View from the 20th Floor

Pioneer Funds – Multi-Strategy Growth
31 August 2017

MULTI-STRATEGY COMMENTARY

"Price is What You Pay, Value is What You Get."

— Warren Buffet

PERSPECTIVE

Our opinion is that market valuations are stretched

At a time when we feel that many market valuations are increasingly stretched, we like to continually remember one of Warren Buffet's many famous quotes. It is easy to listen to respected market commentators or "Sirens" who tell us that we are in a "Goldilocks" environment of solid growth and low inflation. In past commentaries, we have remarked that most measures of market volatility are quite suppressed, suggesting a degree of complacency amongst investors. Just as Odysseus put wax in his mens' ears and tied himself to the mast to avoid succumbing to the Sirens, we too must remain true to our convictions as absolute return investors and take appropriate action to avoid becoming shipwrecked on the rocks of market valuations.

Investors are potentially locking in negative real returns

As our first chart below shows, ongoing central bank manipulation has depressed rates and dampened volatility leading to an ongoing "reach for yield", even if it means locking in negative real returns. With inflation numbers remaining stubbornly low, investors have questioned the ability or willingness of central banks to remove accommodative monetary policies. But what if there is a pick-up in inflation, or what if markets experienced another "taper tantrum"? We do not believe that current bond yields provide any protection against such events and we do not feel that we are being paid for the risks that we are taking when lending money, either to sovereign or to corporate entities. Therefore, we have reduced our duration exposure to minimal levels and have hedged the majority of our credit spread risk, especially in High Yield.

Figure 1
German 10-year Real Yields are negative

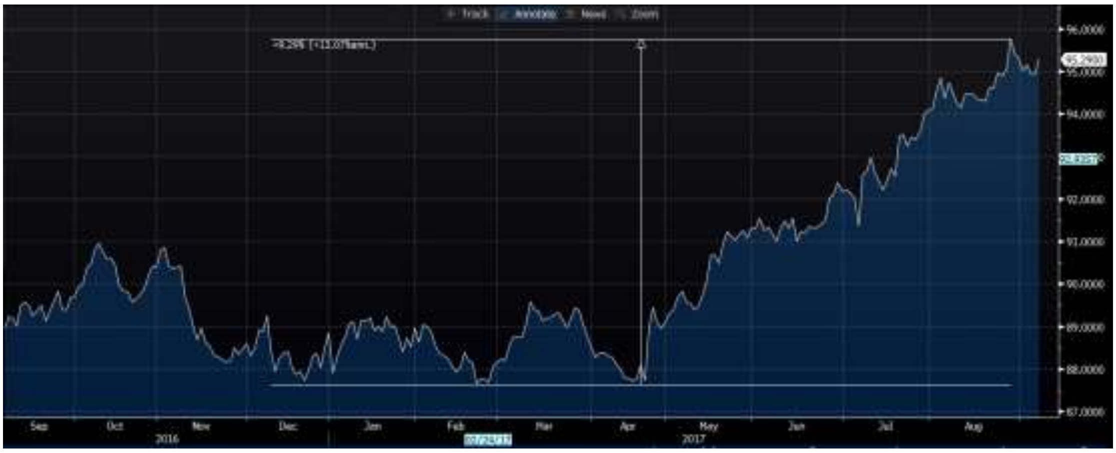
Source: Bloomberg. Data from 31/07/2012 to 31/07/2017.

In the FX world, the weakness of the U.S. Dollar has caused much surprise and caught many investors the wrong way. Our expectation (since the start of the year) has been that monetary pol-

Amundi ASSET MANAGEMENT

We expected the U.S. Dollar to strengthen

icy divergence would drive exchange rates. With Fed increasing interest rates and signalling balance sheet reduction, that should have been supportive for the U.S. Dollar, especially against currencies such as the Euro, where we expected the ECB to continue its bond-buying programme. However, the Euro has appreciated strongly this year, with the nominal effective exchange rate (or trade-weighted index) rising over 9%.



Source: Bloomberg, 10 August 2017

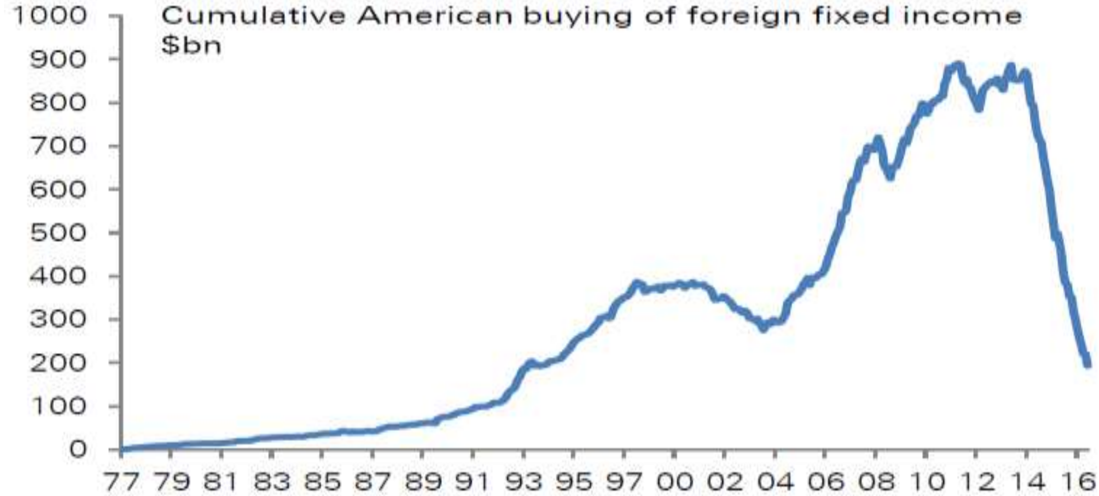
There are a number of reasons behind the recent U.S. Dollar weakness.

Why has this happened? We can suggest a couple of reasons. Firstly, the long USD trade was quite crowded, meaning that many investors had a similar view to ourselves. As we know, when many investors have the same view, a little bit of price movement in the opposite direction can cause quite a swing. Secondly, there appears to be a structural underweight position in Euro's. Over the past few years, non-European investors have shunned EUR-denominated assets for fear of a Euro-breakup; a disintegration of the E.U. following the U.K.'s exit or simply because of political uncertainties in Europe. But the major political risk has now shifted from Europe to the U.S., and as those fears about Europe have receded, overseas investors have moved to close this underweight position, putting upward pressure on the Euro.

Remember as well, that since 2010, the Eurozone current account has moved from being in balance to a surplus of about 3% of GDP – equivalent to approx. €370bn, or an average of €30bn per month. Finally, in this environment, it appears that a higher Euro leads to lower European yields because it forces the ECB to be even more dovish.

It's worth considering whether we are approaching a fundamental change in the drivers of FX valuations. Relative monetary policy setting (or expectations) are no longer driving FX rates, but rather flows and trade dynamics have taken precedence. Looking at U.S. investors as an example, in recent years they have liquidated almost their entire foreign fixed income portfolios, but now are probably in the process of re-allocating back to the rest of the world. On the trade side, a little-noticed announcement recently by the Hong Kong exchange has allowed investors to buy and settle gold contracts in Renminbi. This may be a game-changer in terms of the U.S. Dollar's role as the global reserve currency, a role it has fulfilled for the past 100 years. Should the Renminbi continue its development as an internationally-traded currency, the next step would be for China to encourage its trading partners (and most importantly, those countries from whom it imports oil) to settle trading invoices in Renminbi. Imagine the effect that would have on the U.S. Dollar and the level of U.S. Treasury yields.

Are we approaching a secular turning point for the U.S. Dollar?



Source: Morgan Stanley, 31 August 2017.

We have trimmed our exposure

Whilst the above is some interesting long-term speculation, what we must accept is that we also expected the U.S. Dollar to work as a hedge, but it depreciated more than we expected in the absence of any major event. Even when North Korea launched a missile that overflew Japanese territory, the U.S. Dollar failed to gain any ground. So whilst we have kept our long position, we have trimmed it and we expect that our median Dollar exposure will be lower from now on.

In overall terms, our position is that we will resist the temptation to increase carry exposure in our Portfolio because our absolute return approach means that protection of our clients' capital is a priority. We will do this by focusing on managing Portfolio risk while opportunistically seeking returns.

PERFORMANCE

Equity market performance differed by region

EM Equities continued their recent strong run

Equities had a mixed month, with no discernible global trend driving prices. Rather it was regional dynamics that influenced returns. The S&P500 rose 0.31% during August, retreating marginally from record highs made in early August, as geopolitical concerns (North Korea, President Trump's agenda and U.S. debt-ceiling concerns) were to the fore. Bear in mind that the S&P is still up close to 12% year-to-date. European equity markets fared less well, with the EuroStoxx 50 down 0.7% but the Italian FTSE MIB index up 0.85%. Emerging Markets equities, as measured by the MSCI EM Index, were again the best performing market with a solid 2.23% return for the month (in USD). U.S. Dollar weakness was a big factor in EM Equity performance.

Bond yields fell, despite good economic data

Bond markets continued to confound almost-universal investor bearishness by rallying, with yields in most major markets falling. With no clear signal on monetary policy emanating from the Kansas City Federal Reserve Symposium in Jackson Hole, the path of least resistance continues to be towards lower yields. Investment-grade credit and High Yield fixed income struggled a bit, as supply and valuation concerns caused investors to adopt a more defensive tone.

Hard Commodities did well, oil fell back despite Hurricane Harvey

Commodities, much like equities, displayed differing performance. The WTI oil price fell, as Hurricane Harvey making landfall around Houston in the U.S. and shutting down large swathes of U.S. oil production. On the other hand, both Gold and Copper showed strong advances – Gold (+4% in August) on the back of worries about North Korea and Copper (+6.7% in August) on the back of strong global demand.

Euro strength continues

Finally, the Euro maintained its recent strength, appreciating almost 0.6% against the U.S. Dollar and breaking above the psychological 1.20 level intraday at one stage. Many investors are under-weight the Euro and continued currency strength, along with worries about North Korea, are pushing investors to increase their Euro exposure. Also benefitting from these "safe-haven" flows have been the Japanese Yen and Swiss Franc.

Figure 3
Market Performance in August 2017

Equities	1 Mth Return (%)	Fixed Income	1 Mth Return (%)
MSCI World Index - Daily, TR, Net USD	0.14%	JPM GBI EMU 3-5 Years - Local	0.37%
S&P 500 TR Index	0.31%	JPM GBI EMU 5-7 Years - Local	0.64%
EURO STOXX 50 NR Index	0.72%	JPM Emerging Markets Bond Index	1.92%
FTSE 100 TR Index	1.63%	**Fixed Income - Corporate**	**1 Mth Spread**
DAX TR Index	-0.52%	iTraxx Europe Main Generic 5yr	+2.4
FTSE MIB NR Index	0.85%	iTraxx Europe Xover Generic 5yr	+1.7
Topix NR Index	-0.05%	**FX**	**1 Mth Return (%)**
MSCI Emerging Markets - Daily, TR, Net USD	2.23%	EUR/USD Spot	0.57%
Commodities	**1 Mth Return (%)**	EUR/GBP Spot	2.79%
TR/CC CRB (Commodity Futures Index)	-0.98%	EUR/JPY Spot	0.31%
Oil - West Texas	-5.86%	EUR/CHF Spot	-0.27%
Oil – Brent	0.46%	US Dollar Index Spot	-0.21%
Gold Spot	4.09%	JPM EM Currency Index	1.11%
Copper Spot	6.68%		

Source: Bloomberg as at 31 August 2017.

The Portfolio delivered a positive return in August.

Figure 4
Portfolio performance to 31 August 2017

	1 Month	YTD
Pioneer Funds - Multi-Strategy Growth - "A" Class	0.76%	1.30%

Source: Amundi Asset Management as at 31 August 2017, Class A EUR ND net of fees.[1]

Monthly Performance Summary

Figure 5
Strategy Performance

Strategy Group	31/08/2017	31/07/2017	30/06/2017	31/05/2017
Macro	0.67%	0.33%	-0.27%	-0.22%
Macro – Hedging	-0.19%	-0.28%	0.09%	-0.21%
Satellite – Comm & Inflat	-0.09%	-0.01%	0.06%	-0.13%
Satellite – Equity	0.37%	0.39%	0.04%	0.13%
Satellite – FI	-0.08%	-0.16%	0.36%	-0.05%
Satellite – FX	0.21%	0.16%	-0.01%	0.03%
Satellite – Quant Models	0.07%	-0.08%	-0.01%	0.01%
Satellite – Spread	-0.01%	0.11%	-0.26%	-0.15%
Selection – Spread	-0.01%	0.07%	0.01%	-0.01%
Grand Total	0.94%	0.54%	**-0.01%**	**-0.61%**

Source: Amundi Asset Management. Data as at 31 August 2017. Data is sourced internally and quoted gross of fees[2].

[1] Past performance does not guarantee and is not indicative of future results.
[2] The data provided is taken from a proprietary front-office tool which is used by the investment management team in the management of the fund. The data is provided to 31 August 2017. It is provided to assist in illustrating the investment process and explaining the current positioning of the

<table>
<tr><td>August Performance Contribution</td><td>

- The **Macro Strategy** delivered the bulk of the out-performance in August, with two of our **Thematic Equity** strategies (Longevity and Energy Revolution) performing strongly. Another two of our **Thematic Equity** strategies (Robotics and German Real Estate) also made positive contributions. Reflecting the strong performance of EM markets, our decision to invest in **Argentina** paid off in August and our **EM FX** strategy delivered good returns.
- Reflecting the solid performance from equities, our **Satellite Equity strategies** performed strongly, including our **European Cheap Value** strategy (which includes Materials and Mining exposures), and the **EU Domestic Recovery** strategy (which focuses on domestically-oriented stocks which may benefit from stronger growth in Europe).
- Finally, our **Satellite –FX** strategies delivered consistent performance from a number of areas. **EM Carry** (featuring USD puts against EM currencies), **G10 Trending** (short GBP/long EUR) and **EM Region** (long the Russian Rouble) all performed.

- On the downside, the largest contributor to negative performance was our **Macro Hedging** pillar, as equity, bond, and FX volatility remain muted. We view the Macro Hedging pillar similar to an "insurance policy" for which we pay a premium. We expect that this Investment Pillar will help to protect the Portfolio during periods of market turbulence.
- Our **Satellite – Commodities, Inflation and Volatility** also detracted from performance in August, mainly due to one strategy called **Crowded Trades**, where we went long the Energy sector in the S&P500, given we felt that most investors are short. We believed this position could offer less downside, or even some positive absolute return in the case of the market falling.

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<tr><td>Best Performing Strategies in August

Worst Performing Strategies in July</td><td>

Figure 6[3]
Best Performing Strategies

Five Best Performing Strategies		
Investment Pillar	**Theme**	**Performance**
Satellite – Equity	EU Domestic	0.25%
Satellite – Equity	EU Cheap Value	0.21%
Macro Strategy	Longevity	0.19%
Macro Strategy	Energy Revolution	0.15%
Macro Strategy	Argentina	0.12%

Source: Amundi Asset Management. Data as at 31 August 2017. Performance shown gross of fees.

Figure 7
Worst Performing Strategies

Five Worst Performing Strategies		
Investment Pillar	**Theme**	**Performance**
Satellite – Equity	Europe	-0.11%
Macro Strategy	Europe	-0.10%
Macro Strategy	EUR Duration	-0.10%
Satellite - Equity	EU Banking Union	-0.09%
Satellite - Equity	Internet of Things	-0.09%

Source: Amundi Asset Management. Data as at 31 August 2017. Performance shown gross of fees.[4]

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portfolio. This data may be subject to change and may differ from the final reconciled fund returns. The fund is actively managed and allocations will vary over time. This data should consequently not be relied upon for the purposes of the making of investment decisions.

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Long-Term Performance

Figure 8
Portfolio Performance

As at 31 August 2017	1 Month (%)	3 Months (%)	YTD (%)	1 Year (%)	3 Years p.a. (%)	5 Years p.a. (%)	260 Day Vol. (%)	Sharpe Ratio (3Yr)
Pioneer Funds – Multi-Strategy Growth "A" Class	0.76%	0.67%	1.30%	2.37%	3.45%	5.33%	4.42%	0.88%

Source: Amundi Asset Management as at 31 August 2017, Class A EUR ND net of fees

Risk Profile

Figure 9
Portfolio Risk

Risk Profile: Pioneer Funds – Multi-Strategy Growth

	31/08/2017	31/07/2017	30/06/2017	31/05/2017	30/04/2017
Portfolio VaR:	**4.07%**	**4.05%**	**3.81%**	**4.68%**	**3.94%**
Sum of Standalone risk:	16,77%	15.95%	17.84%	16.84%	17.25%
Diversification benefit*:	12.70%	11.90%	14.03%	12.16%	13.31%

Source: Amundi Asset Management. Data as at 31 August 2017.
* Diversification does not guarantee a profit or protect against a loss.

Summary Asset Allocation

Figure 10
Portfolio Asset Allocation

Asset Class	Market Value (%)
Equities	**41.5%**
Fixed Income	**42.5%**
Government Bonds	12.5%
Corporate Bonds	28.2%
Commodities	**6.0%**
Real Estate	**0.8%**
Forex	**2.4%**
Cash	**6.7%**

Source: Amundi Asset Management. Data as at 31 August 2017.

REVIEW & OUTLOOK

Inflation expectations are not moving higher, despite a broadly positive growth backdrop

Inflation expectations have been well-anchored recently, with both 5-year U.S. and 5-year Euro inflation swaps starting in 5 years' time (a measure watched by both the Fed and the ECB) hovering around 3-month averages. Investors remain sceptical about global central bank's ability to generate inflation, but we feel that ultimately these levels of inflation will prove attractive to investors. Nonetheless, global growth remains broadly healthy and sustainable, and leading indicators suggest that growth should remain at current levels or higher in the coming quarters. With corporate profitability still strong, we maintain our positive Equity bias, which remains around its highest levels in recent years. Within our Equity exposure, we continue to favour the U.S. and Emerging Markets (EM), which offer long term growth stories – a theme currently well rewarded by the market.

We continue to trim our duration exposure, which is now at the lows vs recent years, as we believe that bond yields are structurally too low compared to the global growth environment.

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Prefer EM fixed income to Developed Market credit	Likewise with our Spread duration, where risk is also very low. This reflects the team's view that corporate credit valuations are stretched and vulnerable to the removal of the ECB's Quantitative Easing measures. Currently we prefer EM Fixed Income to Developed Market Credit, and we have, as mentioned earlier, hedged our High Yield exposure. We are keeping our long volatility positions and hedging structures, as extremely low volatility across the various asset classes belies excessive market complacency vis-à-vis geopolitical risks (e.g. Trump, Brexit). Hence, our Portfolio features ample hedging structures, though preserving a positive carry. In order to minimise the cost of hedging (realised volatility is still lower than implied volatility) we are looking to exploit volatility term structures and skews, such as calendar spreads.
We maintain our equity exposure at the upper end of recent ranges	We maintain our equity exposure at 41.5% – at the upper end of our range in recent times. During the month, we increased our allocation in the Macro Themes strategies, especially towards our Robotics and Internet of Things strategies. Offsetting this somewhat, we reduced our weighting in Relative Value equity strategies. From a regional perspective, we are keeping our long bias in the U.S., where earnings revisions are providing support for the market. An added attraction for the U.S. market is the benefit that will accrue from the depreciation of the U.S. Dollar so far in 2017. We bought some upside in U.S. equities by purchasing short-dated call options on the S&500. In Asia Pacific, we maintain a stable position, being long Japan and short Australia. During August, we added to our long exposure in EM, with a preference for Emerging Asia (Korea, Taiwan), increasingly tied to China versus the U.S. In Europe, we are monitoring the effects and implications of the Euro's appreciation, and have shorted cyclical sectors and gone long domestically-oriented sectors. We are also looking at tactically adding to Europe (especially DAX) versus S&P500, and also adding some EM equity futures at the first signs of U.S. Dollar rebound after its recent selloff, but it will probably be a tactical move.
Duration remains very low and we have a preference for U.S. duration	Duration remains at very low levels (0.16 years) as we continue to believe that there is a disconnect between bond yields and underlying global growth. From a regional perspective, our preferences are Australia (the Reserve Bank may cut rates amid a weakening economic environment, less support from Basic Materials, higher risks in the Real Estate sector, and weakness in the Banking sector) and Canada (where we think yields have already priced in more rate hikes from the Bank of Canada). We reduced our long duration stance in the U.S. via options following the recent rally. Our biggest shorts are in the U.K. (investors are not being compensated for higher inflation and political uncertainty) and Japan (where we think the Bank of Japan will ultimately have to shift its 10-year yield target higher). In Europe, our duration is close to zero now, and we have some downside protection on rates via options as well. In Credit, we remain long Investment Grade credit where we prefer Senior Financials floating rate exposure in the U.S., and Industrial and Services sectors in Europe. Again, following the recent rally in rates and tightening of credit spreads, we have reduced some of our long duration positions in Euro- and U.S. Dollar-denominated paper.
We are cautious on High Yield	We are net short exposure to High Yield through long protection positions on iTraxx Crossover indices, although we did tactically add some names in August, which helped to reduce our short position.
We remain long the U.S. Dollar.	In FX, we remain long the U.S. Dollar but recently closed our short Japanese Yen and Pound Sterling positions. In EM FX, we are short the Omani Rial, as Oman's fundamentals look fragile and we are long a basket of higher-carry currencies vs. a basket of lower-carry currencies.

	In Commodities, we maintain long positions on precious metals (main exposure), Oil, industrial metals, and agricultural commodities. In summary, we maintain our views and are relatively more favourable towards equities versus fixed income on a risk-adjusted basis. We are maintaining a shorter investment horizon; focusing on Satellite Strategies to generate alpha; utilising optionality to protect the Portfolio from "fat tails"; and attempting to take advantage of mispriced opportunities.

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