

# Quarterly Portfolio Update

Pioneer Funds – U.S. Research Value  
31 December 2009

Equity

## Review

US equity markets closed out a strong 2009 with the S&P 500 up over 5% in Q4 and up over 60% from the March low of 666. For the full year 2009, the S&P 500 Index returned 26.5%, while the Dow Jones Industrial Average Index returned 22.7%.

Following a down month in October, equity markets rebounded strongly in November and finished the year with a “Santa Claus” rally in December. The quarter was marked by the return of large-cap stocks as the Russell 1000 Index outpaced the Russell 2000 Small Cap Index by over 200 bps.

## Performance Analysis

Pioneer Funds – U.S. Research Value (Class A, non-distributing, USD units in USD) outperformed its benchmark, the Russell 1000 Value Index, in the fourth quarter of 2009 and for the year. In absolute term, the Portfolio returned 5.1% compared to 4.2% for its benchmark over the quarter, with year-to-date returns of 23.0% and 19.7%, respectively.

Outperformance in Q4 was primarily due to our investments in the Information Technology, Industrials, Energy and Telecommunications Services sectors. Our avoidance of Citigroup, Bank of America and General Electric were the biggest contributors to relative performance in Q4. On the negative side, our performance in the Consumer Discretionary sector was disappointing.

In the Information Technology sector, semiconductor manufacturer Atmel Corp was one of the Portfolio’s top contributors, propelled by the introduction of MaxTouch, their innovative touch screen controllers for use in smart phones, which continued to gain traction.

In Industrials, we continued to benefit from our decision to avoid General Electric Co., a material underperformer during the quarter. In contrast, we enjoyed very strong returns from 3M Co. and United Technologies Corp.

In Energy, our avoidance of Exxon, a sizeable component of the benchmark, benefited relative returns, which declined after announcing plans to buy E&P company, XTO Energy Inc.

In Telecommunications Services, our holdings, CenturyTel Inc. and Verizon Communications Inc., outperformed the sector and the S&P 500 Index as investors migrated towards dividend-paying stocks.

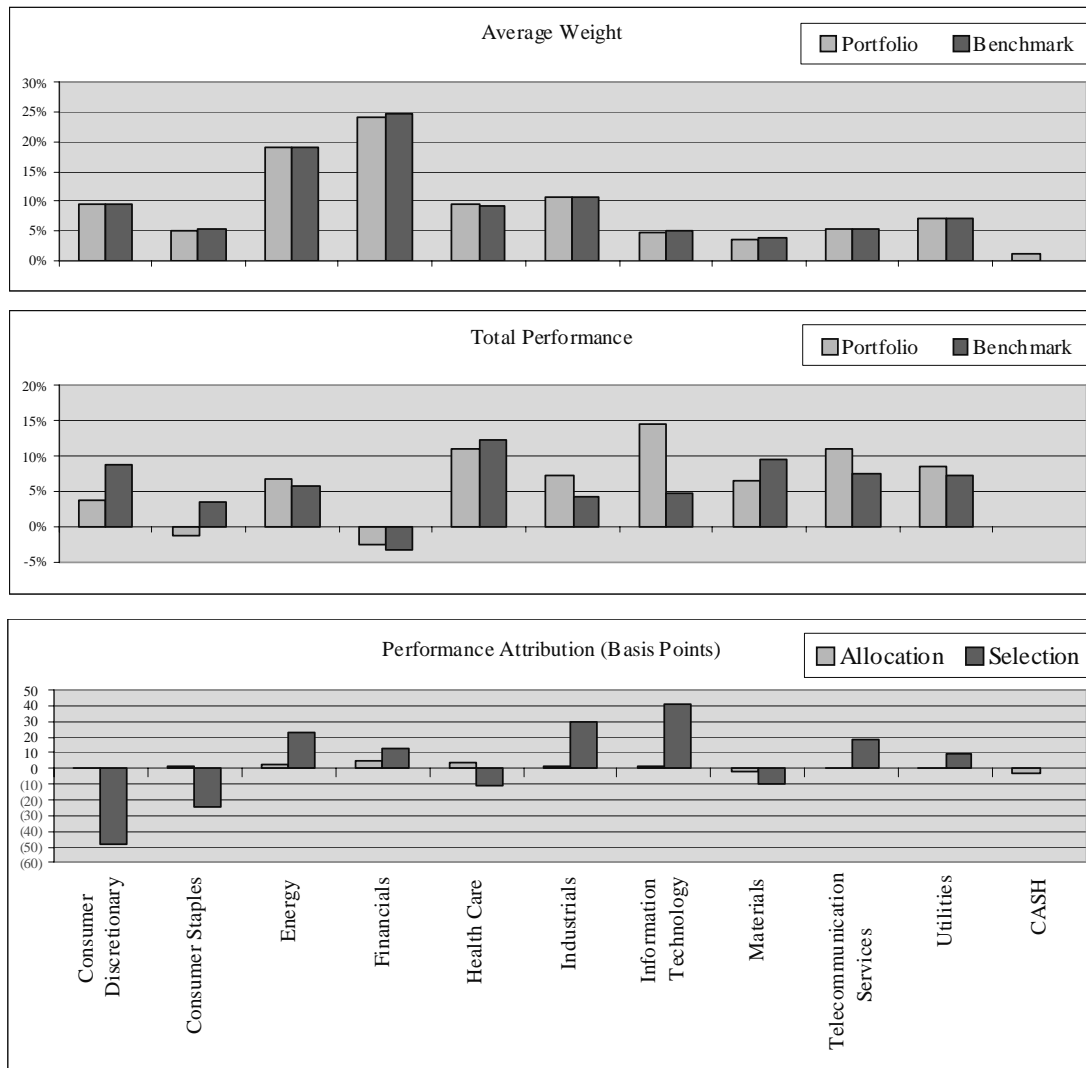
We note, during Q4 that the Portfolio benefited by not owning a number of laggards in the Financials sector including Bank of America Corp., Citigroup Inc. and Goldman Sachs Group Inc.

Our poor performance in the Consumer Discretionary sector was the biggest detractor from Portfolio performance in Q4. We missed the big rebound in Ford Motor Co. as the company continued to outpace US rivals. We also missed Walt Disney Co., which was up strongly. In contrast, the Portfolio suffered a bit from our holdings in laggard retailer Gap Inc.

In addition, Diversified Financial company State Street Corp. was a material underperformer during the quarter. We continue to hold the stock and used the weakness to add to our position. CVS also underperformed on news of a greater-than-expected loss of contracts in its Pharmacy Benefits Manager business, in which, as a result of its Caremark acquisition, it will manage the pharmaceutical purchasing of healthcare benefits for companies.

## Portfolio Strategy

During the quarter we initiated a position in JP Morgan Chase, as the valuations became more attractive and the brokerage and investment banking business stabilised. We also made a change in Information Technology, trading out of Teradata for Hewlett-Packard. Meanwhile, we swapped out multi-line insurer, Assurant, for property and casualty insurer, ACE.



Source: FactSet as at 31 December 2009

## Outlook

We are optimistic that the worst is behind us and expect that government policies will continue to support the global economic recovery. While markets have recovered strongly from the March 2009 lows, valuations are not unreasonably high. We are encouraged by continued strength in the capital markets as companies are able to issue equity and raise debt under reasonable terms. M&A activity has picked up a bit, a signal of managements' increasing confidence. High unemployment and significant underemployment remain our primary macroeconomic concerns.

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 analysis. We believe that our approach is durable and repeatable, and has the potential to deliver competitive investment results across the business cycle and in a variety of market conditions.

## Important Information

Unless otherwise stated all information contained in this document is from Pioneer Investments and is as at 31 December 2009.

Pioneer Funds – U.S. Research Value is a sub-fund (the “Sub-Fund”) of Pioneer Funds (the “Fund”), a fonds commun de placement with several separate sub-funds established under the laws of the Grand Duchy of Luxembourg.

The Sub-Fund is actively managed, and current holdings may be different.

References to individual stocks should not be taken as an investment recommendation to buy or sell any particular stock.

Performance figures are in USD and have been converted from the Sub-Fund’s base currency, the euro. Performance data provided refers to Class A units only, and is based upon NAV net of fees.

**Past performance does not guarantee and is not indicative of future results.**

Unless otherwise stated, all views expressed are those of Pioneer Investments.

These views are subject to change at any time based on market and other conditions and there can be no assurances that countries, markets or sectors will perform as expected. Investments involve certain risks, including political and currency risks. Investment return and principal value may go down as well as up and could result in the loss of all capital invested. More recent returns may be different than those shown. Please contact your local sales representative for more current performance results.

This material is not a prospectus and does not constitute an offer to buy or a solicitation to sell any units of the Fund or any services, by or to anyone in any jurisdiction in which such offer or solicitation would be unlawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. For additional information on the Fund, a free prospectus should be requested from Pioneer Global Investments Limited (“PGIL”), 1 George’s Quay Plaza, George’s Quay, Dublin 2, Ireland. Call +353 1 480 2000 Fax +353 1 449 5000.

This information is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities or services in the United States or in any of its territories or possessions subject to its jurisdiction to or for the benefit of any United States person (being residents and citizens of the United States or partnerships or corporations organized under United States laws). The Fund has not been registered in the United States under the Investment Company Act of 1940 and units of the Fund are not registered in the United States under the Securities Act of 1933. This document is not intended for and no reliance can be placed on this document by retail clients, to whom the document should not be provided.

This content of this document is approved by PGIL. In the UK, it is directed at professional clients and not at retail clients and it is approved for distribution by Pioneer Global Investments Limited (London Branch), 123 Buckingham Palace Road, London SW1W 9SL, authorised by the Financial Regulator in Ireland and regulated by the Financial Services Authority for the conduct of UK business. The Fund is an unregulated collective investment scheme under the UK Financial Services and Markets Act 2000 and therefore does not carry the protection provided by the UK regulatory system.

Pioneer Funds Distributor, Inc., 60 State Street, Boston, MA 02109 (“PFD”), a U.S.-registered broker-dealer, provides marketing services in connection with the distribution of Pioneer Investments’ products. PFD markets these products to financial intermediaries, both within and outside of the U.S. (in jurisdictions where permitted to do so) for sale to clients who are not United States persons.

For Broker/Dealer Use Only and Not to be Distributed to the Public.

**Pioneer Investments is a trading name of the Pioneer Global Asset Management S.p.A. group of companies.**

Date of First Use 19 January 2010.