

US Equities – Capturing Potential Opportunities

May 2009



US Economic and Market Review

During 2008 worldwide equity markets, including the US, suffered extreme volatility. The US economy contracted and the S&P 500's 2008 declined by 37%, recording its worst year since 1937. This negative trend carried over into 2009, making for a tumultuous first quarter, moved as much by speculation about new government programs and actions, as by fundamental corporate or economic news. March saw some improvement, as both the Dow and the S&P 500 surged more than 20% in one of the biggest three-week advances in history. However, this was yet not enough to reverse the effects of January and February in which the S&P 500 posted its steepest January decline in 26 years and the recession in February grew wider as consumers cut spending, companies reduced investments and net exports decreased.

In March, leading indicators began to show some small signs of improvement; the US Consumer Confidence index posted a small increase to 26.0 benefiting from low interest rates and optimism generated by the announcement of the new government stimulus programme. Factory orders also saw some improvement, 1.8% MoM, increasing for the first time in 7 months (although still lower YoY). However, annualised GDP was confirmed at -6.3% for Q4 2008 QoQ: the lower contribution of gross private domestic investments (with inventories) has only been partially balanced by the higher contribution of net exports. NIPA corporate profits (with IVA and CCAdj.) have been released at -16.5% QoQ, -21.5% YoY.

In this environment companies are trying to adjust their business models by reducing investment spending and cutting back production, which has a negative affect at a macroeconomic level. Corporate profits at the end of 2008 were weak. The financials sector was hit particularly hard, following the bankruptcy of Lehman Brothers and Merrill Lynch's purchase by Bank of America; the sector as a whole reported a drop in profitability of 59.3% QoQ. Meanwhile non-financials declined by 10.7% in the same period.

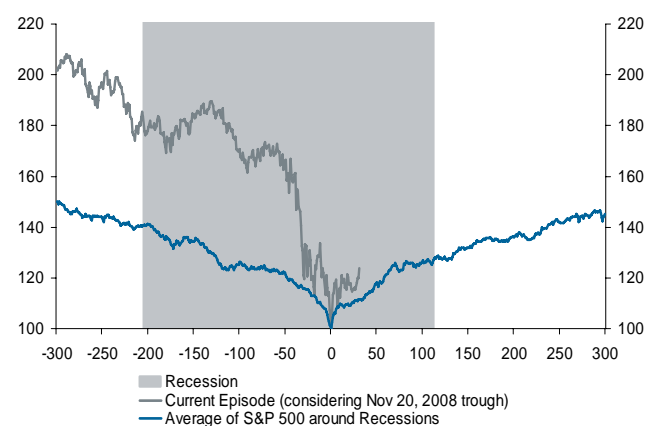
Headline Inflation forecasts have been confirmed at -0.8% YoY for 2009, with most of the year expected to be in negative territory, due to sluggish demand. Concerns about the recessionary impact of credit availability linger, as the

housing market shows scant signs of improvement with January Housing Starts falling by 16.8% MoM (56% below the same period last year) reaching the lowest level on record, as builders continue to strive to off-load excess inventory amid low demand. Finally, US unemployment rates continue to rise steadily, reaching 8.5% in March.

Why US Equity Now?

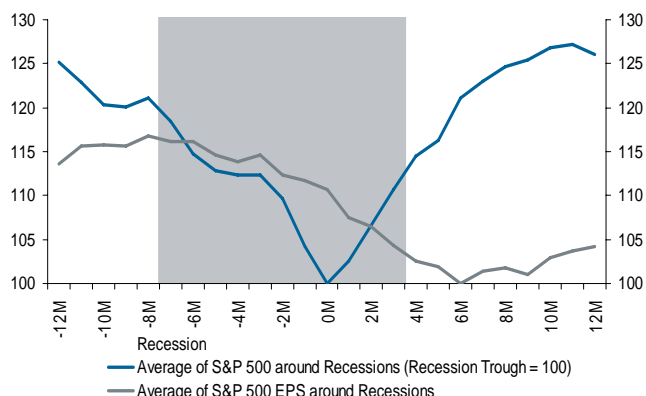
In these uncertain circumstances, we believe that taking a patient, long-term view may prove rewarding. Historically, recessions have been cyclical and, as such, have always come to an end. Volatility, such as that experienced in 2008, has, in the past created opportunities for long-term investors. Statistically, equity markets tend to pre-empt economic data as markets are forward looking, and equities often start to price-in recovery before it becomes evident in economic data which is, necessarily, retrospective. An analysis of the recessions occurring from the late 1960's onwards shows that, on average, equities tend to bottom out a little more than half way through recessions. The chart below illustrates a period of one year, showing that, typically, equities start to recover a little more than half-way through a recession.

Equities typically tend to bounce back a little more than half-way through a recession



Source: Haver Analytics, National Bureau of Economic Research, Deutsche Bank, December 2008

Furthermore, markets usually rally before earnings bottom out (and conversely, fall in anticipation of a decline in earnings, as we saw in 2008).



Source: Haver Analytics, National Bureau of Economic Research, Deutsche Bank, December 2008

In fact, historically, waiting has often proven costly for investors; who often wait until economic data confirms an upturn before investing, but economic data is published with many months' lag (as illustrated by the table below), by which time it may be too late to fully benefit from stock price appreciation.

Risk of waiting till indicators change their directions

Indicators	No of months' lag	Opportunity Lost (%)
Industrial Production (MoM Change, %)	3	15.4
Consumer Confidence	3	15.4
ISM Manufacturing	4	19.6
ISM Manufacturing - New Orders	4	19.6
MoM Change in Non-Farm Payrolls	5	23.0
ISM Manufacturing - Employment	5	23.0
ISM Manufacturing - Inventories	5	23.0
Industrial Production	5	23.0
Non-Farm Payrolls	7	28.6
Unemployment Rate	8	30.7

* Average of behavior of the indicators in previous recessions
 ** The bottom of an indicator is known only after the direction of the indicator is reversed (allowing for the lag till the data is published)

Source: Deutsche Bank, 2008.

US government intervention plans may also make this cycle rebound at least as quickly as previous recoveries. Of particular note is the Public-Private Investment Programme (PPIP), proposed by the US Treasury Department in conjunction with the Federal Deposit Insurance Corporation and the Federal Reserve, as a part of their efforts to remove toxic assets from financial institutions' balance sheets, increase lending and restore investors' confidence in the banking system. The Program will generate \$500 billion in purchasing power to buy legacy assets, with the potential to expand to \$1 trillion over time.

The programme will be active on two fronts:

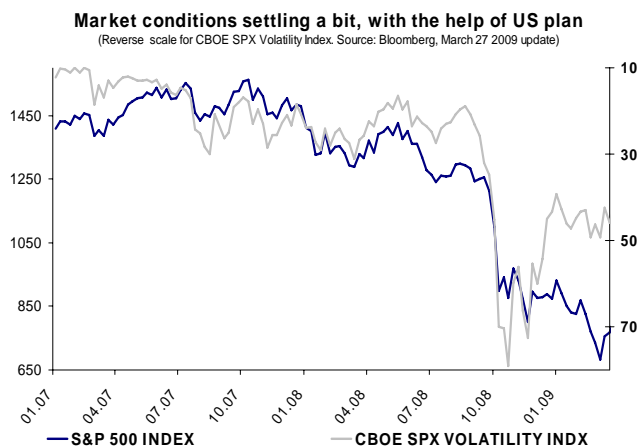
1) 'Legacy Loans'

The overhang of troubled legacy loans stuck on bank balance sheets has made it difficult for banks to access private markets for new capital and limited their ability to lend. The Program aims to clean bank balance sheets of these troubled assets, attracting private capital to purchase eligible legacy loans from participating banks through the provision of FDIC debt guarantees and Treasury equity co-investment. The Program will facilitate the creation of individual PPIFs which will purchase asset pools on a discrete basis.

2) 'Legacy Securities'

Secondary markets have become highly illiquid, and are trading at prices below where they would be in normally functioning markets. The goal of the Legacy Securities Program is to restart the market for these assets, allowing banks and other financial institutions to free up capital and stimulate the extension of new credit. The program will also reduce the uncertainty surrounding the financial institutions holding these securities, potentially enabling them to raise new private capital.

There are signs that optimism may be rising on the back of this new plan, helping to allay fears of a systemic collapse of the banking system. The S&P 500 rose by 20% from early-March lows when the plan was announced; the S&P 500 Financials index recouped more than 40%.

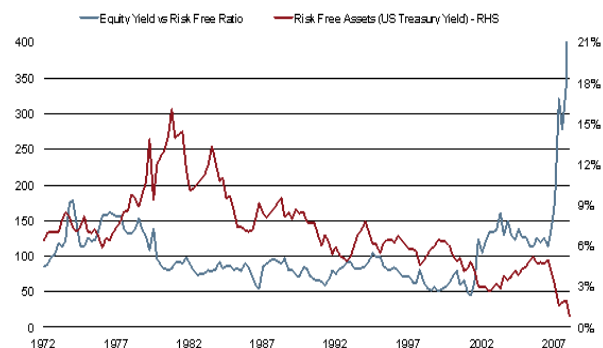


Source: Pioneer Investments, March 2009.

In addition, the Federal Reserve has cut interest rates to zero. While the European Central Bank and Bank of England are following suit, the Fed's swifter action may give US equities a head start for recovery.

History suggests equities will turn preceding the end of a recession, and US government spending and central bank action should drive this early recovery. Against this backdrop, we believe current equity valuations are extremely

attractive relative to US treasury yields, as markets appear to have priced-in a worse case scenario and discount a very bearish outlook. US equity yields are at record highs versus US Treasuries as nervous investors are willing to pay too high a price for the perception of safety.



Source: Bloomberg, Pioneer Investments, 04.03.09

The relative value of equities vs. bonds is represented by the ratio between equity yield (1/PE) and the risk free bond yield (2 years US Treasury)

Capturing Potential Opportunities

We believe that our US equity funds are well placed to capture the potential opportunities available in equity markets.

Pioneer Funds – U.S. Pioneer Fund is managed according to a “basic value” approach:

- Targeting undervalued, well-managed companies with strong products and solid growth potential. We look at stocks with a long-term time horizon, usually 3 to 5 years, rather than on a quarter-to-quarter basis.
- This disciplined “basic value” approach has helped Pioneer Fund¹ successfully weather all types of markets, including the Great Depression, a World War, and past recessions, and we believe is now well placed to weather this downturn as well.
- The “basic value” approach has resulted in a consistent long term track record, which lends itself well to investors

¹ Pioneer Funds – U.S. Pioneer Fund, a sub-fund of Pioneer Funds a fonds commun de placement established under the laws of Luxembourg, was launched on 05/10/2001. It mirrors the original US domiciled RIC, Pioneer Fund, which is not made available for offering or subscription outside of the US, and which was launched on 13/02/1928. They have the same portfolio manager and similar investment objectives and policies. However, they are domiciled in different jurisdictions and are subject to different regulatory regimes, which affect the manner in which they are managed. Investment results will vary. There can be no assurances that they will achieve similar results due to different inception dates, fund sizes, portfolio holdings and other factors.

with a diversified portfolio who are looking for a core holding.

- Pioneer Fund has outperformed the S&P 500 in 16 of the last 17 bear markets and the portfolio has never missed a dividend payment.²

“We are long-term, low-turnover investors in high-quality large-cap companies. We invest in companies we believe have attractive long-term growth and income potential at points in time when their stocks are temporarily out of favour, possibly profiting from the market’s subsequently recognizing their value and the companies’ own ability to create shareholder value.” John Carey, CFA, Portfolio Manager of Pioneer Funds – U.S. Pioneer Fund

Pioneer Funds – U.S. Research seeks long-term capital growth by:

- Investing primarily in US large-cap equity securities and diversifying across a broad range of market sectors.
- Employing a sector-neutral large-cap core US equity portfolio with a value conscious approach, focusing on the quality and price of individual securities.
- Following a research-based investment strategy to select stocks with above average growth potential.
- The Portfolio is managed directly by Pioneer Investments’ US fundamental equity research team, with each sector analyst contributing their highest conviction ideas.
- Pioneer Investments views fundamental equity research as a career path, with each analysts developing deep industry sector-specific expertise based on many years of experience
- The fundamental research-driven structure delivers a repeatable investment process backed by a deep team of investment professionals.

Pioneer Funds – U.S. Mid Cap Value is managed with a value orientation:

- Investing in a well diversified portfolio of medium-sized US stocks, primarily in companies with market capitalisations of US\$1–US\$20 billion.
- Searching for quality stocks that are undervalued, but possess a catalyst for price appreciation, thereby giving investors a relatively conservative way to gain exposure to mid caps.
- We believe that mid caps offer the growth potential of small companies, but the relative stability of larger companies; as well as providing opportunities for diversification.
- The asset class is often overlooked by investors, therefore offering attractive stocks undiscovered in the market.

² As per note 1

→ Our Research team aims to identify these stocks using proprietary research tools.

Pioneer Funds – North American Basic Value follows a high conviction, classic value approach:

- US large cap, focused on 30-40 high conviction positions, concentrated to maximise the potential of the investment process.
- Follows a classic value approach, focusing our investment in a concentrated portfolio of stocks with low price/earnings, low price/book and high dividend yield ratios.
- Historically stocks displaying these characteristics have strongly outperformed the broader market over the long term.
- Invests in companies with strong fundamentals believed to have higher earnings growth potential than the overall market.
- Identifies companies that have a catalyst that may propel earnings over the next two to three years.

Portfolio Performance

In spite of the negative backdrop, our Portfolios for the most part outperformed their benchmark index, the S&P 500, and Russell Mid Cap Value Index for Pioneer Funds – U.S. Mid Cap Value, confirming their track record for solid returns.

	Pioneer Funds - U.S. Research	Pioneer Funds - U.S. Pioneer Fund	Pioneer Funds - North American Basic Value	Pioneer Funds - U.S. Mid Cap Value
	Outperformance vs. BMK	Outperformance vs. BMK	Outperformance vs. BMK	Outperformance vs. BMK
YTD	4.15%	0.46%	-2.28%	6.09%
1 Year	7.83%	2.69%	1.27%	12.40%
3 Years	9.80%	6.21%	7.34%	11.36%
5 Years	14.97%	11.24%	n/a	-0.80%

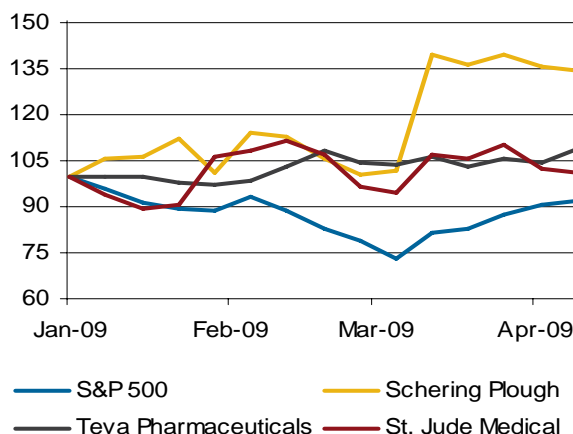
Source: Pioneer Investments, 31.03.09. Cumulative performance for Class A Non Distributing Units in Euro as at 31.03.09

Pioneer Funds - U.S. Pioneer Fund: Performance

Pioneer Funds – U.S. Pioneer Fund performed broadly in line with its benchmark, the S&P 500 Index, during the first quarter of 2009. First quarter benchmark-relative returns were helped most by security selection in the Health Care sector and by our mining company positions in the Materials sector. The largest detractors from performance were our underweight versus the Information Technology sector and security selection within that sector.

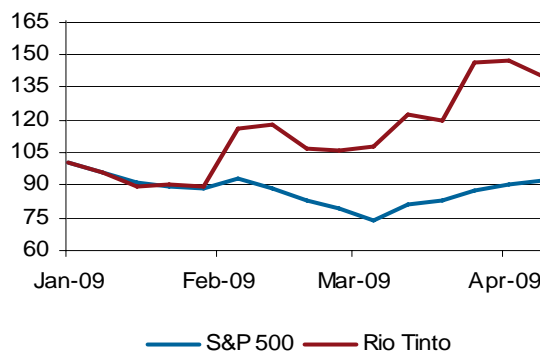
Bottom-up security selection helped benchmark-relative returns in the first quarter while sector weights - most notably an overweight in Industrials and an underweight in Information Technology – detracted. Returns benefited most from good stock selection in Health Care and Materials,

with selection in Consumer Staples and Energy also helping; conversely, stock selection in the Information Technology, Financial and Consumer Discretionary sectors detracted from performance. Performance in the Health Care sector was boosted by pharmaceutical companies Schering-Plough and Teva, and the pacemaker and defibrillator provider St. Jude Medical, each of which posted a positive return in the first quarter.



Source: Bloomberg from 01.01.09 to 10.04.09

During 2008, our belief that declines in metal prices were temporary had hurt returns, however, our decision not to sell our positions proved correct as those stocks rebounded in the first quarter. Both our overweight of the Materials sector and selection within the sector added value in the quarter; Rio Tinto, one of the largest individual detractors from fourth quarter and full-year 2008 returns rebounded strongly and copper and gold miner Freeport-McMoRan boosted returns.



Source: Bloomberg from 01.01.09 to 10.04.09

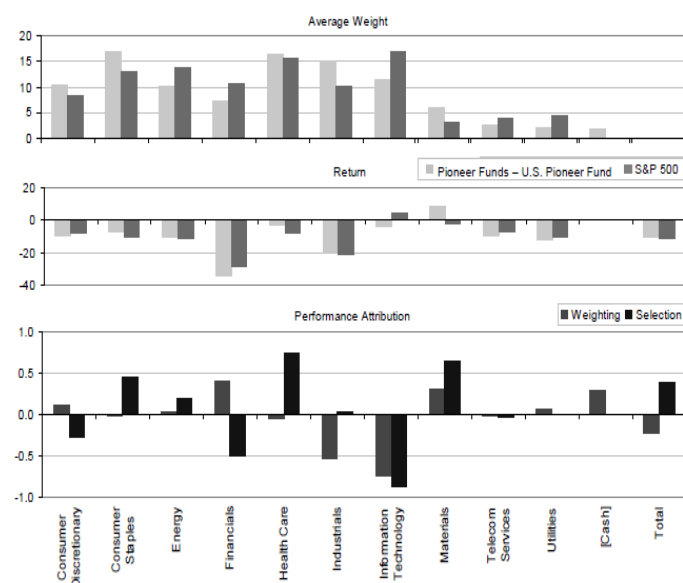
In the Consumer Staples sector, drugstore chain Walgreen posted a positive return, significantly outperforming its peers as it recovered from earlier weakness, and our lack of exposure to Procter & Gamble also contributed as the company’s share values dropped. Elsewhere, returns in the

Energy sector were boosted by our timely mid-quarter investment in oil service company Schlumberger and our relative emphasis on Chevron rather than Exxon Mobil, as Chevron was the better first-quarter performer.

Our underweight of the Information Technology sector and bottom-up security selection within the sector were the largest detractors from first-quarter relative performance, notably Hewlett-Packard and Canon, in addition, having no exposure to Google or Apple, each of which rebounded from 2008 underperformance with a double-digit first-quarter return.

Our continued underweight positioning in the Financials again helped returns in the first quarter; however, some performance was lost by not holding Goldman Sachs which performed well, while our regional bank holdings lagged the benchmark industry's return. On the other hand, a significant underweight in Bank of America and not owning Citigroup aided relative performance, as did our position in insurer Chubb.

Below-benchmark returns in the Consumer Discretionary sector reflected weakness at auto parts supplier Johnson Controls and publisher John Wiley, partially offset by the benefit of positive returns from retailers Nordstrom and Target.



Source: Pioneer Investments as at 31.03.09

Trading Activity

First quarter trading activity was most active in the Financials sector; in repositioning our financial holdings, we have emphasized companies that seem potentially less in need of additional government support and that are also likely to be beneficiaries of recovering investment markets. Amongst the positions we initiated were commercial bank

PNC Financial, futures exchange CME Group, and insurer Travelers, while selling commercial banks SunTrust, U.S. Bancorp, and Wells Fargo, money center banks Bank of America and JPMorgan Chase, insurer AFLAC, and consumer finance company American Express.

Elsewhere, we added to our Health Care exposure, buying Johnson & Johnson (fundamentally strong and less economically sensitive, or cyclical) and Baxter International, which has a strong market position and solid business prospects, while selling pharmaceutical company Roche, based on concern about managements' acquisition strategy, namely potentially overpaying for Genentech.

In the Materials sector, we sold Dow Chemical and mining companies Teck Cominco and Xstrata (based on fundamental concerns related to macroeconomic weakness).

In other trading, we eliminated small positions in retailer J.C. Penney, based on fundamental concerns related to macroeconomic weakness, and initiated a position in Microsoft. Microsoft has a new operating system coming out this year and the company's balance sheet is strong.

On balance, first-quarter trading resulted in increased exposure to the Health Care and Materials sectors and decreased exposure to the Industrials and Consumer Discretionary sectors, but these changes were, as always, more the result of bottom-up security selection than of top-down thinking.

Investment Strategy

We continue to emphasize well-managed companies with strong balance sheets, little need of government assistance to survive until the recovery comes, and the potential to generate strong profit growth when the economy does recover. We believe that there are a lot of these companies, and many are trading at prices which represent very attractive values.

While we generally keep sector weights within five percentage points of their weights in the S&P 500 to ensure that bottom-up security selection is the dominant driver of long-term performance, our over- and under-weights do reflect broader views on economic and market trends and valuations.

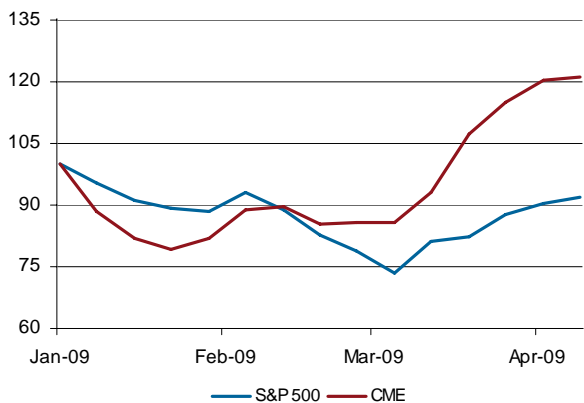
Relative to the S&P 500, the most over-weighted sectors at 31 March were Industrials (where the emphasis is on railroads and machinery, and where we are still finding many fundamentally attractive companies—companies with good balance sheets that won't need a government bail out, that can make it through this difficult time on their own, and that will be in a good position to earn money when the economy recovers—at attractive valuations) and Consumer Staples (where the emphasis remains on food producers and companies resistant to an extended economic downturn).

Relative to the S&P 500, the most underweighted sectors at 31 March were Information Technology and Energy, but the investment appeal of these sectors continues to grow. We continue to have a below-index exposure to the Financials sector, notably de-emphasising money centre banks and Wall Street firms because of fundamental concerns, although the scale of our underweight has been narrowed.

Pioneer Funds – U.S. Research: Performance

Pioneer Funds – U.S. Research outperformed versus its benchmark, the S&P 500 Index, during the first quarter of 2009. Security selection was the principal driver of returns in the Portfolio, as this is a sector-neutral strategy, deriving mainly from stock selection in the Financials and Industrials sectors, and to a lesser extent from Consumer Staples, Materials, and Utilities.

In Financials, results were most favourably impacted by CME Group, a Chicago-based derivatives exchange. Its shares rose sharply in mid-March on the news that it had received the last regulatory approval needed to start offering credit-swaps clearing, the same business that our other outperforming holding in the group, Intercontinental Exchange, began conducting a week earlier. CME was the Portfolio’s second biggest contributor in terms of positions held, behind Apple. Our avoidance of money centre banks Bank of America and Citigroup were also a boost in relative terms.

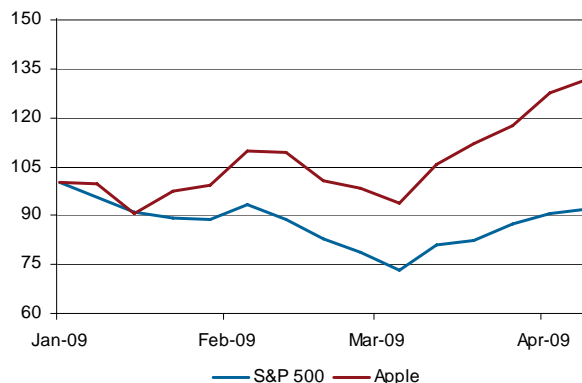


Source: Bloomberg from 01.01.09 to 10.04.09

In Industrials, SPX, a company that designs and manufactures products for processing or transporting fluids, got a boost from expectations the US stimulus package would benefit its Waukesha Electric transformer business from electric grid upgrades. Not owning General Electric, a sizeable component of the benchmark that underperformed over concerns about potential write-downs in its financials division, helped increase relative returns.

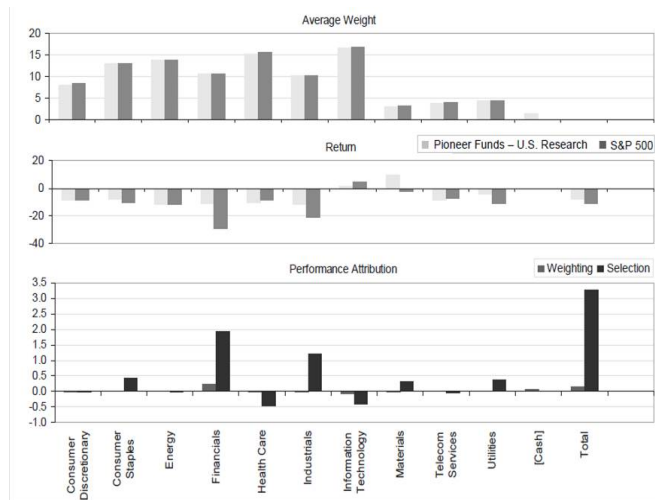
Copper and gold miner Freeport-McMoRan benefited from the sustained high demand for gold from investors seeking a hedge against asset depreciation while lower oil prices helped lower mining operations costs.

Apple introduced its new iPod Shuffle in March and announced plans to launch a “netbook” mini laptop computer later this summer. Its shares rallied in response, gaining strongly for the quarter. The new iPod release holds roughly 1000 songs retailing for \$79, a significant technological improvement from the original iPod’s 120 songs (and price of \$99).



Source: Bloomberg from 01.01.09 to 10.04.09

Sectors detracting from potential portfolio returns for the quarter were Health Care (not owning Schering-Plough acquired by Merck for \$1 billion in March) and Information Technology (not owning IBM which rallied on its takeover plans for Sun Microsystems).



Source: Pioneer Investments as at 31.03.09

Trading Activity

In trading during the quarter, securities added to the portfolio included Pfizer, Devon Energy, Anadarko Petro, Intel, Xerox and Baxter. We also added to our holdings in Windstream.

Eliminations included Exxon Mobil, XTO Energy, Zimmer Holdings, and Freeport-McMoran. We trimmed our positions in Johnson & Johnson, Verizon Communications, and Hewlett-Packard as we took profits and found better opportunities in other holdings.

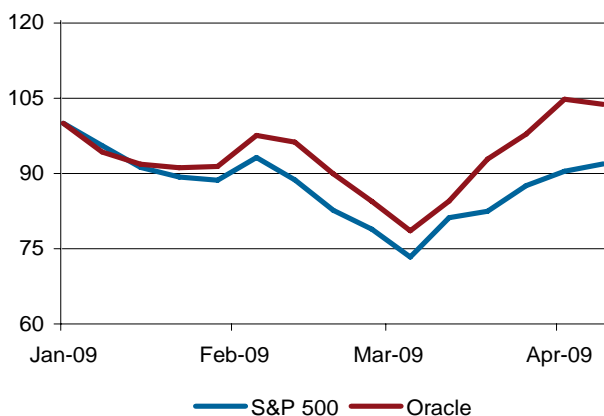
Investment Strategy

We manage the Pioneer Research portfolio with an emphasis on individual stock picking, and do not attempt to predict the outlook for the economy, the market, or individual sectors. We strive to outperform the index through individual stock valuation focusing on the quality and price of individual issuers, and from emphasising different industries than the benchmark. The Portfolio’s sector weightings are kept as close to the S&P 500 Index as possible.

Pioneer Funds – North American Basic Value: Performance Attribution

Pioneer Funds – North American Basic Value underperformed its benchmark, the S&P 500 Index during the year to date period. Allocation decisions had a positive effect on returns in the quarter while stock selection had a negative effect. The underweight of, and security selection within, the Information Technology sector was the primary driver of below-benchmark first-quarter returns. Returns benefited most from holding cash in a down market, good stock selection within the Industrials sector, and an underweight of the Financials sector.

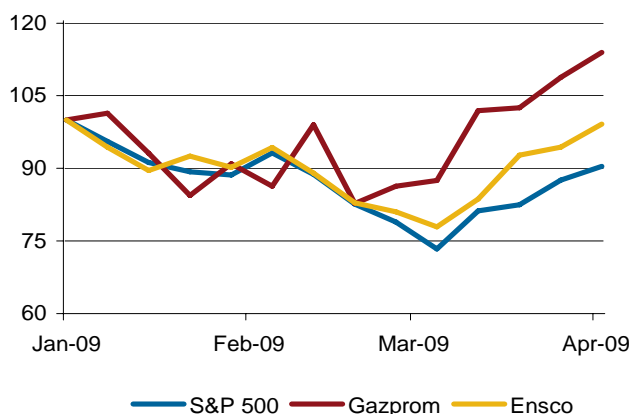
Both the Information Technology underweight (in part a by product of the value disciplines) and security selection within the sector worked against us in the first quarter. Oracle, a third quarter 2008 addition, posted a positive return, but mobile-phone maker Nokia, which had declined less than the market in the fourth quarter of 2008, slumped. Further, we did not own Apple, Google or IBM, each of which performed well in the first quarter.



Source: Bloomberg from 01.01.09 to 10.04.09

While our Industrials overweight worked against us in the first quarter, we achieved above-benchmark returns in the sector, reflecting our avoidance of General Electric (down sharply in the quarter), a double-digit gain in electrical equipment company, ABB, which was added to during the quarter, and a near-breakeven return from Canadian National Rail.

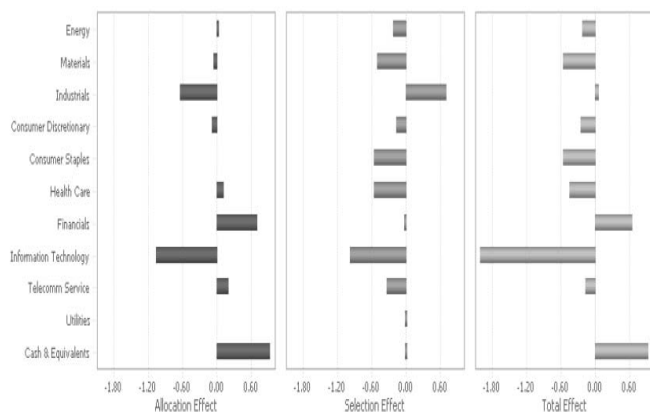
Our lack of exposure to the Utilities sector had a marginally negative effect as the sector returned better than the broad market. Telecom Services had a slightly negative influence on returns as the benefit of our overweight allocation was offset by our holdings lagging the benchmark sector holdings. In Energy, our underweight versus benchmark had a slight positive effect, but our stock selection was disappointing. Better performance from Gazprom (natural gas) and EnSCO (drilling services) were offset by a poor return on Devon (exploration & production).



Source: Bloomberg from 01.01.09 to 03.04.09

Our holdings in the Consumer Discretionary sector also detracted. Home Depot, however, continued to outperform. We have had roughly twice the benchmark weight in Consumer Staples during the bear market and it has been one of our best-performing sectors. However, the defensive names we owned in the sector lagged in the latest market rally.

Most of the performance drag in Healthcare was attributed to our positions in large cap pharma stocks, which fell on February comments by the Obama administration regarding possible changes to Medicare. In Materials, our weight was in line with the benchmark, but our stock selection was weak with both mining company, Anglo American, and aggregate manufacturer, Cemex, down significantly more than the benchmark.



Source: Cullen Capital Management, LLC as at 31 March 2009.

Trading Activity

During the first quarter we initiated a position in ABB, a global leader in power transmission, distribution, and utility system and automation products. The development of power infrastructure in emerging markets and the replacement of the aging electric grids in North America and Europe are long-lasting secular and cyclical trends driving significant growth for the firm. ABB also has a rapidly growing alternative energy division in wind and solar technologies, which constitute over US\$1 billion in orders per year. The Swiss-based firm is also expected to benefit from global stimulus packages, which have pledged tens of billions of US dollars towards power transmission, alternative energy projects and energy efficiency incentives.

In addition, we added to our holding in Covidien, a manufacturer and distributor of medical and surgical devices, supplies and other healthcare products that was spun out of the conglomerate Tyco. The stock trades at less than 13x P/E, with steadily improving net margins. The company was spun out of Tyco without a lot of debt and has used its financial flexibility to make tuck-in acquisitions, pursuing international growth (45% of sales) and simultaneously divesting underperforming businesses and reducing operating expenses. We also added to an existing holding in the Telecommunications sector, Vodafone, the global wireless operator which is currently trading at 8x P/E, with an 8% dividend yield.

Investment Strategy

We continue to run a concentrated portfolio of approximately 41 names in nine different sectors and 28 different industries. We continue to focus on companies with low valuations and strong earnings potential. The Portfolio has an average P/E ratio of 9.8x, with a 3.5% dividend yield.

We retain significant underweights in Financials, Energy, Information Technology and Utilities, with slight underweights in Materials and Consumer Discretionary. We have brought the Portfolio to a slight overweight in Healthcare and retain overweights in Industrials, Consumer Staples and Telecom Services.

Concerned with market volatility, many investors are sitting on cash, which is returning 0%. As a result, there is a huge level of cash waiting on the sidelines to be reinvested in the market once investor confidence returns.

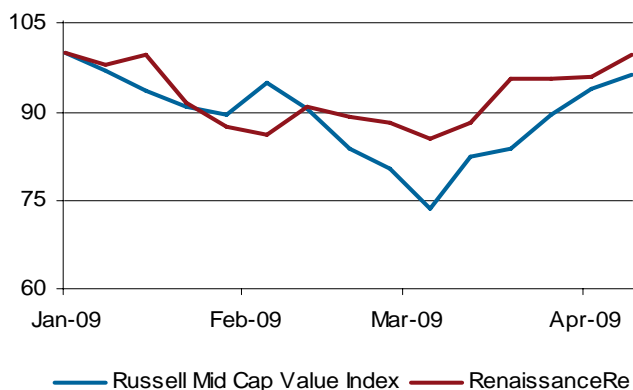
The low valuations in the stockmarket, coupled with worldwide stimulus packages and unprecedented investments in cash, we believe create a positive environment for long-term investors. While we cannot predict a market “bottom”, we believe that the market is trading at a level that represents great value and we are capitalising on long-term investment opportunities.

Pioneer Funds – U.S. Mid Cap Value: Performance

Pioneer Funds – U.S. Mid Cap Value outperformed versus its benchmark, the Russell Mid Cap Value Index. Returns in the Portfolio were driven principally by stock selection, but sector allocation decisions were also a sizeable component, accounting for almost 200 basis points. The biggest overall impact in this returns differential derived from Financials through the combined effects of security selection and sector allocation.

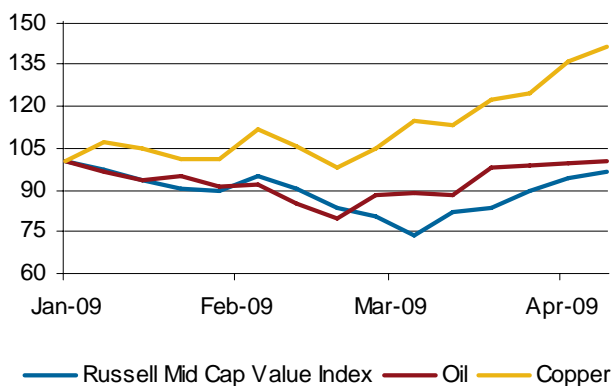
Our underweight to the sector overall was lower than the benchmark, but our reduced exposure to Commercial Banks, overweight in Diversified Financials and underweight in Real Estate were key benefiting factors. Specific names that helped included CME Group, a Chicago based derivatives exchange in the Diversified Financials Services sector, whose shares rose sharply in mid-March on the news that it had received the last regulatory approval needed to start offering credit-swaps clearing. This was the Portfolio’s biggest contributor holding in the sector.

Though insurers were down as a group, speciality insurer RenaissanceRe, helped by higher premiums for catastrophe reinsurance and crop insurance, outperformed. Annaly Capital Management, a mortgage REIT whose portfolio, in our view, is more flexible than many of its peers, also helped returns.



Source: Bloomberg from 01.01.09 to 10.04.09

After several tumultuous months, commodities gained traction with oil and copper gaining sharply in response to government initiatives to ease credit. In Materials, industrial gases producer Air Products & Chemicals performed well as investors felt near-term prices for bulk tonnage and its merchant gas businesses offset the risk of falling demand for electronics, in which its products are used heavily.

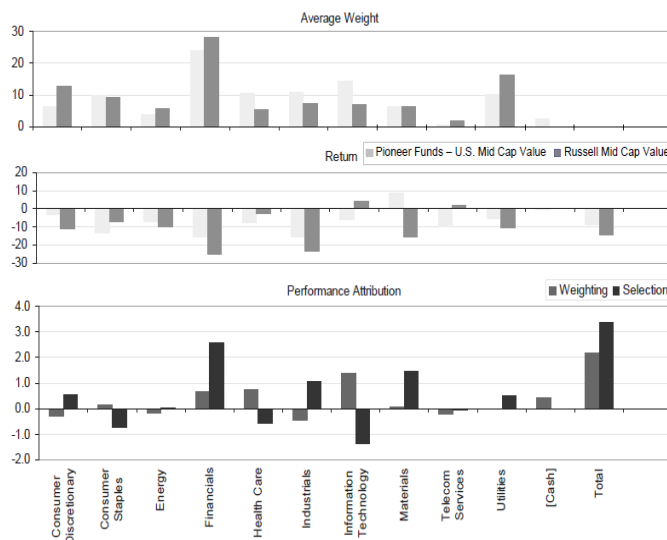


Source: Bloomberg from 01.01.09 to 10.04.09

Container maker, Ball, benefited from stable food and aerosol container sales as well as increased sales of beverage cans to China and was the Portfolio's top contributor holding. In Industrials, SPX, a company that designs and manufactures products for processing or transporting fluids, received a boost from expectations that the US stimulus package would benefit its Waukesha Electric transformer business from electric grid upgrades.

Helping performance from a sector allocation perspective was our overweight in Healthcare, our largest relative overweight, in which we have typically focused on providers and services companies over equipment companies, but in recent months have increased exposure to some speciality equipment names.

Our overweight in Industrials was a negative for performance, as weakening demand weighed on earnings expectations in the sector. Our near half-weight in the Consumer Discretionary sector also impacted negatively as sales at many retailers were stronger than expected, with the S&P 500 Retailer Index rallying more than 16%, a positioning we still think is prudent.



Trading Activity

No major positioning changes were made to the Portfolio during the quarter. We modestly reduced exposure to the Industrials sector (commercial services) and slightly increased our Materials sector exposure (chemicals). We made few changes in our Financials sector holdings though we did sell Legg Mason, whose share price continued to erode under its money market fund losses and withdrawals. Other individual securities sold included CBS; American Electric Power; Fortune Brands; EMC; International Game Technology and Dow Chemical for better opportunities.

Investment Strategy

This Portfolio does not position itself based upon a view of where the market or the economy might go, but instead maintains a consistent investment discipline of buying quality companies at attractive valuations, which in our view have a reasonable chance of addressing their problems.

Occasionally, due to periodic buying and selling of securities, our sector weights may increase or decrease. We would emphatically remind observers that this is not a reflection of any conscious 'positioning' of the Portfolio, but a derivative effect of our individual security selection, and we would caution against reading anything into these changes other than temporary, unintentional moves.

Equity Investment Process

Pioneer Funds – U.S. Pioneer Fund is managed by John Carey, CFA, Executive Vice President of Pioneer Investment Management. Mr. Carey has circa 30 years of experience in the industry and has been responsible for Pioneer Fund since 1986. In addition he also manages Pioneer Fund VCT Portfolio, Pioneer Equity-Income Fund, Pioneer Equity-Income VCT Portfolio, First Poland America Fund, and several institutional accounts patterned mainly after Pioneer Fund. Mr. Carey received a B. A. degree from Columbia University and an M.A. and Ph. D. degrees from Harvard University; in addition to his fund management responsibilities, he also has a number of corporate responsibilities as member of the Operating Committee, the U. S. Investment Committee, and several other committees.

Pioneer Fund is the third oldest US based mutual fund, first launched in 1928³, and invests in U.S. large-cap blend / core stocks, selected mainly (but not exclusively) from S&P 500 companies, diversifying across all sectors. Our bottom-up approach seeks under-valued, high quality holdings in well established companies, investing in stocks with earnings-growth potential over a three to five year period in excess of the expected growth appearing to be reflected in current prices. Although this is primarily a US fund, there is the possibility to invest in non-US stocks, at present 89% is invested in the US, while the remainder is invested in international stocks. The average number of holdings can vary and is currently 100, of which 25% are in the top ten holdings; typical turnover rate is around 20%.⁴

The Portfolio Manager has access to our extensive research capabilities, consisting of 47 career Equity Research Analysts world-wide, 17 of which are based in Boston and dedicated to US equities. Our US Equity Analysts conduct approximately 1000 company meetings per annum as part of their original research and are each dedicated to a maximum of 2 sectors in order to ensure in-depth coverage.

The Portfolio Manager can also count on 15 Quantitative Equity Research Analysts, of which 4 are located in Boston and dedicated to US equities. This team provides investment support using screening models built by weighting key variables affecting the valuation of stocks in each sector. Quantitative research is also used to monitor the performance, risk, and composition of our portfolios.

³ Pioneer Fund the US domiciled RIC was launched on 13/02/1928 – it is a US registered investment company which is not made available for offering or subscription outside of the United States of America. Pioneer Funds – U.S. Pioneer Fund, is a sub-fund of Pioneer Funds, a fonds commun de placement with several separate sub-funds established under the laws of Luxembourg and was launched on 05/10/2001

⁴ Data for Pioneer Funds – U.S. Pioneer Fund as at 31/03/09

Pioneer Funds – U.S. Research is managed by the US Equity Research team, supervised by John Peckham, CFA, Head of Global Fundamental Research. Mr. Peckham joined Pioneer Investments in 2002, following nearly five years with Deloitte Consulting, where he provided strategy and financial advisory services to a wide range of energy and manufacturing industry clients. He was appointed to his current position in 2008, where he oversees the US, European and Asian Equity Research functions as well as managing the US Equity Research team. Mr. Peckham holds a B.A. in Economics from Bates College and an M.B.A in Finance from Vanderbilt University.

Like the Pioneer Funds – U.S. Pioneer Fund, this fund invests in U.S. large-cap blend / core stocks, selected mainly (but not exclusively) from S&P 500 companies, diversifying across all sectors.

The difference between Pioneer Funds - U.S. Research and Pioneer Funds – U.S. Pioneer Fund lies in the stock selection methodology. The US Research fund is managed by a team of Equity Analysts and stocks are selected following recommendations from the team which takes an active approach to investing primarily in large-cap stocks, while remaining sector neutral versus the benchmark, S&P 500. The average number of holdings can vary and is currently 99, of which 27% are in the top ten holdings.⁵ Another difference is that typical turnover rate is higher.

The US Equity Research team consists of 17 career Equity Research Analysts based in Boston and dedicated to US equities, part of a wider team consisting of 47 Equity Analysts worldwide. Our US Equity Analysts conduct approximately 1000 company meetings per annum as part of their original research and are each dedicated to a maximum of 2 sectors in order to ensure in-depth coverage.

Pioneer Funds – North American Basic Value is managed by an experienced team from Cullen Capital Management LLC. James P. Cullen, the firm's founder and president, is the Portfolio's lead Manager. James is assisted by John Gould and Brooks Cullen. This team has on average over 20 years of industry experience. James has been a Portfolio Manager for over 20 years and has been in the investment industry for over 40 years, while John and Brooks have both worked in the industry for several years. A team of Research Analysts also supports them.

The investment process begins with 6,000 publicly traded stocks, with typical market capitalisation of over US\$ 10 billion, of which the bottom quintile are screened according to P/E and P/B. We prefer dividend yield and seek stocks

⁵ Data refers to Pioneer Funds – U.S. Research as at 31/03/09

with a low debt to equity ratio and high returns on investable capital. The stocks are screened for catalysts which can drive earnings, such as new markets and new opportunities; new products under development and launch; strong company management with a clear vision and a commitment to creating shareholder value.

In terms of portfolio construction, this is a concentrated portfolio with typically 30-40 holdings, of which the top 10 typically represents about 30%-35%. Although the benchmark is the S&P 500, there is the possibility to invest in up to 30% non US exposure.

Pioneer Funds – U.S. Mid Cap Value is managed by Rod Wright, CFA. Rod joined Pioneer Investments in 1994 and has managed Pioneer Mid Cap Value Fund since January 1997, where he was Assistant Manager since January 1996. In December 2002, Rod was appointed day-to-day Manager of Pioneer Value Fund after playing a lead role in its formerly team managed approach.

Prior to joining Pioneer Investments, he worked with Prudential Investment Advisors, first as an Analyst and later as a Co-Portfolio Manager. He is a CFA Charterholder since 1992 and holds a BA from Connecticut College (1984) and an MBA from New York University Graduate School of Business Administration (1988).

Our investment process selects companies in the Russell Mid Cap Value Index with above-average characteristics and attractive valuations. Typically market capitalisation is US\$1 – US\$20 billion. Stocks are selected using a bottom-up methodology, seeking a favourable risk/reward profile, employing proprietary research tools to forecast earnings potential, growth trends and dividend for each stock. In addition, frequent face-to-face meetings are held with company management.

This is a high conviction portfolio with between 70-90 securities, where sector weights are driven by bottom-up stock picking. Holding period for each stock is circa 1 – 2 years. Typically, initial positions are about 1%, but can be scaled upwards if our investment thesis remains intact. We apply a sell discipline approach, selling stocks when fair value is reached.

Outlook for US Equities

Outlook for the US economy remains weak in the near term, however, in the longer term, we continue to expect an economic recovery at some point in the next year or two. Current market valuation levels offer the potential for very attractive returns when that time comes. We do not pretend to know how long this downturn is going to last, or how deep it is going to be, but we do know that prices tend to lead fundamentals and the stockmarket tends to bottom months

before the recession ends, earnings trough, or unemployment peaks.

The US economy is going through the worst stage of the recession as consumer spending remains very weak. However, lower oil prices, low interest rates and massive stimulus packages may revive growth late this year. Valuations are increasingly compelling, although turbulence remains high.

Fears of a 1930s-style depression may be ebbing, but concerns about bank balance sheets are unlikely to disappear soon. However, despite the knee-jerk positive market reaction, the success of Geithner's plan will depend on the co-operation of sellers. If prices are too low, banks risk recognising losses that further undermine their solvency and force them to raise new capital. This type of occurrence has repeatedly unnerved shareholders. As a means of pressure the government may exploit the results of the "stress tests" it is conducting to appraise banks' health. Those failing the test may have to sell in any event, in exchange for an increased government stake. This solution is by no means simple, since it brings the prospect of nationalization closer and the US government does not want to transform its economy so deeply.

Important Information

Unless otherwise stated all information contained in this document is from Pioneer Investments and is as at 31 March 2009.

Pioneer Funds – U.S. Research, Pioneer Funds – U.S. Pioneer Fund, Pioneer Funds – North American Basic Value and Pioneer Funds – U.S. Mid Cap Value are sub-funds (the "Sub-Funds") 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. Pioneer Investment Management Inc., the investment manager of Pioneer Funds – North American Basic Value has engaged, subject to its supervision, Cullen Capital Management, LLC to act as the sub-investment manager to the Pioneer Funds – North American Basic Value.

Performance figures are based on Class A, non-distributing units, NAV, net of fees, in euro. 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 portfolio is actively managed and current holdings may be different. References to individual stocks should not be taken as an investment recommendation to buy or sell any particular stock

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