

Focused on the Best Ideas

Joshua Shaskan, one of three Portfolio Managers of the Transamerica Premier Focus Fund, believes that a concentrated fund may be less risky than a diversified one because of the attention and the thorough research each stock in the portfolio receives. With a long-term focus on high-quality growth, the fund invests in 25 to 40 companies that it expects to be future winners. A team approach and a focus on catalysts are among the key aspects of the fund's management.

Q: How would you describe the investment philosophy of Transamerica Premier Focus Fund?

A: Transamerica Premier Focus Fund is a fairly concentrated portfolio that invests in companies we believe will be the winners in different areas. Our philosophy is based on looking for high-quality growth with a long-term view.

We view our investments as businesses and we spend a lot of time analyzing the management team, the business model, and the competitive dynamics of the industry. This analysis aims to create a view on the developments over the next years and to help us discern the winners in a particular area.

A major differentiator of our investment style is that we invest only in companies for which we have a very tangible catalyst or a point of change. That catalyst may be related to the company, the industry, or the management. Whatever the catalyst, it should make the company a great investment, not just a great company.

The fund is an all-cap product that is often misclassified as a mid-cap fund. It is collectively managed by three managers - the manager of our mid-cap fund, the manager of our convertible product and our tech fund, and I also manage our small-to-mid cap product. All three of us are also on the large-cap team, so the team culture is an important aspect of Transamerica. Our meetings always involve multiple investment portfolio managers and analysts.

Q: What kind of catalysts are you looking for?

A: There are many different types of catalysts. The catalyst could be a secular change, for example, or a technology-specific catalyst, such as the understanding that the Internet is a disruptive force, which will provoke change at many industries and businesses. In that case we need to know who will be the winners of those changes. It could be the effects of the globalization and understanding what it means for the different companies around the world. It could be a new chief executive with a very different management philosophy, who is going to take the company in another direction.

So the catalyst may be at the economy level, the industry level, or at the company level, but the important thing is the level of conviction in the change. We have to be sure that there is real change in the economy, not just a cyclical change, to consider that as a catalyst.

Q: Could you highlight the important steps in your research process? How do you generate ideas and then turn them into holdings?

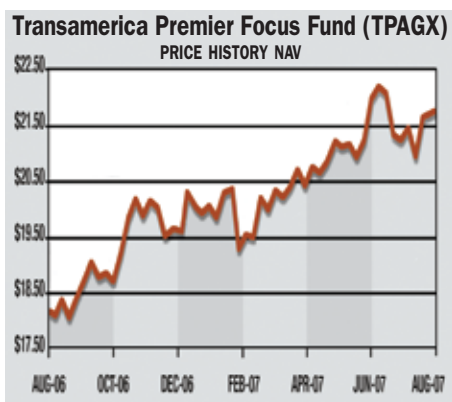
A: Essentially, the idea generation is done through our industry contacts and through reviewing the investment climate on a day-to-day basis. Each of the members of the investment team is both an analyst and a portfolio manager, so we are both generalists and specialists with a particular expertise.



JOSHUA D. SHASKAN CFA, is Principal and Portfolio Manager at TIM. Shaskan is the Portfolio Manager of the Transamerica Premier Focus Fund. He also manages sub-advised funds and institutional separate accounts in the Small and Small/Mid Cap Growth Equity disciplines.

Shaskan joined TIM in 2005 when the firm acquired Westcap Investors, LLC. Prior to Westcap, he served as an Investment Specialist for three years at Wells Fargo Securities and was previously a Financial Advisor at Prudential Securities.

Shaskan earned a B.A. from the University of California, Davis and an M.B.A. from the University of California, Los Angeles.



That means that we can work on any company of interest, and since we are working on subjects in a lot of different areas, everyone has built a particular expertise in one or multiple areas. If someone else is looking at something in your space, you are most likely going to be part of that team.

Once an idea is generated, multiple members in the investment team work on that idea together. In most cases, the research involves on-site visit to the company and the investment team would probably see the management 2 to 4 times before we buy our first stock. Overall, we evaluate the company, its environment, its competitors and suppliers, or we do the due diligence that a fundamental investor would do.

But I would say that we are more in-depth than the average investor and we have multiple team members working on the same idea to build the necessary level of conviction. That's very important because we run a concentrated portfolio with only 25 to 40 names in it, and we spend a lot of time on each name. So we approach our investments as if we were buying 100% of the

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company, and then we make sure that we invest in it as much as possible.

Q: The level of research required for a small-cap company may differ substantially from the research for a large-cap company. Do you have a differentiated strategy for the various market capitalization ranges?

A: We apply the same process because, at the end of the day, the evaluation of a company requires a similar method. The difference comes in the volatility we expect for a company depending on its size. Obviously, in the conclusions for a small-cap company, there is a bit more inherent volatility allowed.

In general, the process consists of doing the research, writing a research report, and presenting it to the entire team. The investment team debates the idea and, more often than not, sends it back to the members who did the research for more answers. It is an ongoing process until a decision is made to start buying the stock.

Q: Could you provide some specific examples of stock picks that illustrate your investment process?

A: One of our largest positions is Strayer Education (5.91% as of 7/31/07), which is a small-cap company that manages private schools. The catalyst for this stock was a secular one – the drastic undersupply of skilled labor around the world. That's a long-term secular change and we don't see it changing soon as the creation of jobs that require college education has accelerated.

Strayer Education is certainly playing a role in that environment. It is focused on the education of adults who come back to school to improve their skill sets. The company has 47 campuses and we expect substantial growth over the next ten years as they are opening about six to eight campuses a year.

The company has a lot of growth potential, and the biggest risk for a company that could grow from 50 to 500 campuses is managing that growth. That's why the management team of Strayer Education accounts for 75% of the investment thesis.

We spend a lot of time with the management to make sure that they do not let the business model get out of hand. They have been very consistent in the execution and have already built a reputation of returning the excess cash flow to investors and providing return on capital and a high-quality management.

Q: Could you give us another example of a larger-cap investment?

A: Apple (11.33% as of 7/31/07) is another large holding in the fund. Considering Apple's market share in the computing market, there is room for growth, particularly having in mind that this market is several times the size of the iPod market. Certainly, the iPod and the iPhone helped to create the Apple brand and are pushing it forward over the last few years. That has translated into greater market share for Apple's computing business.

Q: What was the original thesis for investing in Apple?

A: The original investment thesis was that the iPod was a revolutionary product, which would reinvigorate the Apple brand and culture, boosting other products of the company as well. We have been big believers in their laptop business, the iPod, and we think that the iPhone is one of the most revolutionary products. Apple Computers already is a brand company, maybe even a fashion company to some extent. It is a technology company and Steve Jobs is a leader in those areas.

Q: What are the fundamental factors that you deem most important in your analysis?

A: One of the characteristics that I want to see in the companies is high return on capital, or the understanding of how the business model is going to generate high return on invested capital. The management has to understand that its job is to allocate, invest, and achieve a return on the capital.

The second characteristic is the prospect of generating substantial free cash flow, so the value for an investor who owns the entire company would be, theoretically, the discounted value of that free cash flow. I would also like to see a management team that not only understands that its job

is to maximize the value of that stream of cash flow, but also to be aware of returning it to investors. It is fine if the management team has plenty of investment opportunities to invest the cash back into the business, but if there is excess cash flow, we'd like to see the management either buying back stock or paying out dividends.

Q: When constructing the focused portfolio, do you consider or ignore the sector and industry exposure?

A: We tend to be conscious of diversification but we are not the type of managers who put limits on themselves based on the S&P 500 weightings. We prefer to be right about the winners, and if we don't find any good investments in utilities, then we wouldn't own any utilities. Certainly, we wouldn't feel extremely comfortable investing 100% of the portfolio in Apple if that was the only good investment that we found. I believe that we have investment themes that touch almost every industry.

Q: What is your buy and sell discipline when building the positions in the portfolio?

A: We have some limits regarding the purchase of stocks, although they are quite large. We cannot buy anything higher than 10% of the portfolio at purchase. But we don't have many small positions. By the time we have decided to buy something, we've done a lot of work on the name and we have built the conviction necessary to start with a position of between 2% and 5%.

My favorite reason for selling a stock is finding something better to buy. As a portfolio manager, I always prefer my buys to drive my sell decisions, not vice versa. Another reason to sell a stock would be if it reaches valuation that is far beyond our long-term view.


Also, we would sell a stock if there is a change in the investment thesis that we didn't anticipate. As long-term investors, we are willing to hold through periods of weaker quarterly performance. We have some flexibility built into our outlook when we start owning a company, just like any owners of any business would. But if the heart of the investment thesis has changed, then we would step aside.

Q: What kind of risks do you perceive? How do you measure and then control them?

A: I believe that our sector diversification and the strategy of using multiple managers help to mitigate the risk. Actually, I believe that a concentrated portfolio has better risk controls than a diversified portfolio, because every position is really well-thought and researched. The managers who run diversified portfolios would let a bit more risk because they think that a small position wouldn't hurt the entire portfolio that much.

Another risk control is embedded in our long-term investment approach of being real owners of the business as opposed to investors who only buy and sell stocks. That approach leads to a focus on understanding the business model, the cash flows, the industry, and management. Finally, I believe that the emphasis on cash flow and returns on capital is also a significant risk control.

Q: What type of investors should consider a concentrated all-cap fund, in your opinion?

A: If you really believe in an investment team, then you would want to give it the opportunity to invest in its best ideas. You wouldn't want to put them in a box and limit the type of companies they can buy. I believe that this portfolio should be viewed as a total return fund, suitable for a core plus holding, or for the assets that you would allocate when you really want to beat the market. 

Mutual funds are subject to market risk, including the loss of principal. Investments in non-diversified funds may be subject to specific risks such as susceptibility to single economic, political, or regulatory events, and may be subject to greater loss than investments in diversified portfolios.

Before investing, consider the funds investment objectives, risks, charges and expenses. Contact Transamerica for a prospectus containing this information. Read it carefully. Transamerica Premier Funds are distributed by Transamerica Capital, Inc.

Transamerica Premier Focus Fund

Symbol	TPAGX
Website	www.transamericafunds.com
Address	Transamerica Investment Mng LLC. 11111 Santa Monica Boulevard Suite 820 LA, CA 90025
Tel. No.	310-996-3200
Inception	07/01/1997

PORTFOLIO	
Total Net Assets*	\$85.4
Avg Mkt Cap (\$ Weighted)*	\$35,973
Average Price/Earnings Ratio	36.35x
Average Price/Book Ratio	4.49x
Turnover Ratio	46%

INVESTMENT INFORMATION	
New Investment	Open
Min Initial Investment	\$1,000
Min Subsequent Investment	\$50
Min Initial IRA Investment	\$250

RISK (AGAINST S&P 500 DAILY REINV IX - 3 YEARS)	
Alpha	0.25
Beta	0.99
R-Squared	0.48
Ann. Std Deviation	10.37
Sharpe Ratio	1.07

RETURNS VS. S&P 500 INDEX		
	TPAGX	Index
1 Year (Cum.)	19.90%	15.13%
3 Year (Ann.)	15.52%	12.16%
5 Year (Ann.)	17.92%	12.00%

RETURNS VS. RUSSELL MID CP GRO TR INDEX		
	TPAGX	Index
1 Year (Cum.)	19.90%	19.31%
3 Year (Ann.)	15.52%	16.94%
5 Year (Ann.)	17.92%	17.51%

FEES AND EXPENSES	
Max Sales Charge - Front	0.00%
Max Sales Charge - Deferred	0.00%
Max Redemption Fee**	2.00%
Total Expense Ratio	1.20%

PORTFOLIO MANAGER	
Kirk Kim	2005
Ed Han	2005
Joshua D. Shaskan	2005

*millions **3 months after purchase

Data through: 08/31/2007

Source: Company Documents; Lipper

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