Monthly Portfolio Update

Pioneer Funds – Euroland Equity
30 December 2011

Equity

Review

Pioneer Funds – Euroland Equity (Class A Eur non-distributing) underperformed its Index, the MSCI EMU by -0.72% in December delivering a return of -1.01% versus an Index return of -0.29%. Over the final quarter, the Portfolio outperformed the Index producing a return of 6.78% providing outperformance of 1.09%. For the full year 2011, outperformance of an impressive 4.64% was achieved.

December began well in anticipation of a positive outcome from the Euro Summit on the 8/9 December. The summit did indeed deliver greater steps towards a resolution but not without some drama. Fearing that the new measures would threaten the City of London – David Cameron used the UK's veto to block the formation of a new EU treaty leaving the other 26 EU countries to work together on a new agreement.

So what did the other 26 countries agree to? Not the full fiscal union the market was seeking but an intergovernmental agreement where each member state independently maintains strict budget discipline which will limit structural deficits to 0.5% of GDP. This discipline will be enshrined in law giving the European Commission a greater role in overseeing national budgets.

The ECB, as widely expected, cut interest rates by 25bps and announced a number of non-standard measures to ease the funding pressures currently being experienced by European banks. This included the extension of the LTRO programme with €489bn in 3 year loans issued on 21 December and the decision to except a wider range of collateral from banks. Despite the announcement by Italian Premier Mario Monti of an austerity package to cut the nation's debt, Italian 10-year bond yields crept back up during December highlighting the stresses that remain in the system.

Outside of Europe, the newsflow was more encouraging in the US with continued signs that the unemployment rate was stabilising under 9% and Philly Fed manufacturing index jumping to 10.3 from an expected level of 5.3.

Performance Analysis

At sector-level best performers were underweight positions in Telecommunications, Information Technology and Utilities while worst performing sectors were Consumer Staples and Healthcare.

We currently have exposure to Telecommunications through one holding – KPN which contributed positively to performance in December against negative performance for the sector in general. We have been underweight Telecommunications for some time now as we believe the potential for earnings growth within the sector is quite limited while the potential for dividend cuts to be high. This was evident in December as Spanish company Telefonica became the first company in the sector to cut its dividend.

Consumer Staples was the worst performing sector for the Portfolio primarily as a result of a profit warning by German Retailer Metro which stated that sales and EBIT before special items will both be slightly lower in 2011 than 2010. This is despite the company stating a month earlier that full year sales should be up 5 - 10% depending on whether Christmas was "normal" or "good". It now appears that the start of the Christmas shopping season may have disappointed the retailer. We have spoken to management and are monitoring the position closely in the run-up to an expected statement from the company regarding Christmas trading on 17 January.

In Energy, the Portfolio's exposure to Repsol proved rewarding during December. The stock had been under pressure for a number of months over concerns regarding the disposal of Sacyr's stake in the company. Repsol took the decision to buy back the shares and this removed some uncertainty from the situation and facilitated a move higher in the share price. We continue to like the longer term investment case of Repsol and in particular the potential for a turnaround in cash-flow which we expect in 2012.

In Financials, we saw a rebound in some of our banking holdings including Spanish bank BBVA and Italian bank Intesa. This offset some negative performance from

Deutsche Boerse as the exchange suffered as a potential financial transaction tax appears to be back on the table.

The Portfolio's holding in Capital Goods- Fiat Industrial and Man SE once again contributed positively to performance.

Materials was a mixed bag with strong performance from Vicat and CRH while K&S underperformed. French Cement company Vicat had detracted from performance during November as market concerns regarding its exposure to Egypt and the political turmoil there grew. In December, we benefited from more positive sentiment towards the stock. Likewise, CRH had suffered as uncertainty regarding the US economy had grown over 2011. Recent data from the US seems to suggest that the economy is in better shape than many investors had realised. The share price regained considerable ground during December.

We remain overweight in Consumer Discretionary with the Portfolio's holdings in the sector some of the most rewarding during 2011- in particular those exposed to the rising number of consumers in emerging markets. The sector gave up some performance in December but we expect the longer term trend to continue in 2012.

Sector Allocation	Portfolio Weight	Benchmark Weight	Delta
Consumer Discretionary	16.50%	10.77%	5.73%
Consumer Staples	9.28%	11.17%	-1.88%
Energy	9.22%	8.93%	0.29%
Financials	18.76%	18.82%	-0.05%
Health Care	8.43%	7.76%	0.68%
Industrials	9.79%	12.62%	-2.83%
Information Technology	2.69%	4.73%	-2.04%
Materials	11.80%	9.18%	2.63%
Telecommunication Services	2.53%	8.17%	-5.65%
Utilities	10.15%	7.87%	2.28%

*Source: Pioneer Investments as at 30 December 2011

Portfolio Strategy

The strategy of Pioneer Funds – Euroland Equity is highly stock driven, seeking to invest in high-quality, undervalued companies with strong fundamentals. We have a distinctive, high conviction approach, maximising the value of our investment process. The majority of positions we hold are long-term 'Core' holdings. These companies are characterised by high quality, attractive valuations and strong growth potential. The remainder of our Portfolio is built using an unconstrained 'Opportunistic' approach, allowing us to take advantage of different market trends, and enabling us to invest across the market cap spectrum, looking beyond the benchmark for attractive investment opportunities.

There were no new additions to the Portfolio in December.

Top 10 Overweights	Portfolio Weight	Benchmark Weight	Delta
Fresenius Medical Care	3.52%	0.55%	2.97%
Continental	3.14%	0.19%	2.95%
Bayer	4.91%	2.02%	2.90%
GDF Suez	3.98%	1.29%	2.68%
Adidas	3.14%	0.52%	2.62%
Repsol	3.52%	0.93%	2.59%
ABB	2.54%	0.00%	2.54%
Fiat Industrial	2.65%	0.25%	2.40%
ENI SPA	4.22%	1.90%	2.32%
Deutsche Boerse	2.29%	0.00%	2.29%

*Source: Pioneer Investments as at 30 December 2011

Outlook

Looking forward to 2012, we are facing a year of continued uncertainty as investors remain cautious of sovereign risk and the probability of recession in Europe. While we remain of the view that the steep falls of H2 2011 have priced in a lot of this risk, investors are likely to remain wary of risk assets until they get greater clarity surrounding the steps that will be taken to solve the crisis and the extent of any recession is known. A key risk for the European market remains potential policy errors on the part of European policymakers. European leaders used traditional New Year addresses to signal a commitment to save the euro while warning of the challenges still to be overcome. Following 2 successive rate cuts from the ECB, expectations of another 25bps cut in the first quarter of 2012 have started to grow as has further expansion of the ECB balance sheet. We have seen the EUR/USD rate move significantly over the past number of months ending the year at 1.299. Continued US dollar strength would provide a welcome tailwind to European exporters.

Against this backdrop, we continue to favour companies which have the ability to outperform over the medium term through exposure to global growth and strong competitive positions.

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