 5.000 | 08/01/35 | 3,965,360 |
| 1,000,000 | South Carolina Jobs-Economic Development Auth. Hospital Rev. Ref. & Improvement (Anmed Health) Ser. 09B AGC | 5.500 | 02/01/38 | 1,032,820 |
| 1,900,000 | Waco Health Facilities Development Corporation (Hillcrest Health System Project) Ser. 06A NATL RE | 5.000 | 08/01/31 | 1,829,168 |
| 2,050,000 | Washington State Health Care Facilities Auth. Rev. (Multicare Health System Remarketed) Ser. 07B FSA | 5.500 | 08/15/38 | 2,120,479 |
| 850,000 | Washington State Health Care Facilities Auth. Rev. (Providence Health) Ser. 06E FSA | 5.250 | 10/01/33 | 858,398 |
| | | | | <u>74,872,864</u> |
| | <i>Lease Revenue—5.8%</i> | | | |
| 2,000,000 | Kern County California COP (Capital Improvements Projects) Ser. 09A AGC | 5.750 | 08/01/35 | 2,075,260 |
| 7,000,000 | Los Angeles California Municipal Improvement Corp. Lease Rev. (Real Property) Ser. 09B AGC | 5.500 | 04/01/39 | 7,243,880 |
| 2,500,000 | Manatee County Florida School Board COP (Master Lease Program) Ser. 09 AGC | 5.125 | 07/01/29 | 2,531,175 |
| 2,150,000 | Miami-Dade County Florida School Board COP Ser. 08B AGC | 5.000 | 05/01/33 | 2,114,955 |
| 500,000 | Miami-Dade County Florida School Board COP Ser. 09A AGC | 5.375 | 02/01/34 | 514,445 |
| 1,335,000 | Ohio State Higher Educational Facility Rev. (Case Western Reserve University Project) Ser. 06 NATL RE | 5.000 | 12/01/44 | 1,352,408 |
| 2,950,000 | Orange County Florida School Board COP Ser. 09A AGC | 5.500 | 08/01/34 | 3,192,490 |
| 5,000,000 | State Public School Building Auth. Pennsylvania School Rev. (Harrisburg School District Project) Ser. 09A AGC | 4.750 | 11/15/29 | 5,061,100 |
| 2,000,000 | Yuba California Levee Financing Auth. Rev. (Levee Financing Project) Ser. 08A AGC | 5.000 | 09/01/38 | 1,963,900 |
| | | | | <u>26,049,613</u> |
| | <i>Miscellaneous Revenue—3.5%</i> | | | |
| 2,500,000 | Dallas Texas Civic Center Rev. Ref. & Improvement Ser. 09 AGC | 5.250 | 08/15/34 | 2,571,075 |
| 4,550,000 | Dallas Texas Civic Center Rev. Ref. & Improvement Ser. 09 AGC | 5.250 | 08/15/38 | 4,654,468 |
| 1,000,000 | Hudson Yards Infrastructure Corp. New York Rev. Ser. 06A NATL RE | 4.500 | 02/15/47 | 842,160 |
| 1,000,000 | Kentucky Economic Development Financial Auth. (Louisville Arena Project) Rev. Sub-Ser 08A-1 AGC | 6.000 | 12/01/33 | 1,097,500 |
| 3,000,000 | Kentucky Economic Development Financial Auth. (Louisville Arena Project) Rev. Sub-Ser 08A-1 AGC | 6.000 | 12/01/38 | 3,265,890 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Insured National Municipal Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|--|--|---------------|---------------|-------------------|
| Municipal Bonds (Continued) | | | | |
| \$ 2,000,000 | New York City Industrial Development Agency Rev. Queens Baseball Stadium (Pilot) Ser. 09 AGC | 6.500% | 01/01/46 | \$ 2,239,980 |
| 1,000,000 | Newark New Jersey Housing Auth. Housing Rev. (South Ward Police Facility) Ser. 09 AGC | 6.750 | 12/01/38 | 1,116,150 |
| | | | | <u>15,787,223</u> |
| <i>Multiple Utility Revenue—0.7%</i> | | | | |
| 2,990,000 | Corpus Christi Texas Utility System Rev. Improvement Ser. 09 AGC | 5.375 | 07/15/39 | <u>3,115,161</u> |
| <i>Port, Airport & Marina Revenue—8.2%</i> | | | | |
| 5,000,000 | Chicago Illinois O'Hare International Airport Rev. (Ref-Third Indenture) Ser. 05A NATL RE | 5.000 | 01/01/29 | 5,041,850 |
| 9,000,000 | Clark County Nevada Airport Rev. Subordinate Lien Ser. 09-C FSA | 5.000 | 07/01/25 | 9,413,460 |
| 2,000,000 | Clark County Nevada Airport Rev. Subordinate Lien Ser. 09-C FSA | 5.000 | 07/01/26 | 2,082,280 |
| 1,000,000 | Metropolitan Washington DC Airports Auth. System Ser. 09B BHAC | 5.000 | 10/01/29 | 1,058,440 |
| 10,000,000 | Miami-Dade County Florida Aviation Rev. Ser. 09B AGC | 5.125 | 10/01/41 | 10,049,700 |
| 2,500,000 | Port of Seattle Rev. (Intermediate Lien) Ref. Ser. 05A NATL RE | 5.000 | 03/01/35 | 2,512,575 |
| 2,000,000 | Sacramento County California Airport System Rev. (PFC/Grant) Sub-Ser 09C AGC | 5.750 | 07/01/39 | 2,107,100 |
| 3,000,000 | Sacramento County California Airport System Ser. 08A FSA | 5.000 | 07/01/41 | 3,041,910 |
| 1,500,000 | St. Louis Missouri Airport Rev. Lambert - St. Louis International Airport Ser. 05 NATL RE | 5.500 | 07/01/31 | 1,483,050 |
| | | | | <u>36,790,365</u> |
| <i>Recreational Revenue—2.8%</i> | | | | |
| 5,000,000 | Miami-Dade County Florida Professional Sports Franchise Facilities Tax Ser. 09C AGC | 5.375 | 10/01/28 | 5,176,500 |
| 2,575,000 | Miami-Dade County Florida Professional Sports Franchise Facilities Tax Ser. 09C AGC | 5.750 | 10/01/39 | 2,761,765 |
| 4,000,000 | New York City Industrial Development Agency Rev. Yankee Stadium (Pilot) Ser. 09 AGC | 7.000 | 03/01/49 | 4,645,160 |
| | | | | <u>12,583,425</u> |
| <i>Sales Tax Revenue—5.3%</i> | | | | |
| 5,240,000 | Bi-State Development Agency of Missouri-Illinois Metropolitan District Mass Transit Sales Tax (MetroLink Cross County Extension) Ser. 09 AGC | 5.000 | 10/01/35 | 5,251,947 |
| 9,000,000 | Bi-State Development Agency of Missouri-Illinois Metropolitan District Mass Transit Sales Tax (MetroLink Cross County Extension) Ser. 09 AGC | 5.000 | 10/01/39 | 8,971,830 |
| 1,500,000 | Central Puget Sound Regional Transportation Auth. Sales & Use Tax Rev. Ser. 07A FSA | 5.000 | 11/01/34 | 1,545,810 |
| 400,000 | Dallas Area Rapid Transit (Senior Lien) Ser. 07 AMBAC | 5.000 | 12/01/32 | 416,912 |
| 400,000 | Illinois Regional Transportation Auth. Ser. 06A NATL RE | 4.500 | 07/01/35 | 379,552 |
| 3,000,000 | Metropolitan Atlanta Rapid Transit Auth. Georgia Sales Tax Rev. Ref. (Third Indenture) Ser. 07B FSA | 5.000 | 07/01/37 | 3,051,360 |
| 1,815,000 | Regional Transit Auth. - Illinois Ser. 00-A NATL RE | 6.500 | 07/01/30 | 2,227,259 |
| 1,000,000 | San Francisco California Bay Area Rapid Transit District Sales Tax Rev. Ref. Ser. 05A NATL RE | 5.000 | 07/01/30 | 1,019,170 |
| 1,000,000 | Santa Clara Valley California Transportation Auth. Sales Tax Rev. (Ref-Measure A) Ser. 07A AMBAC | 5.000 | 04/01/36 | 1,012,300 |
| | | | | <u>23,876,140</u> |
| <i>Sewer Revenue—3.4%</i> | | | | |
| 2,500,000 | Chicago Illinois Wastewater Transmission Rev. Ser. 08A BHAC | 5.500 | 01/01/38 | 2,628,875 |
| 2,250,000 | Detroit Michigan Sewer Disposal Rev. (Senior Lien-Remarketed) Ser. 03B FSA | 7.500 | 07/01/33 | 2,775,825 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Insured National Municipal Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|------------------------------------|--|---------------|---------------|-------------------|
| Municipal Bonds (Continued) | | | | |
| \$ 2,500,000 | Fresno California Sewer Rev. Ser. 08A AGC | 5.000% | 09/01/37 | \$ 2,542,650 |
| 500,000 | Los Angeles California Wastewater System Rev. Ref. Ser. 05A NATL RE | 4.750 | 06/01/35 | 497,780 |
| 1,400,000 | Sacramento County California Sanitation District Financing Auth. Rev. (County Sanitation District 1) Ser. 05 NATL RE | 5.000 | 08/01/35 | 1,422,232 |
| 5,000,000 | Sacramento County California Sanitation District Financing Auth. Rev. (Sacramento Regional County Sanitation) Ser. 06 NATL RE | 5.000 | 12/01/36 | 5,083,800 |
| | | | | <u>14,951,162</u> |
| <i>Special Assessment—1.0%</i> | | | | |
| 4,000,000 | Sacramento California Area Flood Control Agency Consolidated Capital Assessment District Ser. 08 BHAC | 5.625 | 10/01/37 | 4,293,680 |
| <i>Student Loan Revenue—1.2%</i> | | | | |
| 5,000,000 | Maine Educational Loan Auth. Student Loan Rev. Ser. 09-A3 Class A AGC | 5.875 | 12/01/39 | 5,327,000 |
| <i>Tax Increment Revenue—2.3%</i> | | | | |
| 1,100,000 | Rancho Cucamonga Redevelopment Agency Tax Allocation (Rancho Redevelopment Housing Set Aside) Ser. 07A NATL RE | 5.000 | 09/01/34 | 985,732 |
| 3,930,000 | Westminster California Redevelopment Agency Tax Allocation Rev. Subordinate (Commercial Redevelopment Project No. 1) Ser. 09 AGC | 6.250 | 11/01/39 | 4,302,918 |
| 5,000,000 | Westminster California Redevelopment Agency Tax Allocation Rev. Subordinate (Commercial Redevelopment Project No. 1) Ser. 09 AGC | 5.750 | 11/01/45 | 5,184,550 |
| | | | | <u>10,473,200</u> |
| <i>Transit Revenue—3.0%</i> | | | | |
| 2,000,000 | Metropolitan Transportation Auth. New York Rev. Ref. Insured Ser. 02A FSA | 5.750 | 11/15/32 | 2,090,800 |
| 400,000 | New Jersey State Transportation Trust Fund Auth. (Transit System) Ser. 07A AMBAC | 5.000 | 12/15/32 | 410,984 |
| 10,000,000 | New Jersey State Transportation Trust Fund Auth. (Transit System) Ser. 08A AGC | 5.500 | 12/15/38 | 10,724,900 |
| | | | | <u>13,226,684</u> |
| <i>Water Revenue—12.7%</i> | | | | |
| 2,900,000 | Anchorage Water Rev. Ref. Ser. 07 NATL RE | 5.000 | 05/01/37 | 2,954,404 |
| 9,500,000 | Atlanta Georgia Water & Wastewater Rev. Ser. 09-B FSA | 5.250 | 11/01/34 | 9,610,390 |
| 9,500,000 | Atlanta Georgia Water & Wastewater Rev. Ser. 09-B FSA | 5.375 | 11/01/39 | 9,643,070 |
| 1,000,000 | Birmingham Alabama Waterworks & Sewer Board Rev. Ser. 09A AGC | 5.250 | 01/01/39 | 1,038,220 |
| 250,000 | Broward County Florida Water & Sewer Utility Rev. Ser. 09A | 5.250 | 10/01/34 | 260,458 |
| 2,250,000 | Chicago Illinois Water Rev. Ref. (Second Lien) FSA | 5.250 | 11/01/33 | 2,356,695 |
| 400,000 | City of San Antonio Texas Water Rev. Ref. Ser. 07 NATL RE | 4.500 | 05/15/37 | 385,316 |
| 2,000,000 | Detroit Michigan Water Supply System Rev. (Second Lien-Remarketed) Ser. 06B FSA | 6.250 | 07/01/36 | 2,210,480 |
| 2,000,000 | Detroit Michigan Water Supply System Rev. (Second Lien-Remarketed) Ser. 06B FSA | 7.000 | 07/01/36 | 2,358,780 |
| 1,500,000 | Detroit Water Supply System Rev. (Second Lien) Ref. Ser. 06C FSA | 5.000 | 07/01/29 | 1,522,815 |
| 1,000,000 | East Bay California Municipal Utility District Water System Rev. Subordinated Ser 05A NATL RE | 5.000 | 06/01/35 | 1,032,340 |
| 3,570,000 | Houston Texas Utility System Rev. Ref. (Combined-First Lien) Ser. 09A AGC | 6.000 | 11/15/35 | 3,975,409 |
| 4,500,000 | Indianapolis Industry Local Public Improvement (Waterworks Project) Ser. 09A AGC | 5.500 | 01/01/38 | 4,897,845 |
| 5,000,000 | North Fort Bend Water Auth. Texas Water System Rev. Ser. 09 AGC | 5.250 | 12/15/34 | 5,223,200 |
| 500,000 | Philadelphia Water & Wastewater Rev. Ref. Ser. 07B AMBAC | 4.750 | 11/01/31 | 489,970 |
| 1,000,000 | Pomona California Public Financing (Water Facilities Project) Ser. 07AY AMBAC | 5.000 | 05/01/47 | 929,920 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Insured National Municipal Bond Portfolio

October 31, 2009

| <u>Principal Amount</u> | | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Value</u> |
|------------------------------------|---|--------------------------|--------------------------|----------------------|
| Municipal Bonds (Continued) | | | | |
| \$ 4,000,000 | Puerto Rico Commonwealth Aqueduct & Sewer Auth. Rev. (Senior Lien) Ser. 08A AGC | 5.125% | 07/01/47 | \$ 3,854,520 |
| 2,790,000 | Riverside California Water Rev. Ser. 08B FSA | 5.000 | 10/01/38 | 2,836,007 |
| 500,000 | San Francisco City & County Public Utilities Commission Water Rev. Ser. 06A FSA | 4.500 | 11/01/31 | 476,495 |
| 500,000 | San Luis Obispo County California Financing Auth. Rev. (Nacimiento Water Project) Ser. 07A NATL RE | 5.000 | 09/01/38 | 469,510 |
| | | | | <u>56,525,844</u> |
| | Total Investments | | | 438,351,923 |
| | (Cost \$420,511,616)—98.2% | | | 7,935,729 |
| | Other assets less liabilities—1.8% | | | <u>\$446,287,652</u> |
| | Net Assets—100.0% | | | |

Auth. – Authority
 COP – Certificate of Participation
 Ref. – Refunding Bonds
 Rev. – Revenue
 Ser. – Series

Glossary of Terms:

AGC – Assured Guaranty Corp.
 AMBAC – American Municipal Bond Assurance Corp.
 BHAC – Berkshire Hathaway Assurance Corp.
 FSA – Financial Security Assurance, Inc.
 NATL RE – National Public Finance Guarantee Corp.

This table, as of October 31, 2009, provides a listing of those entities that have either guaranteed, backed or otherwise enhanced the credit quality of more than 5% of the value of securities held in the portfolio. In instances where the entity has guaranteed, backed or otherwise enhanced the credit quality of a security, it is not primarily responsible for the borrower's obligations but may be called upon to satisfy the borrower's obligations.

| <u>Entities</u> | <u>Percentage of Total Investments</u> |
|---|--|
| Assured Guaranty Corp. | 54.5% |
| Financial Security Assurance, Inc. | 26.6 |
| National Public Finance Guarantee Corp. | 11.9 |

See Notes to Financial Statements.

Schedule of Investments

PowerShares Insured New York Municipal Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|-------------------------------------|---|---------------|---------------|------------------|
| Municipal Bonds—100.5% | | | | |
| <i>Ad Valorem Property Tax—4.4%</i> | | | | |
| \$ 300,000 | Haverstraw Stony Point Central School District Rev. Ser. 07 FSA | 5.000% | 10/15/24 | \$ 322,995 |
| 700,000 | New York NY (Fiscal 2008) Sub-Ser. 07C-1 FSA | 5.000 | 10/01/24 | 738,290 |
| 400,000 | Puerto Rico Commonwealth Public Improvement Refunding Ser. 07-A-4 (Puerto Rico) FSA | 5.000 | 07/01/31 | 402,696 |
| | | | | <u>1,463,981</u> |
| <i>College Revenue—12.3%</i> | | | | |
| 1,000,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (Cornell University) Ser. 09A | 5.000 | 07/01/39 | 1,052,370 |
| 500,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (Fordham University) Ser. 08B AGC | 5.000 | 07/01/28 | 524,685 |
| 500,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (Fordham University) Ser. 08B AGC | 5.000 | 07/01/38 | 511,610 |
| 1,000,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (Pratt Institute) Ser. 09C AGC | 5.125 | 07/01/39 | 1,037,350 |
| 500,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (St. John's University) Insured Ser. 07A NATL RE | 5.000 | 07/01/27 | 501,860 |
| 500,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt Mount Sinai School - Medical New York Ser. 07 NATL RE | 5.000 | 07/01/35 | 470,385 |
| | | | | <u>4,098,260</u> |
| <i>Electric Power Revenue—4.8%</i> | | | | |
| 500,000 | Long Island Power Auth. Electric System Rev. Ser. 04A AMBAC | 5.000 | 09/01/34 | 504,870 |
| 1,000,000 | Long Island Power Auth. New York Electric Systems Rev. General Ser. 08A BHAC | 5.500 | 05/01/33 | 1,075,760 |
| | | | | <u>1,580,630</u> |
| <i>Highway Tolls Revenue—9.4%</i> | | | | |
| 600,000 | New York State Thruway Auth. General Rev. Ser. 07H NATL RE | 5.000 | 01/01/37 | 603,552 |
| 1,000,000 | New York State Thruway Auth. General Rev. Ser. G FSA | 5.000 | 01/01/30 | 1,022,170 |
| 400,000 | Puerto Rico Commonwealth Highway & Transportation Auth. Rev. Ref. Ser. 07N FGIC | 5.250 | 07/01/39 | 362,984 |
| 1,100,000 | Triborough Bridge & Tunnel Auth. Rev. Ref. Ser. 02 NATL RE | 5.000 | 11/15/32 | 1,123,529 |
| | | | | <u>3,112,235</u> |
| <i>Hospital Revenue—8.0%</i> | | | | |
| 600,000 | New York State Dormitory Auth. Rev. Mental Health Services Facilities Improvement Ser. 05B AMBAC | 5.000 | 02/15/30 | 606,888 |
| 1,000,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (Health Quest Systems) Ser. 07B AGC | 5.250 | 07/01/27 | 1,042,810 |
| 1,000,000 | New York State Dormitory Auth. Rev. Special Treatment Supported Debt (Mental Health Services Facilities Improvement) Ser. 08A FSA | 5.000 | 02/15/38 | 1,020,590 |
| | | | | <u>2,670,288</u> |
| <i>Hotel Occupancy Tax—4.2%</i> | | | | |
| 1,500,000 | New York Convention Center Development Corp. Rev. (Hotel Unit Fee Secured) Ser. 05 AMBAC | 5.000 | 11/15/44 | 1,397,160 |
| <i>Income Tax Revenue—4.7%</i> | | | | |
| 600,000 | New York City Transitional Finance Auth. Building Aid Rev. Ser. 07S-2 NATL RE | 4.250 | 01/15/34 | 544,374 |
| 500,000 | New York State Urban Development Corp. Rev. (State Personal Income Tax) Ser. 07C NATL RE | 4.500 | 03/15/37 | 483,915 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Insured New York Municipal Bond Portfolio

October 31, 2009

| Principal Amount | | Interest Rate | Maturity Date | Value |
|------------------------------------|--|---------------|---------------|------------------|
| Municipal Bonds (Continued) | | | | |
| \$ 500,000 | New York State Urban Development Corp. Rev. (State Personal Income Tax) Ser. 09B-1 | 5.000% | 03/15/36 | \$ 515,050 |
| | | | | <u>1,543,339</u> |
| | <i>Lease Revenue—7.4%</i> | | | |
| 500,000 | Erie County New York Industrial Development Agency School Facility Rev. (City School District of Buffalo Project) Ser. 03 FSA | 5.750 | 05/01/23 | 531,410 |
| 350,000 | Niagara Falls City School District Ref. (High School Facilities) Ser. 05 FSA | 5.000 | 06/15/28 | 322,441 |
| 1,000,000 | Puerto Rico Public Buildings Auth. Rev. Ref. (Government Facilities-Remarketed) Ser. 04K FSA | 5.250 | 07/01/27 | 1,031,270 |
| 700,000 | Rensselaer City School District Ser. 06 XLCA | 5.000 | 06/01/36 | 585,662 |
| | | | | <u>2,470,783</u> |
| | <i>Miscellaneous Revenue—10.2%</i> | | | |
| 500,000 | Erie County New York Industrial Development Agency School Facility Rev. (City School District of the city of Buffalo Project) Ser. 03A FSA | 5.750 | 05/01/28 | 536,090 |
| 1,100,000 | Hudson Yards Infrastructure Corp. New York Rev. Ser. 06A NATL RE | 4.500 | 02/15/47 | 926,376 |
| 1,000,000 | New York City Industrial Development Agency Rev. Queens Baseball Stadium (Pilot) Ser. 09 AGC | 6.500 | 01/01/46 | 1,119,990 |
| 750,000 | New York State Dormitory Auth. Rev. Non-Special Treatment Supported Debt (School District Rev. Financing Program) Ser. 08-D AGC | 5.750 | 10/01/24 | 818,723 |
| | | | | <u>3,401,179</u> |
| | <i>Port, Airport & Marina Revenue—6.2%</i> | | | |
| 1,000,000 | Port Auth. of New York & New Jersey (Consolidated-One Hundred Forty-Eighth) Ser. 07 FSA | 5.000 | 08/15/33 | 1,041,780 |
| 1,000,000 | Port Auth. of New York & New Jersey (Consolidated-One Hundred Forty-Eighth) Ser. 07 FSA | 5.000 | 08/15/37 | 1,031,790 |
| | | | | <u>2,073,570</u> |
| | <i>Recreational Revenue—9.6%</i> | | | |
| 1,000,000 | New York City Industrial Development Agency Rev. Queens Baseball Stadium (Pilot) Ser. 06 AMBAC | 5.000 | 01/01/46 | 887,660 |
| 1,000,000 | New York City Industrial Development Agency Rev. Yankee Stadium (Pilot) Ser. 09 AGC | 7.000 | 03/01/49 | 1,161,290 |
| 600,000 | New York City Trust for Cultural Resources Rev. (American Museum of National History) Ser. 04A NATL RE | 5.000 | 07/01/44 | 607,164 |
| 500,000 | New York City Trust for Cultural Resources Rev. Ref. (Museum of Modern Art) Ser. 08-1A | 5.000 | 04/01/27 | 532,895 |
| | | | | <u>3,189,009</u> |
| | <i>Sales Tax Revenue—6.2%</i> | | | |
| 2,000,000 | Sales Tax Asset Receivables Corp. Ser. 04A AMBAC | 5.000 | 10/15/32 | 2,068,960 |
| | <i>Transit Revenue—3.3%</i> | | | |
| 505,000 | Metropolitan Transportation Auth. New York Rev. Ref. Insured Ser. 02A FSA | 5.750 | 11/15/32 | 527,927 |
| 600,000 | Metropolitan Transportation Auth. Rev. Ser. 07A NATL RE | 4.750 | 11/15/37 | 568,848 |
| | | | | <u>1,096,775</u> |
| | <i>Water Revenue—9.8%</i> | | | |
| 1,000,000 | Nassau County New York Sewer & Storm Water Finance Auth. System Rev. Ser. 08A BHAC | 5.375 | 11/01/28 | 1,101,400 |
| 600,000 | New York City Municipal Finance Auth. Water & Sewer System Rev. Ser. 07A FSA | 4.250 | 06/15/39 | 556,140 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Insured New York Municipal Bond Portfolio

October 31, 2009

| <u>Principal Amount</u> | | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Value</u> |
|------------------------------------|--|----------------------|----------------------|----------------------------|
| Municipal Bonds (Continued) | | | | |
| \$1,000,000 | New York City Municipal Water Finance Auth. Water & Sewer Rev. (2nd Generation Resolution) Ser. 08DD | 6.000% | 06/15/40 | \$ 1,105,330 |
| 500,000 | Puerto Rico Commonwealth Aqueduct & Sewer Auth. Rev. (Senior Lien) Ser. 08A AGC | 5.125 | 07/01/47 | 481,815 |
| | | | | <u>3,244,685</u> |
| | Total Investments | | | 33,410,854 |
| | (Cost \$32,579,594)—100.5% | | | (150,602) |
| | Liabilities in excess of other assets—(0.5%) | | | <u>\$33,260,252</u> |
| | Net Assets—100.0% | | | <u><u>\$33,260,252</u></u> |

| | |
|-------|-------------------|
| Auth. | – Authority |
| Ref. | – Refunding Bonds |
| Rev. | – Revenue |
| Ser. | – Series |

Glossary of Terms:

| | |
|---------|---|
| AGC | – Assured Guaranty Corp. |
| AMBAC | – American Municipal Bond Assurance Corp. |
| BHAC | – Berkshire Hathaway Assurance Corp. |
| FGIC | – Financial Guaranty Insurance Co. |
| FSA | – Financial Security Assurance, Inc. |
| NATL RE | – National Public Finance Guarantee Corp. |
| XLCA | – XL Capital Assurance, Inc. |

This table, as of October 31, 2009, provides a listing of those entities that have either guaranteed, backed or otherwise enhanced the credit quality of more than 5% of the value of securities held in the portfolio. In instances where the entity has guaranteed, backed or otherwise enhanced the credit quality of a security, it is not primarily responsible for the borrower's obligations but may be called upon to satisfy the borrower's obligations.

| <u>Entities</u> | <u>Percentage of Total Investments</u> |
|---|--|
| Financial Security Assurance, Inc. | 27.2% |
| Assured Guaranty Corp. | 20.0 |
| National Public Finance Guarantee Corp. | 17.5 |
| American Municipal Bond Assurance Corp. | 16.4 |
| Berkshire Hathaway Assurance Corp. | 6.5 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares Preferred Portfolio

October 31, 2009

| <u>Number of Shares</u> | | <u>Value</u> |
|-----------------------------|---|-----------------------------|
| | Preferred Stocks (Continued) | |
| | <i>Telecommunications—2.1%</i> | |
| 434,335 | AT&T, Inc., 6.38% | \$ 11,279,680 |
| 214,710 | Telephone & Data Systems, Inc., 6.63% | <u>4,657,060</u> |
| | | <u>15,936,740</u> |
| | Total Preferred Stocks | |
| | (Cost \$680,043,104) | <u>768,139,289</u> |
| | Money Market Fund—0.7% | |
| 5,466,491 | Goldman Sachs Financial Square Prime Obligations Institutional Share Class (Cost \$5,466,491) | <u>5,466,491</u> |
| | Total Investments | |
| | (Cost \$685,509,595)—100.5% | 773,605,780 |
| | Liabilities in excess of other assets—(0.5%) | <u>(3,681,072)</u> |
| | Net Assets—100.0% | <u><u>\$769,924,708</u></u> |

(~) Affiliated Investment. See Note 4.

This Fund has holdings greater than 10% of net assets in the following country:

United Kingdom 12.4%

See Notes to Financial Statements.

Schedule of Investments

PowerShares VRDO Tax-Free Weekly Portfolio

October 31, 2009

| Principal Amount | | Interest Rate (!) | Maturity Date | Value |
|--|---|-------------------|---------------|-------------------|
| Municipal Bonds (#)—99.6% | | | | |
| <i>Ad Valorem Property Tax—4.5%</i> | | | | |
| \$ 3,900,000 | Chicago Illinois Board of Education Ser. 00B FSA | 0.600% | 03/01/32 | \$ 3,900,000 |
| 4,295,000 | District of Columbia Ref. Ser. 08A | 0.300 | 06/01/34 | 4,295,000 |
| 5,000,000 | Luzerne County Pennsylvania Ser. 06A FSA | 0.300 | 11/15/26 | 5,000,000 |
| 500,000 | New York - City of New York Sub Ser. 96-J3 (Remarketed) | 0.200 | 02/15/16 | 500,000 |
| 10,000,000 | New York State Ser. 00B | 0.330 | 03/15/30 | 10,000,000 |
| 2,000,000 | North Carolina State Public Improvements Ser. 02D | 0.180 | 06/01/19 | 2,000,000 |
| 5,450,000 | Rochester Minnesota Rev. (Waste Water) Ser. 07B | 0.220 | 12/01/26 | 5,450,000 |
| 2,000,000 | Shelby County Tennessee Ser. 06C | 0.250 | 12/01/31 | 2,000,000 |
| 15,000,000 | State of New York Ser. 00-A | 0.430 | 03/13/20 | 15,000,000 |
| | | | | <u>48,145,000</u> |
| <i>College Revenue—8.3%</i> | | | | |
| 7,850,000 | Benton County Arkansas Public Facilities Board College Parking Rev. (NorthWest Arkansas Community College Project) Ser. 05 | 1.350 | 06/01/26 | 7,850,000 |
| 1,700,000 | Charlottesville Virginia Industrial Development Auth. Educational Facilities Rev. (University of Virginia Foundation Projects) Ser. 06B | 0.260 | 12/01/37 | 1,700,000 |
| 5,000,000 | District of Columbia Rev. (George Washington University-Remarketed) Ser. 00B | 0.220 | 09/15/29 | 5,000,000 |
| 4,800,000 | District of Columbia Rev. Ref. (Howard University Issue-Remarketed) Ser. 06B | 0.250 | 10/01/26 | 4,800,000 |
| 5,950,000 | Indiana State Educational Facilities Auth. Rev. (University of Evansville) Ser. 01-B | 1.400 | 12/01/29 | 5,950,000 |
| 20,000,000 | Louisiana Public Facilities Auth. Rev. (Tiger Athletic Foundation Project) Ser. 99 | 1.200 | 09/01/28 | 20,000,000 |
| 3,400,000 | Massachusetts State Health & Educational Facilities Auth. Rev. (Harvard University) Ser. 00Y | 0.200 | 07/01/35 | 3,400,000 |
| 5,000,000 | New York City Industrial Development Agency Civic Facility Rev. (New York Law School Project-Remarketed) Ser. 06B-2 | 0.800 | 07/01/36 | 5,000,000 |
| 15,370,000 | Niagara County New York Industrial Development Agency Civic Facility Rev. (Student Housing Village Corp.) Ser. 07A | 1.000 | 06/01/37 | 15,370,000 |
| 5,000,000 | Ohio State Higher Educational Facility Rev. Ref. (Case Western Reserve University Project) Ser. 08A | 0.370 | 12/01/44 | 5,000,000 |
| 5,000,000 | Pennsylvania State Higher Educational Facilities Auth. College & University Rev. (St. Joseph's University) Ser. 08A | 0.270 | 07/15/36 | 5,000,000 |
| 3,200,000 | Rhode Island State Health & Educational Building Corp. Rev. (Catholic School Pool Program) Ser. 05A | 0.350 | 04/01/35 | 3,200,000 |
| 1,025,000 | Shelby County Tennessee Health Educational & Housing Facility Board Rev. (Memphis University School Project) Ser. 02 | 0.650 | 10/01/22 | 1,025,000 |
| 5,000,000 | University of Illinois COP (Utility Infrastructure Projects) Ser. 04 | 0.240 | 08/15/21 | 5,000,000 |
| | | | | <u>88,295,000</u> |
| <i>Economic Development Revenue—1.5%</i> | | | | |
| 5,600,000 | Lafayette Louisiana Economic Development Auth. Gulf Opportunity Zone Rev. (Stirling Lafayette, LLC Project) Ser. 08 | 1.200 | 02/01/38 | 5,600,000 |
| 10,000,000 | Louisiana Public Facilities Auth. Rev. (II City Plaza LLC Project) Ser. 08 | 1.200 | 03/01/40 | 10,000,000 |
| | | | | <u>15,600,000</u> |
| <i>Electric Power Revenue—5.0%</i> | | | | |
| 23,200,000 | Austin Texas Water & Wastewater System Rev. Ref. Ser. 04 FSA | 0.350 | 05/15/24 | 23,200,000 |
| 5,000,000 | Long Island Power Auth. New York Electric Systems Rev. (General Remarketed) Ser. 03N FSA | 0.300 | 12/01/29 | 5,000,000 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares VRDO Tax-Free Weekly Portfolio

October 31, 2009

| Principal Amount | | Interest Rate (!) | Maturity Date | Value |
|--|--|-------------------|---------------|-------------------|
| Municipal Bonds (#) (Continued) | | | | |
| \$ 7,600,000 | Municipal Electric Auth. of Georgia (Project One-Remarketed) Ser. 94B FSA | 0.550% | 01/01/16 | \$ 7,600,000 |
| 7,000,000 | Piedmont Municipal Power Agency South Carolina Electric Rev. Ser. 08C AGC | 0.350 | 01/01/34 | 7,000,000 |
| 10,900,000 | Southern California Public Power Auth. Transmission Project Rev. Subordinate Ref. (Southern Transmission) Ser. 00A FSA | 0.300 | 07/01/23 | 10,900,000 |
| | | | | <u>53,700,000</u> |
| <i>Fuel Sales Tax Revenue—0.6%</i> | | | | |
| 6,000,000 | Oregon State Department of Transportation Highway User Tax Rev. (Sub Lien) Ser. 07B-1 | 0.200 | 11/15/27 | <u>6,000,000</u> |
| <i>Highway Tolls Revenue—6.0%</i> | | | | |
| 4,900,000 | Delaware River Joint Toll Bridge Commission Pennsylvania Bridge Rev. Ser. 07B-1 | 0.300 | 07/01/32 | 4,900,000 |
| 1,800,000 | Illinois State Toll Highway Auth. Rev. Ref. Ser. 98B FSA | 0.300 | 01/01/16 | 1,800,000 |
| 1,400,000 | Illinois State Toll Highway Auth. Rev. Ref. Ser. 98B FSA | 0.300 | 01/01/17 | 1,400,000 |
| 7,800,000 | New Jersey State Turnpike Auth. Turnpike Rev. Ser. 03C-1 FSA | 0.300 | 01/01/24 | 7,800,000 |
| 14,850,000 | New Jersey State Turnpike Auth. Turnpike Rev. Ser. 03C-2 FSA | 0.300 | 01/01/24 | 14,850,000 |
| 700,000 | New Jersey Turnpike Auth. Turnpike Rev. Ser. 91-D NATL RE | 0.400 | 01/01/18 | 700,000 |
| 6,000,000 | Oklahoma State Turnpike Auth. Rev. Ref. (Second Senior-Convertible) Ser. 06D | 0.230 | 01/01/28 | 6,000,000 |
| 1,000,000 | Orlando & Orange County Expressway Auth. (Florida Expressway) Ref. Rev. Ser. 03-C-2 FSA | 0.250 | 07/01/25 | 1,000,000 |
| 5,000,000 | Orlando & Orange County Expressway Auth. (Florida Expressway) Rev. Ref. Sub-Ser. 08B-1 | 0.250 | 07/01/40 | 5,000,000 |
| 17,745,000 | Triborough Bridge & Tunnel Auth. New York Rev. (General Remarketed) Ser. 01C | 0.300 | 01/01/32 | 17,745,000 |
| 2,910,000 | Triborough Bridge & Tunnel Auth. New York Rev. Ser. 05A | 0.290 | 11/01/35 | <u>2,910,000</u> |
| | | | | <u>64,105,000</u> |
| <i>Hospital Revenue—30.2%</i> | | | | |
| 10,000,000 | California Health Facilities Financing Auth. Rev. (Insured- Catholic Healthcare) Ser. 88C NATL RE | 0.300 | 07/01/20 | 10,000,000 |
| 11,255,000 | Charlotte-Mecklenburg Hospital Auth. North Carolina Health Care System Rev. Ref. (Carolina-Remarketed) Ser. 07B | 0.600 | 01/15/38 | 11,255,000 |
| 31,700,000 | Charlotte-Mecklenburg Hospital Auth. North Carolina Health Care System Rev. Ref. (Carolina-Remarketed) Ser. 07-C | 0.600 | 01/15/37 | 31,700,000 |
| 2,000,000 | Chesterfield County Virginia Economic Development Auth. Rev. Bon Secours Health System Ser. 08-C1 FSA | 0.290 | 11/01/42 | 2,000,000 |
| 1,500,000 | Colorado Health Facility Auth. Rev. (Banner Health) Ser. 05A | 0.250 | 03/01/23 | 1,500,000 |
| 7,000,000 | Cookeville Tennessee Regional Medical Center Auth. Rev. Ser. 06 | 1.200 | 03/01/36 | 7,000,000 |
| 15,000,000 | Daphne - Villa Mercy Alabama Special Care Facilities Financing Auth. Rev. (Mercy Medical Project) Ser. 97 | 1.700 | 12/01/27 | 15,000,000 |
| 6,250,000 | DeKalb Private Hospital Auth. Georgia RAC (Egleston Children's Hospital) Ser. 94A | 0.520 | 03/01/24 | 6,250,000 |
| 1,000,000 | DeKalb Private Hospital Auth. Georgia Rev. Anticipation Certificates (ESR Children's Health Care System Project) Ser. 98A | 0.520 | 12/01/28 | 1,000,000 |
| 12,720,000 | Fairfax County Virginia Industrial Development Auth. (Inova Health System Project) Ser. 05A-1 | 0.200 | 05/15/35 | 12,720,000 |
| 5,000,000 | Gwinnett County Georgia Hospital Auth. RAC (Gwinnett Hospital System Project) Ser. 07D FSA | 1.650 | 07/01/41 | 5,000,000 |
| 38,000,000 | Hall County Gainesville Georgia Hospital Auth. RAC (Northeast Georgia) Ser. 07G AGC | 0.400 | 05/01/36 | 38,000,000 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares VRDO Tax-Free Weekly Portfolio

October 31, 2009

| Principal Amount | | Interest Rate (!) | Maturity Date | Value |
|--|--|-------------------|---------------|--------------------|
| Municipal Bonds (#) (Continued) | | | | |
| \$19,700,000 | Harris County Texas Health Facilities Development Corp. Hospital Rev. Ref. (Memorial Hermann Healthcare System) Ser. 08A FSA | 0.450% | 06/01/27 | \$ 19,700,000 |
| 8,050,000 | Henrico County Virginia Economic Development Auth. Rev. (Bon Secours Health System) Ser. 08B1 AGC | 0.290 | 11/01/42 | 8,050,000 |
| 15,585,000 | Illinois Finance Auth. Rev. (Elmhurst Memorial Healthcare) Ser. 08E | 0.770 | 01/01/48 | 15,585,000 |
| 20,000,000 | Illinois Health Facilities Auth. Rev. (Centegra Health System) Ser. 02 FSA | 0.450 | 09/01/32 | 20,000,000 |
| 21,835,000 | Indiana Health & Educational Facility Financing Auth. Rev. (Clarian Health Obligated Group) Ser. 05-B FSA | 0.400 | 02/15/21 | 21,835,000 |
| 4,130,000 | Kalamazoo Michigan Hospital Finance Auth. Hospital Facility Rev. (Bronson Methodist Hospital) Ser. 06 FSA | 0.520 | 05/15/36 | 4,130,000 |
| 6,570,000 | Knox County Tennessee Industrial Development Board Rev. (Cherokee Health Systems Project) Ser. 06 | 1.200 | 06/01/26 | 6,570,000 |
| 5,000,000 | Maryland State Health & Higher Educational Facilities Auth. Rev. (University of Maryland Medical Systems) Ser. 07A | 0.200 | 07/01/34 | 5,000,000 |
| 5,000,000 | Mississippi Hospital Equipment & Facilities Auth. Rev. (Grenada Lake Medical Center Project) Ser. 07 | 1.200 | 08/01/34 | 5,000,000 |
| 9,050,000 | Missouri State Health & Educational Facilities Auth. Health Facilities Rev. (SSM Health Care) Ser. 05C-4 FSA | 0.270 | 06/01/33 | 9,050,000 |
| 14,700,000 | New Hampshire Health & Education Facilities Auth. Rev. (Dartmouth Hitchcock Obligation) Ser. 01A FSA | 0.300 | 08/01/31 | 14,700,000 |
| 7,150,000 | Orange County Florida Health Facilities Auth. Rev. (Adventist Health System/Sunbelt, Inc) Ser. 92 | 0.550 | 11/15/14 | 7,150,000 |
| 5,550,000 | Orange County Florida Health Facilities Auth. Rev. Hospital (Orlando Regional) | 0.400 | 10/01/26 | 5,550,000 |
| 6,000,000 | Russell Kentucky Rev. (Bon Secours Health System Obligated Group) Ser. 02-B FSA | 0.290 | 11/01/26 | 6,000,000 |
| 9,300,000 | Southcentral Pennsylvania General Auth. Rev. (Wellspring Health Obligated Group) Ser. 08D | 0.520 | 06/01/35 | 9,300,000 |
| 1,000,000 | University of Wisconsin Hospitals & Clinics Auth. Rev. Ref. Ser. 09A | 0.200 | 04/01/32 | 1,000,000 |
| 23,600,000 | White County Industrial Hospital Association Lease Rental Rev. Ser. 06 | 1.200 | 10/01/38 | 23,600,000 |
| | | | | <u>323,645,000</u> |
| <i>Industrial Revenue—4.1%</i> | | | | |
| 5,000,000 | Jefferson County Kentucky Student Housing Industrial Building Rev. (ULH, Inc. - University of Louisville Phase II Project) Ser. 02-A | 1.200 | 07/01/32 | 5,000,000 |
| 7,500,000 | Louisiana Local Government Environmental Facilities Community Development Auth. Rev. (Laship, LLC Project) Ser. 06 | 1.150 | 09/01/36 | 7,500,000 |
| 2,500,000 | Louisiana Public Facilities Auth. Rev. (Bluebonnet Hotel Ventures, LLC Project) Ser. 08 | 1.200 | 05/01/38 | 2,500,000 |
| 8,730,000 | Rensselaer County New York Industrial Development Agency Civic Facility Rev. (Rensselaer Polytech Institute Project) Ser. 97-A | 0.400 | 02/01/22 | 8,730,000 |
| 20,000,000 | Washington County Alabama Industrial Development Auth. Rev. (Bay Gas Storage Co. Ltd. Project) Ser. 07 | 2.250 | 08/01/37 | 20,000,000 |
| | | | | <u>43,730,000</u> |
| <i>Lease Revenue—9.1%</i> | | | | |
| 1,900,000 | Broward County Florida School Board COP Ser. 04D FSA | 0.300 | 07/01/29 | 1,900,000 |
| 5,000,000 | Broward County Florida School Board COP Ser. 05 FSA | 0.260 | 07/01/21 | 5,000,000 |
| 18,875,000 | Cleveland-Cuyahoga County Port Auth. Rev. (Carnegie/96th Research Building Project) Ser. 03 | 1.900 | 01/01/33 | 18,875,000 |
| 35,000,000 | San Bernardino County California COP (Medical Center Financing Project) Ser. 98 NATL RE | 4.350 | 08/01/26 | 35,000,000 |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares VRDO Tax-Free Weekly Portfolio

October 31, 2009

| Principal Amount | | Interest Rate (!) | Maturity Date | Value |
|--|---|-------------------|---------------|--------------------|
| Municipal Bonds (#) (Continued) | | | | |
| \$ 3,410,000 | San Francisco California City & County Finance Corp. Lease Rev. Ref. (Moscone Center) Ser. 08-1 | 0.180% | 04/01/30 | \$ 3,410,000 |
| 22,730,000 | University of South Florida Financing Corp. COP (University of South Florida College of Medicine Health Facilities) Ser. 07 | 0.550 | 07/01/37 | 22,730,000 |
| 10,745,000 | USF Financing Corp Florida COP (College of Medicine Facilities Lease Program) Ser. 06-A-2 | 0.550 | 07/01/36 | 10,745,000 |
| | | | | <u>97,660,000</u> |
| <i>Local Housing Revenue—0.6%</i> | | | | |
| 3,100,000 | Massachusetts State Housing Finance Agency Rev. Ser. 03F FSA | 0.300 | 12/01/37 | 3,100,000 |
| 2,800,000 | New Hampshire State Housing Financing Auth. Multifamily Rev. (Ref. EQR Board Partnership Project) Ser. 96 | 0.200 | 09/15/26 | 2,800,000 |
| | | | | <u>5,900,000</u> |
| <i>Miscellaneous Revenue—11.2%</i> | | | | |
| 500,000 | Baltimore Maryland Industrial Development Auth. (Baltimore Capital Acquisition) Ser. 86 | 0.370 | 08/01/16 | 500,000 |
| 6,000,000 | California State Sub-Ser. 05A-1 | 0.160 | 05/01/40 | 6,000,000 |
| 20,000,000 | California State Sub-Ser. 05B-5 | 0.800 | 05/01/40 | 20,000,000 |
| 4,870,000 | Clarksville Tennessee Public Building Auth. Rev. (Pooled Financing Tennessee Municipal Bond Fund) Ser. 99 | 0.260 | 06/01/29 | 4,870,000 |
| 4,000,000 | Connecticut State Special Tax Obligation Rev. (Second Lien) Transportation Infrastructure Purposes Ser. 90-1 FSA | 0.320 | 12/01/10 | 4,000,000 |
| 15,000,000 | Delaware Valley Regional Finance Auth. Local Government Rev. Ser. 85C | 0.350 | 12/01/20 | 15,000,000 |
| 11,500,000 | Delaware Valley Regional Finance Auth. Local Government Rev. Ser. 86-1 | 0.350 | 08/01/16 | 11,500,000 |
| 10,000,000 | Illinois State Ser. 03B | 3.000 | 10/01/33 | 10,000,000 |
| 23,500,000 | Maryland State Health & Higher Educational Facilities Auth. Rev. (Carnegie Institution Issue) Ser. 02 | 0.550 | 10/01/37 | 23,500,000 |
| 10,000,000 | Massachusetts Bay Transportation Auth. (General Transportation System) Ser. 00 | 0.300 | 03/01/30 | 10,000,000 |
| 4,700,000 | Massachusetts State Ref. Ser. 98A | 0.210 | 09/01/16 | 4,700,000 |
| 2,500,000 | Mississippi Development Bank (Mississippi Convention Center Ref. Project) Ser. 08 | 1.200 | 11/01/28 | 2,500,000 |
| 1,900,000 | Montgomery County Tennessee Public Building Auth. Pooled Funding Government Obligation (Tennessee County Loan Pool) Ser. 95 | 0.260 | 03/01/25 | 1,900,000 |
| 500,000 | North Carolina State Public Improvements Ser. 02D | 0.260 | 05/01/21 | 500,000 |
| 5,165,000 | Southern California Public Power Auth. Transmission Project Rev. (Southern Transmission Project) Ser. 01-A FSA | 0.300 | 07/01/21 | 5,165,000 |
| | | | | <u>120,135,000</u> |
| <i>Miscellaneous Taxes—1.1%</i> | | | | |
| 12,000,000 | New York State Local Government Assistance Corp. Ref. Sub-Lien Ser. 03-4V FSA | 0.300 | 04/01/22 | 12,000,000 |
| <i>Multiple Utility Revenue—1.8%</i> | | | | |
| 19,350,000 | Colorado Springs Colorado Utilities Rev. (Sub-Lien Improvement) Ser. 06B | 0.400 | 11/01/36 | 19,350,000 |
| <i>Port, Airport & Marina Revenue—3.8%</i> | | | | |
| 5,000,000 | Atlanta Georgia Airport Rev. Ref. General Ser. 03RF-B-2 NATL RE | 2.260 | 01/01/30 | 5,000,000 |
| 5,000,000 | Atlanta Georgia Airport Rev. Ref. General Ser. 03RF-B-3 NATL RE | 2.260 | 01/01/30 | 5,000,000 |
| 5,000,000 | Atlanta Georgia Airport Rev. Ref. General Ser. 03RF-C-2 NATL RE | 2.260 | 01/01/30 | 5,000,000 |
| 17,210,000 | Atlanta Georgia Airport Rev. Ref. General Ser. 03RF-C-3 NATL RE | 2.260 | 01/01/30 | 17,210,000 |
| 4,085,000 | Metropolitan Washington DC Airport Auth. System Sub-Ser. 09-A-1 | 0.400 | 10/01/39 | 4,085,000 |
| 4,500,000 | Metropolitan Washington DC Airport Auth. System Sub-Ser. 09A-2 | 0.400 | 10/01/39 | 4,500,000 |
| | | | | <u>40,795,000</u> |

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares VRDO Tax-Free Weekly Portfolio

October 31, 2009

| Principal Amount | | Interest Rate (!) | Maturity Date | Value |
|--|--|----------------------|------------------|-------------------------------|
| Municipal Bonds (#) (Continued) | | | | |
| <i>Sales Tax Revenue—1.5%</i> | | | | |
| \$10,765,000 | Los Angeles County California Metropolitan Transportation Auth. Sales Tax Rev. (Proposition A First Tier Senior) Ser. 08-A4 | 0.250% | 07/01/31 | \$ 10,765,000 |
| 2,100,000 | Metropolitan Atlanta Rapid Transit Auth. Georgia Sales Tax Rev. Ser. 00B | 0.370 | 07/01/25 | 2,100,000 |
| 2,300,000 | New York State Local Assistance Corp. Ser. 94B | 0.220 | 04/01/23 | 2,300,000 |
| 700,000 | State of California Economic Recovery Ser. 04-C-15 FSA | 0.600 | 07/01/23 | 700,000 |
| | | | | <u>15,865,000</u> |
| <i>Tax Increment Revenue—0.2%</i> | | | | |
| 2,490,000 | Denver Colorado Urban Renewal Auth. Tax Increment Rev. Ref. (South Broadway Urban Renewal Project) Ser. 02 | 3.000 | 12/01/15 | 2,490,000 |
| <i>Transit Revenue—1.8%</i> | | | | |
| 500,000 | Bi-State Development Agency Missouri-Illinois Metropolitan District Rev. (Metrolink Project) Ser. 05A | 0.190 | 10/01/35 | 500,000 |
| 900,000 | California Transit Finance Auth. Ser. 97 FSA | 0.450 | 10/01/27 | 900,000 |
| 3,050,000 | Metropolitan Transportation Auth. New York Dedicated Tax Fund Ser. 02-B FSA | 0.300 | 11/01/22 | 3,050,000 |
| 15,000,000 | Metropolitan Transportation Auth. New York Rev. Ref. Ser. 02D-1 FSA | 0.300 | 11/01/29 | 15,000,000 |
| | | | | <u>19,450,000</u> |
| <i>Water Revenue—8.3%</i> | | | | |
| 1,800,000 | California State Department of Water Resources Power Supply Rev. Sub-Ser. 05G-3 FSA | 0.300 | 05/01/16 | 1,800,000 |
| 6,070,000 | California State Department Water Resource Power Supply Rev. Sub-Ser. 05G-5 FSA | 0.250 | 05/01/16 | 6,070,000 |
| 4,700,000 | Charleston South Carolina Waterworks & Sewer Rev. (Capital Improvement) Ser. 06B | 0.260 | 01/01/35 | 4,700,000 |
| 15,000,000 | Forsyth County Georgia Water & Sewage Auth. Rev. Ser. 05B | 0.250 | 04/01/35 | 15,000,000 |
| 1,100,000 | Gwinnett County Water & Sewage Auth. Rev. Ser. 04B | 0.210 | 08/01/25 | 1,100,000 |
| 5,800,000 | Houston Texas Utilities System Rev. Ref. (1st Lien Remarketed) Ser. 04B-1 | 0.200 | 05/15/34 | 5,800,000 |
| 17,600,000 | Irvine Ranch California Water District COP Ref. (Irvine Ranch Water District) Ser. 08 | 0.250 | 03/01/32 | 17,600,000 |
| 5,000,000 | Massachusetts State Water Resource Auth. Subordinated General Rev. Ref. Ser. 08A | 0.280 | 08/01/37 | 5,000,000 |
| 2,000,000 | Metropolitan Water District Southern California Rev. Ser. 00B-2 | 0.170 | 07/01/35 | 2,000,000 |
| 8,000,000 | Metropolitan Water District Southern California Waterworks Rev. Ref. Ser. 08A-2 | 0.250 | 07/01/37 | 8,000,000 |
| 3,825,000 | Philadelphia Pennsylvania Water & Wastewater Rev. Ref. Ser. 03 FSA | 0.290 | 06/15/23 | 3,825,000 |
| 18,300,000 | Pittsburgh Pennsylvania Water & Sewer System Auth. Rev. (First Lien) Ser. 07B-1 FSA | 0.250 | 09/01/33 | 18,300,000 |
| | | | | <u>89,195,000</u> |
| Total Investments | | | | |
| (Cost \$1,066,056,900)—99.6% | | | | 1,066,060,000 |
| Other assets less liabilities—0.4% | | | | 3,819,050 |
| Net Assets—100.0% | | | | <u><u>\$1,069,879,050</u></u> |

Auth. – Authority
 COP – Certificate of Participation
 RAC – Revenue Anticipation Certificates
 Ref. – Refunding Bonds
 Rev. – Revenue

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares VRDO Tax-Free Weekly Portfolio

October 31, 2009

Glossary of Terms:

Ser. – Series
AGC – Assured Guaranty Corp.
FSA – Financial Security Assurance, Inc.
NATL RE – National Public Finance Guarantee Corp.

(#) Demand Securities payable upon demand by the Fund for an amount equal to par value plus accrued interest at specified time intervals.

(!) Variable rate coupon. Stated interest rate was in effect at October 31, 2009.

This table, as of October 31, 2009, provides a listing of those entities that have either guaranteed, backed or otherwise enhanced the credit quality of more than 5% of the value of securities held in the portfolio. In instances where the entity has guaranteed, backed or otherwise enhanced the credit quality of a security, it is not primarily responsible for the borrower's obligations but may be called upon to satisfy the borrower's obligations.

| <u>Entities</u> | <u>Percentage of Total Investments</u> |
|---|--|
| Financial Security Assurance, Inc. | 24.9% |
| National Public Finance Guarantee Corp. | 7.3 |

See Notes to Financial Statements.

Statements of Assets and Liabilities

October 31, 2009

| | PowerShares 1-30 Laddered Treasury Portfolio | PowerShares Emerging Markets Sovereign Debt Portfolio | PowerShares High Yield Corporate Bond Portfolio | PowerShares Insured California Municipal Bond Portfolio |
|--|---|--|--|--|
| ASSETS: | | | | |
| Unaffiliated investments at value | \$65,644,290 | \$413,768,669 | \$168,290,064 | \$31,392,535 |
| Affiliated investments at value (Note 4) | — | — | — | — |
| Cash | — | — | — | — |
| Receivables: | | | | |
| Interest and dividends | 709,801 | 7,909,891 | 4,970,445 | 421,980 |
| Shares sold | — | — | — | — |
| Investments sold | — | 282,250 | — | — |
| Total Assets | <u>\$66,354,091</u> | <u>\$421,960,810</u> | <u>\$173,260,509</u> | <u>\$31,814,515</u> |
| LIABILITIES: | | | | |
| Due to custodian | 159,720 | 1,915,212 | 1,253,302 | 78,981 |
| Payables: | | | | |
| Investments purchased | — | — | — | — |
| Accrued unitary management fees | 14,086 | 168,817 | 71,088 | 7,827 |
| Accrued expenses | — | — | — | 612 |
| Total Liabilities | <u>173,806</u> | <u>2,084,029</u> | <u>1,324,390</u> | <u>87,420</u> |
| NET ASSETS | <u>\$66,180,285</u> | <u>\$419,876,781</u> | <u>\$171,936,119</u> | <u>\$31,727,095</u> |
| NET ASSETS CONSIST OF: | | | | |
| Shares of beneficial interest | \$66,647,182 | \$400,291,119 | \$160,625,880 | \$31,471,593 |
| Undistributed net investment income | — | — | 356,642 | 4,321 |
| Accumulated net realized (loss) on investments | (93,012) | (1,770,048) | (3,360,921) | — |
| Net unrealized appreciation (depreciation) on investments | (373,885) | 21,355,710 | 14,314,518 | 251,181 |
| Net Assets | <u>\$66,180,285</u> | <u>\$419,876,781</u> | <u>\$171,936,119</u> | <u>\$31,727,095</u> |
| Shares outstanding (unlimited amount authorized, \$0.01 par value) | 2,400,000 | 16,400,000 | 9,800,000 | 1,350,000 |
| Net asset value | \$ 27.58 | \$ 25.60 | \$ 17.54 | \$ 23.50 |
| Share price | <u>\$ 27.59</u> | <u>\$ 25.89</u> | <u>\$ 17.51</u> | <u>\$ 23.48</u> |
| Unaffiliated investments at cost | <u>\$66,018,175</u> | <u>\$392,412,959</u> | <u>\$153,975,546</u> | <u>\$31,141,354</u> |
| Affiliated investments at cost | \$ — | \$ — | \$ — | \$ — |

See Notes to Financial Statements.

| PowerShares Insured National Municipal Bond Portfolio | PowerShares Insured New York Municipal Bond Portfolio | PowerShares Preferred Portfolio | PowerShares VRDO Tax-Free Weekly Portfolio |
|--|--|---------------------------------------|---|
| \$438,351,923 | \$33,410,854 | \$669,192,025 | \$1,066,060,000 |
| — | — | 104,413,755 | — |
| 13,780,057 | — | — | — |
| 6,201,316 | 538,371 | 1,317,972 | 1,064,831 |
| 2,362,277 | — | — | — |
| — | — | — | 10,604,161 |
| <u>460,695,573</u> | <u>33,949,225</u> | <u>774,923,752</u> | <u>1,077,728,992</u> |
| — | 680,172 | 4,672,445 | 6,530,075 |
| 14,304,623 | — | — | 1,100,469 |
| 102,686 | 8,189 | 326,599 | 218,786 |
| 612 | 612 | — | 612 |
| <u>14,407,921</u> | <u>688,973</u> | <u>4,999,044</u> | <u>7,849,942</u> |
| <u>\$446,287,652</u> | <u>\$33,260,252</u> | <u>\$769,924,708</u> | <u>\$1,069,879,050</u> |
| \$431,230,748 | \$32,698,692 | \$756,181,920 | \$1,069,875,950 |
| — | — | — | — |
| (2,783,403) | (269,700) | (74,353,397) | — |
| <u>17,840,307</u> | <u>831,260</u> | <u>88,096,185</u> | <u>3,100</u> |
| <u>\$446,287,652</u> | <u>\$33,260,252</u> | <u>\$769,924,708</u> | <u>\$1,069,879,050</u> |
| 18,900,000 | 1,450,000 | 59,200,000 | 42,800,000 |
| <u>\$ 23.61</u> | <u>\$ 22.94</u> | <u>\$ 13.01</u> | <u>\$ 25.00</u> |
| <u>\$ 23.56</u> | <u>\$ 22.92</u> | <u>\$ 13.06</u> | <u>\$ 25.00</u> |
| <u>\$420,511,616</u> | <u>\$32,579,594</u> | <u>\$587,392,086</u> | <u>\$1,066,056,900</u> |
| <u>\$ —</u> | <u>\$ —</u> | <u>\$ 98,117,509</u> | <u>\$ —</u> |

Statements of Operations

Year Ended October 31, 2009

| | PowerShares 1-30 Laddered Treasury Portfolio | PowerShares Emerging Markets Sovereign Debt Portfolio | PowerShares High Yield Corporate Bond Portfolio | PowerShares Insured California Municipal Bond Portfolio |
|--|---|--|--|--|
| INVESTMENT INCOME: | | | | |
| Interest income | \$2,725,068 | \$12,908,086 | \$ 9,375,883 | \$1,219,798 |
| Unaffiliated dividend income | — | — | — | — |
| Affiliated dividend income | — | — | — | — |
| Foreign withholding tax | — | — | — | — |
| Total Income | <u>2,725,068</u> | <u>12,908,086</u> | <u>9,375,883</u> | <u>1,219,798</u> |
| EXPENSES: | | | | |
| Unitary management fees | 196,408 | 872,812 | 449,232 | 85,583 |
| Other expenses | — | — | 1,593 | 612 |
| Total Expenses | <u>196,408</u> | <u>872,812</u> | <u>450,825</u> | <u>86,195</u> |
| Unitary management fees waivers | — | — | — | (17,117) |
| Net Expenses | <u>196,408</u> | <u>872,812</u> | <u>450,825</u> | <u>69,078</u> |
| Net Investment Income | <u>2,528,660</u> | <u>12,035,274</u> | <u>8,925,058</u> | <u>1,150,720</u> |
| REALIZED AND UNREALIZED GAIN (LOSS) | | | | |
| ON INVESTMENTS: | | | | |
| Net realized gain (loss) from: | | | | |
| Investments | (84,372) | (1,305,330) | (2,487,261) | 124,665 |
| In-kind redemption | 2,742,153 | 3,258,710 | 107,836 | — |
| Foreign currency related transactions | — | — | 2 | — |
| Net realized gain (loss) | <u>2,657,781</u> | <u>1,953,380</u> | <u>(2,379,423)</u> | <u>124,665</u> |
| Net change in unrealized appreciation (depreciation) on: | | | | |
| Investments | 370,625 | 48,878,387 | 19,710,338 | 2,386,895 |
| Net realized and unrealized gain on investments | <u>3,028,406</u> | <u>50,831,767</u> | <u>17,330,915</u> | <u>2,511,560</u> |
| Net increase in net assets resulting from operations | <u>\$5,557,066</u> | <u>\$62,867,041</u> | <u>\$26,255,973</u> | <u>\$3,662,280</u> |

See Notes to Financial Statements.

| PowerShares Insured National Municipal Bond Portfolio | PowerShares Insured New York Municipal Bond Portfolio | PowerShares Preferred Portfolio | PowerShares VRDO Tax-Free Weekly Portfolio |
|--|--|---------------------------------------|---|
| \$15,815,059 | \$1,415,931 | \$ — | \$7,355,719 |
| — | — | 34,148,407 | — |
| — | — | 4,090,075 | — |
| — | — | (6,314) | — |
| <u>15,815,059</u> | <u>1,415,931</u> | <u>38,232,168</u> | <u>7,355,719</u> |
| 1,053,914 | 98,503 | 2,182,329 | 1,235,531 |
| 612 | 612 | — | 612 |
| <u>1,054,526</u> | <u>99,115</u> | <u>2,182,329</u> | <u>1,236,143</u> |
| (210,783) | (19,701) | — | — |
| <u>843,743</u> | <u>79,414</u> | <u>2,182,329</u> | <u>1,236,143</u> |
| <u>14,971,316</u> | <u>1,336,517</u> | <u>36,049,839</u> | <u>6,119,576</u> |
| (194,593) | (125,849) | (46,909,251) | 3,700 |
| — | — | 5,649,862 | — |
| — | — | — | — |
| <u>(194,593)</u> | <u>(125,849)</u> | <u>(41,259,389)</u> | <u>3,700</u> |
| <u>34,481,349</u> | <u>2,725,223</u> | <u>108,348,535</u> | <u>(3,700)</u> |
| <u>34,286,756</u> | <u>2,599,374</u> | <u>67,089,146</u> | <u>—</u> |
| <u>\$49,258,072</u> | <u>\$3,935,891</u> | <u>\$103,138,985</u> | <u>\$6,119,576</u> |

Statements of Changes in Net Assets

| | PowerShares 1-30 Laddered Treasury Portfolio | | PowerShares Emerging Markets Sovereign Debt Portfolio | |
|---|---|--------------------------------|--|--------------------------------|
| | Year Ended October 31, 2009 | Year Ended October 31, 2008 | Year Ended October 31, 2009 | Year Ended October 31, 2008 |
| OPERATIONS: | | | | |
| Net investment income | \$ 2,528,660 | \$ 1,306,737 | \$ 12,035,274 | \$ 4,551,876 |
| Net realized gain (loss) on investments | 2,657,781 | 381,622 | 1,953,380 | (4,911,415) |
| Net change in unrealized appreciation (depreciation) on investments | 370,625 | (965,583) | 48,878,387 | (27,680,495) |
| Net increase (decrease) in net assets resulting from operations | 5,557,066 | 722,776 | 62,867,041 | (28,040,034) |
| Undistributed net investment income (loss) included in the price of units issued and redeemed | 17,177 | (46,670) | (336,393) | (107,981) |
| DISTRIBUTIONS TO SHAREHOLDERS FROM: | | | | |
| Net investment income | (2,528,660) | (1,343,748) | (12,035,274) | (4,580,181) |
| Tax-exempt income | — | — | — | — |
| Return of capital | (195,041) | (16,946) | (162,307) | (16,897) |
| Total distributions to shareholders | (2,723,701) | (1,360,694) | (12,197,581) | (4,597,078) |
| SHAREHOLDER TRANSACTIONS: | | | | |
| Proceeds from shares sold | 46,292,073 | 64,361,064 | 356,703,417 | 121,066,844 |
| Value of shares repurchased | (46,091,977) | (15,960,658) | (56,221,000) | (35,256,909) |
| Net income equalization | (17,177) | 46,670 | 336,393 | 107,981 |
| Net increase in net assets resulting from shares transactions | 182,919 | 48,447,076 | 300,818,810 | 85,917,916 |
| Increase in Net Assets | 3,033,461 | 47,762,488 | 351,151,877 | 53,172,823 |
| NET ASSETS: | | | | |
| Beginning of period | 63,146,824 | 15,384,336 | 68,724,904 | 15,552,081 |
| End of period | <u>\$ 66,180,285</u> | <u>\$ 63,146,824</u> | <u>\$ 419,876,781</u> | <u>\$ 68,724,904</u> |
| Undistributed net investment income at end of period | \$ — | \$ — | \$ — | \$ — |
| CHANGES IN SHARES OUTSTANDING: | | | | |
| Shares sold | 1,650,000 | 2,400,000 | 14,900,000 | 4,800,000 |
| Shares repurchased | (1,650,000) | (600,000) | (2,300,000) | (1,600,000) |
| Shares outstanding, beginning of period | 2,400,000 | 600,000 | 3,800,000 | 600,000 |
| Shares outstanding, end of period | <u>2,400,000</u> | <u>2,400,000</u> | <u>16,400,000</u> | <u>3,800,000</u> |

* Commencement of Investment Operations.

See Notes to Financial Statements.

| PowerShares High Yield Corporate Bond Portfolio | | PowerShares Insured California Municipal Bond Portfolio | | PowerShares Insured National Municipal Bond Portfolio | | PowerShares Insured New York Municipal Bond Portfolio | |
|--|---|--|--------------------------------|--|--------------------------------|--|--------------------------------|
| Year Ended October 31, 2009 | For the Period November 13, 2007* Through October 31, 2008 | Year Ended October 31, 2009 | Year Ended October 31, 2008 | Year Ended October 31, 2009 | Year Ended October 31, 2008 | Year Ended October 31, 2009 | Year Ended October 31, 2008 |
| \$ 8,925,058 | \$ 861,570 | \$ 1,150,720 | \$ 612,332 | \$ 14,971,316 | \$ 4,424,193 | \$ 1,336,517 | \$ 611,730 |
| (2,379,423) | (873,660) | 124,665 | (108,177) | (194,593) | (2,588,810) | (125,849) | (141,166) |
| <u>19,710,338</u> | <u>(5,395,820)</u> | <u>2,386,895</u> | <u>(2,104,845)</u> | <u>34,481,349</u> | <u>(16,645,168)</u> | <u>2,725,223</u> | <u>(1,855,368)</u> |
| <u>26,255,973</u> | <u>(5,407,910)</u> | <u>3,662,280</u> | <u>(1,600,690)</u> | <u>49,258,072</u> | <u>(14,809,785)</u> | <u>3,935,891</u> | <u>(1,384,804)</u> |
| <u>380,918</u> | <u>(11,171)</u> | <u>(14,377)</u> | <u>(2,872)</u> | <u>(143,418)</u> | <u>(180,676)</u> | <u>(12,539)</u> | <u>(14,181)</u> |
| (8,604,082) | (827,498) | (16,488) | — | (43,112) | (862) | (20,102) | (18) |
| — | — | (1,152,894) | (632,660) | (14,988,559) | (4,429,286) | (1,340,091) | (638,609) |
| — | — | — | — | — | — | — | — |
| <u>(8,604,082)</u> | <u>(827,498)</u> | <u>(1,169,382)</u> | <u>(632,660)</u> | <u>(15,031,671)</u> | <u>(4,430,148)</u> | <u>(1,360,193)</u> | <u>(638,627)</u> |
| 141,355,542 | 21,963,736 | 17,912,120 | 13,731,378 | 254,950,156 | 196,853,094 | 17,109,821 | 11,127,034 |
| (2,799,642) | — | (5,689,253) | (6,973,440) | (17,205,787) | (15,821,065) | (3,333,606) | (7,166,608) |
| <u>(380,918)</u> | <u>11,171</u> | <u>14,377</u> | <u>2,872</u> | <u>143,418</u> | <u>180,676</u> | <u>12,539</u> | <u>14,181</u> |
| <u>138,174,982</u> | <u>21,974,907</u> | <u>12,237,244</u> | <u>6,760,810</u> | <u>237,887,787</u> | <u>181,212,705</u> | <u>13,788,754</u> | <u>3,974,607</u> |
| 156,207,791 | 15,728,328 | 14,715,765 | 4,524,588 | 271,970,770 | 161,792,096 | 16,351,913 | 1,936,995 |
| <u>15,728,328</u> | <u>—</u> | <u>17,011,330</u> | <u>12,486,742</u> | <u>174,316,882</u> | <u>12,524,786</u> | <u>16,908,339</u> | <u>14,971,344</u> |
| <u>\$171,936,119</u> | <u>\$15,728,328</u> | <u>\$31,727,095</u> | <u>\$17,011,330</u> | <u>\$446,287,652</u> | <u>\$174,316,882</u> | <u>\$33,260,252</u> | <u>\$16,908,339</u> |
| <u>\$ 356,642</u> | <u>\$ 34,072</u> | <u>\$ 4,321</u> | <u>\$ 6,495</u> | <u>\$ —</u> | <u>\$ 21,340</u> | <u>\$ —</u> | <u>\$ 3,648</u> |
| 9,000,000 | 1,000,000 | 800,000 | 600,000 | 11,400,000 | 8,500,000 | 800,000 | 500,000 |
| (200,000) | — | (250,000) | (300,000) | (800,000) | (700,000) | (150,000) | (300,000) |
| <u>1,000,000</u> | <u>—</u> | <u>800,000</u> | <u>500,000</u> | <u>8,300,000</u> | <u>500,000</u> | <u>800,000</u> | <u>600,000</u> |
| <u>9,800,000</u> | <u>1,000,000</u> | <u>1,350,000</u> | <u>800,000</u> | <u>18,900,000</u> | <u>8,300,000</u> | <u>1,450,000</u> | <u>800,000</u> |

Statements of Changes in Net Assets (Continued)

| | PowerShares Preferred Portfolio | | PowerShares VRDO Tax-Free Weekly Portfolio | |
|--|---------------------------------------|--|---|---|
| | Year Ended October 31, 2009 | For the Period January 28, 2008* Through October 31, 2008 | Year Ended October 31, 2009 | For the Period November 14, 2007* Through October 31, 2008 |
| OPERATIONS: | | | | |
| Net investment income | \$ 36,049,839 | \$ 5,298,183 | \$ 6,119,576 | \$ 2,345,891 |
| Net realized gain (loss) on investments | (41,259,389) | (27,066,534) | 3,700 | — |
| Net change in unrealized appreciation (depreciation) on investments | <u>108,348,535</u> | <u>(20,252,350)</u> | <u>(3,700)</u> | <u>6,800</u> |
| Net increase (decrease) in net assets resulting from operations | <u>103,138,985</u> | <u>(42,020,701)</u> | <u>6,119,576</u> | <u>2,352,691</u> |
| Undistributed net investment income (loss) included in the price of units issued and redeemed | <u>(2,022,797)</u> | <u>210,772</u> | <u>(892,970)</u> | <u>(126,833)</u> |
| DISTRIBUTIONS TO SHAREHOLDERS FROM: | | | | |
| Net investment income | (36,047,209) | (5,252,766) | (321,862) | (4,330) |
| Tax-exempt income | — | — | (6,248,349) | (2,207,453) |
| Return of capital | <u>(3,283,887)</u> | <u>(537,269)</u> | <u>—</u> | <u>—</u> |
| Total distributions to shareholders | <u>(39,331,096)</u> | <u>(5,790,035)</u> | <u>(6,570,211)</u> | <u>(2,211,783)</u> |
| SHAREHOLDER TRANSACTIONS: | | | | |
| Proceeds from shares sold | 533,346,165 | 265,487,449 | 927,659,313 | 147,545,998 |
| Value of shares repurchased | (18,399,860) | (26,506,199) | — | (5,016,534) |
| Net income equalization | <u>2,022,797</u> | <u>(210,772)</u> | <u>892,970</u> | <u>126,833</u> |
| Net increase in net assets resulting from shares transactions | <u>516,969,102</u> | <u>238,770,478</u> | <u>928,552,283</u> | <u>142,656,297</u> |
| Increase in Net Assets | 578,754,194 | 191,170,514 | 927,208,678 | 142,670,372 |
| NET ASSETS: | | | | |
| Beginning of period | <u>191,170,514</u> | <u>—</u> | <u>142,670,372</u> | <u>—</u> |
| End of period | <u>\$769,924,708</u> | <u>\$191,170,514</u> | <u>\$1,069,879,050</u> | <u>\$142,670,372</u> |
| Undistributed net investment income at end of period | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 134,108</u> |
| CHANGES IN SHARES OUTSTANDING: | | | | |
| Shares sold | 45,250,000 | 17,400,000 | 37,100,000 | 5,900,000 |
| Shares repurchased | (1,650,000) | (1,800,000) | — | (200,000) |
| Shares outstanding, beginning of period | <u>15,600,000</u> | <u>—</u> | <u>5,700,000</u> | <u>—</u> |
| Shares outstanding, end of period | <u>59,200,000</u> | <u>15,600,000</u> | <u>42,800,000</u> | <u>5,700,000</u> |

* Commencement of Investment Operations.

See Notes to Financial Statements.

Financial Highlights

PowerShares 1-30 Laddered Treasury Portfolio

| | Year Ended October 31, | | For the Period |
|---|------------------------|-----------|--|
| | 2009 | 2008 | October 11, 2007* Through October 31, 2007 |
| PER SHARE OPERATING PERFORMANCE: | | | |
| Net asset value at beginning of period | \$ 26.31 | \$ 25.64 | \$ 25.21 |
| Net investment income** | 0.92 | 0.99 | 0.07 |
| Net realized and unrealized gain on investments | 1.33 | 0.79 | 0.36 |
| Total from investment operations | 2.25 | 1.78 | 0.43 |
| Distribution to shareholders from: | | | |
| Net investment income | (0.91) | (1.10) | — |
| Return of capital | (0.07) | (0.01) | — |
| Total distributions | (0.98) | (1.11) | — |
| Net asset value at end of period | \$ 27.58 | \$ 26.31 | \$ 25.64 |
| Share price at end of period*** | \$ 27.59 | \$ 26.36 | — |
| NET ASSET VALUE TOTAL RETURN**** | 8.55% | 7.00% | 1.71% |
| SHARE PRICE TOTAL RETURN**** | 8.38% | 6.95% | — |
| RATIOS/SUPPLEMENTAL DATA: | | | |
| Net assets at end of period (000's omitted) | \$66,180 | \$63,147 | \$15,384 |
| Ratio to average net assets of: | | | |
| Expenses | 0.25% | 0.25% | 0.25%† |
| Net investment income | 3.22% | 3.79% | 4.55%† |
| Portfolio turnover rate †† | 1% | 0%(a) | 0% |
| Undistributed net investment income (loss) included in price of units issued and redeemed*# | \$ 0.01 | \$ (0.04) | \$ 0.01 |

PowerShares Emerging Markets Sovereign Debt Portfolio

| | Year Ended October 31, | | For the Period |
|---|------------------------|-----------|--|
| | 2009 | 2008 | October 11, 2007* Through October 31, 2007 |
| PER SHARE OPERATING PERFORMANCE: | | | |
| Net asset value at beginning of period | \$ 18.09 | \$ 25.92 | \$ 25.50 |
| Net investment income** | 1.58 | 1.47 | 0.07 |
| Net realized and unrealized gain (loss) on investments | 7.52 | (7.81) | 0.35 |
| Total from investment operations | 9.10 | (6.34) | 0.42 |
| Distribution to shareholders from: | | | |
| Net investment income | (1.57) | (1.48) | — |
| Return of capital | (0.02) | (0.01) | — |
| Total distributions | (1.59) | (1.49) | — |
| Net asset value at end of period | \$ 25.60 | \$ 18.09 | \$ 25.92 |
| Share price at end of period*** | \$ 25.89 | \$ 16.69 | — |
| NET ASSET VALUE TOTAL RETURN**** | 52.11% | (25.83)% | 1.65% |
| SHARE PRICE TOTAL RETURN**** | 66.52% | (32.26)% | — |
| RATIOS/SUPPLEMENTAL DATA: | | | |
| Net assets at end of period (000's omitted) | \$419,877 | \$68,725 | \$15,552 |
| Ratio to average net assets of: | | | |
| Expenses | 0.50% | 0.50% | 0.50%† |
| Net investment income | 6.89% | 5.85% | 4.91%† |
| Portfolio turnover rate †† | 13% | 48% | 0% |
| Undistributed net investment income (loss) included in price of units issued and redeemed*# | \$ (0.04) | \$ (0.04) | \$ 0.03 |

* 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 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) Amount represents less than 1%.

See Notes to Financial Statements.

Financial Highlights (Continued)

PowerShares High Yield Corporate Bond Portfolio

| | Year Ended October 31, 2009 | For the Period November 13, 2007* Through October 31, 2008 |
|---|-----------------------------------|---|
| PER SHARE OPERATING PERFORMANCE: | | |
| Net asset value at beginning of period | \$ 15.73 | \$ 24.84 |
| Net investment income** | 1.61 | 1.78 |
| Net realized and unrealized gain (loss) on investments | 1.81 | (9.04) |
| Total from investment operations | 3.42 | (7.26) |
| Distribution to shareholders from: | | |
| Net investment income | (1.61) | (1.85) |
| Net asset value at end of period | \$ 17.54 | \$ 15.73 |
| Share price at end of period*** | \$ 17.51 | \$ 16.10 |
| NET ASSET VALUE TOTAL RETURN**** | 23.73% | (31.14)%(a) |
| SHARE PRICE TOTAL RETURN**** | 20.39% | (29.63)%(a) |
| RATIOS/SUPPLEMENTAL DATA: | | |
| Net assets at end of period (000's omitted) | \$171,936 | \$15,728 |
| Ratio to average net assets of: | | |
| Expenses | 0.50% | 0.50%† |
| Net investment income | 9.93% | 9.35%† |
| Portfolio turnover rate †† | 68% | 92% |
| Undistributed net investment income (loss) included in price of units issued and redeemed*# | \$ 0.07 | \$ (0.02) |

PowerShares Insured California Municipal Bond Portfolio

| | Year Ended October 31, 2009 | 2008 | For the Period October 11, 2007* Through October 31, 2007 |
|---|--------------------------------|-----------|--|
| PER SHARE OPERATING PERFORMANCE: | | | |
| Net asset value at beginning of period | \$ 21.26 | \$ 24.97 | \$ 24.90 |
| Net investment income** | 1.06 | 1.03 | 0.06 |
| Net realized and unrealized gain (loss) on investments | 2.26 | (3.64) | 0.01 |
| Total from investment operations | 3.32 | (2.61) | 0.07 |
| Distribution to shareholders from: | | | |
| Net investment income | (0.02) | — | — |
| Tax-exempt income | (1.06) | (1.10) | — |
| Total distributions | (1.08) | (1.10) | — |
| Net asset value at end of period | \$ 23.50 | \$ 21.26 | \$ 24.97 |
| Share price at end of period*** | \$ 23.48 | \$ 21.18 | |
| NET ASSET VALUE TOTAL RETURN**** | 16.06% | (10.82)% | 0.28% |
| SHARE PRICE TOTAL RETURN**** | 16.38% | (11.04)% | |
| RATIOS/SUPPLEMENTAL DATA: | | | |
| Net assets at end of period (000's omitted) | \$31,727 | \$17,011 | \$12,487 |
| Ratio to average net assets of: | | | |
| Expenses, after Waivers | 0.28% | 0.28% | 0.28%† |
| Expenses, prior to Waivers | 0.35% | 0.35% | 0.35%† |
| Net investment income, after Waivers | 4.71% | 4.42% | 3.90%† |
| Portfolio turnover rate †† | 34% | 20% | 0% |
| Undistributed net investment income (loss) included in price of units issued and redeemed*# | \$ (0.01) | \$ (0.01) | \$ 0.00(b) |

* 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 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 (November 15, 2007, first day trading on the exchange) to October 31, 2008 was (30.64)%. The share price total return from Fund Inception to October 31, 2008 was (30.45)%.

(b) Amount represents less than \$0.005.

See Notes to Financial Statements.

Financial Highlights (Continued)

PowerShares Insured National Municipal Bond Portfolio

| | Year Ended October 31, | | For the Period |
|--|------------------------|-----------|--|
| | 2009 | 2008 | October 11, 2007* Through October 31, 2007 |
| PER SHARE OPERATING PERFORMANCE: | | | |
| Net asset value at beginning of period | \$ 21.00 | \$ 25.05 | \$ 24.92 |
| Net investment income** | 1.12 | 1.05 | 0.06 |
| Net realized and unrealized gain (loss) on investments | 2.60 | (3.98) | 0.07 |
| Total from investment operations | 3.72 | (2.93) | 0.13 |
| Distribution to shareholders from: | | | |
| Net investment income | (0.00)(a) | (0.00)(a) | — |
| Tax-exempt income | (1.11) | (1.12) | — |
| Total distributions | (1.11) | (1.12) | — |
| Net asset value at end of period | \$ 23.61 | \$ 21.00 | \$ 25.05 |
| Share price at end of period*** | \$ 23.56 | \$ 21.29 | |
| NET ASSET VALUE TOTAL RETURN**** | 18.22% | (12.13)% | 0.52% |
| SHARE PRICE TOTAL RETURN**** | 16.35% | (10.64)% | |
| RATIOS/SUPPLEMENTAL DATA: | | | |
| Net assets at end of period (000's omitted) | \$446,288 | \$174,317 | \$12,525 |
| Ratio to average net assets of: | | | |
| Expenses, after Waivers | 0.28% | 0.28% | 0.28%† |
| Expenses, prior to Waivers | 0.35% | 0.35% | 0.35%† |
| Net investment income, after Waivers | 4.97% | 4.55% | 3.96%† |
| Portfolio turnover rate †† | 25% | 63% | 0% |
| Undistributed net investment income (loss) included in price of units issued and redeemed**# | \$ (0.01) | \$ (0.04) | \$ 0.00(a) |

PowerShares Insured New York Municipal Bond Portfolio

| | Year Ended October 31, | | For the Period |
|--|------------------------|-----------|--|
| | 2009 | 2008 | October 11, 2007* Through October 31, 2007 |
| PER SHARE OPERATING PERFORMANCE: | | | |
| Net asset value at beginning of period | \$ 21.14 | \$ 24.95 | \$ 24.84 |
| Net investment income** | 1.06 | 1.02 | 0.05 |
| Net realized and unrealized gain (loss) on investments | 1.80 | (3.72) | 0.06 |
| Total from investment operations | 2.86 | (2.70) | 0.11 |
| Distribution to shareholders from: | | | |
| Net investment income | (0.02) | (0.00)(a) | — |
| Tax-exempt income | (1.04) | (1.11) | — |
| Total distributions | (1.06) | (1.11) | — |
| Net asset value at end of period | \$ 22.94 | \$ 21.14 | \$ 24.95 |
| Share price at end of period*** | \$ 22.92 | \$ 21.27 | |
| NET ASSET VALUE TOTAL RETURN**** | 13.92% | (11.22)% | 0.44% |
| SHARE PRICE TOTAL RETURN**** | 13.13% | (10.74)% | |
| RATIOS/SUPPLEMENTAL DATA: | | | |
| Net assets at end of period (000's omitted) | \$33,260 | \$16,908 | \$14,971 |
| Ratio to average net assets of: | | | |
| Expenses, after Waivers | 0.28% | 0.28% | 0.28%† |
| Expenses, prior to Waivers | 0.35% | 0.35% | 0.35%† |
| Net investment income, after Waivers | 4.75% | 4.38% | 3.83%† |
| Portfolio turnover rate †† | 10% | 34% | 0% |
| Undistributed net investment income (loss) included in price of units issued and redeemed**# | \$ (0.01) | \$ (0.02) | \$ 0.00(a) |

* 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 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) Amount represents less than \$0.005.

See Notes to Financial Statements.

Financial Highlights (Continued)

PowerShares Preferred Portfolio

| | Year Ended October 31, 2009 | For the Period January 28, 2008* Through October 31, 2008 |
|---|-----------------------------------|--|
| PER SHARE OPERATING PERFORMANCE: | | |
| Net asset value at beginning of period | \$ 12.25 | \$ 20.06 |
| Net investment income** | 0.98 | 0.85 |
| Net realized and unrealized gain (loss) on investments | 0.89 | (7.66) |
| Total from investment operations | 1.87 | (6.81) |
| Distribution to shareholders from: | | |
| Net investment income | (1.02) | (0.91) |
| Return of capital | (0.09) | (0.09) |
| Total distributions | (1.11) | (1.00) |
| Net asset value at end of period | \$ 13.01 | \$ 12.25 |
| Share price at end of period*** | \$ 13.06 | \$ 12.62 |
| NET ASSET VALUE TOTAL RETURN**** | 17.02% | (35.04)%(a) |
| SHARE PRICE TOTAL RETURN**** | 13.88% | (33.14)%(a) |
| RATIOS/SUPPLEMENTAL DATA: | | |
| Net assets at end of period (000's omitted) | \$769,925 | \$191,171 |
| Ratio to average net assets of: | | |
| Expenses | 0.50% | 0.50%† |
| Net investment income | 8.26% | 7.74%† |
| Portfolio turnover rate †† | 34% | 52% |
| Undistributed net investment income (loss) included in price of units issued and redeemed**#. | \$ (0.06) | \$ 0.03 |

PowerShares VRDO Tax Free Weekly Portfolio

| | Year Ended October 31, 2009 | For the Period November 14, 2007* Through October 31, 2008 |
|--|-----------------------------------|---|
| PER SHARE OPERATING PERFORMANCE: | | |
| Net asset value at beginning of period | \$ 25.03 | \$ 25.03 |
| Net investment income** | 0.30 | 0.84 |
| Net realized and unrealized gain (loss) on investments | 0.09 | (0.02) |
| Total from investment operations | 0.39 | 0.82 |
| Distribution to shareholders from: | | |
| Net investment income | (0.02) | (0.00)(b) |
| Tax-exempt income | (0.40) | (0.82) |
| Total distributions | (0.42) | (0.82) |
| Net asset value at end of period | \$ 25.00 | \$ 25.03 |
| Share price at end of period*** | \$ 25.00 | \$ 25.05 |
| NET ASSET VALUE TOTAL RETURN**** | 1.58% | 3.33%(c) |
| SHARE PRICE TOTAL RETURN**** | 1.49% | 3.40%(c) |
| RATIOS/SUPPLEMENTAL DATA: | | |
| Net assets at end of period (000's omitted) | \$1,069,879 | \$142,670 |
| Ratio to average net assets of: | | |
| Expenses | 0.25% | 0.25%† |
| Net investment income | 1.24% | 3.71%† |
| Undistributed net investment loss included in price of units issued and redeemed**#. | \$ (0.04) | \$ (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 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 (January 31, 2008, first day trading on the exchange) to October 31, 2008 was (35.65)%. The share price total return from Fund Inception to October 31, 2008 was (34.67)%.

(b) Amount represents less than \$0.005.

(c) The net asset value total return from Fund Inception (November 15, 2007, first day trading on the exchange) to October 31, 2008 was 3.33%. The share price total return from Fund Inception to October 31, 2008 was 3.40%.

See Notes to Financial Statements.

Notes to Financial Statements

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

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 the period-end, the Trust offered thirty-two portfolios. This report includes the following portfolios:

| <u>Full Name</u> | <u>Short Name</u> |
|---|---|
| PowerShares 1-30 Laddered Treasury Portfolio | “1-30 Laddered Treasury Portfolio” |
| PowerShares Emerging Markets Sovereign Debt Portfolio | “Emerging Markets Sovereign Debt Portfolio” |
| PowerShares High Yield Corporate Bond Portfolio | “High Yield Corporate Bond Portfolio” |
| PowerShares Insured California Municipal Bond Portfolio | “Insured California Municipal Bond Portfolio” |
| PowerShares Insured National Municipal Bond Portfolio | “Insured National Municipal Bond Portfolio” |
| PowerShares Insured New York Municipal Bond Portfolio | “Insured New York Municipal Bond Portfolio” |
| PowerShares Preferred Portfolio | “Preferred Portfolio” |
| PowerShares VRDO Tax-Free Weekly Portfolio | “VRDO Tax-Free Weekly 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.

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. Creation Units of the Insured California Municipal Bond Portfolio, Insured National Municipal Bond Portfolio and Insured New York Municipal Bond Portfolio generally are issued in exchange for cash and redeemed principally in-kind. Except when aggregated in Creation Units, the Shares are not individually redeemable securities of the Funds.

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

| <u>Fund</u> | <u>Index</u> |
|---|--|
| 1-30 Laddered Treasury Portfolio | Ryan/Mergent 1-30 Year Treasury Laddered Index |
| Emerging Markets Sovereign Debt Portfolio | DB Emerging Market USD Liquid Balanced Index |
| High Yield Corporate Bond Portfolio | Wells Fargo® High Yield Bond Index |
| Insured California Municipal Bond Portfolio | The BofA Merrill Lynch California Insured Long-Term Core Plus Municipal Securities Index |
| Insured National Municipal Bond Portfolio | The BofA Merrill Lynch National Insured Long-Term Core Plus Municipal Securities Index |
| Insured New York Municipal Bond Portfolio | The BofA Merrill Lynch New York Insured Long-Term Core Plus Municipal Securities Index |

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

| <u>Fund</u> | <u>Index</u> |
|--------------------------------|---|
| Preferred Portfolio | The BofA Merrill Lynch Core Fixed Rate Preferred Securities Index |
| VRDO Tax-Free Weekly Portfolio | Thomson Municipal Market Data VRDO 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 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, which is generally 45 days from the period-end date.

A. Security Valuation

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

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. Short-term obligations, including commercial paper, having 60 days or less to maturity are recorded at amortized cost which approximates value. Securities with a demand feature exercisable within 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

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

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 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

A Fund may invest a large percentage of its assets in securities of a limited number of companies, such that each investment may have a greater effect on the Fund's overall performance, and any change in the value of those securities could significantly affect the value of your investment in the Fund.

Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes or the rights of municipal security holders. Many municipal securities are issued to finance similar projects, especially those relating to education, health care, transportation and utilities; conditions in those sectors can affect the overall municipal securities market and the Fund. The Funds that invest primarily in one state will have greater exposure to adverse economic and political changes in that state.

Investments in lower-rated securities or unrated securities of comparable quality tend to be more sensitive to economic conditions than higher rated securities. High yield bonds may involve a greater risk of default by the issuer because such securities are generally unsecured and are often subordinated to other creditors' claim.

There are risks associated with investing in preferred securities. Preferred securities may lose substantial value due to the omission or deferment of dividend payments. Preferred securities may be less liquid than 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 non-payment than more senior securities.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

With respect to each of Insured California Municipal Bond Portfolio, Insured National Municipal Bond Portfolio, Insured New York Municipal Bond Portfolio, Preferred Portfolio and VRDO Tax-Free Weekly Portfolio, the Adviser uses a “sampling” methodology in seeking to achieve the Fund’s investment objective. Sampling involves the use of quantitative analysis to select securities from the Underlying Index to obtain a representative sample of securities that have, in the aggregate, investment characteristics similar to the Underlying Index universe, based on such factors as duration, maturity, credit quality, yield and coupon for fixed-income portfolios, or industry weightings, market capitalization and other financial characteristics of securities for equity portfolios. The Adviser generally expects the Fund to hold less than the total number of securities in the Underlying Index, but reserves the right to hold as many securities as it believes necessary to achieve the Fund’s investment objective. As a result, an adverse development respecting an issuer of securities held by the Fund could result in a greater decline in NAV than would be the case if the Fund held all of the securities in the Fund’s Underlying Index. To the extent the assets in the Fund are smaller, these risks will be greater.

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.

Income and capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America. 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 investments.

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 for substantially all expenses of the Funds, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for advisory fees, distribution fees, if any, brokerage expenses, taxes, interest and other extraordinary expenses.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

F. Dividends and Distributions to Shareholders

Each Fund declares and pays dividends from net investment income, if any, to its shareholders monthly and records on ex-dividend date. Each Fund distributes net realized taxable capital gains, if any, generally annually in cash and records on ex-dividend date. Such distributions on a tax basis are determined in conformity with income tax regulations which may differ from accounting principles generally accepted in the United States of America. 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 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 Changes in Net Assets as undistributed net investment income 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 under 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 for substantially all expenses of the Funds, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for advisory fees, distribution fees, if any, brokerage expenses, taxes, interest and other extraordinary expenses. The unitary management fee is paid by each Fund to the Adviser at the following annual rates:

| | <u>% of Average Daily Net Assets</u> |
|---|--|
| 1-30 Laddered Treasury Portfolio | 0.25% |
| Emerging Markets Sovereign Debt Portfolio | 0.50% |
| High Yield Corporate Bond Portfolio | 0.50% |
| Insured California Municipal Bond Portfolio | 0.35%* |
| Insured National Municipal Bond Portfolio | 0.35%* |
| Insured New York Municipal Bond Portfolio | 0.35%* |
| Preferred Portfolio | 0.50% |
| VRDO Tax-Free Weekly Portfolio | 0.25% |

* The Adviser has agreed to waive a portion of its unitary management fee. After giving effect to such waiver, the Fund's net unitary management fee is 0.28% of its average daily net assets. The Adviser may amend or terminate this agreement at any time.

The Trust has entered into a Distribution Agreement with Invesco Aim 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.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

The Adviser has entered into a licensing agreement for each Fund with the following Licensors:

| <u>Fund</u> | <u>Licensor</u> |
|---|--------------------------------|
| 1-30 Laddered Treasury Portfolio | Mergent, Inc. |
| Emerging Markets Sovereign Debt Portfolio | Deutsche Bank Securities, Inc. |
| High Yield Corporate Bond Portfolio | Wells Fargo Securities, LLC |
| Insured California Municipal Bond Portfolio | Merrill Lynch |
| Insured National Municipal Bond Portfolio | Merrill Lynch |
| Insured New York Municipal Bond Portfolio | Merrill Lynch |
| Preferred Portfolio | Merrill Lynch |
| VRDO Tax-Free Weekly Portfolio | Thomson Financial LLC |

The Underlying Index name trademarks are owned by the respective Licensors. These trademarks have been licensed to the Adviser for use with the Funds. The Funds are not sponsored, endorsed, sold or promoted by the Licensors and the Licensors make no representation regarding the advisability of investing in any of these Funds. The Trust has entered into a sub-licensing agreement under which the Adviser is required to pay the licensing fees on behalf of the 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 1940 Act defines “affiliate” to include issuers of which a fund holds 5% or more of the outstanding voting securities. The following is a summary of the transactions with affiliates for the year ended October 31, 2009.

Preferred Portfolio

| | Value 10/31/08 | Purchases at Cost | Proceeds from Sales | Change in Unrealized Appreciation | Realized Gain (Loss) | Value 10/31/09 | Dividend Income |
|--|-------------------|----------------------|------------------------|---|-------------------------|--------------------|--------------------|
| Alabama Power Co., 5.88%, Series 07-B | \$ 3,436,280 | \$17,244,228 | \$ (935,590) | \$ 99,460 | \$ 63,833 | \$ 19,908,211 | \$ 631,417 |
| JPMorgan Chase Capital X, 7.00% | 14,685,965 | 41,854,914 | (5,475,419) | 4,454,316 | 157,844 | 55,677,620 | 2,261,202 |
| Public Storage, 7.25%, Series I . . | 4,865,509 | 23,032,220 | (1,525,031) | 2,456,014 | (788) | 28,827,924 | 1,197,456 |
| Total Investments in Affiliates . . . | 22,987,754 | 82,131,362 | (7,936,040) | 7,009,790 | 220,889 | 104,413,755 | 4,090,075 |

Note 5. Additional Valuation Information

Generally Accepted Accounting Principles (“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

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

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 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.

The following is a summary of the tiered valuation input levels, as of October 31, 2009. 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.

| | Investment in Securities | | | |
|---|--------------------------|---------------|---------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| 1-30 Laddered Treasury Portfolio | | | | |
| U.S. Treasury Securities | \$ — | \$ 65,101,191 | \$— | \$ 65,101,191 |
| Money Market Fund | 543,099 | — | — | 543,099 |
| Total Investments | 543,099 | 65,101,191 | — | 65,644,290 |
| Emerging Markets Sovereign Debt Portfolio | | | | |
| Foreign Government Debt Securities | — | 411,731,773 | — | 411,731,773 |
| Money Market Fund | 2,036,896 | — | — | 2,036,896 |
| Total Investments | 2,036,896 | 411,731,773 | — | 413,768,669 |
| High Yield Corporate Bond Portfolio | | | | |
| Corporate Debt Securities | — | 166,686,067 | — | 166,686,067 |
| Money Market Fund | 1,603,997 | — | — | 1,603,997 |
| Total Investments | 1,603,997 | 166,686,067 | — | 168,290,064 |
| Insured California Municipal Bond Portfolio | | | | |
| Municipal Obligations | — | 31,392,535 | — | 31,392,535 |
| Insured National Municipal Bond Portfolio | | | | |
| Municipal Obligations | — | 438,351,923 | — | 438,351,923 |
| Insured New York Municipal Bond Portfolio | | | | |
| Municipal Obligations | — | 33,410,854 | — | 33,410,854 |
| Preferred Portfolio | | | | |
| Equity Securities | 754,742,128 | 13,397,161 | — | 768,139,289 |
| Money Market Fund | 5,466,491 | — | — | 5,466,491 |
| Total Investments | 760,208,619 | 13,397,161 | — | 773,605,780 |
| VRDO Tax-Free Weekly Portfolio | | | | |
| Municipal Obligations | — | 1,066,060,000 | — | 1,066,060,000 |

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

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

Tax Character of Distributions to Shareholders Paid During the Years Ended October 31, 2009 and 2008:

| | 2009 | | | 2008 | | |
|---|-----------------|-------------------|-------------------|-----------------|-------------------|-------------------|
| | Ordinary Income | Return of Capital | Tax-Exempt Income | Ordinary Income | Return of Capital | Tax-Exempt Income |
| 1-30 Laddered Treasury Portfolio | \$ 2,528,660 | \$ 195,041 | \$ — | \$1,343,748 | \$ 16,946 | \$ — |
| Emerging Markets Sovereign Debt Portfolio . . . | 12,035,274 | 162,307 | — | 4,580,181 | 16,897 | — |
| High Yield Corporate Bond Portfolio | 8,604,082 | — | — | 827,498 | — | — |
| Insured California Municipal Bond Portfolio . . | 16,488 | — | 1,152,894 | — | — | 632,660 |
| Insured National Municipal Bond Portfolio . . . | 43,112 | — | 14,988,559 | 862 | — | 4,429,286 |
| Insured New York Municipal Bond Portfolio . . | 20,102 | — | 1,340,091 | 18 | — | 638,609 |
| Preferred Portfolio | 36,047,209 | 3,283,887 | — | 5,252,766 | 537,269 | — |
| VRDO Tax-Free Weekly Portfolio | 321,862 | — | 6,248,349 | 4,330 | — | 2,207,453 |

Tax Components of Net Assets at Year-End:

| | Undistributed Ordinary Income | Net Unrealized Appreciation (Depreciation) | Capital Loss Carryforward | Shares of Beneficial Interest | Total Net Assets |
|---|-------------------------------|--|---------------------------|-------------------------------|------------------|
| 1-30 Laddered Treasury Portfolio | \$ — | \$ (414,833) | \$ (52,064) | \$ 66,647,182 | \$ 66,180,285 |
| Emerging Markets Sovereign Debt Portfolio . . | — | 20,675,160 | (1,089,498) | 400,291,119 | 419,876,781 |
| High Yield Corporate Bond Portfolio | 356,642 | 14,147,122 | (3,193,525) | 160,625,880 | 171,936,119 |
| Insured California Municipal Bond Portfolio . . | 4,321 | 251,181 | — | 31,471,593 | 31,727,095 |
| Insured National Municipal Bond Portfolio . . . | — | 17,828,597 | (2,771,693) | 431,230,748 | 446,287,652 |
| Insured New York Municipal Bond Portfolio . . | — | 831,260 | (269,700) | 32,698,692 | 33,260,252 |
| Preferred Portfolio | — | 84,446,342 | (70,703,554) | 756,181,920 | 769,924,708 |
| VRDO Tax-Free Weekly Portfolio | — | 3,100 | — | 1,069,875,950 | 1,069,879,050 |

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 have capital loss carryforward amounts as of October 31, 2009, which expire on October 31 of each year listed below:

| | 2016 | 2017 | Total* |
|---|------------|------------|------------|
| 1-30 Laddered Treasury Portfolio | \$ 841 | \$ 51,223 | \$ 52,064 |
| Emerging Markets Sovereign Debt Portfolio | 531,185 | 558,313 | 1,089,498 |
| High Yield Corporate Bond Portfolio | 873,660 | 2,319,865 | 3,193,525 |
| Insured California Municipal Bond Portfolio** | — | — | — |
| Insured National Municipal Bond Portfolio | 2,588,810 | 182,883 | 2,771,693 |
| Insured New York Municipal Bond Portfolio | 141,166 | 128,534 | 269,700 |
| Preferred Portfolio | 22,535,990 | 48,167,564 | 70,703,554 |
| VRDO Tax-Free Weekly Portfolio | — | — | — |

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

** The Fund utilized \$108,177 of capital loss carryforward during the fiscal year ended October 31, 2009.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

Note 7. Investment Transactions

For the year ended October 31, 2009, 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> |
|---|------------------|---------------|
| Emerging Markets Sovereign Debt Portfolio | \$ 23,466,310 | \$ 22,176,804 |
| High Yield Corporate Bond Portfolio | 91,175,081 | 59,081,677 |
| Insured California Municipal Bond Portfolio | 21,543,930 | 8,192,005 |
| Insured National Municipal Bond Portfolio | 303,403,658 | 74,587,764 |
| Insured New York Municipal Bond Portfolio | 17,673,830 | 2,653,742 |
| Preferred Portfolio | 148,236,743 | 149,600,517 |
| VRDO Tax-Free Weekly Portfolio | — | — |

For the year ended October 31, 2009, the cost of securities purchased and the proceeds from sales of U.S. government securities, excluding short-term securities, money market funds and in-kind transactions, for the 1-30 Laddered Treasury Portfolio amounted to \$1,280,302 and \$877,591, respectively.

For the year ended October 31, 2009, in-kind transactions associated with creations and redemptions were as follows:

| | <u>Securities Received</u> | <u>Securities Delivered</u> |
|---|--------------------------------|---------------------------------|
| 1-30 Laddered Treasury Portfolio | \$ 42,900,199 | \$41,957,019 |
| Emerging Markets Sovereign Debt Portfolio | 341,224,793 | 48,953,418 |
| High Yield Corporate Bond Portfolio | 104,587,132 | 2,723,312 |
| Insured California Municipal Bond Portfolio | — | — |
| Insured National Municipal Bond Portfolio | — | — |
| Insured New York Municipal Bond Portfolio | — | — |
| Preferred Portfolio | 529,631,452 | 18,396,666 |
| VRDO Tax-Free Weekly Portfolio | — | — |

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

At October 31, 2009, the aggregate cost and the net unrealized appreciation (depreciation) of investments for tax purposes were as follows:

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

| | Cost* | Net Unrealized Appreciation (Depreciation) | Gross Unrealized Appreciation | Gross Unrealized (Depreciation) |
|--|---------------|---|-------------------------------------|---------------------------------------|
| 1-30 Laddered Treasury Portfolio | \$ 66,059,123 | \$ (414,833) | \$ 367,537 | \$ (782,370) |
| Emerging Markets Sovereign Debt Portfolio | 393,093,509 | 20,675,160 | 20,675,160 | — |
| High Yield Corporate Bond Portfolio . | 154,142,942 | 14,147,122 | 14,408,273 | (261,151) |
| Insured California Municipal Bond Portfolio | 31,141,354 | 251,181 | 829,848 | (578,667) |
| Insured National Municipal Bond Portfolio | 420,523,326 | 17,828,597 | 20,077,193 | (2,248,596) |
| Insured New York Municipal Bond Portfolio | 32,579,594 | 831,260 | 1,369,353 | (538,093) |
| Preferred Portfolio | 689,159,438 | 84,446,342 | 84,622,336 | (175,994) |
| VRDO Tax-Free Weekly Portfolio | 1,066,056,900 | 3,100 | 3,100 | — |

* Cost of investments on a tax basis, includes the adjustments for financial reporting purposes, as of the most recently completed Federal income tax reporting period-end.

Note 8. Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of investment activity, on October 31, 2009, 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 year ended October 31, 2009, the reclassifications were as follows:

| | Undistributed Net Investment Income (Loss) | Undistributed Net Realized Gain (Loss) | Shares of Beneficial Interest |
|---|--|--|-------------------------------------|
| 1-30 Laddered Treasury Portfolio | \$ 177,864 | \$(2,740,877) | \$ 2,563,013 |
| Emerging Markets Sovereign Debt Portfolio | 498,700 | (3,162,051) | 2,663,351 |
| High Yield Corporate Bond Portfolio | (379,324) | (107,838) | 487,162 |
| Insured California Municipal Bond Portfolio | 30,865 | (16,488) | (14,377) |
| Insured National Municipal Bond Portfolio | 182,433 | — | (182,433) |
| Insured New York Municipal Bond Portfolio | 32,567 | (2,685) | (29,882) |
| Preferred Portfolio | 5,304,054 | (5,635,070) | 331,016 |
| VRDO Tax-Free Weekly Portfolio | 1,209,497 | (3,700) | (1,205,797) |

Note 9. Trustees' Fees

The Funds compensate each Trustee who is not an employee of the Adviser or its affiliates. The Adviser, as a result of the unitary management fee, pays for such compensation. The "Interested" Trustee of the Trust does not receive any Trustees' fees.

The Trust has adopted a deferred compensation plan (the "Plan"). Under the Plan, a Trustee who is not an "interested person" (as defined in the 1940 Act (an "Independent Trustee") and has executed a Deferred Fee Agreement (a "Participating Trustee") may defer receipt of all or a portion of his compensation

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2009

(“Deferral Fees”). Such Deferral Fees are deemed to be invested in selected 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 (100,000 Shares for Emerging Markets Sovereign Debt Portfolio and High Yield Corporate Bond Portfolio). 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.

Note 11. Indemnifications

Under the Trust’s organizational documents, its officers and Trustees are indemnified against certain liability 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, 2009, and the results of each of their operations, the changes in each of their net assets, and the financial highlights for each of the periods presented, 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 audits. We conducted our audits 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 audits 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 audits, which included confirmation of securities at October 31, 2009 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
New York, New York
December 23, 2009

Supplemental Information

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 advisers.

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 its fiscal year ended October 31, 2009:

Federal Income Tax Information

| | <u>Qualified Dividend Income*</u> | <u>Corporate Dividend Received Deduction*</u> | <u>Tax Exempt Income*</u> |
|---|---------------------------------------|---|-------------------------------|
| 1-30 Laddered Treasury Portfolio | 0% | 0% | 0% |
| Emerging Markets Sovereign Debt Portfolio | 0% | 0% | 0% |
| High Yield Corporate Bond Portfolio | 0% | 0% | 0% |
| Insured California Municipal Bond Portfolio | 0% | 0% | 99% |
| Insured National Municipal Bond Portfolio | 0% | 0% | 100% |
| Insured New York Municipal Bond Portfolio | 0% | 0% | 99% |
| Preferred Portfolio | 50% | 20% | 0% |
| VRDO Tax-Free Weekly Portfolio | 0% | 0% | 95% |

* The above percentages are based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Supplemental Information (Continued)

Trustees and Officers

The Independent Trustees, the Trustee who is affiliated with the Adviser (the “Management Trustee”) 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 December 18, 2009.

| Name, Address and Age of Independent Trustees | Position(s) with Trust | 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 (51) YQA Capital Management LLC 1755 S. Naperville Rd., Suite 100 Wheaton, IL 60187 | Trustee | Since 2007 | YQA Capital Management, LLC (July 1998-Present); formerly Owner/CEO of Electronic Dynamic Balancing Co., Inc. (high-speed rotating equipment service provider) | 101 | 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 December 18, 2009, the Fund Complex consisted of the Trust’s 33 portfolios and three other exchange-traded fund trusts with 68 portfolios advised by the Adviser.

Supplemental Information (Continued)

Trustees and Officers (Continued)

| Name, Address and Age of Independent Trustees | Position(s) with Trust | 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 (49) c/o Invesco PowerShares Capital Management LLC 301 W. Roosevelt Road Wheaton, IL 60187 | Trustee | Since 2007 | Vice President of Finance and Accounting, Hope Network (social services) (November 2008-Present); formerly Assistant Vice President and Controller, Priority Health (health insurance) (September 2005-April 2008); Senior Vice President of Finance, United Healthcare (health insurance) (July 2004-July 2005); Senior Vice President of Finance, Oxford Health Plans (June 2000-July 2004) | 101 | 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 December 18, 2009, the Fund Complex consisted of the Trust's 33 portfolios and three other exchange-traded fund trusts with 68 portfolios advised by the Adviser.

Supplemental Information (Continued)

Trustees and Officers (Continued)

| Name, Address and Age of Independent Trustees | Position(s) with Trust | 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 |
|--|------------------------|------------------------|--|---|--|
| Philip M. Nussbaum (47) c/o Invesco PowerShares Capital Management LLC 301 W. Roosevelt Road Wheaton, IL 60187 | Trustee | Since 2007 | Chairman, Performance Trust Capital Partners (formerly Betzold, Berg, Nussbaum & Heitman, Inc.) (November 2004- Present); formerly Managing Director, Communication Institute (May 2002- August 2003); Executive Vice President of Finance, Betzold, Berg, Nussbaum & Heitman, Inc. (March 1994-1999) | 101 | 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 December 18, 2009, the Fund Complex consisted of the Trust's 33 portfolios and three other exchange-traded fund trusts with 68 portfolios advised by the Adviser.

Supplemental Information (Continued)

Trustees and Officers (Continued)

| Name, Address and Age of Independent Trustees | Position(s) with Trust | 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 (49) c/o Invesco PowerShares Capital Management LLC 301 W. Roosevelt Road Wheaton, IL 60187 | Trustee | Since 2007 | President and Chief Operating Officer, AMCORE Financial, Inc. (bank holding company) (August 2007-April 2009); formerly Executive Vice President and Chief Financial Officer, AMCORE Financial, Inc. (February 2006-August 2007); Senior Vice President and Treasurer, Marshall & Ilsley Corp. (bank holding company) (May 1995-February 2006) | 101 | 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 December 18, 2009, the Fund Complex consisted of the Trust's 33 portfolios and three other exchange-traded fund trusts with 68 portfolios advised by the Adviser.

Supplemental Information (Continued)

Trustees and Officers (Continued)

| Name, Address and Age of Management Trustees | Position(s) with Trust | Length of Time Served* | Principal Occupation(s) During Past 5 Years | Number of Portfolios in Fund Complex** Overseen by Management Trustees | Other Directorships Held by Management Trustees |
|--|-----------------------------------|------------------------|--|--|---|
| H. Bruce Bond (46) Invesco PowerShares Capital Management LLC 301 W. Roosevelt Road Wheaton, IL 60187 | Chairman of the Board and Trustee | Since 2006 | Managing Director, Invesco PowerShares Capital Management LLC (August 2002-Present); formerly Manager, Nuveen Investments (April 1998-August 2002) | 101 | None |

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 800.337.4246.

* This is the date the Management Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected. Each Officer 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 December 18, 2009, the Fund Complex consisted of the Trust's 33 portfolios and three other exchange-traded fund trusts with 68 portfolios advised by the Adviser.

Supplemental Information (Continued)

Trustees and Officers (Continued)

| Name, Address and Age of Officers | Position(s) with Trust | Length of Time Served* | Principal Occupation(s) During Past 5 Years |
|--|---|--|---|
| Andrew Schlossberg (35) Invesco Aim Management Group Inc. 11 Greenway Plaza Suite 100 Houston, Texas 77046 | President | Since 2009 | Managing Director, U.S. head of business strategy and chief marketing officer for Invesco Ltd. in the United States (January 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 (July 2002-December 2007) |
| Bruce T. Duncan (55) Invesco PowerShares Capital Management LLC 301 W. Roosevelt Road Wheaton, IL 60187 | Chief Financial Officer, Treasurer and Secretary | Chief Financial Officer and Treasurer Since 2007 Secretary Since 2008 | Senior Vice President of Finance, Invesco PowerShares Capital Management LLC (September 2005-Present); Private Practice Attorney (2000-2005); Vice President of Investor Relations, The ServiceMaster Company (1994-2000); Vice President of Taxes, The ServiceMaster Company (1990-2000) |
| Kevin R. Gustafson (43) Invesco PowerShares Capital Management LLC 301 W. Roosevelt Road Wheaton, IL 60187 | Chief Compliance Officer | Since 2007 | General Counsel, Invesco PowerShares Capital Management LLC (September 2004-Present); Chief Compliance Officer, Invesco PowerShares Capital Management LLC (September 2004-April 2008) |

* This is the period for which the Officers began serving the Trust. Each Officer serves until his successor is elected.

This page intentionally left blank

PROXY VOTING POLICIES AND PROCEDURES

A description of the Funds' 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) 337-4246. 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) 337-4246; or (ii) accessing the Trust's Form N-PX on the Commission's website at www.sec.gov.

QUARTERLY PORTFOLIOS

The Funds file their complete schedules of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Trust's Form N-Qs are available on the Commission's website at www.sec.gov. The Trust's Form N-Qs may also be reviewed and copied at the Commission's Public Reference Room in Washington, D.C.; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

powerSHARES®

Xchange Traded Funds™

301 West Roosevelt Road
Wheaton, IL 60187
800.983.0903
www.invescopowershares.com