COMMENTARY

Pioneer Strategic Income Fund

Performance Analysis & Commentary | June 2017

Fund Ticker Symbols: **PSRAX** (Class A); **STRYX** (Class Y)

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Second Quarter Review

- The Fund's Class A shares returned 1.56% at net asset value in the second quarter, and Class Y shares returned 1.64%, while the Fund's benchmark, the Bloomberg Barclays US Universal Index (the Bloomberg Barclays Index), returned 1.52%.
- During the second quarter, the Fund's returns benefited primarily from security selection within financials. In particular, the portfolio's European exposures, especially to European banks, benefited from strong gross domestic product (GDP) growth in the euro zone and greater political stability resulting from the election of Emmanuel Macron as the new French leader. Yield-curve positioning and the portfolio's relative credit quality also contributed to the Fund's performance.
- We believe that the markets continue to be "behind the curve" in their views on the appropriate level of interest rates. With its more hawkish June statement, the Federal Reserve (the Fed) may have recognized that it, too, has been behind the curve, and may be resolute about getting back to neutral.

Despite increased political uncertainty and mixed economic data in the US, robust first quarter corporate revenue and earnings, strong global economic growth, a resounding victory in the French elections by the pro-European Union Macron, and softer inflation data drove strong second quarter performance in both the global equity and credit markets, and in US Treasuries.

US equities and corporate credit markets gained ground on strong earnings reports, in spite of stretched valuations and a moderating outlook for domestic economic growth, as first quarter GDP disappointed and skepticism rose regarding President Trump's ability to implement his pro-growth tax and stimulus policies. US Treasuries gained during the quarter as well, as lower-than-expected consumer price inflation and personal consumption expenditure inflation, and reduced inflation expectations due to the delays in passing President Trump's stimulus programs contributed to falling intermediate- and long-term yields. Only developed non-US sovereigns sustained losses in the second quarter, as rates rose by the end of the period in response to more hawkish monetary-policy statements from various central banks.

Average US Treasury yields fell over the second quarter, on lower inflation expectations. The 10-year Treasury yield fell from 2.39% to 2.30% (which reflected a drop in break-evens from 1.97% to 1.74%), while the 30-year Treasury yield fell from 3.02% to 2.84%.

Agency mortgage-backed securities (MBS) wound up almost flat for the quarter, relative to Treasuries, as gains made by MBS in the first two months of the quarter reversed in June, reflecting the negative impact of lower foreign demand and the Federal Open Market Committee's (FOMC's) plan to taper its balance sheet and reduce reinvestments in the sector. Lower foreign demand contributed to the outperformance of conventional mortgages over Government National Mortgage Association (Ginnie Mae) mortgages; longer-duration mortgages also outperformed, benefiting from the flattening of the yield curve. (Duration is a measure of the sensitivity of the price, or the value of principal, of a fixed-income invest¬ment to a change in interest rates, expressed as a number of years.) Commercial MBS (CMBS) outperformed Treasuries for the quarter, benefiting from the demand for yield.

Corporate credit significantly outperformed structured credit over the three-month period. Investment-grade corporates posted a 1.12% excess return, buoyed by strong first quarter revenue and earnings, and a favorable earnings outlook. (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.) Within individual sectors, industrial issues outperformed financials and utilities. Meanwhile, the high-yield credit market almost matched its first quarter returns, despite the struggles of the energy sector, as the asset class returned 2.1%, benefiting from the demand for yield and the strong global economic growth outlook. Floating-rate assets underperformed in the second quarter, as market expectations of rate increases diminished, despite a couple of increases in the Federal funds rate by the Fed since March. Bank loans returned 0.76% for the quarter, while catastrophe bonds returned 0.96%.

Emerging markets sovereigns and corporates each posted good performance this quarter, returning 2.4% and 2.0%, respectively, as they benefited from strong global growth and US dollar weakness. The US Dollar Index declined by 3.2% over the three-month period, in the wake of relatively weaker US economic growth, decreased likelihood of fiscal stimulus legislation, and the aforementioned hawkish stances taken by global central banks late in the period, which helped reduce yield differentials.

Those hawkish stances from central bankers led to oil-price volatility dominating market sentiment towards the end of the quarter, which resulted in modest losses and near-flat total returns for both US equities and higher-risk credit sectors in June. Oil prices actually declined throughout most of the three-month period, dropping from their April high of $53 per barrel on higher inventories and increased US production. In June, however, lower inventories and US production reports helped oil prices recover from their low of $42.50 a barrel, as they closed the month (and the quarter) at just over $46.

Also in June, as expected, the FOMC moved forward with a 0.25% rate increase, the third since December 2016. However the Fed is holding firm on an additional rate increase in 2017 and three hikes in 2018, while providing detailed information on its balance-sheet tapering program, surprising the markets. Investors had expected a more dovish FOMC, in light of weaker inflation data and lower projected US GDP growth, the levels of which have been adjusted to reflect the reduced expectations of the potential effects of President Trump's proposed economic programs. European Central Bank (ECB) President Draghi followed up the FOMC's actions with a much more hawkish-than-expected speech, suggesting his willingness to begin reducing the ECB's quantitative easing program.

Sector Allocation and Security Selection

During the second quarter, the Fund's returns benefited primarily from security selection within financials. In particular, the portfolio's European exposures, especially to European banks, benefited from strong GDP growth in the euro zone and greater political stability resulting from the election of Macron in France. Yield-curve positioning and the portfolio's relative credit quality also contributed to the Fund's performance.

We have increased the portfolio's investments in subordinated issues of European banks, which offer attractive relative value compared to US banks, particularly in light of better-than-expected GDP growth in the euro zone. Holdings of euro zone banks, including ING and Banque Paribas, as well as the government-related French utility, Electricite de France, contributed to the Fund's performance over the quarter.

In addition, security selection within government-related issues and CMBS helped the Fund's performance this quarter. The portfolio also benefited from its bar-belled position on the yield curve, as the curve flattened due to lower inflation expectations, particularly on the long end. In particular, the Fund's underweight to the two-year key-rate duration and its overweight to the 30-year key-rate duration outperformed in the second quarter.

Finally, the Fund's lower-relative-quality bias within financials and industrials benefited performance, as lower-quality investment-grade and high-yield issues outperformed over the three-month period.

On the negative side, the Fund's short-duration position of approximately -1 year relative to the benchmark Bloomberg Barclays Index hurt performance, reflecting the impact of the negative carry as well as a decline in intermediate- and long-term interest rates. This negative effect on the Fund's performance was partly offset by the benefit of the bar-belled yield-curve position, discussed previously.

Sector allocation decisions also detracted from the Fund's performance this quarter, particularly the portfolio's 3% exposure to Treasury Inflation Protected Securities (TIPS). TIPS underperformed as 30-year break-evens fell from 2.09% to 1.86% over the three-month period, due to reduced inflation expectations. That negative was offset in part by the benefits of the Fund's 31% underweight to nominal US Treasuries, a 2% exposure to convertibles, and a 4% allocation to insurance-linked securities.

Current Outlook and Positioning

We believe the US economy may deliver GDP growth of more than 2% in 2017. While the benefits of President Trump's proposed policies of lower taxes and higher infrastructure spending, if enacted, are expected to be realized more in 2018 than in 2017, solid employment may continue to support consumption and the housing market. GDP growth may strengthen throughout 2017, buoyed by stronger corporate profits that are benefiting from improved global economic growth, easy financial conditions, and lower regulation.

We believe that the markets continue to be "behind the curve" in their views on the appropriate level of interest rates. With its more hawkish June statement, the Fed may have recognized that it, too, has been behind the curve, and may be resolute about getting back to neutral. Both economic growth and inflation have generally met the Fed's goals, in a situation in which we are facing full employment. In addition, FOMC governors have recently focused on rate normalization as a means to avoid creating asset bubbles.

We think the US dollar could depreciate modestly in the near term, as yield differentials between the US and developed markets narrow. Improving global economic growth has driven more central banks, including the ECB, to consider withdrawal from their quantitative easing policies. In addition, President Trump's preference for a lower dollar, combined with the three openings on the FOMC and the potential for more expensive trade, may put a brake on dollar appreciation.

The portfolio continues to be positioned for rising interest rates and a solid economy, with an overweight to credit and an underweight to Treasuries. We find most US government debt unattractive, while we believe the credit sectors may benefit from stronger economic growth, lower taxes, and less regulation, if such policies are enacted.

The Fund has a short-duration position of -1.1 year relative to its benchmark as of quarter-end. As noted earlier, we believe the market may be behind the curve, given solid GDP growth, little slack in the labor market, and average projected inflation of 1.5% to 2% over the rest of the year.

We hold long-duration TIPS in the portfolio, and believe the recent decline in break-evens does not accurately reflect the longer-term potential for 2% inflation rates. The Fund has a benchmark-neutral weight in agency MBS; however, including the 12% portfolio exposure to non-agency MBS, it remains significantly overweight to residential MBS (RMBS). We hold the overweight to RMBS because we believe that agency MBS offer attractive value relative to corporate credit. Fundamentals for the housing sector remain strong, given improving employment, the recent decline in longer-term rates, and attractive home-price affordability. Meanwhile, we believe that non-agency MBS offer attractive value relative to agency MBS, based on long-term price spreads. In particular, CMO 2.0 new issues (issued in 2012 and later) offer very attractive relative value compared with agency MBS. This new CMO issuance represents jumbo prime MBS, of pristine credit quality. Indeed, we view them as a proxy for agency MBS.

The Fund remains underweight to investment-grade corporates, but continues to hold a significant overweight to high-yield corporate exposure (including bank loans). Within corporates, tighter spreads and higher leverage are counterbalanced by strong fundamentals.

We have been seeking to add subordinated exposures in European banks, given their attractive relative value compared with US banking issues and the positive outlook for GDP growth in the euro zone. (Credit spreads are commonly defined as the differences in yield between Treasuries and other types of fixed-income securities with similar maturities.) Accordingly, the Fund is overweight to financials, and we have increased portfolio exposure to European banks while reducing US bank exposure. More generally, we believe the banking and insurance sectors offer attractive relative value. While spreads are modestly lower than the broad corporate benchmarks, we believe financials offer lower event-risk of share repurchases, or credit impairment due to merger-and-acquisition activity. Banks are currently focused on improving capital ratios to meet regulatory requirements, and we think they should also benefit from rising global yields and steepening yield curves.

The Fund remains overweight to the energy midstream sub-sector, a sector that shows relatively less sensitivity to oil-price volatility. We expect continued spread tightening in the space, which remains one of the wider-trading sub-sectors within investment grade. While OPEC's (Organization of Petroleum Exporting Companies) extension of production cuts should help offset increased production from US shale producers, we are watching the supply/demand balance carefully.

We have recently added select emerging markets currency exposures to the portfolio. Emerging markets are benefiting from the stronger global growth and increased domestic demand. In the emerging markets, we have a preference for countries undertaking important structural reforms, such as India, Indonesia, and Argentina.

Performance Review

Pioneer Strategic Income Fund's Class A shares returned 1.56% at net asset value in the second quarter, and Class Y shares returned 1.64%, while the Fund's benchmark, the Bloomberg Barclays US Universal Index, returned 1.52%.

Average Annual Total Return (Class A shares)

June 30, 2017	(at NAV)	(at POP)	Bloomberg Barclays US Universal Index
1 year	5.73%	0.94%	0.91%
3 years	2.95%	1.40%	2.76%
5 years	4.25%	3.30%	2.73%
10 years	6.05%	5.56%	4.73%

Average Annual Total Return (Class Y shares)

June 30, 2017	(at NAV)	Bloomberg Barclays US Universal Index
1 year	6.05%	0.91%
3 years	3.27%	2.76%
5 years	4.57%	2.73%
10 years	6.41%	4.73%

Expense Ratios (As of prospectus dated April 1, 2017)

Class A shares: Gross, 1.04%

Class Y shares: Gross, 0.73%

Call 1-800-225-6292 or visit amundipioneer.com 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.

The NAV results represent the percent change in net asset value per share. Returns would have been lower had sales charges been reflected. The POP performance data reflects deduction of the maximum 4.50% sales charge at the beginning of the period. 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.

Class Y shares are not subject to sales charges and are available for limited groups of eligible investors, including institutional investors.

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 for more information.

A Word about Risk:

Investments in high-yield or lower-rated securities are subject to greater-than-average price volatility, illiquidity and possibility of default.

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.

The securities issued by US government-sponsored entities (e.g., FNMA, Freddie Mac) are neither guaranteed nor issued by the US 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 prepayments.

Investing in foreign and/or emerging markets securities involves risks relating to interest rates, currency exchange rates, economic, and political conditions.

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.

The Bloomberg Barclays US Universal Index is unmanaged, and represents the union of the USAggregate Index, the US High Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, the non-ERISA portion of the CMBS Index, and the CMBS High Yield Index. Municipal debt, private placements and non-dollar-denominated issues are excluded. Index returns are calculated monthly, 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 in this commentary are those of the portfolio manager and are subject to change at any time. These views do not necessarily reflect the views of Amundi Pioneer or others in the Amundi Pioneer organization and should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any Amundi Pioneer investment product.

Securities Discussed

	% of Portfolio as of June 30, 2017
ING Groep, Floating Rate note, 12/29/49	0.29%
BNP Paribas, Floating Rate Note, 12/31/49 (144A, perpetual)	0.41%
Electricite de France SA, 6.00%, 1/22/14 (144A)	0.43%

Top 10 Holdings

		% of Portfolio as of June 30, 2017
1.	US Treasury Inflation Indexed Bonds, 0.75%, 2/15/45	1.89%
2.	US Treasury Inflation Indexed Bonds, 1.0%, 2/15/46	1.06%
3.	US Treasury Bills, 0.00%, 7/20/17	0.98%
4.	International Bank for Reconstruction & Development, 3.50%, 1/22/21	0.70%
5.	Wells Fargo, 7.50%, 12/31/49 (Perpetual)	0.68%
6.	New Zealand Government Bond, 5.50%, 4/15/23	0.63%
7.	International Finance Corp., 6.30%, 11/25/24	0.50%
8.	Bank of America, 7.25%, 12/31/49 (Perpetual)	0.49%
9.	Fannie Mae, 5.00%, 11/1/44	0.48%
10.	Electricite de France SA, 6.00%, 1/22/14 (144A)	0.43%

The portfolio is actively managed, and current holdings may be different. The holdings listed should not be considered recommendations to buy or sell any security listed.

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Contact your advisor or Amundi Pioneer Asset Management for a prospectus or summary prospectus containing this information. Read it carefully.

Neither Amundi Pioneer, nor its representatives are legal or tax advisors. In addition, Amundi Pioneer does not provide advice or recommendations. The investments you choose should correspond to your needs, goals, and risk tolerance. For assistance in determining your financial situation, please consult an investment professional.