COMMENTARY

Pioneer High Yield Fund

Performance Analysis & Commentary | December 2017

Fund Ticker Symbols: **TAHYX** (Class A); **TYHYX** (Class Y) **amundipioneer.com**

Fourth Quarter Review

- The Fund's Class A shares returned 0.98% at net asset value in the fourth quarter, and Class Y shares returned 1.06%, while the Fund's benchmarks, the ICE Bank of America Merrill Lynch (BofA ML) US High Yield Index and the ICE BofA ML All Convertibles Speculative Quality Index, returned 0.41% and 0.83%, respectively.
- Security selection had the largest positive impact on the Fund's performance in the fourth quarter, on both an absolute and benchmark-relative basis. The portfolio's underweights to media and telecommunications, combined with security selection in those sectors, were positive contributors to the Fund's performance.
- High-yield securities experienced another strong year in 2017, following 2016's blockbuster performance. We do not expect similar returns going into 2018, but believe fundamentals remain strong and that returns will be more consistent with coupon clipping.

The high-yield market turned in its weakest performance of the year in the fourth quarter of 2017, as the asset class returned just 0.41% as measured by the ICE BofA ML US High Yield Index. In fact, this was the weakest quarterly performance by high yield over the past two years. November, in particular, was a difficult time for the market, as US high yield returned –0.27% that month. Market concerns over the tax plan being debated in Washington (both over whether a bill would be passed and what provisions it would ultimately contain), combined with outflows from the asset class due to investor uneasiness over tight spreads, drove the negative return during the month. As the details of the tax bill became clearer, however, the high-yield market rebounded into positive territory in December, returning 0.29%. (Credit spreads are commonly defined as the differences in yield between Treasuries and other types of fixed-income securities with similar maturities.)

High-yield spreads did continue to tighten in the fourth quarter, declining by 8 basis points (bps) to end the year at 363 bps (a basis point is equal to 1/100th of a percentage point, or 0.01%). That figure is approaching the spread tights for the recent cycle, but it remains wider than the all-time tight spread in the high-yield market of 240 bps in June 2007.

Despite the shaky fourth quarter, the US high-yield market returned a strong 7.48% for the full calendar year ended December 31, 2017. During the quarter, bonds rated CCC and below returned 0.73%, while Bs returned 0.37% and BBs returned 0.35%, respectively. For the year, bonds rated CCC and lower returned 10.59%, while BBs returned 7.16% and Bs returned 6.76%.

Sector Allocation and Security Selection

Security selection had the largest positive impact on the Fund's performance in the fourth quarter, on both an absolute and benchmark-relative basis. The portfolio's underweights to media and telecommunications, combined with security selection in those sectors, were positive contributors to the Fund's performance. In addition, security selection within health care was a strong positive contributor to the Fund's returns this quarter.

In addition, the Fund's out-of-benchmark allocation to convertible securities aided relative returns in the fourth quarter. Within convertibles, the strongest contributors to the Fund's performance came from holdings in the basic industry and technology sectors.

Meanwhile, the portfolio's position in catastrophe bonds detracted from the Fund's relative performance this quarter. The asset class suffered a 6.3% loss in late August and September in the wake of several significant natural disasters occurring over a short time frame, all of which generated numerous insurance claims. Since then, however, we have seen an improvement in catastrophe bond prices, as damage estimates from the natural disasters continue to be refined to show that the share of losses to insurance and reinsurance contracts were not as bad as initially feared.

Individual portfolio securities that contributed to the Fund's performance during the three-month period included a convertible bond position – which converted to equity in late December – in Emergent BioSolutions. Emergent was a significant outperformer this quarter as the company's stock rose by 12% due to renewal of a government vaccine contract as well as merger-and-acquisition (M&A) speculation. Aetna, another equity position in the portfolio, also made a strong contribution to the Fund's performance in the fourth quarter, as the health care and specialty pharmaceutical sectors rebounded after having underperformed for the greater part of 2017.

Individual portfolio holdings that detracted from the Fund's returns in the fourth quarter included a corporate bond position in PetSmart, as the market's general concerns about the secular challenges facing the retail sector had a negative effect on the company's performance. In addition, a position in the debt of Revlon detracted from the Fund's results, as the company continues to miss on earnings estimates and has been the subject of take-over speculation linked to investor Ron Perelman.

Current Outlook and Positioning

We remain constructive on the high-yield corporate market and would caution investors not to dismiss the asset class based solely on current spread levels. At quarter-end, the option-adjusted spread in the high-yield market was 363 bps, well below the 20-year average of 581 bps. But, as we noted earlier, that is still above the all-time tight spread of 240 bps in June of 2007. We believe it is important to view current spread levels within the context of the composition of the ICE BofA US High Yield Index (the ICE BofA ML Index) 10 years ago. The quality of the securities in the high-yield market is much higher now than in recent history. In June 2007, the ICE BofA ML Index was comprised of 40% BB-rated issues and 18% issues rated CCC and below. Today, those buckets are 47% and 14%, respectively.

One risk to the high-yield market, in our view, is the massive representation of BBB-rated companies in the investment-grade space. Should we see the economy soften, or if we see corporate balance-sheet weakness within investment grade, it would be difficult for the high-yield market to absorb a possible increase in supply driven by credit-rating downgrades of these companies from investment grade to below investment grade.

Overall, the default rate for high-yield bonds remains well below historical averages, with the pressure on the energy sector easing somewhat after oil prices rose from their June 2017 lows to over $60 a barrel by the end of the year. While headline risk looms in the retail sector, it only accounts for three percent of the ICE BofA ML Index.

In general, we believe corporate earnings may benefit from lower taxes, less regulation, and a faster pace of economic growth, thus helping boost both the US credit and equity markets. We maintain a constructive outlook with respect to the US economy and overall corporate credit fundamentals. Moreover, strong earnings and the record pace of debt refinancing has enabled an extension of the credit cycle.

We have been evaluating the impact of the recent tax legislation on various sectors and companies, and are repositioning the Fund based on those evaluations. Overall, we believe lower tax rates should have a positive impact on high yield as an asset class. However, the scaling back of interest deductibility could negatively affect the more leveraged high-yield issuers. The tax bill could also potentially limit leveraged buyout activity in favor of M&A activity. But the ability of companies to immediately expense capital expenditures should support investments in facilities, technology, and product innovation faster than prior depreciation methods would allow. Looking ahead, any movement in Washington on an infrastructure-spending bill has the potential to further boost market sentiment.

The Federal Reserve (the Fed) is expected to continue gradually hiking interest rates, and the tapering of its bond portfolio, which began in October 2017, will also inevitably lead to some tightening of credit conditions. However, the expectation remains that the Fed's rate-hiking cycle will be gradual and measured in nature. In any event, high-yield securities tend to be less interest-rate sensitive than other fixed-income market segments.

High-yield securities experienced another strong year in 2017, following 2016's blockbuster performance. We do not expect similar returns going into 2018, but believe fundamentals remain strong and that returns will be more consistent with coupon clipping. Corporate health appears to be good, while defaults remain low. Even though high-yield valuations are somewhat extended, we believe overall conditions remain supportive of the asset class, and that the Fund is positioned accordingly.

With regard to overall positioning, we continue to maintain a portfolio overweight in the health care sector through allocations to both corporate bonds and convertible bonds. We believe the sector may be poised to benefit from further capital appreciation in 2018. The Fund had been overweight to homebuilders in 2017, but we have recently reduced some exposure there in the wake of the sector's strong year. The portfolio remains underweight in retail as the sector continues to struggle. In addition, retail has a historical track record of exhibiting low recovery rates during restructurings.

We continue to maintain the Fund's higher-quality bias. As such, the portfolio remains underweight to the CCC and below-rated buckets relative to the ICE BofA ML Index.

In managing the Fund, we continue to seek diversification* and relative value by carrying out-of-benchmark exposures, including bank loans, convertibles, and insurance-linked bonds (catastrophe bonds). Despite the recent spate of natural disasters, we remain constructive on insurance-linked bonds, as they are uncorrelated with the financial markets. In the long term, that can provide diversification benefits and can help enhance the risk/return profile of the Fund.

*Diversification does not assure a profit nor protect against loss.

Performance Review

Pioneer High Yield Fund's Class A shares returned 0.98% at net asset value in the fourth quarter, and Class Y shares returned 1.06%, while the Fund's benchmarks, the ICE Bank of America Merrill Lynch (BofA ML) US High Yield Index and the ICE BofA ML All Convertibles Speculative Quality Index, returned 0.41% and 0.83%, respectively.

Average Annual Total Return (Class A shares)

December 31, 2017	(at NAV)	(at POP)	ICE BofA ML US High Yield Index	ICE BofA ML All Convertibles Speculative Quality Index
1 year	7.49%	2.63%	7.48%	14.29%
3 years	5.28%	3.67%	6.39%	6.44%
5 years	5.52%	4.55%	5.80%	9.54%
10 years	5.90%	5.42%	7.89%	7.42%

Average Annual Total Return (Class Y shares)

December 31, 2017	(at NAV)	ICE BofA ML US High Yield Index	ICE BofA ML All Convertibles Speculative Quality Index
1 year	7.78%	7.48%	14.29%
3 years	5.58%	6.39%	6.44%
5 years	5.84%	5.80%	9.54%
10 years	6.31%	7.89%	7.42%

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

Class A shares: Gross, 1.17%   **Class Y shares:** Gross, 0.87%

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.

NAV results represent the percent change in net asset value per share. Returns would have been lower had sales charges been reflected. POP returns reflect 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 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 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 pre-payments.

The Fund may use derivatives, such as options, futures, inverse floating rate obligations, swaps, and others, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Derivatives may have a leveraging effect on the Fund.

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 ICE Bank of America Merrill Lynch US High Yield Index is an unmanaged, commonly accepted measure of the performance of high-yield securities. The ICE Bank of America Merrill Lynch All-Convertibles Speculative Quality Index is an unmanaged index of high-yield US convertible securities. 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 December 31, 2017
Emergent BioSolutions	0.50%
Aetna	0.47%
PetSmart, 7.125%, 3/15/23	0.30%
Revlon Consumer Products, 5.75%, 2/15/21	0.05%

Top 10 Holdings

		% of Portfolio as of December 31, 2017
1.	Sprint Corp., 7.25%, 9/15/21	2.13%
2.	US Treasury Bill, 0.00%, 1/25/18	2.00%
3.	Valeant Pharmaceuticals International, 5.875%, 5/15/23 (144A)	1.63%
4.	HCA, 5.375%, 2/1/25	1.41%
5.	United States Treasury Floating Rate Note, 4/30/18	1.38%
6.	Crown Cork & Seal Co., 7.375%, 12/15/26	1.13%
7.	KB Home, 7.00%, 12/15/21	0.99%
8.	Lennar Corp., 4.75%, 11/15/22	0.89%
9.	Videotron, 5.375%, 6/15/24 (144A)	0.81%
10.	Nationstar Mortgage, 6.50%, 7/1/21	0.80%

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.

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ASSET MANAGEMENT