

As of 30 September 2005

www.powershares.com | 800.983.0903

PHO

▼ Fund Data

Water Resources Portfolio	PHO
Share Price	\$15.00
Intraday NAV (IIV)	JDP
Options	Yes

▼ Index Data

Palisades Water	ZWI
Index Provider	Hydrogen Ventures, LLC
Objective	Capital Appreciation

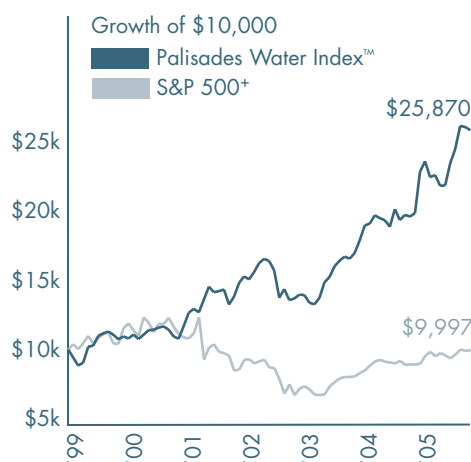
▼ PowerShares Benefits

- ▶ Enhanced Index
- ▶ Tax Efficient
- ▶ Low Cost
- ▶ Intraday Access<sup>1</sup>
- ▶ Liquid<sup>2</sup>
- ▶ Transparent
- ▶ Fully Invested
- ▶ Diversification

▼ 5-Year Index Statistics<sup>Ü</sup>

	Performance	Volatility	Beta	Sharpe	Correlation
ZWI Water	18.55%	15.1%	0.68	1.07	0.68
S&P 500 <sup>+</sup>	-3.08%	15.2%	1.00	-0.36	1.00

▼ Index Performance\*



1. Shares may be sold throughout the day on the exchange through any brokerage account. Shares may only be redeemed directly from the Portfolio by Authorized Participants in large blocks consisting of 100,000 Shares.
2. Shares are subject to risks similar to stocks, including those regarding short selling and margin account maintenance.

Ü See description of statistics in disclosures on back.  
\* Index return does not represent Fund return.

See important disclosures on back.

## PowerShares Water Resources Portfolio

PowerShares Capital Management LLC is passionate about our goal of delivering the highest quality investment management available through the replication of intelligent indexes in one of the more benefit rich investment vehicles ever created, the Exchange Traded Fund.

PowerShares provides institutional caliber asset management through the replication of enhanced indexes. These indexes derive their investment decisions from methodologies which incorporate technically advanced and robust institutional investment research.

The PowerShares Water Resources Portfolio is based on the Palisades Water Index™. The Index seeks to identify a group of companies that focus on the provision of potable water, the treatment of water and the technology and service that are directly related to water consumption. The modified equal weighted portfolio is rebalanced and reconstituted quarterly.

PowerShares are ETF investments and have risks similar to stocks, including the possible loss of money. Ordinary brokerage commissions apply.

▼ Index History (%)

As of 30 September 2005

	1 Year	3 Year	5 Year
Index			
Palisades Water Index™	29.04	24.20	18.55
S&P 500 Index <sup>+</sup>	10.25	14.65	-3.08
Dow Jones Utility Index <sup>+</sup>	46.41	26.21	1.66
Fund			
NAV			
After Tax Held	Anticipated Listing: November 2005		
After Tax Sold			
Share Price Return			

Performance data quoted represents past performance. 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. The Shares performance reflects fee waivers, absent which, performance would have been lower. See powershares.com to find the most recent month-end performance numbers. After Tax Held represents total return after taxes on distributions and assumes Shares have not been sold. After Tax Sold represents total return after taxes on distributions and the sale of Fund Shares.

The Index performance results are hypothetical and index returns do not represent Fund returns. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the hypothetical performance shown nor does the index lend securities, and no revenues from securities lending were added to the performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in the Fund.

<sup>+</sup>The S&P 500 and Dow Jones Utility Indexes are unmanaged indexes used as a measurement of change in stock market conditions based on the average performance of approximately 500 and 15 common stocks, respectively.



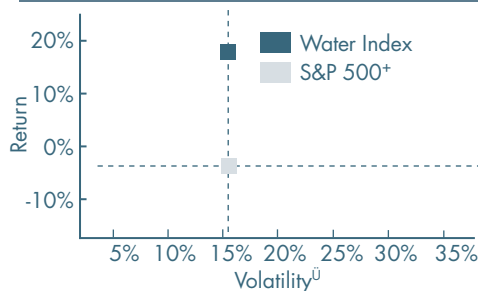
# PowerShares Water Resources Portfolio

## Index Holdings

See website for a current list of holdings.

	Ticker	Weight
American States Water Co	AWR	4.5%
Companhia De Sanea. -Adr	SBS	4.4%
Aqua America Inc	WTR	4.3%
Layne Christensen Co	LAYN	4.3%
Franklin Electric Co Inc	FELE	4.3%
Southwest Water Co	SWWC	4.3%
Watts Water Technologies Inc	WTS	4.3%
California Water Service Gp	CWT	4.3%
Calgon Carbon Corp	CCC	4.2%
Consolidated Water Co Inc	CWCO	4.2%
United Utilities Plc -Adr	UU	4.2%
Millipore Corp	MIL	4.2%
Pall Corp	PLL	4.1%
Pentair Inc	PNR	4.1%
Nalco Holding Co	NLC	4.1%
ITT Industries Inc	ITT	4.1%
Insituform Tecnol Inc -CI A	INSU	4.1%
Danaher Corp	DHR	3.0%
Idexx Labs Inc	IDXX	3.0%
URS Corp	URS	2.4%
Tetra Tech Inc	TTEK	2.4%
Valmont Industries	VMI	2.4%
Veolia Environment -Adr	VE	2.4%
Badger Meter Inc	BMI	2.2%
Lindsay Manufacturing Co	LNN	2.2%
Emerson Electric Co	EMR	0.8%
Siemens Ag -Adr	SI	0.8%
Flowserve Corp	FLS	0.8%
Itron Inc	ITRI	0.8%
Suez -Adr	SZE	0.8%
General Electric Co	GE	0.8%
3M Co	MMM	0.8%
Ashland Inc	ASH	0.8%
Ilex Corp	IEX	0.8%
Roper Industries Inc/De	ROP	0.8%

## 5-Year Risk Reward Comparison



## Annual Index Performance (%)

	Water Index	S&P 500+
1999	9.87%	19.53%
2000	16.70%	-10.14%
2001	18.56%	-13.04%
2002	-9.22%	-23.37%
2003	37.42%	26.38%
2004	24.55%	8.99%
2005*	9.52%	1.39%

\*YTD as of 9.30.2005

## Index Details<sup>Ü</sup>

Average Stock Price to Earnings Ratio	29.6
Average Stock Price to Book Value Ratio	2.8
Return on Equity	10.3
Average Market Capitalization	\$7,281 MM
Number of Securities	35

## Index Market-Cap Allocations

Large-Cap Growth	11.9%
Large-Cap Value	1.6%
Mid-Cap Growth	12.6%
Mid-Cap Value	9.9%
Small-Cap Growth	40.1%
Small-Cap Value	23.9%

## Fund Details

Expense Cap <sup>#</sup>	0.60%
CUSIP	73935X575
Listing Exchange	Amex

## Index Category Allocations

Industrials	49.6%
Utilities	33.3%
Materials	9.2%
Health Care	7.1%
Information Technology	0.8%

Index performance does not represent Fund performance. An investor can not invest directly in an index.

<sup>Ü</sup> Volatility is the annualized standard deviation of monthly index returns. Beta is a measure of relative risk and is the regression of slope. Sharpe is the risk adjusted return and is the return less the risk free rate divided by the standard deviation. Correlation is the similarity in performance. Average Stock Price to Book Value is the ratio of a stock's market price to a company's net asset value. Return on Equity is net income divided by net worth. Average Market Capitalization is the average market value of a company's outstanding securities, excluding current liabilities.

<sup>#</sup> The costs excluded from the 0.60% expense cap include: a) legal fees pertaining to the Fund's shares offered for sale, b) SEC and state registration fees, c) initial fees paid to be listed on an exchange and d) sub-licensing fees.

There are risks involved with investing in ETFs including possible loss of money. The Fund is not actively managed and is subject to risk similar to stocks, including those related to short selling and margin maintenance. Shares are subject to risks including: Small and Medium-Sized Company Risk- investing in securities of small and medium-sized companies involves greater risk than is customarily associated with investing in more established companies.

**The Fund is concentrated in a single industry which involves substantially greater risk of loss and price fluctuations than an investment diversified across multiple industries or sector segments.**

PowerShares is a trademark of PowerShares Capital Management LLC. The Palisades Water Index™ is a trademark of Hydrogen Ventures, LLC which is licensed for use by PowerShares Capital Management LLC in connection with the PowerShares Fund. Hydrogen Ventures' only relationship to PowerShares is Hydrogen Ventures' licensing to PowerShares certain trademarks, Indexes and trade names, which are composed by Hydrogen Ventures without regard to PowerShares, this Product or any investor and Hydrogen Ventures makes no warranty or representation regarding the advisability of purchasing, holding or trading this Product.

**ALPS Distributors, Inc. is the distributor of the PowerShares Exchange-Traded Fund Trust.**

*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.THE.AMEX or visit the website [www.powershares.com](http://www.powershares.com) for a prospectus. Please read the prospectus carefully before investing.*

*The information in the prospectus is not complete and may be changed. The Fund may not sell its Shares until the registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell the portfolio Shares, nor is the portfolio soliciting an offer to buy its Shares in any jurisdiction where the offer or sale is not permitted.*