

TRANSAMERICA HIGH YIELD BOND

A | IHYX | 06/14/1985 C | INCLX | 11/11/2002 I | TDHIX | 11/30/2009

INVESTMENT OBJECTIVE

The fund seeks a high level of current income by investing in high-yield debt securities.

KEY FACTS

| | |
|-----------------------------|---|
| Investment Manager | Transamerica Asset Management, Inc. (TAM) |
| Morningstar Category | High Yield Bond |
| Lipper Category | High Yield |
| Dividend Frequency | Monthly |
| Primary Benchmark | Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index |

SUB-ADVISER



USA Investment Management, LLC

Aegon USA Investment Management, LLC (AUIM)

PORTFOLIO MANAGERS

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MACROECONOMIC OVERVIEW

After a weak and volatile finish to 2018, the tone reversed in 2019 to a risk-on mode as high yield posted a record first quarter return. An improving equity market, spurred by the U.S. Federal Reserve's (Fed) dovish stance and renewed optimism that China and the U.S. will come to terms on a new trade deal, improved market sentiment and sharply tightened high yield bond spreads. Trepidation of a global economic slowdown was at the forefront going into earnings season this quarter, however the high yield market generally surprised to the upside with solid results. Overall, corporate fundamentals remain healthy and supportive of the high yield market. The high yield market led the risk-on rally for fixed income this quarter as the Bloomberg Barclays US Corporate High Yield index returned 7.26%. All high yield rating categories performed well with remarkably tight dispersion; BBs and Bs returned 7.21% and CCC-rated bonds generated a 7.15% total return. On a risk-adjusted basis, CCCs vastly underperformed BBs given the bullish environment; this peculiar performance can be attributed to BBs having more interest rate sensitivity by nature and a flight to quality within high yield due to end-of-cycle concerns. With the generally positive tone this quarter, outflows reversed to inflows of \$12.2 billion in the first quarter resulting in favorable technicals for the high yield market. Conversely, the leveraged loan market experienced \$10.2 billion in outflows as the asset class faced negative sentiment caused by the dovish Fed stance and demand for duration, not floating-rate instruments. As a result, supply has followed demand; issuers have started to turn away from the leveraged loan market in favor of secured bonds.

FUND OVERVIEW

Transamerica High Yield Bond's performance this quarter was primarily driven by subpar security selection decisions. By ratings, selection within CCCs and below weighed the most on relative performance. However, the bond picking within Bs and BBs was strong. By sub-sector, the largest contributors included holdings in consumer non-cyclical, technology and consumer cyclical companies. The largest detractors by sub-sector included capital goods, energy and electric companies.

OUTLOOK

While the high yield market has gotten off to a tremendous start in 2019, AUIM believes many of the underlying trends will endure, allowing them to remain constructive on the market in the intermediate term. Actions of the Fed over the previous quarter, and culminating with the March meeting, have led to a more stable interest rate environment which mitigates the uncertainty of higher rates in the near term. AUIM also expects the technical and fundamental landscape will remain supportive going forward. Fundamentals remain solid as most issuers' earnings have been strong and most high yield companies have not aggressively added leverage to their balance sheets, which should result in another year of below average defaults. However, AUIM is cognizant of the potential macro headwinds that could impact the high yield market including concerns related to slowing global growth, uncertainty surrounding the U.S./China trade deal and ambiguity related to Brexit. Against this backdrop, AUIM anticipates additional volatility in the event of a negative surprise.

All opinions, estimates, projections and security selections contained herein are those of the sub-adviser. It does not constitute investment advice and should not be used as a basis for any investment decision.

TRANSAMERICA HIGH YIELD BOND

as of 03/31/2019

FEES (%)

| | A | C | I |
|---------------------|------|------|------|
| Gross Expense Ratio | 1.08 | 1.75 | 0.74 |
| Net Expense Ratio | 1.08 | 1.75 | 0.74 |

The Max Sales Charge for Class A shares is 4.75%. There are no sales charges for Class I. Class I shares are primarily offered for investment to institutional investors including, but not limited to, fee-based programs, pension plans, and certain endowment plans and foundations. The minimum investment for Class I shares is \$1,000,000 per fund account, but will be waived for certain investors. Performance figures reflect any fee waivers and/or expense reimbursements by the Investment Manager. Without such waivers and/or reimbursements, the performance would be lower. Future waivers and/or reimbursements are at the discretion of the Investment Manager. Contractual arrangements, if any, have been made with Transamerica Asset Management, Inc. through 03/01/2020.

AVERAGE ANNUAL TOTAL RETURNS (%)

| | 3M | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Inception |
|---|------|------|-------|------|------|-------|-----------|
| Class A (at NAV) | 7.01 | 7.01 | 4.95 | 7.43 | 4.01 | 10.62 | 7.78 |
| Class I (at NAV) | 6.93 | 6.93 | 5.12 | 7.68 | 4.24 | - | 7.29 |
| Class A (at POP) | 1.97 | 1.97 | -0.03 | 5.72 | 2.99 | 10.08 | 7.62 |
| Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index | 7.26 | 7.26 | 5.93 | 8.56 | 4.69 | 11.21 | - |

The data shown represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Please see transamerica.com for performance data current to the most recent month-end. The investment return and principal value of mutual funds will fluctuate over time so that shares, when redeemed, may be worth more or less than their original cost. Net asset value (NAV) returns include reinvestment of dividends and capital gains but do not reflect the deduction of any sales charges. If a sales charge had been deducted, the results would have been lower. Public offering price (POP) returns include reinvestment of dividends and capital gains and reflect the maximum sales charge. Performance for other share classes will vary.

TOP 10 HOLDINGS (%)

| | |
|---|-------------|
| GMAC Capital Trust I, Series 2, 8.46% | 1.06 |
| Associated Materials LLC / AMH New Finance, Inc., 9.00%, due 01/01/2024 | 0.91 |
| Scientific Games International, Inc., 10.00%, due 12/01/2022 | 0.90 |
| DISH DBS Corp., 7.75%, due 07/01/2026 | 0.83 |
| Dana Financing Luxembourg Sarl, 5.75%, due 04/15/2025 | 0.78 |
| Bausch Health Cos., Inc., 5.87%, due 05/15/2023 | 0.75 |
| Iron Mountain, Inc., 5.25%, due 03/15/2028 | 0.69 |
| HCA, Inc., 5.87%, due 02/15/2026 | 0.66 |
| Meritor, Inc., 6.25%, due 02/15/2024 | 0.66 |
| United Rentals North America, Inc., 5.50%, due 07/15/2025 | 0.65 |
| Total | 7.89 |

Holdings are subject to change and are not recommendations to buy or sell a security. Holdings display excludes net other assets (liabilities).

MATURITY (%)

| | |
|--------------------------------|-------|
| 0-1 Year | 1.41 |
| 1-3 Years | 12.55 |
| 3-5 Years | 26.59 |
| 5-10 Years | 48.32 |
| 10-20 Years | 1.43 |
| 20+ Years | 4.02 |
| Net Other Assets (Liabilities) | 3.84 |

The Net Other Assets (Liabilities) category may include, but is not limited to, repurchase agreements, reverse repurchase agreements, security lending collateral, forward foreign currency contracts, and cash collateral.

The Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index is an unmanaged index used as a general measure of market performance. It is not possible to invest directly into an index. Calculations assume dividends and capital gains are reinvested and do not include any managerial expenses.

Interest rates may go up, causing the value of the Fund's investments to decline. Changes, in interest rates, the market's perception of the issuers and the creditworthiness of the issuers may significantly affect the value of a bond. Investing in high-yield bond funds (junk bonds) may be subject to greater volatility and risks as the income derived from these securities is not guaranteed and may be unpredictable and the value of these securities tends to decline when interest rates increase.

Shares may be sold (or "redeemed") on any day the New York Stock Exchange is open for business. Proceeds from the redemption of shares will usually be sent to the redeeming shareholder within three business days after receipt in good order of a request for redemption. However, Transamerica Funds has the right to take up to seven days to pay redemption proceeds, and may postpone payment under certain circumstances, as authorized by law.

Mutual funds are subject to market risk, including loss of principal. Past performance is not indicative of future results.

Mutual Funds are sold by prospectus. Before investing, consider the funds' investment objectives, risks, charges, and expenses. This and other important information is contained in the prospectus. Please go to www.transamerica.com or contact your financial professional to obtain a prospectus or, if available, a summary prospectus containing this information. Please read it carefully before investing.

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