

# Transamerica Balanced II

Class R TBLRX | Class I3 TBLTX

## Investment Objective

The fund seeks to provide a high total investment return.

## Sub-advisers

Aegon USA Investment Management, LLC (AUIM)



## Portfolio Managers

Brian W. Westhoff, CFA  
 Doug Weih, CFA  
 Bradley D. Doyle, CFA  
 Tyler A. Knight, CFA  
 Sivakumar N. Rajan

J.P. Morgan Investment Management Inc. (JPM)



## Portfolio Managers

Steven G. Lee  
 Tim Snyder, CFA  
 Raffaele Zingone, CFA

## Product Profile

Traditional balanced fund designed to seek a high total investment return.

- ➔ JPM manages equity portion by selecting stocks primarily from the S&P 500®.
- ➔ AUIM manages fixed income portion by investing primarily in investment grade securities using a combination of “top down” and “bottom up” fundamental analysis.

## Fund Facts

Inception Date (I3-R)	09/15/17 - 07/05/94
Benchmark Index	S&P 500®, Bloomberg Barclays US Aggregate Bond Index
Morningstar Category	Allocation--50% to 70% Equity
Lipper Category	Mixed-Asset Target Allocation Growth
Dividend Frequency	Quarterly

## Macroeconomic Overview

The S&P 500® advanced 7.71% for the quarter, gaining solidly after an uptick in volatility earlier in the year. All sectors were up, led by health care, up 14.53%. Record margins drove earnings growth and 80% of S&P 500® companies reported earnings exceeding estimates. The U.S. Federal Reserve (Fed) continued towards its long-term objective of normalizing monetary policy. As expected, the Fed raised the federal funds target rate another 0.25% in September. U.S. Treasury returns were negative for the third quarter as the 10-year U.S. Treasury yield rose 0.20% higher and the 2-year U.S. Treasury yield rose 0.29%, further flattening the yield curve as the front end reacted to the Fed. Trade policy and politics remained center stage as rhetoric intensified, increasing uncertainty and threatening to undermine solid domestic economic progress. An eleventh hour agreement between Canada, the U.S. and Mexico provided a brief respite to trade tensions.

## Fund Overview

**AUIM:** Curve effects were the largest positive contributor to active returns during the quarter given the portfolio’s slightly short duration positioning as rates rose across the curve. Positioning across the curve, particularly an underweight on the short end, also contributed positively as the curve flattened slightly. Carry and spread effects also contributed positively to excess returns, but to a lesser degree. From an asset class perspective, overweight positioning in investment grade corporate bonds and commercial mortgage-backed securities were positives while security selection in emerging markets debt and agency mortgage-backed securities detracted.

**JPM:** Stock selection in the industrial cyclical, media and pharma/medical technology sectors contributed to performance, while stock selection in the financials, basic materials and consumer cyclical sectors detracted from performance. At the security level, underweights in General Electric Co. (0.32%) and Intel Corp. (0.11%) added value, while overweights in Analog Devices, Inc. (0.51%) and Microchip Technology, Inc. (0.32%) detracted.

## Outlook

**AUIM:** AUIM expects returns through the rest of the year to be driven more by carry than spread tightening. Inflation is expected to stay near the Fed’s 2% target in the medium-term. AUIM anticipates the Fed to raise rates once more in 2018, though they view a fourth hike in 2018 as potentially entering restrictive territory. AUIM intends to remain overweight spread-based products, including corporate bonds, given the healthy macro backdrop. Selectivity is key as merger and shareholder-friendly activity likely continue. AUIM continues to like financials due to their stronger capital positions and asset-backed securities, which may benefit from stable property markets and a healthy consumer.

**JPM:** JPM continues to focus on the fundamentals for the economy and corporate earnings. JPM projects 23% earnings growth for S&P 500® companies and continued economic growth in the underlying economy. The implications of trade policy, Fed policy and the tightening labor market will continue to contribute to increased levels of volatility. While healthy corporate earnings and sustained strength in economic indicators should provide continued support to the equity market, JPM is monitoring potential risks.

**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
Microsoft Corp.	2.75
Apple, Inc.	2.46
Amazon.com, Inc.	2.30
Federal National Mortgage Association, 3.00%, TBA	1.55
Federal National Mortgage Association, 3.50%, TBA	1.35
UnitedHealth Group, Inc.	1.14
Alphabet, Inc., Class A	1.09
Alphabet, Inc., Class C	1.04
Berkshire Hathaway, Inc., Class B	1.01
U.S. Treasury Bill, 1.95%, due 10/04/2018	0.99
Percentage of total portfolio	15.68

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 R (at NAV)	4.58	4.55	8.74	9.88	8.49	8.68	7.12
S&P 500®	7.71	10.56	17.91	17.31	13.95	11.97	–
Bloomberg Barclays US Aggregate Bond Index	0.02	-1.60	-1.22	1.31	2.16	3.77	–

\*Average Annual Total Return

## Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class R (at NAV)	13.64	7.69	-0.08	10.35	17.65	12.80	3.02
S&P 500®	21.83	11.96	1.38	13.69	32.39	16.00	2.11
Bloomberg Barclays US Aggregate Bond Index	3.54	2.65	0.55	5.97	-2.02	4.22	7.84

## Fixed Income Statistics

Average Price	\$99.75
Average Maturity	8.58 years
Average Duration	5.91 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 fund is newly organized. The fund acquired the assets and assumed the liabilities of two Transamerica Partners funds, including Transamerica Partners Investor Balanced Portfolio (the “predecessor fund”), on September 15, 2017, and the predecessor fund is the accounting and performance survivor of the reorganizations. This means that the predecessor fund’s financial and performance history became the financial and performance history of the fund. In the reorganization of the predecessor fund, shareholders of the predecessor fund received Class R shares of the fund. The performance of Class R shares includes the performance of the predecessor fund prior to the reorganization, and has not been restated to reflect the estimated annual operating expenses of Class R shares. Please read the prospectus for more information.**

**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. There are no sales charges for Class R shares. Class R shares are available only to eligible retirement plans.**

**The gross expense ratios for this fund are 1.15% and 0.66% for Class R and I3 shares, respectively. The net expense ratios for this fund are 1.10% and 0.50% for Class R and I3 shares, respectively. Contractual arrangements (if applicable) have been made with the fund’s investment manager, Transamerica Asset Management, Inc. (TAM), through May 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 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 securities have several risks including fluctuations in market value, changes in interest rates as the values will decrease as interest rates rise, and issuers defaulting on their obligations to pay interest or return principal.

**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. (TAM) and distributed by Transamerica Capital, Inc. (TCI) member of FINRA. JPMorgan and TAM are not affiliated companies. AUIM is an affiliate of Aegon companies. Transamerica companies are part of the Aegon group.

1801 California St. Suite 5200, Denver, CO 80202

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