Quarterly Portfolio Update

Pioneer Funds – Dynamic Credit
29 December 2017

BOND COMMENTARY

Market Review

Strong global GDP growth and corporate earnings, declining unemployment, modestly less accommodative global monetary policy, the U.S. tax cuts, and subdued inflation all contributed to strong equity and credit market performance over the quarter.

With the exception of the 30-year Treasury, interest rates rose over the quarter. The expectation for continued Fed rate increases contributed to a significant flattening of the yield curve. 2-year yields rose from 1.48% to 1.89%, 10-year yields rose modestly from 2.33% to 2.41%, and 30-year yields declined from 2.86% to 2.74%. TIPs outperformed, as inflation expectations rose, with 10- and 30-year breakevens rising to 2%.

Despite the inception of the Fed' tapering programme in October, which gradually reduces its purchases of Treasuries and agency MBS, agency MBS enjoyed relatively strong performance in the fourth quarter. The sector delivered excess returns of 0.24%, benefiting from stable rates and strong demand.

Investment Grade (IG) corporates enjoyed the strongest returns among credit sectors, with absolute returns of 1.2% and excess returns of 1.0%, benefitting from strong profits and the U.S. tax cuts, as well as continued demand for high quality credit. High Yield (HY) corporates underperformed IG corporates, as investor concerns rose regarding specific sector risk, including cable, telecom and retail, and the market sustained $11 billion of outflows over the quarter. Emerging Markets debt also underperformed over the quarter, hurt by Dollar appreciation in October and higher U.S. yields and Venezuela's default in November.

With respect to floating rate assets, bank loans produced significantly better performance than HY Corporates, returning 1.1% for the quarter, benefitting from a strong CLO bid and demand for floating rate assets. Catastrophe bonds returned 3.9%, rebounding from their September sell-off, as investor demand grew in anticipation of higher premiums.

The U.S. Dollar wound up relatively flat relative to a broad measure of global currencies. After appreciating in October, it fell over the remaining part of the quarter. The Euro appreciated 1.6% vs. the Dollar while the Yen was almost flat vs. the Dollar.

Performance Review

The Portfolio's total return was positive during the quarter, driven by increased market yields. As with the overall market, our interest rate exposure was the primary performance headwind, but our duration posture is slightly less than our neutral point of risk which did help. Credit exposures including High Yield was the main contributor and we outperformed our neutral point of risk in these areas. As a result our hedges were another detractor to performance.

Our outlook is positive for the upcoming year as growth appears robust across many global economies including in Europe and the U.S. The recent changes in the U.S. tax regime will be supportive of future growth and help build momentum in economic indicators including PMI's and consumer confidence.

However, valuations are a concern as tight spreads persist across corporate credit, and a more hawkish stance from the Fed could slow growth, and at the very least leave market participants guessing. Also, global monetary policy could converge along similar lines as European and Japanese monetary authorities begin to slow or reverse course.

Flexibility – We believe the Portfolio is well positioned based on our analysis of the markets and global economic data resulting in no material changes during the quarter. On the margin, we did increase our high yield and ILS exposures in order to diversify the Portfolio and take advantage of pricing opportunities. Our overall credit risk exposures are in line with our neutral point of risk, but our duration positioning is slightly below (about 3.6 years) our neutral point of risk. In order to seek lower correlations amongst assets we continue to diversify across a variety of asset classes including corporate IG, HY, ILS securities, and securitised credit.

Focus – From a sector positioning standpoint we seek to find long term value in sectors and with long term stable cash flows. The Portfolio did not make any significant sector or corporate industry allocation shifts during the month. The Portfolio is still weighted towards Financials and Midstream Energy along with exposure to European Corporates. In particular, Financials ought to benefit from higher and steeper interest rates along with the easing of financial regulations. Given stable housing market fundamentals, the Portfolio has moderately increased its exposure to housing-related credits.

Discipline – We remain cautiously optimistic, given the economic environment and corporate earnings. However, we also recognise that the market can shift quickly and that credit spreads are on the tighter side and valuations are less compelling. As a result, we continue to position the Portfolio more defensively, and tail risk hedges remain in place.

Important Information

[1] Diversification does not assure a profit or protect against a loss.

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

Pioneer Funds – Dynamic Credit 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.

The 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.

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

Date of First Use: 18 January 2018

Doc ID: 372866