Confidence must be earned
Amundi
ASSET MANAGEMENT

Pioneer Disciplined Value 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
Pioneer Disciplined Value SMA (Gross)	14.91%	-8.94%	-8.94%	7.78%	7.52%	10.91%
Pioneer Disciplined Value SMA (Net)	14.09%	-11.66%	-11.66%	4.60%	4.35%	7.65%
Russell 1000® Value Index (Benchmark)	12.42%	-7.54%	-7.54%	5.96%	6.67%	10.29%

Performance shown is based on the Pioneer Disciplined Value 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 plummeted by 18.11%, the third-largest annual decline for the S&P 500® Index in the past 48 years (only 2002 and 2008 were worse). The main culprit was inflation (measured by the Consumer Price Index), and rose to a 40-year high of 9.1% in June 2022 before subsiding, as the US Federal Reserve 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 multiples. The most expensive quintile of stocks in the S&P 500® Index (34.5x price-to-earnings and above) returned -40% for 2022. The cheapest price-to-earnings quintile stocks (3.6x to 12.5x) 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 S&P 500® Index (Apple Inc, Microsoft Corp, Alphabet Inc, and Amazon.com, Inc.) 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 S&P 500® Index managed to achieve positive returns for the year, energy and utilities. Meanwhile, consumer discretionary, communication services and information technology were the worst performers in the S&P 500® Index, each declining by between 28% and 39% for 2022.
- Despite a difficult year overall, stocks managed to generate positive returns in the fourth quarter of 2022, with the S&P 500® Index 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 S&P 500® Index for the fourth quarter of 2022, while communication services and information technology continued to lag the rest of the market. However, December 2022 returns were negative with declines across every sector.

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— From a style perspective, value trounced growth in 2022. The Russell 1000® Value Index returned -7.54% for 2022, while the Russell 1000® Growth Index returned -29.14%, as investors favored low-price-to-earnings stocks and energy stocks, which have greater representation in the Russell 1000® Value Index than in the Russell 1000® Growth Index. Value stocks also outperformed over December 2022 and in the fourth quarter of 2022.

	Fourth Quarter	Year-to-Date 2022
S&P 500® Index (SPX)	7.56%	-18.11%
Russell 1000® Value Index (RLV)	12.42%	-7.54%
Russell 1000® Growth Index (RLG)	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 Value SMA ("the SMA") had a gross USD return of 14.91% for the quarter, and a net return of 14.09%, compared to the Russell 1000® Value Index return of 12.42%. Year-to-date, the SMA has a gross USD return of -8.94%, and a net return of -11.66%, compared to benchmark performance of -7.54%.

— We believe that all economics continue to be aligned, in the longer run, for value to outperform. Historically, this is when our approach has delivered strong results for shareholders. Accordingly, we are staying true to our style where the Portfolio is meaningfully cheaper than most competitor offerings and provides dedicated and efficient exposure to the large cap value universe through an active, dynamic approach.

— At the sector level, the Portfolio's relative outperformance was driven mainly by positive security selection results in the communication services, consumer discretionary and materials sectors. Our decision to overweight the top performing energy sector also proved helpful and countered weaker security selection results in the sector. In our view, the energy complex should continue to benefit from higher commodity prices and strong global demand. Conversely, detractors to relative performance included weaker security selection results in health care, mainly within pharmaceuticals, and our overweight position in the worst performing sector in the quarter, communication services (+2%).

— Among individual holdings, stocks that contributed positively to relative performance included overweight positions in Caterpillar Inc. (+47%) and JPMorgan Chase & Co. (+30%), an out-of-benchmark position in TJX Companies, Inc. (+29%) and our decision to avoid owning benchmark constituent, Meta Platforms, Inc. (-11%), a growth stock reclassified as value during the Russell index rebalance in the third quarter of 2022. Caterpillar Inc., the leading manufacturer of construction, forestry and mining equipment has executed well, reporting strong third-quarter results, due to solid demand and improved pricing and costs. Multinational financial services company, JPMorgan Chase & Co., reported financial results that surpassed consensus estimates and noted that, based on their employment projections, credit losses would be less than expected. TJX Companies, Inc., the leading off-price retailer of apparel and home fashions, outperformed as the company's net sales results exceeded expectations.

— On the negative side, holdings that detracted from relative performance results included overweight positions in Syneos Health, Inc. (-22%) and Medtronic Plc (-3%) within the health care sector, and an overweight in oil and gas producer, Equitable Resources, Inc. (-17%). Syneos Health, Inc. reported weaker than expected third-quarter financial results, as the company sited more significant headwinds in net awards, revenue and margins than anticipated. Medtronic, Plc also faced weaker financial results from slower than predicted procedure and supply recovery, which drove revenue below expectations. Shares of Equitable Resources, Inc. declined after missing analyst revenue expectations. We continue to hold the stock given that we believe free cash flow yields remain attractive at current gas prices.

— Looking year-to-date, the Portfolio underperformed the Russell 1000® Value Index return of -7.54%. Security selection was the primary driver of relative results led by weaker choices in the health care and industrials sectors, mainly within the pharmaceuticals and machinery industries. Conversely, strong stock selection broadly across financials, consumer discretionary, information technology and communication services were helpful. Positive sector allocation results, primarily due to our decision to overweight the top performing energy sector (+66%) and to underweight the poorly performance real estate segment (-26%), were notable contributors.

— Top Relative Contributors and Detractors – Fourth Quarter of 2022

Contributors	Detractors
— Caterpillar Inc. (CAT)	— Syneos Health, Inc. (SYNH)
— TJX Companies, Inc. (TJX)	— Medtronic, Plc (MDT)
— JPMorgan Chase & Co. (JPM)	— Equitable Resources, Inc. (EQT)
— Meta Platforms, Inc. (META)	— Wells Fargo & Co (WFC)
— Schlumberger Limited (SLB)	— Elanco Animal Health, Inc. (ELAN)

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 detraction from portfolio performance, relative to the benchmark. Data is of the representative account in the Pioneer Disciplined Value 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

- The economy has been slowing, and that has begun to affect job openings in the US. The Federal Reserve 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. However, retail inventories are high and supply chain pressures appear to be easing. Those factors, combined with past and expected Federal Reserve 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 Federal Reserve to hold back on too many rate increases remains to be seen, and avoiding a severe recession for the economy is going to be difficult, in our view.
- In 2022, the decline in equities was driven by a contraction in price-to-earnings multiples as interest rates increased. In our view, the next phase of the market, whether up or down, will be earnings driven. We remain cautious, as we believe earnings estimates are too high. In our view, a mild recession is more likely than avoiding a recession. In either scenario, earnings estimates will likely decline, as companies take a more cautious approach to 2023, given economic uncertainty. In mid-2023, if the market adequately discounts a potential recession, we anticipate becoming more bullish. While volatility in 2023 is expected to remain high, the market may look forward to an earnings recovery, as the year progresses, and end the year higher than where it started.
- In this environment, we have been opportunistically taking advantage of market volatility to pursue high-quality names whose valuations are meaningfully below where we believe they should be, and should offer a favorable risk/reward trade-off. From a positioning perspective, the Portfolio is meaningfully underweight expensive defensive areas of the market. We are avoiding consumer staples, utilities and insurance, due to their defensive characteristics and expensive valuations, and we are underweight health care (increasingly in pharmaceuticals and managed care) and real estate for the same reasons. We believe that these areas are now priced for perfection after having performed strongly in the risk-off environment.
- We have also avoided growth stocks that were reclassified as value in the rebalancing of the Russell style indices in the third quarter of 2022. In our view, these companies do not truly represent value, and we believe that former growth stocks will be reclassified back from value to growth should they rebound over the next year. Conversely, we are significantly overweight banks that we believe will continue to demonstrate a durability of returns through this cycle. We own a mix of natural gas exploration and production, equipment and services and US integrated oil and gas companies in the energy sector. In addition to the current supply/demand headwinds, we believe that the sector is on a path forward after companies have changed their manager incentive programs to reflect return on invested capital and are not spending on growth in production after years of underspending on new projects.
- The Portfolio is overweight select media and telecommunication companies, as we believe that broadband and wireless companies will be more defensive than the market has priced, while the Portfolio's biggest overweight in the consumer discretionary sector is in the consumer services industry. We hold positions in restaurants that are primarily levered to the US consumer and gaming companies that are mostly levered to Las Vegas and Macau, as we believe that consumer spending on restaurants and US gaming will continue and that it will recover for gaming in Macau. Within the automobile and components industry, we own auto parts companies that, in addition to benefitting from the supply/demand imbalance for autos and parts, are also innovators and priced for a meaningful recession.

- Lastly, we are overweight materials and information technology. While materials are definitely cyclical, we do not own any cyclical companies that do not have additional company drivers. We are looking for idiosyncratic themes that will enable a company to be less levered to, and do better than, the economic cycle. For example, our metals and mining holdings are levered to copper, where the growing demand for electric vehicles is affecting the supply/demand for the metal, and aluminum, which is also in undersupply given the growth in solar and wind energy initiatives. In addition, aluminum from Russia is coming offline, further heightening the supply/demand imbalance. The Portfolio's holdings in information technology are primary cyclical, but their valuations reflect a meaningful recession. However, within software, our holdings are all relatively defensive, versus the industry, and attractively valued.

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 funds 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.

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