

PIONEER INVESTMENTS

Pioneer Floating Rate Trust (PHD)

Conference Call Transcript

May 5, 2008

4:00pm EST

James O'Connell: Good afternoon everyone and thank you for taking time out of your day to join us on this conference call regarding Pioneer Floating Rate Trust trading under the New York Stock Exchange symbol PHD. My name is James O'Connell. I'm a senior product manager here at Pioneer.

Before we begin I'd like to read some standard disclosure. 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 nature beyond the control of the trust, its investment advisor, Pioneer Investment Management, Inc., or its sub advisor, Highland Capital Management L.P.

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. The replay will be available by dialing 800-642-1687 and should be available beginning this evening. We will also be posting a transcript of this conference call to our web site at www.pioneerinvestment.com.

We're pleased to be joined today by Mark Bradley the fund's treasurer; Gabe Altbach, who heads up Product Management here at Pioneer; Mark Okada, Highland Capital Management's co-found and Chief Investment Officer; and Joe Dougherty who is a partner and President of Retail Product at Highland.

In an effort to allow more time for your questions, I will ask a limited number of questions regarding the fund and the bank loan market. We will then open up the lines for Q&A. To start things off we like to give an update on the auction rate preferred shares situation. Gabe, what is being done with respect to Pioneer's auction rate preferred shares?

Gabe Altbach: Thanks James and let me join James in thanking all of you for taking the time to join our conference call and supporting our business. As you know the auction rate preferred shares market began experiencing problems back in mid February.

PHD issued \$234 million in leverage which represents about 39% of its assets. Since the auctions began going to penalty rates in February, rates on PHDs preferred shares have generally ranged between 4 and 4.3% and these rates are 125 basis points over the base rate which is three months Libor.

So from the perspective of a common shares investor we really haven't seen a negative effect on the fund. But obviously we are very concerned about the shareholders who own the auction rate preferred shares and who are in need of liquidity.

We at Pioneer continue to explore and evaluate potential solutions for the issue. Just last weekend our board of trustees met once again off site to discuss the specific circumstances of each of the Pioneer closed end funds that have issued ARPs.

And let me assure you we are making every effort to resolve the matter as quickly as possible. With that said at this time we cannot predict the extent to which the sale of auctions will continue to impact the market or the duration of such events nor can we provide a specific solution at this time.

James O'Connell: Thanks Gabe. Now I'd like to have the fund's treasurer, Mark Bradley address PHDs dividend. Mark, today Pioneer issued a press release announcing a dividend cut from 14.5 cents per share to 11.5 cents per share. Can you explain why the cut was necessary?

Mark Bradley: Yes absolutely James. At this point I should probably restate Pioneer's policies as it pertains to dividends on this particular closed end fund. We generally set the dividend rate at a level close to the earnings rate for the fund.

And I'd like to make it clear that this fund does not use any return of capital in order to supplement the distribution. As everyone is aware U.S. interest rates is measured by the Fed funds rate and have dropped pretty significantly since September and just last week the Fed funds target rate was cut from 2.25 to 2.

Three month Libor has generally followed the path of Fed funds over the past six months dropping almost 300 basis points into the 2.6/2.7 range. PHDs income is derived from the floating rate loans that the fund holds.

And over the past few months these loans have reset and the fund is taking in less income than it had been previously. So basically the dividend cut will translate into an ad yield of 8.8 and a market yield of about 9.1 as of Friday's close. We think these yields compare favorably to the other closed end funds that primarily invest in bank loans.

James O'Connell: Thank you Mark. Now we'll turn our attention to the portfolio and ask Joe Dougherty of Highland some questions about what has happened in the bank loan market and what they think about the future. Joe, it's been a rocky road for bank loans so far this year. Can you give us some insight as to how the trust has performed and why loan prices have dropped?

Joe Dougherty: Sure James. But first I want to thank everybody for the support. We appreciate everybody sticking with us throughout this market turmoil. The first quarter of 2008 was quite difficult from a performance perspective with the trust returning negative 11.1% for the three month period at NAV.

However April was a strong month with the trust returning 4.5% so year to date through the end of April the NAV returned a negative 7.1%. The crisis of the broader credit market led to a sharp decline in corporate bank loans in the first quarter of 2008.

Loans returned negative 5.74% during the quarter including January and February which were the second and third worst months on record for the asset class and that's as measured by the S&P LST Index. Those months respectively returned negative 3.23% and negative 2.51%.

And only July 2007 was worse than those two at negative 3.35%. March did exhibit a slight improvement with the index down only 0.09% and preliminary April returns are showing April as one of the best months on record with the return on the S&P LST Index exceeding 3%.

James O'Connell: What caused the repricing Joe?

Joe Dougherty: As we discussed in previous calls we still believe the loan market correction is primarily technical in nature and has been driven by supply/demand

imbalance rooted in issues such as the large loan forward calendar, loss of demand from CLOs, and overall concern for the health of the financial system.

However the fundamental strength of corporate borrowers remain stronger than current price levels indicate highlighted by the current load of bought rates. An analysis by S&P estimates that at current prices the market is implying an annual default rate of 12.6%.

This is 4.4% higher than the all time default rate of 8.2% reached in December of 2000 and four times higher than the historical average of 3%. From July 2007 when the credit crunch began through the end of February 2008 when the S&P analysis was done the actual default rate increased from 0.21% to 0.94% still well below the historical average.

Now on the supply/demand side and particularly on the demand side the collateral loan obligation market, CLO market as it's otherwise known while recently showing some life remains largely shuttered. Before July 2007 CLO accounted for approximately two thirds of the demand for loans.

Since then demand from non CLO investors for the ample pensions, solid roll funds, hedge funds has grown but not enough to completely fill the gap left by CLO buyers. Additionally prime bank loan funds or mutual funds have had approximate net out flows of \$11 billion since the second quarter of 2007 through March 2008.

At the same time the supply side of loans for the forward calendar of undistributed loans while shrinking continues to lay on the market. That balance is an estimated \$95 billion as of April 18, 2008 down approximately \$35 billion from the prior month.

How Highland believes that pricing beginning in July 2007 is over done as we've said previously. The average bid in the market as measured by the S&P, LSTA all loans index has decreased from 94.39% of par at January 1, 2008 to 87.1% of par at March 31, 2008.

As a result the average discounted spread of our Libor increased from approximately 250 basis points to over 800 basis points during the same period. Spread over Libor is far greater than the historical average of 332 basis points resulting of a Highland belief as an attractive buying opportunity given the current fundamental credit environment.

James O'Connell: Libor has dropped from 470 basis points at the end of 2007 to a recent low of 254 basis points in March. How quickly will this flow through to the trust?

Joe Dougherty: James as of March 31, 2008 the trust held approximately 92% floating rate loans. These loans pay a coupon that is composed of both a base rate typically Libor and a spread over that base rate. The base rate resets to the prevailing spot rate on a periodic basis.

At the end of February the weighted average days to reset for the trust was 41 days indicating that on average the loan positions should reflect any fluctuation in Libor every 41 days. The majority of the Libor decline occurred in January falling from 470 basis points to 311 basis points for 159 basis point net reduction during the month.

Giving that the average days reset is 41 and January was over 90 days ago on the average loans in the trust they have already absorbed the impact of the Libor drop.

James O'Connell: Joe in previous calls you cautioned investors that the faults would most likely increase. Can you provide us with an update on the default rate environment?

Joe Dougherty: Sure. As indicated in the first question we believe that the market is pricing in very high default rate anywhere between 12 and 18% depending on the assumptions used. Now while the market saw 13 loans default in the first 10 weeks of the year.

The rate has stabilized with only four more funds in default the remainder of the quarter. Additionally what we're seeing is that the default rate by principal outstanding is lagging the default rate by issuer indicating that a number of smaller issuers are defaulting.

We along with other market participants anticipate a rise in the default rate. However we feel as though the market has already priced in an assumed default rate that far exceeds historical norms. Investors should be concerned not only with the rate of default but the ultimate recoverability of the defaulted position.

While some managers may seek to control defaults by selling loans prior to default and not buying loans in default, Highland seeks to maximize total return. Highland will enter in negative positions based on the relative price of the asset versus our view of the underlying value not whether or not it's in default.

Historically loans on average have recovered more than 70% upon default and can have substantial value if priced correctly. While we do not intend to buy numerous defaulted or near defaulted assets into the trust, we will selectively do so if the relative value appears compelling. Regardless of how a defaulted

position arrives in the trust we seek to manage the defaulted investment to maximize total recovery of that position.

James O'Connell: Are any of the trust holdings in default?

Joe Dougherty: Yes. As of the latest quarterly filing the trust held 1.43% in defaulted positions.

James O'Connell: Can you provide us with an overview of how the trust is currently positioned?

Joe Dougherty: Yes. The trust is invested again in 92% loans with approximately 4% in second lien loans, 7% loans, and 1% equities. The weighted average days to reset on the loans portfolio was as noted earlier approximately 41 days.

James O'Connell: Final question from me Joe. What is your outlook for the coming months?

Joe Dougherty: When default rates have been at historical lows month after month the undistributed forward calendar remains large and the recession begins to take its toll on the U.S. corporate issuers. Eventually the market will turn and defaults can be expected to pick up.

That being said recent collateral and interest coverage levels suggest the corporate bank loan market is fundamentally solid. Highland doesn't anticipate that defaults will approach the levels priced in by the market today.

Although fundamentals would justify tighter spreads and higher prices than the current market would indicate, we believe the large undistributed forward calendar will keep new issue and average discount spreads wide by historical standards. Highland is seeing covenants, Libor floors, and higher spreads being added to deals that come up for amendments.

While this is a positive the forward calendar still needs to clear in our opinion. Highland's analysts see some good buying opportunities during 2008 as the forward calendar works down to a manageable size and the CLO market reopens who work as other buyers into the market adding support to it.

Once this occurs Highland expects some tightening of spread despite increasing default rates. Although Highland expects defaults to increase the current market correction could be viewed as a positive for the trust by creating some attractive buying opportunities.

James O'Connell: Okay thank you Joe. With that operator we'll open up the lines for Q&A.

Caller #1: Yes. What would it take to return the dividend to what it has been?

Joe Dougherty: I'll take a quick stab at that. As I think there's two ways to look at it. On the one hand there are assets out there in the market that can be bought with new capital at much wider spreads which is kind of the point we were trying to make about the buying opportunities.

The down side of that obviously is you've got a bunch of assets the funds already invested and other than when capital comes up for the fund to redeploy which obviously helps you increase the yield if you're buying at better spreads.

You'd either need Libor to come back or just a general improving in the market in other words as assets start to move back up on a selective basis for example if a loan that we're holding were to pay off or get a pay down or have some event that would drive the price up it would give us the ability to sell it and then redeploy that capital at the current slightly wider spreads.

Obviously that would allow both of those scenarios would help the distribution. But again all of those things take time. I don't know if (Mark) wants to add anything.

Mark Bradley: I think you really said it all. The fundamentally Libor needs to bounce back up again in order to get the earnings rates back to where they had been historically.

James O'Connell: Absent a fundamental or improvement in the market...

Caller #1: And what about the year end distributions? Too early to have any forecasts whether they'll be one or not?

Mark Bradley: Calendar year end it is very early. I would do you a disservice by trying to speculate at this point.

Caller #1: Fine. Once having lowered the dividend understandably it's not likely that it can return or that you could raise it within the next two, three months?

Mark Bradley: That is extremely unlikely. You stated it accurately. We, however, do not anticipate any further cuts. We do believe that we in determining this level of cut have done it in a way that this particular distribution level will remain sustainable.

Caller #2: Hi. Could you give us some additional commentary about what your study of all these credits are telling you about the broader economy and it's sluggishness or direction? Not really a prediction of the economy but what are the credits telling about where things are headed?

Mark Okada: This is Mark Okada. And I'll take a stab at that. We're definitely seeing a transition between a technical repricing to a fundamental repricing. The first movers are going to be people like, you know, restaurants and home builders, retailers where, you know, we are definitely seeing cash flows that are being strained and earnings that are going down.

And I think that's certainly being reflected. In addition, you know, the cost of capital within the financials, you know, industry if you look at what's happened with Citi and Goldman, etc., etc. that has an impact across the board for, you know, the companies that are issuers in our space.

So I think the first order of things that we're seeing from the credit crisis backing into our credit is we're definitely seeing these consumer product driven companies have issues and those that are tied to the housing market.

I think the next thing that we're going to see is spill over of really any sort of credits that have to borrow in here so that the markets are fairly shut or very expensive to those who need to access liquidity today. And that's going to impact I think the profitability of our portfolio.

That being said, you know, we're going into this correction in a different state of levers than we normally do. Usually as Joe I think pointed out earlier, you know, we get to a pricing like this when defaults are 6, 7, 8% and costs are under 1% right now.

So the portfolios are very healthy from a leverage standpoint and from an overall distress standpoint. And therefore the first movement here really isn't going to create a huge amount of defaults or distress in the portfolio. But you are still being paid very handsomely as if the whole world was melting down so.

We're very fundamentally driven here. We're very focused on the credit quality of our portfolio. I will tell you that as probably deteriorating on average across, you know, the U.S. capital market. But that being said you are being paid handsomely for the risk in the reduction of fundamental quality. And so we're very constructive on the portfolio.

Caller #2: Okay. So we're comfortable with the portfolio however we do see defaults picking up measurably.

Mark Okada: Yes our internal projection is something between 4 and 5% of defaults by the end of the year. But you're seeing things that – and the first order of defaults will be things that probably shouldn't have never gotten done. Linens and Things filed for bankruptcy the other day. I'm not sure if you saw that.

That was a tough deal. We kind of avoided it going in and there were a lot of transactions that were done in '07 especially where our turn down rate of that calendar was two times the normal turn down rate.

So we saw a lot of transactions we didn't like. We thought were too levered or had business plans that were too sketchy. And those will be the first things that default. And that's what's going to populate that first 5%. And then it's really a function of what the economy does after that.

Caller #2: Thank you very much.

Mark Okada: Sure.

Caller #3: Hi. I have two questions. What's your portfolio turnover over year? And do you participate in the second loan market as well? Thank you.

Joe Dougherty: This is Joe. Yes as we mentioned in the Q&A the fund is as of March 31 just sitting at about 4% second lien. So we do buy them but on a very limited basis. We've really got to enjoy the by credit before we'll buy into it.

We've got to possibly Pioneer might have the monitored, the turnover ratio. We actually don't monitor that here. We're more interested in just buying and selling credits that we like or don't like.

Mark Bradley: As the turnover ratio I honestly can't tell you what that is off the top of my head. It's not particularly high.

James O'Connell: You can find that in the trust annual report though which we send out and semi-annual report.

James O'Connell: I want to thank everyone at Highland. We appreciate your answers to today's questions. I want to thank my colleagues, Gabe Altbach and Mark Bradley for their updates. And if anyone has any questions or would like to hear a replay of this conference call you can access that at 800-642-1687. Thank you very much.

Operator: This concludes today's conference call. You may disconnect.

END

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.

Investments in high yield or lower-rated securities are subject to greater than average risk. The Fund may invest in securities of issuers that are in default or that are in bankruptcy. When interest rates rise, the prices of fixed-income securities in the Fund will generally fall. Conversely, when interest rates fall the prices of fixed income securities in the Fund will generally rise. The floating rate feature of the Fund means that the Fund will not experience capital appreciation in a declining interest rate environment. 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 invest in derivative securities, which may include futures and options. These types of instruments can increase price fluctuation.

The Fund is not limited in the percentage of its assets that may be invested in Senior Loans and other securities deemed to be illiquid. Illiquid securities may be difficult to dispose of at a fair price at the times when the trust believes it is desirable to do so and their market price is generally more volatile than that of more liquid securities. Illiquid securities are also more difficult to value and investment of the Fund's assets in illiquid securities may restrict the Fund's ability to take advantage of market opportunities.

The Fund may use leverage through the issuance of preferred shares with an aggregate liquidation preference of up to 33 1/3% of the Fund's total assets after issuance. Leverage create significant risks, including the risk that the Fund's income or capital appreciation will not be sufficient to cover the cost of leverage, which may adversely affect the return for the holders of the common shares.

The Fund is not diversified, which means that it can invest a higher percentage of its assets in any one issuer than a diversified fund. Being non-diversified may magnify the Fund's losses from adverse events affecting a particular issuer.

Pioneer Floating Rate Trust (PHD) Average Annual Total Returns
Through March 31, 2008

	Market Price	Net Asset Value
1-Year	-19.40%	-15.14%
3-Year	0.83%	1.17%
Since Inception (12/23/04)	-1.58%	1.46%

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.