

2011 Annual Report to Shareholders

October 31, 2011

PowerShares S&P SmallCap Consumer Discretionary Portfolio (PSCD)
PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC)
PowerShares S&P SmallCap Energy Portfolio (PSCE)
PowerShares S&P SmallCap Financials Portfolio (PSCF)
PowerShares S&P SmallCap Health Care Portfolio (PSCH)
PowerShares S&P SmallCap Industrials Portfolio (PSCI)
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The Market Environment

U.S. Equity:

The fiscal year began with equity markets fueled by the second round of Federal Reserve “Quantitative Easing” and on an upward trend through the first quarter of 2011. However, with the spring came increased volatility and significant macro-economic distortions due to civil unrest in Egypt and Libya, flooding in Australia, and the devastating earthquake and tsunami in Japan. Corporate earnings remained strong with largely positive surprises, but often were overshadowed by investor concerns about continuing high unemployment and soft housing data. Although markets stabilized and generally were positive through the summer, the major equity indices sold off precipitously in August as the U.S. struggled with the debt ceiling and ultimately received the first-ever downgrade to its credit rating from S&P. Uncertainty created by the U.S. credit downgrade, combined with a lack of consumer confidence and an intensifying debt crisis in the Eurozone, continued to weigh on investors through the end of the period, reigniting fears of a global recession and a double-dip recession in the U.S.

Non U.S. Equity:

Global equity markets faced headwinds in 2010 and 2011. Notably, several southern European economies, including those of Greece, Spain, Portugal, and Italy, faced solvency concerns amid massive fiscal deficits. The fiscal year ended with a market upswing, however, as European leaders took steps to address the Greek sovereign debt issue, expand the bailout fund, and stabilize the banking system.

Market volatility was a common theme during the fiscal year. During mid-2011, Greek sovereign debt concerns and signs of slowing global growth continued to worry investors. In addition, numerous world events caught investors’ attention, including the growing unrest in the Middle East and Northern Africa, and the devastating earthquake and tsunami in Japan on March 11th. Renewed credit problems overseas and the market corrections that occurred in May, June and August, however, created a more uncertain environment, which prompted many investors to favor safety over risk.

Although Europe’s debt status bore the greatest negative macroeconomic heft globally, inflation was the major concern across Asia throughout the fiscal year. Fortunately, these concerns started to subside towards the end of the period, with a surprise interest rate reduction in Indonesia, inflationary easing in China, and an expected crest in India’s inflation rate. The slowdown in inflation rates gave Asian governments the ability to loosen monetary policy as needed to help maintain financial stability and potentially stimulate economic growth. Though inflation rates in China receded from peak levels over the period, China’s capacity to continue its economic expansion and serve as the world’s growth engine came into question due to a more recent slowdown that negatively affected investor sentiment. The growth numbers in China, however, remained healthy.

In emerging market countries, investors became risk-averse on news of potential defaults in Europe, as well as slowing growth and accounting concerns in China leading to a relatively indiscriminate correction in almost all emerging market countries. Concerns about potential overheating in emerging market economies, coupled with concerns of a potential double-dip recession in developed economies, continued to foster uncertainty about the pace and vigor of a global economic recovery.

Manager's Analysis

PowerShares S&P SmallCap Consumer Discretionary Portfolio (ticker: PSCD)

The PowerShares S&P SmallCap Consumer Discretionary Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the S&P SmallCap 600 Capped Consumer Discretionary Index® (the "Index"). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index is designed to measure the overall performance of common stocks of U.S. consumer discretionary companies. These companies are principally engaged in providing consumer goods and services that are cyclical in nature, including retail, automotive, leisure and recreation, media and real estate.

For the fiscal year ended October 31, 2011, on a share price basis, the Fund returned 9.51%. On a NAV basis, the Fund returned 9.39%. Over this same year, the Index returned 9.67%. At the industry level the fund benefitted most from exposure to specialty retail and textiles apparel/luxury goods. Only the diversified consumer services, automobile and multiline retail industries had a negative effect on the Fund.

At the single stock level, the Fund benefitted from exposure to Carter's, Inc. (2.8% of net assets at October 31, 2011), Genesco, Inc. (2.0% of net assets at October 31, 2011), and Buckle, Inc. (The) (1.7% of net assets at October 31, 2011). The Fund was hurt most from exposure to OfficeMax, Inc. (0.6% of net assets at October 31, 2011), Capella Education Co. (0.8% of net assets at October 31, 2011) and P.F. Chang's China Bistro, Inc. (1.0% of net assets at October 31, 2011).

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Retail	47.8
Apparel	16.4
Commercial Services	9.9
Leisure Time	3.9
Home Furnishings	3.7
Distribution/Wholesale	2.2
Entertainment	2.1
Home Builders	1.8
Household Products/Wares	1.7
Internet	1.4
Machinery-Diversified	1.3
Auto Parts & Equipment	1.3
Miscellaneous Manufacturing	1.2
Beverages	1.2
Media	1.1
Lodging	1.0
Toys/Games/Hobbies	0.7
Building Materials	0.7
Advertising	0.6
Other assets less liabilities	0.0

Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
Carter's, Inc.	2.8
Wolverine World Wide, Inc.	2.7
Men's Wearhouse, Inc. (The)	2.3
Crocs, Inc.	2.3
Brunswick Corp.	2.2
Jos. A. Bank Clothiers, Inc.	2.1
Coinstar, Inc.	2.1
HSN, Inc.	2.0
Genesco, Inc.	2.0
Pool Corp.	2.0
Total	22.5

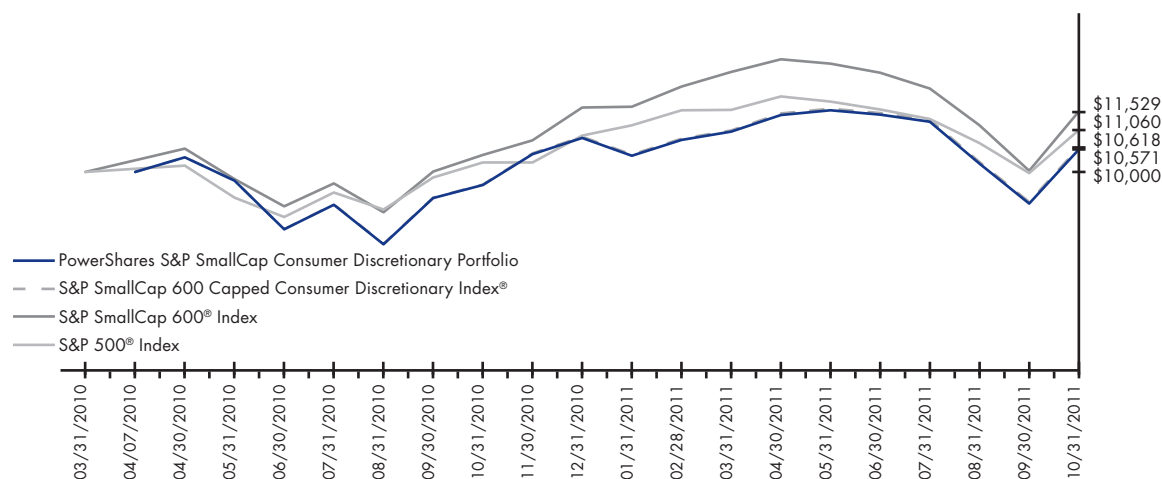
Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Growth	59.2
Small-Cap Value	40.8

Manager's Analysis (Continued)

PowerShares S&P SmallCap Consumer Discretionary Portfolio (ticker: PSCD)

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



▼ Fund Performance History (%)

As of October 31, 2011

	1 Year	Fund Inception [†]	
		Avg. Ann. ^{††}	Cumulative
Index			
S&P SmallCap 600 Capped Consumer Discretionary Index [®]	9.67%	3.90%	6.18%
S&P SmallCap 600 [®] Index	10.54%	9.40%	15.29%
S&P 500 [®] Index	8.07%	6.57%	10.60%
Fund			
Net Asset Value ("NAV") Return	9.39%	3.61%	5.71%
Share Price Return	9.51%	3.73%	5.91%

Fund Inception: April 7, 2010

Performance quoted above represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and Shares, when redeemed, may be worth more or less than their original cost. According to the Fund's current prospectus, the expense ratio of 0.29% is expressed as a unitary fee to cover operating expenses and expenses incurred in connection with managing the portfolio. NAV and Share Price returns assume that dividends and capital gain distributions have been reinvested in the Fund at NAV and Share Price, respectively. The returns shown in the table above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption or sale of Fund Shares. See invescopowershares.com to find the most recent month-end performance numbers.

Index performance results are based upon a hypothetical investment in its constituent securities. Index returns do not represent Fund returns. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in the Fund.

The S&P SmallCap 600[®] Index and S&P 500[®] Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 599 and 500 common stocks, respectively.

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

^{††} Average annualized.

Manager's Analysis

PowerShares S&P SmallCap Consumer Staples Portfolio (ticker: PSCC)

The PowerShares S&P SmallCap Consumer Staples Portfolio (the "Fund") is based on the S&P SmallCap 600 Capped Consumer Staples Index® (the "Index"). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index is designed to measure the overall performance of common stocks of U.S. consumer staples companies. These companies are principally engaged in the business of providing consumer goods and services that have non-cyclical characteristics, including tobacco, textiles, food and beverage, and nondiscretionary retail.

For the fiscal year ended October 31, 2011, on a share price basis, the Fund returned 13.55%. On a NAV basis, the Fund returned 13.53%. Over this same year, the Index returned 13.78%. At the industry level nearly all performance of the Fund came from the food products industry.

At the single stock level the Fund benefited from exposure to TreeHouse Foods, Inc. (11.2% of net assets at October 31, 2011), Hain Celestial Group, Inc. (The) (4.5% of net assets at October 31, 2011), B&G Foods, Inc. (5.3% of net assets at October 31, 2011) and Darling International, Inc. (8.3% of net assets at October 31, 2011). The Fund was hurt most by its exposure to Nash Finch Co. (1.9% of net assets at October 31, 2011), Alliance One International, Inc. (1.4% of net assets at October 31, 2011) and Medifast, Inc. (1.4% of net assets at October 31, 2011).

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Food	61.7
Household Products/Wares	10.1
Environmental Control	8.3
Retail	6.5
Agriculture	5.5
Beverages	4.6
Cosmetics/Personal Care	1.8
Commercial Services	1.4
Money Market Fund	0.1
Other assets less liabilities	0.0

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Growth	55.9
Small-Cap Value	44.1

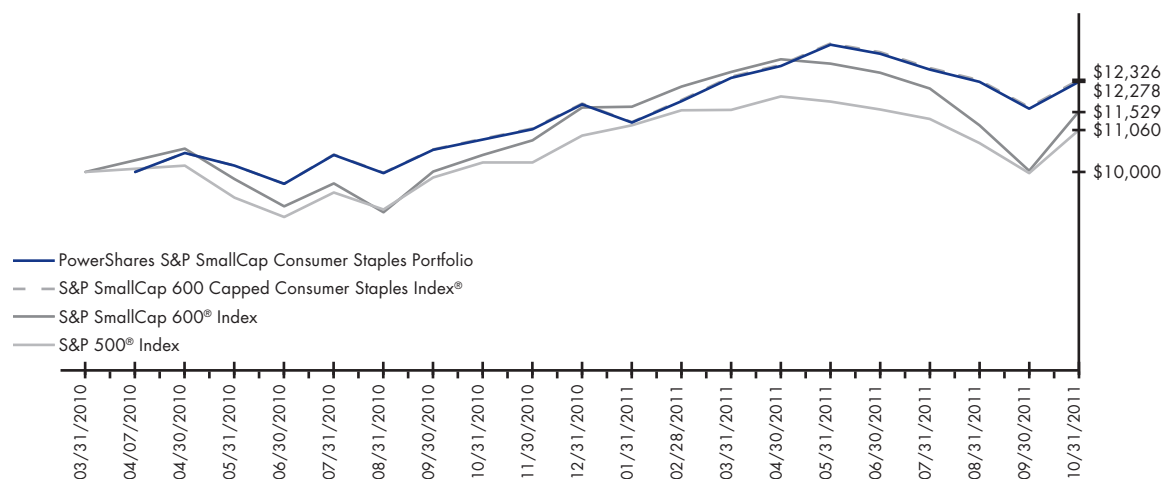
Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
TreeHouse Foods, Inc.	11.2
United Natural Foods, Inc.	9.0
Darling International, Inc.	8.3
Diamond Foods, Inc.	7.4
Casey's General Stores, Inc.	6.4
Sanderson Farms, Inc.	5.4
B&G Foods, Inc.	5.3
Boston Beer Co., Inc., Class A	4.6
Snyders-Lance, Inc.	4.5
Hain Celestial Group, Inc. (The)	4.5
Total	66.6

Manager's Analysis (Continued)

PowerShares S&P SmallCap Consumer Staples Portfolio (ticker: PSCC)

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



▼ Fund Performance History (%)

As of October 31, 2011

	1 Year	Fund Inception [†]	
		Avg. Ann. ^{††}	Cumulative
Index			
S&P SmallCap 600 Capped Consumer Staples Index [®]	13.78%	14.27%	23.26%
S&P SmallCap 600 [®] Index	10.54%	9.40%	15.29%
S&P 500 [®] Index	8.07%	6.57%	10.60%
Fund			
Net Asset Value ("NAV") Return	13.53%	13.99%	22.78%
Share Price Return	13.55%	14.06%	22.90%

Fund Inception: April 7, 2010

Performance quoted above represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and Shares, when redeemed, may be worth more or less than their original cost. According to the Fund's current prospectus, the expense ratio of 0.29% is expressed as a unitary fee to cover operating expenses and expenses incurred in connection with managing the portfolio. NAV and Share Price returns assume that dividends and capital gain distributions have been reinvested in the Fund at NAV and Share Price, respectively. The returns shown in the table above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption or sale of Fund Shares. See invescopowershares.com to find the most recent month-end performance numbers.

Index performance results are based upon a hypothetical investment in its constituent securities. Index returns do not represent Fund returns. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in the Fund.

The S&P SmallCap 600[®] Index and S&P 500[®] Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 599 and 500 common stocks, respectively.

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

^{††} Average annualized.

Manager's Analysis

PowerShares S&P SmallCap Energy Portfolio (ticker: PSCE)

The PowerShares S&P SmallCap Energy Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the S&P SmallCap 600 Capped Energy Index® (the "Index"). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index is designed to measure the overall performance of common stocks of U.S. energy companies. These companies are principally engaged in the business of producing, distributing or servicing energy related products, including oil and gas exploration and production, refining, oil services, pipeline, and solar, wind and other non-oil based energy.

For the fiscal year ended October 31, 2011, on a share price basis, the Fund returned 29.33%. On a NAV basis, the Fund returned 29.21%. Over this same year, the Index returned 29.71%. The Fund benefited equally from the only two industries it has exposure to, the energy equipment/services and oil gas/consumable fuels industries.

At the single stock level the Fund benefitted most from exposure to HollyFrontier Corp. (security not held at October 31, 2011), Oil State International, Inc. (security not held at October 31, 2011), CARBO Ceramics, Inc. (security not held at October 31, 2011), SM Energy Co. (security not held at October 31, 2011), World Fuel Services Corp. (13.9% of net assets at October 31, 2011) and ION Geophysical Corp. (5.0% of net assets at October 31, 2011). The Fund was hurt most by its exposure to Penn Virginia Corp. (1.6% of net assets at October 31, 2011) and Lufkin Industries, Inc. (8.8% of net assets at October 31, 2011)

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Oil & Gas Services	40.3
Oil & Gas	34.9
Retail	13.9
Transportation	10.8
Money Market Fund	0.1
Liabilities in excess of other assets	(0.0)

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Growth	51.8
Small-Cap Value	34.3
Mid-Cap Value	13.9

Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

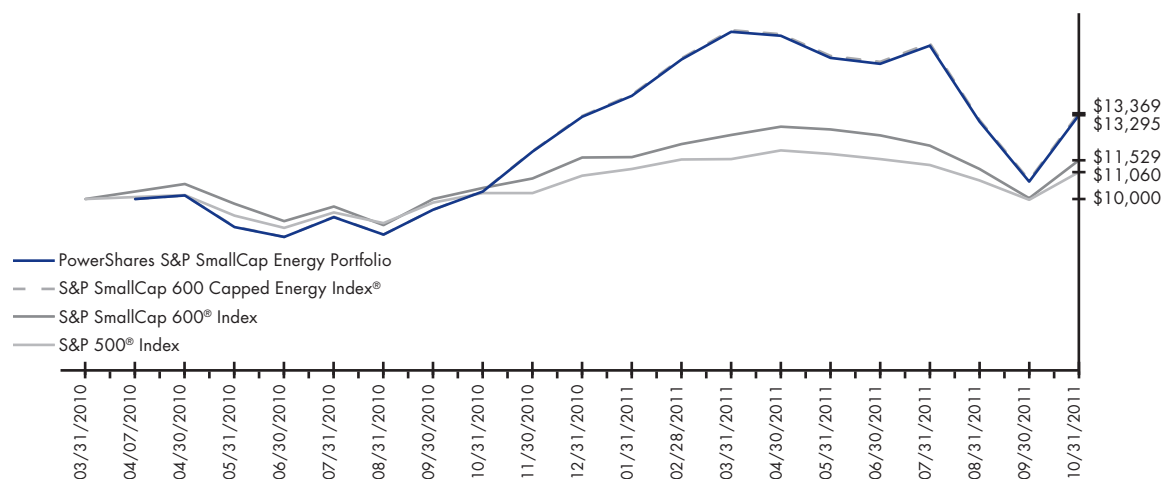
Security

World Fuel Services Corp.	13.9
SEACOR Holdings, Inc.	9.1
Bristow Group, Inc.	8.9
Lufkin Industries, Inc.	8.8
ION Geophysical Corp.	5.0
Gulfport Energy Corp.	4.8
Contango Oil & Gas Co.	4.6
Hornbeck Offshore Services, Inc.	4.4
Stone Energy Corp.	4.4
Swift Energy Co.	4.1
Total	68.0

Manager's Analysis (Continued)

PowerShares S&P SmallCap Energy Portfolio (ticker: PSCE)

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



▼ Fund Performance History (%)

As of October 31, 2011

	1 Year	Fund Inception [†]	
		Avg. Ann. ^{††}	Cumulative
Index			
S&P SmallCap 600 Capped Energy Index [®]	29.71%	20.35%	33.69%
S&P SmallCap 600 [®] Index	10.54%	9.40%	15.29%
S&P 500 [®] Index	8.07%	6.57%	10.60%
Fund			
Net Asset Value ("NAV") Return	29.21%	19.93%	32.95%
Share Price Return	29.33%	20.12%	33.28%

Fund Inception: April 7, 2010

Performance quoted above represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and Shares, when redeemed, may be worth more or less than their original cost. According to the Fund's current prospectus, the expense ratio of 0.29% is expressed as a unitary fee to cover operating expenses and expenses incurred in connection with managing the portfolio. NAV and Share Price returns assume that dividends and capital gain distributions have been reinvested in the Fund at NAV and Share Price, respectively. The returns shown in the table above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption or sale of Fund Shares. See invescopowershares.com to find the most recent month-end performance numbers.

Index performance results are based upon a hypothetical investment in its constituent securities. Index returns do not represent Fund returns. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in the Fund.

The S&P SmallCap 600[®] Index and S&P 500[®] Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 599 and 500 common stocks, respectively.

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

^{††} Average annualized.

Manager's Analysis

PowerShares S&P SmallCap Financials Portfolio (ticker: PSCF)

The PowerShares S&P SmallCap Financials Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the S&P SmallCap 600 Capped Financials Index® (the "Index"). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index is designed to measure the overall performance of common stocks of U.S. financial services companies. These companies are principally engaged in the business of providing services and products, including banking, investment services, insurance and real estate finance services.

For the fiscal year ended October 31, 2011, on a share price basis, the Fund returned 7.54%. On a NAV basis, the Fund returned 7.33%. Over this same year, the Index returned 7.65%. At the industry level, the Fund benefitted fairly equally from the commercial banks, consumer finance, real estate investment trusts and insurance industries. The Fund was negligibly hurt by exposure to the capital markets, thrifts/mortgage finance, and real estate management/development industries.

The Fund benefitted most from exposure to ProAssurance Corp. (2.5% of net assets at October 31, 2011), Extra Space Storage, Inc. (2.3% of net assets at October 31, 2011) and Post Properties, Inc. (2.3% of net assets at October 31, 2011). The Fund was hurt most from exposure to Getty Realty Corp. (0.5% of net assets at October 31, 2011), Healthcare Realty Trust, Inc. (1.6% of net assets at October 31, 2011) and Pennsylvania Real Estate Investment Trust (0.6% of net assets at October 31, 2011).

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

REITs	39.8
Banks	28.9
Insurance	12.9
Diversified Financial Services	8.3
Retail	4.5
Savings & Loans	3.9
Investment Companies	1.1
Real Estate	0.5
Money Market Fund	0.0
Other assets less liabilities	0.1

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Value	67.6
Small-Cap Growth	21.3
Mid-Cap Growth	5.4
Mid-Cap Value	5.3
Other	0.4

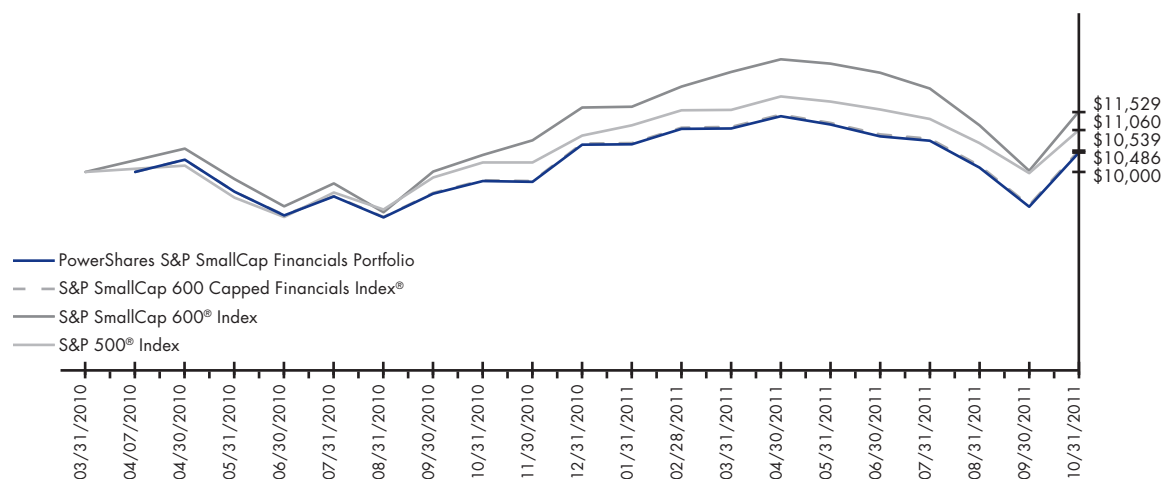
Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
Signature Bank	2.8
National Retail Properties, Inc.	2.8
Tanger Factory Outlet Centers, Inc.	2.6
BioMed Realty Trust, Inc.	2.6
ProAssurance Corp.	2.5
Mid-America Apartment Communities, Inc.	2.5
Kilroy Realty Corp.	2.3
Extra Space Storage, Inc.	2.3
Entertainment Properties Trust	2.3
Post Properties, Inc.	2.3
Total	25.0

Manager's Analysis (Continued)

PowerShares S&P SmallCap Financials Portfolio (ticker: PSCF)

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



▼ Fund Performance History (%)

As of October 31, 2011

	1 Year	Fund Inception [†]	
		Avg. Ann. ^{††}	Cumulative
Index			
S&P SmallCap 600 Capped Financials Index [®]	7.65%	3.41%	5.39%
S&P SmallCap 600 [®] Index	10.54%	9.40%	15.29%
S&P 500 [®] Index	8.07%	6.57%	10.60%
Fund			
Net Asset Value ("NAV") Return	7.33%	3.07%	4.86%
Share Price Return	7.54%	3.12%	4.93%

Fund Inception: April 7, 2010

Performance quoted above represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and Shares, when redeemed, may be worth more or less than their original cost. According to the Fund's current prospectus, the expense ratio of 0.29% is expressed as a unitary fee to cover operating expenses and expenses incurred in connection with managing the portfolio. NAV and Share Price returns assume that dividends and capital gain distributions have been reinvested in the Fund at NAV and Share Price, respectively. The returns shown in the table above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption or sale of Fund Shares. See invescopowershares.com to find the most recent month-end performance numbers.

Index performance results are based upon a hypothetical investment in its constituent securities. Index returns do not represent Fund returns. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in the Fund.

The S&P SmallCap 600[®] Index and S&P 500[®] Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 599 and 500 common stocks, respectively.

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

^{††} Average annualized.

Manager's Analysis

PowerShares S&P SmallCap Health Care Portfolio (ticker: PSCH)

The PowerShares S&P SmallCap Health Care Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the S&P SmallCap 600 Capped Health Care Index® (the "Index"). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index is designed to measure the overall performance of common stocks in the health care sector. Included are healthcare companies principally engaged in the business of providing healthcare-related products and services, including biotechnology, pharmaceuticals, medical technology and supplies, and facilities.

For the fiscal year ended October 31, 2011, on a share price basis, the Fund returned 20.67%. On a NAV basis, the Fund returned 20.51%. Over this same year, the Index returned 20.87%. At the industry level, the Fund benefited positively from its exposure to each industry but benefitted most from its exposure to the health care providers/services and biotechnology industries.

At the single stock level, the Fund benefitted most from exposure to Regeneron Pharmaceuticals, Inc. (7.4% of net assets at October 31, 2011), Healthspring, Inc. (6.5% of net assets at October 31, 2011), Questcor Pharmaceuticals, Inc. (4.5% of net assets at October 31, 2011) and AMERIGROUP Corp. (security not held at October 31, 2011). The lead detractors to the Fund were NuVasive, Inc. (1.1% of net assets at October 31, 2011), Savient Pharmaceuticals, Inc. (0.5% of net assets at October 31, 2011) and Gentiva Health Services, Inc. (0.2% of net assets at October 31, 2011).

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Healthcare-Products	28.2
Healthcare-Services	22.4
Pharmaceuticals	16.2
Biotechnology	15.1
Commercial Services	10.3
Software	4.6
Distribution/Wholesale	1.7
Electronics	1.2
Internet	0.4
Money Market Fund	0.0
Liabilities in excess of other assets	(0.1)

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Growth	45.2
Small-Cap Value	29.2
Mid-Cap Growth	19.1
Mid-Cap Value	6.5

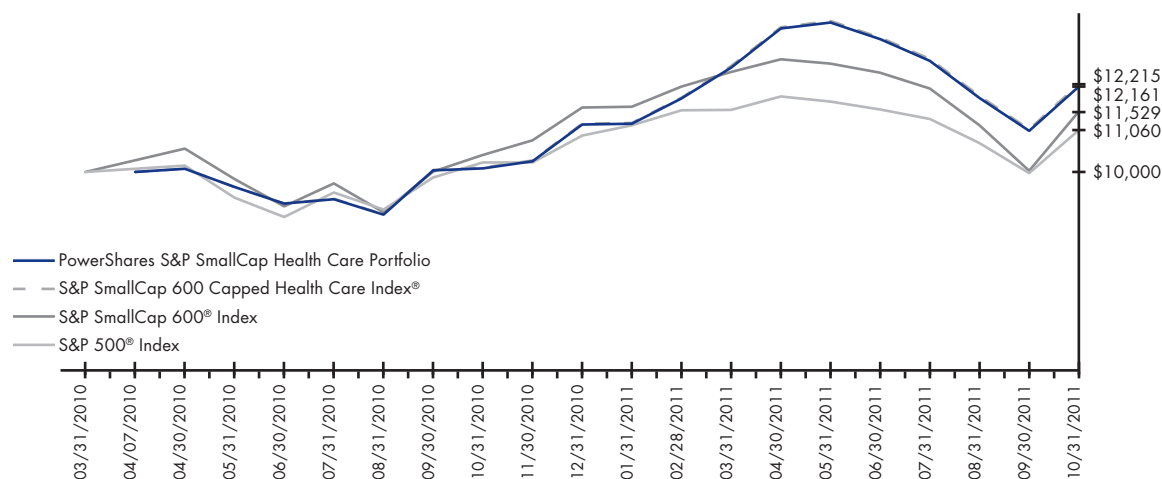
Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
Regeneron Pharmaceuticals, Inc.	7.4
Healthspring, Inc.	6.5
Questcor Pharmaceuticals, Inc.	4.5
Cubist Pharmaceuticals, Inc.	4.1
HMS Holdings Corp.	3.7
Salix Pharmaceuticals Ltd.	3.6
Centene Corp.	3.1
Align Technology, Inc.	2.8
Magellan Health Services, Inc.	2.8
Haemonetics Corp.	2.8
Total	41.3

Manager's Analysis (Continued)

PowerShares S&P SmallCap Health Care Portfolio (ticker: PSCH)

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



▼ Fund Performance History (%)

As of October 31, 2011

	1 Year	Fund Inception [†]	
		Avg. Ann. ^{††}	Cumulative
Index			
S&P SmallCap 600 Capped Health Care Index [®]	20.87%	13.62%	22.15%
S&P SmallCap 600 [®] Index	10.54%	9.40%	15.29%
S&P 500 [®] Index	8.07%	6.57%	10.60%
Fund			
Net Asset Value ("NAV") Return	20.51%	13.30%	21.61%
Share Price Return	20.67%	13.45%	21.87%

Fund Inception: April 7, 2010

Performance quoted above represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and Shares, when redeemed, may be worth more or less than their original cost. According to the Fund's current prospectus, the expense ratio of 0.29% is expressed as a unitary fee to cover operating expenses and expenses incurred in connection with managing the portfolio. NAV and Share Price returns assume that dividends and capital gain distributions have been reinvested in the Fund at NAV and Share Price, respectively. The returns shown in the table above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption or sale of Fund Shares. See invescopowershares.com to find the most recent month-end performance numbers.

Index performance results are based upon a hypothetical investment in its constituent securities. Index returns do not represent Fund returns. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in the Fund.

The S&P SmallCap 600[®] Index and S&P 500[®] Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 599 and 500 common stocks, respectively.

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

^{††} Average annualized.

Manager's Analysis

PowerShares S&P SmallCap Industrials Portfolio (ticker: PSCI)

The PowerShares S&P SmallCap Industrials Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the S&P SmallCap 600 Capped Industrials Index® (the "Index"). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index is designed to measure the overall performance of common stocks of U.S. industrial companies. These companies are principally engaged in the business of providing industrial products and services, including engineering, heavy machinery, construction, electrical equipment, aerospace and defense and general manufacturing.

For the fiscal year ended October 31, 2011, on a share price basis, the Fund returned 5.42%. On a NAV basis, the Fund returned 5.34%. Over this same year, the Index returned 5.67%. At the industry level, the Fund benefitted most from exposure to the machinery and aerospace/defense industries. The Fund was negligibly hurt by exposure to the construction/engineering, electronic equipment instruments/components, diversified consumer services and commercial services/supplies industries.

At the single stock level, the Fund benefitted from exposure to CLARCOR, Inc. (3.4% of net assets at October 31, 2011), Esterline Technologies Corp. (security not held at October 31, 2011), and Teledyne Technologies, Inc. (2.8% of net assets at October 31, 2011). The Fund was hurt most from exposure to Geo Group, Inc. (1.7% of net assets at October 31, 2011), Aegion Corp. (0.8% of net assets at October 31, 2011) and Vicor Corp. (0.3% of net assets at October 31, 2011).

▼ Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Miscellaneous Manufacturing	16.6
Aerospace/Defense	14.0
Commercial Services	11.0
Machinery-Diversified	9.4
Transportation	8.6
Electronics	5.9
Building Materials	5.6
Engineering & Construction	5.3
Metal Fabricate/Hardware	4.5
Electrical Components & Equipment	3.5
Housewares	2.3
Airlines	2.1
Distribution/Wholesale	2.0
Textiles	1.9
Environmental Control	1.9
Hand/Machine Tools	1.2
Office Furnishings	1.1
Computers	0.9
Machinery-Construction & Mining	0.9
Storage/Warehousing	0.9
Media	0.4
Household Products/Wares	0.0
Other assets less liabilities	0.0

▼ Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
CLARCOR, Inc.	3.4
Robbins & Myers, Inc.	2.9
Teledyne Technologies, Inc.	2.8
Moog, Inc., Class A	2.5
Old Dominion Freight Line, Inc.	2.4
EMCOR Group, Inc.	2.4
Toro Co. (The)	2.3
Brady Corp., Class A	2.3
Actuant Corp., Class A	2.2
Mueller Industries, Inc.	2.1
Total	25.3

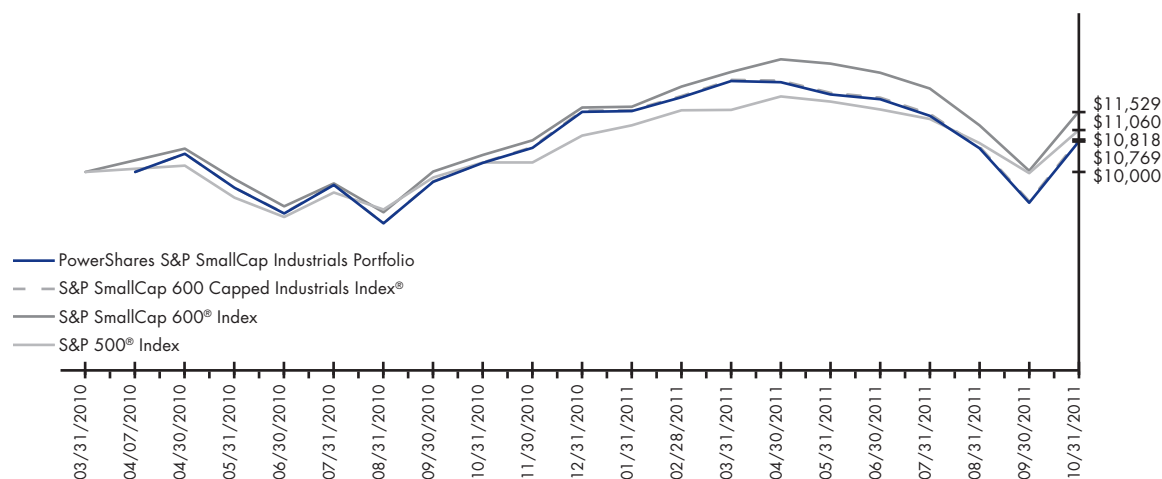
▼ Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Value	47.9
Small-Cap Growth	45.8
Mid-Cap Growth	6.3

Manager's Analysis (Continued)

PowerShares S&P SmallCap Industrials Portfolio (ticker: PSCI)

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



▼ Fund Performance History (%)

As of October 31, 2011

	1 Year	Fund Inception [†]	
		Avg. Ann. ^{††}	Cumulative
Index			
S&P SmallCap 600 Capped Industrials Index [®]	5.67%	5.15%	8.18%
S&P SmallCap 600 [®] Index	10.54%	9.40%	15.29%
S&P 500 [®] Index	8.07%	6.57%	10.60%
Fund			
Net Asset Value ("NAV") Return	5.34%	4.84%	7.69%
Share Price Return	5.42%	4.92%	7.82%

Fund Inception: April 7, 2010

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Index performance results are based upon a hypothetical investment in its constituent securities. Index returns do not represent Fund returns. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in the Fund.

The S&P SmallCap 600[®] Index and S&P 500[®] Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 599 and 500 common stocks, respectively.

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

^{††} Average annualized.

Manager's Analysis

PowerShares S&P SmallCap Information Technology Portfolio (ticker: PSCT)

The PowerShares S&P SmallCap Information Technology Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the S&P SmallCap 600 Capped Information Technology Index® (the "Index"). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index is designed to measure the overall performance of common stocks of U.S. information technology companies. These companies are principally engaged in the business of providing information technology-related products and services, including computer hardware and software, Internet, electronics and semiconductors and communication technologies.

For the fiscal year ended October 31, 2011, on a share price basis, the Fund returned 5.60%. On a NAV basis, the Fund returned 5.56%. Over this same year, the Index returned 5.87%. At the industry level, the Fund benefitted most from exposure to the software, internet software/services and electronic equipment instruments/components industries. The Fund was negligibly hurt by exposure to the communications equipment, computers/peripherals and media industries.

At the single stock level, the Fund benefitted from exposure to Cypress Semiconductor Corp. (security not held at October 31, 2011), Varian Semiconductor Equipment Associates, Inc. (security not held at October 31, 2011), and FEI Co. (1.8% of net assets at October 31, 2011). The Fund was hurt most from exposure to TriQuint Semiconductor, Inc. (1.0% of net assets at October 31, 2011), Veeco Instruments, Inc. (1.2% of net assets at October 31, 2011) and GT Advanced Technologies, Inc. (1.2% of net assets at October 31, 2011).

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Semiconductors	22.9
Software	19.2
Electronics	14.1
Telecommunications	11.5
Computers	9.9
Internet	8.8
Commercial Services	6.9
Machinery-Diversified	2.3
Distribution/Wholesale	1.8
Electrical Components & Equipment	1.7
Home Furnishings	0.5
Miscellaneous Manufacturing	0.4
Money Market Fund	0.0
Other assets less liabilities	0.0

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Growth	71.9
Small-Cap Value	28.1

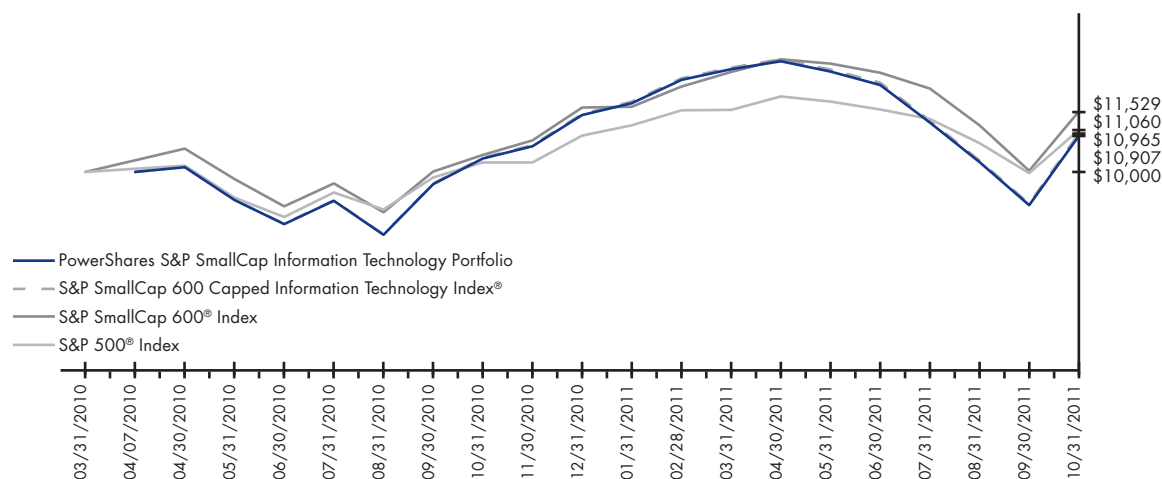
Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
CommVault Systems, Inc.	2.2
Wright Express Corp.	2.0
ViaSat, Inc.	2.0
Anixter International, Inc.	1.9
Microsemi Corp.	1.8
FEI Co.	1.8
Hittite Microwave Corp.	1.7
CACI International, Inc., Class A	1.6
Cognex Corp.	1.6
j2 Global Communications, Inc.	1.6
Total	18.2

Manager's Analysis (Continued)

PowerShares S&P SmallCap Information Technology Portfolio (ticker: PSCT)

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



▼ Fund Performance History (%)

As of October 31, 2011

	1 Year	Fund Inception [†]	
		Avg. Ann. ^{††}	Cumulative
Index			
S&P SmallCap 600 Capped Information Technology Index [®]	5.87%	6.05%	9.65%
S&P SmallCap 600 [®] Index	10.54%	9.40%	15.29%
S&P 500 [®] Index	8.07%	6.57%	10.60%
Fund			
Net Asset Value ("NAV") Return	5.56%	5.70%	9.07%
Share Price Return	5.60%	5.72%	9.12%

Fund Inception: April 7, 2010

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Index performance results are based upon a hypothetical investment in its constituent securities. Index returns do not represent Fund returns. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in the Fund.

The S&P SmallCap 600[®] Index and S&P 500[®] Index (the "Benchmark Indices") are unmanaged indices used as a measurement of change in stock market conditions based on the average performance of approximately 599 and 500 common stocks, respectively.

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

^{††} Average annualized.

Manager's Analysis

PowerShares S&P SmallCap Materials Portfolio (ticker: PSCM)

The PowerShares S&P SmallCap Materials Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the S&P SmallCap 600 Capped Materials Index® (the "Index"). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index is designed to measure the overall performance of common stocks of U.S. basic materials companies. These companies are principally engaged in the business of producing raw materials, including paper or wood products, chemicals, construction materials, and mining and metals.

For the fiscal year ended October 31, 2011, on a share price basis, the Fund returned (0.33)%. On a NAV basis, the Fund returned (0.21)%. Over this same year, the Index returned 0.11%. At the industry level, the Fund benefitted most from exposure to the paper/forest products industry and was hurt most from exposure to the semiconductors/semiconductor equipment and chemicals industries.

The fund was hurt from exposure to Kraton Performance Polymers, Inc. (2.9% of net assets at October 31, 2011), STR Holdings, Inc. (security not held at October 31, 2011), and PolyOne Corp. (4.8% of net assets at October 31, 2011). The Fund benefitted from exposure to LSB Industries, Inc. (3.0% of net assets at October 31, 2011), Balchem Corp. (4.9% of net assets at October 31, 2011), AMCOL International Corp. (3.4% of net assets at October 31, 2011), and Myers Industries, Inc. (1.9% of net assets at October 31, 2011)

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Chemicals	34.4
Forest Products & Paper	23.5
Mining	12.3
Metal Fabricate/Hardware	8.9
Building Materials	8.1
Miscellaneous Manufacturing	8.1
Environmental Control	4.2
Energy-Alternate Sources	0.5
Liabilities in excess of other assets	(0.0)

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Value	59.4
Small-Cap Growth	40.6

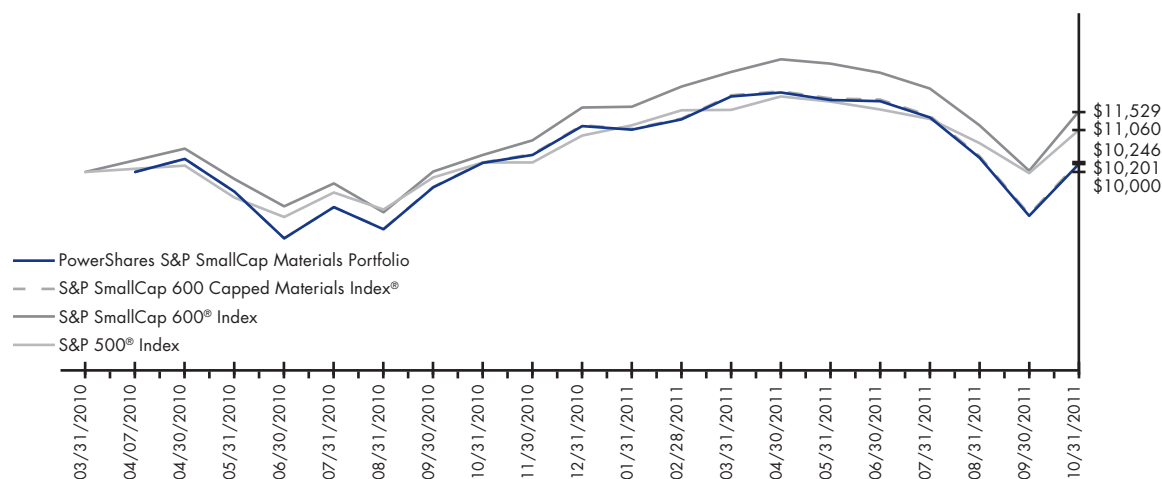
Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
Buckeye Technologies, Inc.	5.5
Schweitzer-Mauduit International, Inc.	5.2
Balchem Corp.	4.9
H.B. Fuller Co.	4.9
PolyOne Corp.	4.8
OM Group, Inc.	4.3
Eagle Materials, Inc.	4.3
Calgon Carbon Corp.	4.2
Texas Industries, Inc.	3.9
RTI International Metals, Inc.	3.7
Total	45.7

Manager's Analysis (Continued)

PowerShares S&P SmallCap Materials Portfolio (ticker: PSCM)

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



▼ Fund Performance History (%)

As of October 31, 2011

	1 Year	Fund Inception [†]	
		Avg. Ann. ^{††}	Cumulative
Index			
S&P SmallCap 600 Capped Materials Index [®]	0.11%	1.57%	2.46%
S&P SmallCap 600 [®] Index	10.54%	9.40%	15.29%
S&P 500 [®] Index	8.07%	6.57%	10.60%
Fund			
Net Asset Value ("NAV") Return	(0.21)%	1.28%	2.01%
Share Price Return	(0.33)%	1.20%	1.89%

Fund Inception: April 7, 2010

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

^{††} Average annualized.

Manager's Analysis

PowerShares S&P SmallCap Utilities Portfolio (ticker: PSCU)

The PowerShares S&P SmallCap Utilities Portfolio (the "Fund") seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of the S&P SmallCap 600 Capped Utilities & Telecom Services Index® ("Index"). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index. The Index is designed to measure the overall performance of common stocks of U.S. utilities and telecommunication services companies. These companies are principally engaged in providing either energy, water or natural gas utilities, as well as services designed to promote or enhance the transmission of voice, data and video over various communications media, including wireline, wireless (terrestrial-based), satellite and cable.

For the fiscal year ended October 31, 2011, on a share price basis, the Fund returned 12.77%. On a NAV basis, the Fund returned 12.76%. Over this same year, the Index returned 13.10%. At the industry level, the Fund benefitted most from exposure to the gas utilities, electric utilities and multi-utilities industries. The Fund was hurt by exposure to the diversified telecommunication services industry.

At the single stock level, the Fund benefitted from exposure to New Jersey Resources Corp. (8.4% of net assets at October 31, 2011), UIL Holdings Corp. (7.4% of net assets at October 31, 2011) and Piedmont Natural Gas Co., Inc. (10.2% of net assets at October 31, 2011). The Fund was hurt most from exposure to Cbeyond, Inc. (1.5% of net assets at October 31, 2011), Neutral Tandem, Inc. (2.0% of net assets at October 31, 2011) and Atlantic Tele-Network, Inc. (2.1% of net assets at October 31, 2011).

Industry Breakdown (% of the Fund's Net Assets) as of October 31, 2011

Gas	42.6
Electric	36.9
Telecommunications	16.5
Water	3.9
Money Market Fund	0.0
Other assets less liabilities	0.1

Style Allocation (% of the Fund's Total Investments) as of October 31, 2011

Small-Cap Value	96.5
Small-Cap Growth	3.5

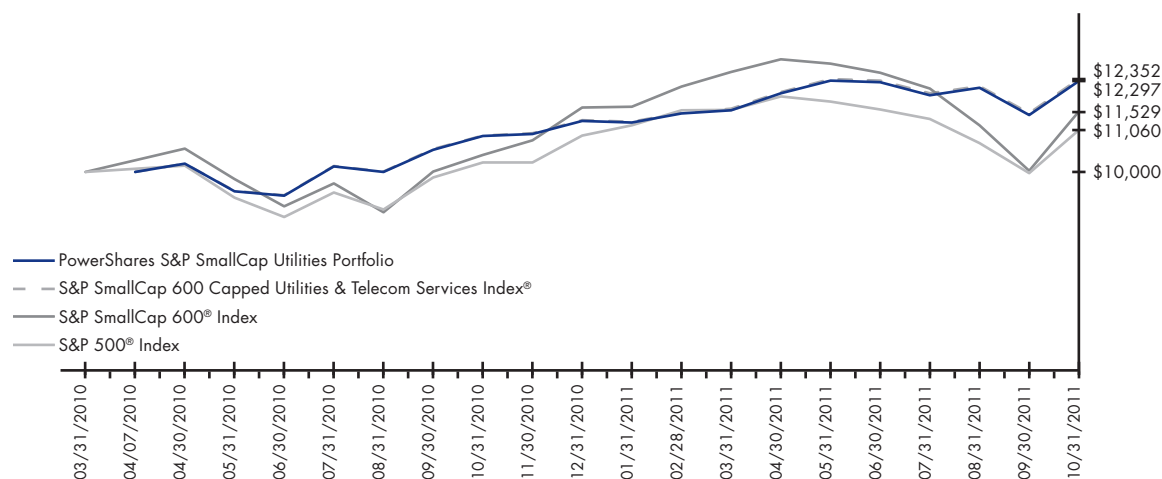
Top Ten Fund Holdings (% of the Fund's Net Assets) as of October 31, 2011

Security	
Piedmont Natural Gas Co., Inc.	10.2
New Jersey Resources Corp.	8.4
Southwest Gas Corp.	7.8
UIL Holdings Corp.	7.4
South Jersey Industries, Inc.	7.3
NorthWestern Corp.	4.6
ALLETE, Inc.	4.5
Avista Corp.	4.5
Laclede Group, Inc. (The)	4.5
Northwest Natural Gas Co.	4.5
Total	63.7

Manager's Analysis (Continued)

PowerShares S&P SmallCap Utilities Portfolio (ticker: PSCU)

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



▼ Fund Performance History (%)

As of October 31, 2011

	1 Year	Fund Inception [†]	
		Avg. Ann. ^{††}	Cumulative
Index			
S&P SmallCap 600 Capped Utilities & Telecom Services Index [®]	13.10%	14.43%	23.52%
S&P SmallCap 600 [®] Index	10.54%	9.40%	15.29%
S&P 500 [®] Index	8.07%	6.57%	10.60%
Fund			
Net Asset Value ("NAV") Return	12.76%	14.10%	22.97%
Share Price Return	12.77%	14.08%	22.93%

Fund Inception: April 7, 2010

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

^{††} Average annualized.

Frequency Distribution of Discounts & Premiums

Since Inception through October 31, 2011

Ticker	Fund Name	Inception	Trading Days	Closing Price Above NAV (bps)					
				0-24	25-49	50-99	100-149	150-199	200+
PSCD	PowerShares S&P SmallCap Consumer Discretionary Portfolio	4/7/10	398	190	4	0	0	0	0
PSCC	PowerShares S&P SmallCap Consumer Staples Portfolio	4/7/10	398	173	2	0	0	0	0
PSCE	PowerShares S&P SmallCap Energy Portfolio	4/7/10	398	185	2	0	0	0	0
PSCF	PowerShares S&P SmallCap Financials Portfolio	4/7/10	398	176	8	1	0	0	0
PSCH	PowerShares S&P SmallCap Health Care Portfolio	4/7/10	398	202	6	1	0	0	0
PSCI	PowerShares S&P SmallCap Industrials Portfolio	4/7/10	398	178	1	0	0	0	0
P SCT	PowerShares S&P SmallCap Information Technology Portfolio	4/7/10	398	194	3	1	0	0	0
PSCM	PowerShares S&P SmallCap Materials Portfolio	4/7/10	398	132	2	1	0	0	0
PSCU	PowerShares S&P SmallCap Utilities Portfolio	4/7/10	398	186	3	0	0	0	0

Closing Price Below NAV (bps)					
-0-24	-25-49	-50-99	-100-149	-150-199	-200+
201	2	1	0	0	0
220	3	0	0	0	0
207	3	0	1	0	0
204	8	0	0	0	1
186	2	1	0	0	0
215	4	0	0	0	0
194	5	1	0	0	0
251	10	2	0	0	0
207	2	0	0	0	0

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 October 31, 2011.

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 the Six-Month Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

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

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

	Beginning Account Value May 1, 2011	Ending Account Value October 31, 2011	Annualized Expense Ratio Based on the Number of Days in the Period	Expenses Paid During the Six-Month Period ⁽¹⁾
PowerShares S&P SmallCap Consumer Discretionary Portfolio (PSCD)				
Actual	\$1,000.00	\$924.31	0.29%	\$1.41
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.74	0.29%	\$1.48
PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC)				
Actual	\$1,000.00	\$968.76	0.29%	\$1.44
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.74	0.29%	\$1.48
PowerShares S&P SmallCap Energy Portfolio (PSCE)				
Actual	\$1,000.00	\$809.22	0.29%	\$1.32
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.74	0.29%	\$1.48

Fees and Expenses (Continued)

	Beginning Account Value May 1, 2011	Ending Account Value October 31, 2011	Annualized Expense Ratio Based on the Number of Days in the Period	Expenses Paid During the Six-Month Period ⁽¹⁾
PowerShares S&P SmallCap Financials Portfolio (PSCF)				
Actual	\$1,000.00	\$919.42	0.29%	\$1.40
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.74	0.29%	\$1.48
PowerShares S&P SmallCap Health Care Portfolio (PSCH)				
Actual	\$1,000.00	\$892.61	0.29%	\$1.38
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.74	0.29%	\$1.48
PowerShares S&P SmallCap Industrials Portfolio (PSCI)				
Actual	\$1,000.00	\$877.61	0.29%	\$1.37
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.74	0.29%	\$1.48
PowerShares S&P SmallCap Information Technology Portfolio (PSCT)				
Actual	\$1,000.00	\$852.24	0.29%	\$1.35
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.74	0.29%	\$1.48
PowerShares S&P SmallCap Materials Portfolio (PSCM)				
Actual	\$1,000.00	\$849.37	0.32%	\$1.49
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.59	0.32%	\$1.63
PowerShares S&P SmallCap Utilities Portfolio (PSCU)				
Actual	\$1,000.00	\$1,026.13	0.29%	\$1.48
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.74	0.29%	\$1.48

⁽¹⁾ Expenses are calculated using the annualized expense ratio, which represents the ongoing expenses as a percentage of net assets for the six-month period ended October 31, 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 184/365. Expense ratios for the most recent six-month period may differ from expenses ratios based on annualized data in the Financial Highlights.

Schedule of Investments

PowerShares S&P SmallCap Consumer Discretionary Portfolio (PSCD)

October 31, 2011

Number of Shares		Value	Number of Shares		Value
Common Stocks—100.0%			Common Stocks (Continued)		
<i>Advertising—0.6%</i>			<i>Home Builders—1.8%</i>		
27,304	Harte-Hanks, Inc.	\$ 239,729	11,624	M/I Homes, Inc.*	\$ 86,832
			17,315	Meritage Homes Corp.*	307,341
	<i>Apparel—16.4%</i>		4,274	Skyline Corp.	28,892
31,381	Carter's, Inc.*	1,195,302	62,619	Standard Pacific Corp.*	190,362
55,575	Crocs, Inc.*	982,010	18,094	Winnebago Industries, Inc.*	147,285
45,466	Iconix Brand Group, Inc.*	816,115			<u>760,712</u>
17,011	K-Swiss, Inc., Class A*	76,550		<i>Home Furnishings—3.7%</i>	
14,597	Maidenform Brands, Inc.*	358,794	11,661	Audiovox Corp., Class A*	82,910
8,604	Oxford Industries, Inc.	339,858	16,098	Ethan Allen Interiors, Inc.	318,741
8,029	Perry Ellis International, Inc.*	201,528	32,339	La-Z-Boy, Inc.*	328,564
76,813	Quiksilver, Inc.*	257,324	34,782	Select Comfort Corp.*	722,422
22,932	Skechers U.S.A., Inc., Class A*	327,010	9,292	Universal Electronics, Inc.*	172,738
23,654	Steven Madden Ltd.*	872,833			<u>1,625,375</u>
15,996	True Religion Apparel, Inc.*	542,584		<i>Household Products/Wares—1.7%</i>	
30,617	Wolverine World Wide, Inc.	1,161,303	3,229	Blyth, Inc.	180,275
		<u>7,131,211</u>	19,196	Helen of Troy Ltd.*	555,340
	<i>Auto Parts & Equipment—1.3%</i>				<u>735,615</u>
20,750	Spartan Motors, Inc.	101,675		<i>Internet—1.4%</i>	
12,230	Standard Motor Products, Inc.	190,177		Blue Nile, Inc.*	399,897
14,677	Superior Industries International, Inc.	268,442	8,861	Nutrisystem, Inc.	214,347
		<u>560,294</u>	17,342		<u>614,244</u>
	<i>Beverages—1.2%</i>			<i>Leisure Time—3.9%</i>	
8,020	Peet's Coffee & Tea, Inc.*	511,035	7,567	Arctic Cat, Inc.*	153,686
			55,336	Brunswick Corp.	977,234
	<i>Building Materials—0.7%</i>		40,145	Callaway Golf Co.	233,242
11,800	Drew Industries, Inc.	283,554	25,409	Interval Leisure Group, Inc.*	350,898
					<u>1,715,060</u>
	<i>Commercial Services—9.9%</i>			<i>Lodging—1.0%</i>	
11,078	American Public Education, Inc.*	396,703		Boyd Gaming Corp.*	218,830
16,909	Arbitron, Inc.	671,795	33,770	Marcus Corp.	149,906
9,446	Capella Education Co.*	328,815	12,576	Monarch Casino & Resort, Inc.*	73,244
52,671	Corinthian Colleges, Inc.*	100,602	7,118		<u>441,980</u>
38,952	Hillenbrand, Inc.	822,277		<i>Machinery-Diversified—1.3%</i>	
14,052	Lincoln Educational Services Corp.	131,386	16,684	iRobot Corp.*	564,920
91,654	Live Nation Entertainment, Inc.*	860,631		<i>Media—1.1%</i>	
8,954	Midas, Inc.*	81,660	17,048	DG Fastchannel, Inc.*	317,775
18,982	Monro Muffler Brake, Inc.	704,042	20,296	E.W. Scripps Co. (The), Class A*	169,268
13,284	Universal Technical Institute, Inc.*	189,696			<u>487,043</u>
		<u>4,287,607</u>		<i>Miscellaneous Manufacturing—1.2%</i>	
	<i>Distribution/Wholesale—2.2%</i>		10,814	Movado Group, Inc.	180,918
30,004	Pool Corp.	876,717	11,747	Sturm Ruger & Co., Inc.	356,169
10,028	School Specialty, Inc.*	76,714			<u>537,087</u>
		<u>953,431</u>			
	<i>Entertainment—2.1%</i>				
16,525	Multimedia Games Holding Co., Inc.*	109,230			
38,543	Pinnacle Entertainment, Inc.*	436,307			
33,643	Shuffle Master, Inc.*	356,952			
		<u>902,489</u>			

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares S&P SmallCap Consumer Discretionary Portfolio (PSCD)

October 31, 2011

Number of Shares		Value	Number of Shares		Value
Common Stocks (Continued)			Common Stocks (Continued)		
	<i>Retail—47.8%</i>			<i>Toys/Games/Hobbies—0.7%</i>	
13,665	Big 5 Sporting Goods Corp.	\$ 105,630	16,896	JAKKS Pacific, Inc.	\$ 320,517
890	Biglari Holdings, Inc.*	307,157		Total Investments	
14,970	BJ's Restaurants, Inc.*	792,362		(Cost \$43,738,247)—100.0%	43,440,943
26,073	Brown Shoe Co., Inc.	232,310		Other assets less liabilities—0.0%	9,406
16,767	Buckle, Inc. (The)	747,138		Net Assets—100.0%	\$43,450,349
11,401	Buffalo Wild Wings, Inc.*	754,974			
26,761	Cabela's, Inc.*	666,884			
18,295	Cato Corp. (The), Class A	468,901		Notes to Schedule of Investments:	
12,056	CEC Entertainment, Inc.	381,211		* Non-income producing security.	
15,643	Children's Place Retail Stores, Inc. (The)*	734,439			
22,241	Christopher & Banks Corp.	74,063			
19,094	Coinstar, Inc.*	911,548			
54,051	Coldwater Creek, Inc.*	56,754			
14,273	Cracker Barrel Old Country Store, Inc.	605,032			
9,914	DineEquity, Inc.*	465,561			
33,429	Finish Line, Inc. (The), Class A	671,923			
23,944	Fred's, Inc., Class A	291,877			
15,022	Genesco, Inc.*	885,397			
14,687	Group 1 Automotive, Inc.	669,140			
11,862	Haverty Furniture Cos., Inc.	137,836			
16,664	Hibbett Sports, Inc.*	686,390			
27,901	Hot Topic, Inc.	210,932			
24,837	HSN, Inc.	885,936			
28,815	Jack in the Box, Inc.*	593,013			
17,287	Jos. A. Bank Clothiers, Inc.*	923,817			
10,559	Kirkland's, Inc.*	118,683			
13,671	Lithia Motors, Inc., Class A	281,212			
58,766	Liz Claiborne, Inc.*	470,716			
17,242	Lumber Liquidators Holdings, Inc.*	258,113			
14,458	MarineMax, Inc.*	117,688			
31,801	Men's Wearhouse, Inc. (The)	982,015			
11,559	O'Charley's, Inc.*	71,781			
53,427	OfficeMax, Inc.*	273,546			
13,878	P.F. Chang's China Bistro, Inc.	431,606			
11,949	Papa John's International, Inc.*	403,398			
32,723	Pep Boys—Manny, Moe & Jack (The)	376,314			
13,050	PetMed Express, Inc.	130,109			
7,165	Red Robin Gourmet Burgers, Inc.*	179,627			
39,197	Ruby Tuesday, Inc.*	328,863			
9,725	Rue21, Inc.*	259,074			
21,782	Ruth's Hospitality Group, Inc.*	102,811			
21,744	Sonic Automotive, Inc., Class A	318,984			
38,475	Sonic Corp.*	285,100			
19,327	Stage Stores, Inc.	302,081			
17,009	Stein Mart, Inc.	123,315			
38,165	Texas Roadhouse, Inc.	546,904			
26,825	Tuesday Morning Corp.*	97,107			
18,094	Vitamin Shoppe, Inc.*	682,325			
16,180	Zale Corp.*	59,704			
13,527	Zumiez, Inc.*	307,739			
		<u>20,769,040</u>			

See Notes to Financial Statements.

Schedule of Investments

PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC)

October 31, 2011

Number of Shares		Value
	Common Stocks—99.9%	
	<i>Agriculture—5.5%</i>	
64,825	Alliance One International, Inc.*	\$ 173,083
13,805	Andersons, Inc. (The)	509,680
		<u>682,763</u>
	<i>Beverages—4.6%</i>	
6,444	Boston Beer Co., Inc., Class A*	570,165
	<i>Commercial Services—1.4%</i>	
10,236	Medifast, Inc.*	168,280
	<i>Cosmetics/Personal Care—1.8%</i>	
12,050	Inter Parfums, Inc.	222,202
	<i>Environmental Control—8.3%</i>	
73,344	Darling International, Inc.*	1,028,283
	<i>Food—61.7%</i>	
30,557	B&G Foods, Inc.	648,420
9,319	Calavo Growers, Inc.	210,330
10,660	Cal-Maine Foods, Inc.	355,191
13,800	Diamond Foods, Inc.	907,350
16,477	Hain Celestial Group, Inc. (The)*	552,968
10,681	J & J Snack Foods Corp.	550,819
9,036	Nash Finch Co.	237,828
13,342	Sanderson Farms, Inc.	660,429
6,814	Seneca Foods Corp., Class A*	143,435
26,185	Snyders-Lance, Inc.	555,646
17,027	Spartan Stores, Inc.	291,502
22,483	TreeHouse Foods, Inc.*	1,379,107
30,383	United Natural Foods, Inc.*	1,109,283
		<u>7,602,308</u>
	<i>Household Products/Wares—10.1%</i>	
35,014	Central Garden & Pet Co., Class A*	307,773
37,527	Prestige Brands Holdings, Inc.*	397,036
12,328	WD-40 Co.	542,678
		<u>1,247,487</u>
	<i>Retail—6.5%</i>	
16,043	Casey's General Stores, Inc.	794,931
	Total Common Stocks (Cost \$12,784,993)	<u>12,316,419</u>
	Money Market Fund—0.1%	
6,482	Goldman Sachs Financial Square Prime Obligations—Institutional Share Class (Cost \$6,482)	6,482
	Total Investments (Cost \$12,791,475)—100.0%	12,322,901
	Other assets less liabilities—0.0%	731
	Net Assets—100.0%	<u>\$12,323,632</u>

Notes to Schedule of Investments:

* Non-income producing security.

See Notes to Financial Statements.

Schedule of Investments

PowerShares S&P SmallCap Energy Portfolio (PSCE)

October 31, 2011

Number of Shares		Value
	Common Stocks—99.9%	
	<i>Oil & Gas—34.9%</i>	
75,594	Approach Resources, Inc.*	\$ 1,845,250
40,583	Contango Oil & Gas Co.*	2,611,110
64,395	GeoResources, Inc.*	1,709,043
88,082	Gulfport Energy Corp.*	2,742,873
148,141	Penn Virginia Corp.	902,179
76,470	Petroleum Development Corp.*	1,996,632
182,125	PetroQuest Energy, Inc.*	1,327,691
199,774	Pioneer Drilling Co.*	1,975,765
103,347	Stone Energy Corp.*	2,510,299
75,861	Swift Energy Co.*	2,322,864
		<u>19,943,706</u>
	<i>Oil & Gas Services—40.3%</i>	
94,893	Basic Energy Services, Inc.*	1,740,338
46,521	Gulf Island Fabrication, Inc.	1,295,610
76,769	Hornbeck Offshore Services, Inc.*	2,521,094
377,315	ION Geophysical Corp.*	2,875,140
85,298	Lufkin Industries, Inc.	5,040,259
85,905	Matrix Service Co.*	912,311
15,012	OYO Geospace Corp.*	1,179,643
60,734	SEACOR Holdings, Inc.	5,171,500
243,211	TETRA Technologies, Inc.*	2,310,504
		<u>23,046,399</u>
	<i>Retail—13.9%</i>	
199,159	World Fuel Services Corp.	<u>7,936,486</u>
	<i>Transportation—10.8%</i>	
102,370	Bristow Group, Inc.	5,095,979
84,895	Overseas Shipholding Group, Inc.	1,059,489
		<u>6,155,468</u>
	Total Common Stocks (Cost \$71,317,754)	<u>57,082,059</u>
	Money Market Fund—0.1%	
37,567	Goldman Sachs Financial Square Prime Obligations—Institutional Share Class (Cost \$37,567)	<u>37,567</u>
	Total Investments (Cost \$71,355,321)—100.0%	57,119,626
	Liabilities in excess of other assets—(0.0%)	<u>(13,388)</u>
	Net Assets—100.0%	<u><u>\$57,106,238</u></u>

Notes to Schedule of Investments:

* Non-income producing security.

See Notes to Financial Statements.

Schedule of Investments

PowerShares S&P SmallCap Financials Portfolio (PSCF)

October 31, 2011

Number of Shares		Value	Number of Shares		Value
Common Stocks and Other Equity Interests—99.9%			Common Stocks and Other Equity Interests (Continued)		
<i>Banks—28.9%</i>					
18,682	Bank of the Ozarks, Inc.	\$ 464,621	19,253	SWS Group, Inc.	\$ 106,084
51,300	Boston Private Financial Holdings, Inc.	388,854	9,846	World Acceptance Corp.*	666,082
9,917	City Holding Co.	325,873			<u>4,993,900</u>
25,967	Columbia Banking System, Inc.	495,191	<i>Insurance—12.9%</i>		
24,199	Community Bank System, Inc.	618,526	12,110	AMERISAFE, Inc.*	260,971
83,510	F.N.B. Corp.	842,616	36,170	Delphi Financial Group, Inc., Class A	957,782
13,428	First BanCorp*	47,804	14,074	eHealth, Inc.*	208,999
68,969	First Commonwealth Financial Corp.	317,947	24,887	Employers Holdings, Inc.	403,667
38,301	First Financial Bancorp	628,136	26,244	Horace Mann Educators Corp.	352,982
20,677	First Financial Bancshares, Inc.	656,702	8,036	Infinity Property & Casualty Corp.	465,767
48,963	First Midwest Bancorp, Inc.	441,157	34,762	Meadowbrook Insurance Group, Inc.	360,134
47,279	Glacier Bancorp, Inc.	536,617	7,564	Navigators Group, Inc. (The)*	345,070
99,442	Hanmi Financial Corp.*	99,442	13,999	Presidential Life Corp.	138,870
14,804	Home Bancshares, Inc.	347,154	20,046	ProAssurance Corp.	1,534,521
14,112	Independent Bank Corp.	365,783	10,944	RLI Corp.	769,801
30,038	Nara Bancorp, Inc.*	254,722	9,985	Safety Insurance Group, Inc.	425,561
80,773	National Penn Bancshares, Inc.	630,029	35,610	Selective Insurance Group, Inc.	570,828
22,086	NBT Bancorp, Inc.	475,291	12,686	Stewart Information Services Corp.	127,367
62,293	Old National Bancorp	720,730	27,104	Tower Group, Inc.	643,178
22,041	PacWest Bancorp	388,803	13,782	United Fire & Casualty Co.	259,239
22,443	Pinnacle Financial Partners, Inc.*	336,869			<u>7,824,737</u>
39,182	PrivateBancorp, Inc.	427,084	<i>Investment Companies—1.1%</i>		
18,461	S&T Bancorp, Inc.	344,667	71,868	Prospect Capital Corp.	687,777
30,193	Signature Bank*	1,683,260	<i>Real Estate—0.5%</i>		
11,406	Simmons First National Corp., Class A	296,100	<i>Forestar Group, Inc.*</i>		
20,331	Sterling Bancorp	167,731	23,334		<u>303,342</u>
103,101	Susquehanna Bancshares, Inc.	748,513	<i>REITs—39.8%</i>		
24,543	Texas Capital Bancshares, Inc.*	687,204	25,614	Acadia Realty Trust	530,722
5,269	Tompkins Financial Corp.	207,757	86,007	BioMed Realty Trust, Inc.	1,557,587
61,242	TrustCo Bank Corp. NY	303,760	36,663	Cedar Shopping Centers, Inc.	134,553
21,291	UMB Financial Corp.	784,999	57,332	Colonial Properties Trust	1,162,693
75,301	Umpqua Holdings Corp.	862,196	110,045	DiamondRock Hospitality Co.	995,907
29,699	United Bankshares, Inc.	705,054	17,638	EastGroup Properties, Inc.	769,193
12,471	United Community Banks, Inc.*	92,161	30,676	Entertainment Properties Trust	1,374,285
39,370	Wilshire Bancorp, Inc.*	134,645	61,740	Extra Space Storage, Inc.	1,391,002
23,363	Wintrust Financial Corp.	674,723	46,579	Franklin Street Properties Corp.	591,553
		<u>17,502,721</u>	17,783	Getty Realty Corp.	283,461
			51,167	Healthcare Realty Trust, Inc.	966,545
13,232	Calamos Asset Management, Inc., Class A	165,268	50,823	Inland Real Estate Corp.	381,172
9,806	Encore Capital Group, Inc.*	265,645	38,292	Kilroy Realty Corp.	1,404,933
25,530	Financial Engines, Inc.*	579,786	41,803	Kite Realty Group Trust	172,646
25,463	Interactive Brokers Group, Inc., Class A	391,621	55,937	LaSalle Hotel Properties	1,337,454
26,961	Investment Technology Group, Inc.*	307,625	90,298	Lexington Realty Trust	709,742
28,135	National Financial Partners Corp.*	384,605	19,947	LTC Properties, Inc.	565,697
10,232	Piper Jaffray Cos.*	212,416	73,439	Medical Properties Trust, Inc.	741,734
11,252	Portfolio Recovery Associates, Inc.*	789,215	24,334	Mid-America Apartment Communities, Inc.	1,518,442
35,317	Stifel Financial Corp.*	1,125,553	61,727	National Retail Properties, Inc.	1,682,061
			14,542	Parkway Properties, Inc.	186,865
			36,610	Pennsylvania Real Estate Investment Trust	375,619

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares S&P SmallCap Financials Portfolio (PSCF)

October 31, 2011

Number of Shares		Value
	Common Stocks and Other Equity Interests (Continued)	
33,182	Post Properties, Inc.	\$ 1,363,116
12,512	PS Business Parks, Inc.	666,014
7,593	Saul Centers, Inc.	272,133
18,213	Sovran Self Storage, Inc.	805,015
56,300	Tanger Factory Outlet Centers, Inc.	1,585,408
8,306	Universal Health Realty Income Trust	315,379
15,158	Urstadt Biddle Properties, Inc., Class A	270,419
		<u>24,111,350</u>
	<i>Retail—4.5%</i>	
19,279	Cash America International, Inc.	1,055,525
28,565	EZCORP, Inc., Class A*	793,536
20,276	First Cash Financial Services, Inc.*	841,454
		<u>2,690,515</u>
	<i>Savings & Loans—3.9%</i>	
30,392	Bank Mutual Corp.	101,205
38,922	Brookline Bancorp, Inc.	325,388
18,407	Dime Community Bancshares	219,411
67,899	Northwest Bancshares, Inc.	846,700
33,585	Oritani Financial Corp.	435,262
35,376	Provident Financial Services, Inc.	458,119
		<u>2,386,085</u>
	Total Common Stocks and Other Equity Interests	
	(Cost \$55,783,036)	<u>60,500,427</u>
	Rights—0.0%	
	<i>Banks—0.0%</i>	
14,364	First BanCorp, expiring 11/29/11* (Cost \$0)	<u>431</u>
	Money Market Fund—0.0%	
10,180	Goldman Sachs Financial Square Prime Obligations—Institutional Share Class (Cost \$10,180)	<u>10,180</u>
	Total Investments	
	(Cost \$55,793,216)—99.9%	60,511,038
	Other assets less liabilities—0.1%	45,562
	Net Assets—100.0%	<u><u>\$60,556,600</u></u>

Investment Abbreviations:

REIT—Real Estate Investment Trust

Notes to Schedule of Investments:

* Non-income producing security.

See Notes to Financial Statements.

Schedule of Investments

PowerShares S&P SmallCap Health Care Portfolio (PSCH)

October 31, 2011

Number of Shares	Value	Number of Shares	Value		
Common Stocks—100.1%		Common Stocks (Continued)			
<i>Biotechnology—15.1%</i>		<i>Healthcare-Services—22.4%</i>			
101,496	ArQule, Inc.*	\$ 589,692	21,321	Air Methods Corp.*	\$ 1,723,163
55,600	Cambrex Corp.*	306,356	15,574	Almost Family, Inc.*	290,300
115,430	Cubist Pharmaceuticals, Inc.*	4,364,408	55,274	Amedisys, Inc.*	725,748
46,731	Emergent Biosolutions, Inc.*	881,347	59,110	AmSurg Corp.*	1,497,256
63,422	Enzo Biochem, Inc.*	181,387	46,993	Bio-Reference Labs, Inc.*	941,740
102,035	Medicines Co. (The)*	1,910,095	95,047	Centene Corp.*	3,340,902
141,937	Regeneron Pharmaceuticals, Inc.*	7,849,116	30,911	Ensign Group, Inc. (The)	703,534
		<u>16,082,401</u>	57,822	Gentiva Health Services, Inc.*	239,383
			128,271	Healthspring, Inc.*	6,918,938
	<i>Commercial Services—10.3%</i>		63,669	Healthways, Inc.*	455,870
76,288	AMN Healthcare Services, Inc.*	361,605	31,025	IPC The Hospitalist Co., Inc.*	1,300,878
40,436	Chemed Corp.	2,400,281	98,447	Kindred Healthcare, Inc.*	1,146,908
12,218	CorVel Corp.*	630,082	29,815	LHC Group, Inc.*	467,797
58,988	Cross Country Healthcare, Inc.*	294,940	57,658	Magellan Health Services, Inc.*	2,967,657
160,072	HMS Holdings Corp.*	3,912,160	53,954	Molina Healthcare, Inc.*	1,142,746
17,799	Landauer, Inc.	912,199			<u>23,862,820</u>
111,412	PAREXEL International Corp.*	2,454,406			
		<u>10,965,673</u>		<i>Internet—0.4%</i>	
			82,773	eResearchTechnology, Inc.*	422,970
	<i>Distribution/Wholesale—1.7%</i>				
23,733	MWI Veterinary Supply, Inc.*	1,791,841		<i>Pharmaceuticals—16.2%</i>	
			19,251	Hi-Tech Pharamcal Co., Inc.*	683,795
	<i>Electronics—1.2%</i>		44,020	Neogen Corp.*	1,701,373
23,710	Analogic Corp.	1,282,237	68,958	Par Pharmaceutical Cos., Inc.*	2,110,115
			55,513	PharMerica Corp.*	866,003
	<i>Healthcare-Products—28.2%</i>		117,726	Questcor Pharmaceuticals, Inc.*	4,780,853
43,104	Abaxis, Inc.*	1,209,498	111,613	Salix Pharmaceuticals Ltd.*	3,823,303
132,929	Affymetrix, Inc.*	743,073	134,879	Savient Pharmaceuticals, Inc.*	505,796
128,981	Align Technology, Inc.*	2,970,432	133,657	ViroPharma, Inc.*	2,705,218
25,034	Cantel Medical Corp.	690,938			<u>17,176,456</u>
53,970	CONMED Corp.*	1,417,792		<i>Software—4.6%</i>	
53,101	CryoLife, Inc.*	244,796	20,899	Computer Programs & Systems, Inc.	1,067,312
47,565	Cyberonics, Inc.*	1,369,872	62,596	Omnicell, Inc.*	935,810
44,245	Greatbatch, Inc.*	987,991	74,160	Quality Systems, Inc.	2,885,566
48,684	Haemonetics Corp.*	2,967,290			<u>4,888,688</u>
63,297	Hanger Orthopedic Group, Inc.*	1,099,469		Total Common Stocks	
23,221	ICU Medical, Inc.*	912,817		(Cost \$118,805,896)	<u>106,526,960</u>
38,469	Integra LifeSciences Holdings Corp.*	1,233,316			
60,370	Invacare Corp.	1,355,306		Money Market Fund—0.0%	
14,503	Kensey Nash Corp.*	389,841		Goldman Sachs Financial Square Prime	
77,550	Meridian Bioscience, Inc.	1,412,961		Obligations—Institutional Share Class	
79,171	Merit Medical Systems, Inc.*	1,062,475	17,970	(Cost \$17,970)	17,970
55,372	Natus Medical, Inc.*	476,199		Total Investments	
79,777	NuVasive, Inc.*	1,182,295		(Cost \$118,823,866)—100.1%	106,544,930
35,952	Palomar Medical Technologies, Inc.*	305,952		Liabilities in excess of	
100,712	PSS World Medical, Inc.*	2,240,842		other assets—(0.1%)	(64,202)
26,245	SonoSite, Inc.*	813,333		Net Assets—100.0%	<u>\$106,480,728</u>
27,479	SurModics, Inc.*	289,629			
68,620	Symmetry Medical, Inc.*	623,756			
63,612	West Pharmaceutical Services, Inc.	2,472,598			
41,825	Zoll Medical Corp.*	1,581,403			
		<u>30,053,874</u>			

Notes to Schedule of Investments:
* Non-income producing security.

See Notes to Financial Statements.

Schedule of Investments

PowerShares S&P SmallCap Industrials Portfolio (PSCI)

October 31, 2011

Number of Shares		Value	Number of Shares		Value
Common Stocks—100.0%			Common Stocks (Continued)		
<i>Aerospace/Defense—14.0%</i>			<i>Electrical Components & Equipment—3.5%</i>		
14,315	AAR Corp.	\$ 285,298	17,114	Belden, Inc.	\$ 552,440
6,651	Aerovironment, Inc.*	219,683	6,890	Encore Wire Corp.	183,136
5,691	Cubic Corp.	268,160	3,220	Powell Industries, Inc.*	108,224
16,814	Curtiss-Wright Corp.	551,163	7,089	Vicor Corp.	64,865
21,176	GenCorp, Inc.*	102,915			<u>908,665</u>
9,507	Kaman Corp.	316,108		<i>Electronics—5.9%</i>	
16,560	Moog, Inc., Class A*	641,369	3,328	American Science & Engineering, Inc.	226,370
1,735	National Presto Industries, Inc.	165,692	19,054	Brady Corp., Class A	585,339
21,089	Orbital Sciences Corp.*	326,036	19,678	II-VI, Inc.*	374,079
13,269	Teledyne Technologies, Inc.*	722,762	10,745	Watts Water Technologies, Inc., Class A	338,360
		<u>3,599,186</u>			<u>1,524,148</u>
	<i>Airlines—2.1%</i>			<i>Engineering & Construction—5.3%</i>	
5,431	Allegiant Travel Co.*	282,195	14,244	Aegion Corp.*	210,669
18,717	SkyWest, Inc.	250,995	12,082	Dycom Industries, Inc.*	234,753
		<u>533,190</u>	24,137	EMCOR Group, Inc.	605,115
			4,924	Exponent, Inc.*	237,238
	<i>Building Materials—5.6%</i>		9,638	Orion Marine Group, Inc.*	65,442
6,761	AAON, Inc.	143,130			<u>1,353,217</u>
10,141	Apogee Enterprises, Inc.	110,740		<i>Environmental Control—1.9%</i>	
13,628	Comfort Systems USA, Inc.	149,908		Tetra Tech, Inc.*	492,048
10,973	Gibraltar Industries, Inc.*	122,459	22,540		
7,179	NCI Building Systems, Inc.*	65,401		<i>Hand/Machine Tools—1.2%</i>	
13,652	Quanex Building Products Corp.	201,367	6,798	Franklin Electric Co., Inc.	312,164
14,631	Simpson Manufacturing Co., Inc.	448,586			
7,044	Universal Forest Products, Inc.	197,725		<i>Household Products/Wares—0.0%</i>	
		<u>1,439,316</u>	4,405	Standard Register Co. (The)	11,409
	<i>Commercial Services—11.0%</i>			<i>Housewares—2.3%</i>	
17,251	ABM Industries, Inc.	348,815		Toro Co. (The)	597,790
4,633	CDI Corp.	60,831	11,062		
3,397	Consolidated Graphics, Inc.*	154,767		<i>Machinery-Construction & Mining—0.9%</i>	
23,470	Geo Group, Inc. (The)*	427,858	7,202	Astec Industries, Inc.*	239,467
23,965	Healthcare Services Group, Inc.	415,793			
6,435	Heidrick & Struggles International, Inc.	127,284		<i>Machinery-Diversified—9.4%</i>	
8,306	Insperty, Inc.	214,129	10,142	Albany International Corp., Class A	229,108
10,227	Kelly Services, Inc., Class A	167,212	15,372	Applied Industrial Technologies, Inc.	516,806
18,848	Navigant Consulting, Inc.*	213,548	18,250	Briggs & Stratton Corp.	266,450
13,361	On Assignment, Inc.*	144,165	3,117	Cascade Corp.	134,343
16,423	Resources Connection, Inc.	182,131	4,535	Lindsay Corp.	263,483
15,570	TrueBlue, Inc.*	205,835	16,484	Robbins & Myers, Inc.	736,670
7,350	Viad Corp.	153,836	6,830	Tennant Co.	264,253
		<u>2,816,204</u>			<u>2,411,113</u>
	<i>Computers—0.9%</i>			<i>Media—0.4%</i>	
15,107	Sykes Enterprises, Inc.*	240,655	10,874	Dolan Co. (The)*	95,147
	<i>Distribution/Wholesale—2.0%</i>			<i>Metal Fabricate/Hardware—4.5%</i>	
16,026	United Stationers, Inc.	509,787	6,224	CIRCOR International, Inc.	216,720
			11,661	Kaydon Corp.	366,855
			1,360	Lawson Products, Inc.	22,671

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares S&P SmallCap Industrials Portfolio (PSCI)

October 31, 2011

Number of Shares		Value
	Common Stocks (Continued)	
13,673	Mueller Industries, Inc.	\$ 553,073
		<u>1,159,319</u>
	<i>Miscellaneous Manufacturing—16.6%</i>	
14,003	A.O. Smith Corp.	520,351
24,757	Actuant Corp., Class A	557,032
4,527	AZZ, Inc.	202,176
17,262	Barnes Group, Inc.	401,687
8,976	Ceradyne, Inc.*	300,337
18,185	CLARCOR, Inc.	881,609
7,474	EnPro Industries, Inc.*	257,405
9,602	ESCO Technologies, Inc.	293,533
22,433	Federal Signal Corp.	105,884
17,123	Griffon Corp.*	162,155
10,333	John Bean Technologies Corp.	166,775
6,186	Lydall, Inc.*	67,799
4,555	Standex International Corp.	175,868
8,431	Tredegar Corp.	163,308
		<u>4,255,919</u>
	<i>Office Furnishings—1.1%</i>	
20,786	Interface, Inc., Class A	271,049
	<i>Storage/Warehousing—0.9%</i>	
12,979	Mobile Mini, Inc.*	235,439
	<i>Textiles—1.9%</i>	
6,758	G&K Services, Inc., Class A	205,173
5,519	UniFirst Corp.	288,920
		<u>494,093</u>
	<i>Transportation—8.6%</i>	
9,171	Arkansas Best Corp.	188,923
10,645	Forward Air Corp.	348,624
21,593	Heartland Express, Inc.	289,562
13,525	Hub Group, Inc., Class A*	422,791
21,478	Knight Transportation, Inc.	326,466
16,992	Old Dominion Freight Line, Inc.*	621,397
		<u>2,197,763</u>
	Total Investments	
	(Cost \$25,424,298)—100.0%	25,697,088
	Other assets less liabilities—0.0%	763
	Net Assets—100.0%	<u><u>\$25,697,851</u></u>

Notes to Schedule of Investments:

* Non-income producing security.

See Notes to Financial Statements.

Schedule of Investments (Continued)

PowerShares S&P SmallCap Information Technology Portfolio (PSCT)

October 31, 2011

Number of Shares		Value	Number of Shares		Value
Common Stocks (Continued)			Common Stocks (Continued)		
26,745	Monolithic Power Systems, Inc.*	\$ 333,243	55,889	Tekelec*	\$ 548,830
15,363	Nanometrics, Inc.*	259,327	38,260	ViaSat, Inc.*	1,629,493
22,227	Pericom Semiconductor Corp.*	188,707			<u>9,290,135</u>
26,398	Power Integrations, Inc.	940,561			
16,111	Rubicon Technology, Inc.*	167,877		Total Common Stocks	
28,880	Rudolph Technologies, Inc.*	212,846		(Cost \$86,016,620)	<u>80,626,989</u>
29,190	Sigma Designs, Inc.*	243,445			
21,042	Standard Microsystems Corp.*	521,000		Money Market Fund—0.0%	
11,485	Supertex, Inc.*	212,013	1,159	Goldman Sachs Financial Square Prime	
46,540	Tessera Technologies, Inc.*	640,856		Obligations—Institutional Share Class	
149,646	TriQuint Semiconductor, Inc.*	796,117		(Cost \$1,159)	<u>1,159</u>
23,306	Ultratech, Inc.*	508,071		Total Investments	
37,284	Veeco Instruments, Inc.*	995,110		(Cost \$86,017,779)—100.0%	80,628,148
22,529	Volterra Semiconductor Corp.*	533,937		Liabilities in excess of other assets—(0.0%)	<u>(7,656)</u>
		<u>18,445,179</u>		Net Assets—100.0%	<u><u>\$80,620,492</u></u>
Software—19.2%					
26,598	Avid Technology, Inc.*	164,908	Notes to Schedule of Investments: * Non-income producing security.		
40,517	Blackbaud, Inc.	1,135,691			
32,620	Bottomline Technologies, Inc.*	792,340			
40,432	CommVault Systems, Inc.*	1,721,595			
31,418	CSG Systems International, Inc.*	447,392			
23,194	Digi International, Inc.*	296,651			
29,232	Ebix, Inc.*	500,159			
28,856	EPIQ Systems, Inc.	411,487			
12,992	Interactive Intelligence Group*	360,528			
38,626	JDA Software Group, Inc.*	1,231,011			
7,295	MicroStrategy, Inc., Class A*	961,262			
32,724	Monotype Imaging Holdings, Inc.*	444,065			
60,716	Progress Software Corp.*	1,278,679			
23,251	RightNow Technologies, Inc.*	1,000,025			
24,225	Synchronoss Technologies, Inc.*	728,203			
23,196	SYNNEX Corp.*	669,669			
78,776	Take-Two Interactive Software, Inc.*	1,243,085			
37,522	Taleo Corp., Class A*	1,215,713			
62,055	THQ, Inc.*	132,177			
23,656	Tyler Technologies, Inc.*	746,820			
		<u>15,481,460</u>			
Telecommunications—11.5%					
26,619	Anixter International, Inc.*	1,562,269			
108,397	Arris Group, Inc.*	1,166,352			
16,385	Black Box Corp.	458,616			
21,308	Comtech Telecommunications Corp.	705,508			
105,077	Harmonic, Inc.*	577,923			
19,119	LogMeIn, Inc.*	777,570			
34,041	NETGEAR, Inc.*	1,207,094			
27,201	Network Equipment Technologies, Inc.*	51,954			
29,112	Novatel Wireless, Inc.*	115,575			
17,738	Oplink Communications, Inc.*	287,710			
39,076	Symmetric, Inc.*	201,241			

See Notes to Financial Statements.

Schedule of Investments

PowerShares S&P SmallCap Materials Portfolio (PSCM)

October 31, 2011

Number of Shares		Value	Number of Shares		Value
	Common Stocks—100.0%			Common Stocks (Continued)	
	<i>Building Materials—8.1%</i>			Total Investments	
13,474	Eagle Materials, Inc.	\$ 277,295		(Cost \$6,535,765)—100.0%	\$6,482,794
8,367	Texas Industries, Inc.	251,010		Liabilities in excess of other assets—(0.0%)	(2,026)
		<u>528,305</u>		Net Assets—100.0%	<u>\$6,480,768</u>
	<i>Chemicals—34.4%</i>				
9,253	A. Schulman, Inc.	195,331			
6,975	American Vanguard Corp.	86,281		Notes to Schedule of Investments:	
8,683	Balchem Corp.	320,142		* Non-income producing security.	
14,808	H.B. Fuller Co.	318,224			
2,675	Hawkins, Inc.	102,399			
9,621	Kraton Performance Polymers, Inc.*	189,341			
9,696	OM Group, Inc.*	280,311			
27,792	PolyOne Corp.	310,993			
3,847	Quaker Chemical Corp.	133,837			
2,470	Stepan Co.	190,906			
6,587	Zep, Inc.	100,386			
		<u>2,228,151</u>			
	<i>Energy-Alternate Sources—0.5%</i>				
18,259	Headwaters, Inc.*	32,136			
	<i>Environmental Control—4.2%</i>				
16,951	Calgon Carbon Corp.*	270,368			
	<i>Forest Products & Paper—23.5%</i>				
11,765	Buckeye Technologies, Inc.	355,774			
6,913	Clearwater Paper Corp.*	229,028			
3,248	Deltic Timber Corp.	219,857			
11,675	KapStone Paper and Packaging Corp.*	191,470			
4,498	Neenah Paper, Inc.	74,217			
4,833	Schweitzer-Mauduit International, Inc.	339,856			
14,755	Wausau Paper Corp.	110,662			
		<u>1,520,864</u>			
	<i>Metal Fabricate/Hardware—8.9%</i>				
4,977	A.M. Castle & Co.*	68,135			
3,624	Haynes International, Inc.	211,968			
2,747	Olympic Steel, Inc.	56,176			
9,058	RTI International Metals, Inc.*	239,041			
		<u>575,320</u>			
	<i>Mining—12.3%</i>				
7,501	AMCOL International Corp.	226,455			
17,061	Century Aluminum Co.*	190,401			
4,745	Kaiser Aluminum Corp.	220,453			
6,132	Materion Corp.*	162,130			
		<u>799,439</u>			
	<i>Miscellaneous Manufacturing—8.1%</i>				
6,182	Koppers Holdings, Inc.	204,562			
5,542	LSB Industries, Inc.*	196,353			
10,417	Myers Industries, Inc.	127,296			
		<u>528,211</u>			

See Notes to Financial Statements.

Schedule of Investments

PowerShares S&P SmallCap Utilities Portfolio (PSCU)

October 31, 2011

Number of Shares		Value
Common Stocks—99.9%		
<i>Electric—36.9%</i>		
53,408	ALLETE, Inc.	\$ 2,110,150
82,897	Avista Corp.	2,109,728
37,125	Central Vermont Public Service Corp.	1,313,111
37,201	CH Energy Group, Inc.	2,053,867
62,294	El Paso Electric Co.	1,995,277
61,293	NorthWestern Corp.	2,111,544
101,497	UIL Holdings Corp.	3,459,018
54,189	Unisource Energy Corp.	2,020,166
		<u>17,172,861</u>
<i>Gas—42.6%</i>		
52,523	Laclede Group, Inc. (The)	2,107,223
83,209	New Jersey Resources Corp.	3,912,487
44,561	Northwest Natural Gas Co.	2,081,890
144,539	Piedmont Natural Gas Co., Inc.	4,724,980
60,314	South Jersey Industries, Inc.	3,396,281
92,131	Southwest Gas Corp.	3,637,332
		<u>19,860,193</u>
<i>Telecommunications—16.5%</i>		
25,558	Atlantic Tele-Network, Inc.	969,926
84,955	Cbeyond, Inc.*	700,029
550,202	Cincinnati Bell, Inc.*	1,771,650
99,977	General Communication, Inc., Class A*	944,783
86,888	Neutral Tandem, Inc.*	915,800
82,765	NTELOS Holdings Corp.*	1,574,190
61,140	USA Mobility, Inc.	799,100
		<u>7,675,478</u>
<i>Water—3.9%</i>		
51,683	American States Water Co.	1,805,804
	Total Common Stocks (Cost \$40,905,243)	<u>46,514,336</u>
Money Market Fund—0.0%		
3,911	Goldman Sachs Financial Square Prime Obligations—Institutional Share Class (Cost \$3,911)	<u>3,911</u>
	Total Investments (Cost \$40,909,154)—99.9%	46,518,247
	Other assets less liabilities—0.1%	29,445
	Net Assets—100.0%	<u><u>\$46,547,692</u></u>

Notes to Schedule of Investments:

* Non-income producing security.

See Notes to Financial Statements.

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Statements of Assets and Liabilities

October 31, 2011

	PowerShares S&P SmallCap Consumer Discretionary Portfolio (PSCD)	PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC)	PowerShares S&P SmallCap Energy Portfolio (PSCE)	PowerShares S&P SmallCap Financials Portfolio (PSCF)
ASSETS:				
Investments, at value	\$43,440,943	\$12,322,901	\$ 57,119,626	\$60,511,038
Receivables:				
Investments sold	411,690	—	—	—
Dividends and interest	12,058	3,496	15	59,448
Total Assets	<u>43,864,691</u>	<u>12,326,397</u>	<u>57,119,641</u>	<u>60,570,486</u>
LIABILITIES:				
Due to custodian	9,088	—	—	—
Payable for investments purchased	394,759	—	—	—
Accrued unitary management fees	10,495	2,765	13,403	13,886
Total Liabilities	<u>414,342</u>	<u>2,765</u>	<u>13,403</u>	<u>13,886</u>
NET ASSETS	<u>\$43,450,349</u>	<u>\$12,323,632</u>	<u>\$ 57,106,238</u>	<u>\$60,556,600</u>
NET ASSETS CONSIST OF:				
Shares of beneficial interest	\$44,304,061	\$12,871,666	\$ 74,440,907	\$55,905,469
Undistributed net investment income	86,037	15,518	—	278,623
Undistributed net realized gain (loss)	(642,445)	(94,978)	(3,098,974)	(345,314)
Net unrealized appreciation (depreciation)	(297,304)	(468,574)	(14,235,695)	4,717,822
Net Assets	<u>\$43,450,349</u>	<u>\$12,323,632</u>	<u>\$ 57,106,238</u>	<u>\$60,556,600</u>
Shares outstanding (unlimited amount authorized, \$0.01 par value)	1,600,000	400,000	1,700,000	2,300,000
Net asset value	<u>\$ 27.16</u>	<u>\$ 30.81</u>	<u>\$ 33.59</u>	<u>\$ 26.33</u>
Share price	<u>\$ 27.19</u>	<u>\$ 30.84</u>	<u>\$ 33.62</u>	<u>\$ 26.36</u>
Investments, at cost	<u>\$43,738,247</u>	<u>\$12,791,475</u>	<u>\$ 71,355,321</u>	<u>\$55,793,216</u>

See Notes to Financial Statements.

PowerShares S&P SmallCap Health Care Portfolio (PSCH)	PowerShares S&P SmallCap Industrials Portfolio (PSCI)	PowerShares S&P SmallCap Information Technology Portfolio (PSCT)	PowerShares S&P SmallCap Materials Portfolio (PSCM)	PowerShares S&P SmallCap Utilities Portfolio (PSCU)
\$106,544,930	\$25,697,088	\$80,628,148	\$6,482,794	\$46,518,247
1,104,490	220,974	769,279	103,059	—
11,912	11,071	11,138	4,595	40,477
<u>107,661,332</u>	<u>25,929,133</u>	<u>81,408,565</u>	<u>6,590,448</u>	<u>46,558,724</u>
7,897	1,525	—	3,004	—
1,146,908	223,816	768,924	105,168	—
25,799	5,941	19,149	1,508	11,032
<u>1,180,604</u>	<u>231,282</u>	<u>788,073</u>	<u>109,680</u>	<u>11,032</u>
<u>\$106,480,728</u>	<u>\$25,697,851</u>	<u>\$80,620,492</u>	<u>\$6,480,768</u>	<u>\$46,547,692</u>
\$118,080,658	\$25,808,996	\$88,258,370	\$6,620,009	\$40,888,011
—	39,013	—	9,412	240,019
679,006	(422,948)	(2,248,247)	(95,682)	(189,431)
(12,278,936)	272,790	(5,389,631)	(52,971)	5,609,093
<u>\$106,480,728</u>	<u>\$25,697,851</u>	<u>\$80,620,492</u>	<u>\$6,480,768</u>	<u>\$46,547,692</u>
3,500,000	950,000	2,900,000	250,000	1,550,000
\$ 30.42	\$ 27.05	\$ 27.80	\$ 25.92	\$ 30.03
<u>\$ 30.46</u>	<u>\$ 27.07</u>	<u>\$ 27.80</u>	<u>\$ 25.89</u>	<u>\$ 30.02</u>
<u>\$118,823,866</u>	<u>\$25,424,298</u>	<u>\$86,017,779</u>	<u>\$6,535,765</u>	<u>\$40,909,154</u>

Statements of Operations

For the Year Ended October 31, 2011

	PowerShares S&P SmallCap Consumer Discretionary Portfolio (PSCD)	PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC)	PowerShares S&P SmallCap Energy Portfolio (PSCE)	PowerShares S&P SmallCap Financials Portfolio (PSCF)
INVESTMENT INCOME:				
Dividend income	\$ 416,021	\$ 160,260	\$ 506,692	\$1,427,252
EXPENSES:				
Unitary management fees	134,102	34,202	255,869	170,264
Tax expenses	—	—	—	—
Total Expenses	<u>134,102</u>	<u>34,202</u>	<u>255,869</u>	<u>170,264</u>
Net Investment Income (Loss)	<u>281,919</u>	<u>126,058</u>	<u>250,823</u>	<u>1,256,988</u>
REALIZED AND UNREALIZED GAIN (LOSS):				
Net realized gain (loss) from:				
Unaffiliated investments	(766,792)	(224,944)	(6,159,488)	(356,390)
Affiliated investments (Note 4)	—	(856)	(85,186)	—
In-kind redemptions	<u>5,225,380</u>	<u>2,207,023</u>	<u>(3,267,314)</u>	<u>1,267,368</u>
Net realized gain (loss)	<u>4,458,588</u>	<u>1,981,223</u>	<u>(9,511,988)</u>	<u>910,978</u>
Net change in unrealized appreciation (depreciation) on investments	<u>(3,309,067)</u>	<u>(765,318)</u>	<u>(14,341,538)</u>	<u>1,270,315</u>
Net realized and unrealized gain (loss)	<u>1,149,521</u>	<u>1,215,905</u>	<u>(23,853,526)</u>	<u>2,181,293</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 1,431,440</u>	<u>\$1,341,963</u>	<u>\$(23,602,703)</u>	<u>\$3,438,281</u>

See Notes to Financial Statements.

PowerShares S&P SmallCap Health Care Portfolio (PSCH)	PowerShares S&P SmallCap Industrials Portfolio (PSCI)	PowerShares S&P SmallCap Information Technology Portfolio (PSCT)	PowerShares S&P SmallCap Materials Portfolio (PSCM)	PowerShares S&P SmallCap Utilities Portfolio (PSCU)
\$ 260,139	\$ 285,246	\$ 262,020	\$ 37,270	\$1,517,116
324,166	89,690	244,940	11,520	127,690
<u>—</u>	<u>—</u>	<u>—</u>	<u>696</u>	<u>—</u>
324,166	89,690	244,940	12,216	127,690
<u>(64,027)</u>	<u>195,556</u>	<u>17,080</u>	<u>25,054</u>	<u>1,389,426</u>
336,436	(425,829)	(2,449,942)	(109,324)	(187,044)
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
18,059,489	3,347,315	7,106,971	475,535	833,177
<u>18,395,925</u>	<u>2,921,486</u>	<u>4,657,029</u>	<u>366,211</u>	<u>646,133</u>
(13,479,233)	(1,785,626)	(10,046,584)	(73,462)	2,981,700
<u>4,916,692</u>	<u>1,135,860</u>	<u>(5,389,555)</u>	<u>292,749</u>	<u>3,627,833</u>
<u>\$ 4,852,665</u>	<u>\$ 1,331,416</u>	<u>\$ (5,372,475)</u>	<u>\$ 317,803</u>	<u>\$5,017,259</u>

Statements of Changes in Net Assets

	PowerShares S&P SmallCap Consumer Discretionary Portfolio (PSCD)		PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC)	
	Year Ended October 31, 2011	For the Period April 5, 2010* to October 31, 2010	Year Ended October 31, 2011	For the Period April 5, 2010* to October 31, 2010
OPERATIONS:				
Net investment income (loss)	\$ 281,919	\$ 32,743	\$ 126,058	\$ 15,118
Net realized gain (loss)	4,458,588	(45,636)	1,981,223	231,940
Net change in unrealized appreciation (depreciation)	(3,309,067)	3,011,763	(765,318)	296,744
Net increase (decrease) in net assets resulting from operations	1,431,440	2,998,870	1,341,963	543,802
Undistributed net investment income (loss) included in the price of units issued and redeemed	19,974	64,204	30,234	3,077
DISTRIBUTIONS TO SHAREHOLDERS FROM:				
Net investment income	(228,625)	—	(116,811)	(8,847)
Return of Capital	—	—	—	—
Total distributions to shareholders	(228,625)	—	(116,811)	(8,847)
SHAREHOLDER TRANSACTIONS:				
Proceeds from shares sold	42,132,129	31,696,923	24,383,999	11,574,144
Value of shares repurchased	(31,090,315)	(3,490,073)	(18,770,425)	(6,624,193)
Net income (loss) equalization	(19,974)	(64,204)	(30,234)	(3,077)
Net increase in net assets resulting from share transactions	11,021,840	28,142,646	5,583,340	4,946,874
Increase in Net Assets	12,244,629	31,205,720	6,838,726	5,484,906
NET ASSETS:				
Beginning of period	31,205,720	—	5,484,906	—
End of period	\$ 43,450,349	\$ 31,205,720	\$ 12,323,632	\$ 5,484,906
Undistributed net investment income at end of period	\$ 86,037	\$ 32,743	\$ 15,518	\$ 6,271
CHANGES IN SHARES OUTSTANDING:				
Shares sold	1,500,000	1,400,000	800,000	450,000
Shares repurchased	(1,150,000)	(150,000)	(600,000)	(250,000)
Shares outstanding, beginning of period	1,250,000	—	200,000	—
Shares outstanding, end of period	1,600,000	1,250,000	400,000	200,000

* Commencement of Investment Operations.

See Notes to Financial Statements.

PowerShares S&P SmallCap Energy Portfolio (PSCE)		PowerShares S&P SmallCap Financials Portfolio (PSCF)		PowerShares S&P SmallCap Health Care Portfolio (PSCH)		PowerShares S&P SmallCap Industrials Portfolio (PSCI)	
Year Ended October 31, 2011	For the Period April 5, 2010* to October 31, 2010	Year Ended October 31, 2011	For the Period April 5, 2010* to October 31, 2010	Year Ended October 31, 2011	For the Period April 5, 2010* to October 31, 2010	Year Ended October 31, 2011	For the Period April 5, 2010* to October 31, 2010
\$ 250,823	\$ 566	\$ 1,256,988	\$ 212,411	\$ (64,027)	\$ (12,299)	\$ 195,556	\$ 53,147
(9,511,988)	192,251	910,978	(246,373)	18,395,925	55,512	2,921,486	(62,480)
(14,341,538)	105,843	1,270,315	3,447,507	(13,479,233)	1,200,297	(1,785,626)	2,058,416
(23,602,703)	298,660	3,438,281	3,413,545	4,852,665	1,243,510	1,331,416	2,049,083
152,121	1,248	33,741	89,663	(133,532)	(1,682)	31,284	27,887
(290,979)	—	(1,154,338)	(43,577)	(137,714)	—	(254,463)	(2,511)
(208,929)	—	—	—	—	—	—	—
(499,908)	—	(1,154,338)	(43,577)	(137,714)	—	(254,463)	(2,511)
259,918,800	13,636,095	21,178,597	53,893,792	199,904,310	49,181,669	20,190,583	24,826,069
(186,608,651)	(6,036,055)	(12,985,821)	(7,183,879)	(143,702,874)	(4,860,838)	(17,564,040)	(4,878,286)
(152,121)	(1,248)	(33,741)	(89,663)	133,532	1,682	(31,284)	(27,887)
73,158,028	7,598,792	8,159,035	46,620,250	56,334,968	44,322,513	2,595,259	19,919,896
49,207,538	7,898,700	10,476,719	50,079,881	60,916,387	45,564,341	3,703,496	21,994,355
7,898,700	—	50,079,881	—	45,564,341	—	21,994,355	—
<u>\$ 57,106,238</u>	<u>\$ 7,898,700</u>	<u>\$ 60,556,600</u>	<u>\$ 50,079,881</u>	<u>\$ 106,480,728</u>	<u>\$ 45,564,341</u>	<u>\$ 25,697,851</u>	<u>\$ 21,994,355</u>
<u>\$ —</u>	<u>\$ 566</u>	<u>\$ 278,623</u>	<u>\$ 168,834</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,013</u>	<u>\$ 50,636</u>
6,850,000	550,000	800,000	2,300,000	6,300,000	2,000,000	700,000	1,050,000
(5,450,000)	(250,000)	(500,000)	(300,000)	(4,600,000)	(200,000)	(600,000)	(200,000)
300,000	—	2,000,000	—	1,800,000	—	850,000	—
<u>1,700,000</u>	<u>300,000</u>	<u>2,300,000</u>	<u>2,000,000</u>	<u>3,500,000</u>	<u>1,800,000</u>	<u>950,000</u>	<u>850,000</u>

Statements of Changes in Net Assets (Continued)

	PowerShares S&P SmallCap Information Technology Portfolio (PST)		PowerShares S&P SmallCap Materials Portfolio (PSCM)	
	Year Ended October 31, 2011	For the Period April 5, 2010* to October 31, 2010	Year Ended October 31, 2011	For the Period April 5, 2010* to October 31, 2010
OPERATIONS:				
Net investment income	\$ 17,080	\$ 32,377	\$ 25,054	\$ 11,146
Net realized gain (loss)	4,657,029	(237,164)	366,211	(148,696)
Net change in unrealized appreciation (depreciation)	(10,046,584)	4,656,953	(73,462)	20,491
Net increase (decrease) in net assets resulting from operations	(5,372,475)	4,452,166	317,803	(117,059)
Undistributed net investment income (loss) included in the price of units issued and redeemed	(7,947)	(5,017)	(9,849)	(1,769)
DISTRIBUTIONS TO SHAREHOLDERS FROM:				
Net investment income	(78,158)	—	(36,952)	(8,410)
Return of Capital	(23,587)	—	—	—
Total distributions to shareholders	(101,745)	—	(36,952)	(8,410)
SHAREHOLDER TRANSACTIONS:				
Proceeds from shares sold	100,508,159	35,903,305	10,539,954	5,028,730
Value of shares repurchased	(50,039,560)	(4,729,358)	(6,962,396)	(2,280,902)
Net income (loss) equalization	7,947	5,017	9,849	1,769
Net increase in net assets resulting from share transactions	50,476,546	31,178,964	3,587,407	2,749,597
Increase in Net Assets	44,994,379	35,626,113	3,858,409	2,622,359
NET ASSETS:				
Beginning of period	35,626,113	—	2,622,359	—
End of period	<u>\$ 80,620,492</u>	<u>\$35,626,113</u>	<u>\$ 6,480,768</u>	<u>\$ 2,622,359</u>
Undistributed net investment income at end of period	\$ —	\$ 32,377	\$ 9,412	\$ 2,736
CHANGES IN SHARES OUTSTANDING:				
Shares sold	3,350,000	1,550,000	400,000	200,000
Shares repurchased	(1,800,000)	(200,000)	(250,000)	(100,000)
Shares outstanding, beginning of period	1,350,000	—	100,000	—
Shares outstanding, end of period	<u>2,900,000</u>	<u>1,350,000</u>	<u>250,000</u>	<u>100,000</u>

* Commencement of Investment Operations.

See Notes to Financial Statements.

PowerShares
S&P SmallCap
Utilities
Portfolio
(PSCU)

Year Ended October 31, 2011	For the Period April 5, 2010* to October 31, 2010
\$ 1,389,426	\$ 255,030
646,133	19,283
<u>2,981,700</u>	<u>2,627,393</u>
5,017,259	2,901,706
<u>(2,941)</u>	<u>80,522</u>
(1,374,327)	(39,848)
<u>—</u>	<u>—</u>
<u>(1,374,327)</u>	<u>(39,848)</u>
12,977,223	40,677,310
(8,572,960)	(5,038,671)
<u>2,941</u>	<u>(80,522)</u>
4,407,204	35,558,117
8,047,195	38,500,497
<u>38,500,497</u>	<u>—</u>
<u>\$46,547,692</u>	<u>\$38,500,497</u>
<u>\$ 240,019</u>	<u>\$ 215,182</u>
450,000	1,600,000
(300,000)	(200,000)
<u>1,400,000</u>	<u>—</u>
<u>1,550,000</u>	<u>1,400,000</u>

Financial Highlights

PowerShares S&P SmallCap Consumer Discretionary Portfolio (PSCD)

	Year Ended October 31, 2011	For the Period April 5, 2010* through October 31, 2010
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of period	\$ 24.96	\$ 25.61
Net investment income**	0.17	0.05
Net realized and unrealized gain (loss) on investments	2.18	(0.70) ^{>}
Total from investment operations	2.35	(0.65)
Distributions to shareholders from:		
Net investment income	(0.15)	—
Net asset value at end of period	\$ 27.16	\$ 24.96
Share price at end of period***	\$ 27.19	\$ 24.96
NET ASSET VALUE, TOTAL RETURN****	9.39%	(2.54)% ^(a)
SHARE PRICE TOTAL RETURN****	9.51%	(2.54)% ^(a)
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000's omitted)	\$43,450	\$31,206
Ratio to average net assets of:		
Expenses	0.29%	0.29% [†]
Net investment income	0.61%	0.41% [†]
Portfolio turnover rate ††	8%	6%
Undistributed net investment income included in price of units issued and redeemed**#	\$ 0.01	\$ 0.10

PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC)

	Year Ended October 31, 2011	For the Period April 5, 2010* through October 31, 2010
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of period	\$ 27.42	\$25.40
Net investment income**	0.33	0.09
Net realized and unrealized gain on investments	3.37	1.98
Total from investment operations	3.70	2.07
Distributions to shareholders from:		
Net investment income	(0.31)	(0.05)
Net asset value at end of period	\$ 30.81	\$27.42
Share price at end of period***	\$ 30.84	\$27.44
NET ASSET VALUE, TOTAL RETURN****	13.53%	8.15% ^(b)
SHARE PRICE TOTAL RETURN****	13.55%	8.23% ^(b)
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000's omitted)	\$12,324	\$5,485
Ratio to average net assets of:		
Expenses	0.29%	0.29% [†]
Net investment income	1.07%	0.61% [†]
Portfolio turnover rate ††	30%	10%
Undistributed net investment income included in price of units issued and redeemed**#	\$ 0.08	\$ 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 the 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.

> Due to the timing of creations and redemptions of capital shares, the net realized and unrealized gain (loss) per share is not in accord with the Fund's change in net realized and unrealized gain (loss) on investment securities and in-kind transactions for the period.

† Annualized.

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

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

(a) The net asset value total return from Fund Inception (April 7, 2010, first day of trading on the exchange) to October 31, 2010 was (3.37)%. The share price total return from Fund inception to October 31, 2010 was (3.29)%.

(b) The net asset value total return from Fund Inception (April 7, 2010, first day of trading on the exchange) to October 31, 2010 was 8.15%. The share price total return from Fund inception to October 31, 2010 was 8.23%.

See Notes to Financial Statements.

Financial Highlights (Continued)

PowerShares S&P SmallCap Energy Portfolio (PSCE)

	Year Ended October 31, 2011	For the Period April 5, 2010* through October 31, 2010
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of period	\$ 26.33	\$25.76
Net investment income**	0.11	0.00 ^(a)
Net realized and unrealized gain on investments	7.57 ^{>}	0.57
Total from investment operations	7.68	0.57
Distributions to shareholders from:		
Net investment income	(0.24)	—
Return of capital	(0.18)	—
Total distributions	(0.42)	—
Net asset value at end of period	\$ 33.59	\$26.33
Share price at end of period***	\$ 33.62	\$26.33
NET ASSET VALUE, TOTAL RETURN****	29.21%	2.21% ^(b)
SHARE PRICE TOTAL RETURN****	29.33%	2.21% ^(b)
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000's omitted)	\$57,106	\$7,899
Ratio to average net assets of:		
Expenses	0.29%	0.29%†
Net investment income	0.28%	0.02%†
Portfolio turnover rate ††	46%	13%
Undistributed net investment income included in price of units issued and redeemed**#	\$ 0.06	\$ 0.01

PowerShares S&P SmallCap Financials Portfolio (PSCF)

	Year Ended October 31, 2011	For the Period April 5, 2010* through October 31, 2010
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of period	\$ 25.04	\$ 25.41
Net investment income**	0.57	0.24
Net realized and unrealized gain (loss) on investments	1.25	(0.46) ^{>}
Total from investment operations	1.82	(0.22)
Distributions to shareholders from:		
Net investment income	(0.53)	(0.15)
Net asset value at end of period	\$ 26.33	\$ 25.04
Share price at end of period***	\$ 26.36	\$ 25.02
NET ASSET VALUE, TOTAL RETURN****	7.33%	(0.84)% ^(c)
SHARE PRICE TOTAL RETURN****	7.54%	(0.92)% ^(c)
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000's omitted)	\$60,557	\$50,080
Ratio to average net assets of:		
Expenses	0.29%	0.29%†
Net investment income	2.14%	1.90%†
Portfolio turnover rate ††	13%	5%
Undistributed net investment income included in price of units issued and redeemed**#	\$ 0.02	\$ 0.10

* Commencement of Investment Operations.

** Based on average shares outstanding.

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

**** 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 the 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.

> Due to the timing of creations and redemptions of capital shares, the net realized and unrealized gain (loss) per share is not in accord with the Fund's change in net realized and unrealized gain (loss) on investment securities and in-kind transactions for the period.

(a) Amount represents less than \$0.005.

(b) The net asset value total return from Fund Inception (April 7, 2010, first day of trading on the exchange) to October 31, 2010 was 2.89%. The share price total return from Fund inception to October 31, 2010 was 3.05%.

(c) The net asset value total return from Fund Inception (April 7, 2010, first day of trading on the exchange) to October 31, 2010 was (2.30)%. The share price total return from Fund inception to October 31, 2010 was (2.42)%.

See Notes to Financial Statements.

Financial Highlights (Continued)

PowerShares S&P SmallCap Health Care Portfolio (PSCH)

	Year Ended October 31, 2011	For the Period April 5, 2010* through October 31, 2010
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of period	\$ 25.31	\$ 25.30
Net investment income (loss)**	(0.02)	(0.01)
Net realized and unrealized gain on investments	5.20	0.02
Total from investment operations	5.18	0.01
Distributions to shareholders from:		
Net investment income	(0.07)	—
Net asset value at end of period	\$ 30.42	\$ 25.31
Share price at end of period***	\$ 30.46	\$ 25.31
NET ASSET VALUE, TOTAL RETURN****	20.51%	0.04%(a)
SHARE PRICE TOTAL RETURN****	20.67%	0.04%(a)
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000's omitted)	\$106,481	\$45,564
Ratio to average net assets of:		
Expenses	0.29%	0.29%†
Net investment income (loss)	(0.06)%	(0.08)%†
Portfolio turnover rate ††	15%	14%
Undistributed net investment income (loss) included in price of units issued and redeemed**#	\$ (0.04)	\$ (0.00)(b)

PowerShares S&P SmallCap Industrials Portfolio (PSCI)

	Year Ended October 31, 2011	For the Period April 5, 2010* through October 31, 2010
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of period	\$ 25.88	\$ 25.41
Net investment income**	0.19	0.12^
Net realized and unrealized gain on investments	1.20	0.38
Total from investment operations	1.39	0.50
Distributions to shareholders from:		
Net investment income	(0.22)	(0.03)
Net asset value at end of period	\$ 27.05	\$ 25.88
Share price at end of period***	\$ 27.07	\$ 25.88
NET ASSET VALUE, TOTAL RETURN****	5.34%	1.95%(c)
SHARE PRICE TOTAL RETURN****	5.42%	1.95%(c)
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000's omitted)	\$25,698	\$21,994
Ratio to average net assets of:		
Expenses	0.29%	0.29%†
Net investment income	0.63%	0.95%†^
Portfolio turnover rate ††	9%	11%
Undistributed net investment income included in price of units issued and redeemed**#	\$ 0.03	\$ 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 the 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.

††† Net investment income per share and the ratio of net investment income to average net assets include a special cash dividend received of \$1 per share owned of Heartland Express, Inc. on October 5, 2010. Net investment income per share and the ratio of net investment income to average net assets excluding the special dividend are \$0.09 and 0.68%, respectively.

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 (April 7, 2010, first day of trading on the exchange) to October 31, 2010 was 0.92%. The share price total return from Fund inception to October 31, 2010 was 1.00%.

(b) Amount represents less than \$(0.005).

(c) The net asset value total return from Fund Inception (April 7, 2010, first day of trading on the exchange) to October 31, 2010 was 2.24%. The share price total return from Fund inception to October 31, 2010 was 2.28%.

See Notes to Financial Statements.

Financial Highlights (Continued)

PowerShares S&P SmallCap Information Technology Portfolio (PSCT)

	Year Ended October 31, 2011	For the Period April 5, 2010* through October 31, 2010
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of period	\$ 26.39	\$ 25.53
Net investment income**	0.01	0.06 [^]
Net realized and unrealized gain on investments	1.46 ^{>}	0.80
Total from investment operations	1.47	0.86
Distributions to shareholders from:		
Net investment income	(0.05)	—
Return of capital	(0.01)	—
Total distributions	(0.06)	—
Net asset value at end of period	\$ 27.80	\$ 26.39
Share price at end of period***	\$ 27.80	\$ 26.38
NET ASSET VALUE, TOTAL RETURN****	5.56%	3.37% ^(b)
SHARE PRICE TOTAL RETURN****	5.60%	3.33% ^(b)
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000's omitted)	\$80,620	\$35,626
Ratio to average net assets of:		
Expenses	0.29%	0.29% [†]
Net investment income	0.02%	0.48% ^{†^}
Portfolio turnover rate ††	9%	10%
Undistributed net investment income (loss) included in price of units issued and redeemed***# . .	\$ (0.00) ^(a)	\$ (0.01)

PowerShares S&P SmallCap Materials Portfolio (PSCM)

	Year Ended October 31, 2011	For the Period April 5, 2010* through October 31, 2010
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of period	\$26.22	\$25.60
Net investment income**	0.16	0.10
Net realized and unrealized gain (loss) on investments	(0.20) ^{>}	0.60 ^{>}
Total from investment operations	(0.04)	0.70
Distributions to shareholders from:		
Net investment income	(0.26)	(0.08)
Net asset value at end of period	\$25.92	\$26.22
Share price at end of period***	\$25.89	\$26.22
NET ASSET VALUE, TOTAL RETURN****	(0.21)%	2.79% ^(c)
SHARE PRICE TOTAL RETURN****	(0.33)%	2.79% ^(c)
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000's omitted)	\$6,481	\$2,622
Ratio to average net assets of:		
Expenses	0.31%	0.29% [†]
Net investment income	0.63%	0.70% [†]
Portfolio turnover rate ††	17%	28%
Undistributed net investment income (loss) included in price of units issued and redeemed***# . .	\$ (0.06)	\$ (0.02)

* Commencement of Investment Operations.

** Based on average shares outstanding.

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

**** 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 the 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.

> Due to the timing of creations and redemptions of capital shares, the net realized and unrealized gain (loss) per share is not in accord with the Fund's change in net realized and unrealized gain (loss) on investment securities and in-kind transactions for the period.

† Annualized.

†† Portfolio turnover rate is not annualized and does not include securities received or delivered from processing creations or redemptions. Net investment income per share and the ratio of net investment income to average net assets include a special cash dividend received of \$3.25 per share owned of Anixter International, Inc. on October 28, 2010. Net investment income(loss) per share and the ratio of net investment income(loss) to average net assets excluding the special dividend are less than \$(0.005) and (0.005)%, respectively.

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.

(b) The net asset value total return from Fund Inception (April 7, 2010, first day of trading on the exchange) to October 31, 2010 was 3.33%.

(c) The share price total return from Fund Inception to October 31, 2010 was 3.33%.

(c) The net asset value total return from Fund Inception (April 7, 2010, first day of trading on the exchange) to October 31, 2010 was 2.23%. The share price total return from Fund inception to October 31, 2010 was 2.23%.

See Notes to Financial Statements.

Financial Highlights (Continued)

PowerShares S&P SmallCap Utilities Portfolio (PSCU)

	Year Ended October 31, 2011	For Period April 5, 2010* through October 31, 2010
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of period	\$ 27.50	\$ 25.30
Net investment income**	0.91	0.40
Net realized and unrealized gain on investments	2.54	2.03
Total from investment operations	3.45	2.43
Distributions to shareholders from:		
Net investment income	(0.92)	(0.23)
Net asset value at end of period	\$ 30.03	\$ 27.50
Share price at end of period***	\$ 30.02	\$ 27.49
NET ASSET VALUE, TOTAL RETURN****	12.76%	9.70% ^(b)
SHARE PRICE TOTAL RETURN****	12.77%	9.66% ^(b)
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000's omitted)	\$46,548	\$38,500
Ratio to average net assets of:		
Expenses	0.29%	0.29%†
Net investment income	3.16%	3.14%†
Portfolio turnover rate ††	8%	8%
Undistributed net investment income (loss) included in price of units issued and redeemed**#	\$ (0.00) ^(a)	\$ 0.13

* Commencement of Investment Operations.

** Based on average shares outstanding.

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

**** 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 the 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.

(b) The net asset value total return from Fund Inception (April 7, 2010, first day of trading on the exchange) to October 31, 2010 was 9.05%. The share price total return from Fund Inception to October 31, 2010 was 9.01%.

See Notes to Financial Statements.

Notes to Financial Statements

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

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 October 31, 2011, the Trust offered fifty portfolios. This report includes the following portfolios:

<u>Full Name</u>	<u>Short Name</u>
PowerShares S&P SmallCap Consumer Discretionary Portfolio (PSCD)	“S&P SmallCap Consumer Discretionary Portfolio”
PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC)	“S&P SmallCap Consumer Staples Portfolio”
PowerShares S&P SmallCap Energy Portfolio (PSCE)	“S&P SmallCap Energy Portfolio”
PowerShares S&P SmallCap Financials Portfolio (PSCF)	“S&P SmallCap Financials Portfolio”
PowerShares S&P SmallCap Health Care Portfolio (PSCH)	“S&P SmallCap Health Care Portfolio”
PowerShares S&P SmallCap Industrials Portfolio (PSCI)	“S&P SmallCap Industrials Portfolio”
PowerShares S&P SmallCap Information Technology Portfolio (PSCT)	“S&P SmallCap Information Technology Portfolio”
PowerShares S&P SmallCap Materials Portfolio (PSCM)	“S&P SmallCap Materials Portfolio”
PowerShares S&P SmallCap Utilities Portfolio (PSCU)	“S&P SmallCap Utilities Portfolio”

Each portfolio (each a “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 NASDAQ Stock Market LLC (“NASDAQ”).

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>
S&P SmallCap Consumer Discretionary Portfolio	S&P SmallCap 600 Capped Consumer Discretionary Index [®]
S&P SmallCap Consumer Staples Portfolio	S&P SmallCap 600 Capped Consumer Staples Index [®]
S&P SmallCap Energy Portfolio	S&P SmallCap 600 Capped Energy Index [®]
S&P SmallCap Financials Portfolio	S&P SmallCap 600 Capped Financials Index [®]
S&P SmallCap Health Care Portfolio	S&P SmallCap 600 Capped Health Care Index [®]
S&P SmallCap Industrials Portfolio	S&P SmallCap 600 Capped Industrials Index [®]
S&P SmallCap Information Technology Portfolio	S&P SmallCap 600 Capped Information Technology Index [®]
S&P SmallCap Materials Portfolio	S&P SmallCap 600 Capped Materials Index [®]
S&P SmallCap Utilities Portfolio	S&P SmallCap 600 Capped Utilities & Telecom Services Index [®]

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

Note 2. Significant Accounting Policies

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) 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.

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. 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

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

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

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

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

B. Other Risks

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.

Concentration Risk. A significant percentage of the Underlying Index may be comprised of issuers in a single industry or group of industries. If the Fund is focused in an industry or group of industries, the value of Shares may rise and fall more than the value of shares of a fund that invests in a broader range of securities.

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 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, cost or liquidity constraints.

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

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

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 adjustments, if any.

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 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 and other extraordinary expenses.

F. Dividends and Distributions to Shareholders

Each Fund declares and pays dividends from net investment income, if any, to its shareholders quarterly and records such dividends 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.

G. Equalization

All Funds use the accounting practice of equalization. This accounting method is used to keep the continuing shareholder's per Share equity in undistributed net investment income from being affected by the continuous sales and redemptions of capital Shares. Equalization is calculated on a per Share basis whereby a portion of the proceeds from the sales and cost of repurchases of capital Shares is applied to undistributed net investment income. The amount of equalization is disclosed in the Statements of

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

Changes in Net Assets as undistributed net investment income included in the price of capital Shares issued or redeemed. The distributions to shareholders of amounts so applied may be deemed to be a return of capital for tax purposes to the extent that such distributions exceed taxable income.

Note 3. Investment Advisory Agreement and Other Agreements

The Trust has entered into an Investment Advisory Agreement with the Adviser 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. The Adviser has agreed to pay 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 and other extraordinary expenses. Each Fund has agreed to pay the Adviser an annual unitary management fee of 0.29% of the Fund's average daily net assets.

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 is an affiliate of the Adviser.

The Adviser has entered into a licensing agreement for each Fund with Standard & Poor's (the "Licensor"). Each Underlying Index name trademark is owned by the Licensor. These trademarks have been licensed to the Adviser for use with the Funds. Each Fund is entitled to use its Underlying Index pursuant to the Trust's sub-licensing agreement with the Adviser. 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 service agreements whereby The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation, serves as the administrator, custodian, fund accountant and transfer agent for each Fund.

Note 4. Investments in Affiliates

The 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 fiscal year ended October 31, 2011.

PowerShares S&P SmallCap Consumer Staples Portfolio

	Value 10/31/10	Purchases at Cost	Proceeds from Sales	Change in Unrealized Appreciation (Depreciation)	Realized Gain (Loss)	Value 10/31/11	Dividend Income
PowerShares Dynamic Consumer Staples Sector Portfolio	\$—	\$151,396	\$150,540	\$—	\$(856)	\$—	\$—

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

PowerShares S&P SmallCap Energy Portfolio

	Value 10/31/10	Purchases at Cost	Proceeds from Sales	Change in Unrealized Appreciation (Depreciation)	Realized Gain (Loss)	Value 10/31/11	Dividend Income
PowerShares Dynamic Energy Sector Portfolio	\$—	\$5,659,773	\$5,574,587	\$—	\$(85,186)	\$—	\$—

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 October 31, 2011, the securities in each Fund were valued based on Level 1 inputs (see the Schedule of Investments for security categories). 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 fiscal year ended October 31, 2011, there were no significant transfers between investment levels.

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

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

Tax Character of Distributions to Shareholders Paid During the Fiscal Year Ended October 31, 2011 and the Period April 5, 2010 to October 31, 2010:

	For the Year Ended October 31, 2011			For the Period April 5, 2010 through October 31, 2010
	Ordinary Income	Long-term Capital Gains	Return of Capital	Ordinary Income
S&P SmallCap Consumer Discretionary Portfolio ..	\$ 228,625	\$ —	\$ —	\$ —
S&P SmallCap Consumer Staples Portfolio	116,811	—	—	8,847
S&P SmallCap Energy Portfolio	290,979	—	208,929	—
S&P SmallCap Financials Portfolio	1,151,187	3,151	—	43,577
S&P SmallCap Health Care Portfolio	137,714	—	—	—
S&P SmallCap Industrials Portfolio	254,463	—	—	2,511
S&P SmallCap Information Technology Portfolio ..	78,158	—	23,587	—
S&P SmallCap Materials Portfolio	36,952	—	—	8,410
S&P SmallCap Utilities Portfolio	1,374,327	—	—	39,848

Tax Components of Net Assets at Year-End:

	Undistributed Ordinary Income	Net Unrealized Appreciation (Depreciation)	Capital Loss Carryforward	Shares of Beneficial Interest	Total Net Assets
S&P SmallCap Consumer Discretionary Portfolio	\$ 86,037	\$ (695,713)	\$ (244,036)	\$ 44,304,061	\$ 43,450,349
S&P SmallCap Consumer Staples Portfolio	15,518	(513,441)	(50,111)	12,871,666	12,323,632
S&P SmallCap Energy Portfolio	—	(14,928,312)	(2,406,357)	74,440,907	57,106,238
S&P SmallCap Financials Portfolio	332,909	4,318,222	—	55,905,469	60,556,600
S&P SmallCap Health Care Portfolio	986,023	(12,585,953)	—	118,080,658	106,480,728
S&P SmallCap Industrials Portfolio	39,013	47,993	(198,151)	25,808,996	25,697,851
S&P SmallCap Information Technology Portfolio	—	(6,034,916)	(1,602,962)	88,258,370	80,620,492
S&P SmallCap Materials Portfolio	9,412	(66,196)	(82,457)	6,620,009	6,480,768
S&P SmallCap Utilities Portfolio	240,019	5,542,281	(122,619)	40,888,011	46,547,692

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

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 the Internal Revenue Code rules and related regulations based on the results of future transactions.

The following Funds have capital loss carryforward amounts as of October 31, 2011, which expire on October 31 of each year listed below:

	2018	2019	Post-Effective No Expiration	Total*
S&P SmallCap Consumer Discretionary Portfolio	\$37,390	\$ 206,646	\$ —	\$ 244,036
S&P SmallCap Consumer Staples Portfolio	22,594	27,517	—	50,111
S&P SmallCap Energy Portfolio	—	2,406,357	—	2,406,357
S&P SmallCap Financials Portfolio	—	—	—	—
S&P SmallCap Health Care Portfolio	—	—	—	—
S&P SmallCap Industrials Portfolio	—	198,151	—	198,151
S&P SmallCap Information Technology Portfolio	—	1,602,962	—	1,602,962
S&P SmallCap Materials Portfolio	—	82,457	—	82,457
S&P SmallCap Utilities Portfolio	—	122,619	—	122,619

* 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 fiscal year ended October 31, 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:

	Purchases	Sales
S&P SmallCap Consumer Discretionary Portfolio	\$ 3,892,136	\$ 3,921,486
S&P SmallCap Consumer Staples Portfolio	3,566,451	3,535,845
S&P SmallCap Energy Portfolio	43,545,058	40,772,695
S&P SmallCap Financials Portfolio	7,670,690	8,637,770
S&P SmallCap Health Care Portfolio	16,435,613	17,884,236
S&P SmallCap Industrials Portfolio	2,741,638	2,783,719
S&P SmallCap Information Technology Portfolio	7,952,299	9,722,154
S&P SmallCap Materials Portfolio	717,921	816,388
S&P SmallCap Utilities Portfolio	3,641,865	3,781,868

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

For the fiscal year ended October 31, 2011, in-kind transactions associated with creations and redemptions were as follows:

	Securities Received	Securities Delivered
S&P SmallCap Consumer Discretionary Portfolio	\$ 38,238,602	\$ 27,102,616
S&P SmallCap Consumer Staples Portfolio	24,351,509	18,764,406
S&P SmallCap Energy Portfolio	262,416,562	192,149,616
S&P SmallCap Financials Portfolio	17,200,948	7,945,817
S&P SmallCap Health Care Portfolio	197,832,606	140,368,423
S&P SmallCap Industrials Portfolio	17,768,119	15,160,387
S&P SmallCap Information Technology Portfolio	89,189,437	37,018,224
S&P SmallCap Materials Portfolio	6,961,522	3,293,793
S&P SmallCap Utilities Portfolio	10,767,216	6,191,889

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

At October 31, 2011, the aggregate cost and the net unrealized appreciation (depreciation) of investments for tax purposes were as follows:

	Cost	Net Unrealized Appreciation (Depreciation)	Gross Unrealized Appreciation	Gross Unrealized (Depreciation)
S&P SmallCap Consumer Discretionary Portfolio	\$ 44,136,656	\$ (695,713)	\$3,938,888	\$ (4,634,601)
S&P SmallCap Consumer Staples Portfolio	12,836,342	(513,441)	342,162	(855,603)
S&P SmallCap Energy Portfolio	72,047,938	(14,928,312)	554,577	(15,482,889)
S&P SmallCap Financials Portfolio	56,192,816	4,318,222	6,635,627	(2,317,405)
S&P SmallCap Health Care Portfolio	119,130,883	(12,585,953)	5,375,208	(17,961,161)
S&P SmallCap Industrials Portfolio	25,649,095	47,993	1,665,148	(1,617,155)
S&P SmallCap Information Technology Portfolio	86,663,064	(6,034,916)	4,996,560	(11,031,476)
S&P SmallCap Materials Portfolio	6,548,990	(66,196)	309,288	(375,484)
S&P SmallCap Utilities Portfolio	40,975,966	5,542,281	6,349,021	(806,740)

Note 8. Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of in-kind transactions, on October 31, 2011, amounts were reclassified between undistributed net investment income (loss), undistributed net realized

Notes to Financial Statements (Continued)

PowerShares Exchange-Traded Fund Trust II

October 31, 2011

gain (loss) and Shares of beneficial interest. These reclassifications had no effect on the net assets of each Fund. For the fiscal year ended October 31, 2011, the reclassifications were as follows:

	Undistributed Net Investment Income	Undistributed Net Realized Gain (Loss)	Shares of Beneficial Interest
S&P SmallCap Consumer Discretionary Portfolio	\$ (19,974)	\$ (5,004,509)	\$ 5,024,483
S&P SmallCap Consumer Staples Portfolio	(30,234)	(2,039,294)	2,069,528
S&P SmallCap Energy Portfolio	(112,531)	6,440,975	(6,328,444)
S&P SmallCap Financials Portfolio	(26,602)	(1,183,846)	1,210,448
S&P SmallCap Health Care Portfolio	335,273	(17,772,537)	17,437,264
S&P SmallCap Industrials Portfolio	16,000	(3,370,755)	3,354,755
S&P SmallCap Information Technology Portfolio	36,648	(6,781,748)	6,745,100
S&P SmallCap Materials Portfolio	28,423	(474,871)	446,448
S&P SmallCap Utilities Portfolio	12,679	(815,075)	802,396

Note 9. Trustees' Fees

The Funds compensate each Trustee who is not an "interested person" as defined in the 1940 Act (an "Independent Trustee"). The Adviser, as 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 10. 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. Transactions in capital shares for each Fund are disclosed in detail on the Statements of Changes in Net Assets.

Note 11. Indemnifications

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

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of PowerShares Exchange-Traded Fund Trust II:

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of each of the portfolios indicated in Note 1 of the financial statements (each a portfolio of PowerShares Exchange-Traded Fund Trust II, hereafter referred to as the “Trust”) at October 31, 2011, and the results of each of their operations, the changes in each of their net assets, and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Trust’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
New York, New York
December 27, 2011

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

Each Fund designates the following amounts or, if subsequently determined to be different the maximum amount allowable for its fiscal year ended October 31, 2011:

Federal Income Tax Information

	Qualified dividend income*	Dividends-received deduction*	Long Term Capital Gain
S&P SmallCap Consumer Discretionary Portfolio	100%	100%	\$ —
S&P SmallCap Consumer Staples Portfolio	100%	100%	—
S&P SmallCap Energy Portfolio	100%	100%	—
S&P SmallCap Financials Portfolio	45%	45%	3,151
S&P SmallCap Health Care Portfolio	26%	26%	—
S&P SmallCap Industrials Portfolio	100%	100%	—
S&P SmallCap Information Technology Portfolio	100%	100%	—
S&P SmallCap Materials Portfolio	100%	100%	—
S&P SmallCap Utilities Portfolio	100%	100%	—

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

Trustees and Officers

The Independent Trustees, the Trustees who are affiliated with the Adviser (the “Non-Independent Trustees”) and the executive officers of the Trust, their term of office and length of time served, their principal business occupations during at least the past five years, the number of portfolios in the Fund Complex overseen by each Trustee and the other directorships, if any, held by a Trustee, are shown below.

The Trustees and officers information is current as of October 31, 2011.

Name, Address, and Age of Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Overseen by Independent Trustees	Other Directorships Held by Independent Trustees
Ronn R. Bagge (53) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2007	Founder and Principal, YQA Capital Management LLC (1998-Present); formerly, Owner/CEO of Electronic Dynamic Balancing Co., Inc. (high-speed rotating equipment service provider)	112	None
Todd J. Barre (53) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2010	Assistant Professor of Business, Trinity Christian College (2010-Present); formerly, Vice President and Senior Investment Strategist (2001-2008); Director of Open Architecture and Trading (2007-2008); Head of Fundamental Research (2004-2007); and Vice President and Senior Fixed Income Strategist (1994-2001), BMO Financial Group/Harris Private Bank	112	None

* This is the date the Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consisted of the Trust’s 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

Name, Address, and Age of Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Overseen by Independent Trustees	Other Directorships Held by Independent Trustees
Marc M. Kole (51) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2007	Chief Financial Officer, Hope Network (social services) (2008-Present); formerly, Assistant Vice President and Controller, Priority Health (health insurance) (2005-2008); Senior Vice President of Finance, United Healthcare (2004-2005); Senior Vice President of Finance, Oxford Health Plans (2000-2004)	112	None
Philip M. Nussbaum (49) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2007	Chairman, Performance Trust Capital Partners (2004-Present)	112	None

* This is the date the Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consisted of the Trust's 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

Name, Address, and Age of Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Overseen by Independent Trustees	Other Directorships Held by Independent Trustees
Donald H. Wilson (51) c/o Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Trustee	Since 2007	Chairman and Chief Executive Officer, Stone Pillar Advisers, Ltd. (2010-Present); formerly, Chief Operating Officer, AMCORE Financial, Inc. (bank holding company) (2007-2009); Executive Vice President and Chief Financial Officer, AMCORE Financial, Inc. (2006-2007); Senior Vice President and Treasurer, Marshall & Ilsley Corp. (bank holding company) (1995-2006)	112	None

* This is the date the Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consisted of the Trust's 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

The Non-Independent Trustees and the executive officers of the Trust, their term of office and length of time served, their principal business occupations during the past five years, the number of portfolios in the Fund Complex overseen by the Non-Independent Trustees and the other directorships, if any, held by the Trustees are shown below.

Name, Address, and Age of Non-Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Non-Independent Trustees	Overseen by Other Directorships Held by Non-Independent Trustees
H. Bruce Bond (48) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Chairman of the Board and Trustee	Since 2006	Chairman, Invesco PowerShares Capital Management LLC (2009-Present); formerly, Managing Director, Invesco PowerShares Capital Management LLC (2002-2009); Manager, Nuveen Investments (1998-2002)	112	None

* This is the date the Interested Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consists of the Trust's 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

Name, Address, and Age of Non-Independent Trustees	Position(s) Held with Trust	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex** Non-Independent Trustees	Overseen by Other Directorships Held by Non-Independent Trustees
Kevin M. Carome (55) Invesco Ltd. Two Peachtree Pointe 1555 Peachtree St., N.E., Suite 1800 Atlanta, GA 30309	Trustee	Since 2010	Senior Managing Director and General Counsel, Invesco Ltd. (2006-Present); formerly, Senior Vice President and General Counsel, Invesco Advisors, Inc. (2003-2005); Senior Vice President and General Counsel, Liberty Financial Companies, Inc. (2000-2001); General Counsel of certain investment management subsidiaries of Liberty Financial Companies, Inc. (1998-2000); Associate General Counsel, Liberty Financial Companies, Inc. (1993-1998); Associate, Ropes & Gray LLP	112	None

* This is the date the Interested Trustee began serving the Trust. Each Trustee serves an indefinite term, until his successor is elected.

** Fund Complex includes all open-end funds (including all of their portfolios) advised by the Adviser. At October 31, 2011, the Fund Complex consisted of the Trust's 50 portfolios and three other exchange-traded fund trusts with 62 portfolios advised by the Adviser.

Trustees and Officers (Continued)

Name, Address, and Age of Executive Officer	Position(s) Held with Trust	Length of Time Served*	Principal Occupation(s) During Past 5 Years
Andrew Schlossberg (37) Invesco Management Group, Inc. 11 Greenway Plaza Suite 2500 Houston, TX 77046	President	Since 2009	Managing Director, U.S. head of business strategy and chief marketing officer for Invesco Ltd. In the United States (2008-Present); formerly, Mr. Schlossberg served in multiple roles within Invesco, including head of corporate development, as well as global leadership roles in strategy and product development in the company's North American Institutional and Retirement divisions (2002-2007)
Benjamin Fulton (50) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Vice President	Since 2009	Executive Vice President – Global Product Development, Invesco PowerShares Capital Management LLC (2005-Present); formerly, principal of Clermont Consulting, a consulting firm focused on the creation and development of retail investment products (2003-2005); President and a founding partner of Claymore Securities, a financial services firm in the Chicago land area (2001-2003); Managing Director of Structured Investments at Nuveen Investments (1998-2001)
Peter Hubbard (30) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Vice President	Since 2009	Vice President and Director of Portfolio Management – Invesco PowerShares Capital Management LLC (2008-Present); formerly, Portfolio Manager, Invesco PowerShares Capital Management LLC (2007-2008); Research Analyst, Invesco PowerShares Capital Management LLC (2005-2007); Research Analyst and Trader, Ritchie Capital, a hedge fund operator (2003-2005)
David Warren (54) Invesco Trimark Ltd. 5140 Yonge Street Suite 900 Toronto, Ontario M2N 6X7	Vice President	Since 2009	Director, Executive Vice President and Chief Financial Officer, Invesco Canada Ltd. (formerly Invesco Trimark Ltd.) and Chief Administrative Officer, North American Retail, Invesco Ltd (2007-Present); formerly, Director, Executive Vice President and Chief Financial Officer, Invesco Canada Ltd. (formerly Invesco Trimark Ltd.) (2000-2006)

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

Trustees and Officers (Continued)

Name, Address, and Age of Executive Officer	Position(s) Held with Trust	Length of Time Served*	Principal Occupation(s) During Past 5 Years
Todd Spillane (52) Invesco Management Group, Inc. 11 Greenway Plaza Suite 2500 Houston, TX 77046	Chief Compliance Officer	Since 2010	Senior Vice President, Invesco Management Group, Inc.; Chief Compliance Officer, Invesco Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser) and Invesco Senior Secured Management, Inc. (registered investment adviser); Chief Compliance Officer and Senior Vice President, Invesco Advisers, Inc. (formerly Invesco Institutional, (N.A.), Inc. – registered investment adviser) and Vice President, Invesco Distributors, Inc. and Invesco Investment Services, Inc.; formerly, Chief Compliance Officer, Invesco Global Asset Management (N.A.), Inc. (registered investment adviser) and Invesco Advisers, Inc. (formerly Invesco Institutional (N.A.), Inc. – registered investment adviser); Senior Vice President and Chief Compliance Officer, Invesco Advisors, Inc., Invesco Capital Management, Inc. and Invesco Private Asset Management, Inc.; Vice President, Invesco Capital Management, Inc. and Fund Management Company
Steven M. Hill (47) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Treasurer	Since 2011	Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; Head of Global ETF Operations, Invesco PowerShares Capital Management LLC; formerly, Senior Managing Director and Chief Financial Officer, Destra Capital Management LLC and its subsidiaries (2010-2011); Chief Financial Officer, Destra Investment Trust and Destra Investment Trust II (2010-2011); Senior Managing Director, Claymore Securities, Inc. (2003-2010); and Chief Financial Officer, Claymore sponsored mutual funds (2003-2010).

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

Trustees and Officers (Continued)

Name, Address, and Age of Executive Officer	Position(s) Held with Trust	Length of Time Served*	Principal Occupation(s) During Past 5 Years
Anna Paglia (37) Invesco PowerShares Capital Management LLC 301 West Roosevelt Road Wheaton, IL 60187	Secretary	Since 2011	Head of Legal, Invesco PowerShares Capital Management LLC (2010-Present); formerly, Partner, K&L Gates LLP (formerly, Bell Boyd & Lloyd LLP) (2007-2010). Associate Counsel at Barclays Global Investors Ltd. (2004-2006)

Availability of Additional Information About the Trustees

The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request at (800) 983-0903.

PROXY VOTING POLICIES AND PROCEDURES

A description of the Trust's 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.

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.

QUARTERLY PORTFOLIOS

The Trust files its complete schedule of portfolio holdings for the Funds with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Trust's Form N-Q is available on the Commission's website at www.sec.gov. The Trust's Form N-Q 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.

