Pioneer High Yield Fund

Commentary | March 9, 2020

PORTFOLIO UPDATE

Market Review

— **Recent Moves in High Yield:** Energy bonds had a strong impact on the broad high yield market. In particular, exploration and production company bonds led the sell-off.

— **Oil Price Shock:** We have energy exposure in the Portfolio (16.37% as of March 5, 2020), much of which is in the midstream segment. For quite some time, we have been very vocal about what we believe to be unsustainable business models for many of the shale oil companies:

1. The models require continued access to the capital markets
2. Most of these companies have not generated a return-on-capital

We have focused on the higher quality end of exploration and production in particular, as these companies generally have lower leverage and some **hedges**. We believe companies that cannot generate a return-on-capital may all ultimately lose capital markets access. The sharp drop in oil prices may accelerate the restructuring of the exploration and production sector.

— **Coronavirus Impact on Other Sectors:** As people and companies cut back on travel because of coronavirus fears, other sectors, like airlines, cruise ships and casinos are feeling the impact. While there may be some changes in long-term behavior, we believe most of the coronavirus-related impact on the above sectors is temporary, so there may be buying opportunities that we have identified.

— **Market Inefficiency, Due to Technicals:** Some investors will sell to raise liquidity, and others will sell out of fear. Such necessary and emotional trading may heighten the high yield market's inefficiency, which in turn can create opportunities for well-researched, non-emotional investors.

— **High Yield Market Value Shift:** Earlier this year, we were looking at US high yield **spreads** as tight as +338 **basis points** and yields as low as 5.14%. Global high yield spreads were as tight as +361 basis points and yield bottomed at 4.88%. While there was some value, the market opportunities were limited. As of the March 6, 2020 close, US high yield bonds were yielding 6.4% and spreads had widened to +546 basis points. March 9, 2020 repricing is expected to move yields to well north of 7% and spreads wider – by 100 basis points or more than the March 6, 2020 close. March 6, 2020 closing spreads were over the wides experienced December 2018/January 2019. At these levels, we believe high yield looks attractive, if the economic shock from the coronavirus begins to fade by midyear, and does not pull us into a prolonged recession.

The portfolio is actively managed and current information is subject to change. The sectors/holdings discussed should not be considered recommendations to buy or sell any security.

Glossary of Frequently Used Terms
Basis Point – A unit of measure used to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form. In most cases, it refers to changes in interest rates and bond yields
Credit Spreads (or Spreads) – The differences in yield between two fixed-income securities with similar maturities.
Hedge – An investment utilized to help reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security to help guard against a drop in price, such as purchasing a “put” (sell) option contract on a stock in which the investor already owns shares outright.

A Word about Risk
Investments in high-yield or lower-rated securities are subject to greater-than-average price volatility, illiquidity and possibility of default. When interest rates rise, the prices of fixed-income securities in the Fund will generally fall. Conversely, when interest rates fall, the prices of fixed-income securities in the Fund will generally rise. Investments in the Fund are subject to possible loss due to the financial failure of issuers of underlying securities and their inability to meet their debt obligations. Prepayment risk is the chance that an issuer may exercise its right to prepay its security, if falling interest rates

See Glossary of Frequently Used Terms, for terms in bold.

prompt the issuer to do so. Forced to reinvest the unanticipated proceeds at lower interest rates, the Fund would experience a decline in income and lose the opportunity for additional price appreciation. The portfolio 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. The Fund may use derivatives, such as options, futures, inverse floating rate obligations, swaps, and others, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Derivatives may have a leveraging effect on the Fund. 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.

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

Individuals are encouraged to seek advice from their financial, legal, tax and other appropriate advisers before making any investment or financial decisions or purchasing any financial, securities or investment-related product or service, including any product or service described in these materials. Amundi Pioneer does not provide investment advice or investment recommendations.

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