

# 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 SM, 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

U.S. equities delivered strong gains in 2018's third quarter, with corporate earnings growth rates benefiting in part from the 2018 corporate tax cuts. The economy grew at an annualized 4.2% in the second quarter according to the most recent government estimate, and the labor market remained strong. That good news overcame fears of ongoing trade conflicts, which threaten to dampen exports and increase consumer prices. The S&P 500® gained 7.71%, with healthcare and technology stocks contributing the most. International stocks did not benefit from the same tailwinds. The MSCI EAFE Index rose just 1.35%, while the MSCI Emerging Markets Index fell 1.09%, partly due to a selloff in Chinese internet giants. The U.S. Federal Reserve pushed ahead with another 0.25% increase to the federal funds rate, its third this year, and hinted at additional increases in coming months. 10-year U.S. Treasury yields rose 0.20% to finish at 3.05%, and since rising yields mean lower bond prices, the Bloomberg Barclays US Aggregate Bond Index notched a flat return despite its yield component. Most government bonds fell, while credit-sensitive high-yield bonds and bank loans rose.

## Fund Overview

In 2018's third quarter, Transamerica Asset Allocation - Conservative posted a 1.17% gain, compared to a 2.05% gain for the blended benchmark made up of the S&P 500®, MSCI EAFE, and Bloomberg Barclays US Aggregate Bond indexes. The S&P 500® experienced a sharp 7.71% jump in the quarter, largely thanks to further run-ups in technology stocks, as well as a strong showing in healthcare. Morningstar had already considered the U.S. market to be overvalued entering the quarter, and now see U.S. stocks on even more precarious ground from a valuation standpoint. Morningstar has been underweighting U.S. stocks and overweighting international stocks owing to relative valuations, and that was the main reason the Fund couldn't match the benchmark's gains in the third quarter, given the relative performance between U.S. and foreign stocks. In addition, the underlying U.S. large-cap stock funds were unable to match the S&P 500®'s gains. The bond funds performed better relative to their benchmarks, although bonds overall had a flat quarter. A below-benchmark duration helped to mute the Fund's sensitivity to rising rates. Also, a portion of the fixed-income sleeve is allocated to three absolute-return funds to help further guard against rising rates, and as a group they outperformed the broad bond market.

## Outlook

In fixed income, Morningstar is seeking to mute the risk from rising interest rates by maintaining a below-benchmark duration and substituting absolute-return funds for a portion of the bond exposure. The Fund is also overweight emerging-markets debt. Morningstar still considers U.S. stocks to be expensive by historical standards, and are underweighting U.S. equity and overweighting foreign equity. The U.S. underweight is significant enough relative to the foreign overweight that the total equity weighting is under its neutral 35% target (at about 31.5% of assets as of September 28, 2018). This is not a macroeconomic call on the part of Morningstar, but rather the aggregate effect of individual valuation- and fundamentals-based asset-class decisions.

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## Risk Measures 3 years

Alpha	<b>-0.68</b>
Beta	<b>1.03</b>
Information Ratio	<b>-0.47</b>
R-Squared	<b>92.00</b>
Sharpe Ratio	<b>1.26</b>
Standard Deviation	<b>3.77</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>\$21.05 (B)</b>
Weighted Average Market Cap	<b>\$131.71 (B)</b>

**B** = Billions

## Top 10 Holdings

Fund Name	Sub-Adviser	% of Holdings
Transamerica Total Return	Pacific Investment Management Company LLC	20.49
Transamerica Core Bond	J.P. Morgan Investment Management Inc.	13.35
Transamerica Intermediate Bond	Aegon USA Investment Management, LLC	9.23
Transamerica Short-Term Bond	Aegon USA Investment Management, LLC	6.30
Transamerica International Equity	Thompson, Siegel & Walmsley LLC	4.88
Transamerica Emerging Markets Equity	ClariVest Asset Management LLC	4.53
Transamerica Inflation Opportunities	PineBridge Investments LLC	4.28
Transamerica Dividend Focused	Barrow, Hanley, Mewhinney & Strauss, LLC	4.03
Transamerica Emerging Markets Debt	Logan Circle Partners, LP	3.52
Transamerica Floating Rate	Aegon USA Investment Management, LLC	3.46
<b>Percentage of total portfolio</b>		<b>74.07</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	18.4	11.5	–	–
Small/Mid Cap Stocks	5.1	3.1	–	–
Foreign Developed Stocks	7.7	–	–	8.4
Foreign Emerging Markets Stocks	2.4	–	–	4.8
Investment-Grade Domestic Bonds	35.5	–	–	48.6
Inflation Adjusted Bonds	–	–	–	3.2
High Yield Bonds	2.6	–	–	5.9
Short-Term Bonds (including cash)	14.6	2.0	–	–
Foreign Developed Bonds	10.7	(0.8)	–	–
Foreign Emerging Markets Bonds	1.6	–	–	5.5
Real Estate	1.4	0.5	–	–
Alternatives	–	–	–	7.0
Other	–	–	0.4	–

\*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)	1.17	0.26	2.17	5.58	4.53	5.70	5.25
Class A (at POP)	-4.42	-5.27	-3.45	3.60	3.36	5.11	4.89
Class I (at NAV)	1.21	0.41	2.37	5.81	4.76	N/A	5.63
Bloomberg Barclays US Aggregate Bond Index	0.02	-1.60	-1.22	1.31	2.16	3.77	–
Wilshire 5000 Total Market Index	7.06	10.68	17.73	17.03	13.26	12.03	–
Asset Alloc. - Conservative Blended Benchmark	2.06	1.48	3.84	6.08	5.41	6.28	–

\* 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 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.

**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.**