

The Strength of our Research Capability

*Selecting Stocks for Recovery, Shareholder Value
& Profitability while avoiding Failing Companies*

Marco Mencini | June 2009



For Broker/Dealer Use Only at the European Capabilities Forum 24-26 June 2009
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Agenda

Who we are

Our research process

Our research process in action

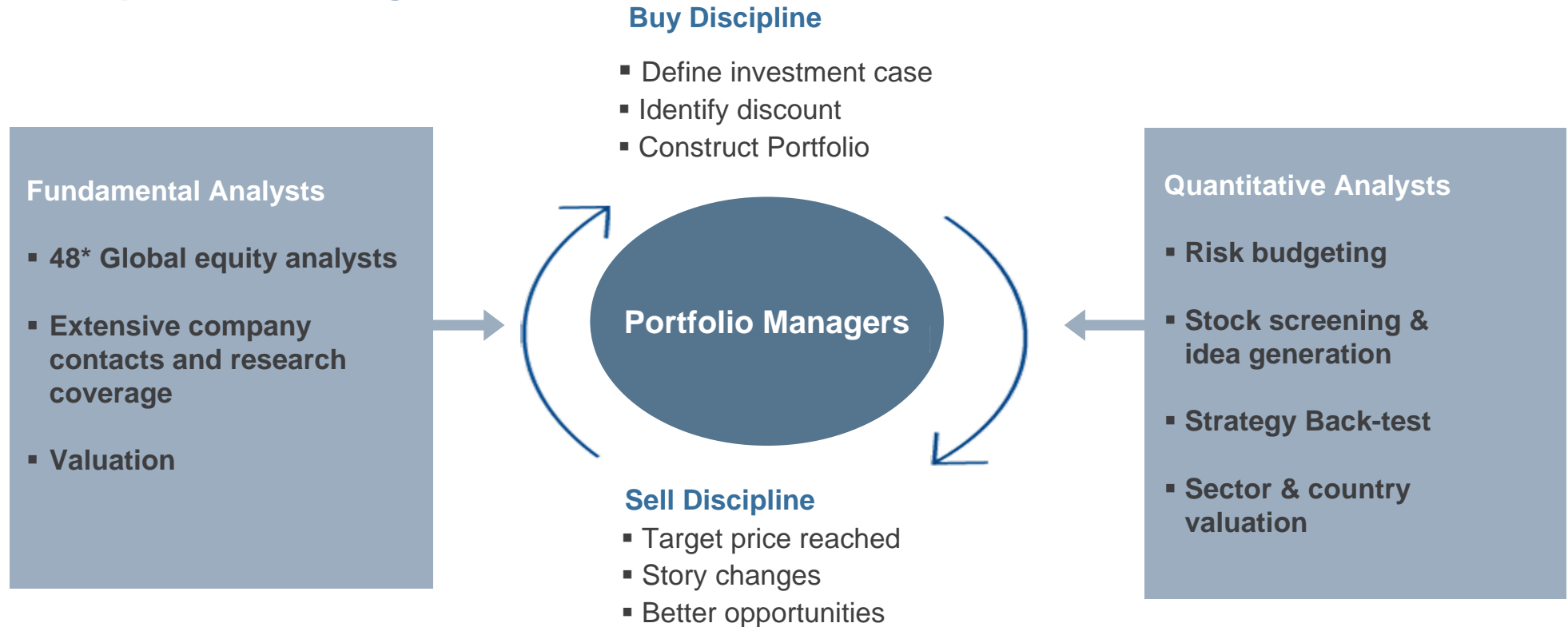
Our Equity Research Model is a Core Strength of Pioneer Investments

- **Important characteristics**

- Career analysts
- Global structure
- Accountability through investment performance
- Bottom-up, fundamental research
- Proprietary work and clearly defined investment cases

The Research Team is an Integral Part of our Investment Process

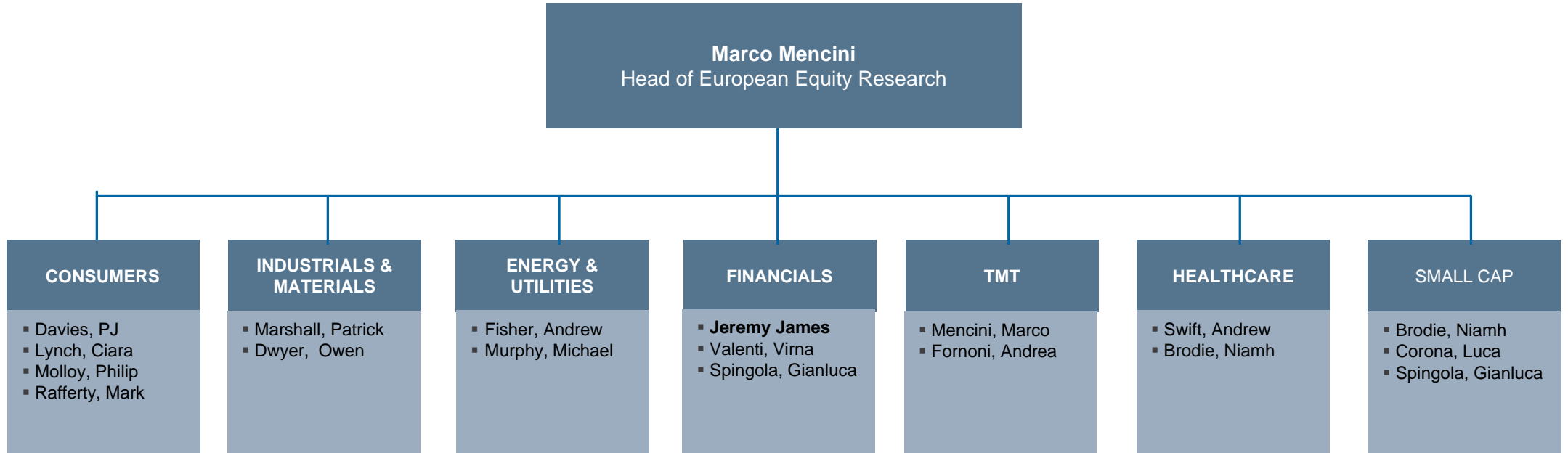
Supporting a global range of products through an aligned investment process based on three specialist building blocks



*Source: Pioneer Investments as at 31.01.09

Pioneer Funds – European Research

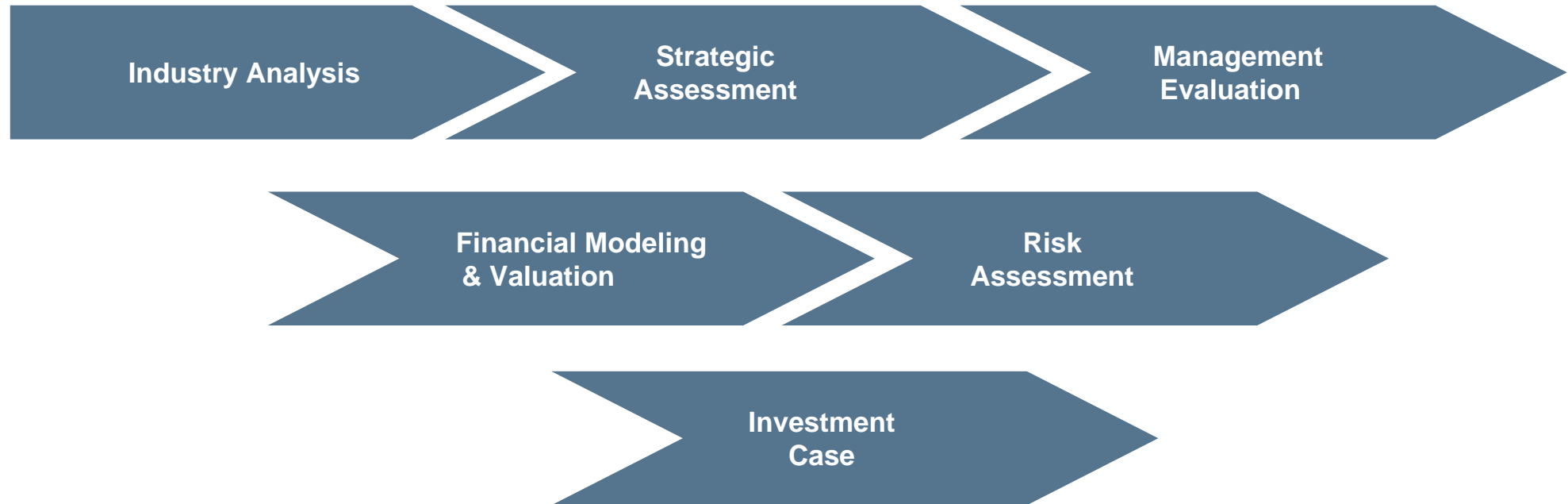
Experienced Team of Career Analysts



Source: Pioneer Investments as at April 2009

Some analysts cover more than one sector

The Analysts Drive a Disciplined Research Process to Find Value While Avoiding Failing Companies



The Investment Case is a Key Outcome of our Research Process & Drives our Buy and Sell Decisions

Primary elements of an investment case

Why is the market mispricing the stock

What is the potential upside

How do we expect the valuation gap will correct

Over what time period will the correction occur

The investment case provides the foundation for disciplined investing

Our Focus on Clearly Defined Investment Cases Helped us Identify Good Value While Avoiding Numerous “Disasters” in 2008

Best 10 Relative Contributors

Security Name	Port Weight	Contribution Rel Perf
Eutelsat	3.75%	1.33%
Yara	0.94%	0.60%
HBOS Group	0.00%	0.56%
Fortis	0.00%	0.55%
Roche Holding Genus	2.59%	0.50%
KPN	1.41%	0.48%
UBS	0.00%	0.44%
Barclays	0.00%	0.43%
ING	0.00%	0.39%
Novartis	2.11%	0.39%

Source: Pioneer Investments, Pioneer Funds – European Research relative to MSCI Europe Index, December 31, 2007 – December 31, 2008

Pioneer Funds – European Research is actively managed, and current holdings may be different. References to individual stocks should not be taken as an investment recommendation to buy or sell any particular stock.

Winning by not losing

We also Made Mistakes in 2008 as Investment Cases did not Work Out, But our Process Helped Contain Losses

Worst 10 Relative Contributors

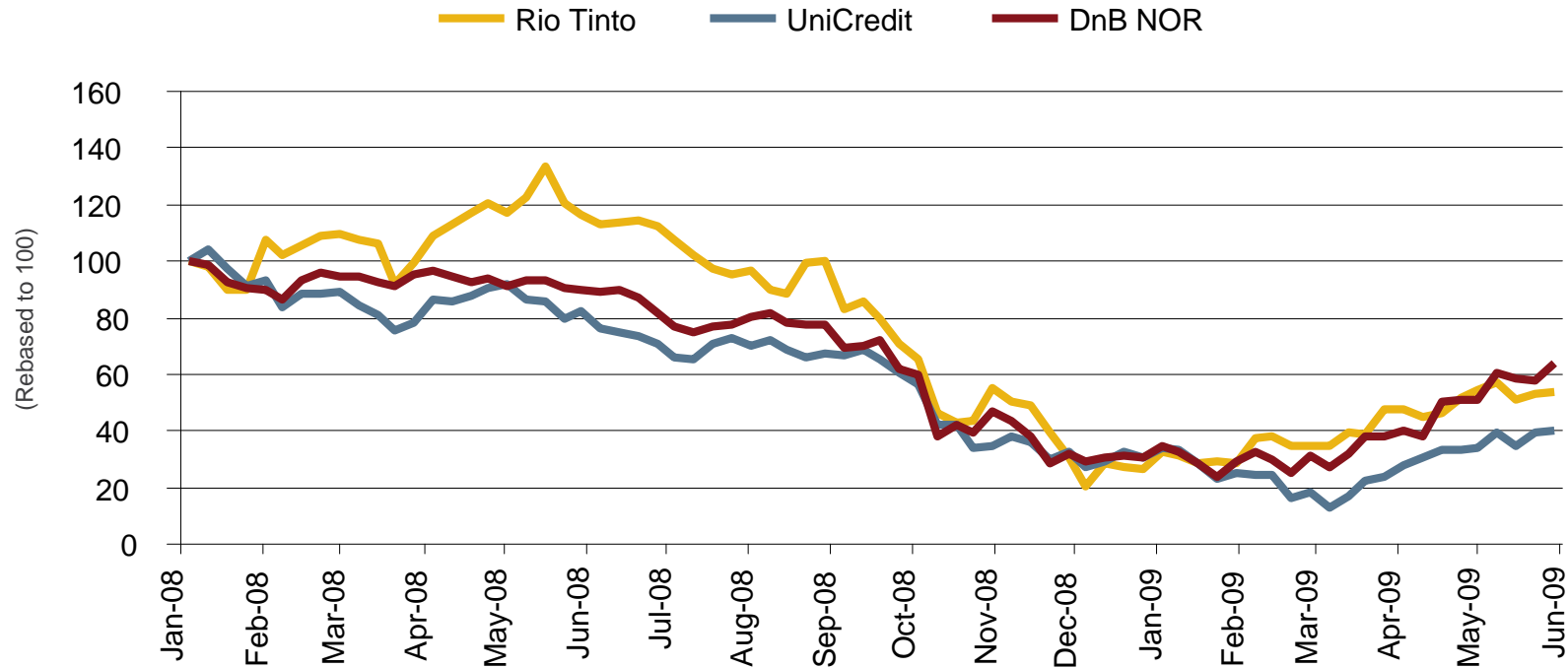
Security Name	Port Weight	Contribution Rel Perf
Unicredit Group	2.34%	-1.15%
Rio Tinto Plc	3.04%	-1.09%
DNB NOR	0.51%	-0.72%
Uralkali	0.21%	-0.70%
Volkswagen	0.00%	-0.63%
Siemens	1.93%	-0.61%
Porsche	1.27%	-0.57%
AstraZeneca	0.00%	-0.55%
Southern Cross Healthcare	0.27%	-0.49%
K & S	0.50%	-0.49%

Source: Pioneer Investments, Pioneer Funds – European Research relative to MSCI Europe Index, December 31, 2007 – December 31, 2008

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Is the investment case broken or is the market wrong?

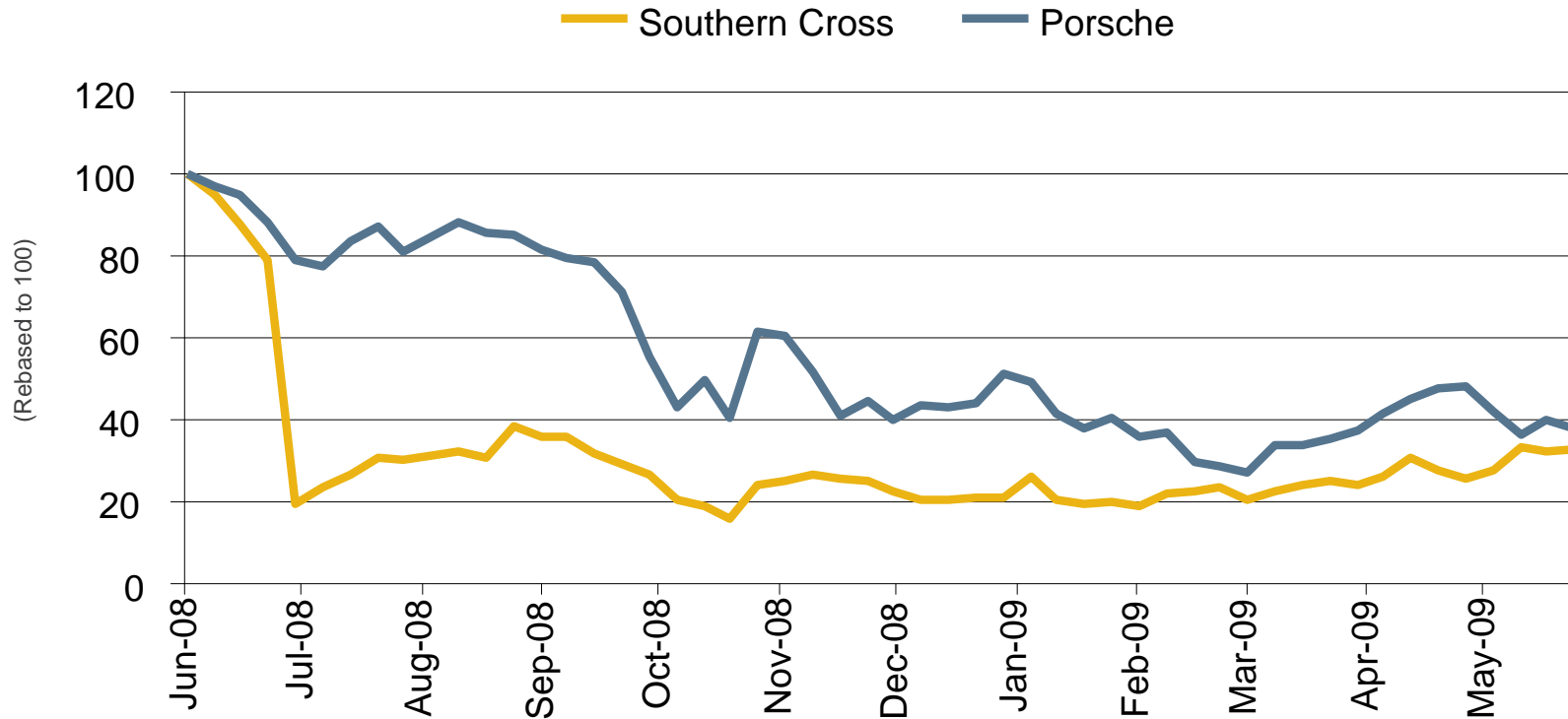
In Examples Like Rio Tinto, DnB NOR and UniCredit we Continued to Hold the Positions which Generated Performance in 2009



Continue to hold the position if the investment case remains intact

Charts: Source: Bloomberg as at 01.06.09. Pioneer Funds – European Research is actively managed, and current holdings may be different. References to individual stocks should not be taken as an investment recommendation to buy or sell any particular stock.

In Examples like Southern Cross and Porsche our Investment Cases Broke and we Sold the Positions



Never too late to sell when an investment case is broken

Charts: Source: Bloomberg as at 01.06.09. Pioneer Funds – European Research is actively managed, and current holdings may be different. References to individual stocks should not be taken as an investment recommendation to buy or sell any particular stock.

Currently, we are Relatively Defensive but Looking for Inflection Points

Sector	Fundamental View	Stocks we favour
Energy	<ul style="list-style-type: none"> ▪ Cautious on oil & gas prices 	<ul style="list-style-type: none"> ▪ Integrated oils
Materials	<ul style="list-style-type: none"> ▪ Cautious on mining and agriculture now pricing in a V shape economic recovery 	<ul style="list-style-type: none"> ▪ Specialty chemicals ▪ Precious metals ▪ Industrial gases
Industrials	<ul style="list-style-type: none"> ▪ Cautious on strong recovery led by government stimulus programs 	<ul style="list-style-type: none"> ▪ Defense contractors ▪ Self-help stories (i.e. costs/port management)
Consumer	<ul style="list-style-type: none"> ▪ High end more vulnerable than low end 	<ul style="list-style-type: none"> ▪ Discount retailers ▪ Non-premium brands
Health care	<ul style="list-style-type: none"> ▪ Public policy will pressure margins ▪ M&A to fix patent issue just create extra risk 	<ul style="list-style-type: none"> ▪ Mid cap with sustainable transformation in returns
TMT	<ul style="list-style-type: none"> ▪ Corporate end markets more durable ▪ “Old media” in decline 	<ul style="list-style-type: none"> ▪ Enterprise software ▪ Low exposure to advertising
Utilities	<ul style="list-style-type: none"> ▪ Cautious on commodity plays ▪ Tougher pollution rules coming 	<ul style="list-style-type: none"> ▪ Regulated utilities ▪ “Clean” generators
Financials	<ul style="list-style-type: none"> ▪ Cautious on sector overall 	<ul style="list-style-type: none"> ▪ Universal, well diversified well capitalized models ▪ Asset managers

In this uncertain climate, we focus on strategic winners

Conclusion

Pioneer Investments' equity research model is a core strength that supports our process of selecting stocks for recovery, shareholder value and profitability while avoiding failing companies.

- Banks
- Materials
- Utilities

The Darwinian Process – European Banks

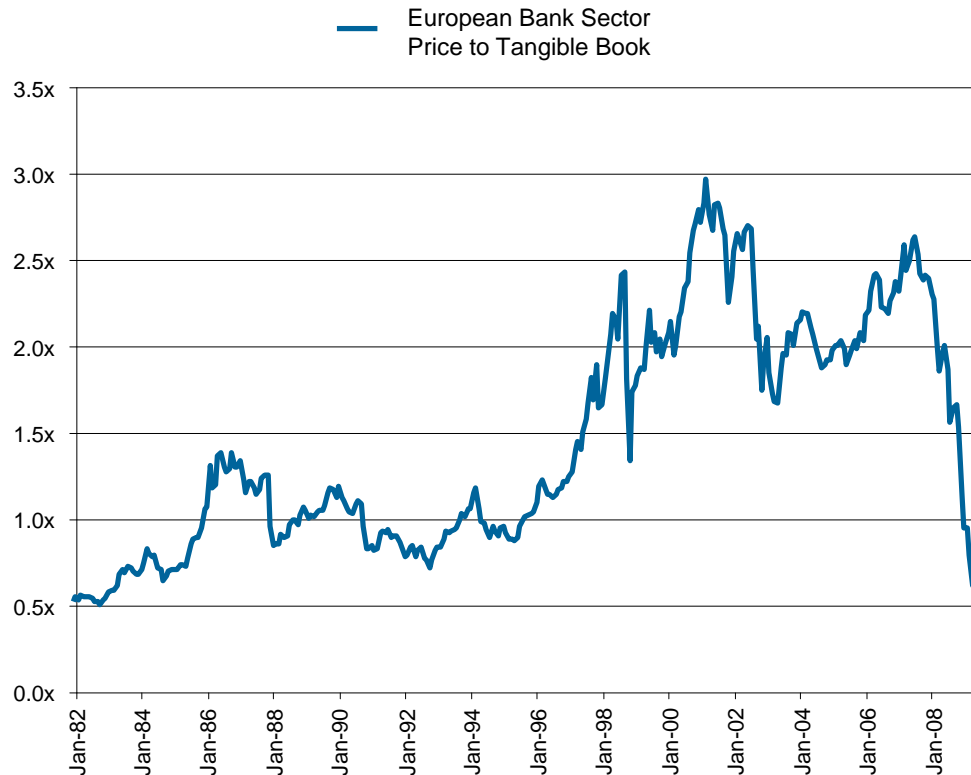
EU Financials

Jeremy James | June 2009



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A Crisis in the Financial System



Source: Citigroup, as at 01.06.09

Major cyclical challenges

- Global recession
- Large credit losses
- Loss of confidence
- Access to funding
- Need to de leverage

Longer-term structural drivers

- Increased regulation and government involvement
- Higher capital and liquidity requirements
- Demographics and trade flows – savings in West, investment in East

Speeding up the Darwinian Process in the Banking Sector

...Survival of the Fittest

- Huge change in the competitive landscape
- Higher barriers to entry
- Lower growth and sustainable returns for the sector, but
- Reduced competition leading to increased market share and higher than sector returns for the 'winners'



LEHMAN BROTHERS

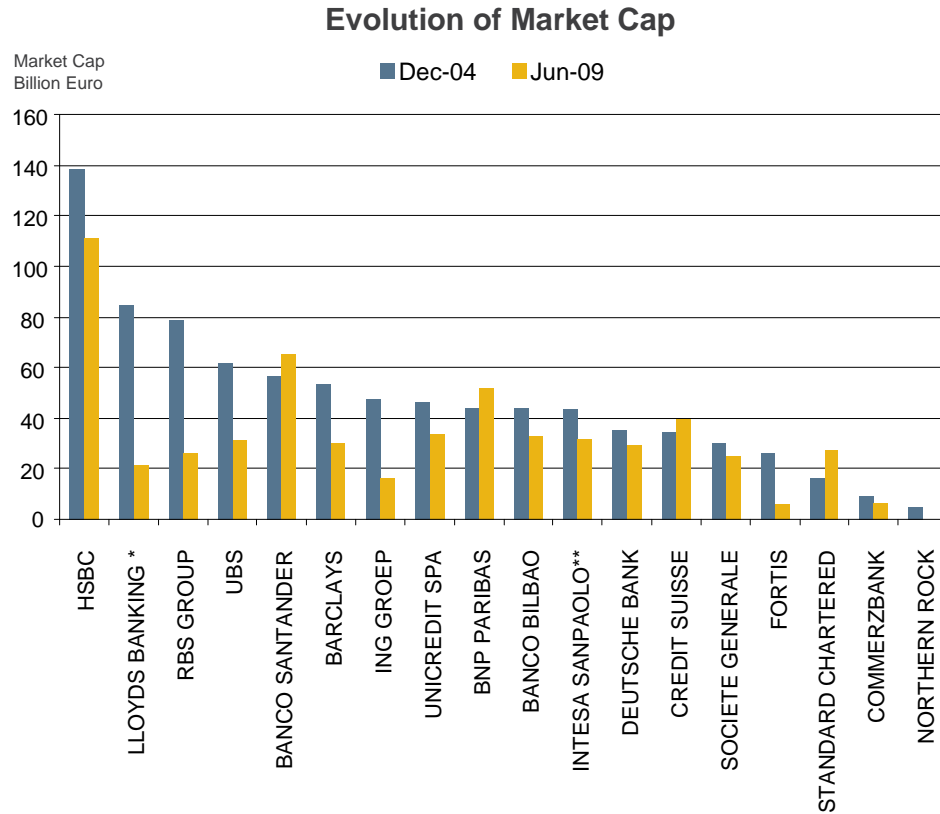


BEAR STEARNS



Speeding up the Darwinian Process in the Banking Sector

...the Winners



■ Picking the ‘winners’ with higher sustainable returns

- Universal or integrated structure preferred to monoline bank model
- Strong capital ratios
- Distribution capabilities and access to funding
- Addressing the demographic and economic trends
- Track record of management on capital allocation and risk control

Source: Bloomberg, as at 11.06.09

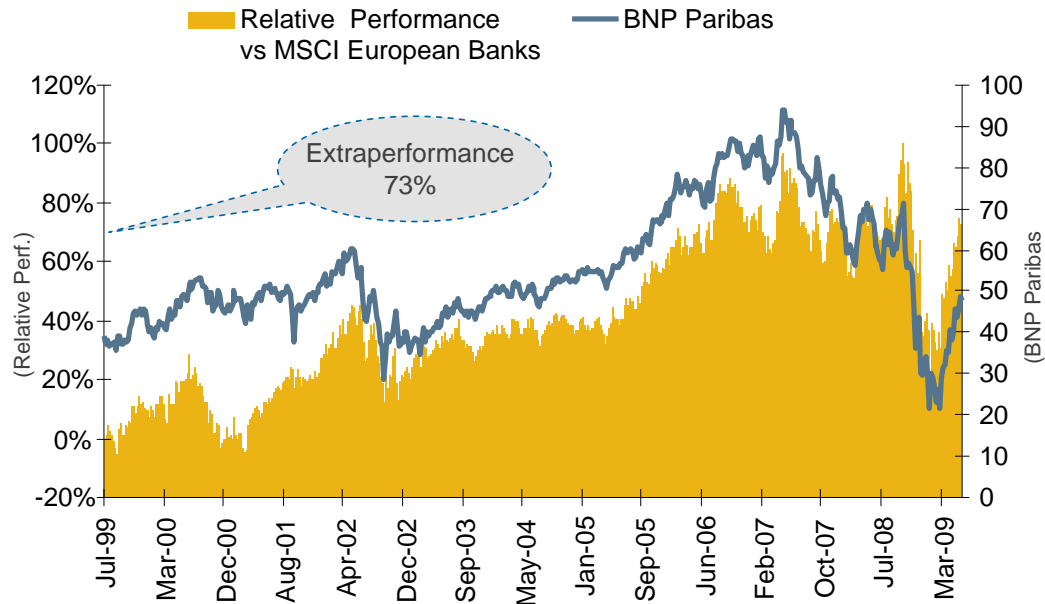
*Lloyds and HBOS

** Prior to 2007 Banca Intesa and San Paolo IMI

References to individual stocks should not be taken as an investment recommendation to buy or sell any particular stock.

Investment Case Example (1) – BNP Paribas

Universal Banking Model



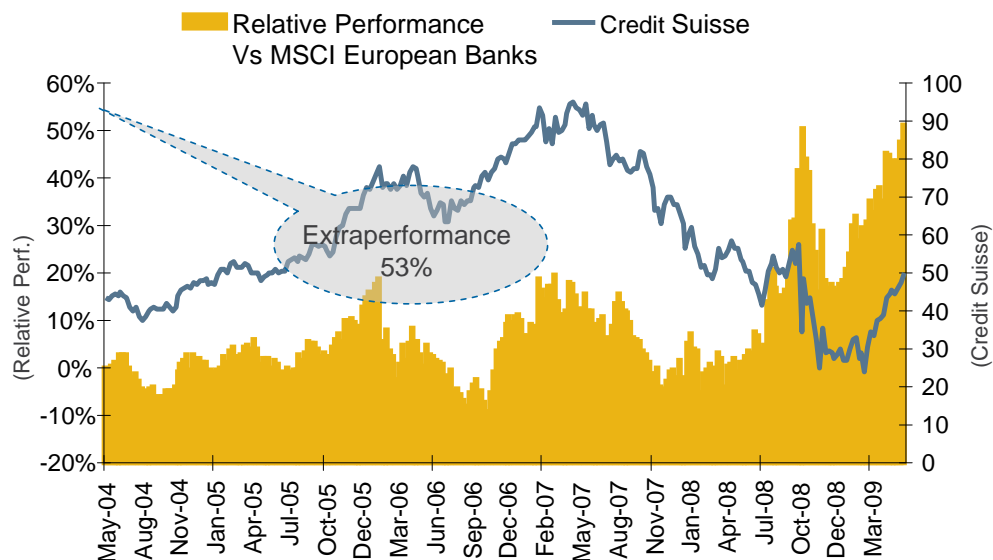
Source: Bloomberg, as at 05.06.09

Pioneer Funds – European Research is actively managed, and current holdings may be different. References to individual stocks should not be taken as an investment recommendation to buy or sell any particular stock.

- Leading positions in Retail banking, Corporate and Investment Banking and Asset Gathering
- Well balanced universal business model with strong track record of capital usage and risk control
- Long-term core holding at Pioneer Investments (held since 1999)
- Market has historically been concerned about low returns of French banking market, acquisitions, risks of corporate and investment banking, and most recently, capital requirements
- We believed that:
 - Sustainable returns at French banks would rise following the demutualisation and consolidation process in French banking in late 1990's
 - Capital allocation decisions therefore had to change to improve shareholder returns, with a limit on the amount of group capital for example allocation to investment banking, and strict control over acquisitions
 - Recent capital concerns were overdone considering the lower risk profile of BNP
- The bank continues to take advantage of its strong position – acquisition of Fortis

Investment Case Example (2) - Credit Suisse

Addressing the Demographic and Economic Trends



Source: Bloomberg, as at 05.06.09

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- Leading position in attractive markets – Wealth Management and Investment Banking
- Integrated, ‘One Bank’ model well suited to extract synergies between the businesses
- Core holding at Pioneer Investments since first half of 2004
- Market historically concerned about non core businesses, position in Investment banking, risk control, and the future of Swiss private banking.
- We believed that new management would:
 - Restructure the business and dispose of non core assets such as Winterthur
 - Concentrate on core franchises and develop an integrated model to develop synergies
 - Reduce risk in the Balance Sheet by using the strong cash flow to rebuild the capital ratios
 - Concentrate on core client flow led franchises in the Investment Bank
 - Develop appropriate onshore and offshore banking franchise to address growth in emerging markets
- CS continues to take advantage of weakness of competitors by increasing market share in all its businesses

Sector Outlook: Cautious Overall. Clear Difference in Performance Within the Sector

- Higher government and regulatory involvement
- Lower returns, lower growth and lower risk model, with less proprietary trading and greater concentration on client franchises
- Continued pressure on margins, particularly liability margins
- Valuation now reflects the long term dynamics, and sector unlikely to lead the market from here
- Increasing difference in performance between those banks that have well diversified client franchises and those that do not

Beyond the Supercycle?

EU Materials

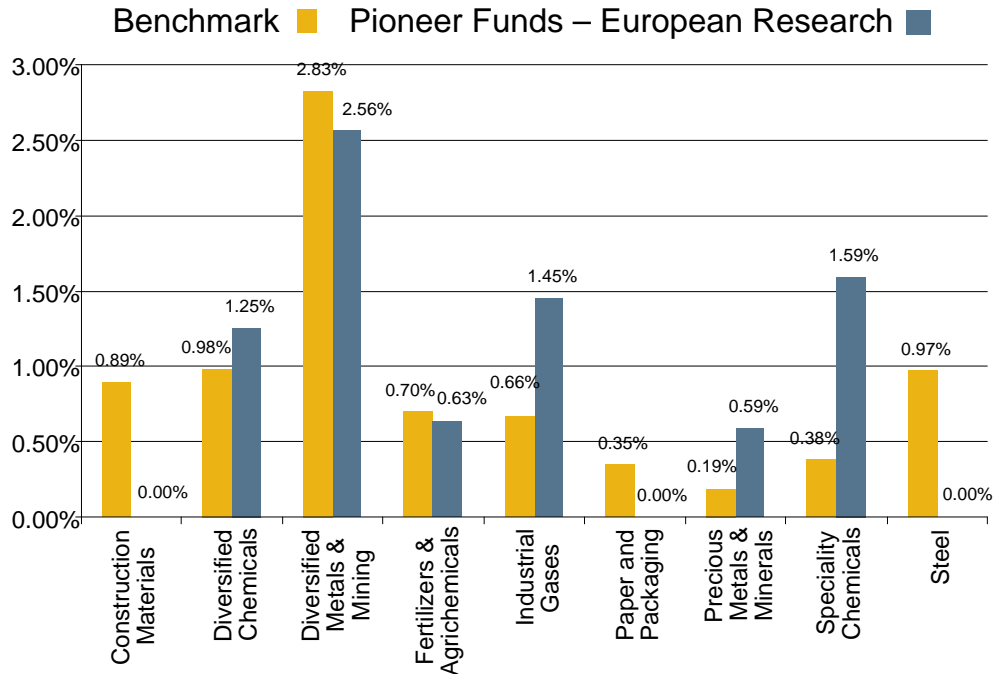
Owen Dwyer | June 2009



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Beyond the Supercycle?

Materials Sector Breakdown



Source: Pioneer, as at 10.06.09

■ Heterogeneous Sector

- Metals, mining, chemicals, construction, paper

■ Near-term cyclical challenges

- End demand ex China remains weak
- Supply exceeds demand for most commodities
- Valuations moved ahead of current fundamentals
- Risk-Reward trade-off suggest more defensive, higher quality names rather than chasing the rally

■ Mid to long-term structural drivers

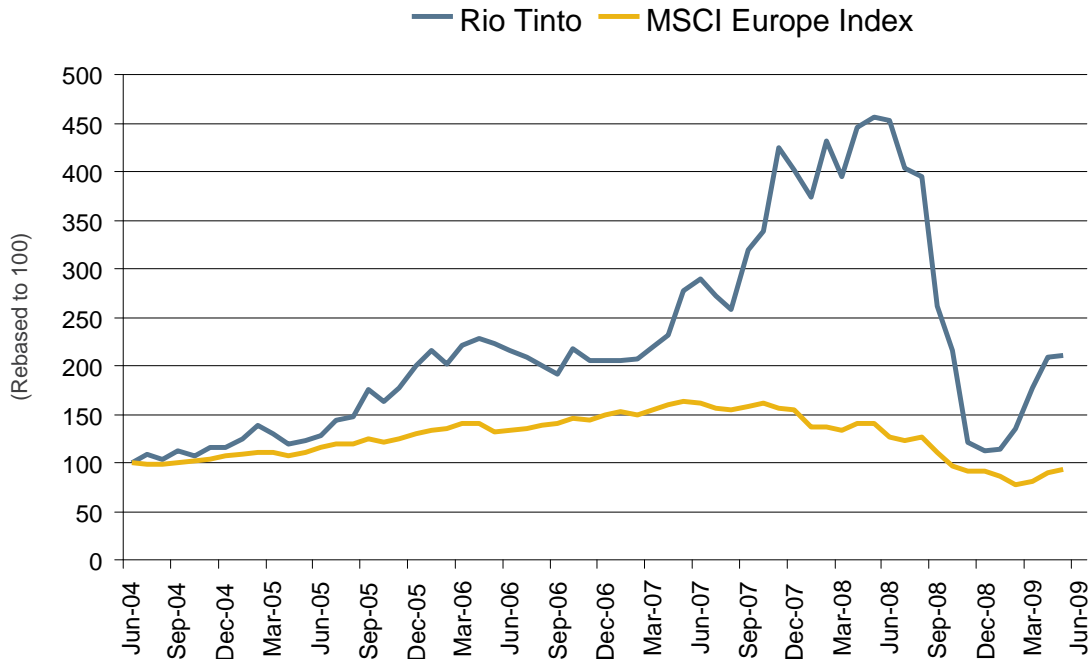
- Emerging market urbanisation/industrialisation
- Environmental constraints
- Resource constraints

What We Look For in an Investment Case

- Consolidated versus fragmented industry structures
 - E.g. iron ore (top 3 control 80% of production) vs. steel (top 10 control 27% of production)
- The importance of Chinese structural positioning
 - Overweight iron ore, underweight steel
- Variable versus Fixed cost structures
 - Cycle view important in determining relative weightings
 - H1 2008, high fixed, low variable cost vs. H1 2009 high variable cost, low fixed cost
- Assets low on cost curve should outperform
 - Offer protection on down-cycle, optionality for expansion on up-swing
- Appropriate balance sheet
- Operational excellence and corporate governance
- Long-term core holdings versus short-term cyclical pragmatism

Investment Case Example (1) – Rio Tinto

Maintaining Conviction Through Market Turmoil

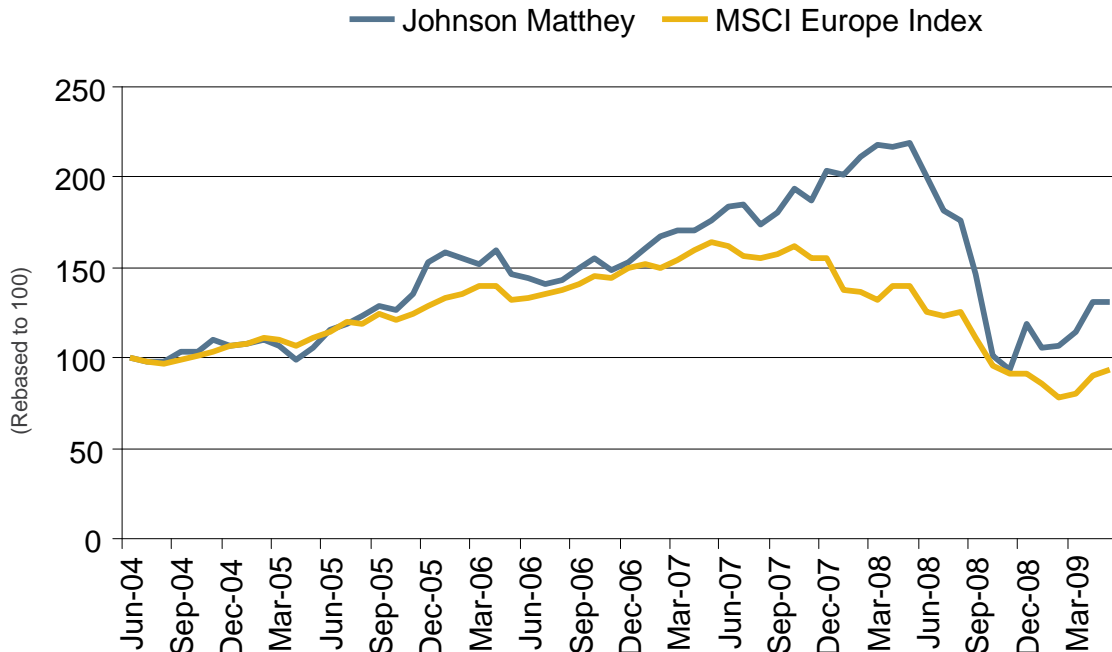


Source: Bloomberg, as at 01.06.09

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- **Core holding in mining**
 - Tier 1 asset quality
 - Strong operational track record
 - Consolidation candidate
- **Market concerned about balance sheet**
 - Stock priced for bankruptcy
 - Credit market remains closed indefinitely
 - Disposals
- **Our actions**
 - Analysis of true liquidity position
 - Assess what commodity prices would be required to drive a liquidation event
 - In-dept discussions of options with management
 - Detailed Scenario Analysis to arrive at fair value
- **Positive result**
 - Stock has re-rated closer to mid-term fair value

Investment Case Example (2) – Johnson Matthey Using the Down-turn to Acquire Quality at a Discount



Source: Bloomberg, as at 01.06.09

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- **Industry leader in attractive market**
 - No. 1 player in autocatalyst oligopoly
 - Strong operational track record
 - Consolidation candidate
- **Market concerned about exposure to auto end markets**
 - Auto production down 25%
 - Platinum metal prices halved from peak
 - Valuation superficially expensive on near-term multiples
- **Our actions**
 - Detailed analysis of near-term company earnings drivers
 - EPS for FY 2009 flat, down <20% for 2010
 - Detailed Scenario Analysis of long-term optionality
 - Long-term DCF underlines absolute and relative valuation
- **Positive result**
 - Stock has re-rated closer to near-term fair value
 - Mid to long-term value still unrealised

Sector Outlook?

- Sustainability of the current cycle questionable near term
- Strong beneficiary of mid-term cyclical recovery
- Long-term compelling investment themes
 - Agriculture
 - Emerging Market need for resources
 - Environmental constraints

Identity Crisis

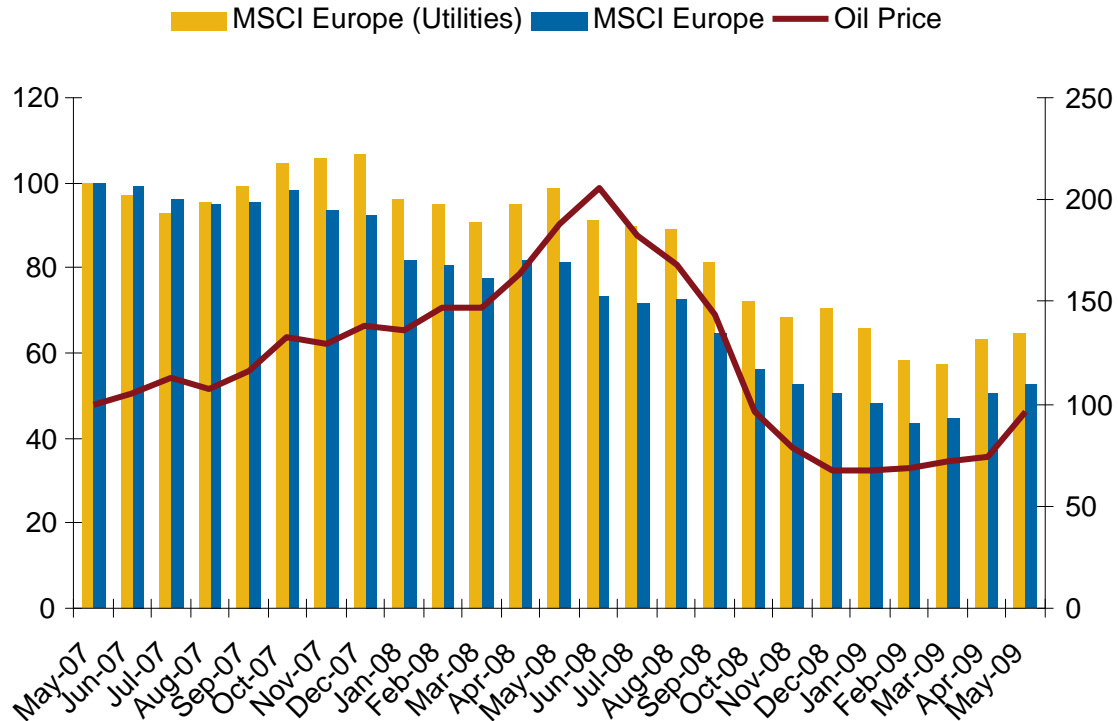
EU Utilities

Andrew Fisher | June 2009



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Identity Crisis



Source: Bloomberg as at 31.05.09

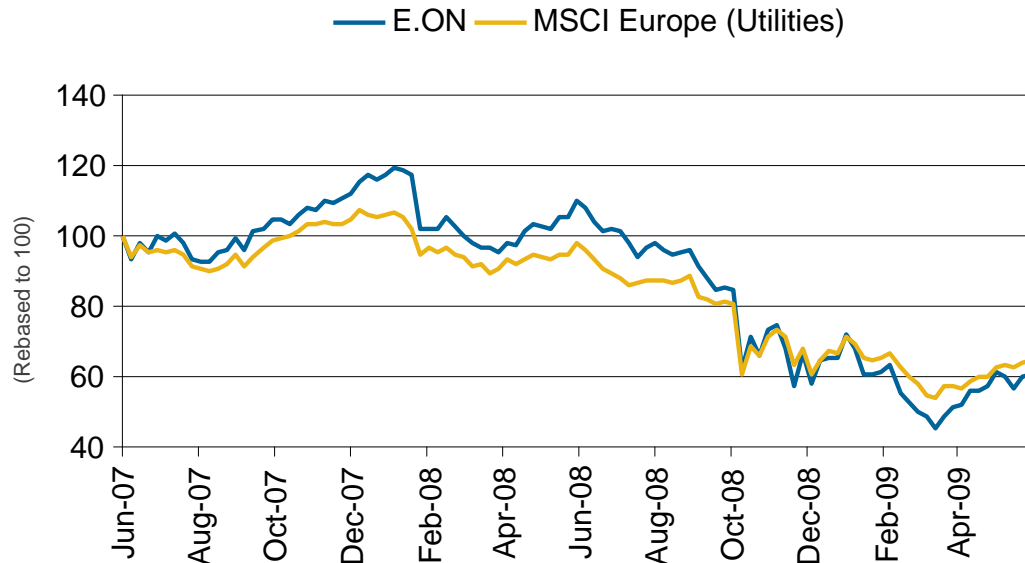
- **Liberalisation and rising political risks**
- **Commodity exposure vs. regulated returns**
- **Conflicting short and long-term drivers**
 - Near-term: Demand destruction, weak commodity prices, politics
 - Long-term: Huge need for new and replacement generation capacity, environmental agenda
- **Balance sheet preservation vs. need to invest**

Utilities Investment Approach

- Kicking the tyres is crucial to navigate understand and these sector drivers
- Scenario analysis is essential to assess risks and performance of assets
- Attributes of investment case:
 - End markets
 - Regulatory and political influences
 - Supply-demand balance
 - Right asset mix
 - Age, emissions and operational leverage
 - Management quality
 - Achievable and sustainable investment plans and returns
 - Market anomalies – has the market over compensated for risks?
 - Balance sheet
 - Commodity exposure

Investment Case Example (1) – E.ON

Investment Case Refuted

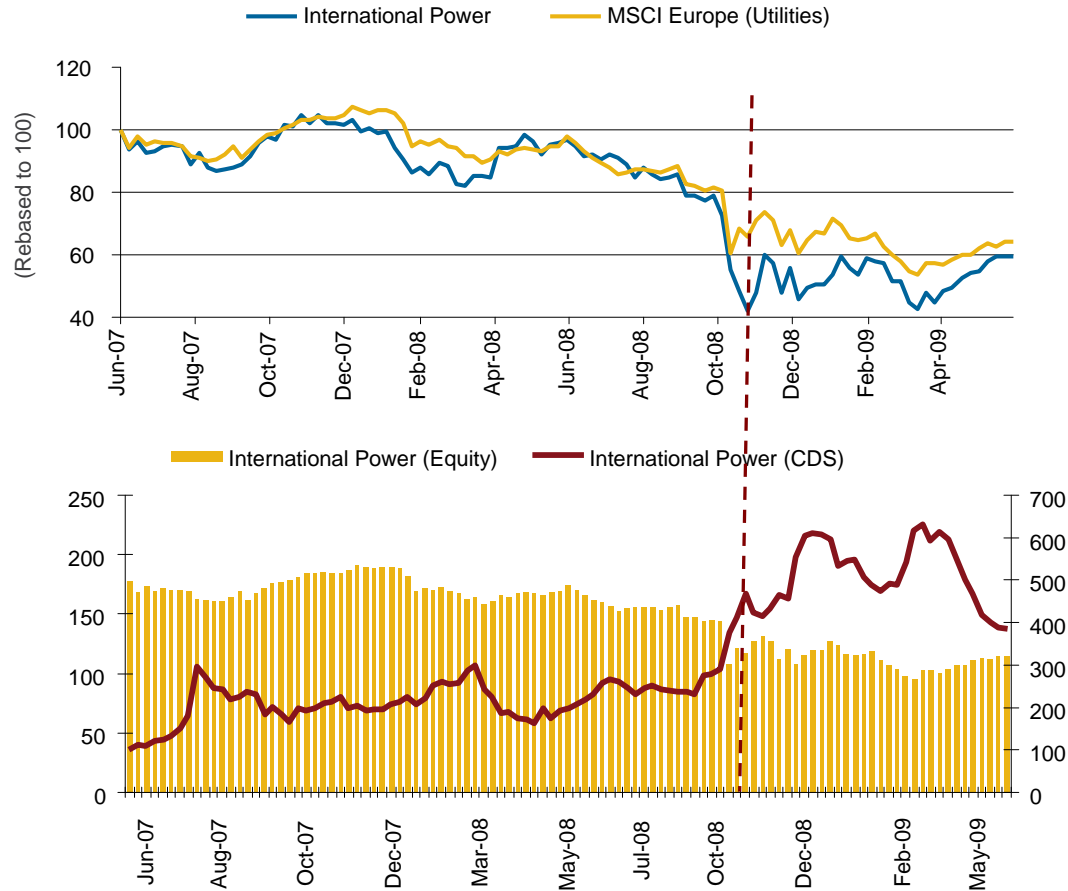


Source: Bloomberg as at 31.05.09

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- **The investment case changed**
- **We had concerns over**
 - Recent acquisitions (Russia, Spain and Italy)
 - The sustainability of the CAPEX programme
 - The relative performance of the assets in a lower commodity price environment
 - Higher fixed costs
 - Less attractive contracted position in key markets
 - Management’s ability to meet its near-term targets
- **Scenario analysis showed that the stock offered similar upside risk, but greater downside risk than other opportunities**
- **Duplication with elements of other investment cases where we had greater conviction**
- **Result: downgrade stock and sell holding**

Investment Case Example (2) – International Power Increased Conviction



▪ The market is worried about

- Debt levels and refinancing (CDS was > 1,000bps)
- US merchant markets, Pakistan, Aussi CO2
- Oil price collapse justifies derating

▪ Our actions

- Spend time with management to understand issues and drivers
- Use external sources to analyse specific markets
- Assess the scenario outcomes

▪ We think

- Debt is manageable and appropriate for business model
- End-market risks are more than discounted
- Spreads, not the oil price that matter
- Good assets, good management

Source: Bloomberg as at 31.05.09

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What does the Future Hold?

- Commodities and CAPEX will be engine for growth
- Divergence between those who have and those who have not been able to continue to invest
- Cleanest generators will be the long-term winners
- Renewables will remain central to environmental agenda, but real opportunity will be in nuclear
- Water, the new oil?
- Investment cases are defined by:
 - Near-term headwinds
 - Medium-term fundamentals are supportive of sustainable growth and attractive returns beyond the economic recovery
 - Attractive valuations

Questions and Answers

Appendix. Pioneer Funds – European Research Performance 2003 – 2009

	Pioneer Funds - European Research	MSCI Europe	Delta
2001	-15.3%%	-16.9%	2.0%
2002	-32.6%	-32.7%%	0.1%
2003	12.5%	12.9%	-0.4%
2004	10.1%	9.4%	0.7%
2005	26.3%	22.8%	2.9%
2006	15.7%	16.5%	-0.7%
2007	-1.4%	0.1%	-1.5%
2008	-45.6%	-45.5%	-0.1%
YTD 2009	7.6%	4.7%	2.7%

Source: Pioneer Investments, as at 31.05.09

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