

# Quarterly Portfolio Update

*Pioneer Funds – Latin American Equity*

*31 March 2010*

Equity

The Portfolio was up by 6.59% (Class A, non-distributing, EUR units) over the quarter, behind its benchmark, the MSCI Emerging Markets Latin America Index, which returned 7.77%.

Latin American equities made further positive returns through the first quarter, albeit at a slower pace than in the previous three quarters. Returns between markets were quite tight: Peru, which was the laggard in the fourth quarter of 2009, was the strongest market at 6.8% (capital return in local-currency terms), while Argentina was the weakest (2.3%). The main markets of Brazil and Mexico were up by 2.6% and 3.6% respectively.

With the exception of the Venezuelan bolivar fuerte, which was devalued in January, all other Latin America (Latam) currencies appreciated against the poor-performing euro: the single currency was weakest against the Columbian peso (-11.3%) and Mexican peso (-11%). Against the stronger US dollar, things were more balanced: the US dollar gained 2.1% against the Argentinean peso and Brazilian real, and 3.3% against the Chilean peso, but lost ground against the other currencies.

Commodities were mixed during the first quarter, with weakness in agriculture, particularly sugar, offset by decent gains in other areas such as copper, silver and oil, mostly driven by supply constraints. There was an unusual divergence between the performance of Latam Materials (+9.6%) and Energy (-5.2%), largely attributable to market expectations of enormous capital raising by Petrobras. Materials was the best-performing sector, while Energy was second worst, just behind Consumer Discretionary (-7.5%). Financials was flat, Telecoms rose by 0.5% and Utilities fell by 4.7%.

In terms of Portfolio positioning, we increased our overweight in Mexico and reduced the small overweight in Brazil to neutral. We further increased the underweight in Chile, which has been badly affected by the devastating earthquake. In Brazil, we continue to favour the Materials sector: we increased exposure to pulp & paper companies, where we see good prospects for price increases. We bought a new position in Gerdau, which manufactures steel, for a similar reason.

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