

# 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

John McLaughlin, CFA  
Dan McNeela, CFA  
Michael Stout, 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

Modest first-quarter losses for the major equity indexes masked plenty of intra-quarter volatility. The quarter started off well, with the S&P 500® posting a 5.7% gain in January (its 15th consecutive monthly gain). But as the quarter progressed, rising interest rates, escalating trade tension between the U.S. and China, and the prospect of new regulation for social-media companies all served to derail the market's climb. The S&P 500® fell in February and March, erasing its January gain and leaving it with a 0.8% loss for the quarter as a whole. International stock markets followed a similar pattern, with the MSCI EAFE Index posting a 1.5% quarterly loss. The MSCI Emerging Markets Index salvaged a 1.4% gain, thanks to its 8.3% rise in January. Bond markets were also volatile. In March the U.S. Federal Reserve raised interest rates again after three hikes in 2017. Higher short-term rates, together with concerns about wage inflation and budget deficits, pushed the 10-year U.S. Treasury note yield to 2.74% at quarter-end from 2.40% three months prior. As a result, the Bloomberg Barclays US Aggregate Bond Index lost 1.5% in the quarter.

## Fund Overview

In 2018's first quarter, Transamerica Asset Allocation—Conservative's -0.52% loss after expenses were smaller than the -1.21% loss of the blended benchmark. Owing to high equity valuations, Morningstar was maintaining a modest equity underweight relative to the neutral 35% target entering the quarter, and further reduced equity around the beginning of February just ahead of the February-March downturn in global equity markets. Also helping returns was an overweight to emerging-markets equity, which outperformed the broader equity markets during the quarter. Meanwhile a small position in absolute-return funds outperformed both the equity and bond markets in Q1. Performance of the underlying funds in the portfolio was also a positive contributor on the whole. Performance among the bond funds was mixed. But three of the four large-cap growth equity funds outpaced their style-specific benchmarks, and both of the emerging-markets equity funds beat their benchmarks.

## Outlook

Morningstar still consider U.S. stocks to be trading expensively. Morningstar is therefore moderately underweighting equity. Specifically, U.S. equity is underweight while international equity is overweight but by a lesser amount, resulting in an aggregate equity weight of about 30% of assets as of March 31, 2018. 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

Alpha	<b>-0.37</b>
Beta	<b>1.03</b>
Information Ratio	<b>-0.23</b>
R-Squared	<b>93.70</b>
Sharpe Ratio	<b>0.79</b>
Standard Deviation	<b>4.30</b>
Tracking Error	<b>1.08</b>

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.

## Equity Statistics

Median Market Cap	<b>\$11.79 (B)</b>
Weighted Average Market Cap	<b>\$112.00 (B)</b>

**B** = Billions

## Top 10 Holdings

Fund Name	Sub-Adviser	% of Holdings
Transamerica Total Return	Pacific Investment Management Company LLC	15.44
Transamerica Core Bond	J.P. Morgan Investment Management Inc.	12.34
Transamerica Intermediate Bond	Aegon USA Investment Management, LLC	9.20
Transamerica Short-Term Bond	Aegon USA Investment Management, LLC	6.22
Transamerica Bond	Loomis, Sayles & Company, L.P.	5.57
Transamerica Floating Rate	Aegon USA Investment Management, LLC	4.79
Transamerica Emerging Markets Debt	Logan Circle Partners, LP	4.30
Transamerica Inflation Opportunities	PineBridge Investments LLC	4.30
Transamerica International Equity	Thompson, Siegel & Walmsley LLC	4.17
Transamerica Dividend Focused	Barrow, Hanley, Mewhinney & Strauss, LLC	4.12
<b>Percentage of total portfolio</b>		<b>70.45</b>

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	11.4	–	–
Small/Mid Cap Stocks	6.5	3.2	–	–
Foreign Developed Stocks	6.5	–	–	8.7
Foreign Emerging Markets Stocks	2.0	–	–	5.4
Investment-Grade Domestic Bonds	31.0	–	–	43.7
Inflation Adjusted Bonds	7.0	–	–	2.9
High Yield Bonds	4.0	–	–	6.6
Short-Term Bonds (including cash)	15.0	3.3	–	–
Foreign Developed Bonds	6.0	1.4	–	–
Foreign Emerging Markets Bonds	3.0	–	–	6.4
Real Estate	3.0	0.5	–	–
Alternatives	2.0	–	–	6.0
Other	–	–	0.5	–

\*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)	-0.52	-0.52	5.96	3.91	4.71	4.55	5.36
Class A (at POP)	-6.01	-6.01	0.10	1.96	3.53	3.96	5.00
Class I (at NAV)	-0.47	-0.47	6.17	4.16	4.97	N/A	5.87
Bloomberg Barclays US Aggregate Bond Index	-1.46	-1.46	1.20	1.20	1.82	3.63	–
Wilshire 5000 Total Market Index	-0.70	-0.70	13.65	10.01	12.84	9.66	–
Asset Alloc. - Conservative Blended Benchmark	-1.21	-1.21	5.74	4.16	5.25	5.35	–

\* 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](http://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 1.01% for Class A, and I shares, respectively. The net expense ratios for this fund are 1.22%, and 1.01% for Class A, and I shares respectively. Contractual arrangements (if applicable) have been made with the fund's investment manager, Transamerica Asset Management, Inc. (TAM), through March 1, 2019.**

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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