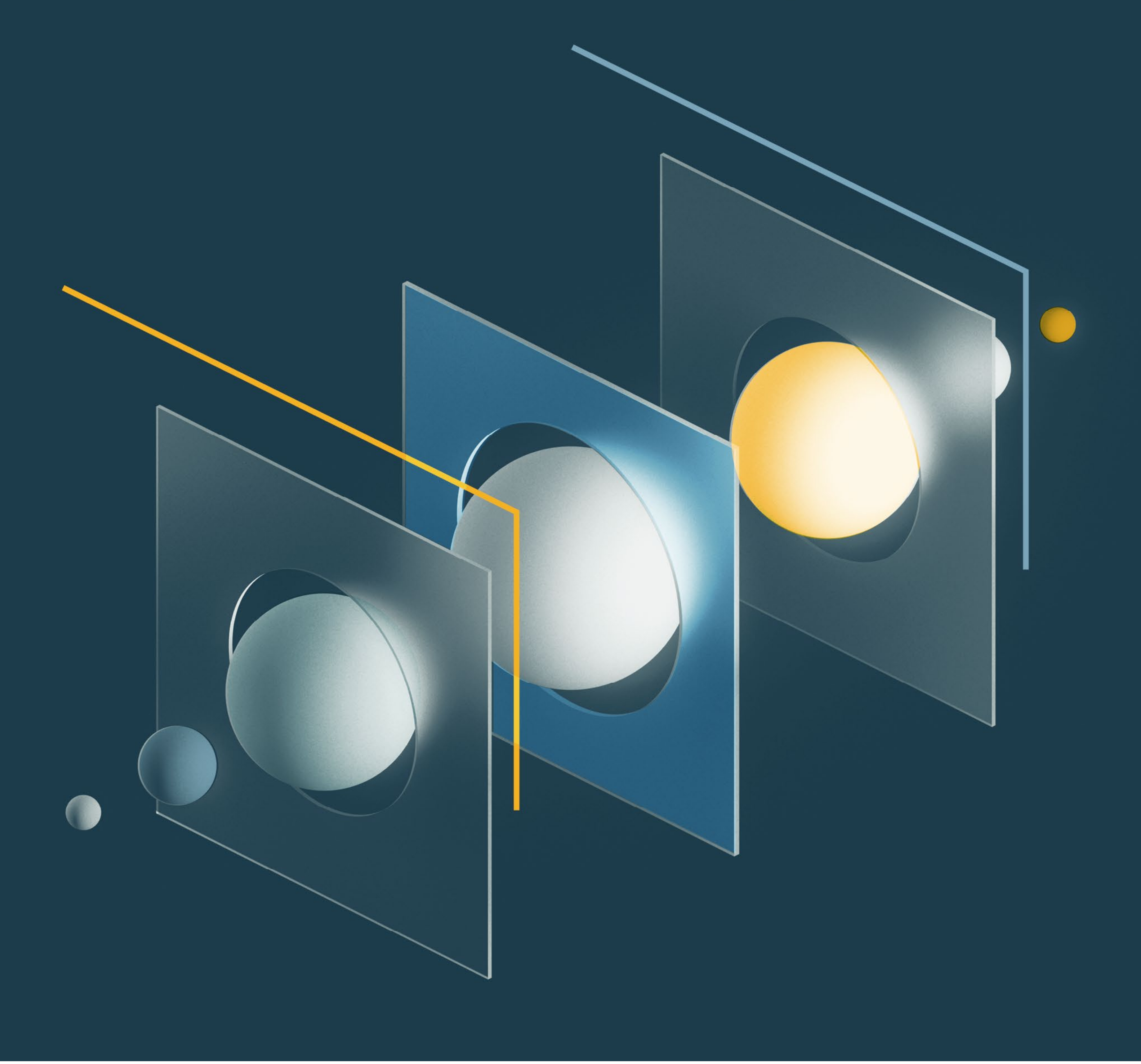


Partner Perspectives | 2022 Annual Outlook

Highlights of Our Thinking

CARILLON TOWER ADVISERS

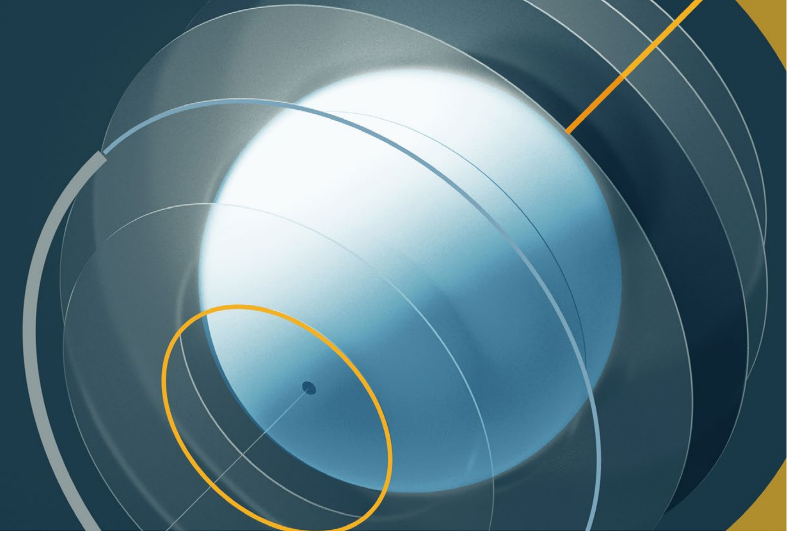
Partner Perspectives: 2022 Annual Outlook

Sharpen your thinking for 2022 with trend-spotting, insights, and analysis from portfolio managers working in every corner of the capital markets: Equities and fixed income. U.S. and international. Growth and value. Small, mid, and large caps.

Investment professionals from all five independent affiliates at Carillon Tower Advisers broke down how rapidly evolving opportunities and risks could reshape the investing landscape in the coming year during our Partner Perspectives 2022 Annual Outlook.

What follows are highlights from each of our panel discussions looking at the year ahead through the prism of six different topics: monetary policy, supply chains, sustainable investing, international investing, factor investing, and emerging structural changes.

“Fed policy hasn’t been in line with reality…



Monetary policy vs. economic reality

With a balance sheet in the neighborhood of $9 trillion, the U.S. Federal Reserve has provided unprecedented support to the economy, capital markets, and risk-asset prices for more than a decade.

Now, faced with persistent inflation, the Fed is scaling down its support and planning to raise interest rates next year. With supply chain and labor market dynamics fueling inflationary pressures, the chance of a Fed policy error is on the rise, but prospects for fixed-income investors may be improving, too.

PANELISTS

James Camp, CFA
Managing Director of Fixed Income
and Strategic Income
Eagle Asset Management

Jason Richey, CFA
Portfolio Manager
Cougar Global Investments

Todd Thompson, CFA
Managing Director and Portfolio Manager
Reams Asset Management

Key points

- Monetary policy has been at odds with larger economic conditions since the Great Financial Crisis, but one difference today is the scale.
- Another is that in the past central banks could get away with loose monetary policy because inflation was low. That’s changed and is forcing central bankers to rethink their plans in an effort to keep up.
- Forget you ever heard the word “transitory.” It could take up to 10 months to work through supply chain disruptions and labor market imbalances. The omicron variant could be a wild card.
- Real interest rates, which is to say negative real interest rates, are a real problem, and a repricing needs to take place.
- A reckoning is nigh for some risk assets as the Fed normalizes monetary policy.

> We're nowhere near the end of this…

Lessons from the supply chain breakdown

Supply chain bottlenecks that bedeviled the global economy in 2021 appear to be easing, at least at the margins. Some companies report that the third quarter was likely the bottom.

No one, however, assumes that supply chain knots will be untied quickly. But the process of rethinking supply chains is poised to create opportunities for investors.

PANELISTS

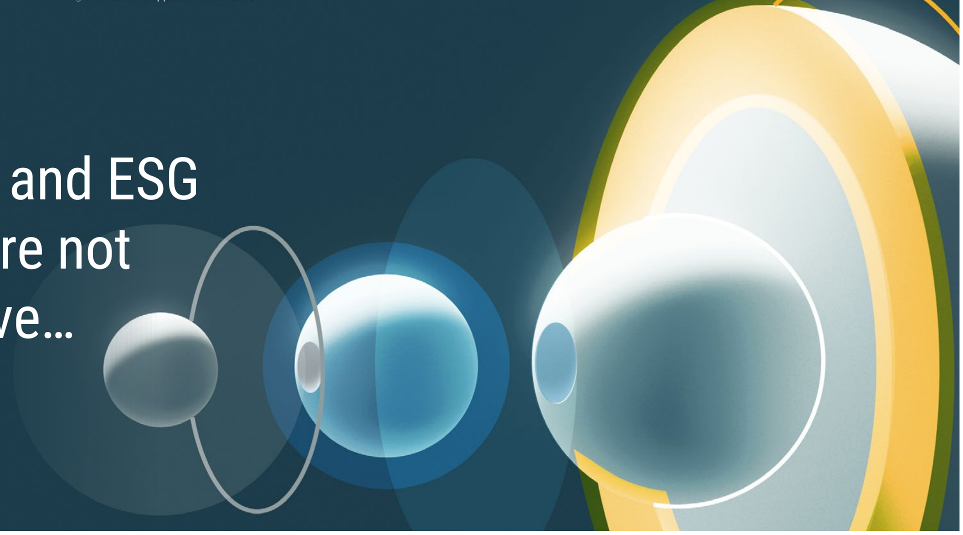
Brad Erwin, CFA
Portfolio Co-Manager and
Senior Research Analyst
Eagle Asset Management

Derek Smashey, CFA
Co-Portfolio Manager
Scout Investments

Eric Mintz, CFA
Portfolio Co-Manager
Eagle Asset Management

Key points

- Shortages in semiconductors have primarily been driven by a spike in demand and the shutdown of key manufacturing zones (especially in Asia), not by problems with shipping. Despite signs of improvement, inventories remain low and are not expected to recover until the second half of 2022 – and likely 2023 for automotive chips.
- Going into the pandemic, the trucking industry had problems with a base of aging drivers and fleet of aging trucks. Neither problem was solved during the pandemic, but recently companies have indicated that the shipping market is on the mend.
- Railroads have not been overly congested, but the trucker shortage means that many containers have been stalled on the trip from port to warehouse to rail.
- Potential investor opportunities include:
  - Capital expenditure, especially for automation and reshoring.
  - Real estate investment trusts focused on warehouses that shorten the supply chain.
  - High quality companies with competitive moats that allow them to raise prices when there are supply chain or cost-related challenges.



> Financial results and ESG considerations are not mutually exclusive…

Sustainable investing: Themes and opportunities in 2022

Sustainable investing continues to gain traction through the use of environmental, social, and governance (ESG) factors in both the equity and fixed-income markets.

The focus, however, has shifted away from a traditional approach of avoiding "no sin" securities (no alcohol or tobacco, for example). Instead, there's a growing emphasis on engaging with management teams to drive better business outcomes through investments in intangible assets and sustainable strategies.

PANELISTS

Jason Wulff, CFA
Portfolio Co-Manager
Eagle Asset Management

Sheila King, CFA
Portfolio Co-Manager and Fixed Income Research Analyst
Eagle Asset Management

Joy Facos (Moderator)
Head of Responsible Investing and Corporate Responsibility
Carillon Tower Advisers

Key points

- In a time of rising labor shortages, companies actively focused on investing in human capital are increasingly seen as having a competitive edge.
- There's a growing acknowledgement that the costs of carbon emissions have to go up – and not just for companies in the energy sector. For example, more financial institutions now expect borrowers to have a credible plan for reducing greenhouse gas emissions.
- New issuance of ESG bonds – via social bonds, sustainability-linked bonds, or sustainable bonds – is growing and is expected to comprise perhaps 10% of newly issued corporate bonds next year.
- Credit ratings agencies are incorporating ESG considerations into their credit frameworks. Similarly, ESG data for small-cap companies is getting better, but a lot of room for improvement remains.

“It’s been a crazy year…

Opportunity abroad: Why invest internationally now?

The past year has featured huge dispersion across both developed and emerging markets in everything from overall economic growth to currency valuations to equity performance.

In 2022, variations in efforts to address inflation and the pandemic could create pockets of diversification opportunity for investors.

PANELISTS

Alex Turner, CFA
Portfolio Manager
ClariVest Asset Management

Dimitri Silva, CFA
Portfolio Manager
Reams Asset Management

Matt Orton, CFA (Moderator)
Chief Market Strategist
Carillon Tower Advisers

Key points

- Supply chain concerns have been mentioned more often in earnings calls globally even than COVID-19. Thanks in part to strong U.S. demand, some luxury goods companies, such as European alcoholic beverage producers, have been able to pass on higher input costs to consumers, while some consumer discretionary stocks, such as apparel companies, have struggled.
- Starting in about mid-2014, emerging market currencies were once seen as something to be sold off. Now they are looking more attractive on a valuation basis, though some still face potential headwinds tied to factors like vaccination rates and political uncertainty.
- The crisis at the Chinese real estate giant Evergrande is generally not expected to have spillover effects into the broader economy. That’s because the government can manage both the supply and demand for credit. Still, it’s not impossible.
- Meanwhile, China’s crackdown on its tech giants and environmental concerns may create some daylight for small caps there and in other emerging markets.

“We’re seeing some good ideas right now…

Growth vs. value whiplash: What’s ahead in 2022?

Equities spent 2021 toggling between growth and value. Looking ahead there is a critically important question that investors need to consider no matter which factor they may be considering.

PANELISTS

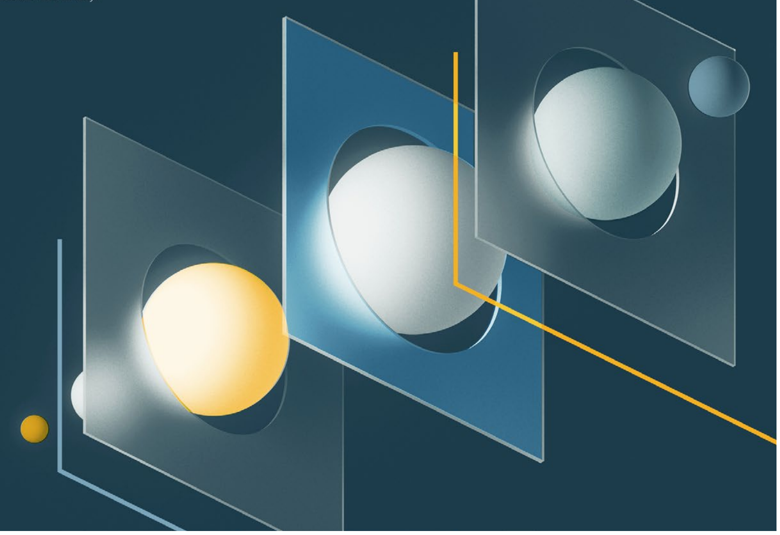
John Indellicate, CFA
Co-Portfolio Manager
Scout Investments

Michael Waterman, CFA
Portfolio Manager
ClariVest Asset Management

Steve Singleton
Head of Risk
Carillon Tower Advisers

Key points

- Growth rode high for a long time because central banks kept interest rates low. That allowed much, if not all, of the valuation of growth companies to be attributed to heavily discounted streams of future earnings. With interest rates starting to rise, attention will shift towards stocks with historical evidence of sound fundamentals and earnings.
- Banks generally have strong balance sheets, benefit from rising interest rates, and are a relative hotbed of merger and acquisition activity.
- Semiconductors face supply chain problems now, but have been beating earnings estimates, face a huge backlog as bottlenecks clear, and benefit from growing demand from new chip-based products.
- Quality within both growth and value is a safe haven in times of uncertainty. Portfolios within all market caps that leaned toward quality in either selection or construction tended to outperform in 2021, and it’s not insignificant that 2022 is expected to bring more uncertainty.



> This will lead to growth for years to come…

Tech, labor, industry: Which structural shifts are here to stay?

The COVID-19 pandemic accelerated many structural shifts in business and society that were already under way, but not evenly embraced.

Wider adoption is now unavoidable and will create opportunity for investors in many pockets of the economy.

PANELISTS

E.G. Woods, CFA
Portfolio Manager
Eagle Asset Management

Tariq Siddiqi, CFA
Senior Research Analyst
Eagle Asset Management

Tim Miller, CFA
Co-Portfolio Manager
Scout Investments

Key points

- Digital adoption is transforming the capabilities of second-tier, traditionally non-tech enterprises. Think of a small credit union in Omaha that can look like a first-tier bank in San Francisco, with streamlined product processes for consumers and small businesses.
- Supply chain disruptions have exposed a need for manufacturers to know not just where their parts are coming from, but where their supplier gets its parts. This will create a long tail of spending on supply chain software, and also has implications for environmental, social, and governance (ESG) analyses that trace the environmental and social sourcing of supplies.
- Beyond cryptocurrencies, blockchain technology is poised to provide increased transparency into the origin and authenticity of physical and digital products in a wide range of sectors and industries, including retail, consumer packaged goods, healthcare, medicine, manufacturing, aerospace defense – even diamond-mining.
- In an increasingly tight labor market, companies with strong cultures and coherent strategies to attract and retain workers will win a war for talent that will separate economic winners from losers. Along the way, corporate management may be increasingly influenced by input not just from shareholders, but from various stakeholders, including workers.
- Work from home and hybrid work arrangements will endure and pair with opportunities in real estate, not only for increased warehousing and distribution to serve e-commerce, but also for select businesses where remote working is not feasible.
- Profound change is riding in on the quiet hum of electric vehicles.

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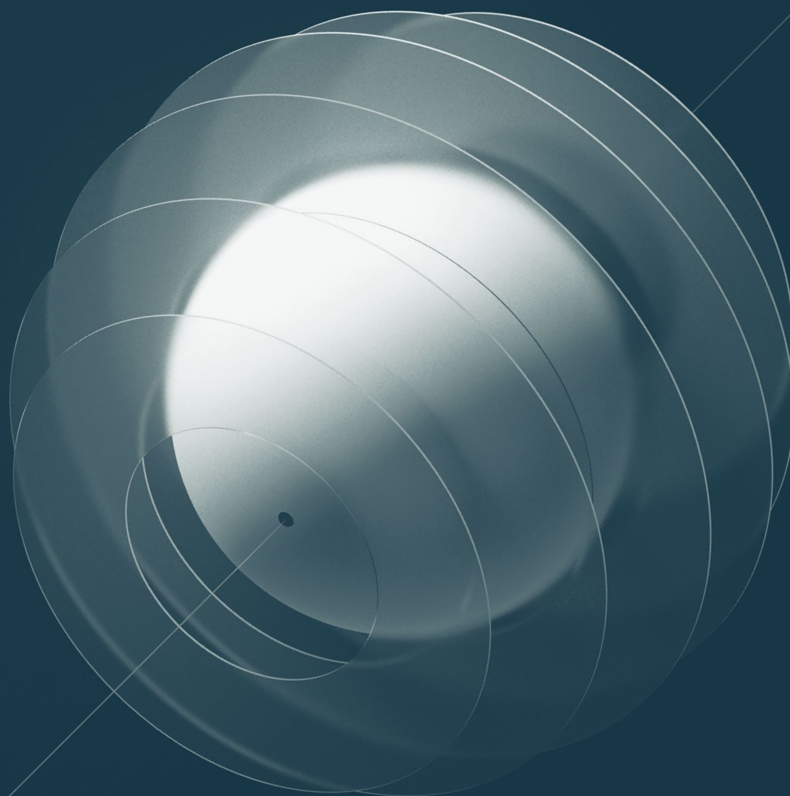

About Carillon Tower Advisers

Carillon Tower Advisers is a global asset management company that combines the exceptional insight and agility of individual investment teams with the strength and stability of a full-service firm. Together with our partner affiliates — ClariVest Asset Management, Cougar Global Investments, Eagle Asset Management, Reams Asset Management (a division of Scout Investments) and Scout Investments – we offer a range of investment strategies and asset classes, each with a focus on risk-adjusted returns and alpha generation. Carillon Tower believes providing a lineup of institutional-class portfolio managers, spanning a wide range of disciplines and investing vehicles, is the best way to help investors seek their long-term financial goals.

About Our Affiliates

ClariVest Asset Management applies a behavioral-based investment philosophy in seeking alpha for clients. Our time-tested investment process combines quantitative tools with qualitative work to capture the return potential created as investors react inefficiently to significant shifts in a company's fundamental growth cycle. Portfolio managers work as a cohesive team to manage multiple equity strategies across geographies and the market-cap spectrum.

Cougar Global Investments is a tactical ETF global macroeconomic asset allocation manager that believes the goal of investing is to achieve compound annualized returns for clients. We use a disciplined portfolio construction methodology combining post-modern portfolio theory and risk management to pursue our clients' objectives.

Eagle Asset Management is built on the cornerstones of intelligence, experience, and conviction, driven by research and active portfolio managers. Our long-tenured investment teams manage a diverse suite of fundamental equity and fixed income strategies designed to meet the long-term goals of institutional and individual investors. Our teams have the autonomy to pursue investment decisions guided by their individual philosophies and strategies.

Reams Asset Management (a division of Scout Investments) is a fixed income investment management firm whose mission is to provide high-quality investment expertise and unmatched client service. We apply our consistent investment process across a range of strategies, seeking to take advantage of volatility and react opportunistically to price and valuation dislocation in the bond market. Reams offers clients customized solutions that seek to maximize risk-adjusted total returns over a full market cycle and across a range of fixed income strategies.

Scout Investments' independent equity investment teams take a selective approach, using rigorous research and analysis to seek out high-quality companies and patiently pursue long-term capital appreciation for clients. Our thoughtful approach to asset management extends to cultivating lasting partnerships with our clients.

Disclosures

All investments are subject to risk. Asset allocation and diversification do not ensure a profit or protect against a loss. There is no assurance that any investment strategy will be successful or that any securities transaction, holdings, sectors, or allocations discussed will be profitable.

This material may include forward-looking statements. These statements are not historical facts, but instead represent only beliefs regarding future events, many of which, by their nature, are inherently uncertain. You should not place undue reliance on forward-looking statements as it is possible that actual results and financial conditions may differ, possibly materially, from the anticipated results and financial conditions indicated in these forward-looking statements.

There are uncertainties, unknown risks, and other factors that may cause actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these statements.

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Indices are unmanaged, and one cannot invest directly in an index.

ESG refers to Environmental, Social, and Governance factors used in measuring the sustainability and societal impact of an investment in a company or business. An ESG investment strategy will include only holdings deemed consistent with the applicable ESG guidelines. As a result, the universe of investments available to the strategy will be more limited than strategies not applying such guidelines, which may cause it to perform differently than similar portfolios that do not have such a policy.

Intangible assets are non-physical assets that have a monetary value since they represent potential revenue.

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.

Value investing is based on the potential for a company's stock price to rise based upon anticipated changes in the market or within the company itself. Value stocks have historically been sensitive to economic cycles and investor sentiment that can affect volatility and risk.

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 portfolio 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.

Historically, bonds have indeed provided less volatility and less risk of loss of capital than has equity investing. However, there are many factors which may affect the risk and return profile of a fixed-income portfolio. The two most prominent factors are interest-rate movements and the creditworthiness of the bond issuer. The risk of a change in the market value of the investment due to changes in interest rates is known as interest-rate risk. Interest-rate risk is subject to many variables but may be analyzed based on various data (e.g., effective duration). The risk that the issuer may default on interest and/or principal payments is often referred to as credit risk. Credit risk is typically measured by ratings issued by ratings agencies such as Moody's and Standard & Poor's®. Bonds issued by the U.S. Government have significantly less risk of default than those issued by corporations and municipalities. However, the overall return on Government bonds tends to be less than these other types of fixed-income securities. Finally, reinvestment risk is the possibility that the proceeds of a maturing investment must be invested in a lower yielding security, all other things held constant, due to changes in the interest-rate environment. Investors should pay careful attention to the types of fixed-income securities which comprise their portfolio, and remember that, as with all investments, there is the risk of the loss of capital.

Impact investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

Partners in asset management

Learn more about our investment insights and solutions at carillontower.com or call 800.521.1195.

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