
Tax-Loss Harvesting with PowerShares Exchange-Traded Funds (ETFs)

Negative returns on investment can create an opportunity to reduce taxes by locking in capital losses for tax purposes. Capital losses can be used to offset capital gains, and any excess capital losses can also be used as a tax write off to deduct up to \$3,000 from an individual's personal income. Remaining losses can be carried forward and used in future years.

In some cases it may be beneficial to realize a security's capital loss while still maintaining the investment's intended exposure. Internal Revenue Code "wash-sale" laws disallow capital losses if a security is sold at a loss and the same security is repurchased or a "substantially identical" security is purchased 30 days prior to or after the sale of the security for a loss. However, ETFs should not be considered "substantially identical" to individual stocks or bonds.¹ Consequently, an investor may sell a security (realizing capital loss) and purchase an ETF that correlates strongly to the same security in the same day.

ETF holdings-based tax-loss harvesting and ETF correlation-based tax-loss harvesting are two strategies discussed below:

Six Steps to ETF Holdings-Based Tax-Loss Harvesting

1. Identify a security in your portfolio that is worth less than what you paid for it.
2. Navigate to the Invesco PowerShares website, go to the Tools page and click on the Stock Screener Tool, or click [here](#).
3. Enter the ticker symbol of your underperforming security.
4. Examine the PowerShares ETFs that hold your underperforming security.
5. Conduct a review of both investments and determine if the replacement is appropriate for your portfolio and your investment objectives.²
6. The sale of an underperforming security coupled with the purchase of a PowerShares ETF that contains the sold security may allow for the realization of capital losses while maintaining similar investment exposure.

In the same vein, an investor may sell a security for less than the original purchase price and invest in an ETF that correlates strongly to the sold security. This process is called ETF correlation-based tax-loss harvesting.

Six Steps to ETF Correlation-Based Tax-Loss Harvesting

1. Identify a security in your portfolio that is worth less than what you paid for it.
2. Navigate to the Invesco PowerShares web site, go to the Tools page and click on the Correlation Tool, or click [here](#).
3. Enter the ticker symbol of your underperforming security.
4. Examine the Invesco PowerShares ETFs that correlate strongly with your underperforming security.
5. Conduct a review of both investments and determine if the replacement is appropriate for your portfolio.²
6. Consider selling your underperforming security (realizing capital losses) and investing in a PowerShares ETF that correlates strongly to the sold security (capturing the exposure similar to the security you sold).

For more information about PowerShares ETFs, contact the Invesco PowerShares sales desk at 800 983 0903 or info@invescopowershares.com.

¹ The Internal Revenue Service has not released a definitive opinion regarding the definition of "substantially identical" securities and its application to ETFs.

² An investor should consider the Funds' investment objectives, risks, charges and expenses carefully before investing. Please read the prospectus carefully before investing.

Discovery:

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A word about risk

Correlation is the similarity of performance.

There are risks involved with investing in ETFs, including possible loss of money. The Funds are not actively managed and are subject to risk similar to stocks, including those related to short selling and margin maintenance. Ordinary brokerage commissions apply.

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The information in this communication is not a complete analysis of every material aspect relating to tax-loss harvesting. This communication is for educational purposes only. Tax communication is for educational purposes only. Tax consequences will vary between individuals and each individual should carefully evaluate his or her tax position with an independent adviser. The benefits of tax-loss harvesting will vary depending on each investor's income tax situation. ETFs may have additional risks that may not be associated with an investor's original investment. Please read the fund's prospectus carefully before investing. Invesco PowerShares does not offer tax advice. Investors should consult their own tax adviser for information regarding their own tax situations.

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

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