CARILLON CLARIVEST INTERNATIONAL STOCK FUND

CARILLON FAMILY OF FUNDS

INSIGHT | COMMENTARY

FOURTH QUARTER | 2018

Investment Team

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Characteristics

Total Net Assets (millions) $13.39

Number of holdings: 119

Top 10 Holdings

Novartis

Nestle

Roche Holding

Marubeni

Itochu

Allianz

Enel SpA

Nippon Telegraph & Telephone

GlaxoSmithKline

NN Group

Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Contact Carillon Fund Services at 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

Global equity markets sold off violently in the fourth quarter, resulting in negative performance for almost all asset classes in 2018.

Market and economic downturns can be triggered, or exacerbated, by political uncertainty, and it is possible for erratic and bungled policy-making to tip vulnerable financial markets into a panic. President Trump's inconsistent moves introduced an unhelpful element of chaos into already shaky markets, and concerns around slowing global economic growth, escalating trade wars, and Brexit rattled investors.

Changes in monetary policy abroad weighed on investor sentiment. Central banks have finally transitioned from buying to selling. After accumulating huge bond portfolios as part of "quantitative easing" efforts to revive (or perhaps save) the economy in the aftermath of the global financial crisis, the European Central Bank ended purchases in December 2018.

The global economy is slowing. The biggest question mark may be China, which has been proving doubters wrong with strong growth for decades but faces several concerns including a GDP slowdown or debt crisis. That said, if the world's second-largest economy goes into a recession, the rest of the world will definitely be impacted.

Outside the United States, excessive macro-driven dynamics were a headwind for our strategies, as they drowned out stock-specific fundamentals. Most non-U.S. economies are less domestically focused than their U.S. counterparts, and therefore, they tend to be more affected by macro headwinds. This environment has made it much more difficult to have quarter-over-quarter persistence in fundamentals. Historically, as country returns have diverged (a proxy for the extent to which macro forces are dominating markets), our performance has struggled. However, we have also observed that elevated dispersion in one quarter tends to lead to higher returns in the following quarter, as macro-driven volatility usually results in indiscriminate trading, which often creates more opportunities for the future.

Portfolio Review

Best Securities	Average Weight (%)	Security Contribution to Portfolio Return
Enel SpA	1.73	0.20
St. Barbara	0.35	0.09
Ashlsell	0.55	0.06
Iberdrola	0.66	0.06
Air France-KLM	0.59	0.03
Worst Securities		
Covestro	1.33	-0.64
Marubeni	2.55	-0.63
Lonza Group	2.10	-0.51
Eiffage	1.52	-0.41
Royal Dutch Shell	2.60	-0.39

As of Dec. 31, 2018. 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.

Enel SpA is an Italy-based multinational distributor of electricity and gas. Positive drivers for the stock included better-than-expected earnings results and growing optimism that the government's budget plans would be revised to meet European Union guidelines.

St. Barbara engages in the production and exploration of gold and minerals and is based in Australia. Encouraging production results, as well as a rally in gold amid volatile market conditions, were positive drivers during the quarter.

Ahlsell is a Swedish provider of installation products, tools, and supplies. The company delivered mixed results; however, the stock price shot up when CVC Advisers Ltd. announced plans to acquire the company.

Iberdrola is a Spanish utility. The company's nine-month earnings rose after it got a boost from its Brazilian unit and profited from increased rain in Spain.

Air France-KLM, the French airline, delivered solid quarterly returns emphasizing strong performance in the long-haul segment and discipline on costs .

Covestro is a German-based producer of polymers and high-performance plastics. Shares of the company fell amid stronger-than-expected competition in key product groups, as well as production losses and increasing logistics costs.

Marubeni is a Japanese trading company with a diverse portfolio. Despite delivering a solid quarter, the company failed to raise guidance in part due to concerns over a legal dispute in Indonesia.

Lonza Group, a Switzerland-based chemicals producer, fell on concerns that a global slowdown would hamper earnings growth.

Eiffage is a French holding company that engages in construction and public works. While the company reported strong third-quarter revenues, the stock fell on concerns that protests over rising fuel prices and gas taxes would have a negative impact on traffic and reduce toll road concessions.

Royal Dutch Shell, an integrated oil and gas company headquartered in the Netherlands, fell after missing third-quarter consensus estimates, while weaker oil prices contributed to the negative sentiment surrounding the industry.

Outlook

ClariVest performance in 2018 faced multiple headwinds across market capitalizations and geographies. These challenges centered on the disconnect between fundamentals and stock prices, as well as a lack of persistence in those fundamentals. These occurrences are contrary to long-term patterns, and we expect them to reverse, and therefore, we are very optimistic going forward.

The disconnect between fundamentals and price has many potential culprits. The deallocation from active management, and in particular, from liquid alternatives strategies, which suffered sizable outflows over the year, likely influenced this dislocation. Another contributor is the shrinking supply of growth opportunities causing the remaining ones to get bid up with little restraint.

On the other hand, the lack of consistency in fundamentals has been caused primarily by the macro-driven volatility and uncertainty in the current environment. The uncertainty caused by trade tensions, rising interest rates coupled with the attenuation of quantitative easing, China growth worries, geopolitical drama, and so on has made it quite difficult to have quarter-over-quarter persistence in fundamentals.

Unpredictable macro-themed volatility is not uncommon as markets look for the next cycle's leaders. What is critical, however, is to understand what happens once markets identify that leadership. One can look to the period around the global financial crisis – and then the subsequent five to seven years of strong performance.

While we have confidence in our philosophy and process in most markets, we accept the fact that from time to time our approach can be out of favor. In the face of these challenging environments, it is critical that we stay true to our investment approach. Our senior portfolio managers, who have been together for more than 15 years, are seasoned in navigating through this process.

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. The fund may invest in small- and mid-cap stocks, which may involve greater risks than investing in larger, more established companies. These companies often have narrow markets and more limited managerial and financial resources.

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.

Past performance is not indicative of future results and investing involves risk, including the risk of loss. All information as of December 31, 2018. Opinions expressed are the current opinions as of the date appearing in this material only. This material should not be construed as research or investment advice. No part of this material may, without Carillon Tower Advisers' prior written consent, be copied, photocopied or duplicated in any form, by any means.

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Benchmark Index:

Investors may not make direct investments into any index.

The MSCI EAFE® 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. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

The Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe.

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CFD19-0076, Exp. 4/30/19