

# Transamerica Large Cap Value

Class A TWQAX | Class I TWQIX

## Investment Objective

The fund seeks long-term capital appreciation.

## Sub-adviser

Levin Capital Strategies, L.P. (Levin)



## Portfolio Managers

John Levin  
Jack Murphy

## Product Profile

A portfolio designed to focus on quality stocks at undervalued prices

- ➔ Contrarian and value-oriented investment philosophy
- ➔ Concentrated approach
- ➔ Research based on fundamental bottom-up stock picking focused on buying quality companies when their stock prices are down
- ➔ Risk management based on incremental buying and selling, rather than market timing

## Fund Facts

Inception Date (A-I)	11/15/10 - 11/15/10
Benchmark Index	Russell 1000® Value Index
Morningstar Category	Large Value
Lipper Category	Large-Cap Value
Dividend Frequency	Quarterly

**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.**

## Macroeconomic Overview

During the third quarter of 2018 the Russell 1000® Value Index rose +5.7%, bringing the year-to-date advance to +3.9%. The best performing sector during the quarter by far was health care (+15.6%) while materials was the worst (de minimis decline). In the macro environment, the U.S. economy remains strong, unemployment rates are near 50 year lows, corporate cash flows are robust, capital spending plans have improved, surveys of consumer confidence and small business optimism are at multi-decade highs, and inflation remains near the U.S. Federal Reserve's 2% target. Outside the U.S., however, European growth is softening, and there are concerns that China's is too. Trade and tariff actions already implemented, although limited in scope compared to what have been threatened, have affected prices for certain commodities such as steel and soybeans, impacting earnings for a number of companies. Other developments that have not yet had a major effect on U.S. stocks but could become important are weakening currencies in a number of emerging market countries, while Italy's financial problems have also resurfaced.

## Fund Overview

Transamerica Large Cap Value slightly underperformed the Russell 1000® Value Index during the September quarter but is still meaningfully outperforming since the beginning of the year. During the quarter, favorable stock selection was offset by a negative effect from sector allocation as an underweight in health care was offset by strong stock selection in the same sector. The top contributor to performance in September was pharmaceutical company Pfizer Inc (Pfizer). Investors rewarded Pfizer after management said that it is not interested in making very large acquisitions and is more likely to spinoff businesses such as its consumer division. Levin believes Pfizer's valuation remains attractive based on its healthy free cash flow and improved growth prospects. The top detractor from performance was vehicle manufacturer General Motors Co. which lowered 2018 guidance due to currency and raw material pricing pressures. The stock was also affected by concerns regarding The North American Free Trade Agreement re-negotiation and rising trade tensions with China. While aware of these risks, the subadvisor believes General Motors Co. has a leading and underappreciated position in autonomous car technology, has upside to profitability in 2019 as it relaunches its key pickup/large SUV platform, and has potential catalysts in its non-auto business units.

## Outlook

Levin's approach to stock selection is to use bottom-up fundamental research to identify quality businesses selling below their intrinsic worth and that are led by management teams focused on creating shareholder value through strategic actions and prudent capital deployment. In addition, Levin seeks to avoid momentum driven stocks, seeking to buy companies that are down in price. Periods of disparate price changes in the market, such as has been seen recently between growth and value stocks and among the various economic sectors, can create buying opportunities. Consequently, even though overall market averages are at or near all-time highs, Levin continues to find ample investment ideas that meet their strict investment criteria.

## Contributors\*

Leading Contributors	Weight (%)	Return (%)	Contribution (%)
Pfizer, Inc.	4.26	22.51	0.90
Eaton Corp. PLC	3.62	16.99	0.60
Corning, Inc.	1.37	19.96	0.54

## Detractors\*

Leading Detractors	Weight (%)	Return (%)	Contribution (%)
General Motors Co.	3.68	-13.60	-0.54
Whirlpool Corp.	2.35	-17.92	-0.40
TreeHouse Foods, Inc.	3.03	-8.87	-0.30

\*Source: Morningstar Direct

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## Top 10 Holdings

	% of Holdings
Occidental Petroleum Corp.	6.19
American International Group, Inc.	5.38
AT&T, Inc.	5.16
Pfizer, Inc.	4.55
Intel Corp.	4.48
Citigroup, Inc.	4.08
DowDuPont, Inc.	3.79
General Motors Co.	3.54
Eaton Corp. PLC	3.40
Bank of America Corp.	3.35
<b>Percentage of total portfolio</b>	<b>43.92</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>\$60.66 (B)</b>
Weighted Average Market Cap	<b>\$138.63 (B)</b>

**B** = Billions

## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr*	10 Yr	Inception*
Class A (at NAV)	5.00	5.85	8.71	16.15	11.99	N/A	13.24
Class A (at POP)	-0.81	0.06	2.72	13.97	10.73	N/A	12.43
Class I (at NAV)	5.12	6.12	9.06	16.49	12.31	N/A	13.61
Russell 1000® Value Index	5.70	3.92	9.45	13.55	10.72	N/A	–

\* Average Annual Total Return

## Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	12.05	21.60	2.11	8.58	35.48	16.30	-1.38
Class I (as NAV)	12.38	21.86	2.38	8.96	35.84	16.86	-0.96
Russell 1000® Value Index	13.66	17.34	-3.83	13.45	32.53	17.51	0.39

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.

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 1.06% and 0.79% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.06% and 0.79% 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.

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. Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that an undervalued stock is actually appropriately priced. The fund may be more concentrated than that of a more diversified fund, subjecting it to greater fluctuation and risk.

**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.**

Transamerica Funds are advised by Transamerica Asset Management, Inc. (TAM) and distributed by Transamerica Capital, Inc. (TCI) member of FINRA.

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