

AllWeather Range

Monthly Report

April 2004

Madrid Bomb Attacks Disrupt Markets

Treasuries Gain Altitude

Risk premiums expanded in March while Treasuries moved higher as investors reacted firstly to a poor US employment report early in the month and then to heightened geopolitical tensions that followed the Madrid bomb attacks and events in Gaza City and Taiwan. Although equity markets in Japan and the Far East posted strong gains, those in the US and Europe ended lower despite a final week rally. For the period, the S&P 500 and MSCI World Indices returned -1.51%¹ and -0.62%² to finish +1.69% and +2.72% for the first quarter respectively. The Fixed Income sector reflected the flight to safety and news that only 21,000 US jobs had been added in February. Treasury yields on the two, five and ten-year notes declined 6, 21 and 13 basis points respectively,³ while investment and speculative grade credit spreads widened from 120 and 482 to 122 and 535⁴ basis points. On foreign exchange markets the US dollar strengthened 1.2% against the euro but declined over 4% against the yen,⁵ with the latter finding support from fiscal year-end flows and optimism over the Japanese economy.

US employment numbers remained under close scrutiny throughout the month, and they quickly disappointed after the Labor Department reported only 21,000 net jobs had been created in February, well below consensus estimates of 128,000.⁶ However, the Manpower Quarterly Employment Outlook Survey released mid-month did provide positive news, with 20% of the 16,000 US firms surveyed responding that they planned to increase hiring activity during the second quarter, compared to 13% for the first quarter and 11% a year ago.⁷ Reports on jobless claims also suggested that employment growth may be stronger in March. Here the four-week moving average of initial claims fell to 342,000, a post-recession low and a level consistent with an improving job market.⁸ By month-end investors were looking ahead to the release of the March employment numbers and based on market performances during the final week in which equities rallied, equity volatility slumped and Treasury yields moved higher. Thus expectations were positive.

AllWeather Funds Generate Good Returns

Good returns were generated by the **AllWeather Range** of Funds in March despite heightened geopolitical tensions and investor uncertainty. The majority of the Funds' key strategies contributed positively with performances led by distressed securities, global trading and global equity long/short. Results included:

■ DebtMaster Excel Fund	+1.30%
■ AssetMaster Fund	+0.97%
■ DebtMaster Fund	+0.96%
■ AllWeather Sterling Fund	+0.68%

Standard bearers **AllWeather Institutional Fund** and **AllWeather Fund** were up 0.48% and 0.46% for the month and +2.43% and +1.94% year-to-date respectively.

Active Restructurings Boost Distressed Returns

The Funds' lead distressed managers generated good returns in March despite the negative tone of the corporate bond market where factors inhibiting returns included wider high yield credit spreads, primarily due to significant new issuance and limited event activity. Credit fundamentals continued to reflect steadily improving corporate financial strength, with Moody's reporting first quarter credit rating upgrades exceeding downgrades for the first time in four years,⁹ and a further fall in the global issuer-weighted speculative-grade corporate bond default rate from 4.4% in February to 4.1%, its lowest level in five years.¹⁰ Positive developments at companies such as Charter Communications and Milacron (proposed and completed refinancings) and Revlon (debt-for-equity exchange) lifted long bond positions, while active restructurings in the middle-market sector, capital structure arbitrage and active trading further boosted returns. Progress in positions involving late-stage restructurings also augured well for future returns where, for example, Pacific Gas & Electric and MCI were expected soon to emerge from bankruptcy. Within loan originations, the Funds' lead manager had a good month, reporting continued progress in closing loans in the target middle-market sector while noting the presence of a solid pipeline of future opportunities.

Improving Merger Arbitrage Prospects

Merger Opportunities Fund gained 0.13% in March as prospects for merger arbitrage continued to improve and managers expressed confidence that trends were in place for a sustained round of multi-sector consolidation. Notable positions included Netscreen/Juniper Networks Technologies, which contributed positively as the spread tightened following anti-trust approval; while Titan/Lockheed Martin minimally detracted from returns after Lockheed stated in a press release that they were continuing their investigation of payments made by Titan to foreign officials, and that the merger might not be concluded. Increased corporate activity also provided a supply of interesting opportunities, particularly those involving reverse arbitrage. Positions initiated here included Cephalon/Cima Labs that appeared to be in regulatory difficulty; and Wheaton/Iamgold, where a deal break or bid for Iamgold was anticipated. By period-end the managers' invested capital had increased, with positions including NetScreen/Juniper Networks, WellPoint Health Networks/Anthem, AT&T Wireless/Cingular Wireless, Aventis/Sanofi, Bank One/JP Morgan, AT&T Wireless/Cingular Wireless, and John Hancock/Manulife.

AssetMaster Fund Capitalises on Market Trends

Among other strategies, convertible arbitrage returns were positive as managers benefited from a pick-up in equity volatility and broad allocations to volatility plays. Global trading returns were strong with **AssetMaster Fund** and **Momentum AbsoluteMaster Fund** gaining 0.97% and 0.37% respectively, successfully capitalising on short-term trends in the markets traded. **MarketMaster Fund** declined 0.13% as managers retained their portfolios in Treasuries due to downward trending equity markets. Equity volatility moved higher during the period reflecting the negative market bias, and here the VIX moved from 14.6 to 16.7 by month-end, having peaked at over 21 and averaged 17.7 compared to 16.0 in February based on daily closing prices.¹¹ Within global equity long/short, managers enjoyed positive returns and far outperformed the major indices under challenging conditions. Gains included long portfolios in Japan where markets turned in strong performances; long positions in sectors such as Energy, US Homebuilders and Consumer Discretionary; and short side positions in Information Technology and Telecom Services. In Europe, the managers avoided much of the downside volatility through strong risk management. Looking ahead they remained optimistic and planned to retain a net long bias noting attractive equity valuations, positive corporate earnings momentum, and stimulatory global monetary and fiscal policies.

AllWeather Range

Monthly Report

April 2004

Summary

Risk premiums expanded in March while Treasuries moved higher as investors reacted firstly to a poor US employment report early in the month and then to heightened geopolitical tensions that followed the Madrid bomb attacks. Although equity markets in Japan and the Far East posted strong gains, those in the US and Europe ended lower despite a final week rally. Against this background the **AllWeather Range** generated good returns with performances led by distressed securities, global trading and global equity long/short strategies.

¹ Standard & Poor's, www2.standardandpoors.com/spf/xls/index/tr.xls

² MSCI, HYPERLINK "<http://www.msci.com/equity/index.html>" www.msci.com/equity/index.html

³ Federal Reserve Statistical Release, H 15 Daily Update, <http://www.federalreserve.gov/Release/h15/update>

⁴ Standard & Poor's Credit Indices

⁵ x-rates.com

⁶ Employment Situation - United States, March 5, 2004, www.economy.com

⁷ Manpower Employment Outlook Survey, March 16, 2004, www.economy.com

⁸ Jobless Claims - United States, March 25, 2004, www.economy.com

⁹ Credit Market Trends Service, Upgrades Outpace Downgrades in 1Q04, April 6, 2004, www.moodys.com

¹⁰ Credit Market Trends Service, Global bond default rate falls to 5-year low of 4.1%; 2.9% predicted for end-2004, April 5, 2004, www.moodys.com

¹¹ Chicago Board Options Exchange, Delayed Market Quotes, <http://quote.cboe.com>

The Pioneer Alternative Investments' Fund Summary - AllWeather Range

31 March 2004

Launch Date*	Fund	2003 Return	February Price US\$ (unless stated)	March Price US\$ (unless stated)	March Return	Year to Date Return	Return Since Inception	Annualised Return	Volatility	Sharpe Ratio
31-Jul-03	AbsoluteMaster Fund (Diversified Fixed Income)		104.85	105.24	+ 0.37%	+ 1.28%	5.24%	7.96%	13.73%	0.22
2-May-95	AllWeather Fund ** (Low Volatility/ Diversified)	9.90%	219.43	220.43	+ 0.46%	+ 1.94%	120.43%	9.27%	3.35%	1.27
1-Nov-97	AllWeather Excel (Leveraged AllWeather)	13.06%	157.54	158.41	+ 0.55%	+ 2.53%	58.41%	7.43%	5.15%	0.47
20-Jan-00	AllWeather Institutional Fund (Low Volatility/ Diversified)	11.81%	138.33	138.99	+ 0.48%	+ 2.43%	38.99%	8.05%	2.36%	1.29
1-Aug-03	AllWeather Institutional Fund Euro * (Low Volatility/ Diversified)		106.44	107.02	+ 0.54%	+ 2.60%	7.02%	10.71%	13.73%	0.42
2-Jun-00	AllWeather Liquidity Fund *** (Low Volatility/ Diversified/ Weekly Inv.)	8.38%	123.51	124.12	+ 0.49%	+ 2.27%	24.12%	5.80%	1.72%	0.47
31-Aug-97	AllWeather Special Issue Fund (Low Volatility/ Diversified)	9.16%	1,526.77	1,531.98	+ 0.34%	+ 1.67%	53.20%	6.69%	3.52%	0.48
1-Mar-01	AllWeather (Euro) Fund * (Low Volatility/Diversified, Denominated)	10.73%	123.01	123.65	+ 0.52%	+ 2.06%	23.65%	7.13%	2.02%	1.05
1-Jan-04	AllWeather Sterling Fund * (Low Volatility/Diversified, £ Denominated)		101.78	102.47	+ 0.68%	+ 2.47%	2.47%	10.25%	3.75%	1.40
1-Mar-01	AllWeather Absolute Return Fund (Low Volatility/ Diversified)	8.25%	117.01	117.49	+ 0.41%	+ 1.86%	17.49%	5.37%	1.72%	0.21
30-Jun-91	AssetMaster Fund ** (Volatility Arbitrage)	8.50%	496.69	501.50	+ 0.97%	+ 2.32%	401.50%	13.48%	3.97%	2.14
2-May-96	DebtMaster Fund (Asset-Backed Lending)	11.70%	186.81	188.60	+ 0.96%	+ 2.74%	88.60%	8.34%	2.26%	1.48
1-Nov-97	DebtMaster Excel (Leveraged DebtMaster)	15.52%	159.03	161.10	+ 1.30%	+ 3.70%	61.10%	7.71%	3.52%	0.77
1-Dec-02	Durham Fund (Low Volatility Distressed)	24.15%	1,278.94	1,270.01		+1.68%	27.00%	19.63%	4.41%	3.32
28-Feb-02	MarketMaster (Split Strike Conversion)	5.55%	114.26	114.11	- 0.13%	+ 0.95%	14.11%	6.54%	3.09%	0.50
1-Dec-99	Merger Opportunities Fund (Merger Arbitrage)	3.52%	119.05	119.20	+ 0.13%	+ 1.30%	19.20%	4.14%	2.40%	(0.36)
3-Apr-95	Sandalwood Fund (Distressed Securities)	14.39%	191.67	192.16	+ 0.26%	+ 2.37%	92.16%	7.53%	4.32%	0.58
	Morgan Stanley Composite World Index (MSCI) US\$	33.77%	3017.68	2998.83	- 0.62%	+ 2.72%				
	Standard & Poors 500 Index (S&P 500)	28.68%	1675.70	1650.42	- 1.51%	+ 1.69%				

* All funds were launched at US\$100, except AllWeather Special Issue and Fairway which were launched at US\$1000 and US\$150 respectively and AllWeather Euro which was launched at €100.

** The Funds were launched as Private Partnerships managed within the Momentum Group. The units of AssetMaster were converted into shares in the relevant funds on 28 April 1995. The Momentum AllWeather Fund was converted into shares in the relevant fund on 30 September 1996.

*** The AllWeather Liquidity Fund is priced and traded on a weekly basis. However for these purposes only the month end figure is shown.

Past performance does not guarantee future results. Unless otherwise stated, all views expressed are those of Pioneer Alternative Investments. These views are subject to change at any time based on market and other conditions. There can be no assurances that countries, markets or sectors will perform as expected. Investments involve certain risks, including political and currency risks. Investment return and principal value may go down as well as up and could result in the loss of all capital invested. **Investments employing the strategies described in this document are by nature highly speculative and should only be considered by experienced and sophisticated investors.** This material is not a prospectus and does not constitute an offering of investment fund shares. For additional information please request a free prospectus. Please read the prospectus carefully before you invest.

This document is approved for distribution by Pioneer Global Funds Distributor, Ltd. In the UK it is approved for distribution by Pioneer Alternative Investments UK Limited, 123 Buckingham Palace Road, SW1W 9SL, regulated by the FSA for the provision of Investment Services. The Fund and the Company are unregulated collective investment schemes under the UK Financial Services and Markets Act 2000, and therefore do not carry the protection provided by the UK regulatory system.

Pioneer Alternative Investments is a trading name of the Pioneer Global Asset Management S.p.A. group of companies

For more information, please visit our website: www.pioneerinvestments.com

