# Pioneer Fundamental Growth SMA

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

## Investment Philosophy

We believe that a focused portfolio of companies that can generate high returns on growth capital, possess sustainable competitive advantages, capitalize on secular growth opportunities and trade at a discount to intrinsic value, can produce attractive risk-adjusted returns over a full market cycle.

## Performance Review

| | Month-to-Date | Quarter-to-Date | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|
| **Pioneer Fundamental Growth SMA (Gross)** | 2.53% | 11.68% | 37.34% | 13.21% | 17.62% | 15.41% |
| **Pioneer Fundamental Growth SMA (Net)** | 2.27% | 10.86% | 33.33% | 9.91% | 14.19% | 12.04% |
| **Russell 1000® Growth Index (Benchmark)** | 1.76% | 11.41% | 39.00% | 12.50% | 18.52% | 15.98% |

Performance shown is based on the Pioneer Fundamental Growth SMA composite. The percentage of composite assets represented by wrap fee portfolios is 100% beginning with the annual period ending 2023. Effective April 1, 2023, discretionary wrap fee portfolios are included in composite performance results. Each discretionary relationship is included in the composite as one account. Prior to April 1, 2023, the composite included only institutional accounts and the performance results are those of the US Large Cap Growth Equity composite. Gross of fee returns are presented before management and custodial fees, but after all transaction costs. Net returns are calculated by deducting the highest anticipated applicable annual wrap fee (3.00% on all assets) applied on a monthly basis from the gross composite monthly return. Gross and net returns are calculated in the same manner using the Time-Weighted Rate of Return method. The wrap fee includes all charges, transaction costs, portfolio management fees, custody fees, and other administrative fees. Actual fees and account minimums may vary. **Past performance is no guarantee of future results.**

On July 3, 2017, Amundi Asset Management acquired Pioneer Investments (the "prior firm", now Amundi US). Performance prior to July 3, 2017 occurred while members of the portfolio management team were affiliated with the prior firm. Such members of the portfolio management team were responsible for investment decisions at the prior firm and the decision-making process has remained intact.

## Market Review

— The S&P 500 Index (SPX) reached new all-time highs in the quarter, surging 10.56%, and marking the best start to a year since 2019. The stellar performance was due to optimism regarding economic growth, Federal Reserve (Fed) rate cuts, and artificial intelligence (AI).

— Notably, while the so-called Fabulous Four (Amazon, Meta Platforms, Microsoft, and NVIDIA) led the market higher, the remaining three stocks in the Magnificent 7* (Alphabet, Apple, and Tesla) underperformed. Market breadth increased as the quarter progressed, with the S&P 500 Equal Weighted Index (SPW) outperforming the SPX in March. Value also outperformed growth in March, with the Russell 1000 Value Index (RLV) returning 5.00% compared with 1.76% for the Russell 1000 Growth Index (RLG).

— Ten out of the eleven Global Industry Classification Standard (GICS) sectors posted positive gains in the quarter. Communication services, energy, and information technology were the top performers while real estate was the only sector with a negative return.

*As of March 31, 2024, the Portfolio did not own Meta Platforms or Tesla. Alphabet, Amazon, Apple, Microsoft, and NVIDIA are holdings in the Portfolio.

See glossary of frequently used terms for definitions.

| Total Return | March 2024 | First Quarter 2024 |
|---|---|---|
| S&P 500® Index (SPX) | 3.22% | 10.56% |
| Russell 1000® Value Index (RLV) | 5.00% | 8.99% |
| Russell 1000® Growth Index (RLG) | 1.76% | 11.41% |

Source: Morningstar. Data as of March 31, 2024. **Data is based on past performance, which is no guarantee of future results.** See additional index information on Page 4.

## Performance Review

- Pioneer Fundamental Growth SMA (the SMA) performed in line with the return of the Russell 1000 Growth Index (Index) for the first quarter of 2024, despite having no exposure to Meta Platforms and limited exposure to NVIDIA, which accounted for much of the gains in the Index.

- The SMA was underweight relative to the Index in **NVIDIA**, the leading manufacturer of graphic processing units (GPUs) used in AI and other applications, which soared in the first quarter of 2024 after posting strong financial results. The underweight position detracted from relative performance. The SMA was underweight NVIDIA for risk management and competitive reasons as the current valuation has, in our view, high expectations built in for both revenue growth and market share. On the competitive front, many of NVIDIA's customers are trying to build their own GPUs and/or find other sources. Though NVIDIA has had strong financial performance to date, we believe there are alternative growth investments that may have a lower risk profile.

- **Adobe** also detracted from performance after reporting quarterly results that beat expectations by a smaller than expected margin. With guidance recently reiterated, we believe many investor fears were addressed at the recent analyst day, and we see upside to normal seasonality, pricing tailwinds, and new generative artificial intelligence (Gen-AI) functionality. We believe the stock is attractively valued given its growth prospects, which should benefit from integration of AI into the product suite. While competition from similar companies are worth a discussion, we think the level of concern around these topics is overdone as more videos are net positive to ADBE as it raises the need for editing and distribution tools. This view is supported by Adobe's expeditious product innovation and the continued embedding of Gen-AI across key aspects of its end-to-end platform encompassing every step of the content supply chain (ideation / production, workflow planning, asset management, delivery / activation and reporting / insights). The company's competitive position remains strong, in our view, enabling it the potential to generate high levels of profitability.

- Stocks that benefitted benchmark relative returns included our underweight in **Apple**, which fell due to concerns over iPhone shipment declines, especially in China and policy issues in the EU and US with the App Store. We believe Apple's shares are beginning to reflect more realistic growth prospects given subpar earnings growth as iPhone sales moderate

- Another larger contributor was our decision not to own **Tesla** as the stock declined by more than 29%, pressured by signs of softer demand for electric vehicles (EV). Heightened competition in the EV market has compelled the company to consistently lower its average selling prices, negatively affecting its profit margins and share price.

- Sector allocation detracted from performance due to underweights in information technology and communication services, both of which outperformed the RLG over the quarter. We were underweight both sectors for stock-specific reasons. We are also underweight the real estate sector, which contributed positively to relative returns for the quarter as the sector underperformed the RLG and was the only sector with a negative return for the quarter.

## Top Relative Detractors and Contributors – First Quarter 2024

| Relative Contributors | Average % of Portfolio | Relative Detractors | Average % of Portfolio |
|---|---|---|---|
| — Apple (AAPL) | 3.9% | — NVIDIA (NVDA) | 2.0% |
| — Tesla (TSLA) | 0.0% | — Meta Platforms (META) | 0.0% |
| — Progressive (PGR) | 3.2% | — Adobe (ADBE) | 3.5% |
| — UnitedHealth (UNH) | 0.0% | — FactSet Research Systems (FDS) | 1.4% |
| — Eaton (ETN) | 1.6% | — PepsiCo | 2.5% |

Securities listed above are holdings of the Portfolio or benchmark components that were not held in the Portfolio, and the average percentage of the Portfolio's invested assets they represented during the quarterly period shown, in descending order from greatest to least, in terms of contribution to or detraction from the Portfolio's performance relative to the benchmark. See glossary at end of document or more information about performance attribution.

## New Additions and Deletions

- During the period, we exited our positions in hotel giant, Hilton, and insurance data and software provider, Verisk, after both stocks reached our target prices.

- Additionally, we exited our position in Electronic Arts. Though the company's sports titles such as EA Sports FC and Madden have performed well, we believe there may be added pressure on the remainder of the Portfolio, which are key drivers to growth going forward. Between increased development costs and greater consumer choice, future growth may prove difficult.

## Market Outlook and Positioning

Outlook: cautious due to elevated equity valuations

- The soft-landing scenario has now been broadly accepted by investors, and appears reflected in what would generally be regarded as very elevated equity market multiples. It would be unusual for the economy to fall into recession during an election year, as politicians throw caution to the wind in order to elevate their chances of re-election. However, there have been 3 occasions in the past 60 years or so when recessions started in those years. Considerable risks remain into 2025 no matter how the elections unfold later this year.

- Economic data has remained remarkably strong in Q1, and has pretty consistently beaten expectations. The job market remains tight, though some leading indicators are beginning to flag some risks to future prospects. The recent strength of the economy has meant that inflation remains somewhat elevated compared to what had generally been expected.

- The earlier expectation of six Fed rate cuts this year has now been reduced to three. Strong economic data could easily lead to fewer reductions. Fears of a second wave of inflation could lead the Fed to become more hawkish, and 10-year rates to rise, impacting equity markets negatively. Whilst it is possible that the Fed takes the unusual step of cutting rates while the economy is growing at a healthy rate, it is unlikely.

- Overall, we remain cautious, as elevated valuations reflect an optimistic outcome with respect to the economy, interest rates, inflation, the federal debt, and the elections.

Positioning: Underweight information technology for valuation reasons

- We are highly selective in the stocks that we add to the Portfolio, seeking to avoid speculative and unprofitable companies that could easily fall out of favor again, as they did in 2022. At the sector level, the Portfolio is overweight non-bank financials and health care for stock-specific reasons, and underweight information technology. The underweight in technology is primarily due to limited exposure to Apple for position size limit and valuation reasons.

## Additional Information

Performance Attribution: This performance attribution seeks to identify and quantify the drivers of portfolio performance relative to that of its benchmark. Using FactSet software, we create hypothetical subportfolios by segmenting the portfolio and its benchmark, then measure the value (weight) and returns of those hypothetical subportfolios. This lets us measure the performance impact of a decision to overweight or underweight a portfolio segment. It also lets us measure the performance impact of a specific security selection within each segment.

## Terms and Definitions

The **Russell 1000® Growth Index** measures the performance of the large-capitalization growth sector of the US equity market. The **Russell 1000® Value Index** measure the performance of the large-capitalization value sectors of the US equity market. The **S&P 500® Index** measures the performance of the broad US stock 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 **Global Industry Classification Standard (GICS) SM** was developed by and is the exclusive property and a service mark of Standard & Poor's and MSCI. Neither Standard & Poor's, MSCI nor any other party involved in making or compiling any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the forgoing, in not event shall Standard & Poor's, MSCI, any of their affiliates or any third party involved in making or compiling any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

## 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 portfolio may invest** in fewer than 40 securities and, as a result, its performance may be more volatile than the performance of other portfolios holding more securities**. Investing in foreign and/or emerging markets securities** involves risks relating to interest rates, currency exchange rates, economic, and political conditions.

## Important Information

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**Performance shown is past performance, which is no guarantee of future results.** Current performance may be lower or higher than the performance data quoted.

There is no guarantee that the portfolio will continue to hold any particular security and securities are held in varying percentages. Holdings are subject to change since the portfolio is actively managed. Holdings are intended to illustrate the composition and characteristics of the SMA for separately managed accounts. Across client portfolios, there may be variations in holdings, characteristics and performance information as dictated by reasons such as diversification needs, specific client guidelines, account size, cash flows, the timing and terms of execution of trades, and differing tax situations.

The Model Portfolio/SMA securities holdings information provided is intended solely for your use in evaluating the Model Portfolio/SMA portfolio(s). Under no circumstances does the information contained within constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation to buy, hold or sell securities.

Separately managed account programs may require a minimum asset level and, depending on specific investment objectives and financial position, may not be appropriate for all investors. Actual fees and account minimums may vary.

**The investment strategies described are those of Amundi US. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon request. For additional information, documents and/or materials, please speak to your Financial Professional or contact your sponsor firm.**

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