

# Pioneer Funds – Global Select

## Product Profile



### Global Equity

## Investment Philosophy

The Portfolio seeks to exploit market inefficiencies that we believe exist as a result of a discrepancy between investor extrapolation bias and economic reality. We believe that on average company fundamentals are subject to a reversion to the mean over time. Competition ensures that above average performance by a company will revert towards the mean over the long run. On the other hand company shareholders and market pressure ensures that below average performance by a company is generally turned around to realise at least average results. Behavioural finance shows however that investors have a tendency to extrapolate recent company performance into the future when valuating a stock. That is, investors expect recent company performance to persist in the longer run. This discrepancy between market expectations and economic reality leads to a systematic mispricing of stocks. Investors tend to overvalue companies with strong recent performance and undervalue companies with poor recent performance. We believe that expectations will ultimately have to reflect economic reality. We seek to exploit this discrepancy between investor extrapolation bias and economic reality by investing in stocks with too low expectations (i.e. low valuations) and avoiding stocks with too high expectations (i.e. high valuations).

## Investment Process

There are three key elements to our investment process: quantitative research, fundamental research and active investment management. Investment professionals from the following three teams support the Lead Portfolio Manager:

- **International Equity Investment team**
- **Global Equity Analysts**
- **Quantitative Analysts**

The integrity of the investment process is based on the principle of individual accountability within the context of an interconnected team effort. Further details on our investment process can be found overleaf.

## Key Features

- Global bottom-up stock picking approach with a strong emphasis on risk management
- Broad diversified portfolio, with a valuation bias
- Quantitative research, supplemented by qualitative overlay, drives stock selection
- Sector / country weights are a consequence of stock selection
- Option strategies are used for risk reduction purposes
- Relatively unconstrained approach with flexibility to take off-benchmark positions and invest across the market cap spectrum

## Key Benefits

- Potential for a high level of investment return within the context of an actively managed, diversified portfolio
- A proven, flexible investment process where investment decisions are not dictated by benchmark weight, whilst being underpinned by strict risk controls
- An active use of option strategies to help protect the portfolio against short-term market volatility

## Key Facts

- **Lead Portfolio Manager:** Harald Staudinger
- **Benchmark:** MSCI World Index
- **Investment universe:** Developed and emerging global markets
- **Number of holdings:** roughly 150-200
- **Stock limits:** Max 4% of benchmark\*
- **Stock overweights:** Max 4% vs benchmark\*
- **Sector limits:** +/- 10% of benchmark\*
- **Regional limits:** No limits\*

\*Note: these are internal guidelines and not prospectus limits and may be subject to change over time.

## Stage 1: Idea Generation

The first step in the investment process is a quantitative screening of a broad investment universe of approximately 2,400 stocks. Using a proprietary screening methodology, we apply fundamental, bottom-up quantitative research based on an analysis of valuation, company fundamentals and momentum factors. The model is designed to identify those stocks with low investor expectations, but with improving fundamentals, and to avoid companies with high expectations that are reverting to the mean. The model is enhanced by a multi-factor approach. This allows us to gain a more in-depth understanding of the investment potential of a stock, with the model applied at the sector level, whilst being adjusted for sector differences. The result is back-tested extensively in order to verify its effectiveness under different market conditions. We rank stocks according to their attractiveness and focus on the top 20%. This reduces the investment universe from 2,400 to around 480 stocks, which we then subject to fundamental qualitative analysis.

## Stage 2: Build Investment Case

The role of the fundamental qualitative analysis is to test and verify the outcome of the quantitative screening model. We only invest in companies where qualitative research supports the likelihood of an upward adjustment in market expectations. We look to exclude those stocks where fundamentals justify low market expectations, and therefore low valuations. Important factors we focus on include business models, balance sheet structure, shareholder structure and company and sector specific factors. The end result of the qualitative analytical process reduces the opportunity set from 480 stocks to between roughly 150 to 200 stocks, which are included in the Portfolio.

## Stage 3: Portfolio Construction

We apply a multi tiered approach to risk management:

- **Risk relative to the benchmark:** with our relatively unconstrained approach, we want stock selection to drive portfolio returns. We decompose ex-ante tracking error to identify risks associated with the portfolio holdings, which allows us to adjust positions that consume too high a proportion of our risk budget.
- **Company specific risk:** we then seek to mitigate unintentional company specific risk by implementing a broad diversified portfolio of between roughly 150 and 200 stocks.
- **Short-term stock market volatility:** we use active option strategies to insure the portfolio against short-term, unpredictable events, aiming to insure between 10% and 25% of assets. This approach helps protect the Portfolio against large short-term capital losses and leads to a significantly more stable return profile than the benchmark over the longer-term.
- **Foreign exchange risk:** Finally, we seek to mitigate unwanted foreign exchange risk for the euro based investor.

We follow a strict **sell discipline** driven by quantitative and qualitative inputs.

Two triggers lead us to sell a stock:

- A company falls to the bottom quintile of our Quant model. This generally occurs when the value of a stock rises or a better opportunity arises.
- Fundamentals change – we also use qualitative fundamental analysis to evaluate stocks held in the Portfolio. We would sell a stock if the fundamentals of an investment case change, for example as a result of events that would impact the earnings outlook of the company.

# Investment Universe

2,400 companies in developed  
& emerging markets

# Stock Selection

## Step 1:

**Quantitative scoring model at sector level**

- Looking for low valuation
- Rank according to attractiveness
- Focus on top 20% (480 stocks)

## Step 2:

**Qualitative Fundamental Analysis**

- Confirm investment case
- Select roughly 150 - 200 stocks

# Portfolio Construction and Risk Control

## Step 3:

**Risk Management**

- Diversification
- Option Strategy

**Sell Discipline**

Unless otherwise stated all information contained in this document is from Pioneer Investments and is as at 30 April 2009.  
Pioneer Funds - Global Select 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 Pioneer Investments. 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 sales 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 ("PGIL"), 1 George's Quay Plaza, George's Quay, Dublin 2, Ireland. Call +353 1 480 2000 Fax +353 1 449 5000.  
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 or for the benefit of any United States person (being residents and citizens of the United States or partnerships or corporations organized under United States laws). 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 PGIL. In the UK, it is directed at professional clients and not at retail clients and it is approved for distribution by Pioneer Global Investments Limited (London Branch), 123 Buckingham Palace Road, London SW1W 9SL, authorised by the Financial Regulator in Ireland and regulated by the Financial Services Authority for the conduct of UK business. 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.  
Pioneer Funds Distributor, Inc., 60 State Street, Boston, MA 02109 ("PFD"), a U.S.-registered broker-dealer, provides marketing services in connection with the distribution of Pioneer Investments' products. PFD 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.

Pioneer Investments is a trading name of the Pioneer Global Asset Management S.p.A. group of companies.  
Date of First Use 28 May 2009

397\_0509

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