

Pioneer Fundamental Growth Fund

Commentary | March 11, 2020

Market Outlook – Equity Markets are Likely to Remain Volatile

- The contributors to market volatility include:
 1. **The Economic Impact of the Coronavirus:** At first, the impact of the coronavirus was supply related as parts of China shut down, limiting the availability of Chinese-produced goods. Increasingly, the impact is more demand related as travel globally has become restricted, and business meetings have been canceled. Global economic growth is declining and may ultimately reach recessionary levels depending on how soon the spread of the virus is contained.
 2. **Financial Stress Induced by Declining Growth and Lower Oil Prices:** About half of the investment-grade bond market consists of BBB-rated bonds. Lower GDP increases the default risk as does lower oil prices for BBB issuers in the energy industry.
 3. **The US Presidential Election:** Declining economic growth increases the probability that the next president will be a Democrat. This would likely result in more regulation and higher taxes, both of which would be negative for stocks.
- Ultimately, the severity of the decline in equities is tied mostly to how significant an impact the coronavirus has on US and global growth. In our view, the most likely scenario is a “U” shaped recovery, in which economic growth declines for at least a couple of quarters and then recovers gradually with the support of accommodative monetary policy and fiscal stimulus, such as a payroll tax cut.
- Given the difficulty in predicting the depth of the decline and the timing of the recovery, we believe the most prudent approach to investing in US equities is to hold shares of companies we believe have manageable debt levels, high-profit margins and stable, competitive positions.

Fund Positioning – Defensively Positioned in Equities of Highly Profitable Companies with Lower than Average Debt

- Pioneer Fundamental Growth Fund seeks to mitigate risk by investing in attractively valued equities of companies that meet the Fund’s strict criteria related to quality. We believe these quality criteria result in a portfolio of stocks that are more profitable than average with greater earnings stability and lower debt levels. Stocks with these attributes may perform well under market duress as investors may favor these companies over those of less profitable, more highly leveraged companies that are more vulnerable to an economic slowdown.
- Consistent with its focus on risk mitigation, the Fund is overweight defensive sectors, such as consumer staples and health care, and currently has no energy exposure.
- Investments in health care are focused on animal health and medical device companies. Concerns that elective surgeries may be deferred due to the coronavirus have caused medical device stocks to decline more than would usually be the case in a falling market. This has meant that the Fund overall has not been as defensive as usual during the market correction. The Fund has shown competitive performance with the Russell 1000[®] Growth Index (its benchmark) since the market began to sell off on February 19. The deferred surgeries will likely occur once the coronavirus subsides, so the Fund continues to hold shares of medical device stocks. The Fund has limited exposure to biotechnology and pharmaceutical stocks, given the possibility of drug price regulation regardless of who wins the presidential election.
- It is also overweight the consumer discretionary sector, which may benefit from lower gasoline prices and interest costs as consumers have more money to spend. Within consumer discretionary, the Fund is positioned in low price retailers. Spending at low price retailers typically holds up relatively well even when economic conditions weaken as consumers become more price-conscious.
- Although the Fund is overweight the financials sector, which is vulnerable to shrinking profit margins as interest rates decline and an increase in credit defaults, the positioning within the sector is defensive. As an example, one of the largest holdings in the sector is in a property and casualty insurer. Consumers insure cars and houses even during difficult times. A decrease in driving activity due to the virus should also result in fewer accidents and a lower loss ratio.

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.

The Russell 1000® Growth Index measures the performance of the large-capitalization growth sector of the US equity market. 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 are those of Amundi Pioneer and are current through 3/11/20. These views are subject to change at any time based on market or other conditions, and Amundi Pioneer disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for strategies are based on many factors, may not be relied upon as an indication of trading intent on behalf of any portfolio.

A Word about Risk

Investing in foreign and/or emerging markets securities involves risks relating to interest rates, currency exchange rates, economic, and political conditions. The Fund invests in a limited number of securities and, as a result, the Fund's performance may be more volatile than the performance of other funds holding more securities. 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 recommendation.

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