

Transamerica Asset Allocation - Conservative Portfolio

Class A ICLAX | Class I TACIX

Investment Objective

The fund seeks current income and preservation of capital.

Sub-adviser

Morningstar Investment Management LLC (Morningstar)



Portfolio Managers

Dan McNeela, CFA
Michael Stout, CFA
John McLaughlin, CFA

Product Profile

A comprehensive investment solution designed to help you achieve your tomorrows

- ➔ Broad diversification in one long-term investment
- ➔ Active management with more than twenty unique investment managers
- ➔ Daily portfolio management and oversight by Morningstar Investment Management investment professionals

Fund Facts

Inception Date (A-I)	03/01/02 - 11/30/09
Benchmark Index	Bloomberg Barclays US Aggregate Bond Index, Wilshire 5000 Total Market Index, Transamerica Asset Allocation - Conservative Portfolio Blended Benchmark
Morningstar Category	Allocation--30% to 50% Equity
Lipper Category	Mixed-Asset Target Allocation Conservative
Dividend Frequency	Quarterly

Macroeconomic Overview

Stocks were a big winner in 2017. Including a 6.6% fourth-quarter gain, the S&P 500® recorded a 21.8% return for 2017. That marked its ninth consecutive annual increase. The year started on a strong note, with business confidence rising on hopes of lower taxes and less regulation from a Trump administration. Improving global economic growth and a declining U.S. dollar provided additional fuel for U.S. corporate earnings. Growth-oriented technology stocks delivered the biggest returns, but participation was broad, with financials, health care, industrials, and consumer cyclicals all rising sharply. Energy was the only sector to be left out, as oil prices retreated for part of the year. Although U.S. stocks led in the fourth quarter, international stocks outperformed for the full year, with the MSCI EAFE Index gaining 25.0% (4.2% in Q4). Emerging markets were particularly strong; the MSCI Emerging Markets Index rose 7.4% in the fourth quarter, capping a 37.3% year. Bonds were flatter in Q4, but decent for the year despite the U.S. Federal Reserve (Fed) raising interest rates three times and reducing its bond holdings. The Bloomberg Barclays US Aggregate Bond Index returned 3.5% in 2017 (0.4% in Q4). The strong global economy helped corporate bonds and emerging-markets debt, rewarding investors willing to take risk.

Fund Overview

In 2017's fourth quarter, Transamerica Asset Allocation—Conservative Portfolio Class A Share's 1.90% return came in a little under the 2.32% return of the blended benchmark. The fund was moderately underweight the neutral 35% equity target owing to what management deemed high valuations in the U.S., and that hindered returns as stocks rose even further during the quarter. Helping returns were overweights to emerging markets on both the equity and bond side of the fund, exposure to foreign small-cap stocks, and an underweight to global real estate. The performance of the underlying funds was a mild detractor in the fourth quarter. Most of the bond funds delivered competitive returns relative to their asset classes, as did the U.S. large-cap growth funds and the international small-cap funds. The absolute-return funds performed better than bonds on the whole. But some funds in the U.S. mid- and small-cap area, as well as the two emerging-markets equity funds, lagged relative to their asset classes. For the full year, underlying fund performance was a positive contributor in Morningstar's analysis.

Outlook

Morningstar considers U.S. stocks to be trading expensively following nine consecutive quarterly gains in the S&P 500®, and its near-49% gain since September 30, 2015. Morningstar is therefore moderately underweighting equity. Specifically, U.S. equity is meaningfully underweight while international equity is overweight but by a lesser amount, resulting in an aggregate equity weight of 33.3% versus the blended benchmark's 35% target. Most bonds also trade expensively amid the low-rate environment. To help guard against rising interest rates, Morningstar is maintaining a below-benchmark bond portfolio duration, favoring floating-rate bank loans in the credit-sensitive sleeve, and substituting absolute-return funds for a portion of the bond exposure.

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Risk Measures 3 Years

	Portfolio
Alpha	-0.58
Beta	1.05
Information Ratio	-0.33
R-Squared	92.90
Sharpe Ratio	1.09
Standard Deviation	4.10
Tracking Error	1.10

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. **Information Ratio** is a ratio of portfolio returns above those of a benchmark compared to the volatility of those returns. **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. **Sharpe Ratio** is a risk-adjusted measure calculated by using standard deviation and excess return to determine reward per unit of risk. **Standard Deviation** is a statistical measurement that helps to gauge the fund's historical volatility. **Tracking Error** is the difference between the price behavior of a fund and the price behavior of a benchmark.

Fixed Income Statistics

Average Price	\$101.41
Average Maturity	4.31 years
Average Duration	4.39 years

Source: Morningstar Investment Management LLC
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.

Equity Statistics

Median Market Cap	\$12.22 (B)
Weighted Average Market Cap	\$106.00 (B)

B = Billions

Top 10 Holdings

Fund Name	Sub-Adviser	% of Holdings
Transamerica Total Return	Pacific Investment Management Company LLC	14.68
Transamerica Core Bond	J.P. Morgan Investment Management Inc.	11.65
Transamerica Intermediate Bond	Aegon USA Investment Management, LLC	8.74
Transamerica Short-Term Bond	Aegon USA Investment Management, LLC	5.96
Transamerica Bond	Loomis, Sayles & Company, L.P.	5.49
Transamerica International Equity	Thompson, Siegel & Walmsley LLC	5.10
Transamerica Floating Rate	Aegon USA Investment Management, LLC	4.62
Transamerica Inflation Opportunities	PineBridge Investments LLC	4.23
Transamerica Developing Markets Equity	OppenheimerFunds, Inc.	4.10
Transamerica Dividend Focused	Barrow, Hanley, Mewhinney & Strauss, LLC	4.08
Percentage of total portfolio		68.65

Each portfolio allocates its assets among Class I2 shares of various underlying funds of Transamerica Funds. Not all classes are available to investors. Holdings are subject to change and are not recommendations to buy or sell a security. Holdings excludes net other assets (liabilities).

Weightings vs Targets (%)

	Target	Underweight	Within Target Range	Overweight
Large Cap Stocks	14.0	11.3	–	–
Small/Mid Cap Stocks	6.5	4.2	–	–
Foreign Developed Stocks	6.5	–	–	10.9
Foreign Emerging Markets Stocks	2.0	–	–	5.3
Investment-Grade Domestic Bonds	31.0	–	–	41.3
Inflation Adjusted Bonds	7.0	–	–	2.4
High Yield Bonds	4.0	–	6.3	–
Short-Term Bonds (including cash)	15.0	4.4	–	–
Foreign Developed Bonds	6.0	0.3	–	–
Foreign Emerging Markets Bonds	3.0	–	–	7.0
Real Estate	3.0	0.5	–	–
Alternatives*	2.0	–	–	5.7
Other**	–	–	0.4	–

*Alternatives include long/short, global-macro, managed futures, and commodity strategies.

**May include unclassified securities such as derivatives and private/restricted equity.

Weightings are subject to change without notice.

Source: Morningstar Investment Management LLC

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Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr*	10 Yr*	Inception*
Class A (at NAV)	1.90	9.86	9.86	4.86	5.41	4.32	5.48
Class A (at POP)	-3.70	3.80	3.80	2.91	4.22	3.74	5.11
Class I (at NAV)	1.95	10.16	10.16	5.08	5.68	N/A	6.12
Bloomberg Barclays US Aggregate Bond Index	0.39	3.54	3.54	2.24	2.10	4.01	–
Wilshire 5000 Total Market Index	6.37	20.99	20.99	10.91	15.43	8.63	–
Asset Alloc. - Conservative Blended Benchmark	2.32	10.00	10.00	5.22	6.14	5.28	–

* Average Annual Total Return

Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	9.86	5.51	-0.53	4.18	8.35	9.58	0.11
Class I (at NAV)	10.16	5.62	-0.29	4.54	8.69	9.98	0.43
Bloomberg Barclays US Aggregate Bond Index	3.54	2.65	0.55	5.97	-2.02	4.22	7.84
Wilshire 5000 Total Market Index	20.99	13.03	-0.23	12.10	33.98	16.11	0.60
Asset Alloc. - Conservative Blended Benchmark	10.00	4.97	0.90	6.83	8.27	8.60	4.64

There are no sales charges on 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.

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 1.22%, and 1.00% for Class A, and I shares, respectively. The net expense ratios for this fund are 1.22%, and 1.00% for Class A, and I shares respectively. Contractual arrangements have been made with the fund's investment manager, Transamerica Asset Management, Inc. (TAM), through March 1, 2018.

The fund's adviser, Transamerica Asset Management, Inc. (TAM) has chosen Morningstar Investment Management LLC, a registered investment advisor and wholly owned subsidiary of Morningstar, Inc., to serve as portfolio construction manager to the Transamerica Asset Allocation Portfolios. Morningstar is not acting in the capacity of an advisor to individual investors. Morningstar is not affiliated with Transamerica or its affiliates. The Morningstar name and logo are registered marks of Morningstar, Inc. All other marks are the property of their respective owners.

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.

Wilshire 5000 Total Market Index, Bloomberg Barclays US Aggregate Bond Index (BBAB), and Transamerica Asset Allocation - Conservative Blended Benchmark (Asset Alloc. - Conservative Blended Benchmark) (65% BBAB, 25% S&P 500®, and 10% MSCI Europe, Australasia and Far East 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.

Asset allocation, like many investment strategies, offers no guarantee of positive returns, and mutual funds are subject to market risk, including loss of principal. Global/international stock funds and specialty/sector funds are subject to additional market risks. Fees associated with a fund-of-funds may be higher than with other funds. An investment in the fund is subject to the risks associated with the underlying funds including fixed income investing which is subject to credit risk, inflation risk, and interest rate risk. Investments in small- and medium-sized companies present additional risks such as increased volatility because their earnings are less predictable, their share price more volatile, and their securities less liquid than larger or more established companies.

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