Pioneer Focused Equity Fund

Semiannual Report

1/31/06

PIONEER Investments®

Pioneer Focused Equity Fund

PORTFOLIO MANAGEMENT DISCUSSION 1/31/06

In the following interview, portfolio managers Neil Wright, Janna Sampson and Peter Jankovskis discuss the factors that influenced Pioneer Focused Equity Fund's performance for the semiannual period ended January 31, 2006. Pioneer Focused Equity Fund was created through the reorganization of AmSouth Select Equity Fund on September 23, 2005.

Q: Can you characterize the market environment for the Fund over the six-month period ended January 31, 2006?

A: The semiannual period saw generally modest equity returns with the notable exception of energy and other commodity-related stocks. At the end of August 2005, Hurricane Katrina devastated the Gulf Coast, and this was followed a few weeks later by Rita. One of the results of this catastrophic hurricane season was a significant short-term disruption in the U.S. oil supply. That resulted in soaring energy prices, with a barrel of crude oil briefly topping the $70 mark, as compared to prices in the $30 range two years earlier. Other commodities, such as paper and metals, followed suit. As a result, commodity producing companies generally experienced substantial earnings increases during the period, while earnings – and share prices – in industries that rely on commodities in the manufacture or delivery of their products suffered from increased costs.

Q: How did the Fund perform in this environment?

A: Class A shares of the Fund returned –3.03% at net asset value from July 31, 2005, through January 31, 2006, versus 4.67% for the Standard & Poor's 500 Index, the Fund's unmanaged benchmark. The Fund's long-term investment strategy of focusing on companies with strong brands constrained performance over a period in which market leadership was highly concentrated among commodity producers. In addition, many of the companies in our investment universe are heavy commodity consumers.

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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.

Q: Can you outline the Fund's overall investment approach?

A: Our investment universe is approximately 150 mid- and large-capitalization companies with dominant market share positions that are supported by some barrier to entry such as a well-known brand name. Within our universe, we employ an actively managed, stock-by-stock approach to identify companies that we believe are trading at discounts to their long-term value. The result is a portfolio of 20 to 25 leading "market power" companies whose stock prices we believe are undervalued. We believe that a portfolio constructed in this fashion has the potential to outperform the broader market over a complete market cycle, with less volatility.

Q: Can you discuss what helped and hurt performance of the Fund over the period?

A: Unfortunately, the universe of companies from which we select investments was out of favor, and that was reflected in the Fund's results over the six months. We typically do not invest in the energy sector, and during the period we had no exposure to energy, which was by far the best performing sector. In addition, we made a decision to avoid the financial sector because we thought the Federal Reserve would continue to raise rates on the short end, and we expected longer-term rates to rise along with commodity prices. However, long-term rates were stable as the market did not perceive inflation as a threat, and in retrospect exposure to financials would have helped performance.

Because one of our principal areas of focus is on companies with strong brands, we are generally overweighted versus the broad market in the consumer-oriented sectors, which underperformed during the semiannual period. At the end of January, the consumer discretionary and consumer staples sectors comprised over 36% and 21%, respectively, of the Fund. Our biggest holding in this area and one of our better performers was McDonald's, a bellwether consumer discretionary stock. McDonald's managed to grow sales and maintain strong earnings on the basis of well-received new products and promotions. In addition, McDonald's has taken steps to reduce its paper costs, by reducing the size of the containers used to deliver food to consumers.

A number of holdings were affected more decisively during the period by higher paper costs, including newspaper publisher Tribune. A tepid advertising environment also contributed to weaker results for publishers. Among consumer staples, Kimberly Clark was hit especially hard by the increased cost of paper. The company relies heavily on sales of paper-based products such as diapers and facial tissues, and recently sold its paper mill, making its earnings more subject to fluctuations in the price of that commodity. In addition, Kimberly Clark incurred significant research costs during the period, which acted to lower short-term earnings, but which we believe will serve the company well in the longer run.

The Fund is also overweight the industrial sector, which stood at over 21% of assets at the end of January. The Fund's largest holding in this area is Automatic Data Processing (ADP) the leading provider of payroll processing services to employers. We expected the company's shares to perform well given both the growth in U.S. employment and rising short-term interest rates, which provide a boost to earnings on cash held by ADP pending its disbursement to employees of its client companies. However, concerns about economic growth and the sustainability of recent employment gains held back the performance of ADP's stock during the period.

As we are long-term investors in a fairly concentrated number of companies, turnover in the portfolio is typically low. The biggest change among our holdings during the period was the elimination of Wal-Mart Stores from the portfolio. Our decision was made in view of a change in banking regulations that took effect in January of 2006 and that has resulted in a doubling of minimum credit card payments for millions of consumers. While the change has not yet been reflected in the company's business results or share price performance, we believe it has the potential to hurt Wal-Mart more than its peers.

Q: How are you positioning the Fund going forward?

A: We expect energy prices and commodity prices in general to moderate, giving the companies on which we focus an opportunity gradually to raise prices and restore profitability. Historically, the Fund's universe of "market power" companies has traded at a premium to the overall market based on such valuation measures as price-earnings ratios, which indicate how much investors are willing to pay per dollar of a company's earnings. However, many of the companies we hold are currently priced at below-market price-earnings ratios and dramatically below their long-term average valuations. We believe the Fund is well positioned for the next phase of the market cycle, even if commodity prices remain near their current levels. The biggest risk to this outlook is a sharp increase in energy prices during the first quarter of 2006, which we do not view as likely.

Going forward, we will continue to use intensive fundamental research to target leading companies benefiting from competitive barriers that help protect their market shares and profits, with a focus on those companies that are selling at reasonable valuations. Our goal remains to outperform the broader market over the long term, with less short-term volatility.

The Fund invests in a limited number of securities and, as a result, the Fund's performance may be more volatile than the performance of other funds holding more securities. Investing in foreign and/or emerging markets securities involves risks relating to interest rates, currency exchange rates, economic, and political conditions. At times, the Fund's investments may represent industries or industry sectors that are interrelated or have common risks, making it more susceptible to any economic, political, or regulatory developments or other risks affecting those industries and sectors.

Any information in this shareholder report regarding market or economic trends or the factors influencing the Fund's historical or future performance are statements of the opinion of Fund management as of the date of this report. These statements should not be relied upon for any other purposes. Past performance is no guarantee of future results, and there is no guarantee that market forecasts discussed will be realized.