



Investment Team

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Portfolio Co-Manager

Harald Hvideberg, CFA
Portfolio Co-Manager

Brad Erwin, CFA
Portfolio Co-Manager

Characteristics

Total Net Assets
(millions) \$680.70

Number of holdings: 41

Top 10 Holdings

Microsoft

Chevron

McDonald's

Merck

JPMorgan Chase

Medtronic

Texas Instruments

BlackRock

AstraZeneca

TE Connectivity

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 finished the second quarter up 8.7% and posted its best first half of the year ever, as it rose 16% in the first six months of 2023. These gains suggested fairly consistent growth, however the reality was much more mixed. For example, commodity prices have largely traded lower throughout the year in response to fears of an economic slowdown. Importantly, the U.S. Federal Reserve's (Fed's) preferred inflation measure – the core Personal Consumption Expenditures Price Index – moderated in May on both a month-to-month and year-to-year basis. That eased some of the concerns among investors that higher inflation could bring higher interest rates. While the 10-year Treasury note has been rangebound, growth sectors have fueled the equity market rally with the technology sector delivering a 45% gain so far this year.

Portfolio Review

Best Securities	Average Weight (%)	Contribution to return (%)
Broadcom	3.65	1.29
Microsoft	4.77	0.84
Eaton	2.57	0.39
Merck	3.74	0.32
JPMorgan Chase	2.41	0.30
Worst Securities		
AbbVie	2.89	-0.47
Target	2.02	-0.43
Crown Castle	1.66	-0.26
WEC Energy	2.07	-0.13
Chevron	4.26	-0.12

As of June 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.

After a major chip manufacturer significantly increased revenue guidance in May because of much higher artificial intelligence (AI) spending, investors looked for other ways to participate in higher capital spending on AI. Broadcom shares benefited from the firm's large direct AI exposure.

Microsoft shares reacted positively to better than expected quarterly results, which were led by strength in the firm's cloud business. The company provided guidance that cloud growth could come in even stronger during subsequent quarters.

Eaton benefited from higher expectations for the gains that it may realize from the multi-industry build-out of accelerated computing capabilities.

Merck presented positive clinical data for a new drug in its oncology pipeline, announced an acquisition that was viewed favorably by investors, and reported strong first-quarter financial results while also increasing its earnings guidance for 2023.

Shares of JPMorgan Chase contributed to performance as the banking industry stabilized in the aftermath of the March bank liquidity crisis. Capital markets activity now appears to be more benign. During the banking crisis, JPMorgan Chase was seen as a safe haven because of its strong balance sheet. That view helped the firm outperform its smaller peers that faced unprecedented outflows of deposits.

AbbVie reported mixed first-quarter results, which included disappointing revenue for two important products that are expected to drive new growth for the firm. We believe the source of weakness is temporary and remain bullish on the long-term future for both products.

Target traded lower over fears of a consumer spending slowdown. While the firm's management announced a stronger than expected first quarter, second-quarter expectations were guided lower.

Crown Castle detracted from performance as telecom companies have temporarily slowed their deployment of additional cellular spectrum. This slowdown could impair future growth for cell tower companies.

WEC Energy traded lower with other utilities. Utilities were the worst-performing sector in the quarter.

Chevron stock also traded lower as global oil prices declined in response to fears of an economic slowdown. Energy stocks were the second-worst-performing sector in the quarter.

Outlook

Second-quarter 2023 economic data brought mixed messages about the state of the U.S. economy. As a result, two divergent views of what will come next emerged. One camp believes that a recession is imminent, given its reading of the traditional set of macroeconomic indicators. These include a dramatic Fed tightening cycle, an inversion of the yield curve, historically high inflation, and weakening economic indicators, including the Conference Board Leading Economic Index® for the United States and the Institute for Supply Management's indices that reflect manufacturing and supply chain activity. For this pessimistic contingent, positive data points are met with skepticism stemming from doubts about the sustainability of any promising news.

The second group, bolstered by recent equity price appreciation, suggests that the equity market in 2022 had already factored in the prospect of a recession. It argues further that inflation has clearly peaked, the Fed has paused monetary tightening, investor positioning is overly defensive, and a soft-landing economic scenario is likely. Without taking sides, we know that the playbook for an economic cycle following a pandemic has scant details. For the modern economy, this cycle is clearly unique.

The winner of the debate will be determined largely by the direction of U.S. labor markets. For investors, the problem is that labor data can be a lagging indicator. So, the answer about the economy's direction may not come soon. At present, most employment numbers appear to be on solid footing. Weekly unemployment claims, nonfarm payroll growth, average hourly earnings, and broad unemployment are all at sound levels.

Anecdotal evidence suggests a labor shortage across several industrial end markets that are still emerging from the supply chain challenges they experienced over the past 24 months. It is hard to imagine that aggressive layoffs would begin from this cohort any time soon. Nonetheless, it is important to remember that the Fed has not achieved its desired objective for inflation this cycle. The delayed impact of the hikes the Fed has already imposed, along with any additional rate increases, could adversely affect labor markets. Any declines in employment would then weaken consumer spending.

The emergence of artificial intelligence (AI) was a notable event during the quarter. AI transitioned from a powerful concept to a substantial earnings contributor much quicker than many observers expected. Equity values quickly factored in this opportunity. We expect this nascent market will grow dramatically over the next decade, but still believe investors will need to be prudent in choosing winners and losers.

Irrespective of the direction of the economy, we continue to implement our strategy of investing in companies that are committed to issuing dividends and growing those dividends. The dividend growth rate year-to-date has been strong, and that growth has provided some protection against inflation for our clients. Historically, the types of companies the team focuses on – high-quality businesses that generate strong free cash flow – have

performed well over a full market cycle. We continue to look for new opportunities in a volatile equity market as we position the portfolio for a return to economic growth.

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

Accelerated computing is the use of specialized hardware to speed up work dramatically, often with parallel processing that bundles frequently occurring tasks. It offloads demanding work from traditional CPUs (Centralized Processing Units) so that work can also be done in parallel by DPUs (Data Processing Units) and GPUs (Graphics Processing Units).

The U.S. Bureau of Labor Statistics (BLS) payroll report, known as the Employment Situation Summary, is a monthly report tracking nonfarm payroll employment and the national unemployment rate, with data on changes in average hourly earnings, and job trends in public and private sectors of employment. The report is based on surveys of households and employers.

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.

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.

Rangebound is a condition when the value of a security keeps vacillating between the low and high ends of a narrow range. For example, if the 10-year Treasury yield repeatedly vacillated between 3.75% and 4.25%, it would be described as "rangebound."

A yield curve is a line that plots yields (the interest paid by a 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, when yields for longer-term debt instruments fall below yields on short-term debt with the same credit quality. Inversions – when yields on the short end of the curve are higher than those on the long end) are watched as potential signs of a weakening economy and in certain cases, a harbinger of recessions.

Benchmark Index

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 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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