Quarterly Portfolio Update

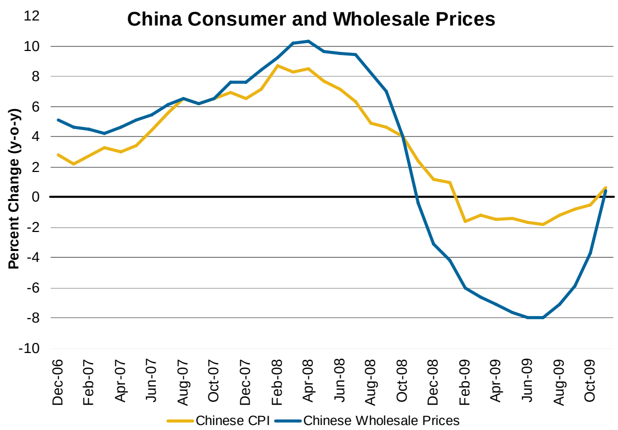
Pioneer Funds – Greater China Equity
31 December 2009

Equity

Review

The Portfolio returned 11.43% (Class A, non-distributing, EUR units) compared to 9.67% for its benchmark, the MSCI AC Golden Dragon Index, over the quarter. Within the Golden Dragon area, the Chinese market performed best followed by Taiwan and then Hong Kong.

Positive economic data continued to flow from China: PMI improved to over 55 in October and November; CPI continued to track higher to -0.5% in October before turning positive (0.6%) in November for the first time since January; Wholesale Prices have also been ticking up and moved into positive territory in November for the first time since October 2008. Of note, December export orders in Taiwan were very strong, up 37% y-o-y, although this was partly due to the low base set at the end of 2008.



Source: Bloomberg, monthly data, December 2006 - November 2009

Performance Analysis

Portfolio performance was primarily driven by stock picking in China, more specifically in Financials, Industrials, Materials and Utilities. Our overweight country allocation to China and underweight to Hong Kong was also a contributory factor.

On a sector level, the best relative contributions to performance from allocation were our overweights in Consumer Staples and Industrials, and underweights in Telecoms and Utilities. However, stock picking was the key driver of outperformance, particularly in Industrials, Utilities, Materials and Financials.

Within Financials, we benefited from overweight positions in China Citic Bank and ICBC, and underweights in BOC and Taiwanese companies. China Life also performed well, as did China Pacific Insurance, a new position we initiated in December. In Industrials, our position in Noble continued to outperform, while Lianhua Supermarket and China Agri-Industrials kept pace with the very strong fourth-quarter performance of Consumer Staples. Several Materials positions performed well, particularly Lee & Man Paper and new holdings in Shougang Concord, an integrated steel-plate manufacturer, and CPMC Holdings, a food-packaging company.

The only sector to contribute negatively this quarter was Energy, albeit only by a small amount. Our positions in China Coal and COSL outperformed, but benchmark stocks we do not hold, such as Yanzhou Coal Mining, CNPC and Mongolia Energy, also performed very well.

Portfolio Strategy

We remain positive on the Greater China region, as data continues to reaffirm a domestic recovery and exports are rebounding from the low base set last year.

Source: Bloomberg, monthly data, December 2006 - December 2009

The trend of improving economic data combined with valuations that are still not overly expensive, means that there is scope for further gains. Inflation and inflation

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expectations are firmly back in positive territory and, given y-o-y comparisons, could begin to accelerate. This year, the main issue for China will be the strength of recovery, which will most likely require tightening measures of some form. Again, we see this as necessary, however, and do not expect measures to be too heavy handed. We would begin to become concerned should inflation show signs of moving towards 4%. In the mean time, we see the pick-up in inflation being quite constructive, reducing real interest rates and helping margins.

Portfolio positioning was largely unchanged through the quarter. Our main overweight is China, with a small overweight in Taiwan, where the Technology sector could benefit from the improvement in G7 economies, and an underweight to Hong Kong.

In China, we remain overweight Banks, Food & Staples and Software but have reduced our overweight in Real Estate to neutral, and Insurance and Telecoms to underweight. Our decision to reduce Real Estate was driven by the constant efforts by Beijing authorities to stem the steep rise in property prices in most major cities. We still see good value in the sector but will wait for a more opportune time to boost exposure. We reduced Insurance primarily due to valuations. Following a strong performance by China Life, we sold the position and rotated into China Pacific Insurance. In Telecoms, we reduced our position in China Mobile to underweight as subscriber growth continued to struggle and competition is intensifying following the launch of 3G services. We maintain our underweight in Industrials.

In Taiwan, we maintain our overweight in IT Hardware, Semiconductors and Real Estate, and underweight in Banks and Materials.

During the quarter, we added new positions in Shougang Concord, China Pacific Insurance, Orient Overseas International and Perfect World. Conversely, we sold our holdings in China Life Insurance, China Resources Land and Weichai power.

Shougang's primary business is iron smelting and steel-plate manufacturing. This business along with the steel sector has been quite out of favour given declining global demand and what looks to be ample global capacity. Despite this, we believed that Shougang was undervalued following its substantial supply-chain-integration efforts, with the company buying stakes in both coking coal and iron-ore resources.

Following recent restructuring, China Pacific Insurance has been demonstrating an improved product mix, good margin expansion and premium growth. Given its well-capitalised balance sheet, we see scope for further strong growth of high-quality business.

Orient Overseas International is a container-shipping operator with some Chinese property assets. We bought the position in anticipation of an improvement in trade, expected freight-rate increases and an undemanding below-book valuation.

Perfect world operates online game development and hosting. Its games have a very-strong track record and, given the high growth in internet penetration and monetisation in China, we see the company as offering good growth potential at a very reasonable valuation.

We sold our position in China Life Insurance following a period of strong performance and because we saw better value in China Pacific. Weichai Power had also performed well and its valuation was looking stretched. Given the strong flow of austerity measures from Beijing and a full valuation, we also exited China Resources Land.

Outlook

We continue to view Greater China's prospects positively; fundamentally, the economy is performing very well, having delivered more than 8% GDP growth in one of the most difficult years we have seen. Given the pick-up in global activity, we are more concerned as to whether the domestic policy-stimulus measures have been too great. We realise a tighter policy framework is inevitable in 2010 in order to moderate what could easily result in an overheating. However, we believe that changes will be orderly and measured. If there is a domestic risk to equity markets, it is more likely to be because of an over-tightening policy response, but this is not our base case. We continue to monitor inflation very closely and see this as Beijing's main litmus test. Should inflation begin to accelerate we would have to review our stance, however, it is unlikely to be a problem in the near future.

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