Monthly Portfolio Update

*Amundi Funds II – Pioneer Global High Yield**

30 April 2018

BOND COMMENTARY

Market Review

Developed financial markets stabilised, while Emerging Markets (EM) sold off in the wake of higher oil prices and higher interest rates over the month. Developed equity delivered modestly positive returns, while Investment Grade (IG) credit markets slightly outperformed governments, benefitting from a 7% increase in oil prices, as well as from reduced trade tensions, better than expected first quarter U.S. GDP growth, positive earnings outcomes - with almost 75% of companies exceeding estimates, and lower volatility. Despite these positive factors, however, performance within these markets were negative affected by rising rates and inflation. High Yield (HY) markets outperformed, benefitting from significant energy exposure, their higher all-in yield, and a benign default outlook. EMs suffered from higher U.S. rates, and a rally in the U.S. Dollar.

HY posted a negative return for the month with the Bloomberg Barclays Global High yield Index returning -0.23%. U.S. HY returned +0.65% while European HY returned -1.16% in U.S. Dollar terms and EMs U.S. Dollar HY returned -1.10%. Within the Euro, the Pan-European HY Index returned +0.61%.

During the month, U.S. corporate BB returned +0.13%, single-B returned +0.95%, while CCC returned +0.99%. In Euro, European HY BB returned +0.55%, single B returned +0.83%, while CCC returned +0.56%.

Portfolio Review

The Portfolio outperformed its benchmark, the Barclays Global High Yield index in April.

The main contributor to outperformance was the underweight to EM sovereigns. The allocation to convertible bonds, bank loans, and catastrophe bonds also contributed. The underweight to the Euro and Sterling contributed to performance as the U.S. Dollar rallied versus both currencies. Security selection within EM basic industries was a detractor. Although posting positive returns for the month, security selection was a drag on performance as lower quality credits outperformed higher quality credits during the month.

Outlook

Despite recent disappointing data out of the Eurozone, we believe that growth may be strong for both the U.S. and globally in 2018, buoyed by fiscal stimulus in the U.S. and strong global domestic demand. We believe U.S. GDP growth could potentially accelerate to almost 3% over the year, benefitting from significant tax cuts, deregulation, and stronger fixed investment spending. We believe solid employment and income growth may continue to support consumption and the housing market. Higher corporate profits, benefitting from strong global growth, tax cuts, and the 100% expensing of fixed investment, could also support increased fixed investment.

Fundamentals continue to be strong, with profits up and defaults continuing to fall. Despite some market outflows in the sector, the supply side has remained very disciplined, with moderate net new issuance over recent months. This has allowed spreads to remain largely range-bound (340-380bps) however, in our view, volatility should continue to pick up due to Fed tightening, politics, and equity markets.

We remain constructive on the fundamentals of the global HY bond market. While this credit cycle has proved to be an exceptionally long one, we do not see evidence of a recession on the horizon. On the contrary, evidence points to a potential period of solid global economic growth in almost every region. European HY looks relatively tight while EM volatility has spiked and credits have started to underperform. EM could potentially be driven more by commodities and overall financial conditions going forward.

We have evaluated the impact of tax reform on various sectors and companies and repositioning our holdings accordingly. Overall, lower tax rates should have a positive impact on HY as an asset class. However, the scaling back of interest deductibility could negatively affect the more leveraged issuers. Looking ahead, any movement in Washington on an

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*Prior to 16 February 2018, Pioneer Funds – Global High Yield

Amundi ASSET MANAGEMENT

infrastructure bill has the potential to boost market sentiment.

We view the overall composition of the HY market as healthy, with an improving quality profile across a range of industries. While HY valuations are somewhat extended, we believe overall conditions remain supportive of the asset class. In general, we are increasing our B weighting when possible, relative to BB and CCC rated credits. BB's have a higher correlation with rate increases and crossover demand, while CCC's appear too rich after having outperformed recently. B-rated credits offers the best risk/return potential as a credit.

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