

# Transamerica Strategic High Income

Class A TASHX | Class I TSHIX

## Investment Objective

The fund seeks current income while providing long-term capital appreciation.

## Sub-adviser

Thompson, Siegel & Walmsley LLC (TSW)

T | S | W

## Portfolio Managers

William M. Bellamy, CFA

## Product Profile

The fund deploys an active strategy that seeks to invest in a range of securities, including U.S. stocks, preferred stocks, and income producing credit securities

- ➔ Securities selected through a bottom-up, fundamental investment approach
- ➔ Debt holdings primarily consist of high yield bonds
- ➔ May invest up to 25% of its assets in foreign securities

## Fund Facts

Inception Date (A-I)	03/01/14 - 03/01/14
Benchmark Index	S&P 500®, Transamerica Strategic High Income Blended Benchmark
Morningstar Category	Allocation—30% to 50% Equity
Lipper Category	Flexible Portfolio
Dividend Frequency	Quarterly

**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.**

## Macroeconomic Overview

The equity markets experienced very clear sector rotations with the largest being out of energy and telecom into health care and industrials. Additionally, the fund saw a large divergence in the consumer discretionary space with e-commerce retailers outperforming while more traditional brick and mortar entities underperformed. The bond market was relatively uneventful. However, the market began to price in the prospect of tighter Federal Reserve (Fed) policy. As a result, the yield curve flattened with intermediate and long rates declining while short term rates continued to rise with the increase in the Fed Funds rate. From an economic standpoint, unemployment continues to decline without substantial wage increases and core inflation remains stubbornly below 2.0%. While the Transamerica Strategic High Income's high yield portfolio is meaningfully less interest rate sensitive than investment grade bonds, TSW is closely watching the Fed and what effect their policies will have on the economy and inflation.

## Fund Overview

Transamerica Strategic High Income underperformed the S&P 500® during the second quarter of 2017, but achieved the stated income objective within a diversified portfolio. Within equities, the largest detractor came from security selection within the technology sector. Specifically, Intel Corp. (1.68% as of 6/30/2017) and Cisco Systems, Inc. (1.99% as of 6/30/2017) detracted from performance as Intel's competition in data centers increased, while Cisco Systems, Inc. issued weak guidance. While the fund has limited exposure to U.S. retail, Foot Locker, Inc. (0.36% as of 6/30/2017) was the fund's worst performing security for the quarter. Much of this underperformance was offset by the rebound in two salmon fisheries, Marine Harvest ASA (1.54% as of 6/30/2017) and Austevoll Seafood ASA (0.49% as of 6/30/2017), and the limited exposure to energy stocks. The high yield bond allocation modestly weighed on performance as the asset class did not keep pace with equities. Preferred stocks modestly improved absolute and relative performance as the preferred stocks performed slightly better than the benchmark S&P 500®.

## Outlook

TSW expects moderate returns in both equities and credit in 2017 with equities outperforming credit. Outside of the energy, basic materials, and retail sectors, balance sheets remain quite strong. The fund is invested in a diversified mix of high yield, preferred and common equity securities in companies with strong cash flows and solid balance sheets. TSW continues to look for opportunities to increase portfolio quality without sacrificing yield. The importance of security selection during these times increases and tends to favor fundamental managers versus passive strategies.

## Contributors\*

Leading Contributors	Weight (%)	Return (%)	Contribution (%)
Wells Fargo & Co.	1.34	30.47	0.41
MetLife, Inc.	1.33	22.32	0.38
Prudential Financial, Inc.	1.38	28.35	0.37

## Detractors\*

Leading Detractors	Weight (%)	Return (%)	Contribution (%)
Wal-Mart de Mexico SAB de CV	0.75	-15.44	-0.43
Las Vegas Sands Corp.	0.91	-11.28	-0.34
National Grid PLC, ADR	1.13	-16.64	-0.29

\*Source: Morningstar Direct

**Not insured by FDIC or any federal government agency. May lose value.  
Not a deposit of or guaranteed by any bank, bank affiliate, or credit union.**

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## Top 10 Holdings

	% of Holdings
Starwood Property Trust, Inc., REIT	2.75
Microsoft Corp.	2.65
Macquarie Infrastructure Corp.	2.35
AbbVie, Inc., Class G	2.35
Las Vegas Sands Corp.	2.30
Wal-Mart de Mexico SAB de CV	2.29
Blackstone Mortgage Trust, Inc., Class A, REIT	2.28
Apple, Inc.	2.23
Cisco Systems, Inc.	1.99
Intel Corp.	1.68
Percentage of total portfolio	22.87

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

## Equity Statistics

Median Market Cap	<b>\$79.32 (B)</b>
Weighted Average Market Cap	<b>\$181.00 (B)</b>

**B** = Billions

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.**

**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 5.50%. Performance for other share classes will vary.**

**The gross expense ratios for this fund are 1.21% and 1.01% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.20% and 0.95% 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 S&P 500® and the Transamerica Strategic High Income Blended Benchmark (60% S&P 500® and 40% BofA Merrill Lynch U.S. High Yield BB-B Rated Constrained Index) are unmanaged indices used as general measures 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.

The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. If the market prices of the equity securities owned by the fund fall, the value of the fund will decline. Fixed income investing is subject to credit risk, inflation risk, and interest rate risk. Investing in high-yield securities 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. Preferred stock tends to vary more with fluctuations in the underlying common stock and less with fluctuations in interest rates and tends to exhibit greater volatility.

**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.

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## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception*
Class A (at NAV)	2.13	6.06	11.84	4.87	N/A	N/A	5.93
Class A (at POP)	-3.47	0.27	5.71	2.90	N/A	N/A	4.15
Class I (at NAV)	2.22	6.19	12.16	5.11	N/A	N/A	6.17
S&P 500®	3.09	9.34	17.90	9.61	N/A	N/A	-
Transamerica Strategic High Income Blended Benchmark	2.74	7.41	15.20	7.64	N/A	N/A	-

\* Average Annual Total Return

## Calendar Year Performance (%)

	2016	2015	2014	2013	2012	2011	2010
Class A (at NAV)	9.11	-0.81	N/A	N/A	N/A	N/A	N/A
Class I (at NAV)	9.42	-0.66	N/A	N/A	N/A	N/A	N/A
S&P 500®	11.96	1.38	N/A	N/A	N/A	N/A	N/A
Transamerica Strategic High Income Blended Benchmark	13.14	-0.20	N/A	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 Characteristics\*

3 years

	Portfolio
Alpha	-0.84
Beta	0.74
R-Squared	94.00
Standard Deviation	6.01

\*Risk measures are in comparison to the fund's blended 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.