

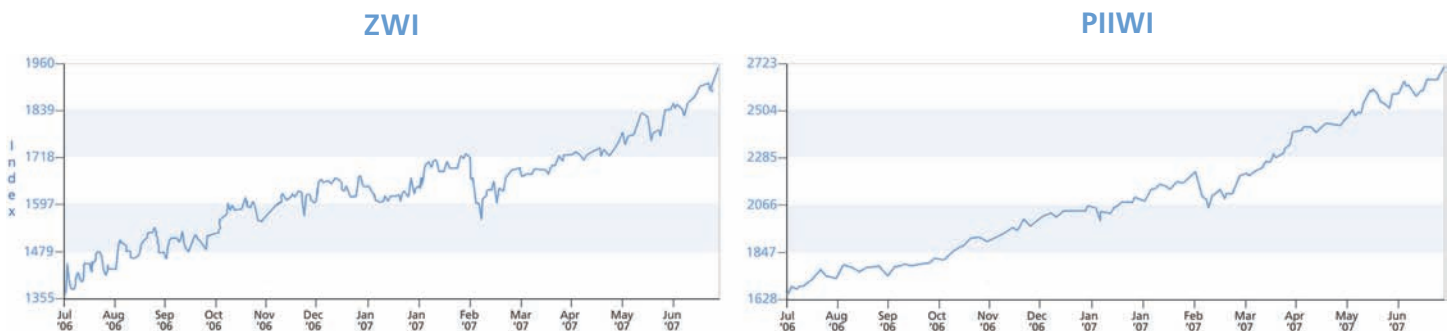
Palisades Water Index Palisades Global Water Index

Q2 2007

Ticker symbol
AMEX: ZWI
AMEX: PIIWI

12 Months Index Value

source: American Stock Exchange



Summary

The Palisades Water Index (ZWI) gained 11.73% in the period April 1 to June 30, 2007 while the Palisades Global Water Index (PIIWI) rose 17.01%. The performance of both water indexes compares favorably to the 5.81% gain in the S&P 500 and the Nasdaq which posted a similar 5.75%

increase for the quarter. The outperformance by ZWI is a reflection of the strength in earnings momentum of the water industry relative to other U.S. market sectors and the growing visibility of the contribution of global water revenues to profitability. The strong gain in PIIWI results from the compelling fundamentals of the global water sector and the associated international exposure from foreign small- and mid-cap stocks. The global exposure is optimized through the superior index design methodology of PIIWI. The PowerShares Global Water Portfolio (AMEX: PIO), which tracks the Palisades Global Water Index, began trading on June 13, 2007.

Trailing Returns

	YTD	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years
ZWI	14.02%	3.17%	11.73%	14.02%	26.57%	74.74%	122.54%
PIIWI	26.31%	1.15%	17.01%	26.31%	47.01%	134.34%	231.94%
S&P 500	6.00%	-1.78%	5.81%	6.00%	18.36%	18.36%	51.88%
Nasdaq	7.78%	-0.05%	5.75%	7.78%	19.85%	19.85%	77.91%

Q2 2007 Best and Worst Component Performance

ZWI

Top 5 Companies	Symbol	% Change	Bottom 5 Companies	Symbol	% Change
Calgon Carbon	CCC	+39.59%	SJW Corp	SJW	-17.74%
Lindsay Manufacturing	LNN	+39.32%	Southwest Water	SWWC	-11.44%
Ameron International	AMN	+36.94%	American States	AWR	-3.53%
Siemens AG	SI	+33.45%	Ashland Inc	ASH	-2.52%
Sabesp	SBS	+30.45%	California Water Service	CWT	-2.17%

PIIWI

Top 5 Companies	Symbol	% Change	Bottom 5 Companies	Symbol	% Change
Shanghai Municipal	/600649.SH	+78.36%	Fomento de Construcciones	FCC.MC	-11.80%
GL&V	GLVa.TO	+49.15%	Techem AG	TNHG.DE	-4.99%
Doosan Heavy Industries	/034020.KS	+48.55%	Ebara Corp.	6361.T	-3.05%
Organo Corp	/6368.T	+42.00%	Severn Trent PLC	SVT.L	-1.52%
Siemens AG	SIEGn.DE	+35.02%	Watts Water	WTS	-1.47%

Comments

With respect to the Palisades Water Index (ZWI), positive performance was related to broad-based component performance as opposed to a clear sector-specific trend. All five top performers (see Table) achieved greater than 30% gains and, notably, two of these were foreign companies with a U.S. stock exchange listing (Siemens AG and Sabesp). Beyond the top performers in

ZWI, the gains were well distributed among all sectors with the exception of Utilities. Subsector gains were apparent in irrigation, pipes, and water treatment technology. The pump segment recorded positive performance but somewhat less than the other subsectors. The same relative weakness occurred in the engineering and consulting subsector after strong gains in the previous quarter. On the downside there

was a sector trend, with Utilities clearly the worst performers over the period. The anticipation of this trend contributed to the strong performance of ZWI as the fundamental weight of the Utility sector has systematically been reduced from 21% at the beginning of the year to 15% currently. The fundamental weighting of the Resource Management, Analytical, and Multi-Business sectors increased accordingly.

Top Ten Components as of June 27, 2007

ZWI Components

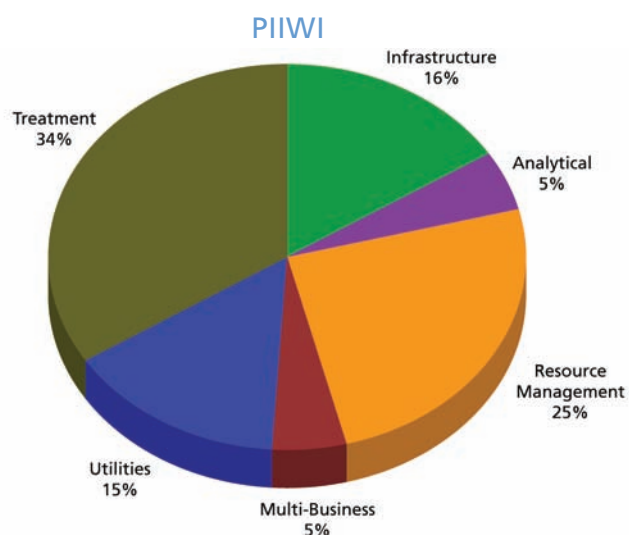
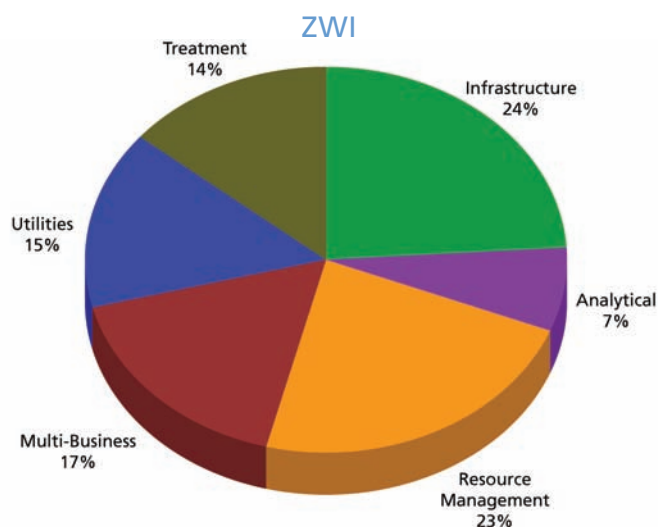
Company Name	Symbol	% Weighting
Lindsay Manufacturing	LNN	4.65%
Valmont Industries	VMI	4.48%
Tetra Tech	TTEK	4.13%
Itron	ITRI	3.99%
URS Corp	URS	3.71%
Veolia Environnement	VE	3.54%
Mueller Water Products	MWA	3.43%
Badger Meter	BMI	3.41%
Calgon Carbon	CCC	3.12%
Gorman-Rupp	GRC	3.10%

PIIWI Components

Company Name	Symbol	% Weighting
Itron	ITRI	3.65%
ARCADIS N.V.	ARDA.AS	3.63%
Veolia Environnement	VIE.PA	3.62%
Techem AG	TNHG.DE	3.58%
Stantec Inc.	STN.TO	3.58%
Valmont Industries	VMI	3.58%
Tetra Tech	TTEK	3.53%
Kemira Oyi	KRA1V.HE	3.52%
Hyflux Ltd.	HYFL.SI	3.48%
GL&V	GLVa.TO	3.43%

Sector Weights

as of June 27, 2007



At present, the global situation is a mix of rapidly growing and weakening economies. The slowing countries of Japan and the U.S., for example remain in contrast to the BRIC countries. Despite GDP improvement, the underlying conditions of the U.S. economy have worsened, increasing the probability of recessionary conditions (the housing impact on Badger Meter and Watts Water demonstrates the impact). At the same time, the corresponding shift in interest to the contribution from foreign

revenues has driven the large-caps, and hence the DJIA, higher. Relative to ZWI, this is evidenced by the significant contribution of the Multi-Business sector. Intuitively, this would support an asset reallocation from domestic to foreign stocks.

The Palisades Global Water Index (PIIWI) benefited substantially by the index design, industry-specific knowledge relative to component inclusion and sector weights based on fundamentals. The weakness in the U.S. cannot help but be felt worldwide. But

the exportation of weakness in domestic demand is not likely to be highly correlated with expenditures related to the globalization of the water industry which seem driven by the asset-based momentum associated with capital flows into water infrastructure. PIIWI is well-positioned to benefit from the international water condition and, in particular, high growth areas such as desalination, large infrastructure projects, resource management and conventional treatment

Contacts

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