CARILLON CLARIVEST CAPITAL APPRECIATION FUND

CARILLON FAMILY OF FUNDS

INSIGHT | COMMENTARY

FIRST QUARTER | 2024

Investment Team

Frank Feng, Ph.D.
Portfolio Co-Manager

Ed Wagner, CFA
Portfolio Co-Manager

Todd Wolter, CFA
Portfolio Co-Manager

Amanda Freeman, CFA
Portfolio Co-Manager

Characteristics

Total Net Assets (millions): $448.48

Number of Holdings: 77

Top 10 Holdings

Microsoft

Apple

NVIDIA

Amazon.com

Meta Platforms

Alphabet Class A

Eli Lilly

Alphabet Class C

Visa

Salesforce

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

Global equity markets started 2024 on a high note, with several markets, including in the United States, up double digits. One key to this year's gains has been confidence from investors that the economy is set for a "soft landing," in which inflation moderates and we avoid a severe downturn.

A dovish U.S. Federal Reserve (Fed) meeting in March was encouraging as the U.S. central bank kept its view of three interest rate cuts this year while upgrading its economic outlook. Fed Chair Jerome Powell reiterated that recent high inflation numbers had not changed the underlying "story" of slowly easing price pressures. The Fed also released new economic projections that the economy will grow 2.1% this year, a positive shift from the 1.4% estimate from December 2023. At the same time, forecasts for the unemployment rate remain steady at around 4%. Projections showed the core Personal Consumption Expenditures (PCE) Price Index, excluding food and energy, still rising at a 2.6% rate, above the 2% target, but certainly better than the post-pandemic inflation reading that spiked to a 40-year high.

In the United States, using the S&P 500 Index as a proxy, 10 of the 11 sectors were positive during the quarter (only real estate was down slightly). Outside the United States, as measured by the MSCI EAFE® (Net) Index, the pattern was similar, with 8 of 11 sectors positive, led by information technology. (The Carillon ClariVest Capital Appreciation Fund does not invest in securities traded in markets outside the United States, but given the interconnectedness of global markets, we monitor macroeconomic and market developments abroad for potential impacts to the U.S. large-cap companies that are our focus.)

While all of the "Magnificent Seven"[1] – seven U.S. mega-cap stocks – posted huge gains in 2023, with each of them up at least 49%, this year has seen them go separate ways. The strongest performer in the group was up more than 80% during the first quarter, while two of the seven fell. The Magnificent Seven are responsible for 30% of the S&P 500 Index's year-to-date gain as of the end of the first quarter, compared to more than 60% last year. A key investment theme for this group is artificial intelligence, or AI. While enthusiasm around the potential of AI has clearly been a driver for these seven companies, the long-term productivity gains likely will be felt across the world and across most industries as the benefits play out in the coming years.

Valuations continue to be an area of divergence across asset classes, as U.S. large-cap stocks (the S&P 500 Index) trade at a premium with a 12-month trailing price/earnings (P/E) ratio of 25x, while U.S. small-cap companies (the Russell 2000® Index) appear more reasonable at 16x. Outside of the United States, companies trade at a valuation discount to U.S. indices, with the MSCI EAFE Index trading at a trailing P/E of 14x. No surprise, U.S. growth stocks (the Russell 1000® Growth Index) are the most expensive of all, trading at 34 times earnings. Of course, valuations don't exist in a vacuum, and in cases where earnings growth is high, elevated valuations can be justified. For example, the trailing-year earnings growth for the S&P 500 and Russell 1000 Growth are 18% and 23%, respectively, while outside the U.S. earnings growth has been slower at +8%, and U.S. small-cap earnings have actually contracted -7%.

China is targeting "around 5%" growth and aims to "transform" its economy in the face of several significant challenges, including a struggling property market, high youth unemployment, and low consumer confidence. Foreign direct investment into China fell to a 30-year low in 2023, an incredible 90% drop since 2021. While the economy faces significant challenges, the auto industry remains a positive. China not only remains the world's largest vehicle market and is a clear leader in the electric vehicle (EV) space, but it also became the world's top auto exporter in 2023.

European markets continue to experience a wide range of economic outcomes driven by regional geopolitical tensions, economic policies, and inconsistent productivity growth. Europe has been hard hit by the global manufacturing downturn and demand weakness from China. The U.K. economy has had a larger inflation shock than others and is still battling the fallout from Brexit, though in general this has been more benign than expected. The hope for 2024 is an ongoing gradual recovery with further price declines and increased domestic and foreign demand.

[1] Magnificent 7 refers to the seven largest companies by market capitalization in the S&P 500 Index, as of Dec. 29, 2023: Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

Portfolio Review

Top Securities	Average Weight (%)	Contribution to Return (%)
NVIDIA	7.76	4.77
Meta Platforms	5.19	1.72
Microsoft	11.90	1.49
Amazon.com	5.38	0.97
Eli Lilly	2.44	0.74
Bottom Securities		
Apple	10.24	-1.21
Tesla	1.82	-0.76
Adobe	1.74	-0.27
Dropbox	0.32	-0.10
Snowflake	0.47	-0.10

As of March 31, 2024. 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.

Portfolio Review

At the start of the quarter, the Carillon ClariVest Capital Appreciation Fund, as compared to the Russell 1000 Growth Index, was most overweight the information technology and communication services sectors and most underweight consumer discretionary and real estate. At the end of the quarter, the portfolio was most overweight information technology and industrials and remained most underweight consumer discretionary and real estate. Within the universe of the Russell 1000 Growth Index, utilities and communication services performed the best while real estate lagged.

Stock selection contributed the most while sector allocation was also positive. Underweights to real estate and consumer discretionary helped performance, while an underweight to materials and an overweight to healthcare detracted. Stock selection was positive across all sectors with information technology and industrials helping the most.

Top-performing securities

NVIDIA designs, develops and markets 3D graphics processors and related software. The company's positive momentum continues as it remains the lead manufacturer/supplier of artificial intelligence (AI) chips. The company posted another outsized beat and raised guidance on continued datacenter demand driven by accelerated computing and the proliferation of generative artificial intelligence (GenAI) applications.

Meta Platforms, the social media company, declared a buyback and its first-ever dividend. Results and guidance significantly exceeded expectations on solid execution, faster growth, and increased capital structure efficiency, and the company's robust GenAI pipeline is beginning to ramp up.

Microsoft develops and markets software and hardware services. The company announced the launch of its new Microsoft AI business unit, which will be charged with advancing the adoption of the AI-enabled Copilot for Microsoft 365 and other business intelligence activities related to consumer-focused AI products and research.

Amazon.com, the world's largest online retailer, posted strong earnings, margin expansion, and Amazon Web Services growth acceleration.

Eli Lilly, the drug manufacturer, reported positive topline results of tirzepatide (used to treat an advanced form of non-alcoholic fatty liver disease). The early success and market share gains of weight loss drugs Mounjaro and Zepbound also fueled optimism, though supply constraints remain a near-term headwind.

Bottom-performing securities

Apple designs, manufactures and markets mobile communication devices, personal computers and media devices. Shares fell on concerns of weak iPhone demand in China with guidance softer, as the company battles geopolitical headwinds. Additionally, Apple canceled Project Titan, its decade-long effort to build an electric car.

Tesla, the electric vehicle and clean energy company, slashed prices as the electric vehicle price war continued. Shares were down on weaker than expected results and lower margins. Shipments from its factory in Shanghai slumped to the lowest in more than a year amid a Lunar New Year holiday sales lull and renewed price competition in the world's biggest electric-vehicle market.

Adobe, the creative software company, posted solid quarterly results, but weaker guidance disappointed investors.

Dropbox is a work collaboration platform for people and teams. Shares tumbled following a challenging quarter. The company reported soft results and a weak outlook as macroeconomic headwinds persisted.

Snowflake provides cloud data warehousing software. Shares fell after the company appointed a new CEO and delivered weaker quarterly results and decelerating product sales guidance.

Outlook

Markets expect the Fed to potentially lower U.S. borrowing costs starting in June and also for the European Central Bank (ECB) to cut its deposit rate from 4%. However, central banks could realistically ease and then pause depending on growth, labor markets, wages, and inflation. The unknowns outweigh the knowns, so don't expect a linear path for interest rates.

With the prospect of falling rates, the attractive yields on cash stand to fall. This "wall of cash" could act as a catalyst for stock markets (and other risk assets) as money moves from money markets into equities.

While the Fed has clearly made significant progress on inflation, some worry that so-called "sticky" inflation will make getting rates down to the 2% long-term target challenging. For example, shelter prices continue to rise, up 5.7% on an annual basis as of February.

The U.S. Bureau of Economic Analysis reported annualized U.S. gross domestic product (GDP) growth of 3.4% in the fourth quarter, suggesting elevated interest rates aren't hurting U.S. corporations as much as some economists had feared. In addition, elevated interest rates increase borrowing costs for consumers, typically putting pressure on the economy and the stock market.

Certainly, the upcoming U.S. presidential election will be a source of volatility (and endless debate) for the remainder of 2024. Globally, more voters than ever in history will head to the polls this year, covering at least 64 countries (plus the European Union) and representing roughly half of the people in the world!

For ages, Japan (the world's fourth-largest economy) wasn't a favorite among investors given its demographic headwinds and low growth, but it has been a very strong performer year to date. The country is shifting to an inflationary environment after years of deflation, and the Bank of Japan (BOJ) is likely to begin normalizing rates with hikes this year, having recently approved its first hike in 17 years. In addition, corporate governance reforms are taking root; for example, the Tokyo Stock Exchange's new policies encourage companies to improve their return on equity (ROE) and price to book (P/B) ratios or be demoted! In response, crossholdings, excess cash, and surplus assets are being reduced. Given deep-seated investor biases against Japan, paired with improving country fundamentals, we continue to see the opportunity to capture underappreciated growth.

The International Monetary Fund (IMF) raised its outlook for global economic growth, with increases for both the United States and China. The IMF noted inflation easing more quickly than expected, with its chief economist saying that a "soft landing" was in sight and "the global economy continues to display remarkable resilience, with inflation declining steadily and growth holding up … very far from a global recession scenario." The IMF is now forecasting global growth of 3.1% in 2024, up 2/10ths of a percentage point from its October forecast. It expects unchanged growth next year, at 3.2%. From 2000 to 2019, global growth averaged 3.8%.

The outlook for 2024, while cautiously optimistic, suggests moderate economic growth and potential easing of monetary policies. Investors and policymakers alike will obviously need to remain vigilant, keeping a close eye on geopolitical tensions and policy changes that could impact the global markets.

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.

Definitions

A beat is when a company's reported earnings or other business results exceed or are better than the expectations of analysts and others who follow the company's stock.

A consensus estimate is a forecast of a public company's projected earnings or the expected findings of a macroeconomic report based on the combined estimates of analysts and other market observers that track the stock or the data in question.

Core inflation is measured by the Personal Consumption Expenditures (PCE) excluding Food and Energy, Price Index, also known as the core PCE price index, is a measure of the prices that U.S. consumers pay for goods and services, not including two categories – food and energy – where prices tend to swing up and down more dramatically and more often than other prices. The core PCE price index, released monthly by the U.S. Department of Commerce Bureau of Economic Analysis, measures inflation trends and is watched closely by the U.S. Federal Reserve as it conducts monetary policy.

Cross holding describes the practice of a publicly traded firm owning stock in another publicly traded firm. In Japan, companies have used cross holdings to protect themselves from market uncertainty and takeover attempts, but the practice has been criticized as one that slows reform and inhibits equity performance.

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

The European Central Bank (ECB) deposit rate, which is set by the Governing Council of the ECB, is the rate on the deposit facility, which banks can use tomake overnight deposits with the Eurosystem.

Generative artificial intelligence (AI) is a form of artificial intelligence that can create new content that includes text, audio, code, video, and images.

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.

Guidance is statements from the managers of publicly traded companies that indicate whether they expect to realize near-term profits or losses.

Magnificent Seven refers to the seven largest stocks by market capitalization in the S&P 500 index, as of Dec. 29, 2023. They are Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla.

Market capitalization, or market cap, refers to the total dollar market value of a company's outstanding shares of stock. It is calculated by multiplying a company's current stock price by its total number of outstanding shares.

Mega-cap tech stocks are the technology companies with market capitalizations that are in the trillions or hundreds of billions of U.S. dollars, levels that far exceed many of the other stocks in the S&P 500 Index.

Overweight describes a portfolio position in an industry sector or some other category that is greater than the corresponding weight level in a benchmark portfolio.

The price to book (P/B) ratio measures the market valuation of a company relative to its book value. Investors use the metric in their search for potential investments. Typically, a company's market value is higher than the book value of its stock. Value investors generally view P/B ratios under 1.0 as a potentially solid investment.

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.

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

A soft landing is a cyclical slowdown in economic growth that avoids a recession.

Sticky is a term used to describe measured data that is slow to change, in contrast to faster-changing or more variable data.

Trailing indicators are data or measurements that reflect events, trends, results, or developments that took place in the past. Trailing indicators typically refer to a specific time period for which the data in question is aggregated, summed, or averaged. Trailing indicators help reflect trends that occur over specified periods of time.

Underweight describes a portfolio position in an industry sector or some other category that is less than the corresponding weight level in a benchmark portfolio.

Indices

The Russell 1000® Growth Index. the Fund's benchmark index, 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 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 7% of the total market capitalization of the Russell 3000® Index.

The MSCI EAFE® (Net) Index measures the performance of performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The MSCI EAFE® (Net) Index subtracts any foreign taxes applicable to U.S. citizens but not applicable to citizens in the overseas country.

The S&P 500 Index measures change in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividends reinvested. The S&P 500 represents approximately 80% of the investable U.S. equity market.

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

Carillon Tower Advisers is the investment adviser for the Carillon Family of Funds and ClariVest Asset Management is the sub-adviser to the Carillon ClariVest Capital Appreciation Fund. Eagle Asset Management (a sub-adviser to certain of the Carillon Family of Funds) owns 100% of ClariVest Asset Management. Carillon Fund Distributors is a wholly owned subsidiary of Eagle Asset Management and Eagle Asset Management is a wholly owned subsidiary of Carillon Tower Advisers. All entities named are affiliates.

The views and opinions expressed are not necessarily those of any broker/dealer or any affiliates. Nothing discussed or suggested should be construed as permission to supersede or circumvent any broker/dealer policies, procedures, rules, and guidelines.

529476 Exp. 7/31/24 CM-CFF-CCCAF