



## Investment Team

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Portfolio Co-Manager

Brad Erwin, CFA  
Portfolio Co-Manager

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Portfolio Co-Manager

## Characteristics

Total Net Assets  
(millions): \$578.66

Number of holdings: 40

## Top 10 Holdings

Microsoft

Broadcom

Chevron

JPMorgan Chase

Oracle

Goldman Sachs Group

Eaton

PNC Financial Services

Merck

Texas Instruments

## Market Overview

The S&P 500 Index traded 4.3% higher during the second quarter, but the bigger story was that the benchmark index closed out the first six months of 2024 with a whopping 15.3% advance. The remarkable performance in the first half of the year, which led the S&P 500 Index to break records, was primarily fueled by a strong surge in technology stocks driven by the artificial intelligence (AI) trend and progress toward a point when the U.S. Federal Reserve (Fed) can start reducing interest rates. Market breadth remained an issue, however, with the eight top-performing stocks contributing around 70% of total returns. By far, information technology and communication services were the strongest sectors, with most others trading closer to flat or down.

## Portfolio Review

Top Holdings	Average Weight (%)	Contribution to return (%)	Bottom Holdings	Average Weight (%)	Contribution to return (%)
Broadcom	4.21	0.87	Target	2.11	-0.37
Analog Devices	2.64	0.39	Prologis	1.98	-0.31
AstraZeneca	2.48	0.35	Home Depot	2.71	-0.29
Oracle	2.62	0.33	PPG	1.72	-0.26
Texas Instruments	2.78	0.33	Medtronic	2.58	-0.24

As of June 30, 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, its 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 securities

Broadcom reported better than expected revenues and raised guidance. The company is a key beneficiary of AI spending, which continues to accelerate, and announced an unusually large stock split.

Analog Devices rebounded as management teams at several semiconductor companies in the analog space called the bottom, seeing improved conditions ahead. The analog semiconductor industry is a very cyclical business that has underperformed the broader semiconductor industry for several years.

AstraZeneca reported strong first-quarter financials, issued bullish long-term financial goals at the company's May investor day, and disclosed positive results from a handful of oncology clinical trials during the second quarter.

Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Call 800.421.4814 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.

## Portfolio Review (continued)

Oracle stock rose to all-time highs after the company announced better than expected cloud infrastructure revenue. Oracle signed dozens of new customers, including two leaders in generative artificial intelligence. The backlog remains, and strong growth appears poised to accelerate.

Texas Instruments, like Analog Devices, benefited from improving trends in the analog semiconductor industry.

### Bottom securities

Target's sales continue to feel the consumer softness in discretionary goods. In addition, while margins are recovering, they are not up to expectations. Encouragingly, sales are sequentially increasing and comparable sales are expected to get easier as Target enters the back half of the year.

Prologis detracted from performance as the company tempered its guidance outlook for 2024. More specifically, management noted that some clients have chosen to defer investment decisions given the uncertain economic environment. However, the company noted that proposal numbers have not declined, so client activity could reaccelerate in the near term.

Interest rates rose at the beginning of the quarter, putting pressure on Home Depot and other retailers. In addition, Home Depot completed its acquisition of SRS Distribution, introducing elevated execution risk for the company.

PPG shares lagged in the second quarter as softening macroeconomic data across several of its end markets (including autos, housing, and industrial) drove concerns that the path to sustainable sales volume growth was growing more difficult.

Medtronic's fundamental updates in the second quarter were mostly positive, including issuing solid quarterly results and reporting positive results from two cardiology clinical trials. However, there is some investor apprehension around the implied cadence of guidance for fiscal 2025, which was exacerbated by the recent departure of the company's CFO for a role in another industry.

## Outlook

For financial markets, the first half of 2024 strongly resembled 2023. No doubt this was a function of the same key market drivers influencing both time periods. The most impactful of these was investors' preoccupation with the latest data point on inflation and its expected impact on Fed policy. Early second-quarter inflation readings supported a sustainably higher interest rate environment. Specifically, rental rates and payroll additions were key areas of concern. The 10-year U.S. Treasury yield reacted accordingly,

peaking at 4.7% by mid-quarter. That was within 30 basis points of a multi-year high posted in the fall of 2023. Conversely, weaker Consumer Price Index, retail sales, and Institute for Supply Management manufacturing updates toward the back half of the second quarter supported a more tempered inflation backdrop. Resulting 10-year yields plunged 50 basis points by mid-June. We would not be surprised to see this level of volatility continue into the second half of 2024 until a clear direction in Fed policy is apparent.

Interestingly, investor expectations regarding Fed interest rate cuts did not fluctuate nearly as much as the underlying economic data. Throughout the quarter, expectations remained steady at one to two rate cuts for the full year of 2024. Note that at the end of 2023 investors had expected five to six rate cuts in 2024, per Bloomberg. The good news is that we see clear progress on easing inflation across most key categories, ranging from lower commodities to improving supply chain fluidity. Housing rents remain closely watched. Importantly, we have not observed a level of economic data that reflects a rising risk of recession in the near term. That said, our primary concerns surround a persistently tight employment market and corresponding sustained wage growth. The Fed may be forced to keep interest rates higher for longer in that scenario, most certainly increasing the risk of a material slowdown in economic growth.

The combination of erratic inflation data, uncertain Fed policy, and opaque future economic growth have likely exacerbated key trends within financial markets. The most noteworthy is the extreme narrowness of the equity markets favoring large-cap growth companies. Clearly, investors are rewarding equities with visible, multi-year growth versus those more reliant on a resurgence of the global economy, as evidenced in the areas of artificial intelligence, glucagon-like peptide 1 agonists (GLP-1s) in healthcare, and reshoring of manufacturing in the United States. As we enter the second half of the year, we do not expect that trend to abate. Furthermore, as we observed at the end of June, the U.S. presidential election will likely add to financial market volatility.

With such a challenging backdrop, we suggest the time has never been better to own a portfolio of high-quality, dividend-paying equities. We believe our holdings of profitable, well-managed, and dominant companies are well positioned to perform in today's environment. We expect these companies to continue paying and – equally important, to raise – their dividends annually given their strong cash flow generation and reasonable financial leverage. Our intent is to participate in periods of strong market returns with an eye toward downside risk mitigation during more challenging market environments.

## 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%.

Breadth describes the relationship between the median and the mean of a market index. When a few data outliers result in a mean that is substantially larger (or smaller) than the median of the full data set, then the performance of the entire index is being driven by a "narrow" selection of companies. An index supported by "broad" market movements is one where the median is closer to the mean.

Calling the bottom is a saying used in finance to describe the point when the price of a security or group of securities has hit its low point for the cycle, with higher prices to follow.

Comps, short for comparables, carries different meanings depending on the industry and context, but generally entails a comparison of financial metrics – often for two different time periods – or other factors to quantify performance or determine valuation.

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.

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

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

Enterprise spending describes the money a company invests on infrastructure and other capital investment.

Execution risk, in mergers and acquisitions, is used to describe the potential that the combined

company will encounter problems as it works to mesh systems, personnel, processes, and technologies from two or more previously separate firms.

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

GLP-1 weight-loss drugs, formally known as glucagon-like peptide 1 agonists, comprise a class of type 2 diabetes drugs that improve blood sugar control and may also lead to weight loss.

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 Institute for Supply Management (ISM) Purchasing Managers' Index (PMI) measures the prevailing direction of economic trends in the manufacturing sector. It consists of an index summarizing whether market conditions as reported in a monthly survey of supply chain managers are expanding, staying the same, or contracting.

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.

Reshoring describes an effort to bring manufacturing and other services back to the United States from overseas operations.

Sequential metrics compare a company's recent performance in a particular category to its performance in the period immediately before.

A stock split takes place when a company raises the number of its shares to enhance the liquidity of its stock. Typically, stock splits provide shareholders with multiple shares of stock for each share they held before the split.

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.

Visibility reflects the degree to which a company's management or the analysts who follow it can reliably estimate future near- or long-term performance.

## Index

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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