CARILLON EAGLE GROWTH & INCOME FUND

CARILLON FAMILY OF FUNDS

INSIGHT | COMMENTARY

THIRD QUARTER | 2023

Investment Team

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Characteristics

Total Net Assets (millions) $604.41

Number of holdings: 41

Top 10 Holdings

Microsoft

Chevron

McDonald's

Merck

JPMorgan Chase

Eaton

AbbVie

Broadcom

AstraZeneca

BlackRock

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 pulled back -3.3% during the third quarter, which followed a strong first half of the year and left the market up 13.1% through the first nine months of 2023. By far the biggest change has been the rise in the 10-year U.S. Treasury bond yield, which started the quarter around 3.8% and rose to around 4.6% by the end. For reference, this is the 10-year's highest yield since 2007. Oil prices also rose about 30% during the quarter. Importantly, the U.S. Federal Reserve's (Fed's) preferred inflation measure – the core Personal Consumption Expenditures (PCE) excluding Food and Energy Price Index – continued to moderate in the third quarter on both a sequential and year-to-year basis, easing some of the rate concerns that have worried investors.

Portfolio Review

Top Securities	Average Weight (%)	Contribution to return (%)
Chevron	4.62	0.36
AbbVie	2.86	0.29
Eaton	3.06	0.17
UnitedHealth Group	2.40	0.12
ADP	1.40	0.12
Bottom Securities		
NextEra Energy	2.69	-0.63
RTX	2.02	-0.60
McDonald's	3.79	-0.44
Merck	3.54	-0.37
TE Connectivity	2.86	-0.33

As of Sept. 30, 2023. 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 securities

Chevron traded higher along with oil prices that increased throughout the third quarter. Oil prices rose about 30% following ongoing production cuts by major global producers (Saudi Arabia and Russia) and slowing output growth from U.S. shale energy producers.

AbbVie reported strong, broad-based second-quarter performance that exceeded analysts' expectations. The company's raised guidance was a nice recovery after its mildly disappointing first-quarter report.

Eaton share prices jumped to all-time highs after the company boosted its earnings guidance for the year. Management noted that demand remains strong, which propelled the company's sales backlog to a record level. Eaton remains well-positioned to capitalize on re-industrialization in North America and Europe.

UnitedHealth Group reported better than feared second-quarter results, although the company acknowledged that healthcare utilization trends have increased year to date. The company also benefitted from improving sentiment for the managed care industry as a whole, which was likely related to the recent rise in Treasury yields.

ADP benefitted from a better than expected earnings announcement. Employer services revenue growth continues to perform well, while higher interest rates also act as a tailwind for the company. Forward guidance implies another year of robust earnings growth.

Bottom securities

NextEra Energy traded lower with all utilities during the third quarter as 10-year Treasury yields rose. Investors also began questioning the company's ability to continue generating strong returns for its renewables development business.

RTX lowered its free cash flow guidance for the year due to a new issue in its jet engine business. Although the company's management has a solution, the total implementation cost remains unknown, which caused the stock to react negatively.

McDonald's stock paused its upwards share price movement after its strong gain in the second quarter. The company's same-store comparable sales performed better than expected in the second quarter, which relieved investors by suggesting that global consumer's purchasing strength remains healthy.

Merck underperformed in the third quarter, based on what we view as largely macroeconomic-related factors. The company continues to execute well, both clinically and fundamentally, but much of the biopharmaceutical industry has been weak as investors are gravitating to other, more cyclical sectors.

TE Connectivity traded lower, along with other automotive suppliers, due to media speculation surrounding the United Auto Workers strike. Major U.S. original equipment manufacturers (OEMs) could temporarily shut down production if an agreement is not reached soon.

Outlook

Last quarter, we described two camps in the ongoing economic debate. One group believes that a recession and a likely market downturn are imminent. The other believes that we have already discounted current and future economic weakness, and it sees a good chance for a "soft landing." Economic and market indicators have continued to be mixed, offering talking points for each side of the debate. In the third quarter, overall movements in the stock and bond markets suggest that the first camp is gaining a little ground.

The recent move up in interest rates is probably the biggest threat to economic stability and growth. In July, the Fed continued its policy of tightening financial conditions, announcing the year's fourth increase to the target overnight lending rate (the federal funds rate), setting an upper bound of 5.5%. This was the 11th rate hike since the Fed began tightening in March 2022. In total, the federal funds rate has increased by 5.25 percentage points.

The Fed's rate increase, along with other market forces, drove the benchmark 10-year Treasury bond yield up from approximately 3.8% at the beginning of the quarter to around 4.6% at the end. The 10-year yield is now higher than it has been at any time in the past 15 years. Higher interest rates tend to work with a lag, so we have probably not experienced the full extent of economic damage yet.

The Consumer Confidence Index is another economic indicator that weakened in the third quarter. It rose in June and July, then reversed those gains in August and September. Although the Conference Board Leading Economic Index© for the United States improved slightly during the quarter, it remained in negative territory. In commodities, surging crude oil prices stoked fears of inflation ahead.

On the positive side, the U.S. employment picture is healthy. Continuing jobless claims are relatively low, the civilian labor force participation rate is increasing after its sharp downward move at the start of the pandemic, and although the unemployment rate ticked up slightly, it remains at a historically low level. Gross domestic product was up 2.1% in the second quarter, which was its fourth positive quarter after dropping in the first two quarters of 2022.

Last quarter, we noted that artificial intelligence (AI) had emerged as a powerful trend in the market. This trend and others have driven very narrow stock market returns. The top contributor to the S&P 500 Index is a large beneficiary of the AI trend, and the seven top-performing S&P 500 stocks, which account for 84% of the index's year-to-date return, are all technology related. The S&P 500 Equal Weight Index returned only 1.8% year to date as of September 30, compared with the 13.11% return for the market-weighted S&P 500 Index.

On a relative basis, it has been a tough performance year for our style of investing. However, we remain committed to implementing our strategy of investing in companies that pay and increase their dividends on a consistent basis. There are many crosscurrents in the economy, and companies still need to adjust to a more "normal" environment after the global pandemic. We are pleased with the dividend growth that our companies have produced in 2023 so far, and we believe that income and income growth will serve our clients well in the future. We remain diligent in our search for high-quality businesses that not only generate strong free cash flows, but also have a willingness to share those cash flows with shareholders.

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

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.

The Consumer Confidence Index (CCI) is a survey, administered by The Conference Board, that measures how optimistic or pessimistic consumers are regarding their expected financial situations.

The Conference Board Leading Economic Index® for the United States is designed to signal peaks and troughs in the business cycle, to be highly correlated with real (adjusted for inflation) GDP, and to be a predictive variable that anticipates (or "leads") turning points in the business cycle by around seven months. It comprises 10 components: Average weekly hours in manufacturing; Average weekly initial claims for unemployment insurance; Manufacturers' new orders for consumer goods and materials; Institute for Supply Management® Index of New Orders; Manufacturers' new orders for nondefense capital goods excluding aircraft orders; Building permits for new private housing units; S&P 500 Index; Leading Credit Index™; Interest rate spread (10-year Treasury bonds less federal funds rate); Average consumer expectations for business conditions.

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.

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

The federal funds rate, known as the fed funds rate, is the target interest rate set by the Federal Open Market Committee of the U.S. Federal Reserve. The target is the Fed's suggested rate for commercial banks to borrow and lend their excess reserves to each other overnight.

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

Growth sectors are the segments of the equity market, like technology, in which companies are expected to increase their earnings at rates higher than the average growth rates for other industries and for the market overall.

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

The Personal Consumption Expenditures (PCE) Price Index, excluding food and energy, known as the core PCE index, is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The PCE price index, released monthly by the U.S. Department of Commerce Bureau of Economic Analysis, is known for capturing inflation or deflation across a wide range of consumer expenses and reflecting changes in consumer behavior.

The Purchasing Managers' Index (PMI) measures the prevailing direction of economic trends in the manufacturing sector. It is created by the Institute for Supply Management (ISM) and 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.

A yield curve is a line that plots yields (the interest paid by a bond divided by its current market price) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity. Investors and market analysts watch certain yield curves for signs of inversion. Inversions – when yields on the long end are lower than those on the short end – are watched as a potential indicator of a weakening economy and, in certain cases, a harbinger of recessions.

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.

The S&P 500® Equal Weight Index (EWI) includes the same constituents as the capitalization-weighted S&P 500 Index, but each company in the S&P 500 EWI is allocated a fixed weight.

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

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