

Quarterly Portfolio Update

*Amundi Funds II – Pioneer U.S. Mid Cap Value**

30 March 2018

BOND

COMMENTARY

Market Review

In the first quarter, for the first time in nearly two years, the Standard and Poor's 500 Index (the S&P 500) turned in negative quarterly performance, returning -0.8%. Though January returns were strong due to the prospect of higher economic growth driven by tax reform, February and March both had negative returns due to trade policy concerns as well as other factors such as the improper use of data by a leading social media company. Within the mid-cap universe, growth stocks, as measured by the Russell Midcap Growth Index, returned 2.2% significantly better than the -2.5% return for the Russell Midcap Value Index.

Performance Review

For the first quarter, the Portfolio underperformed the benchmark (Russell Mid-Cap Value Index).

Stock selections were the main reason for underperformance during the quarter, as the Portfolio's holdings in Financials and Energy failed to keep pace with their respective sector averages. Sector allocation decisions were a positive contributor to performance as the overweight to the better performing Information Technology and Financials sectors and underweight to the poor performing Real Estate sector helped relative returns.

Individual stocks that detracted from relative performance included Patterson-UTI Energy, Goodyear Tire & Rubber, and Cimarex Energy. Patterson-UTI Energy fell as the overall downturn in U.S. oil & gas drilling and completions activity has weighted heavily on profitability in Patterson's primary business lines: contract drilling and pressure pumping. Patterson has experienced low utilisation for several of its drilling rigs and pressure pumping is experiencing weakened profitability. However, we believe that Patterson maintains strong fundamentals and has an attractive valuation. Goodyear Tire & Rubber declined in the first quarter as increased raw

material costs and other expenses have weighed on earnings. In addition, a competitive environment and difficult industry conditions have led to declining sales and decreased profitability in the quarter. Cimarex fell in the first quarter as capital expenditures increased more than expected even though earnings beat expectations last quarter. We believe these are temporary issues and that Cimarex maintains strong fundamentals and an attractive valuation

Top individual contributors to performance included Microsemi, ON Semiconductor, and Jazz Pharmaceuticals. Microsemi rose in the first quarter along with the overall semiconductor industry as semiconductors have been a top driver of overall technology growth and the industry was also a large beneficiary of the U.S. tax code overhaul. In addition, Microchip Technology acquired Microsemi in early March providing a further catalyst for the stock. ON Semiconductor benefited from product growth in areas like automotive cameras and "Internet of Things" (IoT) offerings. In addition, the company was a beneficiary of the recent U.S. corporate tax reform plan. Jazz Pharmaceuticals rose in the first quarter as delays at a potential competitor for their largest drug (Xyrem) re-assured investors. In addition, sales for a key new product, Vyxeos, also did better than expected, boosting the market's expectation of the contribution from new and pipeline drugs.

Recently added and deleted positions

Our bottom-up stock selection decisions in the first quarter did not result in material changes to the Portfolio's absolute or relative sector positioning. However, we did add slightly to Utilities and REITs because of weakness over the quarter. We did add seven new holdings to the Portfolio over the quarter and exited ten positions. We continue to sell stocks when they reach our target price or when the fundamental story changes. In addition, we are always looking for opportunities to add stocks with attractive valuations and improving fundamentals.

Individual positions added to the Portfolio in the quarter included Entergy (Utilities), Gaming and

Leisure Properties Trust (Real estate), Marvell Technology and Mosaic (Information Technology), Newell Brands (Consumer Discretionary), Ryder System (Industrials), and Universal Health Services (Healthcare).

Portfolio positions sold in the first quarter included Crown Holdings and Sealed Air (Materials), DDR REIT (Real Estate), Dentsply Sirona (Healthcare), Finisar, Microsemi, and Verint Systems (all in Information Technology), Invesco (Financials), Kroger (Consumer Staples), and L Brands (Consumer Discretionary).

Outlook

As we look ahead we remain cautiously optimistic about the relative and absolute return potential for mid-cap value equities. With an environment of reasonable economic growth, favourable interest rates, growth tailwinds in multiple industry groups, and prospects for an acceleration in mergers and acquisitions, we believe mid-cap equities stand to benefit.

Important Information

On the 16 February 2018, Pioneer Funds was renamed Amundi Funds II. Prior to 16 February 2018 the name of the sub-fund was with the prefix "Pioneer Funds".

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