



Pioneer US Core Plus Fixed Income Strategy

Performance Update and Market Commentary | March 31, 2025

Investment Philosophy

Pioneer US Core Plus Fixed Income Strategy is a multi-sector strategy that invests in USD intermediate-term bonds with the ability to invest up to 20% in below-investment-grade debt. It allocates among three primary market sectors: mortgage-backed securities, investment grade corporates, and government bonds. The Strategy seeks to add value primarily through asset allocation and security selection, as well as interest rate positioning.

PLEASE NOTE: The Internal Guidelines referenced do not necessarily represent prospectus/statutory limitations. These internal guidelines are used as guidance in the daily management of the Portfolio's investments. These guidelines are subject to change and should not be relied upon as a long-term view of the Portfolio's exposures, limitations and/or risks.

Performance Review

	1-Month	3-Month	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Inception ¹
Pioneer US Core Plus Fixed Income Strategy (Gross USD Composite)	0.11%	3.28%	3.28%	6.86%	1.52%	2.79%	2.72%	6.18%
Pioneer US Core Plus Fixed Income Strategy (Net USD Composite)	0.08%	3.19%	3.19%	6.49%	1.17%	2.44%	2.37%	5.80%
Bloomberg US Aggregate Index	0.04%	2.78%	2.78%	4.88%	0.52%	-0.40%	1.46%	5.04%

¹Performance inception is January 1, 1990

Performance prior to April 1, 2025 occurred while the portfolio management team was affiliated with a 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. Gross-of-fees returns are presented before management and custodial fees but after any transaction costs. The composite net-of-fees returns reflect net of model fees and are calculated in the same manner as gross of fee returns using the Time Weighted Rate of Return method. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size.

Past performance is no guarantee of future results.

Market Review

- Risk assets began the first quarter of 2025 on a positive note, continuing the rally that followed the November 2024 election, fueled by optimism, regarding the economic outlook, especially the potential for reduced regulations and lower taxes. The rally reversed late in February 2025, as the Trump administration announced new tariffs on imported goods that were greater-than-expected, both in scope and size. Market participants responded by lowering expectations for near-term economic growth and raising expectations for inflation.
- In this environment, the yield curve steepened, as 5-year yields declined 43 basis points and 30-year yields were only 20 basis points lower.
- The Bloomberg US Treasury Index posted a 2.92% for the first quarter of 2025, while the Bloomberg US Aggregate Index lagged Treasuries with a 2.78% return.
- Bloomberg US Corporate Investment Grade Index returned 78 basis points less than comparable Treasuries, as the index spread widened by 14 basis points to end the first quarter of 2025 at 94 basis points.
- Securitized credit sectors also lagged behind Treasuries, though to a lesser extent than corporate bonds. Agency mortgage-backed securities was the best-performing spread sector within the Bloomberg US Aggregate Index, with the Bloomberg US MBS Index returning 3.06%, that was only 7 basis points worse than comparable Treasuries.
- The plus sectors all posted positive returns, but lagged the performance of comparable Treasuries:
 - US high yield returned +1.00%, as measured by the Bloomberg US High Yield Index
 - Leveraged loans returned +0.46%, as measured by the Morningstar LSTA US Leveraged Loan Index

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- Emerging markets sovereign debt returned 2.08%, as measured by the Bloomberg Emerging Markets Sovereign Index
- Emerging markets corporates returned 2.71%, as measured by the Bloomberg Emerging Markets Corporate Index
- Meanwhile, the US dollar (DXY Index) was 4.10% lower for the first quarter of 2025, while oil prices were roughly unchanged.

Performance Attribution

- Pioneer US Core Plus Fixed Income Strategy had a gross USD return of 0.11% for the month, and a net return of 0.08%, compared to the Bloomberg US Aggregate Index return of 0.04%. Year-to-date, the Strategy has a gross USD return of 3.28%, and a net return of 3.19%, compared to benchmark performance of 2.78%.
- An average overweight of 0.70 years, versus the benchmark, benefited performance as Treasury yields fell. The 10-year Treasury yield fell 36 basis points, from 4.57% to 4.21%.
- Our overweight to the belly of the yield curve, notably the 5-year portion, aided returns, as the 5-year rallied the most of all the key points on the curve.
- Security selection within financials, notably in European bank issuers, proved to be beneficial. European financials generated positive excess returns, versus comparable government bonds.
- A 3% overweight to industrials, as well as an 8% overweight to asset-backed securities, modestly detracted.
- Security selection in industrials, particularly within auto names, modestly detracted.

Market Outlook and Positioning

- Late last year, the US economy appeared to be headed for a remarkable soft landing. Domestic inflation was poised to continue its descent to the Federal Reserve's 2% target without a significant rise in unemployment. However, the macroeconomic outlook has changed significantly over the past couple months, as the reality of higher US import tariffs is extrapolated into higher prices and lower inflation-adjusted spending in upcoming quarters. Inflation remains well above the Federal Reserve's target, and proposed tariffs will likely push prices higher in the near term. We do not expect the Federal Reserve to raise rates in response to higher inflation, as Chairman Powell and other Federal Reserve officials view tariffs as having a transitory impact on inflation that does not justify tighter monetary policy. More likely, inflation pressures will just lead the Federal Reserve to delay further cuts in the Federal Funds target rate. The Federal Open Market Committee will also likely be less willing to preemptively lower rates to avoid a growth slowdown. Committee members will likely need to see significant labor market weakness or other clear signs of a US recession before materially cutting the policy rate. With elevated policy uncertainty and greater risk of the Federal Reserve falling behind the curve to prevent a recession, the odds of a recession have materially increased.
- We are comfortable with our modest overweight in duration, as well as our yield curve steepener, where we believe the belly of the curve appears attractive. We believe both our duration and curve positioning stand to benefit in a world of slower growth and uncertain inflation outlook. A higher risk of recession justifies higher yields on credit-sensitive bonds, relative to Treasuries, and we remain cautious on credit exposure, despite the recent widening of spreads. That said, we have modestly reduced the credit hedge, as spreads have approached what we believe are more normalized levels. In this period of volatility, we are actively seeking relative value opportunities, where they exist across asset classes, to take advantage of what we believe are security-level mispricings.
- In the investment grade space, we have an overweight to financials and to industrial names. As of last month-end, financials sector spreads (29th percentile) remain wide of industrials sector spreads (13th percentile), but continued to compress, as investors broaden out their search for value in the market. We believe our exposure in investment grade is within higher quality and short-to-intermediate maturities. We remain cautious on credit despite the recent widening of spreads, as elevated interest rate volatility may weigh on near-term performance. Agency mortgage-backed securities valuations are fair, but the sector has benefitted from less spread widening as market volatility has risen. We believe high coupon mortgage-backed securities still provides good carry, and we continue to focus on pools with less prepayment potential in securitized credit, fundamentals continue to be strong, given favorable supply and demand dynamics in the housing market and the build-up of home equity. In asset-backed securities, we favor being short duration on the credit curve, which potentially benefits from principal paydowns and the potential for ratings upgrades.

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