

POWERSHARES EXCHANGE-TRADED FUND TRUST
SUPPLEMENT DATED DECEMBER 31, 2009 TO THE PROSPECTUS
DATED AUGUST 31, 2009 OF:

PowerShares Dynamic MagniQuant Portfolio
PowerShares Dynamic Market Portfolio
PowerShares Dynamic OTC Portfolio
PowerShares FTSE RAFI US 1000 Portfolio
PowerShares FTSE RAFI US 1500 Small-Mid Portfolio
PowerShares NXQ Portfolio
(the "Funds")

Effective December 31, 2009, John W. Southard, Jr. is retiring from his position as Portfolio Manager of each of the Funds. Therefore, all references to Mr. Southard are hereby removed.

Please Retain This Supplement For Future Reference



powerSHARES™
xchange traded funds™

PowerShares Exchange-Traded Fund Trust

PowerShares Dynamic MagniQuant Portfolio - PIQ

PowerShares Dynamic Market Portfolio - PWC

PowerShares Dynamic OTC Portfolio - PWO

PowerShares FTSE RAFI US 1000 Portfolio - PRF

PowerShares FTSE RAFI US 1500 Small-Mid Portfolio - PRFZ

PowerShares NXQ Portfolio - PNXQ

PowerShares Exchange-Traded Fund Trust (the "Trust") is a registered investment company consisting of 62 separate exchange-traded index funds. Additional funds may be offered in the future. This Prospectus relates to the six funds of the Trust listed on the cover page (each a "Fund" and, together, the "Funds").

The shares (the "Shares") of the Funds are listed on NYSE Arca, Inc. ("NYSE Arca"), except for the Shares of PowerShares FTSE RAFI US 1500 Small-Mid Portfolio and PowerShares NXQ Portfolio, which are listed on The NASDAQ Stock Market LLC ("NASDAQ" and, together with NYSE Arca, the "Exchanges"). Market prices for the Shares may be different from their net asset value ("NAV"). Each Fund issues and redeems Shares only in large blocks consisting of 50,000 Shares ("Creation Units"). Creation Units of each Fund are issued and redeemed principally in-kind for securities included in a specified index.

Except when aggregated in Creation Units, the Shares are not redeemable securities of the Funds.

The Securities and Exchange Commission ("SEC") has not approved or disapproved these securities or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offense.

Prospectus Dated August 31, 2009

**NOT FEDERAL DEPOSIT INSURANCE
CORPORATION ("FDIC") INSURED. MAY LOSE VALUE.
NO BANK GUARANTEE.**

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Introduction

PowerShares Exchange-Traded Fund Trust

The Trust is an investment company consisting of 62 separate exchange-traded “index funds.” The investment objective of each of the Funds is to replicate as closely as possible, before fees and expenses, the price and yield of a specified market index. This Prospectus relates to the Funds listed on the cover page. Invesco PowerShares Capital Management LLC (the “Adviser”) is the investment adviser for the Funds.

The Shares of the Funds are listed and traded on either NYSE Arca or the NASDAQ. The market prices for the Shares may be different from their NAVs. Unlike conventional mutual funds, each Fund issues and redeems Shares on a continuous basis, at NAV, only in large specified blocks, each called a “Creation Unit.” Creation Units of the Funds are issued and redeemed principally in-kind for securities included in a specified index. Except when aggregated in Creation Units, the Shares of the Funds are not redeemable securities of the Funds.

Who Should Invest in the Funds

The Funds are designed for investors who seek a relatively low-cost approach for investing in a portfolio of equity securities of companies in a specified index. The Funds may be suitable for long-term investment in the market represented in the relevant index and may also be used as an asset allocation tool or as a speculative trading instrument.

Tax Advantaged Product Structure

Unlike interests in conventional mutual funds, which are typically only bought and sold at closing NAVs, the Funds’ Shares are traded throughout the day on a national securities exchange. The Shares have been designed to be tradable in the secondary market on a national securities exchange on an intra-day basis and to be created and redeemed principally in-kind in Creation Units at each day’s next calculated NAV. These in-kind arrangements are designed to protect ongoing shareholders from adverse effects on the portfolio of each Fund that could arise from frequent cash creation and redemption transactions. In a conventional mutual fund, redemptions can have an adverse tax impact on taxable shareholders because of the mutual fund’s need to sell portfolio securities to obtain cash to meet Fund redemptions. These sales may generate taxable gains for the shareholders of the mutual fund, whereas the Shares’ in-kind redemption mechanism generally will not lead to a tax event for a Fund or its ongoing shareholders.

Certain Funds may recognize gains as a result of rebalancing their securities holdings to reflect changes in the securities included in such Fund’s underlying index. Certain Funds may be required to distribute any such gains to their shareholders to avoid adverse federal income tax consequences. For further discussion of the distribution requirements that apply to such Funds, see “Taxes” in the Funds’ Statement of Additional Information (“SAI”). For information concerning the tax consequences of distributions, see “Dividends, Distributions and Taxes” in this Prospectus.

The Funds may invest in derivatives, the use of which will generally result in the realization of short-term capital gains that will be taxable as ordinary income when distributed to investors.

PowerShares Dynamic MagniQuant Portfolio

Ticker: PIQ
Intraday NAV Ticker: PIQ.IV

CUSIP: 73935X468
Underlying Index: Top 200 Dynamic IntellidexSM Index
(Ticker: DYH)

Investment Objective, Strategies and Risks

Investment Objective

The Fund seeks investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of an equity index called the Top 200 Dynamic IntellidexSM Index (the "Underlying Intellidex").

Principal Investment Strategies

The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Underlying Intellidex. The Underlying Intellidex is comprised of 200 U.S. stocks selected principally on the basis of their capital appreciation potential as identified by NYSE Arca (the "Intellidex Provider") pursuant to a proprietary Intellidex methodology. As of June 30, 2009, the Underlying Intellidex included companies with a market capitalization range of between approximately \$237.1 million and \$188.7 billion. The Fund's 90% investment policy noted above is non-fundamental and requires 60 days' prior written notice to shareholders before it can be changed.

The Underlying Intellidex is adjusted quarterly and the Fund, using an "indexing" investment approach, attempts to replicate, before fees and expenses, the performance of the Underlying Intellidex. The Adviser seeks correlation over time of 0.95 or better between the Fund's performance and the performance of the Underlying Intellidex; a figure of 1.00 would represent perfect correlation. The Fund generally invests in all of the stocks comprising the Underlying Intellidex in proportion to their weightings in the Underlying Intellidex. However, under various circumstances, it may not be possible or practicable to purchase all of those stocks in those weightings. In those circumstances, the Fund may purchase a sample of stocks in the Underlying Intellidex as a whole. There may also be instances in which the Adviser may choose to overweight another stock in the Underlying Intellidex, purchase stocks not in the Underlying Intellidex which the Adviser believes are appropriate to substitute for certain stocks in the Underlying Intellidex or utilize various combinations of other available investment techniques in seeking to track the Underlying Intellidex. The Fund may sell stocks that are represented in the Underlying Intellidex in anticipation of their removal from the Underlying Intellidex, or purchase stocks not represented in the Underlying Intellidex in anticipation of their addition to the Underlying Intellidex.

Intellidex Methodology

The Underlying Intellidex methodology is designed to objectively identify those stocks from among the 2,000 largest U.S. stocks that have the greatest potential for capital appreciation. The methodology evaluates companies quarterly, based on a variety of criteria, including fundamental growth, stock valuation, investments and risk factors, and then ranks and sorts them based on their cumulative scores. Component stocks for the Underlying Intellidex are selected from among the companies with the highest-ranking cumulative score ("Model Score") within the universe.

Intellidex Construction

(1) The 2,000 largest U.S. stocks (by market capitalization) traded on the New York Stock Exchange ("NYSE"), the NYSE Amex and the NASDAQ are ranked for capital appreciation potential using a proprietary NYSE Arca Intellidex model.

(2) The 200 stocks selected are the stocks with the best Model Score. The 200 components are equally weighted (on average each receives 0.5%).

Principal Risks of Investing in the Fund

The following specific risk factors have been identified for the Fund. See also the section entitled "Additional Risks" for other risk factors.

Market Trading Risk

Risk is inherent in all investing. An investment in the Fund involves risks similar to those of investing in any fund of equity securities traded on an exchange. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the Underlying Intellidex.

Market Risk

The Shares are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stock prices. Overall stock values could decline generally or could underperform other investments.

Technology Sector Risk

To the extent the Underlying Index includes securities of issuers in the technology sector, the Fund will invest in companies in such sector. The technology sector can be significantly affected by the failure to obtain, or delays in obtaining, financing or regulatory approval, intense competition, product compatibility, consumer preferences, corporate capital expenditure, rapid obsolescence and research and development of new products. Companies in the technology sector also face competition or potential competition with numerous alternative technologies. In addition, the highly competitive technology sector may cause the prices for these products and services to decline in the future. The technology sector is subject to rapid and significant changes in technology that are evidenced by the increasing pace of technological upgrades, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and enhancements, developments in emerging wireless transmission technologies and changes in customer requirements and preferences. The success of the sector participants depends in substantial part on the timely and successful introduction of new products.

Industrials Sector Risk

To the extent the Underlying Index includes securities of issuers in the industrials sector, the Fund will invest in companies in such sector. Companies in the industrials sector may be adversely affected by changes in government regulation, world events and economic conditions. In addition, these companies are at risk for environmental damage claims. Companies in this sector could be adversely affected by commodity price volatility, changes in exchange rates, imposition of import controls, increased competition, depletion of resources, technological developments and labor relations.

Consumer Discretionary Sector Risk

To the extent the Underlying Index includes securities of issuers in the consumer discretionary sector, the Fund will invest in companies in such sector. Companies engaged in the consumer discretionary sector are subject to fluctuations in supply and demand. These companies may also be adversely affected by changes in consumer spending as a result of world events, political and economic conditions, commodity price volatility, changes in exchange rates, imposition of import controls, increased competition, depletion of resources and labor relations.

Financial Sector Risk

To the extent the Underlying Index includes securities of issuers in the financial sector, the Fund will invest in companies in such sector. The Fund therefore may be susceptible to adverse economic or regulatory occurrences affecting the financial sector. Investing in the financial sector involves risks, including the following: financial services companies are subject to extensive government regulation and, as a result, their profitability may be affected by new regulations or regulatory interpretations; unstable interest rates can have a disproportionate effect on the financial services sector; financial services companies whose securities the Fund may purchase may themselves have concentrated portfolios which makes them vulnerable to economic conditions that affect that sector; and financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies. In addition, the financial sector is undergoing numerous changes, including continuing consolidations, development of new products and structures and changes to its regulatory framework. Increased government involvement in financial institutions, including measures such as taking ownership positions in such institutions, could result in a dilution in the value of the shares held by shareholders in such institutions. The recent deterioration of the credit markets has caused an adverse impact on a broad range of financial markets, thereby causing certain financial services companies to incur large losses. Certain financial services companies have experienced declines in the valuation of their assets and even ceased operations.

Non-Correlation Risk

The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs a number of operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions (such as diversification requirements that apply to the Fund but not to the Underlying Intellidex).

Since the Underlying Intellidex is not subject to the diversification requirements to which the Fund must adhere, the Fund may be required to deviate its investments from the securities and relative weightings of the Underlying Intellidex. The Fund may not invest in certain securities included in the Underlying Intellidex due to liquidity constraints. Liquidity constraints may delay the Fund's purchase or sale of securities included in the Underlying Intellidex. For tax efficiency purposes, the Fund may sell certain securities to realize losses, causing it to deviate from the Underlying Intellidex.

The Fund may not be fully invested at times, either as a result of cash flows into the Fund or reserves of cash held by the Fund to meet redemptions and expenses. If the Fund utilizes a sampling approach or futures or other derivative positions, its return may not correlate as well with the return of the Underlying Intellidex as would be the case if it purchased all of the securities in the Underlying Intellidex with the same weightings as the Underlying Intellidex.

Replication Management Risk

Unlike many investment companies, the Fund is not "actively" managed. That is, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily sell a stock because the stock's issuer was in financial trouble unless that stock is removed from the Underlying Intellidex.

Small and Medium Capitalization Company Risk

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

Portfolio Turnover

The Financial Highlights Table for the Fund at the end of this Prospectus shows the Fund's portfolio turnover rates during recent periods. Based on the reconstitutions of the Underlying Intellidex, there may be a large degree of portfolio turnover as the Fund replicates the Underlying Intellidex. A high portfolio turnover rate could result in high brokerage costs and an increase in taxable capital gains distributions to the Fund's shareholders.

Issuer-Specific Changes

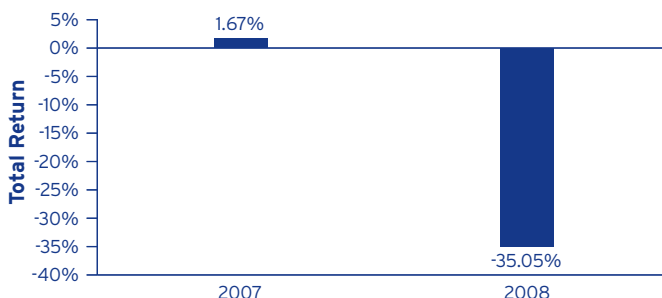
The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the market as a whole.

The Fund's Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.

Performance Information*

The bar chart that follows shows how the Fund performed. The table below the bar chart shows the Fund's average annual returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by

comparing the Fund's performance from year to year and by showing how the Fund's average annual returns compared with a broad measure of market performance. All returns assume reinvestment of dividends and distributions. Of course, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future.



The Fund's year-to-date total return for the six months ended June 30, 2009 was 0.74%.

Best Quarter

4.55% (2nd Quarter 2007)

Worst Quarter

(22.66)% (4th Quarter 2008)

* The bar chart includes only complete calendar years following inception. The best and worst quarters above include numbers from complete calendar years only.

Average Annual Total Returns for the Periods Ended December 31, 2008

| | <u>Past One Year</u> | <u>Since Inception*</u> |
|--|----------------------|-------------------------|
| PowerShares Dynamic MagniQuant Portfolio (return before taxes) | (35.05)% | (15.33)% |
| PowerShares Dynamic MagniQuant Portfolio (return after taxes on distributions) | (35.21)% | (15.54)% |
| PowerShares Dynamic MagniQuant Portfolio (return after taxes on distributions and sale of Fund Shares) | (22.76)% | (12.91)% |
| S&P 500® Equal Weight Index (reflects no deduction for fees, expenses or taxes) | (39.72)% | (17.12)% |
| S&P 500® Index (reflects no deduction for fees, expenses or taxes) | (36.99)% | (15.20)% |
| Russell 3000® Index (reflects no deduction for fees, expenses or taxes) | (37.31)% | (14.33)% |
| Top 200 Dynamic Intellidex SM Index (reflects no deduction for fees, expenses or taxes) | (34.62)% | (14.75)% |

* The Fund commenced operations on October 12, 2006.

The Fund's investment objective, risks and expenses should also be considered when comparing investment returns. The index performance results are hypothetical. The The S&P 500® Equal Weight Index, S&P 500® Index and Russell 3000® Index are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 500, 500 and 2,918 common

stocks, respectively. The S&P 500® Equal Weight Index and the Russell 3000® Index will be used for comparative purposes going forward as these represent the most appropriate market indices for the Fund.

Performance data quoted represents past performance. Past performance is not a guarantee of future results; current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower.

After-tax returns in the table above are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance, the Fund's returns after taxes on distributions and sale of Fund Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Fund Shares. As a result, the Fund's returns after taxes on distributions and sale of Fund Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

What are the Costs of Investing?

This table describes the fees and expenses that you may pay if you buy and hold Shares of the Fund.

| | |
|---|-------|
| Shareholder Transaction Expenses(1) | |
| (fees paid directly from your investments) | None* |
| Annual Fund Operating Expenses(2) (expenses that are deducted from the Fund's assets) | |
| Management Fees | .050% |
| Other Expenses | .037% |
| Total Gross Annual Fund Operating Expenses | .087% |
| Fee Waivers and Expense Assumption(3) | .022% |
| Total Net Annual Fund Operating Expenses | .065% |

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's gross operating expenses remain the same. Although your actual costs may be higher or lower, your costs[†], based on these assumptions, would be:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|---------------|----------------|----------------|-----------------|
| \$66 | \$256 | \$461 | \$1,052 |

(1) When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges.

(2) Expressed as a percentage of average net assets.

(3) *The Trust and the Adviser have entered into an Amended and Restated Excess Expense Agreement (the "Expense Agreement") pursuant to which the Adviser has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expense, brokerage commissions, sub-licensing fees, offering costs and other trading expenses, taxes and extraordinary expenses) from exceeding 0.60% of average net assets per year (the "Expense Cap"), at least until August 31, 2010. Offering costs excluded from the Expense Cap are: (a) legal fees pertaining to the Fund's Shares offered for sale; (b) SEC and state registration fees; and (c) initial fees paid to be listed on an exchange. The Expense Agreement also provides that the expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

* See "Creation Transaction Fees and Redemption Transaction Fees" below.

‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten-year examples do not reflect this agreement after the first year.

Creation Transaction Fees and Redemption Transaction Fees

The Fund issues and redeems Shares at NAV only in large blocks of 50,000 Shares (each block of 50,000 Shares called a "Creation Unit") or multiples thereof ("Creation Unit Aggregations"). As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements and called Authorized Participants ("APs") can purchase or redeem these Creation Units. Purchasers of Creation Units at NAV must pay a standard Creation Transaction Fee of \$1,000 per transaction (assuming approximately 200 stocks in each Creation Unit). An AP who holds Creation Units and wishes to redeem at NAV would also pay a standard Redemption Transaction Fee of \$1,000 for each redemption transaction (assuming approximately 200 stocks in each Creation Unit).^{*} APs who hold Creation Units in inventory will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000 and a 5% return each year, and assuming that the Fund's gross operating expenses remain the same, the total costs[‡] would be \$18,603, \$65,890, \$117,163 and \$265,061 if the Creation Unit is redeemed after one, three, five and ten years, respectively.

If a Creation Unit is purchased or redeemed outside the usual process through the National Securities Clearing Corporation ("NSCC") or for cash, a variable fee of up to four times the standard Creation or Redemption Transaction Fee may be charged to the AP making the transaction. The Fund will charge a maximum fixed Creation/Redemption Transaction Fee of \$4,000.

The Creation Transaction Fee, Redemption Transaction Fee and variable fee are not expenses of the Fund and do not impact the Fund's expense ratio.

* See "Creations, Redemptions and Transaction Fees" later in this Prospectus.

‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten-year examples do not reflect this agreement after the first year.

PowerShares Dynamic Market Portfolio

Ticker: PWC
Intraday NAV Ticker: FZM

CUSIP: 73935X104
Underlying Index: Dynamic Market IntellidexSM Index
(Ticker: DYI)

Investment Objective, Strategies and Risks

Investment Objective

The Fund seeks investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of an equity index called the Dynamic Market IntellidexSM Index (the "Underlying Intellidex").

Principal Investment Strategies

The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Underlying Intellidex. The Underlying Intellidex is comprised of 100 U.S. stocks selected each quarter by NYSE Arca (the "Intellidex Provider") pursuant to a proprietary method. As of June 30, 2009, the Underlying Intellidex included companies with a market capitalization range of between approximately \$297.6 million and \$335.9 billion.

The Underlying Intellidex selection methodology seeks to identify and select companies from the U.S. marketplace with superior risk-return profiles. Domestic companies are ranked across numerous investment criteria, including fundamentals, valuation, timeliness and risk perspectives, in seeking to provide a comprehensive determination of a company's overall investment potential. Stocks that, based upon the rankings, are believed to possess the greatest investment potential are selected for the Underlying Intellidex and incorporated into the Fund's portfolio. The Underlying Intellidex uses market-like sector weightings and market-capitalization groupings in seeking to produce a sector and size dispersion similar to the overall broad market. The Fund's 90% investment policy is non-fundamental and requires 60 days' prior written notice to shareholders before it can be changed.

The Fund, using an "indexing" investment approach, attempts to replicate, before fees and expenses, the performance of the Underlying Intellidex. The Adviser seeks correlation over time of 0.95 or better between the Fund's performance and the performance of the Underlying Intellidex; a figure of 1.00 would represent perfect correlation. The Fund generally invests in all of the stocks comprising the Underlying Intellidex in proportion to their weightings in the Underlying Intellidex. However, under various circumstances, it may not be possible or practicable to purchase all of those stocks in those weightings. In those circumstances, the Fund may purchase a sample of stocks in the Underlying Intellidex as a whole. There may also be instances in which the Adviser may choose to overweight another stock in the Underlying Intellidex, purchase stocks not in the Underlying Intellidex which the Adviser believes

are appropriate to substitute for certain stocks in the Underlying Intellidex or utilize various combinations of other available investment techniques, in seeking to track the Underlying Intellidex. The Fund may sell stocks that are represented in the Underlying Intellidex in anticipation of their removal from the Underlying Intellidex, or purchase stocks not represented in the Underlying Intellidex in anticipation of their addition to the Underlying Intellidex.

Intellidex Construction

(1) The 2,000 largest U.S. stocks (by market capitalization) traded on the NYSE, NYSE Amex and the NASDAQ are ranked for investment potential using a proprietary NYSE Arca Intellidex model. Companies are ranked quarterly, based on a variety of criteria, including fundamental growth, stock valuation, timeliness and risk factors, and then sorted based on their cumulative score on the above criteria.

(2) One hundred companies are then selected from the top of each sector and size category in the following manner:

- a. The universe of stocks is divided into 10 economic sectors.
- b. Stocks within each sector are divided into two market-capitalization groupings: large and mid/small.
- c. Within each sector a defined number of the top ranked large and mid/small stocks are selected. The number of stocks selected within a sector is predetermined and based on the percentage of the overall market represented by such sector.
 - i. 30 large-capitalization stocks are allocated across the sectors and receive 70% of the weight.
 - ii. 70 mid/small-capitalization stocks are allocated across the sectors and receive 30% of the weight.
- d. Stocks are equally weighted within their size groups.
 - i. Large-capitalization stocks receiving on average 2.33% each.
 - ii. Small and mid-capitalization stocks receiving on average 0.43% each.

(3) The Underlying Intellidex repeats this process quarterly. The Fund will rebalance quarterly to mirror the constituent changes of the Underlying Intellidex.

Principal Risks of Investing in the Fund

The following specific risk factors have been identified for the Fund. See also the section entitled "Additional Risks" for certain other risk factors.

Market Trading Risk

Risk is inherent in all investing. An investment in the Fund involves risks similar to those of investing in any fund of equity securities traded on an exchange. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the Underlying Intellidex.

Market Risk

The Shares are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stock prices. Overall stock values could decline generally or could underperform other investments.

Technology Sector Risk

To the extent the Underlying Index includes securities of issuers in the technology sector, the Fund will invest in companies in such sector. The technology sector can be significantly affected by the failure to obtain, or delays in obtaining, financing or regulatory approval, intense competition, product compatibility, consumer preferences, corporate capital expenditure, rapid obsolescence and research and development of new products. Companies in the technology sector also face competition or potential competition with numerous alternative technologies. In addition, the highly competitive technology sector may cause the prices for these products and services to decline in the future. The technology sector is subject to rapid and significant changes in technology that are evidenced by the increasing pace of technological upgrades, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and enhancements, developments in emerging wireless transmission technologies and changes in customer requirements and preferences. The success of the sector participants depends in substantial part on the timely and successful introduction of new products.

Non-Correlation Risk

The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs a number of operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions (such as diversification requirements that apply to the Fund but not to the Underlying Intellidex).

Since the Underlying Intellidex is not subject to the diversification requirements to which the Fund must adhere, the Fund may be required to deviate its investments from the securities and relative weightings of the Underlying Intellidex. The Fund may not invest in certain securities included in the Underlying Intellidex due to liquidity constraints. Liquidity constraints may delay the Fund's purchase or sale of securities included in the Underlying Intellidex. For tax efficiency purposes, the Fund may sell certain securities to realize losses, causing it to deviate from the Underlying Intellidex.

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

If the Fund utilizes a sampling approach or futures or other derivative positions, its return may not correlate as well with the return on the Underlying Intellidex, as would be the case if it purchased all of the securities in the Underlying Intellidex, with the same weightings as the Underlying Intellidex.

Replication Management Risk

Unlike many investment companies, the Fund is not "actively" managed. That is, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily sell a stock because the stock's issuer was in financial trouble unless that stock is removed from the Underlying Intellidex.

Medium Capitalization Company Risk

Investing in securities of medium capitalization companies involves greater risk than is customarily associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more

established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often medium capitalization companies and the industries in which they are focused are still evolving and this may make them more sensitive to changing market conditions.

Portfolio Turnover

The Financial Highlights Table for the Fund at the end of this Prospectus shows the Fund's portfolio turnover rates during recent periods. Based on the reconstitutions of the Underlying Intellidex, there may be a large degree of portfolio turnover as the Fund replicates the Underlying Intellidex. A high portfolio turnover rate could result in high brokerage costs and an increase in taxable capital gains distributions to the Fund's shareholders.

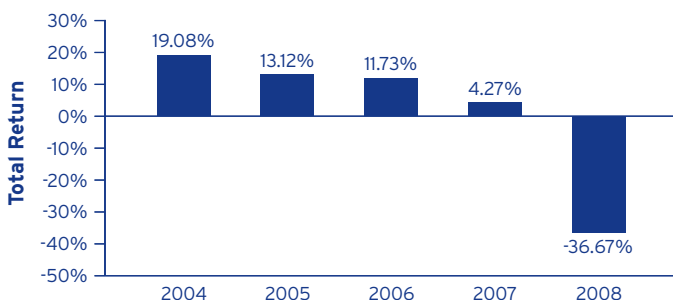
Issuer-Specific Changes

The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers.

The Fund's Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.

Performance Information*

The bar chart that follows shows how the Fund performed. The table below the bar chart shows the Fund's average annual returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by comparing the Fund's performance from year to year and by showing how the Fund's average annual returns compared with a broad measure of market performance. All returns assume reinvestment of dividends and distributions. Of course, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future.



The Fund's year-to-date total return for the six months ended June 30, 2009 was 1.85%.

Best Quarter

10.70% (4th Quarter 2004)

Worst Quarter

(19.71)% (4th Quarter 2008)

* The bar chart above includes only complete calendar years following inception. The best and worst quarters above include numbers from complete calendar years only.

Average Annual Total Returns for the Periods Ended December 31, 2008

| | <u>Past One Year</u> | <u>Past Five Years</u> | <u>Since Inception*</u> |
|--|--------------------------|----------------------------|-----------------------------|
| PowerShares Dynamic Market Portfolio (return before taxes) | (36.67)% | (0.12)% | 4.17% |
| PowerShares Dynamic Market Portfolio (return after taxes on distributions) | (36.90)% | (0.41)% | 3.89% |
| PowerShares Dynamic Market Portfolio (return after taxes on distributions and sale of Fund Shares) | (23.80)% | (0.23)% | 3.45% |
| S&P 500® Index (reflects no deduction for fees, expenses or taxes) | (36.99)% | (2.19)% | 1.68% |
| Russell 3000® Index (reflects no deduction for fees, expenses or taxes) | (37.31)% | (1.95)% | 2.22% |
| Dynamic Market Intellidex SM Index (reflects no deduction for fees, expenses or taxes) | (36.38)% | (0.34)% | (4.75)% |

* *The Fund commenced operations on May 1, 2003.*

The Fund's investment objective, risks and expenses should also be considered when comparing investment returns. The index performance results are hypothetical. The S&P 500® Index and Russell 3000® Index are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of 500 and 2,918 common stocks, respectively.

Performance data quoted represents past performance. Past performance is not a guarantee of future results; current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower.

After-tax returns in the table above are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance, the Fund's returns after taxes on distributions and sale of Fund Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Fund Shares. As a result, the Fund's returns after taxes on distributions and sale of Fund Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

What are the Costs of Investing?

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

| | |
|---|-------|
| Shareholder Transaction Expenses(1) (fees paid directly from your investments) | None* |
| Annual Fund Operating Expenses(2) (expenses that are deducted from the Fund's assets) | |
| Management Fees | 0.50% |
| Other Expenses | 0.10% |
| Total Gross Annual Fund Operating Expenses | 0.60% |
| Fee Waivers and Expense Reimbursement(3) | -.% |
| Total Net Annual Fund Operating Expenses | 0.60% |

Example

This example is intended to help you compare the cost of investing in Shares with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's gross operating expenses remain the same. Although your actual costs may be higher or lower, your costs[‡], based on these assumptions, would be:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|---------------|----------------|----------------|-----------------|
| \$61 | \$192 | \$335 | \$750 |

(1) When buying or selling Shares through a broker, you will incur customary commissions and charges.

(2) Expressed as a percentage of average net assets.

(3) The Trust and the Adviser have entered into an Amended and Restated Excess Expense Agreement (the "Expense Agreement") pursuant to which the Adviser has agreed to waive fees and/or reimburse expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expense, brokerage commissions and other trading expenses, taxes and extraordinary expenses) from exceeding 0.60% of average net assets per year, at least until August 31, 2010.

* See "Creation Transaction Fees and Redemption Transaction Fees" below.

‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten-year examples do not reflect this agreement after the first year.

Creation Transaction Fees and Redemption Transaction Fees

The Fund issues and redeems Shares at NAV only in large blocks of 50,000 Shares (each block of 50,000 Shares called a "Creation Unit") or multiples thereof ("Creation Unit Aggregations"). As a practical matter, only APs can purchase or redeem these Creation Units. Purchasers of Creation Units at NAV must pay a standard Creation Transaction Fee of \$500 per transaction (assuming approximately 100 stocks in each Creation Unit). An AP who holds Creation Units and wishes to redeem at NAV would also pay a standard Redemption Transaction Fee of \$500 for each redemption transaction (assuming approximately 100 stocks in each Creation Unit).* APs who hold Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$5,000,000 and a 5%

* See "Creations, Redemptions and Transaction Fees" later in this Prospectus.

return each year, and assuming that the Fund's operating expenses remain the same, the total costs[‡] would be \$31,660, \$97,086, \$168,397 and \$376,008 if the Creation Unit is redeemed after one, three, five and ten years, respectively.

If a Creation Unit is purchased or redeemed outside the usual process through the NSCC or for cash, a variable fee of up to four times the standard Creation or Redemption Transaction Fee may be charged by the AP making the transaction. The Fund will charge a maximum fixed Creation/Redemption Transaction Fee of \$2,000.

The Creation Transaction Fee, Redemption Transaction Fee and variable fee are not expenses of the Fund and do not impact the Fund's expense ratio.

‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten-year examples do not reflect this agreement after the first year.

PowerShares Dynamic OTC Portfolio

Ticker: PWO
Intraday NAV Ticker: FZO

CUSIP: 73935X203
Underlying Index: Dynamic OTC IntellidexSM Index
(Ticker: DYO)

Investment Objective, Strategies and Risks

Investment Objective

The Fund seeks investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of an equity index called the Dynamic OTC IntellidexSM Index (the "Underlying Intellidex").

Principal Investment Strategies

The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Underlying Intellidex. If the composition of the Underlying Intellidex changes, the Fund will continue to invest at least 80% of its total assets in over-the-counter securities. The Underlying Intellidex is comprised of 100 over-the-counter market securities, selected each quarter by NYSE Arca (the "Intellidex Provider") pursuant to a proprietary method. As of June 30, 2009, the Underlying Intellidex included companies with a market capitalization range of between approximately \$51.8 million and \$211.7 billion.

The Underlying Intellidex selection methodology seeks to identify and select companies from the U.S. NASDAQ marketplace with superior risk-return profiles. Domestic NASDAQ companies are ranked across numerous investment criteria, including fundamentals, valuation, timeliness and risk perspectives, in seeking to provide a comprehensive determination of a company's overall investment potential. Securities that, based upon the rankings, are believed to possess the greatest investment potential are selected for the Underlying Intellidex and incorporated into the Fund's portfolio. The Underlying Intellidex uses OTC market-like sector weightings and market-capitalization groupings as represented by the NASDAQ market in seeking to produce a sector and size dispersion similar to the overall broad OTC market. The Fund's 80% investment policy is non-fundamental and requires 60 days' prior written notice to shareholders before it can be changed.

The Fund, using an "indexing" investment approach, attempts to replicate, before fees and expenses, the performance of the Underlying Intellidex. The Adviser seeks correlation over time of 0.95 or better between the Fund's performance and the performance of the Underlying Intellidex; a figure of 1.00 would represent perfect correlation. The Fund generally invests in all of the securities comprising the Underlying Intellidex in proportion to their weightings in the Underlying Intellidex. However, under various circumstances, it may not be possible or practicable to purchase all of those securities in those weightings. In those circumstances, the Fund

may purchase a sample of securities in the Underlying Intellidex as a whole. There may also be instances in which the Adviser may choose to overweight another security in the Underlying Intellidex, purchase securities not in the Underlying Intellidex which the Adviser believes are appropriate to substitute for certain securities in the Underlying Intellidex or utilize various combinations of other available investment techniques, in seeking to track accurately the Underlying Intellidex. The Fund may sell securities that are represented in the Underlying Intellidex in anticipation of their removal from the Underlying Intellidex, or purchase securities not represented in the Underlying Intellidex in anticipation of their addition to the Underlying Intellidex.

Intellidex Construction

- (1) The 1,000 largest NASDAQ/National Market Securities U.S. stocks (by market capitalization) are ranked for investment potential using a proprietary NYSE Arca Intellidex model. Companies are ranked quarterly, based on a variety of criteria, including fundamental growth, stock valuation, timeliness and risk factors, and then sorted based on their cumulative score on the above criteria.
- (2) 100 companies are then selected from the top of each sector and size category in the following manner:
 - a. The universe of securities is divided into nine economic sectors.
 - b. Securities within each sector are divided into two market-capitalization groupings: large and mid/small.
 - c. Within each sector a defined number of the top ranked large and mid/small securities are selected. The number of securities selected within a sector is predetermined and based on the percentage of the overall market represented by such sector.
 - i. 30 large-capitalization securities are allocated across the sectors and receive 70% of the weight.
 - ii. 70 mid/small-capitalization securities are allocated across the sectors and receive 30% of the weight.
 - d. Securities are equally weighted within their size groups.
 - i. Large-capitalization securities receiving on average 2.33% each.
 - ii. Small/mid-capitalization securities receiving on average 0.43% each.
- (3) The Underlying Intellidex repeats this process quarterly. The Fund will rebalance quarterly to mirror the constituent changes of the Underlying Intellidex.

Principal Risks of Investing in the Fund

The following specific risk factors have been identified for the Fund. See also the section entitled "Additional Risks" for other risk factors.

Market Trading Risk

Risk is inherent in all investing. An investment in the Fund involves risks similar to those of investing in any fund of equity securities traded on an exchange. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the Underlying Intellidex.

Market Risk

The Shares are subject to market fluctuations caused by such factors as economic, political and regulatory developments, changes in interest rates and perceived trends in stock prices. Overall stock values could decline generally or could underperform other investments.

Sector Specific Risk

To the extent the NASDAQ has a higher concentration of securities in issuers conducting business in the technology sector, the technology companies making up the Fund's investments are subject to intense competition, both domestically and internationally; limited product lines, markets, financial resources or personnel; product obsolescence due to rapid technological developments and frequent new product introduction; dramatic and often unpredictable changes in growth rates and competition for qualified personnel; and heavy dependence on patent and intellectual property rights, the loss or impairment of which may adversely affect profitability.

Technology Sector Risk

To the extent the Underlying Index includes securities of issuers in the technology sector, the Fund will invest in companies in such sector. The technology sector can be significantly affected by the failure to obtain, or delays in obtaining, financing or regulatory approval, intense competition, product compatibility, consumer preferences, corporate capital expenditure, rapid obsolescence and research and development of new products. Companies in the technology sector also face competition or potential competition with numerous alternative technologies. In addition, the highly competitive technology sector may cause the prices for these products and services to decline in the future. The technology sector is subject to rapid and significant changes in technology that are evidenced by the increasing pace of technological upgrades, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and enhancements, developments in emerging wireless transmission technologies and changes in customer requirements and preferences. The success of the sector participants depends in substantial part on the timely and successful introduction of new products.

Healthcare Sector Risk

To the extent the Underlying Index includes securities of issuers in the healthcare sector, the Fund will invest in companies in such sector. The profitability of companies in the healthcare sector may be affected by extensive government regulation, restrictions on government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure, an increased emphasis on outpatient services, limited number of products, industry innovation, changes in technologies and other market developments. Companies in the healthcare sector are heavily dependent on patent protection. The process of obtaining patent approval can be long and costly, and the expiration of patents may adversely affect the profitability of the companies. Healthcare companies are also subject to extensive litigation based on product liability and similar claims. Companies in the healthcare sector are affected by rising costs of medical products, devices and services and the increased emphasis on the delivery of healthcare through outpatient services. Many new products are subject to regulatory approval and the process of obtaining such approval can be long and costly. Healthcare companies are also subject to competitive forces that may make it difficult to raise prices and, at

times, may result in price discounting. Additionally, the profitability of some healthcare companies may be dependent on a relatively limited number of products and their products can become obsolete due to industry innovation, changes in technologies or other market developments. In addition, companies in the healthcare sector may be thinly capitalized and therefore may be susceptible to product obsolescence.

Non-Correlation Risk

The Fund's return may not match the return of the Underlying Intellidex for a number of reasons. For example, the Fund incurs operating expenses not applicable to the Underlying Intellidex, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Intellidex. In addition, the performance of the Fund and the Underlying Intellidex may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Intellidex resulting from legal restrictions (such as diversification requirements that apply to the Fund but not to the Underlying Intellidex).

Since the Underlying Intellidex is not subject to the diversification requirements to which the Fund must adhere, the Fund may be required to deviate its investments from the securities and relative weightings of the Underlying Intellidex. The Fund may not invest in certain securities included in the Underlying Intellidex due to liquidity constraints. Liquidity constraints may delay the Fund's purchase or sale of securities included in the Underlying Intellidex. For tax efficiency purposes, the Fund may sell certain securities to realize losses, causing it to deviate from the Underlying Intellidex.

The Fund may not be fully invested at times, either as a result of cash flows into the Fund or reserves of cash held by the Fund to meet redemptions and expenses. If the Fund utilizes a sampling approach or futures or other derivative positions, its return may not correlate as well with the return on the Underlying Intellidex, as would be the case if it purchased all of the securities in the Underlying Intellidex, with the same weightings as the Underlying Intellidex.

Replication Management Risk

Unlike many investment companies, the Fund is not "actively" managed. That is, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Intellidex. Therefore, it would not necessarily sell a stock because the stock's issuer was in financial trouble, unless that stock is removed from the Underlying Intellidex.

Small and Medium Capitalization Company Risk

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

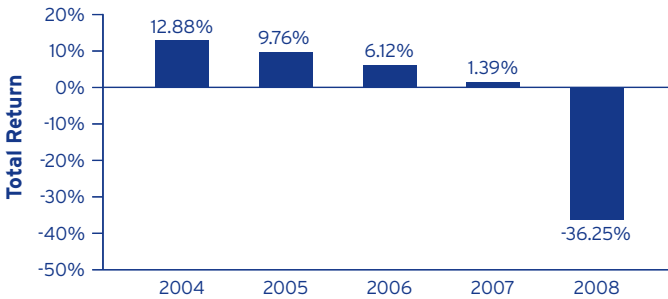
Issuer-Specific Changes

The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers.

The Fund's Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.

Performance Information*

The bar chart that follows shows how the Fund performed. The table below the bar chart shows the Fund's average annual returns (before and after taxes). The bar chart and table provide some indication of the risks of investing in the Fund by comparing the Fund's performance from year to year and by showing how the Fund's average annual returns compared with a broad measure of market performance. All returns assume reinvestment of dividends and distributions. Of course, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future.



The Fund's year-to-date total return for the six months ended June 30, 2009 was 0.89%.

Best Quarter

18.67% (4th Quarter 2004)

Worst Quarter

(21.64)% (4th Quarter 2008)

* The bar chart above includes only complete calendar years following inception. The best and worst quarters above include numbers from complete calendar years only.

Average Annual Total Returns for the Periods Ended December 31, 2008

| | <u>Past One Year</u> | <u>Past Five Years</u> | <u>Since Inception*</u> |
|---|--------------------------|----------------------------|-----------------------------|
| PowerShares Dynamic OTC Portfolio (return before taxes) | (36.25)% | (3.20)% | 3.01% |
| PowerShares Dynamic OTC Portfolio (return after taxes on distributions) | (36.25)% | (3.22)% | 2.99% |
| PowerShares Dynamic OTC Portfolio (return after taxes on distributions and sale of Fund Shares) | (23.56)% | (2.70)% | 2.57% |
| NASDAQ Composite Index (reflects no deduction for fees, expenses or taxes) | (40.54)% | (4.76)% | 1.32% |
| NASDAQ-100® Index (reflects no deduction for fees, expenses or taxes) | (41.57)% | (3.35)% | 2.04% |
| Dynamic OTC Intellidex SM Index (reflects no deduction for fees, expenses or taxes) | (35.86)% | (2.66)% | 3.61% |

* *The Fund commenced operations on May 1, 2003.*

The Fund's investment objective, risks and expenses should also be considered when comparing investment returns. The index performance results are hypothetical. The NASDAQ Composite Index and NASDAQ-100® Index are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 3,087 and 100 common stocks, respectively.

Performance data quoted represents past performance. Past performance is not a guarantee of future results; current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower.

After-tax returns in the table above are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance, the Fund's returns after taxes on distributions and sale of Fund Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Fund Shares. As a result, the Fund's returns after taxes on distributions and sale of Fund Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

What are the Costs of Investing?

This table describes the fees and expenses that you may pay if you buy and hold Shares of the Fund.

| | |
|---|-------|
| Shareholder Transaction Expenses(1) (fees paid directly from your investments) | None* |
| Annual Fund Operating Expenses(2) (expenses that are deducted from the Fund's assets) | |
| Management Fees | .050% |
| Other Expenses | .024% |
| Total Gross Annual Fund Operating Expenses | .074% |
| Fee Waivers and Expense Reimbursement(3) | .014% |
| Total Net Annual Fund Operating Expenses | .060% |

Example

This example is intended to help you compare the cost of investing in Shares with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's gross operating expenses remain the same. Although your actual costs may be higher or lower, your costs[‡], based on these assumptions, would be:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|---------------|----------------|----------------|-----------------|
| \$61 | \$222 | \$398 | \$905 |

(1) When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges.

(2) Expressed as a percentage of average net assets.

(3) The Trust and the Adviser have entered into an Amended and Restated Excess Expense Agreement (the "Expense Agreement") pursuant to which the Adviser has agreed to waive fees and/or reimburse expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expense, brokerage commissions and other trading expenses, taxes and extraordinary expenses) from exceeding 0.60% of average net assets per year, at least until August 31, 2010.

* See "Creation Transaction Fees and Redemption Transaction Fees" below.

‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten-year examples do not reflect this agreement after the first year.

Creation Transaction Fees and Redemption Transaction Fees

The Fund issues and redeems Shares at NAV only in large blocks of 50,000 Shares (each block of 50,000 Shares called a "Creation Unit") or multiples thereof ("Creation Unit Aggregations"). As a practical matter, only APs can purchase or redeem these Creation Units. Purchasers of Creation Units at NAV must pay a standard Creation Transaction Fee of \$500 per transaction (assuming approximately 100 securities in each Creation Unit). An AP who holds Creation Units and wishes to redeem at NAV would also pay a standard Redemption Transaction Fee of \$500 for each redemption transaction (assuming approximately 100 securities in each Creation Unit).* APs who hold Creation Units will also pay the Annual Fund Operating Expenses described in the

* See "Creations, Redemptions and Transaction Fees" later in this Prospectus.

table above. Assuming an investment in a Creation Unit of \$5,000,000 and a 5% return each year, and assuming that the Fund's operating expenses remain the same, the total costs[‡] would be \$31,660, \$112,242, \$199,836 and \$453,634 if the Creation Unit is redeemed after one, three, five and ten years, respectively.

If a Creation Unit is purchased or redeemed outside the usual process through the NSCC or for cash, a variable fee of up to four times the standard Creation or Redemption Transaction Fee may be charged by the AP making the transaction. The Fund will charge a maximum fixed Creation/Redemption Transaction Fee of \$2,000.

The Creation Transaction Fee, Redemption Transaction Fee and variable fee are not expenses of the Fund and do not impact the Fund's expense ratio.

‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten- year examples do not reflect this agreement after the first year.

PowerShares FTSE RAFI US 1000 Portfolio

Ticker: PRF
Intraday NAV Ticker: PRF.IV

CUSIP: 73935X583
Underlying Index: FTSE RAFI US 1000 Index
(Ticker: FRIO)

Investment Objective, Strategies and Risks

Investment Objective

The Fund seeks investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of an equity index called the FTSE RAFI US 1000 Index (the "Underlying Index").

Principal Investment Strategies

The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Underlying Index. The Underlying Index is currently comprised of approximately 996 U.S. stocks. The Underlying Index is designed to track the performance of the largest U.S. equity stocks selected based on the following four fundamental measures of firm size: book value, income, sales and dividends. As of June 30, 2009, the Underlying Index included companies with a market capitalization range of between approximately \$8.4 million and \$335.9 billion. FTSE International Limited is the index provider for the Fund ("FTSE" or the "Index Provider"). The 90% investment policy noted above is non-fundamental and requires 60 days' prior written notice to shareholders before it can be changed.

The Fund, using an "indexing" investment approach, attempts to replicate, before fees and expenses, the performance of the Underlying Index. The Adviser seeks correlation over time of 0.95 or better between the Fund's performance and the performance of the Underlying Index; a figure of 1.00 would represent perfect correlation. The Fund generally invests in the stocks comprising the Underlying Index in proportion to their weightings in the Underlying Index. However, it is possible that the Adviser may determine to utilize instead a "sampling" methodology in seeking to achieve the Fund's objective. In those circumstances, the Fund may purchase a sample of stocks in the Underlying Index as a whole. Sampling means that the Adviser uses quantitative analysis to select stocks from the Underlying Index universe to obtain a representative sample of stocks that resembles the Underlying Index in terms of key risk factors, performance attributes and other characteristics. These include industry weightings, market capitalization and other financial characteristics of stocks. The quantity of holdings in the Fund will be based on a number of factors, including asset size of the Fund. In addition, there may be instances in which the Adviser may choose to overweight another stock in the Underlying Index, purchase securities not in the Underlying Index which the Adviser believes are appropriate to substitute for certain securities in the Underlying Index

or utilize various combinations of other available investment techniques, in seeking to track the Underlying Index. The Fund may sell stocks that are represented in the Underlying Index in anticipation of their removal from the Underlying Index, or purchase stocks not represented in the Underlying Index in anticipation of their addition to the Underlying Index.

Index Methodology

The Underlying Index is designed to track the performance of the largest U.S. equities, selected based on the following four fundamental measures of firm size: book value, income, sales and dividends. U.S. equities are then weighted by each of these four fundamental measures. An overall weight is calculated for each firm by equally-weighting each fundamental measure. For companies that have never paid dividends, that measure will be excluded from the average. Each of the 1,000 equities with the highest fundamental weight are then selected and assigned a weight equal to its fundamental weight.

Index Construction

(1) The Underlying Index is comprised of companies incorporated in the United States. The largest U.S. equities are selected based on the following four fundamental measures of firm size:

- Sales averaged over the prior five years;
- Cash flow averaged over the prior five years;
- Latest available book value; and
- Total dividend distributions averaged over the prior five years.

(2) The universe of companies is ranked by equally weighting each fundamental measure.

(3) Each of the 1,000 equities with the highest fundamental weight are then selected and assigned a weight equal to its fundamental weight.

Index Rebalancing and Reconstitution

The Underlying Index is reconstituted on an annual basis.

Index Maintenance

Share adjustments to reflect a split, reverse split or stock dividend will be made on the action's effective date. Such changes do not require an adjustment to the divisor and are processed automatically. For changes in a company's shares outstanding due to a merger, acquisition or spin-off, an adjustment to the stock's Underlying Index shares will be made effective after the close on the effective date of the corporate action.

Dividend Payments

For purposes of calculation of the value of the Underlying Index, dividend payments will be reinvested in the Underlying Index on the ex-date.

Mergers

In the event of a merger between two companies included in the Underlying Index, the common shares of the surviving issuer will continue to be represented in the

Underlying Index. In the event of a merger between a company in the Underlying Index and a company not in the Underlying Index, the common shares of the surviving issuer will continue to be represented in the Underlying Index until further evaluation on the reconstitution date.

Acquisitions

A company will be dropped from the Underlying Index in the case of its acquisition. The next largest company not currently included in the Underlying Index and as identified at reconstitution will replace the acquired company.

Bankruptcy or Prolonged Trading Suspension

In the event of a bankruptcy, a company will be removed from the Underlying Index effective after the close on the date of the filing. In the event that trading in a company included in the Underlying Index is suspended, the index calculation agent, which is FTSE, shall decide whether the company will be removed from the Underlying Index as soon as applicable. For purposes of minimizing the impact to the Underlying Index, the company to be deleted will be removed at the value at which it last traded. The next largest company not currently included in the Underlying Index and as identified at reconstitution will replace the company.

Principal Risks of Investing in the Fund

The following specific risk factors have been identified for the Fund. See also the section entitled "Additional Risks" for other risk factors.

Market Trading Risk

Risk is inherent in all investing. An investment in the Fund involves risks similar to those of investing in any fund of equity securities traded on an exchange. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the Underlying Index.

Market Risk

The Shares are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stocks prices. Overall stocks values could decline generally or could underperform other investments.

Financial Sector Risk

To the extent the Underlying Index includes securities of issuers in the financial sector, the Fund will invest in companies in such sector. The Fund therefore may be susceptible to adverse economic or regulatory occurrences affecting the financial sector. Investing in the financial sector involves risks, including the following: financial services companies are subject to extensive government regulation and, as a result, their profitability may be affected by new regulations or regulatory interpretations; unstable interest rates can have a disproportionate effect on the financial services sector; financial services companies whose securities the Fund may purchase may themselves have concentrated portfolios which makes them vulnerable to economic conditions that affect that sector; and financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies. In addition, the financial sector is undergoing numerous changes, including continuing consolidations, development

of new products and structures and changes to its regulatory framework. Increased government involvement in financial institutions, including measures such as taking ownership positions in such institutions, could result in a dilution in the value of the shares held by shareholders in such institutions. The recent deterioration of the credit markets has caused an adverse impact on a broad range of financial markets, thereby causing certain financial services companies to incur large losses. Certain financial services companies have experienced declines in the valuation of their assets and even ceased operations.

Consumer Discretionary Sector Risk

To the extent the Underlying Index includes securities of issuers in the consumer discretionary sector, the Fund will invest in companies in such sector. Companies engaged in the consumer discretionary sector are subject to fluctuations in supply and demand. These companies may also be adversely affected by changes in consumer spending as a result of world events, political and economic conditions, commodity price volatility, changes in exchange rates, imposition of import controls, increased competition, depletion of resources and labor relations.

Non-Correlation Risk

The Fund's return may not match the return of the Underlying Index for a number of reasons. For example, the Fund incurs a number of operating expenses not applicable to the Underlying Index, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Index. In addition, the performance of the Fund and the Underlying Index may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Index resulting from legal restrictions (such as diversification requirements that apply to the Fund but not to the Underlying Index).

Since the Underlying Index is not subject to the diversification requirements to which the Fund must adhere, the Fund may be required to deviate its investments from the securities and relative weightings of the Underlying Index. The Fund may not invest in certain securities included in the Underlying Index due to liquidity constraints. Liquidity constraints may delay the Fund's purchase or sale of securities included in the Underlying Index. For tax efficiency purposes, the Fund may sell certain securities to realize losses, causing it to deviate from the Underlying Index.

The Fund may not be fully invested at times, either as a result of cash flows into the Fund or reserves of cash held by the Fund to meet redemptions and expenses. Because the Fund utilizes a sampling approach, its return may not correlate as well with the return on the Underlying Index, as would be the case if it purchased all of the securities in the Underlying Index with the same weightings as the Underlying Index.

Replication Management Risk

Unlike many investment companies, the Fund is not "actively" managed. That is, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Index. Therefore, it would not necessarily sell a stock because the stock's issuer was in financial trouble unless that stock is removed from the Underlying Index.

Small and Medium Capitalization Company Risk

Investing in securities of small and medium capitalization companies involves greater risk than is customarily associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary,

sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they are focused are still evolving and this may make them more sensitive to changing market conditions.

FTSE RAFI US 1000 Universe Risk

At times, the segment of the equity markets represented by the Underlying Index universe may be out of favor and underperform other segments. A significant percentage of the Underlying Index may be comprised of issuers in a single industry or sector of the economy. If the Fund is focused in an industry or sector, it may present more risks than if it were broadly diversified over numerous industries and sectors of the economy.

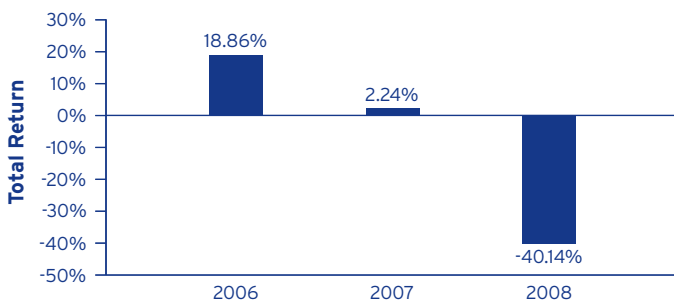
Issuer-Specific Changes

The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers.

The Fund's Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.

Performance Information*

The bar chart that follows shows how the Fund performed. The table below the bar chart shows the Fund's average annual returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by comparing the Fund's performance from year to year and by showing how the Fund's average annual returns compared with a broad measure of market performance. All returns assume reinvestment of dividends and distributions. Of course, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future.



The Fund's year-to-date total return for the six months ended June 30, 2009 was 10.21%.

Best Quarter

7.14% (4th Quarter 2006)

Worst Quarter

(24.12)% (4th Quarter 2008)

* The bar chart above includes only complete calendar years following inception. The best and worst quarters above include numbers from complete calendar years only.

Average Annual Total Returns for the Periods Ended December 31, 2008

| | <u>Past One Year</u> | <u>Since Inception*</u> |
|---|----------------------|-------------------------|
| PowerShares FTSE RAFI US 1000 Portfolio (return before taxes) | (40.14)% | (10.17)% |
| PowerShares FTSE RAFI US 1000 Portfolio (return after taxes on distributions) | (40.62)% | (10.67)% |
| PowerShares FTSE RAFI US 1000 Portfolio (return after taxes on distributions and sale of Fund Shares) | (26.01)% | (8.69)% |
| S&P 500® Index (reflects no deduction for fees, expenses or taxes) | (36.99)% | (8.36)% |
| Russell 1000® Index (reflects no deduction for fees, expenses or taxes) | (37.60)% | (8.66)% |
| FTSE RAFI US 1000 Index (reflects no deduction for fees, expenses or taxes) | (39.99)% | (9.66)% |

* The Fund commenced operations on December 19, 2005.

The Fund's investment objective, risks and expenses should also be considered when comparing investment returns. The index performance results are hypothetical. The S&P 500® Index and Russell 1000® Index are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 500 and 1,000 common stocks, respectively.

Performance data quoted represents past performance. Past performance is not a guarantee of future results; current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower.

After-tax returns in the table above are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance, the Fund's returns after taxes on distributions and sale of Fund Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Fund Shares. As a result, the Fund's returns after taxes on distributions and sale of Fund Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

What are the Costs of Investing?

This table describes the fees and expenses that you may pay if you buy and hold Shares of the Fund.

| | |
|---|-------|
| Shareholder Transaction Expenses(1) (fees paid directly from your investments) | None* |
| Annual Fund Operating Expenses(2) (expenses that are deducted from the Fund's assets) | |
| Management Fees(3) | .029% |
| Other Expenses | .017% |
| Total Gross Annual Fund Operating Expenses(3) | .046% |
| Fee Waivers and Expense Assumption(4) | .007% |
| Total Net Annual Fund Operating Expenses(3) | .039% |

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's gross operating expenses remain the same. Although your actual costs may be higher or lower, your costs[‡], based on these assumptions, would be:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|---------------|----------------|----------------|-----------------|
| \$40 | \$141 | \$251 | \$572 |

- (1) When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges.
- (2) Expressed as a percentage of average net assets.
- (3) Restated to reflect current fees effective November 1, 2008.
- (4) Effective November 1, 2008, the Trust and the Adviser have entered into an Amended and Restated Excess Expense Agreement (the "Expense Agreement") pursuant to which the Adviser has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expense, offering costs, brokerage commissions and other trading expenses, taxes and extraordinary expenses) from exceeding 0.39% of average net assets per year (the "Expense Cap"), at least until August 31, 2010. Offering costs excluded from the Expense Cap are: (a) legal fees pertaining to the Fund's Shares offered for sale; (b) SEC and state registration fees; and (c) initial fees paid to be listed on an exchange. The Expense Agreement also provides that the expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.

* See "Creation Transaction Fees and Redemption Transaction Fees" below.

‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten-year examples do not reflect this agreement after the first year.

Creation Transaction Fees and Redemption Transaction Fees

The Fund issues and redeems Shares at NAV only in large blocks of 50,000 Shares (each block of 50,000 Shares called a "Creation Unit") or multiples thereof ("Creation Unit Aggregations"). As a practical matter, only APs can purchase or redeem these Creation Units. Purchasers of Creation Units at NAV must pay a standard Creation Transaction Fee of \$5,000 per transaction (assuming 996 stocks in each Creation Unit). An AP who holds Creation Units and wishes to redeem at NAV would also pay a standard Redemption Transaction Fee of \$5,000 for each redemption transaction (assuming 996 stocks in each Creation Unit).^{*} APs who hold Creation Units in inventory will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$5,000,000 and a 5% return each year, and assuming that the Fund's gross operating expenses remain the same, the total costs[‡] would be \$29,949, \$80,280, \$135,283 and \$296,189 if the Creation Unit is redeemed after one, three, five and ten years, respectively.

If a Creation Unit is purchased or redeemed outside the usual process through the NSCC or for cash, a variable fee of up to four times the standard Creation or Redemption Transaction Fee may be charged to the AP making the transaction. The Fund will charge a maximum fixed Creation/Redemption Transaction Fee of \$20,000. The Creation Transaction Fee, Redemption Transaction Fee and variable fee are not expenses of the Fund and do not impact the Fund's expense ratio.

* See "Creations, Redemptions and Transaction Fees" later in this Prospectus.

‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten-year examples do not reflect this agreement after the first year.

PowerShares FTSE RAFI US 1500 Small-Mid Portfolio

Ticker: PRFZ
Intraday NAV Ticker: PRFZI

CUSIP: 73935X567
Underlying Index: FTSE RAFI US 1500 Small-Mid Index
(Ticker: FRISUS)

Investment Objective, Strategies and Risks

Investment Objective

The Fund seeks investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of an equity index called the FTSE RAFI US 1500 Small-Mid Index (the "Underlying Index").

Principal Investment Strategies

The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Underlying Index. The Underlying Index is currently comprised of approximately 1,485 U.S. stocks. The Underlying Index is designed to track the performance of small and medium-sized U.S. equity stocks selected based on the following four fundamental measures of firm size: book value, income, cash flow and dividends. As of June 30, 2009, the Underlying Index included companies with a market capitalization range of between approximately \$890 thousand and \$21.9 billion. FTSE is the index provider for the Fund (the "Index Provider"). The Fund's 90% investment policy noted above is non-fundamental and requires 60 days' prior written notice to shareholders before it can be changed.

The Fund, using an "indexing" investment approach, attempts to replicate, before fees and expenses, the performance of the Underlying Index. The Adviser seeks correlation over time of 0.95 or better between the Fund's performance and the performance of the Underlying Index; a figure of 1.00 would represent perfect correlation. The Fund generally invests in all of the stocks comprising the Underlying Index in proportion to their weightings in the Underlying Index. However, under various circumstances, it may not be possible or practicable to purchase all of those stocks in those weightings. In those circumstances, the Fund may purchase a sample of stocks in the Underlying Index. There may also be instances in which the Adviser may choose to overweight another stock in the Underlying Index, purchase stocks not in the Underlying Index which the Adviser believes are appropriate to substitute for certain stocks in the Underlying Index or utilize various combinations of other available investment techniques, in seeking to track the Underlying Index. The Fund may sell stocks that are represented in the Underlying Index in anticipation of their removal from the Underlying Index or purchase stocks not represented in the Underlying Index in anticipation of their addition to the Underlying Index.

Index Methodology

The Underlying Index is designed to track the performance of small and medium capitalization U.S. equities, selected based on the following four fundamental measures of firm size: book value, cash flow, sales and dividends. U.S. equities are then weighted by each of these four fundamental measures. An overall weight is calculated for each firm by equally-weighting each fundamental measure. For companies that have never paid dividends, that measure will be excluded from the average. The Fund will first exclude the equities with a fundamental weight ranking of 1 through 1,000 and, thereafter, each of the equities with a fundamental weight ranking of 1,001 through 2,500 is then selected and assigned a weight equal to its fundamental weight.

Index Construction

(1) The Underlying Index is comprised of companies incorporated in the United States. Small and medium capitalization U.S. equities are selected based on the following four fundamental measures of firm size:

- Sales averaged over the prior five years;
- Cash flow averaged over the prior five years;
- Latest available book value; and
- Total dividend distributions averaged over the prior five years.

(2) The universe of companies is ranked by equally-weighting each fundamental measure.

(3) Each of the equities with a fundamental weight ranking of 1,001 through 2,500 is then selected and assigned a weight equal to its fundamental weight.

Index Rebalancing and Reconstitution

The Underlying Index is reconstituted on an annual basis.

Index Maintenance

Share adjustments to reflect a split, a reverse split or stock dividend will be made on the action's effective date. Such changes do not require an adjustment to the divisor and are processed automatically. For changes in a company's shares outstanding due to a merger, acquisition or spin-off, an adjustment to the stock's Underlying Index shares will be made effective after the close on the effective date of the corporate action.

Dividend Payments

For purposes of calculation of the value of the Underlying Index, dividend payments will be reinvested in the Underlying Index on the ex-date.

Mergers

In the event of a merger between two companies included in the Underlying Index, the common shares of the surviving issuer will continue to be represented in the Underlying Index. In the event of a merger between a company in the Underlying Index and a company not in the Underlying Index, the common shares of the surviving issuer will continue to be represented in the Underlying Index until further evaluation on the reconstitution date.

Acquisitions

A company will be dropped from the Underlying Index in the case of its acquisition. The next small or medium-sized company not currently included in the Underlying Index and as identified at reconstitution will replace the acquired company.

Bankruptcy or Prolonged Trading Suspension

In the event of a bankruptcy, a company will be removed from the Underlying Index effective after the close on the date of the filing. In the event that trading in a company included in the Underlying Index is suspended, the Underlying Index calculation agent, which is FTSE, shall decide whether the company will be removed from the Underlying Index as soon as applicable. For purposes of minimizing the impact to the Underlying Index, the company to be deleted will be removed at the value at which it last traded. The next small or medium-sized company not currently included in the Underlying Index and as identified at reconstitution will replace the company.

Principal Risks of Investing in the Fund

The following specific risk factors have been identified for the Fund. See also the section entitled "Additional Risks" for other risk factors.

Market Trading Risk

Risk is inherent in all investing. An investment in the Fund involves risks similar to those of investing in any fund of equity securities traded on an exchange. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the Underlying Index.

Market Risk

The Shares are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stock prices. Overall stock values could decline generally or could underperform other investments.

Financial Sector Risk

To the extent the Underlying Index includes securities of issuers in the financial sector, the Fund will invest in companies in such sector. The Fund therefore may be susceptible to adverse economic or regulatory occurrences affecting the financial sector. Investing in the financial sector involves risks, including the following: financial services companies are subject to extensive government regulation and, as a result, their profitability may be affected by new regulations or regulatory interpretations; unstable interest rates can have a disproportionate effect on the financial services sector; financial services companies whose securities the Fund may purchase may themselves have concentrated portfolios which makes them vulnerable to economic conditions that affect that sector; and financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies. In addition, the financial sector is undergoing numerous changes, including continuing consolidations, development of new products and structures and changes to its regulatory framework. Increased government involvement in financial institutions, including measures such as taking ownership positions in such institutions, could result in a dilution in the value of the shares held by shareholders in such institutions. The recent deterioration of the

credit markets has caused an adverse impact on a broad range of financial markets, thereby causing certain financial services companies to incur large losses. Certain financial services companies have experienced declines in the valuation of their assets and even ceased operations.

Consumer Discretionary Sector Risk

To the extent the Underlying Index includes securities of issuers in the consumer discretionary sector, the Fund will invest in companies in such sector. Companies engaged in the consumer discretionary sector are subject to fluctuations in supply and demand. These companies may also be adversely affected by changes in consumer spending as a result of world events, political and economic conditions, commodity price volatility, changes in exchange rates, imposition of import controls, increased competition, depletion of resources and labor relations.

Industrials Sector Risk

To the extent the Underlying Index includes securities of issuers in the industrials sector, the Fund will invest in companies in such sector. Companies in the industrials sector may be adversely affected by changes in government regulation, world events and economic conditions. In addition, these companies are at risk for environmental damage claims. Companies in this sector could be adversely affected by commodity price volatility, changes in exchange rates, imposition of import controls, increased competition, depletion of resources, technological developments and labor relations.

Technology Sector Risk

To the extent the Underlying Index includes securities of issuers in the technology sector, the Fund will invest in companies in such sector. The technology sector can be significantly affected by the failure to obtain, or delays in obtaining, financing or regulatory approval, intense competition, product compatibility, consumer preferences, corporate capital expenditure, rapid obsolescence and research and development of new products. Companies in the technology sector also face competition or potential competition with numerous alternative technologies. In addition, the highly competitive technology sector may cause the prices for these products and services to decline in the future. The technology sector is subject to rapid and significant changes in technology that are evidenced by the increasing pace of technological upgrades, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and enhancements, developments in emerging wireless transmission technologies and changes in customer requirements and preferences. The success of the sector participants depends in substantial part on the timely and successful introduction of new products.

Non-Correlation Risk

The Fund's return may not match the return of the Underlying Index for a number of reasons. For example, the Fund incurs a number of operating expenses not applicable to the Underlying Index, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Index. In addition, the performance of the Fund and the Underlying Index may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Index resulting from legal restrictions (such as diversification requirements that apply to the Fund but not to the Underlying Index).

Since the Underlying Index is not subject to the diversification requirements to which the Fund must adhere, the Fund may be required to deviate its investments from the securities and relative weightings of the Underlying Index. The Fund may not invest in certain securities included in the Underlying Index due to liquidity constraints. Liquidity constraints may delay the Fund's purchase or sale of securities included in the Underlying Index. For tax efficiency purposes, the Fund may sell certain securities to realize losses, causing it to deviate from the Underlying Index.

The Fund may not be fully invested at times, either as a result of cash flows into the Fund or reserves of cash held by the Fund to meet redemptions and expenses. If the Fund utilizes a sampling approach or futures or other derivative positions, its return may not correlate as well with the return on the Underlying Index, as would be the case if it purchased all of the securities in the Underlying Index with the same weightings as the Underlying Index.

Replication Management Risk

Unlike many investment companies, the Fund is not "actively" managed. That is, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Index. Therefore, it would not necessarily sell a stock because the stock's issuer was in financial trouble unless that stock is removed from the Underlying Index.

Small and Medium Capitalization Company Risk

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

FTSE US 1500 Small-Mid Index Universe Risk

At times, the segment of the equity markets represented by the Underlying Index universe may be out of favor and underperform other segments. A significant percentage of the Underlying Index may be comprised of issuers in a single industry or sector of the economy. If the Fund is focused in an industry or sector, it may present more risks than if it were broadly diversified over numerous industries and sectors of the economy.

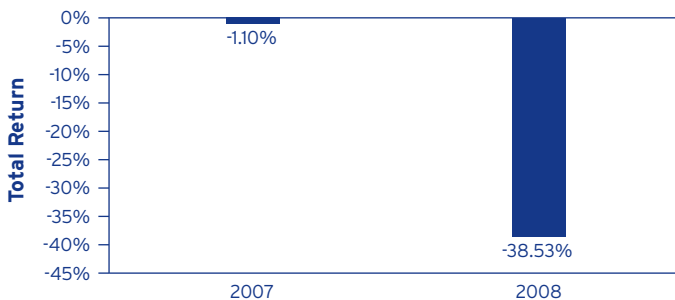
Issuer-Specific Changes

The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers.

The Fund's Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.

Performance Information*

The bar chart that follows shows how the Fund performed. The table below the bar chart shows the Fund's average annual returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by comparing the Fund's performance from year to year and by showing how the Fund's average annual returns compared with a broad measure of market performance. All returns assume reinvestment of dividends and distributions. Of course, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future.



The Fund's year-to-date total return for the six months ended June 30, 2009 was 15.79%.

Best Quarter

5.06% (2nd Quarter 2007)

Worst Quarter

(28.30)% (4th Quarter 2008)

* The bar chart includes only complete calendar years following inception. The best and worst quarters above include numbers from complete calendar years only.

Average Annual Total Returns for the Periods Ended December 31, 2008

| | Past One Year | Since Inception* |
|---|---------------|------------------|
| PowerShares FTSE RAFI US 1500 Small-Mid Portfolio (return before taxes) | (38.53)% | (16.88)% |
| PowerShares FTSE RAFI US 1500 Small-Mid Portfolio (return after taxes on distributions) | (38.78)% | (17.15)% |
| PowerShares FTSE RAFI US 1500 Small-Mid Portfolio (return after taxes on distributions and sale of Fund Shares) | (25.00)% | (14.17)% |
| S&P Small Cap 600® Index (reflects no deduction for fees, expenses or taxes) | (31.07)% | (12.47)% |
| Russell 2000® Index (reflects no deduction for fees, expenses or taxes) | (33.79)% | (14.13)% |
| FTSE RAFI US 1500 Small-Mid Index (reflects no deduction for fees, expenses or taxes) | (38.28)% | (16.39)% |

* The Fund commenced operations on September 20, 2006.

The Fund's investment objective, risks and expenses should also be considered when comparing investment returns. The index performance results are hypothetical. The Russell 2000® Index and S&P Small Cap 600® Index are unmanaged indices used as

measurements of change in stock market conditions based on the average performance of approximately 600 and 2,000 common stocks, respectively.

Performance data quoted represents past performance. Past performance is not a guarantee of future results; current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower.

After-tax returns in the table above are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance, the Fund's returns after taxes on distributions and sale of Fund Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Fund Shares. As a result, the Fund's returns after taxes on distributions and sale of Fund Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

What are the Costs of Investing?

This table describes the fees and expenses that you may pay if you buy and hold Shares of the Fund.

| | |
|---|-------|
| Shareholder Transaction Expenses(1) | |
| (fees paid directly from your investments) | None* |
| Annual Fund Operating Expenses(2) (expenses that are deducted from the Fund's assets) | |
| Management Fees(3) | .029% |
| Other Expenses | .037% |
| Total Gross Annual Fund Operating Expenses(3) | .066% |
| Fee Waivers and Expense Assumption(4) | .027% |
| Total Net Annual Fund Operating Expenses(3) | .039% |

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's gross operating expenses remain the same. Although your actual costs may be higher or lower, your costs[†], based on these assumptions, would be:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|--------|---------|---------|----------|
| \$40 | \$184 | \$341 | \$797 |

(1) When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges.

(2) Expressed as a percentage of average net assets.

(3) Restated to reflect the current fees effective November 1, 2008.

- (4) As of November 1, 2008, the Trust and the Adviser have entered into an Amended and Restated Excess Expense Agreement (the "Expense Agreement") pursuant to which the Adviser has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expense, offering costs, brokerage commissions and other trading expenses, taxes and extraordinary expenses) from exceeding 0.39% of average net assets per year (the "Expense Cap"), at least until August 31, 2010. Offering costs excluded from the Expense Cap are: (a) legal fees pertaining to the Fund's Shares offered for sale; (b) SEC and state registration fees; and (c) initial fees paid to be listed on an exchange. The Expense Agreement also provides that the expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.
- * See "Creation Transaction Fees and Redemption Transaction Fees" below.
- ‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten-year examples do not reflect this agreement after the first year.

Creation Transaction Fees and Redemption Transaction Fees

The Fund issues and redeems Shares at NAV only in large blocks of 50,000 Shares (each block of 50,000 Shares called a "Creation Unit") or multiples thereof ("Creation Unit Aggregations"). As a practical matter, only APs can purchase or redeem these Creation Units. Purchasers of Creation Units at NAV must pay a standard Creation Transaction Fee of \$7,500 per transaction (assuming 1,485 stocks in each Creation Unit). An AP who holds Creation Units and wishes to redeem at NAV would also pay a standard Redemption Transaction Fee of \$7,500 for each redemption transaction (assuming 1,485 stocks in each Creation Unit).^{*} APs who hold Creation Units in inventory will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$5,000,000 and a 5% return each year, and assuming that the Fund's gross operating expenses remain the same, the total costs[‡] would be \$34,949, \$107,021, \$185,484 and \$413,450 if the Creation Unit is redeemed after one, three, five and ten years, respectively.

If a Creation Unit is purchased or redeemed outside the usual process through the NSCC or for cash, a variable fee of up to four times the standard Creation or Redemption Transaction Fee may be charged to the AP making the transaction. The Fund will charge a maximum fixed Creation/Redemption Transaction Fee of \$30,000.

The Creation Transaction Fee, Redemption Transaction Fee and variable fee are not expenses of the Fund and do not impact the Fund's expense ratio.

* See "Creations, Redemptions and Transaction Fees" later in this Prospectus.

‡ The cost under the one-year example reflects the Adviser's agreement with the Fund to waive fees and/or reimburse expenses, if any, to the level specified in the fee table. The costs under the three-, five- and ten-year examples do not reflect this agreement after the first year.

PowerShares NXQ Portfolio

Ticker: PNXQ
Intraday NAV Ticker: PNXQ.IV

CUSIP: 73935X120
Underlying Index: NASDAQ Q-50 IndexSM
(Ticker: NXTQ)

Investment Objective, Strategies and Risks

Investment Objective

The Fund seeks investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of an equity index called the NASDAQ Q-50 IndexSM (the "Underlying Index").

Principal Investment Strategies

The Fund will normally invest at least 90% of its total assets in securities that comprise the Underlying Index. The Underlying Index is a market-capitalization weighted index designed to track the performance of the 50 securities that are next in line to replace the securities currently included in the NASDAQ-100 Index[®] (the "NASDAQ-100[®]"). The Underlying Index is comprised of 50 securities ranked by market capitalization and reflects companies across major industry groups, which may include computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. The Underlying Index does not contain securities of financial companies, including banking and investment companies, as these are ineligible for NASDAQ-100[®] inclusion. The Underlying Index is compiled by The NASDAQ OMX Group, Inc. (the "Index Provider"). As of June 30, 2009, the Underlying Index included 50 companies with a market capitalization range of between approximately \$102.7 million and \$31.1 billion. The Fund's 90% investment policy is non-fundamental and requires 60 days' prior written notice to shareholders before it can be changed.

The Underlying Index is adjusted quarterly and the Fund, using an "indexing" investment approach, attempts to replicate, before fees and expenses, the performance of the Underlying Index. The Adviser seeks correlation over time of 0.95 or better between the Fund's performance and the performance of the Underlying Index; a figure of 1.00 would represent perfect correlation. The Fund generally invests in all of the securities comprising the Underlying Index in proportion to their weightings in the Underlying Index. However, under various circumstances, it may not be possible or practicable to purchase all of those securities in those weightings. In those circumstances, the Fund may purchase a sample of securities in the Underlying Index. There may also be instances in which the Adviser may choose to overweight another security in the Underlying Index, purchase securities not in the Underlying Index which the Adviser believes are appropriate to substitute for certain securities in the Underlying Index or utilize various combinations of other available investment techniques, in seeking to track the Underlying Index. The Fund may sell securities that are represented in the Underlying Index in anticipation of their removal from the Underlying Index or

purchase securities not represented in the Underlying Index in anticipation of their addition to the Underlying Index.

Index Methodology

The Underlying Index is a market-capitalization weighted index designed to track the performance of the 50 securities that are next in line to replace the securities currently included in the NASDAQ-100®. The Underlying Index is comprised of 50 securities ranked by market capitalization and reflects companies across major industry groups, which may include computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies, including banking and investment companies, as these are ineligible for NASDAQ-100® inclusion.

Index Construction

To be eligible for initial inclusion in the Underlying Index, a security must meet the existing NASDAQ-100® eligibility criteria, stated as follows:

- the security's U.S. listing must be exclusively on the NASDAQ Global Select Market or the NASDAQ Global Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing);
- the security must be of a non-financial company;
- the security may not be issued by an issuer currently in bankruptcy proceedings;
- the security must have an average daily trading volume of at least 200,000 shares;
- if the issuer of the security is organized under the laws of a jurisdiction outside the United States, then such security must have listed options on a recognized options market in the United States or be eligible for listed-options trading on a recognized options market in the United States;
- only one security per issuer is allowed;
- the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Underlying Index eligible;
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn;
- the issuer of the security must have been "seasoned" on NASDAQ or another recognized market (generally, a company is considered to be seasoned if it has been listed on a market for at least two years; in the case of spin-offs, the operating history of the spin-off will be considered); and
- if the security would otherwise qualify to be in the top 25% of the securities included in the Underlying Index by market capitalization for the six prior consecutive month-ends, then a one year "seasoning" criterion would apply.

The security types eligible for inclusion in the Underlying Index include common stocks, ordinary shares, American depository receipts, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not eligible for inclusion in the Underlying Index are investment companies, convertible debentures, preferred stocks, rights, warrants, units and other derivative securities.

In addition, the following criteria will be monitored continually for continued inclusion in the Underlying Index:

- the security may not be issued by an issuer currently in bankruptcy proceedings; and
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

The Index Provider may, from time to time, exercise reasonable discretion as it deems appropriate in order to maintain Underlying Index integrity, including adjusting the frequency of the reconstitution or the number of securities in the Underlying Index, applying different criteria or making other determinations as necessary in order to ensure Underlying Index securities meet standards which the Index Provider believes are necessary for the ongoing investability of the Underlying Index.

Quarterly Evaluation

Coinciding with the quarterly calendar cycle (i.e., March, June, September and December), all securities that meet the initial inclusion criteria above will be evaluated and ranked by market value. The data used in the ranking includes January, April, July and October month-end NASDAQ market data and are updated for total shares outstanding submitted in publicly filed SEC documents through the end of the month prior to the quarterly evaluation. At such quarterly evaluations, the top 50 securities by market value are selected for inclusion in the Underlying Index. Any security additions and deletions shall be made effective after the close of trading on the third Friday of each March, June, September and December.

Ordinarily, if at any time during the year other than the quarterly evaluations, a security in the Underlying Index no longer meets the Underlying Index inclusion criteria, or is otherwise determined by the Index Provider to have become ineligible for continued inclusion in the Underlying Index, the security will be deleted and will not be replaced. When a component security from the Underlying Index is added to the NASDAQ-100[®], the security will be deleted from the Underlying Index and will not be replaced. If an Underlying Index security is deleted, an adjustment to the calculation of the Underlying Index will be made on the effective date to ensure Underlying Index continuity. Since the Underlying Index is subject to a quarterly evaluation while the review for eligible NASDAQ-100[®] securities is done on a monthly basis, it is possible that a security added to the NASDAQ-100[®] intra-quarter may not be a constituent of the Underlying Index at the time of addition to the NASDAQ-100[®].

Index Maintenance

Changes resulting from corporate events such as stock dividends, stock splits, certain spin-offs and rights issuances will be reflected in the Underlying Index on the ex-date. If the change in total shares outstanding arising from other corporate actions is greater than or equal to five percent, the change will ordinarily become effective as soon as practicable in accordance with generally accepted Underlying Index policies and procedures as described above. Changes of less than five percent will be accumulated during the quarter and will ordinarily be made effective after the close of trading on the third Friday in March, June, September and December. In each case, certain adjustments will be made in the calculation of the Underlying Index to ensure continuity of the Underlying Index. In the case of a special cash dividend, the Index Provider will determine on an individual basis whether to immediately reflect the dividend in the Underlying Index in accordance with generally accepted

Underlying Index policies and procedures. If it is determined that a change will be made, it will ordinarily become effective on the ex-date.

Ordinarily, whenever there is a spin-off, rights issuance or special cash dividends, the calculation of the Underlying Index is adjusted to ensure that there is no discontinuity in the value of the Underlying Index, which might otherwise be caused by any such change. All changes to the Underlying Index are announced in advance and will be reflected in the Underlying Index prior to market open on the Underlying Index effective date. In administering the Underlying Index, the Index Provider will exercise reasonable discretion as it deems appropriate.

The Underlying Index began operations on September 21, 2007. Valuation data regarding the Underlying Index is available via Bloomberg, L.P.

Principal Risks of Investing in the Fund

The following specific risk factors have been identified for the Fund. See also the section entitled "Additional Risks" for other risk factors.

Market Trading Risk

Risk is inherent in all investing. An investment in the Fund involves risks similar to those of investing in any fund of equity securities traded on an exchange. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the Underlying Index.

Market Risk

The Shares are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stock prices. Overall stock values could decline generally or could underperform other investments.

Healthcare Sector Risk

To the extent the Underlying Index includes securities of issuers in the healthcare sector, the Fund will invest in companies in such sector. The profitability of companies in the healthcare sector may be affected by extensive government regulation, restrictions on government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure, an increased emphasis on outpatient services, limited number of products, industry innovation, changes in technologies and other market developments. Companies in the healthcare sector are heavily dependent on patent protection. The process of obtaining patent approval can be long and costly, and the expiration of patents may adversely affect the profitability of the companies. Healthcare companies are also subject to extensive litigation based on product liability and similar claims. Companies in the healthcare sector are affected by rising costs of medical products, devices and services and the increased emphasis on the delivery of healthcare through outpatient services. Many new products are subject to regulatory approval and the process of obtaining such approval can be long and costly. Healthcare companies are also subject to competitive forces that may make it difficult to raise prices and, at times, may result in price discounting. Additionally, the profitability of some healthcare companies may be dependent on a relatively limited number of products and their products can become obsolete due to industry innovation, changes in technologies or other market developments. In addition, companies in the healthcare sector may be thinly capitalized and therefore may be susceptible to product obsolescence.

Technology Sector Risk

To the extent the Underlying Index includes securities of issuers in the technology sector, the Fund will invest in companies in such sector. The technology sector can be significantly affected by the failure to obtain, or delays in obtaining, financing or regulatory approval, intense competition, product compatibility, consumer preferences, corporate capital expenditure, rapid obsolescence and research and development of new products. Companies in the technology sector also face competition or potential competition with numerous alternative technologies. In addition, the highly competitive technology sector may cause the prices for these products and services to decline in the future. The technology sector is subject to rapid and significant changes in technology that are evidenced by the increasing pace of technological upgrades, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and enhancements, developments in emerging wireless transmission technologies and changes in customer requirements and preferences. The success of the sector participants depends in substantial part on the timely and successful introduction of new products.

Consumer Discretionary Sector Risk

To the extent the Underlying Index includes securities of issuers in the consumer discretionary sector, the Fund will invest in companies in such sector. Companies engaged in the consumer discretionary sector are subject to fluctuations in supply and demand. These companies may also be adversely affected by changes in consumer spending as a result of world events, political and economic conditions, commodity price volatility, changes in exchange rates, imposition of import controls, increased competition, depletion of resources and labor relations.

Non-Correlation Risk

The Fund's return may not match the return of the Underlying Index for a number of reasons. For example, the Fund incurs a number of operating expenses not applicable to the Underlying Index, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Index. In addition, the performance of the Fund and the Underlying Index may vary due to asset valuation differences and differences between the Fund's portfolio and the Underlying Index resulting from legal restrictions (such as diversification requirements that apply to the Fund but not to the Underlying Index).

Since the Underlying Index is not subject to the diversification requirements to which the Fund must adhere, the Fund may be required to deviate its investments from the securities and relative weightings of the Underlying Index. The Fund may not invest in certain securities included in the Underlying Index due to liquidity constraints. Liquidity constraints may delay the Fund's purchase or sale of securities included in the Underlying Index. For tax efficiency purposes, the Fund may sell certain securities to realize losses, causing it to deviate from the Underlying Index.

The Fund may not be fully invested at times, either as a result of cash flows into the Fund or reserves of cash held by the Fund to meet redemptions and expenses. If the Fund utilizes a sampling approach or futures or other derivative positions, its return may not correlate as well with the return on the Underlying Index, as would be the case if it purchased all of the securities in the Underlying Index with the same weightings as the Underlying Index.

Replication Management Risk

Unlike many investment companies, the Fund is not “actively” managed. That is, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Index. Therefore, it would not necessarily sell a stock because the stock’s issuer was in financial trouble unless that stock is removed from the Underlying Index.

Large Capitalization Company Risk

Returns on investments in securities of large U.S. companies could trail the returns on investments in stocks of smaller companies.

Medium Capitalization Company Risk

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

Foreign Securities Risk

The Fund’s investments in foreign securities involve risks that are in addition to the risks associated with domestic securities. Foreign companies, in general, are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about these companies. Moreover, foreign companies are often subject to less stringent requirements regarding accounting, auditing, financial reporting and record-keeping than are U.S. companies, and therefore, not all material information regarding these companies will be available.

In addition, securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their U.S. counterparts. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlement of the Fund’s trades effected in those markets and could result in losses to the Fund due to subsequent declines in the value of the securities subject to the trades. Depositary receipts also involve substantially identical risks to those associated with investments in foreign securities. In addition, the issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities.

Portfolio Turnover

The Financial Highlights Table for the Fund at the end of this Prospectus shows the Fund’s portfolio turnover rates during recent periods. Based on the reconstitutions of the Underlying Intellidex, there may be a large degree of portfolio turnover as the Fund replicates the Underlying Intellidex. A high portfolio turnover rate could result in high brokerage costs and an increase in taxable capital gains distributions to the Fund’s shareholders.

Non-Diversified Fund Risk

The Fund is considered non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a diversified fund.

Issuer-Specific Changes

The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers.

The Fund's Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.

How the Fund Has Performed

The Fund commenced investment operations on April 1, 2008 and therefore does not have performance history for a full calendar year. Visit www.InvescoPowerShares.com for current performance figures.

What are the Costs of Investing?

The table describes the fees and expenses that you may pay if you buy and hold Shares of the Fund.

| | |
|---|-------|
| Shareholder Transaction Expenses(1) (fees paid directly from your investments) | None* |
| Annual Fund Operating Expenses(2) (expenses that are deducted from the Fund's assets) | |
| Management Fees | 0.70% |
| Other Expenses(3) | —% |
| Total Annual Fund Operating Expenses | 0.70% |

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's gross operating expenses remain the same. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|---------------|----------------|----------------|-----------------|
| \$72 | \$224 | \$390 | \$871 |

(1) When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges.

(2) Expressed as a percentage of average net assets.

(3) The Trust's Investment Advisory Agreement provides that the Adviser will pay all expenses of the Fund, except for the fee payments under the Investment Advisory Agreement,

distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses and other extraordinary expenses.

* See "Creation Transaction Fees and Redemption Transaction Fees" below.

Creation Transaction Fees and Redemption Transaction Fees

The Fund issues and redeems Shares at NAV only in large blocks of 50,000 Shares (each block of 50,000 Shares called a "Creation Unit") or multiples thereof ("Creation Unit Aggregations"). As a practical matter, only APs can purchase or redeem these Creation Units. Purchasers of Creation Units at NAV must pay a standard Creation Transaction Fee of \$500 per transaction (assuming approximately 50 securities in each Creation Unit). An AP who holds Creation Units and wishes to redeem at NAV would also pay a standard Redemption Transaction Fee of \$500 for each redemption transaction (assuming approximately 50 securities in each Creation Unit).^{*} APs who hold Creation Units in inventory will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000 and a 5% return each year, and assuming that the Fund's operating expenses remain the same, the total costs would be \$18,876, \$56,968, \$98,406 and \$218,634 if the Creation Unit is redeemed after one, three, five and ten years, respectively.

If a Creation Unit is purchased or redeemed outside the usual process through the NSCC or for cash, a variable fee of up to four times the standard Creation or Redemption Transaction Fee may be charged to the AP making the transaction. The Fund will charge a maximum fixed Creation/Redemption Transaction Fee of \$2,000.

The Creation Transaction Fee, Redemption Transaction Fee and variable fee are not expenses of the Fund and do not impact the Fund's expense ratio.

* See "Creations, Redemptions and Transaction Fees" later in this Prospectus.

Additional Investment Strategies

Each Fund will normally invest at least 90% of its total assets in component securities that comprise its respective Underlying Index or Underlying Intellidex. Each Fund may invest its remaining assets in money market instruments, including repurchase agreements or other funds which invest exclusively in money market instruments (subject to applicable limitations under the Investment Company Act of 1940, as amended (the "1940 Act"), or exemptions therefrom), convertible securities, structured notes (notes on which the amount of principal repayment and interest payments are based on the movement of one or more specified factors, such as the movement of a particular stock or stock index) and in swaps, options and futures contracts. Swaps, options and futures contracts (and convertible securities and structured notes) may be used by a Fund in seeking performance that corresponds to its respective Underlying Index or Underlying Intellidex, and in managing cash flows. The Funds will not invest in money market instruments as part of a temporary defensive strategy to protect against potential stock market declines. The Adviser anticipates that it may take approximately three business days (i.e., each day the NYSE is open) for additions and deletions to each Fund's Underlying Index or Underlying Intellidex to be reflected in the portfolio composition of each Fund.

Each of the policies described herein, including the investment objective of each Fund, constitutes a non-fundamental policy that may be changed by the Board of Trustees (the "Board") without shareholder approval. Certain fundamental policies of the Funds are set forth in the SAI under "Investment Restrictions."

Borrowing Money

Each Fund may borrow money from a bank up to a limit of 10% of the value of its assets, but only for temporary or emergency purposes.

Securities Lending

Each Fund may lend its portfolio securities. In connection with such loans, each Fund receives liquid collateral equal to at least 102% of the value of the portfolio securities being lent. This collateral is marked-to-market on a daily basis.

Additional Risks

Trading Issues

Trading in Shares on the Exchanges may be halted due to market conditions or for reasons that, in the view of the Exchanges, make trading in Shares inadvisable. In addition, trading in Shares on the Exchanges is subject to trading halts caused by extraordinary market volatility pursuant to each Exchange's "circuit breaker" rules. There can be no assurance that the requirements of the Exchanges necessary to maintain the listing of a Fund will continue to be met or will remain unchanged.

Fluctuation of Net Asset Value

The NAV of a Fund's Shares will generally fluctuate with changes in the market value of the Fund's holdings. The market prices of the Shares will generally fluctuate in accordance with changes in NAV as well as the relative supply of and demand for the Shares on the relevant Exchange. The Adviser cannot predict whether the Shares will trade below, at or above their NAV. Price differences may be due, in large part, to the fact that supply and demand forces at work in the secondary trading market for the Shares will be closely related to, but not identical to, the same forces influencing the prices of the stocks of a Fund's respective Underlying Index or Underlying Intellidex trading individually or in the aggregate at any point in time. However, given that the Shares can be purchased and redeemed in Creation Units at NAV (unlike shares of closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their NAV), the Adviser believes that large discounts or premiums to the NAV of the Shares are not likely to be sustained over the long-term. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from NAV. If a shareholder purchases at a time when the market price is at a premium to the NAV or sells at a time when the market price is at a discount to the NAV, the shareholder may sustain losses.

Securities Lending

The Funds may engage in lending their portfolio securities to certain borrowers. A risk in lending portfolio securities consists of the possible loss of rights in the collateral should the borrower fail financially. In addition, the Funds may be exposed to the risk that the sale of any collateral realized upon the borrower's default will not yield proceeds sufficient to replace the loaned securities. Furthermore, because of the risks in delay of recovery, the Funds may lose the opportunity to sell the securities at a desirable price, and the Funds will generally not have the right to vote securities while they are being loaned. In addition, the Funds will bear the risk of loss of any cash collateral that they invest.

Portfolio Holdings

A description of the Trust's policies and procedures with respect to the disclosure of the Funds' portfolio holdings is available in the Funds' SAI.

Management of the Funds

Invesco PowerShares Capital Management LLC is a registered investment adviser with its offices at 301 West Roosevelt Road, Wheaton, Illinois 60187. Invesco PowerShares Capital Management LLC serves as the investment adviser to the Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust, a family of exchange-traded funds, with combined assets under management of more than \$12.7 billion as of July 31, 2009. The Trust is currently comprised of 62 exchange-traded funds.

Invesco PowerShares Capital Management LLC 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.

The Adviser uses a team of portfolio managers, investment strategists and other investment specialists. This team approach brings together many disciplines and leverages the Adviser's extensive resources.

John W. Southard, Jr., CFA, MBA, oversees all research, portfolio management and trading operations of the Funds. In this capacity, Mr. Southard oversees a team of portfolio managers (with Mr. Southard, the "Portfolio Managers") who are responsible for the day-to-day management of the Funds. Peter Hubbard, who reports to Mr. Southard, is the member of the portfolio management team who is currently primarily responsible for each Fund's day-to-day management. Mr. Hubbard receives management assistance from Joshua Betts, John Browning and Michael Jeanette, who perform various functions related to portfolio management, including investing cash flows, coordinating with other team members to focus on certain asset classes, implementing investment strategy and researching and reviewing investment strategy. Each member of the portfolio management team has appropriate limitations on his authority for risk management and compliance purposes.

Portfolio Managers

John Southard is a Managing Director at the Adviser and has been with the Adviser since its inception in August 2002. Mr. Southard has managed each Fund since its inception. Prior to his current position, he was a Senior Equity Analyst at Charles Schwab & Company from May 2001 to August 2002.

Peter Hubbard is a Vice President of Portfolio Management of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since June 2007. Mr. Hubbard was a Research Analyst for the Adviser from May 2005 to June 2007. Prior to joining the Adviser, Mr. Hubbard was employed by Ritchie Capital, a hedge fund operator, where he was a Research Analyst and Trader from September 2003 to May 2005.

Joshua Betts is a Vice President and Portfolio Manager of the Adviser and has been employed by the Adviser since November 2008. He has been one of the Portfolio Managers primarily responsible for the day-to-day management of PowerShares FTSE RAFI US 1000 Portfolio and PowerShares FTSE RAFI US 1500 Small-Mid Portfolio since June 2009. Prior to joining the Adviser, Mr. Betts was a Regional Vice President at Claymore Securities, Inc. from May 2007 to August 2008. Prior to this, he was a Portfolio Consultant for the Adviser from June 2006 to May 2007. From September 2005 to June 2006, he was a mortgage broker for Advanced Mortgage Services. He received a Bachelor of Science from Oregon State University.

John Browning is a Vice President and Portfolio Manager of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since June 2009. Prior to joining the Adviser, Mr. Browning was an Executive Director of the Unit Trust Investment Team with Morgan Stanley from 2005 to 2008. Prior to this, he was a Vice President with Morgan Stanley from 2000 to 2005.

Michael Jeanette is a Vice President and Portfolio Manager of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day

management of the Funds since August 2008. Prior to joining the Adviser, Mr. Jeanette was a trust advisor and GM of Chicago based Richard Lamb, LLC from 1998 to 2007.

The Funds' SAI provides additional information about the Portfolio Managers' compensation structure, other accounts managed by the Portfolio Managers and the Portfolio Managers' ownership of securities in the Trust.

The Adviser receives fees from each Fund (except PowerShares FTSE RAFI US 1000 Portfolio, PowerShares FTSE RAFI US 1500 Small-Mid Portfolio and PowerShares NXQ Portfolio) equal to 0.50% of each Fund's average daily net assets. Effective November 1, 2008, with respect to PowerShares FTSE RAFI US 1000 Portfolio and PowerShares FTSE RAFI US 1500 Small-Mid Portfolio, the Adviser receives fees equal to 0.29% of each Fund's average daily net assets.

The Adviser has entered into an Amended and Restated Excess Expense Agreement (the "Expense Agreement") with the Trust, pursuant to which (except for PowerShares Dynamic Market Portfolio, PowerShares Dynamic OTC Portfolio and PowerShares NXQ Portfolio), the Adviser has agreed to waive fees and/or reimburse Fund expenses to the extent necessary to prevent the operating expenses of PowerShares Dynamic MagniQuant Portfolio (excluding interest expense, sub-licensing fees, offering costs, brokerage commissions and other trading expenses, taxes and extraordinary expenses) and, effective November 1, 2008, each of PowerShares FTSE RAFI US 1000 Portfolio and PowerShares FTSE RAFI US 1500 Small-Mid Portfolio (excluding interest expenses, offering costs, brokerage commissions and other trading expenses, taxes and extraordinary expenses) from exceeding 0.60%, 0.39% and 0.39% of average daily net assets per year, respectively (each an "Expense Cap"), at least until August 31, 2010. The offering costs excluded from the 0.60% Expense Cap with respect to PowerShares Dynamic MagniQuant Portfolio and the 0.39% Expense Cap with respect to each of PowerShares FTSE RAFI US 1000 Portfolio and PowerShares FTSE RAFI US 1500 Small-Mid Portfolio are: (a) legal fees pertaining to each Fund's Shares offered for sale; (b) SEC and state registration fees; and (c) initial fees paid to be listed on an exchange. The Expense Agreement also provides that the expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.

For PowerShares Dynamic Market Portfolio and PowerShares OTC Portfolio, the Adviser has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Funds (excluding interest expense, brokerage commissions and other trading expenses, taxes, and extraordinary expenses) from exceeding 0.60% of average daily net assets per year, at least until August 31, 2010.

PowerShares NXQ Portfolio pays the Adviser a unitary management fee equal to 0.70% of its average daily net assets. Out of the unitary management fee, the Adviser pays substantially all expenses of the Fund, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for the fee payments under the Investment Advisory Agreement, distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses and other extraordinary expenses. The Adviser's unitary management fee is designed to pay PowerShares NXQ Portfolio's expenses and to compensate the Adviser for providing services for the Fund.

A discussion regarding the basis for the Board's approval of the Funds' Investment Advisory Agreement is available in the Funds' Annual Report to Shareholders for the fiscal year ended April 30, 2009.

Each Fund (except PowerShares NXQ Portfolio) is responsible for all its expenses, including the investment advisory fees, costs of transfer agency, custody, fund administration, legal, audit and other services, interest, taxes, brokerage commissions and other expenses connected with executions of portfolio transactions, sub-licensing fees related to its respective Underlying Index or Underlying Intellidex, any distribution fees or expenses, offering fees or expenses and extraordinary expenses.

How to Buy and Sell Shares

The Shares are issued or redeemed by each Fund at NAV per Share only in Creation Units. See “Creations, Redemptions and Transaction Fees.”

Most investors buy and sell Shares of each Fund in secondary market transactions through brokers. Shares of each Fund are listed for trading on the secondary market on an Exchange. Shares can be bought and sold throughout the trading day like other publicly traded shares. There is no minimum investment. Although Shares are generally purchased and sold in “round lots” of 100 Shares, brokerage firms typically permit investors to purchase or sell Shares in smaller “oddlots,” at no per-share price differential. When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges, and you may pay some or all of the spread between the bid and the offered price in the secondary market on each leg of a round trip (purchase and sale) transaction. The Shares of the Funds trade under the following symbols on the following Exchanges:

| Fund | Symbol | Exchange |
|---|---------------|-----------------|
| PowerShares Dynamic MagniQuant Portfolio | .PIQ | NYSE Arca |
| PowerShares Dynamic Market Portfolio | .PWC | NYSE Arca |
| PowerShares Dynamic OTC Portfolio | .PWO | NYSE Arca |
| PowerShares FTSE RAFI US 1000 Portfolio | .PRF | NYSE Arca |
| PowerShares FTSE RAFI US 1500 Small-Mid Portfolio | .PRFZ | NASDAQ |
| PowerShares NXQ Portfolio | .PNXQ | NASDAQ |

Share prices are reported in dollars and cents per Share.

Investors may acquire Shares directly from each Fund, and shareholders may tender their Shares for redemption directly to each Fund, only in Creation Units of 50,000 Shares, as discussed in the “Creations, Redemptions and Transaction Fees” section below.

Book Entry

Shares are held in book-entry form, which means that no stock certificates are issued. The Depository Trust Company (“DTC”) or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

Investors owning Shares are beneficial owners as shown on the records of DTC or its participants. DTC serves as the securities depository for all Shares. Participants in DTC include securities brokers and dealers, banks, trust companies, clearing corporations and other institutions that directly or indirectly maintain a custodial relationship with DTC. As a beneficial owner of Shares, you are not entitled to

receive physical delivery of stock certificates or to have Shares registered in your name, and you are not considered a registered owner of Shares. Therefore, to exercise any right as an owner of Shares, you must rely upon the procedures of DTC and its participants. These procedures are the same as those that apply to any other stocks that you hold in book entry or "street name" form.

Fund Share Trading Prices

The trading prices of Shares of each Fund on the relevant Exchange, may differ from the Fund's daily NAV and can be affected by market forces of supply and demand, economic conditions and other factors.

The approximate value of Shares of each Fund will be disseminated every 15 seconds. This approximate value should not be viewed as a "real-time" update of the NAV per Share of the Fund because the approximate value may not be calculated in the same manner as the NAV, which is computed once a day, generally at the end of the business day. The Funds are not involved in, or responsible for, the calculation or dissemination of the approximate value and the Funds do not make any warranty as to its accuracy.

Frequent Purchases and Redemptions of Fund Shares

The Trust's Board has adopted a policy of not monitoring for frequent purchases and redemptions of Fund Shares ("market timing"). In establishing this policy, the Board evaluated the risks of market timing activities by the Trust's shareholders. The Board noted that a Fund's Shares can only be purchased and redeemed directly from the Fund in Creation Units by APs and that the vast majority of trading in the Funds' Shares occurs on the secondary market. Because the secondary market trades do not involve a Fund directly, it is unlikely those trades would cause many of the harmful effects of market timing, including dilution, disruption of portfolio management, increases in the Funds' trading costs and the realization of capital gains. With respect to trades directly with the Funds, to the extent effected in-kind (i.e., for securities), those trades do not cause any of the harmful effects (as previously noted) that may result from frequent cash trades. To the extent trades are effected in whole or in part in cash, the Board noted that those trades could result in dilution to a Fund and increased transaction costs, which could negatively impact the Fund's ability to achieve its investment objective. However, the Board noted that direct trading by APs is critical to ensuring that the Funds' Shares trade at or close to NAV. The Funds also employ fair valuation pricing to minimize potential dilution from market timing. The Funds impose transaction fees on in-kind purchases and redemptions of Fund Shares to cover the custodial and other costs incurred by a Fund in effecting in-kind trades, these fees increase if an investor substitutes cash in part or in whole for securities, reflecting the fact that a Fund's trading costs increase in those circumstances. Given this structure, the Board determined that it is not necessary to adopt policies and procedures to detect and deter market timing of the Funds' Shares.

Creations, Redemptions and Transaction Fees

Creation Units

Investors such as market makers, large investors and institutions who wish to deal in Creation Units directly with a Fund must have entered into an authorized participant agreement with the principal underwriter and the transfer agent, or purchase through a dealer that has entered into such an agreement. Set forth below is a brief description of the procedures applicable to the purchase and redemption of Creation Units. For more detailed information, see “Creation and Redemption of Creation Unit Aggregations” in the SAI.

Purchase

In order to purchase Creation Units of a Fund, an investor must generally deposit a designated portfolio of equity securities constituting a substantial replication, or a representation, of the securities included in the relevant Fund’s Underlying Index or Underlying Intellidex (the “Deposit Securities”) and generally make a small cash payment referred to as the “Cash Component.” The list of the names and the numbers of shares of the Deposit Securities is made available by the Fund’s custodian through the facilities of the NSCC, immediately prior to the opening of business each day of the relevant Exchange. The Cash Component represents the difference between the NAV of a Creation Unit and the market value of the Deposit Securities.

Orders must be placed in proper form by or through either (i) a “Participating Party,” i.e., a broker-dealer or other participant in the Clearing Process of the Continuous Net Settlement System of the NSCC (the “Clearing Process”), or (ii) a participant of DTC (“DTC Participant”) that has entered into an agreement with the principal underwriter and transfer agent, with respect to purchases and redemptions of Creation Units. All orders must be placed for one or more whole Creation Units of Shares of a Fund and must be received by the principal underwriter in proper form no later than the close of regular trading on the NYSE (ordinarily 4:00 p.m., Eastern time) (“Closing Time”) in order to receive that day’s closing NAV per Share. In the case of custom orders, as further described in the SAI, the order must be received by the principal underwriter no later than 3:00 p.m., Eastern time. A custom order may be placed by an AP in the event that the Trust permits or requires the substitution of an amount of cash to be added to the Cash Component to replace any Deposit Security which may not be available in sufficient quantity for delivery or which may not be eligible for trading by such AP or the investor for which it is acting or any other relevant reason. See “Creation and Redemption of Creation Unit Aggregations” in the SAI.

A fixed Creation Transaction Fee is applicable to each transaction regardless of the number of Creation Units purchased in the transaction. The following chart lists the Creation Transaction Fee applicable to each Fund:

| Fund | Creation Transaction Fee |
|---|---------------------------------|
| PowerShares Dynamic MagniQuant Portfolio |\$1,000 |
| PowerShares Dynamic Market Portfolio |\$500 |
| PowerShares Dynamic OTC Portfolio |\$500 |
| PowerShares FTSE RAFI US 1000 Portfolio |\$5,000 |
| PowerShares FTSE RAFI US 1500 Small-Mid Portfolio |\$7,500 |
| PowerShares NXQ Portfolio |\$500 |

An additional charge of up to four times the Creation Transaction Fee may be imposed with respect to transactions effected outside of the Clearing Process (through a DTC Participant) or to the extent that cash is used in lieu of securities to purchase Creation Units. See “Creation and Redemption of Creation Unit Aggregations” in the SAI. The price for each Creation Unit will equal the daily NAV per Share times the number of Shares in a Creation Unit plus the fees described above and, if applicable, any transfer taxes.

Shares of a Fund may be issued in advance of receipt of all Deposit Securities subject to various conditions, including a requirement to maintain on deposit with the Fund cash at least equal to 115% of the market value of the missing Deposit Securities. See “Creation and Redemption of Creation Unit Aggregations” in the SAI.

Legal Restrictions on Transactions in Certain Securities

An investor subject to a legal restriction with respect to a particular security required to be deposited in connection with the purchase of a Creation Unit may, at a Fund’s discretion, be permitted to deposit an equivalent amount of cash in substitution for any security which would otherwise be included in the Deposit Securities applicable to the purchase of a Creation Unit. For more details, see “Creation and Redemption of Creation Unit Aggregations” in the SAI.

Redemption

Each Fund’s custodian makes available immediately prior to the opening of business each day on the relevant Exchange, through the facilities of the NSCC, the list of the names and the numbers of shares of the Fund’s portfolio securities that will be applicable that day to redemption requests in proper form (“Fund Securities”). Fund Securities received on redemption may not be identical to Deposit Securities which are applicable to purchases of Creation Units. Unless cash redemptions are permitted or required for a Fund, the redemption proceeds consist of the Fund Securities, plus cash in an amount equal to the difference between the NAV of Shares being redeemed as next determined after receipt by the transfer agent of a redemption request in proper form, and the value of the Fund Securities (the “Cash Redemption Amount”), less the applicable redemption fee and, if applicable, any transfer taxes. Should the Fund Securities have a value greater than the NAV of the Shares being redeemed, a compensating cash payment to the Trust equal to the differential, plus the applicable redemption fee and, if applicable, any transfer taxes will be required to be arranged for by or on behalf of the redeeming shareholder. For more details, see “Creation and Redemption of Creation Unit Aggregations” in the SAI.

An order to redeem Creation Units of a Fund may only be effected by or through an AP. An order to redeem must be placed for one or more whole Creation Units and must be received by the transfer agent in proper form no later than the close of regular trading on the NYSE (ordinarily 4:00 p.m., Eastern time), in order to receive that day’s NAV per Share. In the case of custom orders, as further described in the SAI, the order must be received by the transfer agent no later than 3:00 p.m., Eastern time.

A fixed Redemption Transaction Fee is applicable to each redemption transaction regardless of the number of Creation Units redeemed in the transaction. The following chart lists the Redemption Transaction Fee applicable to each Fund:

| Fund | Redemption Transaction Fee |
|---|-----------------------------------|
| PowerShares Dynamic MagniQuant Portfolio |\$1,000 |
| PowerShares Dynamic Market Portfolio |\$500 |
| PowerShares Dynamic OTC Portfolio |\$500 |
| PowerShares FTSE RAFI US 1000 Portfolio |\$5,000 |
| PowerShares FTSE RAFI US 1500 Small-Mid Portfolio |\$7,500 |
| PowerShares NXQ Portfolio |\$500 |

An additional charge of up to four times the Redemption Transaction Fee may be charged to approximate additional expenses incurred by the Trust with respect to redemptions effected outside of the Clearing Process or to the extent that redemptions are for cash. Each Fund reserves the right to effect redemptions in cash. A shareholder may request a cash redemption in lieu of securities; however, each Fund may, in its discretion, reject any such request. See "Creation and Redemption of Creation Unit Aggregations" in the SAI.

Dividends, Distributions and Taxes

Ordinarily, dividends from net investment income, if any, are declared and paid quarterly. Each Fund distributes its net realized capital gains, if any, to shareholders annually.

Distributions in cash may be reinvested automatically in additional whole Shares only if the broker through whom you purchased Shares makes such option available.

Taxes

As with any investment, you should consider how your investment in Shares will be taxed. The tax information in this Prospectus is provided as general information. You should consult your own tax professional about the tax consequences of an investment in Shares.

Unless your investment in Shares is made through a tax-exempt entity or tax-deferred retirement account, such as an IRA plan, you need to be aware of the possible tax consequences when:

- Your Fund makes distributions,
- You sell your Shares listed on the relevant Exchange, and
- You purchase or redeem Creation Units.

Taxes on Distributions

Ordinarily, dividends from net investment income, if any, are declared and paid quarterly. Each Fund may also pay a special distribution at the end of the calendar year to comply with federal tax requirements. In general, your distributions are subject to federal income tax when they are paid, whether you take them in cash or reinvest them in a Fund. Dividends paid out of a Fund's income and net short-term

gains, if any, are taxable as ordinary income. Distributions of net long-term capital gains, if any, in excess of net short-term capital losses are taxable as long-term capital gains, regardless of how long you have held the Shares.

Long-term capital gains of non-corporate taxpayers are generally taxed at a maximum rate of 15% for taxable years beginning before January 1, 2011. In addition, for these taxable years, some ordinary dividends declared and paid by a Fund to non-corporate shareholders may qualify for taxation at the lower reduced tax rates applicable to long-term capital gains, provided that holding period and other requirements are met by the Fund and the shareholder. Without future congressional action, the maximum rate of long-term capital gains will return to 20% in 2011, and all dividends will be taxed at ordinary income rates.

Distributions in excess of a Fund's current and accumulated earnings and profits are treated as a tax-free return of capital to the extent of your basis in the Shares, and as capital gain thereafter. A distribution will reduce a Fund's NAV per Share and may be taxable to you as ordinary income or capital gain even though, from an investment standpoint, the distribution may constitute a return of capital.

By law, the Funds must withhold a percentage of your distributions and proceeds if you have not provided a taxpayer identification number or social security number.

Taxes on Exchange-Listed Share Sales

Currently, any capital gain or loss realized upon a sale of Shares is generally treated as long-term capital gain or loss if the Shares have been held for more than one year and as short-term capital gain or loss if the Shares have been held for one year or less. The ability to deduct capital losses may be limited.

Taxes on Purchase and Redemption of Creation Units

An AP who exchanges equity securities for Creation Units generally will recognize a gain or a loss. The gain or loss will be equal to the difference between the market value of the Creation Units at the time and the exchanger's aggregate basis in the securities surrendered and the Cash Component paid. A person who exchanges Creation Units for equity securities will generally recognize a gain or loss equal to the difference between the exchanger's basis in the Creation Units and the aggregate market value of the securities received and the Cash Redemption Amount. The Internal Revenue Service, however, may assert that a loss realized upon an exchange of securities for Creation Units cannot be deducted currently under the rules governing "wash sales," or on the basis that there has been no significant change in economic position. Persons exchanging securities should consult their own tax advisor with respect to whether wash sale rules apply and when a loss might be deductible.

Under current federal tax laws, any capital gain or loss realized upon redemption of Creation Units is generally treated as long-term capital gain or loss if the Shares have been held for more than one year and as a short-term capital gain or loss if the Shares have been held for one year or less.

If you purchase or redeem Creation Units, you will be sent a confirmation statement showing how many Shares you purchased or sold and at what price.

The foregoing discussion summarizes some of the possible consequences under current federal tax law of an investment in a Fund. It is not a substitute for personal tax advice. You may also be subject to state and local tax on Fund distributions and sales of Fund Shares. Consult your personal tax advisor about the potential tax consequences of an investment in Fund Shares under all applicable tax laws. For more information, please see the Statement of Additional Information section "Taxes."

Distributor

Invesco Aim Distributors, Inc. serves as the distributor (the “Distributor”) of Creation Units for each Fund on an agency basis. The Distributor does not maintain a secondary market in Shares.

Net Asset Value

The Bank of New York Mellon (formerly known as The Bank of New York) (“BONY”) calculates each Fund’s NAV at the close of regular trading (normally 4:00 p.m., Eastern time) every day the NYSE is open. NAV is calculated by deducting all of the Fund’s liabilities from the total value of its assets and dividing the result by the number of Shares outstanding, rounding to the nearest cent. All valuations are subject to review by the Trust’s Board of Trustees or its delegate.

In determining NAV, expenses are accrued and applied daily and securities and other assets for which market quotations are available are valued at market value. Common stocks and other equity securities are valued at the last sales price that day based on the official closing price of the exchange where the security is primarily traded. Securities regularly traded in an over-the-counter market are valued at the latest quoted sale price in such market, or in the case of the NASDAQ, at the NASDAQ official closing price. When price quotes are not readily available, securities will be valued at fair value. Investments that may be valued at fair value include, among others, an unlisted security related to corporate actions, a restricted security, a security whose trading has been suspended from trading on its primary trading exchange, a security that is thinly traded, a security in default or bankruptcy proceedings for which there is no current market quotation and a security affected by a significant event, which event includes acts of terrorism, natural disasters, government action, armed conflict and significant market fluctuations. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security is materially different than the value that could be realized upon the sale of that security.

Fund Service Providers

BONY, 101 Barclay Street, New York NY 10286, is the administrator, custodian and fund accounting and transfer agent for each Fund.

Clifford Chance US LLP, 31 West 52nd Street, New York, NY 10019, serves as legal counsel to the Funds.

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10036, serves as the Funds’ independent registered public accounting firm. The independent registered public accounting firm is responsible for auditing the annual financial statements of the Funds.

Financial Highlights

The financial highlights table is intended to help you understand each Fund's financial performance since its inception. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in each Fund (assuming reinvestment of all dividends and distributions). This information has been derived from the Funds' financial statements which have been audited by PricewaterhouseCoopers LLP, whose report, along with the Funds' financial statements, are included in the Funds' Annual Report for the fiscal year ended April 30, 2009, which is available upon request.

PowerShares Dynamic MagniQuant Portfolio

| | <u>Year Ended April 30,</u> | | For the Period October 12, 2006* through April 30, 2007 |
|--|-----------------------------|-------------|--|
| | <u>2009</u> | <u>2008</u> | |
| PER SHARE OPERATING PERFORMANCE: | | | |
| Net asset value at beginning of period | \$25.08 | \$28.02 | \$25.37 |
| Net investment income** | 0.14 | 0.14 | 0.15 |
| Net realized and unrealized gain (loss) on investments | (8.24) | (2.87) | 2.55 |
| Total from investment operations | (8.10) | (2.73) | 2.70 |
| Distributions to shareholders from: | | | |
| Net investment income | (0.13) | (0.20) | (0.05) |
| Return of capital | - | (0.01) | - |
| Total distributions | (0.13) | (0.21) | (0.05) |
| Net asset value at end of period | \$16.85 | \$25.08 | \$28.02 |
| Share price at end of period*** | \$16.84 | | |
| NET ASSET VALUE TOTAL RETURN**** | (32.40)% | (9.81)% | 10.67% |
| SHARE PRICE TOTAL RETURN**** | (32.41)% | | |
| RATIOS/SUPPLEMENTAL DATA: | | | |
| Net assets at end of period (000's omitted) | \$28,651 | \$62,700 | \$81,269 |
| Ratio to average net assets of: | | | |
| Expenses, after (Waivers) and/or Recapture . | 0.65% | 0.67% | 0.67%† |
| Expenses, prior to (Waivers) and/or Recapture | 0.87% | 0.72% | 0.84%† |
| Net investment income, after (Waivers) and/or Recapture | 0.70% | 0.53% | 1.04%† |
| Portfolio turnover rate†† | 102% | 76% | 23% |
| Undistributed net investment income (loss) included in price of units issued and redeemed**# | \$(0.01) | \$0.00(a) | \$0.02 |
| * Commencement of Investment Operations. | | | |
| ** Based on average shares outstanding. | | | |
| *** The mean between the last bid and ask prices. | | | |
| **** Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and 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. | | | |

PowerShares Dynamic Market Portfolio

| | Year Ended April 30, | | | | |
|--|----------------------|-----------|-----------|-----------|-----------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| PER SHARE OPERATING PERFORMANCE: | | | | | |
| Net asset value at beginning of period | \$48.12 | \$53.32 | \$47.87 | \$39.11 | \$35.05 |
| Net investment income** | 0.50 | 0.37 | 0.42 | 0.34 | 0.26 |
| Net realized and unrealized gain (loss) on investments | (16.72) | (5.09) | 5.35 | 8.75 | 4.02 |
| Total from investment operations | (16.22) | (4.72) | 5.77 | 9.09 | 4.28 |
| Distributions to shareholders from: | | | | | |
| Net investment income | (0.48) | (0.48) | (0.32) | (0.33) | (0.22) |
| Net asset value at end of period | \$31.42 | \$48.12 | \$53.32 | \$47.87 | \$39.11 |
| Share price at end of period*** | \$31.41 | | | | |
| NET ASSET VALUE TOTAL RETURN**** | | | | | |
| | (33.86)% | (8.93)% | 12.12% | 23.30% | 12.23% |
| SHARE PRICE TOTAL RETURN**** | | | | | |
| | (33.84)% | | | | |
| RATIOS/SUPPLEMENTAL DATA: | | | | | |
| Net assets at end of period (000's omitted) | \$260,779 | \$620,703 | \$973,105 | \$919,156 | \$283,620 |
| Ratio to average net assets of: | | | | | |
| Expenses, after (Waivers) and/or Recapture | 0.60% | 0.58% | 0.60% | 0.60% | 0.60% |
| Expenses, prior to (Waivers) and/or Recapture | 0.60% | 0.59% | 0.62% | 0.63% | 0.70% |
| Net investment income, after (Waivers) and/or Recapture | 1.28% | 0.72% | 0.87% | 0.76% | 0.68% |
| Portfolio turnover rate†† ... | 113% | 121% | 114% | 103% | 94% |
| Undistributed net investment income (loss) included in price of units issued and redeemed**# | \$(0.01) | \$(0.01) | \$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.

PowerShares Dynamic OTC Portfolio

| | Year Ended April 30, | | | | |
|--|----------------------|----------|-----------|-----------|----------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| PER SHARE OPERATING PERFORMANCE: | | | | | |
| Net asset value at beginning of period | \$46.92 | \$55.03 | \$53.60 | \$42.38 | \$36.59 |
| Net investment income (loss)** | 0.03 | (0.11) | (0.07) | (0.02) | (0.03) |
| Net realized and unrealized gain (loss) on investments | (14.12) | (7.94) | 1.50 | 11.30 | 5.82 |
| Total from investment operations | (14.09) | (8.05) | 1.43 | 11.28 | 5.79 |
| Distributions to shareholders from: | | | | | |
| Net investment income | - | - | - | (0.02) | - |
| Return of capital | - | (0.06) | - | (0.04) | - |
| Total distributions | - | (0.06) | - | (0.06) | - |
| Net asset value at end of period | \$32.83 | \$46.92 | \$55.03 | \$53.60 | \$42.38 |
| Share price at end of period*** | \$32.83 | | | | |
| NET ASSET VALUE TOTAL RETURN**** | (30.03)% | (14.65)% | 2.67% | 26.63% | 15.81% |
| SHARE PRICE TOTAL RETURN**** | (30.06)% | | | | |
| RATIOS/SUPPLEMENTAL DATA: | | | | | |
| Net assets at end of period (000's omitted) | \$39,393 | \$96,187 | \$159,599 | \$222,440 | \$65,747 |
| Ratio to average net assets of: | | | | | |
| Expenses, after (Waivers) and/or Recapture | 0.59% | 0.59% | 0.60% | 0.60% | 0.60% |
| Expenses, prior to (Waivers) and/or Recapture | 0.74% | 0.64% | 0.69% | 0.69% | 1.06% |
| Net investment income (loss), after (Waivers) and/or Recapture | 0.08% | (0.21)% | (0.15)% | (0.04)% | (0.06)% |
| Portfolio turnover rate†† ... | 77% | 60% | 107% | 77% | 112% |
| Undistributed net investment income (loss) included in price of units issued and redeemed**# | \$(0.02) | \$(0.01) | \$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. | | | | | |

PowerShares FTSE RAFI US 1000 Portfolio

| | Year Ended April 30, | | | For the Period December 19, 2005* |
|--|----------------------|-----------|-------------|---|
| | 2009 | 2008 | 2007 | through April 30, 2006 |
| PER SHARE OPERATING PERFORMANCE: | | | | |
| Net asset value at beginning of period | \$55.15 | \$60.99 | \$52.44 | \$49.64 |
| Net investment income** | 0.97 | 0.89 | 0.78 | 0.24 |
| Net realized and unrealized gain (loss) on investments | (20.26) | (5.96) | 8.38 | 2.68 |
| Total from investment operations | (19.29) | (5.07) | 9.16 | 2.92 |
| Distributions to shareholders from: | | | | |
| Net investment income | (1.08) | (0.77) | (0.61) | (0.12) |
| Net asset value at end of period | \$34.78 | \$55.15 | \$60.99 | \$52.44 |
| Share price at end of period*** | \$34.78 | | | |
| NET ASSET VALUE TOTAL RETURN**** | | | | |
| | (35.26)% | (8.42)% | 17.60% | 5.89% |
| SHARE PRICE TOTAL RETURN**** | | | | |
| | (35.20)% | | | |
| RATIOS/SUPPLEMENTAL DATA: | | | | |
| Net assets at end of period (000's omitted) | \$396,443 | \$876,964 | \$1,055,189 | \$104,883 |
| Ratio to average net assets of: | | | | |
| Expenses, after (Waivers) and/or Recapture | 0.58% | 0.67% | 0.70% | 0.76%† |
| Expenses, prior to (Waivers) and/or Recapture | 0.60% | 0.66% | 0.71% | 1.00%† |
| Net investment income, after (Waivers) and/or Recapture | 2.34% | 1.50% | 1.40% | 1.38%† |
| Portfolio turnover rate†† | 15% | 12% | 8% | 2% |
| Undistributed net investment income (loss) included in price of units issued and redeemed**# | \$(0.07) | \$(0.04) | \$0.33 | - |

* 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.

PowerShares FTSE RAFI US 1500 Small-Mid Portfolio

| | Year Ended April 30, | | For the Period September 20, 2006* through April 30, 2007 |
|---|----------------------|-----------|--|
| | 2009 | 2008 | |
| PER SHARE OPERATING PERFORMANCE: | | | |
| Net asset value at beginning of period | \$50.36 | \$57.12 | \$50.52 |
| Net investment income** | 0.46 | 0.50 | 0.27 |
| Net realized and unrealized gain (loss) on investments | (15.42) | (6.81) | 6.50 |
| Total from investment operations | (14.96) | (6.31) | 6.77 |
| Distributions to shareholders from: | | | |
| Net investment income | (0.44) | (0.45) | (0.17) |
| Net asset value at end of period | \$34.96 | \$50.36 | \$57.12 |
| Share price at end of period*** | \$34.90 | | |
| NET ASSET VALUE TOTAL RETURN**** | (29.79)% | (11.10)% | 13.42% |
| SHARE PRICE TOTAL RETURN**** | (29.84)% | | |
| RATIOS/SUPPLEMENTAL DATA: | | | |
| Net assets at end of period (000's omitted) | \$94,399 | \$130,944 | \$85,680 |
| Ratio to average net assets of: | | | |
| Expenses, after (Waivers) and/or Recapture | 0.58% | 0.71% | 0.73%† |
| Expenses, prior to (Waivers) and/or Recapture | 0.79% | 0.76% | 0.92%† |
| Net investment income, after (Waivers) and/or Recapture | 1.22% | 0.92% | 0.83%† |
| Portfolio turnover rate†† | 15% | 42% | 9% |
| Undistributed net investment income included in price of units issued and redeemed**# | \$0.00(a) | \$0.09 | \$0.05 |

* Commencement of Investment Operations.

** Based on average shares outstanding.

*** The mean between the last bid and ask prices.

**** Net asset value total investment 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.

PowerShares NXQ Portfolio

| | Year Ended April 30, 2009 | For the Period April 1, 2008* through April 30, 2008 |
|--|--|---|
| PER SHARE OPERATING PERFORMANCE: | | |
| Net asset value at beginning of period | \$27.58 | \$25.77 |
| Net investment income (loss)** | (0.07) | 0.03 |
| Net realized and unrealized gain (loss) on investments..... | (9.91) | 1.78 |
| Total from investment operations | (9.98) | 1.81 |
| Distributions to shareholders from: | | |
| Net investment income..... | (0.03) | - |
| Return of capital | (0.02) | - |
| Total distributions | (0.05) | - |
| Net asset value at end of period..... | \$17.55 | \$27.58 |
| Share price at end of period*** | \$17.52 | |
| NET ASSET VALUE TOTAL RETURN**** | (36.21)% | 7.02%(a) |
| SHARE PRICE TOTAL RETURN**** | (36.32)% | |
| RATIOS/SUPPLEMENTAL DATA: | | |
| Net assets at end of period (000's omitted)..... | \$1,755 | \$2,758 |
| Ratio to average net assets of: | | |
| Expenses | 0.70% | 0.70%† |
| Net investment income (loss) | (0.30)% | 0.93%† |
| Portfolio turnover rate††..... | 118% | 15% |
| Undistributed net investment income (loss) included in price of units issued and redeemed***# | \$0.00(b) | \$(0.01) |

* 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 total return from Fund Inception (first day of trading on the Exchange) to April 30, 2008 was 5.71%.

(b) Amount represents less than \$0.005.

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Set forth below is a list of each Fund and the Underlying Index or Underlying Intellidex upon which it is based:

| Fund | Underlying Index or Underlying Intellidex |
|---|--|
| PowerShares Dynamic MagniQuant Portfolio | Top 200 Dynamic Intellidex SM Index |
| PowerShares Dynamic Market Portfolio | Dynamic Market Intellidex SM Index |
| PowerShares Dynamic OTC Portfolio | Dynamic OTC Intellidex SM Index |
| PowerShares FTSE RAFI US 1000 Portfolio | FTSE RAFI US 1000 Index |
| PowerShares FTSE RAFI US 1500 Small-Mid Portfolio | FTSE RAFI US 1500 Small-Mid Index |
| PowerShares NXQ Portfolio | NASDAQ Q-50 Index SM |

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Premium/Discount Information

The following tables present information about the differences between the daily market price on secondary markets for Shares and each Fund's NAV. NAV is the price per share at which each Fund issues and redeems Shares. It is calculated in accordance with the standard formula for valuing mutual fund shares. The "Market Price" of each Fund generally is determined using the midpoint between the highest bid and the lowest offer on the exchange on which the Fund is listed for trading, as of the time the Fund's NAV is calculated. Each Fund's Market Price may be at, above or below its NAV. The NAV of each Fund will fluctuate with changes in the market value of its portfolio holdings. The Market Price of each Fund will fluctuate in accordance with changes in its NAV, as well as market supply and demand.

Premiums or discounts are the differences (generally expressed as a percentage) between the NAV and Market Price of each Fund on a given day, generally at the time NAV is calculated. A premium is the amount that each Fund is trading above the reported NAV, expressed as a percentage of the NAV. A discount is the amount that each Fund is trading below the reported NAV, expressed as a percentage of the NAV.

The following information shows the frequency of distributions of premiums and discounts for the Funds. The information shown for the Funds is for the fiscal year ended April 30, 2009 and for each of the last four calendar quarters.

Each line in the table shows the number of trading days in which the Fund traded within the premium/discount range indicated. The number of trading days in each premium/discount range is also shown as a percentage of the total number of trading days in the period covered by the table. All data presented here represents past performance, which cannot be used to predict future results.

PowerShares Dynamic MagniQuant Portfolio

| Premium/ Discount Range | Number of Days/ Percentage of Total Days (Fiscal Year Ended 4/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 6/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 3/31/09) | Number of Days/ Percentage of Total Days (Quarter Ended 12/31/08) | Number of Days/ Percentage of Total Days (Quarter Ended 9/30/08) |
|------------------------------------|---|---|---|--|---|
| Greater than 0.5% | .079% | 0.00% | 0.00% | 1.56% | 1.56% |
| Between 0.25% and 0.5% | 4.77% | 1.59% | 1.64% | 12.50% | 4.69% |
| Between 0.0% and 0.25% | 33.73% | 31.74% | 31.14% | 28.13% | 32.81% |
| Between -0.25% and 0.0% | 56.35% | 66.67% | 60.66% | 50.00% | 57.81% |
| Between -0.25% and -0.5% | 3.57% | 0.00% | 6.56% | 6.25% | 1.56% |
| Greater than -0.5% | .079% | 0.00% | 0.00% | 1.56% | 1.57% |
| Total | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

PowerShares Dynamic Market Portfolio

| Premium/ Discount Range | Number of Days/ Percentage of Total Days (Fiscal Year Ended 4/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 6/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 3/31/09) | Number of Days/ Percentage of Total Days (Quarter Ended 12/31/08) | Number of Days/ Percentage of Total Days (Quarter Ended 9/30/08) |
|------------------------------------|---|---|---|--|---|
| Greater than 0.5% | 1.19% | 0.00% | 0.00% | 3.13% | 1.56% |
| Between 0.25% and 0.5% | 3.17% | 0.00% | 0.00% | 9.38% | 3.13% |
| Between 0.0% and 0.25% | 32.14% | 28.57% | 24.59% | 35.93% | 35.94% |
| Between -0.25% and 0.0% | 59.13% | 71.43% | 70.49% | 42.19% | 56.25% |
| Between -0.25% and -0.5% | 2.78% | 0.00% | 4.92% | 4.69% | 1.56% |
| Greater than -0.5% | 1.59% | 0.00% | 0.00% | 4.68% | 1.56% |
| Total | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

PowerShares Dynamic OTC Portfolio

| Premium/ Discount Range | Number of Days/ Percentage of Total Days (Fiscal Year Ended 4/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 6/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 3/31/09) | Number of Days/ Percentage of Total Days (Quarter Ended 12/31/08) | Number of Days/ Percentage of Total Days (Quarter Ended 9/30/08) |
|------------------------------------|---|---|---|--|---|
| Greater than 0.5% | 2.78% | 0.00% | 0.00% | 6.25% | 4.69% |
| Between 0.25% and 0.5% | 2.39% | 0.00% | 0.00% | 6.25% | 3.13% |
| Between 0.0% and 0.25% | 40.08% | 30.16% | 31.15% | 37.50% | 39.05% |
| Between -0.25% and 0.0% | 51.98% | 69.84% | 65.57% | 45.31% | 50.00% |
| Between -0.25% and -0.5% | 1.98% | 0.00% | 3.28% | 1.56% | 3.13% |
| Greater than -0.5% | 0.79% | 0.00% | 0.00% | 3.13% | 0.00% |
| Total | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

PowerShares FTSE RAFI US 1000 Portfolio

| Premium/ Discount Range | Number of Days/ Percentage of Total Days (Fiscal Year Ended 4/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 6/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 3/31/09) | Number of Days/ Percentage of Total Days (Quarter Ended 12/31/08) | Number of Days/ Percentage of Total Days (Quarter Ended 9/30/08) |
|------------------------------------|---|---|---|--|---|
| Greater than 0.5% | 1.98% | 0.00% | 0.00% | 4.69% | 3.13% |
| Between 0.25% and 0.5% | 1.98% | 1.59% | 0.00% | 4.69% | 3.13% |
| Between 0.0% and 0.25% | 33.33% | 34.92% | 31.35% | 37.49% | 49.99% |
| Between -0.25% and 0.0% | 54.37% | 57.14% | 63.93% | 34.38% | 40.63% |
| Between -0.25% and -0.5% | 6.75% | 6.35% | 4.92% | 15.63% | 0.00% |
| Greater than -0.5% | 1.59% | 0.00% | 0.00% | 3.12% | 3.12% |
| Total | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

PowerShares FTSE RAFI US 1500 Small-Mid Portfolio

| Premium/ Discount Range | Number of Days/ Percentage of Total Days (Fiscal Year Ended 4/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 6/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 3/31/09) | Number of Days/ Percentage of Total Days (Quarter Ended 12/31/08) | Number of Days/ Percentage of Total Days (Quarter Ended 9/30/08) |
|------------------------------------|---|---|---|--|---|
| Greater than 0.5% | .119% | 0.00% | 0.00% | 3.13% | 1.56% |
| Between 0.25% and 0.5% | .5.56% | 4.76% | 3.28% | 14.06% | 1.56% |
| Between 0.0% and 0.25% | .43.26% | 30.16% | 40.99% | 35.93% | 45.31% |
| Between -0.25% and 0.0% | .40.87% | 52.38% | 40.98% | 40.63% | 46.88% |
| Between -0.25% and -0.5% | .8.33% | 11.11% | 14.75% | 6.25% | 3.13% |
| Greater than -0.5% | .0.79% | 1.59% | 0.00% | 0.00% | 1.56% |
| Total | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

PowerShares NXQ Portfolio

| Premium/ Discount Range | Number of Days/ Percentage of Total Days (Fiscal Year Ended 4/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 6/30/09) | Number of Days/ Percentage of Total Days (Quarter Ended 3/31/09) | Number of Days/ Percentage of Total Days (Quarter Ended 12/31/08) | Number of Days/ Percentage of Total Days (Quarter Ended 9/30/08) |
|------------------------------------|---|---|---|--|---|
| Greater than 0.5% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Between 0.25% and 0.5% | 1.59% | 0.00% | 0.00% | 6.25% | 0.00% |
| Between 0.0% and 0.25% | .32.14% | 12.70% | 22.95% | 40.62% | 26.56% |
| Between -0.25% and 0.0% | .64.68% | 85.71% | 75.41% | 48.44% | 73.44% |
| Between -0.25% and -0.5% | .119% | 1.59% | 1.64% | 3.13% | 0.00% |
| Greater than -0.5% | .0.40% | 0.00% | 0.00% | 1.56% | 0.00% |
| Total | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

Total Return Information

The table below presents information about the total return of each Underlying Index or Underlying Intellidex, as applicable, in comparison to the total return of the Funds. The information presented for the Funds is for the fiscal year ended April 30, 2009.

“Average annual total returns” represent the average annual change in value of an investment over the period indicated. “Cumulative total returns” represent the total change in value of an investment over the period indicated. A Fund’s per Share NAV is the value of one Share of a Fund as calculated in accordance with the standard formula for valuing mutual fund shares. The NAV return is based on the NAV of a Fund, and the market return is based on the market price per Share of a Fund. The price used to calculate market return (“Market Price”) is determined by using the midpoint between the highest bid and the lowest offer on the exchange on which a Fund is listed for trading, as of the time that a Fund’s NAV is calculated. Since a Fund’s Shares typically do not trade in the secondary market until several days after a Fund’s inception, for the period from inception to the first day of secondary market trading in Fund shares, the NAV of a Fund is used as a proxy for secondary market trading price to calculate market returns. Market and NAV returns assume that dividends and capital gain distributions have been reinvested in a Fund at Market Price and NAV, respectively. An index is a statistical composite that tracks a specified financial market or sector. Unlike the Funds, an index does not actually hold a portfolio of securities and therefore does not incur the expenses incurred by the Fund. These expenses negatively impact the performance of the Funds. Also, market returns do not include brokerage commissions that may be payable on secondary market transactions. If brokerage commissions were included, market returns would be lower. The returns shown in the table below do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption or sale of Shares of a Fund. The investment return and principal value of Shares of a Fund will vary with changes in market conditions. Shares of a Fund may be worth more or less than their original cost when they are redeemed or sold in the market. The Funds’ past performance is no guarantee of future results.

| | Average Annual Total Returns From April 30, 2008 through April 30, 2009 | Average Annual Total Returns for the Three-Year Period Ended April 30, 2009 | Average Annual Total Returns for the Five-Year Period Ended April 30, 2009 | Average Total Returns Since Inception through April 30, 2009 | Cumulative Annual Total Returns Since Inception through April 30, 2009 |
|---|--|--|---|---|---|
| PowerShares Dynamic MagniQuant Portfolio (At NAV) | -32.40% | N/A | N/A | -14.31% | -32.53% |
| PowerShares Dynamic MagniQuant Portfolio (At Market) | -32.41% | N/A | N/A | -14.29% | -32.49% |
| Top 200 Dynamic Intellidex SM Index .. | -31.94% | N/A | N/A | -13.72% | -31.35% |
| S&P 500 [®] Equal Weight Index | -32.82% | N/A | N/A | -12.77% | -29.73% |
| S&P 500 [®] Index | -35.29% | N/A | N/A | -13.30% | -30.83% |
| Russell 3000 [®] Index | -34.95% | N/A | N/A | -13.08% | -30.39% |
| PowerShares Dynamic Market Portfolio (At NAV) | -33.86% | -12.26% | -1.35% | 3.38% | 22.04% |

| | Average Annual Total Returns From April 30, 2008 through April 30, 2009 | Average Annual Total Returns for the Three-Year Period Ended April 30, 2009 | Average Annual Total Returns for the Five-Year Period Ended April 30, 2009 | Average Total Returns Since Inception through April 30, 2009 | Cumulative Annual Total Returns Since Inception through April 30, 2009 |
|---|--|--|---|---|---|
| PowerShares Dynamic Market | | | | | |
| Portfolio (At Market) | -33.84% | -12.28% | -1.37% | 3.37% | 21.98% |
| Dynamic Market Intellidex SM Index ... | -33.55% | -11.94% | -0.90% | 3.95% | 26.15% |
| S&P 500 [®] Index | -35.29% | -10.76% | -2.70% | 1.16% | 7.16% |
| Russell 3000 [®] Index | -34.95% | -10.94% | -2.26% | 1.85% | 11.63% |
| PowerShares Dynamic OTC | | | | | |
| Portfolio (At NAV) | -30.03% | -15.04% | -2.10% | 2.38% | 15.19% |
| PowerShares Dynamic OTC Portfolio | | | | | |
| (AT Market) | -30.06% | -15.05% | -2.13% | 2.36% | 15.05% |
| Dynamic OTC Intellidex SM Index | -29.61% | -14.65% | -1.59% | 2.99% | 19.30% |
| NASDAQ Composite Index | -28.83% | -9.57% | -2.21% | 2.69% | 17.28% |
| NASDAQ-100 [®] Index | -26.83% | -5.91% | 0.37% | 4.38% | 29.32% |
| PowerShares FTSE RAFI US 1000 | | | | | |
| Portfolio (At NAV) | -35.26% | -11.33% | N/A | -8.63% | -26.17% |
| PowerShares FTSE RAFI US 1000 | | | | | |
| Portfolio (At Market) | -35.20% | -11.33% | N/A | -8.56% | -25.98% |
| FTSE RAFI US 1000 Index | -35.10% | -10.84% | N/A | -8.12% | -24.76% |
| S&P 500 [®] Index | -35.29% | -10.76% | N/A | -8.25% | -24.94% |
| Russell 1000 [®] Index | -35.30% | -10.76% | N/A | -8.21% | -24.85% |
| PowerShares FTSE RAFI US 1500 | | | | | |
| Small-Mid Portfolio | | | | | |
| (AT NAV) | -29.79% | N/A | N/A | -12.41% | -29.21% |
| PowerShares FTSE RAFI US 1500 | | | | | |
| Small-Mid Portfolio | | | | | |
| (AT Market) | -29.84% | N/A | N/A | -12.46% | -29.33% |
| FTSE RAFI US 1500 Small-Mid Index . | -29.81% | N/A | N/A | -12.02% | -28.39% |
| S&P Small Cap 600 [®] Index | -30.05% | N/A | N/A | -11.76% | -27.61% |
| Russell 2000 [®] Index | -30.74% | N/A | N/A | -13.04% | -30.30% |
| PowerShares NXQ Portfolio (At NAV) . | -36.21% | N/A | N/A | -30.71% | -32.57% |
| PowerShares NXQ Portfolio | | | | | |
| (AT Market) | -36.32% | N/A | N/A | -30.32% | -32.16% |
| NASDAQ Q-50 Index | -35.15% | N/A | N/A | -29.65% | -31.46% |
| NASDAQ-100 [®] Index | -26.83% | N/A | N/A | -19.79% | -21.25% |
| S&P 500 [®] Index | -35.29% | N/A | N/A | -30.08% | -32.14% |

Other Information

Section 12(d)(1) of the 1940 Act restricts investments by investment companies in the securities of other investment companies, including shares of the Funds. Registered investment companies are permitted to invest in the Funds beyond the limits set forth in Section 12(d)(1) subject to certain terms and conditions set forth in an SEC exemptive order issued to the Trust, including that such investment companies enter into an agreement with the Funds.

Continuous Offering

The method by which Creation Unit Aggregations of Fund Shares are created and traded may raise certain issues under applicable securities laws. Because new Creation Unit Aggregations of Shares are issued and sold by the Funds on an ongoing basis, a “distribution,” as such term is used in the Securities Act of 1933, as amended (the “Securities Act”), may occur at any point. Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner which could render them statutory underwriters and subject them to the prospectus-delivery requirement and liability provisions of the Securities Act.

For example, a broker-dealer firm or its client may be deemed a statutory underwriter if it takes Creation Unit Aggregations after placing an order with the Distributor, breaks them down into constituent Shares and sells such Shares directly to customers, or if it chooses to couple the creation of a supply of new Shares with an active selling effort involving solicitation of secondary market demand for Shares. A determination of whether one is an underwriter for purposes of the Securities Act must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that could lead to a characterization as an underwriter.

Broker-dealer firms should also note that dealers who are not “underwriters” but are effecting transactions in Shares, whether or not participating in the distribution of Shares, are generally required to deliver a prospectus. This is because the prospectus delivery exemption in Section 4(3) of the Securities Act is not available in respect of such transactions as a result of Section 24(d) of the 1940 Act. The Trust, however, has received from the SEC an exemption from the prospectus delivery obligation in ordinary secondary market transactions under certain circumstances, on the condition that purchasers are provided with a product description of the Shares. As a result, broker-dealer firms should note that dealers who are not underwriters but are participating in a distribution (as contrasted with ordinary secondary market transactions) and thus dealing with the Shares that are part of an overallotment within the meaning of Section 4(3)(a) of the Securities Act would be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act. Firms that incur a prospectus delivery obligation with respect to Shares are reminded that, under the Securities Act Rule 153, a prospectus delivery obligation under Section 5(b)(2) of the Securities Act owed to an exchange member in connection with a sale on the Exchanges is satisfied by the fact that the prospectus is available at the Exchanges upon request. The prospectus delivery mechanism provided in Rule 153 is only available with respect to transactions on an exchange.

For More Information

For more detailed information on the Trust, Funds and Shares, you may request a copy of the Funds' SAI. The SAI provides detailed information about the Funds and is incorporated by reference into this Prospectus. This means that the SAI, for legal purposes, is a part of this Prospectus. Additional information about the Funds' investments is also available in the Funds' Annual and Semi-Annual Reports to Shareholders. In the Funds' Annual Report, you will find a discussion of the market conditions and investment strategies that significantly affected the Funds' performance during the last fiscal year. If you have questions about the Funds or Shares or you wish to obtain the SAI, Annual Report and/or Semi-Annual Report free of charge, or to make shareholder inquiries, please:

Call: Invesco Aim Distributors, Inc. at 1-800-337-4246
Monday through Friday
8:00 to 5:00 p.m. Central Time

Write: PowerShares Exchange-Traded Fund Trust
c/o Invesco Aim Distributors, Inc.
11 Greenway Plaza, Suite 100
Houston, Texas 77046-1173

Visit: www.InvescoPowerShares.com

Information about the Funds (including the SAI) can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-942-8090. Reports and other information about the Funds are available on the EDGAR Database on the SEC's Internet site at www.sec.gov, and copies of this information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address:

publicinfo@sec.gov

or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

No person is authorized to give any information or to make any representations about the Funds and their Shares not contained in this Prospectus and you should not rely on any other information. Read and keep the Prospectus for future reference.

Dealers effecting transactions in the Funds' Shares, whether or not participating in this distribution, are generally required to deliver a Prospectus. This is in addition to any obligation of dealers to deliver a Prospectus when acting as underwriters.

The Trust's registration number under the Investment Company Act of 1940 is 811-21265.

