



powerSHARES™  
xchange traded funds™

# PowerShares Exchange-Traded Fund Trust

PowerShares Buyback Achievers™ Portfolio (NYSE Arca, Inc. - PKW)

PowerShares Dividend Achievers™ Portfolio (NYSE Arca, Inc. - PFM)

PowerShares Financial Preferred Portfolio (NYSE Arca, Inc. - PGF)

PowerShares High Yield Equity Dividend Achievers™ Portfolio  
(NYSE Arca, Inc. - PEY)

PowerShares International Dividend Achievers™ Portfolio  
(NYSE Arca, Inc. - PID)

August 31, 2011

The U.S. Securities and Exchange Commission ("SEC") has not approved or disapproved these securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

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# PowerShares Buyback Achievers™ Portfolio

## Summary Information

### Investment Objective

The PowerShares Buyback Achievers™ Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Share BuyBack Achievers™ Index (the “Underlying Index”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

#### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

|   |       |
|---|-------|
| Management Fees .....   | .050% |
| Other Expenses .....  | .050% |
| Total Annual Fund Operating Expenses .....  | .100% |
| Fee Waivers and Expense Assumption(1) .....   | .030% |
| Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) .. | .070% |

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2012, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser; but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. The cost under the one year example is equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that

investors may pay to buy and sell Shares of the Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

| <b>1 YEAR</b> | <b>3 YEARS</b> | <b>5 YEARS</b> | <b>10 YEARS</b> |
|---------------|----------------|----------------|-----------------|
| \$72          | \$289          | \$523          | \$1197          |

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 26% of the average value of its portfolio.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in common stocks that comprise the Underlying Index. Strictly in accordance with its existing guidelines and mandated procedures, Mergent®, Inc. (“Mergent” or the “Index Provider”) includes stocks in the Underlying Index pursuant to a proprietary selection methodology. As of June 30, 2011, the Underlying Index was composed of stocks of approximately 143 companies with a market capitalization range of between approximately \$165 million and \$207 billion. To qualify for the universe of “BuyBack Achievers™,” an issuer must have repurchased at least 5% of its outstanding shares during the trailing 12 months.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or group of industries only to the extent that the Underlying Index reflects a concentration in that industry or group of industries. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or group of industries.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Market Risk.* Securities in the Underlying Index are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Index.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund’s net asset value (“NAV”).

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities the Fund holds; the price of common stock may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities the Fund holds. In addition, common stock in the Fund’s portfolio may decline in price if the

issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common stock is subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers.

*Concentration Risk.* A significant percentage of the Underlying Index may be composed of issuers in a single industry or sector of the economy. If the Fund is focused in an industry or sector, it may present more risks than if it were diversified broadly over numerous industries and sectors of the economy. At times, such industry or group of industries may be out of favor and underperform other industries or the market as a whole.

*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.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Index. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Index, even if that security generally is underperforming.

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

*Non-Diversified Fund Risk.* The Fund is 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. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

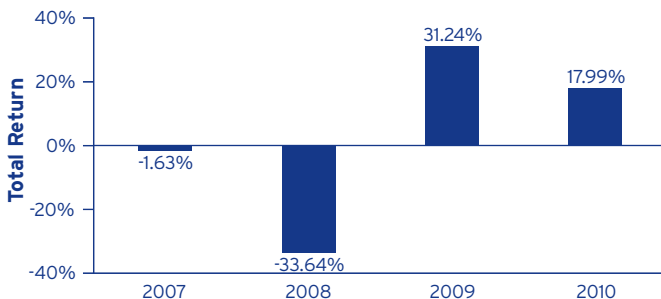
**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with a broad measure of market

performance. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2011 was 10.99%.

#### Best Quarter

17.77% (2nd Quarter 2009)

#### Worst Quarter

(20.64)% (4th Quarter 2008)

### Average Annual Total Returns for the Periods Ended December 31, 2010

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

|   | <u>One Year</u> | <u>Since Inception<br/>(12/20/06)</u> |
|---|-----------------|---------------------------------------|
| Return Before Taxes .....   | 17.99%          | 0.15%                                 |
| Return After Taxes on Distributions .....   | 17.86%          | (0.14)%                               |
| Return After Taxes on Distributions and Sale of Fund Shares ...                             | 11.69%          | (0.06)%                               |
| <hr/>   |                 |                                       |
| S&P 500® Index<br>(reflects no deduction for fees, expenses or taxes) .....                 | 15.08%          | (0.82)%                               |
| Russell 3000® Value Index<br>(reflects no deduction for fees, expenses or taxes) .....      | 16.23%          | (3.19)%                               |
| Share BuyBack Achievers™ Index<br>(reflects no deduction for fees, expenses or taxes) ..... | 18.68%          | 0.87%                                 |

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are jointly and primarily responsible for the day-to-day management of the Fund's portfolio:

| <b>Name</b>      | <b>Title with Adviser/Trust</b>   | <b>Date Began Managing the Fund</b> |
|------------------|---|-------------------------------------|
| Peter Hubbard    | Vice President and Director of Portfolio Management of the Adviser; Vice President of the Trust | June 2007                           |
| Michael Jeanette | Vice President and Portfolio Manager of the Adviser   | August 2008                         |
| Brian Picken     | Associate Portfolio Manager of the Adviser  | August 2010                         |

For important information about the purchase and sale of Fund Shares and tax information, please turn to "Summary Information About Purchases, Sales and Taxes" on page 28 of the Prospectus.

# PowerShares Dividend Achievers™ Portfolio

## Summary Information

### Investment Objective

The PowerShares Dividend Achievers™ Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Broad Dividend Achievers™ Index (the “Underlying Index”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

|  |       |
|--|-------|
| Management Fees  | 0.40% |
| Other Expenses   | 0.21% |
| Total Annual Fund Operating Expenses   | 0.61% |
| Fee Waivers and Expense Assumption(1)  | 0.01% |
| Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) | 0.60% |

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sublicensing fees, offering costs, taxes and extraordinary expenses) from exceeding 0.50% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2012, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser; but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. The cost under the one year example is equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that

investors may pay to buy and sell Shares of the Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

| <b>1 YEAR</b> | <b>3 YEARS</b> | <b>5 YEARS</b> | <b>10 YEARS</b> |
|---------------|----------------|----------------|-----------------|
| \$61          | \$194          | \$339          | \$761           |

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 11% of the average value of its portfolio.

### **Principal Investment Strategies**

The Fund generally will invest at least 80% of its total assets in common stocks of companies that have raised their annual regular cash dividend payments for at least each of the last ten fiscal years. The Fund generally will invest at least 90% of its total assets in dividend-paying common stocks that comprise the Underlying Index. Strictly in accordance with its existing guidelines and mandated procedures, Mergent®, Inc. (“Mergent” or the “Index Provider”) includes stock in the Underlying Index pursuant to a proprietary selection methodology. As of June 30, 2011, the Underlying Index was composed of stocks of approximately 190 companies with a market capitalization range of between approximately \$289 million and \$400 million. To qualify for the universe of “Dividend Achievers™,” an issuer must have increased its annual regular cash dividend payments for each of its last ten fiscal years.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or group of industries only to the extent that the Underlying Index reflects a concentration in that industry or group of industries. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or group of industries.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Dividend Paying Security Risk.* Securities that pay high dividends as a group can fall out of favor with the market, causing such companies to underperform companies that do not pay high dividends. Also changes in the dividend policies of the companies in the Underlying Index and the capital resources available for such companies’ dividend payments may affect the Fund.

*Market Risk.* Securities in the Underlying Index are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Index.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund’s net asset value (“NAV”).

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities the Fund holds; the price of common stock may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities the Fund holds. In addition, common stock in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common stock is subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers.

*Concentration Risk.* A significant percentage of the Underlying Index may be composed of issuers in a single industry or sector of the economy. If the Fund is focused in an industry or sector, it may present more risks than if it were diversified broadly over numerous industries and sectors of the economy. At times, such industry or group of industries may be out of favor and underperform other industries or the market as a whole.

*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.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Index. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Index, even if that security generally is underperforming.

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

*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

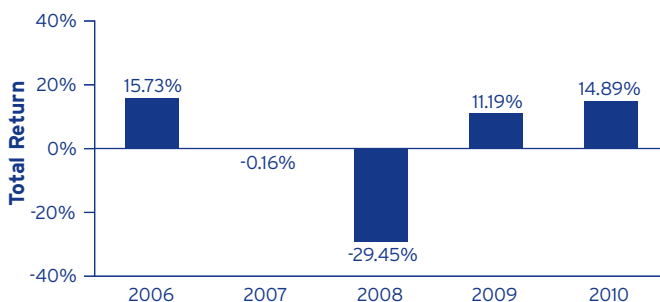
**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.**

## **Performance**

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar

chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with a broad measure of market performance. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2011 was 7.72%.

#### Best Quarter

13.65% (3rd Quarter 2009)

#### Worst Quarter

(19.15)% (4th Quarter 2008)

### Average Annual Total Returns for the Periods Ended December 31, 2010

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

|   | <u>One Year</u> | <u>Five Years</u> | <u>Since Inception (9/15/05)</u> |
|---|-----------------|-------------------|----------------------------------|
| Return Before Taxes . . . . .   | 14.89%          | 0.81%             | 1.13%                            |
| Return After Taxes on Distributions . . . . .                         | 14.06%          | 0.04%             | 0.36%                            |
| Return After Taxes on Distributions and Sale of Fund Shares . . . . . | 9.65%           | 0.24%             | 0.52%                            |
| S&P 500® Index  |                 |                   |                                  |
| (reflects no deduction for fees, expenses or taxes) . . . . .         | 15.08%          | 2.29%             | 2.70%                            |
| Russell 3000® Value Index   |                 |                   |                                  |
| (reflects no deduction for fees, expenses or taxes) . . . . .         | 16.23%          | 1.45%             | 1.83%                            |
| Broad Dividend Achievers™ Index                                       |                 |                   |                                  |
| (reflects no deduction for fees, expenses or taxes) . . . . .         | 14.99%          | 1.08%             | 1.43%                            |

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are jointly and primarily responsible for the day-to-day management of the Fund's portfolio:

| <u>Name</u>      | <u>Title with Adviser/Trust</u>   | <u>Date Began Managing the Fund</u> |
|------------------|---|-------------------------------------|
| Peter Hubbard    | Vice President and Director of Portfolio Management of the Adviser; Vice President of the Trust | June 2007                           |
| Michael Jeanette | Vice President and Portfolio Manager of the Adviser   | August 2008                         |
| Brian Picken     | Associate Portfolio Manager of the Adviser  | August 2010                         |

For important information about the purchase and sale of Fund Shares and tax information, please turn to "Summary Information About Purchases, Sales and Taxes" on page 28 of the Prospectus.

# PowerShares Financial Preferred Portfolio

## Summary Information

### Investment Objective

The PowerShares Financial Preferred Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Wells Fargo® Hybrid & Preferred Securities Financial Index (the “Underlying Index”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

#### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

|   |       |
|---|-------|
| Management Fees .....   | .050% |
| Other Expenses .....  | .016% |
| Total Annual Fund Operating Expenses .....  | .066% |
| Fee Waivers and Expense Assumption(1) .....   | .000% |
| Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) .. | .066% |

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes and extraordinary expenses) from exceeding 0.60% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2012, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser; but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. The cost under the one year example is equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that

investors may pay to buy and sell Shares of the Fund. Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

| <b>1 YEAR</b> | <b>3 YEARS</b> | <b>5 YEARS</b> | <b>10 YEARS</b> |
|---------------|----------------|----------------|-----------------|
| \$67          | \$211          | \$368          | \$822           |

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 26% of the average value of its portfolio.

### **Principal Investment Strategies**

The Fund generally will invest at least 80% of its total assets in preferred securities of financial institutions. The Fund generally will invest at least 90% of its total assets in preferred securities that comprise the Underlying Index. The Underlying Index is a market capitalization weighted index designed to track the performance of preferred securities issued in the U.S. market by financial institutions. As of June 30, 2011, the Underlying Index was composed of preferred securities of approximately 22 financial institutions that have received an industrial sector classification of “financial” from the Bloomberg Professional Service. Strictly in accordance with its existing guidelines and mandated procedures, Wells Fargo Securities, LLC (together with Wells Fargo & Company, the “Index Provider”) includes securities in the Underlying Index pursuant to a proprietary selection methodology. As of June 30, 2011, the Underlying Index included companies with a market capitalization range of between approximately \$4 billion and \$150 billion. Preferred securities have a payment priority over common stock in the payment of specified dividends and in the event of the issuer’s liquidation. Dividends generally are paid on a fixed rate percentage of the fixed par value at which the preferred stock is issued, and preferred stocks generally have a liquidation value that equals the original purchase price of the stock at the time of issuance.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or group of industries only to the extent that the Underlying Index reflects a concentration in that industry or group of industries. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or group of industries.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Financial Sector Risk.* The market value of securities of issuers in the financial sector can be affected by factors such as adverse regulatory or economic occurrences affecting the financial sector, availability of credit, fluctuations in asset values, unstable interest rates, increased competition, continuing consolidations and development of new products and structures. Furthermore, increased government involvement in financial institutions, including measures such as taking ownership positions in such institutions, could result in a dilution in the value of the shares held by shareholders in such institutions.

*Foreign Financial Institution Risk.* Certain of the companies that comprise the Underlying Index, while traded on U.S. exchanges, may be issued by foreign financial institutions. Therefore, the Fund may be subject to the risks of investing in securities issued by foreign companies.

*High Yield Securities Risk.* High yield securities typically involve greater risk and are less liquid than higher grade issues. Changes in general economic conditions, changes in the financial condition of the issuers and changes in interest rates may adversely impact the ability of issuers of high yield securities to make timely payments of interest and principal.

*Preferred Securities Risk.* There are special risks associated with investing in preferred securities. Preferred securities may include provisions that permit the issuer, in its discretion, to defer or omit distributions for a certain period of time. If the Fund owns a security that is deferring or omitting its distributions, the Fund may be required to report the distribution on its tax returns, even though it may not have received any income. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments. Preferred securities may be less liquid than many other securities, such as common stocks, and generally offer no voting rights with respect to the issuer. Preferred securities also may be subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of non-payment than more senior securities. In addition, in certain circumstances, an issuer of preferred securities may redeem the securities prior to a specified date, and this may negatively impact the return of the security.

*Market Risk.* Securities in the Underlying Index are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Index.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Concentration Risk.* A significant percentage of the Underlying Index may be composed of issuers in a single industry or sector of the economy. If the Fund is focused in an industry or sector, it may present more risks than if it were diversified broadly over numerous industries and sectors of the economy. At times, such industry or group of industries may be out of favor and underperform other industries or the market as a whole.

*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. For example, because the Fund's Underlying Index does not meet the diversification requirements set forth in the Internal Revenue Code relating to regulated investment companies, the Fund may not be able to invest in all of the stocks comprising its Underlying Index in proportion to their weightings in the Underlying Index at all times.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Index. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Index, even if that security generally is underperforming.

*Small and Medium Capitalization Company Risk.* Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies.

These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

**Non-Diversified Fund Risk.** The Fund is 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. This may increase the Fund's volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Fund's performance.

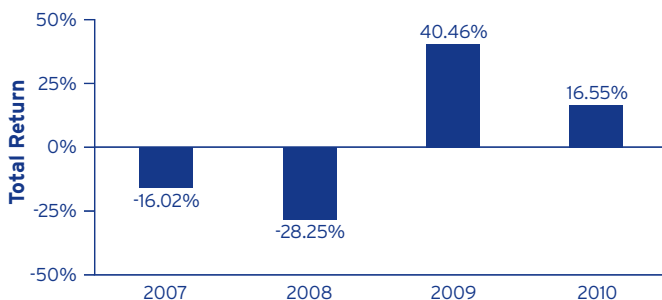
**Issuer-Specific Changes.** The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with a broad measure of market performance. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2011 was 5.73%.

#### Best Quarter

58.35% (2nd Quarter 2009)

#### Worst Quarter

(30.31)% (3rd Quarter 2008)

## Average Annual Total Returns for the Periods Ended December 31, 2010

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

|   | <u>One Year</u> | <u>Since Inception<br/>(12/1/06)</u> |
|---|-----------------|--------------------------------------|
| Return Before Taxes . . . . .   | .16.55%         | (0.33)%                              |
| Return After Taxes on Distributions . . . . .   | .13.65%         | (3.20)%                              |
| Return After Taxes on Distributions and Sale of Fund Shares . . . . .   | .10.66%         | (2.04)%                              |
| <hr/>   |                 |                                      |
| S&P Preferred Stock Index<br>(reflects no deduction for fees, expenses or taxes) . . . . .                                  | .14.99%         | 2.25%                                |
| S&P 500® Index<br>(reflects no deduction for fees, expenses or taxes) . . . . .   | .15.08%         | (0.47)%                              |
| Wells Fargo® Hybrid & Preferred Securities Financial Index<br>(reflects no deduction for fees, expenses or taxes) . . . . . | .18.80%         | 1.13%                                |

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are jointly and primarily responsible for the day-to-day management of the Fund's portfolio:

| <u>Name</u>         | <u>Title with Adviser/Trust</u>   | <u>Date Began<br/>Managing<br/>the Fund</u> |
|---------------------|---|---|
| Peter Hubbard       | Vice President and Director of<br>Portfolio Management of the Adviser;<br>Vice President of the Trust | June 2007                                   |
| Philip Fang         | Vice President and Portfolio Manager<br>of the Adviser  | July 2010                                   |
| Jeffrey W. Kernagis | Vice President and Portfolio Manager<br>of the Adviser  | September 2007                              |

For important information about the purchase and sale of Fund Shares and tax information, please turn to "Summary Information About Purchases, Sales and Taxes" on page 28 of the Prospectus.

# PowerShares High Yield Equity Dividend Achievers™ Portfolio

## Summary Information

### Investment Objective

The PowerShares High Yield Equity Dividend Achievers™ Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Mergent Dividend Achievers™ 50 Index (the “Underlying Index”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

|   |       |
|---|-------|
| Management Fees .....   | 0.40% |
| Other Expenses .....  | 0.22% |
| Total Annual Fund Operating Expenses .....  | 0.62% |
| Fee Waivers and Expense Assumption(1) .....   | 0.02% |
| Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) .. | 0.60% |

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes, and extraordinary expenses) from exceeding 0.50% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2012, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser; but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. The cost under the one year example is equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the Fund. Although

your actual costs may be higher or lower, your costs, based on these assumptions, would be:

| <b>1 YEAR</b> | <b>3 YEARS</b> | <b>5 YEARS</b> | <b>10 YEARS</b> |
|---------------|----------------|----------------|-----------------|
| \$61          | \$197          | \$344          | \$772           |

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 44% of the average value of its portfolio.

### **Principal Investment Strategies**

The Fund generally will invest at least 80% of its total assets in common stocks of companies that have a consistent record of dividend increases. The Fund generally will invest at least 90% of its total assets in dividend-paying common stocks that comprise the Underlying Index. Strictly in accordance with its existing guidelines and mandated procedures, Mergent®, Inc. (“Mergent” or the “Index Provider”) includes stock in the Underlying Index, principally on the basis of dividend yield and consistent growth in dividends. As of June 30, 2011, the Underlying Index was composed of approximately 50 companies with a market capitalization range of between approximately \$289 million and \$186 billion. The Underlying Index contains only stocks and no debt or fixed income securities. To qualify for the universe of “Dividend Achievers,” an issuer must have increased its annual regular cash dividend, on a pre-tax basis, for each of the last 10 fiscal years.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or group of industries only to the extent that the Underlying Index reflects a concentration in that industry or group of industries. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or group of industries.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Dividend Paying Security Risk.* Securities that pay high dividends as a group can fall out of favor with the market, causing such companies to underperform companies that do not pay high dividends. Also changes in the dividend policies of the companies in the Underlying Index and the capital resources available for such companies’ dividend payments may affect the Fund.

*High Yield Securities Risk.* High yield securities typically involve greater risk and are less liquid than higher grade issues. Changes in general economic conditions, changes in the financial condition of the issuers and changes in interest rates may adversely impact the ability of issuers of high yield securities to make timely payments of interest and principal.

*Market Risk.* Securities in the Underlying Index are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Index.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the fund Holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities the Fund holds; the price of common stock may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities the Fund holds. In addition, common stock in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common stock is subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers.

*Concentration Risk.* A significant percentage of the Underlying Index may be composed of issuers in a single industry or sector of the economy. If the Fund is focused in an industry or sector, it may present more risks than if it were diversified broadly over numerous industries and sectors of the economy. At times, such industry or group of industries may be out of favor and underperform other industries or the market as a whole.

*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.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Index. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Index, even if that security generally is underperforming.

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

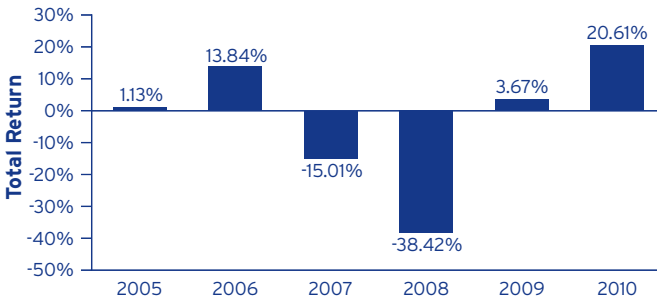
*Issuer-Specific Changes.* The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.**

## Performance

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with a broad measure of market performance. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

### Annual Total Returns—Calendar Years



The Fund's year-to-date total return for the six months ended June 30, 2011 was 1.69%.

#### Best Quarter

26.81% (3rd Quarter 2008)

#### Worst Quarter

(30.52)% (1st Quarter 2009)

### Average Annual Total Returns for the Periods Ended December 31, 2010

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In the event of negative performance displayed in the table below, the Fund's returns after taxes on distributions and sale of Fund Shares are calculated assuming that an investor has sufficient capital gains of the same character from other investments to offset any capital losses from the sale of Fund Shares so that the investor may deduct the losses in full. As a result, the Fund's returns after taxes on distributions and sale of Fund Shares may exceed the Fund's returns before taxes and/or returns after taxes on distributions.

|   | <u>One Year</u> | <u>Five Years</u> | <u>Since<br/>Inception<br/>(12/9/04)</u> |
|---|-----------------|-------------------|--|
| Return Before Taxes . . . . .   | .20.61%         | (5.72)%           | (4.02)%                                  |
| Return After Taxes on Distributions . . . . .   | .18.82%         | (7.23)%           | (5.48)%                                  |
| Return After Taxes on Distributions and Sale of<br>Fund Shares . . . . .                              | .13.29%         | (5.56)%           | (4.12)%                                  |
| Dow Jones U.S. Select Dividend Index . . . . .  | .18.32%         | 0.57%             | 1.30%                                    |
| S&P Citigroup Large Cap Value Index<br>(reflects no deduction for fees, expenses or taxes) . . . . .  | .15.10%         | 0.87%             | 2.19%                                    |
| S&P 500® Index<br>(reflects no deduction for fees, expenses or taxes) . . . . .                       | .15.08%         | 2.29%             | 3.25%                                    |
| Mergent Dividend Achievers™ 50 Index<br>(reflects no deduction for fees, expenses or taxes) . . . . . | .19.07%         | (6.91)%           | (5.10)%                                  |

### **Management of the Fund**

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are jointly and primarily responsible for the day-to-day management of the Fund's portfolio:

| <u>Name</u>      | <u>Title with Adviser/Trust</u>   | <u>Date Began<br/>Managing<br/>the Fund</u> |
|------------------|---|---|
| Peter Hubbard    | Vice President and Director of<br>Portfolio Management of the Adviser;<br>Vice President of the Trust | June 2007                                   |
| Michael Jeanette | Vice President and Portfolio Manager<br>of the Adviser  | August 2008                                 |
| Brian Picken     | Associate Portfolio Manager<br>of the Adviser   | August 2010                                 |

For important information about the purchase and sale of Fund Shares and tax information, please turn to "Summary Information About Purchases, Sales and Taxes" on page 28 of the Prospectus.

# PowerShares International Dividend Achievers™ Portfolio

## Summary Information

### Investment Objective

The PowerShares International Dividend Achievers™ Portfolio (the “Fund”) seeks investment results that generally correspond (before fees and expenses) to the price and yield of the International Dividend Achievers™ Index (the “Underlying Index”).

### Fund Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors may pay brokerage commissions on their purchases and sales of Shares, which are not reflected in the table or the example below.

### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

|   |       |
|---|-------|
| Management Fees .....   | 0.40% |
| Other Expenses .....  | 0.18% |
| Total Annual Fund Operating Expenses .....  | 0.58% |
| Fee Waivers and Expense Assumption(1) .....   | 0.00% |
| Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption(1) .. | 0.58% |

(1) *Invesco PowerShares Capital Management LLC (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding interest expenses, brokerage commissions and other trading expenses, sub-licensing fees, offering costs, taxes and extraordinary expenses) from exceeding 0.50% of the Fund’s average daily net assets per year (the “Expense Cap”) until at least August 31, 2012, and neither the Adviser nor the Fund can discontinue the agreement prior to its expiration. The expenses borne by the Adviser are subject to recapture by the Adviser for up to three years from the date the fee or expense was borne by the Adviser; but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.*

### Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same. The cost under the one year example is equal to the Total Annual Fund Operating Expenses After Fee Waivers and Expense Assumption in the first year and the Total Annual Fund Operating Expenses thereafter. This example does not include the brokerage commissions that investors may pay to buy and sell Shares of the Fund. Although

your actual costs may be higher or lower, your costs, based on these assumptions, would be:

| <b>1 YEAR</b> | <b>3 YEARS</b> | <b>5 YEARS</b> | <b>10 YEARS</b> |
|---------------|----------------|----------------|-----------------|
| \$59          | \$186          | \$324          | \$726           |

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it purchases and sells securities (or “turns over” its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Total Annual Fund Operating Expenses or in the example, may affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 42% of the average value of its portfolio.

### **Principal Investment Strategies**

The Fund generally will invest at least 90% of its total assets in the securities that comprise the International Dividend Achievers™ Index. The Underlying Index currently is composed of global depository receipts (“GDRs”) and American depository receipts (“ADRs”) that are listed on the London Stock Exchange (“LSE”), in addition to ADRs and non-U.S. common or ordinary stocks traded on the New York Stock Exchange (“NYSE”), the NASDAQ Stock Market LLC (“NASDAQ”) or NYSE Amex of companies that have increased their aggregate annual regular dividend payments consistently over the course of the last five calendar or fiscal years. Strictly in accordance with its existing guidelines and mandated procedures, Mergent®, Inc. (“Mergent” or the “Index Provider”) includes stock in the Underlying Index pursuant to a proprietary selection methodology. As of June 30, 2011, the Underlying Index was composed of approximately 64 securities selected principally on the basis of their consecutive years of dividend growth with a market capitalization range of between approximately \$135 million and \$216 billion.

*Concentration Policy.* The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or group of industries only to the extent that the Underlying Index reflects a concentration in that industry or group of industries. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or group of industries.

### **Principal Risks of Investing in the Fund**

The following summarizes the principal risks of the Fund.

*Dividend Paying Security Risk.* Securities that pay high dividends as a group can fall out of favor with the market, causing such companies to underperform companies that do not pay high dividends. Also changes in the dividend policies of the companies in the Underlying Index and the capital resources available for such companies’ dividend payments may affect the Fund.

*Financial Sector Risk.* The market value of securities of issuers in the financial sector can be affected by factors such as adverse regulatory or economic occurrences affecting the financial sector, availability of credit, fluctuations in asset values, unstable interest rates, increased competition, continuing consolidations and development of new products and structures. Furthermore, increased government

involvement in financial institutions, including measures such as taking ownership positions in such institutions, could result in a dilution in the value of the shares held by shareholders in such institutions.

*Foreign Securities Risk.* The Fund's investments in foreign securities involve risks that are in addition to the risks associated with domestic securities. Foreign companies, in general, are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about these companies. Moreover, foreign companies are often subject to less stringent requirements regarding accounting, auditing, financial reporting and record-keeping than are U.S. companies, and therefore, not all material information regarding these companies will be available.

*Market Risk.* Securities in the Underlying Index are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the securities in the Underlying Index.

*Market Trading Risk.* The Fund faces numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Fund. Any of these factors may lead to the Shares trading at a premium or discount to the Fund's net asset value ("NAV").

*Equity Risk.* Equity risk is the risk that the value of the securities the Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities the Fund holds; the price of common stock may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities the Fund holds. In addition, common stock in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common stock is subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers.

*Concentration Risk.* A significant percentage of the Underlying Index may be composed of issuers in a single industry or sector of the economy. If the Fund is focused in an industry or sector, it may present more risks than if it were diversified broadly over numerous industries and sectors of the economy. At times, such industry or group of industries may be out of favor and underperform other industries or the market as a whole.

*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.

*Index Risk.* Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of the Underlying Index. Therefore, it would not

necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Index, even if that security generally is underperforming.

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

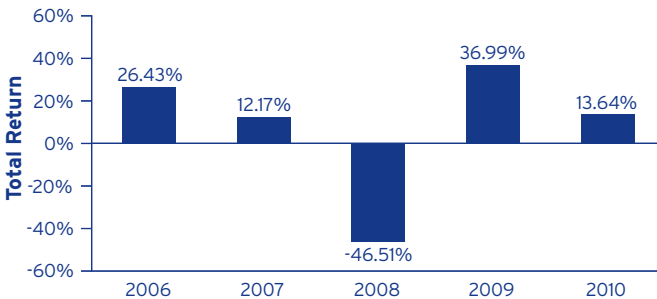
**Issuer-Specific Changes.** The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

**The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the FDIC or any other government agency.**

**Performance**

The bar chart below shows how the Fund has performed. The table below the bar chart shows the Fund's average annual total returns (before and after taxes). The bar chart and table provide an indication of the risks of investing in the Fund by showing how the Fund's total return has varied from year to year and by showing how the Fund's average annual total returns compared with a broad measure of market performance. The Fund's performance reflects fee waivers, if any, absent which, performance would have been lower. Although the information shown in the bar chart and the table gives you some idea of the risks involved in investing in the Fund, the Fund's past performance (before and after taxes) is not necessarily indicative of how the Fund will perform in the future. Updated performance information is available online at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

**Annual Total Returns—Calendar Years**



The Fund's year-to-date total return for the six months ended June 30, 2011 was 6.43%.

**Best Quarter**

**Worst Quarter**

30.69% (2nd Quarter 2009)

(29.91)% (4th Quarter 2008)

## Average Annual Total Returns for the Periods Ended December 31, 2010

After-tax returns in the table below are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

|  | <u>One Year</u> | <u>Five Years</u> | <u>Since<br/>Inception<br/>(9/15/05)</u> |
|--|-----------------|-------------------|--|
| Return Before Taxes . . . . .  | .13.64%         | 3.38%             | 3.83%                                    |
| Return After Taxes on Distributions . . . . .  | .12.50%         | 2.20%             | 2.67%                                    |
| Return After Taxes on Distributions and Sale of<br>Fund Shares . . . . .                                 | .8.82%          | 2.20%             | 2.60%                                    |
| <hr/>  |                 |                   |  |
| Dow Jones EPAC Select Dividend Index<br>(reflects no deduction for fees, expenses or taxes) . . . . .    | .10.46%         | 5.62%             | 6.38%                                    |
| MSCI EAFE® Value Index<br>(reflects no deduction for fees, expenses or taxes) . . . . .                  | .3.25%          | 1.37%             | 2.88%                                    |
| S&P 500® Index<br>(reflects no deduction for fees, expenses or taxes) . . . . .                          | .15.08%         | 2.29%             | 2.70%                                    |
| International Dividend Achievers™ Index<br>(reflects no deduction for fees, expenses or taxes) . . . . . | .13.17%         | 3.05%             | 3.53%                                    |

## Management of the Fund

*Investment Adviser.* Invesco PowerShares Capital Management LLC.

*Portfolio Managers.* The following individuals are jointly and primarily responsible for the day-to-day management of the Fund's portfolio:

| <u>Name</u>      | <u>Title with Adviser/Trust</u>   | <u>Date Began<br/>Managing<br/>the Fund</u> |
|------------------|---|---|
| Peter Hubbard    | Vice President and Director of<br>Portfolio Management of the Adviser;<br>Vice President of the Trust | June 2007                                   |
| Michael Jeanette | Vice President and Portfolio Manager<br>of the Adviser  | August 2008                                 |
| Brian Picken     | Associate Portfolio Manager<br>of the Adviser   | August 2010                                 |

For important information about the purchase and sale of Fund Shares and tax information, please turn to "Summary Information About Purchases, Sales and Taxes" on page 28 of the Prospectus.

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# Summary Information About Purchases, Sales and Taxes

## **Purchase and Sale of Fund Shares**

Each Fund issues and redeems Shares at NAV only with authorized participants (“APs”) and only in large blocks of 50,000 Shares (each block of Shares is called a “Creation Unit”) or multiples thereof (“Creation Unit Aggregations”) in exchange for the deposit or delivery of a basket of securities. Except when aggregated in Creation Units, the Shares are not redeemable securities of the Funds.

Individual Shares of the Funds may be purchased and sold only in secondary market transactions through brokers. Shares of the Funds are listed for trading on NYSE Arca and because Shares will trade at market prices rather than NAV, Shares of each Fund may trade at a price greater than, at, or less than NAV.

## **Tax Information**

Each Fund’s distributions generally will be taxable as ordinary income or capital gains. A sale of Shares may result in capital gain or loss. Currently, any capital gain or loss realized upon a sale of Shares is treated generally as a long-term capital gain or loss if the Shares have been held for more than one year and as a short-term capital gain or loss if the Shares have been held for one year or less. The ability to deduct capital losses may be limited.

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# Additional Information About the Funds’ Strategies and Risks

## **Principal Investment Strategies**

Information about each Fund’s Underlying Index construction is set forth below.

### ***Share BuyBack Achievers™ Index***

The Underlying Index is designed to track the performance of companies that meet the requirements to be classified as “BuyBack Achievers™.” To become eligible for inclusion in the Share BuyBack Achievers™ Index, a company must (i) be incorporated in the United States or a U.S. territory, (ii) trade on the NYSE, NYSE Amex or the NASDAQ, and (iii) have repurchased at least 5% of its outstanding shares for the trailing 12 months.

Strictly in accordance with its existing guidelines and mandated procedures, the Index Provider weights the universe of companies according to a modified market capitalization, using each company’s eligible shares outstanding and the closing price at the company’s last trading day in December. No single company may exceed 5% of the Underlying Index as of either a reconstitution or rebalance date. The Index Provider will modify the index weight of companies with market capitalizations that exceed 5% of the Underlying Index to equal 5% of the Underlying Index. The Index

Provider will redistribute the excess amounts from companies whose initial market capitalizations exceeded 5% of the Underlying Index among the remaining companies in proportion to their initial weights until no company exceeds 5% of the Underlying Index. These modified weights become effective on the last trading day in January. In between the reconstitutions and rebalance dates, the Underlying Index weights of each company will float, meaning that a company may exceed 5% of the Underlying Index during these periods.

### ***Broad Dividend Achievers™ Index***

The Underlying Index is designed to track the performance of companies that meet the requirements to be classified as “Dividend Achievers™.” To become eligible for inclusion in the Underlying Index, a company must (i) be incorporated in the United States or one of its territories, (ii) trade on the NYSE, NYSE Amex or NASDAQ, and (iii) have raised its annual regular cash dividend payments for at least each of the last ten consecutive fiscal years and have a minimum average daily cash volume of \$500,000 for the December and November prior to each reconciliation date.

Strictly in accordance with its existing guidelines and mandated procedures, the Index Provider calculates the total annual regular dividend payment using the last available dividend payable date for the previous calendar or fiscal year. The Index Provider reserves the authority to include companies with an off calendar year payment schedule or an off fiscal year, as long as the payable date falls within the first ten days of the fiscal or calendar year.

The Dividend Achievers™ companies are those companies that have been incorporated in the United States or one of its territories and trade on the NYSE, the NASDAQ or NYSE Amex, with aggregate annual regular dividend payments that have increased consistently over the course of the last ten or more fiscal years.

The Index Provider weights the universe of companies according to modified market capitalization, using each company’s most recent shares outstanding and the closing price on the company’s last trading day in December. No single company may exceed 5% of the Underlying Index as of either a reconstitution or rebalance date. The Index Provider will modify the weight of companies with market capitalizations that exceed 5% of the Underlying Index to equal 5% of the Underlying Index. The Index Provider will redistribute the excess amounts from companies whose initial market capitalizations exceeded 5% of the Underlying Index among the remaining companies in proportion to their initial weights until no company exceeds 5% of the Underlying Index. These modified weights will become effective on the last trading day in January. In between the reconstitution and rebalance dates, the Underlying Index weights of each company will float, meaning that a company may exceed 5% of the Underlying Index during these periods.

The Index Provider will rebalance the Underlying Index on a quarterly basis using a modified market capitalization methodology and will calculate the modified market capitalizations using the company’s most recent shares outstanding and the closing price of the company’s stock on the last trading day in March, June and September. These modified weights will become effective on the last trading days of the company’s stock in April, July and October, respectively. The composition of the Fund’s portfolio therefore will change to the extent necessary to replicate the Underlying Index.

The Index Provider also reconstitutes the Underlying Index on an annual basis to incorporate a group of stocks that the Index Provider identifies as “Dividend Achievers™” pursuant to a proprietary dividend growth methodology. Reconstitution is effective after the close of the last trading day in January.

The Index Provider will make share adjustments to reflect a split, a reverse split or a stock dividend on each action's effective date. Such changes do not require an adjustment to the divisor and are processed automatically. For changes in a company's shares outstanding due to a merger, acquisition or spin-off, the Index Provider will make an adjustment to the stocks in the Underlying Index after the close on the effective date of the corporate action. For total return calculations for the Underlying Index, the Index Provider will reinvest dividend payments in the Underlying Index on the ex-date of the underlying securities. In the event of a merger between two companies included in the Underlying Index, the common shares of the surviving company will continue to be represented in the Underlying Index. In the event of a merger between a company in the Underlying Index and a company not in the Underlying Index, only the surviving company will be included in the Underlying Index if the company in the Underlying Index is the surviving company. The Index Provider will drop a company from the Underlying Index if the company is acquired. The Index Provider will adjust the Underlying Index divisor to reflect the acquisition. Further, the Index Provider will drop a company from the Underlying Index if the company ceases to be listed on the NYSE, NYSE Amex or NASDAQ.

In the event of bankruptcy, the Index Provider will remove a company from the Underlying Index effective after the close on the date of the filing. In the event that trading in a company included in the Underlying Index is suspended, the Underlying Index calculation agent, in consultation with the Index Provider, shall decide whether the company will be removed from the Underlying Index as soon as applicable. To minimize the impact to the Underlying Index, the Index Provider will remove the company to be deleted at the value at which it last traded. The Index Provider will adjust the Underlying Index divisor to reflect the disposition.

### ***Wells Fargo® Hybrid & Preferred Securities Financial Index***

The Underlying Index attempts to portray a cross-section of the universe of preferred securities issued by financial institutions and listed on the NYSE or NYSE Amex and that meet certain criteria.

Eligible securities that will be included in the Underlying Index must meet the following criteria:

- a. Preferred stock or securities functionally equivalent to preferred stock that are issued exclusively by financial institutions.
- b. An industrial sector classification of "financial" from the Bloomberg Professional Service®.
- c. Rated at least "B3" by Moody's Investors Service, Inc. or "B-" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc.
- d. U.S. dollar-denominated and publicly issued in the U.S. domestic market.
- e. Par amount of \$25.
- f. Perpetual with no stated or legal maturity.
- g. Maintain a minimum par value of \$250 million outstanding.
- h. Fixed dividends/coupons that are "qualified dividend income" eligible.
- i. Liquidity requirements. Constituent securities representing at least 90% of the market value of the Underlying Index must have a minimum monthly trading volume during each of the last six months of at least 250,000 trading units. New issue securities listed on the NYSE or NYSE Amex for less than six months must

have a minimum monthly trading volume of at least 250,000 trading units during each month following the date on which the securities were listed. Trading volume for any period less than one month shall be pro-rated for each day based on daily trading volume. If securities representing 90% of the market value of the Underlying Index do not meet the liquidity requirements set forth above, the Underlying Index will be rebalanced by removing the least liquid securities from the Underlying Index until the 90% liquidity requirement is satisfied. Underlying Index liquidity will be tested and rebalancing will occur on each Monthly Rebalancing Date.

The Underlying Index does not include trust preferred securities, convertible preferred shares, securities subject to sinking fund provisions, shares in closed-end funds, municipal securities, sovereign securities or repackaged securities linked to a security, a basket of securities or an index.

The Underlying Index is calculated using a market capitalization weighting methodology applied in conjunction with the monthly adjustments. The weight of any component security may not account for more than 20% of the total value of the Underlying Index. Component securities greater than 20% of the Underlying Index are reduced to individually represent 20% of the value of the Underlying Index. The aggregate amount by which all components over 20% is reduced is redistributed proportionately across the remaining components that represent less than 20% of the Underlying Index value. After this redistribution, if any other component exceeds 20%, the component is set to 20% of the Underlying Index value and the redistribution is repeated. (The 20% weight limit above applies to constituent securities, not issuers. An issuer may represent more than 20% of the Underlying Index, but a single security may not.) In addition, the sum of the issuers with a weight greater than 4.5% cannot exceed 45% of the total weight. If the aforementioned 45% cap is breached, all the issuers are ranked in descending order of their weights and the first stock that causes the 45% limit to be breached is identified. The weight of this issuer is then reduced either until the rule is satisfied or it reaches 4.5%. If the issuer to be reduced has multiple component securities included in the Underlying Index, the securities will be reduced on a pro-rata basis determined by market capitalization. This excess weight is proportionally redistributed to all issuers with weights below 4.5%. This process will be repeated until the 45% rule is satisfied. (The 4.5% weight limit above applies to issuers, not constituent securities. A constituent security may represent more than 4.5% of the Underlying Index.) The Underlying Index is subject to monthly rebalancing adjustments. All outstanding preferred stocks are tested for suitability based on eligibility criteria. Stocks that are deemed qualified are added to the Underlying Index as component securities whereas those that are deemed inappropriate are excluded from the reconstitution of the Underlying Index. Rebalancing also can occur following specific events such as redemption, tenders, green-shoes and overallotments, re-openings, rights offerings, stock splits and suspension from trading on an exchange. These events will require a daily adjustment or directly influence the next monthly adjustments.

### ***Mergent Dividend Achievers™ 50 Index***

The Underlying Index is designed to track the performance of the fifty companies with the highest dividend yield chosen from the universe of companies that meet the requirements to be classified as Dividend Achievers™.

A Dividend Achievers™ company must have, among other things, experienced growth in dividends consistently over the last ten or more fiscal years.

The Dividend Achievers™ are companies incorporated in the United States with aggregate annual regular dividend payments that have increased consistently over the course of the last ten or more fiscal years. Depending on the industry, the company's asset value must be equal to or greater than \$2 billion and the company must have a minimum of 200 shareholders on the ex-date closest to the reconstitution date. Strictly in accordance with its existing guidelines and mandated procedures, the Index Provider ranks the universe of companies according to yield, using the annualized current dividend and the closing price at the reconstitution date, which is the last trading day in January. The Index Provider includes the highest fifty yielding companies in the Underlying Index.

The Index Provider rebalances the Underlying Index on a quarterly basis using a modified equal weighting methodology incorporating current dividend yield. Adjustments are effective after the close of the last trading day of January, April, July and October. The Index Provider also reconstitutes the Underlying Index on an annual basis to incorporate the fifty highest yielding stocks among the Dividend Achievers™ that have a minimum average daily cash volume of \$500,000 for the December and November prior to each reconciliation date.

The Index Provider makes share adjustments to reflect a split, a reverse split or stock dividend on the action's effective date. Such changes do not require an adjustment to the divisor and are processed automatically. For changes in a company's shares outstanding due to a merger, acquisition or spin-off, the Index Provider will make an adjustment to the stock's Underlying Index shares effective after the close on the effective date of the corporate action.

The Index Provider will reinvest dividend payments in the Underlying Index on the ex-date. In the event of a merger between two companies included in the Underlying Index, the common shares of the surviving issuer will continue to be represented in the Underlying Index. In the event of a merger between a company in the Underlying Index and a company not in the Underlying Index, the common shares of the surviving issuer will continue to be represented in the Underlying Index until further evaluation on the reconstitution date. The Index Provider will drop a company from the Underlying Index if the company is acquired. The next highest yielding company in the Dividend Achievers™ currently not included in the Underlying Index and as identified at reconstitution will replace the acquired company.

In the event of a bankruptcy, the Index Provider will remove a company from the Underlying Index effective after the close on the date of the filing. In the event that trading in a company included in the Underlying Index is suspended, the index calculation agent, in consultation with the Index Provider, shall decide whether to remove the company from the Underlying Index as soon as applicable. To minimize the impact to the Underlying Index, the Index Provider will remove the company to be deleted at the value at which it last traded. The next highest yielding company in the Underlying Index currently not included in the Underlying Index and as identified at reconstitution will replace the company.

### ***International Dividend Achievers™ Index***

The Underlying Index is designed to track the performance of dividend paying GDRs and ADRs that are listed on the LSE, in addition to ADRs and non-U.S. common or ordinary stocks trading on the NYSE, NYSE Amex or NASDAQ. To become eligible for inclusion in the Underlying Index, a company's aggregate annual regular dividend payments must have increased consistently over the course of the last five calendar or fiscal years.

Strictly in accordance with its existing guidelines and mandated procedures, the Index Provider calculates the total annual regular dividend payment using the last available dividend payable date for the previous calendar or fiscal year. The Index Provider reserves the authority to include companies with an off calendar year payment schedule or an off fiscal year payment, as long as the payable date falls within the first ten days of the fiscal or calendar year.

The universe of companies in the Underlying Index are those incorporated outside the United States, trade on the NYSE, the NASDAQ, NYSE Amex or the LSE and have increased their annual regular dividend payments for the past five or more calendar or fiscal years. The universe of companies in the Underlying Index is weighted according to yield using the trailing twelve months of regular dividend payments after the company's last trading day in December, except that in the case of Canadian companies, the Index Provider calculates yield based on the forward looking Indicated Annual Dividend as of the last trading day in December. These modified weights become effective on the last Friday in January.

The Index Provider rebalances the Underlying Index on a quarterly basis using a dividend yield weighted methodology incorporating a dividend yield based on trailing twelve months of regular dividend payments on the last trading date in March, June and September. However, in the case of Canadian companies, the Index Provider calculates yield based on the forward looking Indicated Annual Dividend as of the last trading day in March, June and September. These modified weights become effective on the last Friday in April, July and October, respectively.

The Index Provider also reconstitutes the Underlying Index on an annual basis to incorporate a group of securities that Mergent identifies as "International Dividend Achievers™" pursuant to a proprietary dividend growth methodology. Reconstitution is effective after the close of the last Friday in January.

The Index Provider will make share adjustments to reflect a split, a reverse split or a stock dividend on each action's effective date. Such changes do not require an adjustment to the divisor and are processed automatically. For changes in a company's shares outstanding due to a merger, acquisition or spin-off, the Index Provider will make adjustments to the stocks in the Underlying Index effective after the close on the effective date of the corporate action.

For total return calculations for the Underlying Index, the Index Provider will reinvest dividend payments in the International Dividend Achievers™ Index on the ex-date of the underlying securities. If a company formally announces a suspension of dividend payments or has not paid regular dividends over the trailing twelve months, the Index Provider will remove the company from the Underlying Index and will adjust the Underlying Index divisor to reflect the company's removal. In the event of a merger between two companies included in the Underlying Index, the common shares of the surviving company will continue to be represented in the Underlying Index. In the event of a merger between a company in the Underlying Index and a company not in the Underlying Index, the Index Provider will include only the surviving company in the Underlying Index, so long as the company in the Underlying Index is the surviving company. The Index Provider will drop a company from the Underlying Index if the company is acquired. The Index Provider will adjust the Underlying Index divisor to reflect the acquisition. The Index Provider will drop a company from the Underlying Index if the company ceases to be listed on the NYSE, NASDAQ, NYSE Amex or the LSE.

In the event of bankruptcy, the Index Provider will remove a company from the Underlying Index effective after the close on the date of the filing. If trading in a company included in the Underlying Index is suspended, the Underlying Index calculation agent, in consultation with the Index Provider, shall decide as soon as

applicable whether to remove the company from the Underlying Index. To minimize the impact to the Underlying Index, the Index Provider will remove the company to be deleted at the value at which it last traded and will adjust the Underlying Index divisor to reflect the disposition.

Each Fund uses an “indexing” investment approach to attempt to replicate, before fees and expenses, the performance of its Underlying Index. The Adviser seeks correlation with its Underlying Index; a figure of 1.00 would represent perfect correlation.

Each Fund generally invests in all of the securities comprising its Underlying Index in proportion to the weightings of the securities in the Underlying Index. However, under various circumstances, it may not be possible or practicable to purchase all of those securities in those same weightings. In those circumstances, a Fund may purchase a sample of securities in its Underlying Index as a whole. There also may be instances in which the Adviser may choose to (i) overweight a security in an Underlying Index, (ii) purchase securities not contained in an Underlying Index that the Adviser believes are appropriate to substitute for certain securities in the Underlying Index, or (iii) utilize various combinations of other available investment techniques, in seeking to track an Underlying Index. Each Fund may sell securities that are included in the applicable Underlying Index in anticipation of their removal from the Underlying Index or purchase securities not included in the Underlying Index in anticipation of their addition to the Underlying Index.

### **Principal Risks of Investing in the Funds**

The following provides additional information about certain of the principal risks identified under “Principal Risks of Investing in the Fund” in each Fund’s “Summary Information” section.

#### ***Dividend Paying Security Risk***

PowerShares Dividend Achievers™ Portfolio and PowerShares International Dividend Achievers invest in securities that pay high dividends. As a group these securities can fall out of favor with the market, causing such companies to underperform companies that do not pay high dividends. Also, changes in the dividend policies of the companies in an Underlying Index and the capital resources available for such companies’ dividend payments may affect a Fund.

#### ***Financial Sector Risk***

For PowerShares Financial Preferred Portfolio and PowerShares International Dividend Achievers™ Portfolio, investing in the financial sector involves risks, including the following: financial services companies are subject to extensive government regulation and, as a result, new regulations or regulatory interpretations may affect their profitability; unstable interest rates can have a disproportionate effect on the financial services sector; financial services companies whose securities a Fund may purchase may themselves have concentrated portfolios that make them vulnerable to economic conditions that affect that sector; and financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies. In addition, the financial sector is undergoing numerous changes, including continuing consolidations, development of new products and structures and changes to its regulatory framework. Increased government involvement in financial institutions, including measures such as taking ownership positions in such institutions, could result in a dilution in the value of the shares that shareholders hold in such institutions.

## ***Foreign Securities Risk***

For PowerShares Financial Preferred Portfolio and PowerShares International Dividend Achievers™ Portfolio, investments in foreign securities involve risks that are in addition to the risks associated with domestic securities. Foreign companies, in general, are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about these companies. Moreover, foreign companies often are subject to less stringent requirements regarding accounting, auditing, financial reporting and record-keeping than are U.S. companies. Therefore, not all material information regarding these companies will be available.

In addition, securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers generally are subject to less government and exchange scrutiny and regulation than their U.S. counterparts. In addition, differences in clearance and settlement procedures in foreign markets may cause delays in settlement of a Fund's trades effected in those markets and could result in losses to a Fund due to subsequent declines in the value of the securities subject to the trades. Depositary receipts also involve substantially identical risks to those associated with investments in foreign securities. Additionally, the issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, have no obligation to distribute shareholder communications to the holders of such receipts or to pass through to them any voting rights with respect to the deposited securities.

## ***High Yield Securities Risk***

PowerShares Financial Preferred Portfolio and PowerShares High Yield Equity Dividend Achievers™ Portfolio may invest in high yield securities that offer generally a higher current yield than that available from higher grade issues, but they typically involve greater risk. Securities rated below investment grade commonly are referred to as "junk bonds." The ability of issuers of high yield securities to make timely payments of interest and principal may be impacted by adverse changes in general economic conditions, changes in the financial condition of their issuers and price fluctuations in response to changes in interest rates. High yield securities are less liquid than investment grade securities and may be difficult to price or sell, particularly in times of negative sentiment toward high yield securities. Issuers of high yield securities may have a larger amount of outstanding debt relative to their assets than issuers of investment grade securities have. Periods of economic downturn or rising interest rates may cause the issuers of high yield securities to experience financial distress, which could adversely impact their ability to make timely payments of principal and interest and could increase the possibility of default. The market value and liquidity of high yield securities may be impacted negatively by adverse publicity and investor perceptions, whether or not based on fundamental analysis, especially in a market characterized by low trade volume.

## ***Preferred Securities Risk***

For PowerShares Financial Preferred Portfolio there are special risks associated with investing in preferred securities. Preferred securities may include provisions that permit the issuer, in its discretion, to defer or omit distributions for a certain period of time. If a Fund owns a security that is deferring or omitting its distributions, the Fund may be required to report the distribution on its tax returns, even though it may not have received this income. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments. Preferred securities

may be less liquid than many other securities, such as common stocks, and generally offer no voting rights with respect to the issuer. Preferred securities also may be subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of non-payment than more senior securities. In addition, in certain circumstances, an issuer of preferred securities may redeem the securities prior to a specified date, and this may negatively impact the return of the security.

### ***Market Risk***

Securities in each Underlying Index are subject to market fluctuations. You should anticipate that the value of the Funds' Shares will decline, more or less, in correlation with any decline in value of the securities in its respective Underlying Index.

### ***Market Trading Risk***

The Funds face numerous market trading risks, including the potential lack of an active market for each Fund's Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of the Funds. Any of these factors may lead to each Fund's Shares trading at a premium or discount to each Fund's NAV.

### ***Equity Risk***

Equity risk is the risk that the value of the securities each Fund holds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities the Fund holds participate or factors relating to specific companies in which a Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities each Fund holds; the price of common stock may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities the Fund holds. In addition, common stock in each Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common stock is subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers.

### ***Concentration Risk***

A significant percentage of an Underlying Index may be composed of issuers in a single industry or sector of the economy. If a Fund is focused in an industry or sector, it may present more risks than if it were diversified broadly over numerous industries and sectors of the economy. At times, such industry or group of industries may be out of favor and underperform other industries or the market as a whole.

### ***Non-Correlation Risk***

The return of each Fund may not match the return of its Underlying Index for a number of reasons. For example, each Fund incurs operating expenses not applicable to its Underlying Index and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Underlying Index. In addition, the performance of each Fund and its Underlying Index may vary due to asset valuation differences and differences between the Fund's portfolio and its Underlying Index resulting from legal

restrictions, cost or liquidity constraints. The Funds may fair value certain of the securities they hold. To the extent each Fund calculates its NAV based on fair value prices, the Fund's ability to track its Underlying Index may be adversely affected. Since an Underlying Index is not subject to the tax diversification requirements to which the Funds must adhere, each Fund may be required to deviate its investments from the securities and relative weightings of its Underlying Index. The Funds may not invest in certain securities included in their respective Underlying Index due to liquidity constraints. Liquidity constraints may delay the Funds' purchase or sale of securities included in their Underlying Index. For tax efficiency purposes, the Funds may sell certain securities to realize losses, causing them to deviate from their Underlying Index.

The investment activities of one or more of the Adviser's affiliates, including other subsidiaries of the Adviser's parent company, Invesco Ltd., for their proprietary accounts and for client accounts also may adversely impact a Fund's ability to track its Underlying Index. For example, in regulated industries, and in corporate and regulatory ownership definitions, there may be limits on the aggregate amount of investment by affiliated investors that may not be exceeded, or that may not be exceeded without the grant of a license or other regulatory or corporate consent or, if exceeded, may cause the Adviser, a Fund or other client accounts to suffer disadvantages or business restrictions. As a result, a Fund may be restricted in its ability to acquire particular securities due to positions held by the Adviser's affiliates.

The Adviser may not fully invest a Fund at times, either as a result of cash flows into the Fund or reserves of cash the Fund holds to meet redemptions and expenses. If the Funds utilize futures or other derivative positions, their return may not correlate as well with the return of their respective Underlying Index as would be the case if they purchased all of the securities in their Underlying Index with the same weightings as the Underlying Index.

### ***Index Risk***

Unlike many investment companies, the Funds do not utilize an investing strategy that seeks returns in excess of the Underlying Index. Therefore, a Fund would not necessarily buy or sell a security unless that security is added or removed, respectively, from its Underlying Index, even if that security generally is underperforming.

### ***Small and Medium Capitalization Company Risk***

Investing in securities of small and medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

### ***Non-Diversified Fund Risk***

PowerShares Buyback Achievers™ Portfolio and PowerShares Financial Preferred Portfolio are non-diversified and can invest a greater portion of their assets in securities of individual issuers than can diversified funds. As a result, changes in the market value of a single investment could cause greater fluctuations in the Share prices of these Funds than would occur in a diversified fund. This may increase the Funds' volatility and cause the performance of a relatively small number of issuers to have a greater impact on the Funds' performance.

## **Non-Principal Investment Strategies**

Each Fund may invest its remaining assets in money market instruments, including repurchase agreements or other funds that invest exclusively in money market instruments (subject to applicable limitations under the Investment Company Act of 1940, as amended (the "1940 Act"), or exemptions therefrom), convertible securities, structured notes (notes on which the amount of principal repayment and interest payments are based on the movement of one or more specified factors, such as the movement of a particular stock or stock index) and in options and futures contracts. The Funds may use options and futures contracts (and convertible securities and structured notes) to seek performance that corresponds to its respective Underlying Index and to manage cash flows. The Adviser anticipates that it may take approximately three business days (a business day is any day that the NYSE is open) for the Adviser to fully reflect the additions and deletions to each Fund's Underlying Index in the portfolio composition of that Fund.

Each of the investment policies described herein, including each Fund's investment objective, constitutes a non-fundamental policy that the Board of Trustees (the "Board") of PowerShares Exchange Traded Fund Trust (the "Trust") may change at any time without shareholder approval. The 80% investment policies of PowerShares Dividend Achievers™ Portfolio, PowerShares Financial Preferred Portfolio and PowerShares High Yield Equity Dividend Achievers™ Portfolio require 60 days' prior written notice to shareholders before those policies may be changed. The fundamental and non-fundamental policies of the Funds are set forth in the Trust's Statement of Additional Information ("SAI") under the section "Investment Strategies and Restrictions."

## ***Borrowing Money***

Each Fund may borrow money from a bank up to a limit of 10% of the value of its assets, but only for temporary or emergency purposes.

## ***Securities Lending***

The PowerShares International Dividend Achievers™ Portfolio may lend its portfolio securities to brokers, dealers, and other financial institutions. In connection with such loans, each such Fund receives liquid collateral equal to at least 102% of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

## **Additional Risks of Investing in the Funds**

The following provides additional risk information regarding investing in the Funds.

## ***Risks of Futures and Options***

Each Fund may enter into U.S. futures contracts, options and options on futures contracts to simulate full investment in its Underlying Index, to facilitate trading or to reduce transaction costs. The Funds will not use futures or options for speculative purposes.

Because futures contracts project price levels in the future, market circumstances may cause a discrepancy between the price of the stock index future and the movement in the Underlying Index. In the event of adverse price movements, each Fund would remain required to make daily cash payments to maintain its required margin. The risk of loss in trading futures contracts or uncovered call options in some strategies (e.g., selling uncovered stock index futures contracts) potentially is

unlimited. However, each Fund intends to use futures and options contracts to limit its risk exposure to levels comparable to direct investment in securities.

Each Fund must segregate liquid assets or take other appropriate measures to “cover” open positions in futures contracts. For futures contracts that do not cash settle, each Fund must segregate liquid assets equal to the full notional value of the futures contracts while the positions are open. For futures contracts that do cash settle, each Fund is permitted to set aside liquid assets in an amount equal to the Fund’s daily marked-to-market net obligations (i.e., the Fund’s daily net liability) under the futures contract, if any, rather than their full notional value.

For more information, see “Investment Policies and Risks – Futures and Options” in the SAI.

### ***Shares May Trade at Prices Different Than NAV***

The NAV of the Funds’ Shares generally will fluctuate with changes in the market value of the Fund’s holdings. The market prices of Shares generally will fluctuate in accordance with changes in NAV, as well as the relative supply of and demand for Shares on NYSE Arca. The Adviser cannot predict whether the Shares will trade below, at or above their NAV. Price differences may be due largely to the fact that supply and demand forces at work in the secondary trading market for the Shares will be related, but not identical, to the same forces influencing the prices of the securities of each Fund’s Underlying Index trading individually or in the aggregate at any point in time. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from NAV. If a shareholder purchases at a time when the market price is at a premium to the NAV or sells at a time when the market price is at a discount to the NAV, the shareholder may sustain losses.

### ***Trading Issues***

Trading in Shares on NYSE Arca may be halted due to market conditions or for reasons that, in the view of NYSE Arca, make trading in Shares inadvisable. In addition, trading in Shares on NYSE Arca is subject to trading halts caused by extraordinary market volatility pursuant to NYSE Arca “circuit breaker” rules. There can be no assurance that the requirements of NYSE Arca necessary to maintain the listing of a Fund will continue to be met or will remain unchanged.

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## **Tax-Advantaged Structure of ETFs**

Unlike interests in conventional mutual funds, which typically are bought and sold only at closing NAVs, the Funds’ Shares are traded throughout the day in the secondary market on a national securities exchange on an intra-day basis, and are created and redeemed principally in-kind. These in-kind arrangements are designed to protect ongoing shareholders from the adverse effects on the portfolio of each Fund that could arise from frequent cash redemption transactions. In a conventional mutual fund, redemptions can have an adverse tax impact on taxable shareholders because of the mutual fund’s need to sell portfolio securities to obtain cash to meet fund redemptions. These sales may generate taxable gains for the shareholders of the mutual fund, whereas the Shares’ in-kind redemption mechanism generally will not lead to a tax event for each Fund or its ongoing shareholders.

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# Portfolio Holdings

A description of the Trust's policies and procedures with respect to the disclosure of the Funds' portfolio holdings is available in the Funds' SAI, which is available at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

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## Management of the Funds

Invesco PowerShares Capital Management LLC is a registered investment adviser with its offices at 301 West Roosevelt Road, Wheaton, Illinois 60187. The Adviser serves as the investment adviser to the Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust, a family of exchange-traded funds, with combined assets under management of \$20.7 billion as of July 31, 2011. The Trust currently is composed of 58 exchange-traded funds.

As the Funds' investment adviser, the Adviser has overall responsibility for selecting and continuously monitoring the Funds' investments, managing the Funds' business affairs and providing certain clerical, bookkeeping and other administrative services for the Trust.

The Adviser uses a team of portfolio managers, investment strategists and other investment specialists. This team approach brings together many disciplines and leverages the Adviser's extensive resources.

### **Portfolio Managers**

Peter Hubbard, Vice President of the Trust, oversees all research, portfolio management and trading operations of each Fund. In this capacity, Mr. Hubbard oversees a team of portfolio managers (with Mr. Hubbard, the "Portfolio Managers") who are responsible for the day-to-day management of the Funds. Mr. Hubbard receives management assistance from Philip Fang (with respect to PowerShares Financial Preferred Portfolio), Michael Jeanette (with respect to each Fund except PowerShares Financial Preferred Portfolio), Jeffrey W. Kernagis (with respect to PowerShares Financial Preferred Portfolio) and Brian Picken (with respect to each Fund except the PowerShares Financial Preferred Portfolio). Each Portfolio Manager is responsible for various functions related to portfolio management, including investing cash flows, coordinating with other team members to focus on certain asset classes, implementing investment strategy and researching and reviewing investment strategy. Each Portfolio Manager has appropriate limitations on his authority for risk management and compliance purposes.

Peter Hubbard is a Vice President of Portfolio Management of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since June 2007. Mr. Hubbard was a Research Analyst for the Adviser from May 2005 to June 2007. Prior to joining the Adviser, Mr. Hubbard was employed by Ritchie Capital, a hedge fund operator, where he was a Research Analyst and Trader from September 2003 to May 2005.

Philip Fang is a Portfolio Manager of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of PowerShares

Financial Preferred Portfolio since July 2010. Mr. Fang has served as portfolio manager of other PowerShares Funds since 2007. Prior to joining the Adviser in 2007, Mr. Fang was a portfolio manager and Executive Vice President at Lord Abbett & Co. from 1992 to 2007.

Michael Jeanette is a Vice President and Portfolio Manager of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of each Fund, except PowerShares Financial Preferred Portfolio, since August 2008. Prior to joining the Adviser, Mr. Jeanette was a trust advisor and GM of Chicago based Richard Lamb, LLC from 1998 to 2007. Prior to this he was a financial advisor with Smith Barney and First Bank Systems.

Jeffrey W. Kernagis is a Vice President of Portfolio Management of the Adviser and has been one of the Portfolio Managers primarily responsible for the day-to-day management of PowerShares Financial Preferred Portfolio since September 2007. Prior to joining the Adviser, Mr. Kernagis was a Portfolio Manager at Claymore Securities, Inc. from 2005 to 2007. Prior to that, Mr. Kernagis was a Senior Trader at Mid-States Corporate Federal Credit Union from 2004 to 2005 and a Vice President of Institutional Futures Sales at ABN Amro, Inc. from 1994 to 2003.

Brian Picken is an Associate Portfolio Manager of the Adviser. He has been one of the Portfolio Managers primarily responsible for the day-to-day management of the Funds since August 2010 and an Associate Portfolio Manager since August 2009. Mr. Picken was an ETF Portfolio Operations Specialist for the Adviser from August 2008 to August 2009, and prior to that a Research Analyst for the Adviser from August 2007 to August 2008. He received a Bachelor of Arts from Wheaton College.

The Funds' SAI provides additional information about the Portfolio Managers' compensation structure, other accounts that the Portfolio Managers manage and the Portfolio Managers' ownership of Shares.

The Adviser receives fees from each Fund (except PowerShares Buyback Achievers™ Portfolio and PowerShares Financial Preferred Portfolio) equal to 0.40% of the Fund's average daily net assets. The Adviser receives fees from each of PowerShares Buyback Achievers™ Portfolio and PowerShares Financial Preferred Portfolio equal to 0.50% of the Fund's average daily net assets. The Trust and the Adviser have entered into an Amended and Restated Excess Expense Agreement (the "Expense Agreement") pursuant to which the Adviser has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of each Fund (except PowerShares Buyback Achievers™ Portfolio and PowerShares Financial Preferred Portfolio) (excluding interest expenses, brokerage commissions, offering costs, sub-licensing fees and other trading expenses, taxes and extraordinary expenses) from exceeding 0.50% of the Fund's average daily net assets per year, at least until August 31, 2012. The Trust and the Adviser have entered into an Expense Agreement pursuant to which the Adviser has agreed to waive fees and/or pay expenses for PowerShares Buyback Achievers™ Portfolio and PowerShares Financial Preferred Portfolio to the extent necessary to prevent the operating expenses of each of these Funds (excluding interest expenses, brokerage commissions, offering costs, sub-licensing fees and other trading expenses, taxes and extraordinary expenses) from exceeding 0.60% of the Fund's average daily net assets per year, at least until August 31, 2012.

The offering costs excluded from the 0.50% expense cap for each of PowerShares Dividend Achievers™ Portfolio, PowerShares High Yield Equity Dividend Achievers™ Portfolio and PowerShares International Dividend Achievers™ Portfolio (and the 0.60% expense cap for each of PowerShares Buyback Achievers™ Portfolio and PowerShares Financial Preferred Portfolio) are: (a) initial legal fees pertaining to

each Fund's Shares offered for sale; (b) initial SEC and state registration fees; and (c) initial fees paid to be listed on an exchange. The Expense Agreement also provides that the expenses that the Adviser bears are subject to recapture by the Adviser for up to three years from the date that the Adviser bore the fee or expense, but no recapture payment will be made by the Fund if it would result in the Fund exceeding its Expense Cap.

Each Fund is responsible for all of its expenses, including the investment advisory fees, costs of transfer agency, custody, fund administration, legal, audit and other services, interest, taxes, brokerage commissions and other expenses connected with executions of portfolio transactions, paying for a portion of its sub-licensing fees related to its respective Underlying Index, any distribution fees or expenses, litigation expenses, fees payable to the Trust's Board members and officers who are not "interested persons" of the Trust or the Adviser, expenses incurred in connection with the Board members' services, including travel expenses and legal fees of counsel for those members of the Board who are not "interested persons" of the Trust and extraordinary expenses.

A discussion regarding the basis for the Board's approval of the Trust's Investment Advisory Agreement on behalf of each Fund is available in the Funds' Annual Report to Shareholders for the fiscal year ended April 30, 2011.

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## How to Buy and Sell Shares

Each Fund issues or redeems its Shares at NAV per Share only in Creation Units.

Most investors buy and sell Shares of each Fund in secondary market transactions through brokers. Shares of each Fund are listed for trading on the secondary market on NYSE Arca. Shares can be bought and sold throughout the trading day like other publicly traded shares. There is no minimum investment. Although Shares generally are purchased and sold in "round lots" of 100 Shares, brokerage firms typically permit investors to purchase and sell Shares in smaller "oddlots" at no per share price differential. When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges, and you may pay some or all of the spread between the bid and the offered price in the secondary market on each leg of a round trip (purchase and sale) transaction. The Shares of the Funds trade on NYSE Arca under the following symbols:

| <u><b>Fund</b></u>  | <u><b>Symbol</b></u> |
|---|----------------------|
| PowerShares Buyback Achievers™ Portfolio .....                    | .PKW                 |
| PowerShares Dividend Achievers™ Portfolio .....                   | .PFM                 |
| PowerShares Financial Preferred Portfolio .....                   | .PGF                 |
| PowerShares High Yield Equity Dividend Achievers™ Portfolio ..... | .PEY                 |
| PowerShares International Dividend Achievers™ Portfolio .....     | .PID                 |

Share prices are reported in dollars and cents per Share.

APs may acquire Shares directly from each Fund, and APs may tender their Shares for redemption directly to each Fund, at NAV per Share only in Creation Units or Creation Unit Aggregations and in accordance with the procedures described in the SAI.

Each Fund may liquidate and terminate at any time without shareholder approval.

## **Book Entry**

Shares are held in book-entry form, which means that no stock certificates are issued. The Depository Trust Company (“DTC”) or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

Investors owning Shares are beneficial owners as shown on the records of DTC or its participants. DTC serves as the securities depository for all Shares. Participants in DTC include securities brokers and dealers, banks, trust companies, clearing corporations and other institutions that directly or indirectly maintain a custodial relationship with DTC. As a beneficial owner of Shares, you are not entitled to receive physical delivery of stock certificates or to have Shares registered in your name, and you are not considered a registered owner of Shares. Therefore, to exercise any right as an owner of Shares, you must rely upon the procedures of DTC and its participants. These procedures are the same as those that apply to any other stocks that you hold in book entry or “street name” form.

## **Fund Share Trading Prices**

The trading prices of Shares of each Fund on NYSE Arca may differ from the Fund’s daily NAV. Market forces of supply and demand, economic conditions and other factors may affect the trading prices of Shares of each Fund.

The approximate value of Shares of each Fund, an amount representing on a per share basis the sum of the current market price of the securities (“Deposit Securities”) accepted by the Fund in exchange for Shares of the Fund and an estimated cash component will be disseminated every 15 seconds throughout the trading day through the facilities of the Consolidated Tape Association. This approximate value should not be viewed as a “real-time” update of the NAV per Share of the Fund because the approximate value may not be calculated in the same manner as the NAV, which is computed once a day, generally at the end of the business day. The Funds are not involved in, or responsible for, the calculation or dissemination of the approximate value and the Funds do not make any warranty as to its accuracy.

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# Frequent Purchases and Redemptions of Fund Shares

Shares of the Funds may be purchased and redeemed directly from the Funds only in Creation Units by APs. The vast majority of trading in Shares of the Funds occurs on the secondary market and does not involve the Funds directly. In-kind purchases and redemptions of Creation Units by APs and cash trades on the secondary market are unlikely to cause many of the harmful effects of frequent purchases and/or redemptions of Shares of the Funds. Cash purchases and/or redemptions of Creation Units, however, can result in increased tracking error, disruption of portfolio management, dilution to the Fund and increased transaction costs, which could negatively impact the Fund’s ability to achieve its investment objective, and may lead to the realization of capital gains. These consequences may increase as the frequency of cash purchases and redemptions of Creation Units by APs increases. However, direct trading by APs is critical to ensuring that Shares trade at or close to

NAV. To minimize these potential consequences of frequent purchases and redemptions of Shares, each Fund employs fair valuation pricing, and imposes transaction fees on purchases and redemptions of Creation Units to cover the custodial and other costs the Fund incurs in effecting trades. In addition, the Adviser monitors trades by APs for patterns of abusive trading and the Funds reserve the right to not accept orders from APs that the Adviser has determined may be disruptive to the management of the Funds, or otherwise are not in the best interests of the Funds. For these reasons, the Board has not adopted policies and procedures with respect to frequent purchases and redemptions of Shares of the Funds.

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## Dividends, Distributions and Taxes

Ordinarily, dividends from net investment income, if any, are declared and paid quarterly by each Fund except PowerShares High Yield Equity Dividend Achievers™ Portfolio and PowerShares Financial Preferred Portfolio, for which dividends from any net investment income are declared and paid monthly. Each Fund distributes its net realized capital gains, if any, to shareholders annually.

Distributions in cash may be reinvested automatically in additional whole Shares only if the broker through whom you purchased Shares makes such option available.

### Taxes

As with any investment, you should consider how your investment in Shares will be taxed. The tax information in this Prospectus is provided as general information. You should consult your own tax professional about the tax consequences of an investment in Shares.

Unless your investment in Shares is made through a tax-exempt entity or tax-deferred retirement account, such as an IRA plan, you need to be aware of the possible tax consequences when:

- Your Fund makes distributions,
- You sell your Shares listed on NYSE Arca, and
- You purchase or redeem Creation Units.

### Taxes on Distributions

As stated above, dividends from net investment income, if any, ordinarily are declared and paid quarterly, except with respect to PowerShares High Yield Equity Dividend Achievers™ Portfolio and PowerShares Financial Preferred Portfolio, for which dividends from net investment income, if any, are declared and paid monthly. In general, your distributions are subject to federal income tax when they are paid, whether you take them in cash or reinvest them in the Funds. Dividends paid out of each Fund's income and net short-term gains, if any, generally are taxable as ordinary income. Distributions of net long-term capital gains, if any, in excess of net short-term capital losses are taxable as long-term capital gains, regardless of how long you have held the Shares.

Long-term capital gains of non-corporate taxpayers generally are taxed at a maximum rate of 15% for taxable years beginning before January 1, 2013. In addition, for those taxable years, some ordinary dividends declared and paid by each Fund to

non-corporate shareholders may qualify for taxation at the lower reduced tax rates applicable to long-term capital gains. Without future congressional action, the maximum rate of long-term capital gains will return to 20% in 2013, and all dividends will be taxed at ordinary income rates.

Distributions in excess of each Fund's current and accumulated earnings and profits are treated as a tax-free return of capital to the extent of your basis in the Shares, and as capital gain thereafter. A distribution will reduce the Funds' NAV per Share and may be taxable to you as ordinary income or capital gain even though, from an investment standpoint, the distribution may constitute a return of capital.

Each Fund may be required to withhold a percentage of your distributions and proceeds if you have not provided a taxpayer identification number or social security number.

### **Taxes on Exchange-Listed Share Sales**

Currently, any capital gain or loss realized upon a sale of Shares generally is treated as long-term capital gain or loss if the Shares have been held for more than one year and as short-term capital gain or loss if the Shares have been held for one year or less. The ability to deduct capital losses may be limited.

### **Taxes on Purchase and Redemption of Creation Units**

An AP who exchanges equity securities for Creation Units generally will recognize a gain or a loss. The gain or loss will be equal to the difference between the market value of the Creation Units at the time and the exchanger's aggregate basis in the securities surrendered and the Cash Component paid. A person who exchanges Creation Units for equity securities generally will recognize a gain or loss equal to the difference between the exchanger's basis in the Creation Units and the aggregate market value of the securities received and the Cash Redemption Amount. The Internal Revenue Service, however, may assert that a loss realized upon an exchange of securities for Creation Units cannot be deducted currently under the rules governing "wash sales," or on the basis that there has been no significant change in economic position. Persons exchanging securities should consult their own tax advisor with respect to whether wash sale rules apply and when a loss might be deductible.

Under current federal tax laws, any capital gain or loss realized upon redemption of Creation Units is generally treated as long-term capital gain or loss if the Shares have been held for more than one year and as a short-term capital gain or loss if the Shares have been held for one year or less.

If you purchase or redeem Creation Units, you will be sent a confirmation statement showing how many Shares you purchased or sold and at what price.

The foregoing discussion summarizes some of the possible consequences under current federal tax law of an investment in the Funds. It is not a substitute for personal tax advice. You also may be subject to state and local tax on Fund distributions and sales of Fund Shares. Consult your personal tax advisor about the potential tax consequences of an investment in Fund Shares under all applicable tax laws. For more information, please see the section "Taxes" in the SAI.

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# Distributor

Invesco Distributors, Inc. (the “Distributor”) serves as the distributor of Creation Units for each Fund on an agency basis. The Distributor does not maintain a secondary market in Shares. The Distributor is an affiliate of the Adviser.

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# Net Asset Value

The Bank of New York Mellon (“BNYM”) calculates each Fund’s NAV at the close of regular trading (normally 4:00 p.m., Eastern time) every day the NYSE is open. NAV is calculated by deducting all of the Fund’s liabilities from the total value of its assets and dividing the result by the number of Shares outstanding, rounding to the nearest cent. All valuations are subject to review by the Trust’s Board or its delegate.

In determining NAV, expenses are accrued and applied daily and securities and other assets for which market quotations are readily available are valued at market value.

Securities listed or traded on an exchange generally are valued at the last sales price or official closing price that day as of the close of the exchange where the security is primarily traded. Money market securities maturing in 60 days or less will be valued at amortized cost. If a security’s market price is not readily available, the security will be valued using pricing provided from independent pricing services or by another method that the Adviser, in its judgment, believes will better reflect the security’s fair value in accordance with the Trust’s valuation policies and procedures approved by the Board.

Even when market quotations are available, they may be stale or unreliable because the security is not traded frequently, trading on the security ceased before the close of the trading market or issuer specific events occurred after the security ceased trading or because of the passage of time between the close of the market on which the security trades and the close of NYSE and when each Fund calculates its NAV. Events that may cause the last market quotation to be unreliable include a merger or insolvency, events which affect a geographical area or an industry segment, such as political events or natural disasters, or market events, such as a significant movement in the U.S. market. Where market quotations are not readily available, including where the Adviser determines that the closing price of the security is unreliable, the Adviser will value the security at fair value in good faith using procedures approved by the Board. Fair value pricing involves subjective judgments and it is possible that a fair value determination for a security is materially different than the value that could be realized upon the sale of the security. In addition, fair value pricing could result in a difference between the prices used to calculate each Fund’s NAV and the prices used by the Fund’s Underlying Index. This may adversely affect each Fund’s ability to track its Underlying Index. With respect to securities that are listed primarily on foreign exchanges, the value of a Fund’s portfolio securities may change on days when you will not be able to purchase or sell your Shares.

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# Fund Service Providers

BNYM, 101 Barclay Street, New York, New York 10286, is the administrator, custodian and fund accounting and transfer agent for each Fund.

K&L Gates LLP, 70 W. Madison Street, Chicago, Illinois, 60602, serves as legal counsel to the Trust.

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, New York 10017, serves as the Funds' independent registered public accounting firm.

PricewaterhouseCoopers LLP is responsible for auditing the annual financial statements of the Funds.

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## Financial Highlights

The financial highlights table is intended to help you understand each Fund's financial performance for the past five years (or, if shorter, since a Fund's inception). Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in each Fund (assuming reinvestment of all dividends and distributions). This information has been derived from the Funds' financial statements, which have been audited by PricewaterhouseCoopers LLP, whose report, along with the Funds' financial statements, are included in the Funds' Annual Report for the fiscal year ended April 30, 2011, which is available upon request.

# PowerShares Buyback Achievers™ Portfolio

|   | Year Ended April 30,  |                       |          |          | For the Period<br>December 20,<br>2006* |
|---|-----------------------|-----------------------|----------|----------|---|
|   | 2011                  | 2010                  | 2009     | 2008     | through<br>April 30,<br>2007            |
|   |                       |                       |          |          |   |
| <b>PER SHARE OPERATING PERFORMANCE:</b>   |                       |                       |          |          |   |
| NET ASSET VALUE AT BEGINNING<br>OF PERIOD .....   | \$22.36               | \$16.15               | \$22.64  | \$25.99  | \$24.98                                 |
| Net investment income**.....  | 0.11                  | 0.19                  | 0.26     | 0.10     | 0.01                                    |
| Net realized and unrealized<br>gain (loss) on investments .   | 4.87                  | 6.29                  | (6.55)   | (3.35)   | 1.02                                    |
| TOTAL FROM INVESTMENT OPERATIONS .  | 4.98                  | 6.48                  | (6.29)   | (3.25)   | 1.03                                    |
| <b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>  |                       |                       |          |          |   |
| Net investment income.....  | (0.07)                | (0.27)                | (0.20)   | (0.10)   | (0.02)                                  |
| NET ASSET VALUE AT END OF PERIOD .  | \$27.27               | \$22.36               | \$16.15  | \$22.64  | \$25.99                                 |
| SHARE PRICE AT END OF PERIOD***.  | \$27.27               | \$22.37               | \$16.16  |          |   |
| <b>NET ASSET VALUE,</b>   |                       |                       |          |          |   |
| <b>TOTAL RETURN****</b> .....   | 22.34%                | 40.46%                | (27.87)% | (12.53)% | 4.13%                                   |
| <b>SHARE PRICE TOTAL RETURN****</b> .   | 22.29%                | 40.43%                | (27.80)% |          |   |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>  |                       |                       |          |          |   |
| Net assets at end of period<br>(000's omitted).....   | \$43,637              | \$38,019              | \$27,456 | \$61,132 | \$62,383                                |
| <b>RATIO TO AVERAGE NET ASSETS OF:</b>  |                       |                       |          |          |   |
| Expenses, after (Waivers)<br>and/or Recapture .....   | 0.70%                 | 0.70%                 | 0.70%    | 0.73%    | 0.73%+                                  |
| Expenses, prior to (Waivers)<br>and/or Recapture .....  | 1.00%                 | 0.97%                 | 0.92%    | 0.79%    | 1.04%+                                  |
| Net investment income, after<br>(Waivers) and/or Recapture  | 0.49%                 | 0.98%                 | 1.39%    | 0.41%    | 0.15%+                                  |
| Portfolio turnover rate††.....  | 26%                   | 23%                   | 56%      | 46%      | 38%                                     |
| Undistributed net investment income<br>(loss) included in price of units<br>issued and redeemed**#. . . . . | \$0.00 <sup>(a)</sup> | \$0.00 <sup>(a)</sup> | \$(0.02) | \$(0.01) | \$0.01                                  |

\* Commencement of Investment Operations.

\*\* Based on average shares outstanding.

\*\*\* The mean between the last bid and ask prices.

\*\*\*\* Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment return calculated for a period of less than one year is 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.

# PowerShares Dividend Achievers™ Portfolio

|  | Year Ended April 30, |           |          |          |          |
|--|----------------------|-----------|----------|----------|----------|
|  | 2011                 | 2010      | 2009     | 2008     | 2007     |
| <b>PER SHARE OPERATING PERFORMANCE:</b>  |                      |           |          |          |          |
| NET ASSET VALUE AT BEGINNING OF YEAR .....   | \$13.21              | \$10.30   | \$16.15  | \$17.52  | \$15.63  |
| Net investment income* .....   | 0.31                 | 0.27      | 0.36     | 0.37     | 0.32     |
| Net realized and unrealized gain (loss) on investments ...   | 2.08                 | 2.96      | (5.92)   | (1.41)   | 1.88     |
| TOTAL FROM INVESTMENT OPERATIONS. .  | 2.39                 | 3.23      | (5.56)   | (1.04)   | 2.20     |
| <b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>   |                      |           |          |          |          |
| Net investment income .....  | (0.31)               | (0.32)    | (0.29)   | (0.33)   | (0.31)   |
| NET ASSET VALUE AT END OF YEAR ....  | \$15.29              | \$13.21   | \$10.30  | \$16.15  | \$17.52  |
| SHARE PRICE AT END OF YEAR**.....  | \$15.29              | \$13.21   | \$10.30  |          |          |
| <b>NET ASSET VALUE,</b>  |                      |           |          |          |          |
| TOTAL RETURN*** .....  | 18.39%               | 31.76%    | (34.84)% | (6.00)%  | 14.26%   |
| <b>SHARE PRICE TOTAL RETURN*** .....</b>   |                      |           |          |          |          |
|  | 18.39%               | 31.76%    | (34.84)% |          |          |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>   |                      |           |          |          |          |
| Net assets at end of year (000's omitted) .....  | \$217,859            | \$133,380 | \$85,451 | \$59,751 | \$70,079 |
| <b>RATIO TO AVERAGE NET ASSETS OF:</b>   |                      |           |          |          |          |
| Expenses, after (Waivers) and/or Recapture .....   | 0.60%                | 0.60%     | 0.60%    | 0.60%    | 0.60%    |
| Expenses, prior to (Waivers) and/or Recapture .....  | 0.61%                | 0.64%     | 0.74%    | 0.72%    | 0.92%    |
| Net investment income, after (Waivers) and/or Recapture ..   | 2.30%                | 2.28%     | 3.11%    | 2.15%    | 1.94%    |
| Portfolio turnover rate† .....   | 11%                  | 18%       | 31%      | 8%       | 9%       |
| Undistributed net investment income (loss) included in price of units issued and redeemed*#. ..... | \$0.03               | \$0.01    | \$0.03   | \$(0.01) | \$0.03   |

\* Based on average shares outstanding.

\*\* The mean between the last bid and ask prices.

\*\*\* Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment return calculated for a period of less than one year is not 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.

# PowerShares Financial Preferred Portfolio

|   | Year Ended April 30,  |             |           |           | For the Period<br>December 20,<br>2006*<br>through<br>April 30,<br>2007 |
|---|-----------------------|-------------|-----------|-----------|---|
|   | 2011                  | 2010        | 2009      | 2008      |   |
| <b>PER SHARE OPERATING PERFORMANCE:</b>   |                       |             |           |           |   |
| NET ASSET VALUE AT BEGINNING OF PERIOD .....  | \$16.97               | \$11.41     | \$21.17   | \$24.78   | \$25.12   |
| Net investment income** . . . . .   | 1.18                  | 1.31        | 1.35      | 1.35      | 0.41  |
| Net realized and unrealized gain (loss) on investments.....   | 1.36                  | 5.61        | (9.63)    | (3.50)    | (0.12)  |
| TOTAL FROM INVESTMENT OPERATIONS .....  | 2.54                  | 6.92        | (8.28)    | (2.15)    | 0.29  |
| <b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>  |                       |             |           |           |   |
| Net investment income . . . . .   | (1.21)                | (1.30)      | (1.46)    | (1.46)    | (0.63)  |
| Return of capital .....   | (0.04)                | (0.06)      | (0.02)    | -         | -   |
| TOTAL DISTRIBUTIONS .....   | (1.25)                | (1.36)      | (1.48)    | (1.46)    | (0.63)  |
| NET ASSET VALUE AT END OF PERIOD .....  | \$18.26               | \$16.97     | \$11.41   | \$21.17   | \$24.78   |
| SHARE PRICE AT END OF PERIOD***   | \$18.28               | \$16.93     | \$11.41   |           |   |
| <b>NET ASSET VALUE, TOTAL RETURN****</b> . . . . .  | 15.57%                | 62.16%      | (39.56)%  | (8.77)%   | 1.18%   |
| <b>SHARE PRICE TOTAL RETURN****</b> .....   | 15.97%                | 61.76%      | (39.82)%  |           |   |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>  |                       |             |           |           |   |
| Net assets at end of period (000's omitted) . . . . .   | \$1,832,516           | \$1,714,824 | \$773,644 | \$237,126 | \$99,118  |
| <b>RATIO TO AVERAGE NET ASSETS OF:</b>  |                       |             |           |           |   |
| Expenses, after (Waivers) and/or Recapture . . . . .  | 0.66%                 | 0.65%       | 0.69%     | 0.72%     | 0.72%†  |
| Expenses, prior to (Waivers) and/or Recapture . . . . .   | 0.66%                 | 0.65%       | 0.68%     | 0.74%     | 0.89%†  |
| Net investment income, after (Waivers) and/or Recapture .....   | 6.75%                 | 8.30%       | 11.49%    | 6.20%     | 4.63%†  |
| Portfolio turnover rate†† .....   | 26%                   | 23%         | 45%       | 80%       | 0%  |
| Undistributed net investment income (loss) included in price of units issued and redeemed**#. . . . . | \$0.00 <sup>(a)</sup> | \$(0.02)    | \$0.02    | \$0.03    | \$0.07  |

\* Commencement of Investment Operations.

\*\* Based on average shares outstanding.

\*\*\* The mean between the last bid and ask prices.

\*\*\*\* Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment return calculated for a period of less than one year is 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.

# PowerShares High Yield Equity Dividend Achievers™ Portfolio

Year Ended April 30,

|  | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

## PER SHARE OPERATING PERFORMANCE:

|   |        |        |         |         |         |
|---|--------|--------|---------|---------|---------|
| NET ASSET VALUE AT BEGINNING OF YEAR .....                | \$8.44 | \$6.12 | \$11.36 | \$15.82 | \$15.07 |
| Net investment income* .....                              | 0.34   | 0.32   | 0.43    | 0.62    | 0.54    |
| Net realized and unrealized gain (loss) on investments .. | 0.63   | 2.35   | (5.21)  | (4.42)  | 0.84    |
| TOTAL FROM INVESTMENT OPERATIONS .                        | 0.97   | 2.67   | (4.78)  | (3.80)  | 1.38    |

## DISTRIBUTIONS TO SHAREHOLDERS FROM:

|                                    |        |        |        |         |         |
|------------------------------------|--------|--------|--------|---------|---------|
| Net investment income .....        | (0.34) | (0.33) | (0.43) | (0.63)  | (0.60)  |
| Return of capital .....            | (0.01) | (0.02) | (0.03) | (0.03)  | (0.03)  |
| TOTAL DISTRIBUTIONS .....          | (0.35) | (0.35) | (0.46) | (0.66)  | (0.63)  |
| NET ASSET VALUE AT END OF YEAR ... | \$9.06 | \$8.44 | \$6.12 | \$11.36 | \$15.82 |
| SHARE PRICE AT END OF YEAR** ..... | \$9.06 | \$8.44 | \$6.12 |         |         |

## NET ASSET VALUE,

|                                   |        |        |          |          |       |
|-----------------------------------|--------|--------|----------|----------|-------|
| TOTAL RETURN*** .....             | 11.91% | 44.59% | (42.88)% | (24.67)% | 9.28% |
| SHARE PRICE TOTAL RETURN*** ..... | 11.91% | 44.58% | (42.88)% |          |       |

## RATIOS/SUPPLEMENTAL DATA:

|   |           |           |          |           |           |
|---|-----------|-----------|----------|-----------|-----------|
| Net assets at end of year (000's omitted) ..... | \$208,471 | \$127,424 | \$86,846 | \$184,077 | \$439,820 |
|---|-----------|-----------|----------|-----------|-----------|

## RATIO TO AVERAGE NET ASSETS OF:

|   |                       |                       |                       |        |                       |
|---|-----------------------|-----------------------|-----------------------|--------|-----------------------|
| Expenses, after (Waivers) and/or Recapture .....  | 0.60%                 | 0.60%                 | 0.60%                 | 0.60%  | 0.60%                 |
| Expenses, prior to (Waivers) and/or Recapture .....   | 0.62%                 | 0.65%                 | 0.62%                 | 0.56%  | 0.60%                 |
| Net investment income, after (Waivers) and/or Recapture .   | 4.02%                 | 4.42%                 | 5.24%                 | 4.35%  | 3.47%                 |
| Portfolio turnover rate† .....  | 44%                   | 57%                   | 77%                   | 42%    | 20%                   |
| Undistributed net investment income (loss) included in price of units issued and redeemed*# ..... | \$0.00 <sup>(a)</sup> | \$0.00 <sup>(a)</sup> | \$0.00 <sup>(a)</sup> | \$0.02 | \$0.00 <sup>(a)</sup> |

\* Based on average shares outstanding.

\*\* The mean between the last bid and ask prices.

\*\*\* Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment return calculated for a period of less than one year is not 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.

# PowerShares International Dividend Achievers™ Portfolio

Year Ended April 30,

|  | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

## PER SHARE OPERATING PERFORMANCE:

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| NET ASSET VALUE AT BEGINNING OF YEAR .....                | \$14.26 | \$10.14 | \$19.63 | \$20.12 | \$16.92 |
| Net investment income* .....                              | 0.47    | 0.35    | 0.52    | 0.68    | 0.53    |
| Net realized and unrealized gain (loss) on investments .. | 2.59    | 4.24    | (9.46)  | (0.61)  | 3.20    |
| TOTAL FROM INVESTMENT OPERATIONS ..                       | 3.06    | 4.59    | (8.94)  | 0.07    | 3.73    |

## DISTRIBUTIONS TO SHAREHOLDERS FROM:

|                             |        |        |        |        |        |
|-----------------------------|--------|--------|--------|--------|--------|
| Net investment income ..... | (0.47) | (0.47) | (0.55) | (0.56) | (0.53) |
|-----------------------------|--------|--------|--------|--------|--------|

|                                   |         |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|---------|
| NET ASSET VALUE AT END OF YEAR .. | \$16.85 | \$14.26 | \$10.14 | \$19.63 | \$20.12 |
|-----------------------------------|---------|---------|---------|---------|---------|

|                                    |         |         |         |  |  |
|------------------------------------|---------|---------|---------|--|--|
| SHARE PRICE AT END OF YEAR** ..... | \$16.89 | \$14.26 | \$10.15 |  |  |
|------------------------------------|---------|---------|---------|--|--|

## NET ASSET VALUE,

|                       |        |        |          |       |        |
|-----------------------|--------|--------|----------|-------|--------|
| TOTAL RETURN*** ..... | 21.95% | 45.77% | (46.44)% | 0.34% | 22.56% |
|-----------------------|--------|--------|----------|-------|--------|

|                                   |        |        |          |  |  |
|-----------------------------------|--------|--------|----------|--|--|
| SHARE PRICE TOTAL RETURN*** ..... | 22.23% | 45.62% | (46.30)% |  |  |
|-----------------------------------|--------|--------|----------|--|--|

## RATIOS/SUPPLEMENTAL DATA:

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Net assets at end of year (000's omitted) ..... | \$550,282 | \$427,783 | \$256,584 | \$551,630 | \$553,200 |
|---|-----------|-----------|-----------|-----------|-----------|

## RATIO TO AVERAGE NET ASSETS OF:

|   |        |        |          |          |        |
|---|--------|--------|----------|----------|--------|
| Expenses, after (Waivers) and/or Recapture .....  | 0.58%  | 0.57%  | 0.57%    | 0.58%    | 0.60%  |
| Expenses, prior to (Waivers) and/or Recapture .....   | 0.58%  | 0.57%  | 0.57%    | 0.56%    | 0.62%  |
| Net investment income, after (Waivers) and/or Recapture ..  | 3.20%  | 2.65%  | 3.87%    | 3.28%    | 2.98%  |
| Portfolio turnover rate† .....  | 42%    | 63%    | 50%      | 43%      | 22%    |
| Undistributed net investment income (loss) included in price of units issued and redeemed*# ..... | \$0.01 | \$0.02 | \$(0.01) | \$(0.02) | \$0.11 |

\* Based on average shares outstanding.

\*\* The mean between the last bid and ask prices.

\*\*\* Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Share price total return is calculated assuming an initial investment made at the share price at the beginning of the period, reinvestment of all dividends and distributions at share price during the period, and sale at the share price on the last day of the period. Total investment return calculated for a period of less than one year is not 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.

# Index Providers

Mergent is the Index Provider for PowerShares Buyback Achievers™ Portfolio, PowerShares Dividend Achievers™ Portfolio, PowerShares High Yield Equity Dividend Achievers™ Portfolio and PowerShares International Dividend Achievers™ Portfolio. Mergent is not affiliated with the Trust, the Adviser or the Distributor. The Adviser has entered into a license agreement with Mergent to use the Underlying Indexes. The Funds are entitled to use their respective Underlying Index pursuant to a sub-licensing arrangement with the Adviser.

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Set forth below is a list of each Fund and the Underlying Index upon which it is based:

| <b>Fund</b>   | <b>Underlying Index</b>                                    |
|---|--|
| PowerShares Buyback Achievers™ Portfolio                    | Share BuyBack Achievers™ Index                             |
| PowerShares Dividend Achievers™ Portfolio                   | Broad Dividend Achievers™ Index                            |
| PowerShares Financial Preferred Portfolio                   | Wells Fargo® Hybrid & Preferred Securities Financial Index |
| PowerShares High Yield Equity Dividend Achievers™ Portfolio | Mergent Dividend Achievers™ 50 Index                       |
| PowerShares International Dividend Achievers™ Portfolio     | International Dividend Achievers™ Index                    |

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## Premium/Discount Information

Information regarding how often the Shares of each Fund traded on NYSE Arca at a price above (i.e., at a premium) or below (i.e., at a discount) the NAV of the Fund during the past four calendar quarters is available at [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com).

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# Other Information

Section 12(d)(1) of the 1940 Act restricts investments by investment companies in the securities of other investment companies, including Shares of the Funds. Registered investment companies are permitted to invest in the Funds beyond the limits set forth in Section 12(d)(1) subject to certain terms and conditions set forth in an SEC exemptive order issued to the Trust, including that such investment companies enter into an agreement with the Trust on behalf of the Funds.

## **Continuous Offering**

The method by which Creation Unit Aggregations of Fund Shares are created and traded may raise certain issues under applicable securities laws. Because new Creation Unit Aggregations of Shares are issued and sold by the Funds on an ongoing basis, a “distribution,” as such term is used in the Securities Act of 1933, as amended (the “Securities Act”), may occur at any point. Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner which could render them statutory underwriters and subject them to the prospectus-delivery requirement and liability provisions of the Securities Act.

For example, a broker-dealer firm or its client may be deemed a statutory underwriter if it takes Creation Unit Aggregations after placing an order with the Distributor, breaks them down into constituent Shares and sells such Shares directly to customers, or if it chooses to couple the creation of a supply of new Shares with an active selling effort involving solicitation of secondary market demand for Shares. A determination of whether one is an underwriter for purposes of the Securities Act must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that could lead to a characterization as an underwriter.

Broker-dealer firms should also note that dealers who are not “underwriters” but are effecting transactions in Shares, whether or not participating in the distribution of Shares, generally are required to deliver a prospectus. This is because the prospectus delivery exemption in Section 4(3) of the Securities Act is not available in respect of such transactions as a result of Section 24(d) of the 1940 Act. As a result, broker-dealer firms should note that dealers who are not “underwriters” but are participating in a distribution (as contrasted with engaging in ordinary secondary market transactions), and thus dealing with the Shares that are part of an overallotment within the meaning of Section 4(3)(C) of the Securities Act, will be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act. For delivery of prospectuses to exchange members, the prospectus delivery mechanism of Rule 153 under the Securities Act only is available with respect to transactions on a national exchange.

## **Delivery of Shareholder Documents – Householding**

Householding is an option available to certain investors of the Funds. Householding is a method of delivery, based on the preference of the individual investor, in which a single copy of certain shareholder documents can be delivered to investors who share the same address, even if their accounts are registered under different names. Householding for the Funds is available through certain broker-dealers. If you are interested in enrolling in householding and receiving a single copy of prospectuses and other shareholder documents, please contact your broker-dealer. If you currently are enrolled in householding and wish to change your householding status, please contact your broker-dealer.

## **For More Information**

For more detailed information on the Trust, Funds and Shares, you may request a copy of the Funds' SAI. The SAI provides detailed information about the Funds, and is incorporated by reference into this Prospectus. This means that the SAI legally is a part of this Prospectus. Additional information about the Funds' investments also is available in the Funds' Annual and Semi-Annual Reports to Shareholders. In the Funds' Annual Report, you will find a discussion of the market conditions and investment strategies that significantly affected each Fund's performance during the last fiscal year. If you have questions about the Funds or Shares or you wish to obtain the SAI, Annual Report and/or Semi-Annual Report free of charge, or to make shareholder inquiries, please:

Call: Invesco Distributors, Inc. at 1-800-983-0903  
Monday through Friday  
8:00 a.m. to 5:00 p.m. Central Time

Write: PowerShares Exchange-Traded Fund Trust  
c/o Invesco Distributors, Inc.  
11 Greenway Plaza, Suite 100  
Houston, Texas 77046-1173

Visit: [www.InvescoPowerShares.com](http://www.InvescoPowerShares.com)

Information about the Funds (including the SAI) can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-551-8090. Reports and other information about the Funds are available on the EDGAR Database on the SEC's Internet site at [www.sec.gov](http://www.sec.gov), and copies of this information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, Washington, D.C. 20549-1520.

No person is authorized to give any information or to make any representations about the Funds and their Shares not contained in this Prospectus and you should not rely on any other information. Read and keep the Prospectus for future reference.

**Dealers effecting transactions in the Funds' Shares, whether or not participating in this distribution, are generally required to deliver a Prospectus. This is in addition to any obligation of dealers to deliver a Prospectus when acting as underwriters.**

The Trust's registration number under the 1940 Act is 811-21265.

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