Monthly Portfolio Update

Pioneer Funds – Global Equity Target Income
31 October 2017

EQUITY COMMENTARY

Market Review

October was another positive month for the global equity market with the MSCI World adding gains of almost 2% in USD terms, taking year-to-date gains in excess of 18%. Looking across the regions, Europe enjoyed positive returns of 2%, while the U.S. added almost 2.5%. Following the victory of Shinzo Abe in the Japanese election, the region's stock market was the standout performer adding gains of over 5.5% (all local currency performances). From a sector perspective, October was another positive month for the more cyclical areas of the market with Information Technology and Materials leading the move higher. On the other side, Telecommunication Services and Healthcare lagged.

Macro releases in October continued to paint an encouraging picture of the broad global economy. Of particular note was the ongoing improvements in Europe, 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.
October marks the beginning of the Q3 reporting season and to date signs have been quite supportive. While it is too early to draw conclusions, signs to date point to a continuation of the more positive EPS momentum that we have seen in both Q1 and Q2. While sales growth appears to be consolidating, underlying earnings remain robust. Reflecting on October, we are encouraged by the trends we are seeing as we move into year-end.

Portfolio Review

October was another positive month for the income generation within the Portfolio. At this point, we remain on course to deliver our income target for 2017.

As we approach the end of the year, and given the success of our income generation to date, we are now focusing on more balance between income potential and capital appreciation potential within the Portfolio. Reflecting this, while activity was reasonably muted, we marginally increased our exposure to some of the more cyclical areas of the market.

We added a new position in U.S.-listed apparel and home goods retailer TJX. Ultimately, its discount model should not be overly impacted by the threat of online, with players like Amazon becoming ever more present. Underlying growth has remained robust, supporting cash flow; and we see the valuation as being quite attractive. We also added some more exposure to Japan, by adding a position in Japanese financial Sumitomo Mistui Financial. We see the company as being a natural beneficiary of the improving underlying economic trends in Japan, given its sensitivity to the economy. Furthermore, the company should be a beneficiary of an increasing interest rate cycle in the U.S. - should this materialise.

We added international telecommunication services company Vodafone to the Portfolio in October. The share price has been under pressure in recent months, and we viewed the current valuation as quite an attractive entry point into the name. The dividend yield is attractive (>5%) and enjoys good coverage, as a result of the strong cash flow generation of the business.

On the other side, we sold our position in U.S. defence contractor Raytheon, as we saw more attractive investment cases in other areas of the market.

We reduced our holding of IT and telephony hardware manufacturer Nokia. During the month the company issued some disappointing results and guidance,

which caused a fall in the share price. While we still believe in the longer-term investment case, there is now more uncertainty in the near term; and we felt it prudent to reduce the positon. We are currently revisiting the investment case with our analyst.
We also reduced our holding of Sekisui Chemical in the wake of the recent very strong performance.

From an option perspective, we were quite active in October - successfully generating additional income for the Portfolio. During the month we wrote 14 call options and 7 put options.

Top 10 Holdings	Portfolio Weight
Microsoft	2.7%
JPMorgan Chase	2.5%
TSMC	2.4%
Citi Group	2.3%
Apple	2.3%
Deutsche Telekom	2.1%
Sekisui House	2.1%
Daimler	2.0%
Imperial Brands	1.9%
Aviva	1.9%

Source: Amundi Asset Management as at 31 October 2017.

Outlook

Events during October have further bolstered our positive outlook for the asset class as we approach the end of 2017. Economic trends remain encouraging (especially in Europe), 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, and dividends over the longer term.

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