powerSHARES®

ETFs 101
An Introduction to Exchange-Traded Funds

Leading the Intelligent ETF Revolution®

Please refer to Slides 2 and 3 for Important Information.

Shares are not individually redeemable for redemption to the Fund in Creation Unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE **6565**
For US Use Only

Invesco

Important Information

When we say that our ETFs are intelligent, we mean that in several different ways.

One of our largest family of ETFs is based on Intellidexes™ — dynamic indexes that use rules-based quantitative analysis to choose stocks for their capital appreciation potential. We believe this is an intelligent way for an index to select stocks.

Our ETFs based on FTSE RAFI® indexes weight stocks according to fundamental economic factors. We believe this is a more intelligent weighting method than market-cap weighting. Furthermore, our Fundamental Index ETFs are based on four factors — sales, cash flow, book value and dividends — which we believe is a more balanced, intelligent approach than weighting stocks according to just one fundamental measure.

We also have a wide range of ETFs that target narrow slices of the market (Intelligent Access) — from niche industries to specific world regions. For investors who are interested in these niches, we believe ETFs — which invest in multiple companies within a market sector — may offer a more intelligent investment approach than stock picking.

Our PowerShares DB commodity funds (Intelligent Access) provide systematic access to some of the world's most important commodities by seeking to replicate rules-based indexes composed of futures contracts that trade on some of the most liquid and deep commodity markets in the world.

Overall, no matter what the focus, all ETFs offer investors tax efficiency and trading flexibility, which make them an intelligent investment tool for investors to consider.

Whether you're looking for broad market exposure, specialized investment strategies or access to niche markets, we believe PowerShares ETFs represent an intelligent option for your portfolio.

Important information

While it is not Invesco PowerShares intention, there is no guarantee that the Funds will not distribute capital gains to its shareholders.

Invesco PowerShares does not offer tax advice. Investors should consult their own tax advisor for information regarding their own tax status.

PowerShares® is a registered trademark of Invesco PowerShares Capital Management LLC. Invesco PowerShares Capital Management LLC, (Invesco PowerShares) and Invesco Distributors, Inc. are indirect, wholly owned subsidiaries of Invesco Ltd.

Index returns do not represent Fund returns. An investor cannot invest directly in an index.

There are risks involved with investing in ETFs, including possible loss of money. Index-based ETFs are not actively managed. Actively managed ETFs do not necessarily seek to replicate the performance of a specified index. Both index-based and actively managed ETFs are subject to risks similar to stocks, including those related to short selling and margin maintenance. Ordinary brokerage commissions apply.

Investments focused in a particular industry are subject to greater risk, and are more greatly impacted by market volatility than more diversified investments.

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

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

Commodities, currencies and futures generally are volatile and may not be suitable for all investors.

Equity risk is the risk that the value of equity securities, including common stocks, may fall due to both changes in general economic and political conditions that impact the market as a whole, as well as factors that directly relate to a specific company or its industry.

Investments in fixed-income securities, such as notes and bonds, carry interest rate and credit risk. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. Credit risk is the risk of loss on an investment due to the deterioration of an issuer's financial health.

The opinions expressed are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

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

An investor should consider the Funds' investment objective, 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.

Note: Not all products, materials or services available at all firms.

Agenda

powerSHARES®

The Basics of Exchange-Traded Funds (ETFs)

ETF Characteristics

Creation and Redemption of ETF Shares

Types of ETFs

Indexing

Investment Strategies

Discussion/Q&A

Invesco

The Basics of Exchange-Traded Funds

- What are ETFs?
- History of ETFs
- Structure of ETFs

What are ETFs?

Like a stock, ETF shares are traded on all major exchanges at market-determined prices and are bought and sold at any moment during market hours through brokerage accounts.

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in creation unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

History of ETFs

- First ETF created in 1993 and mirrored the price and yield of the S&P 500® Index[1]
- Later, ETFs were modeled after narrower indexes, tracking specific sectors, commodities or regions.
- Most recently, ETFs have been modeled after "intelligent indexes."*

The S&P 500® Index is an unmanaged index considered representative of the US stock market. An investment cannot be made directly in an index.

1 Source: "Actively Managed Exchange-Traded Funds," sec.gov
* See slide 34 for discussion of intelligent indexes

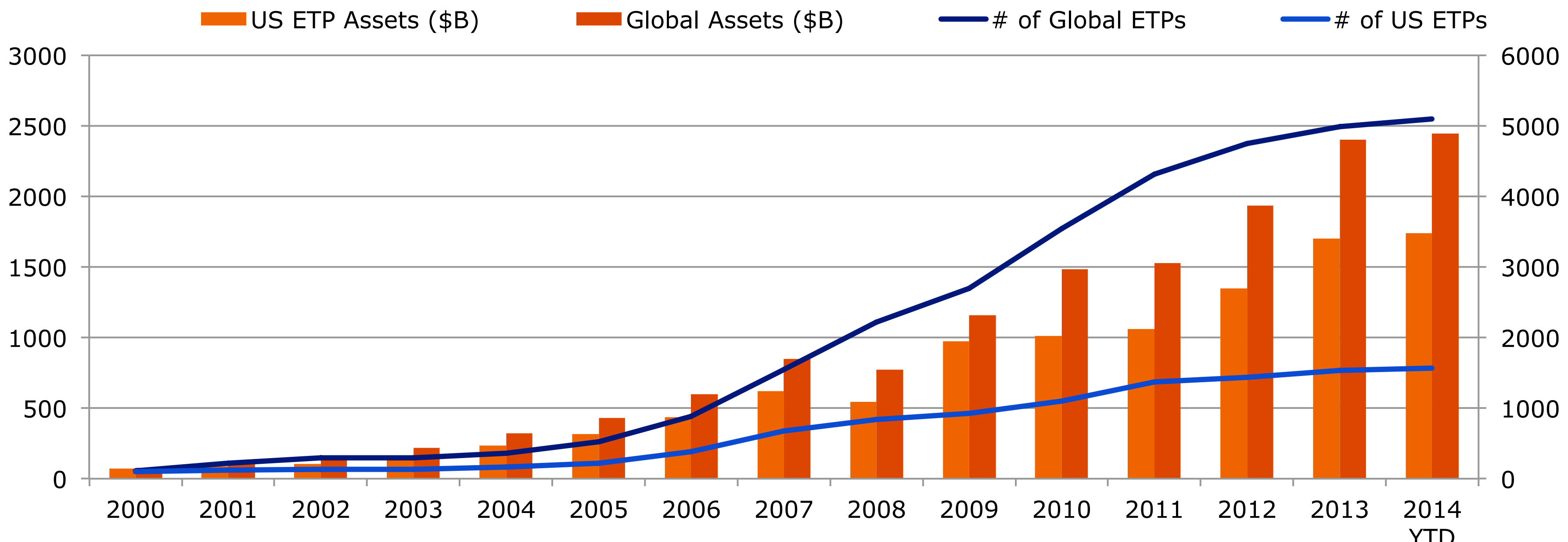
Global ETP Growth

Dec. 31, 2000-March 31, 2014

powerSHARES

Shown below, global exchange-traded product (ETP) assets now account for $2.4 Trillion in assets ($1.7 Trillion in the US)

- **YTD ETPs have constituted nearly 27% of daily trading volume on US exchanges[1]**



US ETP Assets ($B)	71	88	106	157	237	314	433	621	542	974	1012	1063	1349	1701	1737
Global Assets ($B)	79	109	146	218	319	428	598	851	772	1156	1483	1525	1933	2401	2447
# of Global ETPs	106	219	297	300	357	524	883	1541	2220	2694	3543	4311	4746	4988	5102
# of US ETPs	95	118	130	134	169	221	381	673	844	925	1099	1370	1440	1536	1568

Chart Source: Blackrock and Bloomberg L.P., from Dec. 31, 2000 to March 31, 2014
1Sources: Bloomberg, L.P. and ArcaVision, as of March 31, 2014

Invesco

Characteristics of ETFs
ETFs 101

- Benefits of ETFs
- How to Create and Redeem Shares

Some Benefits of Investing in ETFs

- Tax efficiency[1]
- Transparency[2]
- Trading at or near net asset value (NAV)
- Low expenses[3]
- Liquidity[4]
- Flexibility
  - Long or short (including downtick[5])
- Fully invested

1 Invesco PowerShares does not offer tax advice. Please consult your tax adviser for information regarding your own personal tax situation.
2 ETFs disclose their full portfolio holdings daily.
3 Since ordinary brokerage commissions apply for each buy and sell transaction, frequent trading activity may increase the cost of ETFs.
4 Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in creation unit aggregations only, typically consisting of 50,000 , 75,000, 100,000 or 200,000 shares.
5 A downtick is a transaction on an exchange that occurs at a price below the previous transaction.

Tax Efficiency

ETFs' unique structure may help shareholders better manage capital gains taxes:

- Because ETF shares are designed to be created and redeemed in-kind, ongoing ETF shareholders generally do not experience tax events (i.e., capital gains payouts).

- ETFs may still have to pay capital gains distributions in certain circumstances, for example, if an index reconstitution requires profitable holdings to be sold.

- When ETFs redeem stock shares (through in-kind transfers), they can shed shares with a low cost basis and retain shares with a high cost basis. This potentially reduces the unrealized capital gains that remain in the ETF.

This information does not constitute tax advice. Please consult a tax adviser for specific information about your client's tax situation, including any state tax consequences of an investment. While it is not Invesco PowerShares intention, there is no guarantee that the Funds will not distribute capital gains to its shareholders.

Transparency[1]

- Most ETFs make full portfolio holding details available with daily updates. Many providers also offer investors the ability to download complete fund holdings throughout the trading day. PowerShares ETF holdings are posted daily at invescopowershares.com.

- The high level of transparency enables arbitrageurs to make opportunistic trades that serve to keep ETF unit prices closely aligned with the portfolio's net asset value (NAV).

- Stock exchanges also quote an Intraday Indicative Value (IIV)[2] that tracks an indicative value of leading ETFs at frequent intervals, typically every 15 seconds, throughout the day.

- Transparency helps ETF investors truly gauge their risk exposure by knowing exactly where they are invested on any given day. In contrast, other investments may only publicly report portfolio holdings twice per year.

1 ETFs disclose their full portfolio holdings daily.
2 The Intraday NAV is a symbol representing estimated fair value based on the most recent intraday price of underlying assets.
Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in Creation Unit aggregations only, typically consisting of 50,000, 75,000,100,000 or 200,000 shares.

Trading Near or At Net Asset Value (NAV)

- Due to the structure of ETFs, shares typically trade at or near their NAV.

- Trading Volume $\neq$ Liquidity
  It is a great misconception that the level of volume dictates the liquidity of ETF shares. While this may be true of closed-end fund shares, the structure of an ETF allows shares to be created/redeemed by authorized participants. Supply and demand play a direct role on the price of closed-end funds because the number of outstanding shares is fixed. Since the number of outstanding shares for ETFs can be altered, ETF pricing is not dictated by volume, but rather by the value of the underlying stocks represented by the ETF share.

- Individual shares of ETFs are not directly redeemed to the fund. Rather, shares are sold on a secondary exchange like the NYSE. Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in Creation Unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

powerSHARES

Potentially Lower Expenses[1]

- Some ETFs may have lower annual expense ratios than index mutual funds or actively managed mutual funds.

- Transaction fees can add up for frequent traders.

1 Since ordinary brokerage commissions apply for each buy and sell transaction, frequent trading activity may increase the cost of ETFs.

Invesco

powerSHARES®

Liquidity

Misconception: An ETF's liquidity depends on the fund's average trading volume.

- An ETF is as liquid as the least liquid constituent in the portfolio.
- Posted volume does not equate to ETF liquidity.
- There is often significantly deeper markets than what is shown on the screens.
- It is important to understand the three key markets that drive ETF liquidity:
    - Secondary market
    - Off exchange block trading (broker to broker)
    - Primary market (creation/redemption)

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in Creation Unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

Invesco

Flexibility

- ETF shares can be purchased and sold with the order types that investors use for stocks, such as limit buy and stop-loss sell.
- ETFs can be sold short — even on a downtick. This enables them to be used in hedging strategies.
- ETFs can be used as a marginable security within a margin account.
- Options are available on most ETFs. Options are not suitable for all investors.

Short selling may require investors to meet margin requirements and potential losses may be accelerated.

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in creation unit aggregations only, typically consisting of 50,000, 75,000, 100,00 or 200,000 shares.

Fully Invested

- ETFs track indexes and typically do not have cash positions.

- Because ETF shares are created and generally redeemed in-kind, ETF managers do not need to maintain a cash position to handle redemptions.

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in creation unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

How to Create and Redeem Shares

- Authorized participants, or APs, (usually large institutional traders) may request a fixed number of newly created ETF shares in exchange for a basket of securities that mimic the ETF's holdings. APs generally must request ETF shares typically in blocks of 50,000. This is called a creation unit.

- The AP can hold these ETF shares or sell them to retail investors over a stock exchange. Retail investors cannot purchase shares directly from an ETF sponsor.

- This in-kind transfer process works in reverse when an AP wants to redeem its ETF shares — again, typically in blocks of 50,000 — and receive baskets of underlying securities.

- Retail investors are largely unaware of this process, but many ETF characteristics — such as tax-efficiency[1], transparency[2] and trading at or near net asset value (NAV) — stem from this system.

1 Invesco PowerShares does not offer tax advice. Please consult your tax adviser for information regarding your own personal tax situation.
2 ETFs disclose their full portfolio holdings daily.
Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in creation unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

Creation and Redemption of ETFs
ETFs 101

- In-Kind Share Creation
- In-Kind Share Redemption

powerSHARES®

Invesco

In-Kind Share Creation

1

AP

Assembles baskets of stocks that mimic an ETF’s holdings

2

ETF Sponsor

Receives baskets of stocks from AP; creates new ETF shares

3

AP

Receives new fund shares from the ETF

4

AP

May sell ETF shares over a stock exchange

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in creation unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

powerSHARES

In-Kind Share Redemption

1	2	3
AP	**ETF Sponsor**	**AP**
Gathers ETF shares	Receives ETF shares from AP; exchanges them for underlying baskets of stocks	Receives baskets of stocks from ETF

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in creation unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

Invesco

In-Kind Share Redemption

1

AP

Gathers ETF shares

2

ETF Sponsor

Receives ETF shares from AP; exchanges them for underlying baskets of stocks

***chooses shares with a low cost basis for the exchange**

3

AP

Receives baskets of stocks from ETF

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in creation unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

Types of ETFs
ETFs 101

Types of ETFs

- Broad Market
- Sector and Industry
- Size and Style
- International & Global
- Specialty
- Commodity and Currency
- Dividend Income
- Fixed Income
- Actively Managed

Indexing
ETFs 101

- Traditional
- Well-Known Benchmark
- Intelligent

Traditional Indexes

- An index is a statistical measure of the changes in a portfolio of stocks representing a portion of the overall market.[1]
- Most indexes are market-cap weighted, meaning that stocks with the largest market capitalization have the greatest influence on the index.
- Overweighting overvalued stocks can negatively affect an entire index regardless of strength in smaller stocks.

1 Source: investopedia.com

Well-Known Benchmark Indexes

- The Dow
  - Charles Dow created the first and most widely known index in 1896.[1]
  - Currently, the Dow Jones Industrial Average comprises 30 of the largest and most influential companies in the US.[2]

- The S&P 500 Index
  - The Standard & Poor's 500 Index was introduced in 1923 and expanded in 1957 with the objective of better measuring US stock market performance.[3]
  - Over US $5.14 trillion is benchmarked to the S&P 500 Index. The index includes 500 of the leading companies in the leading industries of the US economy, capturing 80% coverage of US equities.[4]

1 Source: djindexes.com as of April 2014
2 Source: standardandpoors.com as of April 2014
3 Source: IT Interactive via Factset Research Systems as of July 2009
4 Source: standardandpoors.com as of April 2014
The unmanaged Dow Jones Industrial Average (the Dow) is a price-weighted average of 30 actively traded blue chip stocks.
The S&P 500® Index is an unmanaged index considered representative of the US stock market. An investment cannot be made directly in an index.

Smart Beta ETF Strategies

Intelligent Index: Intellidex™

- In recent years, a new generation of indexes has emerged. These indexes are constructed using fundamental analysis, proprietary stock-ranking methodologies or other consistent rules in an attempt to outperform traditional, market-cap-weighted indexes.
  - Fundamental indexes assess companies by factors such as sales, cash flow, book value or other fundamentals.
  - Intelligent indexes use proprietary sets of rules, based on quantitative stock-selection techniques, to choose which stocks will compose the index.

Intelligent Indexes

- Seek to provide alpha versus traditional indexes
- Seek to identify financially strong, effectively managed and attractively priced companies with strong capital appreciation potential
- May look different than the market overall

Beta is a numerical measure of risk representing how a particular asset or set of assets is expected to respond to movements in the general market. Smart beta represents an alternative and selection index-based methodology that may outperform a benchmark, reduce portfolio risk, or both. Smart beta funds may underperform cap-weighted benchmarks and increase portfolio risk. A beta of one means that the security is expected to move with the market. A beta of less than one means the security is expected to be less volatile than the overall market. Betas greater than one are expected to exhibit more volatility or movement than the general market.

Please see slide 2 for a discussion of Intelligent Indexes.

Factor-Driven Indexing

powerSHARES®

- **A new generation of indexing takes traditional indexes, such as the S&P 500 Index, and weights them according to different factors**
  - Volatility as defined by standard deviation[1]
  - Beta[2]
  - Quality
  - Dividends[3]

- **Low volatility indexing**
  - Comprised of stocks that have exhibited the lowest volatility over the past year

1Standard deviation measures a fund's range of total returns and identifies the spread of a fund's short-term fluctuations.

2Beta is a numerical measure of risk representing how a particular asset or set of assets is expected to respond to movements in the general market.

3 Dividends represent a distribution of earnings to shareholders.

There can be no guarantee or assurance that companies will declare dividends in the future or that if declared, they will remain at current levels or increase over time.

Invesco

Investment Strategies
ETFs 101

- Core/Satellite
- Tax Management
- Potential Candidates for ETFs

PowerSHARES®

Invesco

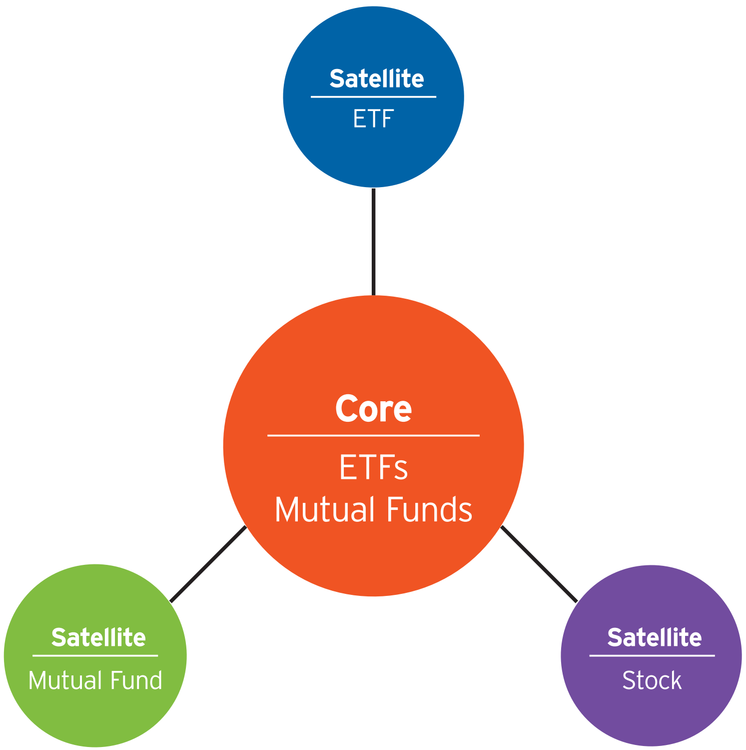
ETF Investment Strategies

- **Core/Satellite**

- **Tax Management**
  - Managing Capital Gains
  - Tax Loss Investing

Invesco PowerShares does not offer tax advice. Please consult your own tax adviser for information regarding your own tax situation.

Core/Satellite: The Strategy



This style of portfolio construction uses a variety of investment tools in an effort to reduce risk while maintaining upside potential.

- The core of the portfolio is made up of passive investment vehicles that carry low management fees and are designed to closely track specific benchmark indexes.
- The satellites are chosen to complement the core, and they seek alpha in specific market areas.
- ETFs may be used in the core and as satellites.

Illustration is provided to show the concept of core/satellite investing and should not be construed as investment advice.

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

Tax Management

- **Managing Capital Gains**
  ETF structures allow shareholders to defer some or possibly all capital gains until they sell their shares. Taxes are not avoided, but managed through proper execution of institutional trade activity such as in-kind trades.

- **Tax-Loss Investing**
  Wash-sale rules specify that if an investor sells a stock to realize a tax loss, he cannot repurchase the same stock within 30 days. But what if an investor is hesitant to lose exposure to that security? He could purchase an ETF in the same sector as the stock and retain comparable market exposure during the waiting period.

This information does not constitute tax advice. Please consult a tax advisor for specific information about your tax situation, including any state tax consequences of an investment. While it is not Invesco PowerShares' intention, there is no guarantee that the Funds will not distribute capital gains to its shareholders.

Potential Candidates for ETFs

- Buy-and-hold investors
  - ETFs may have lower annual expense ratios than mutual funds, but they trigger transaction costs when bought or sold, so ETFs may better suit individuals who are not extremely active traders.
- Lump-sum investors
  - Because of transaction costs, ETFs may be better suited for investors looking to invest a lump sum rather than those investing smaller amounts at regular intervals.
- Investors looking for flexibility
  - ETFs offer techniques such as selling short, buying on margin or placing stop and limit orders.
- Investors interested in market niches
  - ETFs can offer exposure to a narrow slice of the market.

Short selling may require investors to meet margin requirements and potential losses may be accelerated.

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in creation unit aggregations only, typically consisting of 50,000, 75,000, 100,000 or 200,000 shares.

Invesco PowerShares
PowerShares Exchange-Traded Funds

- Access
- Commodities and Currencies
- Equity-Based Resources
- Factor Driven
- Fundamentals Weighted
- Income
- Quantitative

Discussion/Q&A

powerSHARES

Invesco