

Pioneer Equity Income 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 (gross domestic product) 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 that we believe have manageable debt levels, high-profit margins and stable, competitive positions.

Fund Positioning – Defensively Positioned in Quality, Dividend-Paying Stocks While Retaining Cyclical Exposure

- Pioneer Equity Income Fund seeks to invest in attractively valued, quality equities of companies that can pay and increase dividends¹ over time.
- The Fund is slightly overweight relative to the Russell 1000[®] Value Index in consumer staples, a defensive sector. However, it is modestly underweight other defensive sectors such as real estate and utilities given the high valuations of many stocks in those sectors, which are driven by investors’ search for income in a record-low interest rate environment.
- Attractive valuations in the materials sector has led the Fund to overweight the sector. Most of the holdings are in value-added businesses, such as a processor and distributor of metals, rather than in pure commodity businesses that are more vulnerable to significant margin compression as raw materials prices decline.
- The Fund is equal-weighted in energy. Within energy, the Fund’s primary exposure is to the integrated oil and refining stocks, rather than to the more volatile exploration and production and oil services stocks.
- The Fund is underweight financials, which face headwinds in a low interest rate environment in maintaining an attractive spread between deposit costs and interest income earned on loans. Credit quality may deteriorate as well for both commercial and consumer loans.
- We believe there may be an opportunity in beaten down industrial stocks as they have significant upside potential when the economic outlook improves.

¹Dividends are not guaranteed.

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® Value Index measures the performance of the large-capitalization value sector of the US equity market. **The S&P 500® Index** measures the performance of the broad US stock 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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