

# Transamerica Dividend Focused

Class A TDFAX | Class I TDFIX

## Investment Objective

The fund seeks total return gained from the combination of dividend yield, growth of dividends and capital appreciation.

## Sub-adviser

Barrow, Hanley, Mewhinney & Strauss, LLC (BHMS)

**BARROW, HANLEY,  
MEWHINNEY & STRAUSS**

## Portfolio Managers

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## Product Profile

A total return strategy that seeks the combination of dividend yield, growth of the dividend, and capital appreciation

- ➔ Focused on large- and medium-sized companies with 25 years of dividend history
- ➔ Contrarian approach that looks for stocks with attractive valuations
- ➔ Concentrated portfolio of approximately 35-45 stocks

## Fund Facts

Inception Date (A-I)	01/04/13 - 01/04/13
Benchmark Index	Russell 1000® Value Index
Morningstar Category	Large Value
Lipper Category	Equity Income
Dividend Frequency	Quarterly

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 decisions.

## Macroeconomic Overview

Following a negative first quarter, U.S. stocks rebounded unevenly in the second quarter, fueled by robust earnings and economic growth. Returns in the U.S. remain modest year-to-date, however, as concerns about trade wars and interest rate hikes have muted the unbridled enthusiasm we noted at the end of 2017. Globally, stock returns have struggled recently, given the stronger U.S. dollar and trade rhetoric. While developed markets were modestly negative for the quarter, emerging markets fell nearly 8%. Also note that bond market returns were negative for both the quarter and the past one-year period, as the effects of recent rate hikes and the concerns about the magnitude and pace of future rate hikes have taken their toll. During the second quarter, growth stocks continued their frustrating dominance over value stocks, and their outperformance was even more marked over the past one-year period, during which growth more than tripled the return of value benchmarks. The driver of this disparity, of course, continues to be a handful of technology stocks that account for virtually all the return of the growth benchmarks and the S&P 500®. Technology sector returns in excess of 30% over the past year have dwarfed the returns of most other sectors, and bested the worst-performing sector, consumer staples, by a whopping 35%. Energy stocks have also performed well, especially in the second quarter when oil prices reached their highest level since late 2014.

## Fund Overview

Transamerica Dividend Focused slightly underperformed the Russell 1000® Value index during the second quarter. On a sector basis versus the Russell 1000® Value index, stock selection and allocation within financials and energy added to relative performance as did our continued underweight to the information technology sector. Stock selection and a relative overweight allocation within industrials and consumer staples detracted from relative performance as did performance of holdings in the health care sector.

## Outlook

Investors entered 2018 riding high on the back of 20+% returns from the prior year, inflation and interest rates were benign, tax reform had passed, and volatility was low and bullishness and complacency was high. The last six months brought about the realities of a bull market that is now 9 years running and is attempting to become the longest bull market in history. Despite a strong earnings growth outlook from tax reform and upward trending economic growth, the market is grappling with many of the previously mentioned concerns. After extended bull markets, investor bullishness for the areas of the market that have already worked typically becomes extreme. In this cycle, that area has clearly been growth stocks, specifically a handful of highly priced technology and internet-related names. The valuation gap between the S&P 500® growth and value recently widened further as investors continue to chase the best performing stocks of the last few years. While value has not yet overtaken growth, market returns have moderated which should be a goal environment for the fund going forward. As always, BHMS seek stocks with meaningful valuation discounts to the overall market and those with the potential to return to normalized profitability that are underappreciated by investors.

## Contributors\*

Leading Contributors	Weight (%)	Return (%)	Contribution (%)
Occidental Petroleum Corp.	2.95	29.98	0.74
Phillips 66	3.49	18.28	0.71
ConocoPhillips	3.48	17.90	0.56

## Detractors\*

Leading Detractors	Weight (%)	Return (%)	Contribution (%)
Philip Morris International, Inc.	2.48	-17.61	-0.51
Stanley Black & Decker, Inc.	2.87	-12.92	-0.40
Cardinal Health, Inc.	1.46	-21.34	-0.35

\*Source: Morningstar Direct

**Not insured by FDIC or any federal government agency. May lose value.  
Not a deposit of or guaranteed by any bank, bank affiliate, or credit union.**

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## Top 10 Holdings

	% of Holdings
BP PLC, ADR	4.05
Pfizer, Inc.	4.02
Wells Fargo & Co.	3.99
American Express Co.	3.98
Bank of America Corp.	3.97
DowDuPont, Inc.	3.87
Johnson & Johnson	3.61
Walmart, Inc.	3.51
State Street Corp.	3.47
JPMorgan Chase & Co.	3.43
Percentage of total portfolio	37.90

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

## Equity Statistics

Median Market Cap	<b>\$81.81 (B)</b>
Weighted Average Market Cap	<b>\$131.00 (B)</b>

**B** = Billions

## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr*	10 Yr	Inception*
Class A (at NAV)	0.65	-2.98	5.08	7.98	9.78	N/A	10.96
Class A (at POP)	-4.89	-8.35	-0.69	5.98	8.55	N/A	9.83
Class I (at NAV)	0.69	-2.84	5.36	8.19	9.95	N/A	11.16
Russell 1000® Value Index	1.18	-1.69	6.77	8.26	10.34	N/A	–

\* Average Annual Total Return

## Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	15.90	14.62	-2.95	11.00	N/A	N/A	N/A
Class I (at NAV)	16.14	14.81	-2.88	11.20	N/A	N/A	N/A
Russell 1000® Value Index	13.66	17.34	-3.83	13.45	N/A	N/A	N/A

There are no sales charges on 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 performance data presented 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 of 5.50%. Performance for other share classes will vary.**

**The gross expense ratios for this fund are 1.01% and 0.84% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.01% and 0.84% for Class A and Class I shares, respectively. Contractual arrangements (if applicable) have been made with the fund's investment manager, Transamerica Asset Management, Inc. (TAM), through March 1, 2019.**

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.

The Russell 1000® Value 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.

Focused funds are less diversified than other mutual funds; therefore, the performance of each holding in a focused fund has a greater impact upon the overall portfolio, which increases the risks associated with investing in the fund. Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock considered undervalued is actually appropriately priced. ADRs involve the same risk as foreign securities including currency fluctuations, adverse social and political developments, and relatively small size and lesser liquidity of the markets. Dividend income may vary depending on market performance and is not guaranteed. A company's future ability to pay dividends may be limited.

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**Mutual funds are subject to market risk, including the 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.**