View from the 20th Floor

Pioneer Funds – Absolute Return Multi-Strategy
29 December 2017

MULTI-STRATEGY
COMMENTARY

"The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails"

– William Arthur Ward

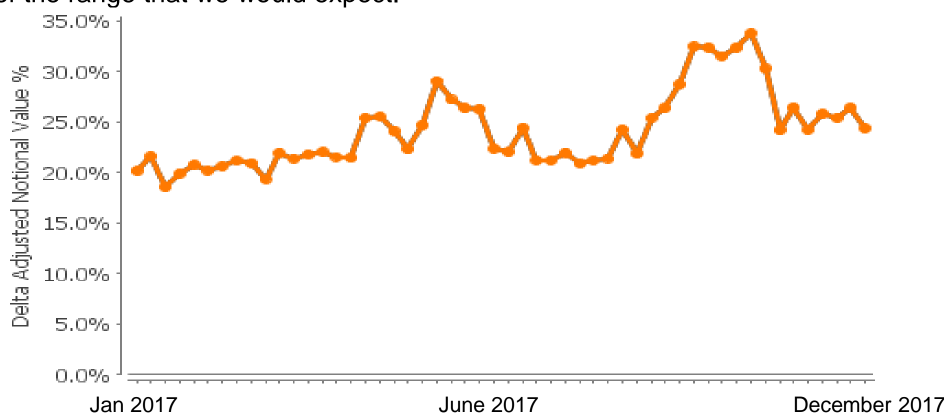
PERSPECTIVE

Things that went right & things that went wrong

As we all hit the gym trying to work off the excesses of the holiday period, and promising ourselves that we'll get fitter, we thought a period of quiet reflection on 2017 is warranted - along with our view of what 2018 might have in store.
Our internal target for this Portfolio was to achieve a gross return of Eonia +3.5% - 4.5% on an annualised basis. [1] While we fell a little short of our own internal target, we are still satisfied with the return we were able to achieve – given the market backdrop over the year. From a long-term perspective, we have outperformed our internal target on 3 year annualised gross returns, 5 year annualised gross returns, and since inception[2] annualised gross returns. [3] So what went right, what went wrong and what is the outlook for 2018?

We maintained our long equity position

Firstly, what went right? Mostly, we are happy that we kept our long equity position, especially in the second half of the year when many market commentators were expressing concern about valuations. The long equity call was primarily based on the strength of the global economy, and the chart below shows the Portfolio's delta-adjusted notional value, which in plain English means that it takes account of all equity exposure, including potential exposure via options that the Portfolio holds. During the year, we substituted cash equity exposure with increased option use, due to the current relatively cheap nature of options. By doing this, we were able to add considerable convexity to the Portfolio, in effect increasing the equity exposure whilst keeping risk and volatility low. As we have explained in previous commentaries, these options became more and more valuable as markets moved higher, giving us an increased exposure to the market. The spike downwards in mid-November reflected the wobble that markets experienced, and the subsequent reduction in value of our options, but our overall delta-adjusted equity exposure at year-end is close to the upper end of the range that we would expect.



Jan 2017 June 2017 December 2017

Source: Amundi, Blackrock Aladdin. Data as of 29 December 2017.

---

[1] This target can be exceeded or undershot and should not be construed as an assurance or guarantee.

[2] Inception of Class A EUR non-distributing was 12 December 2008.

[3] Net of fees performance would be inferior. Please refer to the net Fund performance shown in Figure 8. Past performance does not guarantee and is not indicative of future results.

For Broker/Dealer Use Only and Not to be Distributed to the Public.

Amundi ASSET MANAGEMENT

Overweighted U.S. & Japanese equities, whilst maintaining a low weight in Euro equities	So the macro call to remain overweight equities worked well, but so too did our geographical allocation, where we preferred the U.S. and Japan, to Europe. Our view on the U.S. was that it offered better risk/reward characteristics than other markets, and this, in our opinion, was the right call. We especially liked the Tech sector compared to the European Tech sector, which was a good call. Just before the second round of the French elections we preferred to build upside exposure in the Dow Jones and Nasdaq, rather than in Europe, mainly due to the extreme relative cheapness of upside calls between U.S. and Europe (back in April, a call on the EuroStoxx50 for year-end expiry was costing 5-8 times the equivalent calls on the Dow or the Nasdaq). Overall the U.S. equity markets delivered a positive return with lower volatility than other markets. We also thought that Japan was attractive, but for a slightly different reason – for the first time in many years the fundamentals in Japan were looking attractive, and an added bonus was that most investors have been underweight Japan. Therefore there was potential for significant buying of Japanese equities as investors moved to close these underweight positions. We stayed long Japan all year long even though it didn't really perform in the first half of the year – indeed we took advantage of unusually low volatility in the Nikkei at end August/early September to further increase upside exposure to Japan. We then benefitted from the strong rally of Japanese markets in the last quarter of 2017. At the same time, despite our positive view on the European economy, we thought that two factors would hold European equity markets back – the strength of the Euro currency, and the ongoing issue of dealing with non-performing loans. By year-end, the S&P500 was up 21.8% for 2017, the Japanese Topix was also up 21.8% for the year; while the EuroStoxx50 was only up 9.1%.
Shifted risk budget from Satellite to Thematic strategies	As the year went on, we also realised that it was very difficult (and potentially dangerous) to try and position for equity sector relative value shifts, as sectoral volatility was very high and flows were causing significant movements and changes in sectoral performance. Therefore we made the decision to re-allocate some of our risk budget from the Satellite strategies to more long-term Macro Thematic strategies. Our Themes performed very well in 2017 – in fact they significantly out-performed our other Marco Strategy positions. We continue to hold these Thematic strategies into 2018.
Kept duration close to zero	Finally, we continued to reduce our interest rate duration exposure throughout the year, and even went net short at one stage in early September. Putting it in context, the Portfolio started the year with an interest rate duration of 1.88 years and finished 2017 with a duration of 0.38 years. Most of our duration reduction occurred within the government bond space, and this was a positive contributor to overall Portfolio performance, as the Bank of America Global Government Index was only up 1.15% in 2017, whilst the Bank of America Euro Government Index was only up 0.13% for the full year.
Bad call on the U.S. Dollar	So plenty of things that went right, but what about things that didn't go so well? We had one major wrong call in 2017, and that was believing that the U.S. Dollar would remain strong and act as a diversifier. We believed that potential tax reform, possible repatriation of profits from outside the U.S., and a Border Adjustment Tax would all support the U.S. Dollar; as would the fact that the U.S. Federal Reserve were leading the move towards monetary policy normalisation by increasing interest rates. Unfortunately, this turned out not to be the case, and we had to reduce our U.S. Dollar exposure, especially during the second half of the year – from a high of 17% at the end of July, to a level of 4.7% at year-end. We are maintaining some exposure only because we still believe the U.S. Dollar will perform in times of market stress, such as an Emerging Markets (EM) sell-off.
Expected more volatility	In a year that was dominated by geopolitical uncertainty, we were also expecting that markets should have been more volatile, leading to some market corrections throughout 2017. We were not alone in this view (indeed, it was probably the single most incorrect view for most managers in 2017), but it appeared to us that being long volatility and keeping a constant hedge on our long equity positions were prudent investment decisions. By the end of the year, we had spent quite a lot of money (and by implication, performance) on protecting the

Believed that credit (and High Yield spreads in particular) were already fully valued	Portfolio. But we continue to stress that our main role as Absolute Return managers is to try and avoid big drawdowns, so we make no apologies for perhaps being too conservative. Finally, we have noted throughout the year that we considered credit spreads to be on the expensive side, which in turn led us to maintain a very low spread duration exposure. One area in particular that we felt offered little value was in High Yield, and at certain stages of the year we even reverted to running a short duration stance in the High Yield space. Despite one small (and short) wobble in early November, High Yield spreads remained stable and even saw some sectors tightening further, as a result, our position did detract from overall Portfolio performance. However, even more than before, we remain convinced that corporate bonds offer less value than equities, so we will continue to favour equities over corporate bonds.
Outlook for 2018 **Still some upside for equities** **Fixed Income remains expensive**	As to what 2018 has in store? Well, we believe the current late cycle phase leaves some room for upside in Developed Market (DM) equities. In the U.S., the re-rating of the market has already happened but further appreciation could be driven by a tax bill-led reflation boost. We believe investors should consider option strategies to play this positive view. We confirm our positive view on selective EM themes (Russia within EM), but we believe that opportunities in South Korea and in China have diminished. In fixed income, we continue to prefer Developed Market credit, which is supported by fundamentals, however we are aware of the tightness of current spreads. German bond yields are expensive, and therefore investors, in our view, should remain short duration. We expect real yields to increase in the U.K. as the spread vs other developed countries is at historical high levels. We see value in inflation breakevens in Europe, the U.S. and Japan. In Europe, 10year inflation expectations are still low in historical terms, and also when compared to current headline inflation. In the U.S., the increase in oil prices plus the recent tax bill should boost the reflation narrative. We see opportunities in the FX market, in particular in the Norwegian Krona vs the Euro, based on the expected catch-up with the recent oil rally. We also like the New Zealand Dollar (NZD) vs the Australian Dollar (AUD) on diverging macro news flow between the two countries and the excessive weakness of NZD post recent elections. We are negative on Sterling vs EUR, and vs USD as it looks overvalued and vulnerable to the Brexit news flow. **Risks and hedging** Due to multiple risks investors should try to protect portfolios from negative geopolitical events (through gold & USD) and sudden risk-off spikes, that can cause severe sell-offs on both equity and credit (through options/currencies, and protection on High Yield or the S&P500).
Current Portfolio positioning	From a Portfolio positioning point of view, we are entering 2018 positioned as follows: - very low overall duration, and outright short duration positions in markets where real rates are, in our opinion, too low (UK and Japan) - a steepening bias towards yield curves - long inflation linked bonds and inflation swaps - long commodities (especially oil and industrials metals) - long energy and financials vs utilities and staples, which we believe should better balance our equity portfolio that still has a strong tech focus - long Japan and Asia EM - keeping our long gold and long Japanese Yen positions as “risk-off” positions (in addition, we believe the Yen is extremely cheap on a fundamental basis and the Bank of Japan could, at any time, abandon its yield curve control policy). Now, where are my trainers?

For Broker/Dealer Use Only and Not to be Distributed to the Public

Amundi
ASSET MANAGEMENT

PERFORMANCE	
Strong quarter for Equities, with the notable exception of Europe.	Despite a minor wobble in mid-November, global equity markets (with the notable exception of Europe) delivered strong performances in Q4 2017, helping to make 2017 a year to remember for Equity Managers and Portfolio Managers. Bond yield curves generally flattened, with upward rises in short-dated yields being offset by falls in longer-dated yields. Investment-grade corporate bonds and high yield issues mostly out-performed their sovereign counterparts; whilst Emerging Markets, which led the sell-off in mid-November, recovered to deliver positive returns for the quarter. In FX, the story was a continuation of what we had seen throughout 2017 – a weaker U.S. Dollar and a stronger Euro. The S&P500 returned 6.62% during Q4 2017, but was out-paced by its smaller rival, the Dow Jones 30, which returned over 10.3% in the same period. Growth stocks marginally outperformed their Value competitors (6.38% vs 5.68%), with the Nasdaq generating a return of 6.27% in Q4. The positive performance in December meant that the S&P delivered a positive total return for all 12 months of 2017, the first time that this has happened in history. In Europe, the Euro Stoxx 50 fell 2.5% - but this masked a wide variety of different geographical market performances. The main laggards were the IBEX 35 in Spain, which fell 3.3%, and the Italian FTSE MIB - down 3.7%, both on political concerns (the Catalan situation in Spain and forthcoming national elections in Italy, in March 2018). On the positive side, the UK FTSE 100 rose 4.27% as economic growth proved resilient to BREXIT-related concerns. With Greece getting upgraded to investment-grade status, the Athens Composite Share Index was Europe's best performer in Q4 2017, returning 6.2%. The Japanese Topix index continued its recent strong run of performance, rising 8.5% in Q4 2017, but underperforming its domestic competitor, the Nikkei 225, which rose by 11.8% in Q4. The Topix has advanced 19.7% in 2017, mainly on the back of good earnings from Japanese companies. This has highlighted the relative attractiveness of the Japanese stock market - earnings per share grew by 30% in 2017, and a similar performance is expected next year. Emerging Markets equities, as measured by the MSCI EM Index, rounded out an excellent year by delivering a return of 7.4% for Q4 2017 - making it a grand total of 37.3% for 2017 as a whole. European EM markets led the charge, advancing over 11%; while Latin American EM markets had a disappointing quarter, falling over 3%.
Bond Market curves "flattened"	As mentioned earlier, global bond markets were mostly characterised by what is known as "flattening", where short-dated yields increase by more than long-dated yields. What was interesting in this period was that whilst short-dated yields did increase, longer-dated yields actually fell in many major markets. This was most evident in the U.S. bond market where the gap between 2-year and 10-year yields narrowed to its tightest level (53bps) since December 2006 - with 2-year yields rising 40bps, but 30-year yields falling 12bps in Q4 2017. The rather large rise in U.S. 2-year yields was mainly driven by a 25bps increase in the U.S. Fed Funds rate. In Europe the rise in short-dated yields was only 6bps, whilst 30-year German yields fell 3bps. Despite a 25bps rise in U.K. official Base Rates, U.K. bond yields fell across the maturity spectrum, with 2-year yields dropping by 2bps and 30-year yields falling a large 16bps.
Credit outperformed sovereign bonds	Investment-Grade credit had a good quarter with the Euro Investment Grade iTraxx Main index falling 12bps to 45bps, while the wider Bloomberg Barclays Euro Aggregate Corporate index was broadly unchanged over the period. High Yield markets also performed well in Q4, as the Global High Yield Corporate Index was up 0.9%. Again, Euro High Yield underperformed U.S. High Yield, as the Western European High Yield index rose 0.05%, whilst the U.S. High Yield Corporate index rose 0.5%.

Amundi ASSET MANAGEMENT

Oil a clear winner

Most Commodities had a strong quarter with the CRB Index rising 5.9%, mostly driven by a continued (and unanticipated) rebound in the oil price. West Texas Intermediate finished 2017 above US$60, rising nearly 17% in Q4 alone. Brent slightly outperformed, up 18.2%. Copper rose 12%, helping the Metals complex to advance by over; 9% whilst the Agricultural complex fell nearly 2%. Bitcoin grabbed all the attention, but Gold was up 1.8% in the quarter.

U.S. Dollar resumed its depreciation

Despite having appreciated in October, the U.S. Dollar thereafter resumed its downward trend in November and December. The Dollar Index (a trade-weighted basket of currencies against the U.S. Dollar) fell 1.02% during the quarter, and is down nearly 10% in 2017. The EUR/USD rate moved from 1.1815 at end-September to 1.2005 at year-end, whilst the USD/JPY rate was relatively unchanged over the quarter - hovering around the 112.60 level. The Euro was a clear winner in the currency markets, appreciating against the British Pound (0.7%), the U.S. Dollar (1.6%), and the Japanese Yen (1.8%). Despite being the cause of the initial weakness in markets during early November, EM currencies finished the quarter higher, with the JP Morgan Emerging Markets Currency Index rising 1.52% in Q4 2017. The main outperformers were the South African Rand, the Polish Zloty and the South Korean Won - all performing strongly.

Figure 3
Market Performance – Q4 2017

Equities	Return (%)
MSCI World Index - Daily, TR, Net USD	5.51%
S&P 500 TR Index	6.64%
EURO STOXX 50 NR Index	-2.30%
FTSE 100 TR Index	5.02%
DAX TR Index	0.69%
FTSE MIB NR Index	-3.55%
TOPIX NR Index	8.67%
MSCI Emerging Markets - Daily, TR, Net USD	7.44%
Commodities	**Return (%)**
TR/CC CRB (Commodity Futures Index)	5.89%
Oil - West Texas	16.93%
Oil – Brent	18.20%
Gold Spot	1.79%
Copper Spot	12.04%

Fixed Income	Return (%)
JPM GBI EMU 3-5 Years - Local	-0.02%
JPM GBI EMU 5-7 Years - Local	0.33%
JPM Emerging Markets Bond Index	-0.32%
Fixed Income - Corporate	**Spread**
iTraxx Europe Main Generic 5yr	-12bps
iTraxx Europe Xover Generic 5yr	-19bps
FX	**Return (%)**
EUR/USD Spot	1.62%
EUR/GBP Spot	0.69%
EUR/JPY Spot	1.78%
EUR/CHF Spot	2.30%
US Dollar Index Spot	-1.02%
JPM EM Currency Index	0.23%

Source: Bloomberg as at 29 December 2017.

The Portfolio delivered a positive return in Q4 2017.

Figure 4
Portfolio performance – Q4 2017

	Q4	2017
Pioneer Funds – Absolute Return Multi-Strategy - "A" Class	0.26%	1.47%

Source: Amundi Asset Management as at 29 December 2017, Class A EUR ND net of fees. Past performance does not guarantee and is not indicative of future results.

Monthly Performance Summary

Figure 5

Strategy Performance

Strategy Group	**Q4 2017**	**31/12/2017**	**30/11/2017**	**31/10/2017**
Macro	0.82%	0.10%	-0.14%	0.73%
Macro – Hedging	-0.23%	-0.09%	-0.06%	-0.08%
Satellite – Comm & Inflat	0.11%	0.09%	0.02%	0.01%
Satellite – Equity	0.40%	0.33%	-0.11%	0.18%
Satellite – FI	0.06%	-0.03%	0.05%	0.04%
Satellite – FX	-0.27%	-0.04%	-0.16%	-0.12%
Satellite – Quant Models	-0.01%	0.01%	-0.01%	-0.02%
Satellite – Spread	-0.19%	-0.04%	-0.16%	0.02%
Selection – Spread	-0.04%	-0.03%	-0.05%	0.04%
Grand Total	0.64%	0.33%	-0.62%	0.80%

Source: Amundi Asset Management. Data as at 29 December 2017. Data is sourced internally and quoted gross of fees[4]. Net of fees performance would be inferior. Please refer to the net Fund performance shown in Figure 8. Past performance does not guarantee and is not indicative of future results.

Q4 Performance Contribution

- The **Macro Strategy** pillar was the single largest contributor to overall Q4 2017 performance, and was entirely driven by our **Thematic Equity** strategies, which delivered almost 1% in overall performance, and helped offset the loss of -0.18% that came from our Macro Strategy. Within our Thematic strategies, the biggest performers were **Internet of Things, Robotics** and **Japanese Reflation** – these three delivered the bulk of the performance. Our **Macro strategy** was pulled down by the **FX Major** strategy (suffered from our long U.S. Dollar exposure) and our long **European Equities** position (impacted by Euro strength), although some strong performance from our long **U.S. Equity** position helped.
- Our **Satellites** strategies was a minor contributor to Q4 performance, generating 10bps of performance in total, but this again masked some significant performance dispersion with different satellite strategies. Our **Satellite-Equity** strategy was the major performer, driven by good gains in **Equity Trading**, **European Cheap Value** & **U.S. Equity Opportunities**. Negative bond yields and ongoing concerns about non-performing loans made our **Euro Banking Union** strategy an underperformer. Our **Satellite-FX** strategy was the biggest detractor, as our Emerging Market exposure hurt performance through two strategies (**EM Relative Value** & **EM Absolute**). **Satellite-Spread** was also an underperformer as our **High Yield Overlay** position dropped over 9bps in overall performance.
- Our **Selection-Spread** pillar had a minor negative performance in Q4, as our cash bond positions did not compensate for the cost of the CDS positions held within the strategy.
- Most of our **Macro Hedging** positions were flat during the quarter, with the exception of our **Equity Variance** strategy (-5bps) and our **Equity Volatility** strategy which cost the fund 17bps. Although there was a small initial spike higher in volatility during the market correction, it quickly reversed as markets recovered and volatility fell back again.

[4] The data provided is taken from a proprietary front-office tool which is used by the investment management team in the management of the fund. The data is provided to 31 December 2017. It is provided to assist in illustrating the investment process and explaining the current positioning of the portfolio. This data may be subject to change and may differ from the final reconciled fund returns. The fund is actively managed and allocations will vary over time. This data should consequently not be relied upon for the purposes of the making of investment decisions.

Best Performing Strategies in Q4 2017

Figure 6[5]
Best Performing Strategies

Five Best Performing Strategies		
Investment Pillar	**Theme**	**Performance**
Macro Thematic	Internet of Things	0.42%
Macro Strategy	US Equity	0.29%
Macro Thematic	Robotics	0.21%
Satellite – Equity	Trading ST2	0.21%
Macro Thematic	Japanese Reflation	0.19%

Source: Amundi Asset Management. Data as at 29 December 2017. Performance shown gross of fees. Net of fees performance would be inferior. Please refer to the net Fund performance shown in Figure 8. Past performance does not guarantee and is not indicative of future results.

Worst Performing Strategies in Q4 2017

Figure 7
Worst Performing Strategies

Five Worst Performing Strategies		
Investment Pillar	**Theme**	**Performance**
Macro Strategy	FX Majors	-0.20%
Macro Strategy	Euro Equity	-0.17%
Macro Hedging	Equity Volatility	-0.17%
Satellite - FX	EM Relative Value	-0.15%
Macro Strategy	Japanese Equity	-0.13%

Source: Amundi Asset Management. Data as at 29 December 2017. Performance shown gross of fees.[6] Net of fees performance would be inferior. Please refer to the net Fund performance shown in Figure 8. Past performance does not guarantee and is not indicative of future results.

Long-Term Performance

Figure 8
Portfolio Performance

As at 31 December 2017	YTD (%)	3 Years p.a. (%)	5 Years p.a. (%)	Since Incept p.a. (%)	260 Day Vol. (%)	Sharpe Ratio (3Yr)
Pioneer Funds – Absolute Return Multi-Strategy "A" Class	1.47%	1.80%	2.47%	2.77%	2.60	0.92

Source: Amundi Asset Management as at 29 December 2017, Class A EUR ND net of fees. Past performance does not guarantee and is not indicative of future results. Inception of Class A EUR non-distributing was 12 December 2008.

Risk Profile

Figure 9
Portfolio Risk

Risk Profile: Pioneer Funds – Absolute Return Multi-Strategy

	29/12/2017	30/11/2017	31/10/2017	30/09/2017	31/08/2017
Portfolio VaR:	**3.25%**	**2.55%**	**3.02%**	**2.84%**	**2.27%**
Sum of Standalone risk:	9.51%	9.74	10.84%	10.58%	9,38%
Diversification benefit*:	6.26	7.19%	7.82%	7.74%	7.11%

Source: Amundi Asset Management. Data as at 29 December 2017.
* Diversification does not guarantee a profit or protect against a loss.

[6] The data provided is taken from a proprietary front-office tool which is used by the investment management team in the management of the fund. The data is provided to 30 November 2017. It is provided to assist in illustrating the investment process and explaining the current positioning of the portfolio. This data may be subject to change and may differ from the final reconciled fund returns. The fund is actively managed and allocations will vary over time. This data should consequently not be relied upon for the purposes of the making of investment decisions.

Summary Asset Allocation

Figure 10
Portfolio Asset Allocation (market value %)

Asset Class	Market Value (%)
Equities	**23.5%**
Fixed Income	**54.5%**
Government Bonds	9.5%
Corporate Bonds	44.6%
Commodities	**5.0%**
Real Estate	**0.5%**
Forex	**0.4%**
Cash	**16.2%**

Source: Amundi Asset Management. Data as at 29December 2017.

REVIEW & OUTLOOK

Entering the "late-cycle" phase in markets

A backdrop of consolidating global growth, subdued inflation and gradually normalising central bank monetary policies should, in our view, drive a smooth transition from a reflationary phase into a late phase of the market cycle. An anticipated revival in reflationary fiscal policies, global trade and capex activity can also provide further support to markets, particularly equities, in 2018.
On the other hand, cross-asset valuations appear stretched and investor complacency remains high despite persistent geopolitical risks. An unexpected pick-up in inflationary pressures, prompting aggressive policy action from central banks can cause volatility to spike suddenly, especially in rates markets. Against this backdrop, we expect directional opportunities to be less appealing and rotations across assets, sectors and styles to be in flavour in 2018.

Despite a cautious approach, equity exposure remains relatively high

We are positioned in risk assets with a bias to equities over credit but remain active in our asset allocation for the aforementioned reasons. Whilst the Portfolio's equity exposure (based on market value) fell from 24.8% at end-September to 23.5% by year-end, the delta-adjusted exposure fell even more, from 28.7% at end-Sept to 24.4% at end-December. Remember it had been as high as 35% in mid-October, however some of our option exposure expired and was not rolled over. Since mid-November, the delta-adjusted exposure has been pretty steady around 24%-26%.

Prefer U.S. & Japan – less keen on Europe

We focus on being relatively positioned at country, sector and security level to seek pockets of value. On a positive note, global corporate earnings results have been encouraging in 2017 with companies revising up their earnings forecasts. Based on our projections, we expect global EPS growth to consolidate around 10% on average. We remain very bullish on both the U.S. (9.8% delta-adjusted exposure) and Japan (5.5% delta-adjusted exposure). We are less keen on Europe, where we believe the headwinds of a strong Euro will hurt stock and index performance, so we are happy to run a relatively low exposure (4.3% delta-adjusted weighting).

Overweight Technology, Oil & Energy sectors

With growth expected to be strong, we keep our overweight position on the Technology sector, which is itself exhibiting strong growth and generating good EPS. We are long Oil and Energy stocks, in both the U.S. and Europe. Fundamentals are good for the oil industry – the level of inventories is within the 5-year range, and Energy stocks are reporting a strong build-up in free cash flow. The Energy sector remains the worst-performing sector year-to-date and the sector has lagged the move in the oil price. In the last weeks of December, we added more Energy exposure, mainly via futures in the U.S. and Europe, but also started buying individual stocks in the U.S., and increased our Oil ETF exposure. We also long Financials in U.S., Japan, China and Europe; and during November we went long Consumer Discretionary stocks in the U.S. To play the "U.S. tax reform" idea, we increased our long Russell 2000 position via futures and short-dated options.

Our fixed income portfolio continues to run very low levels of duration as we believe that global bond yields will push higher against a backdrop of better growth, increasing inflation

Amundi
ASSET MANAGEMENT

Duration of fixed income portfolios remains low	and removal of accommodative monetary policy settings by central banks. The portfolio duration fluctuated around the 0.20 year - 0.40 year level for most of the quarter. We are still long on the U.S. curve (currently 0.34 year duration), and also in Europe (about 0.26 year). We are positioned for a steeper yield curve in the U.S. and a flattening curve in Europe. We retain a bearish bias in the U.K., in light of Brexit and currently are -0.33yr short duration. We are also short duration in Japan, where we feel the Bank of Japan's attempts at yield curve control may ultimately have to be abandoned - leading to a rise in Japanese government bond yields. Our views on inflation are unchanged, and in fact have been reinforced by movement in commodity prices, so we have not changed any of our inflation basket positions.
Spread Duration exposure remains low as well	Likewise with our Spread duration, where risk is low. This reflects the team's view that corporate credit valuations are stretched and vulnerable to the removal of the ECB's Quantitative Easing measures. The spread duration of the Portfolio remained fairly steady, finishing the year at 0.43 year, compared to end September's level of 0.68 year. In the investment grade space, we are reducing risk by switching from long duration assets to callable credit issues that have a maturity of 1 year - 2 years. We took advantage of the correction in High Yield to actively buy new names in the primary market at what we considered to be interesting prices. Our current duration in High Yield is around zero, but we may increase that in early January if interesting new issues come to market. In the EM markets, we remain net long about 0.25 year.
Reduced our long U.S. Dollar position	On the FX and Commodity side, as mentioned earlier in the commentary, we have again reduced our long U.S. Dollar exposure - acknowledging that it hasn't acted as the diversifier that we thought it would, but also happy to keep the exposure as a potential hedge against our overweight EM positioning. Over the quarter we have reduced our U.S. Dollar exposure from 11% at end-September to under 5% by year-end. We are also modestly overweight the Japanese Yen, Indian Rupee and Norwegian Krone. As in previous months, we continue to favour a strategy of running long EM FX positions to benefit from the positive carry in the higher yielding currencies, which can often amount to 7% - 8% differential against the U.S. Dollar. Against that, we remain short the Omani Rial, Swiss Franc, Singapore Dollar, Hungarian Florint & Polish Zloty.
Increased our Commodity exposure	In Commodities, our exposure has slightly increased to 5.0% at year-end from end-September's 4.2%. We remain long Gold (but more as a hedge against market turmoil and/or geopolitical risk, rather than having a positive view on the metal), and Oil, which we increased from 0.8% at end-September to 1.4% by end-December, expecting that the market may continue re-balancing into 2018 - providing some support for the oil price. We are also long some of the industrial metals such as aluminium, platinum and silver (which we increased in November).
Continue to try and protect the Portfolio	During the latter part of 2017 we decreased risk exposure by reducing exposure to the most crowded areas of the market, such as momentum driven trades and lower quality credit, which in our view is susceptible to heightened liquidity risks from a sudden reversal in investor flows. We also maintain hedges through option strategies, and also through low correlated assets such as gold to mitigate potential losses in case of a market correction. Thus we are keeping our long volatility positions and hedging structures, as extremely low volatility across the various asset classes belies excessive market complacency vis-à-vis geopolitical risks (e.g. Trump, Brexit, German government). Hence, our Portfolio features ample hedging structures, whilst attempting to maintain positive carry. In order to minimise the cost of hedging (realised volatility is still lower than implied volatility) we are looking to exploit volatility term structures and skews. In summary, we maintain our views and are relatively more favourable towards equities versus fixed income on a risk-adjusted basis. We are maintaining a shorter investment horizon; focusing on our Thematic and Satellite Strategies to generate alpha; utilising optionality with the aim to protect the Portfolio from "fat tails"; and attempting to take advantage of mispriced opportunities.

For Broker/Dealer Use Only and Not to be Distributed to the Public

Contributors:

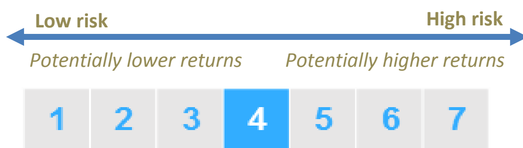
Davide Cataldo
Head of Multi-Strategy Portfolios

David Greene
Client Portfolio Manager

Federica Masciaga
Senior Portfolio Manager

Matteo Ortisi
Senior Portfolio Construction Manager

Risk and Reward Profile of Class A EUR ND



The above risk indicator ranks potential risk and reward and is consistent with the risk limits set for the Sub-Fund. Historical data such as that used in calculating this synthetic indicator, may not be a reliable indication of the future risk profile of the Sub-Fund. The lowest category does not mean a "risk-free" investment. The Sub-Fund's risk indicator is not guaranteed and may change over time. The Sub-Fund's risk category reflects the fact that the Sub-Fund seeks positive returns in all market conditions. For un-hedged currency classes, exchange rate movements may affect the risk indicator where the currency of the underlying investments differs from the currency of the unit class. For additional key risks, please see the key investor information document.

Important Information

MSCI: The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

Unless otherwise stated all information contained in this document is from Amundi Asset Management and is as at 29 December 2017.

Pioneer Funds – Absolute Return Multi-Strategy is a sub-fund (the "Sub-Fund") of Pioneer Funds (the "Fund"), a fonds commun de placement with several separate sub-funds established under the laws of the Grand Duchy of Luxembourg.

Past performance does not guarantee and is not indicative of future results. Unless otherwise stated, all views expressed are those of Amundi Asset Management. These views are subject to change at any time based on market and other conditions and there can be no assurances that countries, markets or sectors will perform as expected. Investments involve certain risks, including political and currency risks. Investment return and principal value may go down as well as up and could result in the loss of all capital invested. More recent returns may be different than those shown. Please contact your local Amundi Asset Management representative for more current performance results.

This material is not a prospectus and does not constitute an offer to buy or a solicitation to sell any units of the Fund or any services, by or to anyone in any jurisdiction in which such offer or solicitation would be unlawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. For additional information on the Fund, a free prospectus should be requested from Pioneer Global Investments Limited, a member of the Amundi group, 1 George's Quay Plaza, George's Quay, Dublin 2, Ireland. Call +353 1 480 2000 Fax +353 1 449 5000 or your local Amundi Asset Management sales office.
This information is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities or services in the United States or in any of its territories or possessions subject to its jurisdiction to or for the benefit of any Restricted U.S. Investor (as defined in

the prospectus of the Fund). The Fund has not been registered in the United States under the Investment Company Act of 1940 and units of the Fund are not registered in the United States under the Securities Act of 1933.

This document is not intended for and no reliance can be placed on this document by retail clients, to whom the document should not be provided.

This content of this document is approved by Pioneer Global Investments Limited, a member of the Amundi group ("PGIL"). In the UK, it is directed at professional clients and not at retail clients and it is approved for distribution by PGIL (London Branch), 41 Lothbury, London, EC2R 7HF. PGIL is authorised and regulated by the Central Bank of Ireland and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority ("FCA") are available from us on request. The Fund is an unregulated collective investment scheme under the UK Financial Services and Markets Act 2000 and therefore does not carry the protection provided by the UK regulatory system.

Amundi Pioneer Distributor, Inc., 60 State Street, Boston, MA 02109 ("APD"), a U.S.-registered broker-dealer, provides marketing services in connection with the distribution of products managed by Amundi Asset Management or its affiliates. APD markets these products to financial intermediaries, both within and outside of the U.S. (in jurisdictions where permitted to do so) for sale to clients who are not United States persons. The SRRI represents the risk and return profile as presented in the Key Investor Information Document (KIID). The lowest category does not imply that there is no risk. The SRRI is not guaranteed and may change over time.

For Broker/Dealer Use Only and Not to be Distributed to the Public.

Date of First Use: 12 January 2018.
Doc ID: 370861