

# Pioneer Oak Ridge Small Cap Growth Fund

*Performance Analysis and Commentary*

December 2011

## Fourth Quarter Review

- The Fund's Class A shares posted a double-digit gain at net asset value during the fourth quarter, but performance still lagged that of the Fund's benchmarks, the Russell 2000 Growth Index and the Russell 2000 Index.
- Stock selection in the information technology sector had been the second-largest driver of the Fund's above-benchmark returns during the third quarter market sell-off; but in the fourth quarter rebound, stock selection in the sector was the primary cause of the Fund's below-benchmark performance.
- While global macroeconomic challenges are daunting, equity valuations are very attractive and we think the prospects for strong returns on U.S. stocks appear excellent.

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%.

Smaller-cap stocks were favored in the fourth quarter, but failed to regain all the ground they had lost during the third quarter selloff. The Russell 2000 Growth Index (the Russell Index), the Fund's primary benchmark, returned 14.99% in the fourth quarter, but still ended the calendar year in negative territory (-2.91%).

Within the Russell Index, the economically sensitive energy (+28.2%), industrials (+20.6%), and materials (+15.2%) sectors led in the fourth quarter, while the defensive consumer staples (+6.9%), telecom services and utilities (each +8.9%) sectors lagged.

## Sector Allocation and Security Selection

Stock selection in the consumer discretionary and information technology sectors had been the largest drivers of the Fund's above-benchmark returns during the third quarter market correction; but in the fourth quarter rebound, selection in information technology and both consumer sectors were the key drivers of below-benchmark performance.

Many of the companies in the Russell Index's information technology sector are small, unproven, and unprofitable companies. While such companies often provide an opportunity for tremendous future growth due to technological breakthroughs, they also involve a greater amount of risk than we find appropriate in managing the Fund. We insist that all of the portfolio's investments have proven earnings, and we leave the more speculative type of investing to more aggressive investors. During periods when the market turns sharply upward (as happened in the fourth quarter), more speculative companies tend to lead, causing the Fund to underperform. However, the same companies also tend to lead on the way down when the market sells off (as it did in the third quarter of 2011, when the Fund's holdings significantly outperformed). Over the longer term, our investment approach has served our clients well.

Benchmark-relative Fund results in the consumer discretionary sector were pulled down by our emphasis on apparel companies over retailers. Bottom-up security selection added value in each group, but not enough to compensate for the effect of the Fund's industry weightings.

The primary cause of the Fund's benchmark-relative underperformance in the consumer staples sector, and overall, was Diamond Foods. We invested the portfolio in Diamond during the fourth quarter, and shortly after we purchased the stock, the stock price was halved when Diamond announced that its audit committee was launching an investigation into how the company accounted for payments to walnut growers. The investigation threatened to upend Diamond's long-planned acquisition of the Pringles brand from Procter & Gamble (P&G). We have retained the Fund's position in Diamond, as we believe the accounting controversy will be resolved.

The Fund's best security selection results during the quarter came from the energy sector. Companies focused on onshore oil exploration and production were among the sector's best performers, as the price of oil increased and Iran threatened to disrupt the flow of oil from the Middle East via a blockade of the Straits of Hormuz. Approach Resources, a domestic oil exploration company, returned 73% during the quarter, and several other Fund holdings also returned more than 30%.

Strong benchmark-relative performance in the industrials sector was driven by primarily by the Fund's exposure to cyclically sensitive machinery and manufacturing names. Holdings in the machinery group represent more than 10% of the portfolio's assets, and they returned 30% in the quarter, while several of the Fund's machinery holdings were found among the 10 largest contributors to quarterly performance.

## **Trading Activity**

Three new names were added to the portfolio and three were eliminated in fourth quarter trading.

We initiated a Fund position in Michael Kors, a producer and retailer of high-end apparel, footwear, and accessories, based on the company's attractive relative valuation, international brand awareness, and strength of demand in its target market categories.

As mentioned previously, we also invested in snack food marketer Diamond Foods, which specializes in premium-niche products (chips, popcorn and nuts) that have relatively little private label competition; Diamond's planned acquisition of P&G's Pringles brand would make the company the number two industry player behind PepsiCo. Before the blow-up over the accounting investigation mentioned previously, we had expected the acquisition of Pringles to be accretive in the first year, and to enable Diamond to continue to consistently grow earnings at 15% to 20% per year.

Finally, we invested the Fund in Finisar, a maker of optical network connection equipment. We believe the company is well positioned to gain market share in a growing segment.

We eliminated the Fund's position in baking soda (Arm & Hammer brand) producer Church & Dwight during the quarter, because its market capitalization had grown out of our target range. In the health care sector, we eliminated the Fund's position in Qiagen, a supplier of high-end analytical and diagnostic products, because business results were not meeting our expectations. Finally, industrial fire safety product supplier China Fire & Security Group was taken private by Bain Capital and thus removed from the portfolio.

## **Current Outlook and Positioning**

The Standard & Poor's 500 Index (the S&P 500) ended 2011 virtually unchanged from the year before—results that clearly are not reflective of a year that witnessed numerous newsworthy events and tumultuous price swings. There remain many legitimate concerns that are capable of derailing the U.S. economy, such as political unrest and unmanageable debt. The continuing problems in the Euro-zone are especially concerning, with more trouble likely ahead as austerity programs are implemented, unemployment rises, and recessions bite—and that is assuming no debt or banking crises occur!

Nevertheless and on balance, we believe the prospects for strong real and relative returns on U.S. stocks appear excellent in the year ahead. A favorable combination of low interest rates, improved lending conditions, strong corporate balance sheets and profit margins, and huge investor cash balances seeking better returns makes the longer-term outlook for equities reasonably bright. Moreover, stock valuations remain quite compelling. Stocks are now cheaper than they were 12 months ago, in fact, following a year of double-digit earnings growth and flat stock prices. The S&P 500 now trades at a historically attractive multiple of 11.7 times 2012 estimated earnings.

In this environment, we believe earnings growth is likely to be at a premium and that investors may begin to favor high-quality companies with the financial strength and flexibility to thrive in what very well could be continually volatile conditions.

At year-end, nearly 25% of the portfolio's assets were invested in the industrials sector (the largest overweight relative to the Russell Index), with a primary emphasis on machinery and a secondary emphasis on aerospace companies. The portfolio also is significantly committed to the information technology (emphasizing software) and health care (emphasizing equipment and services) sectors. The Fund has no positions in the materials, telecom services, or utilities sectors, with materials representing the largest underweight relative to the Russell Index. As always, bottom-up security selection based on in-depth, fundamental research remains at the heart of our investment process for the Fund.

## Performance Review

Pioneer Oak Ridge Small Cap Growth Fund Class A shares returned 12.65% at net asset value in the fourth quarter, while the Fund's benchmarks, the Russell 2000 Growth Index and the Russell 2000 Index, returned 14.99% and 15.47%, respectively. Over the full calendar year ended December 31, 2011, the Fund's Class A shares returned 0.92% at net asset value, while the Russell 2000 Growth Index and the Russell 2000 Index returned -2.91% and -4.18%, respectively.

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

December 31, 2011	(at NAV)	(at POP)	Russell 2000 Growth Index	Russell 2000 Index
1 year	0.92%	-4.89%	-2.91%	-4.18%
3 years	17.93%	15.62%	19.00%	15.63%
5 years	4.92%	3.68%	2.09%	0.15%
10 years	6.91%	6.28%	4.48%	5.62%

### Expense Ratio

(As of prospectus dated April 1, 2011)

Gross	1.56%
Net	1.40%

**Call 1-800-225-6292 or visit [us.pioneerinvestments.com](http://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 performance shown for Class A shares of the Fund for periods prior to February 13, 2004, is based on the net asset value performance of the predecessor Oak Ridge Small Cap Equity Fund's Class A shares, which has been restated to reflect differences in any applicable sales charges and Rule 12b-1 fees payable on Class A shares (but not other differences in expenses). This adjustment has the effect of reducing the previously reported performance of Oak Ridge Small Cap Equity Fund. Pioneer Oak Ridge Small Cap Growth Fund was created through the reorganization of the predecessor Oak Ridge Funds, Inc., on February 13, 2004. As a result of the reorganization, the Fund is the accounting successor of the predecessor fund. In the reorganization, the predecessor fund exchanged its assets for Class A shares of the Fund.**

**The net expense ratio reflects contractual expense limitations currently in effect through 4/1/12 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:

Investments in small companies may offer the potential for higher returns, but are also subject to greater short-term price fluctuations than larger, more established companies.

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.

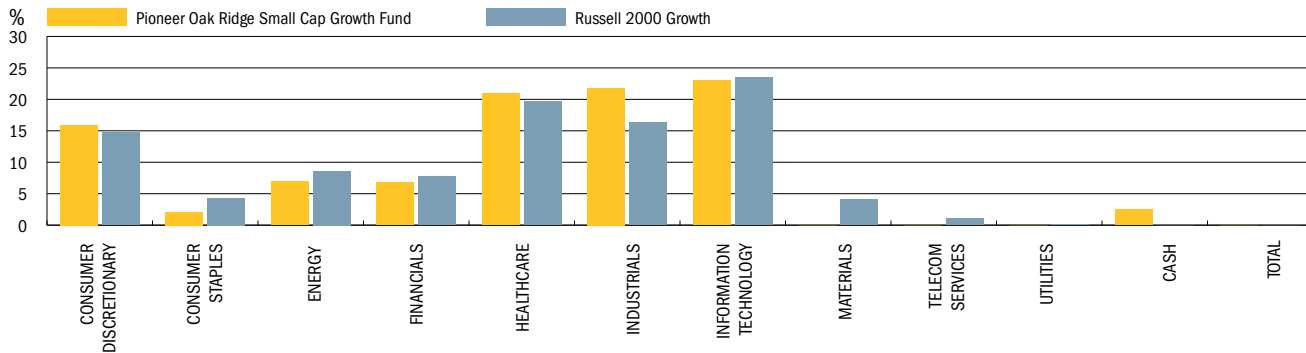
The Russell 2000 Growth Index measures the performance of U.S. small-cap growth stocks. The Russell 2000 Index measures U.S. small-cap stocks. Indices are unmanaged and their returns assume reinvestment of dividends and, unlike mutual fund returns, do not reflect any fees or expenses associated with 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.

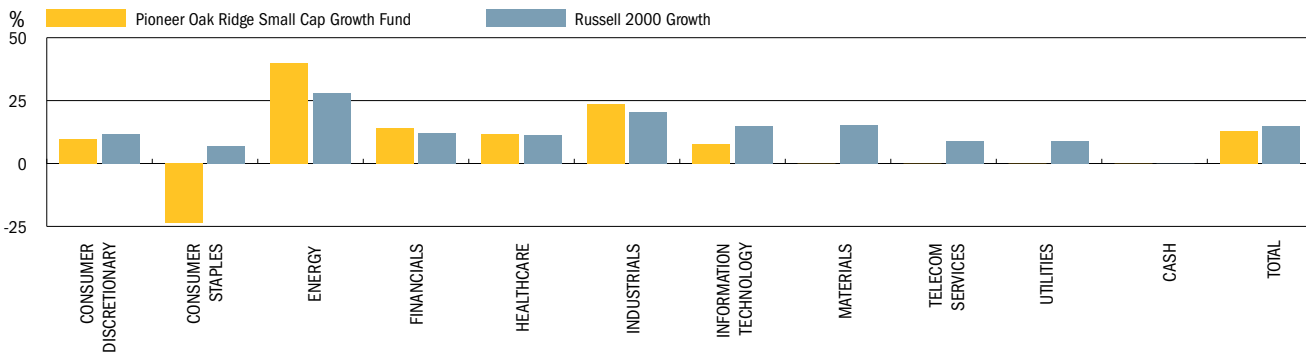
The Fund performance attribution information shown below does not reflect the deduction of fees, charges and expenses associated with investing in the Fund, such as sales charges, management fees, distribution and service (12b-1) fees, or any other fees associated with the Fund. Such expenses would reduce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

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

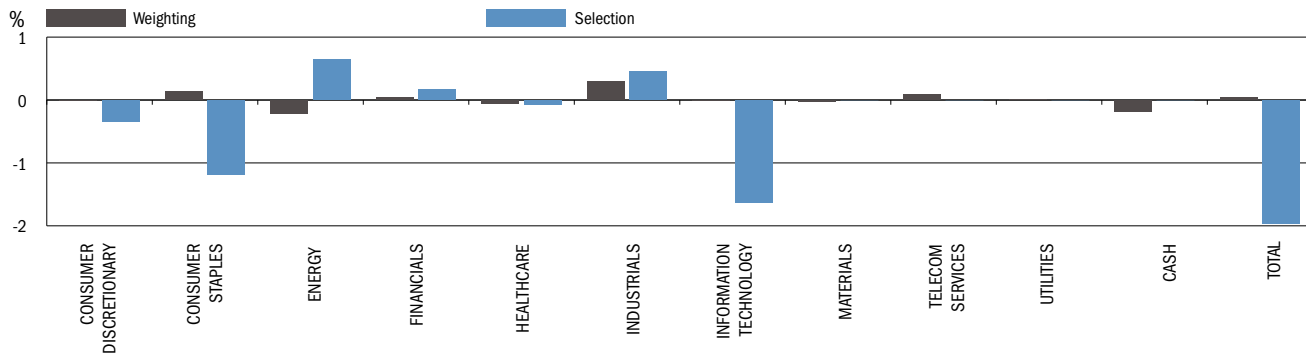
**Chart 1- Average Weight**



**Chart 2- Return**



**Chart 3- Performance Attribution**



Please see the last page for more background information about Performance Attribution. The attribution information shown does not include fees.

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**

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Diamond Foods	0.83%
Approach Resources	2.04%
Michael Kors	0.05%
Finisar	1.04%

**Top 10 Holdings** **% of Portfolio**  
**as of December 31, 2011**

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1.	Ansys	4.09%
2.	Catalyst Health Solutions	2.85%
3.	HMS	2.79%
4.	Questcor Pharmaceuticals	2.78%
5.	Wright Express	2.78%
6.	LKQ	2.45%
7.	Colfax	2.45%
8.	Waste Connections	2.43%
9.	Micros Systems	2.36%
10.	Align Technology	2.34%

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:  $(\text{Portfolio weight} - \text{Benchmark weight}) \times (\text{Benchmark segment return} - \text{Benchmark total return})$

#### 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:  $(\text{Portfolio weight}) \times (\text{Portfolio segment return} - \text{Benchmark segment return})$ .

#### 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