

WHERE WE STAND

MARKET OUTLOOK FOR 2022

TOM WALD, CFA®

Chief Investment Officer,
Transamerica Asset
Management, Inc.

U.S. ECONOMY — We believe the U.S. economy is capable of achieving 3% gross domestic product growth in 2022, though a series of variables will need to be resolved throughout the year, including inflation, global supply chain constraints, worker shortages, and the potential impact of the Omicron variant on overall COVID-19 trends. Higher rates of inflation will likely persist into 2Q 2022 before potentially mitigating to approximately 3% by year end.

U.S. STOCKS — We see U.S. stocks as well positioned for the year ahead and believe a realistic year-end 2022 price target on the S&P 500® to be 5,200. This is based on strong corporate earnings, reasonable valuations, the absence of higher

federal taxes, and anticipation of a post-pandemic world. Risks include materially escalating virus cases driven by the Omicron variant, higher inflation, rising interest rates, and continuing supply chain disruptions. While we do believe odds favor a market correction of 10% or more at some point in the year ahead, we would likely view such an event as a buying opportunity. We see value stocks better positioned than growth due to the inflationary and interest rate environment as well as the expectation economic growth will continue above trend versus the past decade.

INTEREST RATES AND FED POLICY — Our base case expectation is for three quarter-point rate hikes by the Federal Reserve taking the federal funds target range up to 0.75%-1.00% by year-end 2022. We also believe the Fed will conclude open market asset purchases by the end of March. This shift in policy is being driven by the need for the Fed to transition its focus from accommodation and liquidity to one of combating inflation. We see longer-term rates continuing to rise and believe the 10-year Treasury yield will challenge 2% by the end of 1Q 2022 with an ultimate range of 2.25%-2.50% by year end.

CREDIT MARKETS AND INCOME STRATEGIES — Achieving income at appropriate levels of interest rate and credit risk remains extremely challenging. While credit fundamentals remain strong coming out of the COVID crisis, this is fully reflected in current credit spreads now close to multiyear lows. Excess returns can potentially be found in the crossover space of investment grade and high yield, where opportunities may exist following the large amounts of downgrades in 2020. A diversified portfolio of several income-oriented asset classes can potentially enhance yield while reducing interest rate volatility and diversifying credit risk. In addition to investment grade- and high-yield bonds, these would include: floating rate, emerging market debt, preferred and high-dividend common stocks.

INTERNATIONAL STOCKS — Premium growth to the U.S. will be challenging in the year ahead for international developed and emerging markets equities. Risks to growth include higher COVID case trends in various regions, threats of further lockdowns in Europe, and lower vaccination rates in various emerging market countries. Investors may want to consider owning international and emerging market equities less for the opportunities they present in the year ahead and more as longer-term diversifiers to U.S. portfolios.

WILD CARDS — We identify five wild cards potentially altering the investment landscape in 2022. These range from the Omicron variant to COVID therapeutic breakthroughs, global supply chain timing, reversals in the labor market, and the upcoming midterm congressional elections.

These topics and others will be covered in more detail in the upcoming,
"Where We Stand: Transamerica 2022 Market Outlook."



TRANSAMERICA®

Insurance / Investments / Retirement



THOMAS R. WALD, CFA[®]

CHIEF INVESTMENT OFFICER TRANSAMERICA ASSET MANAGEMENT, INC.

Tom oversees investment and mutual fund development and the sub-advisor selection process. He heads Transamerica's investment thought leadership with advisors, clients, and media. Tom has more than 30 years of investment experience and has managed large mutual funds and sub-advised separate account portfolios. Tom holds a bachelor's degree in political science from Tulane University and an MBA in finance from the Wharton School at the University of Pennsylvania.



Visit: transamerica.com/market-outlook

Investments are subject to market risk, including the loss of principal. Asset classes or investment strategies described may not be appropriate for all investors.

Past performance does not guarantee future results.

Fixed income investing is subject to credit rate risk, interest rate risk, and inflation risk. Credit risk is the risk that the issuer of a bond won't meet their payments. Inflation risk is the risk that inflation could outpace a bond's interest income. Interest rate risk is the risk that fluctuations in interest rates will affect the price of a bond. Investing in floating rate loans may be subject to greater volatility and increased risks.

Equities are subject to market risk meaning that stock prices in general may decline over short or extended periods of time.

Growth stocks typically are particularly sensitive to market movements and may involve larger price swings because their market prices tend to reflect future expectations. Growth stocks as a group may be out of favor and underperform the overall equity market for a long period of time, for example, while the market favors "value" stocks.

Investments in global/international markets involve risks not associated with U.S. markets, such as currency fluctuations, adverse social and political developments, and the relatively small size and lesser liquidity of some markets. These risks may be greater in emerging markets.

The S&P 500[®] is an unmanaged index used as general measures of market performance. It is not possible to invest directly into an index.

The COVID-19 pandemic has caused substantial market disruption and dislocation around the world including the U.S. Economies and financial markets throughout the world are increasingly interconnected. Economic, financial, or political events, trading and tariff arrangements, terrorism, technology and data interruptions, natural disasters, and other circumstances in one or more countries or regions could be highly disruptive to, and have profound impacts on, global economies or markets.

The information included in this document should not be construed as investment advice or a recommendation for the purchase or sale of any security. This material contains general information only on investment matters; it should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The information does not take into account any investor's investment objectives, particular needs, or financial situation. The value of any investment may fluctuate. This information has been developed by Transamerica Asset Management, Inc. and may incorporate third-party data, text, images, and other content to be deemed reliable.

Comments and general market-related projections are based on information available at the time of writing and believed to be accurate; are for informational purposes only, are not intended as individual or specific advice, may not represent the opinions of the entire firm and may not be relied upon for future investing. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions.

Transamerica Asset Management, Inc. is an SEC-registered investment adviser. The funds advised and sponsored by Transamerica Asset Management, Inc. include Transamerica Funds, Transamerica Series Trust and *DeltaShares*[®] exchange-traded funds. Transamerica Asset Management, Inc., is an indirect wholly owned subsidiary of Aegon N.V., an international life insurance, pension, and asset management company.

1801 California Street, Denver, CO 80202, USA

1941583

© 2021 Transamerica Corporation. All Rights Reserved.



TRANSAMERICA[®]

Insurance / Investments / Retirement