

# Yearly Portfolio Update

*Pioneer Funds – Euro Corporate Short-Term*  
31 December 2009

Short-Term

Corporate bonds performed strongly during 2009, supported by a combination of ample liquidity, low interest rates and continuous de-leveraging, as well as strong signs of economic stabilisation, which created a uniquely beneficial environment for riskier assets.

Pioneer Funds – Euro Corporate Short-Term outperformed its benchmark, the J.P. Morgan EMU Cash Index 6m, by 12.81% over the year (Class A, non-distributing, EUR units). The outperformance was supported by our exposure to investment-grade corporate bonds, subordinated financial debt in particular, as well as successful name selection.

In terms of positioning, at year-end duration was short versus the benchmark and the average credit rating stood at A-. We held an overweight exposure to Subordinated Financial debt, particularly to lower tier 2.

Recent strong returns seen in fixed income assets are unlikely to be repeated over the course of 2010. Yields on investment-grade corporate bonds are almost back to pre-recession levels and spreads are now near 'fair value'. A further significant compression of spreads is difficult to see from current levels, and we believe that investment grade corporate bonds are going to be more of a 'carry' than a 'capital appreciation' story going forward.

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Date of First Use 19 January 2010.