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Ken Taubes is the Head of Portfolio Management U.S. and is a Portfolio Manager of Pioneer Investments' U.S. Core and U.S. Core Plus strategies. He has 25 years of investment experience, including 10 with Pioneer Investments, and is well known within the investment industry.

Executive Summary

Pioneer Investments consistently strives to seek the most attractive opportunities for our investors, regardless of market direction or economic environment. Based on careful mathematical and historical analysis, we believe that now may be an opportune time to seek attractive values in the U.S. fixed income market:

- **The credit and liquidity crisis has improved significantly, and the U.S. economy has bottomed**
- **Corporate credit markets remain attractive**
- **Bond prices remain below historical averages**
- **The credit market is discounting for defaults at current levels, and we see an improving trend in default rates**

As we put the credit crisis behind us and look ahead to a gradual recovery, we are pleased to reflect that the fixed income opportunities we identified earlier in the year did in fact help to lead us out of the second-worst economic period in history. In the following pages, we will expand on our belief that the U.S. credit markets continue to offer value for appropriate investors.

Credit Markets Still Offer Opportunity

Spread levels for both the investment grade and high yield corporate bond markets have rallied significantly since their December peaks, but remain above historical norms. The high yield market is pricing in default rates of approximately 10%-12%, in line with current default levels, though we believe that default risk overall has decreased with the bottoming of the economy and an open new issue market. As active managers, we also believe we add value by striving to avoid defaults and have maintained default levels in our strategies significantly below those of the market.

While the high yield market continues to offer value over the medium term, we would not be surprised by a short term correction in response to the recent sharp narrowing of spreads. As we look to the longer term, we're also mindful of high yield's record of performing well in inflationary environments. Overall, we are constructive on investment grade and high yield corporate bonds and loans, all of which continue to offer attractive spreads and yields.

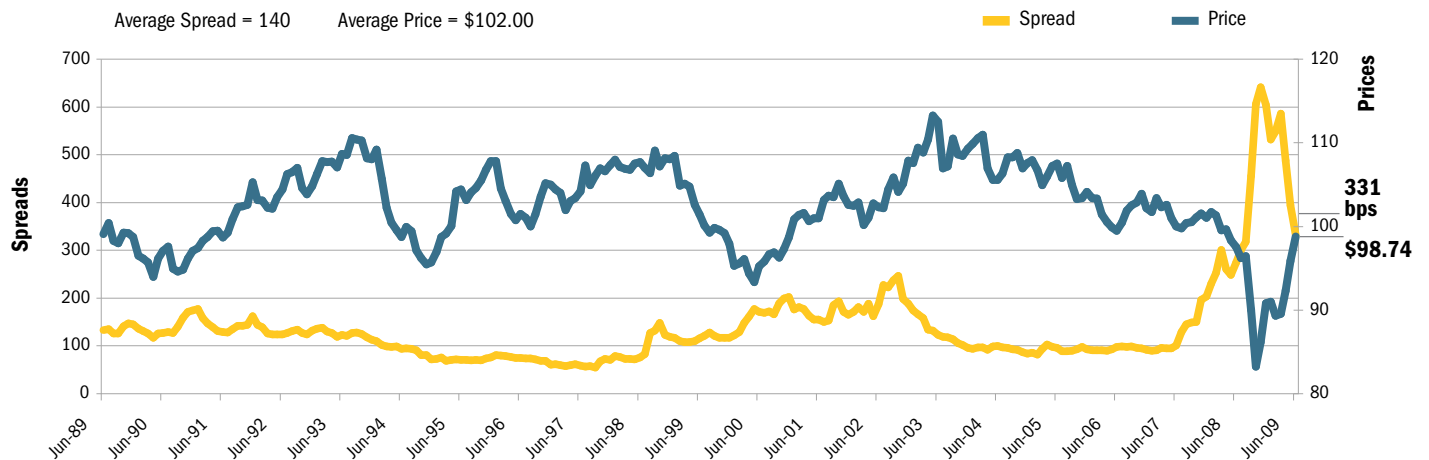
The U.S. Economic Recovery has Begun

The U.S. economy has bottomed and we expect GDP growth of -1% to -2% in 2009 and about 2%+ growth in 2010. We believe the recovery will be gradual, rather than V-shaped, as it still faces headwinds that include elevated unemployment levels, weak consumer demand and fragile consumer confidence. Positive trends include signs of stabilization for certain economic indicators in housing, factory activity and retail sales and while loan growth is weak, new issue debt markets have opened up. We do not see inflation as a significant concern until 2010 and 2011.

As expected, the response of global governments has helped bank and credit market recovery:

- Coordinated rate cuts by central banks as well as new lending facilities
- Direct investment through TARP and similar overseas programs
- Fed and Treasury programs to purchase commercial paper, agency and non-agency mortgages, treasuries, securitized consumer loans, including TALF and PPIP
- \$787 B stimulus package

Investment Grade Corporates: Historically Wide Spreads, Low Prices



Source: Merrill Lynch U.S. Corporate Master Index, an unmanaged measure of the performance of U.S. corporate bonds. 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. Last data point 6/30/09.

We Believe Investment Grade Bonds Offer an Attractive Opportunity

Facts

- Currently, spreads over U.S. Treasuries remain historically high at 3.31%, with yields of 6.14%.*
- The average market price of an investment grade bond has reached \$98.74, below the average.*
- The 20-year average investment grade default rate is .068%*.
- The highest investment-grade default rates in history averaged 0.90% yearly from 1934 to 1938.

*As of June 30, 2009.

Assumptions

- Today's investment grade bond investor is seeking an approximate 100 basis point risk premium – or return after default – over U.S. Treasuries.
- If the bonds outstanding eventually default, investors could be left with only 35 cents of return, a default loss of 65% (a pessimistic assumption based on current market conditions).

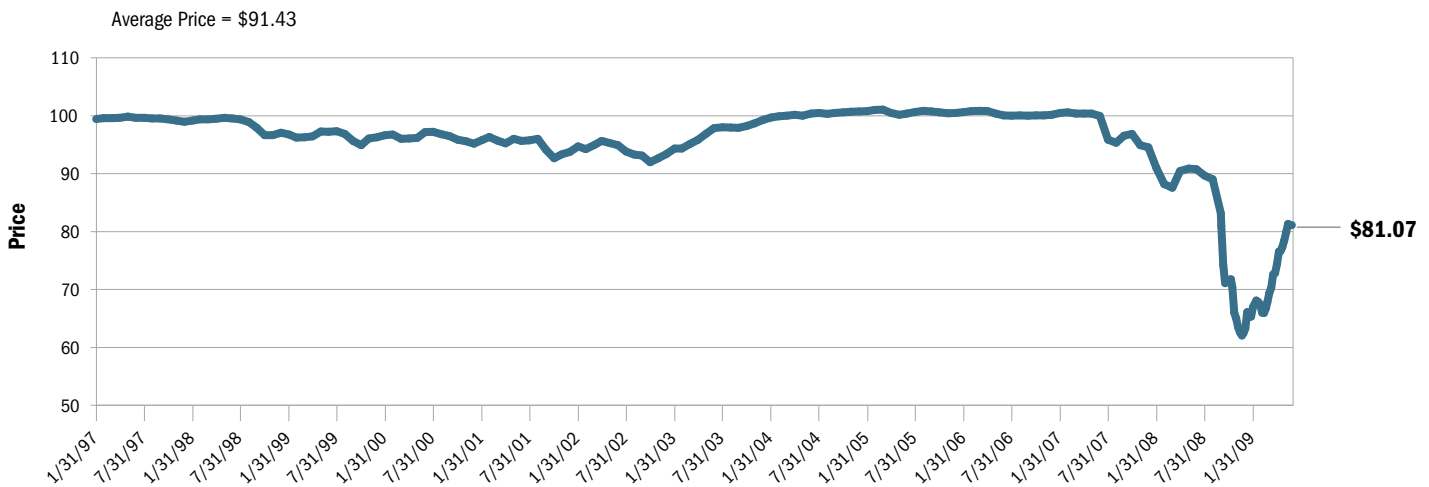
Worst-Case Scenario

If we subtract our 100 basis point premium from spreads of 331 basis points, our resulting spread to cover credit risk becomes 231 basis points. That spread divided by the 65% default loss would result in a 3.55% implied annual default rate – far exceeding the highest historical average of 0.90% from 1934 to 1938.

Conclusion

With spreads vs. U.S. Treasuries historically wide and yields at 6.14%, this asset class presents what we believe to be an attractive opportunity.

Leveraged Bank Loans: Historically Low Prices



Source: S&P/LSTA Index, which is designed to mirror the investable universe of the \$US-denominated leveraged loan 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. Last data point 6/26/09.

Leveraged Bank Loans Are an Attractive Alternative to High Yield Corporate Bonds

Facts	Assumptions
<ul style="list-style-type: none"> → Current spreads over U.S. Treasuries are at 895 basis points, with yields of 9.55%. * → The average market price of a bank loan security is historically low at \$81.07,* an approximate 19-point discount from par. → The 20-year average default rate is 3.2%. * → The highest historical annual default rate was 8.2% in 2001. <p>*As of June 26, 2009. Source: S&P/LCD Research.</p>	<ul style="list-style-type: none"> → Today's bank loan investor is seeking a 250 basis point premium – or return after default – over U.S. Treasuries. (The bank loan market traditionally has offered a slightly lower risk premium because loans are senior to high yield debt and are generally secured by the companies' assets, which has historically led to higher recovery prices in default situations.) → If the bonds outstanding eventually default, investors could be left with only 50 cents of return, a default loss of 50% compared to the long-term average of 71% - 73% (again, we've used conservative assumptions).

Worst-Case Scenario

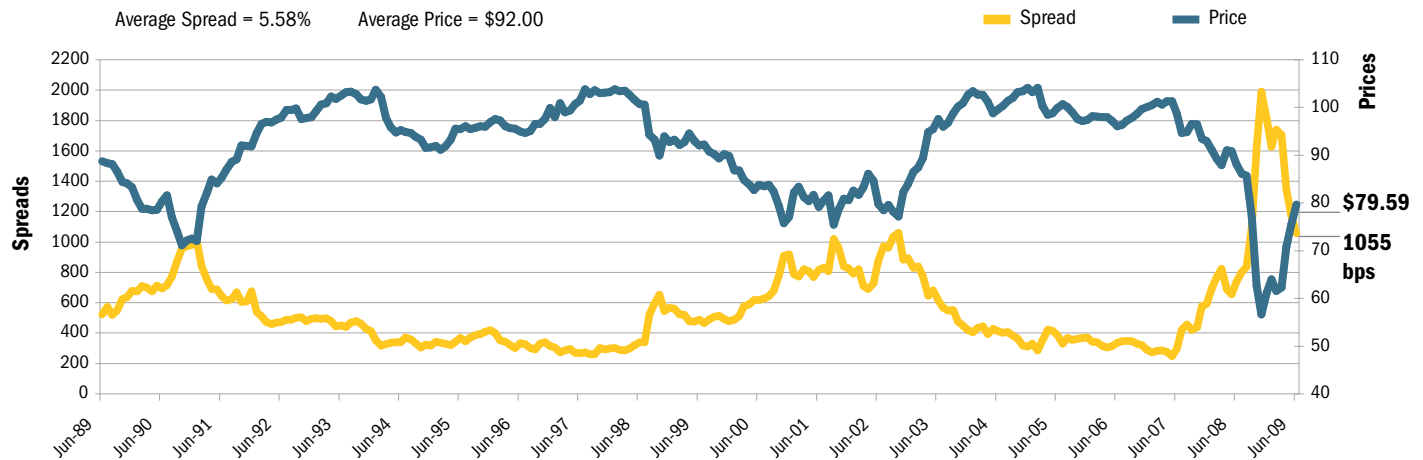
If we subtract our 250 basis point premium from spreads of 895, our current spread to cover credit risk becomes 6.45%. That spread divided by the 50% default loss would result in an implied default rate of about 12.90% – approximately 4.70% above the all-time high of 8.2%.

Conclusion

Bank loans have often been a choice of investors averse to the risks of high yield corporate bonds, or who are worried about interest rates (remember that floating rate leveraged bank loans have historically protected against interest rate risk).

We believe that, with yields of 9.55%, this asset class is inexpensive relative to its own history and well positioned to excel in an inflationary environment.

High Yield Bonds: Spreads Remain Wide vs. Average, Prices Remain Low



Source: Merrill Lynch High Yield Master II Index, a commonly accepted measure of the performance of high yield securities. 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. Last data point 6/30/09.

High Yield Corporate Bonds Are Historically Well Positioned

Facts

- Current spreads over U.S. Treasuries remain wide, with yields of 13.08%.*
- The average market price of a high yield bond is \$79.59*
- The 20-year average high yield default rate is 4.69%.*
- The highest high yield default rates in history averaged 9.2% yearly from 1931 to 1935.

*As of June 30, 2009. Source: Bloomberg, Moody's

Assumptions

- Today's long-term high yield investor is seeking a 300 basis point premium – or return after default – over U.S. Treasuries.
- If the bonds outstanding eventually default, investors could be left with only 20 cents of return, a default loss of 80% compared to the long-term average of 37% (a pessimistic assumption).

Worst-Case Scenario

If we subtract the assumed 300 basis point risk premium from the spread of 1055 basis points, our current spread is 755 basis points. That spread divided by the 80% default loss rate produces an implied annual default rate of 9.44%.

Conclusion

With yields for high yield bonds at over 13%, we believe this market is discounting for default rates at current levels, while default rates have begun to decline from their first-quarter 2009 high.

The views expressed in this Outlook are those of Pioneer Investments, 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 Pioneer.

Investors should consider risk tolerance and time horizons prior to making investment decisions.