

The US Economy and Capital Markets in 2008-2009

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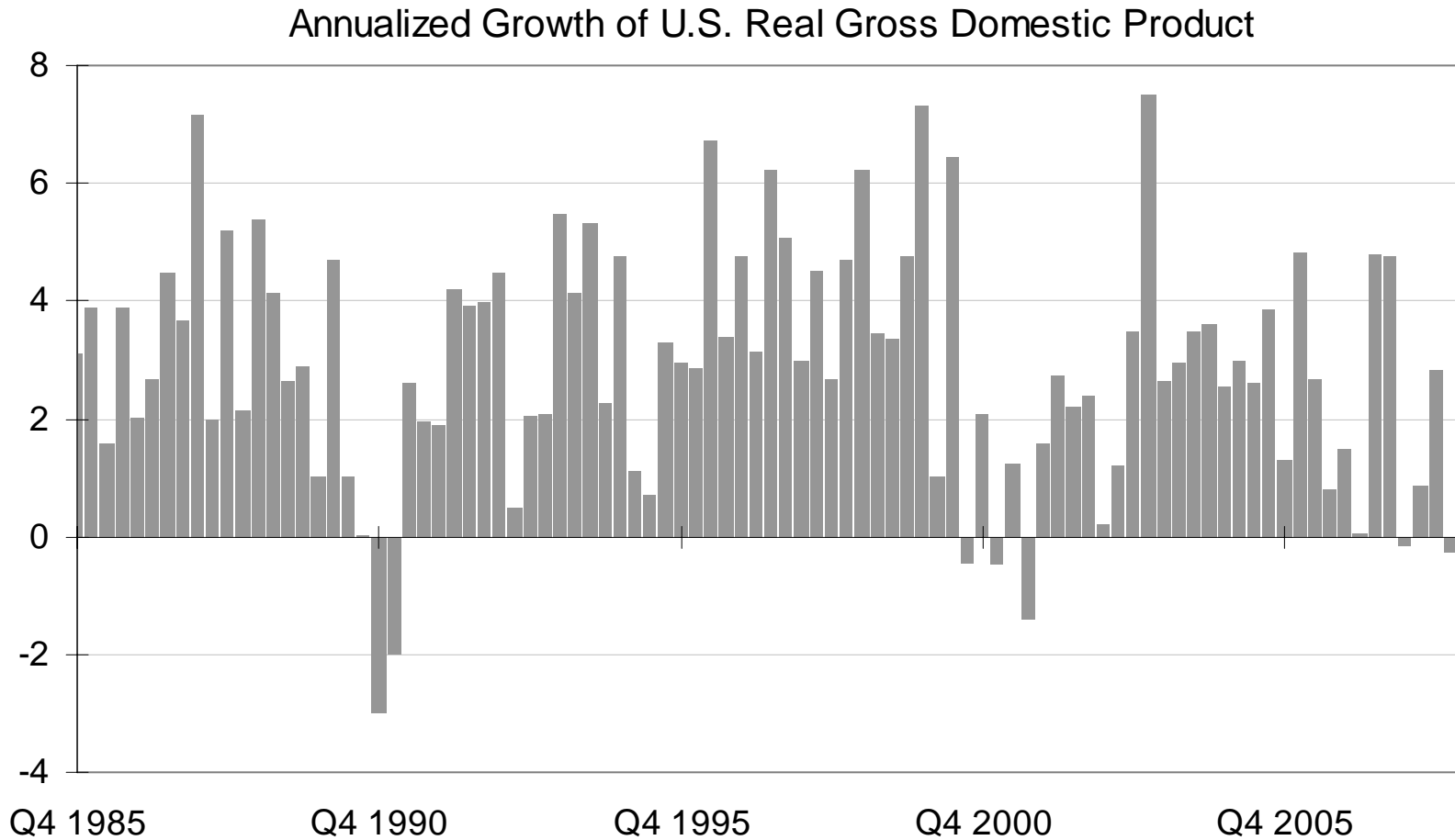


U.S. Economic and Market Outlook

Summary

- The U.S. has entered a consumer-led recession
 - Contributing causes include housing, energy, credit, confidence
 - We expect economic conditions to remain weak for several quarters
- The coordinated response of global governments should aid credit market recovery, differentiating this crisis from the Great Depression
 - The risk of systemic failure is significantly diminished
- Market technical conditions are in disarray
- Investor psychology remains dominated by fear
- Valuations appear to discount a very bearish outlook

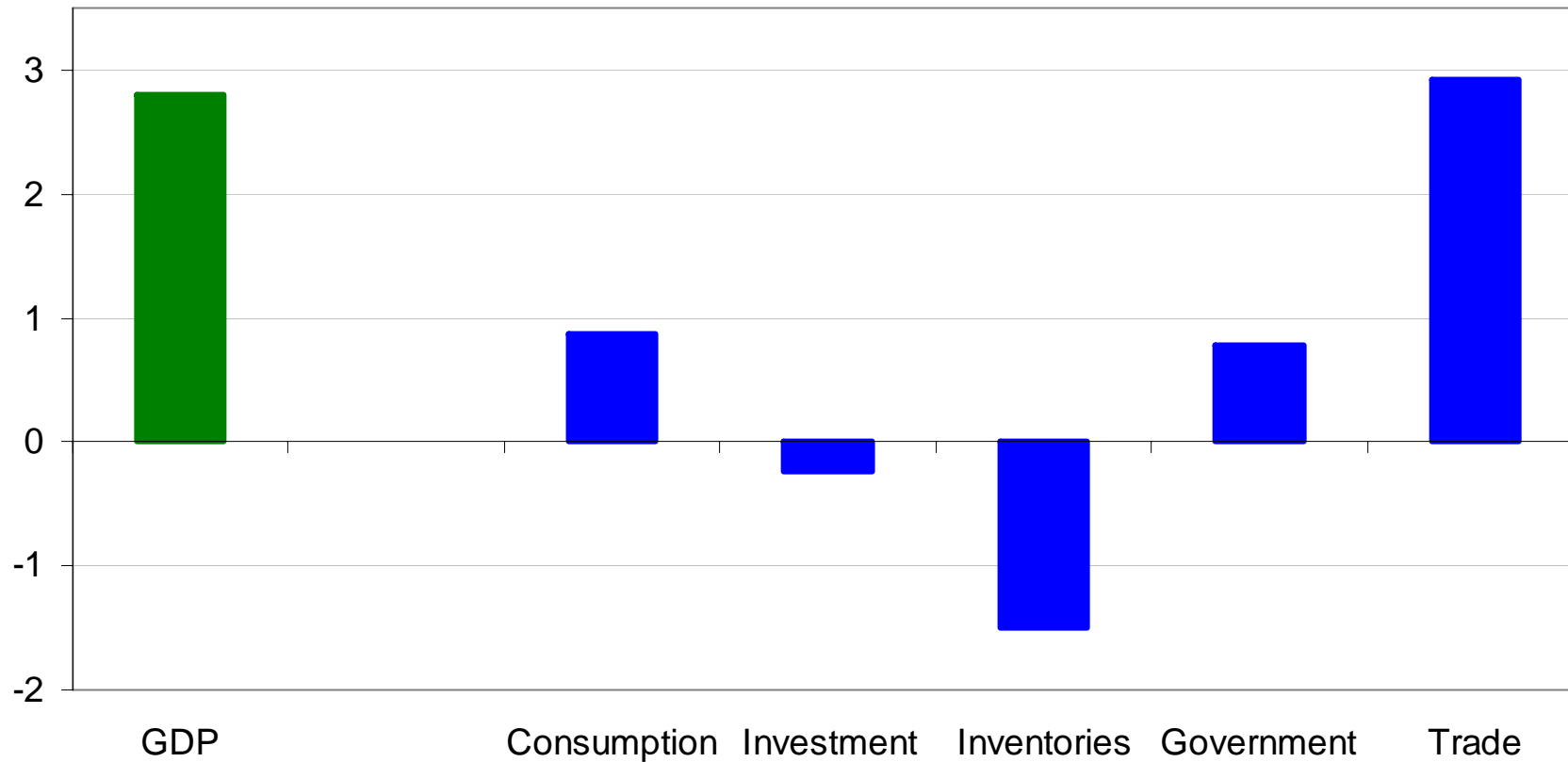
Third Quarter GDP Growth (Advance) Was -0.3%



Source: DataStream. Last data point: 3rd quarter 2008 (Advance)

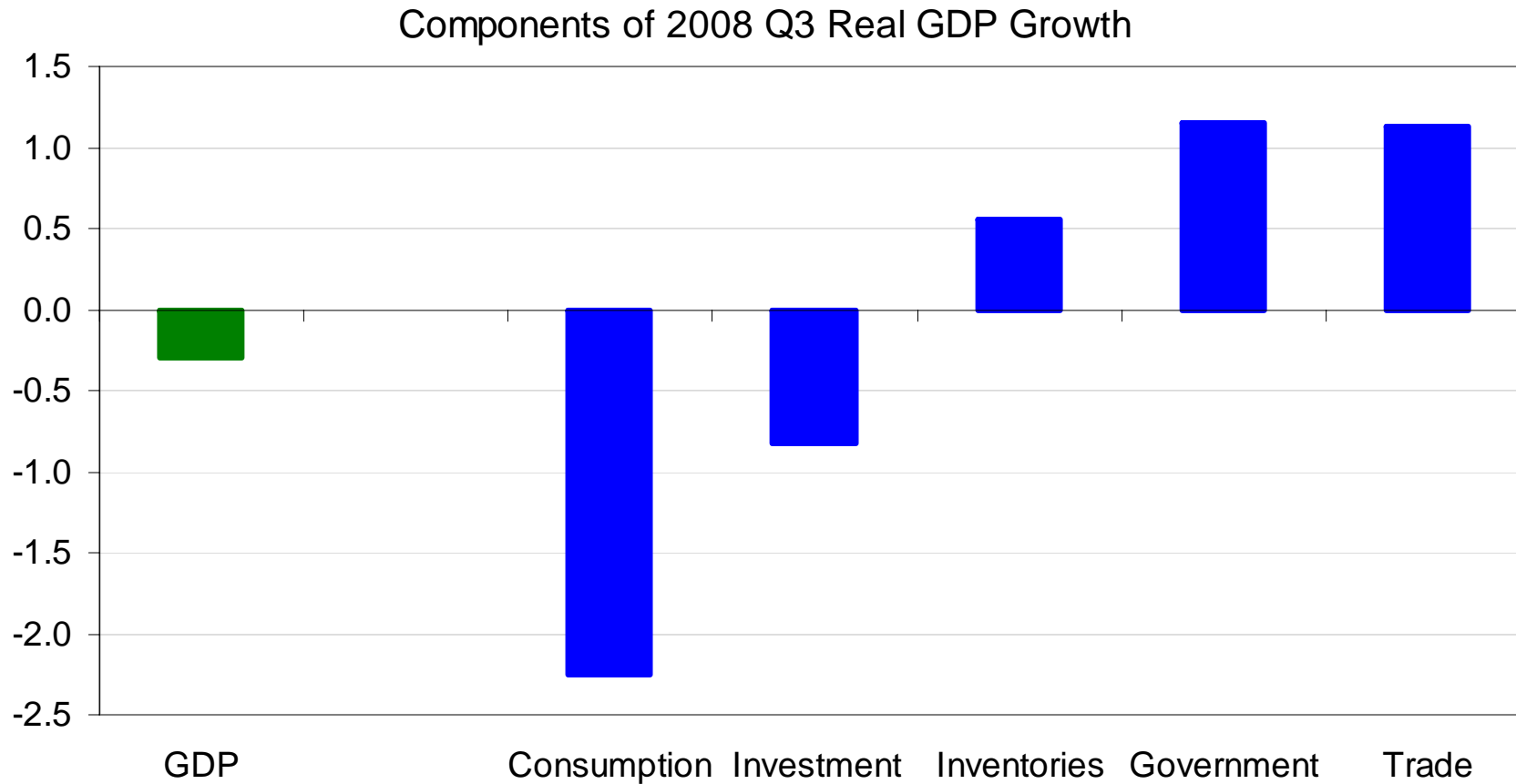
The Consumer Contributed Relatively Little to Q2 GDP

Components of 2008 Q2 Real GDP Growth



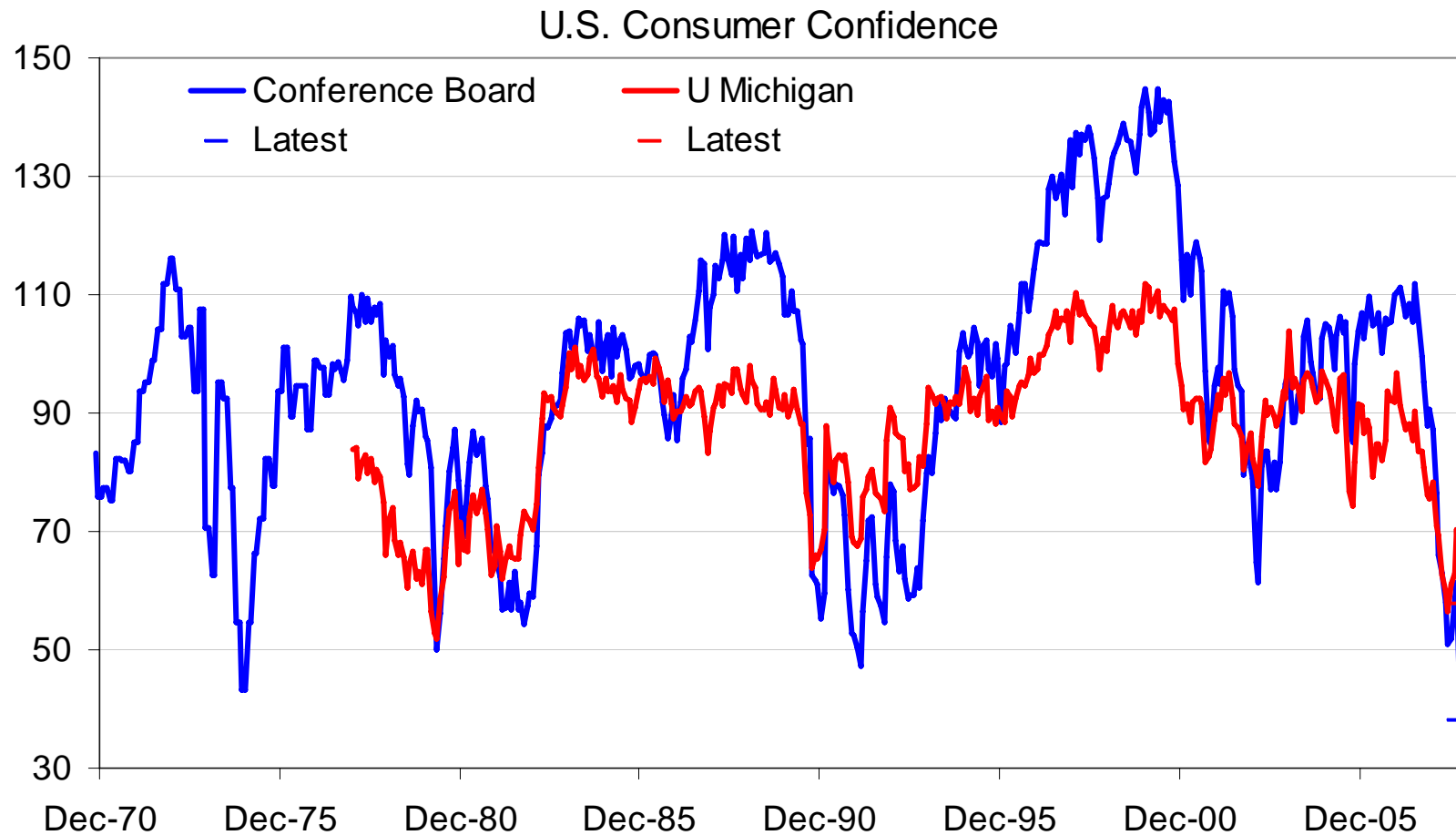
Source: US Department of Commerce. Last data point: 2nd Quarter 2008

Weak Consumption Drove Negative Q3 GDP



Source: US Department of Commerce. Last data point: 3rd Quarter 2008 (Advance)

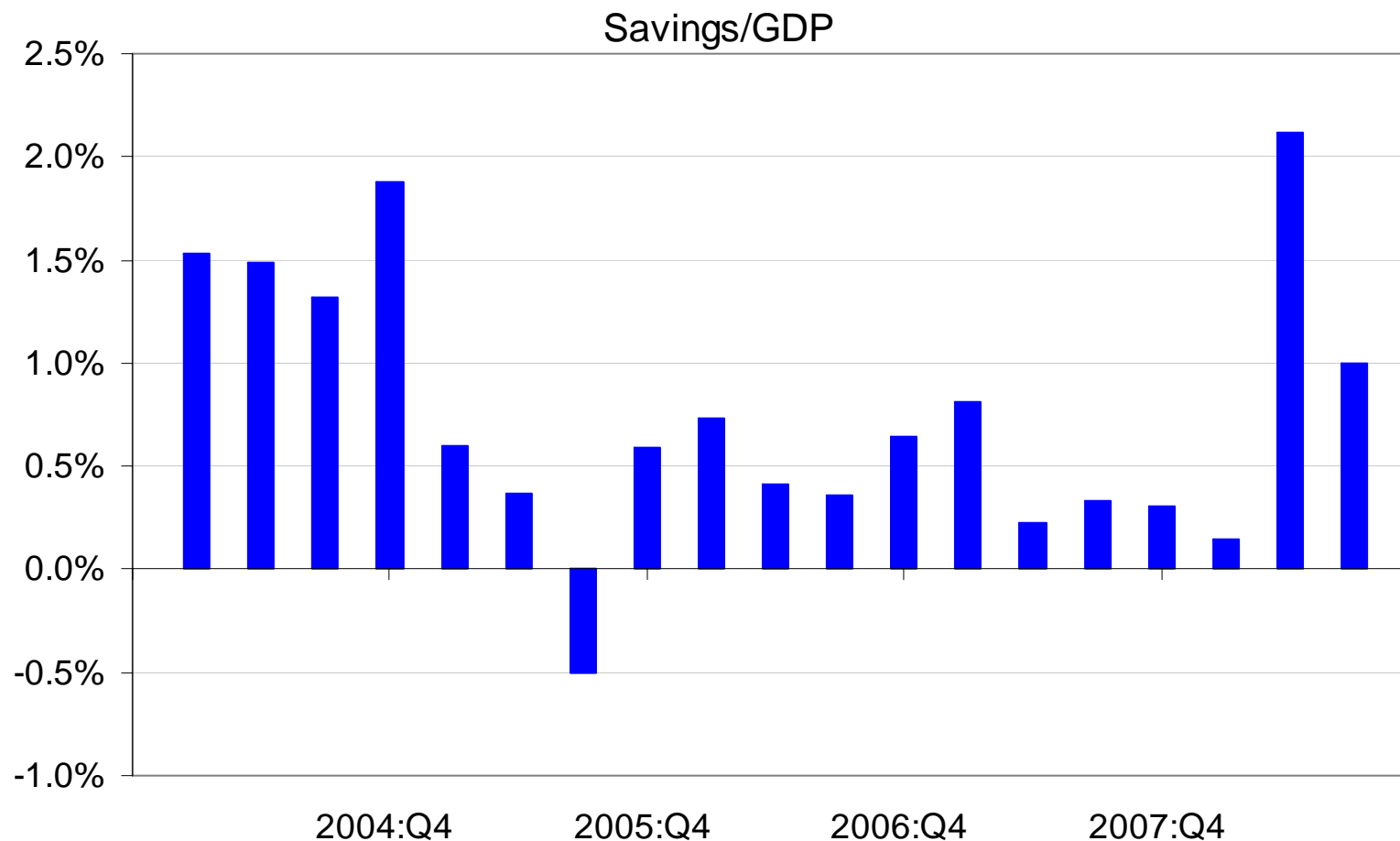
Consumer Confidence is Near All-Time Lows



Source: DataStream. Last data point: October, 2008

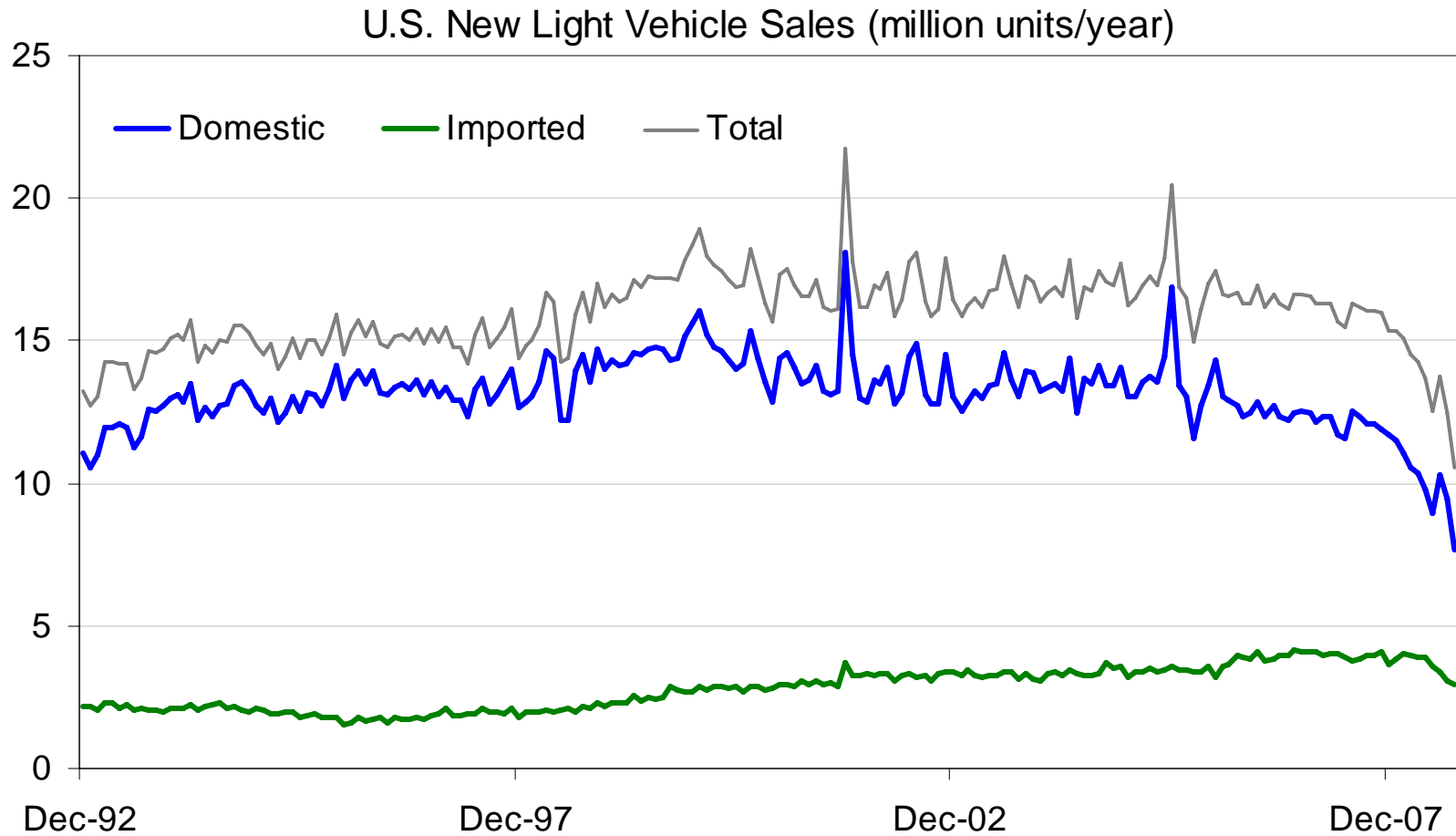
Consumers Have Dramatically Reduced Their Spending

The Increase in Q2 Savings Dwarfed the Tax Rebates



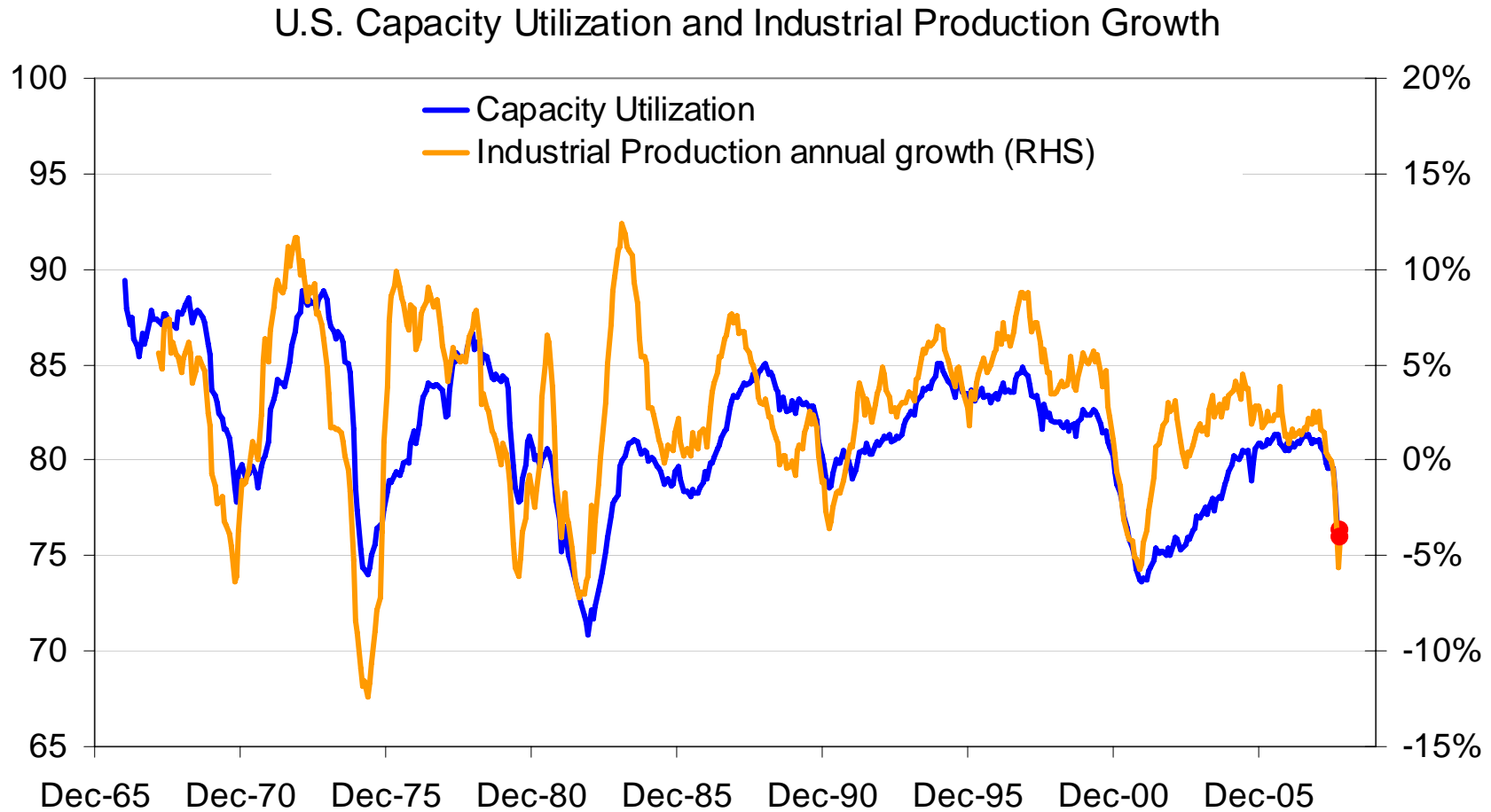
Source: US Department of Commerce. Last data point: 3rd Quarter 2008 (Advance)

Automobile Sales are Falling Sharply as Consumers Retrench



Source: DataStream. Last data point: October, 2008

Both Capacity Utilization and Industrial Production Have Fallen



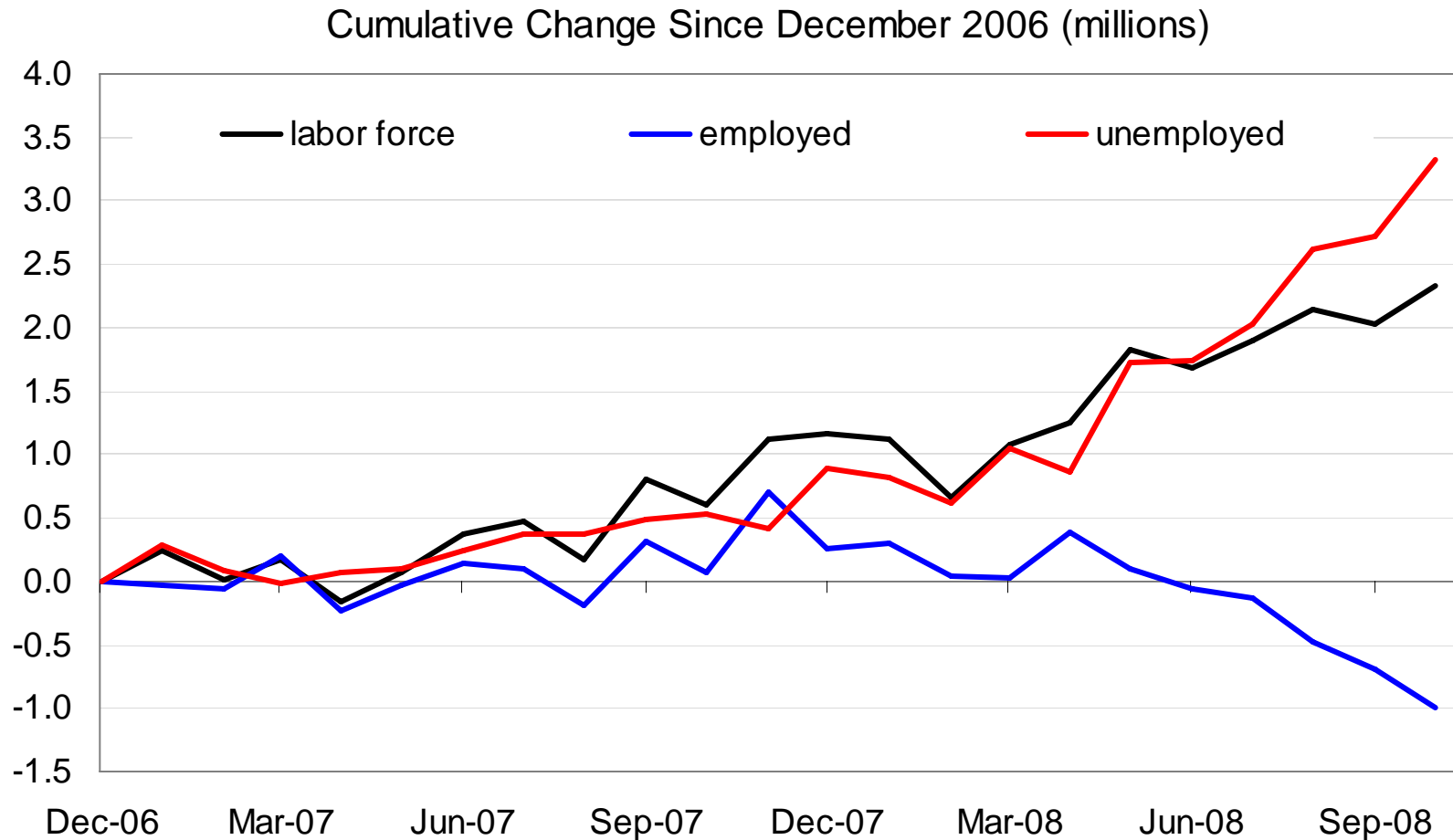
Source: DataStream. Last data point: October, 2008

The Unemployment Rate Has Risen to 6.5%



Source: DataStream. Last data point: September, 2008

Until Recently, Growth in the Labor Force, Rather than Job Losses, had been the Primary Cause of a Higher Unemployment Rate



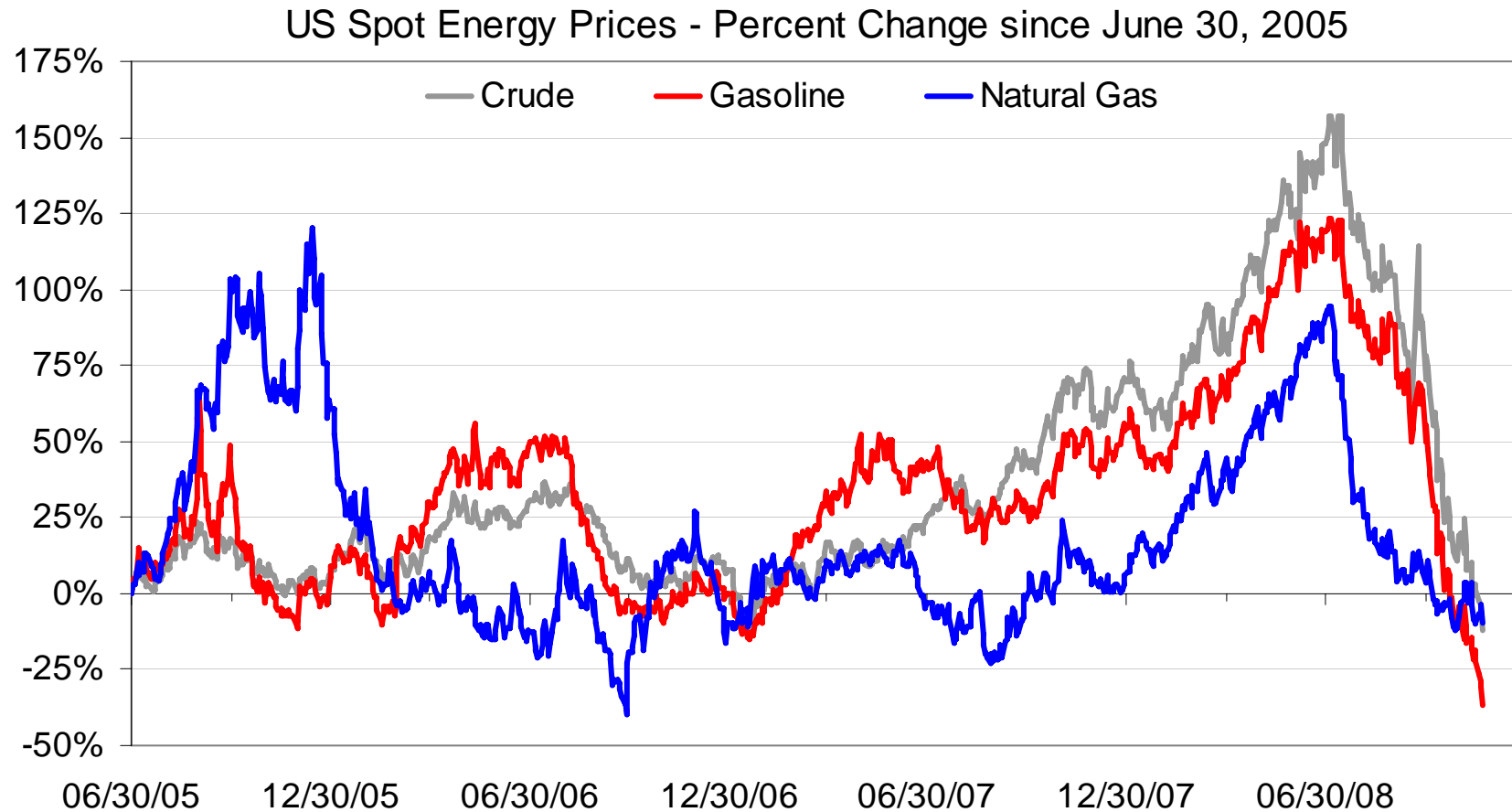
Source: DataStream. Last data point: September, 2008

U.S. Economic and Market Outlook

Six Positive Themes – Seeing the Glass as Half Full

- The presidential election is behind us
- Energy prices are falling
- Inflation will fall sharply
- Housing hasn't bottomed yet, but the bottom is getting closer
- Governments are actively intervening to support markets
- Markets are priced to reward prudent risk-taking

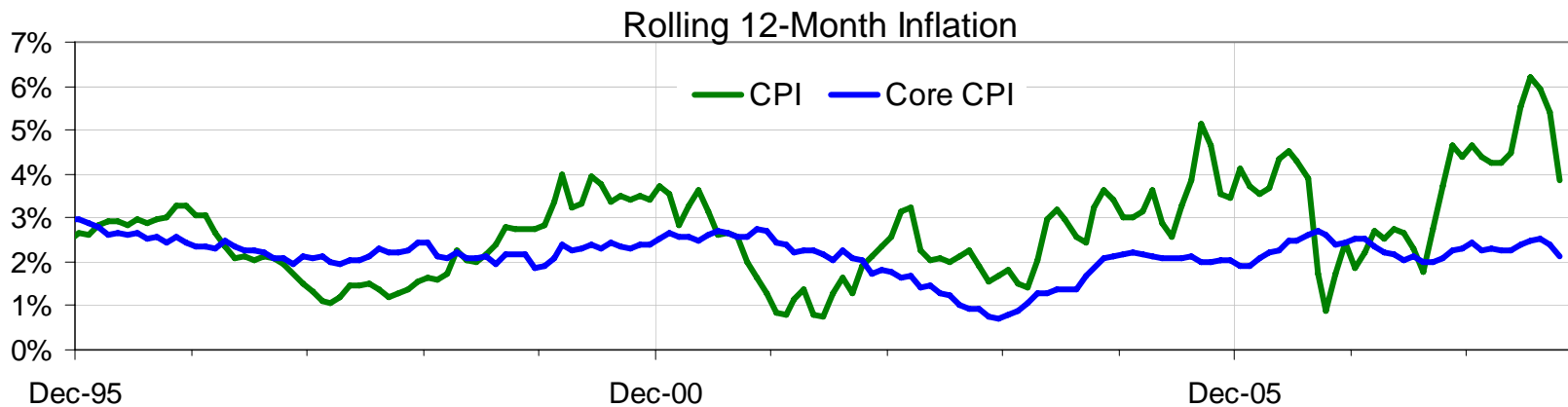
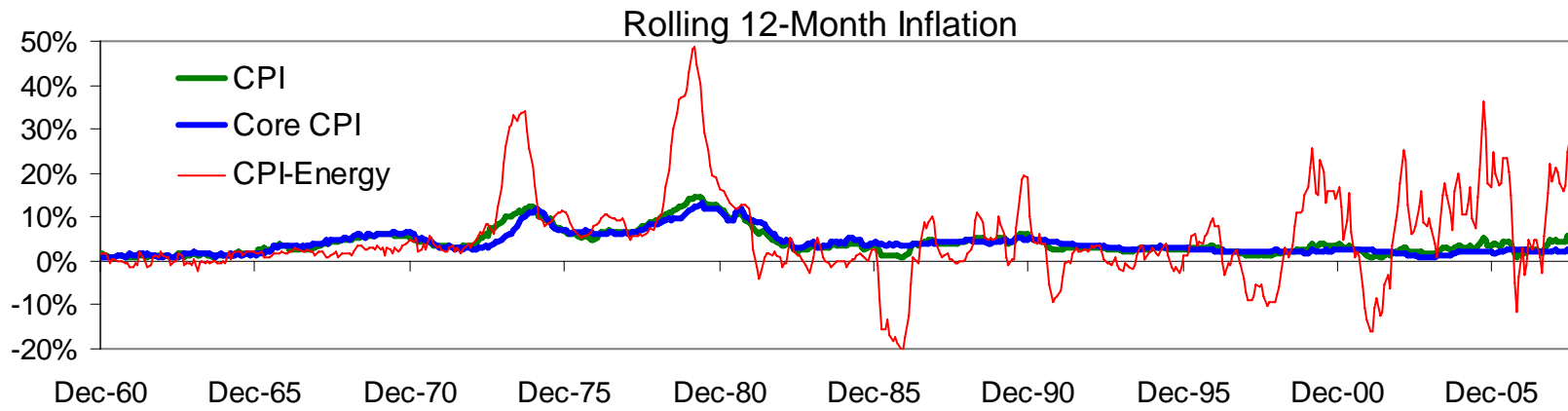
Energy Price Trends are Positive for the Consumer



Source: DataStream. Last data point: November 20, 2008

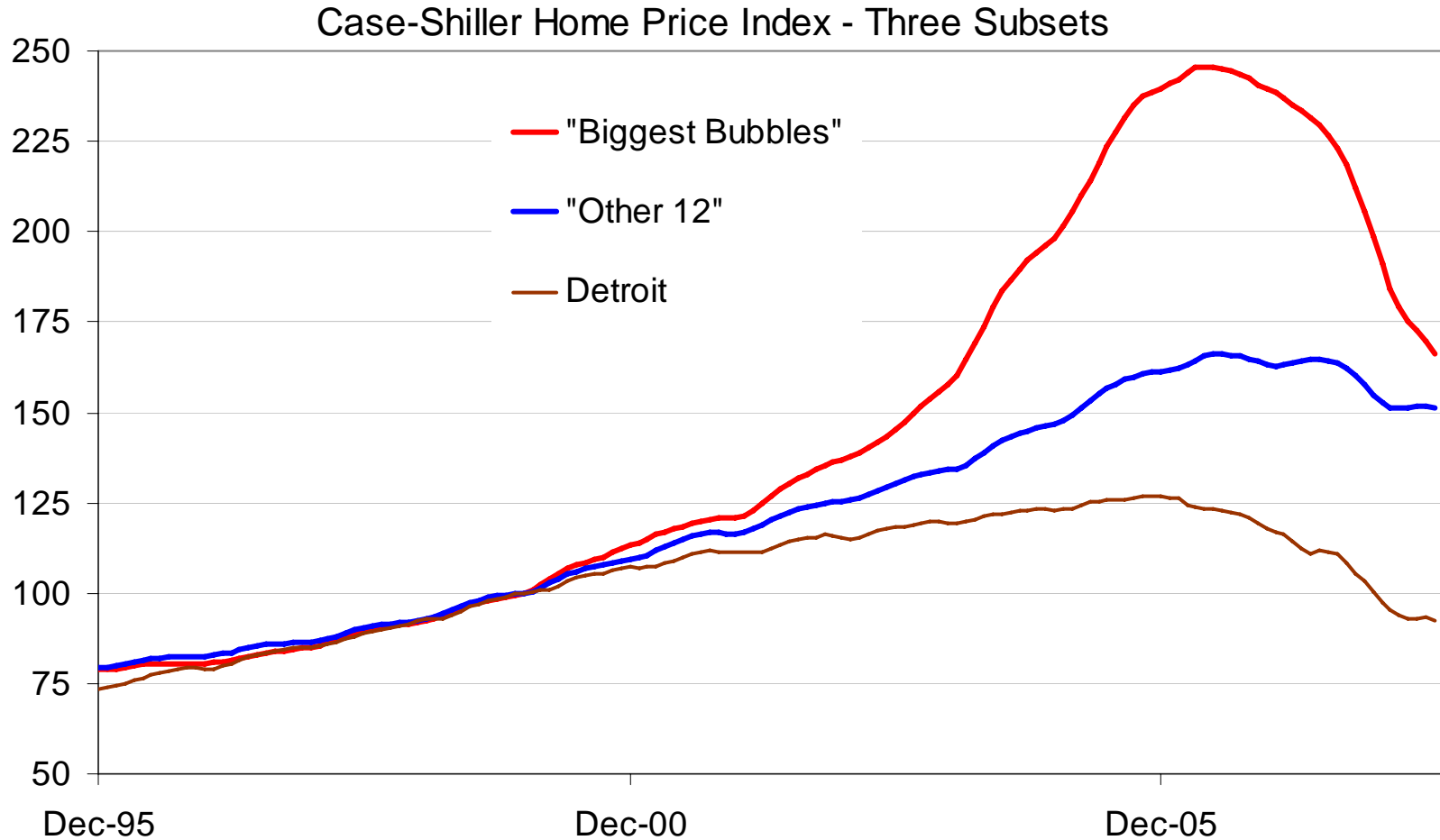
Headline Inflation Will Fall Along With Energy Prices

Higher Unemployment Will Depress Core CPI



Source: DataStream. Last data point: October, 2008

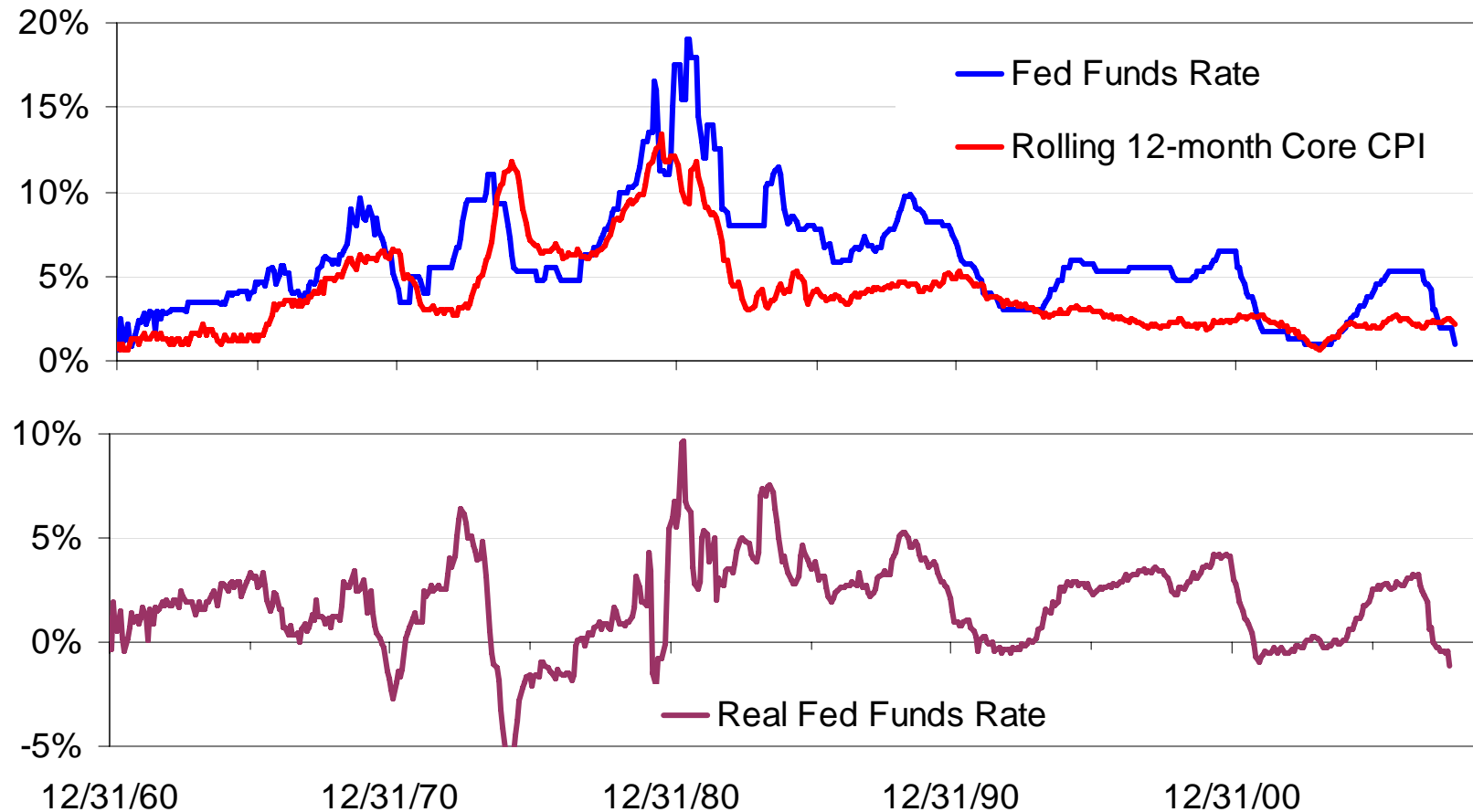
The Decline in Home Prices is Slowing in Many Cities



Source: DataStream. Last data point: August, 2008

Monetary Policy Is Very Accommodative

The Fed Funds Rate is Below Trailing 12-Month Core Inflation



Source: DataStream. Last data point: October 31, 2008

Opportunity in the U.S. Fixed Income Market

- The credit and liquidity crisis has pushed credit market spreads to all time highs, offering attractive yields
- The credit market is currently discounting defaults that are higher than depression-era rates
- With yields on investment grade corporates near 9%, yields on high yield corporates near 20%, and high yield bonds selling below 60 cents on the dollar, we believe current the credit market is ripe with opportunity for appropriate investors.

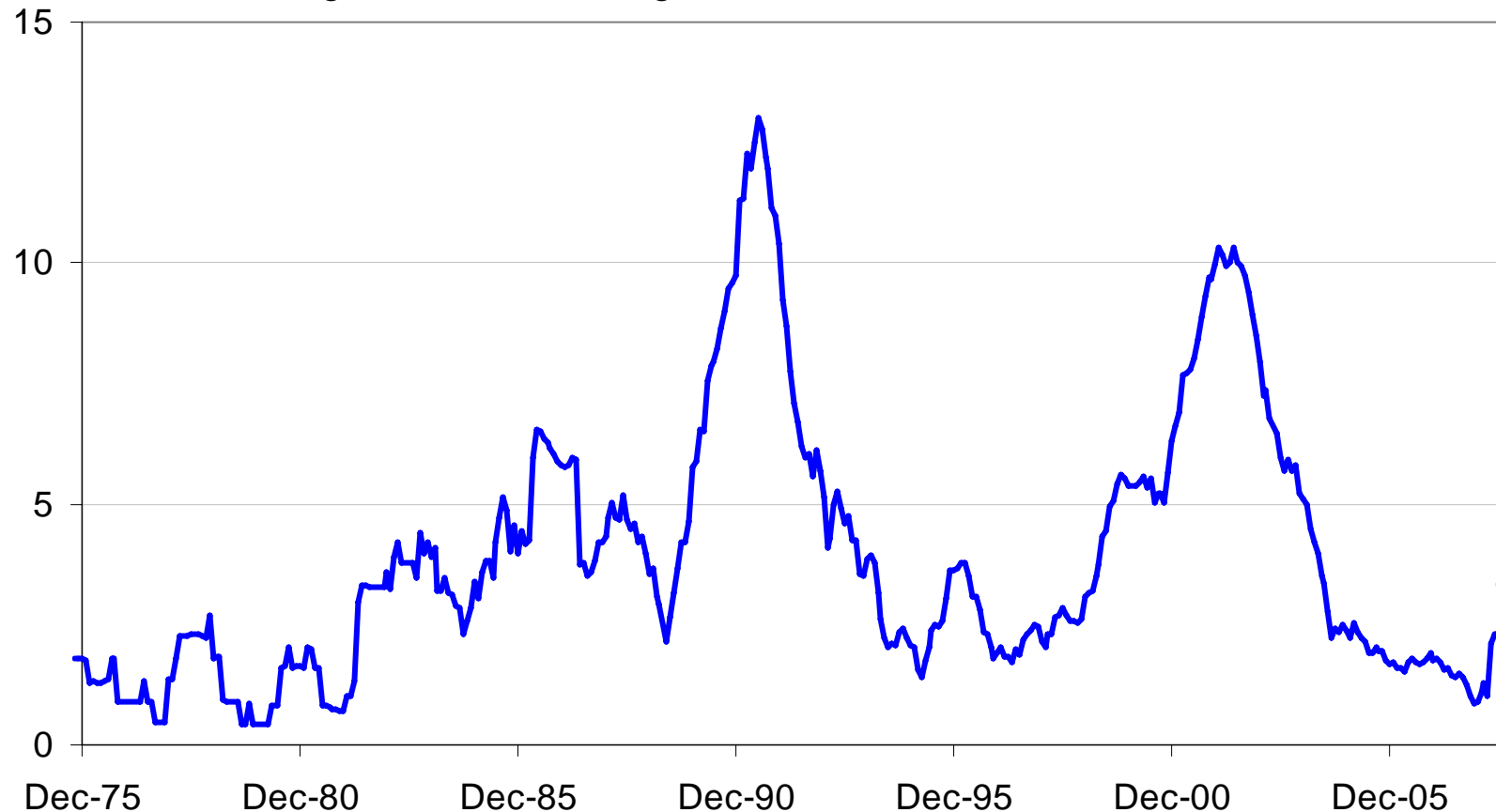
Nominal and Inflation-Adjusted 10-Year Treasury Yields Are At 25-Year Lows



Source: DataStream. Last data point: November 20, 2008

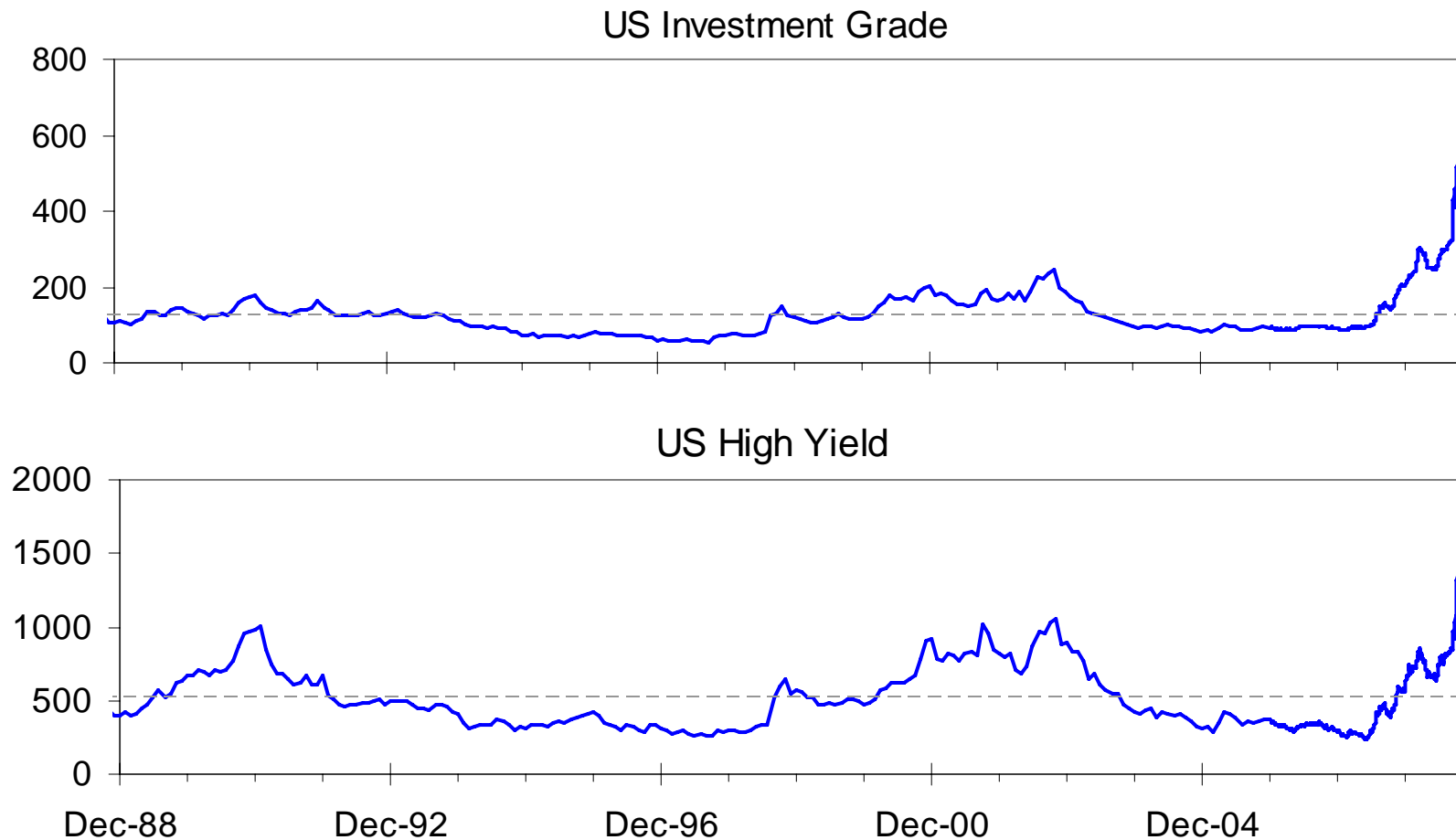
High Yield Bond Default Rates Have Begun to Rise, But Remain Low Relative to Historical Averages

Trailing 12-Month U.S. High Yield Bond Issuer-Based Default Rate



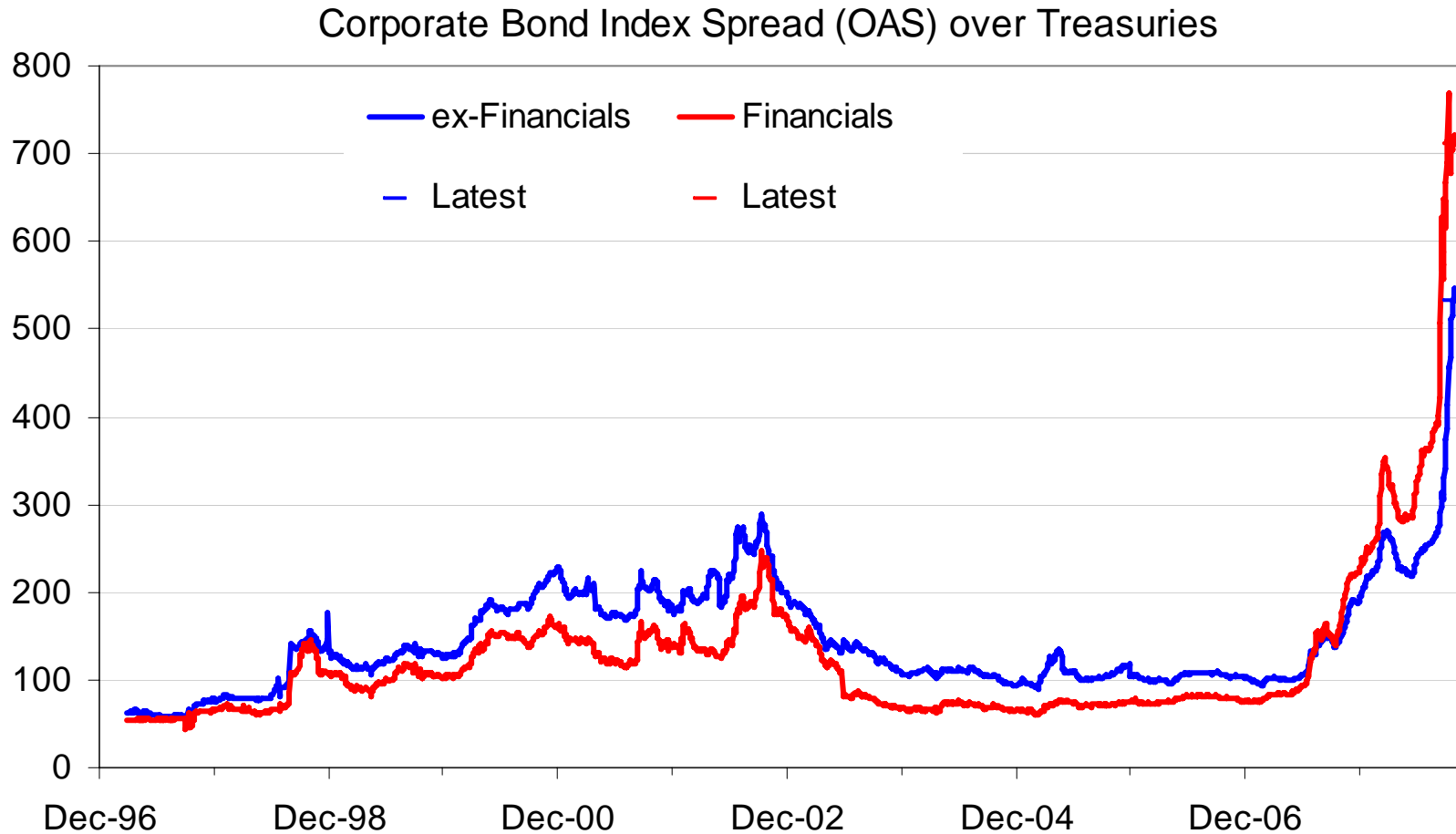
Source: Moody's Investor Service. Chart prepared by Pioneer. Last data point: September, 2008.

Credit Spreads Appear to Grossly Over-Discount Default Risk



Source: Bloomberg. Last data point: November 19, 2008

Both Financial and Non-Financial Investment-Grade Bond Spreads Are Near All-Time Highs



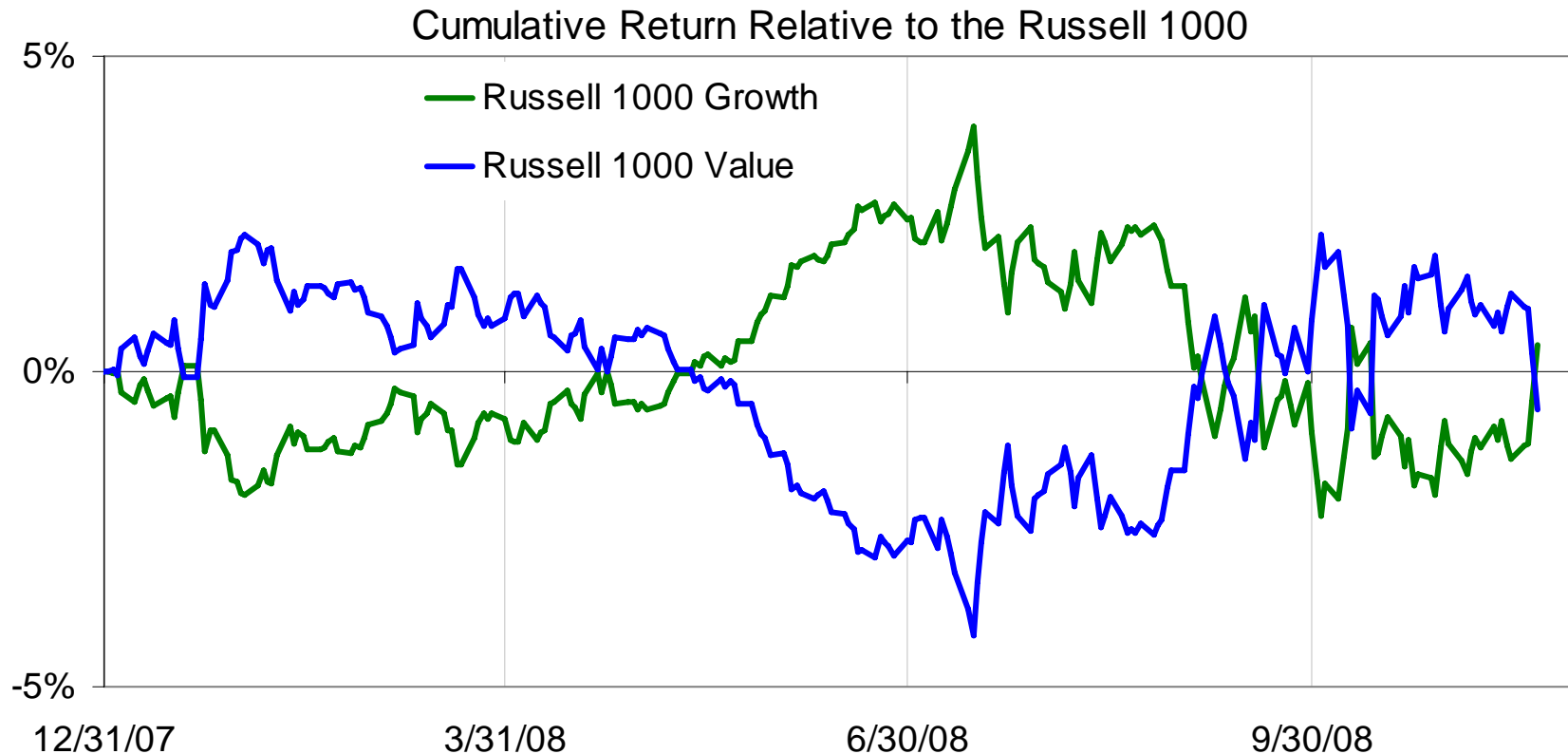
Source: Bloomberg. Last data point: October 31, 2008

U.S. Equity Investing in 2008

Survival Guide and Keys to Outperformance

- Not many places to hide: market sold off broadly
 - Selling of indexes (program trading) meant stock picking could produce outperformance, but not positive absolute returns
- Leadership rotated during the year
 - Aggressive rotation could have helped or hurt
- Most important: avoid permanent impairment of capital
 - Companies which went broke won't recover

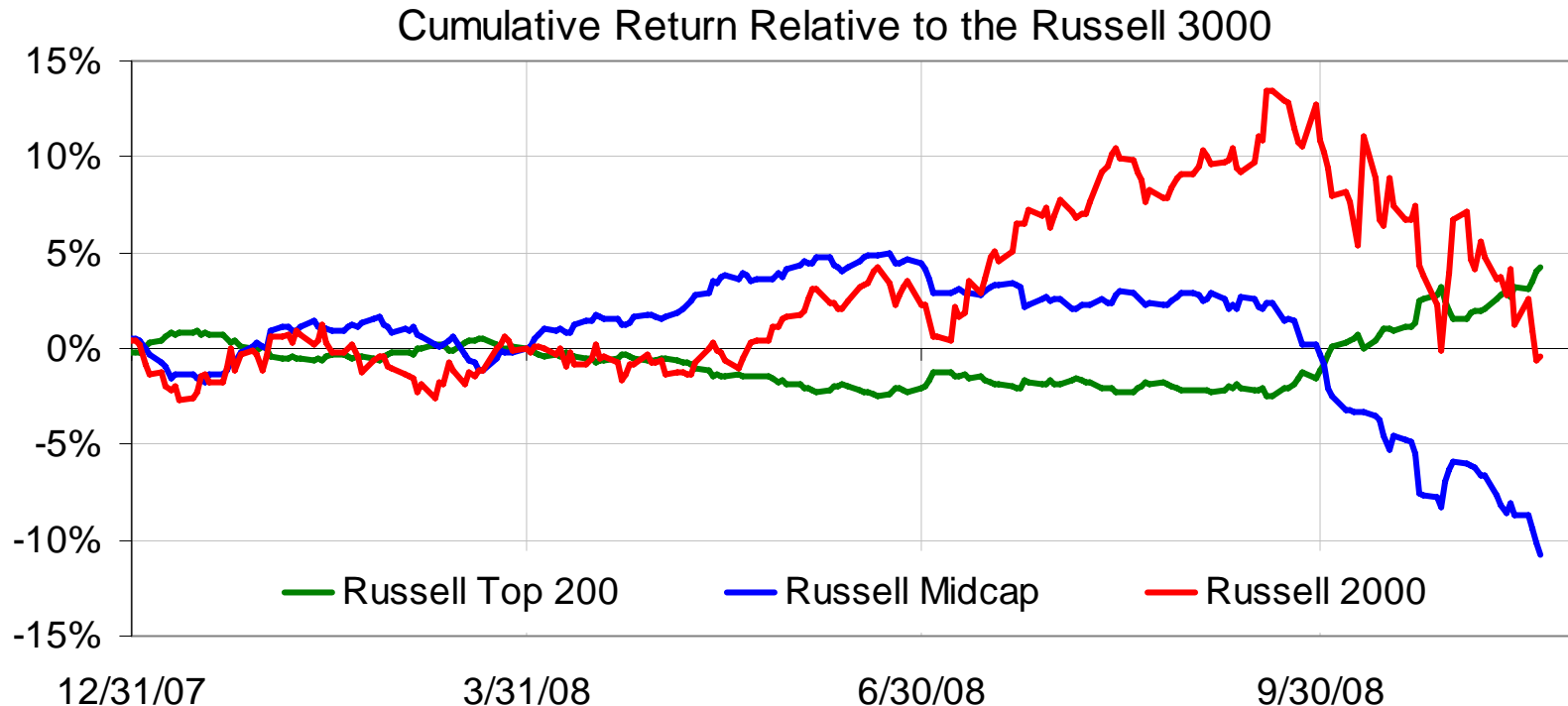
U.S. Equity Market Leadership: Style



The Russell 1000 Growth Index measures the performance of large-cap U.S. growth stocks. The Russell 1000 Value Index measures the performance of large-cap U.S. value stocks. The historical performance shown is provided to illustrate market trends and is not intended to represent the past or future performance of any Pioneer product. Indices are unmanaged and their returns assume reinvestment of dividends and, unlike investment products returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

Source: DataStream. Last data point: November 20, 2008

U.S. Equity Market Leadership: Size

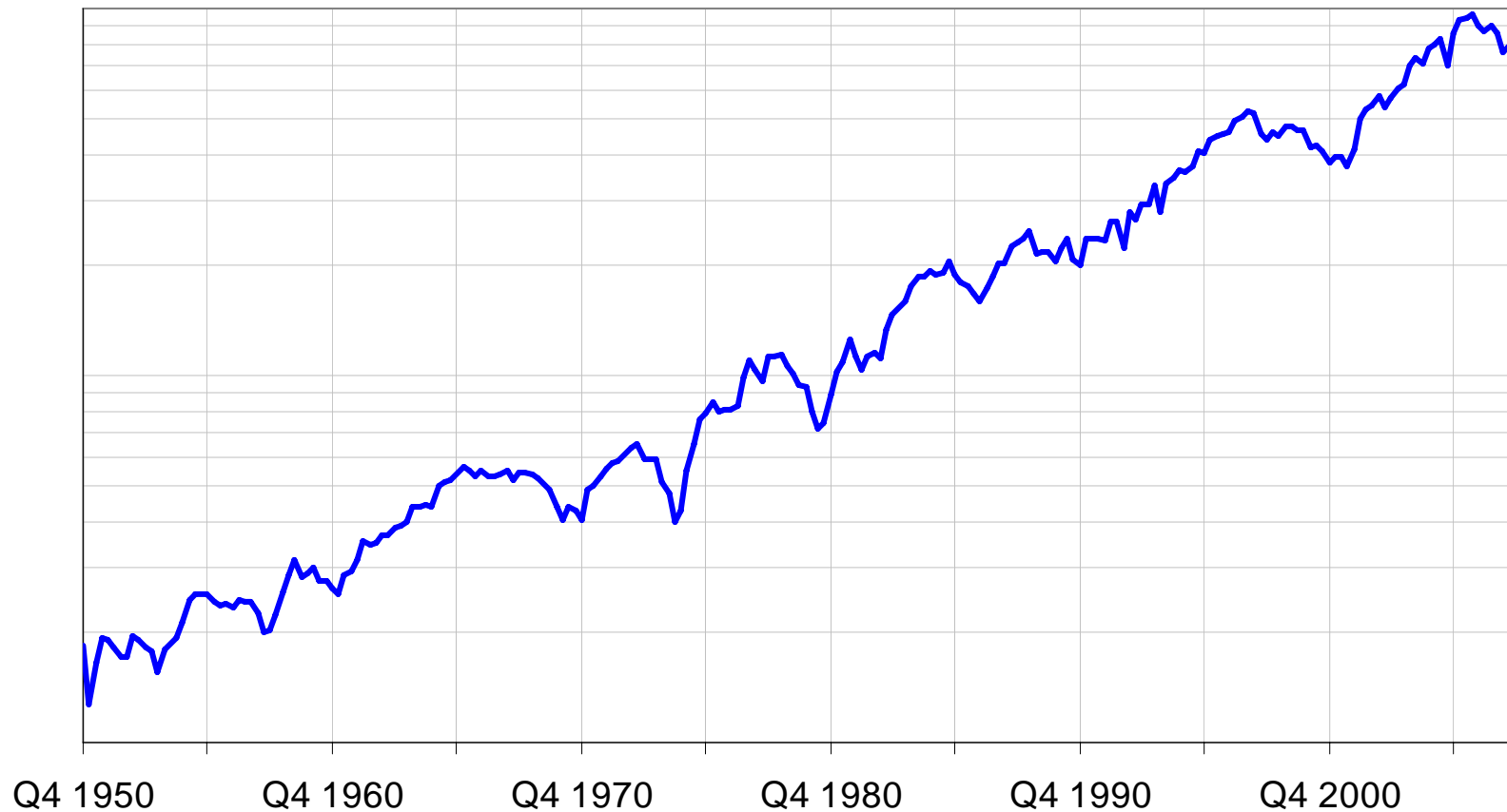


The Russell Top 200, Midcap, and 2000 indexes Index measure the performance of large-cap mid-cap and small-cap U.S. stocks, respectively. The historical performance shown is provided to illustrate market trends and is not intended to represent the past or future performance of any Pioneer product. Indices are unmanaged and their returns assume reinvestment of dividends and, unlike investment products returns, do not reflect any fees or expenses. It is not possible to invest directly in an index. Small-cap and mid-cap companies often experience sharper price fluctuations than stocks of large-cap companies.

Source: DataStream. Last data point: November 20, 2008

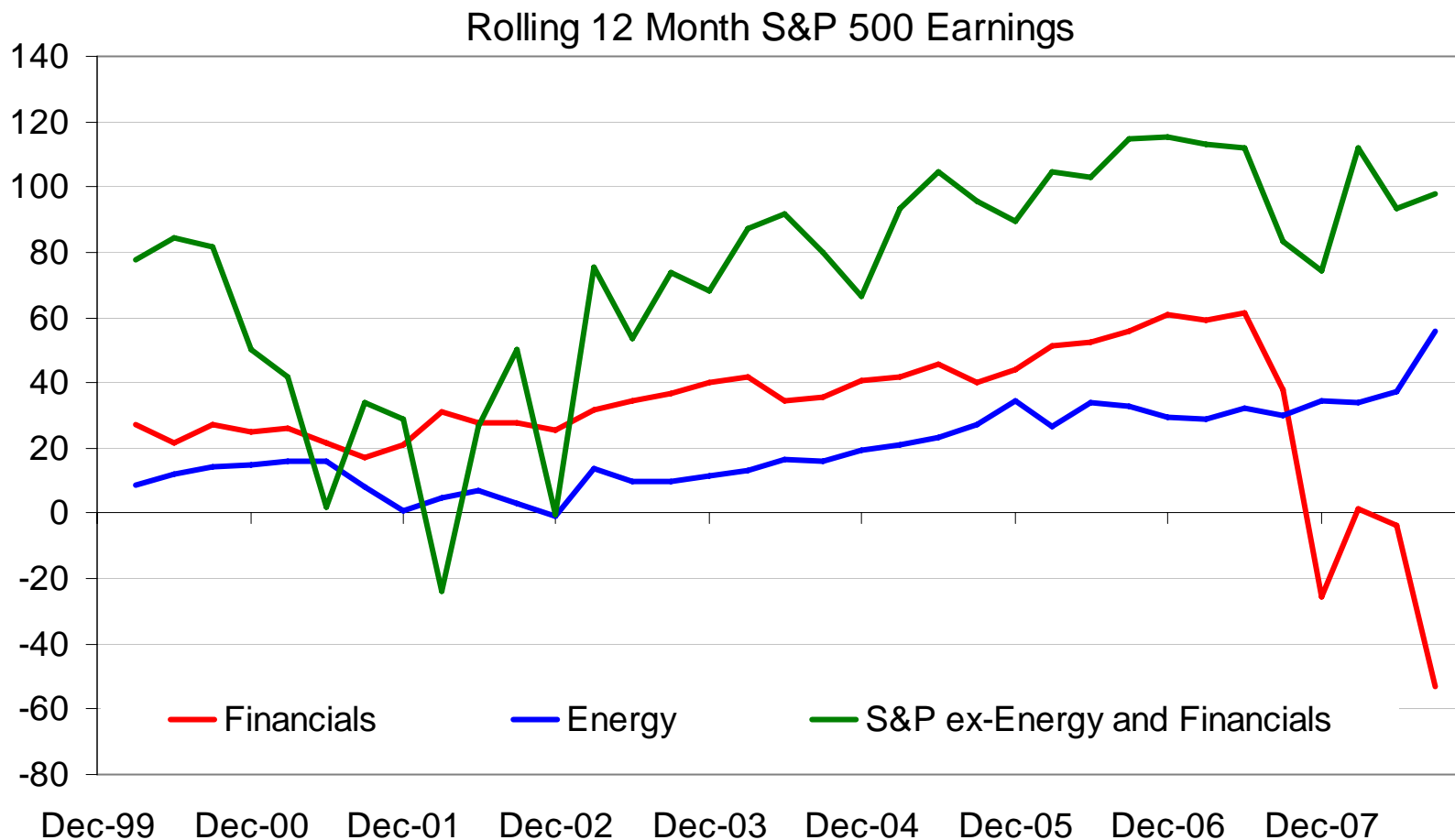
Losses in the Financial Sector Have Dented Corporate Profits

U.S. After-Tax Corporate Profits (log scale)



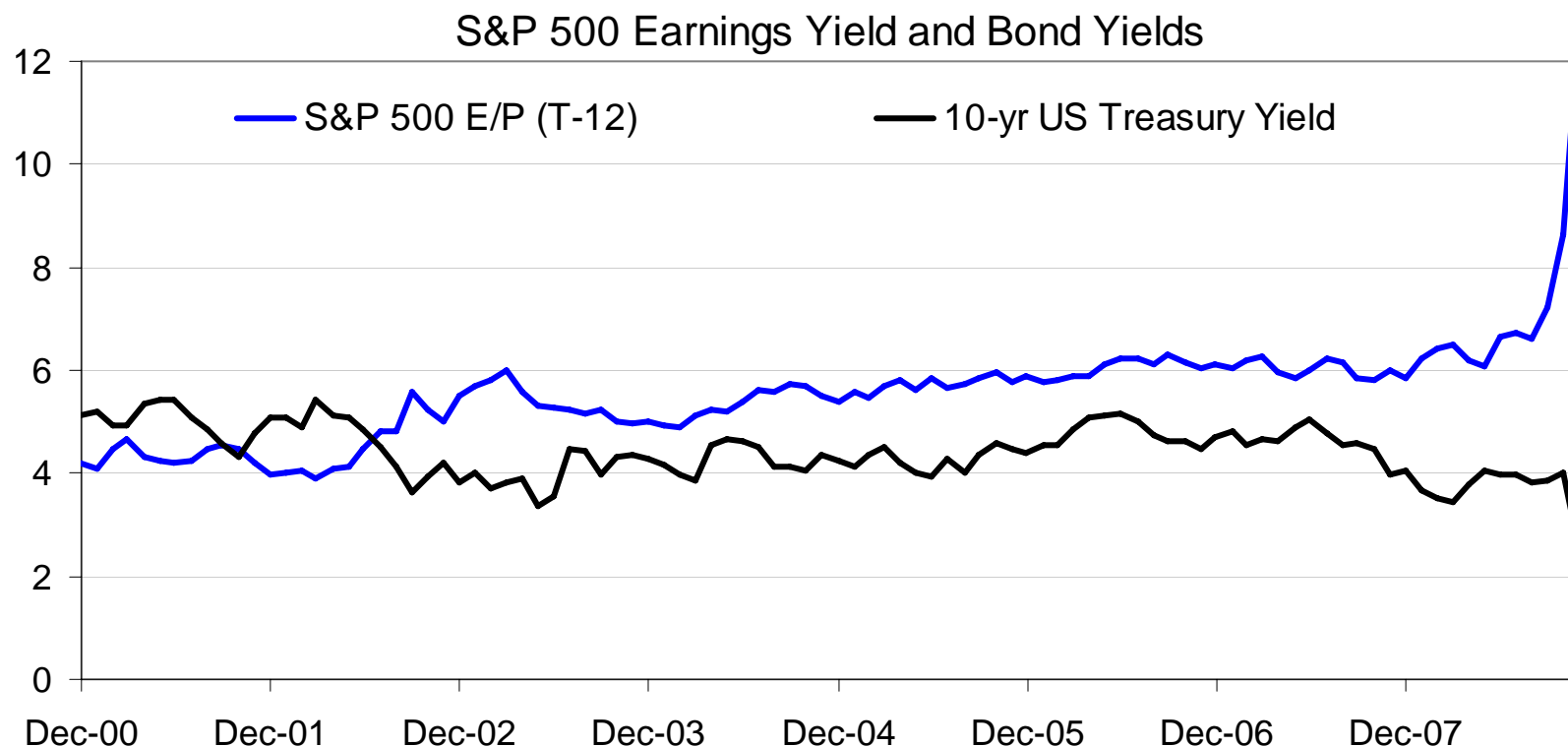
Source: DataStream. Last data point: 2nd Quarter 2008

U.S. Corporate Profits: Sector Contributions



Source: Bloomberg. Last data point: 3rd Quarter 2008

U.S. Equity Valuations Are Very Attractive Relative to Treasury Yields



The Standard & Poor's 500 Stock Index (the S&P 500) is a commonly used measure of the broad U.S. stock market. The historical performance shown is provided to illustrate market trends and is not intended to represent the past or future performance of any Pioneer product. Indices are unmanaged and their returns assume reinvestment of dividends and, unlike investment products returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

Source: DataStream. Last data point: November 20, 2008

Opportunity in the U.S. Equity Market in 2009

Thoughts on Strategy

- Maintain a long term time horizon
 - Valuations are compellingly attractive...if you are patient
 - Valuation analysis will not drive successful market timing
- Avoid companies too weak to survive a recession
- Focus on companies that will emerge from recession stronger than competitors
- Desirable attributes
 - Positive free cash flow
 - No need to access debt markets

U.S. Economic and Market Outlook

Summary and Conclusions

- The U.S. is in a recession
 - A depression is unlikely
- The economy has not bottomed, but the foundations for a recovery are being laid
 - The risk of systemic failure is significantly diminished
- Markets are seeking a bottom
- We expect credit markets to lead the recovery
 - Bank debt (e.g. TED spreads, swap spreads), then short-term high-grade debt, then longer-maturity and lower-quality bonds, then equities
- Expected returns for patient, long-term investors are attractive



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