Pioneer Floating Rate Fund

Performance Analysis and Commentary

December 2011

Fourth Quarter Review

- The Fund's Class A shares returned 2.58% at net asset value in the fourth quarter, while the Fund's benchmark, the Barclays Capital High Yield Loans Performing Index, returned 3.01%.
- The Fund's lagging performance in October, when there was a risk rally in the market, was the major reason for its benchmark-relative underperformance during the quarter.
- Heading into the new year, we think loan performance will depend on how much, if any, of the "risk-on" trade comes back. We believe that loans are very attractive on a risk/reward basis, but timing when investors will get comfortable enough to come back to the loan market is not easy.

Improving economic data in the U.S., including gross domestic product (GDP) growth estimated at better than 3%, was fueled by stronger-than-expected consumption in the fourth quarter, as the economy overcame ongoing concerns about the eurozone crisis. Risk markets rallied during the quarter, particularly in the U.S., as the Standard & Poor's 500 Index (the S&P 500) returned 11.80% over the three months ended December 31, 2011. Consumption, along with consumer confidence, improved during the fourth quarter, buoyed by stronger employment data: weekly unemployment claims had declined to below 400,000 in the final weeks of 2011, while non-farm payrolls had risen by 200,000 as of year-end.

Treasury yields fell slightly during the fourth quarter, with the 10-year Treasury yield declining from 1.93% to 1.87% and the 30-year Treasury yield dropping from 2.92% to 2.89%.

Investment-grade corporates returned 1.93%, for a 0.82% excess return (excess returns are defined as returns relative to like-duration Treasuries). Financials returned 1.22%, for a 0.29% excess return, while industrials returned 2.28% (1.12% excess return), and utilities returned 2.24% (0.95% excess return). High-yield corporates posted a strong 6.18% return, or 5.40% on an excess return basis, as spreads narrowed from 841 basis points (bps) to 723 bps. As the inflation outlook weakened, however, floating-rate bank loans underperformed high-yield corporates, returning 3.01%. Non-agency mortgage-backed and asset-backed securities (MBS/ABS), as represented by floating-rate non-agency ABS, also faltered, returning 0.11% as investor concerns about forced selling by European banks increased.

In October, credit-related assets performed well, with the Barclays Capital High Yield Loans Performing Index (the Barclays Index), the Fund's benchmark, returning 2.98% for that month. It was the best month for the loan sector since 2009. In November, however, Europe's debt problems dominated the news and loan performance suffered (–0.49%). December's bounce back saw a 0.52% gain for the asset class.

During the first three months of 2011, the bank loan asset class experienced record inflows in anticipation that the Federal Reserve Board (the Fed) would raise interest rates in a recovering economy. Nevertheless, the downdraft effects from Europe, along with the Fed's statement that it would hold rates steady until 2013, generated a slow bleed in bank loans starting in the spring of 2011. Those occurrences put the brakes on the asset class, particularly for investors using bank loans to protect against or gain from a rise in rates.

August 2011 was a particularly rough patch, with bank loans returning –4.61%, the second-worst month on record for the asset class. That month saw $6.7 billion in loan outflows, almost mirroring the amount of outflows at the end of 2008, when the market was under severe stress and the average price for loans dropped to $63. This time, however, there has not been a forced unwinding of portfolios and the dollar price for loans has held up better (trading in the low $90s at year-end), which we believe is due to less leverage in the financial system. High-yield managers have not been buying many bank loans, instead choosing to invest more assets in their own fixed-rate sector(s). Heading into year-end, there was still some slight outflow activity from bank loans.

To illustrate the volatility we witnessed within the asset class, over the full 2011 calendar year, bank loans experienced both their second-worst month and second-best month since 2008. Despite the heightened volatility, however, for the full year ended December 31, 2011, loans still achieved a positive return, with the Barclays Index returning 1.13%. In fact, 2011 was the 13th year out of the last 14 in which bank loans achieved a positive result over the full 12-month period (with 2008 the only exception).

Sector Allocation and Security Selection

During 2011, there were periodic good-sized gains, and losses, in the bank loan asset class, with the Fund outperforming the Barclays Index during sell-offs but underperforming during bullish moves in the market. The Fund's lagging performance in October, when there was a risk rally in the market, was the major reason for its benchmark-relative underperformance during the quarter.

The Fund has a strong up-in-quality bias compared with the Barclays Index and many of its competitors, but it paid to own lower-credit quality loans, to a certain extent, during the fourth quarter. The Barclays Index averages a B to B+ range in quality, while the Fund's overall quality ranges a bit higher. During the fourth quarter, B-rated securities outperformed, returning 3.48%, while BBs returned 3.14% and securities in the CCC+ to D category lagged, returning 2.52%. We believe having an up-in-quality bias and holding more liquid names in the portfolio while markets were volatile and investors were redeeming bank loans was a prudent strategy. Unfortunately, that strategy can detract from Fund performance during market upswings, such as the one we witnessed in the fourth quarter.

The Fund's overall bank loan allocations cost –20 bps in benchmark-relative performance during the quarter. Within bank loans, a portfolio underweight to electrical utilities proved beneficial, as the sector underperformed, but an underweight to consumer cyclicals did not help, as the sector fared well. Security selection within consumer non-cyclicals and technology were positives for benchmark-relative performance, while selection in certain financial and communications names detracted from relative returns.

The Fund uses non-bank loan sectors to offer diversification*, liquidity, and to generate alpha (the excess risk-adjusted return of a mutual fund relative to the return of a benchmark index is called the fund's "alpha"). The Fund's corporate high-yield bonds added 4 bps to returns during the quarter, as this segment of the market outperformed loans. Specifically beneficial to Fund performance were high-yield issues from the consumer non-cyclical and basic industry sectors, while financial companies hurt relative returns. Securitized assets, such as non-agency mortgages, hurt Fund performance by –5 bps as investors shunned housing instruments with a floating-rate nature. The portfolio held more cash against the backdrop of continued redemptions, which was a drag on relative performance (–4 bps).

Specific security names that contributed to the Fund's performance during the quarter were Chrysler Group, Aptalis Pharma, and Onex Carestream. Securities detracting from relative performance included Vertrue, RH Donnelley, which continues to be affected by softer demand for traditional media, and Texas Competitive Electric, which felt the effects of potential environmental rulings and lower natural gas prices.

*Diversification does not ensure a profit or protect against a loss in a declining market.

Current Outlook and Positioning

We believe the U.S. economy will experience modest growth of more than 2% in 2012, a rate consistent with slow, protracted recoveries from "balance sheet"-caused recessions. Consumption data has exceeded expectations, reflecting an improving employment situation, the benefits of the payroll tax cut enacted at the beginning of 2011, and declining gasoline prices that also occurred earlier in the year. While Europe may enter (or already be in) a recession, growth in emerging markets may be nearing a bottom and could improve in response to the lagged effects of monetary easing among emerging countries that began last August.

The greatest risk to our forecast is the possible contagion effects of the European sovereign-debt and banking crisis. We believe the European Union must effect a comprehensive solution that includes recapitalizing the banks, ensuring funding for troubled sovereigns, achieving a workable fiscal and economic integration, and improving labor competitiveness in southern Europe, before the crisis can be defused.

Corporations, particularly in the U.S., have both attractive valuations and strong fundamentals. Revenue growth and tight cost controls may allow U.S. companies, as they have over the past few years, to enjoy continued improvement in their earnings and balance sheets. Moreover, the Federal Reserve Board's (the Fed's) commitment to continued low interest rates, coupled with modest economic growth, may continue to support risky assets such as corporate bonds, and particularly high-yield corporate bonds. High-yield spreads remain wide to long-term averages, while projected defaults remain well below long-term averages. As senior, secured securities, we find corporate bank loans intriguing, in light of "all-in" yields of 6%, average prices of $92 to $93, and minimal interest rate risk. The new-issue loan calendar has not been strong, as banks were reluctant to lend as year-end approached. We believe volume may pick up a bit headed into the new year, but in the interim, year-end interest and principal payments could provide stronger technicals until the new-issue calendar for loans emerges.

We plan to continue our efforts to lower the Fund's exposure to the health care sector, due to political risks that remain unresolved. We would rather buy in the new-issue market, as we have seen better deals there. In addition, we will generally avoid covenant-light loans. Loan spreads (the difference between the offering and asking prices of loans in the market) have been implying a near 12% default rate, but the latest 12-month default rate was under 1%, and the long-term average is about 3.5%. Low current and forecasted defaults should be a plus for the market, and a slow but positive economic growth environment may keep defaults contained and loans performing well.

We believe investors are being paid to be in the loan asset class on a pure spread basis. Additionally, when interest rates do eventually rise, investors will have the advantage of already having exposure to the floating-rate nature of loans. The London Interbank Offered Rate (LIBOR) has been increasing of late, which may serve as a catalyst to generate investor interest in the loan sector. Even outside of a movement in rates, loans still have capital appreciation potential, as they have been trading in the low-to-mid $90s but typically trade near par ($100). Furthermore, coupon clipping offers investors the ability to generate income, so they are being paid to wait if neither capital appreciation or a rise in rates is imminent.

Heading into the new year, we think loan performance will depend on how much, if any, of the "risk-on" trade comes back. We believe that loans are very attractive on a risk/reward basis, but timing when investors will get comfortable enough to come back to the market is not easy.

We will continue to run the Fund with an up-in-quality bias and will continue to carefully analyze deals to make sure the portfolio is being paid for the risks we are taking.

Performance Review

Pioneer Floating Rate Fund Class A shares returned 2.58% at net asset value in the fourth quarter, while the Fund's benchmark, the Barclays Capital High Yield Loans Performing Index (the Barclays Index), returned 3.01%. Over the full calendar year ended December 31, 2011, the Fund's Class A shares returned 2.03% at net asset value and the Barclays Index returned 1.13%.

Average Annual Total Returns (Class A shares)

December 31, 2011	(at NAV)	(at POP)	Barclays Capital High Yield Loans Performing Index
1 year	2.03%	–2.62%	1.13%
3 years	15.29%	13.52%	18.94%
Life (2/14/07)	3.20%	2.24%	3.76%

Expense Ratio

(As of prospectus dated August 8, 2011)	
Gross	1.29%
Net	1.10%

SEC Yield (Class A shares)

(As of December 31, 2011)	
With expense waiver	4.17%
Without expense waiver	4.17%

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 4.50% 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 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.

The net expense ratio reflects contractual expense limitations currently in effect through 3/1/12 for Class A shares. There can be no assurance that Pioneer will extend the expense limitations beyond such time. Please see the prospectus for more information.

A Word about Risk:

Debt securities rated below investment grade are commonly referred to as “junk bonds” and are considered speculative. Below-investment-grade debt securities involve greater risk of loss, are subject to greater price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher-rated debt securities. The Fund may invest in high-yield securities of any rating, including securities that are in default at the time of purchase.

Securities with floating interest rates generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as prevailing interest rates. Unlike fixed-rate securities, floating-rate securities generally will not increase in value if interest rates decline. Changes in interest rates also will affect the amount of interest income the Fund earns on its floating-rate investments.

These risks may increase share price volatility.

The Barclays Capital High Yield Loans Performing Index provides broad and comprehensive total return metrics of the universe of syndicated term loans. To be included in the index, a bank loan must be dollar denominated, have at least $150 million funded loan, a minimum term of one year, and a minimum initial spread of LIBOR+125. 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 an 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.

Securities Discussed	% of Portfolio as of December 31, 2011
Chrysler Group, L+4.75%, 4/28/17	1.02%
Aptalis Pharmaceuticals, L+5.50%, 1/25/17	0.63%
Onex Carestream Finance, L+5.00%, 2/8/17	0.59%
Vertrue, L+5.37%, 8/16/14	0.12%
RH Donnelley, L+9.00%, 10/24/14	0.12%
Texas Competitive, L+4.795, 10/10/17	0.54%

	Top 10 Holdings	% of Portfolio as of December 31, 2011
1.	Chrysler Group, L+4.75%, 4/28/17	1.02%
2.	CPG International, L+4.50%, 1/26/17	0.96%
3.	Grifols, L+4.25%, 6/4/16	0.85%
4.	Interactive Data, L+3.25%, 1/31/18	0.77%
5.	Freescale Semiconductor, L+4.25% 12/1/16	0.77%
6.	Protection One, L+4.25%, 6/4/16	0.76%
7.	Fairmount Minerals, L+4.00%, 3/1/17	0.76%
8.	Frac Tech Services, L+6.25%, 4/19/16	0.75%
9.	Swift Transportation, L+4.50%, 11/22/16	0.74%
10.	Tasc, L+3.25%, 4/25/15	0.74%

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

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