

# Transamerica Small Cap Core

Class A SCCAX | Class I ISMTX

## Investment Objective

The fund seeks long-term capital appreciation.

## Sub-adviser

Systematic Financial Management, L.P.  
(Systematic)



## Portfolio Managers

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

## Product Profile

A value-based strategy designed to seek capital appreciation with strong risk management

- ➔ Seasoned portfolio management team with experience managing small cap equities since 1993
- ➔ Disciplined investment approach designed to build a portfolio of small cap stocks through rigorous security ranking analysis based on fundamental factors
- ➔ In-depth research seeks attractive valuation and sustainable catalysts

## Fund Facts

Inception Date (A-I)	03/10/17 - 03/10/17
Benchmark Index	Russell 2000® Index, S&P 500®
Morningstar Category	Small Value
Lipper Category	Small-Cap Value
Dividend Frequency	Annually

## Macroeconomic Overview

The talk of Wall Street during the fourth quarter was the tax reform debate and the bill that was ultimately enacted. While there are certainly many nuances, and disagreement on portions of the new regime, it was generally positively received by equity investors as the markets continued their ascent during the fourth quarter, adding further to a year of solid gains for investors. From a style perspective, investors retained the preference for “growth” stocks that they held through the year, as the Russell 2000® Growth Index outperformed the Russell 2000® Value Index by an additional roughly 1% during the quarter. Investors also showed a clear preference for companies with larger market capitalizations, within the small cap market as a whole. This could very well be driven by the significant flows into passive vehicles, like index funds and exchange-traded funds, which are often market capitalization weighted, leading more of each invested dollar to be directed to the largest capitalization companies, without regard to company fundamental characteristics.

## Fund Overview

Transamerica Small Cap Core narrowly trailed the Russell 2000® Index for the quarter, while it outpaced the Russell 2000® Value during the period. The preference of investors for stocks with larger market capitalizations served as a headwind during the quarter, given the more equal-weighted nature of the fund relative to the index. From an attribution standpoint relative to the Russell 2000® Index, sector allocation was essentially neutral for the quarter, while stock selection accounted for the shortfall relative to the index. Stock selection detracted from results primarily in the energy and Information technology sectors, while it lifted relative results in the materials and consumer discretionary sectors. In the energy sector, it was our holdings in the oil and natural gas businesses that detracted from results, while our coal holdings actually had a very strong fourth quarter. In information technology, it was primarily our underweight in the software and internet areas that lead to the shortfall relative to the index. Our underweight is driven primarily by the fact that these two areas are far more expensive than other areas within information technology on multiple valuation metrics. On the bright side, within consumer discretionary, it was our holdings in the specialty retail area that boosted results, while in materials it was our metal and mining issues that added value relative to the index.

## Outlook

The Russell 2000® Growth Index outperformed the Russell 2000® Value Index by over 14% in calendar 2017, and it also has a historically wide performance edge over the past 10 years. Systematic believes a significant reversal is likely in the years to come as the outperformance of the Russell 2000® Growth has pushed its relative valuation level near historical extremes. Results following other periods in history with similar valuation differentials have significantly favored “value” stocks and, while the timing is uncertain, Systematic believes this time will be no different. As such, Systematic remains committed to their discipline, built upon factors that have proven their historical effectiveness over long periods of time and over multiple market cycles, confident that it will be rewarded in the fullness of time.

## Contributors\*

Leading Contributors	Weight (%)	Return (%)	Contribution (%)
Sucampo Pharmaceuticals, Inc. Class A	0.34	52.33	0.19
Valeant Pharmaceuticals International, Inc.	0.36	45.01	0.14
Depomed, Inc.	0.37	39.03	0.14

## Detractors\*

Leading Detractors	Weight (%)	Return (%)	Contribution (%)
Iconix Brand Group, Inc.	0.13	-67.14	-0.21
Community Health Systems, Inc.	0.29	-44.53	-0.17
Owens & Minor, Inc.	0.27	-34.45	-0.11

\*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
Valeant Pharmaceuticals International, Inc.	0.41
Kindred Healthcare, Inc.	0.40
Arch Coal, Inc., Class A	0.40
Hudbay Minerals, Inc.	0.39
Depomed, Inc.	0.39
SUPERVALU, Inc.	0.39
U.S. Steel Corp.	0.38
United Therapeutics Corp.	0.38
Schnitzer Steel Industries, Inc., Class A	0.38
Emergent BioSolutions, Inc.	0.38
Percentage of total portfolio	3.90

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>\$1.54 (B)</b>
Weighted Average Market Cap	<b>\$2.08 (B)</b>

**B** = Billions

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.

**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 1.44% and 1.12% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.32% and 1.07% for Class A and Class I shares, respectively. Contractual arrangements have been made with the fund's investment manager, Transamerica Asset Management, Inc. (TAM), through March 1, 2018.**

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 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.

**This material was prepared for general distribution. It is being provided for informational purposes only and should not be viewed as an investment recommendation. If you need advice regarding your particular investment needs, contact your financial professional.**

**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.**

## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception*
Class A (at NAV)	2.79	N/A	N/A	N/A	N/A	N/A	7.88
Class A (at POP)	-2.86	N/A	N/A	N/A	N/A	N/A	1.93
Class I (at NAV)	2.76	N/A	N/A	N/A	N/A	N/A	8.01
Russell 2000® Index	3.34	N/A	N/A	N/A	N/A	N/A	–
S&P 500®	6.64	N/A	N/A	N/A	N/A	N/A	–

\* Average Annual Total Return

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.