Monthly Portfolio Update

Pioneer Funds – U.S. Fundamental Growth

31 May 2017

Market Review

U.S. equity markets posted their seventh consecutive month of positive returns, with the S&P 500 Index returning 1.4% for the month of May. Growth stocks once again outperformed value stocks in the month as near-term optimism regarding an acceleration in economic growth due to public policy changes continued to fade and investors rewarded stocks with secular, rather than cyclical growth. The Russell 1000 Growth Index returned 2.6% vs. -0.1% for the Russell 1000 Value Index.

Nine of the eleven sectors in the growth index posted positive results for the month, led by Information Technology (+5.4%) and Utilities (+5.3%). Energy (-6.2%) and Healthcare (-0.1%) were the worst performing sectors.

Portfolio Review

The Portfolio underperformed the 2.6% return of the Russell 1000 Growth Index. The Portfolio's underperformance for the month was due to both sector allocation and stock selection. While the Portfolio has less than 2% invested in Energy stocks, this allocation is higher than the benchmark weighting of 0.5% and was thus a drag on performance. The overweight in the underperforming Healthcare sector also slightly detracted from performance, as did a modest underweight in the Information Technology sector.

Individual detractors included Celgene, a biotechnology company. The stock declined after releasing modestly disappointing results in a clinical trial for a drug in development for multiple sclerosis. However, we believe that the product pipeline overall remains strong and that the stock is attractively valued given its growth prospects. Allergan, a pharmaceutical company, fell despite posting solid first quarter results due to the lack of near-term product pipeline catalysts to move the stock higher and general concern related to pricing in the Healthcare sector. We believe Allergan's exposure to consumer-oriented products, such as Botox, will enable it to perform well even if pricing pressures for drugs that are paid for by third parties increases. CVS Health, a retail pharmacy chain and pharmacy benefit manager, declined due to continued concerns regarding pricing pressure for pharmaceutical products. While we are monitoring the pricing environment, we believe the company will be able to generate profitable growth over time.

Individual contributors to performance included Alphabet, the leading search engine company, it rose due to continued growth in online search and cloud computing. Cognizant Technologies, a provider of technology consulting and outsourcing services, increased due to strong quarterly earnings. MasterCard, a leading global payments company, rose due to better-than-expected quarterly earnings and a positive outlook.

Trading Activity

We added one new holding and removed one holding in the month of May. We added Cooper Companies, one of the leading global manufacturers of contact lenses with a particularly strong market position in specialty lenses such as multifocal lenses. The contact lens industry has attractive secular growth potential and the competitive environment is stable. We believe that Cooper's recent investments in product development and manufacturing capacity are likely to generate growth and attractive returns on capital while the stock trades at an attractive valuation.

We sold Kimberly Clark due to increased competition within the personal care industry. Industry growth rates have slowed so competitors have increased promotions

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and have been more aggressive with pricing in an effort to take market share. Kimberly Clark has strong brands and is an efficiently run company but the increased competitive intensity may result in lower growth and lower returns on growth capital.

Outlook

Despite a recovery in earnings growth, we are cautious in our outlook for equities given high valuations. Though tax cuts and other pro-growth government policies may further boost growth, there are significant factors that could undermine growth including the potential for the Fed to raise interest rates more aggressively if inflation increases, possible negative repercussions from restrictive immigration and trade policies, and geopolitical issues.

The Portfolio remains conservatively positioned with an overweight in Consumer Staples stocks, which traditionally have outperformed when equity markets have declined due to the stability of their businesses. In addition, we are overweight the Healthcare sector as we believe a major change to the way drugs are priced is unlikely and the sector is trading at the lower end of its historic range relative to the overall market. While growth stocks have performed well this year, much of the performance has been driven by a small set of highly valued growth stocks, which we believe could be vulnerable when the market corrects. Volatility has been exceptionally low over the last few months but this may change if inflationary pressure continues to build leading to further tightening of monetary policy.

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