

Monthly Portfolio Update

Pioneer Funds – European Equity Value

31 October 2017

EQUITY

COMMENTARY

Market Review

October was another positive month for European equities with the pan-European market adding gains of c.2%, taking year-to-date gains to over 12%. Looking across the sectors in October, it was another positive month for the cyclical areas, with Energy, Information Technology, and Materials leading the way. On the other side, both Healthcare and Telecommunication Services lagged throughout the month.

Macro releases in October continued to paint an encouraging picture of the European economy, with Euro area composite PMI printing at 56.5, which should be supportive for underlying GDP growth. Outside of the more positive macro data, another key event during the month was of course the much anticipated October ECB meeting. Many expected ECB President Draghi to announce a clear plan and timeline to exit the ECB's monetary stimulus programme, and show perhaps a more hawkish rhetoric - given the more stable economic backdrop. This did not come to pass, instead he vowed to continue the current pace of monetary stimulus to year-end, and while ECB purchases will be reduced next year, very accommodative policy will remain in place as long as necessary. This was naturally supportive for risk assets in the region. Finally, October marked the beginning of the Q3 earnings season for European corporates, and given the strength of recent results seasons, expectations are high. Thus far, earnings have delivered a modest beat, with around 35% of companies beating EPS estimates by 5% or more, which is broadly in-line with the trajectory of the Q2 season. Much newsflow in recent months has focused on the stronger Euro. Recent corporate results confirm our view that the impact would be muted, with only some marginal top line weakness coming through. As we have flagged on many occasions, given the current valuations of the market, we believe robust earnings growth is the key to unlock further upside from here. Reflecting on October, we are encouraged by the trends we are seeing as we move into year-end.

Portfolio Review

The Portfolio marginally underperformed its benchmark, the MSCI Europe Value, in October. From a sector perspective, the Portfolio had a positive contribution from Information Technology and Financials. In contrast, some of our holdings within Consumer Discretionary and Energy detracted.

Information Technology was a source of positive returns for the Portfolio in October. Of particular note was the strong performance of IT services company Cap Gemini, which continued to be a rewarding position. During the month, the company reported solid Q3 results, with revenues in line with consensus expectations. Organic growth was however ahead of consensus expectations, which, coupled with a quicker than expected turnaround in U.S. growth, allowed the stock to outperform.

In Consumer Discretionary, our holding of auto component and aerospace technology company GKN detracted after it released a profit-warning. This was mainly attributed to two external claims (presented as one-offs) worth 40mn GBP with the residual due to operational challenges in GKN Aerospace. Aerospace reported disappointing trading with a reduction in margin, caused by on-going pricing pressure. More positively, the company's automotive business continues to perform quite strongly.

The Portfolio added gains within Financials. While the performance of our holdings was quite muted, we gained some relative performance as names that we do not own came under pressure. During the month, the ECB issued more stringent guidance on the treatment of non-performing loans, which weighed on some names, especially within the Italian market.

Within Industrials, our holding of Austrian-listed aerospace and defence company FACC continued to be a very rewarding position for the Portfolio. In October, the company reported some very encouraging first half (H1) results, which saw sales and EBIT coming in ahead of consensus expectations. Cashflow also improved, while new

order momentum continued on a solid trajectory, which was a further support for the share price.

The Portfolio lost some performance in Materials. In general, the metal and mining names performed well, given the more stable commodity prices we saw. More positively, our holding of nutrition science company DSM performed well in the lead up to results at the beginning of November, which are expected to be quite robust.

Finally, in Healthcare, our holding of U.K.-listed pharmaceutical company Shire detracted, despite releasing a robust set of results. Revenues were a touch light, but EPS came in 3% ahead of expectations, while 2017 guidance was confirmed. Of particular note was the very strong performance of the immunology franchise, which continued to deliver very strong top line growth. However, the results did little to calm nerves about the haemophilia business, which has been the primary cause of concern amongst investors this year as competition from generic products persist – especially in the U.S. market.

Sector Allocation	Portfolio Weight	Benchmark Weight	Delta
Consumer Discretionary	14.21%	6.60%	7.61%
Consumer Staples	2.70%	2.78%	-0.08%
Energy	12.08%	13.95%	-1.87%
Financials	24.02%	36.52%	-12.50%
Health Care	11.94%	9.86%	2.08%
Industrials	12.70%	7.78%	4.92%
Information Technology	3.72%	1.34%	2.38%
Materials	5.68%	6.39%	-0.71%
Real Estate	0.00%	2.20%	-2.20%
Telecommunications	6.95%	5.83%	1.12%
Utilities	2.25%	6.52%	-4.27%

Source: Amundi Asset Management as at 31 October 2017
 Benchmark: MSCI Europe Value

Outlook

Events during October have further bolstered our positive outlook for the asset class as we approach the end of 2017. Domestic trends remain very encouraging, and should continue to support the required levels of earnings growth in order to justify further upside for the market. Perhaps one negative that raised its head in recent weeks, has been the political situation in Spain, which has undoubtedly put European political uncertainty back at the forefront of

investors' minds. Right now, we view the situation as a local issue, and should not have a more widespread impact on risk appetite - albeit a potential source of short-term volatility. Throughout 2017, our focus for the Portfolio has been balance, and this remains in place today. Recognising the ever present potential for market rotations, we believe it is prudent to avoid significant sectorial skews, and instead focus on those idiosyncratic investment cases that we believe have the ability to deliver consistent and reliable earnings over the longer term.

Important Information

MSCI: The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

Unless otherwise stated all information contained in this document is from Amundi Asset Management and is as at 31 October 2017.

Pioneer Funds – European Equity 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.

Past performance does not guarantee and is not indicative of future results. Unless otherwise stated, all views expressed are those of Amundi Asset Management. 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 Amundi Asset Management 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, a member of the Amundi group, 1 George's Quay Plaza, George's Quay, Dublin 2, Ireland.

Call +353 1 480 2000 Fax +353 1 449 5000 or your local Amundi Asset Management sales office.

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 Restricted U.S. Investor (as defined in the prospectus of the Fund). 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 Pioneer Global Investments Limited, a member of the Amundi group ("PGIL"). In the UK, it is directed at professional clients and not at retail clients and it is approved for distribution by PGIL (London Branch), Portland House, 8th Floor, Bressenden Place, London SW1E 5BH. PGIL is authorised and regulated by the Central Bank of Ireland and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority ("FCA") are available from us on request. 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.

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

Date of First Use: 14 November 2017.

Doc ID: 298983