

Pioneer Funds – Top European Players

Concentrating on Quality

EQUITIES

FOCUS



Andrew Arbuthnott
Head of European Large Cap Equity
Pioneer Funds – Top European Players

“The Portfolio employs a high-conviction approach to investing in European companies. This concentration allows us to focus on what we consider to be the strongest investment cases in our investment universe, choosing quality companies with the ability to grow, at a valuation we find compelling.”

Andrew Arbuthnott

Pioneer Funds – Top European Players

- **Quality** – Emphasis on selecting “best in class” ideas from the European Equity universe
- **Valuation** – Identifying investment cases at a valuation level we believe to be compelling
- **Concentration** – Focusing on the best ideas generated by the European Equity Research team
- **Strong Track Record** - Morningstar Rating™ ★★★★★, consistent outperformance versus benchmark and peer group average

An Investment Approach that has Delivered

Pioneer Funds - Top European Players has consistently outperformed its benchmark and peer group average and continues to be placed in the top quartile versus its peer group.

	2013 YTD	1 Year	3 Years Ann.	5 Years Ann.	Since Inception* Ann.
Fund %	20.4	21.9	13.2	14.0	2.1
Bmk %	18.6	20.3	10.4	12.4	1.6
Relative %	1.8	1.6	2.8	1.6	0.5
Peer Group Average % ¹	18.4	19.8	9.1	11.9	-
% Rank Total Return	25	23	10	20	-

Source: Pioneer Investments and Morningstar Direct as at 30 November 2013. Performance and ratings are based on Class A Non-Distributing EUR units net of fees. Benchmark is the MSCI Europe Index. *Inception of unit class was 18 Dec 2000. ¹ Refers to the Morningstar Europe OE Europe Large-Cap Blend Equity Category Average.

A Proven Investment Style

Pioneer Funds – Top European Players is a Portfolio of “best in class” investment cases drawn from the Pan-European Equity universe. Andrew operates a high-conviction approach – concentrating only on the strongest investment ideas within the universe. Investing in this concentrated manner fully exploits the benefits of Pioneer Investments’ robust fundamentally-driven research process, maximising

*“Best in Class”
Investment Cases*

the potential for alpha generation for our investors. The Portfolio is focused on selecting quality companies where we believe the true potential has not yet been recognised by the market.

Quality → Buying the Best

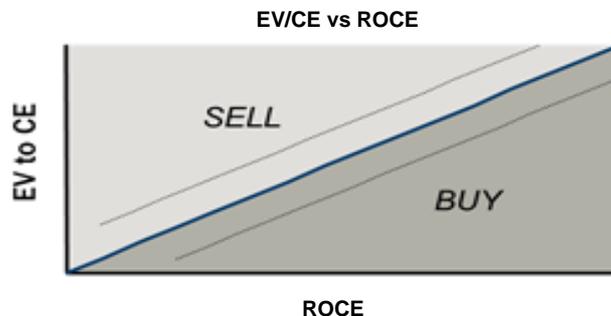
A quality investment is defined by more than just the financial aspects of a company. Identifying quality involves analysing the company's management team, how it deals with the competitive landscape and, of course, whether it has the financial strength to support its plans and any challenges it may face. In seeking investments for the Portfolio, Andrew defines "Quality" as companies which meet the following six criteria:



1. Financial Strength - Companies which have strong balance sheets and have a history of paying dividends.
2. Cash Generation – Evidence that revenues and profits are being converted to cash, thereby enabling the companies to self-finance growth and development and achieve positive financial momentum.
3. Competitive Position – A strong competitive position gives companies a better chance of having pricing power and a scale advantage relative to their peers. This should ideally be in an industry that has growth potential or is benefiting from global trends.
4. Strong Management – A management team with a track record of having delivered performance. Can management be trusted to allocate cash efficiently in the business?
5. Deliverable Business Strategy – Strategy should be clear, consistent and credible. We conduct over 1000 company meetings per annum to ensure we understand and believe in the strategy of each company we invest in.
6. Reasonable Growth – Growth is an important input into the valuation assessment. In each investment case, we are targeting mid-single digit growth or better.

Valuation → Buying at the Right Price

We examine the valuation of the company. A company meeting all of the above criteria will not be considered for inclusion in the Portfolio unless the current valuation is at a level Andrew considers to be attractive. A key valuation tool we use is to compare the relationship between EV/CE (Enterprise Value/Capital Employed) to ROCE (Return on Capital Employed). This valuation tool allows us to identify high-quality investment opportunities that offer above average potential returns across all sectors.



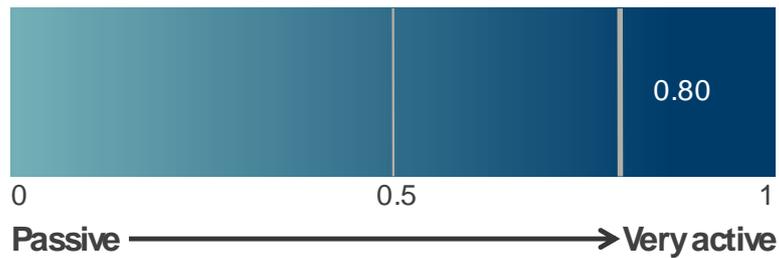
For illustrative purposes only

Maximising the impact of each idea

Concentration → Focusing on the Best

By investing in a concentrated manner, Andrew seeks to maximise the strength of our European Equity capabilities. As a result, all positions are held with a minimum overweight position of +1.5%** over the MSCI Europe Index. Andrew targets a high Active Share Ratio. This ratio calculates the level of “active” positions in the Portfolio relative to the benchmark. To explain – passive funds have an active share ratio of 0. The theoretical limit of the ratio is 1 whereby all assets would need to be off-benchmark. Pioneer Funds -Top European Players has a relatively high ratio of 0.8, highlighting how actively managed the Portfolio is. This has been achieved with a relatively low tracking error of approx. 3%***¹.

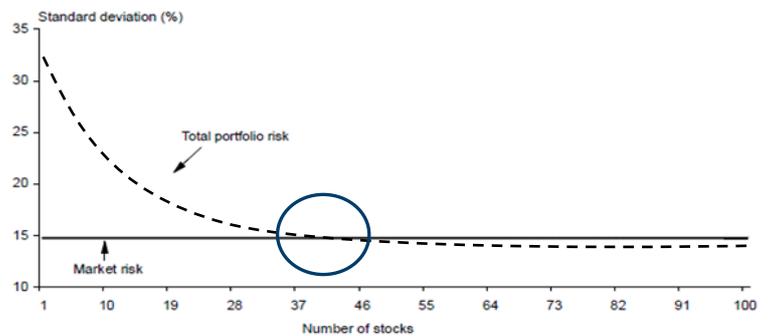
Active Share Ratio: Pioneer Funds - Top European Players



For Illustrative Purposes only

Although equity investors have long recognised the benefits of diversification* as a means of aiding risk reduction for investors, it is important to get the balance right. Our philosophy is to diversify sufficiently with, on average, 35-45 holdings. The chart below illustrates that optimum diversification in a portfolio can be achieved with this number of positions, thereby preventing the dilution of strong investment cases.

Diversification: Total Portfolio Risk as a Function of Number of Stocks Held



Source: SG Global Strategy

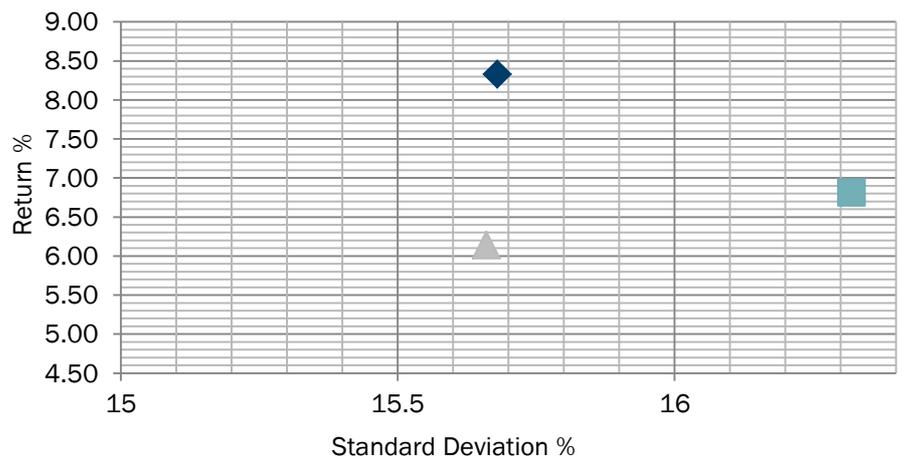
For illustrative purposes only.

The success in implementing this strategy effectively is evidenced by the outperformance of the Portfolio with lower levels of volatility than its benchmark since inception.

¹ Note re: tracking error: The internal tracking-error range of the Fund, for risk-monitoring purposes, is annualised on an ex-ante basis. This target return can be exceeded or undershot and should not be construed as an assurance or guarantee. Particularly in the short term, the possibility of adverse trends cannot be ruled out.

The Portfolio has historically delivered lower volatility than benchmark

Managing Risk Effectively to Outperform the Benchmark and Peers Over a 5 Year Period



- ◆ Pioneer Funds – Top European Players
- MSCI Europe
- ▲ Europe OE Europe Large-Cap Blend Equity

Source: Morningstar Direct, Pioneer Funds – Top European Players Class A EUR, Standard Deviation and annualised total return versus European Large Cap Blend Peers from 01 November 2010 to 30 September 2013. Fund Inception 18/12/2000. Copyright 2013 Morningstar UK Limited. All Rights Reserved. The information contained herein: (1) may not be copied or distributed and (2) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of its information.

Recognising and using risk efficiently

Portfolio Construction to Monitor Risk

We actively monitor unnecessary risk within the Portfolio. A bottom-up stock-picking investment process can lead to unintentional risk taking. To help prevent this, Andrew is supported by a dedicated Portfolio Construction team. This team’s role is primarily to assist Andrew in understanding the sources of risk within the Portfolio and offering advice on how to mitigate unintentional risk. This process is complementary to the fundamental stock-picking approach and is fully embedded in our investment process. A formal meeting is held at least monthly. In reality, Andrew is in contact with the team almost daily.

Why Consider Pioneer Funds – Top European Players?

Pioneer Funds – Top European Players has outperformed its benchmark, the MSCI Europe Index in a variety of different market climates. In a low return market environment, the ability to generate consistent alpha is paramount. This outperformance has been achieved through the combination of consistently choosing quality companies, an insistence on paying what we think is the right price whilst optimising returns through concentration.

Important Information

Unless otherwise stated all information contained in this document is from Pioneer Investments and is as at 30 November 2013.

- *Diversification does not guarantee a profit or protect against a loss.
- **The referenced guidelines are internal guidelines only and may be subject to change over time. Internal limits serve to alert investment staff of positions outside of internally agreed target bands. These limits are designed as an aid to portfolio construction only and are not under any circumstances to be viewed or considered as a restriction on the investment process.
- ***Note re: tracking error: The internal tracking-error range of the Fund, for risk-monitoring purposes, is annualised on an ex-ante basis. This target return can be exceeded or undershot and should not be construed as an assurance or guarantee. Particularly in the short term, the possibility of adverse trends cannot be ruled out.

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