Pioneer Disciplined Growth 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 Disciplined Growth SMA (Gross)	8.20%	19.32%	23.00%	14.70%	15.27%	15.20%
Pioneer Disciplined Growth SMA (Net)	7.42%	17.59%	19.41%	11.34%	11.89%	11.83%
Russell 1000® Growth Index (Benchmark)	12.81%	29.02%	27.11%	13.73%	15.14%	15.75%

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

— 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 Disciplined Growth SMA returned 8.20% (gross) and 7.42% (net) in the second quarter, underperforming the 12.81% return of the RLG. Consistent with our valuation-disciplined approach of investing in large-cap growth stocks, the SMA trailed the benchmark as investors continued to migrate to expensive, speculative, mega-cap technology stocks largely focused on generative artificial intelligence (AI). From a style perspective, the most expensive (P/E) quintile of the RLG (35x P/E and above) significantly outperformed in the period returning 25%. The cheapest P/E quintile (3x-13x) on the other hand, returned 5%. Given our valuation discipline, we were underweight the expensive stocks in the benchmark, which hurt relative performance comparisons.
- In the second quarter, the majority of the SMA's relative underperformance was due to a combination of weaker security selection in, and an underweight to, the top -performing information technology sector, which returned over 19%. Three of the top five individual detractors included names that we did not own—**NVIDIA**, **Microsoft**, and **Apple**, neither of which currently meet our valuation criteria. Technology stocks, broadly, 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 AI. Apple trades at over 30x forward earnings per share (EPS), 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. Shares of NVIDIA soared on better-than-expected earnings driven by spending on AI.
- In terms of names held in the Portfolio that detracted, shares of pharmaceutical company **AbbVie** declined as the company's best-selling drug, Humira, lost its US patent protection. The key issue during the quarter was that the drugs expected to replace Humira over the long term, experienced weaker revenue that caused investors to fear that AbbVie would not be able to offset the loss of Humira revenue. As a result, investor confidence was reduced in the $12 per share EPS floor for the company.
- On the positive side, holdings that contributed favorably to relative results included positions in **Adobe**, **Intuitive Surgical**, **Alphabet**, and **Eli Lilly**. Adobe and Alphabet rose on the back of investor enthusiasm for AI. While we believe Adobe and Alphabet could benefit from these offerings, we trimmed our positions during the quarter as valuation has become less attractive. Intuitive Surgical, the leader in robotic assisted surgery, also gained after reporting better than expected quarterly results and raising earnings guidance. Shares of Eli Lilly, meanwhile, climbed after reporting better-than-expected sales of its diabetes product (Mounjaro) and raising earnings guidance. The company also announced clinical trial results for a product in development that has reduced weight in adults by an industry leading 24%.

Top Relative Contributors and Detractors – Second Quarter of 2023

Contributors	Detractors
— Adobe (ADBE)	— NVIDIA (NVDA)
— Intuitive Surgical (ISRG)	— AbbVie (ABBV)
— Alphabet (GOOGL)	— Microsoft (MSFT)
— Eli Lilly (LLY)	— Apple (AAPL)
— Palo Alto Networks (PANW)	— Walt Disney (DIS)

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 Disciplined Growth 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.

— At the end of June, we have continued to emphasize bottom-up, fundamental stock picking and have added to areas where we have stronger conviction and are finding valuations that are more attractive.

— From a positioning perspective, the SMA's largest sector overweights versus the RLG included energy, materials and real estate. With regard to energy, we believe companies in the sector could continue to benefit from higher commodity prices and strong global demand; while energy is not considered traditional growth, we believe underinvestment for the last nearly ten years could lead to underappreciated, structural and more stable growth than the market is discounting. In real estate, we own a data center real estate investment trust (REIT), that we view as a valuation-sensitive way to invest in the AI theme.

— Conversely, the SMA's largest sector underweights versus the benchmark included information technology, communication services and consumer discretionary. The respective underweights in these sectors are valuation-driven as the companies are great, in our view, but that is more than priced in.

— In terms of changes since last quarter, we continue to reduce information technology on valuation, mainly within software. We have added to consumer retail with high conviction positions. We have trimmed consumer staples as our holdings did well on valuation, and we have opportunistically added to industrials.

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. **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

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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.

Amundi Asset Management US, Inc.
60 State Street, Boston, Massachusetts 02109
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