

# Transamerica Asset Allocation Portfolios



Strategic Allocation, Fund Selection, and  
Portfolio Construction by Morningstar Associates\*

Morningstar Commentary  
1<sup>st</sup> Quarter 2010

## Market and Economic Environment

U.S. stocks continued to gain ground in 2010's first three months. The S&P 500's 5.4% return marked its fourth consecutive quarter of recovery. In all, the S&P 500 Index is up 50% for the past 12 months. From a sector perspective, financials, industrials and media were the biggest winners, with all three posting double-digit gains. All told, 10 of the 12 Morningstar sectors were up for the quarter, with telecom and utilities the only two sectors posting losses.

The economic news was mixed early in the quarter. The housing market continued to stabilize, but showed few signs of a rebound. The S&P/Case-Shiller 10-City Home Price Index was flat in January 2010 compared to January 2009, although worries persist about the large backlog of homes in or near foreclosure. Investors were cheered by news of a 5.6% increase in Gross Domestic Product (GDP) in 2009's fourth quarter, which marked an improvement over the 2.2% increase in the third quarter. Corporate profits, which rose 8%, showed gains for the fourth consecutive quarter. Business inventories declined for the seventh consecutive quarter, however, indicating a lack of confidence in a lasting recovery. The employment picture improved marginally. Payrolls increased by 162,000 workers (or employees) in March 2010, the largest increase since the recession began. That good news was tempered by the fact that half of those gains came from the government's hiring of census workers and an uptick in other temporary jobs.

Most foreign equity markets posted smaller returns than the United States. European stocks inched higher for the quarter, but U.S. investors saw those gains eroded by a weak Euro. The European Union struggled to find a satisfactory solution to Greece's debt woes, causing the U.S. dollar to appreciate in value. Emerging markets cooled due to signs that China was tightening the lending capacity of its banks. The Morgan Stanley Capital International (MSCI) China Index fell 1.6% in the first quarter and Brazil, a big beneficiary of China's growth, was flat. Japan was the most notable outperformer. The MSCI Japan Index gained 8.2% in the first quarter as the Japanese market improved on its lackluster 2009 rebound.

The bond market continued a major trend that began in January 2009, as credit-sensitive bonds outpaced government debt. The Barclays Capital U.S. Credit Index rose 2.3% and the Barclays Capital U.S. Corporate High Yield Index gained 4.6% first quarter. By comparison, the Barclays Capital U.S. Government Index rose just 1.1%. Ben Bernanke was confirmed for another term as Federal Reserve Chairman in January. The Fed continued to hold short-term interest rates near zero to help stimulate the economy. While many investors worry about a consequent increase in inflation in the future, recent data show little evidence of higher prices. Major commodities indices slid a bit in the quarter, with the Dow Jones UBS Commodity Index falling 5%.

## Past performance is no indication of future results.

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## Transamerica Asset Allocation Portfolios and Underlying Funds

The Transamerica Asset Allocation Portfolios benefited from the ongoing rallies in the stock and bond markets in 2010's first quarter. The equity-focused portfolios had the highest returns, with both the Growth Portfolio and the Moderate Growth Portfolio rising for the quarter. Neither of those portfolio's results was strong enough to match the S&P 500's quarterly gain. The global diversification of the Transamerica Portfolios, which has generally been beneficial over the past five years, detracted from performance relative to U.S. indexes in the recent quarter. Greece's debt problem created a headwind for many of the international strategies, and emerging markets cooled as China took steps to rein in its growth of bank loans. Transamerica Thornburg International Value, for example, performed better than most foreign large-cap blend funds, but had only modest gains. Transamerica Oppenheimer Developing Markets posted large gains in the 12-month period ending March 31, 2010, but these gains were only slight in 2010's first quarter. The biggest winners among the equity strategies came from those invested in smaller stocks. Transamerica JPMorgan Mid Cap Value and Transamerica Growth Opportunities both had strong returns. Few of the large-cap strategies had exceptionally strong performance, although Transamerica Equity's rise was a bright spot.

The bond-focused portfolios largely kept pace with Transamerica's more equity-laden portfolios, with the Moderate Portfolio and the Conservative Portfolio both rising. Fixed-income strategies posted gains because the corporate bond market continued to rally as the economic recovery stayed on track and interest rates didn't change much. While bonds have posted strong gains during the rally, the amount of extra yield offered by corporate bonds compared to Treasuries has narrowed dramatically in the past 12 months, which limits the potential for future gains. While signs of future inflation have been scarce, an increase in long-term rates would pressure bond prices lower. That being said, the bond strategies have fully participated in the rally. Transamerica Loomis Sayles Bond has been at the forefront of a strong rebound. It has gained significantly in the 12-month period ending December 31, 2009, far surpassing the typical multi-sector bond fund. Its momentum carried over into 2010's first quarter, as it rose yet again. The diversified allocations to various fixed-income sectors were helpful, as Transamerica AEGON High Yield Bond and Transamerica Van Kampen Emerging Market Debt both rose for the quarter. Transamerica JPMorgan International Bond's loss made it the only bond fund to lose ground in the period. The alternative strategies in the Portfolios didn't get much traction in the quarter. Transamerica First Quadrant Global Macro had only a minimal gain, while Transamerica BNY Mellon Market Neutral Strategies was flat and Transamerica Federated Market Opportunities lost.

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## Performance—1<sup>st</sup> Quarter 2010

As of 3/31/10	Ticker Symbol	Net Asset Value					With Sales Charge			Expense Ratio	Inception Date
		Total Return			Average Annual Return		Total Return	Average Annual Return			
		3 Months	Year to Date	1 Year	5 Year	Since Inception	1 Year	5 Year	Since Inception		
<b>Transamerica Asset Allocation Portfolios - Class C Shares</b>											
Transamerica Asset Allocation - Growth Portfolio	IAALX	3.57%	3.57%	48.81%	2.11%	6.33%	47.81%	2.11%	6.33%	2.27%	11/11/02
Transamerica Asset Allocation - Moderate Growth Portfolio	IMLLX	3.19%	3.19%	40.27%	3.15%	6.59%	39.27%	3.15%	6.59%	2.16%	11/11/02
Transamerica Asset Allocation - Moderate Portfolio	IMOLX	2.81%	2.81%	34.44%	3.83%	6.68%	33.44%	3.83%	6.68%	2.08%	11/11/02
Transamerica Asset Allocation - Conservative Portfolio	ICLLX	2.53%	2.53%	30.72%	4.10%	6.39%	29.72%	4.10%	6.39%	2.04%	11/11/02
<b>Underlying Transamerica Funds - Class I2 Shares</b>											
Transamerica AllianceBernstein International Value	N/A	0.63%	0.63%	53.88%	N/A	-0.86%	53.88%	N/A	-0.86%	0.97%	12/6/05
Transamerica BNY Mellon Market Neutral Strategy	N/A	-0.12%	-0.12%	-6.82%	N/A	-3.34%	-6.82%	N/A	-3.34%	3.61%	1/3/07
Transamerica BlackRock Global Allocation	N/A	1.76%	1.76%	31.39%	N/A	6.90%	31.39%	N/A	6.90%	0.90%	12/6/05
Transamerica BlackRock Large Cap Value	N/A	5.37%	5.37%	41.14%	N/A	-1.21%	41.14%	N/A	-1.21%	0.83%	11/15/05
Transamerica BlackRock Natural Resources	N/A	-0.56%	-0.56%	53.18%	N/A	-2.60%	53.18%	N/A	-2.60%	0.89%	1/3/07
Transamerica Clarion Global Real Estate Securities	N/A	1.97%	1.97%	75.15%	N/A	2.93%	75.15%	N/A	2.93%	0.93%	11/15/05
Transamerica Equity	N/A	5.78%	5.78%	52.07%	N/A	-0.52%	52.07%	N/A	-0.52%	0.80%	11/15/05
Transamerica Federated Market Opportunity	N/A	-2.48%	-2.48%	-2.00%	N/A	-0.23%	-2.00%	N/A	-0.23%	0.89%	12/6/05
Transamerica First Quadrant Global Macro	N/A	0.99%	0.99%	28.24%	N/A	-2.43%	28.24%	N/A	-2.43%	1.58%	1/3/07
Transamerica Growth Opportunities	N/A	8.14%	8.14%	57.36%	N/A	3.53%	57.36%	N/A	3.53%	0.91%	11/15/05
Transamerica Jennison Growth	N/A	2.87%	2.87%	47.14%	N/A	1.48%	47.14%	N/A	1.48%	0.85%	11/15/05
Transamerica JPMorgan Mid Cap Value	N/A	8.19%	8.19%	57.83%	N/A	2.93%	57.83%	N/A	2.93%	0.90%	11/15/05
Transamerica MFS International Equity	N/A	0.59%	0.59%	53.29%	N/A	-6.83%	53.29%	N/A	-6.83%	1.09%	06/10/08
Transamerica Neuberger Berman International	N/A	1.39%	1.39%	54.03%	N/A	-0.60%	54.03%	N/A	-0.60%	1.09%	12/6/05
Transamerica Oppenheimer Developing Markets	N/A	2.61%	2.61%	89.01%	N/A	12.35%	89.01%	N/A	12.35%	1.35%	12/6/05
Transamerica Oppenheimer Small- & Mid-Cap Value	N/A	6.43%	6.43%	58.99%	N/A	-0.25%	58.99%	N/A	-0.25%	0.98%	8/1/06
Transamerica PIMCO Real Return TIPS	N/A	1.22%	1.22%	10.98%	5.05%	5.02%	10.98%	5.05%	5.02%	0.74%	11/8/04
Transamerica Schroders International Small Cap	N/A	3.69%	3.69%	66.38%	N/A	-5.37%	66.38%	N/A	-5.37%	1.21%	3/1/08
Transamerica Small/Mid Cap Value	N/A	10.16%	10.16%	73.25%	N/A	8.15%	73.25%	N/A	8.15%	0.91%	11/15/05
Transamerica Third Avenue Value	N/A	2.93%	2.93%	51.14%	N/A	-8.99%	51.14%	N/A	-8.99%	0.87%	5/1/07
Transamerica Thornburg International Value	N/A	2.09%	2.09%	49.70%	N/A	2.74%	49.70%	N/A	2.74%	1.15%	9/15/08
Transamerica UBS Large Cap Value	N/A	5.51%	5.51%	52.88%	0.58%	1.14%	52.88%	0.58%	1.14%	0.81%	11/8/04
Transamerica Van Kampen Mid-Cap Growth	N/A	6.80%	6.80%	71.54%	N/A	4.34%	71.54%	N/A	4.34%	0.88%	1/3/06
Transamerica Van Kampen Small Company Growth	N/A	2.35%	2.35%	55.02%	3.06%	3.58%	55.02%	3.06%	3.58%	1.04%	11/8/04
Transamerica WMC Emerging Markets	N/A	1.40%	1.40%	73.94%	N/A	21.06%	73.94%	N/A	21.06%	1.43%	9/30/08

The performance presented here represents past performance, which is no guarantee of future results. Current performance may be higher or lower than this performance data. Both the principal value and investment returns of mutual funds will fluctuate over time so that shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month end, go to [TransamericaInvestments.com](http://TransamericaInvestments.com) or call Transamerica Funds at 888-233-4339.

Returns at Net Asset Value include reinvestment of dividends and capital gains, but do not reflect any sales charges. Returns with Sales Charge include reinvestment of dividends and capital gains, and reflect the maximum sales charge. Purchases of Class C shares are subject to a 1% contingent deferred sales charge if redeemed during the first 12 months of purchase. Different sales charges, fees, and expenses apply to different share classes. Class I2 share funds are available for investment by the Asset Allocation Portfolios, Multi-Manager International Portfolio, and Multi-Manager Alternative Strategies Portfolio and other investors, as described in the prospectus.

The ability of each Portfolio to achieve its objective depends largely on the performance of the underlying funds in which it invests, a pro-rata portion of whose operating expenses the Portfolio bears. Each underlying fund's performance, in turn, depends on the particular securities in which that underlying fund invests. Accordingly, each Portfolio is subject indirectly to the risks associated with its underlying funds, as stated in the prospectus.

Investors should carefully consider their investment objectives and the risks, charges, and expenses associated with mutual funds before investing. The prospectus contains this and other information about the funds. Contact your financial professional or call Transamerica Funds at 888-233-4339 for a prospectus, and read the prospectus carefully before investing.

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