Pioneer Floating Rate Fund

Performance Analysis & Commentary | September 2017

COMMENTARY

Fund Ticker Symbols: **FLARX** (Class A); **FLYRX** (Class Y) **amundipioneer.com**

Third Quarter Review

- The Fund's Class A shares returned 0.86% at net asset value in the third quarter, and Class Y shares returned 0.79%, while the Fund's benchmark, the Standard & Poor's/Loan Syndications Trading Association (S&P/LSTA) Leveraged Performing Loan Index (the S&P/LSTA Index), returned 1.01%.
- The bulk of the Fund's underperformance of the S&P/LSTA Index in the third quarter came from a small allocation to insurance-linked, or "catastrophe" bonds, which returned –6.30% in late August and September after three major hurricanes made landfall in the US and Caribbean, and two separate earthquakes struck central Mexico.
- Both the portfolio's underweight to retail as well as security selection results within the sector contributed positively to the Fund's relative returns this quarter.
- We are broadly constructive on the loan market, which is currently in a coupon-clipping environment. We continue to believe loans may create solid opportunities for income-oriented investors, despite an increase in loan prices.

In the third quarter, the Fund's benchmark, the S&P/LSTA Index, returned 1.01%. The leveraged loan market slowed this quarter, due to a lack of activity in both the new-issue market as well as in loan repricings. Lower-quality loans outperformed, as CCC-rated loans led the market, returning 1.80%, followed by Bs and BBs, which returned 1.03% and 0.98%, respectively, for the three-month period. Defaulted names returned 4.32% in the third quarter, which led to the Leveraged Loan Index topping the return of the Performing Loan Index by two basis points (bps) (A basis point is equal to 1/100th of a percentage point).

The S&P/LSTA Index closed the quarter with an average price of $97.91, down slightly from $98.05 at the end of the second quarter. The US leveraged loan market saw its average spread continue to narrow from the end of the second quarter. The average spread stood at LIBOR (London Interbank Offered Rate) +393 bps as of June 30, 2017, and decreased to LIBOR +390 bps by the end of the third quarter. (Loan spreads are the interest rates over and above the LIBOR rate charged to borrowers by banks.) Some of the spread differential was due to the base rate(s) changing as LIBOR increased.

The yield-to-maturity in the loan market increased from 5.07% to 5.19% this quarter. LIBOR rates, which initially ticked upwards following the June interest-rate hike by the Federal Reserve (the Fed), have been relatively stable since, as the one-month LIBOR stood at 124 bps as of quarter-end and the three-month LIBOR ended up at 135 bps. With rates securely above 100 bps, all loans with LIBOR floors stand to benefit from higher coupon resets as the loans come due. (LIBOR floors are designed to ensure that investors in the loans receive some minimum base level of compensation in addition to the credit spread the loan pays.)

Fundamentals in the loan market remain strong and loan default rates have continued to fall, as the default rate as of September 30, 2017, was a relatively low 1.41% (issuer based). Defaults, in fact, have remained below 2.00% since the end of 2016. Overall, lower default rates are attributable to the recent uptick in refinancings, which has pushed the maturity wall for loans further out. Meanwhile, the weighted average maturity in the loan market remains above 5.00 years, at 5.13 years, the longest since December 2014.

Sector Allocation and Security Selection

The Fund's small position in catastrophe bonds (1.4% of the portfolio) represented the bulk of the benchmark-relative underperformance in the third quarter (roughly 60%). The catastrophe bond market suffered a 6.30% loss in late August and September after three major hurricanes made landfall in the US and Caribbean, and two separate earthquakes struck central Mexico. Since the end of the third quarter, we have already started to see an improvement in catastrophe bond prices, as damage estimates from the recent claims-causing events are being refined and the share of losses to insurance and reinsurance contracts appear to be not as bad as initially feared. Despite recent events, we remain constructive on insurance-linked bonds, as they are uncorrelated with the financial markets, which provides diversification* benefits and may help enhance the risk-return profile of the Fund over the longer 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.)

Another detractor from the Fund's benchmark-relative returns was the portfolio's quality allocation, as an underweight to bank loans rated CCC and below hurt results during a quarter that saw lower-quality issues outperform.

Both the portfolio's underweight to retail as well as security selection results within the sector contributed positively to the Fund's benchmark-relative performance in the third quarter. Traditional retailers continue to have difficulties coping with the proliferation of online shopping as well as changes in consumer habits. Security selection results, in general, aided the Fund's benchmark-relative returns over the three-month period, with results among the portfolio's aerospace & defense, building & development, and radio & television holdings contributing positively. The Fund's allocation to high-yield corporates had a neutral effect on benchmark-relative results this quarter.

The portfolio's cash-equivalent position ended up detracting from the Fund's benchmark-relative performance over the three-month period. Due to a combination of: 1) the use of bonds to refinance loan positions; 2) a reduction of new-issue loans during the quarter; and 3) overall positive inflows, the Fund's short-term position grew. The majority of higher-quality BB-rated loans were bidding at par (face value) or higher, which increased the risk of loans repricing without call protection. Therefore, we held cash in the portfolio in anticipation of deploying it in the new-issue calendar.

Current Outlook and Positioning

We are broadly constructive on the loan market, which is currently in a coupon-clipping environment. We continue to believe loans may create solid opportunities for income-oriented investors, despite an increase in loan prices. The share of S&P/LSTA Index loans priced at par or higher rose to 64% in September 2017, up from 62.5% in August and from 59% at the end of June. The intra-year high was 72% in February 2017.

We believe any softness in market values provides investment opportunities in the loan asset class. On the supply side, we expect continued pay-downs and an increase in issuer-friendly repricing terms in the absence of meaningful merger-and-acquisition (M&A) volumes for the remainder of 2017. We think we may see some additional supply reduction due to bond refinancings, but we also expect to see continued demand for the loan asset class given the Fed's interest-rate increases. Having raised the Federal funds rate twice in 2017, the Fed is likely to raise rates again in December 2017, and we expect two more rate increases in 2018. In addition, both the one- and three-month LIBOR rates are well above the 75 and 100 bps LIBOR floors.

While repricings continue to be a concern, we have not seen many new issues come to the market (with the exception of September 2017), and so we have been running with a slightly higher cash allocation in the Fund's portfolio. We have had to be selective with regard to M&A transactions, as this quarter's activity was dominated by private equity M&A's with higher-leverage multiples. We will continue to be cautious about where we put the Fund's money to work, and do not want to buy at a premium only to see the loan called away. We also plan to use repricings as an opportunity to raise cash for redemptions.

Loan default rates remain well below historical averages, and we believe default rates should remain stable. However, we anticipate defaults in the retail sector will increase due to the ongoing migration to online shopping. As an example, iconic brand Toys "R" Us defaulted in September.

The Fund continues to be overweight to asset-intensive industries, such as building materials and industrial equipment, while being underweight retail, which is generally an asset-lite sector that continues to struggle with the loss of market share to online retailers, as we noted above. The portfolio also continues to hold an underweight position in energy, as oil prices remain depressed, thus putting pressure on the industry. Overall, the bank-loan asset class has less exposure to energy than high-yield corporates. The Fund is also underweight to technology, a sector that has long-term technical risk.

With much of the loan universe priced near par, thus resulting in an asymmetrical return in the event of a default, we believe the key going forward is to avoid "blowups." We believe the Fund is well positioned, given the portfolio's biases toward higher-quality loans and asset-rich companies.

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

Performance Review

Pioneer Floating Rate Fund's Class A shares returned 0.86% at net asset value in the third quarter, and Class Y shares returned 0.79%, while the Fund's benchmark, the Standard & Poor's/Loan Syndications Trading Association (S&P/LSTA) Leveraged Performing Loan Index, returned 1.01%.

Average Annual Total Return (Class A shares)

September 30, 2017	(at NAV)	(at POP)	Pioneer Floating Rate Fund Linked Benchmark*	S&P/LSTA Leveraged Performing Loan Index
1 year	3.56%	–1.10%	5.41%	5.41%
3 years	3.13%	1.58%	4.26%	4.32%
5 years	3.23%	2.28%	4.27%	4.38%
10 years	3.77%	3.30%	4.73%	4.93%

Average Annual Total Return (Class Y shares)

September 30, 2017	(at NAV)	Pioneer Floating Rate Fund Linked Benchmark*	S&P/LSTA Leveraged Performing Loan Index
1 year	3.89%	5.41%	5.41%
3 years	3.44%	4.26%	4.32%
5 years	3.59%	4.27%	4.38%
10 years	4.04%	4.73%	4.93%

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

Class A shares: Gross, 1.04%

Class Y shares: Gross, 0.82%

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:

Debt securities rated below investment grade are commonly referred to as "junk bonds" and are considered speculative. Below-investment-grade debt securities involve greater risk of loss, are subject to greater price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher-rated debt securities. The Fund may invest in high-yield securities of any rating, including securities that are in default at the time of purchase.

Securities with floating interest rates generally are less sensitive to interest-rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as prevailing interest rates. Unlike fixed-rate securities, floating-rate securities generally will not increase in value if interest rates decline. Changes in interest rates also will affect the amount of interest income the Fund earns on its floating-rate investments.

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

These risks may increase share price volatility.

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.

***Note:** The Bloomberg Barclays High Yield Loans Performing Index (the Bloomberg Barclays Index) was the Fund's benchmark from inception through 9/30/16, when the Bloomberg Barclays Index ceased. As of 10/1/16, the Fund's benchmark is the Standard & Poor's/Loan Syndications & Trading Association (S&P/LSTA) Leveraged Performing Loan Index (the S&P/LSTA Index). Both the Bloomberg Barclays Index and the S&P/LSTA Index provide, or provided broad and comprehensive total return metrics of the U.S. universe of syndicated term loans. Ten-year, five-year, three-year, and one-year "linked" benchmark returns shown above represent the combination of the Bloomberg Barclays Index's returns from 10/1/07 through 9/30/16, and the S&P/LSTA Index's returns from 10/1/16 through the most recent period as indicated.

Top 10 Holdings

		% of Portfolio as of September 30, 2017
1.	United States Treasury Floating Rate Note, 4/30/18	3.76%
2.	United States Treasury Floating Rate Note, 1/31/18	1.72%
3.	US Treasury Bills, 0.00%, 10/26/17	0.94%
4.	United States Treasury Floating Rate Note, 10/31/17	0.94%
5.	US Treasury Bills, 0.00%, 10/12/17	0.80%
6.	Charter Communications, Term F-1 Loan, 1/3/21	0.65%
7.	US Treasury Bills, 0.00%, 10/5/17	0.55%
8.	US Treasury Bills, 0.00%, 10/19/17	0.53%
9.	Valeant Pharmaceuticals Int'l., Series F-1 Tranche-B Term Loan, 3/13/22	0.52%
10.	Post Holdings, Series A Incremental Term Loan, 5/17/24	0.50%

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.

Not FDIC insured • May lose value • No bank guarantee

Amundi Pioneer
ASSET MANAGEMENT