

Required fields are shown with yellow backgrounds and asterisks.

Filing by NASDAQ Stock Market
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Jonathan Last Name * Cayne

Title * Senior Associate General Counsel

E-mail * jonathan.cayne@nasdaq.com

Telephone * (301) 978-8493 Fax (301) 978-8472

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 05/05/2016 Executive Vice President and General Counsel

By Edward S. Knight

(Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

edward.knight@nasdaq.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Exchange Act”),¹ and Rule 19b-4 thereunder,² The NASDAQ Stock Market LLC (“Nasdaq” or the “Exchange”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to list and trade the common shares of beneficial interest of the PowerShares Variable Rate Investment Grade Portfolio (the “Fund”), a series of the PowerShares Actively Managed Exchange-Traded Fund Trust (the “Trust”), under Nasdaq Rule 5735 (“Rule 5735”). The common shares of beneficial interest of the Fund are referred to herein as the “Shares.”

(b) and (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of Nasdaq pursuant to authority delegated to it by the Board of Directors of Nasdaq on July 1, 2015. Nasdaq staff will advise the Board of Directors of Nasdaq of any action taken pursuant to that delegated authority. No other action by Nasdaq is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

Jonathan F. Cayne
Senior Associate General Counsel
Nasdaq, Inc.
(301) 978-8493

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

The Exchange proposes to list and trade the Shares of the Fund under Rule 5735, which rule governs the listing and trading of Managed Fund Shares³ on the Exchange.⁴

³ A “Managed Fund Share” is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (the “1940 Act”) organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Index Fund Shares, listed and traded on the Exchange under Nasdaq Rule 5705, seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

⁴ The Commission approved Nasdaq Rule 5735 (formerly Nasdaq Rule 4420(o)) in Securities Exchange Act Release No. 57962 (June 13, 2008), 73 FR 35175 (June 20, 2008) (SR- NASDAQ-2008-039). There are already multiple actively managed funds listed on the Exchange; see, e.g., Securities Exchange Act Release Nos. 69464 (April 26, 2013), 78 FR 25774 (May 2, 2013) (SR-NASDAQ-2013-036) (order approving listing and trading of First Trust Senior Loan Fund); and 66489 (February 29, 2012), 77 FR 13379 (March 6, 2012) (SR-NASDAQ-2012-004) (order approving listing and trading of WisdomTree Emerging Markets Corporate Bond Fund). Additionally, the Commission has previously approved the listing and trading of a number of actively-managed funds on NYSE Arca, Inc. pursuant to Rule 8.600 of that exchange. See, e.g., Securities Exchange Act Release No. 68870 (February 8, 2013), 78 FR 11245 (February 15, 2013) (SR-NYSEArca-2012-139) (order approving listing and trading of First Trust Preferred Securities and Income ETF). Moreover, the Commission previously approved the listing and trading of other actively managed funds within the PowerShares family of ETFs. See, e.g., Securities Exchange Act Release Nos. 68158 (November 5, 2012), 77 FR 67412 (November 9, 2012) (SR-NYSEArca-2012-101) (order approving listing and trading of PowerShares S&P 500 Downside Hedged Portfolio); 69915 (July 2, 2013), 78 FR 41145 (July 9, 2013) (SR-NYSEArca-2013-56) (order approving listing of PowerShares China A-Share Portfolio); and 72241 (May 23, 2014), 79 FR 31156 (May 30, 2014) (SR-NASDAQ-2014-027) (order approving listing and trading of PowerShares Multi-Strategy Alternative Portfolio). The Exchange believes the proposed rule change raises no significant issues not previously addressed in those prior Commission orders.

The Shares will be offered by the Fund, which will be an actively managed exchange-traded fund (“ETF”). The Fund is a series of the Trust. The Trust was established as a Delaware statutory trust on November 6, 2007. The Trust is registered with the Commission as an open-end management investment company and has filed a post-effective amendment to its registration statement on Form N-1A (the “Registration Statement”) with the Commission to register the Fund and its Shares under the 1940 Act and the Securities Act of 1933.⁵

Invesco PowerShares Capital Management LLC will serve as the investment adviser (the “Adviser”) to the Fund. Invesco Advisers, Inc. will serve as the sub-adviser to the Fund (“Sub-Adviser”). Invesco Distributors, Inc. (the “Distributor”) will serve as the principal underwriter and distributor of the Fund’s Shares. The Bank of New York Mellon will act as the administrator, accounting agent, custodian (the “Custodian”) and transfer agent for the Fund.

Paragraph (g) of Rule 5735 provides that, if the investment adviser to an investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company’s portfolio.⁶ In addition, paragraph (g) of Rule

⁵ See Registration Statement for the Trust, filed on September 4, 2015 (File Nos. 333-147622 and 811-22148). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 28171 (February 27, 2008) (File No. 812-13386) (“Exemptive Order”).

⁶ An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the “Advisers Act”). As a result, the Adviser

5735 further requires that personnel who make decisions on such investment company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the investment company's portfolio.

Rule 5735(g) is similar to Nasdaq Rule 5705(b)(5)(A)(i), which applies to index-based funds and requires "fire-walls" between affiliated broker-dealers and investment advisers regarding the index-based fund's underlying benchmark index. Rule 5735(g), however, applies to the establishment of a "fire wall" between affiliated investment advisers and the broker-dealers with respect to the investment company's portfolio and not with respect to an underlying benchmark index, as is the case with index-based funds. The Adviser and the Sub-Adviser are not broker-dealers, but they are affiliated with the Distributor, a broker-dealer. The Adviser and the Sub-Adviser have therefore implemented, and will maintain, a fire wall between themselves and the Distributor with respect to access to information concerning the composition and/or changes to the Fund's

and the Sub-Adviser and their related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with the Advisers Act and Rule 204A-1 thereunder. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

portfolio. In the event (a) the Adviser or Sub-Adviser becomes newly affiliated with a different broker-dealer (or becomes a registered broker-dealer), or (b) any new adviser or sub-adviser to the Fund is a registered broker-dealer or becomes affiliated with a broker-dealer, each will implement and maintain a fire wall with respect to its relevant personnel and/or such broker-dealer affiliate, if applicable, regarding access to information concerning the composition and/or changes to the Fund's portfolio and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

Principal Investments

The Fund will be an actively managed ETF, and its investment objectives are to seek to generate current income while maintaining low portfolio duration as a primary objective and capital appreciation as a secondary objective.

The Fund will seek to achieve its investment objectives by investing, under normal market conditions,⁷ at least 80% of its net assets (plus any borrowings for

⁷ The term "under normal market conditions" as used herein includes, but is not limited to, the absence of adverse market, economic, political or other conditions, including extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance. For temporary defensive purposes, during the initial invest-up period and during periods of high cash inflows or outflows, the Fund may depart from its principal investment strategies; for example, it may hold a higher than normal proportion of its assets in cash. During such periods, the Fund may not be able to achieve its investment objective. The Fund may adopt a defensive strategy when the Adviser or Sub-Adviser believes securities in which the Fund normally invests have elevated risks due to political or economic factors and in other extraordinary circumstances.

investment purposes) in a portfolio of investment-grade, variable rate⁸ debt securities that are denominated in U.S. dollars and are issued by U.S. private sector entities or U.S. government agencies and instrumentalities. The Adviser or Sub-Adviser (as applicable) will select the following types of securities for the Fund: (i) floating rate non-agency commercial mortgage-backed securities (“MBS”),⁹ variable rate non-agency residential MBS, variable rate agency¹⁰ MBS, and floating rate non-agency asset-backed¹¹ securities (including floating rate non-agency commercial real estate collateralized loan obligations (“CLOs”)) (“ABS”); (ii) floating rate corporate debt securities, which will be comprised

⁸ For the avoidance of doubt, the term “variable-rate” shall also include similar terms, such as “floating rate” and “adjustable rate.”

⁹ Mortgage-backed securities, which are securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property, will consist of: (1) residential mortgage-backed securities (“RMBS”); (2) commercial mortgage-backed securities (“CMBS”); (3) stripped mortgage-backed securities (“SMBS”), which are mortgage-backed securities where mortgage payments are divided between paying the loan’s principal and paying the loan’s interest; and (4) collateralized mortgage obligations (“CMOs”) and real estate mortgage investment conduits (“REMICs”), which are mortgage-backed securities that are divided into multiple classes, with each class being entitled to a different share of the principal and interest payments received from the pool of underlying assets.

¹⁰ Agency securities for these purposes generally includes securities issued by the following entities: Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), Federal Home Loan Banks (FHLBanks), Federal Home Loan Mortgage Corporation (Freddie Mac), Farm Credit System (FCS) Farm Credit Banks (FCBanks), Student Loan Marketing Association (Sallie Mae), Resolution Funding Corporation (REFCORP), Financing Corporation (FICO), and the FCS Financial Assistance Corporation (FAC). Agency securities can include, but are not limited to, mortgage-backed securities.

¹¹ Asset-backed securities are securities that are backed by a pool of assets. The Fund currently intends to invest in asset-backed securities that are consumer and corporate asset-backed securities.

of corporate notes, bonds, debentures, or loans, and 144A securities;¹² (iii) floating rate government sponsored enterprise (“GSEs”) credit risk transfers;¹³ (iv) variable rate preferred stock;¹⁴ (v) floating rate U.S government securities, including floating rate agency debt securities;¹⁵ and (vi) ETFs that invest primarily in any or all of the foregoing

¹² The Fund may invest in corporate securities, which represent debt obligations of corporate borrowers. Corporate securities may or may not be secured by collateral. The Fund will invest in floating rate corporate securities that have interest rates that reset periodically. The interest rates are based on a percentage above the London Interbank Offered Rate (LIBOR), a U.S. bank’s prime or base rate, the overnight federal funds rate, or another rate. Corporate securities in which the Fund invests may be senior or subordinate obligations of the borrower. The Fund will not invest in senior or junior commercial loans. Senior secured and senior unsecured corporate securities generally rank at the top of a borrower’s capital structure in terms of priority of payment, ahead of any subordinated unsecured debt securities or the borrower’s common equity. The Fund will generally invest in floating rate corporate securities that the Adviser or Sub-Adviser (as applicable) deems to be liquid with readily available prices; notwithstanding the foregoing, the Fund may invest in corporate securities that are deemed illiquid so long as the Fund complies with the 15% limitation on investments of its net assets in illiquid assets described below under “Investment Restrictions.”

¹³ Credit risk transfers are unsecured obligations of GSEs such as Fannie Mae and Freddie Mac that are structured to provide credit protection to the issuer with respect to defaults and other credit events within pools of residential mortgage loans that collateralize MBS issued and guaranteed by the GSEs. This credit protection is achieved by allowing the GSEs to reduce the outstanding class principal balance of the securities as designated credit events on the loans arise. The GSEs make monthly payments of accrued interest and periodic payments of principal to the holders of the securities.

¹⁴ The variable rate preferred stock in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges, or exchanges that are parties to a comprehensive surveillance sharing agreement with the Exchange.

¹⁵ U.S. government securities include U.S. Treasury obligations and securities issued or guaranteed by various agencies of the U.S. government, or by various instrumentalities which have been established or sponsored by the U.S. government. U.S. Treasury obligations are backed by the “full faith and credit” of the U.S. government. Securities issued or guaranteed by federal agencies and U.S.

securities, to the extent permitted by the 1940 Act¹⁶ (any or all of the foregoing securities, excluding variable rate preferred stock and ETFs, are collectively “Variable Rate Debt Instruments”; Variable Rate Debt Instruments, variable rate preferred stock and ETFs are collectively “Variable Rate Investments”).

At least 80% of the Fund's net assets will be invested in Variable Rate Debt Instruments or variable rate preferred stock that are, at the time of purchase, investment grade, or in ETFs that invest primarily in any or all of the foregoing securities. Under normal market conditions, Variable Rate Debt Instruments or variable rate preferred stock will be investment grade if, at the time of purchase they have a rating in one of the highest four rating categories of at least one nationally recognized statistical ratings organization (“NRSRO”) (e.g., BBB- or higher by Standard & Poor's Ratings Services (“S&P”), and/or Fitch Ratings (“Fitch”), or Baa3 or higher by Moody's Investors Service,

government sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government.

¹⁶ An ETF is an investment company registered under the 1940 Act that holds a portfolio of securities. Many ETFs are designed to track the performance of a securities index, including industry, sector, country and region indexes. ETFs in which the Fund invests will be listed and traded in the U.S. on registered exchanges. The ETFs in which the Fund will invest include Index Fund Shares (as described in Nasdaq Rule 5705), Portfolio Depositary Receipts (as described in Nasdaq Rule 5705), and Managed Fund Shares (as described in Nasdaq Rule 5735). The shares of ETFs in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges, or exchanges that are parties to a comprehensive surveillance sharing agreement with the Exchange. The ETFs in which the Fund will not invest include: (i) “leveraged ETFs” (i.e., ETFs operated in a manner designed to seek a multiple or inverse multiple of the performance of an underlying reference index), and (ii) Index Fund Shares that seek to provide investment results that correspond to the inverse (opposite) of the performance of a specified domestic equity, international or global equity, or fixed income index or a combination thereof by a specified multiple.

Inc. (“Moody’s”)).¹⁷ Unrated securities may be considered investment grade if at the time of purchase, and under normal market conditions, the Adviser or Sub-Adviser (as applicable) determines that such securities are of comparable quality based on a fundamental credit analysis of the unrated security and comparable NRSRO-rated securities. The Fund will not invest more than 20% of its net assets in ABS or non-agency MBS.

Under normal market conditions, the Fund will satisfy the following requirements on a continuous basis measured at the time of purchase: (i) at least 75% of the investments in the portfolio will be in Variable Rate Debt Instruments, with a minimum original principal amount outstanding of \$100 million or more, or in variable rate preferred stock;¹⁸ (ii) no Variable Rate Investment (excluding U.S. government securities) will represent more than 30% of the weight of the Variable Rate Debt Instrument component of the Fund’s portfolio, and the five most heavily weighted portfolio securities will not in the aggregate account for more than 65% of the weight of the Variable Rate Debt Instrument component of the Fund’s portfolio; (iii) the portfolio (excluding securities exempted by Section 3(a)(12) of the Exchange Act) will include a minimum of 13 non-affiliated issuers; and (iv) portfolio securities that in aggregate account for at least 90% of the weight of the portfolio will be either (a) from issuers that are required to file reports pursuant to Sections 13 and 15(d) of the Exchange Act; (b)

¹⁷ For the avoidance of doubt, if a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from any one NRSRO.

¹⁸ Notwithstanding this limitation, the Fund’s investment in variable rate preferred stock shall not be limited to those with a principal amount outstanding of \$100 million or more.

from issuers that have a worldwide market value of outstanding common equity held by non-affiliates of \$700 million or more; (c) from issuers that have outstanding securities that are notes, bonds, debentures, or evidence of indebtedness having a total remaining principal amount of at least \$1 billion; or (d) exempted securities as defined in Section 3(a)(12) of the Exchange Act.

In selecting Variable Rate Investments, for the Fund,¹⁹ the Adviser or Sub-Adviser (as applicable) will take a strategic approach to sector allocation by using overall sector investment return and risk outlook data. Specifically, the Fund will seek capital appreciation while mitigating excess risk from any one sector by using a strategic distribution of risk across multiple sectors. In addition, the Fund will allocate its investments within each sector in an attempt to improve expected returns based on inflation and growth outlook, as well as relative value across sub-sectors and individual securities.

Under normal market conditions, the Fund will have investment exposure to a wide variety of Variable Rate Investments. During periods of market volatility, however, the Fund may allocate a significant portion of its net assets to floating rate U.S. Treasury

¹⁹ The liquidity of a security, especially in the case of asset-backed and mortgage-backed securities, will be a substantial factor in the Fund's security selection process. Consistent with the discussion below under "Investment Restrictions," the Fund will not purchase any Variable Rate Investments (including asset-backed securities and mortgage-backed securities) that, in the Adviser's opinion, are illiquid if, as a result, more than 15% of the value of the Fund's net assets will be invested in illiquid assets.

debt securities and agency MBS. The Adviser expects that the Fund's portfolio will have average duration²⁰ of one year or less.

Other Investments of the Fund

According to the Registration Statement, under normal market conditions, the Fund will invest primarily in the Variable Rate Investments described above to meet its investment objectives. In addition, the Fund may invest up to 20% of its net assets in Variable Rate Debt Instruments or variable rate preferred stock that are rated below investment grade, and in fixed-rate debt instruments that are rated either investment grade or below investment grade. The Fund may invest in the following fixed-rate debt instruments: (i) fixed-rate MBS and ABS (which includes fixed-rate commercial real estate CLOs); (ii) fixed-rate U.S. government and agency securities; (iii) fixed-rate corporate debt securities, which will be comprised of corporate notes, bonds, debentures, or loans, and 144A corporate securities;²¹ (iv) fixed-rate exchange traded preferred

²⁰ Duration refers to the average life of a Variable Rate Debt Instrument and serves as a measure of a Variable Rate Debt Instrument's interest rate risk. In general, each year of duration represents an expected 1% change in the value of a security for every parallel 1% change in interest rates. To illustrate, if a portfolio of mortgage-backed securities has an average duration of three years, its value can be expected to fall approximately 3% if interest rates rise by 1%. Conversely, the portfolio's value can be expected to rise approximately 3% if interest rates fall by 1%. As a result, prices of instruments with shorter durations, such as the Variable Rate Debt Instruments in which the Fund invests, are expected to be less sensitive to interest rate changes than instruments with longer durations.

²¹ The Fund may invest in fixed-rate corporate securities, which represent debt obligations of corporate borrowers. Corporate securities may or may not be secured by collateral. The Fund will generally invest in fixed-rate corporate securities that the Adviser or Sub-Adviser (as applicable) deems to be liquid with readily available prices; notwithstanding the foregoing, the Fund may invest in corporate securities that are deemed illiquid so long as the Fund complies with the

stock²²; and (v) ETFs that invest primarily in any or all of the foregoing securities²³ (any or all of the foregoing securities (excluding fixed-rate exchange traded preferred stock, and ETFs that invest primarily in any or all of the foregoing) are collectively, “Fixed Rate Debt Instruments”; Fixed Rate Debt Instruments, fixed-rate exchange traded preferred stock and ETFs that invest primarily in any or all of the foregoing securities are collectively “Fixed Rate Investments”). The Fund will not invest more than 20% of its net assets in ABS or non-agency MBS. Below investment grade securities are commonly referred to as “junk” or “high yield” securities and are considered speculative with respect to the issuer's capacity to pay interest and repay principal.

The Fund may also take a temporary defensive position and hold a portion of its assets in cash and cash equivalents and money market instruments²⁴ if there are inadequate investment opportunities available due to adverse market, economic, political

15% limitation on investments of its net assets in illiquid assets described below under “Investment Restrictions.”

- ²² The fixed rate preferred stock in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges, or that are parties to a comprehensive surveillance sharing agreement with the Exchange.
- ²³ The shares of ETFs in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges, or that are parties to a comprehensive surveillance sharing agreement with the Exchange.
- ²⁴ For the Fund's purposes, money market instruments will include: short-term, high quality securities issued or guaranteed by non-U.S. governments, agencies, and instrumentalities; non-convertible corporate debt securities with remaining maturities of not more than 397 days that satisfy ratings requirements under Rule 2a-7 of the 1940 Act; money market mutual funds; and deposits and other obligations of U.S. and non-U.S. banks and financial institutions.

or other conditions, or atypical circumstances such as unusually large cash inflows or redemptions. The Fund may invest in non-exchange listed securities of other investment companies (including money market funds) beyond the limits permitted under the 1940 Act, subject to certain terms and conditions set forth in a Commission exemptive order issued to the Trust pursuant to Section 12(d)(1)(J) of the 1940 Act.²⁵

Investment Restrictions of the Fund

The Fund may not concentrate its investments (i.e., invest more than 25% of the value of its net assets) in securities of issuers in any one industry or group of industries. This restriction will not apply to obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities.²⁶

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A corporate debt securities deemed illiquid by the Adviser.²⁷ The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate

²⁵ See Investment Company Act Release No. 30238 (October 23, 2012) (File No. 812-13820).

²⁶ See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one industry. See, e.g., Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

²⁷ In reaching liquidity decisions, the Adviser may consider the following factors: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace in which it trades (e.g., the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer).

level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid securities or other illiquid assets. Illiquid securities and other illiquid assets include those subject to contractual or other restrictions on resale and other instruments or assets that lack readily available markets as determined in accordance with Commission staff guidance.²⁸ The Fund will not invest in futures, options, forwards, swaps or other derivatives.

The Fund intends to qualify for and to elect to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code.²⁹

The Fund's investments will be consistent with the Fund's investment objectives. Additionally, the Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective. The Fund does not presently intend to engage in any form of borrowing for investment purposes, and will not be operated as a "leveraged ETF," i.e., it will not be operated in a manner designed to seek a multiple or inverse multiple of the performance of an underlying reference index.

²⁸ Long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), FN 34. See also Investment Company Act Release Nos. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); and 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release Nos. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); and 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

²⁹ 26 U.S.C. 851.

Net Asset Value

The Fund's administrator will calculate the Fund's net asset value ("NAV") per Share as of the close of regular trading (normally 4:00 p.m., Eastern time ("E.T.)) on each day the New York Stock Exchange ("NYSE") is open for business (a "Business Day"). NAV per Share will be calculated for the Fund by taking the value of the Fund's total assets, including interest or dividends accrued but not yet collected, less all liabilities, and dividing such amount by the total number of Shares outstanding. The result, rounded to the nearest cent, will be the NAV per Share (although creations and redemptions will be processed using a price denominated to the fifth decimal point, meaning that rounding to the nearest cent may result in different prices in certain circumstances).

A market valuation generally means a valuation (i) obtained from an exchange, an independent pricing service ("Pricing Service"), or a major market maker (or dealer) or (ii) based on a price quotation or other equivalent indication of value supplied by an exchange, a Pricing Service, or a major market maker (or dealer).

Securities listed or traded on an exchange generally are valued at the last sales price or official closing price that day as of the close of the exchange where the security is primarily traded. However, certain securities, including some Variable Rate Debt Instruments (and Fixed Rate Debt Instruments, to the extent applicable), in which the Fund may invest will not be listed on any securities exchange or board of trade. Such securities will typically be bought and sold by institutional investors in individually negotiated private transactions that function in many respects like an over-the-counter secondary market, although typically no formal market makers will exist. Certain

securities, particularly debt securities, will have few or no trades, or trade infrequently, and information regarding a specific security may not be widely available or may be incomplete. Accordingly, determinations of the fair value of debt securities may be based on infrequent and dated information. Because there is less reliable, objective data available, elements of judgment may play a greater role in valuation of debt securities than for other types of securities.

Typically, Variable Rate Debt Instruments, Fixed Rate Debt Instruments and other debt securities in which the Fund may invest (other than those specifically described below) will be valued using information provided by a Pricing Service. Debt securities having a remaining maturity of 60 days or less when purchased will be valued at cost adjusted for amortization of premiums and accretion of discounts, provided the Adviser has determined that the use of amortized cost is an appropriate reflection of fair value given market and issuer-specific conditions existing at the time of the determination.

ABS and MBS will generally be valued by using a Pricing Service. If a Pricing Service does not cover a particular asset-backed or mortgage-backed security, or discontinues covering a particular asset-backed or mortgage-backed security, the security will be priced using broker quotes generally provided by brokers that make or participate in markets in the security. To derive values, Pricing Services and broker-dealers may use matrix pricing and valuation models, as well as recent market transactions for the same or similar assets. As it deems appropriate, the Adviser may determine that a Pricing Service price does not represent an accurate value of an ABS or MBS, based on broker quotes it receives, a recent trade in the security by the Fund, information from a portfolio manager,

or other market information. In the event that the Adviser determines that the Pricing Service price is unreliable or inaccurate based on such other information, broker quotes may be used. Additionally, if the Adviser determines that the price of an asset-backed or mortgage-backed security obtained from a Pricing Service and available broker quotes is unreliable or inaccurate due to market conditions or other reasons, or if a Pricing Service price or broker quote is unavailable, the security will be valued using fair value pricing, as described below.

Shares of open-end registered investment companies (i.e., money market mutual funds) will be valued at net asset value; shares of preferred stock and ETFs will be valued at the last sale price or official closing price on the exchange on which they primarily trade. Deposits, other obligations of U.S. and non-U.S. banks and financial institutions, and cash equivalents will be valued at their daily account value.

Certain securities, including Variable Rate Debt Instruments and Fixed Rate Debt Instruments, in which the Fund will invest will not be able to be priced by pre-established pricing methods. Such securities may be valued by the Board of Trustees of the Trust (“Board”) or its delegate at fair value. The use of fair value pricing by the Fund will be governed by the valuation policies and procedures and conducted in accordance with the provisions of the 1940 Act. Valuing the Fund’s securities using fair value pricing will result in using prices for those securities that may differ from current market valuations or official closing prices on the applicable exchange. All valuations will be subject to review by the Trust’s Board or its delegate.

Creation and Redemption of Shares

The Trust will issue Shares of the Fund at NAV only with authorized participants (“APs”) and only in aggregations of 50,000 shares (each aggregation is called a “Creation Unit”) or multiples thereof, on a continuous basis through the Distributor, without a sales load, at the NAV next determined after receipt, on any Business Day, of an order in proper form.

The consideration an AP must provide for purchase of Creation Units of the Fund may consist of (i) cash in lieu of all or a portion of the Deposit Securities, as defined below, in an amount calculated based on the NAV per Share, multiplied by the number of Shares representing a Creation Unit (“Deposit Cash”), plus certain transaction fees; or (ii) an “in-kind” deposit of a designated portfolio of securities determined by the Adviser that generally will conform to the holdings of the Fund consistent with its investment objective (the “Deposit Securities”) per each Creation Unit and generally an amount of cash (the “Cash Component”) computed as described below. Together, the Deposit Securities and the Cash Component (including the cash in lieu amount) will constitute the “Fund Deposit,” which will represent the minimum initial and subsequent investment amount for a Creation Unit of the Fund.

The Cash Component is sometimes also referred to as the Balancing Amount. The Cash Component will serve the function of compensating for any differences between the NAV per Creation Unit and the Deposit Amount (as defined below). For example, for a creation the Cash Component will be an amount equal to the difference between the NAV of Fund Shares (per Creation Unit) and the “Deposit Amount” – an amount equal to the market value of the Deposit Securities and/or cash in lieu of all or a

portion of the Deposit Securities. If the Cash Component is a positive number (i.e., the NAV per Creation Unit exceeds the Deposit Amount), the AP will deliver the Cash Component. If the Cash Component is a negative number (i.e., the NAV per Creation Unit is less than the Deposit Amount), the AP will receive the Cash Component. Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the Custodian and only on a Business Day. The Fund will not redeem Shares in amounts less than a Creation Unit. APs must accumulate enough Shares in the secondary market to constitute a Creation Unit in order to have such Shares redeemed by the Trust. The redemption proceeds for a Creation Unit generally consist of (i) cash, in lieu of all or a portion of the Fund Securities as defined below, in an amount calculated based on the NAV per Share, multiplied by the number of Shares representing a Creation Unit, less any redemption transaction fees; or (ii) a designated portfolio of securities determined by the Adviser that generally will conform to the holdings of the Fund consistent with its investment objective per each Creation Unit (“Fund Securities”) – as announced on the Business Day of the request for redemption received in proper form – plus or minus cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Fund Securities, less any redemption transaction fees. In the event that the Fund Securities have a value greater than the NAV of the Shares, a compensating Cash Component payment equal to the difference is required to be made by or through an AP by the redeeming shareholder.

Creation Units of the Fund generally will be sold partially in cash and partially in-kind plus a fixed and/or variable transaction fee.

To the extent that the Fund permits Creation Units to be issued principally or partially in-kind, the Custodian, through the National Securities Clearing Corporation (“NSCC”), will make available on each Business Day, prior to the opening of business of the NYSE (currently, 9:30 a.m., E.T.), the list of the names and the quantity of each Deposit Security to be included in the current Fund Deposit (based on information at the end of the previous Business Day), plus any estimated Cash Component, for the Fund. Such Fund Deposit will be applicable, subject to any adjustments as described below, to effect creations of Creation Units of the Fund until such time as the next-announced composition of the Deposit Securities is made available. Information on the specific names and holdings in a Fund Deposit also will be available at www.pstrader.net.

To the extent that the Fund permits Creation Units to be redeemed in-kind, the Custodian, through the NSCC, will make available on each Business Day, prior to the opening of business of NYSE (currently, 9:30 a.m., E.T.), the identity of the Fund Securities that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day. Fund Securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Units.

When applicable, during times that the Fund permits in-kind creations, the identity and quantity of the Deposit Securities required for a Fund Deposit for the Shares may change as rebalancing adjustments and corporate action events occur and are

reflected within the Fund from time to time by the Adviser, consistent with the investment objective of the Fund.

To be eligible to place orders with respect to creations and redemptions of Creation Units, an entity must be (i) a “Participating Party,” i.e., a broker-dealer or other participant in the clearing process through the continuous net settlement system of the NSCC or (ii) a Depository Trust Company (“DTC”) Participant (a “DTC Participant”). In addition, each Participating Party or DTC Participant (each, an AP) must execute an agreement that has been agreed to by the Distributor and the Custodian with respect to purchases and redemptions of Creation Units.

All orders to create Creation Units must be received by the transfer agent no later than the closing time of the regular trading session on the NYSE (ordinarily, 4:00 p.m., E.T.) in each case on the date such order is placed in order for creations of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form.

In order to redeem Creation Units of the Fund, an AP must submit an order to redeem for one or more Creation Units. All such orders must be received by the Fund’s transfer agent in proper form no later than the close of regular trading on the NYSE (ordinarily, 4:00 p.m. E.T.) in order to receive that day’s closing NAV per Share.

Availability of Information

The Fund’s website (www.invescopowershares.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The Fund’s website will include the ticker symbol for the Shares, CUSIP and exchange information, along with additional quantitative

information updated on a daily basis, including, for the Fund: (1) daily trading volume, the prior Business Day's reported NAV, closing price and mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),³⁰ and a calculation of the premium and discount of the Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for the most recently completed calendar year and each of the four most recently completed calendar quarters since that year (or the life of the Fund if shorter). On each Business Day, before commencement of trading in Shares in the Regular Market Session³¹ on the Exchange, the Fund will disclose on its website the identities and quantities of the portfolio of securities and other assets (the "Disclosed Portfolio" as such term is defined in Nasdaq Rule 5735(c)(2)) held by the Fund that will form the basis for the Fund's calculation of NAV at the end of the Business Day.³² In addition to disclosing the identities and quantities of the portfolio of securities and other assets in the Disclosed Portfolio, the Fund also will disclose on a

³⁰ The Bid/Ask Price of the Fund will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund and its service providers.

³¹ See Nasdaq Rule 4120(b)(4) (describing the three trading sessions on the Exchange: (1) Pre-Market Session from 4 a.m. to 9:30 a.m. E.T.; (2) Regular Market Session from 9:30 a.m. to 4 p.m. or 4:15 p.m. E.T.; and (3) Post-Market Session from 4 p.m. or 4:15 p.m. to 8 p.m. E.T.).

³² Under accounting procedures to be followed by the Fund, trades made on the prior Business Day ("T") will be booked and reflected in NAV on the current Business Day ("T+1"). Notwithstanding the foregoing, portfolio trades that are executed prior to the opening of the Exchange on any Business Day may be booked and reflected in NAV on such Business Day. Accordingly, the Fund will be able to disclose at the beginning of the Business Day the portfolio that will form the basis for the NAV calculation at the end of the Business Day.

daily basis on its website the following information , as applicable to the type of holding: ticker symbol, if any, CUSIP number or other identifier, if any; a description of the holding (including the type of holding), quantity held (as measured by, for example, par value, number of shares or units); maturity date, if any; coupon rate, if any; market value of the holding; and percentage weighting of the holding in the Fund's portfolio. The website and information will be publicly available at no charge.

In addition, to the extent the Fund permits full or partial creations in-kind, a basket composition file, which will include the security names and share quantities (and/or other assets, as may be applicable) to deliver (along with requisite cash in lieu) in exchange for Shares, together with estimates and actual Cash Components, will be publicly disseminated daily prior to the opening of the Exchange via the NSCC and at www.pstrader.net. The basket will represent the securities (and/or other assets, as may be applicable) component of the Shares of the Fund, and when added to the Cash Components will equal a Creation Unit.

In addition, for the Fund, an estimated value, defined in Rule 5735(c)(3) as the “Intraday Indicative Value,” that reflects an estimated intraday value of the Fund’s portfolio, will be disseminated. Moreover, the Intraday Indicative Value, available on the NASDAQ OMX Information LLC proprietary index data service³³ will be based upon the current value for the components of the Disclosed Portfolio and will be updated and

³³ Currently, the NASDAQ OMX Global Index Data Service (“GIDS”) is the NASDAQ OMX global index data feed service, offering real-time updates, daily summary messages, and access to widely followed indexes and Intraday Indicative Values for ETFs. GIDS provides investment professionals with the daily information needed to track or trade NASDAQ OMX indexes, listed ETFs, or third-party partner indexes and ETFs.

widely disseminated by one or more major market data vendors and broadly displayed at least every 15 seconds during the Regular Market Session.

The dissemination of the Intraday Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of the Fund on a daily basis and will provide a close estimate of that value throughout the trading day.

Intraday executable price quotations, as well as closing price information, on exchange listed securities, Variable Rate Debt Instruments, Fixed Rate Debt Instruments and other assets not traded on an exchange will be available from major broker-dealer firms or market data vendors or from the exchange on which they are traded, as applicable, as well as from automated quotation systems, published or other public sources, or online information services. Additionally, the Trade Reporting and Compliance Engine (“TRACE”) of the Financial Industry Regulatory Authority (“FINRA”) will be a source of price information for corporate bonds, privately-issued securities, MBS and ABS to the extent transactions in such securities are reported to TRACE.³⁴ Intraday and closing price information related to U.S. government securities, money market mutual funds, and other short-term investments held by the Fund also will be available through subscription services, such as Bloomberg, Markit and Thomson Reuters, which can be accessed by APs and other investors.

³⁴ Broker-dealers that are FINRA member firms have an obligation to report transactions in specified debt securities to TRACE to the extent required under applicable FINRA rules. Generally, such debt securities will have at issuance a maturity that exceeds one calendar year.

Investors also will be able to obtain the Fund's Statement of Additional Information ("SAI"), the Fund's Shareholder Reports, and its Trust's Form N-CSR and Form N-SAR, each of which is filed twice a year, except the SAI, which is filed at least annually. The Fund's SAI and Shareholder Reports will be available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at www.sec.gov. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available via Nasdaq proprietary quote and trade services, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans for the Shares. Quotation and last sale information for any exchange-traded instruments (including preferred stocks and ETFs) also will be available via the quote and trade service of their respective primary exchanges, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans.

Additional information regarding the Fund and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions and taxes, will be included in the Registration Statement.

Initial and Continued Listing of the Fund's Shares

The Shares will conform to the initial and continued listing criteria applicable to Managed Fund Shares, as set forth under Rule 5735. The Exchange represents that, for

initial and/or continued listing, the Fund will be in compliance with Rule 10A-3³⁵ under the Exchange Act. A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

Trading Halts of the Fund's Shares

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund. Nasdaq will halt trading in the Shares under the conditions specified in Nasdaq Rules 4120 and 4121, including the trading pauses under Nasdaq Rules 4120(a)(11) and (12). Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments constituting the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 5735(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted.

Trading Rules

Nasdaq deems the Shares to be equity securities, thus rendering trading in the Shares subject to Nasdaq's existing rules governing the trading of equity securities. Nasdaq will allow trading in the Shares from 4:00 a.m. until 8:00 p.m. E.T. The

³⁵ See 17 CFR 240.10A-3.

Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in Nasdaq Rule 5735(b)(3), the minimum price variation for quoting and entry of orders in Managed Fund Shares traded on the Exchange is \$0.01.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by both Nasdaq and FINRA, on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.³⁶ The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and other exchange-traded securities (including ETFs and preferred stock) and instruments held by the Fund with other markets and other entities that are members of the ISG,³⁷ and FINRA may obtain

³⁶ FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

³⁷ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

trading information regarding trading in the Shares and other exchange-traded securities (including ETFs and preferred stock) and instruments held by the Fund from such markets and other entities. Moreover, FINRA, on behalf of the Exchange, will be able to access, as needed, trade information for certain Variable Rate Debt Instruments, Fixed Rate Debt Instruments, and other debt securities held by the Fund reported to FINRA's TRACE.

In addition, the Exchange may obtain information regarding trading in the Shares and other exchange-traded securities (including ETFs and preferred stock) and instruments held by the Fund from markets and other entities that are members of ISG, which includes securities exchanges, or with which the Exchange has in place a comprehensive surveillance sharing agreement.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) Nasdaq Rule 2111A, which imposes suitability obligations on Nasdaq members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value and the Disclosed Portfolio is disseminated; (4) the risks involved in trading the Shares during the Pre-Market and Post-Market Sessions when an updated Intraday Indicative Value

will not be calculated or publicly disseminated; (5) the requirement that members purchasing Shares from the Fund for resale to investors deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from the Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Exchange Act.

Additionally, the Information Circular will reference that the Fund is subject to various fees and expenses. The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Exchange Act. The Information Circular will also disclose the trading hours of the Shares of the Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Fund will be publicly available on the Fund's website.

All statements and representations made in this filing regarding (a) the description of the portfolio, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange. In addition, the issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under

Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under the Nasdaq 5800 Series.

b. Statutory Basis

Nasdaq believes that the proposal is consistent with Section 6(b) of the Exchange Act in general, and Section 6(b)(5)³⁸ of the Exchange Act in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in Nasdaq Rule 5735. The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by both Nasdaq and FINRA, on behalf of the Exchange, which are designed to deter and detect violations of Exchange rules and applicable federal securities laws and are adequate to properly monitor trading in the Shares in all trading sessions. The Adviser and the Sub-Adviser are affiliated with a broker-dealer and have implemented, and will maintain, a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or

³⁸ 15 U.S.C. 78(f)(b)(5).

changes to the Fund's portfolio. In addition, paragraph (g) of Nasdaq Rule 5735 further requires that personnel who make decisions on an open-end fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the open-end fund's portfolio.

FINRA may obtain information via ISG from other exchanges that are members of ISG. In addition, the Exchange may obtain information regarding trading in the Shares and other exchange-traded securities (including ETFs and preferred stock) and instruments held by the Fund from markets and other entities that are members of ISG, which includes securities exchanges, or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Fund will limit its investments in illiquid securities or other illiquid assets to an aggregate amount of 15% of its net assets (calculated at the time of investment). The Fund also may invest directly in ETFs. The Fund will not invest in: (i) "leveraged ETFs" (i.e., ETFs operated in a manner designed to seek a multiple or inverse multiple of the performance of an underlying reference index), and (ii) Index Fund Shares that seek to provide investment results that correspond to the inverse (opposite) of the performance of a specified domestic equity, international or global equity, or fixed income index or a combination thereof by a specified multiple.

Additionally, the Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective. The Fund does not presently intend to engage in any form of borrowing for investment purposes, and will not be operated as a "leveraged ETF," i.e., it will not be operated in a manner designed to seek a multiple or inverse multiple of the performance of an underlying reference index. The Fund will not invest in futures, options, forwards, swaps or other derivatives.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily every day that the Fund is traded, and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information will be publicly available regarding the Fund and the Shares, thereby promoting market transparency.

Moreover, the Intraday Indicative Value, available on the NASDAQ OMX Information LLC proprietary index data service, will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Regular Market Session. On each Business Day, before commencement of trading in Shares in the Regular Market Session on the Exchange, the Fund will disclose on its website the Disclosed Portfolio of the Fund that will form the basis for the Fund's calculation of NAV at the end of the Business Day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last-sale information for the Shares will be available via Nasdaq proprietary quote and trade services, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans for the Shares. Quotation and last sale information for any exchange-traded instruments (including preferred stocks and ETFs) also will be available via the quote and trade service of their respective primary exchanges, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans. Intraday executable price quotation, as well as closing price

information, on exchange listed securities, Variable Rate Debt Instruments, Fixed Rate Debt Instruments and other assets not traded on an exchange will be available from major broker-dealer firms or market data vendors or from the exchange on which they are traded, as well as from automated quotation systems, published or other public sources, or online information services. Additionally, FINRA's TRACE will be a source of price information for corporate bonds, privately-issued securities, MBS and ABS to the extent transactions in such securities are reported to TRACE. Intraday and closing price information related to U.S. government securities, money market mutual funds, and other short-term investments held by the Fund also will be available through subscription services, such as Bloomberg, Markit and Thomson Reuters, which can be accessed by APs and other investors.

The Fund's website will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Moreover, prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Trading in Shares of the Fund will be halted under the conditions specified in Nasdaq Rules 4120 and 4121 or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to Nasdaq Rule 5735(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace.

For the above reasons, Nasdaq believes the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Exchange Act.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Exchange believes that the proposed rule change will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable. The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASDAQ-2016-056)

May __, 2016

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of the Shares of the PowerShares Variable Rate Investment Grade Portfolio a series of the PowerShares Actively Managed Exchange-Traded Fund Trust

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 5, 2016, The NASDAQ Stock Market LLC (“Nasdaq” or the “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in in Items I, II, and III below, which Items have been prepared by Nasdaq. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Nasdaq proposes to list and trade the common shares of beneficial interest of the PowerShares Variable Rate Investment Grade Portfolio (the “Fund”), a series of the PowerShares Actively Managed Exchange-Traded Fund Trust (the “Trust”), under Nasdaq Rule 5735 (“Rule 5735”). The common shares of beneficial interest of the Fund are referred to herein as the “Shares.”

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is available at <http://nasdaq.cchwallstreet.com/>, at Nasdaq's principal office, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, Nasdaq included statements concerning the purpose of, and basis for, the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to list and trade the Shares of the Fund under Rule 5735, which rule governs the listing and trading of Managed Fund Shares³ on the Exchange.⁴

³ A "Managed Fund Share" is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (the "1940 Act") organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Index Fund Shares, listed and traded on the Exchange under Nasdaq Rule 5705, seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

⁴ The Commission approved Nasdaq Rule 5735 (formerly Nasdaq Rule 4420(o)) in Securities Exchange Act Release No. 57962 (June 13, 2008), 73 FR 35175 (June 20, 2008) (SR- NASDAQ-2008-039). There are already multiple actively managed funds listed on the Exchange; *see, e.g.*, Securities Exchange Act Release Nos. 69464 (April 26, 2013), 78 FR 25774 (May 2, 2013) (SR-NASDAQ-2013-036) (order approving listing and trading of First Trust Senior Loan Fund); and 66489 (February 29, 2012), 77 FR 13379 (March 6, 2012) (SR-NASDAQ-2012-004) (order approving listing and trading of WisdomTree Emerging Markets Corporate Bond Fund). Additionally, the Commission has previously approved

The Shares will be offered by the Fund, which will be an actively managed exchange-traded fund (“ETF”). The Fund is a series of the Trust. The Trust was established as a Delaware statutory trust on November 6, 2007. The Trust is registered with the Commission as an open-end management investment company and has filed a post-effective amendment to its registration statement on Form N-1A (the “Registration Statement”) with the Commission to register the Fund and its Shares under the 1940 Act and the Securities Act of 1933.⁵

Invesco PowerShares Capital Management LLC will serve as the investment adviser (the “Adviser”) to the Fund. Invesco Advisers, Inc. will serve as the sub-adviser to the Fund (“Sub-Adviser”). Invesco Distributors, Inc. (the “Distributor”) will serve as

the listing and trading of a number of actively-managed funds on NYSE Arca, Inc. pursuant to Rule 8.600 of that exchange. See, e.g., Securities Exchange Act Release No. 68870 (February 8, 2013), 78 FR 11245 (February 15, 2013) (SR-NYSEArca-2012-139) (order approving listing and trading of First Trust Preferred Securities and Income ETF). Moreover, the Commission previously approved the listing and trading of other actively managed funds within the PowerShares family of ETFs. See, e.g., Securities Exchange Act Release Nos. 68158 (November 5, 2012), 77 FR 67412 (November 9, 2012) (SR-NYSEArca-2012-101) (order approving listing and trading of PowerShares S&P 500 Downside Hedged Portfolio); 69915 (July 2, 2013), 78 FR 41145 (July 9, 2013) (SR-NYSEArca-2013-56) (order approving listing of PowerShares China A-Share Portfolio); and 72241 (May 23, 2014), 79 FR 31156 (May 30, 2014) (SR-NASDAQ-2014-027) (order approving listing and trading of PowerShares Multi-Strategy Alternative Portfolio). The Exchange believes the proposed rule change raises no significant issues not previously addressed in those prior Commission orders.

⁵ See Registration Statement for the Trust, filed on September 5, 2015 (File Nos. 333-147622 and 811-22148). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 28171 (February 27, 2008) (File No. 812-13386) (“Exemptive Order”).

the principal underwriter and distributor of the Fund's Shares. The Bank of New York Mellon will act as the administrator, accounting agent, custodian (the "Custodian") and transfer agent for the Fund.

Paragraph (g) of Rule 5735 provides that, if the investment adviser to an investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company's portfolio.⁶ In addition, paragraph (g) of Rule 5735 further requires that personnel who make decisions on such investment company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the investment company's portfolio.

⁶ An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the "Advisers Act"). As a result, the Adviser and the Sub-Adviser and their related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with the Advisers Act and Rule 204A-1 thereunder. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

Rule 5735(g) is similar to Nasdaq Rule 5705(b)(5)(A)(i), which applies to index-based funds and requires “fire-walls” between affiliated broker-dealers and investment advisers regarding the index-based fund’s underlying benchmark index. Rule 5735(g), however, applies to the establishment of a “fire wall” between affiliated investment advisers and the broker-dealers with respect to the investment company’s portfolio and not with respect to an underlying benchmark index, as is the case with index-based funds. The Adviser and the Sub-Adviser are not broker-dealers, but they are affiliated with the Distributor, a broker-dealer. The Adviser and the Sub-Adviser have therefore implemented, and will maintain, a fire wall between themselves and the Distributor with respect to access to information concerning the composition and/or changes to the Fund’s portfolio. In the event (a) the Adviser or Sub-Adviser becomes newly affiliated with a different broker-dealer (or becomes a registered broker-dealer), or (b) any new adviser or sub-adviser to the Fund is a registered broker-dealer or becomes affiliated with a broker-dealer, each will implement and maintain a fire wall with respect to its relevant personnel and/or such broker-dealer affiliate, if applicable, regarding access to information concerning the composition and/or changes to the Fund’s portfolio and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

Principal Investments

The Fund will be an actively managed ETF, and its investment objectives are to seek to generate current income while maintaining low portfolio duration as a primary objective and capital appreciation as a secondary objective.

The Fund will seek to achieve its investment objectives by investing, under normal market conditions,⁷ at least 80% of its net assets (plus any borrowings for investment purposes) in a portfolio of investment-grade, variable rate⁸ debt securities that are denominated in U.S. dollars and are issued by U.S. private sector entities or U.S. government agencies and instrumentalities. The Adviser or Sub-Adviser (as applicable) will select the following types of securities for the Fund: (i) floating rate non-agency commercial mortgage-backed securities (“MBS”),⁹ variable rate non-agency residential

⁷ The term “under normal market conditions” as used herein includes, but is not limited to, the absence of adverse market, economic, political or other conditions, including extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance. For temporary defensive purposes, during the initial invest-up period and during periods of high cash inflows or outflows, the Fund may depart from its principal investment strategies; for example, it may hold a higher than normal proportion of its assets in cash. During such periods, the Fund may not be able to achieve its investment objective. The Fund may adopt a defensive strategy when the Adviser or Sub-Adviser believes securities in which the Fund normally invests have elevated risks due to political or economic factors and in other extraordinary circumstances.

⁸ For the avoidance of doubt, the term “variable-rate” shall also include similar terms, such as “floating rate” and “adjustable rate.”

⁹ Mortgage-backed securities, which are securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property, will consist of: (1) residential mortgage-backed securities (“RMBS”); (2) commercial mortgage-backed securities (“CMBS”); (3) stripped mortgage-backed securities (“SMBS”), which are mortgage-backed securities where mortgage payments are divided between paying the loan’s principal and paying the loan’s interest; and (4) collateralized mortgage obligations (“CMOs”) and real estate mortgage investment conduits (“REMICs”), which are mortgage-backed securities that are divided into multiple classes, with each class being entitled to a different share of the principal and interest payments received from the pool of underlying assets.

MBS, variable rate agency¹⁰ MBS, and floating rate non-agency asset-backed¹¹ securities (including floating rate non-agency commercial real estate collateralized loan obligations (“CLOs”)) (“ABS”); (ii) floating rate corporate debt securities, which will be comprised of corporate notes, bonds, debentures, or loans, and 144A securities;¹² (iii) floating rate government sponsored enterprise (“GSEs”) credit risk transfers;¹³ (iv) variable rate

¹⁰ Agency securities for these purposes generally includes securities issued by the following entities: Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), Federal Home Loan Banks (FHLBanks), Federal Home Loan Mortgage Corporation (Freddie Mac), Farm Credit System (FCS) Farm Credit Banks (FCBanks), Student Loan Marketing Association (Sallie Mae), Resolution Funding Corporation (REFCORP), Financing Corporation (FICO), and the FCS Financial Assistance Corporation (FAC). Agency securities can include, but are not limited to, mortgage-backed securities.

¹¹ Asset-backed securities are securities that are backed by a pool of assets. The Fund currently intends to invest in asset-backed securities that are consumer and corporate asset-backed securities.

¹² The Fund may invest in corporate securities, which represent debt obligations of corporate borrowers. Corporate securities may or may not be secured by collateral. The Fund will invest in floating rate corporate securities that have interest rates that reset periodically. The interest rates are based on a percentage above the London Interbank Offered Rate (LIBOR), a U.S. bank’s prime or base rate, the overnight federal funds rate, or another rate. Corporate securities in which the Fund invests may be senior or subordinate obligations of the borrower. The Fund will not invest in senior or junior commercial loans. Senior secured and senior unsecured corporate securities generally rank at the top of a borrower’s capital structure in terms of priority of payment, ahead of any subordinated unsecured debt securities or the borrower’s common equity. The Fund will generally invest in floating rate corporate securities that the Adviser or Sub-Adviser (as applicable) deems to be liquid with readily available prices; notwithstanding the foregoing, the Fund may invest in corporate securities that are deemed illiquid so long as the Fund complies with the 15% limitation on investments of its net assets in illiquid assets described below under “Investment Restrictions.”

¹³ Credit risk transfers are unsecured obligations of GSEs such as Fannie Mae and Freddie Mac that are structured to provide credit protection to the issuer with respect to defaults and other credit events within pools of residential mortgage

preferred stock;¹⁴ (v) floating rate U.S government securities, including floating rate agency debt securities¹⁵; and (vi) ETFs that invest primarily in any or all of the foregoing securities, to the extent permitted by the 1940 Act¹⁶ (any or all of the foregoing securities, excluding variable rate preferred stock and ETFs, are collectively “Variable

loans that collateralize MBS issued and guaranteed by the GSEs. This credit protection is achieved by allowing the GSEs to reduce the outstanding class principal balance of the securities as designated credit events on the loans arise. The GSEs make monthly payments of accrued interest and periodic payments of principal to the holders of the securities.

- ¹⁴ The variable rate preferred stock in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges, or exchanges that are parties to a comprehensive surveillance sharing agreement with the Exchange.
- ¹⁵ U.S. government securities include U.S. Treasury obligations and securities issued or guaranteed by various agencies of the U.S. government, or by various instrumentalities which have been established or sponsored by the U.S. government. U.S. Treasury obligations are backed by the “full faith and credit” of the U.S. government. Securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government.
- ¹⁶ An ETF is an investment company registered under the 1940 Act that holds a portfolio of securities. Many ETFs are designed to track the performance of a securities index, including industry, sector, country and region indexes. ETFs in which the Fund invests will be listed and traded in the U.S. on registered exchanges. The ETFs in which the Fund will invest include Index Fund Shares (as described in Nasdaq Rule 5705), Portfolio Depositary Receipts (as described in Nasdaq Rule 5705), and Managed Fund Shares (as described in Nasdaq Rule 5735). The shares of ETFs in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges, or exchanges that are parties to a comprehensive surveillance sharing agreement with the Exchange. The ETFs in which the Fund will not invest include: (i) “leveraged ETFs” (i.e., ETFs operated in a manner designed to seek a multiple or inverse multiple of the performance of an underlying reference index), and (ii) Index Fund Shares that seek to provide investment results that correspond to the inverse (opposite) of the performance of a specified domestic equity, international or global equity, or fixed income index or a combination thereof by a specified multiple.

Rate Debt Instruments”; Variable Rate Debt Instruments, variable rate preferred stock and ETFs are collectively “Variable Rate Investments”).

At least 80% of the Fund's net assets will be invested in Variable Rate Debt Instruments or variable rate preferred stock that are, at the time of purchase, investment grade, or in ETFs that invest primarily in any or all of the foregoing securities. Under normal market conditions, Variable Rate Debt Instruments or variable rate preferred stock will be investment grade if, at the time of purchase they have a rating in one of the highest four rating categories of at least one nationally recognized statistical ratings organization (“NRSRO”) (e.g., BBB- or higher by Standard & Poor's Ratings Services (“S&P”), and/or Fitch Ratings (“Fitch”), or Baa3 or higher by Moody's Investors Service, Inc. (“Moody’s”)).¹⁷ Unrated securities may be considered investment grade if at the time of purchase, and under normal market conditions, the Adviser or Sub-Adviser (as applicable) determines that such securities are of comparable quality based on a fundamental credit analysis of the unrated security and comparable NRSRO-rated securities. The Fund will not invest more than 20% of its net assets in ABS or non-agency MBS.

Under normal market conditions, the Fund will satisfy the following requirements on a continuous basis measured at the time of purchase: (i) at least 75% of the investments in the portfolio will be in Variable Rate Debt Instruments, with a minimum original principal amount outstanding of \$100 million or more, or in variable rate

¹⁷ For the avoidance of doubt, if a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the highest rating category received from any one NRSRO.

preferred stock;¹⁸ (ii) no Variable Rate Investment (excluding U.S. government securities) will represent more than 30% of the weight of the Variable Rate Debt Instrument component of the Fund's portfolio, and the five most heavily weighted portfolio securities will not in the aggregate account for more than 65% of the weight of the Variable Rate Debt Instrument component of the Fund's portfolio; (iii) the portfolio (excluding securities exempted by Section 3(a)(12) of the Exchange Act) will include a minimum of 13 non-affiliated issuers; and (iv) portfolio securities that in aggregate account for at least 90% of the weight of the portfolio will be either (a) from issuers that are required to file reports pursuant to Sections 13 and 15(d) of the Exchange Act; (b) from issuers that have a worldwide market value of outstanding common equity held by non-affiliates of \$700 million or more; (c) from issuers that have outstanding securities that are notes, bonds, debentures, or evidence of indebtedness having a total remaining principal amount of at least \$1 billion; or (d) exempted securities as defined in Section 3(a)(12) of the Exchange Act.

In selecting Variable Rate Investments, for the Fund,¹⁹ the Adviser or Sub-Adviser (as applicable) will take a strategic approach to sector allocation by using overall sector investment return and risk outlook data. Specifically, the Fund will seek capital

¹⁸ Notwithstanding this limitation, the Fund's investment in variable rate preferred stock shall not be limited to those with a principal amount outstanding of \$100 million or more.

¹⁹ The liquidity of a security, especially in the case of asset-backed and mortgage-backed securities, will be a substantial factor in the Fund's security selection process. Consistent with the discussion below under "Investment Restrictions," the Fund will not purchase any Variable Rate Investments (including asset-backed securities and mortgage-backed securities) that, in the Adviser's opinion, are illiquid if, as a result, more than 15% of the value of the Fund's net assets will be invested in illiquid assets.

appreciation while mitigating excess risk from any one sector by using a strategic distribution of risk across multiple sectors. In addition, the Fund will allocate its investments within each sector in an attempt to improve expected returns based on inflation and growth outlook, as well as relative value across sub-sectors and individual securities.

Under normal market conditions, the Fund will have investment exposure to a wide variety of Variable Rate Investments. During periods of market volatility, however, the Fund may allocate a significant portion of its net assets to floating rate U.S. Treasury debt securities and agency MBS. The Adviser expects that the Fund's portfolio will have average duration²⁰ of one year or less.

Other Investments of the Fund

According to the Registration Statement, under normal market conditions, the Fund will invest primarily in the Variable Rate Investments described above to meet its investment objectives. In addition, the Fund may invest up to 20% of its net assets in Variable Rate Debt Instruments or variable rate preferred stock that are rated below investment grade, and in fixed-rate debt instruments that are rated either investment grade or below investment grade. The Fund may invest in the following fixed-rate debt

²⁰ Duration refers to the average life of a Variable Rate Debt Instrument and serves as a measure of a Variable Rate Debt Instrument's interest rate risk. In general, each year of duration represents an expected 1% change in the value of a security for every parallel 1% change in interest rates. To illustrate, if a portfolio of mortgage-backed securities has an average duration of three years, its value can be expected to fall approximately 3% if interest rates rise by 1%. Conversely, the portfolio's value can be expected to rise approximately 3% if interest rates fall by 1%. As a result, prices of instruments with shorter durations, such as the Variable Rate Debt Instruments in which the Fund invests, are expected to be less sensitive to interest rate changes than instruments with longer durations.

instruments: (i) fixed-rate MBS and ABS (which includes fixed-rate commercial real estate CLOs); (ii) fixed-rate U.S. government and agency securities; (iii) fixed-rate corporate debt securities, which will be comprised of corporate notes, bonds, debentures, or loans, and 144A corporate securities;²¹ (iv) fixed-rate exchange traded preferred stock²²; and (v) ETFs that invest primarily in any or all of the foregoing securities²³ (any or all of the foregoing securities (excluding fixed-rate exchange traded preferred stock, and ETFs that invest primarily in any or all of the foregoing) are collectively, “Fixed Rate Debt Instruments”; Fixed Rate Debt Instruments, fixed-rate exchange traded preferred stock and ETFs that invest primarily in any or all of the foregoing securities are collectively “Fixed Rate Investments”). The Fund will not invest more than 20% of its net assets in ABS or non-agency MBS. Below investment grade securities are commonly referred to as “junk” or “high yield” securities and are considered speculative with respect to the issuer's capacity to pay interest and repay principal.

²¹ The Fund may invest in fixed-rate corporate securities, which represent debt obligations of corporate borrowers. Corporate securities may or may not be secured by collateral. The Fund will generally invest in fixed-rate corporate securities that the Adviser or Sub-Adviser (as applicable) deems to be liquid with readily available prices; notwithstanding the foregoing, the Fund may invest in corporate securities that are deemed illiquid so long as the Fund complies with the 15% limitation on investments of its net assets in illiquid assets described below under “Investment Restrictions.”

²² The fixed rate preferred stock in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges, or that are parties to a comprehensive surveillance sharing agreement with the Exchange.

²³ The shares of ETFs in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges, or that are parties to a comprehensive surveillance sharing agreement with the Exchange.

The Fund may also take a temporary defensive position and hold a portion of its assets in cash and cash equivalents and money market instruments²⁴ if there are inadequate investment opportunities available due to adverse market, economic, political or other conditions, or atypical circumstances such as unusually large cash inflows or redemptions. The Fund may invest in non-exchange listed securities of other investment companies (including money market funds) beyond the limits permitted under the 1940 Act, subject to certain terms and conditions set forth in a Commission exemptive order issued to the Trust pursuant to Section 12(d)(1)(J) of the 1940 Act.²⁵

Investment Restrictions of the Fund

The Fund may not concentrate its investments (i.e., invest more than 25% of the value of its net assets) in securities of issuers in any one industry or group of industries. This restriction will not apply to obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities.²⁶

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A corporate debt

²⁴ For the Fund's purposes, money market instruments will include: short-term, high quality securities issued or guaranteed by non-U.S. governments, agencies, and instrumentalities; non-convertible corporate debt securities with remaining maturities of not more than 397 days that satisfy ratings requirements under Rule 2a-7 of the 1940 Act; money market mutual funds; and deposits and other obligations of U.S. and non-U.S. banks and financial institutions.

²⁵ See Investment Company Act Release No. 30238 (October 23, 2012) (File No. 812-13820).

²⁶ See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one industry. See, e.g., Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

securities deemed illiquid by the Adviser.²⁷ The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid securities or other illiquid assets. Illiquid securities and other illiquid assets include those subject to contractual or other restrictions on resale and other instruments or assets that lack readily available markets as determined in accordance with Commission staff guidance.²⁸ The Fund will not invest in futures, options, forwards, swaps or other derivatives.

The Fund intends to qualify for and to elect to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code.²⁹

²⁷ In reaching liquidity decisions, the Adviser may consider the following factors: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace in which it trades (e.g., the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer).

²⁸ Long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), FN 34. See also Investment Company Act Release Nos. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); and 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release Nos. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); and 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

²⁹ 26 U.S.C. 851.

The Fund's investments will be consistent with the Fund's investment objectives. Additionally, the Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective. The Fund does not presently intend to engage in any form of borrowing for investment purposes, and will not be operated as a "leveraged ETF," i.e., it will not be operated in a manner designed to seek a multiple or inverse multiple of the performance of an underlying reference index.

Net Asset Value

The Fund's administrator will calculate the Fund's net asset value ("NAV") per Share as of the close of regular trading (normally 4:00 p.m., Eastern time ("E.T.)) on each day the New York Stock Exchange ("NYSE") is open for business (a "Business Day"). NAV per Share will be calculated for the Fund by taking the value of the Fund's total assets, including interest or dividends accrued but not yet collected, less all liabilities, and dividing such amount by the total number of Shares outstanding. The result, rounded to the nearest cent, will be the NAV per Share (although creations and redemptions will be processed using a price denominated to the fifth decimal point, meaning that rounding to the nearest cent may result in different prices in certain circumstances).

A market valuation generally means a valuation (i) obtained from an exchange, an independent pricing service ("Pricing Service"), or a major market maker (or dealer) or (ii) based on a price quotation or other equivalent indication of value supplied by an exchange, a Pricing Service, or a major market maker (or dealer).

Securities listed or traded on an exchange generally are valued at the last sales price or official closing price that day as of the close of the exchange where the security

is primarily traded. However, certain securities, including some Variable Rate Debt Instruments (and Fixed Rate Debt Instruments, to the extent applicable), in which the Fund may invest will not be listed on any securities exchange or board of trade. Such securities will typically be bought and sold by institutional investors in individually negotiated private transactions that function in many respects like an over-the-counter secondary market, although typically no formal market makers will exist. Certain securities, particularly debt securities, will have few or no trades, or trade infrequently, and information regarding a specific security may not be widely available or may be incomplete. Accordingly, determinations of the fair value of debt securities may be based on infrequent and dated information. Because there is less reliable, objective data available, elements of judgment may play a greater role in valuation of debt securities than for other types of securities.

Typically, Variable Rate Debt Instruments, Fixed Rate Debt Instruments and other debt securities in which the Fund may invest (other than those specifically described below) will be valued using information provided by a Pricing Service. Debt securities having a remaining maturity of 60 days or less when purchased will be valued at cost adjusted for amortization of premiums and accretion of discounts, provided the Adviser has determined that the use of amortized cost is an appropriate reflection of fair value given market and issuer-specific conditions existing at the time of the determination.

ABS and MBS will generally be valued by using a Pricing Service. If a Pricing Service does not cover a particular asset-backed or mortgage-backed security, or discontinues covering a particular asset-backed or mortgage-backed security, the security

will be priced using broker quotes generally provided by brokers that make or participate in markets in the security. To derive values, Pricing Services and broker-dealers may use matrix pricing and valuation models, as well as recent market transactions for the same or similar assets. As it deems appropriate, the Adviser may determine that a Pricing Service price does not represent an accurate value of an ABS or MBS, based on broker quotes it receives, a recent trade in the security by the Fund, information from a portfolio manager, or other market information. In the event that the Adviser determines that the Pricing Service price is unreliable or inaccurate based on such other information, broker quotes may be used. Additionally, if the Adviser determines that the price of an asset-backed or mortgage-backed security obtained from a Pricing Service and available broker quotes is unreliable or inaccurate due to market conditions or other reasons, or if a Pricing Service price or broker quote is unavailable, the security will be valued using fair value pricing, as described below.

Shares of open-end registered investment companies (i.e., money market mutual funds) will be valued at net asset value; shares of preferred stock and ETFs will be valued at the last sale price or official closing price on the exchange on which they primarily trade. Deposits, other obligations of U.S. and non-U.S. banks and financial institutions, and cash equivalents will be valued at their daily account value.

Certain securities, including Variable Rate Debt Instruments and Fixed Rate Debt Instruments, in which the Fund will invest will not be able to be priced by pre-established pricing methods. Such securities may be valued by the Board of Trustees of the Trust (“Board”) or its delegate at fair value. The use of fair value pricing by the Fund will be governed by the valuation policies and procedures and conducted in accordance with the

provisions of the 1940 Act. Valuing the Fund's securities using fair value pricing will result in using prices for those securities that may differ from current market valuations or official closing prices on the applicable exchange. All valuations will be subject to review by the Trust's Board or its delegate.

Creation and Redemption of Shares

The Trust will issue Shares of the Fund at NAV only with authorized participants ("APs") and only in aggregations of 50,000 shares (each aggregation is called a "Creation Unit") or multiples thereof, on a continuous basis through the Distributor, without a sales load, at the NAV next determined after receipt, on any Business Day, of an order in proper form.

The consideration an AP must provide for purchase of Creation Units of the Fund may consist of (i) cash in lieu of all or a portion of the Deposit Securities, as defined below, in an amount calculated based on the NAV per Share, multiplied by the number of Shares representing a Creation Unit ("Deposit Cash"), plus certain transaction fees; or (ii) an "in-kind" deposit of a designated portfolio of securities determined by the Adviser that generally will conform to the holdings of the Fund consistent with its investment objective (the "Deposit Securities") per each Creation Unit and generally an amount of cash (the "Cash Component") computed as described below. Together, the Deposit Securities and the Cash Component (including the cash in lieu amount) will constitute the "Fund Deposit," which will represent the minimum initial and subsequent investment amount for a Creation Unit of the Fund.

The Cash Component is sometimes also referred to as the Balancing Amount. The Cash Component will serve the function of compensating for any differences

between the NAV per Creation Unit and the Deposit Amount (as defined below). For example, for a creation the Cash Component will be an amount equal to the difference between the NAV of Fund Shares (per Creation Unit) and the “Deposit Amount” – an amount equal to the market value of the Deposit Securities and/or cash in lieu of all or a portion of the Deposit Securities. If the Cash Component is a positive number (i.e., the NAV per Creation Unit exceeds the Deposit Amount), the AP will deliver the Cash Component. If the Cash Component is a negative number (i.e., the NAV per Creation Unit is less than the Deposit Amount), the AP will receive the Cash Component. Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the Custodian and only on a Business Day. The Fund will not redeem Shares in amounts less than a Creation Unit. APs must accumulate enough Shares in the secondary market to constitute a Creation Unit in order to have such Shares redeemed by the Trust. The redemption proceeds for a Creation Unit generally consist of (i) cash, in lieu of all or a portion of the Fund Securities as defined below, in an amount calculated based on the NAV per Share, multiplied by the number of Shares representing a Creation Unit, less any redemption transaction fees; or (ii) a designated portfolio of securities determined by the Adviser that generally will conform to the holdings of the Fund consistent with its investment objective per each Creation Unit (“Fund Securities”) – as announced on the Business Day of the request for redemption received in proper form – plus or minus cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Fund Securities, less any redemption transaction fees. In the event that the Fund Securities

have a value greater than the NAV of the Shares, a compensating Cash Component payment equal to the difference is required to be made by or through an AP by the redeeming shareholder.

Creation Units of the Fund generally will be sold partially in cash and partially in-kind plus a fixed and/or variable transaction fee.

To the extent that the Fund permits Creation Units to be issued principally or partially in-kind, the Custodian, through the National Securities Clearing Corporation (“NSCC”), will make available on each Business Day, prior to the opening of business of the NYSE (currently, 9:30 a.m., E.T.), the list of the names and the quantity of each Deposit Security to be included in the current Fund Deposit (based on information at the end of the previous Business Day), plus any estimated Cash Component, for the Fund. Such Fund Deposit will be applicable, subject to any adjustments as described below, to effect creations of Creation Units of the Fund until such time as the next-announced composition of the Deposit Securities is made available. Information on the specific names and holdings in a Fund Deposit also will be available at www.pstrader.net.

To the extent that the Fund permits Creation Units to be redeemed in-kind, the Custodian, through the NSCC, will make available on each Business Day, prior to the opening of business of NYSE (currently, 9:30 a.m., E.T.), the identity of the Fund Securities that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day. Fund Securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Units.

When applicable, during times that the Fund permits in-kind creations, the identity and quantity of the Deposit Securities required for a Fund Deposit for the Shares may change as rebalancing adjustments and corporate action events occur and are reflected within the Fund from time to time by the Adviser, consistent with the investment objective of the Fund.

To be eligible to place orders with respect to creations and redemptions of Creation Units, an entity must be (i) a “Participating Party,” i.e., a broker-dealer or other participant in the clearing process through the continuous net settlement system of the NSCC or (ii) a Depository Trust Company (“DTC”) Participant (a “DTC Participant”). In addition, each Participating Party or DTC Participant (each, an AP) must execute an agreement that has been agreed to by the Distributor and the Custodian with respect to purchases and redemptions of Creation Units.

All orders to create Creation Units must be received by the transfer agent no later than the closing time of the regular trading session on the NYSE (ordinarily, 4:00 p.m., E.T.) in each case on the date such order is placed in order for creations of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form.

In order to redeem Creation Units of the Fund, an AP must submit an order to redeem for one or more Creation Units. All such orders must be received by the Fund’s transfer agent in proper form no later than the close of regular trading on the NYSE (ordinarily, 4:00 p.m. E.T.) in order to receive that day’s closing NAV per Share.

Availability of Information

The Fund's website (www.invescopowershares.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The Fund's website will include the ticker symbol for the Shares, CUSIP and exchange information, along with additional quantitative information updated on a daily basis, including, for the Fund: (1) daily trading volume, the prior Business Day's reported NAV, closing price and mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),³⁰ and a calculation of the premium and discount of the Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for the most recently completed calendar year and each of the four most recently completed calendar quarters since that year (or the life of the Fund if shorter). On each Business Day, before commencement of trading in Shares in the Regular Market Session³¹ on the Exchange, the Fund will disclose on its website the identities and quantities of the portfolio of securities and other assets (the "Disclosed Portfolio" as such term is defined in Nasdaq Rule 5735(c)(2)) held by the Fund that will form the basis for the Fund's calculation of NAV at the end of the

³⁰ The Bid/Ask Price of the Fund will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund and its service providers.

³¹ See Nasdaq Rule 4120(b)(4) (describing the three trading sessions on the Exchange: (1) Pre-Market Session from 4 a.m. to 9:30 a.m. E.T.; (2) Regular Market Session from 9:30 a.m. to 4 p.m. or 4:15 p.m. E.T.; and (3) Post-Market Session from 4 p.m. or 4:15 p.m. to 8 p.m. E.T.).

Business Day.³² In addition to disclosing the identities and quantities of the portfolio of securities and other assets in the Disclosed Portfolio, the Fund also will disclose on a daily basis on its website the following information, as applicable to the type of holding: ticker symbol, if any, CUSIP number or other identifier, if any; a description of the holding (including the type of holding), quantity held (as measured by, for example, par value, number of shares or units); maturity date, if any; coupon rate, if any; market value of the holding; and percentage weighting of the holding in the Fund's portfolio. The website and information will be publicly available at no charge.

In addition, to the extent the Fund permits full or partial creations in-kind, a basket composition file, which will include the security names and share quantities (and/or other assets, as may be applicable) to deliver (along with requisite cash in lieu) in exchange for Shares, together with estimates and actual Cash Components, will be publicly disseminated daily prior to the opening of the Exchange via the NSCC and at www.pstrader.net. The basket will represent the securities (and/or other assets, as may be applicable) component of the Shares of the Fund, and when added to the Cash Components will equal a Creation Unit.

In addition, for the Fund, an estimated value, defined in Rule 5735(c)(3) as the “Intraday Indicative Value,” that reflects an estimated intraday value of the Fund’s

³² Under accounting procedures to be followed by the Fund, trades made on the prior Business Day (“T”) will be booked and reflected in NAV on the current Business Day (“T+1”). Notwithstanding the foregoing, portfolio trades that are executed prior to the opening of the Exchange on any Business Day may be booked and reflected in NAV on such Business Day. Accordingly, the Fund will be able to disclose at the beginning of the Business Day the portfolio that will form the basis for the NAV calculation at the end of the Business Day.

portfolio, will be disseminated. Moreover, the Intraday Indicative Value, available on the NASDAQ OMX Information LLC proprietary index data service³³ will be based upon the current value for the components of the Disclosed Portfolio and will be updated and widely disseminated by one or more major market data vendors and broadly displayed at least every 15 seconds during the Regular Market Session.

The dissemination of the Intraday Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of the Fund on a daily basis and will provide a close estimate of that value throughout the trading day.

Intraday executable price quotations, as well as closing price information, on exchange listed securities, Variable Rate Debt Instruments, Fixed Rate Debt Instruments and other assets not traded on an exchange will be available from major broker-dealer firms or market data vendors or from the exchange on which they are traded, as applicable, as well as from automated quotation systems, published or other public sources, or online information services. Additionally, the Trade Reporting and Compliance Engine (“TRACE”) of the Financial Industry Regulatory Authority (“FINRA”) will be a source of price information for corporate bonds, privately-issued securities, MBS and ABS to the extent transactions in such securities are reported to

³³ Currently, the NASDAQ OMX Global Index Data Service (“GIDS”) is the NASDAQ OMX global index data feed service, offering real-time updates, daily summary messages, and access to widely followed indexes and Intraday Indicative Values for ETFs. GIDS provides investment professionals with the daily information needed to track or trade NASDAQ OMX indexes, listed ETFs, or third-party partner indexes and ETFs.

TRACE.³⁴ Intraday and closing price information related to U.S. government securities, money market mutual funds, and other short-term investments held by the Fund also will be available through subscription services, such as Bloomberg, Markit and Thomson Reuters, which can be accessed by APs and other investors.

Investors also will be able to obtain the Fund's Statement of Additional Information ("SAI"), the Fund's Shareholder Reports, and its Trust's Form N-CSR and Form N-SAR, each of which is filed twice a year, except the SAI, which is filed at least annually. The Fund's SAI and Shareholder Reports will be available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at www.sec.gov. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available via Nasdaq proprietary quote and trade services, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans for the Shares. Quotation and last sale information for any exchange-traded instruments (including preferred stocks and ETFs) also will be available via the quote and trade service of their respective primary

³⁴ Broker-dealers that are FINRA member firms have an obligation to report transactions in specified debt securities to TRACE to the extent required under applicable FINRA rules. Generally, such debt securities will have at issuance a maturity that exceeds one calendar year.

exchanges, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans.

Additional information regarding the Fund and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions and taxes, will be included in the Registration Statement.

Initial and Continued Listing of the Fund's Shares

The Shares will conform to the initial and continued listing criteria applicable to Managed Fund Shares, as set forth under Rule 5735. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3³⁵ under the Exchange Act. A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

Trading Halts of the Fund's Shares

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund. Nasdaq will halt trading in the Shares under the conditions specified in Nasdaq Rules 4120 and 4121, including the trading pauses under Nasdaq Rules 4120(a)(11) and (12). Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments constituting the

³⁵ See 17 CFR 240.10A-3.

Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 5735(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted.

Trading Rules

Nasdaq deems the Shares to be equity securities, thus rendering trading in the Shares subject to Nasdaq's existing rules governing the trading of equity securities. Nasdaq will allow trading in the Shares from 4:00 a.m. until 8:00 p.m. E.T. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in Nasdaq Rule 5735(b)(3), the minimum price variation for quoting and entry of orders in Managed Fund Shares traded on the Exchange is \$0.01.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by both Nasdaq and FINRA, on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.³⁶ The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and

³⁶ FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and other exchange-traded securities (including ETFs and preferred stock) and instruments held by the Fund with other markets and other entities that are members of the ISG,³⁷ and FINRA may obtain trading information regarding trading in the Shares and other exchange-traded securities (including ETFs and preferred stock) and instruments held by the Fund from such markets and other entities. Moreover, FINRA, on behalf of the Exchange, will be able to access, as needed, trade information for certain Variable Rate Debt Instruments, Fixed Rate Debt Instruments, and other debt securities held by the Fund reported to FINRA's TRACE.

In addition, the Exchange may obtain information regarding trading in the Shares and other exchange-traded securities (including ETFs and preferred stock) and instruments held by the Fund from markets and other entities that are members of ISG, which includes securities exchanges, or with which the Exchange has in place a comprehensive surveillance sharing agreement.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

³⁷ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) Nasdaq Rule 2111A, which imposes suitability obligations on Nasdaq members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value and the Disclosed Portfolio is disseminated; (4) the risks involved in trading the Shares during the Pre-Market and Post-Market Sessions when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (5) the requirement that members purchasing Shares from the Fund for resale to investors deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from the Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Exchange Act.

Additionally, the Information Circular will reference that the Fund is subject to various fees and expenses. The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the

Exchange Act. The Information Circular will also disclose the trading hours of the Shares of the Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Fund will be publicly available on the Fund's website.

All statements and representations made in this filing regarding (a) the description of the portfolio, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange. In addition, the issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under the Nasdaq 5800 Series.

2. Statutory Basis

Nasdaq believes that the proposal is consistent with Section 6(b) of the Exchange Act in general, and Section 6(b)(5)³⁸ of the Exchange Act in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

³⁸ 15 U.S.C. 78(f)(b)(5).

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in Nasdaq Rule 5735. The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by both Nasdaq and FINRA, on behalf of the Exchange, which are designed to deter and detect violations of Exchange rules and applicable federal securities laws and are adequate to properly monitor trading in the Shares in all trading sessions. The Adviser and the Sub-Adviser are affiliated with a broker-dealer and have implemented, and will maintain, a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the Fund's portfolio. In addition, paragraph (g) of Nasdaq Rule 5735 further requires that personnel who make decisions on an open-end fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the open-end fund's portfolio.

FINRA may obtain information via ISG from other exchanges that are members of ISG. In addition, the Exchange may obtain information regarding trading in the Shares and other exchange-traded securities (including ETFs and preferred stock) and instruments held by the Fund from markets and other entities that are members of ISG, which includes securities exchanges, or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Fund will limit its investments in illiquid securities or other illiquid assets to an aggregate amount of 15% of its net assets (calculated at the time of investment). The Fund also may invest directly in ETFs. The Fund will not invest in: (i) "leveraged ETFs" (i.e., ETFs operated in a manner designed to

seek a multiple or inverse multiple of the performance of an underlying reference index), and (ii) Index Fund Shares that seek to provide investment results that correspond to the inverse (opposite) of the performance of a specified domestic equity, international or global equity, or fixed income index or a combination thereof by a specified multiple.

Additionally, the Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective. The Fund does not presently intend to engage in any form of borrowing for investment purposes, and will not be operated as a “leveraged ETF,” i.e., it will not be operated in a manner designed to seek a multiple or inverse multiple of the performance of an underlying reference index. The Fund will not invest in futures, options, forwards, swaps or other derivatives.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily every day that the Fund is traded, and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information will be publicly available regarding the Fund and the Shares, thereby promoting market transparency.

Moreover, the Intraday Indicative Value, available on the NASDAQ OMX Information LLC proprietary index data service, will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Regular Market Session. On each Business Day, before commencement of trading in Shares in the Regular Market Session on the Exchange, the Fund will disclose on its website the Disclosed Portfolio of the Fund that will form the basis for the Fund’s calculation of

NAV at the end of the Business Day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last-sale information for the Shares will be available via Nasdaq proprietary quote and trade services, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans for the Shares. Quotation and last sale information for any exchange-traded instruments (including preferred stocks and ETFs) also will be available via the quote and trade service of their respective primary exchanges, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans. Intraday executable price quotation, as well as closing price information, on exchange listed securities, Variable Rate Debt Instruments, Fixed Rate Debt Instruments and other assets not traded on an exchange will be available from major broker-dealer firms or market data vendors or from the exchange on which they are traded, as well as from automated quotation systems, published or other public sources, or online information services. Additionally, FINRA's TRACE will be a source of price information for corporate bonds, privately-issued securities, MBS and ABS to the extent transactions in such securities are reported to TRACE. Intraday and closing price information related to U.S. government securities, money market mutual funds, and other short-term investments held by the Fund also will be available through subscription services, such as Bloomberg, Markit and Thomson Reuters, which can be accessed by APs and other investors.

The Fund's website will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Moreover,

prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Trading in Shares of the Fund will be halted under the conditions specified in Nasdaq Rules 4120 and 4121 or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to Nasdaq Rule 5735(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace.

For the above reasons, Nasdaq believes the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Exchange Act.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Exchange believes that the proposed rule change will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2016-056 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-NASDAQ-2016-056. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website <http://www.sec.gov/rules/sro.shtml>.

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of Nasdaq. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2016-056 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁹

Robert W. Errett
Deputy Secretary

³⁹ 17 CFR 200.30-3(a)(12).