

Monthly Portfolio Update

Pioneer Funds – U.S. Research

26 February 2010

Equity

Review

US equity markets rebounded from a difficult start to the year with the S&P 500 Index up 3.1% in February and the Dow Jones Industrial Average Index up 2.6%. For the Dow, it was the best month since November.

The February gains were particularly encouraging given the Greek debt crisis and concerns about potential global aftershocks. Another concern emanating from Europe was generally weak Q4 economic growth across the continent. These factors pushed the US dollar higher versus the euro. In the US, the unemployment rate declined slightly and the Commerce Department revised Q4 GDP up a bit. Neither statistic meaningfully changes our view that labour markets remain challenged and the economic recovery remains more muted than is typical in the early stages of a recovery.

Performance Analysis and Strategy

In February, Pioneer Funds – U.S. Research (Class A, non-distributing, USD units in USD) underperformed its benchmark, the S&P 500 Index, by approximately -1.55%. Year-to-date, the Portfolio has underperformed the S&P 500 Index by -1.63% as our stock picks failed to gain traction in an uncertain market. Underperformance in February was largely due to our investments in the Financials, Information Technology and Utility sectors. On the positive side, our performance in Energy and Industrials was encouraging.

In Energy, we benefited primarily from our position in oil service company Smith International, which agreed to be acquired by competitor Schlumberger at a 38% premium. We believe that the acquisition price represents full value for Smith and we decided to take profits.

In Industrials, the Portfolio enjoyed strong returns from SPX Corp and KBR, both up approximately 9% on good earnings results and outlooks.

In Financials, we underperformed primarily due to our position in boutique investment bank Lazard, which reported disappointing results due to changes to its employee compensation plan. After meeting with

management, we decided to maintain our holding based on Lazard's strong position in the increasingly active M&A space.

In Information Technology, our poor performance resulted from our positions in infrared imaging company Flir Systems, which issued a disappointed outlook, and Qualcomm, which suffered due to concerns about declining average sale prices (ASPs) for mobile phones. In both cases, we continue to hold the stock. We were encouraged by Qualcomm's decision to raise its dividend and repurchase stock. We continue to see good prospects for Flir's "see in the dark" technology, particularly in law enforcement and defense-related fields.

In Utilities, we had poor performance from three of our four holdings. FirstEnergy declined after announcing a merger with peer Allegheny Energy. We sold the stock after determining that the deal has limited strategic and financial merits. Sempra Energy underperformed due to concerns about its exit from the commodities trading business. We continue to hold the stock and believe that the market is misjudging the earnings prospects for the company. PSEG declined due to general concerns about weak power markets. We believe that the stock represents good value and do not share the market's extreme pessimism regarding the prospects for a power market recovery.

We made a number of changes in February. In Utilities, we sold FirstEnergy and bought gas utility/E&P company, EQT Corp. We like EQT's position in the burgeoning Marcellus shale. In Consumer Discretionary, we sold long-time holding TJX and bought Family Dollar, where we see better prospects for outperformance. In Materials, we sold speciality chemical company, FMC, and bought aggregate company, Martin Marietta Materials. We believe Martin Marietta is poised for a rebound as the economy improves and stimulus-related highway spending picks up.

Outlook

We remain optimistic about the prospects for US equities. Valuations remain reasonable, the economy continues to grow and other key macroeconomic indicators remain supportive. We expect that the fiscal policy stimulus will

continue to work its way through the economy and are encouraged by the recent increase in M&A, share repurchases and dividend increases. We believe that companies are taking these actions due to increased confidence in their prospects.

We will continue to focus our efforts on stock picking, our key competitive advantage, and primary performance driver. Our approach to stock picking emphasises bottom-up, fundamental analysis. We believe our approach is durable and repeatable and has the potential to deliver reasonable investment results across the business cycle and in a variety of market conditions.

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