

# Transamerica Small/Mid Cap Value

Class A IVAX | Class I TSVIX

## Investment Objective

The fund seeks to maximize total return.

## Sub-advisers

Thompson, Siegel & Walmsley LLC (TSW)

T | S | W

Systematic Financial Management, L.P.  
(Systematic)



## Product Profile

The fund will invest under normal circumstances, at least 80% of the fund's assets in small and mid-cap equity securities. The fund's investment methodology unifies quantitative screening and fundamental research in an integrated and repeatable process designed to outperform the Russell 2500™ Value Index over the long term.

- ➔ In the mid-cap sleeve, TSW's process uses a combination of quantitative and qualitative methods and is based on a four-factor valuation screen.
- ➔ In the small-cap sleeve, Systematic's process generally favors companies that are attractively valued with strong operating cash flow, strong free cash flow, limited financial leverage, and strong debt coverage.

## Fund Facts

Inception Date (A-I)	04/02/01 - 11/30/09
Benchmark Index	Russell 2500 Value Index
Morningstar Category	Mid-Cap Value
Lipper Category	Mid-Cap Core
Dividend Frequency	Annually

\*Source: Morningstar Direct

## Macroeconomic Overview

**Systematic:** U.S. equity markets powered ahead in the third quarter, but heightened risk aversion due to tariffs led a flight into domestic, larger capitalization, and lower volatility stocks. This uncertainty has hurt investor sentiment, and rising short-term interest rates, driven by the U.S. Federal Reserve's monetary policy, have added to that caution.

**TSW:** Domestic equities performed soundly during the quarter, outpacing international equities and fixed income. Within domestic equities, growth again outpaced value. Political and macro uncertainty continued, heightened by global trade concerns. Producer durables and health care sectors led the pack, while consumer staples and materials lagged. The market continues to experience stretched multiples, with value continuing to look attractive relative to growth due to a significant disconnect in valuation.

## Fund Overview

**Systematic:** Within this environment, the small cap value portion of Transamerica Small/Mid Cap value trailed the Russell 2000® Value Index. The main driver of relative underperformance for the quarter was stock selection. Selections in the financials and consumer discretionary sectors underperformed the most, while selections in the information technology and energy sector outpaced the benchmark. Conversely, sector allocation added to index relative performance. An overweight to the industrials sector had a positive impact, while an underweight to the utilities sector had a slight negative effect on results.

**TSW:** The mid cap value portion outperformed its benchmark. Leading sectors were financials and consumer discretionary. In financials, primary contributors were underweight positions in banks and real estate investment trusts and success across a number of insurance holdings. Within consumer discretionary, Discovery, Inc. Class C (1.04%) and Viacom, Inc., Class B (0.89%) were top contributors. Primary detractors were producer durables and energy. Within producer durables, the impact came from underweighting to industries that outperformed. In energy, Antero Resources Corp. (1.07%) was impacted by higher trucking costs and headwinds in natural gas pricing. TSW continues to hold the stock and their thesis remains intact.

## Outlook

**Systematic:** While encouraged by recent agreements with Mexico and Canada, negotiations with China are pivotal. Systematic believes the recent tariffs are manageable, but headwinds could stiffen considerably in the future. That said, the portfolio holds many unaffected companies trading at a discount to historical valuation multiples due to recent market sentiment. The investment process looks to take advantage of such anomalies in the months ahead. The portfolio continues to trade at a substantial discount to the Russell 2000® Value Index, with superior financial strength and stronger debt coverage ratios.

**TSW:** The economy appears to be in good health, with no major indications of recession on the horizon. Political uncertainty, including the upcoming mid-term elections and trade tensions, continues to present noise and short-termism in the market. This should cause volatility and create opportunities as stock prices are likely to dislocate from intrinsic value. The market continues to trade at a very expensive multiple, which is even further pronounced when comparing growth against value. TSW believes the market ultimately rewards fundamentals and valuation, providing a strong backdrop for active value managers going forward.

## Contributors\*

Leading Contributors	Weight (%)	Return (%)	Contribution (%)
Casey's General Stores, Inc.	1.36	23.19	0.30
Ball Corp.	1.10	24.04	0.25
Leidos Holdings, Inc.	1.33	17.75	0.23

## Detractors\*

Leading Detractors	Weight (%)	Return (%)	Contribution (%)
Antero Resources Corp.	0.95	-17.05	-0.18
US Foods Holding Corp.	0.84	-18.51	-0.15
DENTSPLY SIRONA, Inc.	1.01	-13.58	-0.15

**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
PPL Corp.	1.54
Alleghany Corp.	1.40
Annaly Capital Management, Inc., REIT	1.36
Leidos Holdings, Inc.	1.35
CIT Group, Inc.	1.34
DISH Network Corp., Class A	1.23
VEREIT, Inc.	1.21
Alliant Energy Corp.	1.21
Willis Towers Watson PLC	1.20
Molson Coors Brewing Co., Class B	1.20
<b>Percentage of total portfolio</b>	<b>13.04</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>\$3.40 (B)</b>
Weighted Average Market Cap	<b>\$8.24 (B)</b>

**B** = Billions

## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr*	10 Yr*	Inception*
Class A (at NAV)	3.09	5.13	10.96	15.48	10.03	11.99	11.68
Class A (at POP)	-2.58	-0.66	4.87	13.33	8.79	11.36	11.32
Class I (at NAV)	3.20	5.39	11.34	15.89	10.42	N/A	14.28
Russell 2500™ Value Index	2.67	5.75	10.24	14.51	9.99	10.53	–

\* Average Annual Total Return

## Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	15.14	20.74	-3.19	4.55	35.95	15.70	-3.27
Class I (at NAV)	15.51	21.21	-2.86	4.92	36.51	16.18	-2.85
Russell 2500™ Value Index	10.36	25.20	-5.49	7.11	33.32	19.21	-3.36

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.**

**The gross expense ratios for this fund are 1.28% and 0.94% for Class A and Class I shares, respectively. The net expense ratios for this fund are 1.28% and 0.94% 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.**

**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.**

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.

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 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 investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock will be considered undervalued. The prices of securities the sub-adviser believes are undervalued may not appreciate as anticipated or may go down.

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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.**

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

TS&W and Systematics are not affiliated with TAM.

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