

# Pioneer Multi-Asset Real Return Fund

*Performance Analysis and Commentary*

March 2012

## First Quarter Review

- Pioneer Multi-Asset Real Return Fund Class A shares returned 7.89% at net asset value in the first quarter, while the Fund's benchmark, the Barclays Capital U.S. Treasury TIPS 1-10 Year Index, returned 1.44%.
- Our view remains that stocks are attractive, more so than any type of fixed-income instrument.
- The consensus view on the U.S. economy has improved, but we still foresee lower-than-potential gross domestic product (GDP) growth for quite some time. We believe the outlook for the European economy has deteriorated markedly: in certain countries, a recession – possibly, a prolonged and serious one – now appears to be in the cards. The Asia/Pacific region is experiencing a slow down, but we are inclined to believe that China's economy will escape a "hard landing". We also expect subdued inflation rates.

Global stock markets posted an outstanding performance in the first quarter, with the Morgan Stanley Capital International (MSCI) World Index returning 11.7%. This came as no surprise, especially in the developed markets, where a combination of earnings-yield gaps being at 55-year-lows, and limited and falling investor exposure to equities proved the consensus wrong. Thus, in some areas, such as the U.S., stocks delivered their best return in more than a decade (12.6% return for the Standard & Poor's 500 Index).

Fixed-income securities suffered accordingly—sovereign more so than private debt: the JPMorgan Government Bond Index (Global) returned -0.9%, but the iBoxx U.S. Dollar Liquid Investment-Grade Index rose by 3.6%. Doubts about the health of China's economy put a lid on precious metals' and commodities' price performance during the quarter: gold was up by 5.7%, while the CRB Spot All-Commodities Index rose by a modest 3.1%.

And yet, while we're pleased with the overall investment environment during the first quarter, we believe celebrations should be kept on hold. The Asia/Pacific ex-Japan region may not worry us, but a sizable portion of market participants still believe that a recession in China is a clear and present danger. The Japanese economy has put forth many signs of a rebound in industrial production and private spending, but the consensus view remains skeptical with regard to the sustainability of the rosy scenario.

Europe probably is the weakest link. Restrictive fiscal policy has been imposed on weakening economic fundamentals in more than a few countries in the region. That has caused the already heavy debt burdens to increase and bondholders' faith to vacillate. As a result, yields on sovereign debt, already much higher than nominal GDP growth, are beginning to incorporate and reflect the chances of a restructuring—a reminder that the days of risk-free rates are long gone.

The U.S. private sector has so far been able to compensate for the lack of support from government spending. Pundits, however, are worried that going forward, fiscal policy is likely to become even more restrictive. In that respect, labor market conditions (which affect personal income) and house prices (which affect net worth) will hold the key to future economic developments.

We do not have a constructive view on bond markets; however, we do not foresee a fixed-income cataclysm either. The reason being that, in spite of wobbly fundamentals, a few areas in the bond market are still being awarded with the benefit of the doubt by investors. Take the U.S. and the U.K., for example. In both countries, budget deficits and government debt-to-GDP ratios (high and rising) paint a horrible picture. Moreover, nominal bond yields are incredibly depressed. And yet, market participants seem to be reassured by at least two factors: A) first and foremost, unlike European Union member countries, whose government bonds have struggled to find buyers, both countries retain sovereignty over monetary policy; and B) while the private sector deleverages, weak credit demand has caused financial flows into government and higher-quality/higher-rated bonds. While these observations have merits, we remain uncomfortable with some of the most elementary terms of the problem: that is, the combination of very high (and growing) levels of outstanding debt and minimal nominal yields has made government bonds in most western developed markets the least attractive asset class.

## Sector Allocation and Security Selection

In the absence of convincing signs of accelerating world economic growth, yield remains the theme of choice for the Fund's investments. Within fixed income, the Fund has pursued opportunities in private debt. Spreads (typically defined as the differences in yields between Treasuries and other fixed-income investments with similar maturities) have kept falling, but in light of the characteristics of some issuers, we have been treating some of the debt issued by certain companies as proxies for sovereign debt. The attractiveness of these investments, of course, derives from the substantially higher yields. In that space, the Fund had exposure to Russian, Brazilian and Chinese paper. The Fund's exposure to international corporate bonds increased by two percentage points during the quarter.

We cut the portfolio's exposure to government bonds through sales of non-U.S. holdings. We do consider some of the emerging markets to be better investment propositions than most of the developed world, but the fact remains that yields are rapidly becoming less attractive. We do retain a very constructive view on many of the emerging countries (especially in the Asia/Pacific region), but, the way we see it, the resilience of those economies should remind investors that the private sector is not reimbursing debt and that banks are not reducing their loan-to-deposit ratios. In short, inflation-adjusted yields should be higher. Instead, what we have been seeing are, in most cases, yields very close to zero and nominal yields lower than nominal GDP growth. The explanation for this is that in an investment environment of seemingly limitless thirst for fixed-income instruments, those western investors who are wise enough to seek diversification are inevitably attracted to areas with strong economic fundamentals. While we share those very same thoughts, we also think portfolios that are allowed to diversify into other asset classes should seek opportunities in corporate bonds and stocks.

The Fund's exposure to equities increased during the quarter: by one percentage point each in the U.S. and the emerging markets, and by four percentage points in other developed markets (in the "core" of the Euro-zone, Switzerland and Japan). Stocks appear to be a much more promising asset class. Two standard measures of relative attractiveness deserve a mention: the earnings-yield gap and the gap between free-cash-flow yields and investment-grade bond yields are, respectively, at a 55-year low and a 50-year high. Other parameters point in the same direction. World economic growth faces many risks, but non-financial corporations in the U.S. and Europe have greatly improved their profitability and the health of their balance sheets. We conclude that a more favorable decade for stocks than for bonds may have just begun.

The Fund had a limited commitment to precious metals and commodities in the first quarter. With respect to gold, as we have expressed on many occasions, the metal has solid fundamentals. To wit, all the major central banks in the world are busy with so-called quantitative easing operations. However, while we see the long-term outlook as more than promising, without a doubt, what worries us is the perception that the trade remains a little bit crowded. Therefore, we feel that any initiative should be postponed.

Commodities, on the other hand, typically respond to U.S. dollar (USD) weakness and news on the health of the Chinese economy. We are being cautious in that space. The USD, while not incredibly strong, seems to be holding its ground; the Chinese economy, while not crash-landing, has been decelerating. At present, commodities are unexciting at best. We find the Palladium offerings attractive (the Fund had about 5% exposure), but little else for the time being. Oil has reaped the benefits of market anxieties related mostly to continued political instability in the Middle East and a confrontational Iran. Given the fragile world economy, however, high oil prices are unsustainable in our opinion. The Fund had no exposure to the commodity itself during the quarter, but held positions in large integrated oil companies and corporate bonds.

## Current Outlook and Positioning

The Fund adopts a top-down investment approach. That means the starting point for the Fund's asset allocation process is always related to output, inflation and profits. The outlook on those factors does not change too often. As we have said before, we think the recovery in the U.S. will proceed at subpar rates, with possible (fiscal) hurdles to face later in the year. We are confident that the Chinese economy will soon rebound. We are not overly worried by the emerging countries. We have constructive views on Germany, and yet are bracing for the worst in the so-called "peripheral" European countries.

While the outlook outlined above may not appear overwhelmingly bullish – indeed, it is not – we do find present equity risk premiums to be irresistibly attractive. At the same time, the compression in bond markets' term premiums bothers us. We are therefore planning to keep the Fund's exposure to equities and bonds at 60%-65% and 20%-30%, respectively.

Within the portfolio's equity portion, high-quality, high-dividend plays in the developed markets, with exposure to emerging markets will continue to absorb the lion's share of the total. In Asia, the markets we like the most are the Philippines, Indonesia, Singapore, and Hong Kong. Japan is extremely inexpensive. We have started accumulating assets there, however, barring a string of positive economic surprises, we would be surprised to see Tokyo outperform other bourses (exchanges).

Finally, the uncertain outlook for the European economy and the Fund's already sizable exposure to non-U.S. dollar currencies is, we think, good enough reason to hedge, at least partially, the portfolio's exposure to the euro.

## Performance Review

Pioneer Multi-Asset Real Return Fund's Class A shares returned 7.89% at net asset value in the first quarter, while the Fund's benchmark, the Barclays Capital U.S. Treasury TIPS 1-10 Year Index, returned 1.44%.

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

March 31, 2012	(at NAV)	(at POP)	Barclay Capital U.S. Treasury TIPS 1-10 Year Index
1 year	8.05%	3.17%	7.96%
Since Inception (5/3/2010)	9.83%	7.22%	6.93%

### Expense Ratio

(As of prospectus dated March 1, 2012)

Gross	1.37%
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**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.**

**The NAV results represent the percent change in net asset value per share. Returns would have been lower had sales charges been reflected. The POP performance data reflects 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 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:**

All investments are subject to risk, including the possible loss of principal. Pioneer Multi-Asset Real Return (“MARR”) Fund has the ability to invest in a wide variety of securities and asset classes.

In addition, **the Fund is non-diversified** which means it can invest a higher percentage of its assets in the securities of any one or more issuers. This will increase the Fund’s potential risk exposure.

**The Fund may invest in underlying funds** (ETFs and unit investment trusts). In addition to the Fund’s operating expenses, you will indirectly bear the operating expenses of investments in any underlying funds.

**The Fund and some of the underlying funds employ leverage**, which increases the volatility of investment returns and subjects the Fund to magnified losses if an underlying fund’s investments decline in value.

**The Fund and some of the underlying funds may use derivatives**, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.

**The Fund and some of the underlying funds may employ short selling**, a speculative strategy. Unlike the possible loss on a security that is purchased, there is no limit on the amount of loss on an appreciating security that is sold short.

**The Fund may invest in inflation-linked securities.** As inflationary expectations increase, inflation-linked securities may become more attractive, because they protect future interest payments against inflation. Conversely, as inflationary concerns decrease, inflation-linked securities will become less attractive and less valuable.

**The Fund may invest in credit default swaps**, which may in some cases be illiquid, and they increase credit risk since the fund has exposure to both the issuer of the referenced obligation and the counterparty to the credit default swap.

**The Fund may invest in subordinated securities** which may be disproportionately adversely affected by a default or even a perceived decline in creditworthiness of the issuer.

**The Fund may invest in floating rate loans.** The value of collateral, if any, securing a floating rate loan can decline or may be insufficient to meet the issuer’s obligations or may be difficult to liquidate.

**The Fund may invest in event-linked bonds.** The return of principal and the payment of interest on event-linked bonds are contingent on the non-occurrence of a pre-defined “trigger” event, such as a hurricane or an earthquake of a specific magnitude.

**The Fund may invest in commodities.** The value of commodity-linked derivatives may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, factors affecting a particular industry or commodity, international economic, political and regulatory developments, supply and demand, and governmental regulatory policies.

**Investments in equity securities are subject to price fluctuation.**

**Small-and mid-cap stocks involve greater risks and volatility than large-cap stocks.**

**International investments are subject to special risks** including currency fluctuations, social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets.

**Investments in fixed income securities involve interest rate, credit, inflation, and reinvestment risks.** As interest rates rise, the value of fixed income securities falls.

**The Fund may invest in mortgage-backed securities**, which during times of fluctuating interest rates may increase or decrease more than other fixed-income securities. Mortgage-Backed securities are also subject to pre-payments.

**Prepayment risk is the chance that mortgage-backed bonds will be paid off early** if falling interest rates prompt home owners to refinance their mortgages.

**High yield bonds possess greater price volatility, illiquidity, and possibility of default.** There is no assurance that these and other strategies used by the Fund or underlying funds will be successful.

**These risks may increase share price volatility.**

**There is no assurance that these and other strategies used by the Fund or underlying funds will be successful.**

**Please see the prospectus for a more complete discussion of the Fund’s risks.**

The Barclays Capital U.S. Treasury TIPS 1-10 Year Index is an unmanaged index comprised of U.S. Treasury Inflation Protected Securities (TIPS) having a maturity of at least 1 year and less than 10 years. Index returns assume reinvestment of dividends and, unlike mutual fund returns, do not reflect any fees or expenses associated with a mutual fund. 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.

**Top 10 Holdings**

	<b>% of Portfolio as of March 31, 2012</b>
1. ETFS Physical Palladium Shares	2.50%
2. ETFS Platinum Trust	2.22%
3. Merck	1.51%
4. Philip Morris International	1.47%
5. Bankia, 4.375%, 2/14/17	1.36%
6. Intesa Sanpaolo, 6.50%, 2/24/21 (144A)	1.31%
7. Standard Chartered	1.31%
8. Total	1.29%
9. Lukoil International Finance, 7.25%, 11/5/19 (144A)	1.27%
10. Coca-Cola	1.25%

**Controlled Foreign Corporation (CFC) Holdings**

	<b>% of Portfolio as of March 31, 2012</b>
ETFS Physical Palladium Shares	2.50%
ETFS Platinum Trust	2.22%

**Currency Exposure**

	<b>% of Portfolio as of March 31, 2012</b>
U.S. Dollar	66.10%
Euro	10.71%
Hong Kong Dollar	7.55%
Swiss Franc	5.13%
Japanese Yen	4.79%
Indonesian Rupiah	4.78%
Philippine Peso	3.58%
Singapore Dollar	3.55%
U.K. Pound	1.93%
Thailand Baht	1.24%
Chilean Peso	1.23%
South African Rand	1.18%
Mexican Peso	0.68%
Malaysian Ringgit	0.52%
Canadian Dollar	0.36%
Norwegian Krone	0.34%
Danish Kroner	0.32%
Swedish Krona	0.28%
Taiwan Dollar	0.28%
Russian Ruble	0.27%
South Korean Won	0.27%
Indian Rupee	0.19%

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.

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