



Invesco PowerShares Capital Management LLC

Brochure

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(Part 2A/B of Form ADV)

This brochure provides information about the qualifications and business practices of Invesco PowerShares Capital Management LLC ("PowerShares," the "Adviser," or "Managing Owner", sometimes referred to as "we" or "us" throughout this document). If you have any questions about the contents of this brochure, please contact Adam R. Henkel, Chief Compliance Officer of PowerShares at: (630) 684-6724 or by email at: Adam.Henkel@invesco.com. Additional information may be obtained from PowerShares website at www.powershares.com

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

Additional information about Invesco PowerShares is available on the SEC's website at www.adviserinfo.sec.gov.

Registration does not imply a certain level of skill or training.

March 30, 2017

Material Changes

Annual Update

This document is the annual update to the Invesco PowerShares ADV Part II A/B.

Material Changes since the Last Update

None.

Full Brochure Available

If you would like to receive a complete copy of our Firm Brochure, please contact Adam R. Henkel, Chief Compliance Officer (“CCO”) of PowerShares by telephone at: (630) 684-6724 or by email at: adam.henkel@invesco.com

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Advisory Business

Firm Description

PowerShares was founded in 2003.

PowerShares is the investment adviser to the exchange-traded funds (“ETFs” or “Funds”) organized as series of PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, PowerShares Actively Managed Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Commodity Fund Trust (each a “Trust” and collectively the “Trusts”).

For the Funds organized as a series of the PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II and the PowerShares India Exchange-Traded Fund Trust, the Adviser or an affiliated sub-adviser attempts to replicate, before fees and expenses, the price and yield of a third-party index (“Underlying Index”). These ETFs may be referred to as “Index-Based ETFs.” ETFs organized under the PowerShares Actively Managed Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Commodity Fund Trust may be managed by PowerShares or an affiliated sub-adviser and are actively managed, such that they do not attempt to fully replicate an Underlying Index. These may be referred to as “Actively Managed ETFs.”

In addition, PowerShares serves as the Managing Owner and Commodity Pool Operator (“CPO”) to eleven commodity pools regulated by the Commodity Futures Exchange Commission (the “Commodity Pools”), as well as Commodity Trading Adviser (“CTA”) to eight of the Commodity Pools. Each Commodity Pool trades exchange-traded futures contracts on commodities included in its underlying index (“Commodity Index”) with a view to tracking the applicable Commodity Index over time. .

PowerShares provides portfolio management and certain portfolio operations support (“sub-advisory services”) to three affiliates: Invesco Asset Management Ireland Holdings Limited (“IAMIH”), Invesco Canada Ltd (“Invesco Canada”) and Invesco Advisers, Inc. (“Invesco Advisers”).

PowerShares also serves as the sponsor to the QQQ Trust Series 1 and The BLDRS Index Funds Trust (“QQQs and BLDRS”), which are exchange-traded products organized as unit investment trusts for which The Bank of New York Mellon (“BNYM”) serves as Trustee. Although PowerShares does not provide advisory services to the QQQ and BLDRS, BNYM and PowerShares entered into an Agency Agreement, dated November 16, 2012 (the “Agency Agreement”), under which PowerShares performs certain functions on behalf of BNYM. Such functions relate to: (a) evaluation of the portfolio securities held by the QQQ and BLDRS for the purposes of determining the net asset value, and (b) rebalancing of and adjustments to the QQQ and BLDRS portfolios.

As of December 31, 2016, PowerShares managed \$62,500,305,420 in discretionary assets for 128 exchange-traded funds in the Trusts and \$5,495,377,794 in assets for the

Commodity Pools. Additionally, as of December 31, 2016, PowerShares provided portfolio management for 20 accounts for IAMIHL with aggregate assets under management of \$2,415,977,623 and 23 accounts for Invesco Canada and aggregate assets under management of \$3,083,568,113. As of December 31, 2015 PowerShares also provided management services to two sleeves of the portfolio of the Invesco Multi-Asset Income Fund, an open-end mutual fund advised by an affiliate, with assets under management of \$98,123,580.

Principal Owners

Invesco North American Holdings, Inc. is the sole owner of Invesco PowerShares Capital Management LLC. Invesco North American Holdings, Inc. is an indirect wholly owned subsidiary of Invesco Ltd., which is a publicly owned company whose shares are listed on the New York Stock Exchange under the symbol “IVZ” and is a constituent of the S&P 500.

Types of Advisory Services and Agreements

PowerShares provides investment advisory services to the Trusts pursuant to Investment Advisory Agreements between the Trusts and PowerShares, subject to review and approval by the non-interested members of each Trust’s Board of Trustees. PowerShares also serves as CPO for the Commodity Pools and PowerShares provides portfolio management and certain portfolio operations support to IAMIHL, Invesco Canada, and Invesco Advisers, pursuant to sub-advisory agreements with the respective advisers.

Fees and Compensation

Description

PowerShares receives fees from each of the Funds for the investment advisory services it provides. For all but two Funds that are a series of PowerShares Exchange-Traded Fund Trust the advisory fees are expressed as a management fee and are based on a fraction of a percent of assets under management. PowerShares has agreed to cap the total amount of certain expenses of each of these funds. For the two series of PowerShares Exchange-Trade Fund Trust that do not pay fees pursuant to the management fee/cap structure described in the previous sentences, PowerShares charges the Funds a set unitary fee, based on a fraction of a percent of assets under management.

For the PowerShares Exchange-Trade Fund Trust II, the PowerShares India Exchange-Trade Fund Trust, the PowerShares Actively Managed Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Commodity Fund Trust, PowerShares charges the Funds a set unitary fee, based upon a fraction of a percent of assets under management (the “Unitary Fee Structure”).

Each Commodity Pool is structured as partnerships and pays the Managing Owner a unitary fee, monthly in arrears, in an amount equal to a percentage per annum of the daily net asset value of the applicable Fund. The Management Fee is paid in consideration of the Managing Owner’s commodity futures trading advisory services. Please see each Commodity Pool’s disclosure document for details, including investment breakeven information.

Pursuant to the unitary fee structure of the Funds and Commodity Pools, PowerShares is responsible for all fund expenses, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses and certain other extraordinary expenses.

For the fees received by PowerShares for the sub-advisory services it provides, please see below:

IAMIHL: PowerShares receives 40% of the net advisor fee (calculated net of operating costs);

Invesco Advisers: PowerShares receives 40% of the net advisor fee (calculated on the assets under management of the sleeves sub-advised by the Adviser);

Invesco Canada: PowerShares receives 40% of the net advisor fee (calculated net of operating costs and net of the advisory fees charged by the underlying funds, as applicable). To the extent an Invesco Canada fund is sub-advised by more than one sub-adviser, the total sub-advisory fee may be split among sub-advisers.

Fee Billing

PowerShares does not bill the Funds and Commodity Pools but rather the management fee and unitary fee are deducted daily from each Fund and Commodity Pool's total assets, are accumulated in a liability account of the Fund/Commodity Pool and disbursed to PowerShares on a monthly basis. The Annual Fund/Commodity Pool Operating Expenses, expenses that are paid as a percentage of assets, are deducted from the Fund/Commodity Pool's total assets on a daily basis.

Other Fees

Custodians charge transaction fees on purchases or sales of certain securities. These fees are charged to the Authorized Participants (APs) and are not deducted from the assets of the Funds or Commodity Pools.

Performance-Based Fees

PowerShares does not charge performance-based fees.

Types of Clients

Description

PowerShares is the investment adviser to the Funds organized under the Trusts, Managing Owner, CPO and CTA to the Commodity Pools, sponsor to the QQQs and BLDRs , and provides certain portfolio management support to affiliates, IAMIHL, Invesco Canada, and Invesco Advisers.

Account Minimums

PowerShares does not maintain client accounts. Fund and Commodity Pool shares are not individually redeemable and owners of the shares may acquire shares from a

Fund/Commodity Pool and tender shares for redemption to the Fund/Commodity Pool in large blocks of shares only (called “Creation Units”), which may consist of between 10,000 and 200,000 shares through an AP.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

For the PowerShares Index-Based ETFs, the Adviser or an affiliated sub-adviser attempts to replicate, before fees and expenses, the price and yield of an Underlying Index. For many of the Index-Based ETFs, PowerShares employs a “full replication” methodology, meaning that the Index-Based ETF 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 such Index-Based ETFs may purchase a sample of securities in its Underlying Index. A “sampling” methodology means that PowerShares uses quantitative analysis to select securities from an Underlying Index universe to obtain a representative sample of securities that have, in aggregate, investment characteristics similar to the Underlying Index in terms of key risk factors, performance attributes and other characteristics. Due to the practical difficulties and expense of purchasing all of the securities in certain Index-Based ETF’s Underlying Indexes, PowerShares utilizes a sampling methodology as the primary approach for seeking to track such Index-Based ETF’s Underlying Index.

For the Commodity Pools, the Managing Owner pursues its investment objective by investing in a portfolio of exchange-traded futures on the commodities comprising its Commodity Index. Instead of automatically rolling into the next month contract, the Commodity Indexes use an “Optimum Yield Roll” process which analyzes the next 13 months and selects the contract that aims to generate the best possible roll yield. The Managing Owner generally employs “full replication” techniques when attempting to have the Commodity Pools track their respective Commodity Indexes.

For the Actively Managed ETFs, the Adviser or affiliated sub-adviser does not seek to fully replicate an Underlying Index but may use a quantitative-rules based investment strategy designed to provide returns that correspond to the performance of an index. Methods of security analysis employed may include proprietary stock screening, charting, fundamental analysis, technical analysis, and credit analysis. Each Actively Managed ETF seeks a stated investment objective as described in the applicable Actively Managed ETF’s prospectus.

Investment Strategies

The primary investment strategy for each Fund is stated in the applicable Fund’s registration statement. Each Fund’s prospectus may be viewed at powershares.com or obtained for free by calling 800.983.0903.

Risk of Loss

All of our Funds have certain risks. Investors should carefully consider a Fund's investment objective, risks, charges and expenses carefully before investing. Please see an individual Fund's prospectus for more complete information, which may be obtained on invescopowershares.com. Only a Fund's prospectus should be relied upon for a full explanation of all the risks associated with investing in a Fund. Broad risks generally faced by investors may be:

- **Equity Risk:** Equity risk is the risk that the value of equity securities, including common stocks, may fall due to both changes in general economic conditions that impact the market as a whole, as well as factors that directly relate to a specific company or its industry. Such general economic conditions include changes in interest rates, periods of market turbulence or instability, or general and prolonged periods of economic decline and cyclical change. It is possible that a drop in the stock market may depress the price of most or all of the common stocks that the Fund holds. In addition, equity risk includes the risk that investor sentiment toward particular industries will become negative. The value of a company's common stock may fall solely because of factors, such as an increase in production costs, that negatively impact other companies in the same region, industry or sector of the market. A company's common stock also may decline significantly in price over a short period of time due to factors specific to that company, including decisions made by its management or lower demand for the company's products or services. For example, an adverse event, such as an unfavorable earnings report or the failure to make anticipated dividend payments, may depress the value of common stock.
- **Fixed-Income Securities Risk:** A Fund may invest in fixed-income securities, which are subject to interest rate risk and credit risk. Interest rate risk refers to fluctuations in the value of a fixed-income security resulting from changes in the general level of interest rates. When the general level of interest rates goes up, the prices of most fixed-income securities go down. When the general level of interest rates goes down, the prices of most fixed-income securities go up. Fixed-income securities with longer maturities typically are more sensitive to changes in interest rates, making them more volatile than securities with shorter maturities. Credit risk refers to the possibility that the issuer of a security will be unable and/or unwilling to make timely interest payments and/or repay the principal on its debt. Debt instruments are subject to varying degrees of credit risk, which may be reflected in credit ratings. There is a possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Securities issued by the U.S. Government are subject to limited credit risk; however, securities

issued by U.S. Government agencies are not necessarily backed by the full faith and credit of the U.S. Government.

- **Futures Contract Risk:** Risks of futures contracts include: (i) an imperfect correlation between the value of the futures contract and the underlying commodity; (ii) possible lack of a liquid secondary market; (iii) the inability to close a futures contract when desired; (iv) losses caused by unanticipated market movements, which may be unlimited; (v) an obligation for the Fund to make daily cash payments to maintain its required margin, particularly at times when the Fund may have insufficient cash or must sell securities to meet those margin requirements; (vi) the possibility that a failure to close a position may result in the Fund receiving an illiquid commodity; and (vii) unfavorable execution prices from rapid selling.
- **Commodity-Linked Instruments Risk:** The commodities markets may be subject to greater volatility than traditional securities. The value of commodity-linked futures contracts typically is based upon the price movements of underlying commodities and therefore may fluctuate widely based on a variety of both macroeconomic and commodity-specific factors. At times, these price fluctuations may be significant or rapid, and may not correlate to price movements in other asset classes.
- **Management Risk:** A Fund that is actively managed is subject to management risk because it is an actively managed portfolio. In managing a Fund's portfolio securities, the Sub-Adviser applies investment techniques and risk analyses in making investment decisions for a Fund, but there can be no guarantee that these actions will produce the desired results.
- **Industry Concentration Risk:** In following its methodology, a Fund from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or sector. To the extent that a Fund's underlying index concentrates in the securities of issuers in a particular industry or sector, that Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, a Fund faces more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the companies in which a Fund invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources; adverse labor relations; political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, such industry or sector

may be out of favor and underperform other industries or sectors or the market as a whole.

- **Currency Risk:** A Fund may invest in non-U.S. dollar denominated equity or fixed income securities of foreign issuers. Because a Fund's net asset value ("NAV") is determined in U.S. dollars, a Fund's NAV could decline if the currency of the non-U.S. market in which a Fund invests depreciates against the U.S. dollar, even if the value of a Fund's holdings, measured in the foreign currency, increases.
- **Foreign Investment Risk:** Investments in the securities of non-U.S. issuers involve risks beyond those associated with investments in U.S. securities. Foreign securities may have relatively low market liquidity, greater market volatility, decreased publicly available information and less reliable financial information about issuers, and inconsistent and potentially less stringent accounting, auditing and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Foreign securities also are subject to the risks of expropriation, nationalization, political instability or other adverse political or economic developments and the difficulty of enforcing obligations in other countries. Investments in foreign securities also may be subject to dividend withholding or confiscatory taxes, currency blockage and/or transfer restrictions and higher transactional costs. As the Fund will invest in securities denominated in foreign currencies, fluctuations in the value of the U.S. dollar relative to the values of other currencies may adversely affect investments in foreign securities and may negatively impact the Fund's returns.
- **Emerging Markets Securities Risk:** Investments in the securities of issuers in emerging market countries involve risks often not associated with investments in the securities of issuers in developed countries. Securities in emerging markets may be subject to greater price fluctuations than securities in more developed markets. Fluctuations in the value of the U.S. dollar relative to the values of other currencies may adversely affect investments in emerging market securities, and emerging market securities may have relatively low market liquidity, decreased publicly available information about issuers, and inconsistent and potentially less stringent accounting, auditing and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Emerging market securities also are subject to the risks of expropriation, nationalization or other adverse political or economic developments and the difficulty of enforcing obligations in other countries. Investments in emerging market securities also may be subject to dividend withholding or confiscatory taxes, currency blockage and/or transfer restrictions. Emerging markets are usually subject to greater market volatility, lower trading volume, political and economic instability, uncertainty regarding the existence of trading markets and more governmental limitations on

foreign investment than are more developed markets. Securities law in many emerging market countries is relatively new and unsettled. Therefore, laws regarding foreign investment in emerging market securities, securities regulation, title to securities and shareholder rights may change quickly and unpredictably. In addition, the enforcement of systems of taxation at federal, regional and local levels in emerging market countries may be inconsistent and subject to sudden change.

- **Index Risk:** Unlike many investment companies, many of the Funds do not utilize an investment strategy that seeks returns in excess of an 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.
- **Market Risk:** Securities held by a Fund are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in securities prices.
- **Market Trading Risk:** The Funds face 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 a Fund. Any of these factors may lead to the Shares trading at a premium or discount to a Fund's net asset value (NAV).
- **Small and Medium Capitalization Company Risk:** Funds may invest in small and medium capitalization companies. Investing in securities of these 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-Correlation Risk:** A Fund's return may not match the return of an 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 a Fund's securities holdings to reflect changes in the composition of the Underlying Index. In addition, the performance of a 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. Moreover, the investment activities of one or more of the

Adviser's affiliates for their proprietary accounts and for client accounts may adversely impact a Fund's ability to track its Underlying Index. For example, in regulated industries and as part of certain corporate and regulatory ownership definitions, there may be limits on the aggregate amount of investment by affiliated investors that cannot be exceeded, that only can be exceeded with the grant of a license or other regulatory or corporate consent or, that may result in certain 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.

- **Non-Diversified Fund Risk:** Because certain Funds are non-diversified and can invest a greater portion of assets in securities of individual issuers than a diversified fund, 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 certain Funds' volatility and cause the performance of a relatively small number of issuers to have a greater impact on a Fund's performance.
- **Liquidity Risk:** A Fund may invest in instruments that at times may be illiquid. Illiquid investments may be more difficult and costly to buy or sell as compared to more actively traded investments. Liquidity risk is a factor in the trading volume of a particular investment, as well as the size and liquidity of the market for such an investment. This could have a negative effect on the Fund's ability to achieve its investment objective and may result in losses to Fund shareholders.
- **Active Trading Risk:** Active trading of a Fund or certain Funds securities may result in added expenses, a lower return and increased tax liability.
- **ADR and GDR Risk:** ADRs are certificates that evidence ownership of shares of a foreign issuer and are alternatives to purchasing directly the underlying foreign securities in their national markets and currencies. GDRs are certificates issued by an international bank that generally are traded and denominated in the currencies of countries other than the home country of the issuer of the underlying shares. ADRs and GDRs may be subject to certain of the risks associated with direct investments in the securities of foreign companies, such as currency, political, economic and market risks, because their values depend on the performance of the non-dollar denominated underlying foreign securities.
- **Authorized Participant Concentration Risk:** Only an authorized participant ("AP") may engage in creation or redemption transactions directly with Certain Funds. Certain Funds have a limited number of institutions that may act as APs on an agency basis (i.e., on behalf of other market participants). Such market makers have no obligation to submit creation or redemption orders; consequently, there is no

assurance that market makers will establish or maintain an active trading market for the Shares. In addition, to the extent that APs exit the business or are unable to proceed with creation and/or redemption orders with respect to Certain Funds and no other AP is able to step forward to create or redeem Creation Units (as defined below), the Shares may be more likely to trade at a premium or discount to Certain Fund's net asset value ("NAV") and possibly face trading halts and/or delisting.

- **Call Risk:** If interest rates fall, it is possible that issuers of callable securities with high interest coupons will "call" (or prepay) their bonds before their maturity date. If an issuer exercised such a call during a period of declining interest rates, Certain Funds may have to replace such called security with a lower yielding security. If that were to happen, Certain Fund's net investment income could fall.
- **Cash Transaction Risk:** Unlike most exchange-traded funds ("ETFs"), Certain Funds currently intend to effect creations and redemptions principally for cash, rather than principally in-kind, due to the nature of Certain Fund's investments. As such, an investment in Shares may be less tax efficient than an investment in shares of conventional ETFs, which utilize an entirely in-kind redemption process. Also, there may be a substantial difference in the after-tax rate of return between Certain Funds and conventional ETFs.
- **Changing Fixed Income Market Conditions Risk:** The current historically low interest rate environment was created in part by the Federal Reserve Board ("FRB") and certain foreign central banks keeping the federal funds and equivalent foreign rates at or near zero. The "tapering" in 2015 of the FRB's quantitative easing program, combined with the FRB's raising of the target range for the Federal Funds Rate (and likely eventual increase in equivalent foreign rates) may expose fixed-income markets to heightened volatility and reduced liquidity for certain fixed-income investments, particularly those with longer maturities, although it is difficult to predict the impact of this rate increase and any future rate increases on various markets. In addition, decreases in fixed-income dealer market-making capacity may persist in the future, potentially leading to heightened volatility and reduced liquidity in the fixed-income markets. As a result, the value of Certain Fund's investments and share price may decline. In addition, because of changing central bank policies, Certain Funds may experience higher than normal shareholder redemptions, which could potentially increase a Fund or certain Funds turnover and Certain Fund's transaction costs and potentially lower Certain Fund's returns.
- **Commodity Pool Risk:** Certain Funds invest in futures contracts, which cause each to be deemed to be a commodity pool, thereby subjecting each Fund to regulation under the Commodity Exchange Act and rules

of the Commodity Futures Trading Commission (“CFTC”). The Adviser is registered as a Commodity Pool Operator (“CPO”) and as a commodity trading advisor (“CTA”), and Certain Funds will be operated in accordance with CFTC rules. Registration as a CPO or CTA subjects the Adviser to additional laws, regulations and enforcement policies, all of which could increase compliance costs and may affect the operations and financial performance of these Funds. Registration as a commodity pool may have negative effects on the ability of each of these Funds to engage in their respective planned investment program.

- **Credit Risk:** The issuer of instruments in which Certain Funds invests may be unable to meet interest and/or principal payments. An issuer’s securities may decrease in value if its financial strength weakens, which may reduce its credit rating and possibly its ability to meet its contractual obligations. Even in the case of collateralized debt obligations, there is no assurance that the sale of collateral would raise enough cash to satisfy an issuer’s payment obligations or that the collateral can or will be liquidated.
- **Fund of Funds Risk:** Because it invests primarily in other funds, Certain Fund’s investment performance largely depends on the investment performance of the Underlying ETFs. An investment in Certain Funds is subject to the risks associated with the Underlying ETFs. In addition, at times, certain of the segments of the market represented by Underlying ETFs in which Certain Funds invests may be out of favor and underperform other segments. Certain Funds will indirectly pay a proportional share of the expenses of the Underlying ETFs in which it invests (including operating expenses and management fees), in addition to the fees and expenses it already will pay to the Adviser.
- **Global Bonds Risk:** Global bonds are subject to the same risks as other debt securities, notably credit risk, market risk, interest rate risk and liquidity risk. Investments in the securities of non-U.S. issuers involve risks beyond those associated with investments in U.S. securities, including greater market volatility, the availability of less reliable financial information, higher transactional costs, taxation by foreign governments, decreased market liquidity and political instability.
- **High Dividend Paying Securities Risk:** Certain Funds 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 the Underlying Index and the capital resources available for such companies’ dividend payments may affect adversely a 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.
- **Indian Securities Risk:** Investment in Indian securities involves risks in addition to those associated with investments in securities of issuers in more developed countries, which may adversely affect the value of Certain Fund's assets. Such heightened risks include, among others, political and legal uncertainty, greater government control over the economy, currency fluctuations or blockage and the risk of nationalization or expropriation of assets. In addition, religious and border disputes persist in India. Certain restrictions on foreign investment may decrease the liquidity of Certain Fund's or inhibit Certain Fund's ability to track the Underlying Index. Certain Fund's investment in securities of issuers located or operating in India as well as its ability to track the Underlying Index may be limited or prevented at times, due to the limits on foreign ownership imposed by the Reserve Bank of India.
- **Interest Rate Risk:** Interest rate risk refers to the risk that bond prices generally fall as interest rates rise; conversely, bond prices generally rise as interest rates fall. Specific bonds differ in their sensitivity to changes in interest rates depending on their individual characteristics, including duration. "Duration risk" is related to interest rate risk; it refers to the risks associated with the sensitivity of a bond's price to a one percent change in interest rates. Bonds with longer durations (i.e., a greater length of time until they reach maturity) face greater duration risk, meaning that they tend to exhibit greater volatility and are more sensitive to changes in interest rates than bonds with shorter durations.
- **Investment Risk:** As with all investments, an investment in Certain Funds is subject to investment risk. Investors in Certain Funds could lose money, including the possible loss of the entire principal amount of an investment, over short or long periods of time.
- **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.
- **Momentum Investing Risk:** Certain Funds follow indices that select constituent securities based on a "momentum" style of investing. In general, momentum is the tendency of an investment to exhibit persistence in its relative performance; a "momentum" style of investing therefore emphasizes investing in securities that have had

better recent performance compared to other securities, on the theory that these securities will continue to increase in value. Momentum investing is subject to the risk that the securities may be more volatile than the market as a whole. High momentum may also be a sign that the securities' prices have peaked, and therefore the returns on securities that have previously exhibited price momentum may be less than returns on other styles of investing. Momentum can turn quickly, and stocks that previously exhibited high momentum may not experience continued positive momentum. A Fund may experience significant losses if momentum stops, reverses or otherwise behaves differently than predicted. In addition, there may be periods when the momentum style of investing is out of favor and therefore, the investment performance of such Fund may suffer.

- **Mortgage- and Asset-Backed Securities Risk:** Certain Funds may invest in mortgage- and asset-backed securities, which are subject to call (prepayment) risk, reinvestment risk and extension risk. In addition, these securities are susceptible to an unexpectedly high rate of defaults on the mortgages held by a mortgage pool, which may adversely affect their value. The risk of such defaults depends on the quality of the mortgages underlying such security, the credit quality of its issuer or guarantor, and the nature and structure of its credit support. For example, the risk of default generally is higher in the case of mortgage pools that include subprime mortgages, which are loans made to borrowers with weakened credit histories or with lower capacity to make timely mortgage payments.
- **Municipal Securities Risk:** Litigation, legislation or other political events, local business or economic conditions or the bankruptcy of the issuer could have a significant effect on the ability of an issuer of municipal securities to make payments of principal and/or interest. Political changes and uncertainties in the municipal market related to taxation, legislative changes or the rights of municipal security holders can significantly affect municipal securities. Because many securities are issued to finance similar projects, especially those relating to education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal market. In addition, changes in the financial condition of an individual municipal issuer can affect the overall municipal market.
- **Non-Investment Grade Securities Risk:** All or a significant portion of the loans in which Certain Funds will invest may be determined to be noninvestment grade loans that are considered speculative. Certain Funds also may invest in junk bonds. Non-investment grade loans and bonds, and unrated loans and bonds of comparable credit quality are subject to the increased risk of a borrower's or issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific

corporate developments, interest rate sensitivity, negative perceptions of the non-investment grade securities markets generally, real or perceived adverse economic and competitive industry conditions and less secondary market liquidity. If the borrower of lower-rated loans or issuer of lower-rated bonds defaults, Certain Funds may incur additional expenses to seek recovery.

- **Portfolio Turnover Risk:** To the extent that a Fund's Underlying Index rebalances frequently, a Fund may engage in frequent trading of its Fund or certain Funds securities in connection with the rebalancing or adjustment of its Underlying Index. This may result in a high a Fund or certain Funds turnover rate. A Fund or certain Funds turnover rate of 200%, for example, is equivalent to a Fund buying and selling all of its securities two times during the course of a year. A high a Fund or certain Funds turnover rate (such as 100% or more) could result in high brokerage costs for a Fund. A high a Fund or certain Funds turnover rate (such as 100% or more) could result in high brokerage costs for a Fund. A high a Fund or certain Funds turnover rate also can result in an increase in taxable capital gains distributions to a Fund's shareholders and an increased likelihood that the capital gains will be taxable at ordinary rates.
- **Preferred Securities Risk:** Financial Preferred Portfolio faces 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 Certain Funds owns a security that is deferring or omitting its distributions, Certain Funds 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.
- **Regulatory Risk:** The Adviser is a qualified foreign institutional investor ("FII") with the Securities and Exchange Board of India ("SEBI"), and the Subsidiary is registered as a sub-account with the SEBI in order to obtain certain benefits relating to Certain Fund's ability to make and dispose of investments. There can be no assurances that the Indian regulatory authorities will continue to grant such qualifications, and the loss of such qualifications could adversely impact the ability of Certain Funds to make investments in India. The Subsidiary's investments will

be made in accordance with investment restrictions prescribed under the FII regulation. If new policy announcements or regulations in India are made which require retrospective changes in the structure or operations of Certain Funds, these may adversely impact the performance of Certain Funds.

- **REIT Risk:** For Active U.S. Real Estate Fund, although Certain Funds will not invest in real estate directly, the REITs in which Certain Funds invests are subject to risks inherent in the direct ownership of real estate. These risks include, but are not limited to, a possible lack of mortgage funds and associated interest rate risks, overbuilding, property vacancies, increases in property taxes and operating expenses, changes in zoning laws, losses due to environmental damages and changes in neighborhood values and appeal to purchasers.
- **Risk of Investing in Investment Companies:** Because Certain Funds may invest in other investment companies, its investment performance may depend on the investment performance of the underlying investment companies in which it invests. An investment in an investment company is subject to the risks associated with that investment company. Certain Funds will pay indirectly a proportional share of the fees and expenses of the investment companies in which it invests (including costs and fees of the investment companies), while continuing to pay its own management fee to the Adviser. As a result, shareholders will absorb duplicate levels of fees with respect to Certain Fund's investments in other investment companies.
- **Risk of Investing in Loans:** Investments in loans are subject to interest rate risk and credit risk. Interest rate risk refers to fluctuations in the value of a loan resulting from changes in the general level of interest rates. Credit risk refers to the possibility that the borrower of a loan will be unable and/or unwilling to make timely interest payments and/or repay the principal on its obligation. Default in the payment of interest or principal on a loan will result in a reduction in the value of the loan and consequently a reduction in the value of Certain Fund's investments and a potential decrease in the NAV of Certain Funds. Although the loans in which Certain Funds will invest generally will be secured by specific collateral, there can be no assurance that such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of the bankruptcy of a borrower, Certain Fund's access to the collateral may be limited by bankruptcy or other insolvency laws and, therefore, Certain Funds could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a loan. There is no organized exchange on which loans are traded and reliable market quotations may not be readily available. Therefore, elements of judgment may play a greater

role in valuation of loans than for securities with a more developed secondary market and Certain Funds may not realize full value in the event of the need to sell a loan. To the extent that a secondary market does exist for certain loans, the market may be subject to volatility, irregular trading activity, wide bid/asked spreads, decreased liquidity and extended trade settlement periods. Some loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the loans to presently existing or future indebtedness of the borrower or take other action detrimental to lenders, including Certain Funds, such as invalidation of loans or causing interest previously paid to be refunded to the borrower. Investments in loans also are subject to the risk of changes in legislation or state or federal regulations. If such legislation or regulations impose additional requirements or restrictions on the ability of financial institutions to make loans, the availability of loans for investment by Certain Funds may be adversely affected. Many loans are not registered with the Securities and Exchange Commission (the "SEC") or any state securities commission and often are not rated by any nationally recognized rating service. Generally, there is less readily available, reliable information about most loans than is the case for many other types of securities. Although a loan may be senior to equity and other debt securities in a borrower's capital structure, such obligations may be structurally subordinated to obligations of the borrower's subsidiaries.

- **Sampling Risk:** Certain Fund's use of a representative sampling approach will result in Certain Funds holding a smaller number of securities than are in its Underlying Index. As a result, an adverse development respecting to an issuer of securities held by Certain Funds could result in a greater decline in NAV than would be the case if Certain Funds held all of the securities in its Underlying Index. To the extent the assets in Certain Funds are smaller, these risks will be greater.
- **Senior Loans Risk:** The risks associated with senior loans are similar to the risks of junk bonds, although senior loans typically are senior and secured, whereas junk bonds often are subordinated and unsecured. Investments in senior loans typically are below investment grade and are considered speculative because of the credit risk of their issuers. Such companies are more likely to default on their payments of interest and principal owed, and such defaults could reduce Certain Fund's NAV and income distributions. An economic downturn generally leads to a higher non-payment rate, and a senior loan may lose significant value before a default occurs. There is no assurance that the liquidation of the collateral would satisfy the claims of the borrower's obligations in the event of the non-payment of scheduled interest or principal, or that the collateral could be readily liquidated.

Economic and other events (whether real or perceived) can reduce the demand for certain senior loans or senior loans generally, which may reduce market prices. Senior loans and other debt securities also are subject to the risk of price declines and to increases in prevailing interest rates, although floating-rate debt instruments such as senior loans in which Certain Funds may be expected to invest are substantially less exposed to this risk than fixed-rate debt instruments. No active trading market may exist for certain senior loans, which may impair the ability of Certain Funds to realize full value in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded senior loans. Longer interest rate reset periods generally increase fluctuations in value as a result of changes in market interest rates.

- **Short-Term and Intermediate-Term Bond Risk:** Certain Underlying ETFs invest in bonds with short or intermediate terms (i.e., five years or less). The amount of time until a fixed-income security matures can lead to various risks, including changes in interest rates over the life of a bond. Short-term and intermediate-term fixed income securities generally provide lower returns than longer-term fixed income securities. The average maturity of an Underlying ETFs investment will affect the volatility of the Underlying ETF's share price.
- **Sovereign Debt Risk:** For Chinese Yuan Dim Sum Bond A Fund or certain Funds, Emerging Markets Sovereign Debt A Fund or certain Funds and Global Short Term High Yield Bond A Fund or certain Funds, risks of sovereign debt include the relative size of the debt burden to the economy as a whole and the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. The governmental authority that controls the repayment of sovereign debt may be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to the extent of its foreign reserves. If an issuer of sovereign debt defaults on payments of principal and/or interest, these Funds may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and Certain Fund's ability to obtain recourse may be limited.
- **Subsidiary Investment Risk:** Changes in the laws of India and/or Mauritius could prevent the Subsidiary from operating as intended and/or from continuing to qualify as a Mauritius resident for tax purposes and negatively affect Certain Funds and its shareholders. Additionally, changes in the provisions of the Tax Treaty could result in the imposition of various taxes on the Subsidiary by India, thereby reducing the return to Certain Funds on its investments. The governments of India and Mauritius have entered into a protocol, amending the Tax Treaty to phase out the capital gains tax exemption

on shares of Indian companies. No assurance can be given that the terms of such amendment will not be subject to interpretation and/or renegotiation.

- **Tax Risk:** For Certain Funds to qualify as a RIC, Certain Funds must meet a qualifying income test each taxable year. Failure to comply with the qualifying income requirements would have significant negative tax consequences to Fund shareholders, including the imposition of an entity-level tax on Certain Funds, which would reduce the amount available for distribution to shareholders. Although Certain Funds generally will seek to invest in derivative instruments that it believes generate qualifying income, the treatment of income from certain derivative instruments under the qualifying income requirements is not entirely clear. Certain Funds will seek to limit its non-qualifying income so as to qualify as a RIC. Certain Funds has received an opinion of counsel, which is not binding on the Internal Revenue Service (“IRS”) or the courts, that the income Certain Funds derives from its investments in certain futures contracts, including VIX Index futures contracts, should constitute qualifying income. Based on that opinion, Certain Funds believes that it will qualify as a RIC. If the IRS were to determine that income Certain Funds derives from VIX Index futures contracts does not constitute qualifying income, and if that position was upheld, Certain Funds might cease to qualify as a RIC or would be required to reduce its exposure to such investments, which may result in difficulty in implementing its investment strategies.
- **U.S. Government Obligations Risk:** For Variable Rate Investment Grade A Fund or certain Funds, obligations of U.S. Government agencies and authorities generally are not backed by the full faith and credit of the U.S. Government, and no assurance can be given that the U.S. Government will provide financial support to its agencies and authorities if it is not obligated by law to do so.
- **Valuation Risk:** Financial information related to securities of non-U.S. issuers may be less reliable than information related to securities of U.S. issuers, which may make it difficult to obtain a current price for a non-U.S. security held by a Fund. In certain circumstances, market quotations may not be readily available for some Fund securities, and those securities may be fair valued. The value established for a security through fair valuation may be different from what would be produced if the security had been valued using market quotations. Fund securities that are valued using techniques other than market quotations, including “fair valued” securities, may be subject to greater fluctuation in their value from one day to the next than would be the case if market quotations were used. In addition, there is no assurance that a Fund could sell a Fund or certain Funds security for the value established for it at any time, and it is possible that a Fund would incur a loss because a security is sold at a discount to its established value.

- **Valuation Time Risk:** Certain Underlying ETFs may invest in foreign bonds and, because foreign exchanges may be open on days when those Underlying ETFs do not price their Shares, the value of such non-U.S. securities may change on days when you will not be able to purchase or sell your Shares. As a result, trading spreads and the resulting premium or discount on the Shares may widen, and, therefore, increase the difference between the market price of the Shares and the NAV of such Shares.

Disciplinary Information

Legal and Disciplinary

The Adviser and its employees have not been involved in legal or disciplinary events in the last 10 year period.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

PowerShares is with a member of the National Futures Association (“NFA”) and is registered with the NFA as a Commodity Pool Operator and Commodity Trading Advisor.

Affiliations

PowerShares is an indirect wholly owned subsidiary of Invesco Ltd. Invesco Ltd. wholly owns other SEC registered investment advisers, all of whom are disclosed through the PowerShares’ ADV Part I. Invesco Capital Markets, Inc. (“ICMI”) and Invesco Distributors, Inc. (“IDI”) are wholly owned subsidiaries of Invesco Advisers, Inc. ICMI and IDI are registered broker-dealers with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and are members of the Financial Industry Regulatory Authority (“FINRA”), the Municipal Securities Rulemaking Board (“MSRB”) and the Securities Investor Protection Corporation (“SIPC”).

IDI is the distributor of creation units for certain investment portfolios of the PowerShares Exchange-Traded Fund Trusts, the Commodity Pools, QQQ and BLDRS on an agency basis and for certain unregistered offerings including money market funds.

ICMI introduces transactions on a fully disclosed basis for affiliated products including the PowerShares Funds. As introducing broker, ICMI trades equity securities solely on an agency basis and does not hold positions in these securities on behalf of the affiliated products. A third-party clearing firm provides custodial and clearing services to ICMI for these transactions.

Third Party Trading Platform

Invesco Advisers, an affiliate of PowerShares, owns 4.9% of the voting securities of Luminex Trading & Analytics LLC (“Luminex”), a joint venture with other asset managers. The Luminex trading platform is designed to serve as an alternative trading system with specific minimum trading thresholds to allow institutional investors to trade large blocks of shares. A senior Invesco employee is a member of Luminex’s Board of Directors.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The employees of PowerShares have a written Code of Ethics (the “Code”) and Policy Statement on Insider Trading Prohibitions. The Code is administered by the Compliance Department. The Compliance Department is responsible for interpreting the provisions of the Code, for adopting and implementing rules and procedures, for enforcing the provisions of the Code and for determining whether violations of the Code or of any such rules and procedures have occurred. The Code of Ethics is available for review upon request.

Participation or Interest in Client Transactions

PowerShares and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades subject to the Code of Ethics. Employees comply with the provisions of the PowerShares Code of Ethics, Code of Conduct, Insider Trading Policy and Pay to Play Policies.

Personal Trading

All pre-clearance, reporting and certifications under the Code of Ethics by access persons of the Adviser are processed through an electronic records system. A team of compliance professionals manages Code of Ethics compliance. The Chief Compliance Officer meets with the manager of this team periodically to review reports and discuss enhancements to its practices.

Brokerage Practices

Selecting Brokerage Firms

The Adviser has entered into a Delegation Agreement (“Delegation Agreement”) with Invesco Ltd. to delegate to the Invesco Global Trading Desk (“Trading Desk”) certain responsibilities and obligations with respect to placing orders (except with respect to fixed income and commodity securities) with brokers on behalf of all Funds for which the Adviser would otherwise be responsible. Under the terms of the Delegation Agreement, the Trading Desk has the ultimate responsibility for the broker selection for all equity trades and the Adviser oversees Invesco Ltd.’s performance under the Delegation Agreement. The Trading Desk maintains a list of approved brokerage firms in accordance with the Adviser’s Broker Selection Criteria and Procedures. Trades in fixed income securities are executed by the portfolio manager of the Fund. Trades for the Funds of the Commodity Trust and the

Commodity Pools (except currency securities, which are also traded by the Global Trading Desk) are executed by a specific commodity trader, who, in accordance with the Adviser's Independent Account Controller Policies and Procedures, is both physically and technologically separated from the commodity products managed by affiliated entities of Invesco Ltd.

Invesco Advisers, whose traders are part of the Trading Desk, may execute trades for the PowerShares Funds and other advisory clients through the Luminex trading platform. Invesco Advisers owns 4.9% of the voting securities of Luminex. Invesco Advisers does not receive any compensation from Luminex for the execution of any client trades, however, Invesco Advisers will receive dividends from Luminex for such period of time until Invesco Advisers has recouped its initial investment in Luminex. While selecting Luminex for execution could potentially create an appearance of a conflict of interest, Invesco Advisers is subject to a fiduciary obligation and manages each client's assets solely in the client's best interests.

Invesco Advisers may use an affiliated broker, ICMI, to execute trades for the Funds and other advisory clients for whom Invesco Advisers has discretion to select broker dealers to execute transactions and to negotiate commissions with these broker dealers. ICMI is registered as a broker under the Securities Exchange Act of 1934, as amended and is a member of the FINRA. ICMI and Invesco Advisers are both indirect subsidiaries of Invesco Ltd and, as such, affiliates of PowerShares.

Invesco Advisers' trading department will determine if advisory client trades should be sent to unaffiliated broker dealers, including Luminex, or to ICMI. Invesco Advisers will not use trades with ICMI or Luminex to generate soft dollar credits. Invesco will only use the Affiliated Broker in circumstances where Invesco has received permission to send trades to the affiliated broker and has determined that it can provide the same or better execution than an unaffiliated broker. Transactions executed by ICMI on behalf of investment company clients are effected in accordance with Rule 17e-1 under the 1940 Act, and procedures approved by each Trust's Board of Trustees.

Invesco Advisers will act in good faith and with due diligence in the selection, use and monitoring of such affiliates, subsidiaries and agents. Invesco Advisers is responsible for our obligations and for all actions of any affiliate, subsidiary, agent or third party to the same extent as Invesco Advisers is responsible for its own actions.

Best Execution

The Adviser, on behalf of the Funds, has as its primary consideration obtaining the most favorable prices and efficient execution for clients' transactions. This consideration is applied differently for each of the three groups of Funds managed by the Adviser: equity Funds (both domestic and international equity), including actively managed equity Funds that trade in derivatives, fixed-income Funds and commodity funds (Funds that are series of the Commodity Trust and the Commodity Pools).

For equity Funds, the following factors are considered in seeking the most favorable price and execution: the order instruction, the price of the security, the size of the transaction in relation to the average volume, the nature of the market for the security, the timing of the transaction taking into account market prices and trends, the reputation, experience and

financial stability of the broker and the quality of the services rendered by the broker in other transactions.

For fixed-income Funds, a determination of best execution is harder to quantify since most securities are not executed through an exchange. When trading fixed income securities, portfolio managers take into account the price, yield, credit-rating, size and issuer. The process often includes soliciting bids from multiple brokers to ensure that the best possible price is achieved.

The Adviser monitors the trade execution, brokerage allocations and commissions of the Trading Desk through daily contact between the Adviser's portfolio management team (under the overall direction of the lead portfolio manager) and through the Adviser's Brokerage Committees. The Adviser has established two Brokerage Committees, one for the Commodity Trust and related products and one for all other Trusts (The "Brokerage Committees"). Both Brokerage Committees consist of employees from the Adviser's portfolio management, the Trading Desk, US Invesco compliance and senior management of Invesco and the Adviser. For the Commodity Trust the Commodity Pools, the Adviser relies on specific exemptions to allow disaggregation between commodity investments at Invesco and commodity investments at PowerShares for the purpose of calculating position limits. Accordingly, the Adviser created a separate Brokerage Committee for the Commodity Trust that does not include Invesco traders.

The Brokerage Committees meets quarterly to review reports constructed with trade-level data to monitor and maintain explicit and implicit transaction costs within expectation. The factors noted previously are considered when assessing best execution and determining broker performance. Additionally, the Adviser executes a portion of the rebalance trades through the in-kind process and monitors these trades for liquidity and price impact, though this is beyond the scope of the formal best execution analysis. Notwithstanding this fact, the Brokerage Committee will review reports (on a post-trade basis) with respect to the custom in-kind baskets used each quarter to determine whether such in-kind baskets are consistent with the Adviser's best execution obligations.

Soft Dollars

The Adviser does not currently participate in any soft dollar transactions, commission recapture or directed brokerage for trades executed on behalf of the Trusts or any accounts to which it serves as a sub-adviser.

Order Aggregation

If the purchase or sale of portfolio securities by more than one Fund or other clients supervised by the Adviser, or in certain circumstances other clients of Invesco Ltd. whose trades are executed by the Trading Desk, are considered at or about the same time, transactions in such securities may be aggregated if such aggregation would be consistent with the Adviser's trading policies and best execution obligations. Such aggregated trades are allocated in a pro rata manner across all accounts at an average price and commission rate. If there is a partial fill or de minimis fill, a pro rata allocation would also be applied.

Review of Accounts

Periodic Reviews

The Adviser's portfolio management team reviews the Funds on a daily basis.

Review Triggers

Each Fund is reviewed on a daily basis by the portfolio management team.

Regular Reports

PowerShares produces annual and semi-annual reports for each Fund based on the Fund's fiscal year end as required by the SEC Rules. PowerShares produces quarterly and annual reports for the Commodity Pools as required by SEC rules. For QQQ and BLDRS, PowerShares produces annual reports per SEC requirement.

Client Referrals and Other Compensation

Incoming Referrals

PowerShares does not receive client referrals.

Referrals

PowerShares does not accept referral fees or any form of remuneration from other professionals.

Other Compensation

None.

Custody

Account Statements

PowerShares does not maintain shareholder accounts; therefore, PowerShares does not send out account statements.

Performance Reports

PowerShares maintains a public website which provides daily, monthly and quarterly performance information for each Fund, Commodity Pool and QQQ and BLDRS.

Net Worth Statements

PowerShares does not maintain shareholder accounts; therefore, PowerShares does not send out net worth statements.

Investment Discretion

Discretionary Authority for Trading

PowerShares accepts discretionary authority to manage securities accounts on behalf of the all the accounts that it manages, except QQQ and BLDRS, whose assets are supervised on a non-discretionary basis. PowerShares has the authority to determine the securities to be bought or sold, and the amount of the securities to be bought or sold.

However, for accounts that seek to replicate an Underlying Index, the buying and selling of securities is done to replicate the Underlying Index.

Limited Power of Attorney

PowerShares does not have a limited power of attorney.

Voting Client Securities

Proxy Voting

PowerShares has proxy voting policies with respect to securities owned by the Funds for which it serves as investment adviser or sub-adviser and has been delegated the authority to vote proxies. The Adviser votes proxies by utilizing the procedures and mechanisms outlined in the Global Invesco Policy. The Global Invesco Policy is overseen by the Invesco Proxy Advisory Committee which also orchestrates the review and analysis of proxy voting matters while maintaining the Fund specific guidelines below:

- Overlapping Securities
- Non-Overlapping Securities
- Proxy Constraints
- Exemptive relief, and
- Conflicts of Interest

Financial Information

Financial Condition

PowerShares does not have any financial impairment that will preclude the Adviser from meeting its contractual commitments.

Business Continuity Plan

General

PowerShares has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Adviser has a detailed disaster recovery plan applicable to its offices in Downers Grove, Illinois, and the process for retention, protection and recovery of data and other records of the Adviser. All data processing, networking and redundancy is housed and maintained through Invesco and is part of the disaster recovery plan. Business continuity is a standing department within Invesco and its personnel are dedicated full-time. The mission statement of the department is to establish a sound business continuity program by serving as business continuity consultants, to assist with the development of departmental business continuity plans, to provide education and training for each department's recovery team, to

coordinate recovery exercises, and to ensure that the recovery facilities remain operational at all times.

Alternate Offices

In the event of a disaster recovery, PowerShares staff would either work remotely from their homes or move to a third-party site.

Information Security Program

Information Security

The Adviser leverages Invesco's information security services to support the needs of the firms' business and to oversee and maintain all aspects of global information security risk. The program includes the development and implementation of information security policies consistent with industry guidelines and all applicable statutes, rules or regulations, and includes safeguards to (i) protect the privacy, confidentiality, integrity and availability of information assets; and (ii) protect those assets against accidental, unlawful or unauthorized access; and (iii) prevent the damage, destruction, or unauthorized disclosure, distribution, loss, manipulation, modification, and/or transmission of those assets.

Privacy Notice

PowerShares recognizes the importance of respecting the privacy of our clients and is committed to safeguarding against the unauthorized disclosure of, or access to, the nonpublic personal client information we acquire. PowerShares collects nonpublic personal information about you from applications or other forms you complete and from your transactions with us, or our affiliates. PowerShares does not disclose information about you, or our former customers, to our affiliates or to service providers or other third parties except on the limited basis permitted by law.

Brochure Supplement (Part 2B of Form ADV) As of March 30, 2016

Education and Business Standards

PowerShares requires its portfolio managers to have a college degree and prefers a graduate degree, CFA or other designation.

Investment Professionals

Our portfolio management team is eleven members strong and has an average of 19 years of experience in the financial markets. Brian Hartigan is Head of Investments for PowerShares with Peter Hubbard, Director of Portfolio Management, reporting to him. Peter Hubbard has three portfolio managers reporting to him.

Philip Perng Fang

Educational Background:

- Year of Birth: 1965
- Mercy College (2000) B.A.

Business Experience:

- VP, Portfolio Manager PowerShares (present-2007); EVP, Municipal Fixed-Income Portfolio Manager, Lord Abbett (2007-1992)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Philip Fang is supervised by Jeffrey Kernagis, VP Senior Portfolio Manager. He reviews Philip Perng Fang's work through frequent phone interactions as Philip is located in New York.

Jeffrey Kernagis' contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Brian Christopher Hartigan, CFA Charterholder

Educational Background:

- Year of Birth: 1978
- DePaul University (2002), MBA Finance; University of St. Thomas (2000), B.A. Finance

Business Experience:

- Head of Investments, PowerShares (present-2015) ; Head of Unit Investment Trust Equity, Portfolio Management and Research team, Invesco (2015-2010)

Disciplinary Information: None

Other Business Activities:

- A registered representative of Invesco Distributors, Inc., an Invesco affiliated broker-dealer registered with FINRA

Additional Compensation: None

Supervision:

Brian Hartigan is supervised by Dan Draper, Managing Director PowerShares Global ETFs. He reviews Brian's work through frequent phone and office interactions.

Dan Draper's contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

David Hemming

Educational Background:

- Year of Birth: 1981
- Cass Business School, City University. MSc. in Investment Management (2004); University of St. Andrews, MA joint honors in Economics and International Relations (2003)

Business Experience:

- VP, Portfolio Manager, PowerShares (present-2016); Principal/Portfolio Manager for Hermes Commodities (2006-2015)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

David Hemming is supervised by Peter Hubbard, Director of Portfolio Management. He reviews David's work through frequent office interactions.

Peter Hubbard's contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Peter Hubbard

Educational Background:

- Year of Birth: 1981
- Wheaton College (2003) B.A. Business/Economics

Business Experience:

- VP, Portfolio Manager, PowerShares (present-2008); Research Analyst, Ritchie Capital Management (2005 – 2002)

Disciplinary Information: None

Other Business Activities:

- An associated person of PowerShares Capital Management, LLC, a registered Commodity Pool Operator and Commodity Trading Adviser with the National Futures Association

Additional Compensation: None

Supervision:

Peter Hubbard is supervised by Brian Hartigan, Head of Investments. He reviews Peter's work through frequent phone and office interactions.

Brian Hartigan's contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Michael Charles Jeanette

Educational Background:

- Year of Birth: 1968
- University of Minnesota (1996) B.S; University of St. Thomas, (1990) B.A.

Business Experience:

- VP, Portfolio Manager, PowerShares (present-2008); Trust Advisor, General Manager at Richard Lamb, LLC (2007-1998)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Michael Jeanette is supervised by Peter Hubbard, Director of Portfolio Management. He reviews Michael's work through frequent office interactions.

Peter Hubbard's contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Gary Thomas Jones

Educational Background:

- Year of Birth: 1965
- University of Chicago (2006) MBA Finance/Economics; Purdue University (1988) B.S. Management/Finance

Business Experience:

- Portfolio Manager, PowerShares (present-February 2012); Assistant Portfolio Manager, PowerShares (2012-2010); VP Loan Trader VanKampen Investments (now Invesco Advisers) (2009-2007)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Gary Jones is supervised by Jeffrey Kernagis, VP Senior Portfolio Manager. He reviews Gary's work through frequent office interactions.

Jeffrey Kernagis' contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Jeffrey William Kernagis, CFA Charterholder,

Educational Background:

- Year of Birth: 1967
- DePaul University (1993) MBA Information Systems; University of Notre Dame (1989) BBA Finance

Business Experience:

- Portfolio Manager, PowerShares (present-2007); Portfolio Manager, Claymore Securities (now Guggenheim) (2007-2005)

Disciplinary Information: None

Other Business Activities:

- A registered representative of Invesco Distributors, Inc., an Invesco affiliated broker-dealer registered with FINRA

Additional Compensation: None

Supervision:

Jeffrey Kernagis is supervised by Peter Hubbard, Director of Portfolio Management. He reviews Jeffrey's work through frequent office interactions.

Peter Hubbard's contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

Jonathan Nixon

Educational Background:

- Year of Birth: 1978
- College: State University of New York at Buffalo (2003) B.A. in History and B.S. in Finance

Business Experience:

- VP, Portfolio Manager, PowerShares (present- 2011); Manager, General Electric (2010-2008); Tax Analyst, Astellas Pharma US, Inc. (2008-2006).

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Jonathan Nixon is supervised by Michael Jeanette, VP Senior Portfolio Manager. He reviews Jonathan's work through frequent office interactions.

Peter Hubbard's contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Rick Ose

Educational Background:

- Year of Birth: 1971
- Kellstadt Graduate School of Business, DePaul University (2011) MBA; Carroll University, (1993) B.S.

Business Experience:

- VP, Portfolio Manager, PowerShares (present-2011); Guggenheim Advisors (formerly Claymore Advisors) (2011-2007)

Disciplinary Information: None

Other Business Activities:

- A registered representative of Invesco Distributors, Inc., an Invesco affiliated broker-dealer registered with FINRA

Additional Compensation: None

Supervision:

Rick Ose is supervised by Jeffrey Kernagis, VP Senior Portfolio Manager. He reviews Rick's work through frequent office interactions.

Jeffrey Kernagis' contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Theodore Joseph Samulowitz

Educational Background:

- Year of Birth: 1971
- Purdue University, Bachelor of Science Agricultural Economics (1993)

Business Experience:

- Portfolio Manager, PowerShares (present-2012); Managing Partner for Endurance Capital Management (2010-2012); Portfolio Manager for CMT Asset Management (2006-2009)

Disciplinary Information: None

Other Business Activities:

- An associated person of PowerShares Capital Management, LLC, a registered Commodity Pool Operator and Commodity Trading Adviser with the National Futures Association

Additional Compensation: None

Supervision:

Theodore Samulowitz is supervised by David, VP Senior Portfolio Manager. Hemming He reviews Theodore's work through frequent office interactions.

Peter Hubbard's contact information:

Phone: 800 938 0903

E-mail: info@powershares.com

Tony Seisser

Educational Background:

- Year of Birth: 1961
- North Central College, Bachelor of Arts (1984)

Business Experience:

- Started at Invesco in December 2013 as a Vice-President, Portfolio Manager
- Guggenheim Funds Investment Advisors, Vice-President, Buy-Side Trader, (2013-2011); Investigator, Chicago Board Options Exchange (2011-2008)

Disciplinary Information: None

Other Business Activities:

- A registered representative of Invesco Distributors, Inc., an Invesco affiliated broker-dealer registered with FINRA

Additional Compensation: None

Supervision:

Tony Seisser is supervised by Michael Jeanette, VP Senior Portfolio Manager. He reviews Tony's work through frequent office interactions.

Michael Jeannette's contact information:

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