

Underlying index:	FTSE RAFI™ US 1500 Mid Small Index
Inception:	Sept. 20, 2006
AUM: <i>(as of Dec. 31, 2017)</i>	\$1.8 Billion
Gross expense ratio:	0.41%
Net expense ratio: <i>Small-Cap Core classification median expense ratio:[*] 1.15%</i>	0.39% ¹
Capital gains distribution: <i>Since fund inception. Lipper Small-Cap Core classification average inception to date capital gains (% of NAV):[*] 4.16%</i>	0.00%

Lipper peer group ranking:
6th percentile since inception
(27 of 456)

Small-Cap Core as of Dec. 31, 2017. The Lipper one-year rank is 35% (355 of 1021), the three-year rank is 31% (258 of 844) and the five-year rank is 18% (126 of 718) and the 10-year rank is 5% (25 of 516).

Since Inception Lipper Rank and Capital Gains Distribution data begins the month-end date of the ETF's inception month. Lipper fund percentile rankings are based on total returns, excluding sales charges and including fees and expenses, and are versus mutual funds, ETFs and funds of funds in the category tracked by Lipper.

+ Lipper Small-Cap Core Classification Median expense ratio and Capital Gains are based on open-end, no-load mutual funds and ETFs; excludes funds of funds.

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

See standardized performance on back.

Investors should be aware of the material differences between mutual funds and ETFs. ETFs generally have lower expenses than actively managed mutual funds due to their different management styles. Most ETFs are passively managed and are structured to track an index, whereas many mutual funds are actively managed and thus have higher management fees. Unlike ETFs, actively managed mutual funds have the ability react to market changes and the potential to outperform a stated benchmark. Since ordinary brokerage commissions apply for each ETF buy and sell transaction, frequent trading activity may increase the cost of ETFs. ETFs can be traded throughout the day, whereas, mutual funds are traded only once a day. While extreme market conditions could result in illiquidity for ETFs. Typically they are still more liquid than most traditional mutual funds because they trade on exchanges. Investors should talk with their advisers regarding their situation before investing.

Key features

PowerShares launched the first Fundamental Index® strategy exchange-traded fund (ETF) in the US small-mid space with the introduction of the PowerShares FTSE RAFI US 1500 Small-Mid Portfolio. PRFZ offers access to the 1,001 - 2,500 largest US equities using four broad measures of fundamental size – five-year averages of sales, cash flow, dividends and most recent year-end book value.

Consider three key features of PRFZ:

- Mitigates potential shortcomings with traditional index strategies
- Potential excess returns through a disciplined rebalancing process
- Exposure to small-mid strategy in a single ETF wrapper

Mitigates potential shortcomings with traditional index strategies

Fundamental Index strategies employ a disciplined rebalancing process that seeks to outperform market-cap-weighted indexes by severing the link between stock price and portfolio weight. The strategy systematically sells overvalued stocks and buys undervalued stocks annually, weighting constituents based on the fundamental measures of company size.

The problem with market-cap weighting



For illustrative purposes only

■ **Market cap weighting – The problem**

Index construction is driven by share price and therefore, unless markets are perfectly efficient, will overweight those shares that are overpriced and underweight those that are underpriced. This results in a drag on index performance as share prices revert to their fair value.

■ **Fundamental weighting – The solution**

Unlike capitalization-weighted portfolios, Fundamental Index methodology anchors constituent weight on measures of fundamental size. This approach randomizes pricing errors and mitigates the return drag inherent with cap-weighting while retaining the benefits of traditional indexes, including broad market exposure, large investment capacity, low fees and portfolio transparency.²

¹ Adviser has contractually agreed to waive fees and/or pay certain fund expenses through at least Aug. 31, 2018.

² ETFs disclose their full portfolio holdings daily.

Source: Bloomberg L.P., as of Dec. 31, 2017. Underlying Index data and performance should not be considered a representation of fund data and performance. The fund data and performance may not match the return of the underlying index. An investment cannot be made directly into an index. Win rate is calculated monthly by taking the number of periods in which excess return is positive relative to the Russell 2000 Index divided by the total number of periods.

Potential excess returns through a disciplined rebalancing process

The Fundamental Index methodology's systematic rebalancing process is the driver of excess returns by selling what is popular and trendy while buying what is shunned and neglected. Since its inception in 2006, the FTSE RAFI US 1500 Mid Small Index has delivered excess return vs. the Russell 2000 Index. Please note these results may have included times of underperformance and that there is no guarantee of outperformance in the future.

	Index launch	1-year rolling win rate	3-year rolling win rate	Annualized excess return
FTSE RAFI US 1500 Mid Small Index	5/4/06	59.38%	81.73%	1.96%

Other broad market equity Fundamental Index strategy portfolios

PRF	PowerShares FTSE RAFI US 1000 Portfolio
PXF	PowerShares FTSE RAFI Developed Markets ex-U.S. Portfolio
PDN	PowerShares FTSE RAFI Developed Markets ex-U.S. Small-Mid Portfolio
PXH	PowerShares FTSE RAFI Emerging Markets Portfolio
PAF	PowerShares FTSE RAFI Asia Pacific ex-Japan Portfolio

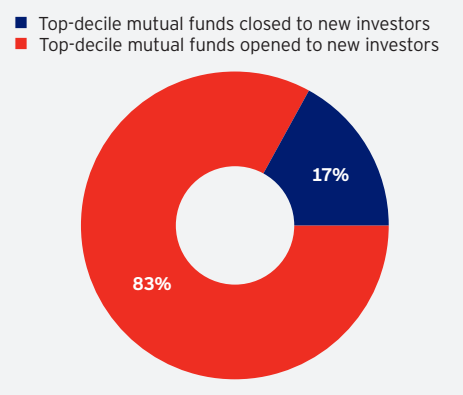
Standardized performance as of Dec. 31, 2017 (%)

	1-year	5-year	10-year	Since fund inception (9/20/06)
PowerShares FTSE RAFI US 1500 Small-Mid NAV	13.96	14.65	10.56	9.94
PowerShares FTSE RAFI US 1500 Small-Mid Market Price	14.06	14.64	10.57	9.95
FTSE RAFI US Mid Small 1500 Index	14.19	14.91	10.76	10.21
Russell 2000 Index	14.65	14.12	8.71	8.24
S&P 500 Index	21.83	15.79	8.50	8.71

Past performance is not a guarantee of future results; current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. Fund performance reflects fee waivers, absent which performance would have been lower. See powershares.com to find the most recent month-end performance numbers. Market returns are based on the midpoint of the bid/ask spread at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times.

Exposure to small-mid strategy in a single ETF wrapper

Financial advisors may encounter small-cap funds that, due to capacity limitations, are closed to new investments, thus creating a challenge for overall portfolio implementation. As of Dec. 31, 2017, 17% of top-decile mutual funds, as defined by five year total return, in the small-mid space were closed to new investment (39% measured as a percentage of AUM).



Source: Morningstar categories of Mid-Value, Mid-Blend, Mid-Growth, Small Value, Small Blend, Small Growth based on the five year total return ranking, as of Dec. 31, 2017

Index information

The **Russell 2000® Index**, a trademark/service mark of the Frank Russell Co.®, is an unmanaged index considered representative of small-cap stocks.

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. 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.

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 Associates 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.

Shares are not individually redeemable and owners of the shares may acquire those shares from the fund and tender those shares for redemption to the fund in creation unit aggregations only, typically consisting of 10,000, 50,000, 75,000, 100,000 or 200,000 shares.

Stocks of small- and mid-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

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.

Trademarks & Other Information

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property of Research Associates®, LLC. Fundamental Index® and RAFI® are not affiliated with Invesco Ltd. Invesco Distributors Inc. is not affiliated with Robert Arnott or Research Associates.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Before investing, investors should carefully read the prospectus/summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund call 800 983 0903 or visit powershares.com for prospectus/summary prospectus.

