

# Transamerica Sustainable Equity Income

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## Investment objective

The fund seeks total return gained from the combination of dividend yield, growth of dividends and capital appreciation.

## Key Facts

### Investment Manager

Transamerica Asset Management, Inc. (TAM)

### Morningstar Category

Large Value

### Lipper Category

Equity Income Funds

### Dividend Frequency

Quarterly

### Benchmark

Russell 1000<sup>®</sup> Value Index

## SUB-ADVISER



Aegon Asset Management UK plc (AAM)

## PORTFOLIO MANAGERS

Mark Peden, CFA

Robin Black

## MACROECONOMIC OVERVIEW

There were numerous dynamics to equity markets in Q1 but these were ultimately dominated by the onset of conflict in the Middle East. This saw investors enter risk off mode, with global stocks shedding gains from the opening months of 2026 and US markets underperforming international counterparts. As the year kicked off, the main theme of domestic equities was a rotation in leadership. Tech stocks were weaker on concerns over the return on investment of huge levels of Artificial Intelligence ('AI') spending and the potential for AI to disrupt the business models of software firms. In contrast, the value style saw good momentum. The onset of the conflict saw more shifts in leadership, as the prospect of inflation reigniting and a slowdown in economic growth brought fears of stagflation and interest rate rises. Over the quarter, value stocks significantly outperformed, with the Russell 1000 Value up 2.1%, compared to the -9.8% fall in the Russell 1000 Growth. Energy was the obvious sector winner, up over a third, followed by basic materials and telcos. The biggest underperformers were financials, consumer discretionary and health care.

## FUND OVERVIEW

Transamerica Sustainable Equity was broadly flat in absolute terms. Sector allocation was the main headwind, although stock selection was also a slight drag. The allocation effect was entirely attributable to the huge move in energy, which the fund has little exposure to due to its Responsible Investment criteria. This offset what was otherwise a decent showing from allocation, thanks to overweights to technology and materials and an underweight to communication services. At the stock level, a number of the main detractors were names that the market is treating as 'AI losers'. Examples include Microsoft, As of 3/31/2026, (2.15%), ADP and Moody's. The latter two were sold during the quarter but the position in Microsoft was retained, as the valuation has become disconnected from the still strong fundamentals. Elsewhere, Broadcom, (2.26%) and MetLife (2.27%) also fell despite both posting solid results. The former was trimmed in Q4 and early Q1 to manage risk and the latter was fully sold in Q1. On the positive side, Gilead Sciences, (4.25%), (was the top contributor, posting another solid commercial quarter; TSMC (3.19%), and KLA Corp, (1.71%), benefitted from continued strength in the semiconductor supply chain; and exchanges operator CME Group, (3.96%), saw volumes accelerate as market volatility picked up. In an active quarter for trading, two new names were added to the portfolio and six were completely sold. The overall aims were to increase exposure to short cycle industrials and stocks with positive momentum and reduce exposure to insurance and anti-momentum.

## OUTLOOK

The rapidly escalating Middle East conflict makes it challenging to provide any meaningful outlook, as the direction of markets depends on the decisions of a few global leaders. Clearly, a prolonged conflict is likely to have serious consequences. Oil at over \$100 a barrel will have inevitable knock on inflationary effects and the market has gone from expecting further interest rate cuts this year to pricing in hikes - a huge and meaningful change. There are parallels with 2022, when the Federal Reserve aggressively hiked rates from their historic lows and a repeat would be unfavorable for markets. However, the Fund's focus on higher quality companies with strong cash flows and relatively low levels of net debt should ensure that its holdings are relatively resilient in a pronounced downturn. That said, President Trump has, in the past, been willing to change direction quickly. If a ceasefire can be agreed, markets are likely to react positively and re-focus on robust company fundamentals and healthy projected earnings growth. With somewhat binary potential outcomes, it is important to stay nimble and be able to adapt to whatever path markets take.

**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)	-0.15	-0.15	10.28	11.32	6.72	7.02	7.95	0.87	0.78
Class A (at NAV)	-0.20	-0.20	9.95	11.04	6.31	6.73	7.68	1.07	1.07
Class A (at POP)	-5.74	-5.74	3.95	8.97	5.11	6.13	7.22	1.07	1.07
Russell 1000® Value Index	2.10	2.10	15.87	14.31	9.43	10.58	-	-	-

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://www.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 3/1/2027.

## Contributors & Detractors (%)

Leading Contributors	Contribution	Weight*	Return**
Gilead Sciences Inc	0.52	4.04	14.19
Taiwan Semiconductor Manufacturing Co Ltd ADR	0.50	3.52	11.51
Linde PLC	0.40	2.61	16.66
Leading Detractors	Contribution	Weight	Return
Alphabet Inc Class A	-0.36	4.00	-8.06
Bank of America Corp	-0.42	3.41	-10.85
Microsoft Corp	-0.71	2.53	-23.28

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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.

## Top 10 holdings (%)

Gilead Sciences, Inc.	4.25
CME Group, Inc.	3.96
Alphabet, Inc., Class A	3.95
Morgan Stanley	3.85
Cisco Systems, Inc.	3.64
Bank of America Corp.	3.49
Taiwan Semiconductor Manufacturing Co. Ltd.	3.19
Steel Dynamics, Inc.	3.10
Citizens Financial Group, Inc.	3.09
Colgate-Palmolive Co.	3.07
<b>Total</b>	<b>35.59</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).

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® and other service marks and trademarks related to the Russell indexes are trademarks of the London Stock Exchange Group companies.

Focused funds are less diversified than other mutual funds; therefore, the performance of each holding in a focused fund has a greater impact upon the overall portfolio, which increases the risks associated with investing in the Fund. Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock considered undervalued is actually appropriately priced. Dividend income may vary depending on market performance and is not guaranteed. A company's future ability to pay dividends may be limited.

Applying the sub-adviser's ESG criteria to its investment analysis for the fund may impact the sub-adviser's investment decisions as to securities of certain issuers and therefore the fund may forgo some investment opportunities available to funds that do not use ESG criteria. Securities of companies with what are defined by the sub-adviser as having favorable ESG characteristics may shift into and out of favor depending on market and economic conditions, and the fund's performance may at times be better or worse than the performance of similar funds that do not use ESG criteria or that apply different ESG criteria. ESG is not a uniformly defined characteristic and applying ESG criteria involves a subjective assessment. ESG ratings and assessments of issuers can vary across third-party data providers.

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://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.**

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