

<b>Underlying index:</b>	S&P 500 Enhanced Value Index
<b>Inception:</b>	Oct. 9, 2015
<b>Expense ratio:</b>	0.25%
<b>AUM:</b> <i>(as of May 15, 2017)</i>	\$47 Million

The PowerShares S&P 500 Value Portfolio (SPVU) holds the 100 most attractively valued stocks of the S&P 500<sup>®</sup> Index, as measured by three fundamental valuation metrics - book value-to-price, earnings-to-price and sales-to-price. The S&P 500 Index is a bellwether of large-cap stock performance, with more than \$7.5 trillion in assets benchmarked to it. Value investing is based on the premise that certain securities are underpriced relative to their full intrinsic value, and may appreciate as investors recognize this mispricing. Through rigorous value screens, SPVU identifies value stocks with significant long-term return potential.

Consider three key features of SPVU:

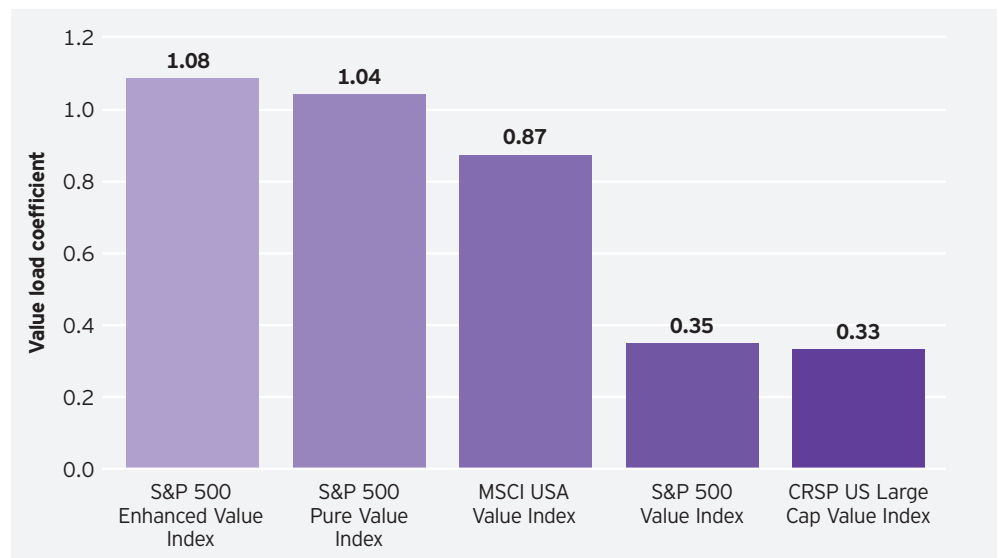
- **Direct access to the value factor, with the potential for long-term outperformance<sup>1</sup>**
- **Intuitive, transparent factor methodology**
- **Attractive characteristics for diversified portfolio construction**

**Direct access to the value factor, with the potential for long-term outperformance**

- Academics have used the Four Factor Model (Fama, French, Carhart) to explain how value stocks, when combined with the size, momentum and market risk factors, can generate excess returns over time.<sup>2</sup>
- Value strategies may perform especially well in periods that include flat or rising interest rates, a weak US dollar, declining market volatility, and increasing industrial production.<sup>3</sup>
- Unlike traditional benchmark value indexes, SPVU's underlying index seeks to eliminate style overlap through rigorous value screens, resulting in direct access to the value factor.

**Value load**

One means of determining value exposure is by measuring factor load.<sup>4</sup> Factor load gauges the sensitivity of an index to certain market attributes - in this case, value attributes. As shown in the below table, that exposure varies greatly across indices.



**Value characteristics comparison**

	S&P 500 EVI*	S&P 500 Index
Price-to-book value	1.47	2.94
Price-to-earnings (trailing)	17.11	23.68
Price-to-sales	0.73	1.95

\*The S&P 500 Enhanced Value Index  
Source: Bloomberg L.P., as of March 31, 2017.

Source: Bloomberg L.P., March 31, 2017. An investor cannot invest directly in an index. There are different ways to measure value. The S&P 500 Enhanced Value Index's methodology and Bloomberg's value methodology employ different formulas and weighting but both aim to the measure relative cheapness.

<sup>1</sup> Value factor aggregates stocks that are trading at less than their intrinsic values - usually identified by lower-than-average price-to-book or price-to-earnings ratios, and/or high dividend yields. SPVU's underlying methodology determines value by using a company's book value-to-price, earnings-to-price and sales-to-price.

<sup>2</sup> Source: On Persistence in Mutual Fund Performance, Journal of Finance (March 1997), Mark Carhart. Excess return refers to excess return generated by one index, strategy or investment factor over another.

<sup>3</sup> Rising interest rate periods are defined as periods where the monthly change in the 10-year treasury yield increased by more than 5%, value outperformed by 1.26% on average. Results were based on S&P 500<sup>®</sup> Pure Value and S&P 500<sup>®</sup> Indexes and calculated between December 2005 to April 2017. Weak-dollar periods are when the US dollar decreased in value, respectively, against a basket of currencies encompassing the euro, Canadian dollar, Japanese yen, British pound, Swiss franc and Swedish krona. Periods of declining market volatility are defined as periods where the CBOE Volatility Index<sup>®</sup> (VIX) fell by more than 25% on a monthly basis, value outperformed the S&P 500 by an average of 0.44%. Results calculated between December 2005 and April 2017. In periods of accelerating year-over-year industrial production growth from August 1992 to April 2017, the Russell 1000 Value Index outpaced the Russell 1000 Growth Index in each period and the average outperformance, as measured by annualized total return, was 1.09%.

<sup>4</sup> Source: Bloomberg L.P., as of March 31, 2017. The value load for each index is a Bloomberg composite coefficient of the index's price-to-book (14%), price-to-earnings (20%), cash flow-to-price (20%), sales-to-enterprise value (5%), earnings before interest, tax, depreciation and amortization (EBITDA)-to-Enterprise Value (20%), and forecast earnings-to-price (21%).

## Intuitive, transparent factor methodology

SPVU tracks the S&P 500 Enhanced Value Index, which uses a simple, transparent methodology for selecting attractively valued stocks.

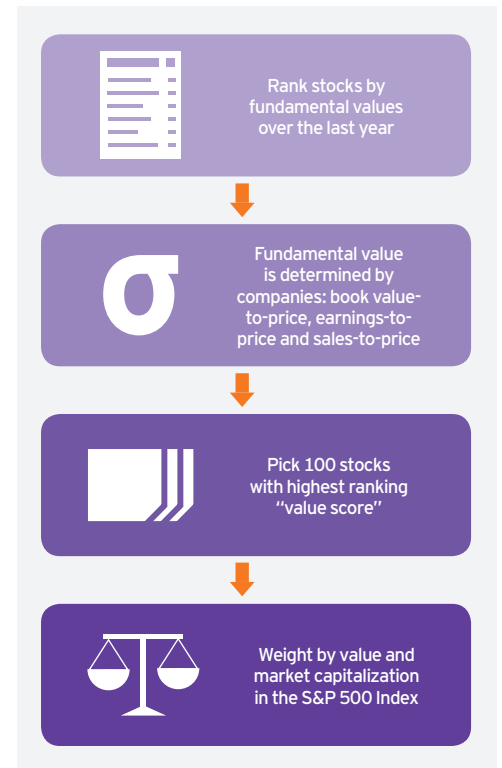
- Stocks from the S&P 500 Index are screened according to three price metrics - book value-to-price, earnings-to-price and sales-to-price.
- Stocks are assigned a value score, with the 100 most attractively valued stocks selected for index inclusion.
- Semi-annual rebalancing adds stocks with the highest value scores and trims stocks that are no longer as attractively priced – helping to maintain a strong value focus.

## Attractive characteristics for diversified portfolio construction

- Value stocks have historically displayed low and negative correlation to the low volatility and momentum factors, respectively – making value an attractive portfolio diversifier.
- When combined with other factors, value stocks have the potential to reduce the volatility of long-term returns by capturing differentiated return streams.
- SPVU's tax-efficient ETF wrapper may help mitigate the effects of capital gains, while providing transparency and trading flexibility.

Source: Bloomberg L.P., from April 30, 2012 to March 31, 2017. From April 30, 2012 to March 31, 2017 the S&P 500 Low Volatility Index and S&P 500 Value Index had a correlation coefficient of -0.26. From April 30, 2012 to March 31, 2017 the S&P 500 Value Index and the Dorsey Wright® Technical Leaders Index had a correlation coefficient of -0.45.

## Simple, transparent index methodology



For illustrative purposes only.

## Definitions

**A price-to-book ratio** is the market price of a stock divided by the book value per share. **A price-to-sales ratio** is a valuation metric calculated by dividing a company's market capitalization by its total sales over a 12-month period. **A price-to-earnings ratio** measures a stock's valuation by dividing its share price by its earnings per share. **Intrinsic value** represents the inherent business value of portfolio holdings during a two- to three-year investment horizon, based on their estimates of future cash flow. **Correlation** is the degree to which two investments have historically moved in relation to each other. Lower levels of correlation generally indicate potential diversification benefits. **A price-to-cash-flow ratio** is a valuation metric calculated by dividing the stock price by the cash flow per share. **The sales-to-enterprise value** is a valuation metric calculated by dividing a company's sales by its enterprise value. **EBITDA-to-enterprise value** equals a company's earnings before interest, tax, depreciation and amortization divided by the enterprise value. **Forecast earnings-to-price ratio** measures a stock's valuation by dividing forecasted earnings by its share price. **A book value-to-price ratio** is the book value per share divided by the market price of a stock. **A earnings-to-price ratio** measures a stock's valuation by dividing the earnings per share by the share price. **A sales-to-price ratio** is a valuation metric calculated by dividing total sales over a 12-month period by a company's market capitalization.

**The CBOE Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. VIX is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. **The S&P 500 Pure Growth Index** is a style-score-weighted index that measures the performance of S&P 500® Index stocks with pure growth characteristics and excludes those with both growth and value characteristics. **The Russell 1000® Value Index**, a trademark/service mark of the Frank Russell Co.®, is an unmanaged index considered representative of large-cap value stocks. **The Russell 1000® Growth Index**, a trademark/service mark of the Frank Russell Co.®, is an unmanaged index considered representative of large-cap growth stocks. **S&P 500 Enhanced Value Index** tracks

the performance of the stocks in the S&P 500 Index that have the highest value score. **The S&P 500 Pure Value Index** is a style-score-weighted index that measures the performance of S&P 500® Index stocks with pure value characteristics and excludes those with both growth and value characteristics. **The MSCI USA Value Index** measures the performance of the value-oriented large- and mid-cap segments of the US market. **The S&P 500 Value Index** consists of stocks in the S&P 500® Index that exhibit strong value characteristics based on three measures: book value-to-price, earnings-to-price and sales-to-price. **The CRSP US Large Cap Value Index** consists of large-cap stocks that exhibit strong value characteristics based on book to price, forward earnings to price, historic earnings to price, dividend-to-price ratio and sales-to-price ratio. **The Dorsey Wright Technical Leaders Index** selects 100 securities with powerful relative strength characteristics that trade on the NASDAQ Stock Market.

## Risk Information

Factor investing is an investment strategy in which securities are chosen based on certain characteristics and attributes.

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. The fund is subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the fund.

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

The fund is non-diversified and may experience greater volatility than a more diversified investment.

A value style of investing is subject to the risk that the valuations never improve or that the returns will trail other styles of investing or the overall stock markets.

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

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