
Dynamic ETFs

Seeking Alpha through Dynamic Indexes



The index methodology on which the PowerShares Dynamic Portfolios are based seeks to evaluate and select stocks based on investment merit, as opposed to a single measure, such as market cap.



Dynamic ETFs

Unconstrained

PIQ PowerShares Dynamic MagniQuant Portfolio

Broad Market

PWC PowerShares Dynamic Market Portfolio

PWO PowerShares Dynamic OTC Portfolio

Sector

PYZ PowerShares Dynamic Basic Materials Sector Portfolio

PEZ PowerShares Dynamic Consumer Discretionary Sector Portfolio

PSL PowerShares Dynamic Consumer Staples Sector Portfolio

PXI PowerShares Dynamic Energy Sector Portfolio

PFI PowerShares Dynamic Financials Sector Portfolio

PRN PowerShares Dynamic Industrials Sector Portfolio

PTH PowerShares Dynamic Healthcare Sector Portfolio

PTF PowerShares Dynamic Technology Sector Portfolio

PTE PowerShares Dynamic Telecommunications & Wireless Portfolio

PUI PowerShares Dynamic Utilities Portfolio

Industry

PJB PowerShares Dynamic Banking Portfolio

PTJ PowerShares Dynamic Healthcare Services Portfolio

PBE PowerShares Dynamic Biotechnology & Genome Portfolio

PKB PowerShares Dynamic Building & Construction Portfolio

PXE PowerShares Dynamic Energy Exploration & Production Portfolio

PBJ PowerShares Dynamic Food & Beverage Portfolio

PIC PowerShares Dynamic Insurance Portfolio

PEJ PowerShares Dynamic Leisure & Entertainment Portfolio

PBS PowerShares Dynamic Media Portfolio

PXQ PowerShares Dynamic Networking Portfolio

PXJ PowerShares Dynamic Oil & Gas Services Portfolio

PJP PowerShares Dynamic Pharmaceuticals Portfolio

PMR PowerShares Dynamic Retail Portfolio

PSI PowerShares Dynamic Semiconductors Portfolio

PSJ PowerShares Dynamic Software Portfolio

Market Cap

PJF PowerShares Dynamic Large Cap Portfolio

PJG PowerShares Dynamic Mid Cap Portfolio

PJM PowerShares Dynamic Small Cap Portfolio

Style

PWB PowerShares Dynamic Large Cap Growth Portfolio

PWV PowerShares Dynamic Large Cap Value Portfolio

PWJ PowerShares Dynamic Mid Cap Growth Portfolio

PWP PowerShares Dynamic Mid Cap Value Portfolio

PWT PowerShares Dynamic Small Cap Growth Portfolio

PWY PowerShares Dynamic Small Cap Value Portfolio

International

PFA PowerShares Dynamic Developed International Opportunities Portfolio

Dynamic Indexes

Designed for Precision, Focused on Investment Merit

Does your growth portfolio consist solely of growth stocks?

Were the stocks in your index fund chosen for their investment merit?

Many investors might answer “yes” to these questions – until they take a hard look at their investments. To their surprise, they might find value stocks in their growth funds, or that the companies in their index fund were selected primarily for their industry exposure as opposed to their investment merit.

Precision

Asset allocation has become a precise science. Financial advisers carefully craft client portfolios, seeking an optimum balance between growth and value stocks; large-, mid- and small-cap companies; and domestic and international securities. When the lines become blurred between asset classes, this balance is thrown off, which can cause unexpected and disappointing performance results.

Asset class drift can happen in both active and passive investments. Some active portfolio managers may allow mid-cap stocks to creep into a large-cap fund, for example, in an effort to outperform their stated benchmark. Some passive index funds are simplistic in their definitions of growth and value – in some cases making that distinction using only a single style determinant such as price-to-book ratio – which can lead to imprecise segment representations. Such imprecision may ultimately undermine an otherwise solid portfolio.

That’s why PowerShares Dynamic Portfolios are based on Dynamic Indexes that use an intelligent selection methodology to thoroughly examine stocks and achieve accurate sector, industry, market-cap and style exposure.

Controlled mega-cap exposure

Traditional indexing utilizes market-cap and float-weighted methodologies, which bear stock-specific risk, or diversification risk, as they may carry high concentrations of mega-cap companies. The Dynamic Indexes use a tiered-weighting methodology, an approach that attempts to improve diversification by creating more uniform exposures across size groups within the index, mitigating single-stock exposure found in traditional cap-weighted indexes.

The importance of investment value

Traditional benchmark indexes, such as the widely known S&P 500 Index, were developed to represent a snapshot of the overall market. For that reason, they select stocks primarily for their industry exposure.

But Dynamic Indexes were developed to serve as the basis for investments. Their “intelligent” methodology seeks to evaluate and select stocks on their investment merit.

The S&P 500® Index is an unmanaged index considered representative of the U.S. stock market.

Investment merit is a calculation of all factors independently matched with the weighted factors and are combined to create a comprehensive composite score for each stock.

Price-to-book ratio is the market price of a stock divided by the book value per share. It gives an immediate valuation of the stock price compared to the underlying company net worth.

When we say that our ETFs are intelligent, we mean that in several different ways. Overall, no matter what the focus, all ETFs offer investors tax efficiency and trading flexibility, which make them an intelligent investment tool for investors to consider. Whether you’re looking for broad market exposure, specialized investment strategies or access to niche markets, we believe PowerShares ETFs represent an intelligent option for your portfolio.

Seeking Alpha Through Stock Selection

The goal of Dynamic Indexes is to provide alpha by choosing stocks based on investment merit. This approach is far different from that of traditional benchmark indexes, which seek to select stocks primarily for their industry exposure and regardless of their actual investment value.

Seeking alpha

PowerShares' Domestic Dynamic Portfolios are based on indexes known as Intellidexes. The Intellidex universe includes 2,000 U.S. stocks, which are evaluated using a proprietary investment methodology based on 25 factors that measure company fundamentals, stock valuation, timeliness and risk.

PowerShares' International Dynamic Portfolios are based on indexes from the Quantitative Services Group, LLC (QSG). QSG's stock-selection model evaluates more than 10,000 international companies using company-specific fundamentals, corporate income statements, balance sheets, cash flow statements, analysts' forecasts and pricing trends. See page 6 for more information on QSG's selection model.

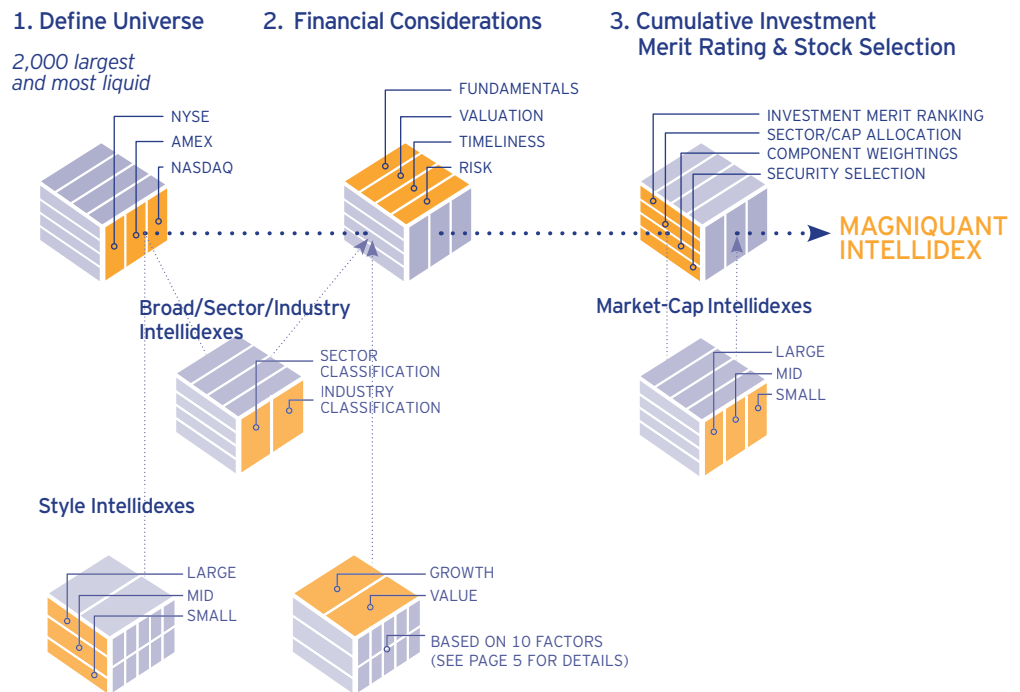
Both approaches represent a sophisticated way of analyzing large groups of securities to select specific stocks that have the potential for capital appreciation. Additionally, these processes are disciplined, repeatable and devoid of human emotion.

Alpha is a measure of performance on a risk-adjusted basis.

Foreign securities have additional risks, including exchange-rate changes, decreased market liquidity, political instability and taxation by foreign governments.

Intellidex Methodology

This chart illustrates the intelligent stock selection methodology of the Intellidex domestic indexes. The top line shows the basic, unfiltered process, which is used by the MagniQuant Intellidex, and the rest of the diagram demonstrates the various filters added to create the broad market, sector, industry, market-cap and style intellidexes.



Intellidex Strategies

Invesco PowerShares offers over 35 domestic and international ETFs based on Dynamic Indexes.

Broad market

Broad Market Intellidexes are designed to mirror the sector allocations of the broad U.S. equity market. However, only those companies displaying what we believe to be the highest overall investment merit are selected to represent each sector.

The Market Intellidex may include stocks listed on the New York Stock Exchange. The OTC Intellidex includes only stocks listed on Nasdaq.

As illustrated on page 4, the goal is to create professionally designed, market-like portfolios of financially strong, effectively managed and attractively priced U.S. companies.

Sector & industry

Sector Intellidexes place U.S. stocks into sector categories using proprietary Amex methodology, which is designed to provide precise company and sector classifications.

Industry Intellidexes place U.S. stocks into industry categories using the Revere Hierarchy industry classification system – a detailed research approach designed to provide precise company and industry classifications.

Accurate classifications are important because they help ensure that investments are properly focused, allowing investors to better capture the performance of a specific sector or industry.

Each stock is then evaluated using the proprietary Intellidex™ methodology illustrated on page 4, and is assigned an investment merit score. The top 30 stocks in each sector or industry are chosen for each respective Intellidex™.

When a Fund is focused in a specific industry or sector, it presents greater risks than if it were broadly diversified over numerous industries and sectors of the economy. Please read the prospectus for a summary of these risks pertaining to each industry and sector.

Revere hierarchy provides unprecedented visibility into companies, the sectors in which they compete, and their major lines of business through a thorough process of classification of companies through highly specific categories based on the products and services they sell.

Market Capitalization Breakdown

Largest 2,000 liquid securities

Large Cap

Largest 250 companies

Mid Cap

Next 750 companies

Small Cap

Remaining 1,000 companies

Style Determinants

Style Intellidexes use 10 independent style determinants to properly differentiate between U.S. value and growth companies.

Value Screens

- Forecasted Earnings/Price
- Sales/Price
- Cash Flow/Price
- Book/Price
- Dividend Yield

Growth Screens

- Forecasted Earnings Growth
- Sales Growth
- Cash Flow Growth
- Book Growth
- Earnings Growth

Market cap

Market Cap Intellidexes are not limited to a certain style. While staying true to their market-cap size, they seek the U.S. stocks with the highest investment merit regardless of whether those stocks are growth, value or core. This gives the Market Cap Intellidexes the latitude to choose among many stocks.

The precise, targeted market-cap exposure of the Market Cap Intellidexes allows you to use them in a variety of asset allocation strategies. They can be used singly, to help balance a client portfolio that is overly weighted in one market-cap size, or they can be used in combination to provide custom-diversified exposure to the U.S. equity market – an essential part of a well-rounded portfolio.

Investing in securities of small and medium-sized companies may involve greater risk than is customarily associated with investing in large companies.

Style

Style Intellidexes use 10 independent style determinants to properly differentiate between U.S. growth and value companies. This research incorporates accounting data, market data and insight gained from analysts' forecasts.

In contrast, other indexes may categorize stocks as growth or value based on only a single style determinant such as price-to-book ratio – which can lead to imprecise segment representations.

Because the Style Intellidexes have relatively low correlation between growth and value segments, they can be used as part of an overall risk control strategy and may provide improved portfolio risk/return profiles.

To assure accurate representation of the style segments of the U.S. equity market, the Dynamic Style Portfolios are rebalanced quarterly.

Intellidex Strategies (continued)

MagniQuant

The MagniQuant Intellidex is the only Intellidex that does not sort stocks by sector, industry, style or market cap. Each quarter, the Index evaluates 2,000 U.S. stocks based on 25 factors designed to measure investment merit. Each stock is given a score, and the top 200 are chosen for the index. No efforts are made to keep the index inside a certain style box or to assure a wide representation of market sectors.

This latitude allows the MagniQuant Intellidex to seek alpha not only through stock selection, but through style, sector or market-cap allocations as determined by the model.

As a result of its integrated, whole market approach, we believe the MagniQuant Intellidex provides the greatest potential for long-term capital appreciation among any of the Intellidexes on the market today. However, it also has the greatest potential for relative return disparity versus the market as a whole. Therefore, the MagniQuant strategy is for long-term investors who are interested in the Intellidex's disciplined, comprehensive stock-evaluation process, and who are comfortable investing in a fund whose performance may not track the broader market.

The Dynamic International Index Methodology is designed to objectively identify those stocks within a particular market segment that have the greatest potential for capturing global alpha and capital appreciation.

Dynamic International Methodology

QSG's Dynamic International Index Methodology sorts stocks according to their global region or economic category, then tests each stock for both power and consistency over various market cycles, economic regimens and historical timeframes. Only the stocks with the greatest potential for capital appreciation are chosen for each index.

QSG Dynamic stock selection model

QSG's unique quantitative stock selection model is founded on nightly gathered data composed of company-specific fundamentals, corporate income statements, balance sheets, cash flow statements, analysts' forecasts, and pricing trends for more than 10,000 international companies.

1. Define Universe

10,000+ Companies



2. Financial Considerations



3. Cumulative Investment Merit Rating & Stock Selection



GLOBAL DYNAMIC INDEX

Each index universe is composed of some of the largest stocks that trade on some of the most developed and liquid markets in the world. The proprietary index methodology evaluates companies on a monthly basis, allowing the indexes to actively seek the best stocks whose characteristics are most indicative of long-term outperformance.

General Risk Information

There are risks involved with investing in ETFs including possible loss of money. Shares are not actively managed and are subject to risks including those regarding short selling and margin maintenance requirements. Ordinary brokerage commissions apply.

PIQ, PWC, PWO, PJF, PJG, PJM, PWJ, PWP, PWT, PWY, PGZ, PVM, PYZ, PEZ, PSL, PXI, PFI, PTH, PRN, PTF, PTE, PUI, PJB, PBE, PKB, PXE, PBJ, PHW, PTJ, PIC, PEJ, PBS, PXQ, PXJ, PJP, PMR, PSI, PSJ, PUA, PFA and PEH may invest in small and/or medium-sized companies. Investing in securities of small and medium-sized companies may involve greater risk than is customarily associated with investing in large companies.

Sector & Industry Risk Information

The value of the stocks in the Industry Intellidex indexes and Dynamic Sector Intellidex indexes may be more volatile than stocks of other issues. An investor in the Funds should anticipate that the value of their shares will increase or decrease in value more or less in correlation with increases or decreases in value of the Intellidex indexes.

At times, the segment of equity markets represented by each sector and industry Index universe may be out of favor and under-perform other segments. When a Fund is focused in a specific industry or sector, it presents greater risks than if it were broadly diversified over numerous industries and sectors of the economy. Please read the prospectus for a summary of these risks pertaining to each industry and sector.

Growth & Value Risk Information

There are risks associated with "Growth" and "Value" styles of investing. The value of the Market Cap, Style and PIQ Funds' investments will vary and at times may be lower or higher than that of other types of investments. Please see the prospectus for more complete risk information regarding growth and value investing.

International Risk Information

Foreign securities have additional risks, including exchange-rate changes, decreased market liquidity, political instability and taxation by foreign governments.

Trademarks & Other Information

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

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

An investor should consider the Funds' investment objectives, risks, charges and expenses carefully before investing. For this and more complete information about the Funds, call 800 983 0903 or visit invescopowershares.com. Please read the prospectus carefully before investing.

Fund Closing Information

Shareholders may sell their holdings on or before Dec. 14, 2010, and may incur typical transaction fees from their broker-dealer. Shareholders who do not sell their holdings on or before Dec. 14, 2010, will receive cash equal to the amount of the net asset value of their shares, which will include any capital gains and dividends, in the cash portion of their brokerage accounts on the liquidation date (currently scheduled for Dec. 21, 2010). Shareholders will generally recognize a capital gain or loss equal to the amount received for their shares over their adjusted basis in such shares.

The affected ETFs are listed below:

Name	Ticker
PowerShares Dynamic Healthcare Services Portfolio	PTJ
PowerShares Dynamic Telecommunications & Wireless Portfolio	PTE
PowerShares FTSE NASDAQ Small Cap Portfolio	PQSC
PowerShares FTSE RAFI Europe Portfolio	PEF
PowerShares FTSE RAFI Japan Portfolio	PJO
PowerShares Global Biotech Portfolio	PBTQ
PowerShares Global Progressive Transportation Portfolio	PTRP
PowerShares NASDAQ-100 BuyWrite Portfolio	PQBW
PowerShares NXQ Portfolio	PNXQ
PowerShares Zacks Small Cap Portfolio	PZJ

For additional information, shareholders of the ETFs which are scheduled for liquidation may call Invesco PowerShares at 800 983 0903.

There are risks involved with investing in ETFs including possible loss of money. Shares are not actively managed and are subject to risks including those regarding short selling and margin maintenance requirements. Ordinary brokerage commissions apply. For a description of the risks of investing in the Funds, please see the Funds' prospectuses.

The Funds are considered non-diversified and may be subject to greater risks than a diversified fund. Invesco PowerShares does not offer tax advice. Please consult a tax advisor for advice regarding your specific situation.

PowerShares® is a registered trademark of Invesco PowerShares Capital Management LLC (Invesco PowerShares). Invesco PowerShares Capital Management LLC and Invesco Distributors, Inc. are indirect, wholly owned subsidiaries of Invesco Ltd. Invesco Distributors, Inc. is the distributor of the PowerShares Exchange-Traded Fund Trust and the PowerShares Exchange-Traded Fund Trust II.

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

Not FDIC Insured | May Lose Value | No Bank Guarantee

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

Supplemental Information

At close of business on June 15, 2011, the following Funds' names and ticker symbols will change. The new names and tickers will take effect on June 16, 2011. Please reference the table below for these changes.

Ticker	Old Portfolio Name	New Ticker	New Portfolio Name
PJF	PowerShares Dynamic Large Cap Portfolio	PXLC	PowerShares Fundamental Pure Large Core Portfolio
PJG	PowerShares Dynamic Mid Cap Portfolio	PXMC	PowerShares Fundamental Pure Mid Core Portfolio
PWJ	PowerShares Dynamic Mid Cap Growth Portfolio	PXMG	PowerShares Fundamental Pure Mid Growth Portfolio
PWP	PowerShares Dynamic Mid Cap Value Portfolio	PXMV	PowerShares Fundamental Pure Mid Value Portfolio
PJM	PowerShares Dynamic Small Cap Portfolio	PXSC	PowerShares Fundamental Pure Small Core Portfolio
PWT	PowerShares Dynamic Small Cap Growth Portfolio	PXSG	PowerShares Fundamental Pure Small Growth Portfolio
PWY	PowerShares Dynamic Small Cap Value Portfolio	PXSV	PowerShares Fundamental Pure Small Value Portfolio

Not FDIC Insured | May Lose Value | No Bank Guarantee

Note: Not all products available through all firms

An investor should consider the Funds' investment objective, risks, charges and expenses. For this and more complete information about the Funds, call 800 983 0903 or visit invescopowershares.com for a prospectus. Please read the prospectus carefully before investing.