

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

On the heels of a substantial rally during the second quarter, the U.S. small cap equity market followed through with a solid quarter, extending its gains on a year-to-date basis. In a reversal of what was seen during the second quarter, small cap stocks generally underperformed their larger cap counterparts. The Russell 2000® Growth resumed its seemingly relentless outperformance, after a brief hiatus during the second quarter, as investors favored more expensive stocks relative to their less expensive counterparts. The Russell 2000® Growth Index now leads the Russell 2000® Value Index by 8.6% year-to-date, after outperforming by over 14% in 2017. To illustrate investors preference for growth without regard to current fundamentals or valuation, one needs to look no further than the companies in the top 10% of revenue growth within the Russell 2000® Index. Those stocks are up 16.9% year-to date, after posting a gain of 33.9% in 2017. If this cohort is then further restricted to only those companies that also lose money, their gains extend to 29.6% year-to-date, which comes on the heels of a gain for this group of 52.2% in 2017!

Fund Overview

As investors once again went in search of growth at any price, the valuation and fundamentally focused discipline employed by Transamerica Small Cap Core faced a headwind. The Fund posted another positive return during the quarter, extending its year-to-date gains. It was unable to keep pace with the Russell 2000® Index, given the outperformance of “growth” stocks, while it outperformed the more valuation sensitive Russell 2000® Value Index. From an attribution standpoint, relative to the Russell 2000® Index, stock selection detracted from results in the information technology and financials sectors, while it helped in the energy and materials sectors. In the information technology sector the underperformance was primarily the result of an underweight to the software industry. As noted in prior periods, the Fund is underweight the software industry principally due to its relatively high valuations. There was also a shift in investor sentiment at the sector level, as an overweight in the energy sector, which had added to results in the second quarter, modestly detracted from relative results in the third quarter.

Outlook

The Russell 2000® Growth continues to enjoy a historically wide advantage relative to the Russell 2000® Value on a trailing 10 year basis. As a result, the relative valuation level of the Russell 2000® Growth versus the Russell 2000® Value is near historical extremes by some measures. As Systematic has pointed out in prior commentaries, results following other historical periods with similar valuation differentials have significantly favored “value” stocks. Should this historical pattern repeat itself, as they believe it will, the Fund should see the significant headwind it has faced turn into a tailwind. Systematic’s strategy is built upon metrics that have been shown to add value over long periods of time and through multiple market cycles. Systematic does not believe “this time is different”, and while no strategy works all the time, particularly over short-term measurement periods, they remain confident that what their research has shown to be rewarded historically will also be rewarded in the years ahead.

Contributors*

Leading Contributors	Weight (%)	Return (%)	Contribution (%)
Endo International PLC	0.36	78.47	0.22
Renewable Energy Group, Inc.	0.27	68.91	0.21
Verso Corp., Class A	0.34	54.73	0.16

Detractors*

Leading Detractors	Weight (%)	Return (%)	Contribution (%)
Triple-S Management Corp., Class B	0.28	-51.64	-0.19
ION Geophysical Corp.	0.28	-36.01	-0.12
Pacific Ethanol, Inc.	0.20	-35.59	-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
W&T Offshore, Inc.	0.48
Unisys Corp.	0.41
Steelcase, Inc., Class A	0.40
Matrix Service Co.	0.38
Rowan Cos. PLC, Class A	0.38
Brady Corp., Class A	0.37
Verso Corp., Class A	0.37
NRG Energy, Inc.	0.36
Colfax Corp.	0.36
Cowen, Inc.	0.36
Percentage of total portfolio	3.87

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	\$1.55 (B)
Weighted Average Market Cap	\$2.28 (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 1.40% and 1.08% 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® 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.

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 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. are not affiliated companies.

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Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception*
Class A (at NAV)	2.36	7.63	10.63	N/A	N/A	N/A	10.04
Class A (at POP)	-3.24	1.70	4.55	N/A	N/A	N/A	6.11
Class I (at NAV)	2.44	7.86	10.84	N/A	N/A	N/A	10.28
Russell 2000® Index	3.58	11.51	15.24	N/A	N/A	N/A	–
S&P 500®	7.71	10.56	17.91	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.