

# Income Strategies: Indispensable in the Current Low Interest-Rate Environment

November 2016

INTERVIEW



**Karl Huber**  
Portfolio Manager

*Pioneer Funds – European Equity Target Income (the Portfolio) is managed by Karl Huber and has been a successful Portfolio since its launch. In this interview, Karl outlines the reasons income strategies can be a rewarding alternative in the prevailing low-interest-rate environment and describes the factors that make the equity Portfolio (with a defensive bias) so special.*

## **Why should investors consider on income strategies?**

As the old saying goes: you cannot make something out of nothing. Simply put, the low-interest-rate environment (which we have been experiencing for several years) makes it very difficult to generate sustainable income with traditional investments, such as government bonds or similar asset classes. We believe that this scenario will not change in 2017 and investors have no choice but to search for investment opportunities that offer regular capital flows in the form of distributions. Therefore, investors should consider including equity income strategies in their portfolios.

## **The Portfolio has achieved successful income generation and an attractive performance since its launch in 2011. Could you briefly describe your formula for success?**

The focus of our benchmark-independent investment philosophy has always been on generating attractive and distributable income. To this end, we invest in equities of companies that have the potential to offer high dividend yields and additionally earn option premiums. Concurrently, our fundamental stock picking approach aims to achieve long-term capital appreciation. Our Portfolio therefore benefits from several income sources, which we use to a more or less pronounced degree, depending on the market environment. However, our main focus is income.

## **How has the Portfolio repeatedly reached these ambitious distribution targets?**

We start by investing in approximately 55 to 70 European equities with high dividend yields. To generate the extra income, which has helped us to exceed our distribution targets, we pursue an option strategy. This is when we sell short-term call options on individual stocks held in the Portfolio to earn the associated option premiums. The combination of these two income sources has made it possible for the strategy to generate the projected target income for our investors every year. Income earned is distributed to our investors semi-annually<sup>1</sup> (in January und July). Our investors can also benefit from the potential for stock price appreciation, offered by the equities held in the Portfolio, with stock picking based on the fundamental research process.

## **What type of investors would find this Portfolio attractive?**

The Portfolio is suitable for both investors seeking regularly recurring income and investors interested in finding a way to take on equity exposure.

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<sup>1</sup> On semi-annually distributing unit classes.

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Date of First Use: 28 November 2016