CARILLON EAGLE GROWTH & INCOME FUND

CARILLON FAMILY OF FUNDS

INSIGHT | COMMENTARY

FIRST QUARTER | 2019

Investment Team

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Managing Director, Portfolio Manager

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Portfolio Co-manager

Ed Cowart, CFA
Portfolio Co-manager

Characteristics

Total Net Assets (millions) $765.97

Number of holdings: 35

Top 10 Holdings

Microsoft

Cisco Systems

JPMorgan Chase

Honeywell

Cinemark

Johnson & Johnson

Procter & Gamble

Chevron

Union Pacific

PNC Financial

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 S&P 500 delivered its best start to the year in over a decade, trading 13.6 percent higher during the first quarter. Stocks overcame a major government shutdown, rising trade tensions across the world and an inversion of a highly watched segment within the yield curve. Inflation still seems relatively benign, causing the U.S. Federal Reserve (Fed) to rethink its tightening policy in an effort to support the financial markets. Crude oil also rallied 32 percent during the quarter.

Portfolio Review

Best Securities	Average Weight (%)	Security Contribution to Portfolio Return
Cisco Systems	3.58	0.85
Microsoft	4.68	0.74
Honeywell	3.52	0.70
Union Pacific	3.31	0.67
Crown Castle	2.65	0.48
Worst Securities		
Pfizer	2.35	-0.15
Coca-Cola	3.04	-0.01
Medtronic	2.55	0.00
DowDuPont	1.82	0.02
Evergy	2.16	0.07

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, 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.

Revenue growth remains strong at Cisco, as the company is still in the early innings of its newly introduced switching platform. Management increased guidance and the dividend as well.

Microsoft shares also rebounded following the fourth-quarter sell-off in the technology sector. The company continues to rapidly expand its cloud business, leading to expanded margins and impressive revenue growth.

Honeywell announced a great quarter and higher-than-expected guidance for 2019. Warehouse automation remains a key driver for the company and helped increase the backlog by 15 percent over the past year.

Union Pacific announced a solid revenue and earnings-per-share number ahead of estimates. The implementation of Precision Railroading creates continued opportunity for margin expansion. The company also aggressively increased its share repurchase activity, driving share count down nearly 7 percent over the past year.

Crown Castle outperformed largely due to lower interest rates and the company's continued earnings growth. Management recently reiterated its guidance calling for 7 to 8 percent annual dividend growth.

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The healthcare sector was one of the best-performing sectors in the fourth quarter of 2018 as investors rotated into more defensive industries, like pharmaceuticals. However, pharmaceutical stocks have underperformed year-to-date. We primarily attribute this to a mean reversion trade in a more risk-on market. Pfizer's underperformance in first quarter was also exacerbated by investor nervousness ahead of the release of initial 2019 guidance in late January.

Coca-Cola shares traded lower after the company announced weaker-than-expected guidance for 2019. Management blamed foreign exchange, higher interest expense and taxes as the culprits. Operationally, the company has completed most of its refranchising and has targeted investments in Africa and Asia that remain to be sold.

Medtronic underperformed in the first quarter for two reasons: First, management provided cautious commentary in January regarding two non-operational headwinds (tax and currency) that will likely weigh on its fiscal 2020 outlook. Second, the FDA delivered a cautionary letter to physicians regarding the safety of one of Medtronic's growth drivers – drug-coated balloons to treat peripheral artery disease. We believe Medtronic will be able to offset this loss with growth elsewhere in the portfolio.

DowDuPont traded lower as investors continued assessing corporate actions. The company is expected to split into three units, which we view as a positive. A slowing macro environment is also weighing on certain segments.

Management at Evergy lowered its targeted growth rate from 6 to 8 percent to 5 to 7 percent. Currently in the midst of a large share buyback, high stock valuations are causing the company to buy back a lower number of shares, thus lowering the targeted EPS growth rate.

Outlook

Based on many years of investment experience, we believe that there is a recession and a bear market in our future. Based on the same investment experience, we can also say (with perhaps somewhat less certainty) that an economic downturn and a broad, persistent decline in stock prices are not likely anytime soon. Ever since the current economic expansion began over a decade ago, there has been a constant chorus of investors and pundits calling for a recession. The bull market that has been ongoing for almost exactly 10 years is the most unloved, unbelieved and unembraced market in modern financial history. The devastating bear markets of the late 1999-2000 and 2007-08 periods seem to have indelibly imprinted a cautious, negative bias on most investors with respect to equities. It is human nature to expect the most recent experience to be repeated in the future. While many market participants have been selling stocks, buying bonds, and waiting for Armageddon, the S&P 500 has steadily risen to over four times the level of March 2009, albeit with some short-term setbacks along the way.

One such setback was in late 2018. The combination of fears of a too-hawkish Federal Reserve and deteriorating prospects for global growth worked to drop stock prices by about 20 percent in the fourth quarter of last year. However, this decline turned out to be like all the others since the bull market began—short, sharp, scary, and quickly reversed. In fact, as of early April, the S&P 500 has recovered almost all of the ground lost in the last quarter of 2018, recording the best opening quarter since 1998. The Fed abandoning its tightening policy and the improving prospects for global growth both contributed to the rally. Fear of trade wars has also receded, China is aggressively easing policy, some "green shoots" of recovery are appearing in Europe, and U.S. economic growth is poised to continue on a steady 2- to 3-percent growth path.

There has been much recent discussion about the inverted Treasury yield curve (short-term interest rates higher than longer term rates). It is undeniably true that an inverted yield curve has been a reliable precursor to recessions in the past. However, the duration of the inversion is a factor. Which particular rates are inverted vis-a-vis one another – e.g. 3 month, 2 year, 10 year, 30 year – is a consideration. Finally, prior yield curve inversions took place when overall rates were much higher than today and without the Fed actively suppressing long rates with its purchases of government securities. So: With leading indicators still rising, employment growth strong with wages rising, and credit conditions easy, we think it is much too early to expect a recession.

Recessions and bear markets do not fall out of the sky, nor do they arrive on a timetable. There is a natural tendency toward economic growth in the United States as population/labor force growth, productivity, and innovation all work to move total national output higher. Recessions and subsequent bear markets for stocks are almost always caused by policy errors or big negative exogenous events. The big negative events are very rare but, by nature, unpredictable. We view current policy as steady, supportive, and largely self-correcting.

While stock prices are nearly back to their levels of last fall, bond yields are considerably lower. With forward EPS* growth of roughly 5 to 6 percent for the S&P 500 expected this year and next[1] (following more than 20 percent in 2018), valuation of stocks versus bonds has improved. This favorable comparison of the earnings yield on stocks (the inverse of the price-to-earnings ratio) and bond yields has been the overarching factor that has kept us favorably disposed toward equities for the past decade.

On a relative basis, growth has prevailed, although value-oriented portfolios and value indices have made good absolute gains over the past 10 years. This stretch of growth domination has lasted longer than at any time since the construction of growth and value indices, and has caused many investors to avow that this is the "new normal." We do not believe this is true. We continue to believe that buying what is cheap (and financially and operationally sound) and selling what is expensive is the key to long-term wealth accumulation.

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.*

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*EPS = earnings per share. Earnings per share is the portion of a company's profit allocated to each share of common stock. Earnings per share serve as an indicator of a company's profitability. Forward EPS (or forward earnings) are an estimate of a next period's earnings of a company, usually to completion of the current fiscal year and sometimes of the following fiscal year.

[1]Source: Credit-Suisse

Benchmark Index

The S&P 500® Index is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

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