Pioneer Equity Income Fund

Performance Analysis and Commentary

December 2011

Fourth Quarter Review

- The Fund's Class A shares returned 12.21% at net asset value in the fourth quarter, modestly lagging the 13.11% return of the Fund's benchmark, the Russell 1000 Value Index, in a strong quarter. The Fund's Class A shares ended the calendar year well ahead of the benchmark, however, returning 6.40% at net asset value during the 12 months ended December 31, 2011, while the Russell 1000 Value Index returned 0.39%.
- Security selection, in consumer staples and health care in particular, was the largest drag on the Fund's benchmark-relative returns in the fourth quarter, while sector allocations generally boosted relative returns.
- Going forward, we recognize the risk of an external shock affecting the markets, which could derail both economic growth and corporate earnings growth. But we also believe that current valuations largely discount the risk, especially for the patient long-term investor, and we have continued to find attractive investment opportunities in most sectors.

U.S. "double-dip" recession fears were largely dispelled in the fourth quarter, as employment, business profits and confidence all showed strength. The European debt crisis remained far from resolved, but interest rate cuts and liquidity injections from the European Central Bank (ECB) eased immediate pressures on the markets.

Treasury bond yields declined modestly during the quarter, as the 10-year yield declined from 1.95% to 1.86%. In addition, credit spreads (the differences in yield between Treasuries and lesser-quality securities) narrowed in the fourth quarter, helping the Barclays Capital U.S. Aggregate Bond Index to return 1.12% for the quarter (and 7.84% for the full 2011 calendar year).

The Russell 3000 Index, a broad measure of the U.S. stock market, returned 12.12% in the fourth quarter, recouping the majority of its losses from the previous quarter and ending the calendar year up by 1.03%.

The U.S. continued to perform well relative to other global equity markets, reflecting both better economic growth and a strengthening currency. For example, the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index of international developed market indices returned 3.38% for the quarter, while the MSCI Emerging Markets Index returned 4.45%, significantly underperforming the Russell 3000 Index during the fourth quarter. In addition, both the MSCI EAFE (–11.73%) and the MSCI Emerging Markets (–18.17%) indices finished the full calendar year deeply in negative territory.

Smaller-cap stocks, which tend to be more volatile and economically sensitive than larger-cap stocks, outperformed in the fourth quarter. The Standard & Poor's 500 Index (the S&P 500) returned 11.80% during the quarter, but the small-cap Russell 2000 Index returned 15.47%; for the full year, however, the S&P 500 returned 2.09% (all from dividend income, as its price-only return was 0%), while the Russell 2000 Index, unable to recover all the ground it gave up in the third quarter, returned –4.18%.

Defensive names and groups had been favored over cyclically sensitive investments during the third quarter correction, but that pattern was reversed in the fourth quarter rally. Within the Fund's benchmark, the Russell 1000 Value Index (the Russell Index), the economically sensitive energy (+18.4%), industrials (+18.1%), and materials (+17.7%) sectors led, while the defensive telecom services (+7.3%) and utilities (+8.6%) sectors lagged.

Sector Allocation and Security Selection

Security selection, in consumer staples and health care in particular, was the largest drag on the Fund's benchmark-relative returns in the fourth quarter. Sector weights were, in general, modestly additive to the Fund's relative returns; a materials overweight and a financials underweight more than made up for the drag on Fund returns resulting from overweights to the defensive consumer staples and utilities sectors in a rising market.

Our emphasis on food companies in the consumer staples sector had helped Fund returns in the third quarter sell-off; those names posted positive returns again in the fourth quarter but generally lagged less-defensive names during the market rebound.

In health care, biotech and pharmaceutical companies generally outperformed equipment & supplies companies in the fourth quarter; thus, our emphasis on the equipment & supplies group caused roughly half the Fund's benchmark-relative underperformance within the sector.

Results in the equipment & supplies group disappointed as well, as Baxter International, a strong performer in early 2011, declined, apparently on concerns that austerity measures in Europe would put pressure on product pricing. That said, we continue to view the company as an attractive long-term investment.

Our avoidance of money center banks and "Wall Street" firms drove the Fund's underweight of the financials sector; both the sector underweight and our security selection strategy within the financials were rewarded in the fourth quarter as the Fund outperformed the Russell Index on both counts.

Fund returns also benefited from good stock selection in energy, information technology, and telecom services during the quarter. In energy, services company Helmerich & Payne returned 44% and oil and gas producer Marathon Oil returned 36%. Specialized chipmakers Microchip Technology and Xilinx boosted the Fund's results in the information technology sector, while a position in CenturyLink as well as our avoidance of underperforming wireless names helped the Fund's results in telecom services. In the fourth quarter, each of the individual companies just cited rebounded from underperformance in the third quarter, which highlights our belief in the importance of maintaining a long-term perspective with regards to security selection and performance evaluation.

The Fund's underweight of the cyclically sensitive industrials sector was a drag on fourth quarter returns, but that underperformance was more than compensated for by an overweight of the materials sector, which is also cyclically sensitive.

Trading Activity

We were relatively active traders in the fourth quarter, adding 15 new names to the portfolio and eliminating 11. While our trades resulted in some shifts in sector weights, they were not driven by a top-down strategy of changing the portfolio's sensitivity to economic growth. Rather, the trades primarily reflected our ongoing efforts to sell successful and fully valued Fund positions and using the proceeds to invest in stocks offering higher dividend yields and the potential for future performance, without compromising on fundamental strength.

In the consumer discretionary sector, we eliminated the Fund's position in home improvement retailer Lowe's: the housing market appears to be improving, but the stock's valuation and dividend yield made it somewhat less attractive than the names we purchased with the sale proceeds.

We reduced the Fund's overweight in the consumer staples sector and shifted some of the holdings. We eliminated positions in food products company J.M. Smucker and personal care products company Colgate-Palmolive, based on relative valuation, while we invested the Fund in food retailer Sainsbury, diversified food products company Unilever, and spice and flavoring producer McCormick.

In the energy sector, we initiated a position in broadly diversified integrated oil and gas company Total, whose valuation appeared attractive.

In the financials sector, we eliminated Fund positions in American Express and insurance company Cincinnati Financial, on valuation, while re-establishing a position in money manager T. Rowe Price and investing in Canadian Imperial Bank of Commerce and HSBC; we believe these firms are better-positioned to ride out potential disruptions in the Euro-zone bond market than U.S. money center banks.

In the industrials sector, we eliminated Fund positions in aerospace company Northrop Grumman based on the aerospace/defense cycle, and railcar maker Trinity Industries based on valuation.

In the information technology sector, we initiated a position in Molex, which manufactures more than 100,000 different plugs, sockets, and electrical connectors for a very diverse array of clients and applications, and which appears poised to participate in both cyclical growth and the secular trend toward a more "wired" world.

In the materials sector, we eliminated a Fund position in cleaning products company Ecolab, on valuation, while investing in steelmaker Nucor at what we judged to be an attractive time in the business cycle.

We moved the Fund from an underweight to an overweight in telecom services during the quarter, while halving the Fund's overweight in the utilities sector; in large part because we believe valuations are more attractive in telecom services. In telecom services, we invested the Fund in Singapore Telecommunications and Vodafone Group. In utilities, we eliminated positions in NSTAR and DPL, each of which is in the process of being acquired/merged, and in Southern Company, based on its relative valuation. To help maintain portfolio yield and to prevent the Fund's utilities exposure from falling too low, we initiated positions in electric utility Duke Energy and diversified utility company GDF Suez.

Current Outlook and Positioning

Our 2011 expectations for the U. S. economy and corporate earnings were generally borne out, although "macro concerns" made investors reluctant to own cyclically exposed stocks, even if the underlying fundamentals of the companies were good. Many stocks disappointed last year—though more did so with their share prices than with their earnings.

We are hesitant to make sweeping top-down predictions, and our investment process is not based on doing so, but we believe U.S. economic growth will continue in 2012. The kinds of excesses that normally precede recessions, such as too-high inventory levels, capital expenditures or debt levels, lengthening of payables and receivables, and/or extreme valuations in real estate and financial markets, just were not present as of December 31, 2011. Unemployment remains higher than we'd like and economic growth slower, but in general, companies are profitable and balance sheets are in good shape. Capital spending remains strong, factory orders appear solid, unemployment is falling and confidence is rising. Earnings continue to be quite strong, and the prospect calls for further growth over the next several quarters.

We think the key drivers for growth over the next 12 to 24 months include pent-up demand for consumer goods, increased bank lending, continued export strength, easing commodity prices, infrastructure spending, and corporate information technology upgrades.

Notable risks to our forecasts include the European sovereign-debt situation and (likely) recession on the Continent, the economic slowdown in China, the Iranian threat to close the Straits of Hormuz, and the political impasse in Washington over the deficit. None of the issues are trivial, but none are certain to derail the economy either.

Barring an external shock, our market outlook is constructive. We've seen significantly better earnings growth than share price advances, and many stocks are trading near historical low price-to-earnings multiples. Both valuations and dividend yields are quite appealing relative to cash and bonds, and the outlook for dividend increases is good. While challenges certainly remain, we believe that currently modest valuations largely discount them, especially for the patient long-term investor.

We have continued to find attractive long-term investment opportunities in most sectors, including auto-related companies, which have been weak even though auto sales have been trending up. We've also found opportunities in some retail companies, railroads, health care companies, and regional banks—although we are cautious about the so-called money center banks due to their European exposure, and because the better-quality regional banks are just as cheap, don't have those complicating factors and have the potential for larger dividend increases. In addition, information technology stocks are almost as cheap as they've ever been in terms of relative price-to-earnings multiples.

We are relatively cautious on telecom services and utilities (especially utilities), however, as valuations have been pushed up by investors seeking yields and defensive equity investments.

Performance Review

Pioneer Equity Income Fund Class A shares returned 12.21% at net asset value in the fourth quarter, while the Fund's benchmark, the Russell 1000 Value Index (the Russell Index), returned 13.11%. Over the full calendar year ended December 31, 2011, the Fund's Class A shares returned 6.40% at net asset value, while the Russell Index returned 0.39%.

Average Annual Total Return (Class A shares)

December 31, 2011	(at NAV)	(at POP)	Russell 1000 Value Index
1 year	6.40%	0.27%	0.39%
3 years	12.09%	9.89%	11.55%
5 years	–0.28%	–1.45%	–2.64%
10 years	4.34%	3.73%	3.89%

Expense Ratio

(As of prospectus dated March 1, 2011)	
Gross	1.19%
Net	1.19%

Call 1-800-225-6292 or visit us.pioneerinvestments.com for the most recent month-end performance results. Current performance may be lower or higher than the performance data quoted.

The performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

NAV results represent the percent change in net asset value per share. Returns would have been lower had sales charges been reflected. POP returns reflect deduction of the maximum 5.75% sales charge at the beginning of the period. All results are historical and assume the reinvestment of dividends and capital gains. Other share classes are available for which performance and expenses will differ.

Performance results reflect any applicable expense waivers in effect during the periods shown. Without such waivers Fund performance would be lower. Waivers may not be in effect for all funds. Certain fee waivers are contractual through a specified period. Otherwise, fee waivers can be rescinded at any time. See the prospectus for more information.

A Word About Risk:

At times, the Fund's investments may represent industries or industry sectors that are interrelated or have common risks, making it more susceptible to any economic, political, or regulatory developments or other risks affecting those industries and sectors.

These risks may increase share price volatility.

The Russell 1000 Value Index measures the performance of large-cap U.S. value stocks. Index returns are calculated monthly, assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees, expenses or sales charges. It is not possible to invest directly in any index.

The views expressed in this commentary are those of the portfolio manager, and are subject to change at any time. These views do not necessarily reflect the views of Pioneer or others in the Pioneer organization, and should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any Pioneer investment product.

The Fund performance attribution information shown below does not reflect the deduction of fees, charges and expenses associated with investing in the Fund, such as sales charges, management fees, distribution and service (12b-1) fees, or any other fees associated with the Fund. Such expenses would reduce the overall returns shown.

Please refer to the average annual total returns table for performance that reflects the deduction of these fees and charges.

Chart 1- Average Weight

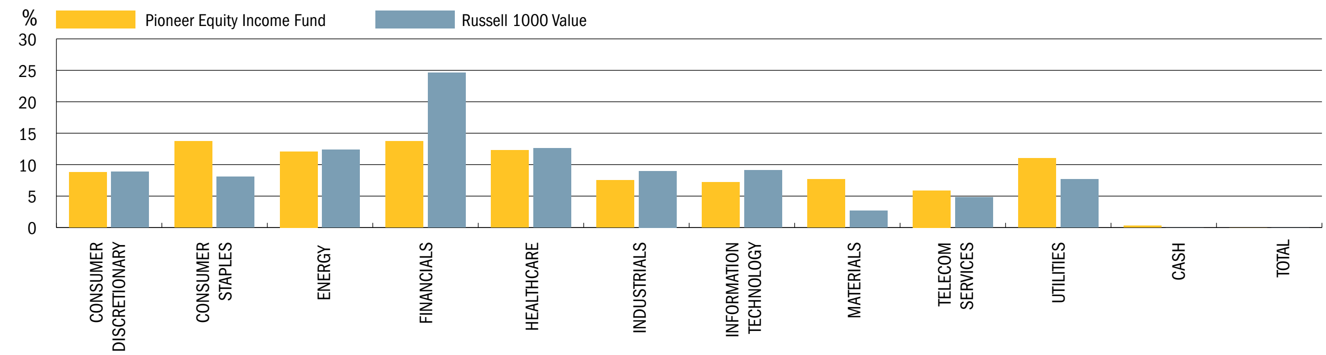


Chart 2- Return

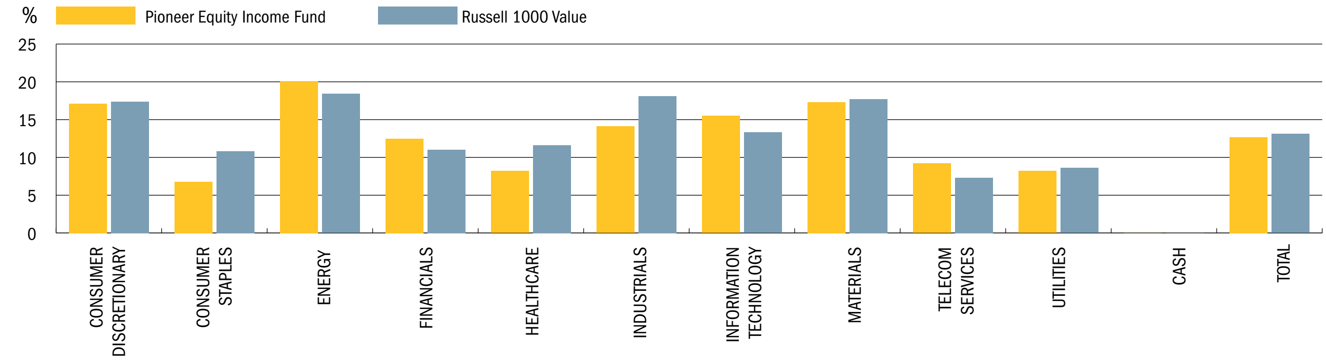
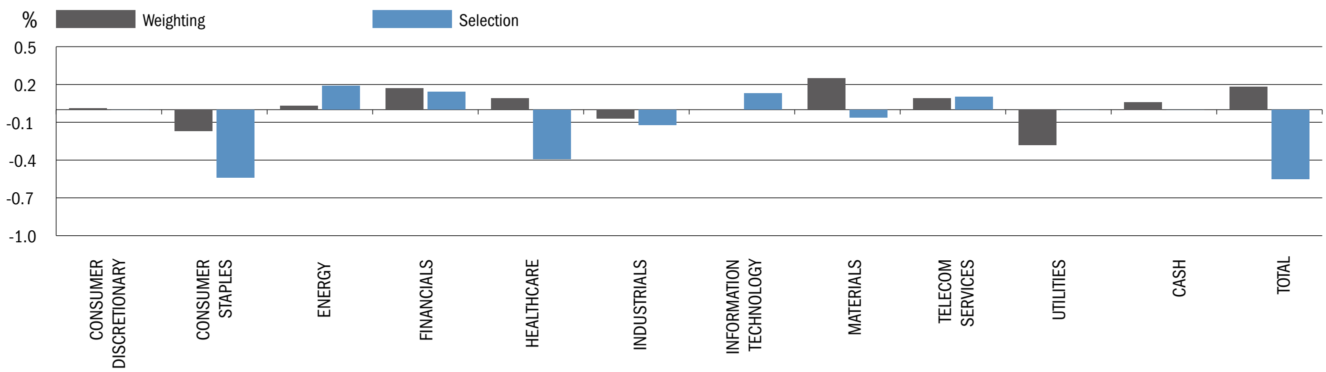


Chart 3- Performance Attribution



Please see the last page for more background information about Performance Attribution. The portfolio is actively managed, and current holdings may be different.

Actual portfolios have fees and expenses. Our performance attributions ignore fees and expenses. The hypothetical portfolios used in performance attribution are before fees and costs.

Securities Discussed	% of Portfolio as of December 31, 2011
Valspar	3.04%
Microchip Technology	1.85%
Total	1.78%
CenturyLink	1.75%
Canadian Imperial Bank of Commerce	1.49%
Marathon Oil	1.37%
Vodafone	1.28%
Helmerich & Payne	1.26%
Gaz de France Suez	1.25%
Xilinx	1.04%
Duke Energy	1.01%
Baxter International	1.00%
HSBC	0.70%
T. Rowe Price	0.67%
Singapore Telecommunications	0.52%
Unilever	0.47%
McCormick	0.46%
J Sainsbury	0.43%
Nucor	0.36%
Molex	0.18%

Top 10 Holdings		% of Portfolio as of December 31, 2011
1.	Valspar	3.04 %
2.	Gorman-Rupp	2.96 %
3.	H.J. Heinz	2.73 %
4.	Chubb	2.46 %
5.	Merck	2.40 %
6.	Johnson Controls	2.35 %
7.	Becton, Dickinson & Co.	2.07 %
8.	Hershey Foods	1.99 %
9.	U.S. Bancorp	1.89 %
10.	VF	1.87 %

The portfolio is actively managed, and current holdings may be different. The holdings listed should not be considered recommendations to buy or sell any security listed.

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Contact your advisor or Pioneer Investments for a prospectus or summary prospectus containing this information. Read it carefully.

The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, please consult an investment professional.

Performance Attribution: Background

This performance attribution seeks to identify and quantify the drivers of portfolio performance relative to that of a benchmark. How much of a return difference was due to different exposures to asset class, country, sector or similar factors? How much was due to specific securities?

Here's how we answer the question for equity portfolios:

Using FactSet software, we create hypothetical subportfolios by segmenting the portfolio and its benchmark, then measure the value (weight) and returns of those hypothetical subportfolios. This lets us measure the performance impact of a decision to overweight or underweight a portfolio segment. It also lets us measure the performance impact of a specific security selection within each segment.

GRAPHIC PRESENTATION

We present attribution results using three graphs. Graph 1 shows the allocation of the portfolio across different segments (industries/sectors/countries, etc.). Overweights and underweights are visible. Graph 2 shows the returns of each portfolio and corresponding benchmark segment. Success at security selection is easily spotted. By using the data underlying the first two graphs, we calculate the data for Graph 3, the impact of Weighting and Selection decisions on benchmark-relative return.

WEIGHTING IMPACT

It pays to overweight portfolio segments which perform better than average. The weighting impact measures the impact of the decision to overweight or underweight particular asset classes relative to benchmark weightings. In our model, the value added by an overweight, or its weighting impact is defined as the size of the overweight (portfolio weight minus benchmark weight) times the payback (the return of the overweighted asset minus the return of the entire benchmark).

A positive allocation effect arises from being overweight sectors/countries that produce a greater return than the benchmark average or being underweight a sector/country that underperforms the benchmark return. The formula for calculating the weighting impact is:
(**Portfolio weight – Benchmark weight**) **x** (**Benchmark segment return-Benchmark total return**)

SELECTION IMPACT

Within each segment, it pays to overweight securities which outperform. The selection effect evaluates the manager's skill at choosing outperforming securities.

In our model, the value added by specific selection, or selection impact, is defined as the weight of the portfolio position times the difference between the position's return and the benchmark return. The formula for calculating the weighting impact is: (**Portfolio weight**) **x** (**Portfolio segment return – Benchmark segment return**).

IMPORTANT NOTES

We are presenting results of a two-factor model. We also use a three-factor model, which has an "interaction effect." The two- and three-factor models are quite similar; we have chosen the two-factor approach for its greater ease of use.

The real world is far more complex than any two-factor model can accurately describe. Performance attribution models can deepen understanding, but their limitations – they are just estimates – must be remembered.

Actual portfolios have fees and expenses. Our performance attributions ignore fees and expenses: the hypothetical portfolios used in performance attribution are before fees and costs.