

Monthly Portfolio Update

Pioneer Funds – U.S. Pioneer Fund

29 January 2010

Equity

Review

The S&P 500 Index declined -3.6% in January as generally positive news about the US economy, and generally favourable company profit and revenue reports were overshadowed by a broad-based retreat from risky assets and from the “reflation trade” after China tightened monetary policy and as concerns about Greece mounted.

Defensive sectors within the S&P 500 Index were favoured. Healthcare (up 0.5%) was the only sector not to post a negative return for the month. Consumer Staples, Industrials and Financials (each down 1%) were also good relative performers. Materials (-9%), Information Technology (-8%) and Telecom Services (-8%) were the S&P 500’s worst performing sectors.

Performance Analysis

Pioneer Funds – U.S. Pioneer Fund (Class A, non-distributing, USD units in USD) outperformed its benchmark, the S&P 500 Index, by 0.45% over the month. January returns benefited the most from good stock selection in the Consumer Discretionary sector; stock selection in Consumer Staples, Financials and Information Technology also contributed, while stock selection in Industrials and our Materials (notably mining) overweight were the largest drags on performance.

A number of companies in different industries contributed to our strong performance in the Consumer Discretionary sector, with no individual stock dominating. Notable contributors included value-oriented retailer Target, publisher McGraw-Hill, Ford Motor and auto parts supplier Johnson Controls. These companies generally shared the traits of performing well in industry niches with improving fundamentals.

The largest driver of good results in the Consumer Staples sector was our emphasis on food products companies such as Hershey, Heinz, General Mills, Kellogg and Kraft Foods, each of which was up for the month, helped as investors gravitated to defensive names.

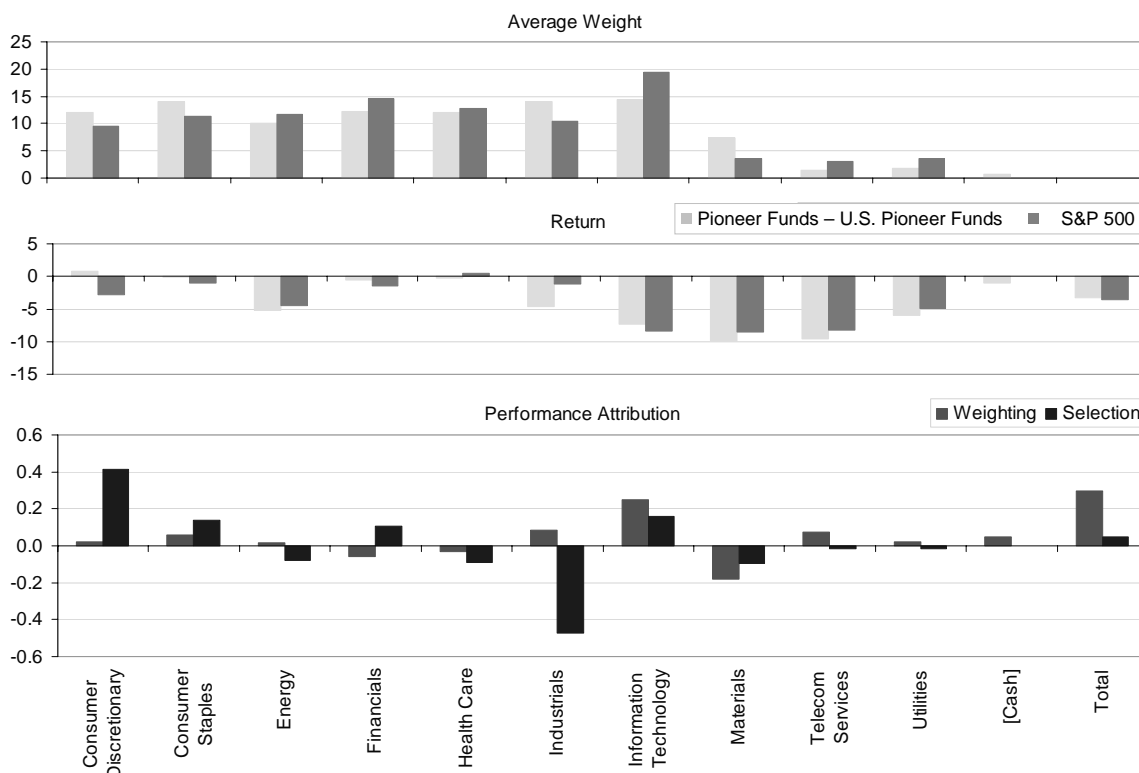
Our significant underweighting of “Wall Street” banks had helped to limit losses in the 2008 bear market but limited gains in the sharp rally in 2009’s second and third quarters. Our preference for regional banks and conservative insurers was rewarded again in January, as many of the Index’s largest names posted significant declines, while several of the regional banks we owned posted double-digit gains.

An Information Technology underweight, which, as noted in prior commentaries, reflects our valuation-sensitive security selection approach more than any top-down negative views, helped returns as the sector lagged the broad market. Security selection within the sector also helped, as Google and Apple (neither owned) declined 15% and 9%, respectively, while Nokia and Canon (both owned) posted positive returns.

The Industrials sector was the largest drag on January results as heavy manufacturers and railroads, which had been notable contributors in 2009, declined on profit-taking and concerns about the strength of the economic recovery.

Portfolio Strategy

Three new names were added to the Portfolio and two were sold in January trading. None of these trades materially altered the positioning of the Portfolio, and recent events have not materially altered our economic or market outlook.



Source: FactSet as at 29 January 2010.

Outlook and Positioning

It would appear that the economy of the US is recovering, although the unemployment rate will probably not come down very quickly. We believe that uncertainty over government policy is delaying the recovery; the market hates uncertainty, and so do households, but that said an economic recovery may unfold over the year.

Our focus is, as always, on quality: quality of earnings; quality of returns; quality of products and services; quality of management; quality of balance sheet; quality of workforce; quality of customer; and quality of information. The goal is to find stocks selling below their value, a value established by the estimation of longer-term earnings and cash-flow potential.

At the moment, large, blue-chip names in Healthcare and Consumer Staples appear to offer interesting value. Over the course of the past year, cyclical and economically-sensitive stocks have received the most attention: some stock prices appear to have risen beyond the levels that can be supported by near-term earnings. At the same time, some tried-and-true, perennially profitable, and long-time

dividend-paying companies have languished to the point where you can now find some of the highest-quality stocks selling at the most reasonable price-to-earnings multiples. The “equity-risk premium” being offered is, oddly, highest in some of the lowest-risk areas of the US market.

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