# Pioneer Dividend Equity SMA

Performance Analysis and Market Commentary | December 31, 2022

## Investment Philosophy

We believe a diversified portfolio of sustainable companies that pay, sustain and increase dividends* over time can provide competitive performance with less risk.

## Performance Review

| | 3-Month | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|
| **Pioneer Dividend Equity SMA (Gross)** | 13.68% | -7.29% | 5.85% | 6.70% | 11.29% |
| **Pioneer Dividend Equity SMA (Net)** | 12.86% | -10.05% | 2.73% | 3.56% | 8.02% |
| **Russell 1000® Value Index (Benchmark)** | 12.42% | -7.54% | 5.96% | 6.67% | 10.29% |

Performance shown is based on the Pioneer Dividend 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

— 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.

*Dividends are not guaranteed.

- 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 Dividend Equity SMA (the SMA) returned 13.68% (gross) and 12.86% (net) in the fourth quarter, while its benchmark, the RLV, returned 12.42%.
- As noted earlier, from a style perspective, large-cap value stocks—a focus for the SMA—outperformed the large-cap growth stocks within the broader Russell 1000 Index for the fourth quarter, reverting to the trend expressed in the first and second quarters of this year. The RLV Index returned 12.42% for the quarter, versus the 2.20% return for the RLG Index.
- The SMA's outperformance relative to the benchmark in the fourth quarter was due primarily to stronger stock selection results in the communication services and information technology sectors, which countered the effects of weaker selection results in financials and materials.
- Sector allocation results were neutral for the SMA's relative performance this quarter. The portfolio's underweight to the worst-performing sector, communication services, aided the SMA's relative returns, and countered the performance headwind created by an underweight to the best-performing sector, energy. During the quarter, non-dividend payers underperformed, which provided a tailwind for the SMA's relative results, due to our focus on investing in dividend-paying stocks. Our preference for higher-quality (return-on-equity, or ROE) stocks also aided the portfolio's relative results, as those companies also outperformed during the fourth quarter.
- Within communication services, security selection results in the media & entertainment segment were a large positive contributor to the SMA's relative performance in the fourth quarter, aided by a position in **Interpublic Group**, an advertising and marketing service agency, which was up by 31%. The company reported quarterly results that demonstrated more resiliency in demand for its advertising solutions than investors had expected. Despite concerns about a deceleration in advertising spending, we continue to hold the portfolio's position in Interpublic Group, given its strong offerings and attractive valuation.
- Overall, the individual portfolio holding that contributed the most to the SMA's positive benchmark-relative performance during the fourth quarter was pharmaceutical company **Novo-Nordisk** (up by 36%), which produces diabetes drugs and other biopharmaceutical products. After an initial setback, the company has worked through manufacturing issues pertaining to its weight loss drug (helping to alleviate supply constraints). We believe demand for Novo-Nordisk's diabetes and obesity drugs could continue to be a driver of growth going forward.
- On the negative side, financials sector holdings **M&T Bank** and **Lincoln National** were the top two detractors from the SMA's relative performance in the fourth quarter. M&T Bank (-17%) is a regional bank primarily serving the Northeastern and Mid-Atlantic regions of the United States. The stock price reacted adversely this quarter as the company reported higher-than-expected expenses and loan-loss provisions, while guiding to a peak net-interest

— margin. However, we believe M&T could benefit from cost synergies as it integrates a recent acquisition. Lincoln National (-29%) is a financial services company that offers life insurance, annuities, group protection, and retirement plan services. The company saw its share price decline in the fourth quarter as an annual assumption review led to a larger-than-expected reserve charge in its life insurance business. We still see longer-term opportunities for growth, given Lincoln National's new product offerings and expense-management initiatives, but we weight that optimism against what we believe is the need for the company to shore up capital.

— For the full calendar year ended December 31, 2022, the SMA returned -7.29% (net) and -10.05% (gross), underperforming the RLV Index's return of -7.54%. For the year, security selection results in financials and the SMA's overweight allocation to information technology were the primary drivers of the benchmark-relative underperformance. Conversely, strong stock selection results in the information technology and communication services sector, primarily in the semiconductors & semiconductor-equipment and media & entertainment industries, contributed positively to the portfolio's relative returns for the full calendar year.

— Our focus on investing the SMA in dividend-paying, higher-quality companies also provided an overall tailwind to relative performance comparisons for the full calendar year, as the portfolio's underweight exposures to the lowest- and non-dividend payers and the lowest-quality P/E quintiles in the RLV Index contributed positively to relative results. However, selection results among the higher-dividend-paying stocks held in the portfolio slightly countered those positives.

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

| Contributors | Detractors |
|---|---|
| — Novo Nordisk (NVO) | — Lincoln National (LNC) |
| — Meta Platforms (META) | — M&T Bank (MTB) |
| — Walt Disney Company (DIS) | — Camden Property Trust (CPT) |
| — Interpublic Group (IPG) | — Alexandria Real Estate Equities (ARE) |
| — Omnicom (OMC) | — Merck (MRK) |

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 Dividend 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 has been slowing, and that has begun to affect job openings in the US. The Fed hopes that this trend will continue, without significantly raising the unemployment rate. Consumers have continued to spend from the savings built up during the pandemic, which has contributed to higher-than-expected rates of inflation, as too much money is chasing too few goods. However, retail inventories are high and supply chain pressures appear to be easing. Those factors, combined with past and expected Fed increases to the federal funds rate target range, could lead to declines in inflation over the foreseeable future. Whether those declines are fast enough to prompt the Fed to hold back on "too many" rate increases remains to be seen, and avoiding a "hard landing" for the economy is going to be difficult, in our view.

— In a rising-rate environment going forward, we believe our focus on investing the SMA in what we view as quality value companies ultimately may reap some rewards. Typically, in the months following the first Fed rate hikes, investors have tended to rotate from low-quality into high-quality stocks, a market trend we generally experienced during calendar 2022. Additionally, as investors have begun to focus on assets offering higher yields in a rising-rate environment, we believe dividend-paying stocks may become more attractive.

— At year-end, the SMA had benchmark-relative overweight exposures to the cyclical sectors that we expect to do well during an economic recovery, including consumer discretionary, industrials, information technology, and materials. The portfolio's largest absolute sector weighting is to financials, though at a slight underweight relative to the benchmark, primarily due to an underweight to banks. To balance the SMA's cyclical positioning, given the uncertain trajectory of the economic recovery, we also have maintained the portfolio's exposures to the more defensive areas of the market, such as the consumer staples, real estate, and health care sectors—with a slight underweight in the latter.

### 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. **The portfolio invests in REIT securities**, the value of which can fall for a variety of reasons, such as declines in rental income, fluctuating interest rates, poor property management, environmental liabilities, uninsured damage, increased competition, or changes in real estate tax laws.

### 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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