

Transamerica High Yield Muni

Class A THAYX | Class I THYIX

Investment Objective

The fund seeks to maximize total return through investment in medium- and lower-grade municipal securities that are exempt from federal income tax.

Sub-adviser

Belle Haven Investments, L.P. (Belle Haven)



Portfolio Manager

Matthew Dalton

Product Profile

An actively managed strategy that seeks to identify inefficiencies in the municipal bond market with the goal of maximizing total return by investing primarily in medium-to-lower-grade fixed income securities

- ➔ Opportunistic and tactical management within municipal bond market
- ➔ Focus on achieving total return
- ➔ Tax-advantaged income

Fund Facts

Inception Date (A-I)	07/31/13 - 07/31/13
Benchmark Index	Bloomberg Barclays High Yield Municipal Bond Index
Morningstar Category	High Yield Muni
Lipper Category	High Yield Municipal Debt
Dividend Frequency	Monthly

Market Overview

Transamerica High Yield Muni Fund's flows were positive in the second quarter of 2017, though fund flows turned negative in the final week of June. The fund's flows were also strong in June, averaging inflows of \$250 million a week. Muni issuance was up 8% month-over-month from May, but down nearly 20% since the same time last year. Illinois was one of the worst-performing states this quarter, not surprisingly after the downgrade in early June and recurrent negative headlines regarding its budget woes. After the June Federal Open Market Committee meeting, the U.S. Federal Reserve (Fed) raised interest rates by a quarter-point for the second time this year. With additional positive U.S. economic data after the Fed's announcement, we saw a sell-off in munis towards the end of the month.

Fund Overview

The fund outperformed Bloomberg Barclays High Yield Municipal Bond Index in the month of June. Despite outperforming in the second quarter of the year, the fund lags the index year to date. The fund's under-exposure in tobacco relative to the index (10.78% versus 22.22%) contributed to its outperformance this month, as tobacco was one of the worst-performing sectors. The index carried over two years of excess duration over the fund, which also contributed to the fund's outperformance this month, as longer-dated bonds lagged short- and intermediate-term bonds.

Outlook

Despite weak inflation data, the Fed moved forward with their decision to raise rates, which did not come as a surprise to a majority of the market. The disparity between the data and Fed speak has the market standing on weak knees, and many are unsure of when the next rate hike will be this year, if another one even happens in 2017. In the near- and intermediate-term, munis are positioned to outperform based on current supply and demand technicals. Supply is expected to decrease over the next month, and with July being the second largest month of reinvestment for the year, demand should quench supply. In the high yield space, it has been somewhat difficult to source good opportunities as of late, outside of tobacco, Puerto Rico, and healthcare. Charter schools has been, and will continue to be an area of focus as the sector continues to grow in supply.

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 decisions.

The performance data presented 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.

This material was prepared for general distribution. It is being provided for informational purposes only and should not be viewed as an investment recommendation. If you need advice regarding your particular investment needs, contact your financial professional.

Transamerica High Yield Muni

Class A THAYX | Class I THYIX

Top 10 Holdings

	% of Holdings
New York Counties Tobacco Trust VI, Series C, 3.75%, due 06/01/2045	3.28
Housing Development Corp., Series C1A, 3.45%, due 05/01/2050	2.56
City of Port St. Lucie, 3.25%, due 07/01/2045	2.34
County of Scioto, 3.50%, due 02/15/2038	2.00
Western Illinois Economic Development Authority, 4.00%, due 06/01/2036	1.56
East Chicago Sanitary District, 4.00%, due 07/15/2031	1.54
City of Minneapolis, Series A, 4.00%, due 07/01/2026	1.49
Western Illinois Economic Development Authority, 4.00%, due 06/01/2033	1.43
California Statewide Communities Development Authority, 5.00%, due 11/01/2048	1.36
Sutter Butte Flood Agency, BAM, 3.50%, due 10/01/2030	1.29
Percentage of total portfolio	18.85

Holdings are subject to change and are not recommendations to buy or sell a security.

Holdings excludes net other assets (liabilities).

Fixed Income Statistics

Average Price	\$102.21
Average Maturity	10.00 years
Average Duration	7.14 years

Source: Belle Haven

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 of 3.25%. Performance for other share classes will vary.

The gross expense ratios for this fund are 1.01% and 0.79% for Class A and Class I shares, respectively. The net expense ratios for this fund are 0.88% and 0.76% for Class A and Class I shares, respectively. Contractual arrangements have been made with the fund's investment manager, Transamerica Asset Management, Inc. (TAM), through March 1, 2018.

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.

The Bloomberg Barclays High Yield Municipal Bond Index (BB High Yield Municipal 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.

Municipal bond prices can rise or fall depending on interest rates. Interest rates may go up, causing the value of the fund's investments to decline. All municipal bonds carry credit risk that the issuer will default or be unable to make timely payments of interest and principal. Generally, lower rated bonds carry more credit risk. High-yield bond (junk bonds) funds 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 increases. The fund is classified as "non-diversified," which means it may invest a larger percentage of its assets in a smaller number of issuers than a diversified fund. To the extent the fund invests its assets in fewer issuers, the fund will be more susceptible to negative events.

Before investing, consider the fund's investment objective, risks, charges, and expenses. Contact your financial professional or go to transamerica.com for a prospectus and/or summary prospectus with this information. Read it carefully.

Transamerica Funds are advised by Transamerica Asset Management, Inc. and distributed by Transamerica Capital, Inc.

MQCHYM0717

Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr	10 Yr	Inception*
Class A (at NAV)	3.40	5.73	-1.20	5.85	N/A	N/A	8.26
Class A (at POP)	0.00	2.29	-4.42	4.70	N/A	N/A	7.34
Class I (at NAV)	3.43	5.89	-0.96	6.06	N/A	N/A	8.48
BB High Yield Municipal Index	1.99	6.13	1.22	5.62	N/A	N/A	-

* Average Annual Total Return

Calendar Year Performance (%)

	2016	2015	2014	2013	2012	2011	2010
Class A (at NAV)	-0.60	6.40	17.23	N/A	N/A	N/A	N/A
Class I (at NAV)	-0.45	6.54	17.49	N/A	N/A	N/A	N/A
BB High Yield Municipal Index	2.99	1.81	13.85	N/A	N/A	N/A	N/A

Class I shares are primarily offered for investment to institutional investors including, but not limited to, fee-based programs, qualified retirement plans, certain endowment plans and foundations and Directors, Trustees and employees of the funds' affiliates.

Risk Measures

3 years

	Portfolio
Alpha	1.56
Beta	0.75
R-Squared	69.30
Standard Deviation	5.13

*Risk measures are in comparison to the fund's primary benchmark unless otherwise indicated. Based on Class A shares at NAV for the 3-year period.

Alpha is a coefficient measuring the portion of a fund's return arising from specific (non-market) risk. Historical **Beta** illustrates a fund's sensitivity to price movements in relation to a benchmark index. **R-Squared** is a statistical measure that represents the percentage of a fund's movements that can be explained by movements in a benchmark index. **Standard Deviation** is a statistical measurement that helps to gauge the fund's historical volatility.

Average Maturity is computed by weighting the maturity of each security in the portfolio by the market value of the security, then averaging these weighted figures.

Average Duration is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder.