Pioneer Multi-Asset Ultrashort Income Fund
A: MAFRX | C: MCFRX | Y: MYFRX

Portfolio Manager Q&A

The following is a Q&A on Pioneer Multi-Asset Ultrashort Income Fund with Co-Portfolio Manager, Seth Roman.

Please review the current fact sheet for Pioneer Multi-Asset Ultrashort Income Fund for the most recent quarterly performance, as well as investment fees and expenses.

Pioneer Moderator: Thanks to all who have joined us for this call regarding Pioneer Multi-Asset Ultrashort Income Fund. Our goal today is to discuss the portfolio and to provide an update about the recent events surrounding Hurricane Irma as well as the earthquake in Mexico, in light of Amundi Pioneer's exposures to insurance-linked securities (ILS).

Question: Tell us about Pioneer Multi-Asset Ultrashort Income Fund and its objectives.

Answer: The Fund's investment objective is to provide a high level of current income to the extent consistent with a relatively high level of stability of principal. What distinguishes Pioneer's Multi-Asset Ultrashort Income Fund from other short-term strategies is that we take more of a total return approach, focusing on seeking higher income relative to other short-term alternatives, albeit with greater risk. We also manage the Fund in a manner that seeks to mitigate NAV volatility, relative to short term or other intermediate term bond funds. As a reminder to all, this is not a money market fund.

The Fund seeks to invest in an opportunistic set of investments that investors may not be able to find themselves. This would include money market securities such as: repurchase agreements, commercial paper, corporate debt, municipal debt, structured product securities such as asset-backed securities, commercial mortgage-backed securities, residential mortgage-backed securities, bank loans and, yes, Insurance-linked securities (ILS).

The Fund seeks to invest in a set of investments across many different asset classes in order to minimize the idiosyncratic risk of the portfolio.

Question: You mentioned that as part of your process you seek diversification* across a wide variety of assets and this includes insurance-linked securities. Why do you invest in this asset class?

Answer: Yes as part of our diversified exposure, as of July 31, 2017 we had a 4% exposure to ILS within the Fund. At Amundi Pioneer, we manage over $1.44B (as of 6/30/17) in ILS assets across a variety of our funds, both as a stand-alone and as a diversifying sleeve in other fixed income and multi-asset portfolios. Over the years, we have deployed ILS instruments in the funds to pursue uncorrelated sources of returns.

These securities are outcome oriented, meaning the returns and risks are connected to non-financial market events, such as hurricane, earthquake and other insurable natural disasters. These events tend to happen relatively infrequently, but when they do, they may cover significant levels of damage. This makes ILS unique and an important potential contributor to the portfolio. ILS are generally not impacted by events such as changes in capital markets, or changes in Fed policy or other economic factors

Just as we seek to diversify across the entire portfolio, we also seek to diversify our ILS exposures. Across all of our ILS exposures, we work to diversify our holdings by peril type (e.g., hurricane, earthquake, winter storm), as well as by geography (North America, Europe, Japan, Australia, etc.). The diversification of risk is important to help ensure we do not bear too much exposure to any one peril. Even within a specific peril type, such as Florida hurricane risk, our goal is to diversify across location (Miami, Orlando, Tampa, Jacksonville) and level of risk remoteness.

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

Question: What is unique about the Fund's portfolio construction process and how does ILS play a role?

Answer: Our approach to portfolio construction is twofold. We seek to deliver a yield advantage against benchmark rates like LIBOR AND deliver less NAV volatility than that found in other short-term alternatives.

We seek to achieve this through a three step portfolio construction process. The first step is what we call the construction of the liquidity layers. We take the portfolio and we divide it into three roughly equal sizes, sorting by liquidity. The core of the portfolio typically pursues higher yields, but at a cost of wider bid-ask spreads, relative to the other layers. We tend to classify this layer as buy and hold and includes, but is not limited to, securities such as commercial mortgage-backed securities, bank loans and ILS. This core layer offers lower liquidity but affords the best opportunity to add yield.

Wrapped around that, we have an intermediate layer. This layer adds another element of diversification, with securities that tend to have tighter bid-ask spreads, relative to the core of the portfolio. Similarly, they tend to have higher yields relative to the third layer of the portfolio, which we classify as the liquidity layer. This layer includes, but is not limited to, instruments that typically appear in a money market fund.

The second step of the process is to diversify the portfolio across a number of different sector sleeves. Each one of the liquidity layers that I mentioned is further divided into sector sleeves. For example, the core is divided into a bank loan sleeve, an insurance-linked security sleeve and a commercial mortgage-backed sleeve. The goal here is to provide diversification across potentially less correlated markets, and therefore provide a measure of diversification that may reduce NAV volatility. What you will not typically see in this portfolio is a reallocation where there is a very strong concentration in any one of these sectors.

The last part of this process is to opportunistically, or very dynamically, invest at the margin so that if we find that there is a deteriorating risk situation in one of the invested sectors, we will be able to reduce exposure, keeping in mind our diversification objectives.

We believe this process allows for us to take prudent risks in asset classes such as ILS because we can diversify across the portfolio as we invest in a disciplined way across the layers.

Question: Let's talk about Hurricane Irma as this has been a recent event that has been widely publicized on the news and has had major impacts to the people of Florida and surrounding states. What can you tell me about Irma and what impact has it had on the Pioneer Multi-Asset Ultrashort Income Fund?

Answer: Hurricane Irma was a very large hurricane. The storm caused significant destruction throughout parts of the Caribbean before making landfall in the Florida Keys as a Category 4 storm on Sunday, September 10. Similar to other storms, there were numerous models and forecasted storm tracks leading up to the landfall. The actual path of Irma took a more westerly path and had increased impact on the gulf side of the state, which is different from what many models had predicted just even days before.

Currently the focus is on rescue, recovery and relief to victims left in the destructive path caused by Hurricane Irma. This effort will take days and weeks to fully complete. As that phase advances, the insurance and reinsurance claims process will begin. However, very early combined insured US loss estimates are in the $20 billion to $40 billion range. The losses include wind and storm surge damage to onshore residential, commercial and industrial properties and their contents, automobiles, and time element coverage (additional living expenses for residential properties and business interruption for commercial properties). The loss estimates are significantly lower than the broadly sited "worst case scenarios" presented by the media last week.

As a result of those expected losses, Pioneer Multi-Asset Ultrashort Income Fund declined 3 cents on the NAV for the Y share and 4 cents on the NAV for the A share, as of the close of business last Friday, September 8. Many of the ILS securities were priced down even before the storm made landfall.

However, since that initial effect on the portfolio, more information has come in regarding industry losses, and many of the ILS positions in the Pioneer Multi-Asset Ultrashort Income Fund were priced up. The Fund's Y and A share classes have gone up 2 pennies in NAV as of Tuesday, September 12.

Question: How much exposure to Hurricane Irma does the Fund have?

Answer: That is a great question and should be answered by reminding everyone that investing in reinsurance is not the same thing as allocating capital to corporate bonds. The concept of exposures is different in the way we think about risk, as opposed to capital exposure. The reinsurance industry does not analyze risk in the same way. The definition of exposure to a particular peril and geography is different than that of the traditional corporate bonds exposure.

Let me share an analogy to illustrate my point. When you own a house, you will typically buy insurance on the whole house rather than buying insurance for one particular room. Now think about this in terms of the US representing the house that you are insuring. When we buy insurance risk, we might buy a policy that covers the US, and Florida might represent the bathroom and the kitchen might represent California and Illinois might represent the living room. What you usually don't do is go buy a separate policy that just covers the kitchen just because there is an increased risk of fire happening in that room. You buy insurance on the whole property and the risks for each of those exposures are priced separately based on the probability of certain types of events. This is why risk and specifically exposure is not about a geographic exposure, but is instead based on a level of expected loss. This is how we allocate the portfolio rather than buying a policy that only covers Miami hurricanes or San Francisco earthquakes.

Additional differences between ILS and other bonds comprise the various features of ILS including the characteristics of different instrument types, as well as the different investments across the reinsurance tower (or capital structure). These differences make defining the exact exposure to a peril and geography virtually impossible.

Some natural catastrophe events, such as earthquakes, present no forewarning, so advance estimates of impact are not meaningful. However, others, notably hurricanes, do have significant forewarning, and therefore raise questions about the potential impact of the event. It is critical to understand that even with the current sophistication of meteorological and risk exposure models, advance estimates of insured losses generally have such wide confidence intervals that it renders those estimates close to useless. There are multiple layers of complexity, including the uncertainty surrounding a future storms track including the location and strength of landfall.

Small differences in landfall and strength can lead to very large differences in damage outcomes. The last two significant hurricanes to strike the US demonstrate this point. Matthew, in 2016, could have easily produced $40B in insured losses, had it shifted 40 miles to the east and struck the east coast of Florida. Instead, it remained stubbornly offshore, making landfall in North Carolina, and producing only ~$4B in insured losses.

Just as landfall location is a significant variable, the impact of a storm, once its strength and landfall location are known, is still subject to significant variability. The behavior of windstorms as they interact with stationary objects is a dynamic process, and the path of the storm is essentially a collection of many transitory microclimates. Random wind gusts can easily tear off the roof of one building, while leaving nearby structures relatively undamaged.

Question: How many individual insurance-linked securities do you typically own and what is the maturity of most ILS bonds?

Answer: We typically own around 100 or so different insurance-linked securities. As I mentioned earlier, the number of the bonds simply is not essential to understanding the risk. Allocating to the reinsurance industry is not the same as allocating capital to other bonds. Many catastrophe bonds have maturities of 2-4 years and some of the other instruments will have 1 year maturity. However, I would point out the maturity of these investments is not the central concern. What is most relevant is whether or not an event occurs and what is the associated level of loss. As of today, no bonds in the Pioneer Multi-Asset Ultrashort Income Fund have defaulted as a result of Hurricane Irma.

Question: When will we know what the final impact will be?

Answer: This is a difficult question to answer because as I mentioned the focus initially is on the rescue and recovery efforts. What we do know is that the early combined insured US loss estimates are in the $20-$40 billion range, which is lower than what many had thought during Friday of last week when many of these securities were priced down. Most bonds that would have been triggered with insurance industry loss from a hurricane over $70bn are priced close to par. In the meantime, insurance and reinsurance companies have not started damage assessments, assignment of coverage, attachment and exhaustion of coverage and claims processing. Depending on the nature, severity and location of the event, this can take days to weeks to months to accomplish. As a result, we need to balance event timeliness with any possible return impact.

There is a significant difference between economic losses, insured losses and what may be covered by reinsurance. In general, historically the initial reporting around these events has tended to have a wide range of possible losses and over time, they have usually been lowered and made more precise. Brokers typically mark down the price of the instruments based on loss estimates. Unlike traditional bonds, where price discovery is immediate, the insurance and reinsurance industry works through an extensive process to determine a final outcome.

Question: In light of the hurricane, do you expect to find opportunities within the ILS market?

Answer: We always look to invest where we believe we can be compensated for the risks we are taking. Given that this turned out to be a more modest event than was predicted, we don't see any immediate opportunity. In previous periods, prices have typically increased after a series of large events. Another insurance analogy is likened to getting in a car accident. After an accident your insurance premiums usually will go up the next year, but the risk that you will get into another accident is the generally the same. The concept with ILS is similar in this case.

Question: Do you manage your ILS exposures differently in MAUI as compared to some of your other funds?

Answer: Across all of our ILS exposures, we work to ensure that we diversify our holdings by peril type (ex. hurricane, earthquake, winter storm), as well as by geography (North America, Europe, Japan, Australia, etc.). We do seek however, to match the risk profile of our ILS exposures to that of the underlying fund.

Within Pioneer Multi-Asset Ultrashort Income Fund, we can seek out securities with a lower level of risk and higher level of liquidity than compared to other fund exposures. Some insurance-linked exposures may have a different expected loss even if their risk is tied to a similar peril in a similar geography. This means that different ILS are affected differently depending upon the level of loss, which allows the portfolio managers the ability to shift to more remote risks or less remote risks, in an effort to shift the level of risk of the portfolio. This concept is similar to investing in tranches of a securitized asset, as more risk-averse investors would invest in more senior positions, while more risk-seeking investors would invest lower down the capital structure.

Pioneer Moderator: Thank you Seth. We appreciate all the insight you offered into the Fund and all of the ways you look to diversify the portfolio across a variety of asset classes including ILS. This concludes our discussion on Pioneer Multi-Asset Ultrashort Income Fund. Thank you to our participants and we appreciate your time. If you do have further questions, do not hesitate to reach out to your local Amundi Pioneer representative.

A Word about Risk

All investments are subject to risk, including the possible loss of principal. Pioneer Multi-Asset Ultrashort Income (“MAUI”) Fund has the ability to invest in a wide variety of debt securities. **The Fund may invest in underlying funds,** including ETFs. In addition to the Fund's operating expenses, you will indirectly bear the operating expenses of investments in any underlying funds. **The Fund and some of the underlying funds employ leverage**, which increases the volatility of investment returns and subjects the Fund to magnified losses if an underlying fund's investments decline in value. **The Fund and some of the underlying funds may use derivatives**, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. **The Fund may invest in inflation-linked securities**. As inflationary expectations increase, inflation-linked securities may become more attractive, because they protect future interest payments against inflation. Conversely, as inflationary concerns decrease, inflation-linked securities will become less attractive and less valuable. **The Fund may invest in credit default swaps**, which may in some cases be illiquid, and they increase credit risk since the fund has exposure to both the issuer of the referenced obligation and the counterparty to the credit default swap. **The Fund may invest in subordinated securities**, which may be disproportionately adversely affected by a default or even a perceived decline in creditworthiness of the issuer. **The Fund may invest in floating rate loans**. The value of collateral, if any, securing a floating rate loan can decline or may be insufficient to meet the issuer's obligations or may be difficult to liquidate. **The Fund may invest in event-linked bonds**. The return of principal and the payment of interest on event-linked bonds are contingent on the non-occurrence of a predefined "trigger" event, such as a hurricane or an earthquake of a specific magnitude. **The Fund may invest in zero coupon bonds and payment-in-kind securities**, which may be more speculative and fluctuate more in value than other fixed income securities. The accrual of income from these securities are payable as taxable annual dividends to shareholders. **Investments in equity securities are subject to price fluctuation. International investments are subject to special risks,** including currency fluctuations, social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets**. Investments in fixed income securities involve interest rate, credit, inflation, and reinvestment risks**. As interest rates rise, the value of fixed income securities falls. **The Fund 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 prepayments. **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. **High yield bonds possess greater price volatility, illiquidity, and possibility of default. There may be insufficient or illiquid collateral securing the floating rate loans held within the Fund.** This may reduce the future redemption or recovery value of such loans. **The Fund may have disadvantaged access to confidential information** that could be used to assess a loan issuer, as Pioneer normally seeks to avoid receiving material, non-public information.

Multi-Asset Ultrashort Income Fund is not a money market fund.

These risks may increase share price volatility. There is no assurance that these and other strategies used by the Fund or underlying funds will be successful.

Please see the prospectus for a more complete discussion of the Fund's risks.

Before investing, consider the product’s investment objectives, risks, charges and expenses. These risks may increase share price volatility. Contact your advisor or Amundi Pioneer for a prospectus or summary prospectus containing this information. Read it carefully.

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