

# Transamerica Small Cap Value

Class A TSLAX | Class I TSLIX

## Investment Objective

The fund seeks long-term capital appreciation.

## Sub-adviser

Boston Advisors, LLC (Boston Advisors)

## BOSTON ADVISORS

## Portfolio Managers

James W. Gaul, CFA  
 David Hanna  
 Douglas A. Riley, CFA  
 Michael J. Vogelzang, CFA

## Product Profile

Small-cap value strategy designed to consistently generate excess return relative to the benchmark primarily through stock selection.

- ➔ The strategy is a unique combination of proprietary, robust quantitative modeling and fundamental research.
- ➔ Boston Advisors uses a proprietary economic Regime Model, which influences the factor set and factor weights in the stock selection model during different market conditions (bull, bear and efficient). Regime Model also informs the portfolio managers as part of the portfolio construction process.
- ➔ The strategy is managed to be "style pure" to the Russell 2000® Value Index.

## Fund Facts

Inception Date (A-I)	04/21/17 - 04/21/17
Benchmark Index	Russell 2000® Value Index
Morningstar Category	Small Blend
Lipper Category	Small-Cap Value
Dividend Frequency	Annually

## Macroeconomic Overview

The headline story of the first quarter, from a market perspective, is surely the return of volatility. After record low levels in 2017, volatility shot up as a result of monetary and trade policy uncertainties. The Chicago Board Options Exchange Volatility Index (VIX), which measures volatility, sustained levels above 15 for the first time in over two years. U.S. equity indexes fell nearly 10% over the next two weeks following their all-time highs in late January, wiping out year-to-date gains and finishing flat for the quarter. The S&P 500® Index slipped 0.76% while the Russell 2000® Index fell 0.08%. The market's struggles were not due to the economic picture, however, which remains positive. Global synchronized growth persisted, inflation remained in check and central banks continued to tighten incrementally while remaining generally accommodative.

## Fund Overview

Despite a strong start to the year during January, Transamerica Small Cap Value (Fund) underperformed the benchmark for the quarter. The downturn in relative performance corresponded to the downturn in the market that began in late January, though the beta of the Fund is similar to the benchmark. The drivers were individual names that reacted poorly to their quarterly earnings announcements. NutriSystem Inc. (0.00% as of 3/31/18) fell nearly 50% after missing their earnings estimate and guiding expectations for future revenues and earnings lower. Similarly, Big Lots, Inc. (1.16% as of 3/31/18) dropped 22.0% during the quarter after they missed comparable store sales estimates and guided future earnings lower. Further, the valuation factor continues to be a drag on performance. On the positive side, stock selection was positive in the largest sector, financials, driven by broad participation from banks and diversified financials. Energy sector selection was also strong, led by Enerplus Corp. (1.67% as of 3/31/18), which beat earnings expectations and rose 15.26% while the sector fell 10.53%. Positive factor performers included momentum and growth.

## Outlook

Despite market volatility and index price levels that are near correction territory, Boston Advisors' outlook remains constructive. Falling prices help valuation levels, and the forward P/E ratio on the S&P 500® fell from a 16-year high of 18.3 on December 31 to 16.4 on March 31. Small cap multiples fell a similar amount. Boston Advisors does expect volatility, at least in the near future, to remain elevated. Prices, already off their highs by around 10%, could stabilize unless there are additional negative developments. Boston Advisors' work on volatility and returns shows that, outside of recessions, markets tend to be higher one, three and six months after spikes in the VIX index. Economically, the global expansion persists despite an aging economic cycle in the U.S. and tariff headwinds. Further, positive momentum from the tax cuts likely outweighs profit margin pressures from rising wages and interest rates in 2018.

## Contributors\*

Leading Contributors	Weight (%)	Return (%)	Contribution (%)
Upland Software, Inc.	1.66	32.92	0.49
Encompass Health Corp.	1.72	16.21	0.28
Delek US Holdings, Inc.	1.52	17.11	0.25

## Detractors\*

Leading Detractors	Weight (%)	Return (%)	Contribution (%)
Nutrisystem, Inc.	1.24	-45.21	-0.76
Camping World Holdings, Inc., Class A	1.12	-27.60	-0.34
Big Lots, Inc.	1.41	-21.95	-0.31

\*Source: Morningstar Direct

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.

**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
First Citizens BancShares, Inc., Class A	1.89
Customers Bancorp, Inc.	1.83
Delek US Holdings, Inc.	1.79
Valley National Bancorp	1.78
Washington Federal, Inc.	1.75
HomeStreet, Inc.	1.75
Ferro Corp.	1.75
National Storage Affiliates Trust, REIT	1.74
Associated Banc-Corp.	1.72
Malibu Boats, Inc., Class A	1.69
<b>Percentage of total portfolio</b>	<b>17.69</b>

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>\$2.26 (B)</b>
Weighted Average Market Cap	<b>\$2.50 (B)</b>

**B** = Billions

## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception*
Class A (at NAV)	-4.04	-4.04	N/A	N/A	N/A	N/A	4.89
Class A (at POP)	-9.34	-9.34	N/A	N/A	N/A	N/A	-0.84
Class I (at NAV)	-4.02	-4.02	N/A	N/A	N/A	N/A	5.08
Russell 2000® Value Index	-2.64	-2.64	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.

**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 1.43% and 1.06% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.30% and 1.05% 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 2000® 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.

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. 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. Value 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 "growth" stocks. The prices of securities the sub-adviser believes are undervalued may not appreciate as anticipated or may go down.

**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 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.**