

# Pioneer Disciplined Growth SMA

Performance Analysis and Market Commentary | December 31, 2022

## 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

	3-Month	Year-to-Date	1-Year	3-Year	5-Year	10-Year
<b>Pioneer Disciplined Growth SMA (Gross)</b>	8.53%	-20.69%	-20.69%	10.79%	12.19%	14.48%
<b>Pioneer Disciplined Growth SMA (Net)</b>	7.73%	-23.09%	-23.09%	7.53%	8.89%	11.12%
<b>Russell 1000® Growth Index (Benchmark)</b>	2.20%	-29.14%	-29.14%	7.79%	10.96%	14.10%

Performance shown is based on the Pioneer Disciplined Growth 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

- In 2022, the S&P 500 Index (SPX) plummeted by 18.11%, the third-largest annual decline for the SPX in the past 48 years (only 2002 and 2008 were worse). The main culprit was inflation, which, as measured by the Consumer Price Index, rose to a 40-year high of 9.1% in June before subsiding as the US Federal Reserve (Fed) aggressively raised interest rates in response to the spiking inflation readouts. The corresponding decline in equity valuations (which typically have had an inverse correlation with interest rates) punished the performance of stocks over the past year, especially shares of companies with above average **price-to-earnings (P/E)** multiples. The most expensive quintile of stocks in the SPX (34.5x P/E and above) returned -40% for the past 12 months. The cheapest P/E quintile stocks (3.6 – 12.5x), meanwhile, generated a positive return of just under 9%. Among the worst performers over the past year were the mega-cap technology stocks that had fared well during the COVID-19 pandemic in a stay-at-home environment. The four largest stocks in the SPX – all mega-cap tech stocks – each fell by well over 20%, creating a favorable environment for active managers whose portfolios were underweight to those stocks.
- Only two sectors in the SPX managed to eke out positive returns for the year: energy and utilities. Meanwhile, consumer discretionary, communication services, and information technology were the worst performers in the SPX, each declining by between 28% and 39% for the 12 months ended December 31, 2022.
- Despite a difficult year overall, stocks managed to generate positive returns in the fourth quarter of 2022, with the SPX rebounding and returning 7.56%, due to declining inflation and investors' optimism that interest rates may have peaked. Energy, financials, industrials, and materials were the top-performing sectors in the SPX for the fourth quarter, while communication services and information technology continued to lag the rest of the market. December's returns were negative, however, with declines across every sector.
- From a style perspective, value trounced growth in 2022. The Russell 1000 Value Index (RLV) returned -7.54% for the 12 months ended December 31, 2022, while the Russell 1000 Growth Index (RLG) returned -29.14% over the same period, as investors favored low-P/E stocks and energy stocks, which have greater representation in the RLV Index than in the RLG Index. Value stocks also outperformed over the past month and in the fourth quarter.

	Fourth Quarter	Year-to-Date 2022
<b>S&amp;P 500® Index (SPX)</b>	7.56%	-18.11%
<b>Russell 1000® Value Index (RLV)</b>	12.42%	-7.54%
<b>Russell 1000® Growth Index (RLG)</b>	2.20%	-29.14%

Source: Morningstar. Data as of December 31, 2022. **Data is based on past performance, which is no guarantee of future results.**

## Performance Review

- Pioneer Disciplined Growth SMA (“the SMA”) had a gross USD return of -8.53% in the fourth quarter, and a net return of 7.73%, while the SMA’s benchmark, the RLG Index, returned 2.20%. Consistent with our valuation-disciplined approach of investing the portfolio in large-cap growth stocks, the SMA outperformed its benchmark by a wide margin during the fourth quarter, and also over the 12 months ended December 31, 2022, as the Portfolio returned -20.69% gross USD and -23.09% net USD for the full calendar year, while the RLG Index returned -29.14%.
- In the fourth quarter, the SMA’s relative outperformance was mainly attributable to strong stock selection results in the consumer discretionary and information technology sectors. Our decision to avoid owning benchmark constituents **Tesla** and **Apple**, neither of which currently meet our valuation criteria, boosted the SMA’s relative returns in those two sectors. Shares of Tesla declined by more than 50% during the quarter, due to the market’s concerns regarding slowing growth and CEO Elon Musk’s preoccupation with Twitter, which he recently acquired. Not owning Tesla provided the biggest individual boost to the Portfolio’s relative returns for the three-month period. With regard to Apple, investors have been concerned over the company’s reliance on China for its iPhone production, given that the country has suffered a spike in COVID-19 cases, which has resulted in the government imposing new regulations and shut downs, which in turn spawned public protests. All of those factors have combined to apply downward pressure on Apple’s share price of late. Another notable positive contributor to the Portfolio’s relative performance for the fourth quarter was the portfolio’s position in **TJX**, a leading off-price retailer of apparel and home fashions. The company outperformed during the quarter after reporting positive net sales results that exceeded expectations.
- On the negative side, detractors from the SMA’s relative performance at the sector level this quarter included weaker security selection results within energy, and the portfolio’s overweight position in consumer discretionary, mainly within the retailing segment.
- With regard to individual stocks, most of the top detractors from the SMA’s relative returns in the fourth quarter were benchmark constituents that we avoided holding in the portfolio, because we felt there were opportunities available elsewhere. Specifically, our decisions to avoid owning **MasterCard** and **Broadcom** within the information technology sector detracted from the SMA’s relative performance, as did lack of portfolio exposure to **AbbVie**, within the health care sector.
- MasterCard reported results that beat financial estimates in the fourth quarter, and so the Portfolio’s lack of exposure to the stock detracted from relative returns. Broadcom, a semiconductor firm, performed well this quarter as the company was able to suppress investors’ fears – at least temporarily – about waning demand for their chips at certain companies (including Apple), and in the cloud/data centers. While the defensive nature of Broadcom has been in vogue with the market during a period of heightened anxiety, and while we appreciate the sturdiness of the company’s business, we believe there are other opportunities that offer a more attractive risk/reward profile. Finally, the Portfolio had no exposure to AbbVie, which had a strong quarter. However, we do not consider AbbVie to be a growth stock, and we believe there are other companies that may offer better risk/return profiles in that particular market segment.

## Top Relative Contributors and Detractors – Fourth Quarter of 2022

Contributors	Detractors
— Tesla (TSLA)	— MasterCard (MA)
— Apple (APPL)	— AbbVie (ABBV)
— TJX Companies (TJX)	— Broadcom (AVGO)
— Intuitive Surgical (ISRG)	— Palo Alto Networks (PANW)
— Air Products and Chemicals (APD)	— Nike (NKE)

Securities listed represent holdings of the portfolio or benchmark components that were not held in the portfolio as of quarter end, shown in descending order from greatest to least, in terms of contribution to or deduction from portfolio performance, relative to the benchmark. Data is of the representative account in the Pioneer Disciplined Growth SMA composite. 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 listed.

## Market Outlook and Positioning

- We expect economic growth to slow over the next several months, due to the effects of higher interest rates and increased weakness in the labor market as employers streamline headcounts.
- While inflation has started to decline, the Fed seems likely to maintain interest rates at an elevated level for an extended period in order to prevent inflation from rebounding. Near term, we expect the Fed to continue raising interest rates through the first quarter of 2023.
- In 2022, the decline in the performance of equities was driven by a contraction in P/E multiples as interest rates increased. In our view, the next phase of the market, whether up or down, will be earnings driven, which could lead to continued negative market volatility until we see signs that the Fed is about to pause its tightening cycle.
- We remain cautious, as we believe current earnings estimates are too high. A mild recession, in our view, is more likely than a “soft landing,” in which economic growth slows yet remains positive as inflation is brought under control. In either scenario, we believe corporate earnings estimates will likely decline as companies take a more cautious approach to 2023, given the economic uncertainty.
- By mid-2023, if the market adequately discounts a potential recession, we anticipate becoming more bullish. While expectations are for market volatility to remain high in 2023, we think the market may look forward to an earnings recovery as the year progresses, and end the year higher than where it started.
- As of the end of December, we continued to emphasize having the portfolio own shares of companies that we regard to be high-quality, profitable growers trading at reasonable prices. From a positioning perspective, the SMA’s largest sector overweights versus the RLG Index are to consumer discretionary, mainly within the retail segment, and to the energy and materials sectors, which we believe provide the SMA with some cyclical exposure. In our view, energy firms could continue to benefit from higher commodity prices, strong global demand, and an increase in capital spending after many years of underinvestment.
- Conversely, the Portfolio’s largest sector underweights versus the RLG Index are to what we view as lower-volatility – and more expensive – defensive sectors of the market; namely, consumer staples, health care, and real estate. Lastly, we eliminated the SMA’s exposure to utilities companies during the fourth quarter, based on valuation concerns.

## 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<sup>®</sup> Growth Index measures the performance of the large-capitalization growth sector of the US equity market. The Russell 1000<sup>®</sup> Value Index measure the performance of the large-capitalization value sectors of the US equity market. The S&P 500<sup>®</sup> 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. **The Portfolio may invest in fewer than 40 securities** and, as a result, its performance may be more volatile than the performance of other portfolios holding more securities. **Investing in small- and mid-sized companies** may offer the potential for higher returns, but are also subject to greater short-term price fluctuations than larger, more established companies. **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.**