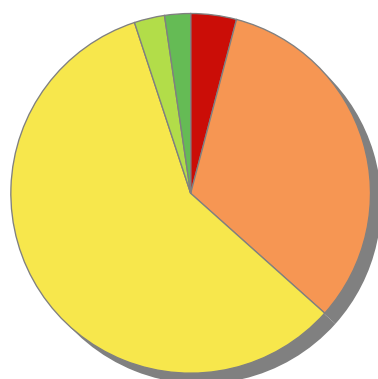


## PXQ - Dangerous Rating

### PowerShares Dynamic Networking

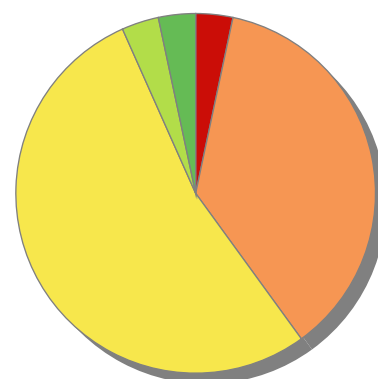
- We recommend investors avoid PowerShares Dynamic Networking (PXQ).
- PXQ ranks in the 38th percentile of the 400+ ETFs we cover.
- PXQ gets a Dangerous rating because of the Quality of Earnings and Valuation of the stocks it holds. Details are in the table at the bottom of the page.



### Allocation

4.11%	Very Dangerous	1
32.50%	Dangerous	11
58.33%	Neutral	16
2.73%	Attractive	1
2.32%	Very Attractive	1
0.00%	Unrated	0

### Holdings



## Expense Ratio Impact

Expense Ratio	0.60%
Rank	20.22%
10-Year Cost	\$1,514.89

PXQ's fees will cost an investor \$1,514.89 over 10 years with a \$10,000 investment and 10% returns. To cover all fees, PXQ will need to outperform the S&P 500 by 0.60% every year.

## ETF Basics

Net Asset Value (\$MM)	\$154.18
Issuer	Invesco PowerShares
Category	Technology Equities
Index	Dynamic Networking Intellidex
Active/Passive	Passive
Exposure	Long
Inception Date	06/23/05

## Rating Details

The ETF rating is based on the combined financials and valuation of the 30 stocks in PXQ. ETFs are not made the same. They have different holdings, allocations and investment merit.

- Positive EE means that economic earnings are positive because the company's ROIC is greater than WACC.
- PXQ's positive economic earnings are offset by a rich stock valuation, which results in a Risk/Reward Rating of Dangerous.
- Our ETF rating is based on our stock rating system, consistently [top-ranked](#) by Barron's.

Overall Risk/Reward Rating	Quality of Earnings		Valuation		
	Econ vs Reported Earnings	Return on Invested Capital (ROIC)	Free Cash Flow Yield	Price-to-EBV	Growth Appreciation Period (yrs)
Very Dangerous	Misleading Trend	Bottom Quintile	<-5%	> 3.5 or -1 < 0	> 50
Dangerous	False Positive	4th Quintile	-5%<-1%	2.4 < 3.5 or < -1	20 < 50
Neutral	Neutral EE	3rd Quintile	-1%<3%	1.6 < 2.4	10 < 20
Attractive	Positive EE	2nd Quintile	3%<10%	1.1 < 1.6	3 < 10
Very Attractive	Rising EE	Top Quintile	>10%	0 < 1.1	0 < 3
Weighted-Avg	n/a	22.81%	1.97%	3.90	58

## Explanation of New Constructs' ETF Rating System

Our ETF research aggregates results from our Company Valuation models for each of the companies held by an ETF. Our rating system grades ETFs according to the 5 most important criteria for assessing the risk versus reward of an ETF. Our analysis results in the 5 ratings: Very Attractive corresponds to a "Strong Buy" rating, Attractive to "Buy", Very Dangerous to a "Sell or Short", and everything in-between to a "Hold" rating.

### Overall Risk/Reward Rating

The Overall Risk/Reward Rating provides a final rating based on the equal-weighted average rating of each criterion.

Very Dangerous	All criteria are equal-weighted in the average calculation except FCF Yield is excluded.
Dangerous	All criteria are equal-weighted in the average calculation except FCF Yield is excluded.
Neutral	All criteria are equal-weighted in the average calculation.
Attractive	All criteria are equal-weighted in the average calculation.
Very Attractive	All criteria are equal-weighted in the average calculation.

### Economic vs Reported Earnings

Rates ETFs based on how their Economic Earnings compare their Reported Earnings. Values based on Latest Fiscal Year.

Misleading Trend	Very Dangerous = negative and declining Economic Earnings despite positive and rising Reported Earnings
False Positive	Dangerous = same as above except Reported Earnings are not positive or are not rising
Neutral EE	Neutral = Negative Economic and Reported Earnings
Positive EE	Attractive = Economic Earnings are positive
Rising EE	Very Attractive = Economic Earnings are positive and rising

### Return on Invested Capital (ROIC)

Rates ETFs based on their ROIC. Values based on Latest Fiscal Year.

Bottom Quintile	Very Dangerous = in the bottom 20% of all companies
4th Quintile	Dangerous = in the bottom 40% of all companies
3rd Quintile	Neutral = in the middle 20% of all companies
2nd Quintile	Attractive = in the top 40% of all companies
Top Quintile	Very Attractive = in the top 20% of all companies

### FCF Yield

Rates ETFs based on their Free Cash Flow Yield. Values based on Latest Closing Stock price and Latest Fiscal Year.

< -5%	Very Dangerous = less than or equal to -5%
-5% < -1%	Dangerous = more than -5% but less than or equal to -1%
-1% < 3%	Neutral = more than -1% but less than or equal to +3%
3% < 10%	Attractive = more than +3% but less than or equal to +10%
> 10%	Very Attractive = more than +10%

### Price-to-EBV

Rates ETFs based on their Price-to-Economic Book Value. Values based on Latest Closing Stock price and Latest Fiscal Year.

> 3.5 or -1 < 0	Very Dangerous = greater than or equal to 3.5 or less than 0 but greater than -1
2.4 < 3.5 or < -1	Dangerous = greater than or equal to 2.4 but less than 3.5 and less than or equal to -1
1.6 < 2.4	Neutral = greater than or equal to 1.6 but less than 2.4
1.1 < 1.6	Attractive = greater than or equal to 1.1 but less than 1.6
0 < 1.1	Very Attractive = greater than or equal to 0 but less than 1.1

### Growth Appreciation Period (yrs)

Rates ETFs based on their Market-Implied Growth Appreciation Period. Values based on Latest Closing Stock price and Default Forecast Scenario.

> 50	Very Dangerous = greater than or equal to 50 years
20 < 50	Dangerous = greater than or equal to 20 years but less than 50
10 < 20	Neutral = greater than or equal to 10 years but less than 20
3 < 10	Attractive = greater than or equal to 3 years but less than 10
0 < 3	Very Attractive = greater than or equal to 0 years but less than 3

## ***New Constructs® - Profile***

Incorporated in July 2002, [New Constructs](#) is an independent publisher of investment research that provides clients with consulting, advisory and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies.

## ***How New Constructs Creates Value for Clients***

1. **Superior Recommendations** - Our [stock-picks](#) consistently outperform. See our track record in our [stock-picking accolades](#) and [Proof Is In Performance](#) reports.
2. **More Accurate Research** - Our [patented Research Platform](#) for [reversing accounting distortions](#) and [discounted cash flow analysis](#) leverages better data to deliver smarter research.
3. **Time Savings** - We check the fine print in thousands of corporate filings so you don't have to. As reported by [Barron's](#), our expertise in analyzing SEC filings delivers [Hidden Gems and Red Flags](#) that drive long-term stock-picking success.
4. **Transparency** - We are proud to share the results of our analysis of over 50,000 10-Ks. See the [Corporate Disclosure Transgressions](#) report we provided to the SEC. Our reports detail all data and assumptions. Company Models enable users to change them.
5. **Objectivity** - New Constructs is an independent research firm, not tied to Wall Street or investment banking services. See our [presentation of the Senate Banking Committee](#), the SEC and many others in DC.

## ***Our Philosophy About Research***

Accounting data is not designed for equity investors, but for debt investors. [Accounting data must be translated into economic earnings](#) to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. [Economic earnings](#) are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

## ***DISCLOSURES***

New Constructs®, LLC (together with any subsidiaries and/or affiliates, 'New Constructs') is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.

New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first 15 days after New Constructs issues a report on that security.

New Constructs is affiliated with Novo Capital Management, LLC, the general partner of a hedge fund. At any particular time, New Constructs' research recommendations may not coincide with the hedge fund's holdings. However, in no event will the hedge fund receive any research information or recommendations in advance of the information that New Constructs provides to its other clients.

## ***DISCLAIMERS***

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.

Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.

New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.

This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.

All material in this report is the property of, and under copyright, of New Constructs. None of the contents, nor any copy of it, may be altered in any way, copied, or distributed or transmitted to any other party without the prior express written consent of New Constructs. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of New Constructs.

Copyright New Constructs, LLC 2003 through the present date. All rights reserved.