Investing in Insurance-Linked Securities

Confidence must be earned

Amundi Pioneer ASSET MANAGEMENT

As of March 31, 2020

amundipioneer.com/us

What are Insurance-Linked Securities?

Insurance-linked securities (ILS) are financial instruments whose performance depends upon insurance risk rather than traditional financial risk. The most widely accepted forms of insurance-linked securities are those related to catastrophe risk, or the risk of primarily natural disasters (perils). The major types of perils covered in the catastrophe risk market include:

US Hurricanes	US Earthquakes	European Windstorms	Japanese Earthquakes	Japanese Typhoons

Why has Demand for ILS Increased?

The ILS market has seen significant growth, particularly in recent years. As of March 31, 2020, the overall outstanding ILS market (primarily represented by catastrophe bonds) was approximately $41 billion, nearly 20% larger than at the same point during 2013.[1] Significant events over the past fifteen years, including US hurricanes, Japanese typhoons, wildfires and the financial crisis of 2008 have also "tested" the asset class, increasing investors' comfort level.

Most recently, investors have turned to ILS in search of:

- **Diversification[2] through Low Correlations:** Because the performance of these securities is linked to non-financial risks – natural disasters, longevity risk or life insurance mortality – their performance is not tied to that of the broader bond markets. (See below.)
- **Attractive Return Potential:** Performance for catastrophe bonds (a type of ILS) has exceeded those of similarly rated corporate securities, albeit with more risk. (See next page.)
- **A Measurable Risk Profile:** Unlike corporate bonds, where risk is tied to financial performance, ILS have actuarial risk – the risk of securities defaulting due to specific disasters. Analysis of potential returns and losses for each security is supported by a rich body of data that has been well-modeled for decades by the insurance industry.
- **A Hedge against Interest Rate Risk:** The primarily floating rate structure of ILS links a component of their performance to a benchmark rate (LIBOR[3] or US Treasury yields), which is adjusted frequently, leaving investors with limited interest rate lockup.

[1] Source: Swiss Re. [2] Diversification does not assure a profit or protect against loss. [3] London Interbank Offer Rate (LIBOR) is used as a reference for short-term interest rates.

Low Correlation to Traditional Asset Classes

Since the pricing of ILS CAT bonds is not driven by financial markets or corporate credit risk, performance has been largely uncorrelated to traditional markets.

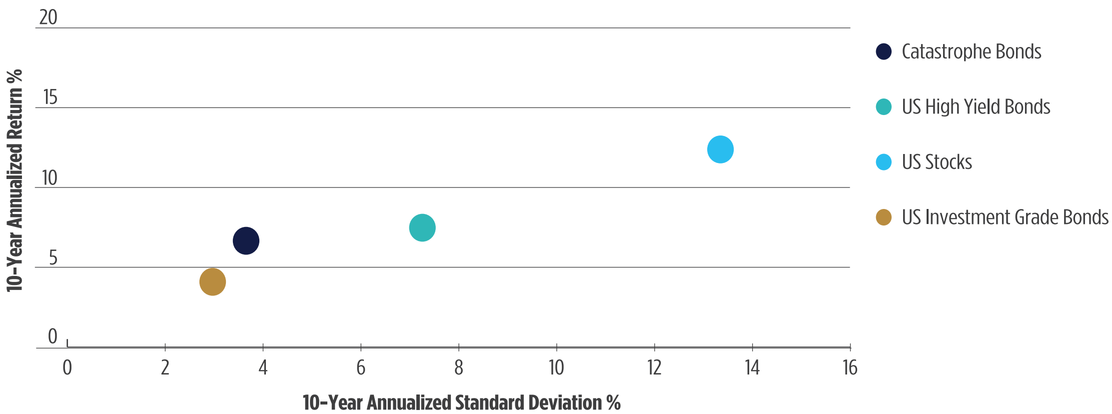
As of 3/31/20	3-Year	10-Year
ILS CAT Bonds	1.00	1.00
Commodities	0.05	0.02
US Stocks	0.02	0.01
US Investment Grade Corporates	-0.01	0.00
US High Yield Corporate Bonds	0.00	0.00

Source: Morningstar as of 3/31/20. **Data is based on past performance, which is no guarantee of future results.** ILS represented by The Swiss Re Global Cat Bond Index tracks the aggregate performance of all USD, EUR and JPY denominated cat bonds, capturing all ratings, perils and triggers. The index seeks to hedge out the EUR and JPY currency risk at the inception of the bonds. However, the index does not reflect the full ILS market because it does not include private market securities (e.g., quota shares, collateralized reinsurance, and ILW). Furthermore, CAT bonds also have a higher concentration to peak zone risks (U.S. hurricane/earthquakes) than what is typically included in an Amundi Pioneer ILS portfolio. US Stocks represented by the S&P 500 Index, a commonly used measure of the US Stock Market. Commodities represented by Bloomberg Commodity Total Return Index. Investment Grade Corporates and High Yield Corporate Bonds represented by the Bloomberg Barclays US Aggregate Bond Index and the ICE BofA US High Yield Index, respectively. Indices are unmanaged and their returns assume reinvestment of dividends and, unlike mutual fund returns, do not reflect any fees or expenses associated with a mutual fund. It is not possible to invest directly in an index. **Correlation:** The degree to which assets or asset class prices have moved in relation to one another. Correlation is expressed by a correlation coefficient that ranges from -1 (never moving together) through 0 (absolutely independent) to 1 (always moving together).

Attractive Return Potential, with Lower Volatility

Over the ten-year period ended March 31, 2020, CAT Bonds offered higher returns with lower realized risk than many other asset classes.

Risk/Reward Profile – 10 years ended 3/31/20



Source: Morningstar as of 3/31/20. **Data represents past performance, which is no guarantee of future results.** Data is not meant to represent the performance of any Amundi Pioneer product. ILS represented by the Swiss Re Global Cat Bond Total Return Index, which tracks the aggregate performance of all USD, EUR and JPY denominated CAT bonds, capturing all ratings, perils and triggers. The index seeks to hedge out the EUR and JPY currency risk at the inception of the bonds. However, the index does not reflect the full ILS market because it does not include private market securities (e.g., quota shares, collateralized reinsurance, and ILW). Furthermore, the index also have a higher concentration to peak zone risks (U.S. hurricane/earthquakes) than what is typically included in an Amundi Pioneer ILS portfolio. US Stocks represented by the S&P 500 Index; Investment Grade and High Yield Corporate Bonds represented by the Bloomberg Barclays US Aggregate Bond Index and the ICE BofA US High Yield Index, respectively. US stocks offer a higher rate of return, but may be more volatile than fixed income investments. Corporate bonds offer a fixed principal value and a fixed rate of return if held to maturity. High yield corporate bonds are subject to greater-than-average price volatility, illiquidity, and possibility of default.

Standard Deviation: A statistical measure of the historical volatility of a portfolio; a lower standard deviation indicates historically less volatility.

What Types of ILS Exist?

Four Primary Types of ILS are Issued to Cover Catastrophe Risk

Instrument	Definition	Features
Catastrophe Bonds (commonly referred to as 'CAT' bonds)	Issued for a precise level of protection above a certain threshold (trigger), covering losses from a particular low-frequency, high-severity event (peril) in a specified geographic area	• Relatively liquid • Limited secondary market • Multi-year contract
Industry-Loss Warranties (ILWs)	Insurance contract whose loss calculation is determined by industry-wide catastrophe losses rather than from a specified event	• Contracts typically 1 year or shorter • Not tradable on secondary market • Quick loss determination and resolution
Quota Share Instruments (also known as Reinsurance Sidecars)	Allow investors to purchase a portion of an insurance book of business from an insurance company to share in the profits and risks	• Typically illiquid and less transparent • Generally 1-2 year contract • Broadly diversified
Collateralized Reinsurance	Like CAT bonds in terms of insurance risk but created via private contract rather than tradable security	• Much less liquid than CAT bonds • Customizable exposures across regions, perils and risk layers • 1-year contract • No secondary market

Catastrophe Bonds – The Most Familiar Form of ILS

For bond investors, the most familiar of these types of ILS are catastrophe bonds (CAT bonds), whose return of principal depends on the non-occurrence of a predefined catastrophic event during a specific risk period – usually one to four years in duration. For insurance companies, CAT bonds are a means of reinsurance. For investors, they represent an opportunity to add diversification at spreads that may be attractive relative to those of similarly rated corporate securities.

The first traded 144A CAT bond was issued in 1997 to protect against the risk of a major hurricane – a step taken by the financial industry after Hurricane Andrew caused $15.5 billion in insured losses, as well as a shortage of reinsurance capacity, in 1992. Over the past ten years, approximately $86 billion of cat bonds have been issued providing protection to numerous re/insurers, governments and corporations for a multitude of risks.[4]

[4] Source: Swiss Re as of 3/31/20

How are Typical ILS Structured?

A basic CAT bond security transaction involves three parties: the Sponsor, the Issuer (Special Purpose Vehicle or SPV) and the Investor. The investor purchases securities issued by the Special Purpose Vehicle (SPV), which simultaneously enters into a reinsurance or derivative contract with the sponsoring insurance company. The bond proceeds are then invested in extremely high-grade, low-duration securities (i.e., US Treasury securities) and held in a collateral trust. The investment returns from the trust, coupled with the risk premium paid by the sponsoring insurance company, comprise the coupon payment to the investor.

Investment Trust Returns + Risk Premium = Coupon Payment

If a covered catastrophe does not occur during the life of the bonds, the SPV returns the initial investment to investors. If an event does occur, the SPV pays the sponsoring insurance company the amount owed under the contract, and then pays the remainder to investors.

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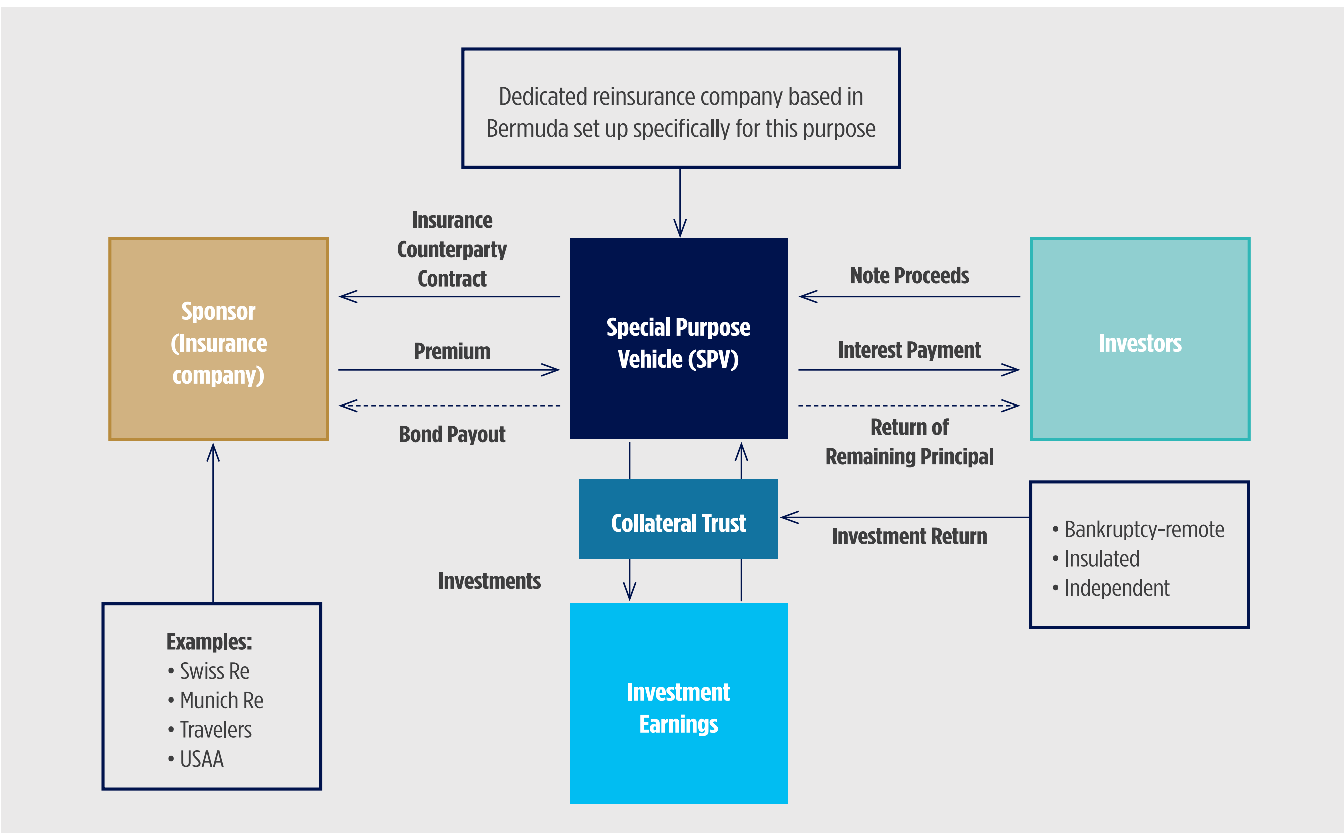

There can be no assurance that any ILS in which the Fund invests will be structured in a similar manner or that a court would uphold the intended bankruptcy remote characterization of the structure. If ILS issuer in the future is structured differently, it is possible the Fund would lose its entire investment in an event-linked bond even though the applicable trigger event never occurs.

[4] Source: Swiss Re

See next page for important risk information.

Why Consider Amundi Pioneer for ILS?

Experience and Commitment

Amundi Pioneer has been investing in ILS since early 2007, and currently has over $1.5 billion* in exposure to ILS, across approximately 30 different fixed income strategies.

Extensive Risk Analysis Capabilities

Amundi Pioneer's portfolio construction process is built upon a significant analytical foundation, using industry analytics to evaluate the risk of individual investment opportunities.

Comprehensive Research Coverage

Amundi Pioneer supplements its robust proprietary research capabilities with third party analysis, to incorporate broad industry trends as well as in-depth company-specific analysis into the investment decision. Our comprehensive coverage permits analysis of reinsurers from multiple views: equity, corporate bond and ILS risk.

Global Presence and Access

As an asset manager with over $1.8 trillion** in assets, Amundi Pioneer has cultivated partnerships with many reinsurers, which promotes strong relationships.

*As of March 31, 2020
**As of December 31, 2019

Please consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the Fund and should be read carefully before you invest or send money. To obtain a prospectus and for other information on any Pioneer fund, call 1-844-391-3034 or visit our web site at amundipioneer.com/us.

Individuals are encouraged to seek advice from their financial, legal, tax and other appropriate advisers 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 Pioneer does not provide investment advice or investment recommendations.

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. Certain fees and expenses are associated with an investment in Pioneer ILS Interval Fund.

Please see a prospectus for a complete discussion of the Fund's risks. The Fund is a non-diversified, closed-end management investment company designed primarily as a long-term investment. The Fund is not a complete investment program. **The Fund is operated as an interval fund,** meaning the Fund will seek to conduct quarterly repurchase offers for a percentage of the Fund's outstanding shares. Although the Fund will make quarterly repurchase offers, **the Fund's shares should be considered illiquid.**
The Fund invests primarily in insurance-linked securities ("ILS"). ILS include event-linked bonds, quota share instruments (also known as "reinsurance sidecars"), collateralized reinsurance investments, industry loss warranties and other insurance and reinsurance-related securities. The Fund could lose a portion or all of the principal it has invested in an ILS, and the right to additional interest and/or dividend payments with respect to the security, upon the occurrence of one or more trigger events, as defined within the terms of the security. **Trigger events may include** natural or other perils of a specific size or magnitude that occur in a designated geographic region during a specified time period, and/or that involve losses or other metrics that exceed a specific amount. ILS may expose the Fund to other risks, including, but not limited to, issuer (credit) default, adverse regulatory or jurisdictional interpretations and adverse tax consequences. **The Fund has limited transparency** into the individual contracts underlying certain ILS, which may make the risk assessment of such securities more difficult. **The size of the ILS market may change over time, which may limit the availability** of ILS for investment. The availability of ILS in the secondary market may also be limited. **ILS in which the Fund invests may have limited liquidity or may be illiquid** and, therefore, may be impossible or difficult to purchase, sell, or unwind. **ILS also may be difficult to value.** The values of Fund holdings may go up or down, due to market conditions, inflation, changes in interest or currency rates, lack of liquidity in the financial markets or adverse investor sentiment. **Investments in high yield or lower-rated securities** are subject to greater-than-average price volatility, illiquidity, and possibility of default. When interest rates rise, the prices of fixed income securities held by the Fund will generally fall. Conversely, when interest rates fall, the prices of fixed income securities held by 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. **The Fund may use derivatives,** such as swaps, inverse floating-rate obligations and others, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on the Fund's performance. Derivatives may have a leveraging effect. **Investing in foreign and/or emerging market securities involves risks** relating to interest rates, currency exchange rates, and economic and political conditions. To the extent the Fund invests a significant percentage of its assets in a single industry, such as the financial segment, the Fund may be particularly susceptible to adverse economic, regulatory or other events affecting that industry and may be more risky than a Fund that does not concentrate in an industry. **As a non-diversified Fund,** the Fund can invest a higher percentage of its assets in the securities of any one or more issuers than a diversified fund. Being non-diversified may magnify the Fund's losses from adverse events affecting a particular issuer.

Securities offered through Amundi Pioneer Distributor, Inc.
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Underwriter of Pioneer mutual funds, Member SIPC

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