

PIONEER news



NEWSLETTER FOR INVESTORS

28th February, 2003

THEME OF THE DAY

Pioneer Investments Group Commemorates 75 Years in the Markets

Pioneer Global Asset Management S.p.A., best known under the trademark Pioneer Investments, celebrates its 75th anniversary.

The birthday of Pioneer Investments Group has also been commemorated at the New York stock exchange where Dario Frigerio, the president of Pioneer Investments Group, and Dan Geraci, the CEO of Pioneer Investments Management USA tolled the ceremony bell upon the close of business on Wednesday, February 12. Thus, they remembered both the date of February 13, 1928, when Pioneer Fund first saw the light of day and the foundations upon which Pioneer Investments Group, as we know it today, was built.

It now offers a great variety of products – international equity funds, sector funds, bond funds, money market funds, and life style funds. As of December 31, 2002, the combined value of assets managed by Pioneer Investments Group worldwide amounted to 103 billion euro.

The group has its investment centers in Boston, Dublin, Milan and Singapore. In addition, it has sales and marketing centers in Boston, Bratislava, Buenos Aires, Dublin, Madrid, Miami, Milan, Munich, Paris, Warsaw, and Prague. In the nineties, it began building up its positions in Central and Eastern Europe. In Poland, where the group entered and began offering its products in 1992, the name Pioneer Investments has become synonymous with mutual funds. Its New Europe division has also been successful in entering the Czech Republic (1995), Slovakia (2001), Croatia (2002), and Bulgaria (fund offering was launched in January of this year). “The New Europe division is determined to help raise investment culture in the region,” says its chief, Daniel Kingsbury.

The turning point which further stimulated the growth of Pioneer Investments Group was in 2000 when it became part of UniCredito Italiano, one of the strongest financial groups in Europe. Through its subsidiary banks in the countries of New Europe, the parent company can be closer to its clients.

Acquisition of Živnobanka completed

UniCredito Italiano S.p.A., the second largest Italian bank, of which Pioneer Investments is also a part, has completed acquisition of 85.16% interest in Živnostenská banka. It has been acquired via the purchase of shares from Bankgesellschaft Berlin AG. The acquisition of Živnostenská banka will provide the Italian group with a strong base for the expansion of its banking transactions in the Czech Republic.



Philip Lord Carret

Markets Await Solution of Iraq Crisis

The first six weeks of the year 2003 have brought quite positive figures regarding development in major regions of the world economy. However, it was not fully reflected in financial markets trading. Everybody has been impatiently watching the development of the Iraq situation.

Economic expectations of the world's largest economy, the United States of America, have improved. The results of the research conducted by the Organization for Economic Cooperation and Development (OECD) published in its December 2002 report show that it was the US leading index that experienced the highest growth rising by nearly two points to 131.8. The leading indices reflect the expectations of the entrepreneurial sphere regarding the future of the economy. Industrial production development in December has also shown very good results. Analysts have even labeled the January development of the US job market as “swift recovery”. The number of newly created jobs has doubled and unemployment has dropped to 5.7 % from the previous six thus achieving its four-month minimum. The OECD report also shows certain improvement in major European economies.

The markets, however, remain rather skeptical, which is reflected by the weakening of most of the stock exchange indices. They are being pushed down by the geopolitical tensions in the Near East where the largest strategic deposits of oil are located. According to political reviewers, the situation accumulated the following major problems – a) the presence of destabilizing epicenters of military and political aggression, b) increasing political and military instability, c) oil used as leverage, increasing the seriousness of all the factors creating the situation. The different attitudes of the allies reflect themselves in a process that, essentially, gives the alliance strength, although in the short term it is seen as disagreement. The mutual interests are too strong – it is only the perception of certain negative alternatives of the development that are different.

European countries are, in general, more sensitive to any oil-related tension as they mostly do not extract oil themselves.

The fall-down of indices is their reaction to the uncertainty issuing out of the epicenter of tension into the global economy. This uncertainty feeds upon the boycott of large trademarks in the Near East region, cautious behavior of enterprises in creating their business plans, and the increase in oil prices even before the possible conflict. This significantly hinders growth. Although some analysts think that the effect that a war in Iraq could have on oil prices has already been realized, and that, in the worst scenario, they would rise only temporarily up to approx. 35 or more dollars per barrel.

Besides, investors cannot take comfort from seeing the contradictory reactions of American leaders to the proposed set of measures designed by President George Bush to help support the domestic economy. Alan Greenspan, the chairman of the US Federal Reserve System (FED), is a highly respected authority in the field of economy and looks at Bush's proposal skeptically. Greenspan sees adoption of the proposed measures as rather premature. The FED's chairman warns against the excessive deficit which could result from Bush's activity which assumes that the costs of the economic stimulation will reach up to \$695 billion, particularly in the form of lower taxes.

Europe too is not in a good mood. The British Central Bank has lowered its expectations regarding the growth of the British economy this year sending the British stock exchange further down by 1.5%. All European markets reacted negatively to information on the development of the European automobile industry.

The next days and weeks will be significantly affected by the development of the situation in Iraq. More alternatives are possible – from diplomatic solution to short efficient war to a confused long-term conflict with a negative impact on the global economy.



Stricter Rules to Bring Back Faith in Markets

An important step towards bringing back investor confidence in the markets is making much stricter rules in order to prevent accounting fraud.

Following the United States' passage of the law on company management, Great Britain has taken up preparation of a similar measure. A new law is being prepared which, inter alia, stipulates the existence of an independent board of administration, according to which each enterprise will have to change its external auditor every five years. In comparison with the American measures, the upcoming confines for enterprises in Britain seem ve-

ry liberal. However, according to the analysts, they are also more likely to be accepted and observed. The American Securities and Exchange Commission has taken up similar activity directed at increasing investor confidence. From now on, the analysts have to guarantee the completeness of the data and recommendations provided to investors, as well as provide evidence that these documents fully reflect their personal stances. They will also have to confirm that they have not received any payments in connection with their analyses of individual financial titles.

PIONEER AFFAIRS

Global Economy Standing on the Threshold of Better Times

In the middle of January, Pioneer Investments Group, namely its New Europe division hosted a meeting of leading Czech economists and investment experts. The issues discussed concerned the current position of financial markets and the direction the world economy is going to take.

At the round table sat Roman Pospíšil from the New Europe division of Pioneer Investments Group, Jiří Brabec, the chairman of the board of directors and managing director of ŽB Trust, Pavel Kohout, the economic analyst of PPF and the advisor of the Czech minister of finance, and Petr Zahradník, a member of the board of directors and the chief financial manager of Conseq Investment Management. The discussion led to clear conclusions: global markets finally seem to have gotten rid of their past burden of long overvalued equities (not only technological) and are getting on the right track again, meaning that equity prices no longer hover high above the ground, but are becoming the right reflection of the real world economy. Significant decreases in inflation and interest rates also contributed to the end of the era of double-digit returns.



Jiří Brabec



Pavel Kohout



Petr Zahradník



Roman Pospíšil

It is obvious that in the long-term, the development of financial instrument prices has a naturally rising tendency, Roman Pospíšil pointed out. History shows that the economy and markets are still growing.

In each stage of the economy with a tense sentiment, (of market, media and public economic opinion) people tend to believe that a fundamental change of economic rules is about to come. Throughout decades of incessant growth of capital markets, some took up a false belief that the rules of economic cycles could change. Now, some people may think that equities are "forever" done for. Jiří Brabec, however, thinks that equities have always been an interesting instrument because they have created profit. One can hardly imagine that this should change all of a sudden, making companies all over the world immediately go bankrupt.

What makes us believe that markets are somewhere very close to the bottom and soon will be returning to normal again? First, it is the leading indicators in the USA, the world's largest economy, Petr Zahradník pointed out. Then, as Pavel Kohout mentioned, the long fall of rates we have witnessed

was not accompanied by any crisis, only by an economic slowdown. Still, we cannot deny that there is a certain space for recession because the markets have been deformed for a very long period of time, added Jiří Brabec. Besides, any totally unpredictable situation can always come up, which can affect the behavior of the financial markets. Among such events is the likely aggravation of the ever-smoldering world epicenters of tension like the situation in Iraq. Such events bring about very negative emotions which are reflected in the markets.

The American economy, the slowdown of which greatly bothered investors, now faces a much brighter and very near future, believes Petr Zahradník. The same applies to the United Kingdom and Ireland. However, this cannot be said about some other major economies, particularly Germany, France and Italy. On the other hand, the countries of Central and Eastern Europe and Russia look forward to bright prospects.

It must be added that there were more factors contributing to the creation of the price bubbles that started shrinking in a sharp drop of equity prices in March 2000. In addition to the feigned accounting records of some large American companies (the best known is probably Enron) another factor is, for example, the investors' behavior. Investors de facto tend to buy when the prices are up (pushing them even higher), and vice versa – sell when the prices are down. When selling, they tend to do it all at once, following the motto: "to have done away with it as soon as possible". So, when the prices fall, they get rid of the whole portfolio, which is the worst thing they could possibly do in this situation.

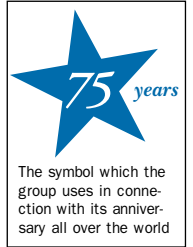
If we were to summarize the main conclusions of the discussion at the New Europe round table meeting of experts in a two-sentence message to investors it would go like this:

The wisest strategy is to invest on a regular monthly basis and in a particular amount, regardless of what is going on in the markets. As for the second part of the message: The time is coming again when you should consider investing in equities which, in the long-term horizon, bring higher returns than other financial instruments.

PIONEER PRESENTS

Pioneer Fund

Pioneer Fund is the fourth oldest mutual fund in the United States and one of the most successful of all funds in the world.



The symbol which the group uses in connection with its anniversary all over the world

Since its foundation by Philip Lord Carret in 1928 it has been achieving an average annual return of nearly 12.5 %. Its investment style is very conservative and has not changed for the whole existence of the fund. It is an equity fund which aims to bring its clients returns over the medium to long term thanks to its stable portfolio. Pioneer Fund is one of the most respected products in the market, which can be demonstrated by the frequent interest of the media in its history as well as its current performance.

P. L. Carret founded Pioneer Fund with a basic capital of \$25,000. The "value" style of investment which he had developed uses thorough market analysis to identify underestimated equities with growth potential and avoids equities of justifiably low price. This long-term based investment approach characterizes both the fund and the whole Pioneer Investments Group.

Shortly following its inception, Pioneer Fund had to face the Great Depression which shook the very foundations of the world economy between 1929 and 1933. It was the only time when the fund's performance was lower than the performance of Standard & Poor's benchmark. In spite of this, the fund did not stop paying out dividends. The fund has overcome more troubled times since. Up to now, it has shown high stability over the long term. At present, it holds 150 different titles in its portfolio. Its current manager, John Carey, (who is, by the way, only the fourth manager in the fund's history) does not make any dramatic changes regarding asset diversification, even at exceptional times.

Investors in Europe can invest in the European version of Pioneer Fund, Pioneer Funds – America with Luxembourg domicile.

Of the four oldest mutual funds in the world, Pioneer Funds has been showing the best performance. (Average annual performance as of December 31, 2002 with the year of foundation in brackets).

	1 year	5 years	10 years
Pioneer Fund (1928)	-20.26 %	1.14 %	9.70 %
Massachusetts Investors Trust (1924)	-26.49 %	-4.20 %	7.34 %
State Street Research Investment Trust (1924)	-27.11 %	-2.86 %	6.60 %
Putnam Investors Fund (1925)	-23.81 %	-3.81 %	7.75 %

Pioneer Fund

Accumulated return on investment as of December 31, 2002 (in US\$)

	Pioneer Fund	weighted index
1 year	-20.26 %	-22.05 %
3 years	-10.81 %	-14.52 %
5 years	1.14 %	-0.58 %
10 years	9.70 %	9.33 %
since its foundation (13.02.1928)	12.44 %	- %

The above data apply to Class A (CUSIP 7 23682100) denominated in US\$.

The fund has received four stars according to Overall Morningstar Rating TM (as of December 31, 2002 there were 986 funds in the comparative group).

For information about the up-to-date results of the funds and for more details about individual products of the group please go to www.pioneerinvestments.com, or consult your advisor or the group's headquarters.

Past performance is not indicative of comparable future results. Investment value and income on it will fluctuate and there can be no assurance of full return of the amount invested.

In order to keep sufficient information space and standard conditions of the reader's orientation in the text we use for the products and organizational parts of the group the names under which they are known in the market.