Pioneer Core Equity SMA

Performance Analysis and Market Commentary | June 30, 2023

Investment Philosophy

We believe in a consistent, disciplined investment process based on fundamental research, quantitative analysis and active portfolio management. This three-pillared approach is supported by a management team that seeks a careful balance of risk and reward, which we apply to each of our investment portfolios.

Performance Review

	Quarter-to Date	Year-to-Date	1-Year	3-Year	5-Year	10-Year
Pioneer Core Equity SMA (Gross)	6.83%	12.28%	16.84%	13.90%	11.45%	12.29%
Pioneer Core Equity SMA (Net)	6.05%	10.64%	13.42%	10.56%	8.17%	8.99%
S&P 500® Index (Benchmark)	8.74%	16.89%	19.59%	14.60%	12.31%	12.86%

Performance shown is based on the Pioneer Core Equity SMA composite. The percentage of composite assets represented by wrap fee portfolios for the periods shown is 0%. Due to rounding, figures may not total 100%. Gross of fee returns are presented before management and custodial fees, but after all transaction costs. Net returns are calculated by deducting the highest anticipated applicable annual wrap fee (3.00% on all assets) applied on a monthly basis from the gross composite monthly return. Gross and net returns are calculated in the same manner using the Time-Weighted Rate of Return method. The wrap fee includes all charges, transaction costs, portfolio management fees, custody fees, and other administrative fees. Actual fees and account minimums may vary. **Past performance is no guarantee of future results.**

On July 3, 2017, Amundi Asset Management acquired Pioneer Investments (the "prior firm", now Amundi US). Performance prior to July 3, 2017 occurred while members of the portfolio management team were affiliated with the prior firm. Such members of the portfolio management team were responsible for investment decisions at the prior firm and the decision-making process has remained intact.

Market Review

— The second quarter of 2023 was almost a mirror image of the first quarter, with the S&P 500 Index (SPX) returning 8.74%, as investors continued to pile into technology stocks—especially those connected with artificial intelligence (AI)—at increasingly higher valuations. The Nasdaq 100 Index had one of its best first half returns ever, posting a 39.35% return. Market breadth was exceedingly narrow with only 32% of stocks outperforming the SPX in the quarter, creating a significant headwind for valuation-disciplined active managers. Growth continued to outpace value by a wide margin in the second quarter, with the Russell 1000 Growth Index (RLG) returning 12.81% vs. 4.07% for the Russell 1000 Value Index (RLV). Within the RLG, stocks with the highest price-to-earnings (P/E) multiples performed the best—stocks with P/Es of 35.3x and higher generated nearly twice the return of the overall index.

— Though still below its peak in 2021, the SPX as of June 30 had recovered much of the losses incurred in 2022. Its performance, however, was not indicative of the average stock. The S&P 500 Equal Weight Index returned just 7.03% in the first half, compared with 16.89% for the SPX.

Growth Continues to Outpace Value

Total Return	June 2023	2Q2023
S&P 500® Index (SPX)	6.61%	8.74%
Russell 1000® Value Index (RLV)	6.64%	4.07%
Russell 1000® Growth Index (RLG)	6.84%	12.81%

Source: Morningstar. Data as of June 30, 2023. **Data is based on past performance, which is no guarantee of future results**.

Performance Review

— Pioneer Core Equity SMA returned 6.83% (gross) and 6.05% (net) during the second quarter, underperforming the 8.74% return of the SPX.

— At the sector level, the Portfolio's relative underperformance was driven primarily by weaker security selection results in the information technology sector, and to a lesser extent, in the financials and consumer discretionary sector. Sector allocation results were marginally negative during the quarter but did not have a meaningful impact on overall relative performance. Conversely, positive security selection results in the energy, industrials and real estate sectors aided the SMA's relative returns over the three months, as did our decision to avoid owning utilities during the period for valuation reasons.

— Turning to individual detractors, given our valuation discipline, our decision to avoid owning benchmark constituents **Apple**, and leading graphic processing unit manufacturer **NVIDIA**, neither of which currently meet our investment criteria, were key detractors from the SMA's relative performance. Technology stocks continued higher in the second quarter with many rallying on better-than-expected earnings results, increased demand, effective cost-cutting strategies and euphoria over generative artificial intelligence (AI). Apple trades at over 30x forward earnings per share, despite declining earnings this year and only a modest expected earnings recovery next year. The stock reached an all-time high and further benefitted from investors becoming comfortable with Apple as a perceived "safer" stock to own if the global economy dips into recession. With regard to NVIDIA, the stock soared on better-than-expected earnings driven by spending on AI.

— On the positive side, the SMA's shares in data storage hardware and software developer **Pure Storage** and in energy company **EQT Corporation** aided benchmark-relative performance in the second quarter. Shares of Pure Storage rallied on strong Q1 financial results and upbeat investor sentiment around future growth potential as the company shifts to a subscription/services model and continued to increase its focus on enterprise clients. EQT, one of the world's largest natural gas producers, has benefitted from an increase in natural gas prices as the EIA (Energy Information Administration) predicted an increase in natural gas prices in the coming years.

Top Relative Contributors and Detractors – Second Quarter of 2023

Contributors	Detractors
— Pure Storage (PSTG)	— NVIDIA (NVDA)
— EQT Corporation (EQT)	— Apple (AAPL)
— Intuitive Surgical (ISRG)	— Walt Disney (DIS)
— Advanced Micro Devices (AMD)	— Truist Financial (TFC)
— Meta Platforms (META)	— Pfizer (PFE)

Securities listed represent holdings of the portfolio or benchmark components that were not held in the portfolio as of quarter-end, shown in descending in order from greatest to least, in terms of contribution to or detraction from the SMA's performance relative to the benchmark. Data is of the representative account (Gross, USD) in the Pioneer Core Equity SMA composite. Gross performance does not reflect the deduction of certain fees. The portfolio is actively managed and current portfolio information is subject to change. The holdings listed should not be considered recommendations to buy or sell any security.

Market Outlook and Positioning

- The economy's strength has been significantly aided by the continued drawdown of excess savings from the Covid era and other prior fiscal stimulus. However, we continue to expect economic growth to slow over the next several months due to the impact of higher interest rates.
- Financial conditions remain relatively tight. Further interest rate rises appear likely in the future as inflation remains quite sticky in certain areas. Hopes of rate cuts later in the year or early next year may prove to be premature. If the Fed does cut rates later in the year, it would be the result of greater-than-expected economic weakness, which could be detrimental to corporate earnings. The stock market tends to react negatively in such an environment.
- Margins remain quite high; though well off their peak of a year or so ago. Further contraction is likely to continue for the majority of companies, and we believe that earnings estimates for the next several quarters remain overly optimistic. A mild recession, in our view, is more likely than a "soft landing." In either scenario, earnings estimates will likely decline as companies take a more cautious approach as 2023 progresses given economic uncertainty. If the stock market adequately discounts a potential recession, we would anticipate becoming more constructive.
- Despite a very strong start to the year for equities, particularly for a narrow set of expensive mega-cap growth stocks, we remain cautious that the rebound may be little more than a bear market rally driven by the more speculative parts of the market and by the recent euphoria in generative AI.
- In this market environment, we are focused on bottom-up, fundamental stock picking and we are opportunistically taking advantage of market volatility to pursue investments in what we believe are high-quality names whose valuations are meaningfully below where we think they should be, and that could offer a favorable risk/reward trade-off.
- From a positioning perspective, the SMA's three largest sector overweights included communication services, financials, and industrials. Conversely, the SMA's three largest sector underweights included information technology, consumer discretionary and utilities, which we have avoided for valuation reasons as well as the ability to get rate increases in a weakening economy.
- Mega-cap growth/tech stocks have all done incredibly well with the recent tech rebound and excitement around artificial intelligence. We have therefore lowered that weighting which has negatively affected performance somewhat, but we have added to where we believe to have found more value. For example, we trimmed one tech stock on strength and increased exposure to another, which is more of a value play within tech. We also brought down some positions on strength and bought a provider of online dating and social networking platforms, which we think has a unique business model that is growing and the stock is more reasonably valued.
- We bought a retail stock during the quarter, which we believe is a solid business with good returns and the company has been returning a significant amount of cash to shareholders.*
- As the energy sector has been a very strong performer for the SMA, we have been reducing the exposure on strength and taking some profits.
- The Portfolio has a modest underweight in consumer staples, but within the sector, we are focused on household and personal products as this segment was an area hit hard last year and the combination of an improving commodity environment and improving supply chains should, in our view, lead to significant gross margin upside. We have specifically bought companies with this theme that we felt are both undervalued and have some idiosyncratic elements as well improving performance.
- The Portfolio is equal weight the health care sector where our biggest conviction is in the medical technology segment, as we believe that hospital surgical procedures should begin to pick up now that Covid is further behind us. We own several companies that are all levered to hospital procedures.
- Lastly, the Portfolio has a modest overweight to banks. We favor some large regional banks, or "super-regionals", which have advantageous deposit bases and/or revenue opportunities from integration of recent acquisitions and should demonstrate above-industry peer growth and operating leverage from benefits related to mergers and acquisitions. Moreover, we expect more potential acquisition opportunities of the super-regionals of smaller, distressed banks that will contribute to growth potential.

*Distributions are not guaranteed.

Additional Information

Performance Attribution: This performance attribution seeks to identify and quantify the drivers of portfolio performance relative to that of its benchmark. Using FactSet software, we create hypothetical subportfolios by segmenting the portfolio and its benchmark, then measure the value (weight) and returns of those hypothetical subportfolios. This lets us measure the performance impact of a decision to overweight or underweight a portfolio segment. It also lets us measure the performance impact of a specific security selection within each segment.

Terms and Definitions

The **Russell 1000® Growth Index** measures the performance of the large-capitalization growth sector of the US equity market. The **Russell 1000® Value Index** measure the performance of the large-capitalization value sectors of the US equity market. The **S&P 500® Index** measures the performance of the broad US stock 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.

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

Important Information

Amundi US is the US business of Amundi Asset Management group of companies. Investment advisory services are offered through Amundi Asset Management US, Inc. Not all Amundi products and services are available in all jurisdictions. The Amundi Asset Management logo used in this document only refers to a brand owned by Amundi and not to any service or product offered or manufactured by Amundi Asset Management SAS, headquartered in Paris.

Amundi US acts as a discretionary investment manager or non-discretionary model provider in a variety of separately managed account or wrap fee programs (each, an “SMA Program”) sponsored by a third party investment adviser, broker-dealer or other financial services firm (a “Sponsor”). When acting as a discretionary investment manager, Amundi US is responsible for making and implementing all investment decisions in SMA Program accounts. When acting as a non-discretionary model provider, Amundi US’s responsibility is limited to providing investment recommendations (in the form of model portfolios) to the SMA Program Sponsor who may or may not, in their sole discretion, utilize such recommendations in connection with its management of SMA Program accounts. In such “model-based” SMA Programs (“Model-Based Programs”), it is the Sponsor, and not Amundi US, which serves as the investment manager to, and has trading responsibility for, the Model-Based Program accounts.

Performance shown is past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance data quoted.

There is no guarantee that the portfolio will continue to hold any particular security and securities are held in varying percentages. Holdings are subject to change since the portfolio is actively managed. Holdings are intended to illustrate the composition and characteristics of the SMA for separately managed accounts. Across client portfolios, there may be variations in holdings, characteristics and performance information as dictated by reasons such as diversification needs, specific client guidelines, account size, cash flows, the timing and terms of execution of trades, and differing tax situations.

The Model Portfolio/SMA securities holdings information provided is intended solely for your use in evaluating the Model Portfolio/SMA portfolio(s). Under no circumstances does the information contained within constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation to buy, hold or sell securities.

Separately managed account programs may require a minimum asset level and, depending on specific investment objectives and financial position, may not be appropriate for all investors. Actual fees and account minimums may vary.

The investment strategies described are those of Amundi US. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon request. For additional information, documents and/or materials, please speak to your Financial Professional or contact your sponsor firm.

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