

PowerShares DB Multi-Sector Commodity Trust
Form 10-Q
May 03, 2013
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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 March 31, 2013

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

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

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(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 March 31, 2013: 65,200,000 Shares.

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POWERSHARES DB AGRICULTURE FUND

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

QUARTER ENDED MARCH 31, 2013

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.***PowerShares DB Agriculture Fund**Statement of Financial Condition**March 31, 2013 (unaudited) and December 31, 2012*

	March 31, 2013	December 31, 2012
Assets		
Equity in broker trading accounts:		
United States Treasury Obligations, at fair value (cost \$1,645,865,837 and \$1,465,881,153 respectively)	\$ 1,645,923,869	\$ 1,465,964,764
Cash held by broker	141,895,145	219,761,621
Net unrealized appreciation (depreciation) on futures contracts	(96,579,495)	(23,198,185)
Deposits with broker	1,691,239,519	1,662,528,200
Deposits with Transfer Agent for shares redeemed		5,621,014
Total assets	\$ 1,691,239,519	\$ 1,668,149,214
Liabilities		
Payable for shares redeemed	\$	\$ 5,621,014
Management fee payable	1,223,724	1,244,355
Brokerage fee payable	5,010	204
Total liabilities	1,228,734	6,865,573
Commitments and Contingencies (Note 9)		
Equity		
Shareholders' equity - General Shares	1,037	1,119
Shareholders' equity - Shares	1,690,009,748	1,661,282,522
Total shareholders' equity	1,690,010,785	1,661,283,641
Total liabilities and equity	\$ 1,691,239,519	\$ 1,668,149,214
General Shares outstanding	40	40
Shares outstanding	65,200,000	59,400,000
Net asset value per share		
General Shares	\$ 25.93	\$ 27.98
Shares	\$ 25.92	\$ 27.97

See accompanying notes to unaudited financial statements.

Table of Contents**PowerShares DB Agriculture Fund****Unaudited Schedule of Investments****March 31, 2013**

Description	Percentage of Net Assets	Fair Value	Face Value
United States Treasury Obligations			
U.S. Treasury Bills, 0.085% due April 4, 2013	22.37%	\$ 377,999,622	\$ 378,000,000
U.S. Treasury Bills, 0.1% due April 11, 2013	1.12	18,999,848	19,000,000
U.S. Treasury Bills, 0.08% due April 18, 2013	7.87	132,998,005	133,000,000
U.S. Treasury Bills, 0.075% due April 25, 2013	14.44	243,994,632	244,000,000
U.S. Treasury Bills, 0.075% due May 2, 2013	15.74	265,989,094	266,000,000
U.S. Treasury Bills, 0.07% due May 9, 2013	4.44	74,996,400	75,000,000
U.S. Treasury Bills, 0.085% due May 16, 2013	1.83	30,997,861	31,000,000
U.S. Treasury Bills, 0.115% due May 23, 2013	4.08	68,994,273	69,000,000
U.S. Treasury Bills, 0.125% due May 30, 2013	0.95	15,998,432	16,000,000
U.S. Treasury Bills, 0.11% due June 6, 2013	15.38	259,976,080	260,000,000
U.S. Treasury Bills, 0.095% due June 13, 2013	4.56	76,991,376	77,000,000
U.S. Treasury Bills, 0.085% due June 20, 2013	1.89	31,995,744	32,000,000
U.S. Treasury Bills, 0.075% due June 27, 2013	2.72	45,992,502	46,000,000
Total United States Treasury Obligations (cost \$1,645,865,837)	97.39%	\$ 1,645,923,869	

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	Notional Value
Unrealized Appreciation/(Depreciation) on Futures Contracts			
Cocoa (8,968 contracts, settlement date May 15, 2013)	(0.25)%	\$ (4,345,620)	\$ 198,951,220
Coffee (3,493 contracts, settlement date May 20, 2013)	(0.63)	(10,625,625)	190,274,981
Corn (7,424 contracts, settlement date December 13, 2013)	(1.99)	(33,587,012)	233,478,213
Cotton (1,477 contracts, settlement date May 08, 2013)	0.25	4,137,170	61,190,540
Feeder Cattle (1,019 contracts, settlement date May 23, 2013)	(0.01)	(154,762)	74,070,475
Lean Hogs (3,907 contracts, settlement date June 14, 2013)	0.04	627,810	141,704,200
Live Cattle (4,604 contracts, settlement date June 28, 2013)		55,400	228,993,600
Soybeans (3,531 contracts, settlement date November 14, 2013)	(0.78)	(13,186,175)	234,138,500
Sugar (11,081 contracts, settlement date June 28, 2013)	(1.89)	(31,908,430)	251,578,174
Wheat (2,637 contracts, settlement date July 12, 2013)	(0.32)	(5,386,938)	96,495,288
Wheat KCB (2,517 contracts, settlement date July 12, 2013)	(0.13)	(2,205,313)	94,358,975
Net Unrealized Depreciation on Futures Contracts	(5.71)%	\$ (96,579,495)	\$ 1,805,234,166

Net unrealized depreciation is comprised of unrealized losses of \$103,618,853 and unrealized gains of \$7,039,358.

See accompanying notes to unaudited financial statements.

Table of Contents**PowerShares DB Agriculture Fund****Schedule of Investments****December 31, 2012**

Description	Percentage of Net Assets	Fair Value	Face Value
United States Treasury Obligations			
U.S. Treasury Bills, 0.06% due January 3, 2013	26.36%	\$ 438,000,000	\$ 438,000,000
U.S. Treasury Bills, 0.05% due January 10, 2013	1.14	18,999,886	19,000,000
U.S. Treasury Bills, 0.045% due January 24, 2013	12.94	214,997,635	215,000,000
U.S. Treasury Bills, 0.075% due January 31, 2013	14.33	237,995,240	238,000,000
U.S. Treasury Bills, 0.105% due February 7, 2013	3.19	52,998,516	53,000,000
U.S. Treasury Bills, 0.105% due February 14, 2013	2.23	36,998,779	37,000,000
U.S. Treasury Bills, 0.09% due February 21, 2013	6.92	114,995,630	115,000,000
U.S. Treasury Bills, 0.09% due March 7, 2013	12.76	211,988,764	212,000,000
U.S. Treasury Bills, 0.09% due March 14, 2013	3.67	60,996,096	61,000,000
U.S. Treasury Bills, 0.04% due March 21, 2013	1.93	31,997,760	32,000,000
U.S. Treasury Bills, 0.085% due March 28, 2013	2.77	45,996,458	46,000,000
Total United States Treasury Obligations (cost \$1,465,881,153)	88.24%	\$ 1,465,964,764	

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	Notional Value
Unrealized Appreciation/(Depreciation) on Futures Contracts			
Cocoa (8,174 contracts, settlement date March 13, 2013)	(0.88)%	\$ (14,570,550)	\$ 197,341,190
Coffee (3,252 contracts, settlement date March 18, 2013)	(0.94)	(15,696,525)	191,060,625
Corn (6,764 contracts, settlement date December 13, 2013)	(0.76)	(12,678,313)	215,513,763
Cotton (1,360 contracts, settlement date March 6, 2013)	0.17	2,864,120	48,231,080
Feeder Cattle (967 contracts, settlement date March 28, 2013)	0.11	1,895,813	72,696,150
Lean Hogs (4,149 contracts, settlement date February 14, 2013)	0.20	3,235,270	139,033,940
Lean Hogs (20 contracts, settlement date April 12, 2013)	(0.00)	(15,800)	725,600
Live Cattle (4,159 contracts, settlement date February 28, 2013)	0.31	5,227,750	214,866,530
Soybeans (3,217 contracts, settlement date November 14, 2013)	(0.27)	(4,490,350)	214,037,688
Sugar (10,096 contracts, settlement date June 28, 2013)	(0.53)	(8,732,338)	231,942,782
Wheat (2,403 contracts, settlement date July 12, 2013)	0.47	7,730,988	87,638,075
Wheat KCB (2,293 contracts, settlement date July 12, 2013)	0.72	12,031,750	85,134,125
Net Unrealized Depreciation on Futures Contracts	(1.40)%	\$ (23,198,185)	\$ 1,698,221,548

Net unrealized depreciation is comprised of unrealized losses of \$59,244,096 and unrealized gains of \$36,045,911.

See accompanying notes to unaudited financial statements.

Table of Contents*PowerShares DB Agriculture Fund**Unaudited Statement of Income and Expenses**For the Three Months Ended March 31, 2013 and 2012*

	Three Months Ended	
	March 31, 2013	March 31, 2012
Income		
Interest Income	\$ 316,424	\$ 130,631
Expenses		
Management Fee	3,482,390	4,318,213
Brokerage Commissions and Fees	295,509	356,840
Total Expenses	3,777,899	4,675,053
Net investment income (loss)	(3,461,475)	(4,544,422)
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	3,300	(1,519)
Futures	(49,424,338)	(63,861,172)
Net realized gain (loss)	(49,421,038)	(63,862,691)
Net Change in Unrealized Gain (Loss) on		
United States Treasury Obligations	(25,579)	42,544
Futures	(73,381,310)	18,764,598
Net change in unrealized gain (loss)	(73,406,889)	18,807,142
Net realized and net change in unrealized gain (loss) on United States Treasury Obligations and Futures	(122,827,927)	(45,055,549)
Net Income (Loss)	\$ (126,289,402)	\$ (49,599,971)

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 March 31, 2013*

	General Shares		Shares		Total Shareholders
	Shares	Total Equity	Shares	Total Equity	Equity
Balance at January 1, 2013	40	\$ 1,119	59,400,000	\$ 1,661,282,522	\$ 1,661,283,641
Sale of Shares			7,800,000	209,560,644	209,560,644
Redemption of Shares			(2,000,000)	(54,544,098)	(54,544,098)
Net Income (Loss)					
Net investment income (loss)		(2)		(3,461,473)	(3,461,475)
Net realized gain (loss) on United States Treasury Obligations and Futures		(32)		(49,421,006)	(49,421,038)
Net change in unrealized gain (loss) on United States Treasury Obligations and Futures		(48)		(73,406,841)	(73,406,889)
Net Income (Loss)		(82)		(126,289,320)	(126,289,402)
Balance at March 31, 2013	40	\$ 1,037	65,200,000	\$ 1,690,009,748	\$ 1,690,010,785

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 March 31, 2012*

	General Shares		Shares		Total Shareholders
	Shares	Total Equity	Shares	Total Equity	Equity
Balance at January 1, 2012	40	\$ 1,152	70,600,000	\$ 2,034,307,396	\$ 2,034,308,548
Sale of Shares			3,200,000	92,608,128	92,608,128
Redemption of Shares			(3,600,000)	(103,785,121)	(103,785,121)
Net Income (Loss)					
Net investment income (loss)		(3)		(4,544,419)	(4,544,422)
Net realized gain (loss) on United States Treasury Obligations and Futures		(36)		(63,862,655)	(63,862,691)
Net change in unrealized gain (loss) on United States Treasury Obligations and Futures		11		18,807,131	18,807,142
Net Income (Loss)		(28)		(49,599,943)	(49,599,971)
Balance at March 31, 2012	40	\$ 1,124	70,200,000	\$ 1,973,530,460	\$ 1,973,531,584

See accompanying notes to unaudited financial statements.

Table of Contents*PowerShares DB Agriculture Fund**Unaudited Statement of Cash Flows**For the Three Months Ended March 31, 2013 and 2012*

	Three Months Ended	
	March 31, 2013	March 31, 2012
Cash flows from operating activities:		
Net Income (Loss)	\$ (126,289,402)	\$ (49,599,971)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Cost of securities purchased	(1,705,662,319)	(1,974,672,330)
Proceeds from securities sold and matured	1,525,997,447	1,994,897,561
Net accretion of discount on United States Treasury Obligations	(316,512)	(130,631)
Net realized (gain) loss on United States Treasury Obligations	(3,300)	1,519
Net change in unrealized (gain) loss on United States Treasury Obligations and futures	73,406,889	(18,807,142)
Change in operating receivables and liabilities:		
Receivable for securities sold		11,999,926
Management fee payable	(20,631)	(63,833)
Deposits with Transfer Agent for shares redeemed	5,621,014	
Brokerage fee payable	4,806	2,676
Net cash provided by (used for) operating activities	(227,262,008)	(36,372,225)
Cash flows from financing activities:		
Proceeds from sale of Shares	209,560,644	92,608,128
Payments for redemption of Shares	(60,165,112)	(115,310,941)
Net cash provided by (used for) financing activities	149,395,532	(22,702,813)
Net change in cash held by broker	(77,866,476)	(59,075,038)
Cash held by broker at beginning of period	219,761,621	210,907,413
Cash held by broker at end of period	\$ 141,895,145	\$ 151,832,375

See accompanying notes to unaudited financial statements.

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PowerShares DB Agriculture Fund

Notes to Unaudited Financial Statements

March 31, 2013

(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 Fourth 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 March 31, 2013 and 2012 (hereinafter referred to as the Three Months Ended March 31, 2013 and the Three Months Ended March 31, 2012, 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 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 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 Fund does not employ leverage. As of March 31, 2013 and December 31, 2012, the Fund had \$1,691,239,519 (or 100%) and \$1,662,528,200 (or 99.66%), 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, \$98,573,923 (or 5.83%) and \$98,465,174 (or 5.92%), 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 March 31, 2013 and December 31, 2012. For additional information, please see the unaudited Schedule of Investments as of March 31, 2013 and the audited Schedule of Investments as of December 31, 2012 for details of the Fund's portfolio holdings.

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

Notes to Unaudited Financial Statements (Continued)

March 31, 2013

(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 March 31, 2013 and 2012, the Fund incurred Management Fees of \$3,482,390 and \$4,318,213, respectively. As of March 31, 2013 and December 31, 2012, Management Fees payable to the Managing Owner were \$1,223,724 and \$1,244,355, 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 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 March 31, 2013 and 2012, the Fund incurred brokerage fees of \$295,509 and \$356,840, respectively. As of March 31, 2013 and December 31, 2012, brokerage fees payable were \$5,010 and \$204, respectively.

The Administrator, Custodian and Transfer Agent

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. As of March 31, 2013, there were no fund assets held by the Administrator. As of December 31, 2012, \$5,621,014 was held by the Administrator for the facilitation of share redemption activity from Authorized Participants.

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 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, the Managing Owner, on behalf of the Fund, has appointed Invesco

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PowerShares DB Agriculture Fund

Notes to Unaudited Financial Statements (Continued)

March 31, 2013

Distributors as a marketing agent. Invesco Distributors assists the Managing Owner and the Administrator with 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.

The presentation of Shareholders' Equity in prior years has been updated to conform to the December 31, 2012 presentation. Total Shareholders' Equity was not affected by these changes.

(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) Accounting Standards Codification 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.

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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.

(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.

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PowerShares DB Agriculture Fund

Notes to Unaudited Financial Statements (Continued)

March 31, 2013

(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 March 31, 2013 and December 31, 2012 were holdings of \$98,573,923 and \$98,465,174, respectively, which were restricted and held as initial margin of the open futures contracts.

(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 March 31, 2013, the Fund had cash held by the Commodity Broker of \$141,895,145, of which \$96,579,495 was on deposit to satisfy the Fund's negative variation margin on open futures contracts. As of December 31, 2012 the Fund had cash held with the Commodity Broker of \$219,761,621, of which \$23,198,185 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 March 31, 2013 and December 31, 2012.

(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 March 31, 2013 and December 31, 2012, the futures contracts held by the Fund were in a net unrealized depreciation position of \$96,579,495 and \$23,198,185, 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

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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. 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 March 31, 2013 and 2012.

(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.

Table of Contents**PowerShares DB Agriculture Fund****Notes to Unaudited Financial Statements (Continued)****March 31, 2013****(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 March 31, 2013 and 2012, 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:

	March 31, 2013	December 31, 2012
United States Treasury Obligations (Level 1)	\$ 1,645,923,869	\$ 1,465,964,764
Commodity Futures Contracts (Level 1)	\$ (96,579,495)	\$ (23,198,185)

There were no Level 2 or Level 3 holdings during the Three Months Ended March 31, 2013 and the Year Ended December 31, 2012.

(6) Financial Instrument Risk

In the normal course of its business, the Fund is 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.

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 instrument.