Quarterly Portfolio Update

Pioneer Funds – Global High Yield
30 December 2011

Bond

Review

Improving economic data in the US, including estimated 3+% fourth quarter GDP growth fuelled by stronger-than-expected consumption, overcame ongoing concerns about the eurozone crisis. Risk markets rallied, particularly in the US, with the S&P 500 Index returning 11.82%.

Consumption, along with consumer confidence, improved in the fourth quarter, buoyed by stronger employment data: unemployment claims declined to 372,000, while non-farm payrolls rose 200,000 by year-end. Treasury yields fell slightly, with the 10-year Treasury yield declining from 1.93% to 1.87%. The Merrill Lynch Global High Yield and Emerging Markets Plus Index returned 4.67% in US dollars, unhedged. US High Yield delivered the best returns globally of 6.18%, as US economic data surprised to the upside and investors sought out US investments. Spreads tightened from 841 bps to 723 bps, and CCCs outperformed, returning 8.07%, compared to BB returns of 5.54% and single B returns of 6.30%.

On a local market basis, European High Yield returned 4.04%; on a US dollar basis, however, that return fell to 1.08%. Emerging-Market Sovereigns posted 4.79% returns, while Emerging-Market Corporates returned 4.35% on a local market basis, and 3.73% on a US dollar basis. Risky Emerging-Market Corporates returned 5.59% locally, for a 4.75% US dollar return. High-Yield Convertibles returned 4.64%. As the inflation outlook weakened, however, floating rate Bank Loans underperformed High-Yield Corporates, returning 3.08%. Non-Agency MBS/ABS ("Asset Backed Securities"), as represented by Floating Rate Non-Agency Asset-Backed Securities ABS, also faltered, returning -0.11%, as investor concerns rose over forced selling by European banks. High-Yield Municipals returned 0.79%, for an excess return of -2.16%.

The US Dollar rallied strongly against eurozone currencies, rising 3.29% against the euro, but underperformed certain commodities-oriented currencies, such as the Canadian and Australian dollar.

Performance Analysis

In the fourth quarter, Pioneer Funds - Global High Yield (Class A, non-distributing, USD units in USD) returned 4.79%, compared to the 4.67% return for its benchmark, the Merrill Lynch Global High Yield and Emerging Markets Plus Index. The year-to-date return of the Portfolio was -1.09% compared to the benchmark return of 3.45%.

The primary factors in outperformance for the quarter were the underweight to Non-US dollar currency and security selection. The underweight to Non-US dollar currency added 30 bps to performance, primarily due to the 9% underweight to the euro. Security selection contributed approximately 52 bps to performance, despite the negative 64 bps impact of the American Airlines bankruptcy. In particular, convertible bond issues outperformed, contributing over 20 bps to security selection. The 18% overweight to US High Yield also helped performance. Asset class allocation was relatively neutral to performance.

Securities contributing to performance included CEMEX, Global Crossing, Pilgrim's Pride, Chrysler, Intelsat and Linking Holdings. Underperforming issues included the American Airlines Municipal issues, Sevan Marine, Lantheus Medical, and Ldk Solar.

Outlook and Positioning

We believe that the US economy will experience modest growth of over 2% in 2012, consistent with slow, protracted recoveries from "balance sheet"-caused recessions. Consumption has exceeded expectations, reflecting improving employment, the benefit of the payroll tax cut, and declining gasoline prices that occurred earlier in the year. While Europe may enter (or already be in) recession, emerging-market growth may be nearing a bottom, and could improve, in response to the lagged effects of monetary easing among emerging-market countries that began last August. The greatest risk to our forecast is contagion effects from the European sovereign-debt and banking crisis. The European Union must affect a comprehensive solution - recapitalising the banks, ensuring funding for troubled sovereigns, achieving a

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workable fiscal and economic integration, and improving labour competitiveness in southern Europe - before the crisis can be defused.

We continue to hold an overweight to US high yield but also see value in Emerging-Market Corporates. Corporations, particularly in the US, have both attractive valuations and strong fundamentals. Revenue growth and tight cost controls may allow US companies to enjoy continued improvement in their earnings and balance sheets, as they have over the past few years. Moreover, the US Federal Reserve's commitment to continued low interest rates, coupled with modest economic growth, will continue to support risky assets such as High-Yield Corporate Bonds. Within the US, US High-Yield spreads remain wide to long-term averages, while projected defaults remain well below long-term averages. Although the Convertibles market is shrinking as corporations opt to finance in the bond market at record-low yields, Convertibles offer value, given our preference for equities over fixed income. We find Emerging-Market Corporate Bonds attractive: they underperformed relative to US High-Yield Corporates and more dramatically, relative to Emerging-Market Sovereigns in 2011. Emerging-Market Corporates offer opportunities to invest in the positive emerging market secular growth story, as well as in global players in their markets. Finally, we will continue to have low exposure to European high yield (and no direct exposure to Greece or Portugal) on the basis of our fundamental view that the US should experience stronger relative growth, particularly amid the eurozone's deficit reduction measures and growing sovereign and Banking sector risks.

We also continue to have an underweight to the euro, both on a valuation basis and because the euro continues to have high correlation with risky assets. We believe, however, that the US dollar may weaken relative to the currencies of developed and emerging-market countries that have exhibited more disciplined monetary and fiscal policies.

Our ability to invest in the most attractive high-yield bond opportunities globally, including those from emerging markets, gives us the potential for superior returns with limited volatility by taking advantage of market inefficiencies that may not be available to portfolios with more limited mandates.

The Portfolio uses a three-legged approach: The first leg is traditional US high yield, which offers the breadth and depth of the highly developed markets in the US. The second leg is emerging markets, which provides us the flexibility to gain exposure to some of the world's best companies that are located in emerging-market economies. The third is international high yield or non-US dollar high yield. By investing in non-US dollar-denominated high yield assets, we are able to reduce overall volatility. Historically, over the long term when risky assets have fallen in value, the US dollar has also declined in value; holding non-US dollar denominated assets has served to offset that effect.