

# Transamerica High Yield Bond

Class A IHYX | Class I TDHIX

## Investment Objective

The fund seeks a high level of current income by investing in high-yield debt securities.

## Sub-adviser

Aegon USA Investment Management, LLC (AUIM)



## Portfolio Managers

Kevin Bakker, CFA  
Benjamin D. Miller, CFA  
James K. Schaeffer, Jr.  
Derek Thoms

## Product Profile

A high-yield fund that invests at least 80% of its net assets in high-yield bonds (commonly known as “junk bonds”)

- ➔ 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” approach, AUIM considers various fundamental and other factors, such as creditworthiness, capital structure, and, from a quantitative perspective, analyzes historical cash flows and financial data

## Fund Facts

Inception Date (A-I)	06/14/85 - 11/30/09
Benchmark Index	Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index
Morningstar Category	High Yield Bond
Lipper Category	High Yield
Dividend Frequency	Monthly

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.

## Macroeconomic Overview

Strong returns in July and September were interrupted briefly in August, largely stemming from escalating geopolitical tensions with North Korea. A generally positive Q2 earnings season bode well for high yield credit, though idiosyncratic credits and certain sectors warranted watching, namely healthcare, energy, and retail. While exhibiting volatility over the course of the quarter, West Texas Intermediate (WTI) crude oil trended higher and is finishing back above the optically important \$50/barrel mark. Similar to Q2, a move lower in rates for much of the quarter served as a tailwind to the market, with higher quality BB's outperforming Bs, and just under-performing CCC. Market optimism rose late in Q3 as the White House released its tax reform proposal; In response, interest rates started to move higher, but by quarter-end this move had not yet had a noticeable effect on high-quality, long-duration bonds. Technicals continue to remain supportive; modest outflows over the quarter were offset by a relatively light new issue calendar. Issuance started to pick up in September, to a greater degree than the market originally anticipated. But seeing the majority of new issue still coming as refinancings, cash was being put back into investors' hands.

## Fund Overview

CCC and lower rated bonds, generated the largest positive active contributions to the quarter's returns. Higher-rated paper generally detracted, particularly BB-rated bonds, which were the largest detractors from active returns. Consumer cyclical, basic industry, and real estate investment trusts were the top contributors by sector. Communications, energy, and technology were the biggest detractors.

## Outlook

AUIM continues to be constructive on high yield as fundamentals continue to improve, as witnessed by a drop in default rates and better earnings. While the European Central Bank and Japan continue with accommodative monetary policy, the U.S. Federal Reserve (Fed) has formally announced plans to reduce its balance sheet and raise the Fed funds rate in the coming year. While AUIM continues to believe modest spread tightening is possible given the strength in the global economy, current valuations give the sub-adviser pause as to whether the high yield market can calmly absorb the entire move higher in rates. As such, we continue to expect total returns to be less than coupon for the balance of 2017.

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.

**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.**

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Not a deposit of or guaranteed by any bank, bank affiliate, or credit union.**

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## Risk Measures\* 3 years

Alpha	-0.34
Beta	0.92
R-Squared	96.60
Standard Deviation	5.44

\*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.

## Fixed Income Statistics

Average Price	\$101.15
Average Maturity	5.12 years
Average Duration	3.34 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.

**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 1.02% and 0.73% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.02% and 0.73% 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 U.S. Corporate High Yield 2% Issuer Capped 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.

Interest rates may go up, causing the value of the fund's investments to decline. 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. Investing in high-yield bond funds (junk bonds) 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 increase.

**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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MQCHYB1017

## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr*	10 Yr*	Inception*
Class A (at NAV)	1.55	6.66	8.17	5.09	5.66	7.28	8.01
Class A (at POP)	-3.23	1.64	3.07	3.39	4.63	6.76	7.85
Class I (as NAV)	1.63	6.89	8.60	5.40	5.93	7.34	7.45
Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index	1.98	7.00	8.87	5.84	6.37	7.92	-

\* Average Annual Total Return

## Calendar Year Performance (%)

	2016	2015	2014	2013	2012	2011	2010
Class A (at NAV)	14.13	-4.66	3.43	6.22	16.99	3.93	12.81
Class I (at NAV)	14.49	-4.39	3.66	6.43	17.34	4.33	13.25
Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index	17.13	-4.43	2.46	7.44	15.78	4.96	14.94

## Top 10 Holdings

	% of Holdings
Associated Materials LLC / AMH New Finance, Inc., 9.00%, due 01/01/2024	1.10
Univision Communications, Inc., 6.75%, due 09/15/2022	1.10
Scientific Games International, Inc., 10.00%, due 12/01/2022	1.08
GMAC Capital Trust I, Series 2, 7.10%	1.00
Hughes Satellite Systems Corp., 7.62%, due 06/15/2021	0.95
CenturyLink, Inc., 7.65%, due 03/15/2042	0.87
HCA Healthcare, Inc., 6.25%, due 02/15/2021	0.76
International Game Technology PLC, 6.50%, due 02/15/2025	0.74
Griffon Corp., 5.25%, due 03/01/2022	0.74
Clear Channel Worldwide Holdings, Inc., 7.62%, due 03/15/2020	0.72
<b>Percentage of total portfolio</b>	<b>9.06</b>

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