

Transamerica Strategic High Income

Class A TASHX | Class I TSHIX

Investment Objective

The fund seeks current income while providing long-term capital appreciation.

Sub-adviser

Thompson, Siegel & Walmsley LLC (TSW)



Portfolio Managers

William M. Bellamy, CFA

Product Profile

The fund deploys an active strategy that seeks to invest in a range of securities, including U.S. stocks, preferred stocks, and income producing credit securities

- ➔ Securities selected through a bottom-up, fundamental investment approach
- ➔ Debt holdings primarily consist of high yield bonds
- ➔ May invest up to 25% of its assets in foreign securities

Fund Facts

Inception Date (A-I)	03/01/14 - 03/01/14
Benchmark Index	S&P 500®, Transamerica Strategic High Income Blended Benchmark
Morningstar Category	Allocation--30% to 50% Equity
Lipper Category	Flexible Portfolio
Dividend Frequency	Quarterly

Macroeconomic Overview

The quarter started off extremely strong in reaction to the tax package passed by Congress which included significant cuts to corporate tax rates. After surging nearly 7.5% by the latter half of January, the S&P 500® abruptly changed course declining more than 10% between January 26th and February 8th. Much of the decline was blamed on leveraged volatility bets placed in the market which caused the Chicago Board Options Exchange Volatility Index to spike rapidly, eroding investor complacency. Volatility stayed elevated throughout the remainder of the quarter. Investors had no shortage of issues to worry about from central bank policy, tax reform, and trade tariffs to high equity valuation, inflation worries and an aging bull market. TSW believes many of these issues facing the market may be longer-term in nature leading to a prolonged state of higher volatility. This backdrop warrants a disciplined and risk-aware approach to investing.

Fund Overview

Although Transamerica Strategic High Income trailed the S&P 500® during the first quarter of 2018, the fund achieved its stated income objective with a 5.2% gross current yield. The portfolio is structured to help provide downside protection with a significant yield premium to the S&P 500®, while also participating in the long-term appreciation of the equity market. Stock selection in consumer staples and technology was the top contributor to relative return at a sector level. The best performing securities were Marine Harvest ASA as salmon prices increased nearly 20% and Cisco Systems, Inc. which reported better than expected earnings and outlook. Producer durables and consumer discretionary were the top detractors to relative return. Underperformance for the fund was largely attributable to a single producer durables equity holding – Macquarie Infrastructure Corp. (0.77% as of 3/31/18) (Macquarie). Macquarie declined during the quarter after several customers did not renew oil storage contracts causing management to cut its dividend by 30%. TSW remains confident in the long-term prospects of the company as their new CEO repurposes oil storage assets and the parent company buys back more of their stock. In addition, Spectra Energy Partners, LP (0.82% as of 3/31/18) was another laggard in the portfolio. The company was challenged by rising interest rates coupled with an announced industry-wide change in regulated pipeline pricing. TSW reduced the common equity allocation in the Fund from 53% to 48% and increased credit from 41% to 46% during the quarter. This shift increased the overall yield on the portfolio and lowered the absolute risk. In addition, TSW continues to hold approximately 5% in preferred stock and 1% to cash.

Outlook

The Fund is invested in a diversified mix of high yield bonds, preferred and common equity securities in companies with strong cash flows and solid balance sheets. TSW believes the credit market remains attractively valued with spreads in line with long-term historical averages. TSW expects moderate returns in both equities and credit in 2018 but increased attention is needed for overall portfolio risks. During periods of higher volatility, TSW looks for opportunities to increase portfolio quality without sacrificing yield. The importance of security selection during these times increases and tends to favor fundamental managers versus passive strategies.

Contributors*

Leading Contributors	Weight (%)	Return (%)	Contribution (%)
Wells Fargo & Co.	1.34	30.47	0.41
MetLife, Inc.	1.33	22.32	0.38
Prudential Financial, Inc.	1.38	28.35	0.37

Detractors*

Leading Detractors	Weight (%)	Return (%)	Contribution (%)
Wal-Mart de Mexico SAB de CV	0.75	-15.44	-0.43
Las Vegas Sands Corp.	0.91	-11.28	-0.34
National Grid PLC, ADR	1.13	-16.64	-0.29

*Source: Morningstar Direct

**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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Top 10 Holdings

	% of Holdings
Apple, Inc.	2.52
Microsoft Corp.	2.44
AbbVie, Inc.	2.31
Alphabet, Inc., Class C	1.98
JPMorgan Chase & Co.	1.67
Intel Corp.	1.64
Marine Harvest ASA	1.55
Cisco Systems, Inc.	1.54
Enviva Partners, LP / Enviva Partners Finance Corp., 8.50%, due 11/01/2021	1.48
Target Corp.	1.46
Percentage of total portfolio	18.59

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

Equity Statistics

Median Market Cap	\$64.02 (B)
Weighted Average Market Cap	\$211.00 (B)

B = Billions

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 1.19% and 0.95% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.19% and 0.95% 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 S&P 500[®] and the Transamerica Strategic High Income Blended Benchmark (60% S&P 500[®] and 40% BofA Merrill Lynch U.S. High Yield BB-B Rated Constrained 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.

The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. If the market prices of the equity securities owned by the fund fall, the value of the fund will decline. Fixed income investing is subject to credit risk, inflation risk, and interest rate risk. Investing in high-yield securities 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 increases. Preferred stock tends to vary more with fluctuations in the underlying common stock and less with fluctuations in interest rates and tends to exhibit greater volatility.

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.

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 contain in the prospectus. Please go to 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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Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr	10 Yr	Inception*
Class A (at NAV)	-1.26	-1.26	7.72	6.11	N/A	N/A	6.19
Class A (at POP)	-6.71	-6.71	1.81	4.13	N/A	N/A	4.73
Class I (at NAV)	-1.30	-1.30	8.03	6.35	N/A	N/A	6.44
S&P 500 [®]	-0.76	-0.76	13.99	10.78	N/A	N/A	-
Transamerica Strategic High Income Blended Benchmark	-0.86	-0.86	9.71	8.40	N/A	N/A	-

* Average Annual Total Return

Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	13.30	9.11	-0.81	N/A	N/A	N/A	N/A
Class I (at NAV)	13.71	9.42	-0.66	N/A	N/A	N/A	N/A
S&P 500 [®]	21.83	11.96	1.38	N/A	N/A	N/A	N/A
Transamerica Strategic High Income Blended Benchmark	15.69	13.14	-0.20	N/A	N/A	N/A	N/A

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.