CARILLON EAGLE MID CAP GROWTH FUND

CARILLON FAMILY OF FUNDS

INSIGHT | COMMENTARY

FIRST QUARTER | 2019

Investment Team

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Characteristics

Total Net Assets (billions) $5.11

Number of holdings: 94

Top 10 Holdings

Waste Connections
SBA Communications
ServiceNow
Keysight Technologies
Lululemon Athletica
Twitter
TransUnion
Splunk
Burlington Stores
Edwards Lifesciences

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

Mid-cap stocks rebounded during the first quarter as the Russell Midcap® Growth Index (up 19.6 percent) and the Russell Midcap® Value Index (up 14.4 percent) both posted double-digit gains in the wake of what had been a tumultuous market environment towards the end of 2018. All sectors across the Russell Midcap Growth Index posted positive returns during the quarter, led by information technology (up 25.1 percent) and real estate (up 19.7 percent). Industrials (up 18.9 percent) also posted solid positive performance. Consumer staples (up 7.4 percent) and communications services (up 10.2 percent) substantially trailed the broader benchmark's very strong returns, while still posting positive absolute returns.

Portfolio Review

Best Securities	Average Weight (%)	Security Contribution to Portfolio Return
Keysight Technologies	1.97	0.69
ServiceNow	1.87	0.66
Chipotle Mexican Grill	1.12	0.59
Lululemon Athletica	1.69	0.57
SBA Communications	2.21	0.49
Worst Securities		
Qurate Retail	1.62	-0.23
Burlington Stores	2.37	-0.12
ABIOMED	0.89	-0.12
Take-Two Interactive Software	0.59	-0.05
Centene	1.36	-0.04

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.

Keysight Technologies is a provider of electronic measurement instruments and testing systems. Shares of Keysight have benefitted from strong order growth within its core operating segments. The firm's systems and components are increasingly used in telecommunications end markets as a part of next-generation 5G wireless network implementations, as well as next generation data centers.

ServiceNow is a cloud-computing vendor focused on automating workflows. Investors have demonstrated their appreciation for the company's robust growth and expansion of the total addressable market beyond IT Help Desk to encompass IT Operations, Customer Service, and Security workflows.

Chipotle Mexican Grill shares jumped after the firm reported better-than-expected quarterly results driven by strong comparables and margins. The company has also been investing in initiatives including the launch of Chipotle Rewards and a partnership with Venmo, which we believe should help to drive increased traffic and boost results.

Lululemon Athletica designs and retails athletic apparel and accessories. The company's compelling product cycle and initiatives, as well as strong brand awareness, enabled Lulu to beat estimates and provide strong guidance.

SBA Communications operates as a real estate investment trust (REIT) with a focus on wireless communications infrastructure. The firm has benefitted from improvements in tower leasing activity in recent periods, while the expected acceleration in next-generation wireless network investment by telecommunications service providers should provide additional upside for SBA moving forward.

Qurate Retail operates TV retailers QVC and HSN, as well as online retailer Zulily. Recent improvements in HSN and Zulily were offset by a soft holiday season at QVC. We remain cautiously optimistic on Qurate and continue to hold the stock as the firm's free cash flow yield is approximately 15 percent.

Off-price clothing retailer Burlington Stores saw shares decline slightly as the firm reported mixed quarterly results, citing same-store sales numbers and guidance below investor expectations. The issues in the quarter appear self-inflicted, and management is addressing the unfavorable merchandising that impacted results.

ABIOMED, which sells cardiac medical devices, saw shares wane as perceived competitive pressures gave investors pause. We remain confident in the merits of ABIOMED's Impella product relative to its peers. We also expect the firm to benefit longer-term from its strong pipeline of new technologies, as well as enhancements to its existing platforms.

Take-Two Interactive Software develops video games for consoles as well as PCs. After a strong run in the stock in anticipation of a major game release, sentiment softened on weaker-than-expected monetization trends in the game's online segment.

Centene, which engages in the provision of programs and services to government sponsored-healthcare programs, reported encouraging results during the quarter with exchange enrollment growing faster than expected. However, the combination of regulatory uncertainty with the announced acquisition of WellCare ultimately weighed on shares of the stock.

Outlook

The final quarter of 2018 was a challenging one. Equity markets rebounded strongly during the first quarter as the U.S. Federal Reserve (Fed) reversed its hawkish October 2018 comments to now take a position with at most one and more likely no interest rate hikes forecast for 2019. The other large overhang on equity markets – tariffs – seems to be in the rear-view mirror, although it is not resolved. Even a recent inversion of the yield curve, a frequent recession forecaster, appears to have had a negligible impact on sentiment.

Following a stunning whipsaw in oil prices over the past six months, we hold a cautiously optimistic view on the energy sector. Oil prices plunged over 40 percent in the final months of 2018 – only to snap back over 30 percent to near $60 per barrel in the first quarter of 2019. E&P management teams, no strangers to oil price volatility, have been tasked by equity investors with a strict mandate to generate positive shareholder returns and generate free cash flow. We continue to believe that $50 per barrel is a key threshold for activity in the Permian Basin, as it is the marginal cost per barrel in the global oil market. In this challenging environment, management teams are struggling to plan their budgets and manage drilling operations. The combination of management discipline and investor apathy has left stock prices languishing despite the recent recovery in oil prices. With more muted expectations for production growth from North American shale, Saudi Arabian-led OPEC remains the key factor in the oil market. In contrast to the ramp in production ahead of Iran sanctions that were never enforced in late 2018, OPEC has shown discipline by aggressively cutting production to support oil prices necessary to balance sovereign budgets. Additionally, geopolitical turmoil in Venezuela has provided additional support for oil prices. As such, we believe the current oil market fundamentals are stronger than the equity market valuations imply – absent a sharp downturn in the global economy – and see room for outperformance from the energy sector in the future.

The outlook for the industrials and materials sectors appears balanced with both visible headwinds and tailwinds on the horizon. The combination of (1) a continued deceleration in global economic growth, (2) uncertainty surrounding global trade policy and (3) a flattening yield curve that is close to inverting present a challenging environment for relative outperformance in the most economically sensitive areas of the stock market. On the positive side, central banks have quickly pivoted into easing mode and monetary and fiscal policies in many regions are now supportive of future growth. In fact, the current Fed funds future curve now predicts that the Fed will lower interest rates by the end of 2019. This is a dramatic about-face from October when Fed Chairman Powell hawkishly proclaimed that the Fed funds rate was "a long way from neutral." In the current environment, we remain committed to investing in companies that have secular growth opportunities that can outperform through the course of the cycle.

In our view, the environment within healthcare remains poised to support greater-than-GDP growth rates given the combined tailwinds of an aging population, longer lifespans, the crippling impact of chronic conditions and new medical innovations. The adoption of high-deductible health plans, coupled with health savings accounts (HSAs), has forced employees to shoulder a much larger burden of their insurance premiums and other out-of-pocket healthcare expenses, ultimately encouraging patients to more closely scrutinize their care-related decisions. We also believe that consolidation through mergers & acquisitions (M&A) activity is likely to continue throughout the healthcare industry.

We strive to identify healthcare companies that offer disruptive technologies or services that will drive significant revenue growth for these companies for years to come. One example of this is the disruptive nature of telemedicine: This care innovation continues to see rapid adoption by managed care and healthcare systems, particularly due to the convenience of improved access to quality care at a lower cost compared to in-person primary care office visits. In addition, we continue to like companies that provide "cash-pay" products and services (e.g., aesthetics, veterinary products and services, as well as dental and orthodontic procedures) which tend to have little regulatory or reimbursement risk from the federal government. Finally, we continue to seek opportunities within the explosive innovations taking place within the biotechnology industry, where many firms are developing revolutionary therapies to treat diseases and conditions that would have otherwise been chronic, expensive, or fatal.

For the financials sector, the outlook remains mixed. Bank fundamentals are challenged with the current shape of the yield curve and slower loan growth. As we expect the economy to slow somewhat, we would not be surprised to see an increasing occurrence of "credit blips." We remain cautious on the banking space but we are more constructive on some areas of financials outside the banks. The environment for M&A remains relatively favorable as companies look to manufacture growth in a low-growth backdrop. We see opportunities for boutique investment banks to grow and take share from the much larger "bulge bracket" firms. We are also seeing opportunities in the consumer payments space as payment methods evolve in response to millennials' banking behavior. Finally, we believe select domestic U.S. consumer pawn operators possess the potential to leverage their business models abroad, with expansion into Latin America providing growth prospects to complement their more mature core domestic operations.

We remain optimistic regarding information technology-related spending as unemployment rates remain at multi-decade lows, and consumer confidence and small business optimism indicators remain healthy. With interest rates pulling back, technology spending should remain robust both at the enterprise and consumer levels. We have seen M&A activity pick up in the first quarter. We expect that with strong balance sheets at the very large technology companies, and a sympathetic political environment in Washington, there will be more to come. We remain focused on high quality companies with strong management teams that are well-positioned to gain market share. Additionally, we are pursuing investment opportunities in companies that benefit from long-term secular growth trends with themes that include cloud computing, artificial intelligence, mobility, e-commerce/digital payments, smart home, factory/industrial automation, security software, e-gaming, as well as alternative energy.

Consumer stocks appear to be well-positioned to continue their recent strong performance. Larger macro issues like employment and wage gains are a positive tailwind; although somewhat offset by higher labor and freight costs. Beyond the strong economy, restaurants are benefitting from online ordering as well as a multitude of new delivery options. Retailers have downsized when necessary and now possess meaningful omni-channel offerings to combat ongoing online completion. Low interest rates augur strongly for a recovery in housing with household formations accelerating as millennials are belatedly having families. The long-projected slowdown in autos may also have been put on hold; benefitting from the lower interest rates.

Despite the market volatility in the last quarter of 2018 into the first quarter of 2019, we believe that U.S. economy will continue to grow at a healthy pace in 2019. The economy remains strong, unemployment is at historic lows and the Fed has remained accommodative. Also importantly, valuations are attractive particularly when compared to the low returns available in fixed-income alternatives. However, given the length to the economic recovery, a recession is inevitable. While corrections can be violent and occur without warning, currently the environment for equities to continue their recent gains appears favorable.

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.

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Benchmark Index:

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

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