



powerSHARES®  
Xchange Traded Funds™

# 2011 Semi-Annual Report to Shareholders

April 30, 2011

PowerShares Ibbotson Alternative Completion Portfolio (PTO)  
PowerShares RiverFront Tactical Balanced Growth Portfolio (PAO)  
PowerShares RiverFront Tactical Growth & Income Portfolio (PCA)



# Table of Contents

Frequency Distribution of Discounts & Premiums .....	2
Fees and Expenses .....	4
<b>Asset Allocation Portfolios</b>	
Schedules of Investments	
PowerShares Ibbotson Alternative Completion Portfolio (PTO) .....	5
PowerShares RiverFront Tactical Balanced Growth Portfolio (PAO) .....	6
PowerShares RiverFront Tactical Growth & Income Portfolio (PCA) .....	8
Statements of Assets and Liabilities .....	10
Statements of Operations .....	11
Statements of Changes in Net Assets .....	12
Financial Highlights .....	14
Notes to Financial Statements .....	16
Board Considerations Regarding Continuation of Investment Advisory Agreement .....	27

# Frequency Distribution of Discounts & Premiums

Since Inception through April 30, 2011

Ticker	Fund Name	Inception	Trading Days	Closing Price Above NAV (bps)					
				0-24	25-49	50-99	100-149	150-199	200+
PTO	PowerShares Ibbotson Alternative Completion Portfolio	5/20/08	743	145	81	77	40	17	43
PAO	PowerShares RiverFront Tactical Balanced Growth Portfolio	5/20/08	743	237	60	51	27	13	37
PCA	PowerShares RiverFront Tactical Growth & Income Portfolio	5/20/08	743	130	54	68	47	32	150

Closing Price Below NAV (bps)					
-0-24	-25-49	-50-99	-100-149	-150-199	-200+
187	71	51	13	7	11
221	32	30	18	4	13
119	35	50	31	11	16

## Fees and Expenses

As a shareholder of a Fund of the PowerShares Exchange-Traded Fund Trust II, you incur a unitary management fee. The expense examples below are intended to help you understand your ongoing costs (in dollars) of investing in the Funds and to compare these costs with the ongoing costs of investing in other funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held through the six-month period ended April 30, 2011.

In addition to the fees and expenses which each Fund bears directly, each Fund indirectly bears a pro rata share of the fees and expenses of the underlying exchange-traded funds (“ETF’s”) in which your Fund invests. The amount of fees and expenses incurred indirectly by your Fund will vary because the underlying ETFs have varied expenses and fee levels and each Fund may own different proportions of the underlying ETFs at different times. Estimated underlying ETF expenses are not expenses that are incurred directly by your Fund. They are expenses that are incurred directly by the underlying ETFs and are deducted from the value of the funds your Fund invests in. The effect of the estimated underlying ETFs expenses that you bear indirectly are included in your Fund’s total return.

### Actual Expenses

The first line in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The second line in the following table provides information about hypothetical account values and hypothetical expenses based on each Fund’s actual expense ratio and an assumed annualized rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Funds and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only, and do not reflect any transactional costs such as sales charges and brokerage commissions. Therefore the second line in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value November 1, 2010	Ending Account Value April 30, 2011	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During the Six-Month Period <sup>(1)</sup>
PowerShares Ibbotson Alternative Completion Portfolio Actual	\$1,000.00	\$1,082.28	0.25%	\$1.29
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.55	0.25%	\$1.25
PowerShares RiverFront Tactical Balanced Growth Portfolio Actual	\$1,000.00	\$1,129.58	0.25%	\$1.32
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.55	0.25%	\$1.25
PowerShares RiverFront Tactical Growth & Income Portfolio Actual	\$1,000.00	\$1,093.41	0.25%	\$1.30
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.55	0.25%	\$1.25

- (1) Expenses are calculated using the annualized expense ratio, which represents the ongoing expenses as a percentage of net assets for the six months ended April 30, 2011. Expenses are calculated by multiplying the Fund’s annualized expense ratio by the average account value for the period; then multiplying the result by 181 and then dividing the result by 365.

# Portfolio Composition

## PowerShares Ibbotson Alternative Completion Portfolio

Asset Class Breakdown (% of the Fund's Net Assets) as of April 30, 2011 (Unaudited)

International Equity Funds	33.4
Fixed Income Funds	32.2
Commodity Funds	22.4
Currency Fund	8.1
Domestic Equity Funds	3.9
Money Market Fund	0.0
Liabilities in excess of other assets	(0.0)

## Schedule of Investments

### PowerShares Ibbotson Alternative Completion Portfolio

April 30, 2011 (Unaudited)

Number of Shares		Value	Number of Shares		Value
	<b>Exchange-Traded Funds—100.0%</b>			<b>Money Market Fund—0.0%</b>	
	<i>Commodity Funds—22.4%</i>		1,098	Goldman Sachs Financial Square Prime Obligations Institutional Share Class (Cost \$1,098)	\$ 1,098
15,825	PowerShares DB Agriculture Fund(/)*	\$ 539,000		<b>Total Investments</b>	
14,556	PowerShares DB Base Metals Fund(/)*	350,654		(Cost \$7,952,880)—100.0%	9,259,635
23,071	PowerShares DB Energy Fund(/)*	771,725		Liabilities in excess of other assets—(0.0%)	(199)
6,612	PowerShares DB Precious Metals Fund(/)*	408,291		<b>Net Assets—100.0%</b>	<u>\$9,259,436</u>
		<u>2,069,670</u>			
	<i>Currency Fund—8.1%</i>			Investment Abbreviations:	
29,795	PowerShares DB G10 Currency Harvest Fund(/)*	748,152		ETF—Exchange-Traded Fund	
				TIPS—Treasury Inflation Protected Securities	
	<i>Domestic Equity Funds—3.9%</i>			Notes to Schedule of Investments:	
16,965	PowerShares S&P 500 BuyWrite Portfolio(=)	364,069		(/) Not considered to be affiliated.	
				* Non-income producing security.	
	<i>Fixed Income Funds—32.2%</i>			(=) The Fund and the PowerShares exchange-traded funds have the same investment adviser and therefore, are considered to be affiliated. See Note 4.	
3,265	iShares Barclays TIPS Bond Fund	362,937			
6,592	PIMCO Broad U.S. TIPS Index Fund	361,558			
40,549	PowerShares Emerging Markets Sovereign Debt Portfolio(=)	1,083,064			
56,014	PowerShares Preferred Portfolio(=)	808,842			
6,605	SPDR Barclays Capital TIPS ETF	363,275			
		<u>2,979,676</u>			
	<i>International Equity Funds—33.4%</i>				
15,325	PowerShares Emerging Markets Infrastructure Portfolio(=)	864,790			
21,648	PowerShares FTSE RAFI Developed Markets ex-U.S. Small-Mid Portfolio(=)	563,930			
8,284	PowerShares Global Agriculture Portfolio(=)	278,094			
5,589	PowerShares Global Gold and Precious Metals Portfolio(=)	284,508			
87,265	PowerShares MENA Frontier Countries Portfolio(=)	1,105,648			
		<u>3,096,970</u>			
	<b>Total Exchange-Traded Funds</b>				
	(Cost \$7,951,782)	<u>9,258,537</u>			

See Notes to Financial Statements.

# Portfolio Composition

## PowerShares RiverFront Tactical Balanced Growth Portfolio

Asset Class Breakdown (% of the Fund's Net Assets) as of April 30, 2011 (Unaudited)

Domestic Equity Funds	60.0
International Equity Funds	24.3
Fixed Income Funds	9.6
Currency Funds	6.1
Money Market Fund	0.0
Liabilities in excess of other assets	(0.0)

## Schedule of Investments

## PowerShares RiverFront Tactical Balanced Growth Portfolio

April 30, 2011 (Unaudited)

Number of Shares	Value	Number of Shares	Value
<b>Exchange-Traded Funds—100.0%</b>		<b>Exchange-Traded Funds (Continued)</b>	
<i>Currency Funds—6.1%</i>		<i>Fixed Income Funds—9.6%</i>	
33,471	WisdomTree Dreyfus Commodity Currency Fund	2,679	iShares iBoxx \$ High Yield Corporate Bond Fund
	\$ 939,531		\$ 248,745
28,258	WisdomTree Dreyfus Emerging Currency Fund	34,376	PowerShares Fundamental High Yield® Corporate Bond Portfolio(=)
	667,171		641,456
	<u>1,606,702</u>	15,106	SPDR Barclays Capital High Yield Bond ETF
			617,835
	<i>Domestic Equity Funds—60.0%</i>	13,313	Vanguard Short-Term Corporate Bond ETF
21,927	iShares Dow Jones U.S. Energy Sector Index Fund		<u>1,041,077</u>
	1,008,861		<u>2,549,113</u>
20,210	JPMorgan Alerian MLP Index ETN		<i>International Equity Funds—24.3%</i>
44,519	PowerShares Active Mega-Cap Portfolio(=)	22,743	iShares MSCI ACWI ex US Index Fund
52,243	PowerShares Dividend Achievers™ Portfolio(=)	27,069	PowerShares FTSE RAFI Developed Markets ex-U.S. Portfolio(=)
	798,795		1,185,893
40,262	PowerShares DWA Technical Leaders Portfolio(=)	25,273	PowerShares FTSE RAFI Developed Markets ex-U.S. Small-Mid Portfolio(=)
	1,068,151		658,362
14,154	PowerShares Dynamic Basic Materials Sector Portfolio(=)	95,439	PowerShares FTSE RAFI Emerging Markets Portfolio(=)
	576,492		2,583,534
36,647	PowerShares Dynamic Consumer Discretionary Sector Portfolio(=)	40,015	PowerShares International Dividend Achievers™ Portfolio(=)
	1,009,991		675,525
80,192	PowerShares Dynamic Financial Sector Portfolio(=)	4,360	SPDR S&P Emerging SmallCap ETF
	1,638,323		<u>244,770</u>
23,474	PowerShares Dynamic Food & Beverage Portfolio(=)		<u>6,433,380</u>
	464,316		<b>Total Exchange-Traded Funds</b>
36,030	PowerShares Dynamic Healthcare Sector Portfolio(=)*		(Cost \$23,942,149)
	1,133,864		<u>26,430,996</u>
41,885	PowerShares Dynamic Industrials Sector Portfolio(=)		<b>Money Market Fund—0.0%</b>
	1,359,587		Goldman Sachs Financial Square Prime Obligations Institutional Share Class
37,110	PowerShares Dynamic Large Cap Portfolio(=)	4,704	(Cost \$4,704)
9,694	PowerShares Dynamic Mid Cap Portfolio(=)		<u>4,704</u>
17,632	PowerShares Dynamic Oil & Gas Services Portfolio(=)		<b>Total Investments</b>
	465,485		(Cost \$23,946,853)—100.0%
60,093	PowerShares Dynamic Technology Sector Portfolio(=)		26,435,700
	1,663,975		Liabilities in excess of other assets—(0.0%)
91,267	PowerShares Zacks Micro Cap Portfolio(=)		<u>(10,561)</u>
3,389	Vanguard Telecommunication Services ETF		<b>Net Assets—100.0%</b>
	237,264		<u>\$26,425,139</u>
	<u>15,841,801</u>		

See Notes to Financial Statements.

# Schedule of Investments (Continued)

## PowerShares RiverFront Tactical Balanced Growth Portfolio

April 30, 2011 *(Unaudited)*

### Investment Abbreviations:

ETF—Exchange-Traded Fund

ETN—Exchange-Traded Note

MLP—Master Limited Partnership

### Notes to Schedule of Investments:

(=) The Fund and the PowerShares exchange-traded funds have the same investment adviser and therefore, are considered to be affiliated. See Note 4.

\* Non-income producing security.

*See Notes to Financial Statements.*



# Schedule of Investments (Continued)

## PowerShares RiverFront Tactical Growth & Income Portfolio

April 30, 2011 (Unaudited)

<u>Number of Shares</u>		<u>Value</u>
	<b>Money Market Fund—0.0%</b>	
12,427	Goldman Sachs Financial Square Prime Obligations Institutional Share Class (Cost \$12,427)	<u>\$ 12,427</u>
	<b>Total Investments</b>	
	(Cost \$22,346,187)—100.0%	24,451,343
	Liabilities in excess of other assets—(0.0%)	<u>(8,288)</u>
	<b>Net Assets—100.0%</b>	<u><u>\$24,443,055</u></u>

Investment Abbreviations:

ETF—Exchange-Traded Fund

ETN—Exchange-Traded Note

MLP—Master Limited Partnership

Notes to Schedule of Investments:

(/) Not considered to be affiliated.

\* Non-income producing security.

(=) The Fund and the PowerShares exchange-traded funds have the same investment adviser and therefore, are considered to be affiliated. See Note 4.

See Notes to Financial Statements.

# Statements of Assets and Liabilities

April 30, 2011 (Unaudited)

	PowerShares Ibbotson Alternative Completion Portfolio	PowerShares RiverFront Tactical Balanced Growth Portfolio	PowerShares RiverFront Tactical Growth & Income Portfolio
<b>ASSETS:</b>			
Unaffiliated investments, at value .....	\$ 3,906,690	\$ 6,887,486	\$ 9,040,558
Affiliated investments, at value (Note 4) .....	5,352,945	19,548,214	15,410,785
Total investments, at value .....	9,259,635	26,435,700	24,451,343
Cash .....	28	1,483	—
Receivables:			
Dividends .....	1,724	1,877	6,142
Investments sold .....	—	2,000,287	298,288
Shares sold .....	—	675,421	676,179
<b>Total Assets</b> .....	<u>9,261,387</u>	<u>29,114,768</u>	<u>25,431,952</u>
<b>LIABILITIES:</b>			
Due to foreign custodian .....	67	—	—
Payable for investments purchased .....	—	2,684,607	984,263
Accrued unitary management fees .....	1,875	5,020	4,632
Accrued expenses .....	9	2	2
<b>Total Liabilities</b> .....	<u>1,951</u>	<u>2,689,629</u>	<u>988,897</u>
<b>NET ASSETS</b> .....	<u>\$ 9,259,436</u>	<u>\$26,425,139</u>	<u>\$24,443,055</u>
<b>NET ASSETS CONSIST OF:</b>			
Shares of beneficial interest .....	\$11,671,640	\$25,520,766	\$23,716,576
Undistributed net investment income .....	2,664	116,894	133,583
Undistributed net realized gain (loss) .....	(3,721,618)	(1,701,368)	(1,512,260)
Net unrealized appreciation .....	1,306,750	2,488,847	2,105,156
<b>Net Assets</b> .....	<u>\$ 9,259,436</u>	<u>\$26,425,139</u>	<u>\$24,443,055</u>
Shares outstanding (unlimited amount authorized, \$0.01 par value) .....	750,000	1,950,000	1,800,000
Net asset value .....	<u>\$ 12.35</u>	<u>\$ 13.55</u>	<u>\$ 13.58</u>
Share price .....	<u>\$ 12.35</u>	<u>\$ 13.56</u>	<u>\$ 13.59</u>
Unaffiliated investments, at cost .....	\$ 3,406,930	\$ 6,511,859	\$ 8,924,760
Affiliated investments, at cost .....	4,545,950	17,434,994	13,421,427
Total investments, at cost .....	<u>\$ 7,952,880</u>	<u>\$23,946,853</u>	<u>\$22,346,187</u>
Foreign currencies, at cost .....	<u>\$ (62)</u>	<u>\$ —</u>	<u>\$ —</u>

See Notes to Financial Statements.

# Statements of Operations

Six Months Ended April 30, 2011 (Unaudited)

	PowerShares Ibbotson Alternative Completion Portfolio	PowerShares RiverFront Tactical Balanced Growth Portfolio	PowerShares RiverFront Tactical Growth & Income Portfolio
<b>INVESTMENT INCOME:</b>			
Unaffiliated dividend income .....	\$ 60,515	\$ 108,207	\$ 131,485
Affiliated dividend income .....	<u>84,703</u>	<u>115,241</u>	<u>113,273</u>
<b>Total Income</b> .....	<u>145,218</u>	<u>223,448</u>	<u>244,758</u>
<b>EXPENSES:</b>			
Unitary management fees .....	<u>11,919</u>	<u>25,206</u>	<u>23,232</u>
<b>Net Investment Income</b> .....	<u>133,299</u>	<u>198,242</u>	<u>221,526</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS):</b>			
Net realized gain from:			
Investments .....	8,064	717,042	150,974
Distributions from underlying ETF shares .....	3,746	7,569	3,632
In-kind redemptions .....	<u>338,529</u>	<u>225,180</u>	<u>353,337</u>
Net realized gain .....	<u>350,339</u>	<u>949,791</u>	<u>507,943</u>
Net change in unrealized appreciation (depreciation) on:			
Investments .....	210,155	1,348,955	1,035,193
Foreign currencies .....	<u>(5)</u>	<u>—</u>	<u>—</u>
Net change in unrealized appreciation .....	<u>210,150</u>	<u>1,348,955</u>	<u>1,035,193</u>
Net realized and unrealized gain .....	<u>560,489</u>	<u>2,298,746</u>	<u>1,543,136</u>
Net increase in net assets resulting from operations .....	<u>\$693,788</u>	<u>\$2,496,988</u>	<u>\$1,764,662</u>

See Notes to Financial Statements.

# Statements of Changes in Net Assets

	PowerShares Ibbotson Alternative Completion Portfolio		PowerShares RiverFront Tactical Balanced Growth Portfolio	
	Six Months Ended April 30, 2011 (Unaudited)	Year Ended October 31, 2010	Six Months Ended April 30, 2011 (Unaudited)	Year Ended October 31, 2010
<b>OPERATIONS:</b>				
Net investment income	\$ 133,299	\$ 212,078	\$ 198,242	\$ 208,657
Net realized gain	350,339	293,209	949,791	452,441
Net change in unrealized appreciation	210,150	765,009	1,348,955	770,730
Net increase in net assets resulting from operations	<u>693,788</u>	<u>1,270,296</u>	<u>2,496,988</u>	<u>1,431,828</u>
Undistributed net investment income (loss) included in the price of units issued and redeemed	(19,290)	(2,372)	67,987	41,742
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>				
Net investment income	<u>(160,904)</u>	<u>(233,453)</u>	<u>(202,130)</u>	<u>(215,089)</u>
<b>SHAREHOLDER TRANSACTIONS:</b>				
Proceeds from shares sold	1,190,343	5,633,522	11,478,995	7,564,987
Value of shares repurchased	(3,494,924)	(5,519,924)	(2,515,049)	(3,452,019)
Net income equalization	<u>19,290</u>	<u>2,372</u>	<u>(67,987)</u>	<u>(41,742)</u>
Net increase (decrease) in net assets resulting from shares transactions	<u>(2,285,291)</u>	<u>115,970</u>	<u>8,895,959</u>	<u>4,071,226</u>
Increase (Decrease) in Net Assets	<u>(1,771,697)</u>	<u>1,150,441</u>	<u>11,258,804</u>	<u>5,329,707</u>
<b>NET ASSETS:</b>				
Beginning of period	<u>11,031,133</u>	<u>9,880,692</u>	<u>15,166,335</u>	<u>9,836,628</u>
End of period	<u>\$ 9,259,436</u>	<u>\$11,031,133</u>	<u>\$26,425,139</u>	<u>\$15,166,335</u>
Undistributed net investment income at end of period	<u>\$ 2,664</u>	<u>\$ 49,559</u>	<u>\$ 116,894</u>	<u>\$ 52,795</u>
<b>CHANGES IN SHARES OUTSTANDING:</b>				
Shares sold	100,000	500,000	900,000	650,000
Shares repurchased	(300,000)	(500,000)	(200,000)	(300,000)
Shares outstanding, beginning of period	<u>950,000</u>	<u>950,000</u>	<u>1,250,000</u>	<u>900,000</u>
Shares outstanding, end of period	<u>750,000</u>	<u>950,000</u>	<u>1,950,000</u>	<u>1,250,000</u>

See Notes to Financial Statements.

PowerShares RiverFront Tactical  
Growth & Income Portfolio

Six Months Ended April 30, 2011 (Unaudited)	Year Ended October 31, 2010
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\$ 221,526	\$ 309,604
507,943	894,221
<u>1,035,193</u>	<u>203,862</u>
<u>1,764,662</u>	<u>1,407,687</u>

<u>78,097</u>	<u>28,634</u>
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<u>(256,256)</u>	<u>(280,892)</u>
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11,026,041	7,797,262
(3,215,460)	(5,345,080)
<u>(78,097)</u>	<u>(28,634)</u>

<u>7,732,484</u>	<u>2,423,548</u>
9,318,987	3,578,977

<u>15,124,068</u>	<u>11,545,091</u>
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<u>\$24,443,055</u>	<u>\$15,124,068</u>
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<u>\$ 133,583</u>	<u>\$ 90,216</u>
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850,000	650,000
(250,000)	(450,000)
<u>1,200,000</u>	<u>1,000,000</u>
<u>1,800,000</u>	<u>1,200,000</u>

# Financial Highlights

## PowerShares Ibbotson Alternative Completion Portfolio

	Six Months Ended April 30, 2011 (Unaudited)	Year Ended October 31,		For the Period May 16, 2008* Through October 31, 2008
		2010	2009	
<b>PER SHARE OPERATING PERFORMANCE:</b>				
Net asset value at beginning of period . . . . .	\$11.61	\$ 10.40	\$ 9.04	\$ 15.12
Net investment income** . . . . .	0.16	0.22	0.19	0.12
Net realized and unrealized gain (loss) on investments . . . . .	0.78	1.24	1.34	(6.14)
Total from investment operations . . . . .	0.94	1.46	1.53	(6.02)
<b>Distributions to shareholders from:</b>				
Net investment income . . . . .	(0.20)	(0.25)	(0.17)	(0.06)
Net asset value at end of period . . . . .	\$12.35	\$ 11.61	\$10.40	\$ 9.04
Share price at end of period*** . . . . .	\$12.35	\$ 11.55	\$10.51	\$ 8.90
<b>NET ASSET VALUE, TOTAL RETURN****</b> . . . . .	8.23%	14.18%	17.36%	(39.92)% <sup>(a)</sup>
<b>SHARE PRICE TOTAL RETURN****</b> . . . . .	8.79%	12.42%	20.46%	(40.86)% <sup>(a)</sup>
<b>RATIOS/SUPPLEMENTAL DATA:</b>				
Net assets at end of period (000's omitted) . . . . .	\$9,259	\$11,031	\$9,881	\$ 9,043
Ratio to average net assets of:				
Expenses $\Delta$ . . . . .	0.25%	0.25%	0.26%	0.25% <sup>†</sup>
Net investment income . . . . .	2.80%	2.02%	2.14%	2.36% <sup>†</sup>
Portfolio turnover rate $\dagger\dagger$ . . . . .	1%	122%	48%	89%
Undistributed net investment income (loss) included in price of units issued and redeemed**# . . . . .	\$ (0.02)	\$ (0.00) <sup>(c)</sup>	\$ (0.01)	\$ 0.09

## PowerShares RiverFront Tactical Balanced Growth Portfolio

	Six Months Ended April 30, 2011 (Unaudited)	Year Ended October 31,		For the Period May 16, 2008* Through October 31, 2008
		2010	2009	
<b>PER SHARE OPERATING PERFORMANCE:</b>				
Net asset value at beginning of period . . . . .	\$ 12.13	\$ 10.93	\$ 9.58	\$ 15.10
Net investment income** . . . . .	0.12	0.22	0.25	0.19
Net realized and unrealized gain (loss) on investments . . . . .	1.44	1.22	1.33	(5.60)
Total from investment operations . . . . .	1.56	1.44	1.58	(5.41)
<b>Distributions to shareholders from:</b>				
Net investment income . . . . .	(0.14)	(0.24)	(0.23)	(0.11)
Net asset value at end of period . . . . .	\$ 13.55	\$ 12.13	\$10.93	\$ 9.58
Share price at end of period*** . . . . .	\$ 13.56	\$ 12.14	\$11.01	\$ 9.34
<b>NET ASSET VALUE, TOTAL RETURN****</b> . . . . .	12.96%	13.33%	16.88%	(36.04)% <sup>(b)</sup>
<b>SHARE PRICE TOTAL RETURN****</b> . . . . .	12.95%	12.60%	20.75%	(37.64)% <sup>(b)</sup>
<b>RATIOS/SUPPLEMENTAL DATA:</b>				
Net assets at end of period (000's omitted) . . . . .	\$26,425	\$15,166	\$9,837	\$ 7,666
Ratio to average net assets of:				
Expenses $\Delta$ . . . . .	0.25%	0.25%	0.26%	0.25% <sup>†</sup>
Net investment income . . . . .	1.97%	1.99%	2.63%	3.58% <sup>†</sup>
Portfolio turnover rate $\dagger\dagger$ . . . . .	90%	204%	57%	78%
Undistributed net investment income included in price of units issued and redeemed**# . . . . .	\$ 0.04	\$ 0.04	\$ 0.01	\$ 0.06

\* 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.

$\Delta$  In addition to the fees and expenses which the Fund bears directly; the Fund indirectly bears a pro rata share of the fees and expenses of the underlying ETFs in which the Fund invests. Estimated underlying ETF's expenses are not expenses that are incurred directly by your Fund. They are expenses that are incurred directly by the underlying ETFs and are deducted from the value of the funds your Fund invests in. The effect of the estimated underlying ETF's expenses that you bear indirectly is included in your Fund's total return.

$\dagger$  Annualized.

$\dagger\dagger$  Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

# The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

(a) The net asset value total return from Fund Inception (May 20, 2008, first day trading on the exchange) to October 31, 2008 was (39.44)%. The share price total return from Fund Inception to October 31, 2008 was (41.13)%.

(b) The net asset value total return from Fund Inception (May 20, 2008, first day trading on the exchange) to October 31, 2008 was (35.74)%. The share price total return from Fund Inception to October 31, 2008 was (38.01)%.

(c) Amount represents less than \$0.005.

See Notes to Financial Statements.

# Financial Highlights (Continued)

## PowerShares RiverFront Tactical Growth & Income Portfolio

	Six Months Ended April 30, 2011 (Unaudited)	Year Ended October 31,		For the Period May 16, 2008* Through October 31, 2008
		2010	2009	
<b>PER SHARE OPERATING PERFORMANCE:</b>				
Net asset value at beginning of period . . . . .	\$ 12.60	\$ 11.55	\$ 10.20	\$ 15.08
Net investment income** . . . . .	0.15	0.29	0.29	0.20
Net realized and unrealized gain (loss) on investments . . . . .	1.01	1.02	1.34	(4.96)
Total from investment operations . . . . .	1.16	1.31	1.63	(4.76)
<b>Distributions to shareholders from:</b>				
Net investment income . . . . .	(0.18)	(0.26)	(0.28)	(0.12)
Net asset value at end of period . . . . .	\$ 13.58	\$ 12.60	\$ 11.55	\$ 10.20
Share price at end of period*** . . . . .	\$ 13.59	\$ 12.61	\$ 11.54	\$ 10.46
<b>NET ASSET VALUE, TOTAL RETURN****</b> . . . . .	9.34%	11.53%	16.33%	(31.74)% <sup>(a)</sup>
<b>SHARE PRICE TOTAL RETURN****</b> . . . . .	9.25%	11.68%	13.30%	(30.02)% <sup>(a)</sup>
<b>RATIOS/SUPPLEMENTAL DATA:</b>				
Net assets at end of period (000's omitted) . . . . .	\$24,443	\$15,124	\$11,545	\$ 7,142
Ratio to average net assets of:				
Expenses $\Delta$ . . . . .	0.25%	0.25%	0.26%	0.25% <sup>†</sup>
Net investment income . . . . .	2.38%	2.42%	2.80%	3.64% <sup>†</sup>
Portfolio turnover rate $\dagger\dagger$ . . . . .	61%	162%	67%	67%
Undistributed net investment income included in price of units issued and redeemed** <sup>#</sup> . . . . .	\$ 0.05	\$ 0.03	\$ 0.03	\$ 0.07

\* 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.

$\Delta$  In addition to the fees and expenses which the Fund bears directly; the Fund indirectly bears a pro rata share of the fees and expenses of the underlying ETFs in which the Fund invests. Estimated underlying ETF's expenses are not expenses that are incurred directly by your Fund. They are expenses that are incurred directly by the underlying ETFs and are deducted from the value of the funds your Fund invests in. The effect of the estimated underlying ETF's expenses that you bear indirectly is included in your Fund's total return.

<sup>†</sup> Annualized.

<sup>††</sup> Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions.

<sup>#</sup> The per share amount of equalization is presented to show the impact of equalization on distributable earnings per share.

(a) The net asset value total return from Fund Inception (May 20, 2008, first day trading on the exchange) to October 31, 2008 was (31.56)%. The share price total return from Fund Inception to October 31, 2008 was (30.94)%.

See Notes to Financial Statements.

# Notes to Financial Statements

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

### Note 1. Organization

PowerShares Exchange-Traded Fund Trust II (the “Trust”) was organized as a Massachusetts business trust on October 10, 2006 and is authorized to have multiple series of portfolios. The Trust is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). As of April 30, 2011, the Trust offered forty-five portfolios. This report includes the following portfolios:

<u>Full Name</u>	<u>Short Name</u>
PowerShares Ibbotson Alternative Completion Portfolio	Ibbotson Alternative Completion Portfolio
PowerShares RiverFront Tactical Balanced Growth Portfolio	RiverFront Tactical Balanced Growth Portfolio
PowerShares RiverFront Tactical Growth & Income Portfolio	RiverFront Tactical Growth & Income Portfolio

Each portfolio (the “Fund” and collectively the “Funds”) represents a separate series of the Trust. The shares of the Funds are referred to herein as “Shares” or “Fund’s Shares.” Each Fund’s Shares are listed and traded on the NYSE Arca, Inc.

The Funds’ market prices may differ to some degree from the net asset value (“NAV”) of the Shares of each Fund. Unlike conventional mutual funds, each Fund issues and redeems Shares on a continuous basis, at NAV, only in a large specified number of Shares, each called a “Creation Unit.” Creation Units are issued and redeemed generally in-kind for securities included in the relevant index. Except when aggregated in Creation Units by Authorized Participants, the Shares are not individually redeemable securities of the Funds.

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

<u>Fund</u>	<u>Index</u>
Ibbotson Alternative Completion Portfolio	Ibbotson Alternative Completion Index™
RiverFront Tactical Balanced Growth Portfolio	RiverFront Global Tactical Balanced Growth Index™
RiverFront Tactical Growth & Income Portfolio	RiverFront Global Tactical Balanced Growth & Income Index™

### Note 2. Significant Accounting Policies

The preparation of the financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”) in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements, including estimates and assumptions related to taxation. Actual results could differ from these estimates. In addition, the Funds monitor for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

# Notes to Financial Statements (Continued)

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

### A. Security Valuation

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

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. Listed options, if no closing price is available, are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices.

Investments in open-end registered investment companies not traded on an exchange are valued at the end of day NAV per share.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Short-term obligations, including commercial paper, having 60 days or less to maturity are recorded at amortized cost which approximates value. Securities with a demand feature exercisable within one to seven days are valued at par. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the London world markets. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the New York Stock Exchange ("NYSE"), closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American depositary receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources.

# Notes to Financial Statements (Continued)

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors, including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

### *B. Other Risks*

*Replication Management Risk.* Unlike many investment companies, the Funds do not utilize an investing strategy that seeks returns in excess of each Fund's respective Underlying Index. Therefore, a Fund would not necessarily sell a security unless that security is removed from its respective Underlying Index.

*Non-Diversified Fund Risk.* Each 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.

*Non-Correlation Risk.* Each Fund's return may not match the return of its Underlying Index for a number of reasons. For example, each Fund incurs operating expenses not applicable to its 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 its Underlying Index. In addition, the performance of each Fund and its Underlying Index may vary due to asset valuation differences and differences between each Fund's portfolio and its Underlying Index resulting from legal restrictions, cost or liquidity constraints.

*Fund of Funds Risk.* Each Fund pursues its investment objective by primarily investing its assets in underlying ETFs. A Fund's investment performance, because it is a fund of funds, largely depends on the investment performance of the underlying ETFs in which it invests. An investment in a Fund is subject to the risks associated with the underlying ETFs that comprise its Underlying Index. Each Fund will indirectly pay a proportional share of the fees and expenses of the Underlying ETFs in which it invests (including operating expenses and management fees). There is a risk that the evaluations and assumptions of each Fund's Index Provider regarding the asset classes represented in the Underlying Index may be incorrect based on actual market conditions. In addition, at times certain segments of the market represented by constituent Underlying ETFs in the Underlying Index may be out of favor and underperform other segments.

*Risks of Investing in ETNs.* The return on an exchange-traded note ("ETN") is generally linked to the performance of a particular market benchmark or strategy minus applicable fees. ETNs do not provide principal protection and may or may not make periodic coupon payments. ETNs are subject to credit risk and the value of the ETN may drop due to a downgrade in the issuer's credit rating, despite the underlying market benchmark or strategy remaining unchanged. The value of an ETN may also be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying assets, changes in the applicable interest rates, changes in the issuer's credit rating, and economic, legal, political, or geographic events that affect the referenced underlying asset. A Fund's decision to sell its ETN holdings may be limited by the availability of a secondary market. Certain ETNs in which a Fund may invest may be linked to master limited partnerships ("MLPs"). Investments linked to MLP units are subject to certain risks inherent in the structure of MLPs, including (i) tax risks, (ii) the limited ability to elect or remove

# Notes to Financial Statements (Continued)

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

management or the general partner or managing member, (iii) limited voting rights and (iv) conflicts of interest between the general partner or managing member and its affiliates and the limited partners or members. Moreover, the tax treatment of ETNs is uncertain and the Internal Revenue Service could assert at any time that ETNs should be taxed in a manner that may adversely affect a Fund.

### *C. Federal Income Taxes*

Each Fund intends to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of the Fund's taxable earnings to its shareholders. As such, the Funds will not be subject to Federal income taxes on otherwise taxable income (including net realized gains) that is distributed to the shareholders. Therefore, no provision for Federal income taxes is recorded in the financial statements.

Income and capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing book and tax treatments for in-kind transactions, losses deferred due to wash sales, and passive foreign investment company investments.

The Funds file tax returns in the United States Federal jurisdiction and certain other jurisdictions. Generally, a Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

### *D. Investment Income and Investment Transactions*

Dividend income is recorded on the ex-dividend date, net of foreign taxes withheld, if any. Interest income is recorded on the accrual basis. Investment transactions are recorded on the trade date. Realized gains and losses from the sale or disposition of securities are calculated on the specific identified cost basis. Dividends and interest received by a Fund may give rise to withholding and other taxes imposed by foreign countries. Corporate actions (including cash dividends) are recorded net of non-reclaimable foreign tax withholdings on the ex-dividend date. Tax conventions between certain countries and the United States may reduce or eliminate such taxes.

### *E. Expenses*

Each Fund has agreed to pay an annual unitary management fee to Invesco PowerShares Capital Management LLC (the "Adviser"). The Adviser has agreed to pay for substantially all expenses of the Funds, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses, expenses of the underlying ETFs that are paid indirectly as a result of share ownership of the underlying ETFs and other extraordinary expenses.

Expenses included in each of the accompanying financial statements reflect the expenses of each Fund and do not include any expenses of the underlying ETFs, in which it invests. The effects of the underlying ETF's expenses are included in the realized and unrealized gain/loss on the investments in the underlying ETFs.

### *F. Dividends and Distributions to Shareholders*

Each Fund declares and pays dividends from net investment income, if any, to its shareholders quarterly and records on ex-dividend date. Each Fund distributes net realized taxable capital gains, if any, generally annually in cash and records on ex-dividend date. Such distributions on a tax basis are determined in conformity with income tax regulations which may differ from GAAP. Distributions in excess of tax basis earnings and profits, if any, are reported in such Fund's financial statements as a tax return of capital at fiscal period-end.

# Notes to Financial Statements (Continued)

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

### *G. Equalization*

All of the Funds use the accounting practice of equalization. This accounting method is used to keep the continuing shareholder's per Share equity in undistributed net investment income from being affected by the continuous sales and redemptions of capital Shares. Equalization is calculated on a per Share basis whereby a portion of the proceeds from the sales and cost of repurchases of capital Shares is applied to undistributed net investment income. The amount of equalization is disclosed in the Statements of Changes in Net Assets as undistributed net investment income (loss) included in the price of capital Shares issued or redeemed. The distributions to shareholders of amounts so applied may be deemed to be a return of capital for tax purposes to the extent that such distributions exceed taxable income.

### **Note 3. Investment Advisory Agreement and Other Agreements**

The Trust has entered into an Investment Advisory Agreement with the Adviser pursuant to which the Adviser has overall responsibility as the Funds' investment adviser for the selection and ongoing monitoring of the Funds' investments, managing the Funds' business affairs and providing certain clerical, bookkeeping and other administrative services. As compensation for its services, each Fund has agreed to pay the Adviser an annual unitary management fee of 0.25% of each Fund's average daily net assets. The Adviser has agreed to pay for substantially all expenses of the Funds, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses, expenses of the underlying ETFs that are paid indirectly as a result of share ownership of the underlying ETFs and other extraordinary expenses.

Each Fund indirectly bears the fees and expenses of the underlying ETFs in which it invests. The Adviser serves as the investment adviser to some of the underlying ETFs. By virtue of the Fund's investments in affiliated underlying ETFs, the management fee received by the Adviser for managing the underlying ETFs will increase.

The Trust has entered into a Distribution Agreement with Invesco Distributors, Inc. (the "Distributor"), which serves as the distributor of Creation Units for each Fund. The Distributor does not maintain a secondary market in the Shares. The Distributor has entered into a Marketing Agreement with DB Commodity Services LLC and Deutsche Bank AG, London Branch (collectively, "Deutsche Bank") to assist in marketing activities with respect to the PowerShares DB ETFs in which each Fund may invest. The Distributor receives a fee from Deutsche Bank for these services. The Funds are not charged any fees pursuant to the Distribution Agreement. The Distributor is an affiliate of the Adviser.

The Adviser has entered into a licensing agreement for the Ibbotson Alternative Completion Portfolio with Ibbotson Associates, and for the RiverFront Tactical Balanced Growth Portfolio and RiverFront Tactical Growth & Income Portfolio with RiverFront Investment Group<sup>®</sup> (each a "Licensor"). Each Underlying Index name trademark is owned by the Licensor. These trademarks have been licensed to the Adviser for use with the Funds. The Funds are not sponsored, endorsed, sold or promoted by the Licensor and the Licensor makes no representation regarding the advisability of investing in any of these Funds. The Trust has entered into a sub-licensing agreement under which each Fund may track its respective Underlying Index.

The Trust has entered into service agreements whereby The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation, serves as the administrator, custodian, fund accountant and transfer agent for each Fund.

# Notes to Financial Statements (Continued)

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

### Note 4. Investments in Affiliates

The Funds and other certain underlying ETFs have the same investment adviser and, therefore, are considered to be affiliated. The tables below show the transactions in and earnings from investments in affiliated ETFs for the six-month period ended April 30, 2011.

#### Ibbotson Alternative Completion Portfolio

	Value 10/31/2010	Purchase at Cost	Proceeds from Sales	Change in Unrealized Appreciation (Depreciation)	Realized Gain	Value 4/30/2011	Dividend Income
PowerShares Emerging Markets Infrastructure Portfolio . . . . .	\$1,010,109	\$ 23,178	\$ (323,401)	\$ 94,181	\$ 60,723	\$ 864,790	\$ 5,900
PowerShares Emerging Markets Sovereign Debt Portfolio . . . . .	1,308,469	130,425	(296,592)	(65,207)	5,969	1,083,064	18,855
PowerShares FTSE RAFI Developed Markets ex-U.S. Small-Mid Portfolio . . . . .	669,316	7,055	(206,382)	66,405	27,536	563,930	8,874
PowerShares Global Agriculture Portfolio . . . . .	350,396	2,617	(120,284)	16,498	28,867	278,094	2,400
PowerShares Global Gold and Precious Metals Portfolio . . . . .	328,848	14,063	(89,216)	14,572	16,241	284,508	5,461
PowerShares MENA Frontier Countries Portfolio . . . . .	1,318,511	155,777	(285,911)	(105,980)	23,251	1,105,648	17,409
PowerShares Preferred Portfolio . . .	950,399	77,660	(237,718)	8,827	9,674	808,842	17,439
PowerShares S&P 500 BuyWrite Portfolio . . . . .	431,714	27,262	(113,205)	12,892	5,406	364,069	8,365
<b>Total Investments in Affiliates . . . .</b>	<b>\$6,367,762</b>	<b>\$438,037</b>	<b>\$(1,672,709)</b>	<b>\$ 42,188</b>	<b>\$177,667</b>	<b>\$5,352,945</b>	<b>\$84,703</b>

#### RiverFront Tactical Balanced Growth Portfolio

	Value 10/31/2010	Purchase at Cost	Proceeds from Sales	Change in Unrealized Appreciation (Depreciation)	Realized Gain (Loss)	Value 4/30/2011	Dividend Income
PowerShares Active Low Duration Portfolio . . . . .	\$ 159,256	\$ 554,036	\$ (722,766)	\$ (95)	\$ 9,569	\$ —	\$ 2,254
PowerShares Active Mega-Cap Portfolio . . . . .	—	1,197,152	(18,991)	63,163	(134)	1,241,190	2,136
PowerShares Active U.S. Real Estate Fund . . . . .	292,003	22,469	(309,382)	(33,180)	28,090	—	—
PowerShares Dividend Achievers™ Portfolio . . . . .	1,060,298	1,134,951	(1,492,535)	56,511	39,570	798,795	14,431
PowerShares DWA Technical Leaders Portfolio . . . . .	176,256	1,157,840	(368,300)	104,617	(2,262)	1,068,151	344
PowerShares Dynamic Basic Materials Sector Portfolio . . . . .	252,609	261,683	(11,429)	73,564	65	576,492	6,260
PowerShares Dynamic Biotechnology & Genome Portfolio . . . . .	151,324	46,828	(204,567)	(11,740)	18,155	—	—
PowerShares Dynamic Consumer Discretionary Sector Portfolio . . .	530,762	454,709	(89,797)	99,233	15,084	1,009,991	3,366
PowerShares Dynamic Energy Sector Portfolio . . . . .	562,070	430,409	(1,157,325)	(61,744)	226,590	—	2,575
PowerShares Dynamic Financial Sector Portfolio . . . . .	200,254	1,501,534	(169,437)	86,274	19,698	1,638,323	6,200

# Notes to Financial Statements (Continued)

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

	Value 10/31/2010	Purchase at Cost	Proceeds from Sales	Change in Unrealized Appreciation (Depreciation)	Realized Gain (Loss)	Value 4/30/2011	Dividend Income
PowerShares Dynamic Food & Beverage Portfolio	\$ 445,067	\$ 476,746	\$ (510,972)	\$ 23,500	\$ 29,975	\$ 464,316	\$ 3,386
PowerShares Dynamic Healthcare Sector Portfolio	181,948	1,018,657	(178,916)	106,421	5,754	1,133,864	—
PowerShares Dynamic Industrials Sector Portfolio	661,763	592,604	(90,861)	179,030	17,051	1,359,587	2,262
PowerShares Dynamic Insurance Portfolio	318,707	152,218	(493,088)	(21,229)	43,392	—	5,236
PowerShares Dynamic Large Cap Portfolio	649,733	1,671,793	(1,530,820)	112,497	76,872	980,075	9,956
PowerShares Dynamic Mid Cap Portfolio	—	263,735	—	(460)	—	263,275	—
PowerShares Dynamic Networking Portfolio	160,884	89,882	(299,660)	(20,225)	69,119	—	833
PowerShares Dynamic Oil & Gas Services Portfolio	—	580,692	(189,460)	74,604	(351)	465,485	—
PowerShares Dynamic Pharmaceuticals Portfolio	371,475	210,138	(599,905)	(43,308)	61,600	—	1,043
PowerShares Dynamic Software Portfolio	300,655	117,988	(457,592)	(24,428)	63,377	—	—
PowerShares Dynamic Technology Sector Portfolio	570,650	1,002,242	(18,477)	109,745	(185)	1,663,975	359
PowerShares Dynamic Telecommunications & Wireless Portfolio	251,207	41,638	(297,398)	(35,973)	40,526	—	65
PowerShares Dynamic Utilities Portfolio	278,978	384,626	(665,085)	(10,478)	11,959	—	4,367
PowerShares FTSE RAFI Developed Markets ex-U.S. Portfolio	469,022	1,309,793	(705,032)	77,245	34,865	1,185,893	7,304
PowerShares FTSE RAFI Developed Markets ex-U.S. Small-Mid Portfolio	—	1,119,710	(502,001)	37,716	2,937	658,362	245
PowerShares FTSE RAFI Emerging Markets Portfolio	1,885,084	1,792,339	(1,229,478)	142,230	(6,641)	2,583,534	17,836
PowerShares Fundamental High Yield® Corporate Bond Portfolio	902,523	605,916	(879,431)	9,931	2,517	641,456	14,009
PowerShares International Dividend Achievers™ Portfolio	457,136	264,420	(107,523)	60,527	965	675,525	9,890
PowerShares VRDO Tax-Free Weekly Portfolio	414,084	430,245	(859,697)	217	15,151	—	611
PowerShares Zacks Micro Cap Portfolio	—	2,444,182	(1,344,828)	21,022	19,549	1,139,925	273
<b>Total Investments in Affiliates</b>	<b>\$11,703,748</b>	<b>\$21,331,175</b>	<b>\$(15,504,753)</b>	<b>\$1,175,187</b>	<b>\$842,857</b>	<b>\$19,548,214</b>	<b>\$115,241</b>

# Notes to Financial Statements (Continued)

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

### RiverFront Tactical Growth & Income Portfolio

	Value 10/31/2010	Purchase at Cost	Proceeds from Sales	Change in Unrealized Appreciation (Depreciation)	Realized Gain (Loss)	Value 4/30/2011	Dividend Income
PowerShares Active Low Duration Portfolio	\$ 474,143	\$ 777,918	\$ (53,862)	\$ (7,103)	\$ 477	\$ 1,191,573	\$ 3
PowerShares Active Mega-Cap Portfolio	—	510,541	(19,855)	26,377	306	517,369	807
PowerShares Active U.S. Real Estate Fund	299,517	115,894	(205,331)	11,711	27,319	249,110	4,947
PowerShares Dividend Achievers™ Portfolio	2,029,537	1,227,109	(1,480,853)	341,887	68,362	2,186,042	27,583
PowerShares Dynamic Basic Materials Sector Portfolio	—	240,104	(11,105)	27,337	670	257,006	—
PowerShares Dynamic Consumer Discretionary Sector Portfolio	308,945	737,329	(508,203)	31,667	49,508	619,246	2,840
PowerShares Dynamic Energy Sector Portfolio	149,599	832,972	(51,084)	179,993	17,070	1,128,550	1,309
PowerShares Dynamic Financial Sector Portfolio	—	899,732	(464,207)	43,731	12,290	491,546	3,645
PowerShares Dynamic Healthcare Sector Portfolio	151,493	505,655	(166,729)	10,190	11,943	512,552	—
PowerShares Dynamic Industrials Sector Portfolio	239,006	796,898	(225,023)	34,529	53,505	898,915	820
PowerShares Dynamic Mid Cap Portfolio	163,804	97,255	(114,944)	135,450	1,698	283,263	1,016
PowerShares Dynamic Pharmaceuticals Portfolio	371,475	210,138	(599,905)	(43,308)	61,600	—	1,043
PowerShares Dynamic Technology Sector Portfolio	492,347	435,252	(43,425)	87,625	7,209	979,008	310
PowerShares Dynamic Telecommunications & Wireless Portfolio	251,207	41,638	(297,398)	(35,973)	40,526	—	65
PowerShares FTSE RAFI Developed Markets ex-U.S. Portfolio	159,537	897,728	(379,592)	14,617	40,564	732,854	—
PowerShares FTSE RAFI Developed Markets ex-U.S. Small-Mid Portfolio	—	422,355	(187,110)	12,153	1,275	248,673	84
PowerShares FTSE RAFI Emerging Markets Portfolio	1,366,563	1,325,001	(866,723)	45,244	43,439	1,913,524	13,159
PowerShares Fundamental High Yield® Corporate Bond Portfolio	1,487,641	1,267,399	(1,342,846)	25,495	(3,724)	1,433,965	42,210
PowerShares High Yield Equity Dividend Achievers™ Portfolio	527,532	300,988	(50,896)	51,161	2,834	831,619	4,634
PowerShares International Dividend Achievers™ Portfolio	311,242	177,378	(139,807)	161,880	2,851	513,544	6,770
PowerShares VRDO Tax Free Weekly Portfolio	499,900	1,464,839	(1,813,295)	12,105	(3,788)	159,761	1,734
PowerShares Zacks Micro Cap Portfolio	—	257,305	(13,494)	18,155	699	262,665	294
<b>Total Investments in Affiliates</b>	<b>\$9,283,488</b>	<b>\$13,541,428</b>	<b>\$(9,035,687)</b>	<b>\$1,184,923</b>	<b>\$436,633</b>	<b>\$15,410,785</b>	<b>\$113,273</b>

# Notes to Financial Statements (Continued)

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

### Note 5. Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 – Prices are determined using quoted prices in an active market for identical assets.

Level 2 – Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 – Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

As of April 30, 2011, the securities in each Fund were valued based on Level 1 inputs. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

With respect to each Fund, during the six-month period ended April 30, 2011, there were no significant transfers between investment levels.

### Note 6. Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from GAAP. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distributions (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund's fiscal year-end.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Funds to utilize. The ability to utilize capital loss carryforward in the future may be limited under Internal Revenue Code rules and related regulations based on the results of future transactions.

## Notes to Financial Statements (Continued)

### PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

The following Funds had capital loss carryforward amounts as of October 31, 2010, which expire on October 31 of each year listed below:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total*</u>
Ibbotson Alternative Completion Portfolio . . . . .	\$1,740,326	\$1,239,640	\$1,091,178	\$4,071,144
RiverFront Tactical Balanced Growth Portfolio . . . . .	1,323,393	967,037	224,350	2,514,780
RiverFront Tactical Growth & Income Portfolio . . . . .	895,279	793,493	302,380	1,991,152

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

#### Note 7. Investment Transactions

For the six-month period ended April 30, 2011, the cost of securities purchased and proceeds from sales of securities, excluding short-term securities, money market funds and in-kind transactions, were as follows:

	<u>Purchases</u>	<u>Sales</u>
Ibbotson Alternative Completion Portfolio . . . . .	\$ 105,037	\$ 161,611
RiverFront Tactical Balanced Growth Portfolio . . . . .	19,957,742	18,346,517
RiverFront Tactical Growth & Income Portfolio . . . . .	12,059,352	11,462,881

For the six-month period ended April 30, 2011, in-kind transactions associated with creations and redemptions were as follows:

	<u>Securities Received</u>	<u>Securities Delivered</u>
Ibbotson Alternative Completion Portfolio . . . . .	\$ 481,534	\$2,747,970
RiverFront Tactical Balanced Growth Portfolio . . . . .	10,411,279	3,103,060
RiverFront Tactical Growth & Income Portfolio . . . . .	10,253,366	3,128,964

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

At April 30, 2011, cost of investments on a tax basis includes adjustments for financial reporting purposes, as of the most recently completed Federal income tax reporting period-end.

	<u>Cost</u>	<u>Net Unrealized Appreciation</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized (Depreciation)</u>
Ibbotson Alternative Completion Portfolio . . . . .	\$ 7,953,634	\$1,531,129	\$1,531,883	\$ (754)
RiverFront Tactical Balanced Growth Portfolio . . . . .	24,083,232	2,412,261	2,550,863	(138,602)
RiverFront Tactical Growth & Income Portfolio . . . . .	22,375,982	2,574,936	2,617,705	(42,769)

# Notes to Financial Statements (Continued)

## PowerShares Exchange-Traded Fund Trust II

April 30, 2011 (Unaudited)

### Note 8. Trustees' Fees

The Fund compensates each Trustee who is not an "interested person" as defined in the 1940 Act (an "Independent Trustee"). The Adviser, as a result of the unitary management fee, pays for such compensation. The non-Independent Trustees of the Trust do not receive any Trustees' fees.

The Trust has adopted a deferred compensation plan (the "Plan"). Under the Plan, an Independent Trustee who has executed a Deferred Fee Agreement (a "Participating Trustee") may defer receipt of all or a portion of his compensation ("Deferral Fees"). Such Deferral Fees are deemed to be invested in select PowerShares Funds. The Deferral Fees payable to the Participating Trustee are valued as of the date such Deferral Fees would have been paid to the Participating Trustee. The value increases with contributions or with increases in the value of the Shares selected, and the value decreases with distributions or with declines in the value of the Shares selected.

### Note 9. Capital

Shares are created and redeemed by the Trust only in Creation Unit size aggregations of 50,000 Shares. Only Authorized Participants are permitted to purchase or redeem Creation Units from the Funds. Such transactions are generally permitted on an in-kind basis, with a balancing cash component to equate the transaction to the NAV per Share of each Fund of the Trust on the transaction date. Cash may be substituted equivalent to the value of certain securities generally when they are not available in sufficient quantity for delivery, not eligible for trading by the Authorized Participant or as a result of other market circumstances.

### Note 10. Indemnifications

Under the Trust's organizational documents, its officers and Trustees are indemnified against certain liability arising out of the performance of their duties to the Trust. Each Independent Trustee is also indemnified against certain liabilities arising out of the performance of his duties to the Trust pursuant to an Indemnification Agreement between the Independent Trustee and the Trust. Additionally, in the normal course of business, the Trust enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Trust that have not yet occurred. However, based on experience, the Trust believes the risk of loss to be remote.

# Board Considerations Regarding Continuation of Investment Advisory Agreement

At a meeting held on April 14, 2011, the Board of Trustees of the PowerShares Exchange-Traded Fund Trust II (the “Trust”), including the Independent Trustees, unanimously approved the continuation of the Investment Advisory Agreement between Invesco PowerShares Capital Management LLC (the “Adviser”) and the Trust for the following 40 series (each, a “Fund” and collectively, the “Funds”):

PowerShares 1-30 Laddered Treasury Portfolio	PowerShares Global Wind Energy Portfolio
PowerShares Build America Bond Portfolio	PowerShares Ibbotson Alternative Completion Portfolio
PowerShares CEF Income Composite Portfolio	PowerShares Insured California Municipal Bond Portfolio
PowerShares DWA Developed Markets Technical Leaders Portfolio	PowerShares Insured National Municipal Bond Portfolio
PowerShares DWA Emerging Markets Technical Leaders Portfolio	PowerShares Insured New York Municipal Bond Portfolio
PowerShares Dynamic Developed International Opportunities Portfolio	PowerShares International Corporate Bond Portfolio
PowerShares Emerging Markets Infrastructure Portfolio	PowerShares MENA Frontier Countries Portfolio
PowerShares Emerging Markets Sovereign Debt Portfolio	PowerShares Preferred Portfolio
PowerShares FTSE RAFI Asia Pacific ex-Japan Portfolio	PowerShares RiverFront Tactical Balanced Growth Portfolio
PowerShares FTSE RAFI Developed Markets ex-U.S. Portfolio	PowerShares RiverFront Tactical Growth & Income Portfolio
PowerShares FTSE RAFI Developed Markets ex-U.S. Small-Mid Portfolio	PowerShares S&P SmallCap Consumer Discretionary Portfolio
PowerShares FTSE RAFI Emerging Markets Portfolio	PowerShares S&P SmallCap Consumer Staples Portfolio
PowerShares Fundamental High Yield® Corporate Bond Portfolio	PowerShares S&P SmallCap Energy Portfolio
PowerShares Global Agriculture Portfolio	PowerShares S&P SmallCap Financials Portfolio
PowerShares Global Clean Energy Portfolio	PowerShares S&P SmallCap Health Care Portfolio
PowerShares Global Coal Portfolio	PowerShares S&P SmallCap Industrials Portfolio
PowerShares Global Gold and Precious Metals Portfolio	PowerShares S&P SmallCap Information Technology Portfolio
PowerShares Global Nuclear Energy Portfolio	PowerShares S&P SmallCap Materials Portfolio
PowerShares Global Steel Portfolio	PowerShares S&P SmallCap Utilities Portfolio
PowerShares Global Water Portfolio	PowerShares VRDO Tax-Free Weekly Portfolio

The Trustees reviewed information from the Adviser describing: (i) the nature, extent and quality of services provided, (ii) the investment performance of the Funds and the Adviser, (iii) the costs of services provided and estimated profits realized by the Adviser, (iv) the extent to which economies of scale are realized as the Funds grow, (v) whether fee levels reflect any possible economies of scale for the benefit of Fund shareholders, (vi) comparisons of services rendered and amounts paid to other registered investment companies and (vii) any benefits realized by the Adviser from its relationship with each Fund. Based on all of the information considered and the conclusions reached, the Board, including the Independent Trustees,

## Board Considerations Regarding Continuation of Investment Advisory Agreement (Continued)

determined to approve the continuation of the Investment Advisory Agreement for each Fund. No single factor was determinative in the Board's analysis.

*Nature, Extent and Quality of Services.* In evaluating the nature, extent and quality of the Adviser's services, the Trustees reviewed information concerning the functions performed by the Adviser for the Funds, information describing the Adviser's current organization and projected staffing, including operations assistance provided by the Adviser's parent organization, Invesco Ltd., and the background and experience of the persons responsible for the day-to-day management of the Funds. The Trustees reviewed matters related to the Adviser's execution of portfolio transactions on behalf of the Funds. The Trustees also reviewed information on the performance of the Funds and the performance of their underlying indices through December 31, 2010, including reports on the correlation and tracking error between the underlying index and each Fund's performance, as well as the Adviser's analysis of the tracking error between each Fund and its underlying index. The Trustees noted that the correlation for each Fund, other than PowerShares VRDO Tax-Free Weekly Portfolio, was within the targeted range set forth in the Trust's registration statement and the tracking error for each Fund was within the targeted range set forth in the Trust's registration statement. The Trustees reviewed the reasons for PowerShares VRDO Tax-Free Weekly Portfolio's level of correlation to its underlying index, including the Adviser's representation that a primary cause is the abnormally low yield environment and its expectation that, over time, the Fund's correlation will return to within the targeted range set forth in the Trust's registration statement. The Trustees concluded that each Fund's correlation to its underlying index and the tracking error for each Fund were within an acceptable range given that Fund's particular circumstances.

The Trustees also considered the services provided by the Adviser in its oversight of the Funds' administrator, custodian and transfer agent. They noted the significant amount of time and effort that had been devoted to this oversight function.

Based on their review, the Trustees concluded that the nature, extent and quality of services provided by the Adviser to the Funds under the Investment Advisory Agreement were appropriate and reasonable.

*Fees, Expenses and Profitability.* The Trustees reviewed and discussed the information provided by the Adviser on each Fund's total expense ratio and unitary advisory fee, as compared to information compiled by the Adviser from Lipper Inc. databases on the expense ratios of comparable exchange-traded funds ("ETFs"), open-end (non-ETF) index funds and open-end actively-managed funds. The Trustees noted that the annual advisory fee charged to each Fund, as set forth below, is a unitary fee and that the Adviser pays all other operating expenses of each Fund, except that each Fund pays its brokerage expenses, taxes, interest and extraordinary expenses.

- 0.25%: PowerShares 1-30 Laddered Treasury Portfolio, PowerShares Ibbotson Alternative Completion Portfolio, PowerShares RiverFront Tactical Balanced Growth Portfolio, PowerShares RiverFront Tactical Growth & Income Portfolio, PowerShares VRDO Tax-Free Weekly Portfolio
- 0.29%: PowerShares S&P SmallCap Consumer Discretionary Portfolio, PowerShares S&P SmallCap Consumer Staples Portfolio, PowerShares S&P SmallCap Energy Portfolio, PowerShares S&P SmallCap Financials Portfolio, PowerShares S&P SmallCap Health Care Portfolio, PowerShares S&P SmallCap Industrials Portfolio, PowerShares S&P SmallCap Information Technology

## Board Considerations Regarding Continuation of Investment Advisory Agreement (Continued)

Portfolio, PowerShares S&P SmallCap Materials Portfolio, PowerShares S&P SmallCap Utilities Portfolio

0.35%: PowerShares Build America Bond Portfolio, PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio, PowerShares Insured New York Municipal Bond Portfolio

0.50%: PowerShares CEF Income Composite Portfolio, PowerShares Emerging Markets Sovereign Debt Portfolio, PowerShares Fundamental High Yield® Corporate Bond Portfolio, PowerShares International Corporate Bond Portfolio, PowerShares Preferred Portfolio

0.75%: PowerShares Dynamic Developed International Opportunities Portfolio, PowerShares Emerging Markets Infrastructure Portfolio, PowerShares FTSE RAFI Developed Markets ex-U.S. Portfolio, PowerShares FTSE RAFI Developed Markets ex-U.S. Small-Mid Portfolio, PowerShares Global Agriculture Portfolio, PowerShares Global Clean Energy Portfolio, PowerShares Global Coal Portfolio, PowerShares Global Gold and Precious Metals Portfolio, PowerShares Global Nuclear Energy Portfolio, PowerShares Global Steel Portfolio, PowerShares Global Water Portfolio, PowerShares Global Wind Energy Portfolio

0.80%: PowerShares DWA Developed Markets Technical Leaders Portfolio, PowerShares FTSE RAFI Asia Pacific ex-Japan Small-Mid Portfolio

0.85%: PowerShares FTSE RAFI Emerging Markets Portfolio

0.90%: PowerShares DWA Emerging Markets Technical Leaders Portfolio

0.95%: PowerShares MENA Frontier Countries Portfolio

The Trustees noted that the Adviser represented that it does not provide investment advisory services to any clients other than the Funds and other ETFs overseen by the Board. The Trustees noted that each Fund's advisory fee was:

- higher than the median expense ratio of its ETF peer funds (except for the advisory fee of each of PowerShares DWA Developed Markets Technical Leaders Portfolio, PowerShares Emerging Markets Sovereign Debt Portfolio, PowerShares Fundamental High Yield® Corporate Bond Portfolio, PowerShares Global Agriculture Portfolio, PowerShares Ibbotson Alternative Completion Portfolio, PowerShares S&P SmallCap Consumer Discretionary Portfolio, PowerShares S&P SmallCap Consumer Staples Portfolio, PowerShares S&P SmallCap Energy Portfolio, PowerShares S&P SmallCap Financials Portfolio, PowerShares S&P SmallCap Health Care Portfolio, PowerShares S&P SmallCap Industrials Portfolio, PowerShares S&P SmallCap Information Technology Portfolio, PowerShares S&P SmallCap Materials Portfolio and PowerShares S&P SmallCap Utilities Portfolio, which was equal to or lower than the median expense ratio of its ETF peer funds); and
- higher than the median expense ratio of its open-end index peer funds (except for the advisory fee of each of PowerShares CEF Income Composite Portfolio, PowerShares DWA Developed Markets Technical Leaders Portfolio, PowerShares Global Agriculture Portfolio, PowerShares Global Clean Energy Portfolio, PowerShares Global Coal Portfolio, PowerShares Global Gold and Precious Metals

## Board Considerations Regarding Continuation of Investment Advisory Agreement (Continued)

Portfolio, PowerShares Global Nuclear Energy Portfolio, PowerShares Global Steel Portfolio, PowerShares Global Water Portfolio, PowerShares Global Wind Energy Portfolio, PowerShares Ibbotson Alternative Completion Portfolio, PowerShares RiverFront Tactical Balanced Growth Portfolio, PowerShares RiverFront Tactical Growth & Income Portfolio, PowerShares S&P SmallCap Consumer Discretionary Portfolio, PowerShares S&P SmallCap Consumer Staples Portfolio, PowerShares S&P SmallCap Financials Portfolio, PowerShares S&P SmallCap Health Care Portfolio, PowerShares S&P SmallCap Industrials Portfolio, PowerShares S&P SmallCap Information Technology Portfolio, PowerShares S&P SmallCap Materials Portfolio and PowerShares S&P SmallCap Utilities Portfolio, which was lower than the median expense ratio of its open-end index peer funds; and there was no comparable open-end index peer fund information available for PowerShares Dynamic Developed International Opportunities Portfolio, PowerShares Emerging Markets Sovereign Debt Portfolio, PowerShares FTSE RAFI Asia Pacific ex-Japan Portfolio, PowerShares Fundamental High Yield<sup>®</sup> Corporate Bond Portfolio, PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio, PowerShares Insured New York Municipal Bond Portfolio, PowerShares International Corporate Bond Portfolio or PowerShares VRDO Tax-Free Weekly Portfolio); but

- lower than the median expense ratio of its open-end actively-managed peer funds.

The Trustees considered that the Adviser had agreed to waive a portion of its advisory fee, at least until April 20, 2012, for PowerShares Build America Bond Portfolio, PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio, PowerShares Insured New York Municipal Bond Portfolio and PowerShares MENA Frontier Countries Portfolio. The Trustees noted that each Fund's advisory fee was reasonable because of the complexity of the indices, which generally require more frequent rebalancing of the portfolios, the distinguishing factors of the Funds and the higher administrative, operational and management oversight costs for the Adviser. The Trustees also noted that a portion of each Fund's advisory fee was attributable to a license fee payable out of the unitary fee charged to that Fund. The Board concluded that the unitary advisory fee charged to each Fund was reasonable and appropriate in light of the services provided.

In conjunction with their review of the unitary advisory fee, the Trustees also considered information provided by the Adviser on the revenues received by the Adviser under the Investment Advisory Agreement. The Trustees reviewed information provided by the Adviser on its profitability as well as any profits or losses realized by the Adviser from its relationship to each Fund. The Trustees concluded that the estimated profitability to the Adviser of the advisory services provided to any of the Funds was not unreasonable.

*Economies of Scale and Whether Fee Levels Reflect These Economies of Scale.* The Trustees reviewed the information provided by the Adviser as to the extent to which economies of scale are realized as each Fund grows and whether fee levels reflect economies of scale for the benefit of shareholders. The Trustees reviewed each Fund's asset size and expense ratio. The Trustees noted that any reduction in fixed costs associated with the management of the Funds would be enjoyed by the Adviser, but a unitary fee provides certainty in expenses for the Funds. The Trustees considered whether the advisory fee rate for each Fund was reasonable in relation to the asset size of that Fund, and concluded that the flat advisory fee was reasonable and appropriate.

## Board Considerations Regarding Continuation of Investment Advisory Agreement (Continued)

The Trustees noted that the Adviser had not identified any further benefits that it derived from its relationship with the Funds and had noted that it does not have any soft-dollar arrangements.

Based on all of the information considered and the conclusions reached, the Board, including the Independent Trustees, determined to approve the continuation of the Investment Advisory Agreement for each Fund. No single factor was determinative in the Board's analysis.

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## PROXY VOTING POLICIES AND PROCEDURES

A description of the Funds' proxy voting policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available, without charge and upon request, by calling (800) 983-0903. This information is also available on the Securities and Exchange Commission's ("Commission") website at [www.sec.gov](http://www.sec.gov).

Information regarding how the Funds voted proxies for portfolio securities, if applicable, during the most recent 12-month period ended June 30, is also available, without charge and upon request, by (i) calling (800) 983-0903; or (ii) accessing the Trust's Form N-PX on the Commission's website at [www.sec.gov](http://www.sec.gov).

## QUARTERLY PORTFOLIOS

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

