Quarterly Portfolio Update

Pioneer Funds – Global Ecology
30 December 2011

Equity

Review

Pioneer Funds – Global Ecology (Class A, non-distributing, EUR units) produced a return of 8.47% during Q4 of 2011 underperforming its benchmark the MSCI World Index by 2.73% over the period. The Portfolio (same unit class and currency as above) returned −12.43% during 2011 as risk aversion in the market saw the themes in the Portfolio suffer more than the market as a whole.

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 euro-zone 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.

Portfolio performance

At a sector level, key contributors were Consumer Discretionary, an underweight position in Financials, and Industrials. Detractors were Energy, Healthcare and Information Technology.

October

The rally in October allowed us to make some changes to the Portfolio. While we still like the overall themes of "Water" and "Gas" and retained exposure , we sold out of the some of the more defensive names such as United Utilities (Water) and Northeast Utilities (Gas). In the process, we slightly increased the cyclicality of the Portfolio.

On the renewable side, volatility remained high. Solar stocks saw intra-day swings of +/- 10%. A profit warning by Turbine manufacturer Vestas, which should not have been a great surprise, saw the stock fall 20% in one day. The market has become quite negative on alternative energy effectively pricing in "no future" for the industry.

In the Agri-sector, the newsflow was more positive with CF Industries and Yara reporting better than expected results with promising outlook.

In the US railroad sector, where we have exposure through Union Pacific, CSX and Kansas City, newsflow was encouraging. For instance, Union Pacific showed strong results. The price increases helped push revenues to a new record and seemed to illustrate that the US economy was not as bad as commentators in October might have believed.

PIONEER Investments®

We added three holdings during the month

SGL Carbon: is one of the world's leading manufacturers of products made of carbon, graphite & composite materials. They are the market leader in its core product "graphic electrodes". SGL uses the cash from the core business to invest in aluminium cathodes & carbon fibres for the wind industry.

Thermo Fisher: is the world's largest life sciences tool company, also for environmental testing. We expect Thermo Fisher to grow slightly better than their industry, benefiting from secular tailwinds in a new mass spectrometry product cycle and an expanding footprint in emerging markets.

Ecolab: offers cleaning products and services to restaurants, hotels, food and beverage producers. The recent acquisition of Nalco will improve the growth profile of the company. We also like the high recurring revenue stream, defensive business, dominant competitive position and potential for near term expansion.

November

After a strong October, November seemed to be a very weak month – until, the last week. Within this week equity markets recovered almost all the performance they had lost before during the previous weeks.

We retained our Portfolio positioning as volatility remained at elevated levels and there were no real trends visible.

Once again Utilities (water and gas) displayed their defensive characteristics and reduced the volatility of the Portfolio. Despite newsflow for solar energy remaining negative, solar stocks held up more or less ok during the month and this could be the first hopeful sign that the sector is in a bottoming-out phase. Solar could be a really interesting place to be invested during the course of 2012 with major negative news now probably digested.

In 2011, the US market has produced better returns than the European markets despite the fact that US equities are by all measures more expensive than their European peers. As we tend to be structurally overweight Europe (more suitable opportunities around) this allocation has also detracted from performance compared to a global benchmark. We still see valuation as the major driver for future performance and we believe it to be very likely that Europe can catch up some of this underperformance– provided there is no financial melt-down.

December

In the Agricultural sector, Yara held their capital markets day, indicating that the global floor price for urea has been raised by +10%, due to Chinese cost pressures (inc. export taxes). Yara is a low cost urea producer, they are forecasting a worst case supply driven market, that they can earn 28 NOK with valuation today 250 NOK.

In the Alternative energy sector, Total SA increased their stake in Sunpower to 66 percent. We still believe that, sooner or later, Total will go for a 100 percent stake and there should be a decent premium for Sunpower shareholders compared to the stock price right now.

Low cost leader, First Solar lowered revenue & EPS guidance amid weak product demand. The company is changing strategy, halting research on alternative kinds of solar technology to focus on its own cadmium-telluride thin film solar products & on big utility scale projects.

On a more positive note, Warren Buffett's Mid-American Energy holdings agreed to buy a 49% stake in NRG Energy's $1.8 billion Agua Caliente solar project, his second investment in solar in a month. In addition, Mid-American agreed to buy the entire US$2 billion Topaz solar power plant in California from First Solar.

In the Filtration sector, Pall Corp raised revenue & EPS guidance on the back of good results in the life sciences & bio-pharma segments. Tesla Motors announced the price plan for their first electric Sedan launch "Model S", base version will cost US$57k and will able to travel as far as 160 miles per charge. We do not own the stock yet, but we are following closely the further development in the entire sector. We believe electric mobility will become a major theme in the next couple of years.

Sector Allocation	Portfolio Weight	Benchmark Weight	Delta
Industrials	27.25%	10.95%	16.30%
Utilities	15.53%	4.01%	11.53%
Materials	13.39%	7.45%	5.94%
Consumer Discretionary	10.66%	10.43%	0.23%
Information Technology	12.40%	12.28%	0.12%
Consumer Staples	9.70%	11.08%	-1.38%
Health Care	6.84%	10.27%	-3.43%
Telecommunications	0.00%	4.46%	-4.46%
Energy	3.80%	11.69%	-7.89%
Financials	2.30%	17.38%	-15.08%

Source: Pioneer Investments as at 30 December 2011

Top 10 Holdings	Portfolio Weight	Benchmark Weight	Delta
IBM Corp	2.85%	1.01%	1.84%
Whole Food Markets	2.81%	0.04%	2.76%
SAP AG	2.72%	0.24%	2.47%
Linde AG	2.60%	0.11%	2.49%
Kansas City Southern	2.33%	0.00%	2.33%
American Water Works	2.31%	0.02%	2.28%
Starbucks Corp	2.25%	0.15%	2.10%
Nisource	2.19%	0.03%	2.16%
Deere & Co	2.18%	0.15%	2.04%
BG Group	2.16%	0.32%	1.84%

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 remains potential policy errors on the part of politicians and policymakers alike.

Risk aversion saw many themes in the portfolio fall out of favour during 2011. In addition, we remain overweight Europe as we believe that US equities are far more expensive than their European peers. While these two factors have impacted performance negatively in 2011, we expect some reversion of this trend in 2012.

Important Information

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