PIONEER INVESTMENTS
Pioneer Municipal High Income Trust (MHI) &
Pioneer Municipal High Income Advantage Trust (MAV)
July 17, 2008
4:00 pm EST

Tony Clarizio: Good afternoon everyone, and thank you for taking the time to join us for today's conference call.

We will be discussing Pioneer Municipal High Income Trust which trades under the New York Stock Exchange symbol MHI and Pioneer Municipal High Income Advantage Trust which trades under the NYSE symbol of MAV.

My name is Tony Clarizio and I'm a Senior Product Manager here at Pioneer.

Before we begin, I'd like to remind you that this call will include statements that contain forward-looking information. Such statements are necessarily subject to risks and uncertainties, some of which are significant in scope and by their very nature beyond the controls of the fund and its investment advisor, Pioneer Investment Management, Inc.

There can be no assurance that such statements will prove to be accurate and actual results and future events could differ in a material fashion from those anticipated in such statements. Historical results are not necessarily indicative of future performance.

With that said this call will be available for replay for one week from today by dialing 800-642-1687. You'll need the ID for access which is 54081136. We will also be posting a transcript of this call to our web site at www.pioneeerinvestments.com.

I'm pleased today to be joined by David Eurkus who is the Portfolio Manager of both MHI and MAV. David will give us an update on MHI and MAV and on the municipal bond market in general. We will save Q&A until the end once David has completed his remarks.

Before I begin, let me reassure you that we continue to explore all possibilities with respect to solving the auction rate preferred crisis for Pioneer.

As you know, the situation is complex and challenging in many ways and it involves all industry participants as well as different levels of legal and regulatory oversight such as the SEC and IRS. Please do not misinterpret our lack of action thus far for a lack of effort.

With that let me turn it over to David Eurkus.

David Eurkus: Welcome everyone. Good afternoon from downtown Boston. The temperature is about 92 and pretty decent outside; it's especially hot.

I'd just like to go back and just recap quickly the last six months of what's transpired. And as you all know, we've been through a huge upheaval across the board which began with the real troubles in the mortgage and CDO market on the taxable side last fall.

And the results being the pending removal or downgrades by the rating agencies of all the primary synthetic municipal insurers which are FGIC, MBIA, and AMBAC and so forth culminating in a huge repricing of the overall tax exempt bond market in general at a time when the economy continues to be weak.

Evidence suggesting that the economy was slowing began clearly last fall as evidenced by the Fed stopping rates from rising and in fact began to lower interest rates rather rapidly. And so we've ended up with a really positively sloped, deep historical yield curve on the tax exempt side.

It is the first time ever we've had a huge repricing of the muni market because of the $2.6 trillion muni bonds outstanding, about 55% were AAA insured or synthetically insured by the insurance companies -- FGIC, AMBAC, MBIA, and so forth.

And as you know, because of their huge exposure to the taxable mortgage CDO market the rating agencies -- Moody's and S&P -- after seeing how devastating the defaults became in this market, told the insurers that substantial amounts of additional capital would be required on their part in order for them to maintain the AAA rating.

Towards the end of January or early February it became clear to the municipal market that a lot of the insurers were no longer AAA. So of the $2.6 trillion outstanding, of which $1.6 trillion was synthetically insured, got repriced - and half the muni bonds outstanding in the United States today - for example 30-year bonds – were repriced with roughly a 5% coupon.

About $600 billion got repriced during the month of February alone which resulted in the worst performing total return month ever for municipal bonds as measured by the Lehman Muni Bond Index, which was down close to 5%.

A huge repricing of tax exempts seemed to undervalue the bonds, triggering ar huge sellout. Because this became evident towards late February early March, three hedge funds liquidated in two business days, amounting to about $7 billion in the tender option bond programs.

Because of the fallout from the ratings events in the minds of the mortgage taxable market, Wall Street pulled the liquidity away out of the VRDN -- variable rate demand note -- and the weakly preferred option market.

And as you may recall in the first quarter, some upstanding credits like the Port of New York in New Jersey which is AA, one of the biggest economic conglomerates in the world ended up paying short-term VRDN rates that went from 2-1/2% to 5% to 7% to 10% to 15% to in fact 20%.

This event triggered a massive liquidation and when money market funds were put back into the street; the street walked away from the liquidity, which drove these rates up; and as you know all leverage is financed short, borrow money short, say 2% and buy high quality long muni bonds at 5% so you get a big positive 3% carry.

And these guys put these trades on for up to 25 to 50 times leverage; meaning you borrow $100 million up front and then you buy $1 billion or $2 billion of long-term.

After the rating agencies downgraded the insured, they were forced to liquidate for that reason but also because their financing costs went from positive to a huge negative. This meant that their borrowing costs rose from 2% to 10% to 15%, and their earning assets were only 5% to 6% on the long end. This then triggered a forced sale liquidation, which drove prices down another 2% or 3%.

And what all this is doing -- and this is why I’m telling you all this because several events caused this; we ended up with municipal bonds, as a percentage of treasuries, the benchmark of our business, at the cheapest ever in the history of the U.S. bond market in the United States.

Meaning that the ratio of munis -- high quality AAA munis to treasuries -- got to a 100% parody then to a 105% then to a 110% then to a 115%, and actually to 120%. This meant that you could buy a AAA muni bond, tax-free local and federal muni bond at 120% cheaper than the comparable treasury market.

I say munis in this sense because as you all know, munis are considered the second safest fixed-income asset class in the world next to treasuries as measured by the default rates and the depression of the 1930s which happed to be 2.6% and that does include high yield munis.

So a series of events put our asset class as the cheapest it had ever been. The only other time it was this attractive was back in 1986 when Senator Bob Packwood from Oregon proposed in Congress that municipal bonds should be fully taxable. When we came in the following Monday after Congress discussed this on the weekend, the muni market repriced itself to become taxable and went down about 10 to 12 points in the next couple of days and that pushed the ratio to 112%. That’s the only other time it’s been this cheap. We got to 120% this time.

So having said all that, the economy is getting weaker, munis are in an asset class all by their own and they are super cheap. Absolute AAA insured bonds have gone away; they are no longer AAA.

Energy prices are rising, jet fuel prices are doubling, airlines are carrying a huge cash position. Business is good, but the airline markets are really going down big time as far as the bond values go. This is due to the additional cost from a higher energy crisis versus the old days where the biggest expense for airlines was wages. Now by far it is jet fuel.

So we've had a confluence of events, plus with the domestic economy slowing . . . So, where does that bring us with MHI and MAV? As you'll remember, and I've said in previous calls, MHI and MAV came in the second half of 2003 when we had maximum peak in yield strategy.

MHI had a 25% leverage of which 15% was hedged and it's an investment grade fund; it has to be investment grade at all times so it's roughly 60% investment grade, 40% below.

And MAV is almost the same in that it came with a somewhat higher lower rating. We can go up to 60% below investment grade - 40% investment grade - so it has a somewhat higher yield.

But they both pretty much run the same with the same types of sector weights. We are earning our dividend comfortably; we are over-earning and so there is no issue with any adjustments in the foreseeable future there.

I guess the premium/discount as measured by most people has really been pretty good. We've done really well in these markets as measured by those premium/discounts whereas you probably know that MHI is at a small discount and MAV at a slight premium..

So that's not bad considering some muni funds are down as much as 10% to 15% to 20% with their discounts. So, we're okay with our earnings stream, our coupons are call protected, our sector weightings haven't changed at all.

I would say if you are interested in both portfolios for the matter of time, the biggest under-performing sector again for obvious reasons is the airline component.

As you know we're pretty much limited to about 10% to 11% any one sector so our airport/airline sector is by far the worse performing. They're down on an average for the first six months of the year ending June 30 at about 21% on MHI and about 18-1/2% on MAV.

Most of the other sectors are still running at a slightly positive total return number for year-to-date because our coupon structure is carrying most of the load and so income has been paramount here.

Other than the airport/airline sector, the only other sector that has underperformed and has been really disappointing, although it is absolutely rock solid credit wise, is the tobacco muni bond market.

That over the last six months has adjusted meaning that yields have gone up about 50 basis points from roughly 6-1/2%, closer to 7%. And I don't really quite understand why it's adjusted so much.

The news on the tobacco settlement has been good -- the master settlement agreement which was signed in '98 adjusted for consumption to decline on average with a 20 year average by about 3% a year, and in fact that's been about the case.

The most recent adjustment for the settlement, which are paid annually on April 15 of every year by the tobacco companies, indicated that the consumption rate had an increase from that 3%/3-1/2% range closer to 4-1/2%.

The only negative reason I could see - or negative news that I could see which would have made the tobacco market go down is that consumption has increased a bit more than the overall 20 year average. This is not big deal in our opinion because the cash flow of the tobacco companies is huge as well as it is for all the states.

The State of Massachusetts, just about two weeks ago, had the largest single annual increase in tobacco taxes for a pack of cigarettes ever; it increased to $1.00 a pack.

The revenues for the tobacco settlement bonds will not go away as well as the high dependence of a revenue stream from the state as part of the general funds. There is no question of the safety of these tobacco bonds as quoted at 7%; therefore providing a unique value.

Airlines have been our leading detractor because of super high energy jet fuel prices, and by the way as you probably know in the last two to three trading days, the government's reported huge surpluses of gas and oil energy.

The country is actually starting to travel less and consume less so the inventories are building plus another drop of 4% to 5%--or five points a day--indicating that supplies are actually increasing in the natural gas sector also.

The airlines are having huge cutbacks, as evidenced by reducing flights to second, third and fourth tier airports and retiring permanently a lot of the older planes, such as the MD-80s that American flies or the older Boeing 737s that are pretty big gas guzzlers.

The airlines are cutting quickly in order to keep up with the low consumption price, even though their hedges have worked but it is obviously not 100% effective.

Overall, the funds are really in great shape. We are not disappointed in anything; we do not see any major problems. We are making our dividends comfortably and predict to in the foreseeable future. We have a hard time getting terribly concerned from these levels given the fact that munis is this cheap to treasuries, and the probabilities of higher taxes - with these presidential elections coming, adds even more value.

And unfortunately, the instability of the economy, the housing market which continues to erode and the stock market falling under a lot of pressure over the last several months, people are uncomfortable. Therefore, munis are a great shelter for most investors with a very secure default ratio; the second best in the world.

In summary I would say we're okay and we can probably close it up here and see if you have any questions that I might be able to answer and pass it on back to Tony.

Caller #1: Hi, good afternoon. I was glad to hear that both the MHI and the MAV are over earning their dividend. And I was wondering if that meant there's a possible increase in the dividends in the near future or a distribution year end? That was one question.

And the other question is a little more important to me. On May 6, the trustees voted to permit MHI to run their 60% of the fund to lower grade municipals. And they said in that way the portfolio will throw off more interest. And I was wondering how far we've gotten along there in substituting some BBB or A; whatever we've had for the lower rate.

And if we have made progress, are we earning more than before? Those would be my two key questions.

Tony Clarizio: I'll address the first part; you know we meet every month on these dividends and at the moment we're standing pat with the dividend. It is healthy in terms of what we're earning right now.

It is difficult for us to project an increase or a change. The end game is to try to be as steady as we can; be consistent with our dividend payouts and I think we have done that. We've had some adjustments over the life but for the most part, they have been minimal.

At the end of the day I think the value is that shareowners have a very steady distribution and that has been the case.

In terms of what we do with the excess or how it gets paid out, we meet on this every month and we'll have to sort of see how that goes as we get through the rest of this year.

And on the second part, I'll go with David.

David Eurkus: Good catch on both of those questions. We've increased the exposure in the lower investment grade by about 3%, so we're doing it very gingerly here because the sectors that we like in the high yield area have become so destructive.

I talked about airlines a little bit, but you know the CCRC market, which is the Continuing Care Retirement Community market, is a huge issuance of that success. These are upscale retirement communities in nice temperature areas of the Southwest and the Southeast for upscale retirees. Those bonds have been coming in anywhere from 6-1/2% to 7-1/2%.

When we go out in the field and we visit all of these projects, new constructions or additions or whatever, we will be very careful in our selection of these; we have begun to increase by about 3%. And yes it has added to the pool of over earning a little bit.

As Tony said, we don't have any near-term plan to change it, but we're being very careful because we feel over the long-term we're going to continue to be in a lower interest rate environment because the economy is not going to rebound, we don't think, any time soon.

We have a pretty solid opinion about what the economy's going to look like and what the monetary and interest rate environment is going to look like.

And what we're saying is we're doing this carefully because we think we'll be in a lower economic environment. We could even be in a recession right now by our standards. And we don't think the housing market is going to improve right away so we want to choose income producing projects that we can maintain through a weaker economic environment for the sake of the short and intermediate term. And by that I mean in the next one to three years.

So, we're steady, we're good, we're building the dividends, we're over-earning, but we're being very careful with the projects we choose when we do switch to a little bit more on the low investment grade.

And by the way, when I say the low investment grade a lot of these bonds are non-rated. But we have to put our own internal rating on these and we've got one of the best guys Tim Pynchon in the business who goes out to do this paper. He's been doing it since the early 1980s.

So we prefer not to have a rating or a non-rated because it cost a lot to get these ratings and we'd rather get the additional income on the bond earning to pass on to our shareholders.

Caller #1: Could I look forward to this that the MAV has a net asset value of $13.16 and pays 90 cents; the MHI has a higher net asset value of $13.55 and earns 84 cents?

When you complete this move towards the lower rated bond, would I then be able to say that I would be able to earn 90 cents on MHI just as I'm distributing 90 cents versus the 84 cents? The difference being in the grade of bonds that you're able to pay so much more out at a 6.79 yield versus a 6.41 yield on the MHI.

So basically what I'm saying is the MHI has room to improve as you lower the rating.

David Eurkus: Absolutely. That is again a really astute observation on your part. The answer to that is yes. And the answer on MAV is also - I still have room to downgrade in MAV because I've had about 8% more of space room if you will, in the below investment grade market to do the same with MAV because it has a little bit higher profile risk with below investment grade.

So your answer's perfect but it applies to both funds.

Caller #1: Very good. Eventually, maybe you'll get them both equal and you can combine them so that you'd have less work to deal with two funds.

David Eurkus: Thank you very much and that is a great suggestion.

Caller #1: Okay, I'm buying more MHI.

Caller #2: Good afternoon. Thanks for the call. I was wondering, given your fundamental outlook and where spreads are now and technicals in the market, what your viewpoint is for high yield munis versus the broader market over the next say six to nine months or so?

David Eurkus: We are in love with the high yield muni market; it's never been this cheap relative to the taxable market. I do not say that casually because there's been such a huge shift in the structure of debt in the United States and in the world that it's very important. And a high yield is in an important category because a lot of it is non-rated and by tradition some people think it's more speculative.

But high yield is just an area where there are new projects that are different, that are a little bit more risky, if you will, because some of it's in technology, as evidenced by this new ethanol/methanol plant and corn which we have three or four projects under our belts.

The Federal government has been privatizing some of their Federal facilities that we have been investing in for The U.S. Marshals and Immigration Services, which are absolutely spectacular credits but they are not rated.

We pick and choose given the changes in both the local, regional and U.S. economy and environment, but there are huge changes going on in the Southwest with immigration issues.

So the high yield market is unique in that you choose those sectors that are functioning given the changes in the economic environment, like more of these Federal facilities around the Southwestern parts of the United States, which are all designed next to Federal Courthouses who try these people. These are the facilities where we catch people who do not have the right papers coming in or try to get out of the country.

In addition, these new ethanol project plants are real benefits to private education where many of these newer charter schools in different parts of the country have been very rewarding.

We are staying with sectors that are very important and vital to the U.S. economy whether it is low, uneven or getting better. Because without power and energy, transportation, both public and private education, and number one is healthcare -- both hospital healthcare and related retirement communities -- the economy does not exist.

Those will always function because those are the four key components. And those are the sectors that we continue to stay with; the investment grade or the high yield market.

And one would have to understand that we’ve had a revolutionary shift in the investment grade market because of the synthetic removal of the AAA rating by Moody’s . Please rest assured that we continue to stay with the credit that we think are important. In other words, I am saying this and I have probably used this over the last two years: we are not buying any catfish farms or golf courses in the middle of nowhere. Those projects are gone forever.

These are real, live issues that we monitor every quarter. We have to have audited financials on them and we can visit any time we want and have access to management on a phone call any day of the week if we want to.

So high yield has re-corrected because the investment grade market got marked down because of a loss of the insurance, so 5% went to 6%; 6% went to 7% and we think there are huge opportunities.

Because as I said earlier -- and this is really important –

The muni market is the cheapest it has ever been on a taxable equivalent tax adjusted basis ever in the history of this country; meaning you can buy tax-exempts at parody or cheaper than your taxable counterparts; I mean that is a no-brainer. And over time you always mathematically will revert to the mean, meaning that the average ratio of munis to treasuries for the last 20 years has been about 87%. As we speak, we are in the 105% range.

So, we can substantially improve the value and lock up your tax exempt income for the foreseeable intermediate future -- one to three years -- even if taxable rates continue to rise or high yield taxable rates go up because we're reverting to a mean particularly if you don't have tax rates changing.

The only way this could ever blow up in our faces is we went to zero taxes and everything went back to ground zero again.

It’s a long-winded answer but it’s more complicated and more intense because we’re really designing it for the longer term given our economic outlook and high yield will always be a big component.

Caller #2: Thank you.

Caller #3: Do you have the UNII for MAV or MHI for whatever date you can give?

Tony Clarizio: I don’t have it in front of me but I can get you that after the call. It will come out of the financials; I can give you the last public financials that we have and I’ll get you that figure and I’ll contact you later.

Caller #3: Yeah I came up with some sort of a figure about MAV about 30 cents and UNII for MHI of 20 cents which was very lovely if it’s true. So I would appreciate a call back, yes.

Tony Clarizio: Okay.

Caller #3: Thank you very much.

Tony Clarizio: Thank you David and everyone for joining us on the call today. I want to just repeat the fact that this call will be available for replay for one week. The number again is 800-642-1687 and you need the access ID number which is 54081136.

And with that I want to thank you all for participating. I appreciate your partnership and your continued support, and I hope you all have a great weekend coming up. Thank you.

END

Call 1-800-225-6292 or visit www.pioneerfunds.com for the most recent month-end performance results. Current performance may be lower or higher than the performance data quoted.

Performance data shown represents past performance. Past performance is no guarantee of future results. **Investment return and market price will fluctuate, and your shares may trade below net asset value, due to such factors as interest rate changes, and the perceived credit quality of borrowers.**

Total investment return does not reflect broker sales charges or commissions. All performance information is for common shares of the fund.

Performance results reflect any applicable expense waivers in effect during the periods shown. Without such waivers, fund performance would be lower. Waivers may not be in effect for all funds. Certain fee waivers are contractual through specified period. Otherwise, fee waivers can be rescinded at any time. See the prospectus and financial statements for more information.

Closed end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange and frequently trade at prices lower than their net asset value. Net Asset Value (NAV) is total assets less total liabilities divided by the number of common shares outstanding.