TRANSAMERICA®

Quarterly Commentary | March 31, 2017

Transamerica Floating Rate

Class A TFLAX | Class I TFLIX

Investment Objective

The fund seeks to achieve a high level of current income with capital appreciation as a secondary objective.

Sub-adviser

Aegon USA Investment Management, LLC (AUIM)

AEGON USA Investment Management, LLC

Portfolio Managers

John F. Bailey, CFA
Jason P. Felderman, CFA
James K. Schaeffer, Jr.

Product Profile

The funds invests at least 80% of the net assets in floating rate loans or floating rate debt securities.

- Combination of a global "top down" analysis and a "bottom up" fundamental analysis.
- In the qualitative "top down" approach, AUIM analyzes various factors that affect the movement of markets and securities prices worldwide.
- In its "bottom up" analysis, AUIM considers various fundamental and other factors, such as creditworthiness, capital structure, collateral, and covenants.

Fund Facts

Inception Date (A-I)	10/31/13 - 10/31/13
Benchmark Index	Credit Suisse Leveraged Loan Index
Morningstar Category	Bank Loan
Lipper Category	Loan Participation
Dividend Frequency	Monthly

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Macroeconomic Overview

To start the year, optimism drove risk-on momentum, which buoyed leverage finance markets, in general. The search for protection and return in a rising interest rate environment was the fundamental driver of performance in the floating rate leveraged loan asset class this quarter. In February, as equity indices breached new all-time highs, credit spreads reached multi-year tights and investor confidence broke records. March brought with it heightened uncertainty over politics, which was not offset by clarity over the near-term path of monetary policy (i.e. rates are going higher), and the loan market softened. Despite the high consumer confidence, the retail sectors was particularly weak. AUIM also saw a pullback in oil prices which hurt the energy sector. Overall, the loan market held up better than the high yield market as loans still grinded out a positive monthly return for March.

Markets reflected deep concerns when Congress failed to pass the House's version of health care reform and President Trump's pro-growth agenda seemed in jeopardy. With fiscal reforms under close scrutiny and the Federal Reserve (Fed) proceeding with policy tightening by hiking rates to the 0.75%-1% range in March, spreads widened. Still, supportive asset class technicals and oil prices climbing above $50/barrel helped the high yield recover into quarter-end, and loans followed suit.

According to Credit Suisse, there was $169 billion in loan issuance in the first quarter, which was at a pace well above the trailing four-year average. Retail inflows to the loan market have been steady, reaching $13.6 billion, year-to-date. Collateralized loan obligation pricings were a bit slow to start the year after a flurry in the four quarter of 2016, but the largest buyer of loans remains a supportive technical overall.

Fund Overview

The Fund's performance was buoyed by a general grind higher in the leveraged loan market as interest rates moved higher, particularly London Interbank Offered Rate (LIBOR), and issuance was not robust enough to keep up with demand. Underweight positions in the retail sector, along with selection decisions in forest products/containers and healthcare sectors contributed positively to performance. An underweight allocation in energy, along with selection decisions in services and metals/minerals, detracted from those contributions. Selection decisions in BB-rated credit were positive for the portfolio over the period, while underweight allocations in CCC-rated credits hindered performance.

Outlook

U.S. gross domestic product growth should accelerate in 2017, with wage growth slowly firming as the unemployment rate drops modestly. AUIM forecast core inflation to gradually rise to 1.9% by year-end. Still, extant political and economic uncertainty could dampen the prevailing confidence and discourage investment. However, there is mounting evidence that rising optimism precedes accelerated consumer spending, which comprises roughly two-thirds of the U.S. economy.

Given improving fundamentals and the risks to larger fiscal deficits rather than smaller, AUIM believe there will be one more Fed rate hike in 2017, with rising probabilities that the Fed could proceed with more tightening than expected, including balance sheet reduction. However, quicker-than-expected tightening could lead to U.S. dollar appreciation, which could be a headwind to growth.

A synchronized global growth upswing, which AUIM believe is likely underway, has been historically good for credit, helping improve fundamentals and decrease leverage. AUIM have a favorable outlook on the U.S. consumer and on housing-related credit. AUIM remain defensive on the global cyclical sectors, primarily metals/mining and energy. Company leverage metrics are somewhat elevated and risk-adjusted valuations are rich for this stage of the credit cycle.

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Top 10 Holdings

	% of Holdings
Dell, Inc., Term Loan A2, 3.24%, due 09/07/2021	1.00
Solera LLC, Term Loan B, 4.25%, due 03/03/2023	0.83
Spin Holdco, Inc., Term Loan B, 4.28%, due 11/14/2019	0.83
Varsity Brands, Inc., 1st Lien Term Loan, 5.00%, due 12/11/2021	0.83
Reynolds Group Holdings, Inc., Term Loan, 3.98%, due 02/05/2023	0.80
Prime Security Services Borrower LLC, 1st Lien Term Loan, 4.25%, due 05/02/2022	0.74
Ardent Legacy Acquisitions, Inc., Term Loan B, 6.64%, due 08/04/2021	0.74
Wastequip LLC, Term Loan, 5.50%, due 08/09/2019	0.71
MoneyGram International, Inc., Term Loan B, 4.25%, due 03/27/2020	0.70
Liberty Cablevision of Puerto Rico LLC, 1st Lien Term Loan, 4.52%, due 01/07/2022	0.70
Percentage of total portfolio	7.88

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

Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr	10 Yr	Inception*
Class A (at NAV)	1.06	1.06	6.82	3.59	N/A	N/A	3.62
Class A (at POP)	-3.77	-3.77	1.70	1.93	N/A	N/A	2.15
Class I (at NAV)	1.12	1.12	7.09	3.74	N/A	N/A	3.79
Credit Suisse Leveraged Loan Index	1.20	1.20	9.74	3.73	N/A	N/A	–

* Average Annual Total Return

Calendar Year Performance (%)

	2016	2015	2014	2013	2012	2011	2010
Class A (at NAV)	7.74	1.56	1.55	N/A	N/A	N/A	N/A
Class I (at NAV)	7.78	1.69	1.82	N/A	N/A	N/A	N/A
Credit Suisse Leveraged Loan Index	9.88	-0.39	2.06	N/A	N/A	N/A	N/A

Fixed Income Statistics

Average Price	$99.09
Average Maturity	4.59 years
Average Duration	0.41 years

Source: AUIM

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.

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 4.75%. Performance for other share classes will vary.

The gross expense ratios for this fund are 1.12% and 0.86% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.06% and 0.81% 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.

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.

The Credit Suisse Leveraged Loan 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.

Investing in high-yield bonds (junk bonds) may be subject to greater volatility and risks as the income derived from these securities is not guaranteed. 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.

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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