

» INVESTING IN THE ERA OF REFLATION

Inflation Drivers



“Investors should be aware of the new inflation narrative in order to build portfolios that are resilient to this new market scenario.”

1

Tight Labour Market in the US

Wage inflation is starting to pick-up in the US. Repatriation of US business and infrastructure spending could put additional pressure on job market.

2

Positive Commodity Outlook

Firming global demand should support commodity prices. Oil and metals are set to outperform agricultural commodities. Oil prices are expected to be 60 USD per barrel by the end of 2017.

3

Loose Fiscal Policies

Deregulation, personal income and corporate tax cuts and infrastructure spending will be the drivers of fiscal expansion in the US. Looser policies also expected in Japan and the Eurozone.

4

Service Sector Inflation

Demographic trends and broad-based economic recovery should sustain service sector inflation, especially in housing and health-care components.

5

Weaker Globalization

The possible rise of protectionist measures and populism will likely mark an inflection point for globalization, that in the last 20 years has driven a fall in prices and wages.

Source: Pioneer Investments, data as of February 28, 2017.

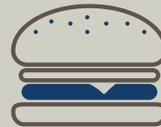
Inflation Forecasts for 2017 (%)



UK

0.8

2.8



US

1.2

2.4



EUROZONE

0.3

1.8



JAPAN

-0.3

0.6

■ 2016 ■ 2017

Source: Pioneer Investments, data as of February 28, 2017.

Risks to our Forecasts



» INVESTING OPPORTUNITIES

Fixed Income

» Inflation-linked and short duration bonds could support fixed income portfolios in periods of higher inflation.

Inflation Surprise Index Trend



Source: Bloomberg, Citi, data as February 15, 2017.

US Equities

» A modest increase in inflation driven by a rise in real GDP growth could benefit US equity markets, especially cyclical sectors such as materials, industrials and financials.

Potential Inflation Beneficiaries



Materials



Financials

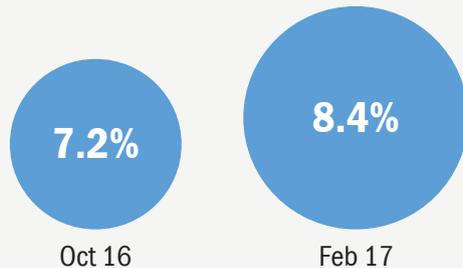


Industrials

European Equities

» A reflation scenario is positive for European value stocks and earnings growth. Single name selection is crucial to identify the companies that combine value and quality.

EU Earnings Per Share Growth (YoY) F



Source: Pioneer Investments forecast horizon December 17 and elaborations on S&P Capital IQ data as of February 15, 2017.

Multi-Asset

» In a phase of asset reflation the favourite asset classes have historically been global equities, credit and commodities. Real assets can offer interesting inflation protection opportunities.

Asset Classes Assessment

Government Bonds



Credit



Equities



Commodities



Important Information

Unless otherwise stated, all information contained in this document is from Pioneer Investments and is as of February 15, 2017. The views expressed regarding market and economic trends are those of the author and not necessarily Pioneer Investments, and 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. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading on behalf of any Pioneer Investments product. There is no guarantee that market forecasts discussed will be realized or that these trends will continue. 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. This material does not constitute an offer to buy or a solicitation to sell any units of any investment fund or any services. Pioneer Investments is a trading name of the Pioneer Global Asset Management S.p.A. group of companies.

Date of First Use: March 1, 2017. Infographic tool by Financial Communication team.