

## Transamerica Small Cap Value

**A** | TSLAX | 04/21/2017   **C** | TSLCX | 04/21/2017   **I** | TSLIX | 04/21/2017

### Investment objective

The fund seeks long-term capital appreciation.

### Key facts

**Investment Manager**

Transamerica Asset Management, Inc. (TAM)

**Morningstar Category**

Small Value

**Lipper Category**

Small-Cap Value Funds

**Dividend Frequency**

Annually

**Benchmark**

Russell 2000® Value Index

### SUB-ADVISER



Systematic Financial Management, L.P. (Systematic)

**PORTFOLIO MANAGERS**

Kenneth Burgess, CFA

W. Ryan Wick, CFA

### MACROECONOMIC OVERVIEW

The first quarter of 2025 was a difficult one for the stock market, as investors dealt with resurgent inflation and a volatile political economy. The President's efforts to reshape both the scope and scale of the Federal bureaucracy and to re-domesticate significant portions of the global economy tested investors' mettle, and the experience proved once again that financial markets do not like uncertainty. The Administration ramped its protectionist rhetoric over the course of the period, starting with Canada and Mexico, moving to the auto sector and other targeted industries, and culminating with the imposition of an aggressive series of reciprocal tariffs announced after quarter end. Equities sold off sharply into, and immediately following, the announcement of this wide-sweeping, severe tariff regime.

### FUND OVERVIEW

Transamerica Small Cap Value moderately underperformed the Russell 2000® Value Index during the first quarter of 2025, largely a function of unfavorable sector allocation. Stock selection added to returns against the benchmark, but not enough to offset the negative allocation effect. The fund's overweight to Information Technology and underweights to the Utilities and Financials sectors were key detractors in the quarter. Information Technology stocks were not only challenged by broader macro and supply chain-related concerns amid the tariff headlines, but the artificial intelligence (AI) investing theme was derailed by the success of China's DeepSeek large language model. The latter catalyzed a sector-wide selloff as investors contemplated the commoditization of AI and related businesses. While Systematic eschews expensive AI stocks, many attractively priced companies deeper down the AI value chain saw their shares sell off in concert with the high-flyers during the period. Elsewhere, none of the economic sectors saw a meaningfully positive allocation effect in the first quarter. Stock selection was additive to the fund's relative performance, driven by strong outperformance within the Health Care and Energy sectors. Stock selection in the Industrials and Financials sectors limited total returns compared to the benchmark.

### OUTLOOK

Systematic is closely watching the world's response to the reciprocal tariffs announced by President Trump in early April. Stocks plummeted following that move, with the Russell 2000® Value benchmark falling 6.7% the next day alone, and more thereafter. Within the context of a domestic economy already constrained by inflation and the elevated interest rates combatting it, the inflationary nature of tariffs do require attention. Tariffs typically cause a one-time step-up in inflation, not a recurring one, but there is also the risk of more manufacturing coming back home than the labor market can handle. That could lead to more permanent inflation, similar to that experienced during the "back to work" phase of the COVID-19 pandemic. Conventional wisdom suggests that President Trump is taking a hard line on tariffs in an effort to bolster his bargaining position as he negotiates other countries' tariffs lower. That said, the Administration has projected a very hard line thus far, and it has also indicated that its concerns extend beyond other countries' tariff rates, to issues like artificial trade barriers and currency manipulation. While this messaging may be part of a grand negotiating strategy, the concern is that, as the world waits in uncertainty, the global economy has been experiencing demand destruction. Fund and capital flows to circumvent the new policy regime have likely occurred as well, creating supply and demand imbalances that might constrain economic growth going forward. Aside from these fundamental issues, the risks posed by the stock market's swoon itself are noteworthy. Having managed client assets throughout many periods of crisis in the past, Systematic has seen areas of the economy break when financial markets tumble. Recently, some hedge funds have received margin calls amid the sudden market pullback, posing risk that the orderly market declines thus far in 2025.

**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 decision.**

Average annual total returns and expense ratios (%)

	3M	YTD	1 YR	3 YRS	5 YRS	10 YRS	Inception	Gross	Net
Class A (at NAV)	-9.17	-9.17	-1.28	-0.82	15.94	-	4.11	1.41	1.29
Class I (at NAV)	-9.18	-9.18	-1.10	-0.56	16.24	-	4.42	1.07	0.99
Class A (at POP)	-14.17	-14.17	-6.70	-2.68	14.65	-	3.38	1.41	1.29
Russell 2000® Value Index	-7.74	-7.74	-3.12	0.05	15.31	-	-	-	-

The data shown 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](https://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. Performance for other share classes will vary.

The Max Sales Charge for Class A shares is 5.50%. There are no sales charges for Class I shares. 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 minimum investment for Class I shares is \$1,000,000 per fund account, but will be waived for certain investors.

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. Contractual arrangements, if any, have been made with Transamerica Asset Management, Inc. through 3/1/2026.

Top 10 holdings (%)

Magnolia Oil & Gas Corp., Class A	2.21
Mueller Industries, Inc.	2.02
Northwestern Energy Group, Inc.	1.92
Webster Financial Corp.	1.69
OSI Systems, Inc.	1.62
EMCOR Group, Inc.	1.59
WaFd, Inc.	1.40
Jazz Pharmaceuticals PLC	1.37
LSI Industries, Inc.	1.36
UMB Financial Corp.	1.36
<b>Total</b>	<b>16.54</b>

Holdings and weights are subject to change and are not recommendations to buy or sell a security. Holdings display excludes net other assets (liabilities).

Contributors & Detractors (%)

Leading Contributors	Contribution	Weight*	Return**
OSI Systems Inc	0.22	1.50	16.07
Stride Inc	0.21	1.17	21.72
Magnolia Oil & Gas Corp Class A	0.17	1.97	8.73

Leading Detractors	Contribution	Weight	Return
EMCOR Group Inc	-0.31	1.69	-18.53
Columbus McKinnon Corp	-0.40	0.47	-54.45
Abercrombie & Fitch Co Class A	-0.55	0.85	-48.91

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\*Average portfolio weight for each security during the course of the quarter, calculated using daily holdings.

\*\*The return for each security corresponds to the portion of the quarter when the fund held the security.

Effective August 30, 2024, Transamerica Small Cap Value had a sub-adviser change and an investment strategy change is now managed by Systematic. 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® and other service marks and trademarks related to the Russell indexes are trademarks of the London Stock Exchange Group companies. 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 be more at risk than larger capitalization companies because, among other things, they may have limited product lines, operating history, market or financial resources, or because they may depend on limited management groups. 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. Shares may be sold (or "redeemed") on any day the New York Stock Exchange is open for business. Proceeds from the redemption of shares will usually be sent to the redeeming shareholder within two business days after receipt in good order of a request for redemption. However, Transamerica Funds has the right to take up to seven days to pay redemption proceeds, and may postpone payment under certain circumstances, as authorized by law.

**Mutual funds are subject to market risk, including 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 visit [transamerica.com](https://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.**

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