

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



asset management

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 came under pressure in the first quarter amid increasing macro uncertainty and market volatility. Investor anxiety was initially driven by AI disruption and shifted to broader geopolitical and macro concerns tied to the intensifying Middle East conflict. Private credit liquidity challenges and some earnings-specific weakness added to the consternation. The combination of higher rates and lower equities also pressured the market in March, as the index posted its weakest monthly return since October 2023. Against that backdrop, the Bloomberg US Corporate High Yield 2% Issuer Capped Index returned -0.50% during the first quarter. Within the index, all rating categories posted negative returns. Lower-quality credit experienced the most weakness as CCCs returned -1.26%. B-rated bonds were down by -0.65% and BBs returned -0.28%. Spreads widened during the quarter to 317 basis points (bps), and the index's yield to worst increased to 7.40% as of March 31. Market technicals were mixed. Despite the underlying nervous tone and spread widening, trading remained orderly. From the supply side, the year started with a steady pace of new issuance. However, primary market activity stalled out in March as companies stood on the sidelines amid the broader market volatility. US high yield bond issuance totaled around \$80 billion in the first quarter, which was similar to this time last year. From the demand side, US high yield funds reported net outflows amid the declining sentiment.

FUND OVERVIEW

During the quarter, performance was driven by a combination of selection and allocation decisions. By ratings, bottom-up selection in higher-quality bonds contributed positively. The portfolio's BB holdings and the modest off-benchmark exposure to investment grade bonds added value. The slight underweight to CCCs and below also contributed positively as the lower-quality part of the index lagged the overall market. Conversely, selection in B-rated bonds detracted. The underweight allocation in BBs also weighed on relative performance, however this was more than offset by positive effects from selection in this segment. By sub-sector, top contributors included finance companies, other financials and insurance companies, mainly due to strong security selection. The largest sub-sector detractors included basic industry, consumer cyclicals and communications. Looking ahead, we remain focused on bottom-up selection to drive performance.

OUTLOOK

The outlook is clouded by the triple threat of geopolitical tension in the Middle East, cracks in the private credit sphere and disruption from AI. The market is currently torn between generally solid fundamentals, set against the threat of higher oil, lower growth and higher inflation. Although the geopolitical and macro headwinds create broader uncertainty, the state of underlying company fundamentals has not changed materially. 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 we expect defaults to remain subdued. That said, there are signs of softer operating results in certain companies. The sub-advisor expects more dispersion ahead as companies face idiosyncratic challenges and the market differentiates between leaders and laggards. From a valuation perspective, credit spreads have widened off historically tight levels and are now closer to fair value. While wider spreads and higher yields can present attractive buying opportunities, the sub-advisor thinks it is prudent to be cautious. Various catalysts could prompt volatility, and there is room for incremental widening in 2026. That said, the sub-advisor expects spread widening to remain relatively contained and potentially short-lived as buyers step in at higher levels. All that leads the team to be cautious and focused on selection. As always, they think bottom-up credit selection and avoiding the problem credits will be important in the year ahead.

All opinions, estimates, projections and security selections contained herein are those of the sub-advisor. 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)	-0.97	-0.97	6.88	7.30	3.04	4.83	7.07	1.04	1.04
Class I (at NAV)	-0.84	-0.84	7.14	7.69	3.49	5.25	5.96	0.71	0.62
Class A (at POP)	-5.70	-5.70	1.76	5.56	2.05	4.32	6.95	1.04	1.04
Bloomberg US High Yield 2% Issuer Capped Index	-0.50	-0.50	7.01	8.60	4.22	6.12	-	-	-

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 3/1/2027.

Top 10 holdings (%)

Constellation Insurance, Inc., 6.80%, due 01/24/2030	1.55
ILFC E-Capital Trust I, 6.38%, due 12/21/2065	1.48
UKG, Inc., 6.17%, due 02/10/2031	1.17
Magnera Corp., 7.25%, due 11/15/2031	1.15
Vmed O2 U.K. Financing I PLC, 7.75%, due 04/15/2032	1.04
UWM Holdings LLC, 6.63%, due 02/01/2030	0.99
Olympus Water U.S. Holding Corp., 7.25%, due 02/15/2033	0.97
Park Intermediate Holdings LLC/PK Domestic Property LLC/PK Finance Co-Issuer, 7.00%, due 02/01/2030	0.95
Mauser Packaging Solutions Holding Co., 7.88%, due 04/15/2030	0.94
Vistra Operations Co. LLC, 6.88%, due 04/15/2032	0.94
Total	11.18

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	0.25
1-3 Years	12.68
3-5 Years	34.76
5-10 Years	43.30
10-20 Years	2.16
20+ Years	4.76

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

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