CARILLON CLARIVEST CAPITAL APPRECIATION FUND

Investment Team

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Characteristics

Total Net Assets (millions) $531.4

Number of Holdings: 81

Top 10 Holdings

Microsoft

Apple

Amazon.com

Visa

UnitedHealth Group

Alphabet Class A

Alphabet Class C

Mastercard

Home Depot

Adobe Systems

Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Call 800.421.4184 or your financial advisor 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 first quarter brought with it a wave of optimism, with equities rallying (or climbing a wall of worry?) across the globe.

In some ways, the weakness in the fourth quarter of 2018 set the stage for the recovery this quarter. The Federal Reserve (Fed) reacted to the market weakness and softer global growth by reversing course on future rate changes. Much of the rally this quarter was built on market expectations that the Fed now won't raise interest rates again at any point in the short term. In fact, the Fed's potential next move might be a rate cut. The sharp decline in the U.S. stock market late last year likely played a role, too, in deterring the Trump administration from further increasing tariffs on China. So, in part, the stock market decline last year may have helped to alleviate two of the primary risks that may have caused it in the first place.

The Congressional Budget Office (CBO) forecasts U.S. economic growth will slow to 2.3 percent for 2019 from 3.1 percent in 2018, as the effects of President Donald Trump's tax cuts fade and the federal budget deficit climbs to nearly $900 billion. While any extremely long-term forecasts are to be taken with a large grain of salt, the CBO predicts that persistently large deficits will push federal debt to 93 percent of GDP in 2029, its highest level since immediately after World War II, and to about 150 percent of GDP by 2049[1].

U.S. crude oil had its best quarter since 2002, jumping more than 30 percent.

Portfolio Review

Best Securities	Average Weight (%)	Security Contribution to Portfolio Return
Microsoft Corporation	7.74	1.24
Apple	5.36	1.00
Amazon.com	4.96	0.94
Mastercard	2.83	0.67
Visa	3.39	0.61
Worst Securities		
AbbVie	1.20	-0.20
Biogen	0.54	-0.11
CVS Health	0.63	-0.09
United Continental Holdings	1.26	-0.05
Centene Corporation	0.94	-0.05

As of March 29, 2019. 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.

At the start of the quarter, the Carillon ClariVest Capital Appreciation Fund (the "Fund"), as compared to the Russell 1000® Growth Index, was most overweight the information technology and health care sectors, and most underweight financials and industrials. At the end of the quarter, the portfolio was most overweight information technology and real estate and most underweight financials and industrials.

Within the universe of the Russell 1000® Growth Index benchmark, stock selection was negative while sector allocation was positive. An overweight to health care and an underweight to communication services detracted from performance, while an overweight to information technology and an underweight to energy helped performance. Stock selection was weakest within health care and communication services but was strong within financials.

Microsoft significantly benefitted from its cloud business once again. Reportedly Microsoft and VMware are partnering to offer a cloud service that will help migrate VMware workloads to Azure, without requiring rearchitecture and recoding of applications.

Apple stock rose 4 percent following the company's earnings beat and continued to rise throughout the quarter. Apple also unveiled its new Apple TV+, TV app, credit card, and gaming services.

Amazon.com, the world's largest online retailer, posted generally positive fourth quarter results driven by better-than-expected revenue and operating income.

Mastercard shares jumped after the firm's cross-border spending held up better than larger rival Visa. The company also offered a new revenue forecast that topped analysts' estimates.

Visa posted stronger-than-expected quarterly results despite ongoing foreign transaction fee (F/X) and macro headwinds.

AbbVie, the research-based pharmaceutical company, struggled as its blockbuster drug, Humira, faced competition from biosimilars in Europe for the first time. The drug is still shielded from competitors in the U.S. until 2023.

Biogen is a global biotechnology company focused on neurological, autoimmune, and hematologic disorders. The stock plummeted 29 percent after the company announced its experimental Alzheimer's drug is unlikely to be effective and that it is halting research. This marked Biogen's biggest intraday stock drop since 2005. The stock was sold from the portfolio.

CVS Health Corporation, an integrated pharmacy health care provider, traded ~10.6 percent lower after its mixed fourth quarter print and initial fiscal year 2019 guidance came in well below consensus. Policy risks also negatively affected investor sentiment on the pharmacy benefit management industry. Consequently, we sold the stock.

United Continental Holdings stock struggled after Expedia filed a complaint after United allegedly threatened to cut access to customer flight data.

Centene Corporation, an American healthcare company, fell along with other healthcare providers as investors worried about regulators clamping down on healthcare costs. Additionally, the company's bid to buy WellCare Health Plans for more than $15 billion in cash and stock faces scrutiny from U.S. antitrust regulators as the two insurers have strong overlaps in a few key states.

Outlook

Stock investors have been on a wild ride the past six months: Markets have gone from record highs, to being on the cusp of a bear market, to returning close to recent peaks. This has left some investors feeling defensive as valuations appear stretched by some metrics. Conversely, many also worry about missing the next leg up in the now decades-long bull market.

There are two key questions for investors going forward: first, given their recent change in tone, will the Fed now be as dovish as some expect? And second, where will the U.S. administration land on trade policy now that equity markets have rallied?

Regarding the Fed and interest rates, there is some reason for optimism. Despite the recovery in markets, commentary from some key officials suggests that the Fed is considering changing the way it responds to inflation. The brief version is that, with inflation having tracked below 2 percent for most of the last decade, perhaps it should be allowed to run above 2 percent for a while so that inflation averages 2 percent over the long term, rather than managing to a hard ceiling. Time will tell whether the Fed will act pre-emptively on rates in either direction, given a flat, or even inverted, yield curve in the coming months. In the meantime, expectations of a more dovish Fed, combined with reduced quantitative tightening, appear likely to support markets this year.

Regarding trade, while some progress seems to have been made this quarter between the U.S. and China, significant uncertainty regarding how negotiations will evolve remains. The underlying tensions are unlikely to be easily resolved given the U.S. and China will likely always compete head-to-head in several key industries, such as technology. In addition, even if an ongoing truce can be brokered between the U.S. and China, there is no guarantee that the U.S. administration won't re-start more confrontational trade policy with Europe.

Therefore, both monetary policy and trade progress generate optimism, but also downside risks, especially given many believe an optimistic outcome on both fronts is currently priced in.

Based on the first-quarter rally, the fourth-quarter dip in stocks did little to dent investor confidence. However, continued policy uncertainty creates a difficult environment for active management. Given an inverted yield curve, trade uncertainty, Brexit, and slowing economic growth, we believe investors need to remain disciplined and diversified and, as always, continue to avoid trying to time the volatile markets.

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.

[1]Source: Congressional Budget Office (CBO)

Benchmark Index:

The Russell 1000® Growth Index measures a growth-oriented subset of the Russell 1000 Index, which tracks approximately 1,000 of the large mid-sized capitalization companies in the United States equities market. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

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.

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