INVESTMENTS

Monthly Portfolio Update

Pioneer Funds – Euroland Equity
26 February 2010

Equity

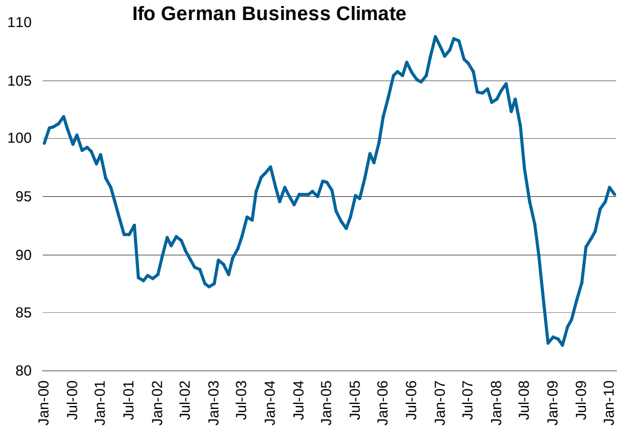
Review

Pioneer Funds – Euroland Equity recorded an outperformance versus its benchmark over the month of February. In absolute terms the Portfolio recorded a return of 0.27% (Class A, non-distributing, EUR units), while its benchmark, the MSCI EMU Index, fell by -1.83% over the same period, resulting in a relative outperformance of 2.1%.

At macroeconomic level, European stocks were volatile during February as sovereign risk fears weighed on the market.

Problems in Greece dominated news flow in Europe and especially in relation to the euro. EU leaders announced that they would be willing to help Greece but gave no details. However, the news was badly received and at a subsequent meeting, a harsher tone was evident, putting the pressure back on Greece to implement additional measures to reduce its budget deficit. There were further comments by various leaders and it looks likely that Greece will receive some help, but details are yet to be sorted. However, any assistance is likely to come with tough conditions concerning Greece doing more to cut its budget deficit.

At the same time that Greece has prompted an uptick in risk aversion, recovery prospects in Europe are also waning. Economic growth in the eurozone was a lower-than-expected 0.1% (q-o-q) in the fourth quarter of 2009, down from 0.4% in Q3. The figure for the full year was -4%. The French economy remained strong (0.6%), with Germany flat and Italy (-0.2%) and Spain (-0.1%) contracting. Indeed, Spain is the last major economy still in recession, which has so far lasted seven quarters. Towards the end of the month, the Ifo reading of German business sentiment also surprisingly fell for the first time since last March when it bottomed out when markets were at their lows. So far the reporting season for FY09 and Q4 results showed no big surprises on the upside as most of the profitability improvements were driven by cost cutting rather than top-line.



Source: Bloomberg, monthly data, January 2000 – February 2010

Performance Analysis

Over the month, stock selection was a key contributor, accounting for almost 200 basis points of relative outperformance.

We recorded a relative outperformance across all sectors over the month with the exception of Telecommunications Services. Investments within Financials proved most rewarding however, as we gained from selective outperforming names we held as well as avoiding laggards in the benchmark.

Within Diversified Financials, Deutsche Boerse released FY09 numbers that were ahead of expectations. Management have committed to keeping the cost base this year at least flat YoY, if not lower.

Allianz within the Insurance industry was a strong contributor after announcing ahead-of-expected results. We believe that Allianz well represents the Insurance sector either on the upside or the risks. They also have a good business mix, an outperforming asset management business and potentially room to marginally improve the overall efficiency of the process. Finally, the company has a strong balance sheet.

PIONEER Investments®

Elsewhere, within Consumer Discretionary, Eutelsat Communications, a France-based satellite operator, delivered another strong set of numbers during the month with sales in line with expectations. We remain positive on the company's outlook with further confirmation of Eutelsat and fixed satellite business strength with the earnings upgrade cycle continuing.

Tui Travel, an international leisure travel group within the same sector, was another relative outperformer. The company announced results early in February and reiterated that holiday demand is improving across all source markets, with sustained improvements in booking volumes and pricing remains robust.

Within Energy our holding in France-based Technip was a relative outperformer over the month. We remain positive on the outlook for the company as it is well positioned in the Onshore Engineering and Construction sector and has capacity to add backlog.

Looking to the Health Care sector, Fresenius Medical Care, a kidney dialysis services provider, released a solid set of Q4 2009 results over the month. The company generated steady organic growth, ahead of market expectations. The investment attractions of Fresenius Medical Care's defensive top-line growth coupled with underappreciated margin opportunity from bundled payments remain intact.

Our holdings within Capital Goods in the Industrials sector were also a source of outperformance. Schneider Electric rewarded and we continue to like the secular story of energy efficiency in Schneider together with its core franchises in electrical distribution and critical power.

Finally, our investments within the Materials sector proved rewarding as mining companies rallied towards the end of the month. Air Liquide, a company involved in the production of industrial gases, contributed positively on the back of analysts' upgrades.

As mentioned above, at sector level we only lost relative performance within the Telecommunications Services sector. Italy-based Telefonica detracted, although we primarily lost on benchmark-held stocks, which we neglected to own over the month.

Sector Allocation	Portfolio Weight	Benchmark Weight	Delta
Consumer Discretionary	17.83%	9.17%	8.66%
Industrials	16.43%	11.10%	5.33%
Materials	8.98%	8.18%	0.80%
Health Care	7.04%	6.29%	0.76%
Energy	8.42%	7.96%	0.46%
Financials	24.85%	24.97%	-0.12%
Information Technology	4.44%	4.60%	-0.16%
Consumer Staples	7.28%	9.25%	-1.96%
Utilities	5.39%	10.13%	-4.74%
Telecommunication Services	0.53%	8.35%	-7.81%

Portfolio Strategy

The strategy of Pioneer Funds – Euroland Equity is to be highly stock driven, seeking to invest in high-quality, undervalued companies with strong fundamentals. We have a high conviction approach, maximising the value of our investment process. We manage the strategy using a distinctive approach. The majority of positions we hold are long-term 'Core' holdings. These companies are characterised by a high quality, attractive valuation 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.

In terms of key portfolio changes over month of February, we bought a position in Ipsen (Health Care), a France-based pharmaceutical company. We favour the company as its attractive Specialty Care franchise continues to grow. Meanwhile, the company continues to spend on developments and launches, but with growing products and a strong pipeline, we have visibility on the drivers for longer-term margin expansion.

Within the Financials sector, we initiated a position in HSBC Holdings. The underlying investment case for the company is based on the fact that HSBC runs a resilient universal banking model with an excellent franchise, especially in the corporate markets. The bank is one of the best capitalised and funded banks in the European universe. It is, therefore, well positioned in the tougher regulatory environment. The bank has an excellent franchise in the Emerging Markets and particularly in Asia, where it can address the leveraging market. In the Developed world it has an improving wealth management and insurance business to address the requirements of the savings market. Current earnings and returns are depressed by the mistake it made in the US with the Household acquisition (which will rapidly reduce as a drag on the business), and by artificially low interest rates (again which will eventually rise). This is likely to remain a drag in 2010, but longer term the bank will increasingly benefit as rates rise and the US book runs off. Management has improved in terms of decision making and leading in financial services rather than following others.

Finally, we bought a position in Philips Electrics (Capital Goods, Industrials) following a confident company meeting with the management. We like the interesting combination of the ongoing cost-cutting story, model of outsourced manufacturing, EMG market exposure, recovery in Healthcare budgets, structural growth in lighting and de-emphasis of the TV business. We believe that the company should continue to deliver good momentum as it is exposed to some good long-term trends.

In terms of positions sold, we exited our remaining nominal position in Italy-based Finmeccanica after reducing the position in January due to a reduction in profit guidance.

Top 10 Overweights	Portfolio Weight	Benchmark Weight	Delta
FRESENIUS MEDICAL CARE	3.29%	0.33%	2.95%
EUTELSAT COMMUNICATIONS	2.91%	0.11%	2.80%
BNP PARIBAS	4.87%	2.23%	2.64%
SOCIETE GENERALE	3.76%	1.14%	2.62%
DEUTSCHE BOERSE	3.00%	0.45%	2.55%
CREDIT SUISSE	2.35%	0.00%	2.35%
ARCELOR MITTAL	3.15%	1.08%	2.06%
RYANAIR	2.10%	0.06%	2.05%
REPSOL	2.59%	0.55%	2.04%
GEMALTO	2.02%	0.00%	2.02%

Outlook

With regards to outlook, we will continue to seek out quality franchises with underappreciated prospects at reasonable valuations. In the short term, the market will be driven by macro events – sovereign risks and debt concerns – which will provide buying opportunities of high-quality companies. The reporting season so far was mixed with some positive surprises but the expectations have been high and did not support the market further. We hope to be able to focus more on single company fundamentals than on the larger macro/market as in 2008-2009. A return to “stock picking” should favour our equity selection approach, which emphasises researching and meeting with companies and determining their “intrinsic value” over a medium-term horizon using fundamental analysis. In a lower, potentially weaker, GDP environment, we expect those companies that can deliver genuine top-line growth to be afforded a market premium. We also see enhanced attraction in stocks that can offer secure and/or growing dividend streams.

Our focus, as always, remains on bottom-up stock selection and research-based portfolio management, while simultaneously monitoring risk within the Portfolio.

Important Information