

BUSINESS UPDATE

Issue 2: 2009 Quarter 2 - Performance Update

Market Outlook

Investor confidence increased over the quarter, driven by growth of personal income, retail sales and durable good orders, together with lower job losses and improving housing stats. This flowed through into Financials where there was a renewed appetite for riskier equity assets.

Demand for corporate debt improved, even as default rates started to rise. The contraction on bond markets can be attributed to the reduction in risk aversion and to the expected rise in public debt originating from the implementation of economic recovery plans and support programs for the banking industry. Heavy tightening affected the high yield and corporate emerging debt universe. At the same time government bond yields began to rise on the medium-long end of the yield curves in both the US and the Eurozone.

Currency markets experienced a dramatic reversal; the dollar fell sharply against all major currencies, particularly commodities currencies. The Dollar was down 15.1% vs. Sterling, 6.2% vs. the Euro.

Please click on "[Pioneer Perspectives](#)" to read our piece on the Federal Reserve Bank (FED) and its effects on bond markets.

Product Performance

	3 months (%)	1 year (%)	3 years (% pa)	Since inception (% pa)
Global High Alpha Equity	9.8	-23.2	-10.2	-2.0
MSCI World	14.3	-20.8	-10.8	-3.6

Source: Pioneer Investments 30/06/09. Global Equity High Alpha composite, gross performance in EUR, inception: 30/4/2005.

Global High Alpha: Key drivers Q2 2009

- After strong first quarter performance the return in Q2 means the portfolio is in-line with the benchmark over the year to date.
- The majority of underperformance came in the first three weeks of April where investors looked to rotate into riskier assets, particularly in the Financials sector. This detracted from performance as the portfolio was underweight the more leveraged investment banks (such as Citigroup) that rebounded strongly.
- Stock picking in Materials (where exposure to Gold and Fertilizer had a negative impact), Consumer Discretionary and Staples also detracted from performance.
- Exposure to Autos worked well, namely Bridgestone, despite poor sales data Autos rallied as investors increased beta to decrease risk in their portfolio.
- BASF, Schering Plough and Siemens all performed well and to maintain the 50 stock discipline were replaced with Akzo Nobel, Pfizer and Schneider.

	3 months (%)	1 year (%)	3 years (% pa)	Since inception (% pa)
Global Diversified	15.9	-21.3	-10.2	-2.0
MSCI World	14.3	-20.8	-10.8	-3.6

Source: Pioneer Investments 30/06/09. Global Diversified composite, gross performance in EUR, inception: 29/06/01

Global Diversified: Key drivers Q2 2009

- The Global Diversified portfolio performed strongly as the market rebounded and a significant number of stocks started to show "mean-reversion" characteristics.
- Strong stock selection in IT and Materials were the main contributors to performance. Small underperformance in Consumer Staples and Utilities detracted from performance.
- The portfolio was under weight North America and overweight in Global Emerging Markets.
- The quant screening model identified opportunities in Materials, a sector falling from favour late last year now regaining popularity as conditions stabilise.

	3 months (%)	1 year (%)	3 years (% pa)	Since inception (% pa)
Emerging Market Equity	24.9	-32.9	-3.6	10.3
MSCI Emerging Markets	27.6	-18.9	0.1	11.9

Source: Pioneer Investments 30/06/09. Emerging Market Equity composite, gross performance in EUR, inception: 31/7/2000

Emerging Market Equity: Key drivers Q2 2009

- A defensive asset allocation position detracted from Q2 performance i.e. our cash weighting was increased to 5%.
- Overweight South Africa damaged returns despite the Rand having a strong rally.
- We believe we are at the beginning of a bull market making the outlook positive over the next quarter where we will see a return to "rational investing" favouring Emerging Markets.
- Currencies, India specifically, have huge upside potential, Price to Earnings and Price to Book are not stretched and there should be a liquid environment of inflows over the next quarter.
- Turnover in the portfolio increased as we identified a number of opportunities in Chile and Mexico.

	3 months (%)	1 year (%)	Since inception (% pa)
Euro Aggregate	3.2	14.3	8.9
Barcap Euro Agg	2.0	9.9	4.7

Source: Pioneer Investments 30/06/09. Euro Aggregate Bond composite, gross performance in Euro, inception: 29/2/2008.

Euro Aggregate: Key drivers Q2 2009

- The portfolio's long duration position relative to the benchmark added to performance while our exposure to Asset Backed Securities (ABS) detracted.
- Euro Aggregate profited from an overweight position in corporate bonds and this position was slowly closed out at the end of the quarter to take profit.
- On the back of negative CPI data and low GDP figures we are overweight good quality names.
- Demand for credit remains strong however we believe the opportunities are less in abundance than the

previous quarter.

	3 months (%)	1 year (%)	3 years (% pa)	Since inception (% pa)
Euro Corporate Bond	14.5	1.3	0.8	2.3
95% ML EMU Corp Bond Large Cap, 5% JPM 1 Month Cash	7.1	5.1	2.2	2.8

Source: Pioneer Investments 30/06/09. Euro Corporate Bond composite, gross performance in EUR, inception: 31/10/2001.

Euro Corporate Bond: Key drivers Q2 2009

- Strong absolute and relative performance in Q2 was driven largely by an overweight position in financial bonds, particularly subordinated debt (which accounted for over 85% of the contribution for the quarter). This vindicated our strategy of last year of holding on to high conviction quality names.
- During Q2 we continued to take advantage of the primary market in order to get exposure to good quality names at very cheap levels. Furthermore, we participated in a handful of bond exchange / tender offers of lower quality names where the risk of further deterioration or nationalisation was high.
- Looking at non-Financials, our preferred sectors are Telecoms and Utilities. Demand in both sectors is strong, supply is still limited and recent issues have performed well.
- We believe that current market yields are compelling and offer more than sufficient compensation for any possible rise in default rates. In addition, heavily discounted bond prices provide some downside protection against short term market volatility, while offering significant upside potential.

	3 months (%)	1 year (%)	3 years (% pa)	Since inception (% pa)
Euro Inflation Linked Bond	3.9	6.5	13.0	14.7
Merrill Lynch Euro Government Inflation Linked	3.5	5.0	11.5	12.5

Source: Pioneer Investments 30/06/09. Pioneer Funds - Euro Inflation Linked Bond, gross performance of Class I Non Dis in EUR, inception: 06/05/2005.

Euro Inflation Linked Bond: Key drivers Q2 2009

- The main drivers of performance over the second quarter were duration positions in the US and Europe. We were short duration at the start of the quarter, but gradually moved to a long position after taking profit on these positions.
- We believe the fear of an inflation spike in the European market is overplayed. With the European Central Bank traditionally more hawkish than its counterparts in the US and the UK it is likely that the ECB will be the first of the major central banks to increase rates in the next cycle. The market however isn't pricing in this expectation and is expecting inflation to rise sharply. We have positioned the portfolio to benefit from this tightening, by going short some key European inflation-linked securities.
- We also believe the US inflation market is at present offering good value given the inflationary pressures we foresee in the US economy. The US inflation market is especially good value when compared to Europe and even more so when compared to France. We're holding a relative value break-even trade (long US and short Europe) to express this view, which also contributed positively to performance over the quarter.



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Disclaimers: MSCI World Daily Total Return Net of Withholding Tax official close in USD, converted to Euros using the WM Reuters 4pm official close.

Source: Pioneer Investments. Data as at 30 June 2009. Performance data provided is based on NAV gross of management and performance fees. A copy of the standard fee scale for each strategy is available on request.

Benchmark data is net of income reinvested.

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