

# Transamerica High Yield Bond

Class A IHYX | Class I TDHIX

## Investment Objective

The fund seeks a high level of current income by investing in high-yield debt securities.

## Sub-adviser

Aegon USA Investment Management, LLC (AUIM)



## Portfolio Managers

Kevin Bakker, CFA  
Benjamin D. Miller, CFA  
James K. Schaeffer, Jr.  
Derek Thoms

## Product Profile

A high-yield fund that invests at least 80% of its net assets in high-yield bonds (commonly known as "junk bonds")

- ➔ 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" approach, AUIM considers various fundamental and other factors, such as creditworthiness, capital structure, and, from a quantitative perspective, analyzes historical cash flows and financial data

## Fund Facts

Inception Date (A-I)	06/14/85 - 11/30/09
Benchmark Index	Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index
Morningstar Category	High Yield Bond
Lipper Category	High Yield
Dividend Frequency	Monthly

## Macroeconomic Overview

U.S. High Yield had a strong quarter as the Bloomberg Barclays US Corporate High Yield index returned 2.40% despite a sell-off in the 10-year U.S. Treasury yield of over 0.20% to end the quarter at 3.07%. Within the index, lower-quality outperformed as CCC-rated credits generated a 2.73% total return. BBs were up 2.32% followed by B-rated bonds at 2.29%. The momentum in U.S. gross domestic product (GDP) trickled into companies' earnings as the majority beat their forecasts. The market will be watching closely how rising inflationary pressures and the implementation of tariffs impact the bottom line as many companies highlighted increasing costs as a future headwind to growth. On the geopolitical front, headlines around trade wars and tariffs between the U.S. and its trading partners were front and center for much of the quarter. Most of the impact, however, was felt in the equity markets and the subsequent day-to-day trading volatility. The back-and-forth sparring has done little to shake the U.S. high yield market, though we will continue to closely monitor the trade situation. In September, the market was particularly focused on the Federal Open Market Committee as they raised rates again in line with expectations. Post-announcement, the commentary was deemed somewhat hawkish as U.S. Federal Reserve (Fed) officials reaffirmed their outlook for additional hikes into 2019. Across the globe, similar hawkish commentary around increasing inflation out of the European Central Bank resulted in Bund yields rising this quarter. The strong underlying technical factors outweighed rates weakness as the market saw historically low supply on a gross and net basis. According to JP Morgan, the third quarter's new issuance of \$42.1 billion is the lowest quarterly total since fourth quarter 2011. Relative to this time a year ago, gross issuance is down 34% (\$168.3 billion vs \$255.6 billion in 2017).

## Fund Overview

Transamerica High Yield Bond's performance was driven by a combination of security selection and allocation. By ratings categories, selection within Bs detracted the most while selection was strong in BBs and CCCs. The underweight to BB-rated bonds continued to be a solid positive contributor while the positioning within Bs and CCCs detracted. By sub-sector, the largest detractors included holdings in technology, energy and basic industry. The top contributing sub-sectors included communications, consumer non-cyclical and banking.

## Outlook

AUIM anticipates continued solid GDP growth within the U.S. as the benefits of tax reform, strong fundamentals, low defaults and a conclusion to The North American Free Trade Agreement (NAFTA) negotiations support the broader macro environment. AUIM envisions unemployment remaining at very low levels and believe secular issues in most developed economies will keep inflation from increasing significantly. All of this leads to a healthy macro backdrop for the U.S. high yield market. While the market traded lower in the first half of the year, positive returns in the third quarter and expectations for coupon-like returns into year-end leads AUIM to believe the lower end of our 4-6% base case return target as appropriate given our constructive fundamental view of the asset class. AUIM views tighter monetary policy as the biggest constraining factor to high yield returns in the near-term as Fed rate hikes are likely to continue to push interest rates higher across the curve.

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>5.08%</b>
Class A – Unsubsidized	<b>5.08%</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
Bausch Health Cos., Inc., 5.87%, due 05/15/2023	1.25
GMAC Capital Trust I, Series 2, 8.09%	1.00
Scientific Games International, Inc., 10.00%, due 12/01/2022	0.98
Associated Materials LLC / AMH New Finance, Inc., 9.00%, due 01/01/2024	0.89
DISH DBS Corp., 7.75%, due 07/01/2026	0.83
Sprint Corp., 7.87%, due 09/15/2023	0.79
Viking Cruises, Ltd., 5.87%, due 09/15/2027	0.71
Hughes Satellite Systems Corp., 7.62%, due 06/15/2021	0.67
Altice France SA, 7.37%, due 05/01/2026	0.66
Credit Suisse Group AG, 7.50%, due 12/11/2023	0.66
<b>Percentage of total portfolio</b>	<b>8.44</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)	1.89	1.82	2.04	6.64	4.78	8.80	7.83
Class A (at POP)	-2.97	-3.01	-2.85	4.91	3.77	8.27	7.67
Class I (as NAV)	2.09	2.10	2.29	6.95	5.06	N/A	7.45
Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index	2.40	2.57	3.05	8.15	5.55	9.46	–

\* Average Annual Total Return

## Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	6.89	14.15	-4.66	3.43	6.22	16.99	3.93
Class I (at NAV)	7.09	14.51	-4.39	3.66	6.43	17.34	4.33
Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index	7.50	17.13	-4.43	2.46	7.44	15.78	4.96

**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 1.04% and 0.73% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.04% and 0.73% 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 Corporate High Yield 2% Issuer Capped 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 high-yield bond funds (junk bonds) may be subject to greater volatility and risks as the income derived from these securities is not guaranteed and may be unpredictable and the value of these securities tends to decline when interest rates increase.

**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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