Pioneer Bond Fund

Commentary | March 26, 2020

PORTFOLIO UPDATE

Outlook for Broad US Fixed Income Markets

– The US Bond markets have experienced an historic change, driven by Coronavirus fears and plummeting oil prices. US Treasury yields have declined almost 1% over the past month, and USD corporate bond markets have experienced a rapid and significant **spread** repricing over the past three weeks. Elements of the spread move are even comparable to some periods of 2008. Given that the depth and duration of the Coronavirus impact on global growth and consumer behavior remain uncertain, we expect it will take time for investment markets to regain their footing. While we believe US GDP will decline in the wake of disruptions caused by the Coronavirus, we also believe that the economy can be supported by the significant monetary and fiscal stimulus that has been or will soon be introduced. We anticipate the US economy may return to growth after the crisis has abated.

— We continue to evaluate our investment themes. While maintaining **liquidity** in our portfolios is our first objective, we are also evaluating the vast number of opportunities that are presenting themselves across many of the sectors in which we have invested, at levels at or near those seen in 2008.

— The negative impact of the Coronavirus on broad credit markets, reflecting lower expected global and US GDP growth, combined with a 59% year-to-date decline in oil prices to $25 on March 19, have hurt performance of the portfolio relative to its benchmark, the Bloomberg Barclays US Aggregate Index, during the month of March. However, we believe the portfolio is well-positioned to weather near-term volatility and to benefit when credit markets recover.

What has caused near-term underperformance?

– **Month-to-date through March 25, 2020, the Fund's Class Y shares returned -11.73%, compared to -6.64% for the Morningstar Core Plus Bond Category average and to -1.98% for the Bloomberg Barclays US Aggregate Index. Year-to-date, the Fund returned -9.28%, compared to -3.83% for the Morningstar Core Plus Bond Category average, and to 1.71% for the Bloomberg Barclays US Aggregate Index.** (See more complete performance information on page 3.)

– The primary detractor from month to date performance through March 18 was sector allocation.

– **Credit exposure.** The portfolio's significant underweight to nominal US Treasuries and its overweight to **spread** sectors, including non-agency Collateralized Mortgage Obligations (CMOs), and a more modest overweight to Financials detracted from performance. In addition, the Fund's Treasury Inflation Protected Securities (TIPS) exposure underperformed, as inflation expectations plummeted. Small allocations to Collateralized Loan Obligations (CLOs) and bank loans also sold off. These negative effects were partly offset by the benefits of the Fund's modest exposures to Asset Backed Securities (ABS) and to insurance linked securities. The lower relative quality of the Fund's investments in corporates further detracted.

– **Security selection underperformed, hurt by exposures within Industrials and Financials**. Within Industrials, pipelines and select travel credits underperformed; within financials, subordinated issues of banks, particularly European banks, sold off sharply. In addition, ABS and Commercial Mortgage Backed Securities (CMBS) issues underperformed.

– **Duration positioning had modest negative impact on performance.** The relative short duration position of approximately 0.5 years compared to the Index underperformed**,** as yields fell in the flight to quality.

– These factors have also been the major drivers of year to date underperformance.

How is the portfolio currently positioned? How may this positioning influence future performance?

- **The portfolio management team is highly focused on liquidity, and has significant available highly liquid assets, including, cash, agency MBS, and TIPS.** Several new programs of the Fed and US Treasury, including the Fed's now open-ended purchase program of US Treasuries and agency MBS, as well as its newly announced purchase program of investment grade corporate bonds with maturities up to five years, could contribute to increased liquidity in US fixed income markets. Interestingly, one of the best performing sectors is catastrophe bonds, which we have been able to sell to date at levels close to their book cost.

- **The portfolio continues to hold an underweight to Treasuries and an overweight to Credit.** The team believes that Treasuries offer little value to investors, while corporate credit offers significant investment opportunities, with the market dislocations that have developed over the past few weeks. With Treasury yields below 1%, real yields, using core Consumer Price Index (CPI), a measure that examines the weighted average of prices of a basket of consumer goods and services), are negative across the yield curve. Although we see near term disruption to growth, we do not believe these levels reflect the underlying longer-term strength of the US economy. Moreover, we believe the problems in Corporate credit, particularly Investment Grade Corporates, have resulted primarily from a liquidity squeeze, rather than from fundamental factors. At the margin, **the team is seeking out opportunities in long duration higher quality Corporates**, primarily in issues in which we hold high conviction, and using non-agency RMBS as a funding source. Many long duration corporates have underperformed the high yield market during the month of March, although investment grade issuers have tended to be significantly larger, with more diversified business lines, and stronger balance sheets, than high yield companies.

- **The team has a high level of conviction in its pipeline exposures.** As of February 28, 3.7% of the Fund's total energy exposure of 4.61% was in pipelines, with most of those being investment grade pipelines. (In addition, only 0.8% of total energy exposure was high yield rated.) Pipelines typically have lower sensitivity to commodity price volatility and rely more on US GDP growth. Subsequent to the energy crisis of late 2015 and early 2016, the sector focused on improving balance sheets, and cutting capital expenditures and dividends, with the result that it has enjoyed credit upgrades over the past few years. The holdings may also benefit from their diversification* across various basins and tend to favor natural gas over oil exposure. Natural gas prices may benefit from lower oil production in the US.

  *Diversification does not assure a profit or protect from loss.

- The team also believes that **the US and European banking sector continues to offer value. The sector is significantly stronger than in 2008**, with TCE ratios (Tangible Common Equity), the most conservative measure of capital, at twice 2008 levels.

- **The portfolio holds a near neutral duration position, with duration of 5.84 years, compared to 5.81 in the Index as of March 20**. We do not anticipate any rate increases by the Fed in the foreseeable future. Furthermore, with the US continuing to offer positive yields, and with lower currency hedging costs, we believe non-US demand for US fixed income assets will remain strong. The team believes that the yield curve has the potential to see significant steepening, for a number of reasons. First, the proposed estimated $1 trillion US fiscal stimulus combined with the already record US deficit will result in massive Treasury issuance, which may cause investors, particularly foreign investors, to demand higher yields to invest in US Treasuries. Secondly, the team believes that the longer-term economic forecasts implied by market pricing within the US Treasuries market may prove too pessimistic.

- **We believe the portfolio is well positioned for recovery in credit markets and for competitive performance of the Index going forward.** With investment grade corporate spreads over 320 **basis points** (bps) as of March 25, which represents 170 bps over their long term average and one of the highest levels over the past thirty years, investors are being well-compensated for credit risk. Similarly, we believe that high yield corporates that offer wide spreads, even excluding energy, metals and mining offers, represent compelling value for investors. As the year progresses and the global economy recovers, we anticipate further spread compression. A key point for investors: we do not believe the Fund faces any material permanent impairment of capital in this environment. In our opinion, fixed income market price volatility reflects a liquidity squeeze, driven by fear, rather than a prolonged economic downturn. Given the greater credit sensitivity of the portfolio, relative to the benchmark, we would anticipate the potential for competitive performance in the future.

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

Average Annual Total Returns for Class Y Shares

As of 12/31/19	Month	Quarter-to-Date	YTD	1-Year	3-Year	5-Year	10-Year
Pioneer Bond Fund (PICYX)	0.25%	0.69%	9.28%	9.28%	4.30%	3.51%	4.80%
Bloomberg Barclays US Aggregate Bond Index (Benchmark)	-0.07%	0.18%	8.72%	8.72%	4.03%	3.05%	3.75%
Morningstar Core Plus Bond Universe	0.11%	0.38%	8.94%	8.94%	4.12%	3.14%	4.27%

Gross expense ratio: 0.46%

Call 1-800-225-6292 or visit amundipioneer.com/us 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. Class Y shares are not subject to sales charges and are available for limited groups of investors, including institutional investors. Initial investments are subject to a $5 million investment minimum, which may be waived in some circumstances. 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 and financial statements for more information.

Performance Attribution: Additional Information
This performance attribution seeks to identify and quantify the drivers of portfolio performance relative to that of its benchmark. 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.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. Indices are unmanaged and their returns assume reinvestment of dividends and, unlike fund returns, do not reflect nay fees or expenses. You cannot invest directly in an index.

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

Advanced Refunding Bond (usually applies only to municipal bond funds) – A bond issued to retire, or pre-refund, another outstanding bond more than 90 days in advance of the original bond's maturity date.
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
Carry – The cost or benefit of owning that asset.
Correlation – The degree to which assets or asset class prices have moved in relation to one another. Correlation ranges from -1 (always moving in opposite directions) through 0 (absolutely independent) to 1 (always moving together).
Credit spreads (or spreads) – The differences in yield between Treasuries and other types of fixed-income securities with similar maturities.
Duration – A measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates, expressed as a number of years.
Correlation – The degree to which assets or asset class prices have moved in relation to one another. Correlation ranges from -1 (always moving in opposite directions) through 0 (absolutely independent) to 1 (always moving together).
Excess returns-represent investment performance generated by a security or portfolio that exceed the "riskless" performance of a security generally perceived by the market to be risk-free, such as a certificate of deposit or a government-issued bond.
Goldilocks-an economy is an economy that is not too hot or cold, in other words sustains moderate economic growth, and that has low inflation, which allows a market-friendly monetary policy.
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.
Insurance-linked securities – Investments sponsored by property-and-casualty insurers to help mitigate the risk of having to pay claims in the wake of natural disasters.
Loan Spread -- The interest rates over and above the LIBOR rate charged to borrowers by banks.
Municipal-to-Treasury Yield Ratio (municipal bond funds only) – A measure of municipal bond valuation. The higher the Municipal-to-Treasury ratio, the more attractive municipals are relative to Treasuries.

Prepayment Risk -- The risk involved with the premature return of principal on a fixed-income security. When principal is returned early, future interest payments will not be paid on that part of the principal.
Real Yield – The yield provided by an investment once inflation is taken into account.
Standard Deviation – A statistical measure of the historic volatility of a portfolio; a lower standard deviation indicates historically less volatility.
Sharpe Ratio – A measure of risk-adjusted return that describes how much excess return an investor receives in exchange for the volatility of holding a riskier asset.
Spread sectors – Nongovernmental fixed-income market sectors that offer higher yields, at greater risk, than governmental investments.
Tail Risk -- The additional risk of an asset or portfolio of assets moving more than 3 standard deviations from the current price, above the risk of a normal distribution.
Yield Curve- A yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates.
Yield to Maturity – The total return anticipated on a bond if the bond is held until the end of its lifetime.
Yield to Worst (YTW) – The lowest potential yield that can be received on a bond without the issuer actually defaulting.

The views expressed are those of Amundi Pioneer and are current through 3/24/20. 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 strategy or portfolio.

A Word about Risk
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 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. Investments in high-yield or lower rated securities are subject to greater-than-average price volatility, illiquidity and possibility of default. The securities issued by U.S. Government-sponsored entities (e.g., FNMA, Freddie Mac) are neither guaranteed nor issued by the U.S. Government. 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. At times, the Fund's investments may represent industries or sectors that are interrelated or have common risks, making them 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.

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