

# Transamerica Emerging Markets Debt

Class A EMTAX | Class I EMTIX

## Investment Objective

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

## Sub-adviser

Logan Circle Partners, LP (Logan Circle)



## Portfolio Managers

Todd Howard, CFA  
Scott Moses, CFA

## Product Profile

A fund that invests in government and corporate debt securities from emerging markets, seeking to take advantage of promising economic and demographic trends

- ➔ Nearly 40 investment professionals seeking global credit opportunities across credit spectrums
- ➔ Invests in U.S. dollar and local currency debt; active currency-hedging program helps temper volatility
- ➔ Purchases emerging market government and corporate debt, investment grade and below-investment grade

## Fund Facts

Inception Date (A-I)	08/31/11 - 08/31/11
Benchmark Index	J.P. Morgan Emerging Markets Bond Index Global
Morningstar Category	Emerging Markets Bond
Lipper Category	Emerging Markets Hard Currency Debt
Dividend Frequency	Quarterly

## Macroeconomic Overview

The third quarter was very volatile. July proved to be a strong bounce from the previous quarter that gave way to a hectic and disorderly sell-off in the high beta space during August. September witnessed a strong rebound that made up for the hard currency weakness of August but local currency underperformed. Despite the volatility, hard currency assets performed well. Sovereign spreads ended the quarter 0.34% tighter, with the news of Middle Eastern inclusion in the Emerging Market Bond Index fueling a late quarter spread rally in those names. Almost every country ended the quarter tighter with the exception of Argentina, Turkey and Venezuela, all high profile underperformers. Emerging market corporates also ended the quarter tighter but to a lesser degree, 0.16% tighter to U.S. treasuries. Brazil lagged the rally due to worries about the upcoming election. Local currency assets continued their underperformance, driven by an August sell-off that outweighed rallies in July and September. Argentina and Turkey dominated the negative headlines but Philippines and Russia also added to negative total returns at the country level. Local currency performance was very idiosyncratic. Markets such as Brazil and Chile generated decent positive total returns and South Africa managed to make a late quarter run into positive territory.

## Fund Overview

Local currency assets were responsible for almost all the underperformance over the quarter. Early quarter exposure to Turkey and Argentinian locals were the biggest drags on returns. Despite a slightly short exposure to Turkish Lira at times, it was not enough to offset the whole move lower. On the positive side, Mexican local currency assets performed well on the back of The North American Free Trade Agreement (NAFTA) optimism and the selling of Russian local assets missed almost all of their downside. The U.S. Dollar space, exposure in Ecuador, Indonesia, Angola, and Ukraine were all significant positives. On the other side, Zambia and lack of exposure to Brazilian sovereign assets were a slight drag on returns. The most surprising move was in Argentinian hard currency assets, generating a slight positive return despite the foreign exchange moves on the back of a front loaded and larger International Money Fund package. Corporate exposure outperformed with special situations like CSN (1.04% as of 9/30/18) and Braskem (0.60%) helping returns and offsetting a drag in Turkish corporates. First Quantum (0.37%) was a very slight drag on returns based on the negative news coming out of Zambia and a lack of resolution on their negotiations with the tax authorities.

## Outlook

Logan Circle acknowledges that the U.S. and China are heading down the path of a broader and more advanced trade standoff, but, in their opinion, the sell-off in emerging markets has created numerous pockets of value when we consider the underlying fundamentals. Current accounts are adjusting due to large currency moves and governments are being proactive. Logan Circle views Chinese willingness to stimulate their economy to offset the growth impacts of trade related headwinds as a net positive. While this is not a viable long-term solution, the stimulus will clearly help support aggregate demand and allow for a smoother adjustment. Logan Circle has been positive throughout a tough market and paid for it, but they are constantly evaluating the logic of this decision and remain optimistic.

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>5.70%</b>
Class A – Unsubsidized	<b>5.70%</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
Republic of South Africa Government Bond, 10.50%, due 12/21/2026	1.47
European Bank for Reconstruction & Development, Series MTN, 7.37%, due 04/15/2019	1.30
Ukraine Government International Bond, 7.75%, due 09/01/2020	1.24
Mexico Bonos, Series M, 8.00%, due 12/07/2023	1.23
Saudi Government International Bond, 5.00%, due 04/17/2049	1.15
Brazil Notas do Tesouro Nacional, Series F, 10.00%, due 01/01/2027	1.10
QNB Finansbank AS, 4.87%, due 05/19/2022	1.09
Argentina Republic Government International Bond, 7.62%, due 04/22/2046	1.08
Mexico Bonos, Series M, 6.50%, due 06/09/2022	1.07
CSN Resources SA, 6.50%, due 07/21/2020	1.04
<b>Percentage of total portfolio</b>	<b>11.77</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)	0.70	-5.54	-4.91	6.54	3.24	N/A	4.72
Class A (at POP)	-4.09	-10.00	-9.45	4.81	2.23	N/A	4.00
Class I (at NAV)	0.80	-5.31	-4.63	6.86	3.58	N/A	5.06
JPM EM Bond Index Global	1.87	-3.70	-2.94	5.70	4.63	N/A	–

\* Average Annual Total Return

## Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	12.40	12.74	-4.35	1.91	-5.25	26.11	N/A
Class I (at NAV)	12.68	13.20	-4.10	2.40	-5.06	26.58	N/A
JPM EM Bond Index Global	9.59	10.19	1.23	5.53	-6.58	18.54	N/A

**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 1.12% and 0.82% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.12% and 0.82% 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 J.P. Morgan Emerging Markets Bond Index Global (JPM EM Bond Index Global) 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.

The risks of investing in foreign securities are magnified in emerging markets. These may include risks related to market and currency volatility, adverse social and political developments, and the relatively small size and less liquidity of these markets. Debt investing is subject to credit risk and interest rate risk. Credit risk is the risk that the issuer of a bond won't meet their payments and interest rate risk is the risk that fluctuations in interest rates will affect the price of a bond.

**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.

TAM and Logan Circle Partners, LP are not affiliated companies.

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