CARILLON CLARIVEST INTERNATIONAL STOCK FUND

CARILLON FAMILY OF FUNDS

INSIGHT | COMMENTARY

THIRD QUARTER | 2021

Investment Team

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Characteristics

Total Net Assets (millions): $11.37

Number of holdings: 131

Top 10 Holdings

Fujifilm

Nordea Bank

Toyota .

Nippon Telegraph and Telephone

ASML Holding

Volkswagen

Novartis

Roche Holding

Daimler

Deutsche Post

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 post-lockdown global recovery continues, but at a slower pace, as investors have increasingly worried about inflation, slowing corporate profitability, and central bank actions – not to mention the ongoing global pandemic!

The COVID-19 delta variant spread rapidly, causing the rollback of reopenings in some areas and renewed lockdowns in others. Supply chains were hit particularly hard, adding to growing concerns about input costs and the outlook for economic growth. Stagflation has been a popular term that keeps popping up in commentaries and interviews.

The global oil benchmark (Brent Crude) has surged more than 50% this year, adding to inflationary pressure that could impact the recovery. Natural gas has surged to a record peak in Europe and coal prices from major exporters have also hit all-time highs.[1] The Organization of the Petroleum Exporting Companies (OPEC), Russia, and other allies (known as OPEC+), chose to stay with a plan to increase output gradually and not boost it faster as the United States and other consumer nations have urged.

Markets have been jittery amid focus on China's regulatory clampdown. China is unmistakably on a path toward greater state involvement, with social objectives taking primacy over economic ones. In addition, the world is anxiously watching the Chinese housing market in the wake of property developer China Evergrande Group's potential default. According to Bloomberg, China's economy is vulnerable to falling property prices as real estate and related industries account for almost 30% of China's GDP (higher than the U.S. at the height of the 2008 bubble).

Portfolio Review

At the start of the quarter, as compared to its MSCI EAFE® (Net) benchmark, the International Stock Fund was most overweight the industrials and consumer discretionary sectors, and most underweight consumer staples and real estate. By the end of the quarter, the portfolio was most overweight the healthcare and information technology sectors and most underweight consumer staples and materials. Regarding countries, at the start of the quarter, the portfolio was most overweight Japan and the Netherlands, and most underweight France and Australia. By the end of the quarter, the portfolio was most overweight Germany and Japan and remained most underweight France and Australia. The most positive sector returns in the MSCI EAFE Index were in the energy and information technology sectors, while the materials and utilities sectors lagged. For countries, Austria and Norway outperformed all others, while Hong Kong and Belgium underperformed.

Stock selection contributed the most while sector allocation was also positive. Stock selection was strongest within financials and consumer discretionary and weakest within materials and utilities. Underweights to materials and consumer staples contributed to performance, while an overweight to consumer discretionary and an underweight to energy detracted. With regards to countries, stock selection was the main driver of outperformance, while country allocation was also positive. Overweights to Japan and the Netherlands contributed positively, while an overweight to Germany and an underweight to Norway detracted from performance. Stock selection was strongest within Japan and Switzerland and was weakest within the Netherlands and the United Kingdom.

Nippon Yusen Kabushiki Kaisha is a Japanese company that mainly provides marine transportation services. The company reported strong quarterly results and upped guidance as shipping capacity shortages and port closures contributed to persistent container market strength.

Sony, the Japanese consumer electronics and media company, traded higher after the company's India unit signed a non-binding deal to buy a majority stake in a television network. Additionally, PlayStation 5 sales hit the 10 million mark roughly eight months after its initial release.

Fujifilm is a company in Japan that develops, sells and services imaging, information, and document solutions. In addition to strong sales of semiconductor and display materials, robust demand for medical equipment and services developing and manufacturing covid-related therapies contributed to the company's profit-beat and guidance raise.

Nordea Bank provides banking, financial, and related advisory services and is headquartered in Finland. In addition to strong second-quarter results driven by better fee and commissions, income, and credit reversals, the bank also announced an intention to restart dividend payments.

[1] *Source: Reuters*

Best Securities	Average Weight (%)	Contribution to Return (%)
Nippon Yusen Kabushiki Kaisha	1.41	0.56
Sony	2.37	0.40
Fujifilm	2.38	0.37
Nordea Bank	2.13	0.33
ASM International	1.34	0.31
Worst Securities		
ASML Holding	0.46	-0.23
Moet Hennessy Louis Vuitton (LVMH)	0.83	-0.19
Novartis	1.92	-0.18
Volkswagen	1.75	-0.15
Iberdrola	0.84	-0.12

As of September 30, 2021. 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.

ASM International is a supplier of wafer processing equipment, primarily for the semiconductor manufacturing industry and is based in the Netherlands. The company reported record orders that were seen as ahead of expectations and a positive indicator of future profitability.

ASML Holding, based in the Netherlands, develops, produces, markets, sells,and services advanced semiconductor equipment, consisting of lithography related systems. As we did not hold the stock for most of the quarter, its strong performance helped by strong results over the period, detracted from performance.

Moet Hennessy Louis Vuitton (LVMH) is a diversified luxury goods group based in France. The stock fell along with other luxury names amid concerns about a crackdown on wealth in China.

Novartis is a pharmaceutical company headquartered in Switzerland. The company reported second-quarter profit that exceeded expectations, however news that it had discontinued one of its drug studies weighed on the stock late in the quarter.

Volkswagen, headquartered in Germany, manufactures and sells vehicles. The company reported strong first-half results however the stock traded down as continued semiconductor shortages led to production cuts.

Iberdrola generates, distributes, trades, and markets electricity and specializes in clean energy, and more specifically wind power and is based in Spain. Shares fell alongside those of peers after the Spanish government said it would cap windfall profits for power companies in a bid to curtail the impact of record-high energy prices.

Outlook

Like all investors, we are trying to forecast the post-pandemic economic landscape. At the moment, it definitely feels like there are more questions than there are answers. It would not surprise us to see continued bouts of volatility and corrections.

It appears that many major economies still have spare capacity, and inflation pressures appear transitory, caused by COVID-19-related supply shortages. Rate hikes by the U.S. Federal Reserve seem unlikely in the short term.

Low interest rates reduce the rate at which future earnings are discounted, often supporting higher valuation levels. Median market valuations, while off the highs, remain above the long-term averages. Assuming rates rise over time, the valuation ratio is likely to trend lower. This doesn't mean the market has to plummet, but it raises the importance of valuations as a driver of stock-market returns.

One key risk is that the delta variant (or others) proves resilient to vaccination or that infection rates escalate during the Northern Hemisphere's winter. The evidence so far is that vaccinations are effective in preventing serious illness. In addition, booster shots appear to have slowed the rate of new cases.

Our investment philosophy is built around the idea that due to behavioral biases, investors tend to anchor to the long-term trend, and incorrectly dismiss short-term changes. This is reflected in our signature portfolio characteristics of long-term earnings growth that is typically in line with the benchmark, but recent earnings growth that is higher than the benchmark. That distinct pattern, combined with discounted fundamentals, is what we refer to as "underappreciated growth." The current situation in growth and value rhymes with our philosophy, in that investors are anchoring to the long-term growth trend but are discounting value's recent strength, and more importantly the reasons behind it. It gives us considerable confidence in our positioning for the remainder of 2021 and beyond.

Risk Considerations: International investing presents specific risks, such as currency fluctuations, differences in financial accounting standards, and potential political and economic instability. These risks are further accentuated in emerging market countries, where risks can also include possible economic dependency on revenues from particular commodities or on international aid or development assistance, currency transfer restrictions, and liquidity risks related to lower trading volumes.

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.

Quantitative risk involves the dependence on proprietary quantitative tools for security selection which may not be predictive of a security's value.

Securities in the Carillon Clarivest International Stock Fund are typically selected from investment universes consisting of companies economically tied to, and principally traded in, countries outside of the United States.

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Investors may not make direct investments into any index.

A yield curve is a line that plots yields (interest rates) 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.

Benchmark Index:
The MSCI EAFE® (Net) Index measures the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The MSCI EAFE® (Net) Index subtracts any foreign taxes applicable to US citizens but not applicable to citizens in the overseas country. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

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