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Amundi ASSET MANAGEMENT

# Pioneer Short Term Income Fund

**Performance Analysis and Market Commentary** | March 31, 2024

## Average Annual Total Returns for Class Y Shares

| | Month-to-Date | Quarter-To-Date | Year-To-Date | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|---|
| **Pioneer Short Term Income Fund (PSHYX)** | 0.75% | 1.36% | 1.36% | 6.69% | 1.91% | 2.33% | 2.02% |
| **Bloomberg 1-3 Year US Government/Credit Index (Benchmark)** | 0.40% | 0.42% | 0.42% | 3.49% | 0.25% | 1.36% | 1.29% |

Gross expense ratio: 0.59% Net Expense Ratio: 0.46%

**Call 1-800-225-6292 or visit amundi.com/us for the most recent month-end performance results. Current performance may be lower or higher than the performance data quoted. The performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.** Class Y shares are not subject to sales charges and are available for limited groups of investors, including institutional investors. Initial investments are subject to a $5 million investment minimum, which may be waived in some circumstances. All results are historical and assume the reinvestment of dividends and capital gains. Periods of less than one year are actual, not annualized. Other share classes are available for which performance and expenses will differ.

The net expense ratio reflects the contractual expense limitation currently in effect through January 1, 2025, for Class Y shares. There can be no assurance that Amundi US will extend the expense limitation beyond such time. Please see the prospectus and financial statements for more information.

Performance results reflect any applicable expense waivers in effect during the periods shown. Without such waivers, fund performance would be lower. Waivers may not be in effect for all funds. Certain fee waivers are contractual through a specified period. Otherwise, fee waivers can be rescinded at any time. See the prospectus and financial statements for more information.

## Market Review

— The theme of the first quarter was stronger than expected growth and inflation. Fears of recession eased and markets pushed back the timing and pace of Federal Reserve (Fed) interest rate cuts during 2024. The expected timing of the first rate cut was pushed out from March to July, and the total amount of forecasted 2024 cuts dropped from six to three. US Treasury yields rose 32 basis points (bps) to 37 bps across the curve, and the Bloomberg US Treasury Index returned -0.96%. The Bloomberg US Aggregate Bond Index outperformed Treasuries with a -0.78% total return as most spread sectors outperformed. The one exception was Agency mortgage-backed securities (MBS), as represented by Bloomberg US MBS Index, whose -1.04% return for the quarter was 0.14% worse than comparable Treasuries. Securitized credit performed strongly, led by the commercial MBS (CMBS) sector with a 0.85% total return, which was 1.45% better than Treasuries. Investment-grade corporate bonds outperformed Treasuries by 0.83% (-0.40% total return) as the index spread tightened nine bps. US High Yield returned 1.5%, Leveraged Loans 2.4%, Emerging Market sovereign debt 2.32% and Emerging Market corporates 2.32%, as represented by the Bloomberg US High Yield Index, the Morningstar/LSTA Leveraged Loan Index, the J.P. Morgan Emerging Market Sovereign Debt, and the J.P. Morgan Emerging Market Corporates Index respectively. Oil prices surged 16% over the quarter and broad commodities gained 9%. The US dollar rallied 3.2% as markets priced out the number of near-term Fed rate cuts.

## Performance Review

- Pioneer Short Term Income Fund Y shares outperformed its benchmark, the Bloomberg 1-3 Year US Government/Credit Index for the first quarter of 2024.
- The portfolio invests across a diverse range of credit sectors, including exposures to out-of-benchmark sectors, such as securitized assets.
- Credit assets generally outperformed like-duration Treasuries, leading to outperformance in most non-government sectors.
- Sector allocation accounted for outperformance over the quarter.
- The Fund's 25% allocation to asset-backed securities (ABS) was the largest contributor to outperformance. Many ABS subsectors lagged the risk-on rally of Q4 last year, but with the change in the calendar year, credit spreads within ABS have spent most of 2024 grinding tighter. The portfolio added to these areas throughout 2023 when credit spreads appeared to offer unusually attractive relative value versus comparable duration corporate bonds.
- The Portfolio benefited from more modest contributions from an 11% allocation to non-agency residential mortgage-backed securities (RMBS) and the 15% overweight to Financials. Within RMBS, the portfolio's holdings have been aided by ongoing efforts from the issuers to buy back certain seasoned securities (tender offers) in the secondary market. As spreads have compressed partly in reaction to this tailwind, the Portfolio has reduced this exposure. Financials outperformed other corporate sectors over the period, aided by their yield advantage and a supportive market environment. Within Financials, the portfolio's exposure remains focused on systemically important banks.
- Security selection from Industrials and Financials was modestly positive.
- Duration and curve had a nearly neutral impact on performance, consistent with the portfolio's interest rate positioning versus the benchmark.
- The portfolio's security selection in ABS detracted from relative returns for the quarter. The majority of the portfolio's securitized exposures, including ABS, are out of benchmark.

## Market Outlook and Positioning

- In our view, market-implied pricing of Fed rate cuts in 2024 is no longer unreasonable, and we see good value in the front end of the Treasury curve (two to five year maturities). While market pricing of three 25 basis point rate cuts in 2024 is a reasonable baseline for a soft-landing inflation scenario, one must consider other potential outcomes. We expect that a recessionary scenario could lead to significantly greater rate cuts, while the "no landing" scenario of more persistent inflation would only delay the start of rate cuts. As such, the overall distribution of outcomes for the Fed Funds rate in a year's time is skewed to the downside: the weighted average across future Fed Funds scenarios is lower than current market pricing. We remain concerned about a steepening of the yield curve, however. The US government deficit, at 6.3% of gross domestic product (GDP), is elevated by historical standards and will increase significantly in coming years if current laws governing taxes and spending generally remain unchanged. Budget deficit growth on its current projected path could increase Federal debt held by the public far beyond any previously recorded level, and we believe markets will likely demand a higher term premium to hold more Treasury notes and bonds. In the medium term, we see the elevated likelihood of a return of the "bond vigilantes" of the early 1990s – a scenario in which significantly higher long-term Treasury yields are required to force Congress to enact necessary fiscal adjustments to reduce deficits to a sustainable level. In terms of sector allocation, our views are largely unchanged, as relatively narrow spreads justify lower-than-normal exposure to spread risk, and we continue to selectively favor higher-quality and shorter-duration exposure within spread sectors.
- We continue to position the Portfolio for a volatile market environment by maintaining a preference for a higher-quality portfolio, holding over 90% investment grade (IG) bonds. While we are still constructive on corporate credit, we increased the defensive posture of the Portfolio by reducing exposures to credit risk transfer, CMBS, and insurance-linked securities. The portfolio management team has been preparing for potential economic weakness and has been scrupulous on the debtors of our bonds.
- We continue to favor the credit-sensitive sectors versus government paper due to the better risk-adjusted returns offered by the former. We are very selective in this exposure, targeting areas we believe are of better quality than recognized by the market, such as seasoned US housing exposure.
- We believe the Portfolio is well positioned for continued Fed rate volatility, given the yield levels of the portfolio.
- The Portfolio's duration positioning is currently in line with its benchmark at 1.74 years, and has remained relatively stable over the last year.

**Bloomberg 1-3 Year US Government/Credit Index** measures the performance of the short-term (1-3 years) government and investment-grade corporate bond markets. **The US Treasury Index** an index based on recent auctions of US Treasury bills and is commonly used as a benchmark when determining interest rates, such as mortgage rates. **The S&P 500 Index** measures the performance of the broad US stock market. **The Bloomberg US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. Indices are unmanaged and their returns assume reinvestment of dividends and do not reflect any fees or expenses. It is not possible to invest directly in an index.

The portfolio is actively managed and current information is subject to change. The sectors/holdings discussed should not be considered recommendations to buy or sell any security.

**Glossary of Frequently Used Terms**

**Advanced Refunding Bond (usually applies only to municipal bond funds) –** A bond issued to retire, or pre-refund, another outstanding bond more than 90 days in advance of the original bond's maturity date.

**Basis Point –** A unit of measure used to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form. In most cases, it refers to changes in interest rates and bond yields.

**Beta –** measures an investment's sensitivity to market movements in relation to an index. A beta of 1 indicates that the security's price has moved with the market. A beta of less than 1 means that the security has been less volatile than the market. A beta of greater than 1 indicates that the security's price has been more volatile than the market.

**Breakeven(s) –** The difference(s) between the yield of a nominal bond and an inflation-linked bond of the same maturity.

**Carry** – The cost or benefit of owning that asset.

**Correlation –** The degree to which assets or asset class prices have moved in relation to one another. Correlation ranges from -1 (always moving in opposite directions) through 0 (absolutely independent) to 1 (always moving together).

**Credit spreads (or spreads) –** The differences in yield between Treasuries and other types of fixed-income securities with similar maturities.

**Credit Risk Transfer Securities** – Securities that transfer a portion of the risk associated with credit losses within pools of conventional residential mortgage loans from the government-sponsored entities (GSEs), Fannie Mae and Freddie Mac, to the private sector.

**Dot Plot –** The Fed's "dot" plot/projection is a quarterly chart summarizing the outlook for the federal funds rate for each of the FOMC's members.

**Duration –** A measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates, expressed as a number of years.

**Dividend Yield –** Refers to a stock's annual dividend payments to shareholders, expressed as a percentage of the stock's current price.

**Excess returns –** represent investment performance generated by a security or portfolio that exceed the "riskless" performance of a security generally perceived by the market to be risk-free, such as a certificate of deposit or a government-issued bond.

**Goldilocks –** An economy that is not too hot or cold, in other words sustains moderate economic growth, and that has low inflation, which allows a market-friendly monetary policy.

**Hedge** – An investment utilized to help reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security to help guard against a swift change in price, such as purchasing a "put" (sell) or "call" (buy) option contract on a stock in which the investor already owns shares outright.

**Insurance-linked securities –** Investments sponsored by property-and-casualty insurers to help mitigate the risk of having to pay claims in the wake of natural disasters.

**Liquidity Premium** – Any form of additional compensation that is required to encourage investment in assets that cannot be easily and efficiently converted into cash at fair market value.

**Interest Rate Coverage Ratio** – A debt and profitability ratio used to determine how easily a company can pay interest on its outstanding debt.

**Loan Spread –** The interest rates over and above the LIBOR rate charged to borrowers by banks.

**Loan-to-Value (LTV) Ratio** – A measure comparing the amount of a mortgage with the appraised value of the property. The higher the down payment, the lower the LTV ratio.

**Municipal-to-Treasury Yield Ratio (municipal bond funds only) –** A measure of municipal bond valuation. The higher the Municipal-to-Treasury ratio, the more attractive municipals are relative to Treasuries.

**Mark to Market –** Involves recording the price or value of a security, portfolio, or account to reflect the current market value rather than the book value.

**Prepayment Risk –** The risk involved with the premature return of principal on a fixed-income security. When principal is returned early, future interest payments will not be paid on that part of the principal.

**Real Yield –** The yield provided by an investment once inflation is taken into account.

**Reinsurance --** coverage provided to insurance companies.

**Rate-on-Line –** The premium/coupon paid by the re/insurance company for coverage.

**Standard Deviation –** A statistical measure of the historic volatility of a portfolio; a lower standard deviation indicates historically less volatility.

**Sharpe Ratio –** A measure of risk-adjusted return that describes how much excess return an investor receives in exchange for the volatility of holding a riskier asset.

**Spread sectors –** Nongovernmental fixed-income market sectors that offer higher yields, at greater risk, than governmental investments.

**Tail Risk –** The additional risk of an asset or portfolio of assets moving more than 3 standard deviations from the current price, above the risk of a normal distribution.

**Tax-Equivalent Yield –** The pretax yield that a taxable bond needs to possess for its yield to be equal to that of a tax-free municipal bond.

**Subordinated Capital/Financing –** Financing ranked behind that held by secured lenders with regard to the order of repayment. Subordinated financing can be a mix of debt and equity instruments. Equity components may include options and warrants. Debt components may include asset-backed securities.

**Yield Curve (Curve)–** A yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates.

**Yield to Maturity –** The total return anticipated on a bond if the bond is held until the end of its lifetime.

**Yield to Worst (YTW) –** The lowest potential yield that can be received on a bond without the issuer actually defaulting.

The views expressed are those of Amundi US and are current through March 31, 2024. These views are subject to change at any time based on market or other conditions, and Amundi US disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for strategies are based on many factors, may not be relied upon as an indication of trading intent on behalf of any portfolio.

**A Word about Risk**

The market prices of securities may go up or down, sometimes rapidly or unpredictably, due to general market conditions, such as real or perceived adverse economic, political, or regulatory conditions, recessions, inflation, changes in interest or currency rates, lack of liquidity in the bond markets, the spread of infectious illness or other public health issues or adverse investor sentiment. The market price of securities may fluctuate when interest rates change. When interest rates rise, the prices of fixed income securities in the Fund will generally fall. Conversely, when interest rates fall, the prices of fixed income securities in the Fund will generally rise. Investments in the Fund are subject to possible loss due to the financial failure of issuers of underlying securities and their inability to meet their debt obligations. Prepayment risk is the chance that an issuer may exercise its right to prepay its security, if falling interest rates prompt the issuer to do so. Forced to reinvest the unanticipated proceeds at lower interest rates, the Fund would experience a decline in income and lose the opportunity for additional price appreciation. The securities issued by US Government-sponsored entities (e.g., FNMA, Freddie Mac) are neither guaranteed nor issued by the US Government. The portfolio may invest in mortgage-backed securities, which during times of fluctuating interest rates may increase or decrease more than other fixed income securities. Mortgage-backed securities are also subject to prepayments. Investments in high-yield or lower rated securities are subject to greater-than-average price volatility, illiquidity and possibility of default. Investing in foreign and/or emerging markets securities involves risks relating to interest rates, currency exchange rates, economic, and political conditions.

**Before investing, consider the product's investment objectives, risks, charges and expenses. Contact your financial professional or Amundi Asset Management US for a prospectus or a summary prospectus containing this information. Read it carefully.**

Individuals are encouraged to seek advice from their financial, legal, tax and other appropriate professionals before making any investment or financial decisions or purchasing any financial, securities or investment-related product or service, including any product or service described in these materials. Amundi US does not provide investment advice or investment recommendation.



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