

# Pioneer Fundamental Growth Fund

## *Performance Analysis and Commentary*

December 2011

### **Fourth Quarter Review**

- The Fund's Class A shares returned 10.13% at net asset value in the fourth quarter, while the Fund's benchmark, the Russell 1000 Growth Index, returned 10.61%.
- Security selection was a positive for the Fund's benchmark-relative performance during the quarter, while sector allocation was a negative.
- The top individual contributor to the Fund's performance for the fourth quarter, and for three of the four quarters in 2011 was National Oilwell Varco.

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.

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%.

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 Russell 1000 Growth Index (the Russell Index), the Fund's benchmark, the economically sensitive energy (+18.7%), industrials (+15.9%), and materials (15.6%) sectors led, while the defensive utilities (+3.9%) sector lagged.

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%.

### **Sector Allocation and Security Selection**

During the fourth quarter, Fund returns benefited not only from an underweight to the consumer discretionary sector, but also from strong security selection within the sector. Stock selection within the consumer staples and information technology sectors also helped Fund performance. The Fund's benchmark-relative performance was hurt the most by stock selection within the health care sector, while overall sector allocation results also were negative.

National Oilwell Varco, a leading energy equipment and services vendor, was the portfolio's strongest performer this quarter, returning 32.96%. Rebounding from market-related weakness that hurt third quarter performance, the stock gained as National Oilwell Varco recorded one of its highest equipment order rates on record. Performance was partly driven by the earnings visibility afforded by the company's \$10 billion backlog. Discount retailer Ross Stores was another strong performer in the portfolio during the fourth quarter, as the company continued to exceed investor expectations with respect to sales and profit growth. The combination of high-quality merchandise at affordable price points continues to drive healthy traffic patterns at the company's stores. Starbucks also performed well for the Fund during the quarter, as the company continued to experience success in its U.S. store base, as evidenced by strong same-store sales. It is also becoming likely that management's packaged goods strategy, particularly single-serving K-cups, will enhance Starbucks' long-term growth prospects.

The top individual detractor from the Fund's performance during the fourth quarter was Baxter International. Following strong performance in prior quarters, the shares of this plasma-based biopharmaceutical company came under pressure due to concerns over slowing European business and the re-entrance of a competitor into the Intravenous Immunoglobulin ("IVIG"—for treatment of immune disorders) market. Portfolio holding Thermo Fisher Scientific underperformed the broader market during the quarter, due to global macroeconomic concerns about weakness in end-user sales. The prospects of cuts to the U.S. government's National Institute of Health budget, which provides grants

to customers of the life sciences and tools industry, also weighed on investor sentiment about Thermo Fisher. In information technology, the weak performance of software giant Oracle was another detractor from Fund performance during the quarter. The company's shares underperformed after it announced financial results that trailed the market's expectations. The combination of slower information technology infrastructure spending and the missed execution of a new product launch led to Oracle's disappointing announcement.

## **Trading Activity**

During the fourth quarter, we initiated two new Fund positions and eliminated two. We opened positions in Disney and Fomento Económico Mexicano (FEMSA), while eliminating existing portfolio holdings Hospira and Viacom.

Disney, a high-quality media and entertainment company, is experiencing a re-acceleration in profit growth. Disney's growth will be driven by ESPN, the sports programming giant and the most valuable asset in media, as the company enters new long-term contracts with distributors at favorable pricing. FEMSA is the holding company of three strong assets with attractive long-term growth profiles. The company is majority owner of Coca-Cola FEMSA, which distributes Coke products throughout Latin America; a minority owner in Heineken, a premier global beer brand; and 100% owner of Oxxo, a fast-growing, highly profitable chain of convenience stores in Mexico. With complementary businesses and access to the faster-growing economies of Latin America, we expect FEMSA to produce above-average long-term growth.

We exited the Fund's position in generic injectable drug-maker Hospira during the quarter, based on the company's disappointing outlook. Manufacturing problems that the company has been dealing with apparently run far deeper and will take longer to remediate than previously expected. Thus, Hospira's sales and profits over the next year, and possibly beyond, have become unpredictable. We also eliminated the Fund's position in media company Viacom, as we began to see erosion in some of the company's key assets, namely MTV and Nickelodeon. As ratings decline we expect it will be difficult for the company to generate the advertising revenues the market currently expects.

In addition, various portfolio positions were trimmed and the capital was then redeployed into stocks that had experienced price weakness during the quarter.

## **Current Outlook and Positioning**

Recent economic data reflecting trends in manufacturing, housing, jobs and consumer spending indicate that the economy is entering the first quarter of 2012 with positive momentum. While this represents an improvement over prior quarters, our outlook remains unchanged; that is, we believe the economy will produce positive, but below-trend growth. Against that backdrop, we expect companies to continue to generate solid profits. However, with the majority of profit margin improvements in the current cycle already behind us, we expect the growth rate in profits to decelerate over the coming quarters. While U.S. equities remain reasonably valued in our view, we expect that the volatility seen in the market over the prior year will continue as investor sentiment oscillates around global macroeconomic developments. We believe the uncertainty associated with the decelerating profit growth environment, combined with global macroeconomic risks, will continue to provide a favorable market backdrop for the types of high-quality equities that we emphasize in the portfolio.

## Performance Review

Pioneer Fundamental Growth Fund Class A shares returned 10.13% at net asset value in the fourth quarter, while the Fund's benchmark, the Russell 1000 Growth Index (the Russell Index), returned 10.61%. Over the full calendar year ended December 31, 2011, the Fund's Class A shares returned 6.32% at net asset value and the Russell Index returned 2.64%.

### Average Annual Total Returns (Class A shares)

December 31, 2011	(at NAV)	(at POP)	Russell 1000 Growth Index
1 year	6.32%	0.20%	2.64%
3 years	16.34%	14.05%	18.02%
5 years	3.57%	2.35%	2.50%
Life (8/22/02)	6.11%	5.44%	5.99%

### Expense Ratio

(As of prospectus dated August 1, 2011)

Gross	1.28%
Net	1.25%

**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.

**The net expense ratio reflects contractual expense limitations currently in effect through 8/1/2012 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:

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.

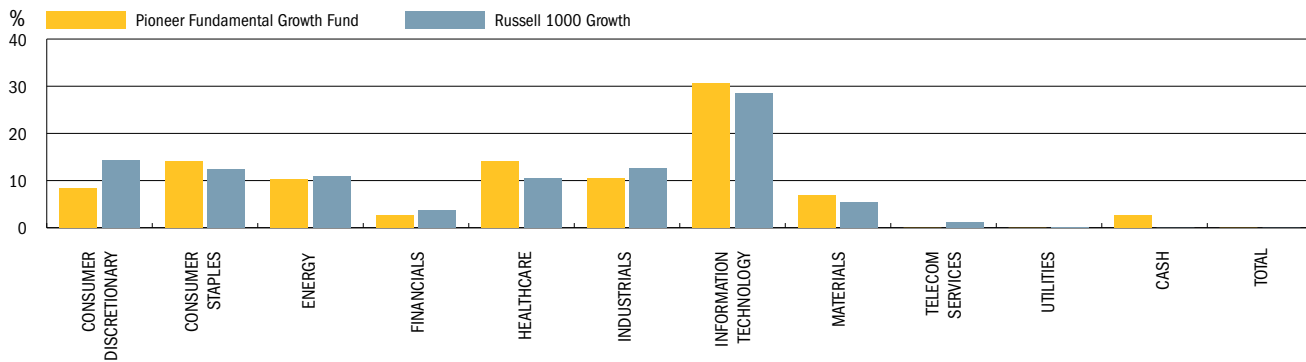
The Russell 1000 Growth Index measures the performance of large-cap U.S. growth stocks. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios, lower dividend yields, and higher forecasted growth values than the value universe. Index returns are calculated monthly, 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.

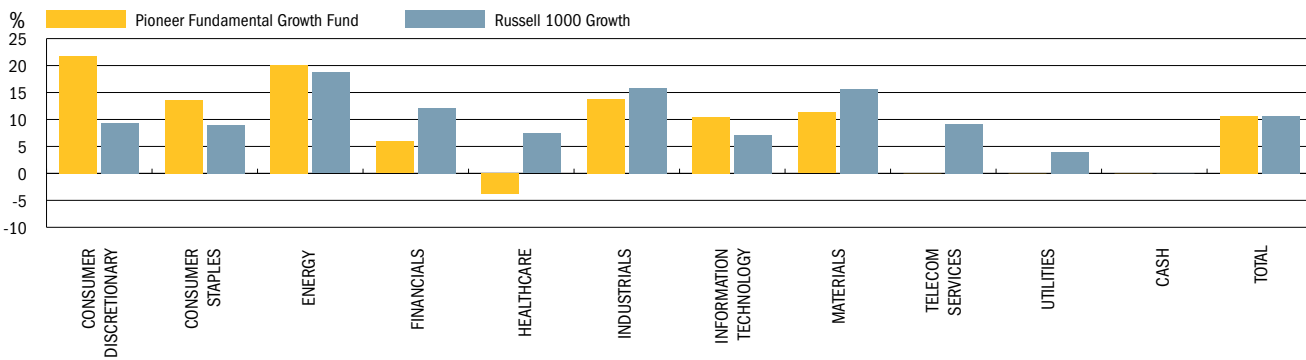
The Fund performance attribution information shown below does not reflect the deduction of fees, charges and expenses associated with investing in the Fund, such as sales charges, management fees, distribution and service (12b-1) fees, or any other fees associated with the Fund. Such expenses would reduce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

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

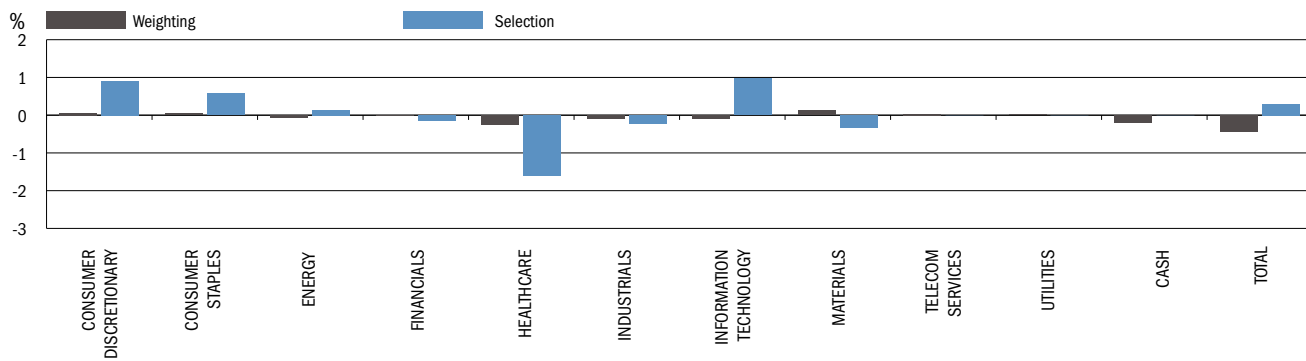
**Chart 1- Average Weight**



**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.

<b>Securities Discussed</b>	<b>% of Portfolio as of December 31, 2011</b>
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National Oilwell Varco	2.97%
Ross Stores	4.35%
Starbucks	3.05%
Baxter International	2.11%
Thermo Fisher Scientific	2.20%
Oracle	3.34%
Disney	1.13%
Fomento Económico Mexicano	0.79%

<b>Top 10 Holdings</b>	<b>% of Portfolio as of December 31, 2011</b>
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1. Apple	5.86%
2. MasterCard	4.74%
3. Google	4.69%
4. Microsoft	4.41%
5. Ross Stores	4.35%
6. Philip Morris International	4.02%
7. Coca-Cola	3.93%
8. ExxonMobil	3.69%
9. Oracle	3.34%
10. United Technologies	3.23%

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.

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Not FDIC insured • May lose value • No bank guarantee