

TRANSAMERICA SMALL CAP CORE

A | SCCAX | 03/10/2017 C | SCCCX | 03/10/2017 I | ISMTX | 03/10/2017

INVESTMENT OBJECTIVE

The fund seeks long-term capital appreciation.

KEY FACTS

Investment Manager	Transamerica Asset Management, Inc. (TAM)
Morningstar Category	Small Value
Lipper Category	Small-Cap Value
Dividend Frequency	Annually
Primary Benchmark	Russell 2000® Index
Secondary Benchmark	S&P 500®

SUB-ADVISER



Systematic Financial Management, L.P.
(Systematic)

PORTFOLIO MANAGERS

Eoin E. Middaugh, CFA
D. Kevin McCreesh, CFA

MACROECONOMIC OVERVIEW

After taking a beating in the fourth quarter of 2018, U.S. small capitalization stocks came roaring back in the first quarter of 2019 with double-digit gains. Every economic sector within the Russell 2000® turned in positive performance for the quarter. Investors seemingly continued their search for growth at any price, leading the Russell 2000® Growth Index to outperform the Russell 2000® Value by over 5.00%. To further understand the market environment and investor sentiment, Systematic examined the performance of stocks within the Russell 2000® sorted by sales growth over the last 12 months. The stocks in the top decile of sales growth were up 25.90% while the index as a whole was up 14.60%. If you further separated the stocks in this fast-growing group into two groups, those that make money and those that lose money (negative earnings per share), you would find that the fast growing stocks losing money were up 33.0% for the quarter! Simplifying the analysis to focus only on profitability, whether measured by earnings-per-share or earnings before interest and taxes, shows that the money losing group handily outperformed the money-making group and the index overall. In fact, the group of stocks making money on either metric trailed the index for the quarter. While these results are at odds with long-term market history, unfortunately they have been seen all too often in recent history.

FUND OVERVIEW

Transamerica Small Cap Core underperformed the Russell 2000® Index for the quarter, while performing roughly in-line with the Russell 2000® Value Index for the period. Given the market environment outlined above, this is not a particularly surprising result. From an attribution standpoint, stock selection accounted for the shortfall relative to the Russell 2000®, mostly due to the relative performance of the fund's holdings in the information technology and health care sectors. These two areas are perhaps the poster children for high growth rates and/or loss-making companies. For example, the biotechnology industry within the Russell 2000®, which was up over 22.0% for the quarter, had an aggregate sales growth rate of 22.0% over the last 12 months while incurring aggregate losses of \$17.9 billion during this time frame. Another headwind for the fund during the quarter was its more equal-weighted nature relative to the capitalization weighted benchmark, as the largest market capitalization stocks in the index outperformed the smallest market capitalization stocks by roughly 5.00%. Sector allocations were essentially neutral to results overall.

OUTLOOK

Investors have seemingly left the concerns of the fourth quarter behind and a risk-on environment has clearly taken hold. There are a number of geopolitical situations (e.g. Brexit, US-China trade talks) whose resolution, or lack thereof, will likely have a significant impact on the trajectory of the stock market over the coming months. As Systematic has pointed out previously, the outperformance of the Russell 2000® Growth over the 2000 Value is extreme by historical standards. Systematic believes a reversal is only a matter of time, although it is impossible to predict what will cause the change in investor sentiment or when it will occur. Systematic's strategy is not built upon timing or the prediction of political or diplomatic outcomes, but rather upon fundamental factors that their research has shown to add value over long periods of time. Systematic continues to believe that these factors will be rewarded in the years ahead as they have been historically.

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 CORE

as of 03/31/2019

AVERAGE ANNUAL TOTAL RETURNS (%)

	3M	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Class A (at NAV)	11.75	11.75	-1.63	-	-	-	1.68
Class A (at POP)	5.66	5.66	-7.02	-	-	-	-1.08
Russell 2000® Index	14.58	14.58	2.05	12.92	7.05	15.36	-
S&P 500®	13.65	13.65	9.50	13.51	10.91	15.92	-

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 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	1.32	2.06	1.02
Net Expense Ratio	1.30	2.05	1.02

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
YRC Worldwide Inc	0.33	0.37	112.23
PCM Inc	0.26	0.32	108.01
Tenet Healthcare Corp	0.20	0.34	68.26
Leading detractors	Contribution	Weight	Return
Usana Health Sciences Inc	-0.11	0.30	-28.76
Owens & Minor Inc	-0.13	0.30	-35.19
Ascena Retail Group Inc	-0.18	0.22	-56.97

Source: Morningstar Direct

TOP 10 HOLDINGS (%)

W&T Offshore, Inc.	0.44
Core-Mark Holding Co., Inc.	0.41
MKS Instruments, Inc.	0.41
CONMED Corp.	0.40
Horizon Pharma PLC	0.39
Cardtronics PLC, Class A	0.38
PCM, Inc.	0.38
Sinclair Broadcast Group, Inc., Class A	0.38
TreeHouse Foods, Inc.	0.38
Mellanox Technologies, Ltd.	0.38
Total	3.95

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

The fund acquired the assets and assumed the liabilities of three Transamerica Partners funds, including Transamerica Partners Institutional Small Core (the "predecessor fund"), on March 10, 2017, and the predecessor fund is the accounting and performance survivor of the reorganizations. This means that the predecessor fund's financial and performance history became the financial and performance history of the fund. In the reorganization of the predecessor fund, shareholders of the predecessor fund received Class R4 shares of the fund. The performance of Class R4 shares includes the performance of the predecessor fund prior to the reorganization, and has not been restated to reflect the estimated annual operating expenses of Class R4 shares. Please read the prospectus for more information.

The Russell 2000® Index and the S&P 500® are unmanaged indices 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. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. If the market prices of the equity securities owned by the fund fall, the value of the fund will decline.

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 or contact your financial professional to obtain a prospectus or, if available, a summary prospectus containing this information. Please read it carefully before investing.

Transamerica Funds are advised by Transamerica Asset Management, Inc. (TAM) and distributed by Transamerica Capital, Inc. (TCI) member of FINRA. TAM and Systematic Financial Management, L.P. (Systematic) are not affiliated companies. 1801 California St. Suite 5200, Denver, CO 80202