CARILLON EAGLE GROWTH & INCOME FUND

CARILLON FAMILY OF FUNDS

INSIGHT | COMMENTARY

FIRST QUARTER | 2024

Investment Team

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Characteristics

Total Net Assets (millions) $614.76

Number of holdings: 41

Top 10 Holdings

Microsoft
Chevron
Broadcom
JPMorgan Chase
Goldman Sachs Group
Eaton
PNC Financial Services
Merck
Home Depot
Union Pacific

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

The S&P 500 Index started the first quarter of the year up a strong 10.6%, extending its recent all-time high. This quarter presented a familiar refrain from most of 2023, with growth outperforming value and large outperforming small. From the end of last year to March 31, 2024, the S&P 500 Index has had a greater than 25% rally over the last 100 days: something that has only happened 20 other times in the last 50 years. Like last quarter, the rally was mostly due to investors becoming more comfortable with a monetary policy in which the U.S. Federal Reserve (Fed) has signaled its willingness to cut interest rates even before meeting its long-term inflation goal of 2%. Additionally, the market continued to show a narrowness not seen since the late 1990s, as the Magnificent Seven – the seven largest stocks in the S&P 500 Index by market capitalization – made up a significant chunk of the market's return; those stocks were up a combined 17% during the first quarter. Energy was the best-performing sector as crude oil prices rose roughly $11 a barrel to north of $83, back to last fall's levels. Conversely, real estate investment trusts (REITs) were the only sector with negative returns despite interest rate expectations coming down as investors shifted to more risk-on assets.

Portfolio Review

Top Securities	Average Weight (%)	Contribution to return (%)
Eaton	2.89	0.80
Broadcom	3.86	0.70
Merck	3.22	0.68
JPMorgan Chase	3.56	0.63
Microsoft	4.60	0.53
Bottom Securities		
American Tower	1.02	-0.24
McDonald's	3.40	-0.17
UnitedHealthcare	2.27	-0.14
Amgen	1.64	-0.08
Mondelez	2.50	-0.07

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, 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.

Top-performing securities

Eaton traded higher after announcing better than expected quarterly results as well as providing guidance that was ahead of expectations for the fiscal year. The electrical power equipment company also announced a proactive multi-year restructuring program, enabling Eaton to continue growing while also reducing costs.

Broadcom continues to trade higher as a beneficiary of generative artificial intelligence (AI). Management recently highlighted that AI-related silicon now comprises a significant percentage of all semiconductor solution sales. The company also is focused on integrating its acquisition of VMware.

After posting lackluster returns in 2023, Merck got off to a strong start in January by raising the long-term sales forecasts for its oncology and cardiology pipelines and reporting solid fourth-quarter results, coupled with strong financial guidance for 2024. Merck shares also finished the quarter strong after receiving U.S. Food and Drug Administration approval in late March for a new cardiology medicine with the potential to contribute significantly to sales growth over the next several years.

JPMorgan Chase contributed positively to performance following solid financial results and positive guidance for the remainder of 2024. Moreover, growing chatter around rising capital markets activity likely contributed to the stock's strong performance relative to other banks. Recall that JPMorgan has a robust capital markets franchise.

Microsoft performed well on the back of strong Azure growth. The CEO mentioned that the period of massive optimization of cloud workloads has ended, while the contribution from the growth of generative AI has doubled versus the last quarter.

Bottom-performing securities

American Tower detracted from performance due to a move higher in interest rates throughout the first quarter. Recall that REITs are viewed as benefitting from lower interest rates and therefore tend to perform poorly as interest rates rise.

McDonald's faces several short-term headwinds. Lower-income consumers have been cautious with spending, as they are feeling the cumulative effects of inflation more than higher-income cohorts. As the low cost/value player in fast food, McDonald's has a customer base that skews lower income. Also, as an international company, McDonald's is feeling negative effects from war and tensions in the Middle East, as well as softness in China.

UnitedHealthcare's subsidiary, Charge Healthcare, suffered a cyber attack in mid-February, which impacted its claims-processing operations. Also in February, news reports that the U.S. Department of Justice had launched an antitrust investigation into the company further weighed on shares. Additionally, indications of elevated healthcare utilization, particularly among seniors, weighed on several companies across the managed care space in the first quarter, including UnitedHealthcare.

Amgen shares suffered after the company released detailed clinical data on the lead obesity drug in its pipeline. Although investors recognized the medication's efficacy, there were some concerns regarding other aspects of the medication revealed by the data.

As a major producer of chocolate, Mondelez saw its shares drop as investors worried about a dramatic rise in the price of cocoa. Mondelez does have hedges in place, but the company will need to raise prices to offset rising costs, particularly in Europe. Consumers across the globe are dealing with high cumulative inflation in the products that the company produces. In many cases consumers are buying less volume.

Outlook

For most of 2023, investors were focused on when, not if, an economic slowdown would occur and whether that would lead to a soft or hard landing. However, market sentiment turned increasingly positive as this fear dissipated with the Fed signaling coming interest rate cuts, the arrival of encouraging economic data, and AI-related growth boosting earnings in the information technology sector.

As we complete the first quarter of 2024, market sentiment remains strong, fueled by earnings optimism and the 10-year U.S. Treasury yield falling from 5% last October to around 4.3%. This sentiment reflects a shockingly quick reversal from where we were this time last year despite many of the same concerns, namely inflation, still being present in the market. While the Consumer Price Index (CPI) has shown encouragingly lower readings lately, it has done so in an environment where some of its biggest inputs, including housing prices, energy prices and wages, have been relatively benign or even negative. Of course, it is entirely possible that these inputs could stay at lower levels, but that seems to be the overall assumption currently baked into the market. What happens if lower rates lead to higher home or energy prices, as they have in the past? The market does not appear to be prepared at all for inflation concerns to enter the conversation again. We are not suggesting this should be the base case, nor are we particularly bearish on the market as there is a lot to like about the economy right now, but we do believe it is something to pay attention to as a potential concern.

The other concern we have is the continued narrowness of the market. Last year the Magnificent Seven accounted for about 60% of the move higher in the S&P 500 Index, a trend that has continued so far to start 2024. This type of narrowness has not been seen since the dot-com bubble in the late 1990s, and while there are many differences between then and now, that era ushered in a long period of outperformance in the 2000s for dividend income-focused strategies.

The market also has been buoyed by continued excitement around AI and the potential earnings growth that should come with it. This is completely understandable as AI appears to be a very real, once-in-a-generation tech trend that is likely only in the early innings. However, as in previous tech shifts, there has been overexcitement in some areas that may not be able to deliver on the promises management teams are making. That is why we believe active investing is so important: to separate this trend's real winners and losers.

Regardless of what works for the remainder of the year, we remain steadfast that our detailed fundamental research process is the best approach over the long term, and we will continue to seek excellent ideas irrespective of the macroeconomic backdrop. Importantly, dividend growth remained particularly healthy during 2023, and we expect the potential compounding of income to serve our clients well in the future.

Risk Considerations:

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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Definitions

Basis points (bps) are measurements used in discussions of interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

The U.S. Consumer Price Index (CPI) measures the change in prices paid by consumers for goods and services. The U.S. Bureau of Labor Statistics bases the index on prices of food, clothing, shelter, fuels, transportation, doctors' and dentists' services, drugs, and other goods and services that people buy for day-to-day living. Prices are collected each month in 75 urban areas across the country from about 6,000 households and 22,000 retailers.

Dividend payers are the companies that distribute a portion of their profits to shareholders in the form of a dividend.

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

The Magnificent Seven refers to the seven largest stocks by market capitalization in the S&P 500 index. As of March 28, 2024, they were 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.

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.

A soft landing is a cyclical slowdown in economic growth that avoids a recession. A hard landing is a significant economic slowdown or downturn, that could include a recession, following a cycle of rapid growth.

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.

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

Indices

The S&P 500 Index, the Fund's benchmark 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 dividend 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.

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