CARILLON EAGLE MID CAP GROWTH FUND

CARILLON FAMILY OF FUNDS

INSIGHT | COMMENTARY

SECOND QUARTER | 2021

Investment Team

Bert Boksen, CFA
Managing Director and Portfolio Manager

Eric Mintz, CFA
Portfolio Manager

Chris Sassouni, D.M.D.
Portfolio Manager

Characteristics

Total Net Assets (billions): $8.31

Number of holdings: 91

Top 10 Holdings

CrowdStrike
Pinterest
Pool
Synopsys
Waste Connections
IDEXX Laboratories
MSCI
RingCentral
Tyler Technologies
LPL Financial

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

Mid-cap stocks extended their recent run of success in the second quarter, advancing for the fifth consecutive quarter following the sharp selloff induced by the early stages of the pandemic. Among the two style indexes, the Russell Midcap® Growth Index (up 11.07%) staged a strong comeback against its Russell Midcap® Value Index (up 5.66%) counterpart, after lagging rather significantly in the first quarter. Individual sector returns across the Russell Midcap Growth were nearly all positive, with energy (up 19.85%) and real estate (up 17.58%) leading the way, despite their relatively modest weightings in the benchmark. Impressive double-digit gains were also seen within healthcare (up 13.46%), communication services (up 12.90%), and financials (up 11.72%). The worst performing sectors were consumer staples (up 0.20%) and materials (down 1.90%). The latter was the only sector to post negative returns in the quarter.

Portfolio Review

Best Securities	Average Weight (%)	Contribution to Return (%)
CrowdStrike	2.51	0.86
Moderna	1.43	0.83
Pool	2.34	0.65
IDEXX Laboratories	1.83	0.49
DocuSign	1.22	0.44
Worst Securities		
Peloton Interactive	0.46	-0.34
Guardant Health	0.56	-0.13
Global Payments	1.60	-0.11
LPL Financial	1.98	-0.11
DraftKings	0.33	-0.10

As of June 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, 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.

CrowdStrike provides cloud-based software solutions used in the security of computers, servers, and mobile phones. The company delivered revenue that came in above expectations and provided strong guidance as protection of enterprise assets and cloud workloads from cyber attacks remains top of mind for enterprises of all sizes. This ongoing dynamic should continue to result in a robust demand environment for CrowdStrike's innovative products and services.

Moderna is a biotechnology company pioneering messenger RNA (mRNA) therapeutics and vaccines. The stock outperformed in the quarter, as the firm's COVID-19 vaccine has shown effectiveness against the emerging variants of the disease, specifically the now prevalent Delta variant. The potential need for additional booster shots of the vaccine to maintain longer-term immunity as well as protection against possible future variants is also contributing to the stock's move higher.

Pool is the world's largest wholesale distributor of swimming pool supplies, equipment, and related leisure products. The stock performed impressively in the quarter after posting a positive quarterly update that highlighted a continuation of the numerous trends benefitting the firm as of late. Consumers continue to show a desire to invest in their living and entertainment spaces, and when combined with broader migration trends that favor Sunbelt areas, as well as a strong housing market, that has resulted in elevated demand for the firm's products.

IDEXX Laboratories develops, manufactures, and distributes products and provides services primarily for the companion animal veterinary, livestock and poultry, dairy, and water testing markets. The firm has been an impressive contributor, as it continues to benefit from its market-leading position, as well as from a steady pace of new product introductions. It also is benefitting from the uptick in pet adoptions and overall level of pet-related spending induced by the pandemic.

DocuSign provides electronic signature solutions. The firm reported an excellent quarter and investors have appreciated the strong growth combined with the excellent margins the company has posted. DocuSign has a long runway of growth ahead and we believe that it remains in a favorable position to continue gaining market share from traditional manual and paper-based signature solutions.

Peloton Interactive operates a connected fitness platform offering live and on-demand classes allowing users to exercise at home. The firm's shares were pressured in the quarter after Peloton announced a voluntary recall for both its legacy treadmill (Peloton Tread+) and its newly-launched base model treadmill (Peloton Tread). The issue surrounding the latter is somewhat troubling, as it appears it may be the result of an engineering flaw. This new treadmill offering was expected to be a key growth driver in the second half of 2021, and this development reduces our confidence in Peloton's product pipeline. Therefore, we sold the stock.

Guardant Health is an industry leader in the emerging field of liquid biopsy, a modern diagnostic technology that gives clinicians the ability to detect minute levels of cell-free DNA from cancers located in the blood. The firm's stock came under pressure a bit during the quarter as a number of new companies began to emerge in this field. Despite this, Guardant remains one of the unquestioned leaders in the space, as it possesses proprietary tests that have market-leading levels of both sensitivity and specificity.

Global Payments is a payments technology company delivering innovative payments and software solutions that allow customers to operate their businesses more efficiently. Investors have been disappointed at the pace of the revenue acceleration given the uneven nature of the reopening globally. The U.S. is doing well with issues, but Europe and Asia remain in various stages of reopening and lock-downs and thus, spending has been curtailed. However, we believe that the U.S. is leading the way and as vaccines are rolled out worldwide, Global Payments stands to benefit in the second half of this year and into 2022.

LPL Financial is an independent broker-dealer offering technology, brokerage, and investment advisory services to financial advisors and financial institutions. The firm's shares underperformed in the quarter due in part to the somewhat lofty valuation the stock was trading at after its outperformance in the first quarter.

DraftKings is a digital sports entertainment and gaming company that provides online and retail sports wagering, online daily fantasy contests, and online casino games. The firm's quarterly results were highlighted by much better than expected revenues, although profitability metrics did not top expectations by the same magnitude. The stock has been under pressure with investors digesting continued financial losses as DraftKings invests in new jurisdictions. In addition, late in the quarter the company was the subject of a short report alleging questionable activities involved with an acquisition. We sold the stock.

Outlook

Despite early signs of inflation and the specter of possible U.S. Federal Reserve (Fed) tightening beginning in 2022, equity markets continued their strong run during the second quarter. Surprisingly, 10-year Treasury yields dropped in the face of sharply higher inflation figures. With the market seemingly discounting inflation, perhaps agreeing with Fed Chairman Jerome Powell that inflation is indeed transitory, it's currently quite difficult to identify any potential macro factors that could derail the bull market over the short term. Companies with strong pricing power should perform relatively well in the face of rising costs. With the majority of the country fully reopened, led by a very healthy consumer, the economy is quite strong and even gathering considerable strength. Certainly, earnings reports for the June quarter will be very positive against the easy comparisons of the same period in 2020, and productivity enhancements implemented during the pandemic should bolster margins going forward. Politics being what they are make it difficult to handicap the impact of the large infrastructure package winding its way through Congress, although with bipartisan support it seems likely to pass. However, the larger and more controversial Democratic proposal including a myriad of social welfare programs with additional tax increases faces more challenges. If either or both of these spending proposals are passed, it would add fuel to an already healthy economy. Additionally, valuations are certainly elevated across the board, but for the time being the market has shrugged this off. One note of caution: Equity markets have a tendency to surprise on the downside when the overall outlook might seem bright.

The outlook for cyclically sensitive areas of the market appears constructive in light of the unfolding global economic recovery. While first half of 2021 earnings growth rates may be the "peak" of the cycle for the industrials, materials, and energy sectors, we believe the current economic expansion may be more prolonged in duration. Continued progress on the vaccination front, the recent pullback in long-term interest rates, a gradual alleviation of supply chain constraints, and a possible bipartisan infrastructure bill all represent compelling reasons to be optimistic on the economic outlook for the next 12 to 18 months. In response to the modest pull-forward in the expected timing of interest rate hikes revealed at the Fed's May meeting, the stock prices of many cyclical stocks pulled back in anticipation of tighter monetary policy. The bond market's response contrasts the Fed-induced gyrations in the equity markets. The yield curve flattened as longer-term Treasury yields actually declined – providing further stimulus to credit-sensitive areas of the economy, most notably housing. Anecdotally, many of our conversations with management teams suggest that the supply chain constraints in the manufacturing sector appear to be abating. Finally, we note that prospects for a bipartisan infrastructure bill, while difficult to handicap, do appear to have brightened despite mixed messages. Given these favorable dynamics, we remain optimistic that the cyclically oriented areas of the market will provide solid returns in the coming quarters.

As of this writing, the global impact of COVID-19 is still being felt. Many countries are still struggling to reopen. Others are in the midst of a surge of variants of the virus that are wreaking havoc on their economies, infrastructure, and the lives of their people. Despite this, there are countries, such as the U.S., that are doing everything in their power to return their economies to some sense of pre-pandemic normalcy. All the while, they remain vigilant for new and potentially more infectious variants of the virus. Due to the success of Operation Warp Speed, 321 million doses have been administered as of this writing. In percentage terms, the U.S. Centers for Disease Control and Prevention (CDC) estimates that 46% of the American population is fully vaccinated, with perhaps 60 to 70% of Americans possessing some level of immunity through partial vaccination or previous exposure or infection.

However, this specific virus is unlike the majority of pandemic-inducing diseases that have afflicted humans historically. As would be expected, as the number of potential hosts develop resistance, viruses tend to mutate. New mutations of this virus, especially the Delta variant, have been shown to be much more infectious than the original strains and, in many cases, produce symptoms that are much more severe. For now, we must remain vigilant.

Against this backdrop, the U.S. healthcare industry is undergoing a transformation unlike any we have seen in the previous 50 years. This has been spurred, in part, by the need for the healthcare system to develop new and innovative ways to access patients during the pandemic. Despite this, the U.S. healthcare system unfortunately remains decades behind the majority of corporate America in regards to the adoption of technology. Interestingly, there recently has been a wave of technology-related companies pursuing opportunities in the healthcare industry, triggering what is being referred to as the "digital healthcare revolution." It is our belief that new business models will emerge from this, leading to much higher overall levels of patient satisfaction as well as a plethora of attractive investment opportunities. Other compelling areas to watch are in the fields of cell and gene therapy, which hold great promise as treatments (and in some cases, cures) for both hard-to-treat cancers and genetic or rare diseases.

During the pandemic, we saw corporations focus their spending on technologies to enable cloud computing and work from anywhere, while consumers spent on electronics and home-related technologies. As the world begins to emerge from the pandemic, we expect enterprise spending on technology to broaden more generally and will likely accelerate. We expect an increase in technologies that are poised to benefit from travel and hospitality, as well as social interaction. We also foresee a catch-up in spending as a result of the pent-up demand of projects that were temporarily postponed, and on technologies that enable the recovery in the industrial and consumer discretionary sectors, such as those related to semiconductors. Increased visibility of this positive economic environment is likely to support healthy corporate budgets. A resumption in technology spending beyond the U.S. as various countries emerge from the pandemic is likely to provide a second wind to the recovery in 2022. Besides cloud computing and work-from-anywhere beneficiaries, we continue to find attractive opportunities in themes such as artificial intelligence, mobility and telecommunications infrastructure, digital payments, Internet of Things, smart home, industrial automation, security software, e-gaming, and alternative energy.

The current outlook for the financials sector remains constructive. Despite pulling back slightly this quarter, interest rates are above their historically extreme lows. Given this rate backdrop coupled with an accelerating economy, we see selective opportunities in the regional banking space. In addition, we see appealing opportunities in certain financial advisors who are gaining market share and will also benefit from a rising rate environment. As the economy continues to heal, we anticipate an acceleration in the pace of mergers and acquisitions. We feel this underlying environment will continue to benefit smaller advisory boutiques that are gaining share from the larger firms. In addition, we are pursuing unique opportunities in the insurance industry, specifically in the emerging Medicare Advantage market, where brokers are bringing unique product offerings direct to consumers and taking share market share from the traditional in-person broker model.

At the moment, the consumer has money and is ready to spend. Domestic leisure travel has rebounded considerably, and international travel is slowly showing signs of picking up. While business travel remains subdued, we recently received an invite to an in-person investment conference for the first time since the beginning of the pandemic. Cruise lines have begun sailing and are reporting very strong pent-up demand and pricing. Virtually all retailers, including the mall-based cohort, are reporting encouraging results. Many new car models are completely sold out, reflecting supply issues in the face of robust demand, and used car prices are through the roof. New and existing home sales are extremely strong, as is furniture and remodeling. Leisure products such as boats are in short supply. Although unemployment figures remain at elevated levels, there are a plethora of job openings throughout the country as extended unemployment benefits subside. Importantly, the seeming worker shortage should result in higher wages which, while somewhat inflationary, should contribute to the overall health of the country. We remain highly constructive on consumer stocks at this time.

Risk Considerations: 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.

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.

Benchmark Index:

The Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000® Growth Index.

The Russell Midcap® Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

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

CFD21-0525, Exp. 10/31/21, CM-CFF-CEMCG