





Fundamental Index® Methodology

Size and Style




powerSHARES®

Fundamental Pure Style Portfolios




Large

PXLC	PowerShares Fundamental Pure Large Core Portfolio	
PXLG	PowerShares Fundamental Pure Large Growth Portfolio	
PXLV	PowerShares Fundamental Pure Large Value Portfolio	

Mid

PXMC	PowerShares Fundamental Pure Mid Core Portfolio	
PXMG	PowerShares Fundamental Pure Mid Growth Portfolio	
PXMV	PowerShares Fundamental Pure Mid Value Portfolio	

Small

PXSC	PowerShares Fundamental Pure Small Core Portfolio	
PXSG	PowerShares Fundamental Pure Small Growth Portfolio	
PXSV	PowerShares Fundamental Pure Small Value Portfolio	

Indicates Smart Beta Portfolios


To learn more about our approach to smart beta investing, please visit <http://www.invescopowershares.com/smart-beta/>

Beta is a measure of risk representing how a security is expected to respond to general market movements.*

Smart beta represents an alternative and selection index based methodology that may outperform a benchmark or reduce portfolio risk, or both.**

*For example, 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.

**Smart beta funds may underperform cap-weighted benchmarks and increase portfolio risk.



“Fundamental Index strategies use measures that represent the overall economy—not security prices which are moved by the fads, bubbles, crashes and shifting expectations of the markets. By using measures such as five-year averages of sales, cash flow, dividends and book value, the Fundamental Index approach—unlike traditional market cap-weighted index funds—sells the most popular and trendy stocks while buying shunned and neglected companies.”

Robert Arnott
Chairman, Research Affiliates

PowerShares Fundamental Pure Style Portfolios

The primary objective of size and style investing is to improve performance and reduce overall performance risk. With these goals in mind, investors carefully craft portfolios by seeking an optimum balance between growth and value segments within large-, mid- and small-cap companies.

But what if a portfolio growth allocation contains value stocks, or vice versa? The balance that was worked to achieve is thrown off, which may cause unexpected and disappointing performance results. To allocate assets into categories, we believe it is vital that investments accurately represent their intended style segments with exclusive low growth-to-value correlations utilizing a robust investment methodology.

The RAFI® Fundamental U.S. Style Index Series is designed to provide comprehensive and precise style segregation. Investors can gain access to this methodology by investing in PowerShares Fundamental Pure Style Portfolios, which track the RAFI Fundamental US Style Indexes.

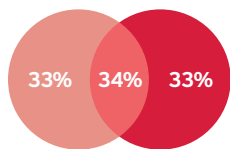
Examples of Value vs. Growth Style Overlap

While actively managed value and growth products are expected to have no overlap, why wouldn't the same be true for passive style-based products?

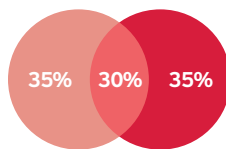
Traditional Style-Based Indexes^{1,2}

■ Value Index ■ Growth Index

S&P/Citigroup Indexes



Russell Style Indexes



Holdings Overlap Examples

% Net Assets

Stock	Growth Index	Value Index
Exxon Mobil Corp.	3.84%	2.60%
Procter & Gamble Co.	2.04%	0.82%
Microsoft Corp.	1.82%	1.65%
Chevron Corp.	1.76%	1.80%
Merck & Co Inc.	1.27%	0.82%
Wal-Mart Stores Inc.	1.11%	0.78%
Verizon Communications Inc.	1.00%	1.02%
Intel Corp.	0.82%	0.95%
Occidental Petroleum Corp.	0.71%	0.33%
United Technologies Corp.	0.67%	0.31%
3M Co.	0.64%	0.23%
Home Depot Inc.	0.60%	0.84%
Kraft Foods Inc.	0.56%	0.58%

Holdings Overlap Examples

% Net Assets

Stock	Growth Index	Value Index
Phillip Morris International Inc.	1.95%	0.17%
Abott Laboratories	1.42%	0.08%
Wal-Mart Stores Inc.	1.36%	0.35%
Intel Corp.	1.17%	0.39%
3M Co.	0.80%	0.09%
Altria Group Inc.	0.73%	0.21%
Bristol-Meyers Squibb Co.	0.72%	0.07%

Why use the RAFI Fundamental US Style Index Series?

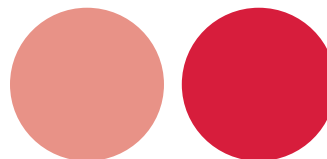
The RAFI Fundamental US Style Index Series utilizes a multi-factor fundamental style methodology to provide comprehensive and precise style segregation. This research driven process helps ensure investors receive accurate, stylistically pure market access.

Style Accuracy- Pure and Precise

There are many reasons why the style-based investments used today may not accurately represent their targeted market segments. Portfolio managers may allow style drift - allowing value stocks to creep into a growth portfolio, and vice versa. Also, some benchmark indexes systematically combine both growth and value stocks, creating stylistic impurities.

RAFI Fundamental US Style Indexes

■ Value Index ■ Growth Index



Source: Research Affiliates, as of Nov. 2012

RAFI Fundamental US Style Index Series Methodology

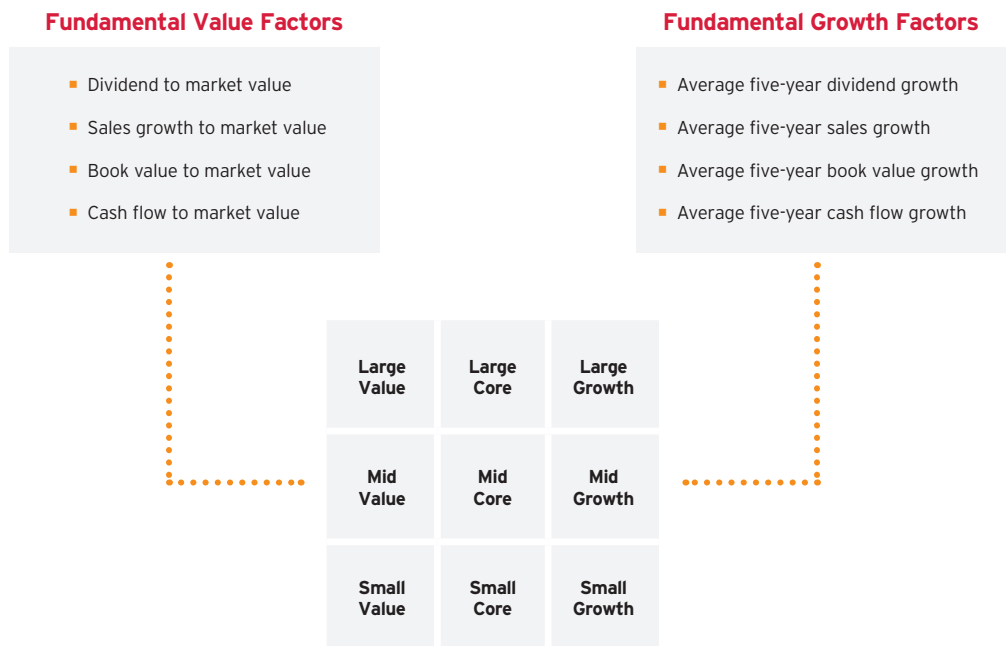
1. Defining the Universe by Fundamental Size

The RAFI Fundamental US Style Index methodology partitions the largest 2,500 U.S. companies measured uniquely to one of the three size tiers and one of the three styles.



2. Isolate Style—Accurate Segregation

The RAFI Index Series utilizes a multi-factor fundamental style methodology to provide comprehensive and precise style segregation. Each company is given a style score based on fundamental growth and value metrics. Companies are then ranked from most growth oriented to most value oriented and are divided into three classifications based on their fundamental weight.



1 Sources: Russell Investments and Standard & Poor's, as of March 2011 and February 2011, respectively. The illustrations above represent the respective style index methodologies – S&P allowing for 34% overlap and Russell allowing for 30%. The S&P/Citigroup Indexes represent the S&P 500/Citigroup Growth and Value Indexes and the Russell Indexes represent the Russell 1000 Value and Russell 1000 Growth Indexes.

2 Source: Bloomberg L.P., as of Dec. 31, 2010. Holdings are subject to change.

RAFI Fundamental U.S. Style Index Series Methodology

3. Weight Securities – Fundamental Index Methodology

Traditional market-capitalization weighted indexes allow the market to dictate the weight a stock receives in an index. This is problematic because market speculation may cause significant mispricing of stocks, which, in turn, results in what we believe to be improper weights in the index. The RAFI Fundamental US Style Index Series uses a weighting structure that embodies four fundamental measures of size: sales, cash flow, book value and dividends. By breaking the link between price and portfolio weight, Fundamental Index strategies do not allow the market to dictate the weight a stock receives in an index and thus seeks to avoid market bubbles and other market effects of irrational exuberance.

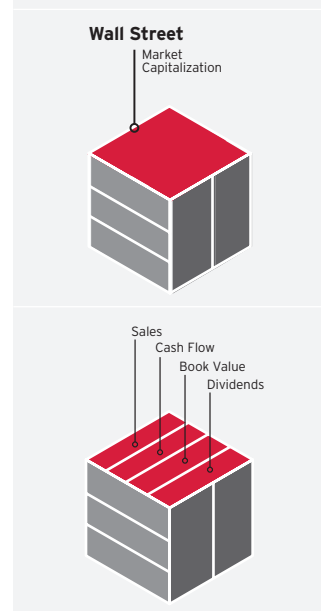
Potential Flaws of Cap-Weighted Indexes

- Incorporate analysts' optimistic growth projections
- Fully participate in market speculation
- Display substantial growth bias
- Overweights overvalued stocks and underweights undervalued stocks leading to a drag on performance.

Benefits of Fundamental Index Strategies

- Severs the link between price and portfolio weight
- Use fundamental variables that don't depend on the fluctuations of market valuation
- May be less influenced by market bubbles
- May reduce the potential performance drag created by overweighting overvalued securities and underweighting undervalued securities

Company Valuation: Wall Street vs. Main Street



Past performance is not indicative of future results. An investor cannot invest directly in an index.

Important Risk Information

There are risks involved with investing in ETFs, including possible loss of money. Shares are not actively managed and are subject to risks similar to those of stocks, including those regarding short selling and margin maintenance requirements. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Underlying Index.

Investors should be aware of the risks associated with data sources and quantitative processes used in our investment management process. Errors may exist in data acquired from third party vendors, the construction of model portfolios, and in coding related to the index and portfolio construction process. While Research Affiliates takes steps to identify data and process errors so as to minimize the potential impact of such errors on index and portfolio performance, we cannot guarantee that such errors will not occur.

Securities lending involves a risk of loss because the borrower may fail to return the securities in a timely manner or at all. If a Fund is not able to recover the securities loaned, it may sell the collateral and purchase a replacement security in the market. Lending securities entails a risk of loss to the Funds if and to the extent that the market value of the loaned securities increases and the collateral is not increased accordingly.

Small and Medium Risk Information

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

Size and Style Risk Information

Investing in securities of "Fundamentally Large," "Fundamentally Mid" and "Fundamentally Small" companies may involve greater risk than is customarily associated with investing in smaller and larger companies, respectively. The returns on "growth" and "core" common stocks may or may not move in tandem with the returns on other styles of investing or the overall stock market. A "value" style of investing emphasizes undervalued companies. There is a risk that the valuations may never improve or that the returns on "value" equity securities will decrease.

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

Note: Not all products are available through all firms.

