

Pioneer believes the economy can achieve a 3% to 4% level of growth in 2010. We think this, together with low rates, should provide a favorable environment for riskier fixed income asset classes, such as high yield.

High yield corporates are currently trading at or slightly wide to their long-term average and continue to offer value.

The views expressed in this memorandum regarding market and economic trends are those of Pioneer, and are subject to change at any time. These views 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. There is no guarantee that market forecasts discussed will be realized.

Macro Conditions Offer a Solid Backdrop for High Yield

Pioneer believes the economy can achieve a 3% to 4% level of growth in 2010. We think this, together with low rates, should provide a favorable environment for riskier fixed income asset classes, such as high yield. At this point in the economic recovery, corporate profit margins, cash flows and productivity are near record levels (relative to prior cycles), and balance sheets are generally healthy, which puts corporations in good financial condition to capitalize on the recovery. Improving (if slowly) labor markets as well as strong manufacturing readings from the Institute for Supply Management are also positives. All of this has helped credit markets reopen as the resurgence in high yield issuance meets with robust demand following the record low supply during the credit crisis.

We also believe the cyclical outlook for rising interest rates should favor credit sectors such as high yield. Over the next several years, moreover, we think the credit markets will outperform developed government debt markets, which ironically face increasing challenges of credit quality as their deficits and debt levels rise. While overseas debt issues in countries such as Greece, Portugal, Italy and Spain have removed the luster from some of the risk markets recently, we do not believe that these problems will significantly impact the global (especially the U.S.) high yield markets over the long-run; thus we view widening spreads as short-term in nature and would use them as buying opportunities.

High Yield Corporate Spreads are Still Attractive

High yield corporates are currently trading at or slightly wide to their long-term average and continue to offer value. While spreads have tightened dramatically, as illustrated in the chart on page 2, they were still approximately 654 bps as of 1/29/10, above their average of 598 bps (recently, high yield has sold off with spreads widening further, making for an even more compelling case). Therefore, there is still room for spreads to tighten toward their mean. These spreads are particularly attractive in light of the Moody's projected issuer 12-month default rate of 3%, which is significantly below the 4.90% long-term average default rate.

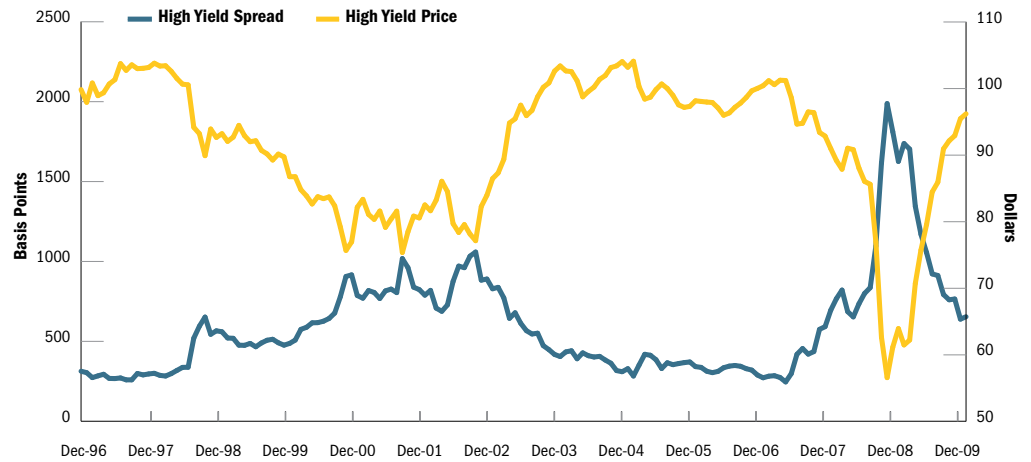
These lower forecasts reflect a combination of a higher quality index (which now excludes issues that defaulted in 2009), an open new issue market available for refinancing and an improving economic outlook. Investment grade corporate spreads of approximately 180 bps are close to long-term averages, yet we believe they still offer an attractive risk/reward proposition relative to more interest rate sensitive governments, particularly in light of high profit and cash levels and the strong earnings outlook for corporations.

Price levels have spiked recently as well, and at \$96 are above their average of \$91.50. However, in looking back to the early 2000s, where the last sharp increase in price occurred, it is worth noting that prices remained elevated for many years after, which is typical during an expansion in the credit cycle.

While spreads have tightened dramatically, they are still above their average of 598 bps. Therefore, there is still room for spreads to tighten toward their mean. Price levels are also above their average.

High Yield Spreads and Prices Remain Attractive

High Yield Spreads and Prices



Past performance is no guarantee of future results. Source: Bloomberg. The Bank of America Merrill Lynch High Yield Master II Index is an unmanaged measure of the US high yield bond market. Indices are unmanaged and their returns assume reinvestment of dividends and do not reflect any fees or expenses. It is not possible to invest directly in an index. Last data point January 29, 2010.

In fact, an investor who assumes no further improvement in price or spreads would earn the yield to maturity of 9.04% at month-end in January. Given that many asset allocation models assume a 9-10% annual return over the long term, this almost equity-like figure is relatively high compared to an investment universe where government bonds, stocks and money markets have offered paltry yields (e.g. the 3-month T-bill was yielding just 0.079% at the end of January).

A Compelling Yield to Maturity

High Yield – Yield to Maturity



Past performance is no guarantee of future results. Source: Bloomberg. The Bank of America Merrill Lynch High Yield Master II Index is an unmanaged measure of the US high yield bond market. Indices are unmanaged and their returns assume reinvestment of dividends and do not reflect any fees or expenses. It is not possible to invest directly in an index. Last data point January 29, 2010.

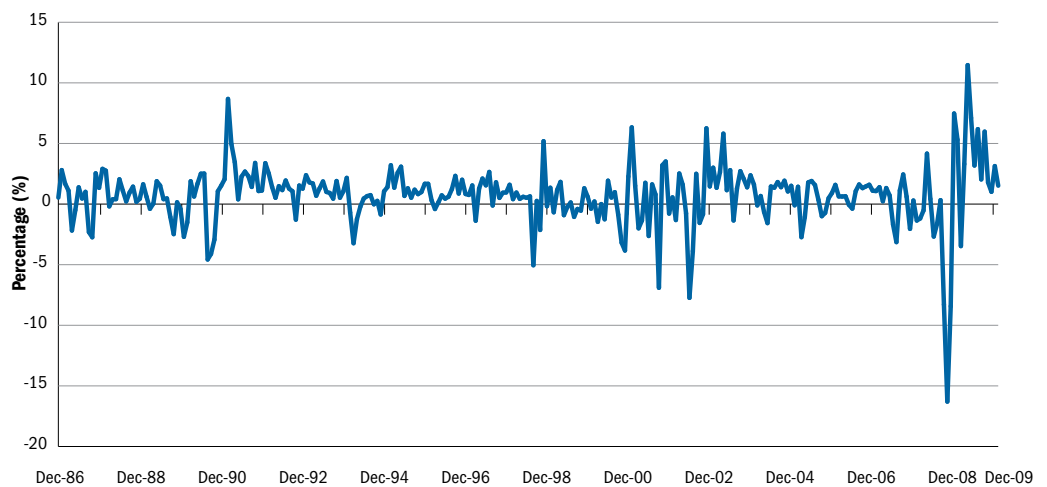
Pioneer believes that, given the long-term history of the asset class, investors with suitable risk tolerances and time horizons should discuss with their advisors an allocation to high yield bonds.

An Appealing Historical Return Scenario

Pioneer believes that, given the long-term history of the asset class, investors with suitable risk tolerances and time horizons should discuss with their advisors an allocation to high yield bonds. The US high yield market has enjoyed an average monthly return of 0.72% from January of 1987 to January 29 of this year. The annual return for that period was 8.57% – just shy of the 9.13% return of the S&P 500 and far outpacing the 6.95% earned by Treasuries. In addition, a positive Sharpe ratio of 0.50 shows good risk-adjusted returns for high yield, surpassing the S&P 500’s 0.37 and falling just shy of default-free Treasuries at 0.54.

High Yield Bonds Have Historically Offered Compelling Returns

High Yield Monthly Total Returns



Past performance is no guarantee of future results. Source: Bloomberg. The Bank of America Merrill Lynch High Yield Master II Index is an unmanaged measure of the US high yield bond market. Indices are unmanaged and their returns assume reinvestment of dividends and do not reflect any fees or expenses. It is not possible to invest directly in an index. Last data point January 29, 2010.

During the recent credit crisis, when high yield spreads were rocketing to over 2000 basis points, Pioneer strongly believed that the asset class was severely oversold and priced for a worse-than-depression scenario. Our decision to actively allocate our core and core plus strategies to take advantage of this significant buying opportunity was rewarded, as credit spreads have since narrowed sharply. While we do not expect the extreme positive returns the high yield market experienced during the greater part of 2009, we believe there is still an opportunity to benefit from the high yield asset class.

Following the past few periods that spreads have been close to the end of January’s 654 basis points, the high yield market has gone on to produce attractive performance.

High Yield Returns After Spreads Similar to Today's

5-Year Period	Starting Spread	Ending Spread	Cumulative Return	Annual Return
10/31/98 -- 10/31/03	652	473	29.25%	5.26%
8/31/00 -- 8/31/05	643	366	41.72%	7.22%
4/30/02 -- 4/30/07	688	274	61.16%	10.01%
4/30/03 -- 4/30/08	644	686	48.53%	8.23%

Past performance is no guarantee of future results. Source: Bloomberg. The Bank of America Merrill Lynch High Yield Master II Index is an unmanaged measure of the US high yield bond 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 investment environment we anticipate involves quality improvement in corporate credit, but deterioration in government sponsored debt.

A Word About Risk

The market values for securities in the high yield asset class tend to be very volatile, and these securities are less liquid than investment grade debt securities. For these reasons, investments in this asset class are subject greater-than-average risks. When interest rates rise, the prices of securities in this asset class will generally fall. Conversely, when interest rates fall, the prices will generally rise. At times, investments in the High Yield asset class may represent industries or industry 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.

This material is not intended to replace the advice of a qualified attorney, tax adviser, investment professional or insurance agent. Before making any financial commitment regarding any issue discussed here, consult with the appropriate professional advisor.

The views expressed in this memorandum regarding market and economic trends are those of Pioneer, and are subject to change at any time. These views 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. There is no guarantee that market forecasts discussed will be realized.

Following the past few periods where spreads have been close to the end of January's 654 basis points, the high yield market has gone on to produce attractive performance. An interesting scenario to note is that of 2003 to 2008, in which credit spreads widened but the asset class still enjoyed positive returns (see table on previous page). Income played a key role then, as it did in many months during the 5-year period that saw sharp positive returns.

Interest Rate Sensitive Sectors May Underperform. Inflation?

What about other fixed income asset classes? Sectors that are the most interest rate-sensitive are least attractive in environments with the potential for increasing real yields and rising inflation. Agency mortgages and agency debentures have rich valuations, with very narrow historical spreads over treasuries. While full government support has reduced the credit risk of the mortgage sector, investors should nonetheless expect to be compensated for the significant negative convexity risk inherent in mortgages, particularly in light of the potential for spread widening when the Federal Reserve ends its mortgage purchase program at the end of March.

At current yields, we also find Treasuries to have unattractive valuations. Treasuries continue to trade at record low real yields; with an improving economy and record debt/GDP levels, we expect real yields to rise over the next several years.

The threat of increasing inflation, moreover, has never been greater over the past thirty years, and has the potential to drive interest rates higher. When rates rise, we believe the high yield asset class should perform better than government-related, interest rate sensitive sectors such as Treasuries, mortgages and agency debentures.

There are a few reasons why an inflationary environment might be beneficial for corporations. First, as asset levels in the economy increase, a firm's plant, property and equipment appreciates. Second, the firm's profits should rise because the higher aggregate price level means more pricing power; plus, an increase in the wage level leads to greater consumer spending. Finally, inflation is more advantageous to debtors rather than creditors, as the debtors are paying back loans with dollars that are lower in value, while creditors must wait for their ever-eroding money. In other words, the investment environment we anticipate involves quality improvement in corporate credit, but deterioration in government sponsored debt. We have found bank loans of use to help reduce interest rate risk, since they have short durations due to their periodic rate resets. Thus, as part of our credit story, we believe bank loans are attractive, too.

Conclusion

We believe a strategy that contains a balance of high yield, equity, convertible and bank loan securities is prudent, given the anticipated investment environment. Allocations within Pioneer's own fixed income strategies – in particular our high yield and global high yield strategies – reflect this view. Investors should speak with their financial advisors about a portfolio allocation appropriate to their needs.