

## PIONEER FUNDS - EMERGING EUROPE & MEDITERRANEAN EQUITY

Sub-fund of Luxembourg domiciled Sicav - Part 1

Fund owner: Pioneer

Fund manager/adviser: Pioneer Global Asset Management SpA

Named portfolio manager/adviser(s):

Marcin Fiejka (since May 2005)

Peer group: Emerging Markets EMEA

Location: London

Launch date: November 1998

Fund size (May 2011): €1bn

Contact group: +44 800 0820868 or

www.pioneerinvestments.com

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)



Report date July 2011

### Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

### Performance statistics

	Three years
Fund	-7.4%
Standard & Poor's peer median	-12.8%
Index**	-8.5%
Fund rank	113/388

Note: returns are cumulative

### Three-year risk characteristics

Maximum monthly drawdown (%)	-30.8
Volatility	36.9
Correlation	0.9
Beta	0.8

### Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance Data Source - © 2011 Lipper Inc. All rights reserved. All statistical data on this report has been run to 29 April 2011 on NAV to NAV basis, with gross income reinvested, in USD.

### Standard & Poor's opinion (June 2011)

This fund has been managed by Marcin Fiejka for more than five years, and as its name suggests, has a slightly different approach to others in the emerging markets EMEA peer group. The fund is benchmarked against the MSCI EM Europe & Middle East 10/40 index which itself would give the product a bias to Turkey at the expense of Russia, but the manager also looks to take off-benchmark exposure to other countries in the region. Fortunately, given the developments in the region during 2011, exposure has been limited.

Fiejka has a good level of experience in the region and looks to make use of this in the management of this fund as he combines his own top-down and bottom-up stock ideas to form the portfolio. Team head and GEM manager, John Pollen, works with Fiejka in London and acts as a sounding board, while stock input can be taken from the wider team. This includes two analysts in Dublin covering materials and energy, plus three in Warsaw and one in Russia, covering local markets. Support is therefore available, but this is clearly Fiejka's fund, with his extensive company visiting to assess business strategy and management being key.

There is usually a bias to small-/mid-cap names in this portfolio and the country biases also affect performance relative to peers. There has been some weakness in 2011 to date, but returns over the preceding two calendar years were clearly strong, outperforming peers and the benchmark.

Overall, the experience of the manager, the support available to him and the success seen, comfortably allow the retention of the S&P A rating.

### Fund manager & team

Pioneer's emerging markets team of over 20 is headed by John Pollen and includes five portfolio managers (16 years' average experience), two in London and three in Dublin, including the new LatAm specialist Andrea Salvatori.

Support for this product is also taken from three analysts/portfolio managers in Warsaw and one in Moscow. Further input is provided by the analyst team in Dublin, with one EMEA/LatAm energy specialist and a global materials analyst. The team is responsible for €3.2bn.

Marcin Fiejka - biology & philosophy (State University of NY), MSc politics (LSE), MBA (Stern School of Business), CFA, began his career in 1997 as a fund manager at HypoVereinsbank. He moved to Activest's European team as a fund manager in 1999 and then to Pioneer in 2005.

Deirdre Maher - law & accountancy (Limerick University), MSc investment & treasury (Dublin City University), began her career in 1999 at Goodbody stockbrokers, joining Pioneer's balanced desk in 2002 and the emerging markets team in 2007.

John Pollen - BA (hons) (London University), worked on Baring's Europe desk from 1982 before moving to Standard Bank of South Africa in 1995 as head of global strategy. He joined Pioneer in 1999 and has led the global emerging markets team since 2005.

### Management style

Marcin pursues a thematic Garp approach, blending top-down and bottom-up factors. The fund's benchmark is the MSCI EM Europe & Middle East 10/40 index, with each country assessed and scored quarterly based on current and capital accounts, monetary and fiscal policies and inflation. A portfolio of 60-80 holdings is then constructed, with stock positions up to +/-8% relative to benchmark and no country/sector constraints. Absolute stock positions cannot exceed 10%.

The potential universe of over 3,600 companies is screened initially on liquidity grounds to reduce the list of potential companies to be considered for the portfolio to 450 names. Additional valuation screens cut this list to 250 companies that are fundamentally researched. Balance-sheet strength and quality management are key criteria and the fundamental research is complemented by company visits and management meetings. Price targets are set and only stocks with an expected minimum 25% upside are considered.

IPOs may feature strongly in certain markets and there is often a mid-cap bias. Cash may not exceed 20% of total assets and is usually below 5% in practice. Currency exposure is not hedged.

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## Portfolio & performance analysis (May 2011)

The benchmark for this fund is the MSCI EM Europe & Middle East index (10/40) and significant changes were made to its make-up in mid-2010, with Israel being removed and the weighting to Russia increasing considerably. Currently the fund is slightly overweight to Russia, although this reflects moves made at the end of 2010 rather than a reaction to index changes. The fund itself tends to hold diversified exposure to off-benchmark countries and these remain in place but are limited in extent, something that has been positive given the developments in certain Mediterranean countries in 2011.

The most significant move was the reduction in Turkey from overweight to underweight at the end of 2010, with the sale of banks in particular. The proceeds were invested into Russia, with consumer and energy names benefiting.

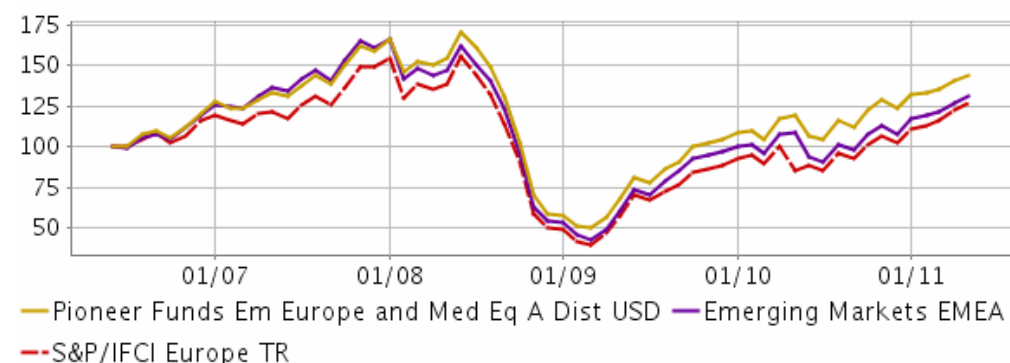
On a cumulative basis, the fund has outperformed the sector median over both five and three years. Calendar-year returns relative to peers are affected by the slightly unusual mandate on this product, which has a lower weighting to Russia and greater exposure to Turkey.

Over the last year the fund has been in line with the peer group median but underperformed against the benchmark. Attribution shows stock selection as positive but the (on average) underweight to Russia and the allocation to Israel and cash as negatives. The latter again are relatively high, in part due to inflows.

In the 12 months to May 2010, much of the value added was derived from stock selection, with Turkish banks held in the portfolio, together with the consumer stocks that recovered well in Russia adding value. The underweight in both Gazprom and Teva benefited returns whereas Sberbank was among the main detractors as Fiejka remained sceptical about the fundamentals.

In 2008, the fund was helped by having higher exposure to Israel than most peers and less in Russia. However, the fund lagged its own benchmark over the period.

## Cumulative performance



## Discrete performance (calendar years)

	2007		2008		2009		2010		YTD 29-04-11	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	30.5	200/321	-65.4	111/389	89.2	187/430	20.9	108/445	8.9	320/451
Index**	28.8		-68.5		90.7		19.9		14.4	
Median	32.0		-67.9		85.0		16.8		11.8	

\*\* S&P/IFCI Europe TR

Fund benchmark: MSCI EM Europe & Middle East 10/40

Share class screened: LU0119335056 (A USD)

# STANDARD & POOR'S



## Portfolio characteristics (1 May 2011)

No. of holdings	80
Turnover ratio (%)	17
% in top 10	45

## Top 10 holdings

Company	%
Gazprom	9.3
Lukoil *	6.1
Sberbank	5.5
Rosneft Oil Co *	4.6
Norilsk Nickel	4.1
Surgutneftegaz *	3.7
Novatek	3.2
Polski Koncern Naftowy	3.2
VTB Bank	3.1
TMK *	2.3

\* In top 10 holdings a year ago

## Country allocation

Country	%
Bulgaria	0.1
Czech Republic	1.9
Egypt	0.9
Estonia	0.2
Hungary	1.2
Israel - domestic	2.3
Lebanon	0.4
Poland	9.5
Russia	63.1
Turkey	13.3
Cash	7.1

## Sector allocation

Sector	%
Consumer discretionary	4.5
Consumer staples	7.5
Energy	38.6
Financials	19.8
Healthcare	1.9
Industrials	6.2
Materials	6.7
Telecommunication services	3.1
Utilities	4.6
Cash	7.1

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## Symbols and definitions

### Long-only fund ratings

**AAA** The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**AA** The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**A** The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-hedge-funds ratings

#### Absolute return fund ratings

#### Specialist fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**A** The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

### Ucits III flexible beta fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

**A** The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

### All fund ratings

**Not Rated (NR)** Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

**Under Review (UR)** Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

**(New)** Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

**Tenure Review (TR)** The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.

**Long-term fund management rating LTFMR** The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

### Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

**V1** Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

**V2** Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

**V3** Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

**V4** Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

**V5** Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

**V6** Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.