COMMENTARY

Pioneer Strategic Income Fund

Performance Analysis & Commentary | December 2017

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

Fourth Quarter Review

- The Fund's Class A shares returned 0.78% at net asset value in the fourth quarter, and Class Y shares returned 0.86%, while the Fund's benchmark, the Bloomberg Barclays US Universal Index (the Bloomberg Barclays Index), returned 0.41%.
- Yield-curve positioning was the largest contributor to the Fund's performance in the fourth quarter, as the yield curve continued to flatten. With credit-sensitive debt outperforming over the quarter, security selection, the relative quality of the portfolio's holdings, and sector allocation decisions also contributed to the Fund's performance.
- We believe economic growth will remain robust in both the US and globally during 2018, supported by easy financial conditions and, in particular, continued expansion of global central-bank balance sheets, despite the Federal Reserve's (the Fed's) balance-sheet tapering program and the European Central Bank's (ECB's) reduction of its bond-purchasing program.

Strong global gross domestic product (GDP) growth and corporate earnings, declining unemployment, modestly less-accommodative global monetary policy, US tax reform legislation, and subdued inflation all contributed to strong equity and credit market performance during the fourth quarter of 2017.

With the exception of the 30-year Treasury, interest rates rose over the quarter, while the expectation for continued Fed interest-rate increases contributed to a significant flattening of the yield curve. Two-year Treasury yields rose from 1.48% to 1.89% during the quarter, while 10-year yields rose modestly, from 2.33% to 2.41%, and 30-year yields declined from 2.86% to 2.74%. Treasury Inflation-Protected Securities (TIPS) outperformed this quarter as inflation expectations rose, with 10-year and 30-year breakevens rising to 2%.

Despite the Fed beginning to taper its balance sheet in October by gradually reducing its purchases of Treasuries and agency mortgage-backed securities (MBS), the latter still enjoyed relatively strong performance in the fourth quarter of 2017. The agency MBS sector delivered excess returns of 0.24%, benefiting from stable interest rates and strong demand. (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.)

Investment-grade corporates enjoyed the strongest returns in the credit-sensitive sectors, posting absolute returns of 1.17% and excess returns of 0.99%, as the sector benefited from strong profits and the US tax cuts as well as continued market demand for high-quality credit. High-yield corporates underperformed investment grade this quarter due to increasing investor concerns regarding risks in specific industries/sectors, including cable, telecommunication services, and retail. The high-yield market sustained $11 billion worth of outflows over the three-month period.

Emerging markets debt also underperformed in the fourth quarter, hurt by US dollar (USD) appreciation in October, higher US yields, and Venezuela's default in November.

The USD wound up relatively flat compared to a broad measure of global currencies. After appreciating in October, the USD fell over the remaining part of the quarter. The euro appreciated 1.6% versus the USD, while the Japanese yen was almost flat against the US currency.

With respect to floating-rate assets, bank loans produced significantly better performance than high-yield corporates, returning 1.10% for the quarter. The sector benefited from strong collateralized loan obligation bids as well as demand for floating-rate investments. Event-linked bonds returned 3.9% this quarter, rebounding from their September 2017 sell-off as investor demand grew in anticipation of higher insurance premiums.

Sector Allocation and Security Selection

The Fund's barbelled yield-curve positioning was the largest contributor to performance in the fourth quarter, as the yield curve continued to flatten. In particular, the portfolio's underweights to the two-year and five-year key-rate durations, and its overweight to the 30-year key-rate duration contributed to the Fund's performance.

With credit-sensitive debt outperforming over the quarter, security selection, the relative quality of the portfolio's holdings, and sector allocation decisions also contributed to the Fund's performance. Security selection within industrials and financials benefited the Fund's performance, with the strong showing of financials reflecting the outperformance of European banking issues.

With regard to sector allocation, the Fund's 30% underweight to US Treasuries and a 3.7% exposure to TIPS also benefited relative returns. The lower relative quality of the Fund's holdings within asset-backed securities (ABS) and financials was another positive contributor to performance. In addition, the portfolio's short-duration position relative to the benchmark outperformed, benefiting from the Fund's position(s) in the five-year German Bund. (Duration is a measure of the sensitivity of the price, or the value of principal, of a fixed-income investment to a change in interest rates, expressed as a number of years.)

Detractors from the Fund's performance in the fourth quarter included non-USD currency exposures, such as the portfolio's Asian and European proxy hedges. A short position in the Korean won hurt performance, and a long position in the Norwegian krone also underperformed. In addition, the Fund's exposure to the Mexican peso detracted from returns.

Current Outlook and Positioning

We believe economic growth will remain robust in both the US and globally during 2018, supported by easy financial conditions and, in particular, continued expansion of global central-bank balance sheets, despite the Fed's balance-sheet tapering program and the ECB's reduction of its bond-purchasing program.

We believe US GDP growth may increase to nearly 3% over the course of 2018, benefiting from significant tax cuts, deregulation, and greater infrastructure spending. Solid employment may continue to support consumption and the housing market. Higher corporate profits, benefiting from strong global growth, tax cuts, and the 100% expensing of fixed investment, could in turn support increased fixed investment. However, protectionist trade policies could temper this outlook.

Globally, we believe that the euro zone and Japan may enjoy strong economic growth, reflecting lower political risk and continued quantitative-easing policies. While we think China's growth rates may decrease moderately in light of the government's goals to rein in credit growth from the shadow banking system and to improve the environment, we believe a modest decline in growth there will not disrupt Asia overall, or global GDP growth.

We believe inflation may surprise to the upside in 2018 and that the Fed may be behind the curve when it comes to raising rates. Nascent signs of wage-growth acceleration, service inflation, tighter labor markets in key industries such as homebuilding, and more restrictive immigration policies may contribute to higher price levels in the coming year. Producer price indices are already increasing, in fact, on the heels of higher prices for oil and metals. In addition, the recent tax reform legislation has the potential to further fuel inflation.

We expect that the USD may depreciate relative to both developed and emerging markets currencies. Markets have already priced in the Fed's forecasted rate increases. Furthermore, while GDP growth may rise in the short term in response to tax cuts, markets are skeptical that fiscal stimulus will have any significant effect on long-term US economic growth. In addition, growth differentials between the US and the world no longer favor the former. We believe only a sharp upward trajectory for inflation, causing an acceleration of the Fed's rate-tightening relative to its current forecast, could change sentiment on the USD.

Finally, we believe markets face some major risks in 2018, including higher-than-expected inflation, which could cause the Fed to raise rates more aggressively, and higher global growth (with accompanying higher inflation), which could spur tighter monetary policy by central banks in Europe, and even the Bank of Japan.

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

In addition, the portfolio continues to have a short-duration position relative to the Bloomberg Barclays Index. We believe the market may be behind the curve on rates, given solid GDP growth, little slack in the labor market, and core inflation that may reach 2% by year-end. The Fund holds long-duration TIPS, which we believe can help protect the portfolio should inflation surprise to the upside. While breakevens for 10-year and 30-year Treasuries now stand at 2%, those levels remain below long-term averages.

The portfolio holds a near-neutral weight versus the benchmark in agency MBS, but remains significantly overweight in residential MBS when one includes the 10% exposure to non-agency MBS. We believe agency MBS currently offer fair value and are more attractive relative to fixed-income investment-grade corporates, the spreads of which stand at post-crisis lows. (Credit spreads are commonly defined as the differences in yield between Treasuries and other types of fixed-income securities with similar maturities.) In addition, the residential housing market remains strong, supported by low interest rates, strong employment, and lack of supply.

We have added to the Fund's ABS exposure and continue to maintain an overweight to investment-grade commercial MBS. We believe structured securities generally offer more relative value than corporates, and have found attractive opportunities in non-benchmark ABS issues.

Meanwhile, the Fund remains underweight to investment-grade corporates, but continues to hold a mild overweight to high-yield corporates. As noted earlier, total investment-grade corporate spreads stand at post-crisis lows, adjusted for duration, and reflect a lower-quality and an overall longer-duration relative to their historical levels. Tighter spreads and higher amounts of leverage are offset by strong fundamentals; however, we believe that corporates face greater downside risk in a higher-volatility environment, which may result from unexpected changes in central-bank policies, or from an unexpected slowdown in global economic growth.

Within corporates, the Fund holds an overweight to financials relative to the benchmark, with exposure to European banks and reduced US bank exposure, based on more attractive relative value in Europe and the positive outlook for GDP growth in Europe. 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 of 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. In addition, OPEC's (Organization of Petroleum Exporting Companies) extension of production cuts should help offset increased production from US shale producers, and the global demand outlook has improved.

The portfolio has certain emerging markets exposures, at a level similar to the Bloomberg Barclays Index, and with a preference for countries that are undertaking important structural reforms. These include India, Indonesia, and Argentina. Emerging markets have been benefiting from the stronger global growth and increased domestic demand.

While we believe the USD may depreciate going forward, the Fund continues to have 97.2% net USD exposure. Elsewhere, the Fund holds mostly long exposures in currencies of select emerging markets countries that offer attractive carry, strong GDP growth, and disciplined fiscal policy. However, in light of significant appreciation already enjoyed by emerging markets currencies over the past few years, and the high volatility that can be associated with such currencies, we have chosen to limit the Fund's overall exposure.

Performance Review

Pioneer Strategic Income Fund's Class A shares returned 0.78% at net asset value in the fourth quarter, and Class Y shares returned 0.86%, while the Fund's benchmark, the Bloomberg Barclays US Universal Index, returned 0.41%.

Average Annual Total Return (Class A shares)

December 31, 2017	(at NAV)	(at POP)	Bloomberg Barclays US Universal Index
1 year	5.20%	0.47%	4.09%
3 years	3.72%	2.13%	2.80%
5 years	3.45%	2.50%	2.50%
10 years	5.80%	5.31%	4.33%

Average Annual Total Return (Class Y shares)

December 31, 2017	(at NAV)	Bloomberg Barclays US Universal Index
1 year	5.54%	4.09%
3 years	4.05%	2.80%
5 years	3.77%	2.50%
10 years	6.15%	4.33%

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.

Top 10 Holdings

		% of Portfolio as of December 31, 2017
1.	US Treasury Inflation Indexed Bonds, 0.75%, 2/15/45	2.08%
2.	US Treasury Inflation Indexed Bonds, 1.00%, 2/15/46	1.16%
3.	International Bank for Reconstruction & Development, 3.50%, 1/22/21	0.69%
4.	Wells Fargo & Co., 7.50%, 12/31/49 (Perpetual)	0.69%
5.	New Zealand Government Bond, 5.50%, 4/15/23	0.63%
6.	Bank of America, 7.25%, 12/31/49 (Perpetual)	0.52%
7.	International Finance, 6.30%, 11/25/24	0.50%
8.	Federal Home Loan Mortgage Corp., 4.00%, 12/1/47	0.48%
9.	Fannie Mae, 5.00%, 11/1/44	0.43%
10.	FN 30-Year Pool, 3.50% (#BH7772), 8/1/47	0.42%

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.

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 recommendations.