Transamerica℠

as of 03/31/2025

Transamerica High Yield Bond

A | IHIYX | 06/14/1985   C | INCLX | 11/11/2002   I | TDHIX | 11/30/2009

Investment objective

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

Key facts

Investment Manager
Transamerica Asset Management, Inc. (TAM)

Morningstar Category
High Yield Bond

Lipper Category
High Yield Funds

Dividend Frequency
Daily

Benchmark
Bloomberg US Corporate High Yield 2% Issuer Capped Index

SUB-ADVISER

aegon asset management

Aegon USA Investment Management, LLC (AUIM)

PORTFOLIO MANAGERS

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MACROECONOMIC OVERVIEW

Polictical developments and macro uncertainty were front and center during the first quarter. After the inauguration of President Trump in January, the new administration wasted no time to enact various executive orders and embark on its plan to increase tariffs. This included broad-based tariffs on Chinese goods as well as tariffs on steel, aluminim and auto imports. From a macro perspective, most of the US economic data early in the quarter pointed to a resilient economy and the Federal Reserve (Fed) held rates steady. However, volatility picked up in March amid concerns related to tariff threats and signs of weakening in certain economic indicators. As the quarter came to a close, uncertainty remained high as markets anxiously awaited the so-called Liberation Day to see which other industries might fall under the administration's tariff wrath. Despite the barrage of headlines related to tariffs, the high yield bond market initially held in well, digesting the news in stride and continuing to clip a coupon. However, in March the tariff talk and a perception that US economy might be slowing proved too much for risk assets to withstand. Equity markets came under pressure and volatility increased. Although the high yield market was initially resilient and trading remained orderly, the weakness eventually spilled over to high yield bonds as spreads widened in March. Against this backdrop, the Bloomberg US High Yield Corporate index returned 1.00% during the quarter. Gains in January and February were partially offset by losses in March. Within the index, investors sought refuge in higher-quality bonds. BBs gained 1.49% followed by B-rated bonds at 0.74%. Lower-quality bonds came under some pressure as investors were less willing to chase risk given the more cautious tone and uncertain outlook. As a result, CCCs returned -0.44% during the quarter. The yield to worst on the index increased to 7.73% as spreads widened to around 347 basis points as of March 31. Despite the broader volatility, technicals remained largely supportive during the quarter. Primary market activity was relatively light compared to last year with about $68 billion of new high yield bonds pricing, reflecting a 22% decline relative to last year. The demand for high yield bonds persisted during most of the quarter with high yield funds reporting net flows of $7.6 billion.

FUND OVERVIEW

By ratings, Transamerica High Yield Bond's opportunistic exposure in investment grade corporate bonds performed well, outpacing the overall high yield market. The underweight allocation within CCCs and below also added value as the lower-quality part of the index trailed the broader market. Conversely, the selection in B-rated holdings and BBs detracted. By sub-sector, the top contributors included consumer non-cyclicals, consumer cyclicals and energy, driven by strong security selection. The largest detractors by sub-sector included communications, technology and electric utilities.

OUTLOOK

The market outlook has shifted dramatically recently as the Trump tariff announcements in April ushered in a new trade war. The aggressive tariffs prompted fears of a global recession and have the potential to upend globalization as we know it. More than anything, the recent events have created heightened economic uncertainty that is unlikely to go away anytime soon. If the tariffs are sustained, the knock-on effects could be far-reaching and include negative effects such as higher inflation, revenue shocks to tariff-exposed companies and an increased probability of a recession. In macroeconomic terms, the global economy is likely to be hit with a massive negative exogenous shock. For the high yield market, the subadvisor expects the heightened macro uncertainty will likely result in ongoing market volatility in the near term, which will also present potential opportunities. Although high yield bonds experienced a decent repricing in early April, the subadvisor expects spreads will continue to move wider as investors evaluate the economic and fundamental impacts of the tariffs. In terms of market technicals, the supply-demand imbalance that has supported the market and kept spreads tight in recent years is likely to change. While the demand profile for high yield bonds has not shifted materially as of this writing, if recession probabilities increase and sentiment continues to sour, flows may turn negative and the selling pressure could send spreads wider. As valuations reset and yields move higher, high yield bonds are likely to present attractive entry points and cheap buying opportunities. From a fundamental perspective, most high yield companies continue to be in good shape with healthy balance sheets relative to historical standards. However, the tariffs and waning economic outlook have the potential to negatively impact fundamentals, particularly within the more tariff-exposed sectors such as retail as well as the energy sector. On the surface, the subadvisor believes most companies have adequate liquidity to weather a revenue shock, however the permanency of the tariffs or an economic recession could create declining fundamental outlooks and stressed situations. Although the situation remains fluid, in the near term the subadvisor does not anticipate a material increase in the default rate given they believe that most companies will be able to weather the storm.

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 decision.

Average annual total returns and expense ratios (%)

	3M	YTD	1 YR	3 YRS	5 YRS	10 YRS	Inception	Gross	Net
Class A (at NAV)	0.15	0.15	6.22	2.87	6.08	3.66	7.08	1.05	1.04
Class I (at NAV)	0.39	0.39	6.69	3.43	6.63	4.07	5.88	0.70	0.61
Class A (at POP)	-4.58	-4.58	1.14	1.22	5.06	3.16	6.95	1.05	1.04
Bloomberg US Corporate High Yield 2% Issuer Capped Index	1.00	1.00	7.69	4.98	7.28	5.01	-	-	-

The data shown 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. Performance for other share classes will vary.

The Max Sales Charge for Class A shares is 4.75%. There are no sales charges for Class I shares. 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. The minimum investment for Class I shares is $1,000,000 per fund account, but will be waived for certain investors.

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. Contractual arrangements, if any, have been made with Transamerica Asset Management, Inc. through 3/1/2026.

Top 10 holdings (%)

Vmed O2 U.K. Financing I PLC, 7.75%, due 04/15/2032	1.45
Smyrna Ready Mix Concrete LLC, 8.88%, due 11/15/2031	1.25
ILFC E-Capital Trust I, 6.12%, due 12/21/2065	1.18
Cleveland-Cliffs, Inc., 7.00%, due 03/15/2032	1.01
CHS/Community Health Systems, Inc., 10.88%, due 01/15/2032	0.97
Big River Steel LLC/BRS Finance Corp., 6.63%, due 01/31/2029	0.93
Constellium SE, 6.38%, due 08/15/2032	0.91
Graphic Packaging International LLC, 6.38%, due 07/15/2032	0.82
Harvest Midstream I LP, 7.50%, due 05/15/2032	0.79
UKG, Inc., 7.30%, due 02/10/2031	0.79
Total	**10.10**

Holdings and weights are subject to change and are not recommendations to buy or sell a security. Holdings display excludes net other assets (liabilities).

Maturity (%)

0-1 Years	2.21
1-3 Years	12.44
3-5 Years	35.89
5-10 Years	40.69
10-20 Years	0.79
20+ Years	4.98

The Net Other Assets (Liabilities) category may include, but is not limited to, repurchase agreements, reverse repurchase agreements, security lending collateral, forward foreign currency contracts, and cash collateral.

The Bloomberg 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. High yield bonds tend to be volatile and more susceptible to adverse events, credit downgrades and negative sentiments.

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 two 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 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 visit 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, LLC, member FINRA. Aegon USA Investment Management, LLC is an affiliate of Aegon companies. Transamerica companies are part of the Aegon group. 1801 California St. Suite 5200, Denver, CO 80202