Quarterly Portfolio Update

Pioneer Funds – European Quant Equity
31 December 2009

Equity

Pioneer Funds – European Quant Equity outperformed its benchmark, the MSCI Europe Index, in relative terms by 0.4% over the fourth quarter of 2009 (Class A, non-distributing, EUR units). In absolute terms the Portfolio generated a return of 5.1% versus a benchmark return of 4.7%. The Portfolio has generated ahead-of-benchmark returns over the year as a whole, outperforming the MSCI Europe Index by 1.5% and recording a gain of 29.1% in absolute terms.

At macroeconomic level, after falling back in October, European equity markets had a strong start to November until mid-month when the market retracted and finished slightly up. This volatile side-way pattern has continued from the start of October. The decline in share prices mid-month was partly driven by renewed fear on the back of sovereign debt risk in Greece and Dubai World. Economic data was mixed, manufacturing indicators show signs of topping out and unemployment is still rising. Markets have been driven by the good results season and a reduction in risk aversion.

Over the month of December, concerns about Greece's economy continued as rating agencies put the country on negative credit watch. Fitch credit rating agency cut Greece's rating to a 10-year low, which saw Greek shares slump as a result. Additionally, the ratings agency Standard & Poor's cut Spain's credit outlook from stable to negative. Although this news shook European markets, they recovered later in the month and ended the year with the biggest annual gain since 1999, as confidence grew that the economy is recovering from recession.

After another extraordinary year for global equity markets, the MSCI Europe Index was up by 27% over 2009, and approximately 59% from the lows on 09 March.

Over the quarter the Portfolio benefited from both rewarding sector allocation and successful stock selection. At sector level, our investments within Industrials and Materials contributed most to relative outperformance. Conversely, our holdings within the Utilities sector suffered and marginally detracted from relative performance.

Within the Industrials sector our holdings in Capital Goods-related names significantly contributed to relative performance. In particular, we gained from select names involved in ecologically sustainable opportunities, such as Vestas Wind Systems.

Our fractionally overweight exposure to the Materials sector versus the benchmark, along with successful stock selection, rewarded, as it allowed us to not only benefit from performance among select names, but also from the overall rally in the sector. Looking at single names which contributed, international mining company Rio Tinto was a relative outperformer over the quarter. We remain positive on stocks like Rio Tinto as the iron ore price is set to rise in 2010, which should support earnings in producers like Rio Tinto. We also feel that the company offers the best risk/reward of the mining companies.

Investments within the Healthcare sector also rewarded. Kidney-dialysis provider Fresenius Se benefited and we believe that the company has the potential to grow driven by demographic changes and the development of Emerging Markets healthcare systems.

Although our fractional underweighting of the Financials sector rewarded it was not sufficient to offset some unsuccessful stock selection decisions. Our position in National Bank of Greece detracted as the attractive fundamentals of the company are being overwhelmed by Greek macroeconomic conditions.

Overall, with our risk-controlled approach, and despite the fact that our positions over the quarter were held within a very narrow range against benchmark weightings, our quantitative strategy still successfully managed to generate positive relative performance against the benchmark and positive absolute performance. Our Portfolio delivered this outperformance, while simultaneously exposing investors to lower levels of risk than the benchmark.

With regards to outlook, we acknowledge a recovery in economic data and believe that continued government stimulus packages and monetary policy should sustain economic recovery in the short term. However, we remain cautious and acknowledge that growth will remain nominal due to the many external drivers of the recovery, such as stimulus packages. Valuation levels are at broadly fair value so we continue to favour stocks with strong

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balance sheets and cash generation. Additionally, the low interest rate environment should be beneficial for equities.

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