

Transamerica High Yield Bond

A | IHYX | 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 High Yield 2% Issuer Capped Index

SUB-ADVISER



Aegon USA Investment Management, LLC (AUIM)

PORTFOLIO MANAGERS

Kevin Bakker, CFA

Benjamin D. Miller, CFA

James K. Schaeffer, Jr.

MACROECONOMIC OVERVIEW

The high yield market delivered another positive return during the fourth quarter and finished the year on solid footing. Spreads continued to hover around multi-year lows and capital markets remained active. Despite mixed macro data releases, the US economy remained relatively resilient with solid Gross domestic product (GDP) growth. Monetary policy was also in focus during the quarter as the U.S. Federal Reserve (Fed) delivered rate cuts. Although the market performed well this quarter, there were pockets of softness, various macro developments and company headlines that created some nervousness at times. From tariff negotiations and credit blowups, to concerns around the increasingly circular nature of Artificial Intelligence (AI) related deals, investors were cautious on various market sub-segments. At a company level, earnings season delivered mixed results, causing some single-name volatility and caution. This combination of factors left investors scratching their heads at times and resulted in the market bouncing around. Nonetheless, the high yield market marched on and delivered a solid positive return. For the quarter, the Bloomberg US Corporate High Yield 2% Issuer Capped Index returned 1.31%, bringing the year-to-date return to 8.62%. Within the index, B-rated bonds returned 1.58% and BBs returned 1.51%. The lower-quality segment lagged higher-quality bonds. The index's option-adjusted spread (OAS) ended the year at 266 basis points (bps) and the yield to worst landed at 6.53%. From a market technicals perspective, capital markets remained active with steady new issuance, bringing the total annual issuance to a four-year high. Demand persisted with funds reporting net inflows for the fourth quarter.

FUND OVERVIEW

During the quarter, Transamerica High Yield Bond, selection was the primary driver of relative performance during the quarter as the portfolio's holdings outpaced the index. By ratings, selection was strong across all categories with the exposure in lower-quality credit (CCCs and below) contributing the most to the relative return. The selection within BBs and Bs also added value. In addition to strong selection in owned names, the lack of exposure to many underperforming names in the index also contributed positively to returns. The overweight allocation in B-rated bonds was another positive contributor. Conversely, the underweight in BBs and small exposure to investment grade bonds modestly detracted; however, this was more than offset by other positive effects. By sub-sector, top contributors included communications, consumer cyclicals and banking, mainly due to strong security selection. The largest sub-sector detractors included other financials, capital goods and transportation.

OUTLOOK

The outlook for the high yield bond market remains mixed with elevated macro uncertainty and stretched valuations contrasted by decent company fundamentals and supportive market technicals. From a fundamental perspective, most high yield companies continue to be in decent shape. Credit metrics have declined off recent peaks; however, they are coming off strong levels and the sub-adviser expects defaults to remain subdued. However, signs are showing of softer operating results in certain companies creating expectations for more dispersion ahead as companies face idiosyncratic challenges and the market differentiates between leaders and laggards. From a valuation perspective, spreads are tight and look relatively expensive. While it is possible spreads remain range-bound or grind modestly tighter on the back of strong technicals, the sub-adviser thinks it is unlikely that spreads tighten materially from here and instead expect spreads to be more biased toward widening in 2026. All of that leads the sub-adviser to be cautiously constructive. Although most companies have decent fundamentals, more dispersion is expected. Various catalysts could prompt volatility in the market presenting potentially interesting buying opportunities in 2026.

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)	1.76	8.09	8.09	8.41	3.50	5.18	7.14	1.05	1.04
Class I (at NAV)	1.85	8.47	8.47	8.92	3.94	5.59	6.11	0.70	0.61
Class A (at POP)	-3.11	2.99	2.99	6.67	2.50	4.67	7.01	1.05	1.04
Bloomberg US High Yield 2% Issuer Capped Index	1.31	8.62	8.62	10.06	4.50	6.52	-	-	-

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](https://www.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 (%)

Constellation Insurance, Inc., 6.80%, due 01/24/2030	1.51
ILFC E-Capital Trust I, 6.35%, due 12/21/2065	1.42
UKG, Inc., 6.34%, due 02/10/2031	1.19
Magnera Corp., 7.25%, due 11/15/2031	1.18
Vmed O2 U.K. Financing I PLC, 7.75%, due 04/15/2032	1.10
CHS/Community Health Systems, Inc., 10.88%, due 01/15/2032	0.97
Park Intermediate Holdings LLC/PK Domestic Property LLC/PK Finance Co-Issuer, 7.00%, due 02/01/2030	0.93
Charter Communications Operating LLC/Charter Communications Operating Capital, 6.48%, due 10/23/2045	0.92
Vistra Operations Co. LLC, 6.88%, due 04/15/2032	0.92
Mauser Packaging Solutions Holding Co., 7.88%, due 04/15/2030	0.90
Total	11.04

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	0.24
1-3 Years	10.72
3-5 Years	33.79
5-10 Years	44.53
10-20 Years	2.76
20+ Years	4.62

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](https://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, 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

© 2026 Transamerica Corporation. All Rights Reserved.

113019R28

01/26