MARKET PULSE

TRANSAMERICA ASSET MANAGEMENT, INC.
2024 MID-YEAR MARKET OUTLOOK

Tom Wald, CFA®
Chief Investment Officer
Transamerica Asset Management, Inc.

TRANSAMERICA®
Insurance / Investments / Retirement

MARKET PULSE:

2024 AND 2025 YEAR-END FORECASTS

FORECASTS	Year-End 2024	Year-End 2025
CY U.S. GDP Growth	2.00%	2.50%
Core CPI Inflation	3.00%	2.60%
Core PCE Inflation	2.40%	2.20%
Slope of Yield Curve (3-Month to 10-Year)	Inverted	Upward
Federal Funds Rate (Lower Bound)	4.75%	4.00%
10-Year U.S. Treasury Bond Yield	4.25%	4.25%
S&P 500®	5,800	6,300

PORTFOLIO POSITIONING	
Asset Allocation	Balanced Stocks/Bonds (60/40)
Optimal Spots on Yield Curve	6–9 Years 1–2 Years
Fixed Income	Intermediate Term, Investment Grade (6–9 Years)
U.S. Stocks	Large-Cap Growth through 2024 Large-Cap Value in mid-2025
International Stocks	Developed Markets, Europe, Japan

MARKET PULSE: MID-YEAR 2024

U.S. ECONOMY

The U.S. economy is likely to conclude the year with cumulative gross domestic product growth of about 2%, which we would view as an environment favorable for stocks and bonds. We see this growth as more weighted toward the second half of the year and potentially accelerating into CY 2025 based on lower rates of inflation, Federal Reserve rate cuts, and rising corporate earnings growth. We believe inflation will continue to decline, with consumer price index and personal consumption expenditures core measures combining to average below 3% by year-end and further declining into 2025.

FIXED INCOME

We believe the door remains open at the Federal Reserve for a pair of 0.25% rate cuts in the fourth quarter, concluding the year with a federal funds target range of 4.75%–5.00%. We also see the Fed further reducing rates thereafter and potentially finishing CY 2025 with a fed funds rate target range of 4.00%–4.25%. We expect the yield curve to incrementally flatten to a less inverted slope by year-end 2024 before normalizing back to an upward slope in 2025. This expectation is based in large part on the 10-year Treasury bond yield concluding the year at 4.25% and maintaining that level in 2025. Against this backdrop, we view intermediate-term, investment-grade bonds as providing a strong risk-reward profile for bond investors.

U.S. STOCKS

In our judgment, the equity markets can achieve annualized, double-digit total returns over the next two years. Our year-end 2024 price target on the S&P 500® is 5,800 with prospects to reach 6,300 by the conclusion of 2025. Key catalysts for stocks over this time include Fed rate cuts, declining inflation, and, most importantly, rising corporate earnings growth. We continue to prefer growth stocks over value for the upcoming one-year time frame but thereafter a case can begin to be made for value over the longer term.

INTERNATIONAL STOCKS

International stocks could be positioned for some degree of catch up versus their U.S. counterparts, as valuation measures have hit historically wide differentials. Against this backdrop, we see potential catalysts for international developed stocks as including a sharper decline of inflation in the eurozone combined with corresponding European Central Bank rate cuts and an improving market environment in Japan.

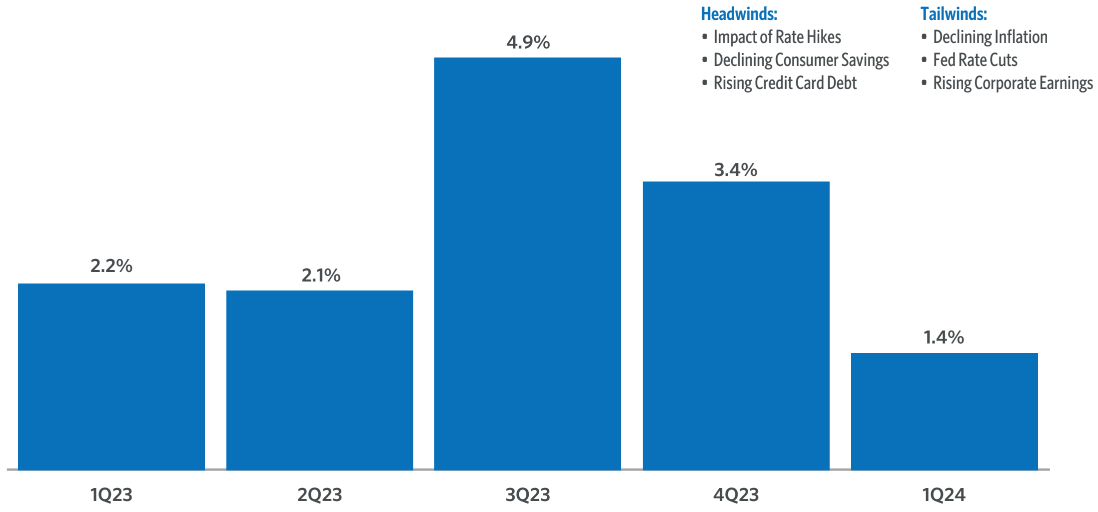
WILD CARDS

While the upcoming November elections promise to comprise a good bit of drama mostly driven by what appears will be closely fought contests for party control of the White House, Senate, and House of Representatives, we believe markets will likely respond most favorably to split leadership across the executive and legislative branches. Post election, focus will likely quickly center on future tax legislation, as various components within the Tax Cuts and Jobs Act of 2017 are set to expire by year-end 2025.

U.S. ECONOMY
GDP Growth Trends

Following strength in CY 2023, GDP growth has slowed through 1Q 2024 as economic headwinds and tailwinds are at force with one another.

Annualized GDP Growth — 1Q 2023-1Q 2024

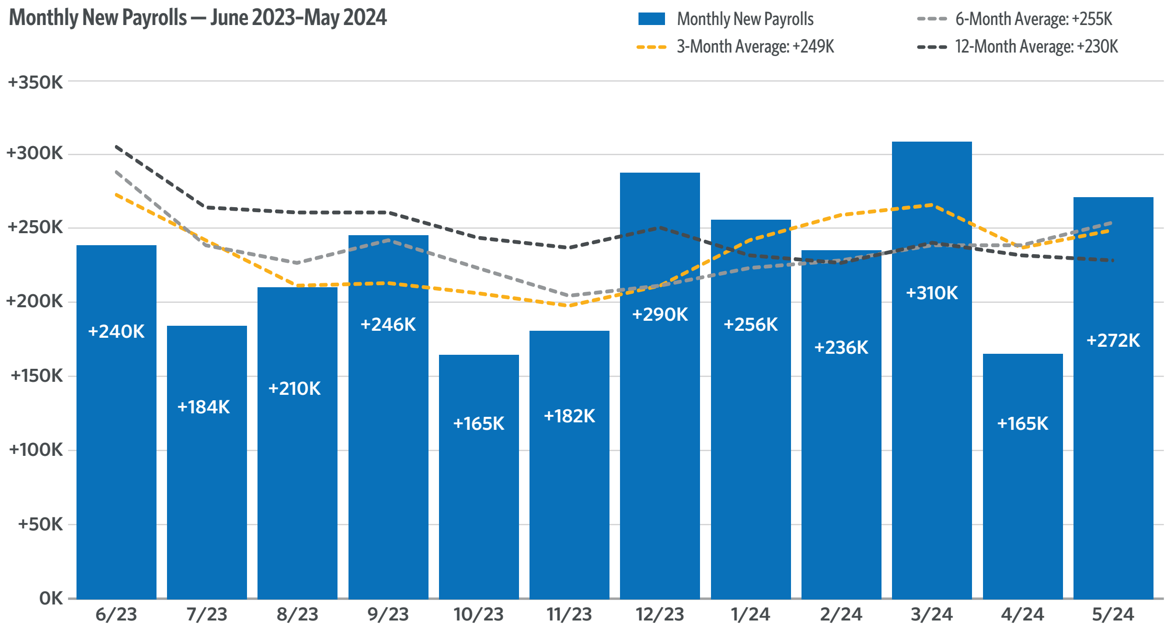


Source: GDP - Bureau of Economic Analysis, as of 3/31/24, third release 6/27/24

U.S. ECONOMY
Job Market Strength

Employment growth has been strong over the past year, which should sustain positive consumer spending into 2025.

Monthly New Payrolls — June 2023-May 2024

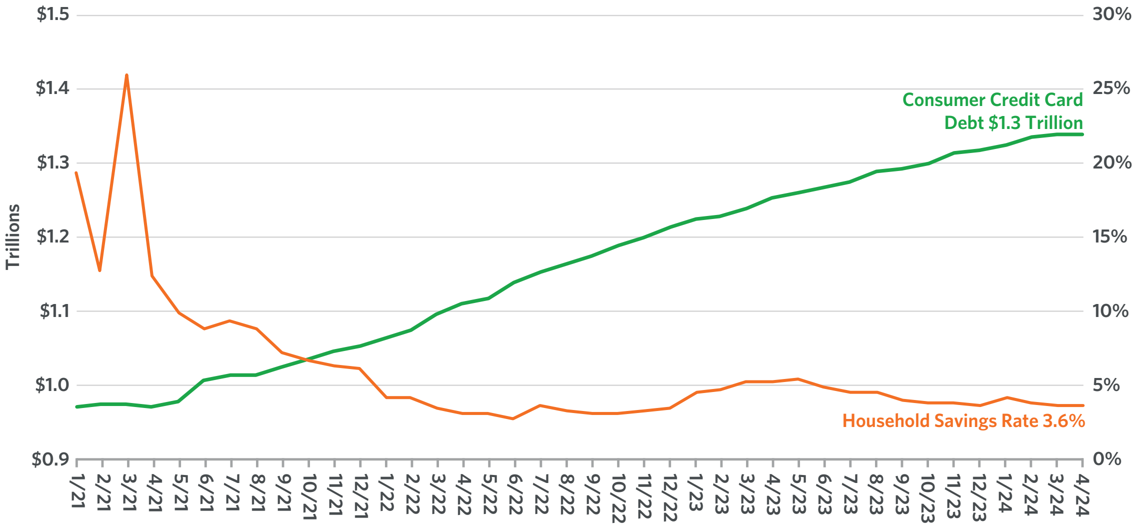


Source: Bureau of Labor Statistics, as of 5/31/24

U.S. ECONOMY
Consumer Headwinds

Perhaps the biggest headwind to consumer spending would be the ongoing combination of declining household savings rates and rising aggregate credit card debt, which could create a drag on economic growth.

Rising Credit Card Debt and Declining Savings Rate

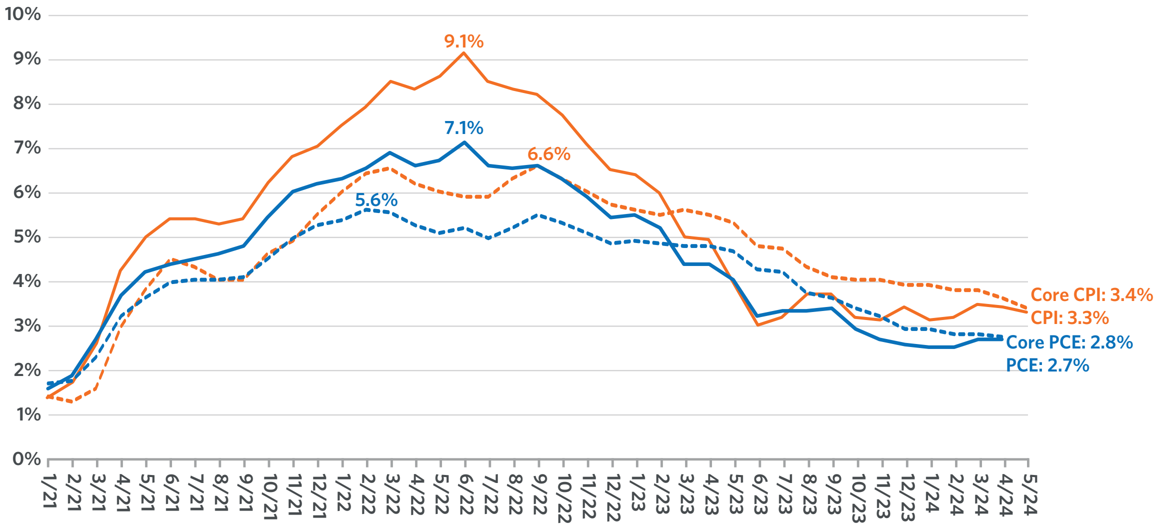


As of 4/30/24; Revolving Consumer Credit Outstanding Source: Federal Reserve; Household Savings Rate Source: Bureau of Economic Analysis

U.S. ECONOMY
Inflation Trends

Closely watched inflation measures fell considerably in 2023 but flatlined during the first three months of 2024. Should CPI and PCE core inflation finish the year with a combined average below 3%, this could give the Federal Reserve enough favorable inflation data to reduce rates.

Key Inflation Rates January 2021–May 2024

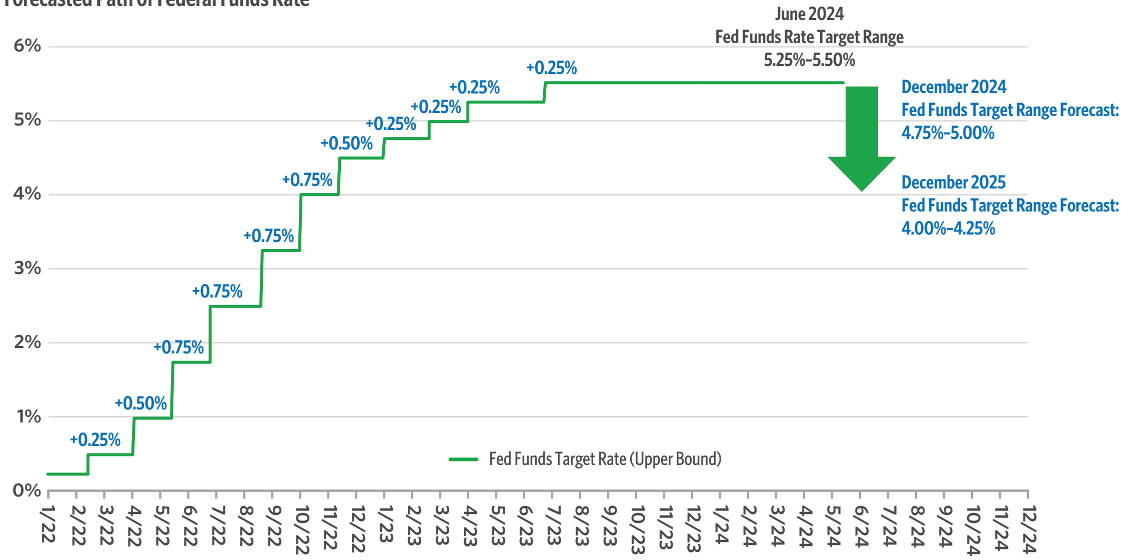


CPI Source: Bureau of Labor Statistics, as of 5/31/24; PCE Source: Bureau of Economic Analysis, as of 4/30/24

FIXED INCOME
Forecasted Path of Federal Funds Rate

Transamerica Asset Management, Inc. has forecasted two, quarter-point rate cuts in 4Q 2024, taking the federal funds rate down to a target range of 4.75%–5.00% by year-end 2024. In 2025, Transamerica Asset Management, Inc. believes the Fed will continue reducing rates taking the federal funds target range down to 4.00%–4.25%.

Forecasted Path of Federal Funds Rate

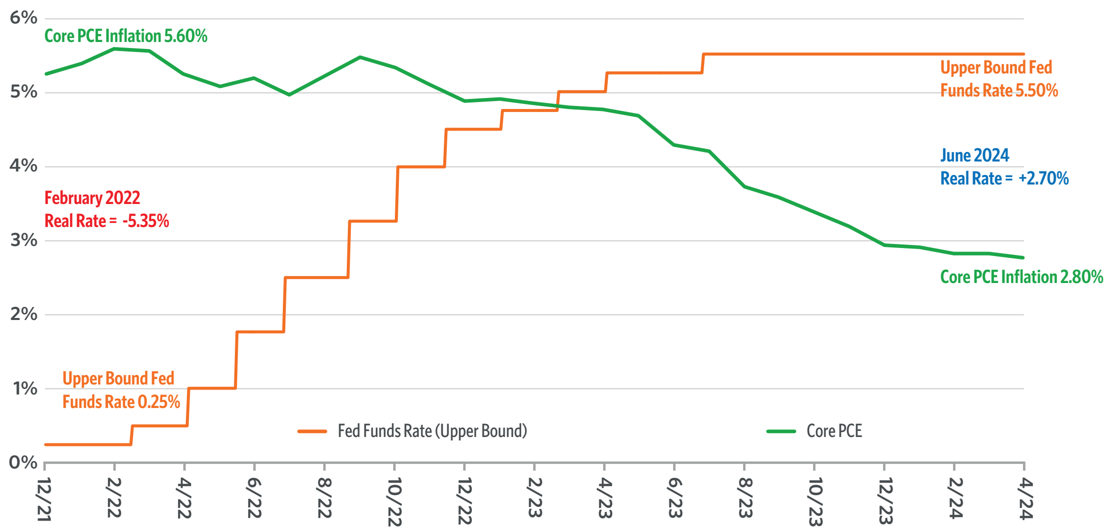


As of 6/12/24. Source: Fed Funds Target Rate: Federal Reserve Board of Governors. Forecast: Transamerica Asset Management

FIXED INCOME
Real Rate of Interest

This chart shows the change in the real rate of interest since inflation began to rise materially in 2021. A positive real rate of interest is considered to be an advantageous condition in regard to fighting inflation.

Federal Funds Rate Minus Core Rate of Inflation December 2021–June 2024

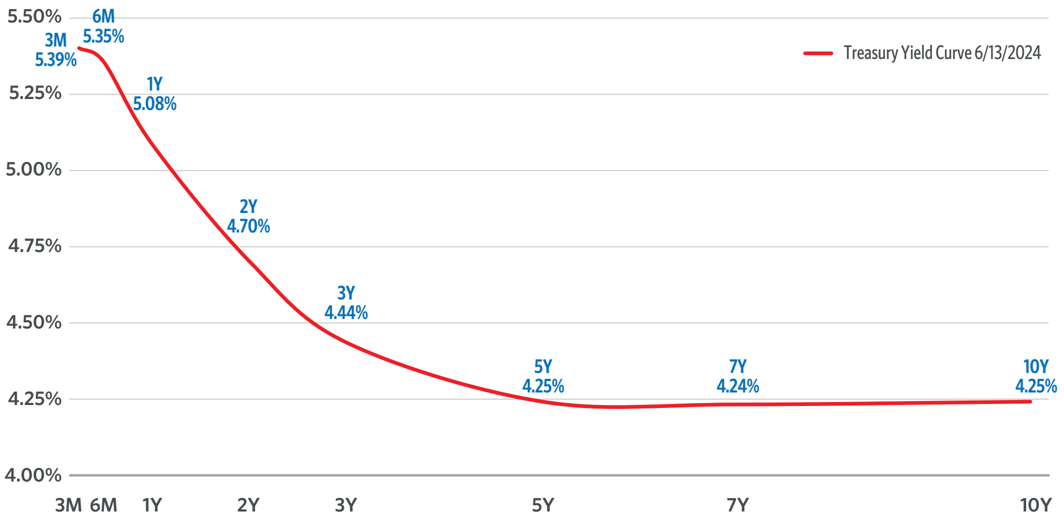


Source: Federal Reserve Board of Governors, as of 4/30/24

FIXED INCOME
Inverted Yield Curve

A current challenge for fixed income investors continues to be the inverted slope of the Treasury bond yield curve (short-term rates higher than long-term rates), an anomalous condition that has only occurred 10 times over the past 62 years.

3-Month to 10-Year Treasury Bonds

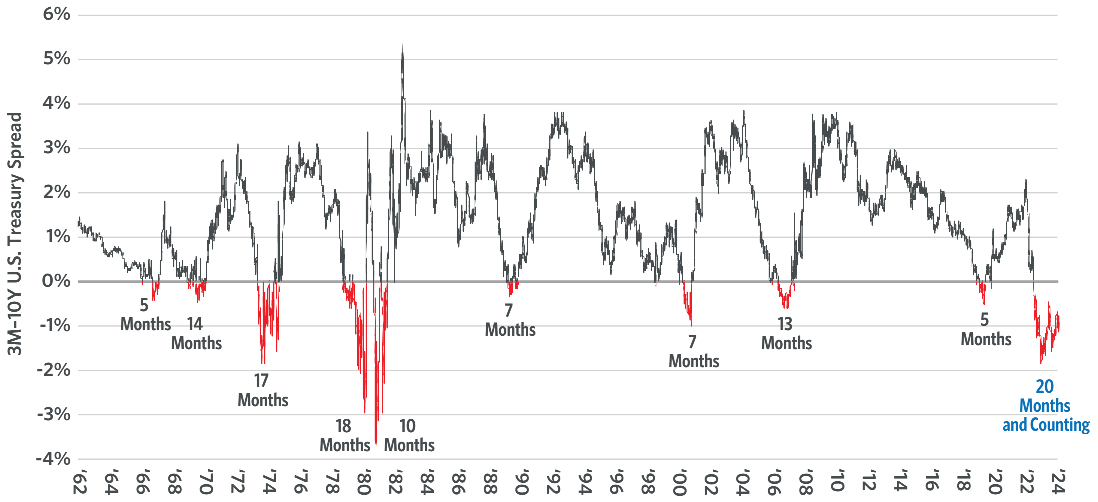


As of 6/13/24; Source: Bloomberg

FIXED INCOME
History of Inverted Yield Curves

Past history infers inverted yield curves typically don't last very long. However, the current inverted curve that has been in existence since October 2022 has now reached the longest tenure of any over the past 60-plus years.

History of Inverted Yield Curves — 3-Month to 10-Year Treasury Bond Yield Curve 1962-2024

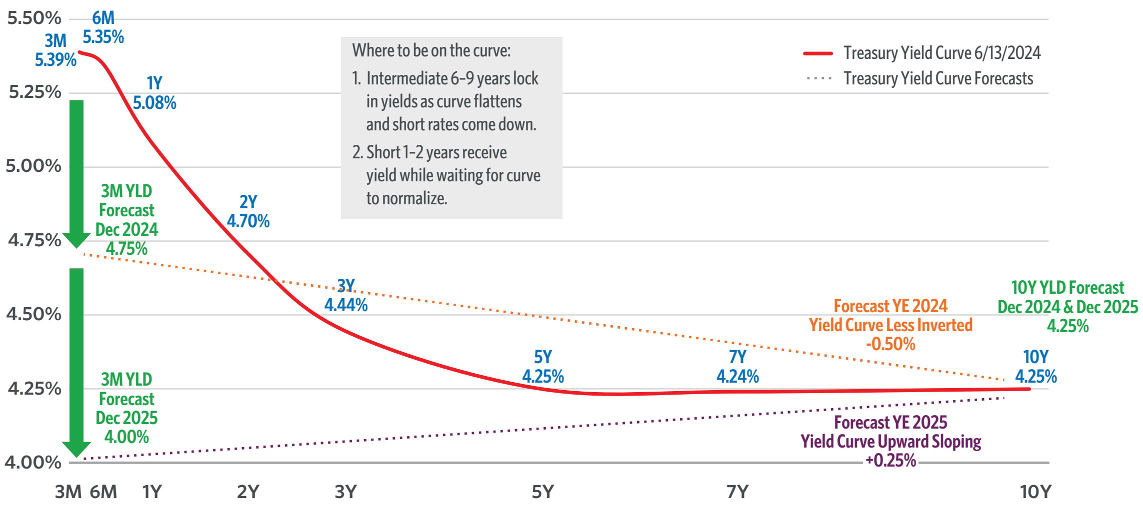


As of 6/13/24; Source: Bloomberg

FIXED INCOME
Adapting to a Changing Yield Curve

Transamerica Asset Management, Inc. believes the Treasury bond yield curve is likely to flatten to a less inverted slope by the end of 2024 and back to an upward slope in 2025. Under this changing environment, intermediate-term bonds in the 6–9 year maturity range and short-term bonds in the 1–2 year maturity range appear well positioned.

Adapting to a Changing Yield Curve

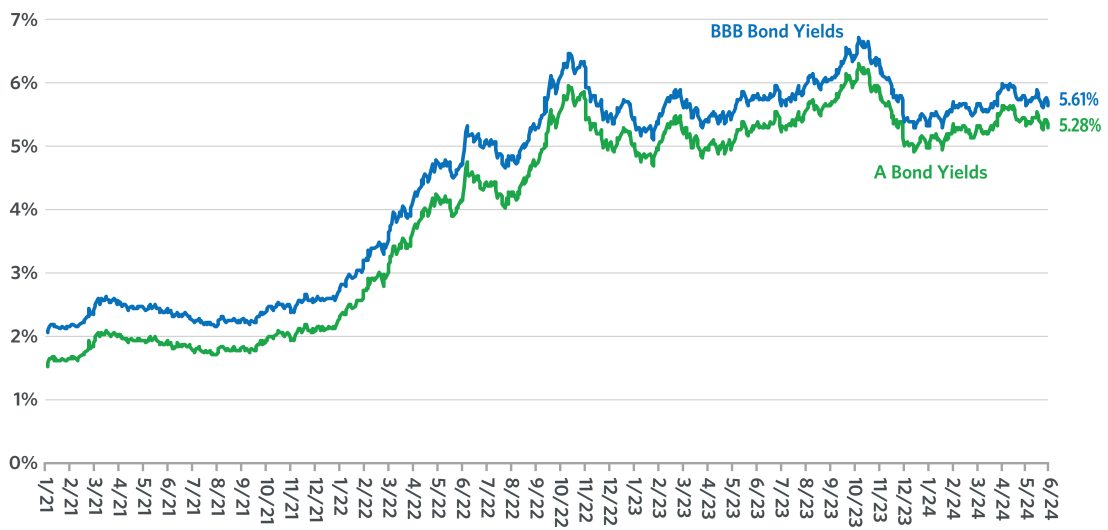


As of 6/13/24; Source: Bloomberg. Forecast: Transamerica Asset Management, Inc.

FIXED INCOME
A and BBB Rated Corporate Bond Yields

Investment-grade bonds are offering yields close to multiyear highs and appear well positioned in the current market environment.

A and BBB Rated Corporate Bond Yields January 2021–June 2024

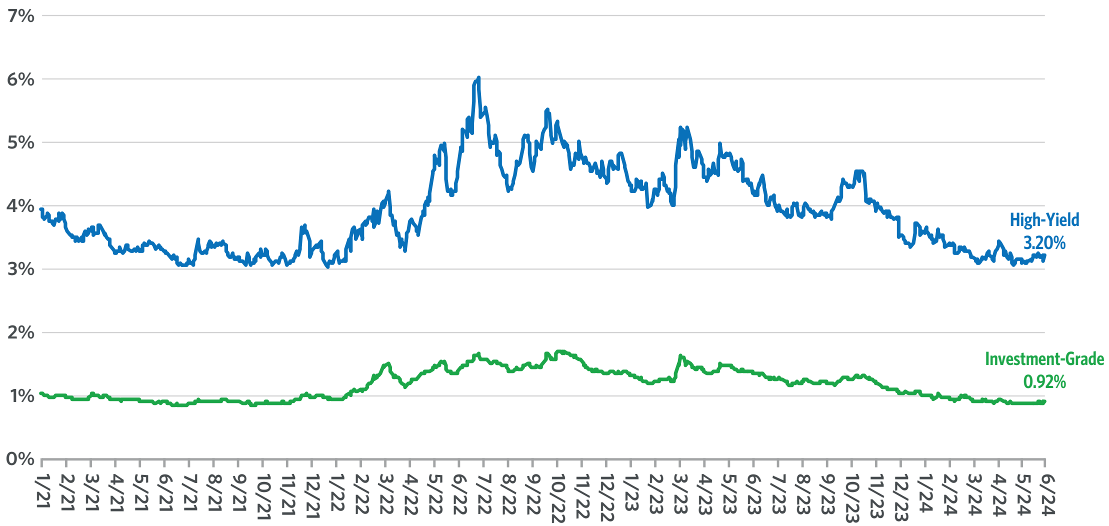


A-Rated Bond Yields represented by the Yield to Worst on the US Aggregate Bond: A Index, BBB-Rated Bond Yields represented by the Yield to Worst on the US Aggregate Bond: BBB Index, Source: Bloomberg, as of 6/12/24

FIXED INCOME
Investment-Grade and High-Yield Credit Spreads

Transamerica Asset Management, Inc. believes that given current credit spreads versus comparable maturity Treasury bonds, investment-grade bonds are preferable to high yield from a risk-return standpoint.

Investment-Grade and High-Yield Credit Spreads January 2021–June 2024



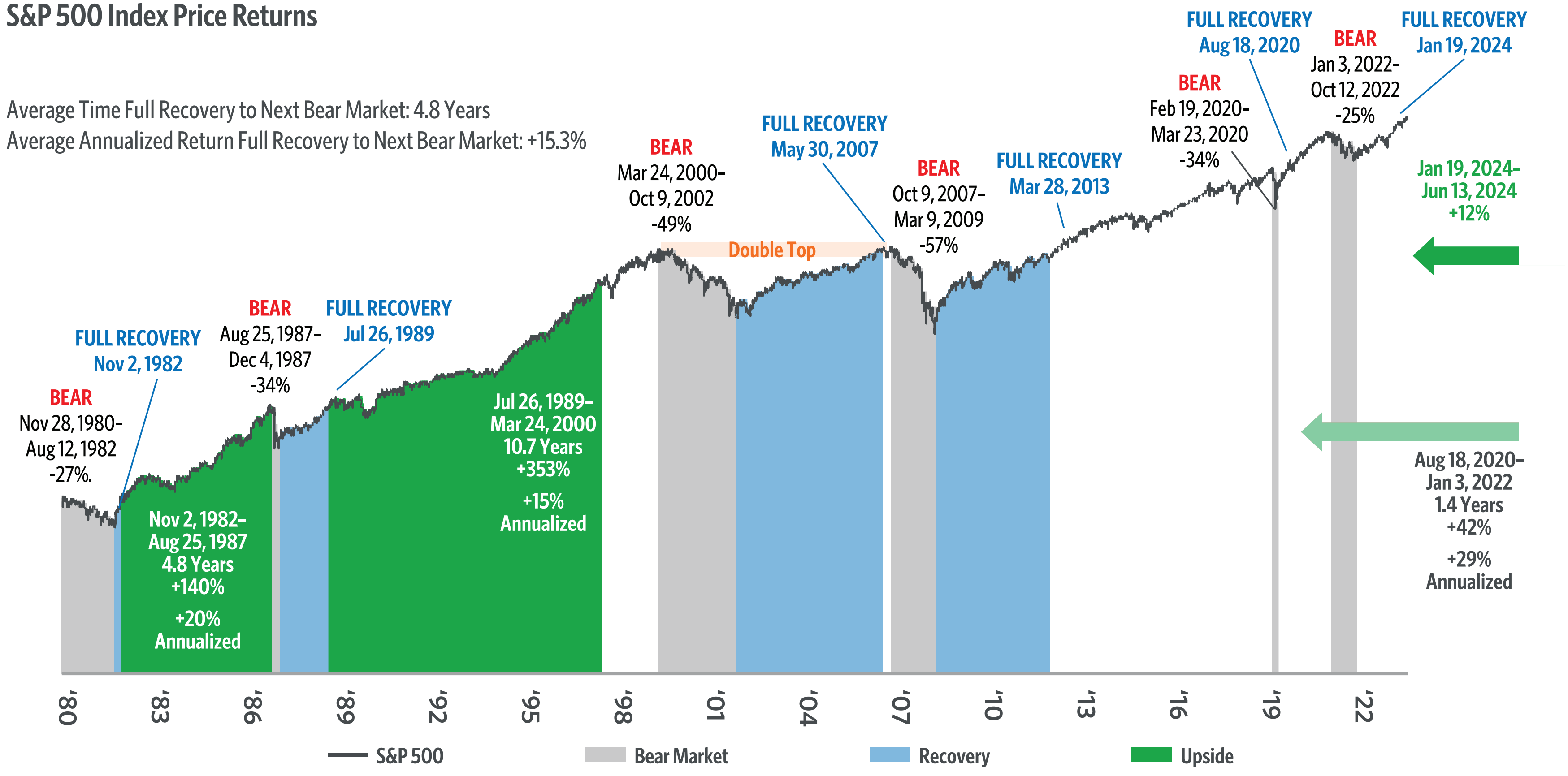
High-yield credit spreads represented by the OAS for the ICE BofA US High Yield Index, investment-grade credit spreads represented by the OAS for the ICE BofA US Corporate Index, Source: ICE Indexes, as of 6/13/24

U.S. STOCKS

Historical Returns Following Bear Market Recoveries 1980–2024

In looking back at the past five bear markets (defined as a 20% or worse decline in the S&P 500), prior to the most recent one beginning in January 2022, history infers that stocks are likely to post above-average returns over multiyear time frames following complete stock loss recoveries of those bear markets.

S&P 500 Index Price Returns

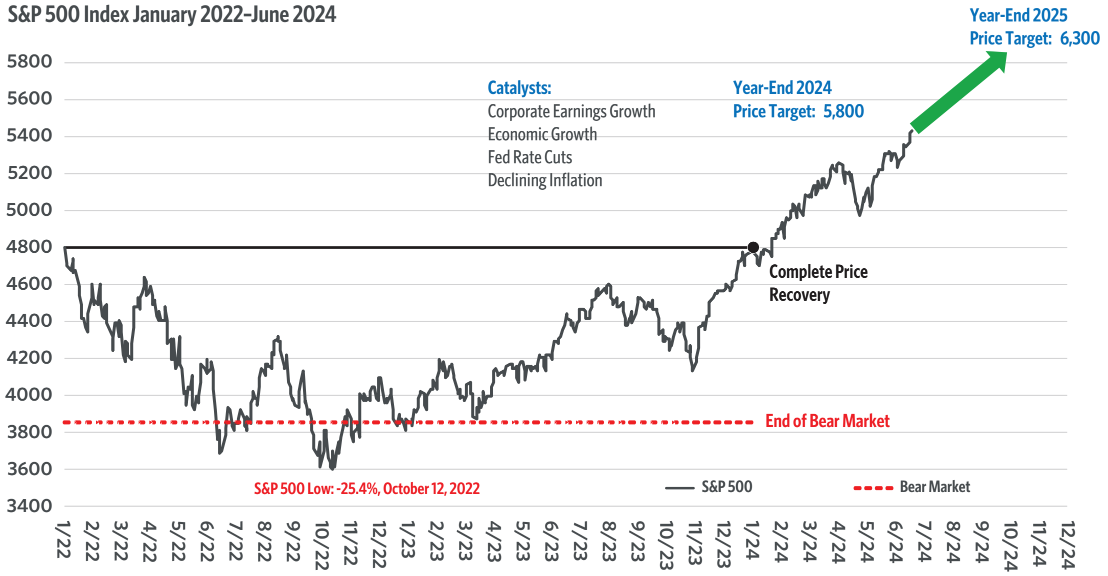


Source: Bloomberg, as of 6/13/2024. Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

U.S. STOCKS
Bear Market Recovery

In looking at the most recent bear market that reached its low point in October 2022 and fully recovered in January 2024, Transamerica Asset Management, Inc. believes reasonable price targets on the S&P 500 are 5,800 for year-end 2024 and 6,300 for year-end 2025.

S&P 500 Index January 2022–June 2024

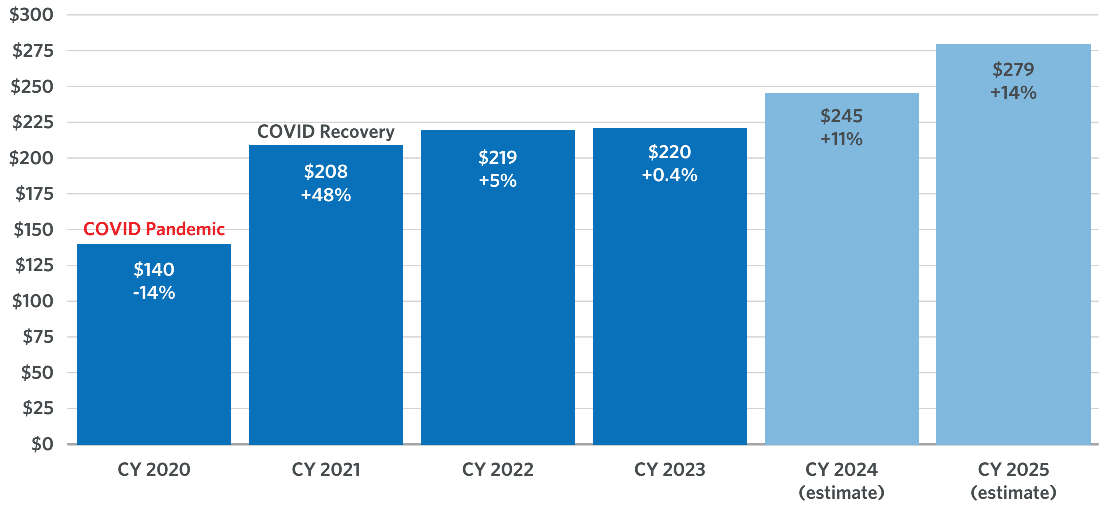


As of 6/13/24. Source: Bloomberg; Forecast: Transamerica Asset Management. Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

U.S. STOCKS
Corporate Earnings Growth

Rising corporate earnings growth could be a major catalyst for stocks to achieve double-digit annualized total returns through the end of CY 2025.

S&P 500 Net Operating Income Annualized and Estimated Growth 2020–2025

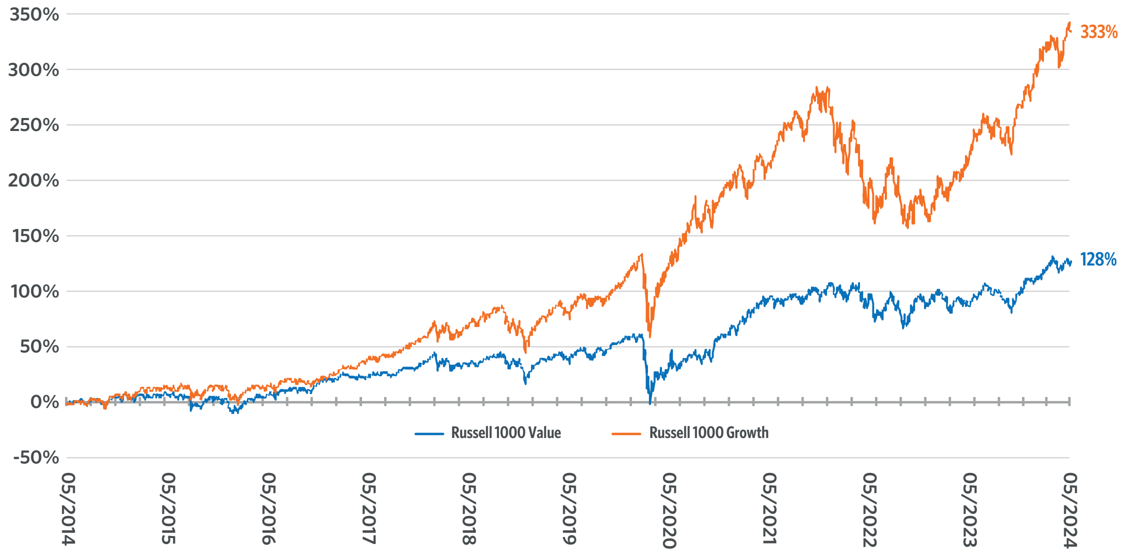


Historical EPS Source: FactSet Earnings Insight; as of 6/14/24; Estimate Source: Transamerica Asset Management as of 6/14/24

U.S. STOCKS
Growth vs. Value - Comparative Returns

Growth stocks have materially outperformed value over the past decade, as seen in the comparative returns of Russell 1000 Growth versus Russell 1000 Value.

Russell 1000® Growth vs. Russell 1000® Value — May 2014–May 2024

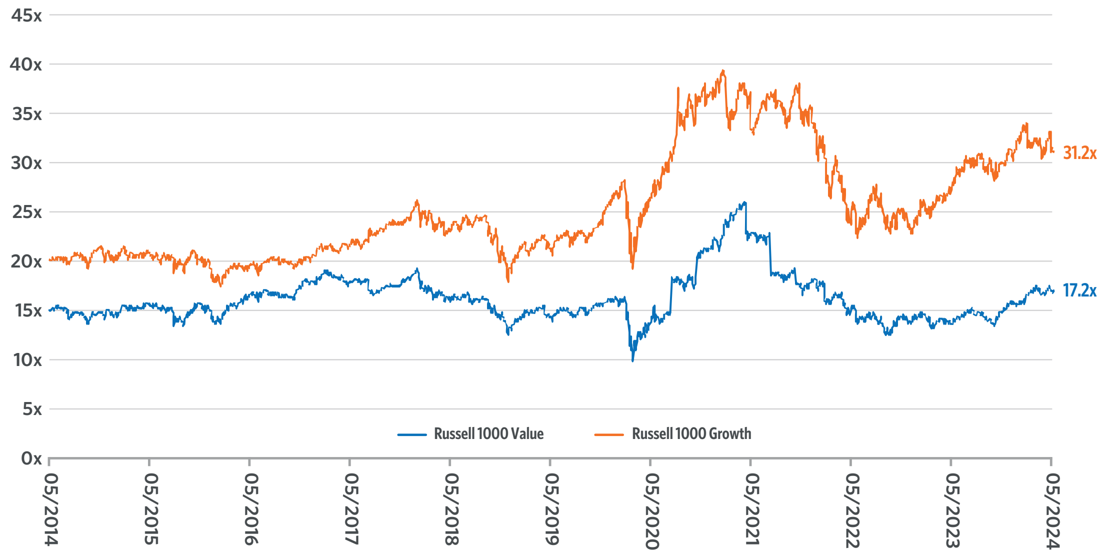


Source: Bloomberg. As of: 5/31/24

U.S. STOCKS
Growth vs. Value - Comparative Valuations

The outperformance of growth versus value over the past decade has also resulted in widening valuation differentials between the Russell 1000 Growth and Russell 1000 Value now at historically high levels.

Russell 1000® Growth versus Russell 1000® Value Price to Trailing 12-Month Earnings Multiple May 2014–May 2024



Source: Bloomberg. As of: 5/31/24

In looking at the conclusions of three previous Fed tightening rate hike cycles believed by Transamerica Asset Management, Inc. to be most similar to the one recently completed, the one-year periods immediately following the first rate cut to follow displayed strong stock returns with growth outperforming value. This infers there could be another leg of growth outperforming value before valuation differentials begin to meaningfully converge.

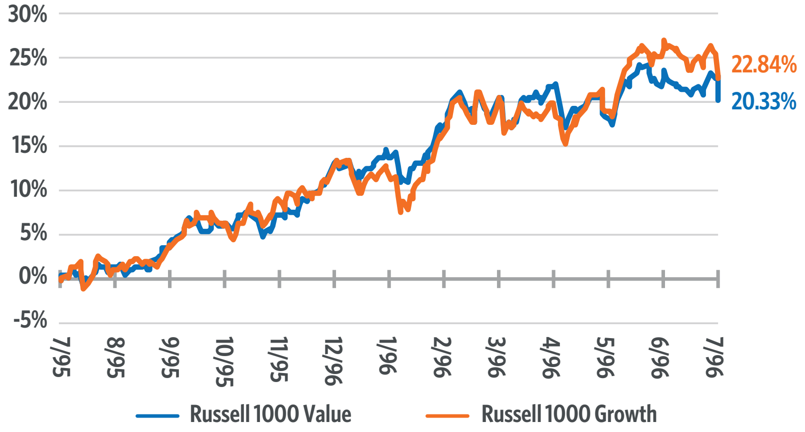
Growth vs. Value Following Start of Fed Rate Cutting

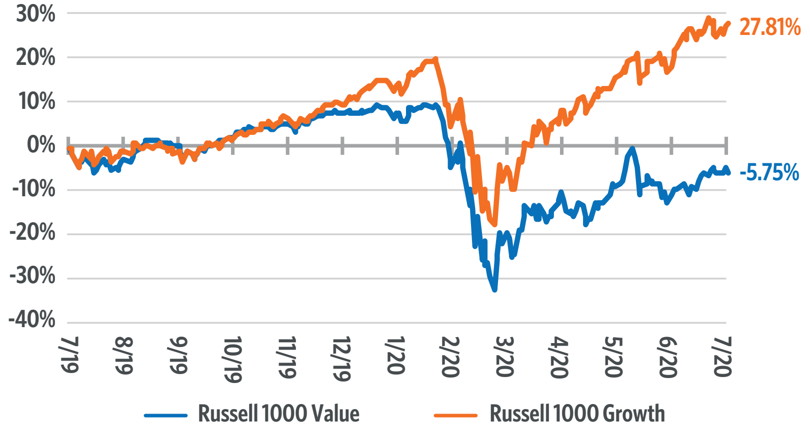
Historical look back at similar cycles:

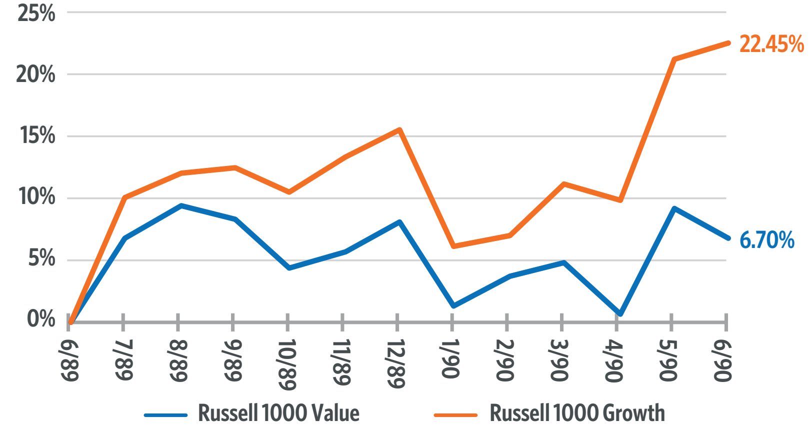
July 2019: The Fed begins cutting rates seven months after concluding tightening cycle

July 1995: The Fed begins cutting rates five months after concluding tightening cycle

June 1989: The Fed begins cutting rates four months after concluding tightening cycle





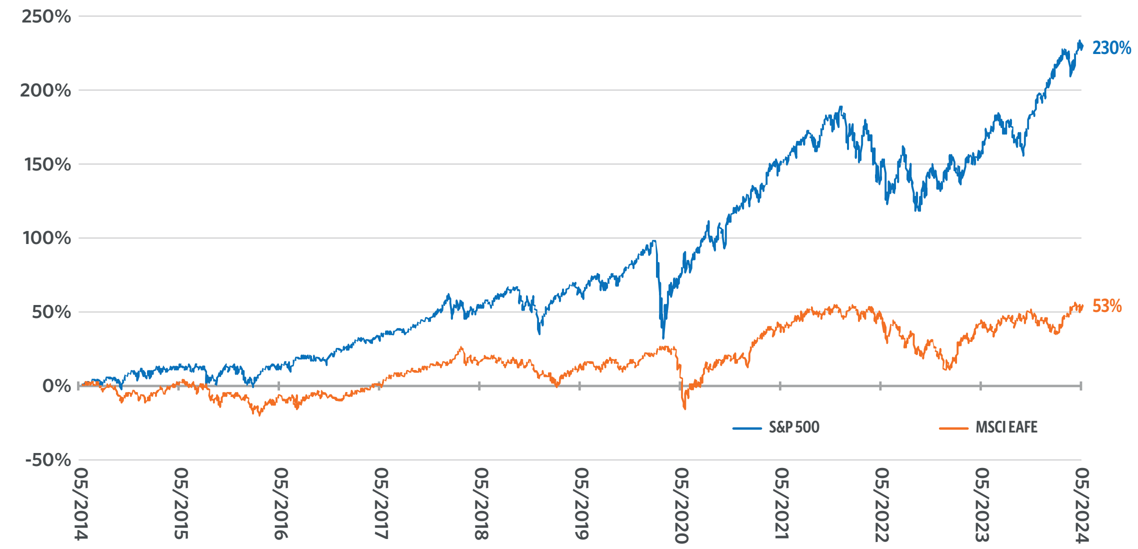


Source: Bloomberg. Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

INTERNATIONAL STOCKS
MSCI EAFE vs. S&P 500 - Comparative Returns

The "Lost Decade" of international stock underperformance versus U.S. counterparts has continued into 2024, as the S&P 500 has dramatically outperformed MSCI EAFE for the 10 years ending in May 2024.

MSCI EAFE vs. S&P 500 May 2014–May 2024

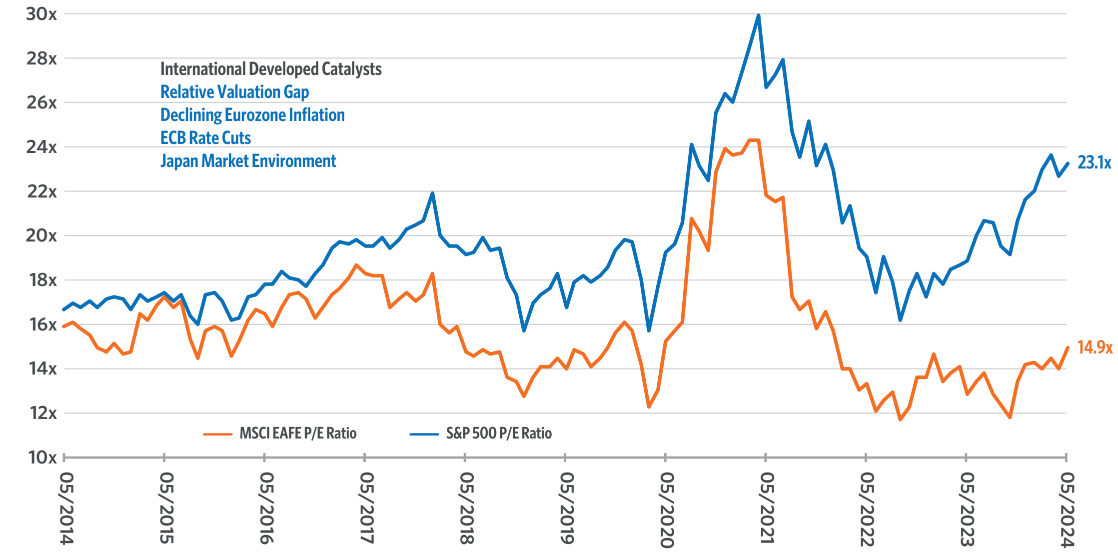


As of 5/31/2024. Source: Bloomberg. Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

INTERNATIONAL STOCKS
MSCI EAFE vs. S&P 500 - Comparative Valuations

Over the past decade, this underperformance by international stocks has resulted in materially less expensive price-earnings valuations versus U.S. stocks.

MSCI EAFE vs. S&P 500 Trailing 12-Month P/E Ratios May 2014–May 2024

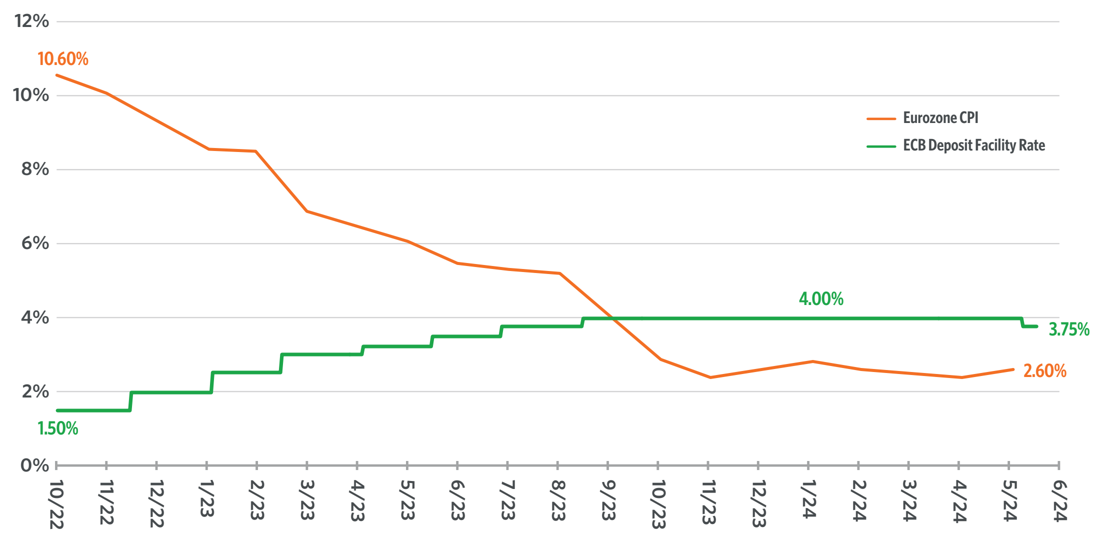


As of 5/31/2024. Source: Bloomberg. Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

INTERNATIONAL STOCKS
Eurozone Inflation and ECB Key Interest Rates

A potential catalyst for eurozone stocks could be declining inflation and corresponding European Central Bank rate cuts.

Eurozone CPI October 2022–June 2024



Eurozone CPI Source: Eurostat; as of: 5/31/2024. ECB Deposit Facility Rate Source: European Central Bank; as of: 6/13/2024

INTERNATIONAL STOCKS
Improving Environment in Japan

The Nikkei 225 Index has recently eclipsed its previous 34-year high, perhaps indicative of an improving market environment in Japan.

Nikkei 225 December 1989–June 2024

Source: Bloomberg. As of: 6/13/24. Indexes are unmanaged and an investor cannot invest directly in an index. Past performance does not guarantee future results.

PORTFOLIO POSITIONING MID-YEAR 2024

Transamerica Asset Management's summary of potentially favorable portfolio positioning as of Mid-Year 2024

ASSET ALLOCATION	FIXED INCOME	EQUITIES
1. Balanced allocations stocks/bonds 2. 60/40 now providing strong mix of capital appreciation and income	1. Most favorable on investment-grade bonds 2. Intermediate portion of curve (6–9 years) to lock in yields 3. Short end of curve (1–2 years) receive yield while slope plays out	1. Favorable on U.S. stocks 2. Proportional market cap weightings 3. Growth over value for intermediate term 4. Longer-term case for value developing 5. International developed markets favoring Europe and Japan

The above strategy overview is intended to illustrate major themes for the identified period. No representation is being made that any particular account, product, or strategy will engage in any or all of these themes.

ABOUT THE AUTHOR

Tom is the Chief Investment Officer of Transamerica Asset Management, Inc. (TAM), the mutual fund arm of Transamerica.

Tom has more than 30 years of investment management experience and has managed large mutual fund portfolios and separate accounts.

As a member of the senior management team, Tom heads Transamerica Asset Management's thought leadership efforts and provides perspectives to advisors, clients, the media, and general public. He writes and publishes TAM's Market Outlook and other relevant commentary. He also heads Transamerica's mutual fund sub-adviser selection and monitoring process, as well as product management. 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.

THOMAS R. WALD, CFA®

Chief Investment Officer,
Transamerica Asset Management, Inc.

GLOSSARY & INDEX DEFINITIONS

CPI: Consumer price index **ECB:** European Central Bank **EPS:** Earnings per share **GDP:** Gross domestic product **PCE:** Personal consumption expenditures

The **Bloomberg US Aggregate Bond Index** measures investment-grade, U.S. dollar-denominated, fixed-rate taxable bonds, including Treasurys, government related and corporate securities, as well as both mortgage- and asset-backed securities.

The **Bloomberg US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included.

The **Bloomberg Municipal Index** consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued U.S. Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least $250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **10-Year U.S. Treasury bond** is a U.S. Treasury debt obligation that has a maturity of 10 years.

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **federal funds rate** refers to the target interest rate range at which commercial banks borrow and lend their excess reserves to each other overnight, which is set by the Federal Open Market Committee.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **Russell 1000 Growth Index®** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index®** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index®** measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index® focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

The **Nikkei 225 Stock Index** is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average (DJIA) Index in the United States.

Indexes are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indexes.

IMPORTANT INFORMATION

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.

Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that an undervalued stock is actually appropriately priced.

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 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.

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Transamerica Asset Management, Inc. (TAM) is an SEC-registered investment adviser that provides asset management, fund administration, and shareholder services for institutional and retail clients. The funds advised and sponsored by TAM include Transamerica Funds and Transamerica Series Trust. Transamerica Funds and Transamerica Series Trust are distributed by Transamerica Capital, Inc. (TCI), member FINRA. TAM is an indirect wholly owned subsidiary of Aegon Ltd., an international life insurance, pension, and asset management company.

1801 California Street, Suite 5200, Denver, CO 80202, USA
3628445