

# XLYS

As of December 31, 2010

## PowerShares S&P SmallCap Consumer Discretionary Portfolio

### Fund Description

The PowerShares S&P SmallCap Consumer Discretionary Portfolio is based on the S&P SmallCap 600 Capped Consumer Discretionary 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.

The Index is a subset of the S&P SmallCap 600 Index, which is a float-adjusted, market-capitalization-weighted index reflecting the U.S. small-cap market.

There are risks involved with investing in ETFs, including possible loss of money. Shares are not actively managed and are subject to risks similar to those of stocks. Ordinary brokerage commissions apply. Concentrated industry investments involve greater risks than more diversified investments.

### Fund Data<sup>3</sup>

PowerShares S&P SmallCap Consumer Discretionary Portfolio	XLYS
Intraday NAV (IIV)	XLYS.IV

### Underlying Index Data

S&P SmallCap 600 Capped Consumer Discretionary Index Provider	SPSU6CDT Standard and Poor's
---	---------------------------------

### 10-Year Alpha, Beta and Correlation<sup>1,3</sup>

Data shown are that of the underlying Index relative to each respective benchmark index

	Alpha	Beta	Correlation
S&P SmallCap 600	-0.29	1.21	0.86

### Fund Performance & Index History (%)<sup>1</sup>

	1 Year	3 Year	5 Year	10 Year	Fund Inception <sup>2</sup>
<b>Underlying Index</b>					
S&P SmallCap 600					
Capped Consumer Discretionary	35.89	5.69	-0.53	7.53	8.84
<b>Benchmark Index</b>					
S&P SmallCap 600	26.31	3.01	4.64	7.66	16.30
<b>Fund</b>					
NAV	-	-	-	-	8.60
After Tax Held	-	-	-	-	8.48
After Tax Sold	-	-	-	-	5.59
Market Price	-	-	-	-	8.80

*This is a new Fund and therefore does not have a full year of performance to report as of the most recent quarter end. Performance data quoted represents past performance. As stated in the Fund's prospectus, the expense ratio of 0.29% is expressed as a unitary fee to cover expenses incurred in connection with managing the portfolio. Past performance is not a guarantee of future results; current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and Shares, when redeemed, may be worth more or less than their original cost. See [invescopowershares.com](http://invescopowershares.com) to find the most recent month-end performance numbers. After Tax Held represents total return after taxes on distributions and assumes Shares have not been sold. After Tax Sold represents total return after taxes on distributions and the sale of Fund Shares. After-tax returns reflect the highest federal income tax rate but exclude state and local taxes. Market returns are based on the midpoint of the bid/ask spread at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times.*

### 10-Year Index Statistics<sup>1,3</sup>

	Performance (%)	Volatility (%)	Sharpe Ratio
S&P SmallCap 600 Capped Consumer Discretionary	7.53	26.31	0.21
S&P SmallCap 600	7.66	20.15	0.27

### Fund Inception: April 7, 2010

<sup>1</sup> Index returns do not represent Fund returns. An investor cannot invest directly in an index.

<sup>2</sup> Returns for the benchmark indexes are based on the closest month end to the Fund's inception date.

Neither the underlying Index nor the benchmark indexes charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown; nor do any of the indexes lend securities, and no revenues from securities lending were added to the 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 is a market-value weighted index that consists of 600 small-cap U.S. stocks chosen for market size, liquidity and industry group representation.

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

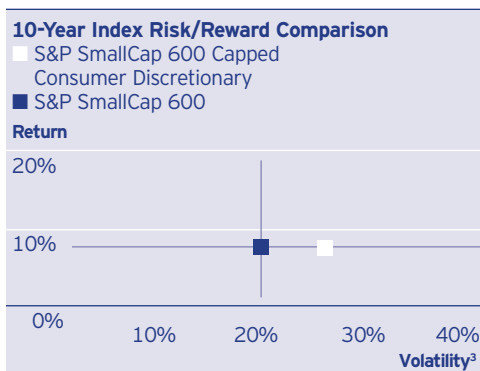
**Shares are not individually redeemable and owners of the Shares may acquire those Shares from the Fund and tender those Shares for redemption to the Fund in Creation Unit aggregations only, typically consisting of 50,000 Shares.**



# PowerShares S&P SmallCap Consumer Discretionary Portfolio

As of December 31, 2010

Top 30 Fund Holdings (%) <sup>4</sup>	
Name	Weight
Coinstar Inc.	2.52
Live Nation Entertainment Inc.	2.40
Carter's Inc.	2.39
Brunswick Corp.	2.34
Jo-Ann Stores Inc.	2.23
Wolverine World Wide Inc.	2.19
OfficeMax Inc.	2.12
Crocs Inc.	2.10
Iconix Brand Group Inc.	1.97
Men's Wearhouse Inc.	1.85
Hillenbrand Inc.	1.82
Children's Place Retail Stores Inc.	1.81
Cracker Barrel Old Country Store Inc.	1.80
HSN Inc.	1.67
Pool Corp.	1.58
Arbitron Inc.	1.57
Jack in the Box Inc.	1.57
Jos. A. Bank Clothiers Inc.	1.57
P.F. Chang's China Bistro Inc.	1.57
Capella Education Co.	1.55
Monro Muffler Brake Inc.	1.47
Hibbett Sports Inc.	1.45
Texas Roadhouse Inc.	1.40
Group 1 Automotive Inc.	1.39
Buckle Inc.	1.39
Steven Madden Ltd.	1.35
Finish Line Inc. (CI A)	1.29
Helen of Troy Corp.	1.28
Genesco Inc.	1.27
Cabela's Inc.	1.23



Fund Details <sup>3</sup>	
Weighted Harmonic Average Stock Price-to-Earnings Ratio	17.33
Weighted Harmonic Average Stock Price-to-Book-Value Ratio	2.20
Weighted Average Return on Equity	13.63
Weighted Market Cap (mm)	1,013
Number of Securities	107
Expense Ratio	0.29%
CUSIP	73937B506
Listing Exchange	NASDAQ

	Annual Index Performance (%)	
	S&P SmallCap 600 Capped Consumer Discretionary	S&P Small-Cap 600
2001	27.99	6.51
2002	-8.38	-14.63
2003	50.08	38.79
2004	19.99	22.65
2005	0.54	7.68
2006	8.26	15.12
2007	-23.82	-0.30
2008	-42.86	-31.07
2009	52.03	25.57
2010	35.89	26.31

Fund Market-Cap Allocations (%)	
Large-Cap Growth	-
Large-Cap Value	-
Mid-Cap Growth	2.40
Mid-Cap Value	-
Small-Cap Growth	50.51
Small-Cap Value	47.09

Fund Industry Allocations (%)	
Specialty Retail	28.68
Hotels Restaurants & Leisure	20.50
Textiles Apparel & Luxury Goods	16.62
Diversified Consumer Services	8.92
Household Durables	6.16
Leisure Equipment & Products	5.10
Media	4.41
Internet & Catalog Retail	4.19
Auto Components	1.96
Distributors	1.80

## Leading the Intelligent ETF Revolution<sup>®</sup>

Underlying Index performance does not represent Fund performance.

<sup>3</sup> The Intraday NAV is a symbol representing estimated fair value based on the most recent intraday price of underlying assets.

Volatility is the annualized standard deviation of monthly index returns.

Beta is a measure of relative risk and the slope of regression.

Sharpe Ratio is a risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. A higher Sharpe Ratio indicates better risk-adjusted performance.

Correlation indicates the degree to which two investments have historically moved in the same direction and magnitude.

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

Stock Price-to-Earnings Ratio is the share price divided by earnings per share. It is measured on a 12-month trailing basis.

Stock Price-to-Book-Value Ratio is the ratio of a stock's market price to a company's net asset value.

Weighted Harmonic Average is a method of calculating an average value that lessens the impact of large outlying data points.

Weighted Average Return on Equity is net income divided by shareholders' equity.

Weighted Market Cap is the sum of each underlying securities' market value.

<sup>4</sup> Please see the website for complete holdings information. Holdings are subject to change.

The Global Industry Classification Standard was developed by and is the exclusive property and a service mark of MSCI, Inc. and Standard & Poor's.

The Fund contains securities in the consumer discretionary sector. Companies engaged in this sector are subject to greater risks, and are more greatly impacted by market volatility, than more diversified investments.

The Fund is considered non-diversified and may be subject to greater risks than a diversified fund.

Investing in securities of small capitalization companies may involve greater risk than is customarily associated with investing in large companies.

Standard & Poor's<sup>®</sup> and S&P<sup>®</sup> are registered trademarks of Standard & Poor's Financial Services LLC ("S&P") and have been licensed for use by Invesco PowerShares Capital Management LLC. The

Fund is not sponsored, endorsed, sold or promoted by S&P or its affiliates, and S&P and its affiliates make no representation, warranty or condition regarding the advisability of buying, selling or holding units/shares in the Fund.

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

**PowerShares<sup>®</sup> is a registered trademark of Invesco PowerShares Capital Management LLC. Invesco PowerShares Capital Management LLC and Invesco Distributors, Inc. are indirect, wholly owned subsidiaries of Invesco Ltd.**

**An investor should consider the Fund's investment objective, risks, charges and expenses carefully before investing. For this and more complete information about the Fund call 800 983 0903 or visit [invescopowershares.com](http://invescopowershares.com) for a prospectus. Please read the prospectus carefully before investing.**

Note: Not all products available through all firms.

---

## Supplemental Information

At close of business on March 22, 2011, the following Funds' ticker symbols will change. The Funds' names, underlying index names and index tickers will remain the same. The new tickers will take effect on March 23, 2011. Please reference the table below for these changes.

Portfolio Name	Old Ticker	New Ticker
PowerShares S&P SmallCap <b>Consumer Discretionary</b> Portfolio	XLYS	PSCD
PowerShares S&P SmallCap <b>Consumer Staples</b> Portfolio	XLPS	PSCC
PowerShares S&P SmallCap <b>Energy</b> Portfolio	XLES	PSCE
PowerShares S&P SmallCap <b>Financials</b> Portfolio	XLFS	PSCF
PowerShares S&P SmallCap <b>Health Care</b> Portfolio	XLVS	PSCH
PowerShares S&P SmallCap <b>Industrials</b> Portfolio	XLIS	PSCI
PowerShares S&P SmallCap <b>Information Technology</b> Portfolio	XLKS	PSCT
PowerShares S&P SmallCap <b>Materials</b> Portfolio	XLBS	PSCM
PowerShares S&P SmallCap <b>Utilities</b> Portfolio	XLUS	PSCU
PowerShares <b>QQQ</b>	QQQQ	QQQ

*For additional information call Invesco PowerShares at 800 983 0903.*

### **Not FDIC Insured I May Lose Value I No Bank Guarantee**

Note: Not all products available through all firms

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.

ALPS Distributors, Inc. is the distributor of PowerShares QQQ, a unit investment trust. Invesco PowerShares is not affiliated with ALPS Distributors, Inc.

**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](http://invescopowershares.com) for a prospectus. Please read the prospectus carefully before investing.**