

Transamerica Small Cap Growth

A | ASGTX | 08/31/2012 **C** | CSGTX | 08/31/2012 **I** | ISCGX | 08/31/2012

Investment objective

The fund seeks long-term capital appreciation.

Key facts

Investment Manager

Transamerica Asset Management, Inc. (TAM)

Morningstar Category

Small Growth

Lipper Category

Small-Cap Growth Funds

Dividend Frequency

Annually

Benchmark

Russell 2000® Growth Index

SUB-ADVISER



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PORTFOLIO MANAGERS

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MACROECONOMIC OVERVIEW

The U.S. market was characterized by mixed trends across sectors as investors navigated competing narratives. Artificial intelligence (AI) driven technology remained a dominant theme with new partnerships and deal activity fueling momentum, though investor scrutiny intensified regarding Return on Investment (ROI), profitability, and debt concerns. Labor market conditions showed clear signs of softening with unemployment reaching a four-year high of 4.6% in November. The government shutdown complicated matters by delaying critical employment and inflation data. Consumer spending presented a nuanced picture with retail earnings generally supporting resilience, even as affordability concerns and bifurcation between consumer segments persisted. November's Consumer Price Index (CPI) came in below consensus at 2.7% year-over-year (core 2.6%), indicating continued disinflation. The labor market weakness and CPI data gave the Federal Reserve (Fed) cover to cut the Fed funds rate by 25 basis points (bps) in December. Sector performance varied widely, with healthcare emerging as the best performer with biotech roaring to life. The Interior Department's suspension of five offshore wind projects citing national security concerns impacted the utilities sector.

FUND OVERVIEW

For the fourth quarter, Transamerica Small Cap Growth, Class A, returned -0.02%, on a net basis and -5.51% on a gross basis, modestly underperforming the Russell 2000 Growth index return of 1.22%. Fundamental factor analysis this quarter revealed dramatic outperformance by low-quality factors. Companies with earnings returned (0.5%), trailing the 4.4% gain for non-earners. The high quality performance gap was pronounced in other areas: negative-Return on Equity (ROE) companies returned 2.7%, while the two highest ROE quintiles returned (2.9%) and (1.7%); companies with the lowest interest coverage returned 11% compared with the (1.2%) return by companies in the highest quintile. Valuation factors demonstrated strong outperformance by companies with negative values in both Earnings per share (EPS) and P/Cash Flow, while the highest Price/Sales quintile returned 4.2% compared with (3.5%) return by the lowest.

OUTLOOK

The Federal Reserve cut interest rates by 25 basis points in mid-December, bringing the target range to 3.5-3.75%. At the same time, the Fed indicated I will wait to see how the economy evolves before deciding on additional rate cuts in 2026. While it is difficult to generalize about Fed policy in the current environment, the emphasis appears to have shifted toward the employment side of its dual mandate. Recent labor market reports point to a slowdown. Meanwhile, on the inflation front, broad-based measures, such as CPI and Personal Consumption Expenditures (PCE), have modestly pulled back to the 2.75-3.0% year-to-year range, which remains better than feared given tariffs. The trajectory of monetary policy will hinge on the balance between inflation and continued labor market softness. With the administration keenly focused on affordability headed into the 2026 mid-terms, efforts to make energy and housing affordable coupled with the potential for fiscal stimulus checks to low- and middle-income consumers are additional variables that could impact economic strength and inflation rates. One area of unquestionable strength in the economy is the ongoing capital investment boom tied to AI infrastructure. Led by the hyperscalers—though not limited to them—spending on data center capacity, power generation, and related goods and services remained at extraordinary levels. While both the scale and pace of this investment raise valid questions about potential bubble dynamics and ultimate returns, competitive pressures at both the corporate and sovereign level suggest capital deployment will continue for some time. While advancements in technology are likely to eventually alter the pace or focus of spending, the long lead times and massive scale of current projects make a sharp contraction in this investment cycle less likely in the near term. The portfolio has exposure through positions across multiple sectors that are benefitting from both the AI infrastructure spend and the adoption of AI innovation. Tech innovation through AI has real potential to unlock a productivity boom that leads to faster growth and better margins. The recent trends of upwards revenue and earnings trends for the small cap universe have the potential to sustain better growth from both AI initiatives and the favorable tax provisions provided in the One Big Beautiful Act.

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 I (at NAV)	-0.02	-3.16	-3.16	7.23	0.08	8.17	8.59	1.12	1.10
Class A (at NAV)	-0.02	-3.28	-3.28	6.98	-0.22	7.88	8.29	1.49	1.40
Class A (at POP)	-5.51	-8.58	-8.58	5.01	-1.33	7.28	7.83	1.49	1.40
Russell 2000® Growth Index	1.22	13.01	13.01	15.59	3.18	9.57	-	-	-

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 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 (%)

Pegasystems, Inc.	4.60
Ligand Pharmaceuticals, Inc.	3.30
Casella Waste Systems, Inc., Class A	2.85
ADMA Biologics, Inc.	2.83
UL Solutions, Inc., Class A	2.76
AAON, Inc.	2.72
Lazard, Inc.	2.41
Texas Roadhouse, Inc.	2.41
Argan, Inc.	2.34
Excellerate Energy, Inc., Class A	2.33
Total	28.55

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**
ADMA Biologics Inc	0.56	2.59	24.42
MACOM Technology Solutions Holdings Inc	0.55	1.90	37.59
Repligen Corp	0.41	2.13	22.59
Leading Detractors	Contribution	Weight	Return
AppFolio Inc Class A	-0.41	2.28	-15.60
Stevanato Group SpA	-0.60	2.48	-21.86
AAON Inc	-0.61	3.26	-18.31

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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.

The Russell 2000® Growth 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. 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. Returns on growth stocks may not move in tandem with return on other categories of stocks or the market as a whole. Growth stocks may be particularly susceptible to larger price swings or to adverse developments. Growth 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 "value" stocks.

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 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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