

Quarterly Portfolio Update

Pioneer Funds – Absolute Return Equilibrium *31 March 2009*



Absolute Return

The first quarter of 2009 has been characterised by continued volatility in global financial markets. Concerns about the outlook for global growth, the freezing of credit markets and the solvency of financial institutions continue to have a large impact on the fortunes of investors in government bonds, which represent the “core allocation” of the Portfolio. It has been an historic period, as some central banks have cut interest rates close to zero and have started “alternative measures” such as quantitative easing. Most of the other asset classes (credit, equities) suffered corrections in the first two months of 2009.

The Portfolio registered positive absolute returns in the quarter, in line with the cash opportunity cost. We held a very defensive exposure, with a core allocation in euro government bonds with short/medium duration and a selective diversification in corporate issues. The equity position was slightly increased at the end of February, with a positive contribution during the positive equity trend in the last two weeks of the quarter. We also made some short-term currency trades on US dollar and yen, and we have a 2% position in a Physical Gold ETF, which led to additional returns.

The policy actions undertaken by central banks and governments may restore confidence well before economic data actually improve, as indicated by the recent positive market reaction. Although a lower-volatility backdrop may not persist we feel encouraged to add to our equity and credit allocation where valuations have become attractive after the slump. In Pioneer Funds - Absolute Return Equilibrium, these risky asset class will be increased only when we feel that they will bring additional performance to the Portfolio through a diversification of risks.

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