

# 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 Asset Management US (Aegon AM US)



## Portfolio Managers

Kevin Bakker, CFA  
Benjamin D. Miller, CFA  
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## 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, Aegon AM US analyzes various factors that affect the movement of markets and securities prices worldwide
- ➔ In its "bottom up" approach, Aegon AM US 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

## Macroeconomic Overview

After a strong start to the year in January, the market has struggled since. Significant equity volatility in February and March contributed to a broad high yield selloff, as well as an aggressive move higher in U.S. Treasury yields, with the 10-year bond touching 2.95% in February, though it was mostly range-bound to end the quarter. Outflows starting at the end of January plagued market and persisted through March. Offsetting the weak flows has been a rather anemic new issue calendar and elevated cash balances. January issuance was strong but it trailed off considerably in February, reaching a two-year low. March issuance was slightly better, but still well below average and particularly soft on a net basis. It could be said that the market was macro driven over the quarter; headlines around generally strong Q4 earnings and tailwinds from tax reform have provided optimism, while more recent protectionist propaganda driving volatility higher into quarter-end. A few high profile, but long anticipated defaults created headlines in Q1, but default rates are still well below long-term levels. In some sectors, secular headwinds persist (eg, retail/telecom), but this is not an issue across the asset class. Commodity prices held-in during the quarter (West Texas Intermediate pushing to \$65/bbl), which was broadly supportive.

## Fund Overview

Overall, Transamerica High Yield Bond benefited most directly from security selection, though allocation decisions were also positive for active returns. By sector, capital goods, technology, and banking were the top three contributors, all due exclusively to security selection. Communications, real estate investment trusts, and other finance were detractors. Underweight BB-rated bonds was a strong positive contributor to returns, as were selection decisions in CCC paper. Exposures to BBB bonds were the most modest of all the ratings-level contributions to returns.

## Outlook

Aegon AM US general thesis from the start of the year remains. Aegon AM US anticipates continued solid global gross domestic product growth across regions, particularly within the U.S. as the benefits of tax reform take shape. Aegon AM US envisions unemployment remaining at very low levels and believe secular issues in most developed economies will keep inflation contained. All of this leads to a healthy macro backdrop for the U.S. high yield market, which combined with modest earnings growth should lead to another year of low default rates. While the market has traded lower to begin the year, Aegon AM US sticks with our base case of 4-6% returns for 2018 given our constructive fundamental view of the asset class. Aegon AM US sees the biggest constraining factor coming from tighter monetary policy as U.S. Federal Reserve rate hikes ultimately push interest rates higher across the curve.

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. 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.

**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.**

**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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## 30-Day SEC Yield

Class A – Subsidized	<b>5.15%</b>
Class A – Unsubsidized	<b>5.15%</b>

## Fixed Income Statistics

Average Price	\$97.57
Average Maturity	5.93 years
Average Duration	3.72 years

Source: Aegon AM US

The **30 day SEC Yield** is computed in accordance with a standardized method prescribed by rules of the SEC. The 30 day SEC Yield is computed by dividing the fund's investment income per share earned during a particular 30 day base period by the maximum offering price per share on the last day of the base period, and then annualizing the result. The 30 day SEC Yield is calculated at each month end and updated within the first ten business days of the following month. The subsidized 30 day SEC yield reflects the reimbursements or waivers of certain expenses. Had fees not been waived and/or expenses reimbursed, the yield would be lower. The unsubsidized 30 day SEC yield does not reflect reimbursements or waivers of expense fees.

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 1.04% and 0.73% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.04% and 0.73% for Class A and Class 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.**

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 US 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.

**Mutual funds are subject to market risk, including the loss of principal. Past performance is not indicative of future results.**

**Mutual Funds are sold by prospectus. Before investing, consider the funds' investment objectives, risks, charges, and expenses. This and other important information is contained in the prospectus. Please go to [www.transamerica.com](http://www.transamerica.com) or contact your financial professional to obtain a prospectus or, if available, a summary prospectus containing this information. Please read it carefully before investing.**

Transamerica Funds are advised by Transamerica Asset Management, Inc. and distributed by Transamerica Capital, Inc.  
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33294\_MQCHYB0418

## Top 10 Holdings

	% of Holdings
GMAC Capital Trust I, Series 2, 7.62%	1.16
Associated Materials LLC / AMH New Finance, Inc., 9.00%, due 01/01/2024	1.12
Scientific Games International, Inc., 10.00%, due 12/01/2022	0.88
Valeant Pharmaceuticals International, Inc., 5.87%, due 05/15/2023	0.88
Pisces Midco, Inc., 8.00%, due 04/15/2026	0.79
Hughes Satellite Systems Corp., 7.62%, due 06/15/2021	0.79
Sprint Corp., 7.87%, due 09/15/2023	0.76
Viking Cruises, Ltd., 5.87%, due 09/15/2027	0.70
CSC Holdings LLC, 6.62%, due 10/15/2025	0.68
Virgin Media Finance PLC, 6.37%, due 04/15/2023	0.65
<b>Percentage of total portfolio</b>	<b>8.41</b>

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)	-0.86	-0.86	3.23	4.12	4.17	7.70	7.87
Class A (at POP)	-5.56	-5.56	-1.67	2.45	3.17	7.18	7.71
Class I (as NAV)	-0.77	-0.77	3.57	4.38	4.41	N/A	7.55
Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index	-0.86	-0.86	3.78	5.18	5.00	8.32	–

\* Average Annual Total Return

## Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	6.89	14.15	-4.66	3.43	6.22	16.99	3.93
Class I (at NAV)	7.09	14.51	-4.39	3.66	6.43	17.34	4.33
Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index	7.50	17.13	-4.43	2.46	7.44	15.78	4.96