

Quarterly Portfolio Update

Pioneer Funds – European Potential

30 December 2011

Equity

Review

Over the last quarter of 2011, Pioneer Funds – European Potential (Class A Eur – non distributing) produced a return of 6.51% versus a benchmark return of 3.78% giving relative outperformance of 2.73%. For 2011, the portfolio delivered excellent relative outperformance of 5.82%.

October saw a relief rally following the steep falls in markets in August and September. The European summit in late October saw the agreement of increased Private Sector Involvement (PSI) in the restructuring of Greek debt with an agreed level of 50%. However, any market confidence was quickly replaced by renewed volatility following a decision by the Greek PM to call a referendum on what had been agreed. The referendum was subsequently cancelled but the damage was done for the Greek government which lost power. Market focus quickly shifted to the larger peripheral countries – in particular Italy. 10-year yields on Italian debt rose above 7% for the first time and resulted in the resignation of Berlusconi and his replacement by a technocratic government led by former EU Commissioner Mario Monti.

The European summit in December delivered 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 inter-governmental agreement where each member state independently maintains strict budget discipline which will limit structural deficits to 0.5% of GDP.

The ECB, under the new leadership of Mario Draghi, appears more open to greater involvement in tackling the debt crisis and promoting growth while the continuation of the Securities Market Programme provides critical support to the European sovereign-debt markets. Recognising that there is increased expectation that the eurozone will suffer a “mild” recession in early 2012, the ECB surprised the market and cut interest rates by 25 bps in November and again by 25 bps in December.

Outside of Europe, data has been more encouraging in the US with continued signs that the unemployment rate is

stabilising under 9% in December and Philly Fed manufacturing index jumping to 10.3 from an expected level of 5.3.

Performance Analysis

Pioneer Funds - European Potential outperformed its Index over the quarter as a result of strong stock picking decisions in line with the investment approach of the Portfolio.

At sector level, key contributors were Financials, Industrials and Materials with Healthcare and Information Technology detracting from performance.

In Financials, the Portfolio has an underweight position in Banks while it is overweight Insurance and Diversified Financials. The Portfolio benefited from a number of holdings including Partners Group, Aberdeen Asset Management and IG Group. Partners Group is an asset manager specialising in private equity, private real estate and private infrastructure. Due to the unique business model of the company, it is relatively unaffected by instability in financial markets and continues to benefit from strong demand and low penetration of such assets in institutional portfolios. UK-based asset manager Aberdeen PLC reported better results than most asset managers thanks to a strong product range and higher exposure to emerging markets and institutional business. IG Group is a UK based spread-betting company which has been a beneficiary of the higher volatility in the market.

The majority of outperformance in the Industrials sector came from the Portfolio's holding in Ashtead. Ashtead is a London quoted stock whose principal activity is the rental of equipment to industrial and commercial users in the construction sector. Despite a challenging market-place, the company delivered record profits for H1 2011 driven by increasing rental penetration and market share gains and this saw the share price move higher. Other notable contributors in the sector were Senior PLC, a UK manufacturer of aerospace components and exhaust systems and engineering support services company – Babcock International showing a growing pipeline of potential deals.

Moving on to Materials, strong stock-picking was evident with all holdings in the Portfolio contributing positively to performance during the quarter. A key contributor was Croda International—manufacturer of a diverse range of chemicals and chemicals products. Croda offers a structural growth opportunity in the chemical space, relatively detached from the chemical cycle. The stock had a turbulent quarter following the release of Q3 results in October which, despite being in line with expectations, appeared to disappoint the market. The share price has recovered sharply since then. Going into 2012, we believe that the company will benefit from its defensive attributes with 70% of EBIT coming from consumer care products. In addition, any fall in raw material prices should provide a welcome tailwind. Filtrona Plc manufactures and supplies speciality plastic and fibre products including cigarette filters. The investment case is built around a new management team which is changing the strategy and culture in the company. The new CEO has an extremely strong track record and is very well regarded in the market.

In Information Technology, the majority of under-performance came from the holding in Rib Software. Despite reporting reasonable Q3 numbers, the share price remains under pressure due to a lack of clarity regarding the potential for their main product. We remain of the view that the upside potential is large and have retained our holding.

We had mixed performance in Healthcare. Getinge, a Swedish healthcare equipment company had an excellent quarter. Getinge is a leading global medical technology company, providing equipment for surgery, intensive care and infection control. The company reported decent results for the first 9 months of the year with a strong order book in place. The management reiterated a confident message for Q4. This was offset by negative contribution from Italian company Sorin. Sorin is active in the fields of cardiac surgery and cardiac rhythm management. The stock suffered due to fears of a slowdown in the underlying markets and cuts in spending in the healthcare space caused by the difficult economic environment.

In Energy, the Portfolio's holding in Lundin continued to move higher over increased estimates for the company's North Sea Avaldnes prospect. In addition, Wood Group, a UK listed energy services company performed nicely during the quarter. The share had fallen significantly during Q3 as the company returned cash to shareholders following the disposal of a business in the US. During Q4, the price recovered somewhat and was helped by the decision to acquire PSN – a competitor of the company.

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 25 bps 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.

Important Information

Unless otherwise stated all information contained in this document is from Pioneer Investments and is as at 30 December 2011

MSCI: The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msicibarra.com).

Pioneer Funds – European Potential is a sub-fund (the "Sub-Fund") 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. The Sub-Fund 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.

Performance figures are in euro. Performance data provided refers to Class A non-distributing units only, and is based upon NAV net of fees. For details of other unit Classes available, please refer to the prospectus.

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 material is not a prospectus and does not constitute an offer to buy or a solicitation to sell any units of the Fund or any services, by or to anyone in any jurisdiction in which such offer or solicitation would be unlawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. For additional information on the Fund, a free prospectus should be requested from Pioneer Global Investments Limited ("PGIL"), 1 George's Quay Plaza, George's Quay, Dublin 2, Ireland. Call +353 1 480 2000 Fax +353 1 449 5000.

This information is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities or services in the United States or in any of its territories or possessions subject to its jurisdiction or for the benefit of any United States person (being residents and citizens of the United States or partnerships or corporations organized under United States laws). The Fund has not been registered in the United States under the Investment Company Act of 1940 and units of the Fund are not registered in the United States under the Securities Act of 1933. This document is not intended for and no reliance can be placed on this document by retail clients, to whom the document should not be provided.

The content of this document is approved by PGIL. In the UK, it is directed at professional clients and not at retail clients and it is approved for distribution by Pioneer Global Investments Limited (London Branch), Portland House 8th Floor, Bressenden Place, London, SW1E 5BH, authorised by the Central Bank of Ireland and regulated by the Financial Services Authority for the conduct of UK business. The Fund is an unregulated collective investment scheme under the UK Financial Services and Markets Act 2000 and therefore does not carry the protection provided by the UK regulatory system.

Pioneer Funds Distributor, Inc., 60 State Street, Boston, MA 02109 ("PFD"), a U.S.-registered broker-dealer, provides marketing services in connection with the distribution of Pioneer Investments' products. PFD markets these products to financial intermediaries, both within and outside of the U.S. (in jurisdictions where permitted to do so) for sale to clients who are not United States persons.

For Broker/Dealer Use Only and Not to be Distributed to the public.

Pioneer Investments is a trading name of the Pioneer Global Asset Management S.p.A. group of companies.

Date of First Use 13 January 2012