Pioneer SMA

Performance Analysis and Market Commentary | December 31, 2022

Investment Philosophy

We believe investing in attractively valued, high quality, sustainable businesses that have high or improving ESG ratings can generate competitive returns over time with reduced risk.

Performance Review

	3-Month	1-Year	3-Year	5-Year	10-Year
Pioneer SMA (Gross)	8.77%	-18.73%	9.52%	11.50%	13.47%
Pioneer SMA (Net)	7.98%	-21.18%	6.29%	8.23%	10.14%
S&P 500® Index (Benchmark)	7.56%	-18.11%	7.66%	9.42%	12.56%

Performance shown is based on the Pioneer 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—Apple, Microsoft, Alphabet, and Amazon.com – all 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.

	December 2022	Fourth Quarter	Year-to-Date 2022
S&P 500® Index (SPX)	-5.76%	7.56%	-18.11%
Russell 1000® Value Index (RLV)	-4.03%	12.42%	-7.54%
Russell 1000® Growth Index (RLG)	-7.66%	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 SMA (the SMA) returned 8.77% (gross) and 7.98% (net) in the fourth quarter, outperforming the 7.56% return of the its benchmark, the SPX. In addition, the SMA's long-term results have remained strong relative to the SPX. Over the past 12 months, the SMA returned -18.73% (gross) and -21.18% (net), while the SPX returned -18.11%.

— During the fourth quarter, the primary reason for the SMA's relative outperformance was security selection; secondarily, however, the portfolio's underexposure to higher-valuation stocks continued to be a tailwind for relative returns, as it was throughout the 2022 calendar year. Specifically, stocks in the highest-P/E quintile of the SPX (23.9x and above) were the only group of stocks that generated a negative return in the fourth quarter (-5%). Each of the remaining four P/E quintiles in the SPX had positive returns in the fourth quarter, with the lowest-valuation stocks performing the best, which was a theme throughout 2022.

— Those two factors were on display the most in the consumer discretionary sector, where the SMA experienced both strong security selection and sector allocation results. This was primarily due to the SMA's lack of exposure to **Tesla**, as not owning the stock was a top positive contributor to the SMA's relative performance for the fourth quarter and for the full calendar year. Even despite its recent underperformance, Tesla remains one of the highest-valuation stocks in the industry, and remains squarely within the top quintile of the SPX. Tesla has faced a slew of difficulties in 2022, including missed sales estimates, falling demand amid recession fears and interest-rate hikes, heightened competition, and continued pandemic-induced production challenges. Investors have also grown concerned over CEO Elon Musk's purchase of Twitter, and whether he is dedicating too much of his time to that endeavor. We continue to believe that Tesla remains overvalued, though we do acknowledge the stock has become more attractive at current levels. Additionally, in spite of its production of environmentally friendly electric vehicles, we view Tesla's ESG profile as not attractive, given the company's ongoing social and governance issues.

— Security selection results within information technology were another positive contributor to the SMA's relative returns, mainly due to the portfolio's exposures to semiconductor and semiconductor-equipment companies. Positions in semiconductor stocks generally challenged the SMA's results in 2022, as semiconductor companies have tended to be cyclical, and their shares came under pressure during the year, mainly due to supply constraints and demand concerns. We have maintained conviction in the space, however, as we believe the medium- to long-term prospects are favorable, and the risk-reward profile has remained attractive. We believe semiconductor companies could benefit from long-term secular growth trends in technology spending across all industries related to 5G, artificial intelligence, autonomous vehicles, and the IoT (Internet of Things), among other trends. In addition, we anticipate the re-shoring of semiconductor manufacturing to North America could benefit semiconductor-equipment manufacturers, which is why we have retained the SMA's holdings in those stocks.

— Within semiconductors, a position in **Analog Devices** was the largest positive contributor to the portfolio's relative returns, both in the fourth quarter and for the full calendar year. Analog's shares had struggled during the first three quarters of the year, due to the broader macroeconomic challenges described earlier as well as some disappointing quarterly results. However, in the most recent quarter, the company reported strong results that beat expectations, while also raising forward guidance. We continue to believe Analog has an attractive valuation relative to its peers, and continue to hold the shares, which represent one of the largest active positions in the portfolio.

— Conversely, security selection results in the communication services and financials sectors detracted from the SMA's relative performance in the fourth quarter, offsetting some of the positive results in other sectors.

— In communication services, the SMA's position in **Live Nation Entertainment** hindered relative performance the most during the fourth quarter. Despite producing good results in its most recent quarter, driven by a strong summer season, Live Nation's shares underperformed in the most recent three-month period. The US Justice Department announced an investigation into Live Nation and its subsidiary, Ticketmaster, for potential antitrust violations in the wake of scrutiny over the handling of ticket presales for an upcoming Taylor Swift tour. We continue to hold the shares in the portfolio, and believe the recent issues do not present a long-term challenge to the sustainability of Live Nation's business.

— In financials, shares of **Truist Financial** underperformed and detracted from the SMA's relative results for the quarter. Truist reported weaker-than-expected quarterly results, missing on profit-growth estimates. We continue to hold the shares in the portfolio, as we believe regional banks could be in a good position going forward, given their interest-rate sensitivity and limited exposure to the capital markets.

— The SMA underperformed the SPX for the 12 months ended December 31, 2022. Style preference was the primary driver of the SMA's relative underperformance for the full calendar year as—consistent with our investment philosophy—the portfolio was underweight versus the SPX to low-P/E stocks in favor of what we saw as higher-quality companies that we believe can sustain profits through a period of high inflation and declining economic growth. For the 12-month period ended December 31, 2022, low-P/E stocks outperformed as interest rates as well as the cost of capital have risen. On the other hand, the SMA's relative performance for the calendar year benefited from a portfolio underweight to stocks in the highest-P/E quintile within the SPX, due to our valuation discipline, which became an even bigger factor in the fourth quarter. However, the underweight to low-P/E stocks still offset that positive contribution and accounted for all of the SMA's relative underperformance for the full 2022 calendar year.

— The portfolio's overweight position in energy also contributed positively to the SMA's relative results for the full year. Given its ESG orientation, we have been selective with regard to the SMA's energy exposure, favoring companies that have been responsibly helping to meet short-term and longer-term energy demand. We favored the sector this past year, due to what we believe are attractive valuations amidst rising energy prices, though we have reduced the SMA's energy positions more recently.

Top Relative Detractors and Contributors – Fourth Quarter 2022

Contributors	Detractors
— Tesla (TSLA)	— Alphabet (GOOGL)
— Caterpillar (CAT)	— Live Nation (LYV)
— Freeport-McMoRan (FCX)	— Truist Financial (TFC)
— KLA Corporation (KLAC)	— Exxon Mobil (XOM)
— Analog Devices (ADI)	— Costco (COST)

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 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

— We anticipate continued market volatility as the Fed raises interest rates, inflation concerns persist, and the Russia-Ukraine situation continues to unfold. However, we have grown more optimistic as equity valuations have become much more attractive, and we think a recession, if it occurs, is likely to be a shallow one, given the financial health of consumers. We believe US equities remain the best risk-reward opportunity globally.

— We believe maintaining balanced portfolio exposures to stocks that we think may benefit from higher prices and interest rates, such as shares of banks and energy firms; to reasonably priced growth stocks, such as shares of semiconductor companies; and to more defensively oriented stocks, is the best approach in the current investment environment. By comparison, we believe equities of hyper-growth, unprofitable companies could be vulnerable to valuation compression if interest rates continue to rise. We also think low-quality, distressed-value stocks may underperform, especially shares of companies with excessive debt loads.

— As of the end of December, the portfolio's largest overweights relative to the SPX were to the materials, communication services, and information technology sectors, though we have decreased the size of the SMA's overweight to information technology, somewhat. Despite its weak performance in 2022, we continue to believe the communication services sector has a favorable risk-reward profile, given potential long-term secular drivers for companies in the sector, such as artificial intelligence. The SMA's biggest underweight positions versus the benchmark are in the consumer-related sectors, due to concerns about sluggish unit-volume growth, and valuations. The SMA is also slightly underweight to financials, though the portfolio is overweight to banks, with a preference towards regional banks. The portfolio also continues to have no exposure to the real estate and utilities sectors, which have tended to be interest-rate sensitive.

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 generally excludes corporate issuers** that do not meet or exceed minimum ESG standards. Excluding specific issuers limits the universe of investments available to the portfolio, which may mean forgoing some investment opportunities available to portfolios without similar ESG standards.

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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