

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 USA Investment Management, LLC (AUIM)

PORTFOLIO MANAGERS

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MACROECONOMIC OVERVIEW

Despite ongoing tariff headlines and macro uncertainty, the high yield market marched on and remained firm throughout most of the third quarter. Macro data was mixed during the quarter with solid gross domestic product (GDP) contrasted by a moderate increase in inflation and signs of labor market weakness. From a corporate earnings perspective, most high yield companies reported solid second-quarter results that beat expectations or were better than initially feared following the tariffs announcements. However, pockets of weakness remain, and the full impact of tariffs is yet to be seen. Against this backdrop, the Bloomberg US Corporate High Yield 2% Issuer Capped Index gained 2.54% during the third quarter, bringing the year-to-date return to 7.22%. Within the index, all rating categories had positive returns. CCCs returned 4.37% followed by BBs at 2.31% and Bs with a 2.28% quarterly return. The yield to worst on the index ended the quarter at 6.70% and spreads tightened to an index option-adjusted spread of 267 bps as of September 30. Market technicals remained supportive. The late-summer doldrums didn't slow down the high yield market as the primary market activity in August was unseasonably active. The elevated pace of new issuance continued in September, making it the largest issuance month since March 2021 and the third busiest month on record. Demand remained intact and inflows persisted throughout most of the quarter. Investors aggressively bought the new deals, and the market easily absorbed the robust issuance.

FUND OVERVIEW

By ratings, the portfolio's higher-quality holdings contributed positively to relative returns. This included positive effects from the selection and allocation within BBs as well as the subset of off-benchmark investment grade holdings. Conversely, the selection in CCCs and below detracted from performance. By sub-sector, the top contributors included technology, energy and capital goods, mainly due to strong security selection. The largest detractors by sub-sector included communications, consumer cyclical and basic industry.

OUTLOOK

The outlook for the high yield bond market remains mixed with elevated macro uncertainty contrasted by solid company fundamentals and supportive market technicals. The ongoing tariff saga is likely to continue to create heightened uncertainty and pockets of volatility in the months ahead, which can create headwinds as well as compelling opportunities for investors. Despite macro uncertainty, most high yield companies are performing fine, and the sub-adviser expects defaults to remain relatively muted. Credit metrics have declined from prior peaks, but fundamentals look healthy versus historical standards. However, the tariffs and the uncertain economic outlook have created headwinds and have the potential to negatively impact fundamentals, particularly within the more tariff-exposed sectors and those companies facing idiosyncratic challenges. From a valuation perspective, spreads are tight and look relatively expensive. Although tighter spreads could be justified as the market is now higher quality (more BBs, fewer CCCs), has more secured bonds, and most companies still have solid fundamentals, we think it is unlikely that spreads tighten materially from here. Spreads could remain range bound if the strong technical persists. However, the sub-adviser thinks spreads are more likely biased toward widening around bouts of market volatility. All of that leads Aegon USA Investment Management, LLC (AUIM) to be cautiously constructive. They expect economic uncertainty to persist and there are various catalysts that could prompt volatility in the market. However, high yield company fundamentals are expected to stay in relatively good shape and default expectations to remain muted. The high yield market continues to offer high-income potential, and investors could see carry-like returns for the remainder of the year if market technicals remain supportive and the economic outlook does not materially decline.

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)	2.38	6.22	6.46	9.13	4.51	4.74	7.14	1.05	1.04
Class I (at NAV)	2.48	6.50	6.75	9.65	4.95	5.15	6.09	0.70	0.61
Class A (at POP)	-2.43	1.21	1.38	7.39	3.49	4.23	7.01	1.05	1.04
Bloomberg US Corporate High Yield 2% Issuer Capped Index	2.54	7.22	7.41	11.09	5.54	6.16	-	-	-

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	1.75
Constellation Insurance, Inc., 6.80%, due 01/24/2030	1.52
ILFC E-Capital Trust I, 6.27%, due 12/21/2065	1.44
UKG, Inc., 6.81%, due 02/10/2031	1.20
Smyrna Ready Mix Concrete LLC, 8.88%, due 11/15/2031	1.17
Magnera Corp., 7.25%, due 11/15/2031	1.13
CHS/Community Health Systems, Inc., 10.88%, due 01/15/2032	1.05
Charter Communications Operating LLC/ Charter Communications Operating Capital, 6.48%, due 10/23/2045	0.98
Park Intermediate Holdings LLC/PK Domestic Property LLC/PK Finance Co-Issuer, 7.00%, due 02/01/2030	0.94
ION Trading Technologies SARM, 9.50%, due 05/30/2029	0.93
Total	12.11

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	0.84
1-3 Years	14.01
3-5 Years	30.43
5-10 Years	45.62
10-20 Years	1.07
20+ Years	5.38

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

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