



**Invesco  
PowerShares**

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# Have You Been Introduced to ETFs?

**Not FDIC Insured | May Lose Value | No Bank Guarantee**

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# What is an ETF?

An ETF is a unique investment tool that combines some of the features of mutual funds with some of the features of individual stocks. Like a mutual fund, an ETF gives investors access to a group of securities through a single transaction. Like a stock, ETF shares are traded on exchanges at market-determined prices.

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## Key features of ETFs

Some key features that may make ETFs an appealing choice for many investors are:

- **Tax efficiency.**<sup>1</sup> Taxes may be one of the most critical and yet overlooked factors in wealth creation over time as they can erode even the best fund's returns. Because of their unique structure, ETFs may serve as a tax-efficient investment tool for shareholders who wish to defer capital gains until the time of sale.
- **Low ownership cost.**<sup>2</sup> ETFs may provide lower ownership costs because of their efficient structure. Many sponsors have established expense caps to make the cost of ownership clear and straightforward for investors. Ordinary brokerage commissions apply.
- **Transparency.** ETFs report their holdings on a daily basis, allowing investors to regularly see the investments that underpin each ETF share.
- **Flexibility.**<sup>3</sup> ETFs offer investment flexibility, allowing investors to buy and sell shares throughout the day on an exchange. Investors can use ETFs to implement advanced trading techniques, such as purchasing on margin, short selling and placing limit and stop orders. ETFs are also never closed to investors.

- 1 While it is not Invesco PowerShares' intention, there is no guarantee that the Funds will not distribute capital gains to shareholders. Invesco PowerShares does not offer tax advice. Please consult your own tax advisor for information regarding your tax situation.
- 2 Since ordinary brokerage commissions apply for each buy and sell transaction, frequent trading activity may increase the cost of ETFs.
- 3 Shares may be sold throughout the day on the exchange through any brokerage account. Shares are not individually redeemable and owners of the Shares may acquire those Shares from the Fund and tender those Shares for redemption to the Fund in Creation Unit aggregations only, typically consisting of 50,000 Shares. Shares are subject to risks similar to those of stocks, including those regarding short selling and margin account maintenance.

- **Broad exposure.** ETFs provide exposure to multiple underlying securities, even in targeted market segments. For example, instead of an investor picking stocks of individual nanotechnology companies, investors can buy shares of a nanotechnology ETF and gain wider exposure to the industry.
- **Trade at or near NAV.** ETFs generally trade at or near the value of the holdings that compose each ETF – meaning market speculation generally won't drive the price of an ETF. Shares of the ETF may trade at a discount or premium to the net asset value of those underlying securities.

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## The evolution of ETFs

When the first ETF was launched in 1993, its purpose was simple – to track the S&P 500 Index while trading on a major exchange. Since then, many traditional ETFs have been designed to mirror benchmark indexes. Not all investors, however, are willing to settle for simply a measure of the market.

For investors who choose index funds, selecting an index that matches their investment objectives is key. Invesco PowerShares offers a collection of ETFs based on next-generation indexes for individuals with investment objectives that go beyond merely tracking the market. These indexes attempt to outperform industry averages through intelligent security selection and weighting. PowerShares flagship ETFs are based on indexes that fall into these two categories:

- **Fundamental Index®.** In an effort to get a truer measurement of a company's size, the Fundamental Index strategy evaluates companies by factors such as sales, cash flow, book value and dividends rather than just market capitalization.
- **Intelligent stock selection.** "Intelligent" indexes are constructed using proprietary stock-ranking methodologies that seek to evaluate a stock's investment merit. Many of these indexes use risk, value and momentum criteria to select stocks.

The newest ETF evolution is actively managed ETFs. These ETFs are not based on any index. Instead, their investment objectives and strategies are determined by professional portfolio managers.

The S&P 500® Index is an unmanaged index considered representative of the U.S. stock market. Fundamental Index® trade name, patented and patent-pending concept is the exclusive property of Research Affiliates®, LLC.

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## Talk to your financial advisor

With so many ETFs on the market today, it's a good idea to talk to a financial advisor before entering the ETF world. Your financial advisor can help you determine whether ETFs are an appropriate fit for your portfolio and help you choose among the many ETF products on the market today.

There are risks involved with investing in ETFs, including possible loss of money. Index-based ETFs are not actively managed. Actively managed ETFs do not necessarily seek to replicate the performance of a specified index. Both index-based and actively managed ETFs are subject to risks similar to those of stocks, including those related to short selling and margin maintenance. Ordinary brokerage commissions apply.

**Invesco Distributors, Inc. is the distributor of the PowerShares Exchange-Traded Fund Trust, the PowerShares Exchange-Traded Fund Trust II, the PowerShares India Exchange-Traded Fund Trust and the PowerShares Actively Managed Exchange-Traded Fund Trust.**

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**Note: Not all products, materials or services available at all firms.**

***An investor should consider the funds' investment objectives, risks, charges and expenses carefully before investing. For this and more complete information about the Funds call 800 983 0903 or visit [invescopowershares.com](http://invescopowershares.com) for a prospectus. Please read the prospectus carefully before investing.***

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## Have You Been Introduced to Exchange-Traded Funds?

If you've ever flipped on a financial TV program or opened your newspaper to the business section, chances are you've heard about exchange-traded funds (ETFs). And there's a good chance you still have questions about them.

ETFs are one of the fastest growing investment products in the worldwide financial marketplace. As of Dec. 31, 2010, 923 ETFs were listed in the U.S. with \$991 billion in assets, up from two products with only \$1 billion in assets in 1995, according to the Investment Company Institute.<sup>1</sup>

But if you're new to the world of ETFs, it's important to step back and look at the basics. That's why I'm sending you this handy brochure.

This guide will give you a quick introduction to ETFs: what they are, how they've evolved and what key features they offer.

If this information piques your interest, I can help you analyze whether ETFs are appropriate for your investment needs and determine how they may best fit into your portfolio.

Please feel free to contact me with any questions you may have about ETFs or other investment products. I'm here to help you achieve your financial goals.

1 Source: Investment Company Institute, Dec. 31, 2010



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**Leading** the Intelligent ETF Revolution®