

Characteristics of the PowerShares VRDO Tax-Free Weekly Portfolio (PVI)

PVI offers investors exposure to a wide range of benefits, which when combined, make PVI one of the more unique investment products in the market today.

PVI is typically a low-duration investment vehicle with a strong average credit quality. While in some ways similar, PVI is not a tax-exempt money market fund that seeks to maintain the value of a dollar. Rather, it is a portfolio consisting of Variable Rate Demand Obligations (VRDOs), which are commonly held in money market fund portfolios. VRDOs are long-term, tax-exempt bonds whose interest rates generally reset on a daily, weekly or monthly basis, but can also reset over longer time periods.¹ VRDOs are typically issued with long-dated maturities of 20 to 30 years, but are considered short-term investments because of their put feature and frequent rate reset schedule. As of June 30, 2009, the VRDOs in PVI had an average credit quality of Aa2/AA+.

PVI is based on the Thomson Municipal Market Data VRDO Index. The index filters the broader market down to about 2,400 VRDOs, all of which: 1) have at least \$10 M outstanding, 2) reset their interest rate weekly, 3) are rated by at least one credit agency and 4) are either insured or structured with a letter of credit (LOC) from a bank with a rating of at least A. Bonds whose income is subject to the alternative minimum tax (AMT) are excluded from the index.

PVI is structured to make monthly tax-exempt distributions. The income from PVI is exempt from federal taxes and may be exempt to some extent from state and local taxes depending on the residency of the investor. As of June 30, 2009, PVI had a 30-day SEC yield of 1.36%, which is a taxable equivalent yield of 2.82% for an investor in the 35% federal tax bracket.² This is a highly competitive yield relative to many short-term products in the market today.

PVI Standardized Performance (%):

	NAV	After Tax Held	After Tax Sold	Market Price
1 Yr	2.58	1.64	1.67	2.62
Incep.*	2.83	1.81	1.82	2.85

Source: Invesco PowerShares, as of June 30, 2009

*Fund returns are based on the inception date of the Fund (Nov. 15, 2007).

Performance data quoted represents past performance. As stated in the Fund's prospectus, the expense ratio of 0.25% is expressed as a unitary fee to cover expenses incurred in connection with managing the portfolio. 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 Shares' performance reflects fee waivers, absent which performance would have been lower. See invescopowershares.com to find the most recent month-end performance numbers. Market returns are based on the midpoint of the bid/ask spread at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times.

Over 90% of PVI's holdings are backed by LOCs. In general, VRDOs backed by LOCs have lower liquidity risk and credit risk than those backed by standby bond purchase agreements (SBPAs). Furthermore, PVI's underlying index requires that the credit rating of banks issuing the LOCs be A or better. While it is important to monitor ratings of the LOC banks, the credit risk is somewhat mitigated since the issues contain a short-term put option.³

PVI is an exchange-traded fund (ETF) that trades on an exchange like a stock. The transparency, liquidity and low cost of an ETF make it an attractive vehicle to access the VRDO market. An investor who wants to sell their VRDO would do so to a remarketing agent. If the remarketing agent is unable to remarket the VRDO to another investor, he would have to go through the process of putting the bond to the liquidity provider. With an ETF's intraday liquidity, PVI shields investors from these relatively time-intensive and nuanced processes. As publicly traded vehicles, ETF price quotes are easily accessible throughout the trading day through a variety of electronic media.

PVI offers access to the VRDO market that may be more efficient than purchasing VRDOs directly. VRDOs generally have a minimum denomination of \$100,000. At this level, most investors don't have the means to construct a VRDO portfolio diversified among several different issuers and liquidity providers. The ability to purchase as little as one share of PVI drastically reduces the price threshold for entry into the VRDO market.

PVI seeks to provide diversified exposure to the VRDO market. In one share of PVI, an investor can gain exposure to a wide array of issuers across the U.S. and to multiple liquidity providers, each of which has been found to meet important investment criteria. As of April 2008, PVI held over 90 VRDOs and had exposure to more than 25 liquidity providers. This broad range of VRDOs and liquidity providers may help to mitigate the credit and liquidity risk of owning just a single VRDO.

PVI's creation/redemption process is generally done on a cash basis. ETFs generally use an in-kind creation/redemption process that enables authorized participants (APs) to exchange shares of the fund for its underlying securities. While PVI permits in-kind creations and redemptions, it had yet to make use of the in-kind process as of April 30, 2009.²

PVI maintains a narrow bid-ask spread and has consistently traded within a narrow range. For the second quarter of 2009, PVI maintained an average spread of \$0.01, which puts it on par with the most liquid securities traded in the market today. During that same time period, it traded between a high of 24.99 and a low of 24.04.² This price stability is due in large part to the VRDOs' short-term put feature and the resulting near-zero duration of the portfolio.

1 There is a risk that the issuer may default on its payment obligation, resulting in a loss.

2 Source: Invesco PowerShares, Bloomberg

3 A VRDO's put feature allows for the owner of the VRDO to sell or "put" the VRDO to the liquidity provider at the price of par plus accrued interest.

Investors may lose value in an investment of VRDOs. VRDOs are not federally guaranteed. There may be fees associated with investing in a fund that invests in VRDOs.

VRDOs are floating-rate bonds that provide investors with tax-exempt income in a short-term time frame. VRDOs are always purchased at par. When they are put back to an investment dealer, the investor receives par plus accrued interest. Yields are generally reset on a weekly basis.

Variable Rate Debt Obligations Risk: There may not be an active secondary market with respect to particular variable rate instruments in which the Fund invests, which could make it difficult for the Fund to dispose of a variable rate instrument if the issuer and/or the Remarketing Agent defaulted on its payment obligation or during periods that the Fund is not entitled to exercise its demand rights, and the Fund could, for these or other reasons, suffer a loss with respect to such instruments. Municipal securities are subject to the risk that litigation, legislation or other political events; local business or economic conditions; or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes or the rights of municipal security holders. Because many securities are issued to finance similar projects, especially those relating to education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal market. In addition, changes in the financial condition of an individual municipal insurer can affect the overall municipal market. Please see the prospectus for more complete information regarding VRDOs and municipal securities.

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

There are risks involved with investing in ETFs, including possible loss of money. Shares are subject to risks similar to those of investing in any fund of Variable Rate Demand Obligations, including credit, interest rate and general market risks, as well as those risks related to short selling and margin maintenance. Ordinary brokerage commissions apply. Generally, the prices of income securities tend to fall as interest rates rise. 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 securities prices. Please see the prospectus for more complete information regarding an investment in the Fund.

The S&P and Moody's credit ratings are designed to rank the credit-worthiness of borrowers using a standardized ratings scale. The Aa2/AA+ average credit rating of the fund's holdings does not eliminate the risk of investment loss.

The Fund may trade at a premium or a discount to NAV. Although the Fund seeks to preserve the value of your investment, it is possible to lose money by investing in the Fund.

Invesco PowerShares does not offer tax advice. Please consult a tax advisor for advice regarding your specific situation. There is no guarantee the interest generated from the VRDOs held within the Fund will be exempt from state and local taxes.

The average credit quality of the Fund's holdings as of the close of the reporting period represents the weighted average quality rating of the securities in the portfolio as assigned by Nationally Recognized Statistical Rating Organizations based on assessment of the credit quality of the individual securities.

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Note: Not all products are available through all firms.

An investor should consider the Fund's investment objective, risks, charges and expenses carefully before investing. For this and more complete information about the Fund, call 800.983.0903 or visit the website www.invescopowershares.com for a prospectus. Please read the prospectus carefully before investing.

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