

PowerShares DB Multi-Sector Commodity Trust
Form 10-Q
November 02, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-33238

POWERSHARES DB AGRICULTURE FUND

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(A Series of PowerShares DB Multi-Sector Commodity Trust)

(Exact name of Registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	87-0778078 (I.R.S. Employer Identification No.)
c/o DB Commodity Services LLC 60 Wall Street New York, New York (Address of Principal Executive Offices)	10005 (Zip Code)

Registrant's telephone number, including area code: (212) 250-5883

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, an Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of outstanding Shares as of September 30, 2012: 65,000,000 Shares.

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POWERSHARES DB AGRICULTURE FUND

(A SERIES OF POWERSHARES DB MULTI-SECTOR COMMODITY TRUST)

QUARTER ENDED SEPTEMBER 30, 2012

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.***PowerShares DB Agriculture Fund**Statements of Financial Condition**September 30, 2012 (unaudited) and December 31, 2011*

	September 30, 2012	December 31, 2011
Assets		
Equity in broker trading accounts:		
United States Treasury Obligations, at fair value (cost \$1,629,756,268 and \$1,959,877,867 respectively)	\$ 1,629,797,437	\$ 1,959,875,160
Cash held by broker	114,201,676	210,907,413
Net unrealized appreciation (depreciation) on futures contracts	175,469,983	(135,420,844)
Deposits with broker	1,919,469,096	2,035,361,729
Receivable for securities sold		11,999,926
Total assets	\$ 1,919,469,096	\$ 2,047,361,655
Liabilities		
Payable for shares redeemed	\$	\$ 11,525,820
Management fee payable	2,891,036	1,523,526
Brokerage fee payable	70	3,761
Total liabilities	2,891,106	13,053,107
Commitments and Contingencies (Note 9)		
Equity		
Shareholders' equity		
General shares:		
Paid in capital 40 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively	1,000	1,000
Accumulated earnings (deficit)	180	152
Total General shares	1,180	1,152
Shares:		
Paid in capital 65,000,000 and 70,600,000 redeemable Shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively	2,129,667,932	2,280,227,892
Accumulated earnings (deficit)	(213,091,122)	(245,920,496)
Total Shares	1,916,576,810	2,034,307,396

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Total shareholders' equity	1,916,577,990	2,034,308,548
Total liabilities and equity	\$ 1,919,469,096	\$ 2,047,361,655
Net asset value per share		
General shares	\$ 29.50	\$ 28.80
Shares	\$ 29.49	\$ 28.81

See accompanying notes to unaudited financial statements.

Table of Contents*PowerShares DB Agriculture Fund**Unaudited Schedule of Investments**September 30, 2012*

Description	Percentage of Net Assets	Fair Value	Face Value
United States Treasury Obligations			
U.S. Treasury Bills, 0.105% due October 4, 2012	23.79%	\$ 455,998,176	\$ 456,000,000
U.S. Treasury Bills, 0.09% due October 11, 2012	2.24	42,999,441	43,000,000
U.S. Treasury Bills, 0.08% due October 18, 2012	2.08	39,898,803	39,900,000
U.S. Treasury Bills, 0.055% due October 25, 2012	11.84	226,991,601	227,000,000
U.S. Treasury Bills, 0.1% due November 1, 2012	14.82	283,986,652	284,000,000
U.S. Treasury Bills, 0.1% due November 8, 2012	2.77	52,996,078	53,000,000
U.S. Treasury Bills, 0.11% due November 15, 2012	1.93	36,996,781	37,000,000
U.S. Treasury Bills, 0.105% due November 23, 2012	6.52	124,986,625	125,000,000
U.S. Treasury Bills, 0.105% due November 29, 2012	0.11	1,999,804	2,000,000
U.S. Treasury Bills, 0.1% due December 6, 2012	11.69	223,969,312	224,000,000
U.S. Treasury Bills, 0.1% due December 13, 2012	3.18	60,990,118	61,000,000
U.S. Treasury Bills, 0.105% due December 20, 2012	1.67	31,994,304	32,000,000
U.S. Treasury Bills, 0.11% due December 27, 2012	2.40	45,989,742	46,000,000
Total United States Treasury Obligations (cost \$1,629,756,268)	85.04%	\$ 1,629,797,437	

A portion of the above United States Treasury Obligations are held as initial margin against open futures contracts, as described in Note 4(e).

Description	Percentage of Net Assets	Fair Value
Unrealized Appreciation/(Depreciation) on Futures Contracts		
Cocoa (8,059 contracts, settlement date December 13, 2012)	0.37%	\$ 7,009,240
Coffee (2,395 contracts, settlement date December 18, 2012)	(0.09)	(1,801,800)
Corn (8,094 contracts, settlement date December 14, 2012)	3.11	59,486,750
Cotton (1,143 contracts, settlement date December 6, 2012)	0.06	1,149,025
Feeder Cattle (1,031 contracts, settlement date November 15, 2012)	(0.10)	(1,869,388)
Lean Hogs (4,099 contracts, settlement date December 14, 2012)	0.07	1,360,660
Lean Hogs (582 contracts, settlement date February 14, 2013)	0.03	646,880
Live Cattle (4,501 contracts, settlement date December 31, 2012)	(0.44)	(8,378,040)
Soybeans (3,460 contracts, settlement date November 14, 2012)	3.37	64,635,888
Soybeans (603 contracts, settlement date January 14, 2013)	0.66	12,540,488
Sugar (8,414 contracts, settlement date June 28, 2013)	(0.24)	(4,510,632)
Wheat (265 contracts, settlement date December 14, 2012)	0.11	1,980,700
Wheat (2,778 contracts, settlement date July 12, 2013)	1.05	20,185,188
Wheat KCB (2,928 contracts, settlement date July 12, 2013)	1.20	23,035,024
Net Unrealized Appreciation on Futures Contracts	9.16%	\$ 175,469,983

Net unrealized appreciation is comprised of unrealized gains of \$195,074,334 and unrealized losses of \$19,604,351.

See accompanying notes to unaudited financial statements.

Table of Contents**PowerShares DB Agriculture Fund****Schedule of Investments****December 31, 2011**

Description	Percentage of Net Assets	Fair Value	Face Value
United States Treasury Obligations			
U.S. Treasury Bills, 0.015% due January 5, 2012	27.48%	\$ 558,999,441	\$ 559,000,000
U.S. Treasury Bills, 0.01% due January 12, 2012	2.66	53,999,838	54,000,000
U.S. Treasury Bills, 0.025% due January 19, 2012	0.19	3,899,981	3,900,000
U.S. Treasury Bills, 0.015% due January 26, 2012	13.91	282,998,019	283,000,000
U.S. Treasury Bills, 0.01% due February 2, 2012	18.78	381,996,562	382,000,000
U.S. Treasury Bills, 0.01% due February 16, 2012	2.70	54,999,340	55,000,000
U.S. Treasury Bills, 0.015% due February 23, 2012	7.47	151,997,264	152,000,000
U.S. Treasury Bills, 0.03% due March 1, 2012	6.29	127,996,800	128,000,000
U.S. Treasury Bills, 0.005% due March 8, 2012	7.23	146,995,296	147,000,000
U.S. Treasury Bills, 0.01% due March 15, 2012	5.41	109,996,150	110,000,000
U.S. Treasury Bills, 0.005% due March 22, 2012	0.44	8,999,703	9,000,000
U.S. Treasury Bills, 0.025% due March 29, 2012	3.78	76,996,766	77,000,000
Total United States Treasury Obligations (cost \$1,959,877,867)	96.34%	\$ 1,959,875,160	

A portion of the above United States Treasury Obligations are held as initial margin against open futures contracts, as described in Note 4(e).

Description	Percentage of Net Assets	Fair Value
Unrealized Appreciation/(Depreciation) on Futures Contracts		
Cocoa (8,925 contracts, settlement date March 15, 2012)	(2.69)%	\$ (54,648,710)
Coffee (2,748 contracts, settlement date March 20, 2012)	(0.30)	(6,185,325)
Corn (2,176 contracts, settlement date March 14, 2012)	0.18	3,723,150
Corn (6,394 contracts, settlement date December 14, 2012)	(0.40)	(8,096,413)
Cotton (1,229 contracts, settlement date March 08, 2012)	(0.18)	(3,609,715)
Feeder Cattle (1,217 contracts, settlement date March 29, 2012)	0.09	1,797,275
Lean Hogs (4,099 contracts, settlement date February 14, 2012)	(0.40)	(8,197,500)
Lean Hogs (1,010 contracts, settlement date April 16, 2012)	(0.08)	(1,585,680)
Live Cattle (5,399 contracts, settlement date February 29, 2012)	(0.34)	(6,946,470)
Live Cattle (10 contracts, settlement date April 30, 2012)	0.00	(11,800)
Red Wheat (1,425 contracts, settlement date July 13, 2012)	(0.04)	(853,225)
Red Wheat (37 contracts, settlement date December 14, 2012)	0.00	5,613
Soybeans (3,079 contracts, settlement date November 14, 2012)	0.16	3,234,838
Soybeans (1,325 contracts, settlement date January 14, 2013)	0.16	3,211,075
Sugar (9,767 contracts, settlement date June 29, 2012)	(0.50)	(10,109,557)
Wheat (1,551 contracts, settlement date July 13, 2012)	(0.83)	(16,807,900)
Wheat (465 contracts, settlement date December 14, 2012)	(0.03)	(698,525)
Wheat KCB (3,524 contracts, settlement date July 13, 2012)	(1.46)	(29,641,975)
Net Unrealized Depreciation on Futures Contracts	(6.66)%	\$ (135,420,844)

Net unrealized depreciation is comprised of unrealized losses of \$148,293,832 and unrealized gains of \$12,872,988.

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See accompanying notes to unaudited financial statements.

Table of Contents**PowerShares DB Agriculture Fund****Unaudited Statements of Income and Expenses***For the Three Months Ended September 30, 2012 and 2011 and Nine Months Ended September 30, 2012 and 2011*

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Income				
Interest Income	\$ 396,017	\$ 303,911	\$ 834,901	\$ 2,004,164
Expenses				
Management Fee	4,303,084	6,422,717	12,383,841	20,990,965
Brokerage Commissions and Fees	301,492	408,982	1,153,576	1,782,401
Total Expenses	4,604,576	6,831,699	13,537,417	22,773,366
Net investment income (loss)	(4,208,559)	(6,527,788)	(12,702,516)	(20,769,202)
Net Realized and Net Change in Unrealized Gain (Loss) on United States Treasury Obligations and Futures				
Net Realized Gain (Loss) on				
United States Treasury Obligations	6,213	12,849	7,181	62,390
Futures	34,861,538	(68,820,001)	(265,409,966)	222,584,524
Net realized gain (loss)	34,867,751	(68,807,152)	(265,402,785)	222,646,914
Net Change in Unrealized Gain (Loss) on				
United States Treasury Obligations	2,737	(34,449)	43,876	(10,176)
Futures	57,211,788	(118,873,643)	310,890,827	(470,536,617)
Net change in unrealized gain (loss)	57,214,525	(118,908,092)	310,934,703	(470,546,793)
Net realized and net change in unrealized gain (loss) on United States Treasury Obligations and Futures	92,082,276	(187,715,244)	45,531,918	(247,899,879)
Net Income (Loss)	\$ 87,873,717	\$ (194,243,032)	\$ 32,829,402	\$ (268,669,081)

See accompanying notes to unaudited financial statements.

Table of Contents*PowerShares DB Agriculture Fund**Unaudited Statement of Changes in Shareholders' Equity**For the Three Months Ended September 30, 2012*

	General Shares Accumulated			Shares Accumulated			Total Equity	Total Shareholders Equity	
	Shares	Paid in Capital	Earnings (Deficit)	Shares	Paid in Capital	Earnings (Deficit)			
Balance at July 1, 2012	40	\$ 1,000	\$ 126	\$ 1,126	65,200,000	\$ 2,136,001,891	\$ (300,964,785)	\$ 1,835,037,106	\$ 1,835,038,232
Sale of Shares					4,200,000	124,516,164		124,516,164	124,516,164
Redemption of Shares					(4,400,000)	(130,850,123)		(130,850,123)	(130,850,123)
Net Income (Loss)									
Net investment income (loss)			(7)	(7)			(4,208,552)	(4,208,552)	(4,208,559)
Net realized gain (loss) on United States Treasury Obligations and Futures			12	12			34,867,739	34,867,739	34,867,751
Net change in unrealized gain (loss) on United States Treasury Obligations and Futures			49	49			57,214,476	57,214,476	57,214,525
Net Income (Loss)			54	54			87,873,663	87,873,663	87,873,717
Balance at September 30, 2012	40	\$ 1,000	\$ 180	\$ 1,180	65,000,000	\$ 2,129,667,932	\$ (213,091,122)	\$ 1,916,576,810	\$ 1,916,577,990

See accompanying notes to unaudited financial statements.

Table of Contents*PowerShares DB Agriculture Fund**Unaudited Statement of Changes in Shareholders' Equity**For the Three Months Ended September 30, 2011*

	General Shares Accumulated			Shares Accumulated			Total Equity	Total Shareholders Equity	
	Shares	Paid in Capital	Earnings (Deficit)	Total Equity	Shares	Paid in Capital			Earnings (Deficit)
Balance at July 1, 2011	40	\$ 1,000	\$ 280	\$ 1,280	96,000,000	\$ 3,035,280,044	\$ 36,951,049	\$ 3,072,231,093	\$ 3,072,232,373
Sale of Shares					6,200,000	207,639,784		207,639,784	207,639,784
Redemption of Shares					(16,800,000)	(529,143,018)		(529,143,018)	(529,143,018)
Net Income (Loss)									
Net investment income (loss)			(23)	(23)			(6,527,765)	(6,527,765)	(6,527,788)
Net realized gain (loss) on United States Treasury Obligations and Futures			(9)	(9)			(68,807,143)	(68,807,143)	(68,807,152)
Net change in unrealized gain (loss) on United States Treasury Obligations and Futures			(50)	(50)			(118,908,042)	(118,908,042)	(118,908,092)
Net Income (Loss)			(82)	(82)			(194,242,950)	(194,242,950)	(194,243,032)
Balance at September 30, 2011	40	\$ 1,000	\$ 198	\$ 1,198	85,400,000	\$ 2,713,776,810	\$ (157,291,901)	\$ 2,556,484,909	\$ 2,556,486,107

See accompanying notes to unaudited financial statements.

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PowerShares DB Agriculture Fund

Unaudited Statement of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2012

	General Shares Accumulated			Shares Accumulated			Total	Total	
	Shares	Paid in Capital	Earnings (Deficit)	Total Equity	Shares	Paid in Capital	Earnings (Deficit)	Total Equity	Shareholders Equity
Balance at January 1, 2012	40	\$ 1,000	\$ 152	\$ 1,152	70,600,000	\$ 2,280,227,892	\$ (245,920,496)	\$ 2,034,307,396	\$ 2,034,308,548
Sale of Shares					9,600,000	278,127,646		278,127,646	278,127,646
Redemption of Shares					(15,200,000)	(428,687,606)		(428,687,606)	(428,687,606)
Net Income (Loss)									
Net investment income (loss)			(11)	(11)			(12,702,505)	(12,702,505)	(12,702,516)
Net realized gain (loss) on United States Treasury Obligations and Futures			(130)	(130)			(265,402,655)	(265,402,655)	(265,402,785)
Net change in unrealized gain (loss) on United States Treasury Obligations and Futures			169	169			310,934,534	310,934,534	310,934,703
Net Income (Loss)			28	28			32,829,374	32,829,374	32,829,402
Balance at September 30, 2012	40	\$ 1,000	\$ 180	\$ 1,180	65,000,000	\$ 2,129,667,932	\$ (213,091,122)	\$ 1,916,576,810	\$ 1,916,577,990

See accompanying notes to unaudited financial statements.

Table of Contents*PowerShares DB Agriculture Fund**Unaudited Statement of Changes in Shareholders' Equity**For the Nine Months Ended September 30, 2011*

	General Shares Accumulated			Shares Accumulated			Total Equity	Total Shareholders Equity	
	Shares	Paid in Capital	Earnings (Deficit)	Total Equity	Shares	Paid in Capital			Earnings (Deficit)
Balance at January 1, 2011	40	\$ 1,000	\$ 295	\$ 1,295	83,800,000	\$ 2,601,330,830	\$ 111,377,083	\$ 2,712,707,913	\$ 2,712,709,208
Sale of Shares					55,600,000	1,889,658,574		1,889,658,574	1,889,658,574
Redemption of Shares					(54,000,000)	(1,777,212,594)		(1,777,212,594)	(1,777,212,594)
Net Income (Loss)									
Net investment income (loss)			(27)	(27)			(20,769,175)	(20,769,175)	(20,769,202)
Net realized gain (loss) on United States Treasury Obligations and Futures			121	121			222,646,793	222,646,793	222,646,914
Net change in unrealized gain (loss) on United States Treasury Obligations and Futures			(191)	(191)			(470,546,602)	(470,546,602)	(470,546,793)
Net Income (Loss)			(97)	(97)			(268,668,984)	(268,668,984)	(268,669,081)
Balance at September 30, 2011	40	\$ 1,000	\$ 198	\$ 1,198	85,400,000	\$ 2,713,776,810	\$ (157,291,901)	\$ 2,556,484,909	\$ 2,556,486,107

See accompanying notes to unaudited financial statements.

Table of Contents*PowerShares DB Agriculture Fund**Unaudited Statements of Cash Flows**For the Nine Months Ended September 30, 2012 and 2011*

	Nine Months Ended	
	September 30, 2012	September 30, 2011
Cash flows from operating activities:		
Net Income (Loss)	\$ 32,829,402	\$ (268,669,081)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Cost of securities purchased	(5,423,716,298)	(9,957,744,724)
Proceeds from securities sold and matured	5,754,681,280	9,884,669,191
Net accretion of discount on United States Treasury Obligations	(836,202)	(2,004,164)
Net realized (gain) loss on United States Treasury Obligations	(7,181)	(62,390)
Net change in unrealized (gain) loss on United States Treasury Obligations and futures	(310,934,703)	470,546,793
Change in operating receivables and liabilities:		
Receivable for securities sold	11,999,926	(48,000,000)
Payable to broker		(42,559,235)
Management fee payable	1,367,510	234,471
Brokerage fee payable	(3,691)	(2,385)
Net cash provided by (used for) operating activities	65,380,043	36,408,476
Cash flows from financing activities:		
Proceeds from sale of Shares	278,127,646	1,889,658,574
Change in Payable for Shares redeemed	(11,525,820)	47,893,904
Redemption of Shares	(428,687,606)	(1,777,212,594)
Net cash provided by (used for) financing activities	(162,085,780)	160,339,884
Net change in cash held by broker	(96,705,737)	196,748,360
Cash held by broker at beginning of period	210,907,413	
Cash held by broker at end of period	\$ 114,201,676	\$ 196,748,360

See accompanying notes to unaudited financial statements.

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PowerShares DB Agriculture Fund

Notes to Unaudited Financial Statements

September 30, 2012

(1) Organization

PowerShares DB Agriculture Fund (the Fund), a separate series of PowerShares DB Multi-Sector Commodity Trust (the Trust), a Delaware statutory trust organized in seven separate series, was formed on August 3, 2006. DB Commodity Services LLC, a Delaware limited liability company (DBCS or the Managing Owner), seeded the Fund with a capital contribution of \$1,000 in exchange for 40 General Shares of the Fund. The fiscal year end of the Fund is December 31st. The term of the Fund is perpetual (unless terminated earlier in certain circumstances) as provided for in the Second Amended and Restated Declaration of Trust and Trust Agreement of the Trust (the Trust Agreement).

The Fund offers common units of beneficial interest (the Shares) only to certain eligible financial institutions (the Authorized Participants) in one or more blocks of 200,000 Shares, called a Basket. The Fund commenced investment operations on January 3, 2007. The Fund commenced trading on the American Stock Exchange (now known as the NYSE Alternext US LLC (the NYSE Alternext)) on January 5, 2007 and, as of November 25, 2008, is listed on the NYSE Arca, Inc. (the NYSE Arca).

This Report covers the three months ended September 30, 2012 and 2011 (hereinafter referred to as the Three Months Ended September 30, 2012 and the Three Months Ended September 30, 2011, respectively) and the nine months ended September 30, 2012 and 2011 (hereinafter referred to as the Nine Months Ended September 30, 2012 and the Nine Months Ended September 30, 2011, respectively).

(2) Fund Investment Overview

The Fund invests with a view to tracking the changes, whether positive or negative, in the level of the DBIQ Diversified Agriculture Index Excess Return™ (the Index) over time, plus the excess, if any, of the Fund's interest income from its holdings of United States Treasury Obligations and other high credit quality short-term fixed income securities over the expenses of the Fund.

The Index is intended to reflect the change in market value of the agricultural sector. The commodities comprising the Index are Corn, Soybeans, Wheat, Kansas City Wheat, Sugar, Cocoa, Coffee, Cotton, Live Cattle, Feeder Cattle and Lean Hogs (each an Index Commodity, and collectively, the Index Commodities).

The Fund also holds United States Treasury Obligations and other high credit quality short-term fixed income securities for deposit with the Fund's commodity broker as margin.

The Commodity Futures Trading Commission (the CFTC) and/or commodity exchanges, as applicable, impose position limits on market participants trading in all eleven commodities included in the Index. The Index is comprised of futures contracts on each of the Index Commodities that expire in a specific month and trade on a specific exchange (the Index Contracts). As disclosed in the Fund's Prospectus, if the Managing Owner determines in its commercially reasonable judgment that it has become impracticable or inefficient for any reason for the Fund to gain full or partial exposure to any Index Commodity by investing in a specific Index Contract, the Fund may invest in a futures contract referencing the particular Index Commodity other than the Index Contract or, in the alternative, invest in other futures contracts not based on the particular Index Commodity if, in the commercially reasonable judgment of the Managing Owner, such futures contracts tend to exhibit trading prices that correlate with such Index Commodity. Because the Fund is approaching or has reached position limits with respect to certain futures contracts comprising the Index, the Fund has commenced investing in other futures contracts based on commodities that comprise the Fund's Index and in futures contracts based on commodities other than commodities that comprise the Fund's Index.

The Fund does not employ leverage. As of September 30, 2012 and December 31, 2011, the Fund had \$1,919,469,096 (or 100%) and \$2,035,361,729 (or 99.41%), respectively, of its holdings of cash, United States Treasury Obligations and unrealized appreciation/depreciation on futures contracts on deposit with its Commodity Broker. Of this, \$118,417,674 (or 6.17%) and \$148,081,288 (or 7.28%), respectively, of the Fund's holdings of cash and United States Treasury Obligations are required to be deposited as margin in support of the Fund's long futures positions as of September 30, 2012 and December 31, 2011, respectively. For additional information, please see the unaudited Schedule of Investments as of September 30, 2012 and the audited Schedule of Investments as of December 31, 2011 for details of the Fund's portfolio holdings.

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DBIQ is a trademark of Deutsche Bank AG London (the Index Sponsor). Trademark applications in the United States are pending with respect to both the Trust and aspects of the Index. The Trust, the Fund and the Managing Owner have been licensed by the Index Sponsor to use the above noted trademark. Deutsche Bank AG London is an affiliate of the Trust, the Fund and the Managing Owner.

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PowerShares DB Agriculture Fund

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September 30, 2012

(3) Service Providers and Related Party Agreements

The Trustee

Under the Trust Agreement, Wilmington Trust Company, the trustee of the Fund (the Trustee) has delegated to the Managing Owner the exclusive management and control of all aspects of the business of the Trust and the Fund. The Trustee will have no duty or liability to supervise or monitor the performance of the Managing Owner, nor will the Trustee have any liability for the acts or omissions of the Managing Owner.

The Managing Owner

The Managing Owner serves the Fund as commodity pool operator, commodity trading advisor and managing owner, and is an indirect wholly-owned subsidiary of Deutsche Bank AG. During the Three Months Ended September 30, 2012 and 2011, the Fund incurred Management Fees of \$4,303,084 and \$6,422,717, respectively. Management Fees incurred during the Nine Months Ended September 30, 2012 and 2011 by the Fund were \$12,383,841 and \$20,990,965, respectively. As of September 30, 2012 and December 31, 2011, Management Fees payable to the Managing Owner were \$2,891,036 and \$1,523,526, respectively.

The Commodity Broker

Deutsche Bank Securities Inc., a Delaware corporation, serves as the Fund's clearing broker (the Commodity Broker). The Commodity Broker is also an indirect wholly-owned subsidiary of Deutsche Bank AG and is an affiliate of the Managing Owner. In its capacity as clearing broker, the Commodity Broker executes and clears each of the Fund's futures transactions and performs certain administrative and custodial services for the Fund. As custodian of the Fund's assets, the Commodity Broker is responsible, among other things, for providing periodic accountings of all dealings and actions taken by the Trust on behalf of the Fund during the reporting period, together with an accounting of all securities, cash or other indebtedness or obligations held by it or its nominees for or on behalf of the Fund. During the Three Months Ended September 30, 2012 and 2011, the Fund incurred brokerage fees of \$301,492 and \$408,982, respectively. Brokerage fees incurred during the Nine Months Ended September 30, 2012 and 2011 by the Fund were \$1,153,576 and \$1,782,401, respectively. As of September 30, 2012 and December 31, 2011, brokerage fees payable were \$70 and \$3,761, respectively.

The Administrator

The Bank of New York Mellon (the Administrator) has been appointed by the Managing Owner as the administrator, custodian and transfer agent of the Fund, and has entered into separate administrative, custodian, transfer agency and service agreements (collectively referred to as the Administration Agreement).

Pursuant to the Administration Agreement, the Administrator performs or supervises the performance of services necessary for the operation and administration of the Fund (other than making investment decisions), including receiving and processing orders from Authorized Participants to create and redeem Baskets, net asset value calculations, accounting and other fund administrative services. The Administrator retains certain financial books and records, including: Basket creation and redemption books and records, fund accounting records, ledgers with respect to assets, liabilities, capital, income and expenses, the registrar, transfer journals and related details, and trading and related documents received from futures commission merchants.

The Distributor

ALPS Distributors, Inc. (the Distributor) provides certain distribution services to the Fund. Pursuant to the Distribution Services Agreement among the Managing Owner in its capacity as managing owner of the Fund, the Fund and the Distributor, the Distributor assists the Managing Owner and the Administrator with certain functions and duties relating to distribution and marketing services to the Fund including reviewing and approving marketing materials.

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Invesco PowerShares Capital Management LLC

Under the License Agreement among Invesco PowerShares Capital Management LLC (the Licensor) and the Managing Owner in its own capacity and in its capacity as managing owner of the Fund (the Fund and the Managing Owner, collectively, the Licensees), the Licensor granted to each Licensee a non-exclusive license to use the PowerShare® trademark (the Trademark) anywhere in the world, solely in connection with the marketing and promotion of the Fund and to use or refer to the Trademark in connection with the issuance and trading of the Fund as necessary.

Invesco Distributors, Inc.

Through a marketing agreement between the Managing Owner and Invesco Distributors, Inc. (Invesco Distributors), an affiliate of Invesco PowerShares Capital Management LLC (Invesco PowerShares), the Managing Owner, on behalf of the Fund, has appointed Invesco Distributors as a marketing agent. Invesco Distributors assists the Managing Owner and the Administrator with

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PowerShares DB Agriculture Fund

Notes to Unaudited Financial Statements (Continued)

September 30, 2012

certain functions and duties such as providing various educational and marketing activities regarding the Fund, primarily in the secondary trading market, which activities include, but are not limited to, communicating the Fund's name, characteristics, uses, benefits, and risks, consistent with the prospectus. Invesco Distributors will not open or maintain customer accounts or handle orders for the Fund. Invesco Distributors engages in public seminars, road shows, conferences, media interviews, and distributes sales literature and other communications (including electronic media) regarding the Fund.

(4) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Fund have been prepared using U.S. generally accepted accounting principles.

(b) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities during the reporting period of the financial statements and accompanying notes. Actual results could differ from those estimates.

(c) Financial Instruments and Fair Value

United States Treasury Obligations and commodity futures contracts are recorded in the statements of financial condition on a trade date basis at fair value with changes in fair value recognized in earnings in each period. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Financial Accounting Standards Board (FASB) fair value measurement and disclosure guidance requires a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

In determining fair value of United States Treasury Obligations and commodity futures contracts, the Fund uses unadjusted quoted market prices in active markets. United States Treasury Obligations and commodity futures contracts are classified within Level 1 of the fair value hierarchy. The Fund does not adjust the quoted prices for United States Treasury Obligations and commodity futures contracts.

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In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU No. 2011-04 requires additional disclosures regarding fair value measurements. Effective for fiscal years beginning after December 15, 2011 and for interim periods within those fiscal years, entities will need to disclose the following:

- 1) The amounts of any transfers between Level 1 and Level 2 and the reasons for those transfers, and
- 2) For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used, a description of the entity's valuation processes, and a narrative description of the sensitivity of the fair value measurement to changes in the unobservable inputs and the interrelationship between inputs.

There were no Level 2 or Level 3 holdings as of September 30, 2012 and December 31, 2011.

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PowerShares DB Agriculture Fund

Notes to Unaudited Financial Statements (Continued)

September 30, 2012

(d) Deposits with Broker

The Fund deposits cash and United States Treasury Obligations with its Commodity Broker subject to CFTC regulations and various exchange and broker requirements. The combination of the Fund's deposits with its Commodity Broker of cash and United States Treasury Obligations and the unrealized profit or loss on open futures contracts (variation margin) represents the Fund's overall equity in its broker trading account. To meet the Fund's initial margin requirements, the Fund holds United States Treasury Obligations. The Fund uses its cash held by the Commodity Broker to satisfy variation margin requirements. The Fund earns interest on its cash deposited with the Commodity Broker.

(e) United States Treasury Obligations

The Fund records purchases and sales of United States Treasury Obligations on a trade date basis. These holdings are marked to market based on quoted market closing prices. The Fund holds United States Treasury Obligations for deposit with the Fund's Commodity Broker to meet margin requirements and for trading purposes. Interest income is recognized on an accrual basis when earned. Premiums and discounts are amortized or accreted over the life of the United States Treasury Obligations. Included in the United States Treasury Obligations as of September 30, 2012 and December 31, 2011 were holdings of \$118,417,674 and \$148,081,288, respectively, which were restricted and held against initial margin of the open futures contracts. As of September 30, 2012, the Fund did not have an amount receivable for securities sold. As of December 31, 2011, the Fund sold \$12,000,000 notional amount of United States Treasury Obligations which was unpaid. As a result, a receivable for securities sold is reported for \$11,999,926.

(f) Cash Held by Broker

The Fund's arrangement with the Commodity Broker requires the Fund to meet its variation margin requirement related to the price movements, both positive and negative, on futures contracts held by the Fund by keeping cash on deposit with the Commodity Broker. The Fund defines cash and cash equivalents to be highly liquid investments, with original maturities of three months or less when purchased. As of September 30, 2012, the Fund had cash held by the Commodity Broker of \$114,201,676. As of December 31, 2011 the Fund had cash held by the Commodity Broker of \$210,907,413, of which \$135,420,844 was on deposit to satisfy the Fund's negative variation margin on open futures contracts. There were no cash equivalents held by the Fund as of September 30, 2012 and December 31, 2011.

(g) Income Taxes

The Fund is classified as a partnership for U.S. federal income tax purposes. Accordingly, the Fund will not incur U.S. federal income taxes. No provision for federal, state, and local income taxes has been made in the accompanying financial statements, as investors are individually liable for income taxes, if any, on their allocable share of the Fund's income, gain, loss, deductions and other items.

The major tax jurisdiction for the Fund and the earliest tax year subject to examination: United States 2009.

(h) Futures Contracts

All commodity futures contracts are held and used for trading purposes. The commodity futures are recorded on a trade date basis and open contracts are recorded in the statement of financial condition at fair value on the last business day of the period, which represents market value for those commodity futures for which market quotes are readily available. However, when market closing prices are not available, the Managing Owner may value an asset of the Fund pursuant to policies the Managing Owner has adopted, which are consistent with normal industry standards. Realized gains (losses) and changes in unrealized appreciation (depreciation) on open positions are determined on a specific identification basis and recognized in the statement of income and expenses in the period in which the contract is closed or the changes occur, respectively. As of September 30, 2012 and December 31, 2011, the futures contracts held by the Fund were in a net unrealized appreciation position of \$175,469,983 and a net unrealized depreciation position of \$135,420,844, respectively.

(i) Management Fee

The Fund pays the Managing Owner a management fee (the Management Fee), monthly in arrears, in an amount equal to 0.85% per annum of the daily net asset value of the Fund. The Management Fee is paid in consideration of the Managing Owner's commodity futures trading advisory services.

(j) Brokerage Commissions and Fees

The Fund incurs all brokerage commissions, including applicable exchange fees, National Futures Association (NFA) fees, give-up fees, pit brokerage fees and other transaction related fees and expenses charged in connection with trading activities by the Commodity Broker. These costs are recorded as brokerage commissions and fees in the statement of income and expenses as incurred.

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PowerShares DB Agriculture Fund

Notes to Unaudited Financial Statements (Continued)

September 30, 2012

The Commodity Broker's brokerage commissions and trading fees are determined on a contract-by-contract basis. On average, total charges paid to the Commodity Broker were less than \$10.00 per round-turn trade for the Three Months Ended September 30, 2012 and 2011 and the Nine Months Ended September 30, 2012 and 2011.

(k) Routine Operational, Administrative and Other Ordinary Expenses

The Managing Owner assumes all routine operational, administrative and other ordinary expenses of the Fund, including, but not limited to, computer services, the fees and expenses of the Trustee, legal and accounting fees and expenses, tax preparation expenses, filing fees and printing, mailing and duplication costs. Accordingly, all such expenses are not reflected in the statement of income and expenses of the Fund.

(l) Organizational and Offering Costs

All organizational and offering expenses of the Fund are incurred and assumed by the Managing Owner. The Fund is not responsible to the Managing Owner for the reimbursement of organizational and offering costs. Expenses incurred in connection with the continuous offering of Shares also will be paid by the Managing Owner.

(m) Non-Recurring and Unusual Fees and Expenses

The Fund pays all fees and expenses which are non-recurring and unusual in nature. Such expenses include legal claims and liabilities, litigation costs or indemnification or other unanticipated expenses. Such fees and expenses, by their nature, are unpredictable in terms of timing and amount. For the Three Months Ended September 30, 2012 and 2011 and the Nine Months Ended September 30, 2012 and 2011, the Fund did not incur such expenses.

(5) Fair Value Measurements

The Fund's assets and liabilities recorded at fair value have been categorized based upon the fair value hierarchy discussed in Note 4(c).

Assets and Liabilities Measured at Fair Value were as follows:

	September 30, 2012	December 31, 2011
United States Treasury Obligations (Level 1)	\$ 1,629,797,437	\$ 1,959,875,160
Commodity Futures Contracts (Level 1)	\$ 175,469,983	\$ (135,420,844)

There were no Level 2 or Level 3 holdings as of September 30, 2012 and December 31, 2011.

(6) Financial Instrument Risk

In the normal course of its business, the Fund is a party to financial instruments with off-balance sheet risk. The term off-balance sheet risk refers to an unrecorded potential liability that, even though it does not appear on the balance sheet, may result in a future obligation or loss. The financial instruments used by the Fund are commodity futures, whose values are based upon an underlying asset and generally represent future commitments that have a reasonable possibility of being settled in cash or through physical delivery. The financial instruments are traded on an exchange and are standardized contracts.

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Market risk is the potential for changes in the value of the financial instruments traded by the Fund due to market changes, including fluctuations in commodity prices. In entering into these futures contracts, there exists a market risk that such futures contracts may be significantly influenced by adverse market conditions, resulting in such futures contracts being less valuable. If the markets should move against all of the futures contracts at the same time, the Fund could experience substantial losses.

Credit risk is the possibility that a loss may occur due to the failure of an exchange clearinghouse to perform according to the terms of a futures contract. Credit risk with respect to exchange-traded instruments is reduced to the extent that an exchange or clearing organization acts as a counterparty to the transactions. The Fund's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the statement of financial condition and not represented by the futures contract or notional amounts of the instruments.

The Fund has not utilized, nor does it expect to utilize in the future, special purpose entities to facilitate off-balance sheet financing arrangements and has no loan guarantee arrangements or off-balance sheet arrangements of any kind, other than agreements entered into in the normal course of business noted above.

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PowerShares DB Agriculture Fund

Notes to Unaudited Financial Statements (Continued)

September 30, 2012

(7) Share Purchases and Redemptions

(a) Purchases

Shares may be purchased from the Fund only by Authorized Participants in one or more blocks of 200,000 Shares, called a Basket. The Fund issues Shares in Baskets only to Authorized Participants continuously as of noon, New York time, on the business day immediately following the date on which a valid order to create a Basket is accepted by the Fund, at the net asset value of 200,000 Shares as of the closing time of the NYSE Arca or the last to close of the exchanges on which the Fund's assets are traded, whichever is later, on the date that a valid order to create a Basket is accepted by the Fund.

(b) Redemptions

On any business day, an Authorized Participant may place an order with the Managing Owner to redeem one or more Baskets. Redemption orders must be placed by 10:00 a.m., New York time. The day on which the Managing Owner receives a valid redemption order is the redemption order date. Redemption orders are irrevocable. The redemption procedures allow Authorized Participants to redeem Baskets. Individual shareholders may not redeem directly from the Fund.

By placing a redemption order, an Authorized Participant agrees to deliver the Baskets to be redeemed through The Depository Trust Company's (the "DTC") book-entry system to the Fund not later than noon, New York time, on the business day immediately following the redemption order date. By placing a redemption order, and prior to receipt of the redemption proceeds, an Authorized Participant's DTC account is charged the non-refundable transaction fee due for the redemption order.

The redemption proceeds from the Fund consist of the cash redemption amount. The cash redemption amount is equal to the net asset value of the number of Basket(s) requested in the Authorized Participant's redemption order as of the closing time of the NYSE Arca or the last to close of the exchanges on which the Fund's assets are traded, whichever is later, on the redemption order date. The Fund will distribute the cash redemption amount at noon, New York time, on the business day immediately following the redemption order date through DTC to the account of the Authorized Participant as recorded on DTC's book-entry system.

The redemption proceeds due from the Fund are delivered to the Authorized Participant at noon, New York time, on the business day immediately following the redemption order date if, by such time on such business day immediately following the redemption order date, the Fund's DTC account has been credited with the Baskets to be redeemed. If the Fund's DTC account has not been credited with all of the Baskets to be redeemed by such time, the redemption proceeds are delivered to the extent of whole Baskets received. Any remainder of the redemption proceeds are delivered on the ne