MARKET PULSE

TRANSAMERICA ASSET MANAGEMENT, INC.
2024 MARKET OUTLOOK

TRANSAMERICA®
Insurance / Investments / Retirement

MARKET PULSE:

2024 YEAR-END FORECASTS

Fed Funds Rate (Lower Bound)	**4.25%**
10-Year U.S. Treasury Bond Yield	**4.25%**
Path of Yield Curve (3-Month to 10-Year)	**From Inverted to Flat Slope**
Optimal Spot on Yield Curve	**6–9 Years**
S&P 500®	**5,000**
CY 2024 U.S. GDP Growth	**Flat Growth**
Path of U.S. Economy	**Mild Recession in 1H followed by 2H Recovery**
Top Performing Fixed Income	**Intermediate Term Investment Grade (6–9 Years)**
Runner-Up	**Intermediate Term High Yield (6–9 Years)**
Top Performing Equity	**Large-Cap Growth**
Runners-Up	**Mid-Cap Growth, Small-Cap Growth**
Top Performing International	**Developed Markets, Europe, Japan**

MARKET PULSE: 2024

U.S. ECONOMY

Leading indicators point toward economic slowing, and we continue to believe a mild recession is likely in 1H 2024. Reasons for this include the lagging impacts of past Federal Reserve rate hikes, recently escalated long-term interest rates, depleting levels of consumer savings, mounting credit card debt, and the resumption of student loan payments. Following negative growth in 1H 2024, we expect the economy to rebound in 2H, finishing the year at about flat growth. We see core rates of inflation continuing to decline and potentially reaching the 3% level by mid-year. All considered, we believe markets are well prepared to handle an economic downturn based on its widely anticipated nature and the likelihood of a recovery in the second half of the year.

FIXED INCOME

We believe the Fed has concluded its rate hike tightening cycle and, based on mitigating inflation and a weakening economy, will likely begin reducing rates around mid-year, potentially finishing CY 2024 with a federal funds rate target range of 4.25–4.50%. We also expect the yield curve to continue normalizing and see the year finishing with a flat slope, and therefore believe a realistic year-end level on the 10-year U.S. Treasury rate to also be approximately 4.25%. We view current yields on intermediate-term investment-grade bonds to be opportunistic and see the overall credit environment as more benign than prior to most previous economic downturns.

U.S. STOCKS

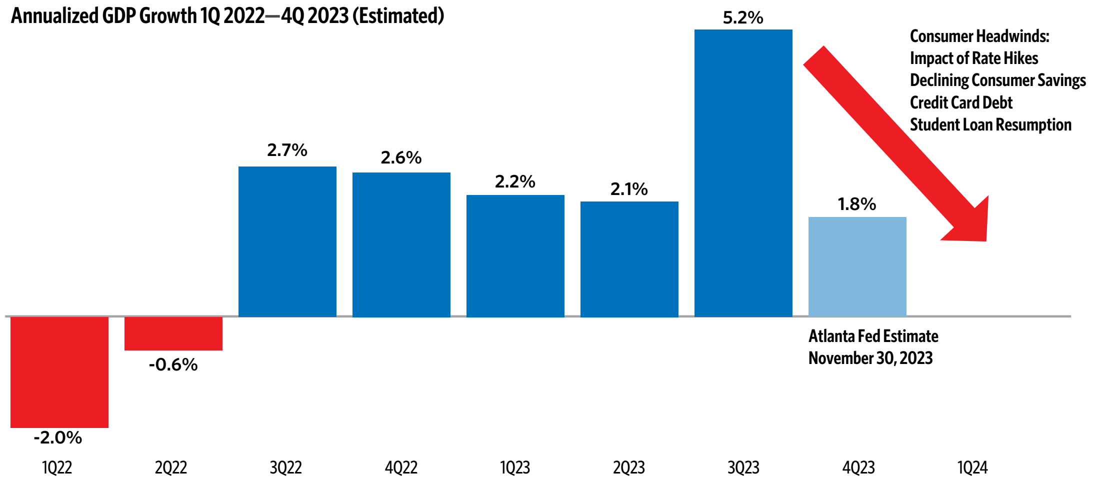
U.S. stocks appear well positioned to surpass record highs in the year ahead. Tailwind catalysts include potential rate cuts by the Fed in the second half of the year, declining rates of inflation, and accelerating corporate earnings growth. Our year-end 2024 price target for the S&P 500® is 5,000 and, within this environment, we favor growth stocks over value.

INTERNATIONAL STOCKS

Global investors are likely to benefit from international developed equities as growth in advanced regions could be improving in 2H 2024 and valuations appear favorable. Eurozone stocks appear positioned for declining inflation and potential rate cuts in the second half of the year, while market conditions continue to improve in Japan. Emerging markets are more challenged and investors in this asset class may consider portfolios weighted more toward India than China.

U.S. ECONOMY
Heading Toward a Downturn

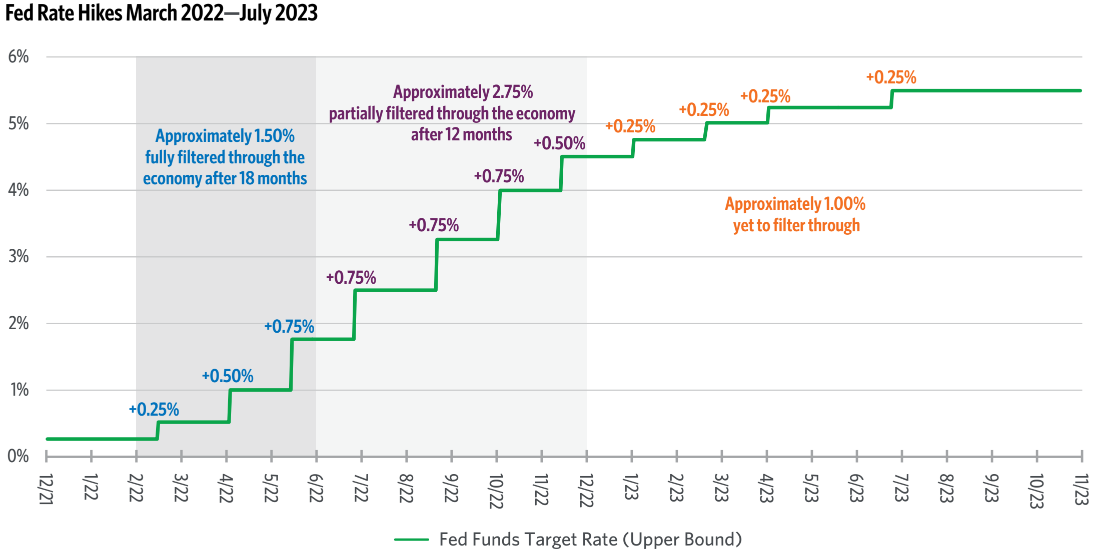
While recent GDP trends have been positive, a series of consumer headwinds are likely to send economic growth into a downturn during the first half of 2024.



Source: GDP - Bureau of Economic Analysis, as of 9/30/23, second estimate released 11/29/23; Forecast - Federal Reserve Bank of Atlanta, as of 11/30/23

U.S. ECONOMY
Fed Rate Hikes Still Yet To Fully Impact Economy

It is likely that more than half of the Federal Reserve's 5.25% of rate hikes since March 2022 are still yet to be fully incorporated into the economy.

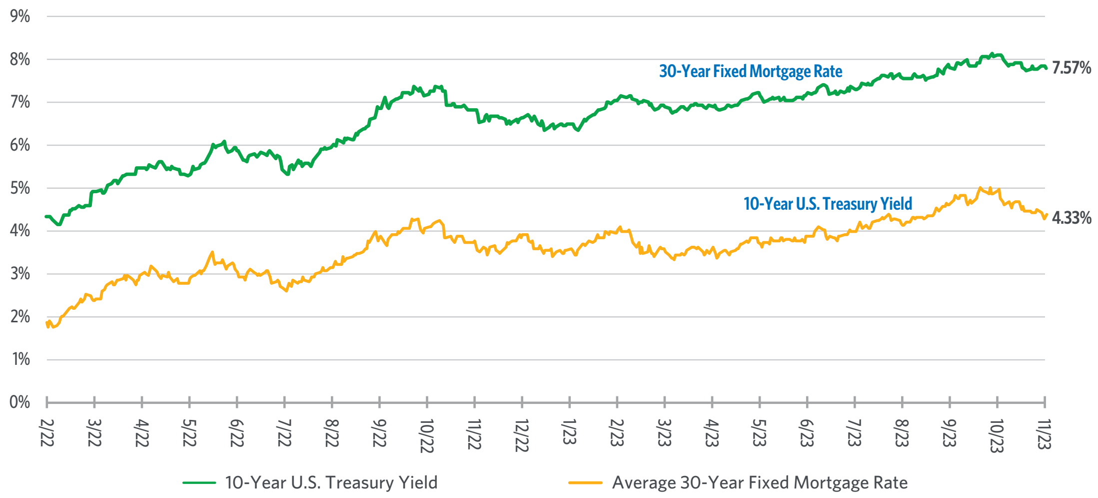


Source: Federal Reserve Board of Governors, Transamerica Asset Management. As of 11/30/23.

U.S. ECONOMY
Impact of Longer-Term Interest Rates

The increase in longer-term rates as seen in the 10-year U.S. Treasury yield has resulted in higher mortgage rates likely to impact the housing market.

10-Year Treasury Yield and 30-Year Fixed Mortgage February 2022—November 2023

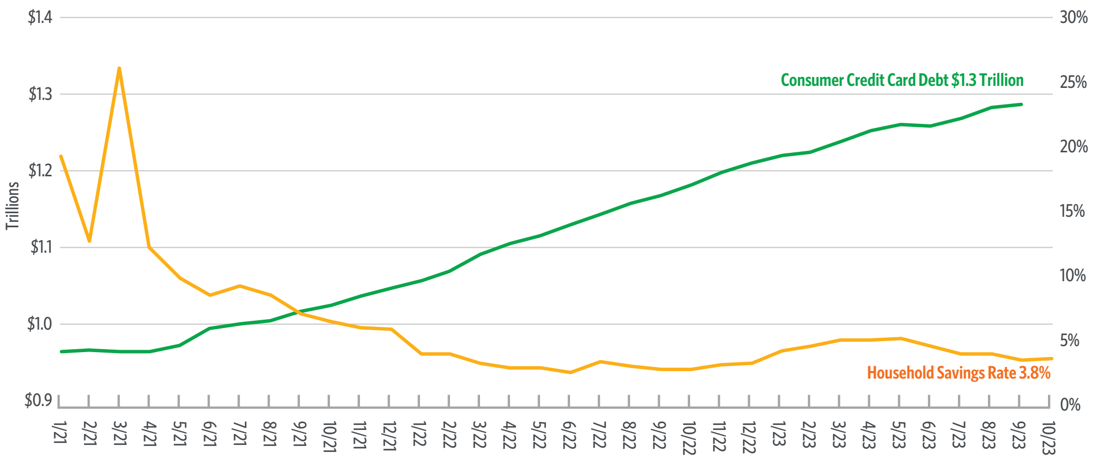


As of 11/30/23. Source: 10-Year U.S. Treasury Yield, Bloomberg; Source: 30-Year Average Fixed Mortgage Rate; BankRate.com.

U.S. ECONOMY
Consumer Headwinds

Consumer spending is likely to be impacted in 2024 by declining household savings rates and rising aggregate credit card debt.

Rising Credit Card Debt and Declining Savings Rate

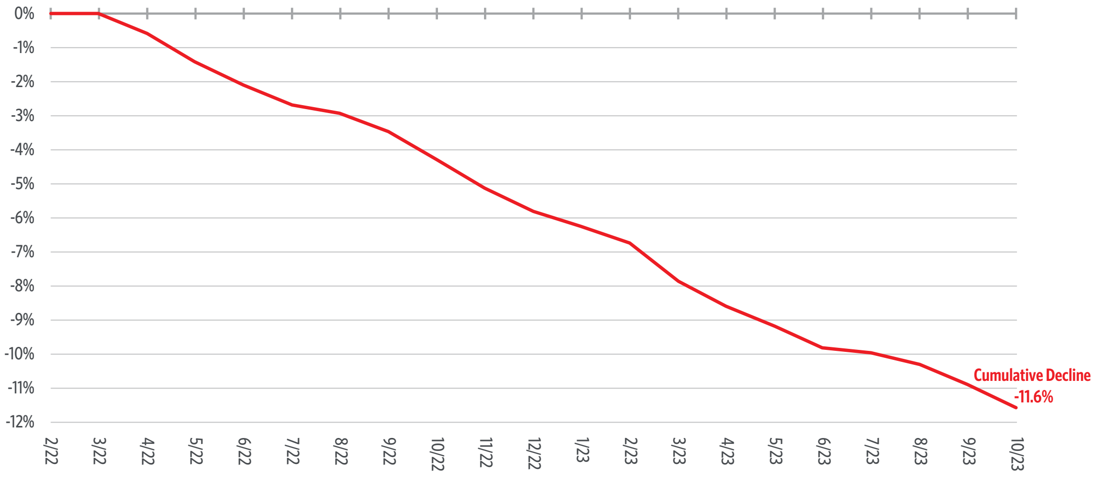


Household Savings Rate as of 10/31/23, Source: Bureau of Economic Analysis; Revolving Consumer Credit Outstanding as of 9/30/23, Source: Federal Reserve

U.S. ECONOMY
Leading Economic Indicators Inferring Recession

The Conference Board's Leading Economic Index has been in decline since March 2022 — for 18 consecutive months — and over that time has displayed a cumulative decline of more than -11%. Based on history, this would infer an upcoming recession is a high probability.

Conference Board Leading Economic Index February 2022—October 2023

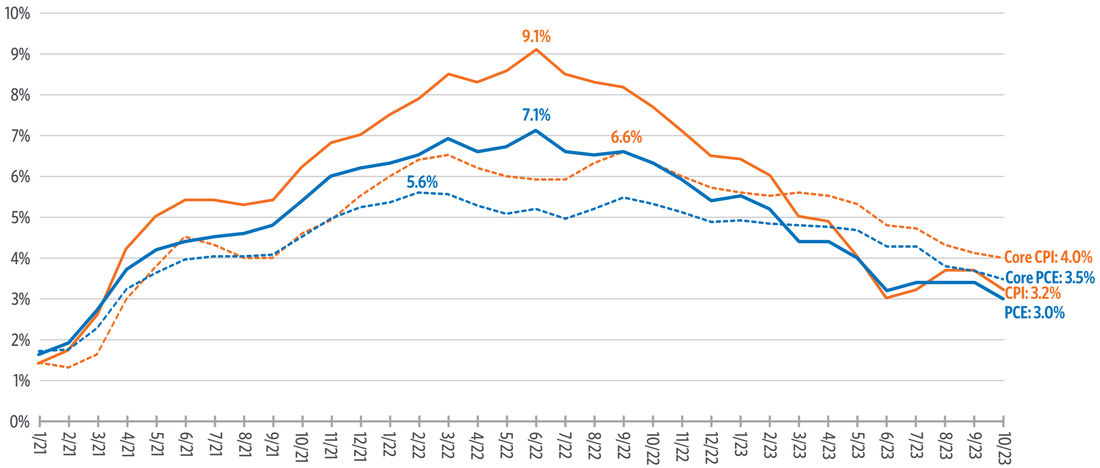


Source: Conference Board, as of 10/31/23

U.S. ECONOMY
Inflation on the Mend

Key inflation rates, as reflected by consumer price index and personal consumption expenditures headline and core readings, have come down materially since their 2022 peak levels.

Key Inflation Rates Since January 2021—October 2023



CPI - Source: Bureau of Labor Statistics, as of 10/31/23; PCE - Bureau of Economic Analysis, as of 10/31/23

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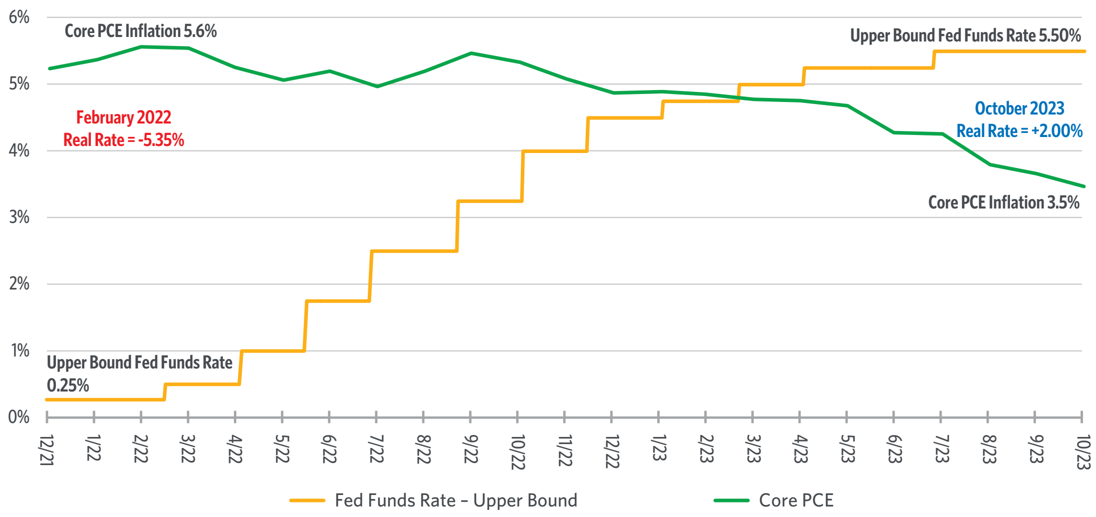
FIXED INCOME
Real Rate of Interest

Over the past two years the real rate of interest has shifted from negative to positive. This has created a more effective environment in terms of fighting inflation.

Fed Funds Rate Minus Core Rate of Inflation December 2021—October 2023

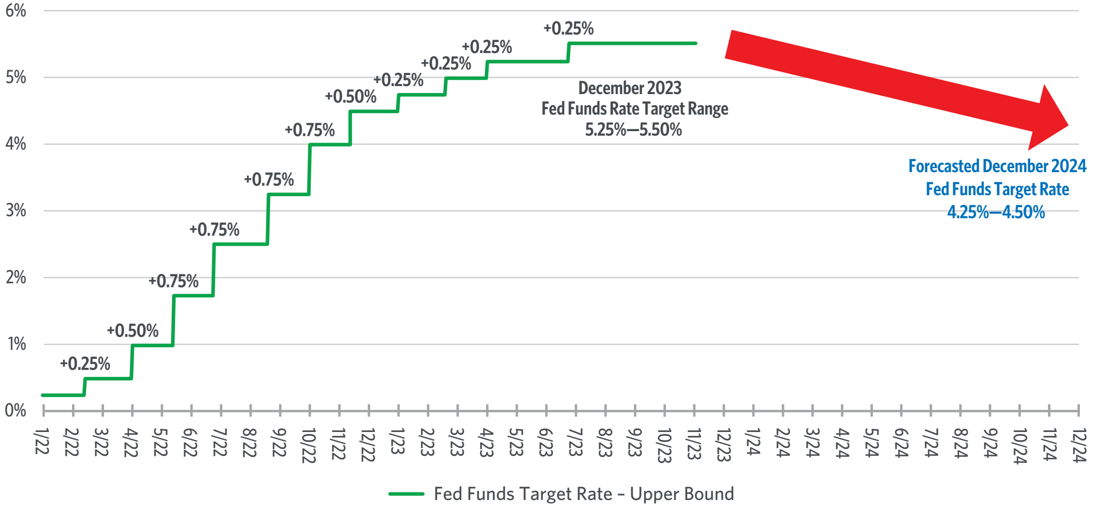


Source: Federal Reserve Board of Governors, as of 10/31/23

FIXED INCOME
Forecasted Path of Fed Funds Rate

Following 11 meetings in which the Federal Reserve raised the federal funds rate by 5.25% between March 2022–July 2023, Transamerica Asset Management forecasts 1.00% in rate reductions in 2024, taking the federal funds target range down to 4.25%–4.50%.

FIXED INCOME Forecasted Path of Fed Funds Rate

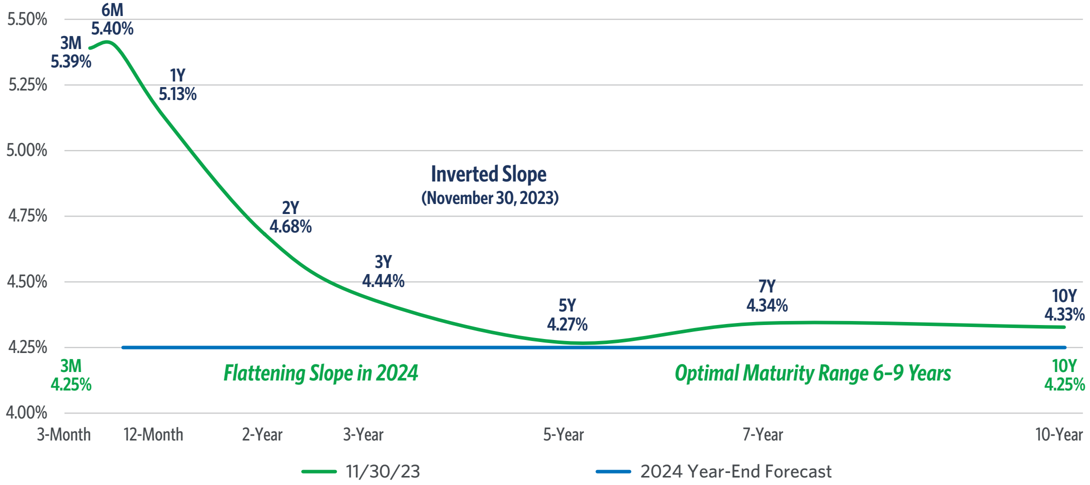


As of 11/30/23. Source - Fed Funds Target Rate: Federal Reserve Board of Governor. Forecast: Transamerica Asset Management

FIXED INCOME
Adjusting for a Flat Yield Curve

Transamerica Asset Management believes the Treasury yield curve will shift from inverted to flat by the end of 2024 and that the optimal maturity range on the curve is six to nine years.

Current vs. Forecasted Slope

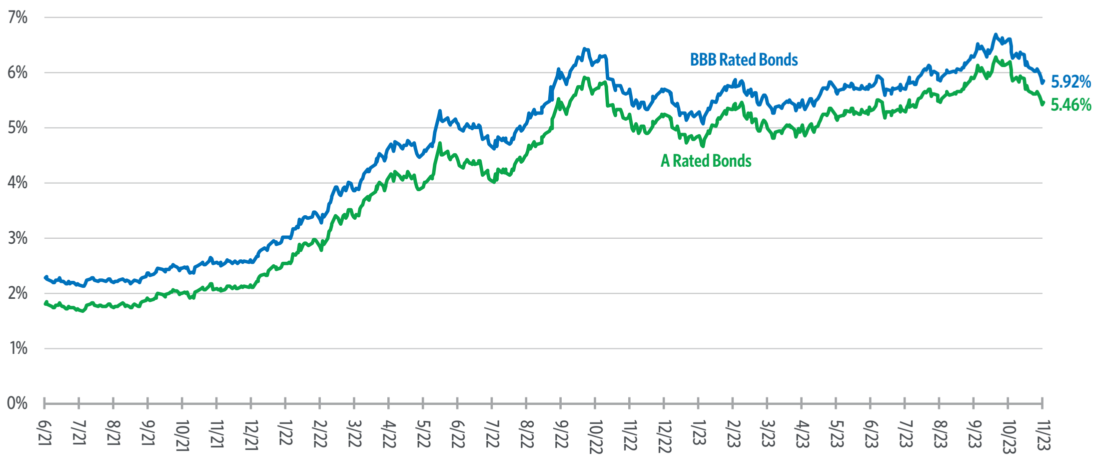


As of 11/30/23. Source - Data: Bloomberg. Forecast: Transamerica Asset Management

FIXED INCOME
Investment-Grade Yields Near Multiyear Highs

Investment-grade bonds appear well positioned in the current market environment, with yields close to multiyear highs.

A and BBB Rated Corporate Bond Yields June 2021—November 2022

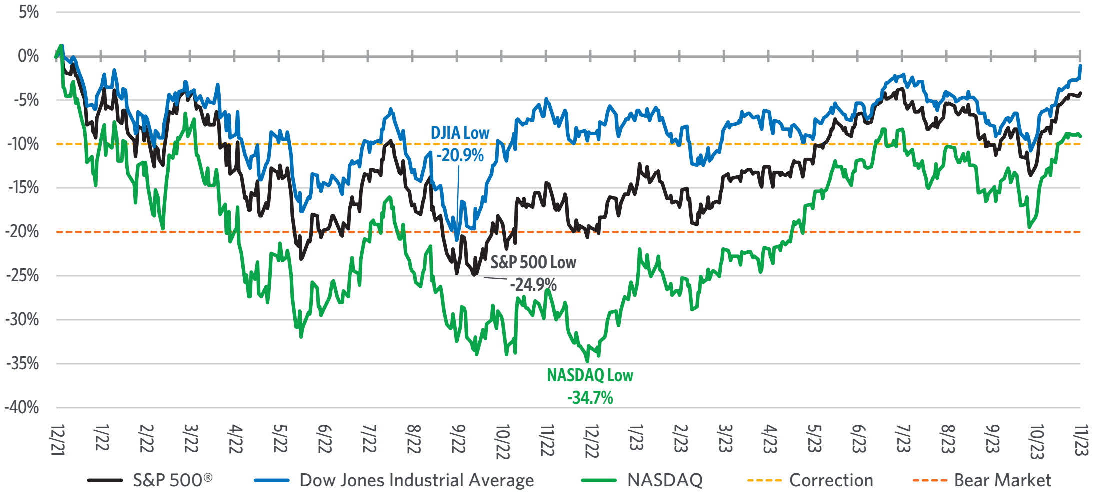


A Rated Bond Yields represented by the Yield to Worst on the U.S. Aggregate Bond: A Index, BBB Rated Bond Yields represented by the Yield to Worst on the U.S. Aggregate Bond: BBB Index, Source: Bloomberg, as of 11/30/23

U.S. STOCKS
The Rising Roller Coaster

Major stock indexes have risen sharply since their bear market lows in 2022 but remain below previous record highs.

Major Stock Indexes Seek Full Bear Market Recovery



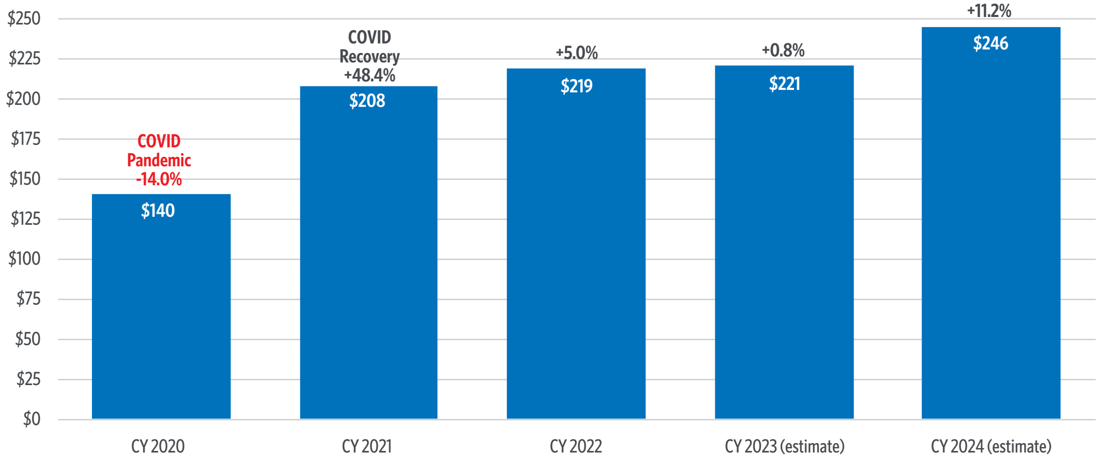
Source: Bloomberg. As of: 11/30/23

Indexes are unmanaged and an investor can not invest directly in an index. Past performance does not guarantee future results.

U.S. STOCKS
Corporate Earnings Growth

Corporate earnings, as reflected by S&P 500 net operating income, are estimated in 2024 to have their strongest year of growth since the pandemic recovery of 2021.

S&P 500® Net Operating Income Set for Highest Year of Growth Since Pandemic Recovery



Source: FactSet Earnings Insight November 17, 2023.

U.S. STOCKS
S&P 500® Year-End 2024 Price Target

Transamerica Asset Management forecasts a year-end price target on the S&P 500 of approximately 5,000.

Estimated CY 2024 S&P 500 Net operating Income (FactSet Earnings Insight November 17, 2023)	**$246**
Potential Earning Range in CY 2025	**$275-$280**
Target Forward Price/Earnings Multiple Year-End 2024	**18x**
Inferred Price Target Range Year-End 2024	**4,950-5,040**

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U.S. STOCKS
Assessing the Bear Market Recovery

Based on the past 10 bear markets, dating back to 1957, we estimate a reasonable date for when the S&P 500® may fully recover and reach its January 2022 record high is approximately April 2024.

BEAR MARKET BEGIN	BEAR MARKET END	MONTHS	S&P 500 DECLINE	FULL RECOVERY	MONTHS FROM BEAR MARKET END TO FULL RECOVERY	MONTHS RECOVERY / DECLINE
Jul. 15, 1957	Oct. 22, 1957	3.3	-20.7%	Sep. 24, 1958	11.2	0.5
Dec. 12, 1961	Jun. 26, 1962	6.5	-28.0%	Sep. 3, 1963	14.5	0.5
Feb. 9, 1966	Oct. 7, 1966	8.0	-22.2%	May 4, 1967	7.0	0.3
Nov. 29, 1968	May 26, 1970	18.1	-36.1%	Mar. 3, 1972	21.6	0.6
Jan. 11, 1973	Oct. 3, 1974	21.0	-48.2%	Jul. 17, 1980	70.5	1.5
Nov. 28, 1980	Aug. 12, 1982	20.7	-27.1%	Nov. 3, 1982	2.8	0.1
Aug. 25, 1987	Dec. 4, 1987	3.4	-33.5%	Jul. 26, 1989	20.0	0.6
Mar. 24, 2000	Oct. 9, 2009	31.0	-49.1%	May 30, 2007	56.5	1.2
Oct. 9, 2007	Mar. 9, 2009	17.2	-56.8%	Mar. 28, 2013	49.3	0.9
Feb. 19, 2020	Mar. 23, 2020	1.1	-33.9%	Aug. 18, 2020	4.9	0.1
CURRENT BEAR MARKET RECOVERY		**13.0**	**35.6**		**25.8**	**0.7**
Jan. 3, 2022	**Oct. 12, 2022[1]**	**9.4[1]**	**25.4%[1]**	**(Apr. 2024)[2]**	**(17.8)[2]**	**(0.7)[2]**

(1) Assumes Bear Market Conclusion as of October 12, 2022
(2) Estimate based on Historical Bear Market Averages 1957 - 2020
Source: "Stock Market Historical Tables: Bull and Bear Markets" Dr Edward Yardeni October 28, 2022
https://www.yardeni.com/pub/sp500corrbeartables.pdf

The one-year period following the three previous Fed tightening rate hike cycles believed to be most similar to the one just completed displayed strong stock returns, with growth outperforming value.

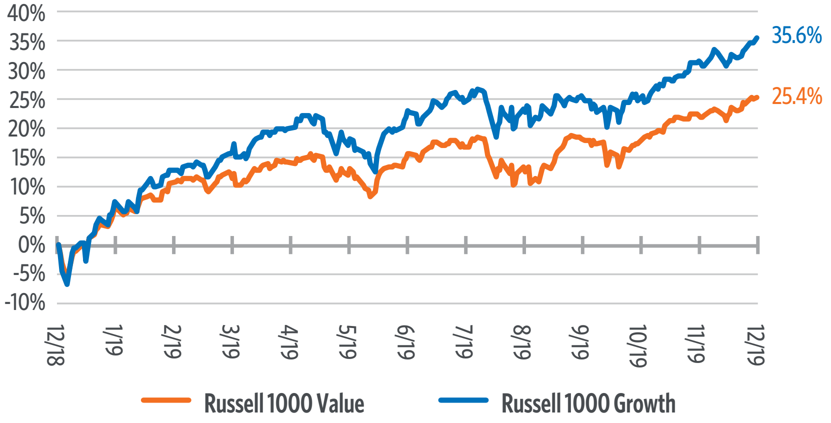
U.S. STOCKS
Growth vs. Value Following End of Fed Tightening
Historical look back at similar cycles

December 2018 Fed concludes tightening after raising Fed Funds Rate from 1.75% to 2.50%

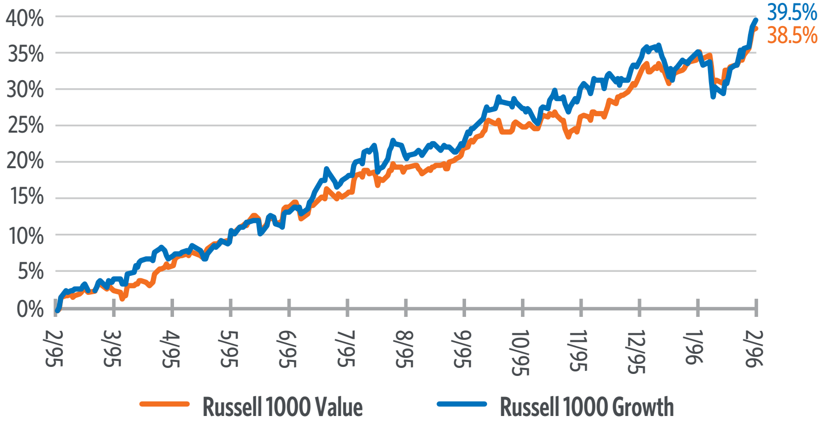
February 1995 Fed concludes tightening after raising Fed Funds Rate from 3.25% to 6.00%

February 1989 Fed concludes tightening after raising Fed Funds Rate from 6.50% to 9.75%

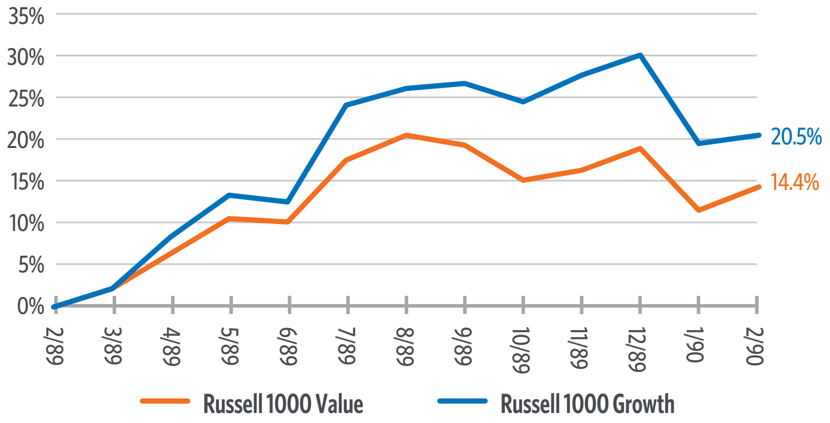
End of Fed Tightening December 2018



End of Fed Tightening February 1995



End of Fed Tightening February 1989



Source: Bloomberg

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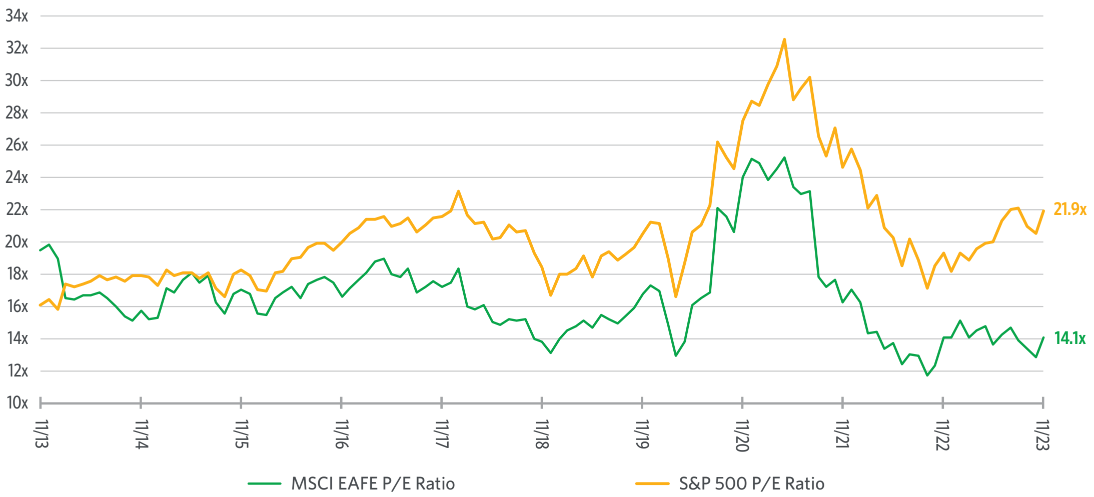
INTERNATIONAL STOCKS
Valuation Gap Widens

As 2024 begins, the valuation gap between U.S. and international developed market stocks has recently widened.

Trailing 12-Month Price-Earnings Multiple S&P 500® vs. EAFE 2013–2023

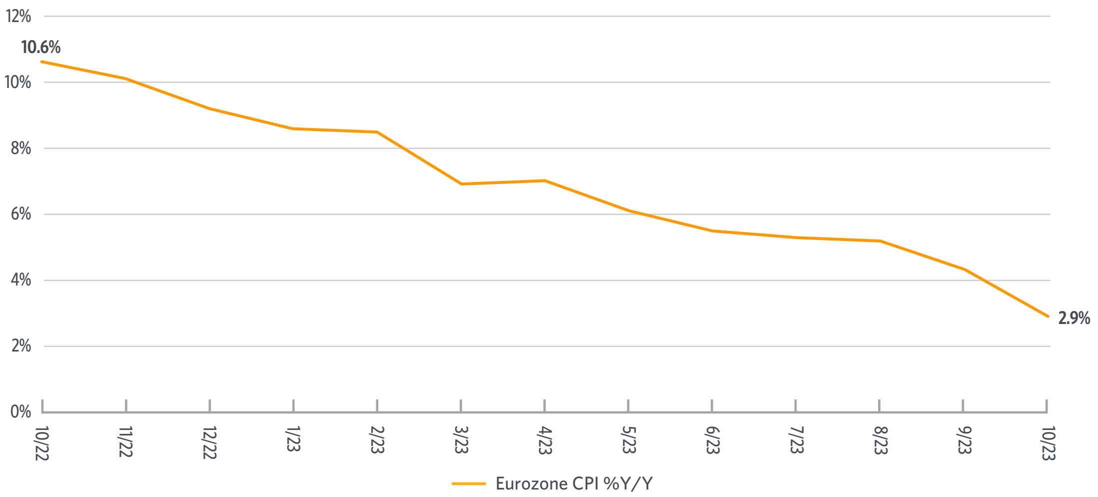


Source: Bloomberg. As of: 11/30/23

INTERNATIONAL STOCKS
Eurozone Inflation Declines Materially

Eurozone inflation has shown a meaningful decline over the past year, which could be favorable for stocks in the region.

Eurozone CPI October 2022—October 2023



As of 10/31/23, Source: Eurostat

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INTERNATIONAL STOCKS
The Long Road Back for Japan Equities

Favorable developments in Japan could result in the Nikkei 225 Index challenging its long-time record high in the next two years.

Nikkei 225 December 1989—November 2023

Source: Bloomberg. As of: 11/30/23
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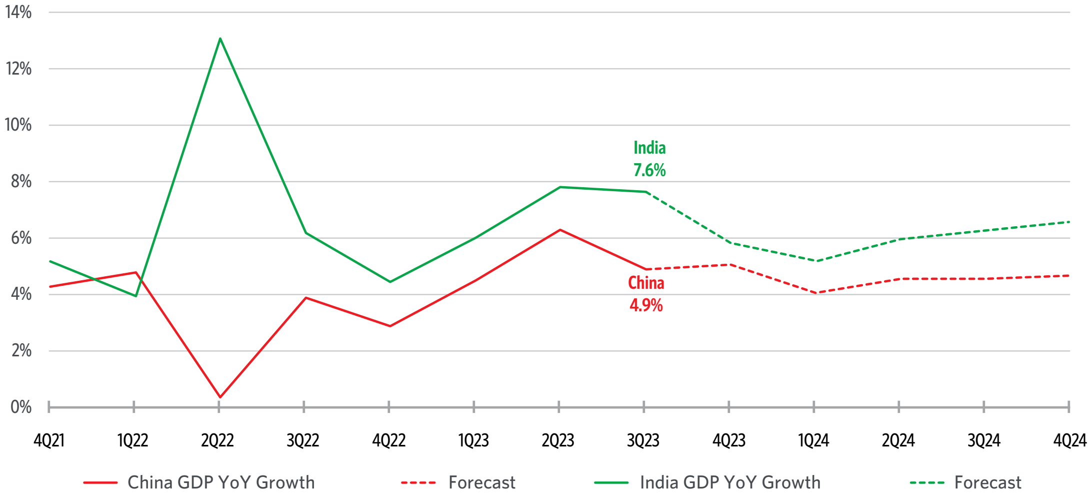
INTERNATIONAL STOCKS
Emerging Markets

Emerging markets have seen a shift in GDP growth leadership from China to India.

Divergence of Growth India vs. China



GDP as of 9/30/23. Source - China GDP: National Bureau of Statistics of China; India GDP: Central Statistics Office India. Forecasts as of 11/30/23. Source: Bloomberg

PORTFOLIO POSITIONING 2024

Transamerica Asset Management's perspectives on portfolio positioning for 2024.

ASSET ALLOCATION	EQUITIES	FIXED INCOME
• Balanced allocations stocks/bonds	1. Favor growth over value 2. Proportional market cap weightings 3. International developed markets with Europe and Japan	1. Intermediate portion of curve (6–9 years) 2. Favorable on investment-grade bonds 3. Higher-quality high yield

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.

INDEX DEFINITIONS

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 **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.

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