Pioneer High Yield Fund

Performance Analysis & Commentary | September 2017

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

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Third Quarter Review

- The Fund's Class A shares returned 1.45% at net asset value in the third quarter, and Class Y shares returned 1.51%, while the Fund's benchmarks, the Bank of America Merrill Lynch (BofA ML) US High Yield Index and the BofA ML All Convertibles Speculative Quality Index, returned 2.04% and 5.26%, respectively.
- The Fund's overweight to energy was a positive contributor to benchmark-relative performance for the three-month period, while the portfolio's allocation to event-linked, or "catastrophe" bonds, detracted from relative returns. The asset class returned –6.30% in late August and September as several major hurricanes made landfall in the US and Caribbean.
- We have become more constructive regarding both US and global gross domestic product (GDP) growth. Within the US, we believe solid employment figures may continue to support consumption and the housing market, while the economy may also continue to benefit from higher corporate profits, which reflect improved global economic growth, easy financial conditions, and lower regulatory burdens.

Robust, synchronized global economic growth and rising corporate profits, amid broadly supportive central bank policies drove strong performance in the credit market in the third quarter. In the US, continued strong employment numbers and higher consumer confidence, together with easy financial conditions, solid global growth, and a depreciating US dollar (USD) contributed to better-than-expected GDP growth of 3.1% in the second quarter. Despite higher oil and commodities prices, inflation continued to moderate, both in the US and globally, enabling major non-US central banks to maintain their easy monetary policies.

As expected, the Federal Open Market Committee (FOMC) announced that it would commence tapering its balance sheet this October. The markets were surprised, however, that the FOMC held firm on its plan for a gradual increase in the Federal funds rate, in spite of the "mystery", in Federal Reserve (Fed) Chair Yellen's words, of below-target inflation levels.

The 10-year US Treasury yield rose from 2.30% to 2.33% over the quarter, while the 10-year breakeven, which reflects inflation expectations implied in the prices of TIPS (Treasury Inflation-Protected Securities), rose from 1.74% to 1.85%. Prices of 10-year Treasury bonds rallied into early September, on lower inflation and increased geopolitical risk. After bottoming on September 7, yields rose dramatically over the rest of the month in response to the FOMC's commitment to raise rates, higher inflation expectations driven by strong GDP growth, recovering oil prices, the potential for tax reform legislation in Washington, and expectations of tighter global monetary policies.

The US high-yield market continued to produce strong performance during the third quarter, gaining just over 2% as measured by the BofA ML US High Yield Index (the BofA ML Index), with spreads tightening by approximately 23 basis points (bps), or 0.23%, and approaching multi-year lows. (Credit spreads are commonly defined as the differences in yield between Treasuries and other types of fixed-income securities with similar maturities; a basis point is equal to 1/100th of a percentage point.) The significant spread widening in August (20 bps) reversed when a large rally in high yield took place in September. In addition, the default rate on US high-yield securities declined to 1.07% at the end of the three-month period, with only one default, Toys "R" Us (not a Fund holding), occurring in September, which was the third consecutive month with one or no high-yield defaults.

Within high yield, performance by rating tier was mixed during the third quarter. The CCC and below-rated tier returned 2.65%, while the BB and B-rated tiers returned 2.05% and 1.80%, respectively.

Sector Allocation and Security Selection

The Fund's overweight to energy was a positive contributor to benchmark-relative performance for the three-month period. A position in Calumet Specialty Products was a top-performing name for the Fund within the energy sector. The specialties company sold a refinery in Wisconsin, which benefited the firm strategically and strengthened its balance sheet. The Fund's underweight to telecommunications was another positive contributor to benchmark-relative performance, but security selection results in the sector were negative during September. The telecom sector was negatively impacted by increasing capital expenditures, as companies have been seeking to increase their number of cell towers. Holdings of Windstream Services were the top detractors from the Fund's relative performance in the sector. While Windstream eliminated its dividend, it also announced a significant stock buyback, thus exacerbating longer-term liquidity concerns. The Fund's relative returns also continued to benefit from our decision to maintain an underweight to both media and retail, relative to the BofA ML Index.

The portfolio's allocation to catastrophe bonds detracted from the Fund's relative performance in the third quarter. The asset class returned –6.30% in late August and September as in the span of less than a month, Hurricane Harvey struck Texas, Hurricane Irma affected much of the Caribbean and Florida, while Hurricane Maria devastated parts of the Caribbean and Puerto Rico. In addition, two separate earthquakes struck central Mexico. At this point, each of the areas affected by the aforementioned events are in various stages of relief and recovery efforts. In some situations, like in Texas, parts of Florida, and the Caribbean, insurance claims are beginning to be filed and processed. In other locations, like Puerto Rico, much of the island remains without power and many necessities. All of those efforts may take weeks to months, if not longer, to fully complete. That said, we have already started to see an improvement in catastrophe bond prices as damage estimates are being refined and the share of losses to insurance and reinsurance contracts are turning out to be not as bad as initially feared.

The portfolio's out-of-benchmark allocation to convertible securities was a neutral factor in the Fund's benchmark-relative performance this quarter. Within convertibles, the strongest contributions to the Fund's returns came from health care and technology holdings, with those positives partially offset by select convertible bond positions in media and services. The Fund's bank-loan positions slightly detracted from relative returns, as the asset class underperformed high-yield corporates during the three-month period.

Current Positioning

As of quarter-end, the Fund remains well diversified*. Within the energy sector, the Fund is overweight to the midstream and exploration & production sub-sectors, while remaining underweight to energy services and refiners. While overweight in energy, we believe the Fund's positioning is neutral compared with the benchmark on a risk-adjusted basis. The Fund remains underweight in retail, as e-Commerce continues to eat away at the profit margins of traditional retail companies.

We maintain a higher-quality bias in the portfolio. As such, the Fund remains underweight in securities rated CCC and below, relative to the benchmark.

We continue our practice of seeking diversification and relative value for the Fund by carrying out-of-index exposures, including bank loans, convertibles, and insurance-linked bonds. Despite the recent claim-causing events we mentioned above, we remain constructive on insurance-linked bonds, as they are uncorrelated with the financial markets, and so they can provide diversification benefits and help enhance the risk/return profile of the Fund over the long term. (Correlation represents the degree to which assets or asset class prices have moved in relation to one another. Correlation ranges from –1, where assets/asset prices always move in opposite directions, through 0, where assets/asset prices are absolutely independent, to 1, where assets/asset prices always move together.)

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

High Yield Market Outlook

We have become more constructive regarding both US and global GDP growth. Within the US, we believe solid employment figures may continue to support consumption and the housing market, while the economy may also continue to benefit from higher corporate profits, which reflect improved global economic growth, easy financial conditions, and lower regulatory burdens.

While the market has now priced in higher expectations for a December 2017 interest-rate increase by the Fed, it has also priced in a 1.66% Federal funds rate by the end of 2018, which is well below the median level of the FOMC's projection of 2.13%. We believe the market continues to be "behind the curve" in its views on the appropriate level of interest rates. Despite the Fed's concern about relatively low inflation, we believe it will proceed with its planned rate increases.

It will take time for the markets to digest the effects of the recent natural disasters. As noted earlier, the damage estimates are now projected to be less than initially anticipated, which may ease the burden on both the insurers and the catastrophe bond market. The economy, in the short term, may be affected by job losses and lower tax collections, but may improve over the longer term as construction spending and jobs increase during the cleanup and restoration effort.

We believe corporate earnings may benefit from lower taxes and less regulation – if those policies are enacted – as well as from faster economic growth, which would help boost both the US credit and equity markets. Corporate fundamentals in the US remain generally positive, with strong margins and improved balance sheets. High-yield defaults remain low, with the greatest default pressure on the energy and retail sectors. Headline risk looms in retail, but the sector only accounts for three percent of the BofA ML Index.

We remain constructive on the high-yield corporate market and would caution investors not to dismiss the asset class based solely on the current spread levels. At quarter end, the BofA ML Index's option-adjusted spread was 353 bps, or 3.53%, well below the 20-year average of 581 bps, but above the all-time tightest level of 240 bps in June of 2007. We feel it is important to view current spread levels in context, as compared with the composition of the BofA ML Index 10 years ago. The quality of the high-yield market is much higher now than in recent history. In June 2007, for example, the BofA ML Index had 40% in BB-rated issues and 18% in issues rated CCC and below. Today, those allocations are 48% to BB-rated issues and 14% to CCC and below.

High-yield defaults have decreased significantly, and the trailing 12-month default rate is 1.07%, well below the historical rate of 4.00%. The volatility in commodity prices had the effect of flushing out many lower-quality issuers. Going forward, many of the anticipated defaults are seen to be focused in the retail space. Lastly, the BofA ML Index is well diversified, with its three largest industry exposures in energy (14%), health care (10%), and telecom (10%). Those sectors are subject to their own unique risks, with limited threat of contagion to the rest of the Index.

Performance Review

Pioneer High Yield Fund's Class A shares returned 1.45% at net asset value in the third quarter, and Class Y shares returned 1.51%, while the Fund's benchmarks, the Bank of America Merrill Lynch (BofA ML) US High Yield Index and the BofA ML All Convertibles Speculative Quality Index, returned 2.04% and 5.26%, respectively.

Average Annual Total Return (Class A shares)

September 30, 2017	(at NAV)	(at POP)	BofA ML US High Yield Index	BofA ML All Convertibles Speculative Quality Index
1 year	8.16%	3.26%	9.06%	17.70%
3 years	4.07%	2.48%	5.87%	6.39%
5 years	5.88%	4.91%	6.38%	10.28%
10 years	5.65%	5.17%	7.72%	6.79%

Average Annual Total Return (Class Y shares)

September 30, 2017	(at NAV)	BofA ML US High Yield Index	BofA ML All Convertibles Speculative Quality Index
1 year	8.44%	9.06%	17.70%
3 years	4.37%	5.87%	6.39%
5 years	6.21%	6.38%	10.28%
10 years	6.07%	7.72%	6.79%

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 Bank of America Merrill Lynch US High Yield Index is an unmanaged, commonly accepted measure of the performance of high-yield securities. The 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 September 30, 2017
Calumet Specialty Products, 6.50%, 4/15/21	0.67%
Windstream Services, 7.50%, 6/1/22	0.30%

Top 10 Holdings

		% of Portfolio as of September 30, 2017
1.	Sprint, 7.25%, 9/15/21	2.16%
2.	Valeant Pharmaceuticals International, 5.875%, 5/15/23 (144A)	1.55%
3.	HCA, 5.375%, 2/1/25	1.48%
4.	United States Treasury Floating Rate Note, 4/30/18	1.36%
5.	Crown Cork & Seal, 7.375%, 12/15/26	1.14%
6.	Scientific Games International, 10.00%, 12/1/22	1.05%
7.	KB Home, 7.00%, 12/15/21	1.00%
8.	Lennar, 4.75%, 11/15/22	0.89%
9.	Post Holdings, 6.00%, 12/15/22 (144A)	0.84%
10.	US Treasury Bills, 0.00%, 10/12/17	0.84%

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.