

Global Markets Strategy Report

July 2010

Rank: From weakest to strongest in ascending order:

Strong Underweight Underweight Slight Underweight Neutral Slight Overweight Overweight Strong Overweight

Please note that the rank is indicative and may not balance when summed.

Economic data call for caution, while corporate data may inspire confidence

- The turmoil related to the euro government debt crisis peaked in early June when Hungary entered the crisis zone and became another candidate for sovereign default. A possible change of climate, and with it, a renewed case for risky assets was indicated when investors welcomed China's move to allow more currency flexibility as a first step towards a global economic rebalancing.
- However, most warning signs are still flashing red, notably with sovereign spreads in Europe quite close to record highs. For its part the euro exchange rate is recovering against the US dollar mostly amid disappointing US economic data. However, the prospect of budget tightening is unlikely to improve European growth rates.
- The support of the US economy is key. The confidence in a self-sustaining recovery, not overly reliant on tax breaks or other policy measures, is not broad-based. The housing market is still at risk of a double-dip, as acknowledged by the Federal Reserve, while the labour market is improving very slowly.
- The mixed evidence from economic figures should be offset by further improving corporate data. The corporate reporting season is helping confidence. Better-than-expected earnings were released by firms operating in economically-sensitive sectors (Industrial Metals, Rail Freight, Consumer Electronics). In this environment the concerns over the euro debt crisis seem to be receding.
- Our risk-containment strategy helped us weather the market turbulence but it can hardly be overly extended without incurring the risk of losing some buying opportunities. Valuations are back to attractive levels after a remarkable drop in the second quarter. Many investors have increased their cash holdings as a hedge against volatility but according to reliable polls these holdings have not been this high since the autumn of 2008.
- If the flow of corporate earnings confirmed the early good indications we would be ready to cut our underweight in global equities. Our long-term indicators have long called for an overweight in risky assets (equities, corporate bonds) amid evidence of strong growth in corporate earnings and low inflation. However, only more settled market conditions will allow us to make the asset allocation consistent with this view.

Recovery in earnings per share and no fears of inflation favour cyclical assets

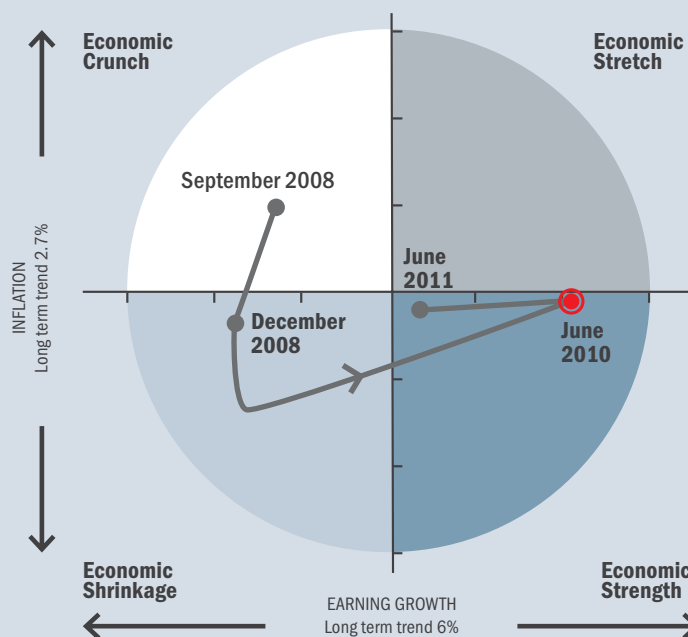
Economic Strength

The stabilisation and the progressive improvement of the Financial sector began in the second half of last year and is broadly confirmed by the latest available data from the United States. Inflation is not yet a threat in spite of GDP going back to trend growth, due to a lack of wage pressures. Upward price pressures are most visible in major emerging regions but inflation is not yet a matter of concern.

Profit Recovery

Earnings growth is again in focus. The next upgrade will be when sales revenues start to grow convincingly. This in turn should happen as the macroeconomic scenario improves.

The Investment Phazer



(*) Data on US Earnings Growth and US Inflation are analysed by a proprietary statistical model to get four different economic phases. Source: Pioneer Investments Asset Allocation Research as of 30 June 2010

Implied Strategy

We name 'Economic Strength' as a phase with above-trend operating earnings and below-trend inflation expectations. Over the last 30 years this environment has called for risky assets. The current stance leads to an overweight of global equities and investment-grade corporate bonds.

Alternative Scenario

'Economic Shrinkage' has again become the main alternative scenario, while the case for 'Economic Stretch' has been losing ground of late.

Asset class	Shrinkage	Crunch	Strength	Stretch
Equity			Buy	Buy
Government Bond		Buy	Sell	
Corporate Bond			Buy	
Cash	Buy		Hold	

The reduced support of US growth

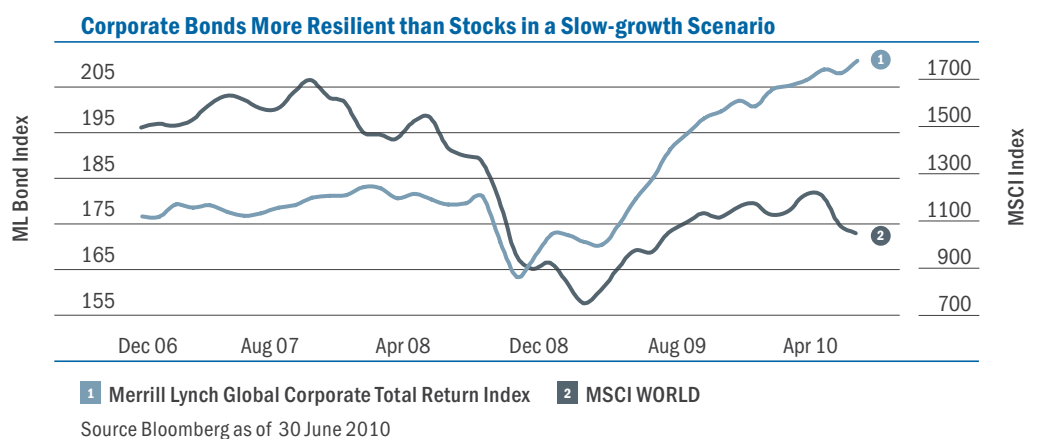
When assessing the likely impact of the euro government debt crisis on the global economy we should take into account not only Europe's contribution to world growth (which is in fact decreasing over time) but also the risk that other key economic regions will be forced to adopt some form of fiscal tightening in order to avoid being treated like Greece or other Southern European countries. The economic recovery in the developed regions looks too fragile to withstand deep budget cuts.

In the case of the US there has been no evidence of a government bond market sell-off so far, with yields at 12-month lows instead. This may be happening either for the safe-haven appeal of these securities or because investors sense that the recent return to trend growth may not be sustainable. A build-up in confidence about a self-sustaining recovery has driven financial markets this year amid evidence of an improving labour market. Indeed the data showed a slow decline in the unemployment rate from 27-year highs. However, what was mostly on the mind of investors was the uninterrupted rise of temporary workers as a prelude to the creation of relatively stable jobs. Signs of improvement in the labour market fuel more confidence in household spending growth, which is the main source of GDP growth.

Against this optimism, news that US home sales plunged in May came as a nasty surprise and brought the importance of tax breaks and other stimuli back to the fore. The expiration of a few measures meant to revive the market for residential real estate caused the recent slump, with potential beneficiaries rushing to exploit them until the very last minute. Only the next set of data will tell us if the recovery in housing was entirely attributable to government stimulus. However, with stocks priced almost to perfection, renewed doubts about the quality of the recovery are enough to put the optimists into a corner.

Housing starts stuck at depressed levels were quoted by the latest official statement on 23 June by the Federal Reserve, but the main change from previous statements is the acknowledgment that financial conditions have become less supportive of growth, largely reflecting developments abroad.

The combination of softer US growth and the persistent concerns about euro government debt caused some alarm about global growth. Fast developing regions such as China remain more at risk of economic overheating than of an abrupt slowdown (a double-dip from their perspective), however, relying entirely on their driving role would not be enough as the contribution of the developed world's most dynamic economies (first of all the US) is still important.

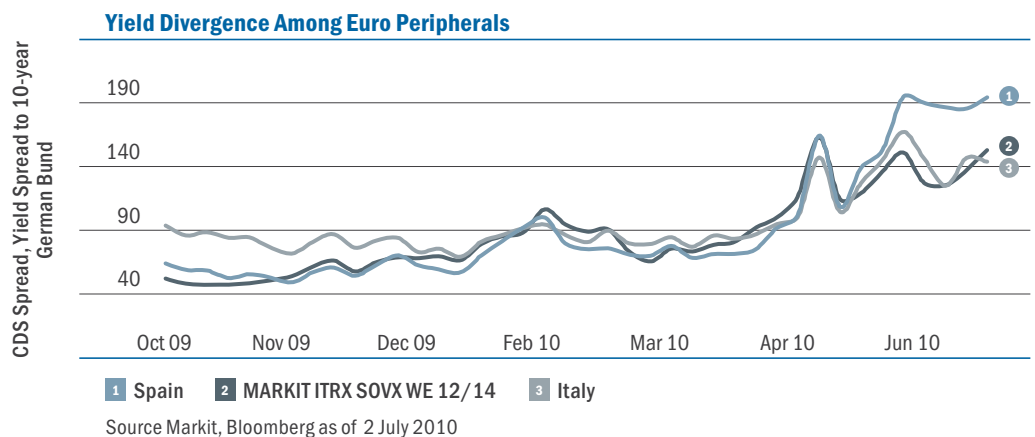


With this in mind we are maintaining our current policy of risk containment, with the underweight in European equities playing a pivotal role in that it shifts the balance of our global equity exposure into a bearish position (as tactical as this stance is). Our preference for corporate bonds on the fixed-income side of the strategy may not sound consistent in this scenario, but we believe that it is in line with fundamentals: companies have mostly succeeded in redressing their balance sheets and regaining profitability thanks to deep cost-cutting, so they deserved a decline in the expected default rates (the opposite is true for deficit-stricken government finances). Furthermore, among risky assets they look better equipped to face a slow-growth environment, while cyclical stocks may have priced in a return to self-sustained macroeconomic growth too early, so a loss of consensus over this bright outlook could bring some disappointment.

Government Bonds

More yield divergence inside the eurozone

Greece's country risk premium is near last May's highs compared to the yield spread to Germany, but with credit default swaps (CDS) entering the uncharted territory above 1000 basis points. The European Union's efforts to restore confidence in budget policies do not seem successful when it comes to Spain's risk premium, with CDS spreads near record highs. A lower correlation between Spain and Italy suggests that investors pay some attention to country fundamentals, with Italy's CDS spread converging towards the Western European average. Investor confidence or scepticism about euro countries' commitment to fiscal consolidation may drive sovereign spreads more than indiscriminate risk aversion forwarding the future, but concerns about the impact of this policy on economic growth in the euro area as a whole have not disappeared. German government yields have resumed a downward path and traded near early June's lows when Europe's debt crisis became more dramatic with Hungary's entrance to the crisis area. This pattern confirms that investors' focus on sovereign credit risk is a major theme for financial markets in 2010. For all the recriminations about speculative flows, policymakers will duly listen to market calls for austerity measures, which will impair growth prospects. Against this backdrop, euro government bonds, notably core markets such as Germany, can effectively hedge our reduced strategic stake in European equities. Admittedly, current yields look well below fair value. Germany is set to grow strongly compared to the euro average, with the help of exports and a weaker euro exchange rate. A projected 2% GDP growth rate in 2010 makes 2.5% 10-year Bund yields (not to mention 0.5% 2-year Schatz yields) unattractive and we should not overlook the fact that a safe-haven premium is already built into German Bunds' valuation.



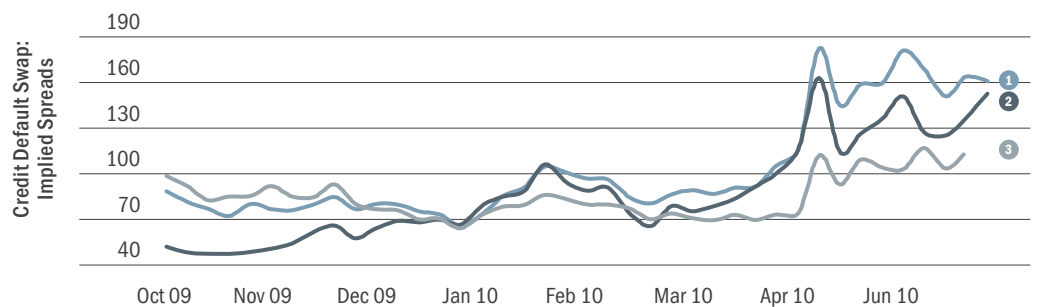
However, we believe that there is little upside risk for yields as long as headline inflation is held in check and core (ex food and energy) inflation stays at record lows. Moreover, European banks' balance sheets are far from healthy, also in core countries, and that puts an additional constraint on the European Central Bank to maintain low interest rates for an extended period of time. Demand for government bonds may, therefore, still make up for the shortfall in business and household credit demand.

Credit Markets

Weathering the sovereign debt crisis

We expect corporate bond markets to outperform government bonds as investors' focus on sovereign default is not sparking an indiscriminate risk aversion. Corporate spreads were indeed pulled up by peripheral countries' spreads in the heat of the current crisis, however, most of last year's decline in the expected default rate has not been erased. Having taken profits on the high-yield segment, we confirm our strategic overweight in investment-grade bonds on a selective basis in 2010. While government budgets are in need of repair, most companies have already imposed deep restructuring plans to cut costs and restore profitability, so a lower default risk has more to do with improving finances than with sheer risk propensity. We update our comparison of two ITRAXX indices, one featuring the implied CDS spreads for investment-grade corporate bonds and the other with CDS for bonds issued by a group of 15 (equally-weighted) Western European countries, in order to check if and how much room for decoupling is left. At first glance, there is a high correlation but this can be explained by the European market's strong bias towards bank issues. Spreads on bank names have backed up more substantially and that is a key point for the European market where they account for about half of all issues. The risk of asset write-downs is increased both by the declining value of government bonds and by the prospect of an economic double-dip in peripheral euro countries. The IMF predicts a sharp rise in provisions that would seriously impair net earnings and prompt calls to restore equity capital. Major banks in the euro area will undergo stress tests (like US banks in 2009) and, until the results are published in a clear, meaningful and simple way, the current uncertainty is unlikely to recede. Non-financial names are holding well in comparison and, with the latest back-up in credit spreads, their valuations look attractive again as default rates decline in an improving economy. That looks especially true for the US market where spreads imply a still-high risk of default compared to our expectations.

Financials More Affected by Rising Sovereign Credit Risk in Europe



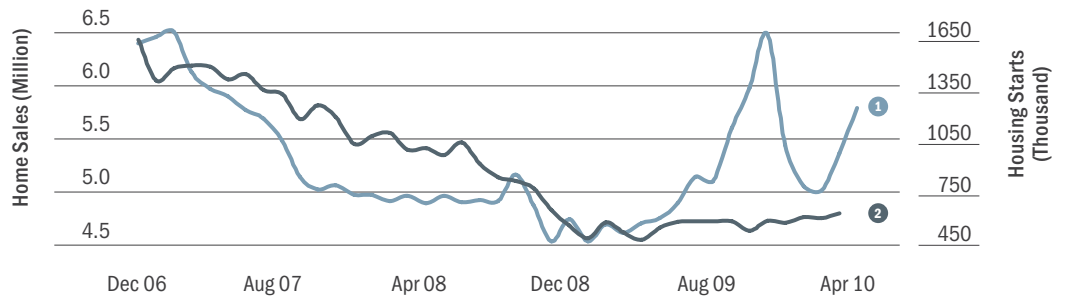
1 MARKIT ITRX EUR SNR FIN 12/14 2 MARKIT ITRX SOVX WE 12/14 3 MARKIT ITRX EUR NON-FINL 12/14

Source Markit, Bloomberg as of 2 July 2010

Growth losing some momentum

The consensus expects the Federal Reserve to leave key policy rates close to zero for most of the year, but its pledge to keep them exceptionally low for an extended period seemed to be living on borrowed time amid growing evidence that the recovery was gaining momentum. However, the statement released by the policy council (FOMC) held on 23 June sounded less upbeat because of developments abroad. The euro debt crisis is not explicitly quoted but is the most likely culprit. Even before the latest FOMC, our estimates for the US economy have softened, although we maintain that a solid recovery is on track. Housing activity, also quoted in the FOMC statement, poses the main downside risk as tax breaks expire. Data on new home sales were much worse than expected in May, although it is a payback of April's last-minute rush to exploit the tax breaks. Hopes for an improving labour market were not dashed, but the recovery seems to be losing momentum here too, as the downtrend in jobless claims grinds to a halt in the 450k region (well before reaching truly expansionary levels of around 300k as was the case before the recession). Private-sector employment growth is back to positive territory, but monthly gains are likely to stay in the 50k region instead of numbering 200k as before the crisis. We need to closely track the data provided by private employers in order to strip the effect of one-off factors in government figures (such as the recent census which alone added about 400k jobs to the May survey). In this environment, the Federal Reserve has further reason to stick to the current very loose monetary policy without igniting inflation. Commodity prices are the main source of consumer price volatility, but subdued wage growth is keeping core inflation exceptionally low (at less than 1% in the year to May 2010). Investors were also disappointed by a falling ISM Manufacturing Index in June, but the confirmation of levels above 50 still point to an expansion. Furthermore, business confidence is increasing beyond manufacturers and the larger industrial companies, and is extending to the small and medium-sized sector.

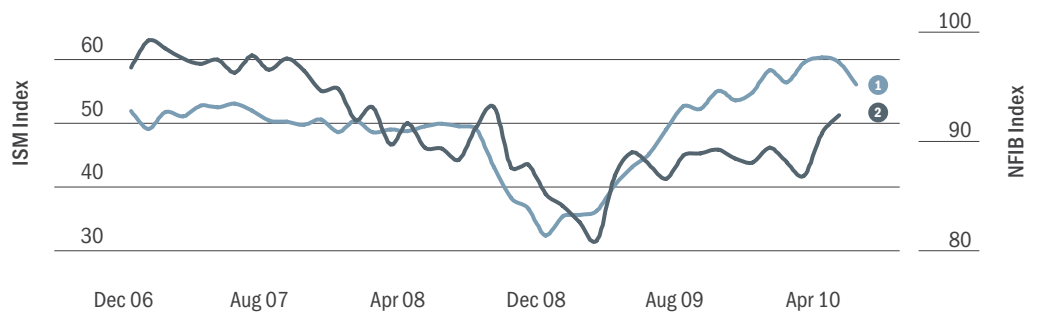
Tax Breaks Revive US Home Sales, but Housing Starts Still Depressed



1 US Existing Homes Sales SAAR 2 US New Privately Owned Housing Units Started by Structure Total SAAR

Source National Association of Realtors, US Census Bureau, Bloomberg as of 30 June 2010

Confidence of Small Business is Catching up with Large Manufacturers

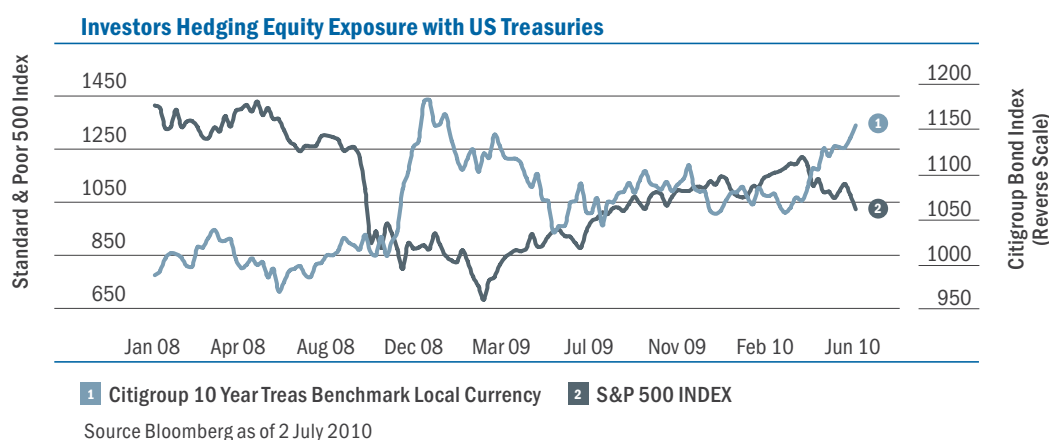


1 ISM Manufacturing PMI SA 2 NFIB Small Business Optimism Index

Source Institute of Supply Managers, National Federation of Independent Business, Bloomberg as of 1 July 2010

US Equities

This market has been at the centre of our global equity allocation for a long time and was often privileged over European equities amid widening growth prospects on the two sides, notably for the much better contribution to the overall growth of domestic consumer spending. The quick return to trend growth in the first quarter of 2010 vindicated our upbeat forecasts, but recent evidence points to renewed downside risks. Macroeconomic considerations are key in this period, as suggested by government bond yields' high correlation with the S&P 500 Index. The most cyclical industry groups had largely priced in a scenario of self-sustained growth and are, therefore, prone to a downward correction. A strong exposure to orders from fast developing regions (for which a competitive exchange rate makes little difference) rather than to domestic consumers may be helpful, although current efforts by central banks in those areas to keep inflation under control may slow investments down. The silver lining to a less friendly environment is that the Federal Reserve will feel more inclined to keep very low interest rates for the foreseeable future, with core inflation held in check by subdued wage growth.



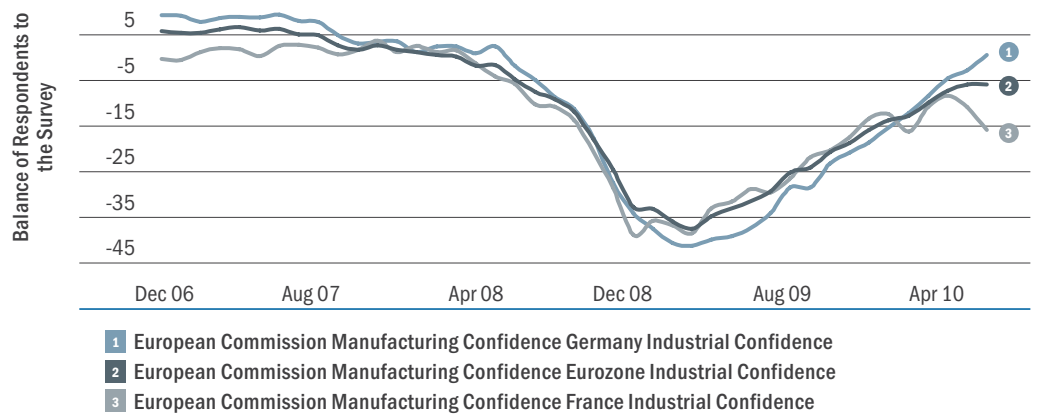
Europe

Ever more unequal growth

The depreciation of the euro is said to provide an additional source of growth through more competitive exports, partly offsetting the weakness of consumer spending especially in deficit-stricken Southern Europe. However, the reliance on exports is barely the same across countries. Germany stands to benefit more than the average, while other economies are structurally much less exposed to foreign demand. The closely-watched IFO survey is still at the cycle's highs in June but we should turn to EU official data to get a more consistent picture per country. Surveys of industrial confidence released by the European Commission point to an uninterrupted recovery among German manufacturers, while respondents gave mixed reviews in the rest of the region, particularly in Mediterranean countries. Surveys of economic sentiment, which reflect the general economic activity and include the domestic-oriented components, such as retail trade and construction, show more country-wide divergence with Southern Europe again trailing the average. Unsurprisingly, the divergence is at its sharpest for consumer confidence, which has collapsed in the smallest euro peripheral countries, while holding well in Germany. Our forecast for Europe's growth has been further downgraded and now stands at 0.9% in 2010 (formerly 1%) for the euro area, while for the UK it has been lowered sharply to 1% (from 1.3%) as the recently unveiled fiscal package looks particularly restrictive. In this scenario there is every reason for central banks to keep current loose monetary policies in place. The two pillars of ECB policy, inflation and monetary growth, point to ongoing weakness in the economy. The latter, in particular, may struggle to regain positive territory, with May data showing just a mild increase in loans to the private sector from a very low base. Credit growth is

likely to remain weak for most of 2010 as budget cuts hamper consumer finance. The risk that banks' assets would be impaired by write-downs because of the falling value of government bonds in their portfolios enhances a scenario of credit crunch.

Outside Germany, Manufacturers are Hurt by the Debt Crisis



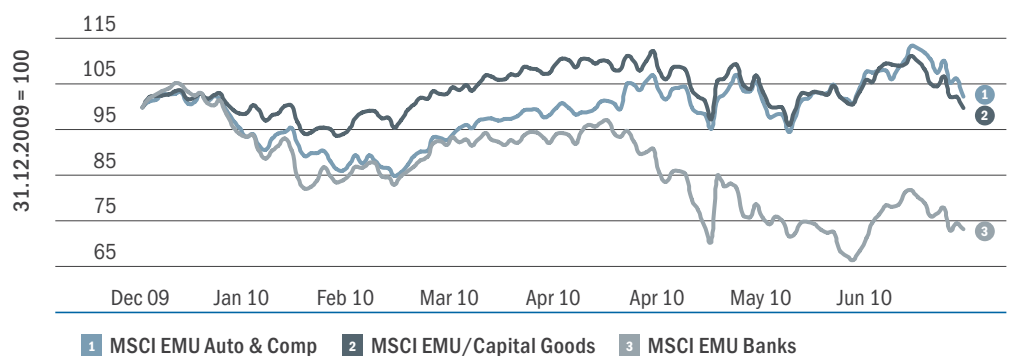
Source EU Commission, Bloomberg as of 30 June 2010

European Equities

Value rising for exporters

The weaker outlook for domestic demand in Europe has long explained our preference for other asset classes within our global equity allocation and the prospect of deep cuts in government spending is set to strengthen this view. European companies with a strong exposure to fast developing regions, such as East Asia, should be less prone to downward revisions to earnings, unless the efforts made in those areas to prevent economic overheating slow investments down sharply. For their part, valuations have improved and some buying opportunities may be provided by more settled market conditions, notably for exporters that are able to benefit from a cheaper euro. In doing this, country allocation may play a major role again, with Germany looking better equipped overall on the Consumer Goods side. Cash flows are a matter of concern in the euro peripheral area as in June several companies reported the worst figures in almost a year. The Banking sector's current problems with government bond holdings may bring more uncertainty until the stress tests advocated by some countries are carried out and produce clear and reliable results.

Export-led Industry Groups are Best Performers



Source MSCI, Bloomberg as of 2 July 2010

Japan

The case for fiscal restraint

The government reshuffle is prompting unprecedented attention on the huge size of the public debt. The pool of domestic savers has always avoided the risk of a debt crisis, like in Southern Europe, and government bond yields are close to historical lows. However, the government believes that conditions will not stay the same for ever and therefore it is also proposing tax increases on consumption, which could weigh on household spending in an already deflationary environment. The ambitious target is to cut the primary fiscal deficit in half (without interest payments) in five years. In this environment, foreign demand is set to drive most of GDP growth once again. The rest of Asia will probably account for an increasing part of this, while developed countries could also provide minor support because of a strong yen against both the US dollar and the euro. Asia's orders are less prone to an erosion of competitiveness due to the strong currency as they are mostly made up of industrial goods. The very cyclical data on machinery orders have resumed an upward trend that has all but offset the collapse seen in the middle of 2008.

Japan's Machinery Orders Growing Strongly



1 Japan Indices of Industrial Production: Production YoY NSA 2005=100

2 Japan Machinery Orders: Private Sector (exc. volatile orders) YoY SA

Source Bloomberg as of 30 June 2010

Japanese Equities

This market is approaching cheap levels, as the price-to-book value ratio stands at 1.1 overall. This is the lowest ratio among developed stockmarkets, although in the past the market has often traded below book value for long before attracting investment flows in search of cheap stocks (the last time between October 2008 and March 2009). What makes Japanese equities not particularly attractive in the current environment is the inability to play it by sector. Until recently investors could be very selective on bank names, while believing in the superior prospects of exporters, but now both the yen's appreciation and the possible slowdown of fast developing economies dealing with inflation is putting the most upbeat earnings forecasts at risk. Hopes that the domestic side will make up for the shortfall seem groundless: although labour income is improving, with compensation per employee rising in the last three quarters, the government is committed to raising consumption taxes in order to cut the budget deficit and that may curb household spending again. Japan continues to share Europe's conditions as a low-growth economy with a further downside risk from the impending fiscal tightening. Therefore, we confirm our underweight of this market.

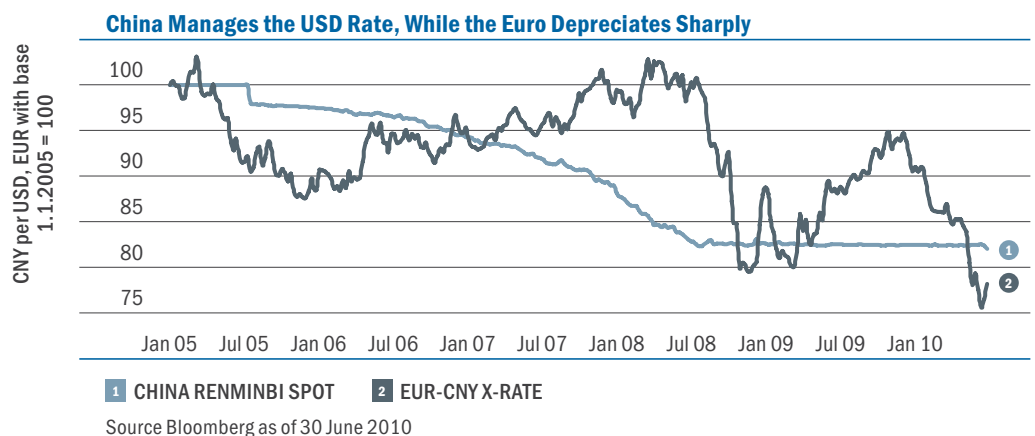
Asia and Emerging Economies

What a more flexible Chinese currency implies

On 19 June China announced that the renminbi's fixed peg to the US dollar will be replaced by a more flexible currency regime. Assessing whether the move was aimed at preventing criticism from the US at the G20 meeting or whether it marks a change towards domestic-led (rather than export-led) growth may take time and will depend on the actual rate of appreciation.

Having let the currency strengthen by some 17% to the US dollar from July 2005 to the summer of 2008, China's central bank has restored the peg to the US dollar in an effort to overcome the crisis. Under the new policy the supposed midpoint of the trading range will be allowed to move by a maximum of 0.5% per day, which suggests a very conservative approach. The exchange rate to the US dollar does not say it all. The eurozone sovereign-debt crisis has brought a sharp appreciation of the renminbi against the single European currency, by about 15% since the start of the year. Therefore, China felt less compelled to revalue its currency.

The road to consumer-led growth will not be smooth. Exchange-rate reform is opposed by the politically influential Export sector, which has rebounded strongly of late and stands as a major driver of growth. There is indeed a lot of room for the Chinese economy to rebalance: private consumption accounts for about 35% of GDP, compared to 55%-70% in most developed economies. Investors have welcomed the move, for good reason: by improving the purchasing power of Chinese consumers and making imports cheaper, a stronger currency may in turn promote a global rebalancing. Last but not least, it can hold domestic inflation down and contain the risk of economic overheating. Inflation in China is largely driven by domestic factors, especially food prices, but a stronger exchange rate would curb imported price pressures.



Emerging Equities

The case for emerging equity markets is maintained by the area's overall strong growth potential, although regional differences should not be neglected. Our most positive call is on Asia where domestic demand is a key driver of GDP growth. The downside risks for most of these markets, with China in the first tier, are provided by undesired inflation pressures that central banks could counter by tightening monetary policy aggressively and curbing growth. We still believe that Chinese officials are acting preemptively to cool down excess growth, particularly in bank lending. However, we have to watch for evidence of steep rises in property and other asset prices. Expected earnings at companies with a strong exposure to emerging markets have been repeatedly revised upwards over the last 12 months and are likely to be cut if those economies slowed down abruptly as a result of tighter policies. The role of Asian markets will take centre stage in this environment, almost as much as the US market. Emerging Europe is officially part of this asset class but it belongs most suitably to Western Europe on converging growth patterns. The proximity of Eastern Europe to a slow-growth area explains why we are less comfortable with it. Even the government debt crisis could be shared by both sides.

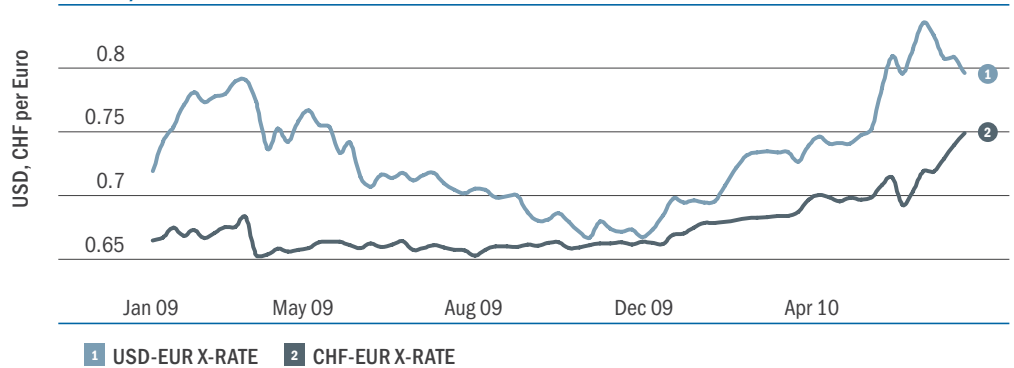
Currencies

Soft US economic data help the euro regain ground

Speculators were blamed for the euro debt crisis, as the upward pressure on bond yields mounted. However, they were probably more eager to trade the euro down in the currency markets, in the belief that the authorities' acceptance would make it a low-risk strategy (with a low risk of intervention, as when the ECB bought government bonds in May). Admittedly, a depreciation of the single currency enhances export competitiveness and makes up for the weaker contribution of domestic demand amid tight budget policies. The EUR/USD rate made the headlines of late but the euro's trade-weighted value is not far from the level when EMU was born in 1999 (and it was a strong one, according to most analysts). Other countries are unlikely to complain loudly about unfair competition through a devalued currency. Soft US economic data helped the euro regain some ground in June: the confidence in a self-sustained recovery, not overly reliant on government incentives, was tested by very weak data on housing sales and the next labour market data will also undergo some scrutiny to assess the quality of US economic growth.

Nevertheless, the debt crisis is still on investors' minds, as the ongoing strength of the Swiss franc, a traditional safe haven, suggests. Our strong underweight to euro equities implies a long USD/short euro stance, which we confirm in the current environment.

Euro/Swiss Rate as a Reliable Indicator of Euro Debt Crisis



Source Bloomberg as of 2 July 2010

Tactical Asset Allocation Summary

Global Equities: Underweight

The case for cyclical assets remains, as the global recovery is not threatened by the debt crisis. However, the probability our main indicator assigns to the scenario of 'Economic Shrinkage' is rising from almost zero. This does not suggest that a double-dip is likely but provides an additional reason for caution on risky assets. We maintain that the euro debt crisis does not pose a significant challenge to global growth but this should remain the main theme for the year in financial markets and keep volatility high.

USA: Overweight

The recovery in consumer spending helped GDP regain a normal growth trend but there are reasons to believe that the second half of the year will be less supportive. Most stimulus measures have expired and the labour market is showing less visible signs of improvement. Valuations for the most cyclical sectors underscore a scenario of self-sustained growth and could have their earnings estimates cut by softer economic data. We confirm our positive call in spite of these risk factors because the Federal Reserve will feel inclined to maintain very low interest rates for the foreseeable future, with core inflation held in check by subdued wage growth.

Europe: Underweight

The outlook for Europe's economy was fragile even before the government debt crisis caused ripples in global financial markets. Divergences within the primary asset class are set to widen, both on a country and sector basis. Tighter fiscal policies may hurt domestic consumer spending, while the depreciation of the euro will help exporters. Not all countries are well equipped, though, as Germany stands to benefit more than the average.

Japan: Underweight

Foreign demand makes up for the weakness of domestic spending, like in most of Europe, as strained government finances call for a fiscal squeeze (a consumption tax is likely in Japan). Valuations are again in cheap territory but may remain so for a long time before attracting substantial investment flows.

Pacific ex Japan: Underweight

Markets overly reliant on China's growth may be concerned about early policy tightening aimed at keeping the economy from overheating. Moreover, commodity-related sectors play a key role in this region and their valuations look demanding at recent levels.

Emerging Markets: Overweight

Most of these regions retain a strong potential for domestic growth, with Asia in the first tier. The current turmoil over the debt crisis in the euro area is unlikely to dent those prospects, while the risk of overly restrictive policies to contain inflation is worth monitoring closely. A radical change in China's exchange rate policy would be of help, but the recent announcement on more currency flexibility should be followed by a conservative approach.

Global Bonds: Underweight

Government bond yields in core markets, such as Germany and the US, are close to cyclical lows in spite of a global economic upturn, which makes them basically unattractive. Regional crises may prompt investors to look for safety in German bonds but awarding the same status to US Treasuries looks far-fetched amid renewed attention on structural budget deficits.

Euro Government: Neutral

Domestic household spending has rarely driven GDP growth in the euro area and the debt crisis may spur tighter fiscal policies, which will curb spending further and keep inflation at bay. We recommend increasing the exposure to core markets, such as Germany, as long as volatility among peripheral markets persists.

Euro Corporate: Neutral

Most companies have cut costs in an effort to regain profitability. Compared to some profligate governments now grappling with heavy budget deficits, they have deservedly had their risk premiums lowered. However, bank names account for a large part of the euro corporate market and their holdings of government debt may put the balance sheets at risk of asset write-downs (albeit to a lesser extent than in the recession where corporate defaults could have risen dramatically).

US Government: Underweight

Evidence of softer economic growth in the second half of the year is making US Treasuries attractive again, as core inflation is held under control by subdued wage growth. Yields of about 3% for the benchmark 10-year maturity look barely attractive, however, when the huge government deficit (which is funded mainly by overseas investors) is duly taken into account.

US Corporate: Overweight

Global risk aversion tends to rise as a result of an extended period of uncertainty in euro government bonds and that may boost credit risk premiums even for solid companies. That may provide renewed opportunities with cheaper valuations, adequately hedging the risk of a rising default rate.

Emerging Markets: Neutral

Economic policies have definitely improved in most emerging countries, particularly compared to developments in Western Europe. Renewed opportunities (also in local currencies) may be provided by the recent rise in yields, although we recommend waiting for more settled market conditions, with risk aversion receding.

Tactical Asset Allocation Summary

Global Summary Table

Asset Class	Recommendation
Equity	Underweight
Government Bonds	Underweight
Corporate Bonds	Overweight
Liquidity	Overweight

Regional Summary Table

Asset Class	Recommendation
Euro Cash	Underweight
2yr Euro Corp	Overweight
Total Liquid Assets	Overweight
Euro Bond	Neutral
US Bond	Underweight
Japan Bond	Underweight
Government Bonds	Underweight
US Corporate	Overweight
US High Yield	Neutral
Euro Corporate	Neutral
Euro High Yield	Neutral
Emerging Market Bonds	Neutral
Corporate Bonds	Overweight
North America Equity	Overweight
Europe Equity	Underweight
Japan Equity	Underweight
Global Emerging Mkts	Overweight
Pacific Ex Japan	Underweight
Equity	Underweight

Foreign Currency Exposure

US Dollar	Overweight
Euro	Underweight
Yen	Underweight
Other	Neutral

FROM WEAKEST TO STRONGEST IN ASCENDING ORDER:

Strong Underweight Underweight Slight Underweight Neutral Slight Overweight Overweight Strong Overweight

Please note that the rank is indicative and may not balance when summed.

Important Information

Unless otherwise stated all information contained in this document is from Pioneer Investments and is as at 15 July 2010

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