

# Transamerica Bond (formerly Transamerica Flexible Income)

Class A IDITX | Class I TFXIX

## Investment Objective

The fund seeks to provide high total return through a combination of current income and capital appreciation.

## Sub-adviser

Aegon USA Investment Management, LLC (AUIM)



## Portfolio Managers

Bradley D. Doyle, CFA  
 Jeremy Mead, CFA  
 James K. Schaeffer, Jr.  
 Doug Weih, CFA  
 Brian W. Westhoff, CFA

## Product Profile

The fund invests, under normal circumstances, at least 80% of its net assets in fixed income securities.

- ➔ 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” analysis, AUIM considers various fundamental and other factors, such as creditworthiness, capital structure, covenants, cash flows and, as applicable, collateral.

## Fund Facts

Inception Date (A-I)	06/29/87 - 11/30/09
Benchmark Index	Bloomberg Barclays US Aggregate Bond Index
Morningstar Category	Intermediate-Term Bond
Lipper Category	Core Plus Bond
Dividend Frequency	Monthly

## Macroeconomic Overview

Policy and politics remained center stage in the third quarter. Protectionist and retaliatory trade rhetoric has intensified globally, the continuation of which threatens to increase uncertainty and undermine solid economic progress in the U.S. An eleventh hour resolution to The North American Free Trade Agreement (NAFTA) provided a brief respite to trade tensions. However, caution remains as the potential effect of current agreements, yet to be ratified into law, are relatively unknown and may increase the cost structure of various industries, such as automotive. Risks around trade policy are still a concern for the U.S. Federal Reserve (Fed), even as they stayed the course on normalizing rates. The Fed hiked once more in September as expected, and market expectations increased to four hikes for 2018 as of quarter-end. Economic activity remains solid, with constructive numbers reported in August industrial production, consumer sentiment, business outlook, and jobless claims in September. Regardless, third quarter gross domestic product growth is likely to be lower than the strong numbers reported in the second quarter. Core personal consumption expenditures stabilized around 2% in July and August, and the Fed’s projected longer term inflation outlook remained muted, with both 2018 and 2021 estimates at 2.1%. Supported by broadly positive data on economic activity and strong earnings, U.S. equities, high grade and high yield bonds had their best quarter this year. Higher returns and lower volatility increased their risk-return profiles, a phenomenon that is broadly in line with in a flattening yield curve environment. Despite lower overall volatility, U.S. Treasury returns were negative for the third quarter as the 10-year U.S. Treasury yield settled higher.

## Fund Overview

In the third quarter, Transamerica Bond’s short duration positioning contributed positively to excess returns as rates moved higher across the curve during the quarter. Carry and spread factors also contributed positively to excess returns, with the largest contributions coming from the portfolio’s high yield corporate bonds exposure. From a ratings perspective, the sub-adviser’s lower-quality bias was a positive contributor to excess returns, with the only negative contribution coming from security selection within BBB-rated bonds.

## Outlook

AUIM expects returns through the remainder of this year to be more carry-driven than due to spread tightening. Inflation is expected to stay around the Fed’s 2% target in the medium-term as runaway inflation pressures should remain structurally muted. With the third rate hike effective in September, AUIM is anticipating the Federal Open Market Committee will raise rates once more in 2018, though they view a fourth hike in 2018 as potentially starting to take rates into restrictive territory. AUIM intends to remain overweight spread-based products, including corporate bonds, given the continued healthy macro backdrop. Selectivity is key as merger and shareholder-friendly activity likely continues. AUIM continues to like financials due to their stronger capital positions and prudential regulatory environment, as well as private label structured products, like asset-backed securities (e.g., timeshares, collateralized loan obligations) which may benefit from stable property markets and a healthy consumer.

### Effective July 2, 2018, Transamerica Flexible Income changed its name to Transamerica Bond.

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.

**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>3.29%</b>
Class A – Unsubsidized	<b>3.29%</b>

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. Be advised that the 30-Day SEC Yield calculation does not account for return of capital. Please refer to the most recent Annual Report for additional information regarding the composition of distributions. 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.

## Top 10 Holdings

	% of Holdings
Federal National Mortgage Association, 3.50%, TBA	2.51
U.S. Treasury Bill, 1.95%, due 10/04/2018	1.59
U.S. Treasury Note, 2.75%, due 02/15/2028	1.21
U.S. Treasury Bond, 6.25%, due 05/15/2030	1.11
U.S. Treasury Note, 1.50%, due 08/15/2026	1.04
U.S. Treasury Inflation-Indexed Bond, 2.50%, due 01/15/2029	1.00
U.S. Treasury Note, 2.25%, due 11/15/2027	0.83
State of California, 7.95%, due 03/01/2036	0.75
BX Trust, Series 2017-APPL, Class C, 3.55%, due 07/15/2034	0.74
CHT Mortgage Trust, Series 2017-CSMO, Class D, 4.40%, due 11/15/2036	0.69
<b>Percentage of total portfolio</b>	<b>11.47</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)	0.79	-0.16	0.12	3.16	3.00	5.79	6.02
Class A (at POP)	-3.99	-4.87	-4.67	1.49	2.00	5.28	5.86
Class I (at NAV)	1.02	0.24	0.59	3.51	3.32	N/A	5.50
BB 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 A (at NAV)	4.92	5.71	-0.73	3.74	3.69	12.18	3.65
Class I (at NAV)	5.23	5.98	-0.44	4.01	3.96	12.55	3.92
BB US Aggregate Bond Index	3.54	2.65	0.55	5.97	-2.02	4.22	7.84

**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 0.90% and 0.60% for Class A and Class I shares, respectively. The net expense ratios for this fund are 0.90% and 0.50% 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 Aggregate Bond Index (BB US Aggregate Bond 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 bond funds entails interest rate and credit risk as well as additional risks such as high-yield/high-risk bonds and is subject to greater levels of liquidity risk. These risks are described in more detail in the prospectus.

**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.

AUIM is an affiliate of Aegon companies. Transamerica companies are part of the Aegon group.

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