

# Pioneer AMT-Free Municipal Fund

Performance Analysis and Market Commentary | December 31, 2023

## Average Annual Total Returns for Class Y Shares

|   | Month-to-Date | Quarter-to-Date | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---------------|-----------------|--------|--------|--------|---------|
| <b>Pioneer AMT-Free Municipal Fund (PBYMX)</b>    | 4.30%         | 13.37%          | 8.36%  | -2.88% | 1.47%  | 3.22%   |
| <b>Bloomberg Municipal Bond Index (Benchmark)</b> | 2.32%         | 7.89%           | 6.40%  | -0.40% | 2.25%  | 3.03%   |

Gross expense ratio: 0.65% Net Expense Ratio: 0.49%

Call 1-800-225-6292 or visit [amundi.com/us](https://amundi.com/us) 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. Class Y shares are not subject to sales charges and are available for limited groups of investors, including institutional investors. Initial investments are subject to a \$5 million investment minimum, which may be waived in some circumstances. All results are historical and assume the reinvestment of dividends and capital gains. Periods of less than one year are actual, not annualized. Other share classes are available for which performance and expenses will differ.

The net expense ratio reflects the contractual expense limitation currently in effect through May 1, 2025, for Class Y shares. There can be no assurance that Amundi US will extend the expense limitation beyond such time. Please see the prospectus and financial statements for more information.

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 Otherwise, fee waivers can be rescinded at any time.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 and financial statements for more information.

## Market Review

- Fourth quarter market performance in 2023 culminated in a Christmas rally, as investors increasingly embraced the soft-landing scenario for the US economy in response to better-than-expected growth and earnings, continued strong employment, and lower inflation. The "higher for longer" narrative of the third quarter gave way to a more dovish Federal Reserve (Fed), which was encouraged by declines in both headline and core inflation, with November year-over-year core Personal Consumption Expenditures (PCE) inflation coming in at 3.2%. The US labor market continued to normalize but remained solid, with unemployment declining to 3.7%, and consumer spending was surprisingly resilient despite concerns over reduced excess savings.
- US Treasury yields declined dramatically, as the market forecasted no further rate increases in 2023 and priced in six 25 basis point (bps) Fed funds rate cuts during 2024. The yield curve inversion deepened; the spread difference between the 2-year and the 10-year Treasury rose from its low of 16 bps at the end of October to a year end level of 37 bps. The 10-year yield fell from 4.58% at the end of September (and from its mid-October peak of 4.98%) to 3.86%. All risky assets outperformed Treasuries.
- Municipal bonds, as measured by the Fund's benchmark, the Bloomberg Municipal Bond Index (the Bloomberg Index), returned 7.89% in the fourth quarter. The long end of the municipal bond yield curves outperformed short-term maturities this quarter, with the 22-year-plus maturity and 20-year maturity indices returning 11.61% and 10.13%, respectively, while the one-year and three-year maturity indices returned 2.32% and 3.61%, respectively. Credit quality was mixed as BBB rated municipal bonds returned 8.93%, followed by AAA (+8.35%), A (+7.34%) and AA (+7.62%).
- The ratio of AAA-rated municipal bond yields to Treasury yields (Municipal-to-Treasury Ratio) for the 10-year and 30-year maturities ended the month of December at 59% and 85% respectively.

## Performance Review

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- The portfolio's long-duration bias versus the benchmark was the primary contributor to the Fund's positive absolute and relative performance in the fourth quarter. Despite recent tightening, ratios for "AAA" municipals on the long end of the municipal yield curve have remained elevated; as such, we believe longer-maturity municipal bonds will once again draw attention from institutional investors. We think their generally higher yields may attract retail investors into municipal bond funds.
- Given the mixed return profile by rating tier within the Bloomberg Index for the quarter, the Fund benefitted from an overweight to AAA municipal bonds, while an underweight to A and BBB detracted from relative performance.
- On a sector basis, our overweight to hospitals and education were a contributor to relative performance. Our focus within the hospital sector is on large, research based institutions. Our education exposure is within prestigious universities, many of which excel within science, technology, engineering and math (STEM) research, as well as those with significant endowments. The largest detractors result from our underweight to leasing and state general obligation bonds.

## Market Outlook and Positioning

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- We continued to position the Fund in sectors vital to the US economy, including hospitals, public/private universities, and transportation obligors (such as toll roads), with an emphasis on STEM-based economies. We maintained a preference for municipal bonds rated AA and AAA, as we believe a focus on higher-quality bonds may enhance capital preservation at a time of elevated recession risk. We maintained the Fund's long-duration bias versus the benchmark, as we believe we see value in the long end of the yield curve.
- The Fund is also underweight to state general obligation issues, which have tended to be sensitive to political considerations. Certain state governments may have lower flexibility to raise taxes due to constituents' preferences, thus limiting their ability to increase revenues. Likewise, governing bodies may be less likely to make the necessary cuts to popular programs.
- We see the potential for further market volatility given the broad uncertainty surrounding inflation, Fed monetary policies, uncertainties surrounding upcoming state and national elections, and heightened geopolitical risks. However, credit conditions have remained stable across the municipal bond space, and we foresee very low odds of a wholesale rise in default risk. The ratio of ratings upgrades to downgrades within the municipal market has remained favorable as well. In our view, those factors indicate that the recent weakness in prices has not been accompanied by a meaningful decline in market fundamentals. We would also note that the recent market downturn has caused the ratio of tax-exempt yields to US Treasury yields (Municipal-to-Treasury Yield Ratio) in the long end to remain elevated, which has often been, historically, an indication of improving value in the market. We anticipate that the municipal new market supply should continue to modestly decline year-over-year, and demand may be somewhat muted by higher short-term treasury rates.

See glossary of frequently used terms for definitions.

**The Bloomberg Municipal Bond Index** is an unmanaged, broad measure of the municipal bond market. **The US Treasury Index** is an index based on recent auctions of US Treasury bills and is commonly used as a benchmark when determining interest rates, such as mortgage rates. **The S&P 500 Index** measures the performance of the broad US stock market. **The Bloomberg US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. Indices are unmanaged and their returns assume reinvestment of dividends and do not reflect any fees or expenses. It is not possible to invest directly in an index.

### Glossary of Frequently Used Terms

**Advanced Refunding Bond (usually applies only to municipal bond funds)** – A bond issued to retire, or pre-refund, another outstanding bond more than 90 days in advance of the original bond's maturity date.

**Basis Point** – A unit of measure used to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form. In most cases, it refers to changes in interest rates and bond yields.

**Beta** – measures an investment's sensitivity to market movements in relation to an index. A beta of 1 indicates that the security's price has moved with the market. A beta of less than 1 means that the security has been less volatile than the market. A beta of greater than 1 indicates that the security's price has been more volatile than the market.

**Breakeven(s)** – The difference(s) between the yield of a nominal bond and an inflation-linked bond of the same maturity.

**Carry** – The cost or benefit of owning that asset.

**Correlation** – The degree to which assets or asset class prices have moved in relation to one another. Correlation ranges from -1 (always moving in opposite directions) through 0 (absolutely independent) to 1 (always moving together).

**Credit spreads (or spreads)** – The differences in yield between Treasuries and other types of fixed-income securities with similar maturities.

**Credit Risk Transfer Securities** – Securities that transfer a portion of the risk associated with credit losses within pools of conventional residential mortgage loans from the government-sponsored entities (GSEs), Fannie Mae and Freddie Mac, to the private sector.

**Dot Plot** – The Fed's "dot" plot/projection is a quarterly chart summarizing the outlook for the federal funds rate for each of the FOMC's members.

**Duration** – A measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates, expressed as a number of years.

**Dividend Yield** – Refers to a stock's annual dividend payments to shareholders, expressed as a percentage of the stock's current price.

**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.

**Goldilocks** – An economy that is not too hot or cold, in other words sustains moderate economic growth, and that has low inflation, which allows a market-friendly monetary policy.

**Hedge** – An investment utilized to help reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security to help guard against a swift change in price, such as purchasing a "put" (sell) or "call" (buy) option contract on a stock in which the investor already owns shares outright.

**Insurance-linked securities** – Investments sponsored by property-and-casualty insurers to help mitigate the risk of having to pay claims in the wake of natural disasters.

**Liquidity Premium** – Any form of additional compensation that is required to encourage investment in assets that cannot be easily and efficiently converted into cash at fair market value.

**Interest Rate Coverage Ratio** – A debt and profitability ratio used to determine how easily a company can pay interest on its outstanding debt.

**Loan Spread** – The interest rates over and above the LIBOR rate charged to borrowers by banks.

**Loan-to-Value (LTV) Ratio** – A measure comparing the amount of a mortgage with the appraised value of the property. The higher the down payment, the lower the LTV ratio.

**Municipal-to-Treasury Yield Ratio (municipal bond funds only)** – A measure of municipal bond valuation. The higher the Municipal-to-Treasury ratio, the more attractive municipals are relative to Treasuries.

**Mark to Market** – Involves recording the price or value of a security, portfolio, or account to reflect the current market value rather than the book value.

**Prepayment Risk** – The risk involved with the premature return of principal on a fixed-income security. When principal is returned early, future interest payments will not be paid on that part of the principal.

**Real Yield** – The yield provided by an investment once inflation is taken into account.

**Reinsurance** -- coverage provided to insurance companies.

**Rate-on-Line** – The premium/coupon paid by the re/insurance company for coverage.

**Standard Deviation** – A statistical measure of the historic volatility of a portfolio; a lower standard deviation indicates historically less volatility.

**Sharpe Ratio** – A measure of risk-adjusted return that describes how much excess return an investor receives in exchange for the volatility of holding a riskier asset.

**Spread sectors** – Nongovernmental fixed-income market sectors that offer higher yields, at greater risk, than governmental investments.

**Tail Risk** – The additional risk of an asset or portfolio of assets moving more than 3 standard deviations from the current price, above the risk of a normal distribution.

**Tax-Equivalent Yield** – The pretax yield that a taxable bond needs to possess for its yield to be equal to that of a tax-free municipal bond.

**Subordinated Capital/Financing** – Financing ranked behind that held by secured lenders with regard to the order of repayment. Subordinated financing can be a mix of debt and equity instruments. Equity components may include options and warrants. Debt components may include asset-backed securities.

**Yield Curve (Curve)** – A yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates.

**Yield to Maturity** – The total return anticipated on a bond if the bond is held until the end of its lifetime.

**Yield to Worst (YTW)** – The lowest potential yield that can be received on a bond without the issuer actually defaulting.

The views expressed are those of Amundi US and are current through December 31, 2023. These views are subject to change at any time based on market or other conditions, and Amundi US disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for strategies are based on many factors, may not be relied upon as an indication of trading intent on behalf of any portfolio.

**A Word about Risk** The market prices of securities may go up or down, sometimes rapidly or unpredictably, due to general market conditions, such as real or perceived adverse economic, political, or regulatory conditions, recessions, inflation, changes in interest or currency rates, lack of liquidity in the bond markets, the spread of infectious illness or other public health issues or adverse investor sentiment. The market price of securities may fluctuate when interest rates change. 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. The value of municipal securities can be adversely affected by changes in financial condition of municipal issuers, lower revenues, and regulatory and political developments. A portion of income may be subject to local, state, federal, and/or alternative minimum tax. Capital gains, if any, are subject to a capital gains tax. At times, the Fund's investments may represent industries or sectors that are interrelated or have common risks, making them more susceptible to any economic, political, or regulatory developments or other risks affecting those industries and sectors.

**Before investing, consider the product's investment objectives, risks, charges and expenses. Contact your financial professional or Amundi Asset Management US for a prospectus or a summary prospectus containing this information. Read it carefully.**

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