

# TRANSAMERICA SMALL CAP GROWTH

A | ASGTX | 08/31/2012 C | CSGTX | 08/31/2012 I | ISCGX | 08/31/2012

## INVESTMENT OBJECTIVE

The fund seeks long-term capital appreciation.

## KEY FACTS

<b>Investment Manager</b>	Transamerica Asset Management, Inc. (TAM)
<b>Morningstar Category</b>	Small Growth
<b>Lipper Category</b>	Small-Cap Growth
<b>Dividend Frequency</b>	Annually
<b>Primary Benchmark</b>	Russell 2000 <sup>®</sup> Growth Index

## SUB-ADVISER



Ranger Investment Management, L.P. (Ranger)

## PORTFOLIO MANAGERS

W. Conrad Doenges  
Andrew Hill  
Joseph LaBate

## MACROECONOMIC OVERVIEW

The U.S. equity markets rebounded during the first quarter after the recent lows in December. This was the best first quarter since 1991 and best overall quarter since 4Q 2011. The strong advance came despite concerns of slower growth exacerbated by the government shutdown and unresolved trade tensions. The potential for a U.S. recession remains low, but late-cycle conditions have set in. Global economies are past their peak growth rates and economic activity is slowing. The U.S. consumer backdrop remains strong amid a low unemployment rate, accelerating wage growth and manageable financial obligations. However, corporate capital commitments remain sidelined as clarity is sought on trade negotiations. Historically, tight labor markets and rising wages tend to lead to tighter monetary and credit conditions and narrower profit margins. However, during the first quarter, the U.S. monetary policy backdrop got some relief as the U.S. Federal Reserve (Fed) unanimously voted to maintain its benchmark interest rate while becoming patient and flexible going forward. Clearly, the Fed reacted to the market weakness and slower global growth. Global trade policies remain unclear. The ongoing China and U.S. geopolitical rivalry represents a critical risk to the highly integrated global economy. China's slowdown and the ongoing trade policy uncertainties continue to weigh on the global economy.

## FUND OVERVIEW

During the quarter, Transamerica Small Cap Growth returned 14.53%, underperforming the 17.14% return of the Russell 2000<sup>®</sup> Growth index. On a sector basis, producer durables and financial services were the largest relative outperformers in the portfolio. Health care and consumer discretionary underperformed on a relative basis. Factor analysis demonstrated clear leadership by low quality, high valuation factors. Non-earning companies, which averaged 29% of the Russell 2000<sup>®</sup> Growth index, gained 24% compared with the 14% advance by companies with earnings. With Ranger's steadfast focus on quality, the Fund historically underperforms in these environments.

## OUTLOOK

After equity markets rallied off the December lows, valuation levels moved back up to historic averages. Higher valuations coupled with slower growth portends a more challenging environment. As Ranger prepares for first quarter earnings, a review of analyst estimates for the S&P 500<sup>®</sup> index earnings provides a valuable perspective on global growth. On a per-share basis, estimated earnings for the first quarter have fallen by 7.2% since December 31. This percentage decline is larger than the 5-year average (-3.2%), the 10-year average (-3.7%), and the 15-year average (-4.0%) for a quarter. Specifically in the small cap universe, the Russell 2000<sup>®</sup> Growth and Value indices are both expected to show earnings declines in the first half of 2019. Elevated valuations and broadly weaker fundamentals suggests selectivity and caution. Ranger remains focused on high quality growth companies where they believe there is a valuation inefficiency that provides the best characteristics to differentiate in what could be a more volatile and fundamentally challenged market and economic environment. Resolution to current trade negotiations is the primary factor that could help propel economic growth as the year advances.

**All opinions, estimates, projections and security selections contained herein are those of the sub-adviser. It does not constitute investment advice and should not be used as a basis for any investment decision.**

# TRANSAMERICA SMALL CAP GROWTH

as of 03/31/2019

## AVERAGE ANNUAL TOTAL RETURNS (%)

	3M	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Class A (at NAV)	14.53	14.53	4.96	13.48	9.17	-	10.84
Class I (at NAV)	14.71	14.71	5.26	13.72	9.46	-	11.13
Class A (at POP)	8.32	8.32	-0.77	11.36	7.94	-	9.90
Russell 2000® Growth Index	17.14	17.14	3.85	14.87	8.41	-	-

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](http://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.

## FEES (%)

	A	C	I
Gross Expense Ratio	1.41	2.15	1.11
Net Expense Ratio	1.40	2.15	1.11

The Max Sales Charge for Class A shares is 5.50%. There are no sales charges for Class I. 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 03/01/2020.

## CONTRIBUTORS & DETRACTORS (%)

Leading contributors	Contribution	Weight	Return
Pegasystems Inc	1.67	4.85	35.96
Mercury Systems Inc	0.99	2.74	35.50
WNS (Holdings) Ltd ADR	0.98	3.77	29.11
Leading detractors	Contribution	Weight	Return
Skyline Champion Corp	-0.19	0.49	-13.60
Cantel Medical Corp	-0.22	1.64	-12.16
Tabula Rasa HealthCare Inc	-0.26	2.04	-11.51

Source: Morningstar Direct

## TOP 10 HOLDINGS (%)

Pegasystems, Inc.	4.91
PRA Health Sciences, Inc.	4.83
WNS Holdings, Ltd., ADR	4.31
Inter Parfums, Inc.	3.94
MAXIMUS, Inc.	3.16
J&J Snack Foods Corp.	3.01
Evo Payments, Inc., Class A	2.98
Qualys, Inc.	2.97
Mesa Laboratories, Inc.	2.73
Mimecast, Ltd.	2.46
<b>Total</b>	<b>35.30</b>

Holdings are subject to change and are not recommendations to buy or sell a security. Holdings display excludes net other assets (liabilities).

The Russell 2000® Growth 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. Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell indexes. Russell® is a trademark of Russell Investment Group.

Small capitalization companies may have less experienced management, unpredictable earnings growth, and limited product lines, which can cause their share prices to fluctuate more than those of larger firms. Returns on growth stocks may not move in tandem with return on other categories of stocks or the market as a whole. Growth stocks may be particularly susceptible to larger price swings or to adverse developments. 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.

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 three 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 go to [www.transamerica.com](http://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.**

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