

Transamerica High Quality Bond

Class R4 TBDFX

Investment Objective

Seeks to provide a high risk-adjusted return while focusing on the preservation of capital.

Sub-adviser

Merganser Capital Management, LLC (Merganser)



MERGANSER
CAPITAL MANAGEMENT, INC.
An Annaly Company

Portfolio Managers

Peter S. Kaplan, CFA
Jennifer K. Wynn, CFA

Product Profile

The fund seeks a high level of income consistent with minimal fluctuation in principal value and liquidity.

- ➔ The portfolio managers use primarily a “bottom-up” approach, focusing on the relative value of individual securities. They also utilize top down factors to construct portfolios and analyze the yield curve under multiple market conditions in making maturity and duration decisions on individual securities.
- ➔ The fund invests primarily in high-quality structured and credit securities with short and intermediate maturities.
- ➔ Merganser has expertise in trading smaller, odd-lot, less efficiently-priced securities.

Fund Facts

Inception Date	09/11/00
Benchmark Index	ICE BofAML U.S. Corporate & Government 1-3 Years Index
Morningstar Category	Short-Term Bond
Lipper Category	Short Investment Grade Debt
Dividend Frequency	Annually

Macroeconomic Overview

The third quarter had a much firmer tone than the second quarter. There were instances of risk aversion, such as the Turkey led emerging markets rout, but overall these instances were brief. Spreads at the front of the curve tightened across the spread sectors. Front end corporates were particularly strong performers with spreads tightening about 0.18%. Media and telecommunications led the performance as those sectors moved beyond recent merger and acquisition activity. Corporate new issuance was slow in July and August but picked up in September with over \$122 billion in new deals. Commercial mortgage-backed securities (CMBS) continued to benefit from light new issuance and a good economic environment that resulted in stable to improving fundamentals. Short CMBS spreads tightened 0.12% and produced 0.43% of excess return. Short asset-backed securities (ABS) continued to produce steady excess returns. Spreads tightened 0.16% with excess returns of 0.29%. Lower quality ABS provided more excess return on the strength of higher income. The front of the U.S. Treasury curve shifted noticeably higher during the quarter. Out to the 3-yr rates rose 0.25-0.30%, while the 5-yr rose 0.22%. Much debate has ensued regarding the strength of “yield curve inversion” as a signal for a recession. While history suggests this is a reliable signal, the fundamental economic data continued to come in very strong over the quarter indicating a near-term recession is unlikely.

Fund Overview

Transamerica High Quality Bond outperformed the benchmark on a gross basis during the third quarter, earning 0.52% versus 0.35% for the ICE BAML 1-3 Govt/Corp index. Front end spread securities were in high demand during the quarter. Spreads ground tighter and excess returns ranged from 0.10-0.50% across the sectors. The Fund’s overweight to corporates, and its holdings of ABS and CMBS contributed significantly to the excess return. Subordinated ABS and CMBS tranches were outperformers, and holdings of Mexican corporates outperformed as trade tensions between the U.S. and Mexico cooled. The quarter witnessed an increase in rates of 0.20-0.30% across the curve. The Fund’s curve positioning detracted from performance as longer duration holdings (greater than 3 years) were more negatively impacted by the rate increases.

Outlook

Merganser believes that spreads are too tight for the myriad market risks and the likelihood of a meaningful flight to quality in the near term. The Fund needs to be well compensated to invest in a security with lower liquidity or higher volatility. Preference will be given to parts of the market that will provide the Fund dry powder while still outperforming U.S. Treasuries. Examples include Agency CMBS, credit card receivables and prime auto receivables. Agency residential mortgage-backed securities (RMBS) would traditionally fill this role but given the tight spreads, potential for U.S. Treasury volatility, and the waning Fed support there is likely a better entry point at a later date. Barring any shocks, Merganser believes that corporate spreads will stay rangebound if not tighten slightly through year-end despite already rich levels. The target portfolio duration will continue to be neutral to slightly short the benchmark, given the attractiveness of short yields. However, the Fed has indicated additional Fed Funds rate hikes are likely and short rates will probably continue to rise.

The fund is newly organized. The fund acquired the assets and assumed the liabilities of three Transamerica Partners funds, including Transamerica Partners Institutional High Quality Bond (the “predecessor fund”), on April 21, 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 R4 shares of the fund. The performance of Class R4 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 R4 shares. Please read the prospectus for more information.

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.

**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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Fixed Income Statistics

Average Price	\$92.58
Average Maturity	2.49 years
Average Duration	1.85 years

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.

Source: Merganser

Top 10 Holdings

	% of Holdings
U.S. Treasury Note, 1.50%, due 05/15/2020	4.41
Morgan Stanley, 4.87%, due 11/01/2022	1.93
AmeriCredit Automobile Receivables Trust, Series 2018-1, Class D, 3.82%, due 03/18/2024	1.49
Goldman Sachs Group, Inc., 3.12%, due 10/31/2022	1.31
Citigroup, Inc., 4.05%, due 07/30/2022	1.29
Kilroy Realty, LP, 6.62%, due 06/01/2020	1.27
Wells Fargo & Co., 2.50%, due 03/04/2021	1.25
Public Service Co. of Oklahoma, 5.15%, due 12/01/2019	1.24
Campbell Soup Co., 2.96%, due 03/15/2021	1.23
Progress Residential Trust, Series 2018-SFR1, Class C, 3.68%, due 03/17/2035	1.19
Percentage of total portfolio	16.61

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 R4 (at NAV)	0.52	0.39	0.31	0.76	0.78	2.20	2.93
ICE BofAML U.S. Corporate & Government 1-3 Years Index	0.35	0.46	0.27	0.74	0.85	1.68	-

*Average Annual Total Return

Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class R4 (at NAV)	1.05	1.31	0.38	0.55	0.19	2.63	1.84
ICE BofAML U.S. Corporate & Government 1-3 Years Index	0.85	1.28	0.67	0.78	0.70	1.48	1.56

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 R4 shares. Class R shares are available only to eligible retirement plans.

The gross expense ratio for this fund is 0.73% for Class R4 shares. The net expense ratio for this fund is 0.65% for Class R4 shares. 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 ICE BofAML U.S. Corporate & Government 1-3 Years 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.

Any U.S. government guarantees of the securities held in this investment fund pertain only to those securities and not the fund or its yield. The values of bonds change in response to changes in economic conditions, interest rates, and the creditworthiness of individual issuers. The value of bonds and bond funds generally falls when interest rates rise, causing an investor to lose money upon sale or redemption.

Shares may be sold (or "redeemed") on any day the New York Stock Exchange is open for business. Proceeds from the redemption of shares will usually be sent to the redeeming shareholder within three business days after receipt in good order of a request for redemption. However, Transamerica Funds has the right to take up to seven days to pay redemption proceeds, and may postpone payment under certain circumstances, as authorized by law.

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 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 Merganser Capital Management, LLC are not affiliated companies.

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