CARILLON CLARIVEST CAPITAL APPRECIATION FUND

CARILLON FAMILY OF FUNDS

INSIGHT | COMMENTARY

SECOND QUARTER | 2022

Investment Team

David Pavan, CFA
Portfolio Co-Manager

Ed Wagner, CFA
Portfolio Co-Manager

Frank Feng, Ph.D.
Portfolio Co-Manager

Todd Wolter, CFA
Portfolio Co-Manager

Characteristics

Total Net Assets (millions): $409.8

Number of Holdings: 81

Top 10 Holdings

Microsoft

Apple

Amazon

Tesla

NVIDIA

Alphabet Class A

Synopsys

AbbVie

UnitedHealth Group

Alphabet Class C

Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Call 800.421.4184 or your financial professional for a prospectus, which contains this and other important information about the funds. Read the prospectus carefully before you invest or send money.

Market Overview

It's been a very challenging first half of the year, with global equity markets suffering large declines. Investors have faced a laundry list of concerns, including COVID-19 variants, the Russia/Ukraine war, surging inflation, and central-bank tightening. Continuing the trend over the last 18 months, value once again outperformed growth and large outperformed small.

On the bright side, at least the issues now seem better understood by markets. At the beginning of the year, it was unclear whether inflation would surge and how aggressively central banks would respond. In addition, there was little expectation that Russia would launch a full-scale invasion of Ukraine. The war is an ongoing tragedy, inflation has spiked, and markets are pricing in continued tightening from most central banks.

Inflation has surged as demand for goods and services rebounded when lockdowns eased, but logistical bottlenecks and the slow return of workers created supply pressures. In addition, rising energy costs due to the Russia/Ukraine war and further disruptions from China's zero-tolerance COVID-19 lockdowns have pushed prices higher.

Household finances remain in decent shape as debt relative to gross domestic product (GDP) in the United States is the lowest in 20 years. Households are still sitting on more than $2 trillion of excess savings accumulated during the pandemic.[1] To date, actions have spoken louder than words for the U.S. consumer, as spending has held up quite well despite plunging confidence. However, with inflation at its highest point in decades and wage gains trailing, Americans are turning to savings to cover higher costs. The personal saving rate (money left over after spending and taxes), reached 5.4% in May, which is far below the average of the last decade.[2]

On the valuation front, we've experienced a sharp "de-rating" of the U.S. large-cap equity market with the trailing price-to-earnings (P/E) ratio of the Russell 1000® Index falling from 24x at the end of 2021 to 17x at the end of the second quarter. Going forward, if earnings can hold up relatively well with respect to expectations, there is hope for a bounce, especially given very negative investor sentiment and defensive positioning. As always, however, there is room for multiples to move lower if earnings disappoint.

The Fund does not invest in securities traded in markets outside the United States, but, given the interconnectedness of global markets, we monitor macroeconomic developments abroad for potential impacts to the U.S. large-cap companies that are our focus. Headline inflation in the Eurozone reached 8.1% in May, roughly in line with U.S. and U.K numbers. However, core inflation (which excludes food and energy prices) in the European Union is more subdued at 3.8% compared to approximately 6% in the United States and United Kingdom.[3] This should allow the European Central Bank (ECB) to move slower than the U.S. Federal Reserve (Fed) or Bank of England (BoE). Europe's larger weights in financials and cyclicals (industrials, materials, and energy) could also be an advantage if economic activity picks up and geopolitical risks subside.

The Japanese economy continues to face the challenge of higher energy and food prices, which have been compounded by a very significant depreciation in the yen. This decline in the yen should benefit export-oriented companies going forward, and large policy plans have been launched with a focus on raising wages and financing innovation in the economy. The Bank of Japan (BoJ) continues to stand out from other central banks (except for the People's Bank of China) in maintaining very accommodative policy. It is possible the BoJ will continue to hesitate to raise interest rates, given that core inflation is still only around 1%.

The Canadian economy benefits from high commodity prices, with GDP growth expected between 3.5% and 4.0% in 2022.[4] This has encouraged the Bank of Canada (BoC) to respond with aggressive rate hikes to bring down high inflation. The BoC raised its policy rate from 0.25% to 1.5% and has indicated that future rate hikes may need to be "quicker" and "larger." The BoC's hawkish tone has surprised some given early signs that housing market fundamentals are weakening.

Portfolio Review

At the start of the quarter, the Carillon ClariVest Capital Appreciation Fund (the "Fund"), as compared to the Russell 1000® Growth Index, was most overweight the information technology and healthcare sectors and most underweight communication services and real estate. At the end of the quarter, the portfolio remained most overweight information technology and healthcare and was most underweight consumer discretionary and industrials. Within the universe

[1] *Source: Reuters*

[2] *Source: U.S. Bureau of Economic Analysis*

[3] *Source: Reuters*

[4] *Source: Bloomberg*

Portfolio Review

Best Securities	Average Weight (%)	Contribution to Return (%)
Bristol-Myers Squibb	1.41	0.07
McKesson	1.22	0.07
AutoZone	1.06	0.05
Pfizer	1.07	0.04
UnitedHealth Group	1.94	0.04
Worst Securities		
Apple	10.32	-2.21
NVIDIA	3.55	-1.87
Amazon	4.46	-1.72
Tesla	3.37	-1.45
Microsoft	9.92	-1.40

As of June 30, 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, ClariVest 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.

of the Russell 1000 Growth Index, all sectors were negative with consumer discretionary and communication services lagging the most.

Stock selection contributed the most and sector allocation also was positive. An overweight to healthcare and an underweight to communication services helped performance, while underweights to real estate and consumer staples detracted. Stock selection was strong within healthcare and consumer discretionary but was weak within consumer staples and industrials.

Bristol-Myers Squibb, the biopharmaceutical company, performed well on the back of strong demand for Eliquis, the company's leading oral anticoagulant drug, and label expansion for Opdivo, a cancer drug.

McKesson, a pharmaceutical, medical-surgical supply, and health and beauty care product company, reported that revenues exceeded estimates and raised guidance. Additionally, U.S. drug distributors escaped federal antitrust litigation over an alleged industry-wide price-fixing scheme by top manufacturers of generic drugs.

AutoZone is a specialty retailer of automotive replacement parts and accessories. The company reported strong results with demand accelerating to end the quarter, and the industry continues to be well-positioned in a higher-inflation environment.

Pfizer is a research-based global biopharmaceutical company. The United States agreed to pay Pfizer and its vaccine partner more than $3 billion in a deal for their messenger RNA shots against COVID-19. Additionally, the U.S. Food and Drug Administration authorized the company's COVID vaccine for children aged 5 to 11.

UnitedHealth Group provides healthcare insurance to individuals and employers and through Medicare. The company reported revenues that exceeded estimates and management continues to expect double-digit growth in revenue and adjusted earnings per share in 2022.

Apple reported record-setting earnings results but warned of significant costs due to supply constraints, COVID shutdowns in China, silicon shortages, and the sales ban in Russia.

NVIDIA designs, develops, and markets 3D graphics processors and related software. The company reduced guidance on supply chain woes due to China's COVID-19 lockdowns.

Amazon reported revenue that was in line with estimates but operating income that missed estimates, and the company's outlook raised concerns about waning demand.

Tesla, the electric vehicle and clean energy company, is set to recall more than 100,000 cars in China over a potential safety risk and is reportedly delaying a plan to restore production at its Shanghai plant. CEO Elon Musk was reported to have said that the company would cut 10% of salaried staff and freeze hiring due to a bad feeling he has about the economy.

Microsoft shares fell despite the company's reporting revenue and earnings that exceeded estimates and that was helped by growth in its Azure cloud-computing business. The company also is slashing Russian operations.

Outlook

The Fed believes it can engineer a "soft landing" for the U.S. economy, but history suggests it will not be easy to achieve. Some have handicapped the odds of U.S. recession above 35%,[5] and that could increase further as the Fed's moves are realized in the months ahead. The good news is that the large year-to-date selloff in U.S. equities has likely embedded many of these risks into current prices.

Headline inflation could rise further if sanctions on Russian oil exports cause additional increases in energy prices. But core inflation, which excludes food and energy costs, may have already peaked. Durable goods such as automobiles, appliances, and computers have been the biggest driver of rising core inflation as prices for these goods shot up during the pandemic and could decline as supply chains normalize and demand rotates from goods back toward services.

One issue for the Fed, however, is that inflation tends to be sticky in the services and housing sectors. Core inflation could decline, but potentially not by enough to prevent the Fed from continuing to tighten aggressively. Marginal labor-market cooling does seem likely as higher wages should encourage some people back to work. Whether the Fed can succeed in this balancing act will be one of the focal points for the remainder of the year.

ClariVest's investment philosophy is built around the idea that due to behavioral biases, investors tend to anchor to the long-term trend and incorrectly dismiss short-term changes. This is reflected in our signature portfolio characteristics of long-term earnings growth that is typically in line with the benchmark and recent earnings growth that is higher than the benchmark. That distinct pattern, combined with discounted fundamentals, is what we refer to as "underappreciated growth." Over the short to medium term many investors have anchored to the long-term growth trends while discounting value's recent strength, and more importantly the reasons behind it. This gives us considerable confidence in our positioning for the remainder of 2022 and beyond.

[5]*Source: Bloomberg*

Risk Considerations: 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.

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.

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.

Quantitative risk involves the dependence on proprietary quantitative tools for security selection which may not be predictive of a security's value.

Securities in the Carillon Clarivest Capital Appreciation Fund are typically selected from investment universes consisting of U.S. Large Cap and U.S. Mid Cap companies, but may invest in the stocks of U.S. companies of any size without regard to market capitalization. The fund does not invest in securities traded in markets outside of the U.S.

Past performance is not indicative of future results and investing involves risk, including the risk of loss. All information as of June 30, 2022. Opinions expressed are the current opinions as of the date appearing in this material only. This material should not be construed as research or investment advice. No part of this material may, without Carillon Tower Advisers' prior written consent, be copied, photocopied, or duplicated in any form, by any means.

The information provided should not be construed as a recommendation to buy, sell, or hold any particular security. The data is shown for informational purposes only and is not indicative of future portfolio characteristics or returns. Portfolio holdings are not stagnant and may change over time without prior notice.

Growth investing is a stock-buying strategy that focuses on companies expected to grow at an above-average rate compared to their industry or the market.

Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value.

De-rating is a term used to describe what happens as investors become less willing to pay for a company's shares of stock and its future earnings, often because a metric such as the price-to-earnings ratio (P/E) has gone down or contracted, suggesting that the company faces the prospect of lower earnings in the future.

Price-to-earnings (P/E) ratios measure a company's current share price relative to its earnings per share. The ratio is used to help assess a company's value and is sometimes referred to as the price multiple or earnings multiple.

Defensive stocks provide consistent dividends and stable earnings regardless whether the overall stock market is rising or falling. Companies with shares considered to be defensive tend to have a constant demand for their products or services and thus their operations are more stable during different phases of the business cycle.

A multiple, sometimes referred as the price multiple or earnings multiple, is a measure of a company's value based on the ratio of its current share price to its earnings per share. This ratio is known as the price-to-earnings ratio, or P/E.

Measures of headline inflation include food and energy prices, while core inflation measures exclude food and energy price. Core inflation is widely used by economists because food and energy typically have very volatile prices.

Cyclical stocks have prices influenced by macroeconomic changes in the economy and are known for following the economy as it cycles through expansion, peak, recession, and recovery.

A policy rate is an interest rate set by a central bank or other monetary authority to influence the evolution of an economy's monetary variables such as consumer prices, exchange rates, or credit expansion.

Hawkish, dovish, and centrist are terms used to describe the monetary policy preferences of central bankers and others. Hawks prioritize controlling inflation and may favor raising interest rates to reduce it or keep it in check. Doves tend to support maintaining lower interest rates, often in support of stimulating job growth and the economy more generally. Centrists tend to occupy the middle of the continuum between tight (hawkish) and loose (dovish) monetary policy.

Indices

The Russell 1000® Growth Index, the Fund's benchmark, measures a growth-oriented subset of the Russell 1000 Index, which tracks approximately 1,000 of the large-sized capitalization companies in the United States equities market.

The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 93% of the total market capitalization of the Russell 3000® Index.

Indices are unmanaged, and one cannot invest directly in an index.

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