Portfolio Strategy

Carillon Eagle Growth & Income Fund Q1 2022 Commentary

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Summary

- The Carillon Family of Funds spans a range of investment objectives and asset classes designed for long-term investors.
- Along with the spike in oil prices, energy stocks performed best during the quarter, followed by more defensive and countercyclical sectors like utilities and consumer staples.
- As we look toward the rest of 2022, we continue to see a somewhat balanced outlook for equity markets returns.

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Market Overview

U.S. equities, as defined by the S&P 500 Index, came under pressure early in the year and finished the quarter down 4.6%: the first negative quarter in two years. Monetary tightening by the U.S. Federal Reserve (FED) in response to rising inflation and the war in Ukraine put downward pressure on stock prices even though the economy and corporate earnings remained healthy. Along with the spike in oil prices, energy stocks performed best during the quarter, followed by more defensive and countercyclical sectors like utilities and consumer staples. More cyclical sectors, including technology and consumer discretionary, were among the weakest, likely due to rising interest rates and inflation. It was encouraging to see the quarter finish on a strong note with the S&P 500 only about 5% away from its all-time highs.

Portfolio Review

Best Securities	Average Weight (%)	Contribution to Return (%)
Chevron	4.31	1.51
AbbVie	2.74	0.54

Raytheon	3.13	0.44
AstraZeneca	2.24	0.38
Union Pacific	2.35	0.22
Worst Securities		
Home Depot	2.93	-0.94
BlackRock	2.55	-0.46
Cisco Systems	3.45	-0.43
TE Connectivity	1.88	-0.40
JPMorgan Chase	2.89	-0.40

As of March 31, 2022. The information provided above should not be construed as a recommendation to buy, sell, or hold any particular security. The data are shown for informational purposes only and are not indicative of future portfolio characteristics or returns. Portfolio holdings are not stagnant and may change over time without prior notice. Past performance does not guarantee future results. Please note that the holdings identified do not represent all of the securities purchased, sold, or recommended for the fund. They are provided for informational purposes only. Carillon Tower Advisers, Eagle Asset Management, their affiliates or their respective employees may have a position in the securities listed. Please contact Carillon at 800.421.4184 to obtain the calculation's methodology and/or a list showing every holding's contribution to the overall fund's performance during the measurement period.

Chevron (CVX) traded higher with global energy prices. The war in Ukraine prompted fears over a shortage in supply, resulting in higher commodity prices.

The pharmaceutical industry outperformed the market in the first quarter, led by its defensive characteristics and relative insulation from inflation. AbbVie (ABBV) was one of two pharmaceutical holdings in our top five securities that performed strongly and met or exceeded street expectations for fourth-quarter earnings and initial 2022 guidance.

Raytheon (RTX) outperformed along with other defense contractors on rising geopolitical concerns. Military sales account for more than half of revenue. Key franchise programs include the Patriot Missile and F-35 engine, which have provided visible support through most of the decade.

Like AbbVie, AstraZeneca (AZN) performed strongly and reported encouraging fourth-quarter earnings and initial 2022 guidance. AstraZeneca also announced positive clinical data for two drugs within its oncology business that should serve as important long-term growth drivers.

Union Pacific (UNP) benefited from rising oil prices, which typically bring more demand for rail shipping as opposed to moving freight by truck. Rail transportation can be much more fuel-efficient than over-the-road trucking.

Home Depot (HD) continued to post strong same- store comparable sales, but due to the uncertain environment declined to give forward guidance. The company benefitted from stay-at-home orders early in the pandemic, and many investors now fear a slowdown in growth as the economy continues to re-open.

BlackRock (BLK) shares underperformed due to a decline in equity market performance. As a reminder, market weakness typically drives assets under management lower, which in turn leads to lower revenues.

Cisco Systems (CSCO) traded lower as investors weighed how supply chain concerns would impact sales growth. The company has been upgrading its switching and routing offerings, which should lead to strong demand as on-site locations upgrade infrastructure.

TE Connectivity (TEL) shares weakened on the back of global auto production issues due to the war in Ukraine. Further, fears are rising that a recession in Europe could hinder demand for autos and undermine the company's largest end-market.

Shares of JPMorgan Chase (JPM) detracted from performance due to the company's increased expense guidance, announced in January.

Outlook

As we look toward the rest of 2022, we continue to see a somewhat balanced outlook for equity markets returns. The U.S. economy still appears healthy with good growth prospects at least for the balance of this year. Employment remains strong, with both unemployment claims and unemployment rate near all-time low levels. Corporate earnings growth has remained steady and robust so far this year. However, there are also a number of headwinds that could stick around for a while and are difficult to forecast.

Inflation is perhaps the biggest concern for investors. Inflation has surged to its highest level in four decades, driving food prices, rent, and other everyday items higher. Gasoline prices recently spiked, and many consumers are starting to cut spending where they can. This is reflected in recent consumer confidence surveys, which are now at decade lows. Investors also are concerned that the Fed may cause an economic slowdown or a recession by raising rates too much as it tries to bring inflation under control.

Also somewhat worrisome for investors is the recent slowing in manufacturing activity. The Institute for Supply Management's Manufacturing Purchasing Managers' Index, a closely followed index of U.S.-based manufacturing activity, slipped to its lowest level in 18 months in March. This latest reading still reflects healthy activity levels and an expansionary economic backdrop, but further weakness in this indicator could signal slowing corporate earnings growth, which again could put downward pressure on equity valuation multiples.

On balance, we believe the U.S. economy has good forward momentum, and we feel very confident about the way we have positioned our strategy for the current economic backdrop. We believe our strategy of investing in high-quality, financially strong companies that pay above- market dividends and have cash resources to increase dividends regularly is positioned to perform well, even if interest rates continue to trend higher and economic growth potentially slows.

Original Post

Editor's Note: The summary bullets for this article were chosen by Seeking Alpha editors.

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International investing presents specific risks, such as currency fluctuations, differences in financial accounting standards as well as potential political and economic instability.

Because the fund normally will hold a focused portfolio of stocks of fewer companies than many other diversified funds, the increase or decrease of the value of a single stock may have a greater impact on the fund's net asset value and total return.

As with all equity investing, there is the risk that an unexpected change in the market or within the company itself may have an adverse effect on its stock. The biggest risk of equity investing is that returns can fluctuate, and investors can lose money.

There are risks associated with dividend investing, including that dividend-issuing companies may choose not to pay a dividend, may not have the ability to pay, or the dividend may be less than what is anticipated. Dividend- issuing companies are subject to interest rate risk and high dividends can sometimes signal that a company is in distress.

Growth companies are expected to increase their earnings at a certain rate. When these expectations are not met, investors may punish the stocks excessively, even if earnings showed an absolute increase. Growth company stocks also typically lack the dividend yield that can cushion stock prices in market downturns. The companies engaged in the technology industry are subject to fierce competition and their products and services may be subject to rapid obsolescence. The values of these companies tend to fluctuate sharply.

Investments in mid-cap and small-cap companies generally involve greater risks than investing in larger capitalization companies. Mid-cap companies often have narrower commercial markets, more limited managerial and financial resources, and more volatile trading than larger, more established companies.

Real Estate Investment Trusts (REITS) may be affected by economic conditions including credit risk, interest rate risk and other factors that affect property values, rents or occupancies of real estate.

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Benchmark Index

The S&P 500® Index is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses, or sales charges.
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