Investment Team

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Senior Portfolio Manager

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Portfolio Manager/
Senior Analyst

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Senior Portfolio Manager

Characteristics

Total Net Assets (millions): $269.39

Number of holdings: 70

Top Holdings

Jazz Securities Dac
Jazz 4 3/8 01/15/29

Crown Amer/Cap Corp
Vi Cck 4 3/4 02/01/26

Kinetik Holdings Lp
Kntk 6 5/8 12/15/28

Vistra Corp Vst 5
1/2 09/01/26

Fortress Trans & Infrast
FTAI 5 1/2 05/01/28

ESAB Corp ESAB 6
1/4 04/15/29

SBA Communications Corp
Sbac 3 7/8 02/15/27

International Game Tech
Igt 6 1/4 01/15/27

Sirius XM Radio LLC
Siri 3 1/8 09/01/26

Vici Properties / Note
Vici 4 1/4 12/01/26

Market Overview

The economy is slowing

Cracks have started to form in the U.S. economy. While hard data points such as gross domestic product (GDP) and payroll numbers have remained resilient, they are backward-looking. The soft data points (i.e., survey results), have weakened significantly, particularly around the consumer. The longer that uncertainty around tariffs and fiscal spending persists, the more the economy is likely to slow.

Rates fell

While interest rates fell in the first quarter, as measured by the yield on the 10-year U.S. Treasury note, they have been range-bound for roughly two years, oscillating between 3.60% and 4.75%. Inflation remains above the U.S. Federal Reserve's target, but growth has started to cool, which has kept a lid on the back end of the yield curve. We believe the secular bull market in bonds ended in 2021, and rates should eventually resume their trend higher in tandem with higher levels of inflation. That said, we see no reason for the recent range to break in the near term given the headwinds to economic growth.

Spreads widened

Corporate credit spreads widened during the quarter. Demand for new issuance was resilient as high-yield primary activity was robust and the high-grade market produced nearly $600 billion of new paper, a record for the first quarter. Going forward, the leveraged loan market could be a canary in the coal mine with respect to credit stress, in our opinion. Leveraged loans have been the vehicle of choice for financing acquisitions, and average credit quality in this market has declined meaningfully over the last decade.

High Yield Overview

Falling interest rates offset wider credit spreads and drove the total return for the broad high-yield bond market to 0.97% in the first quarter, as measured by the ICE BofA U.S. Cash Pay High Yield Index. The yield on the 10-year U.S. Treasury bond fell 37 basis points (bps) to end the quarter at 4.21%. High yield's risk premium, or spread over Treasury, widened 60 bps to end the quarter at 3.51%. Within high yield, higher quality outperformed on average in the first quarter, with bonds rated BB, B, and CCC returning 1.45%, 0.69%, and -0.56%, respectively. Longer maturity high-yield bonds outperformed shorter maturity high-yield bonds given the overall decline in interest rates. Investors added approximately $5.8 billion to high-yield mutual funds and exchange-traded funds (ETFs) during the quarter. The primary market remained active with $69 billion of new high-yield bonds coming to market. While the majority of new issuance was used for refinancing purposes, we did see a few deals with proceeds slated for dividends to shareholders. At the end of the quarter, the yield to maturity on the broad high-yield market was 7.8% and the market's effective duration was 3.1 years.

Fund Review

Telecommunications and utilities were the Fund's best-performing sectors, while the automotive and retail sectors lagged.

The Fund's largest detractors from performance in the first quarter included American Airlines, ADT, Hess Midstream, Teva Pharmaceuticals, and Cleveland-Cliffs. American Airlines and Cleveland-Cliffs reported results that fell short of investor expectations, while the other detractors were relatively small portfolio weights.

Top contributors for the first quarter included Clearway Energy, SBA Communications, Boyd Gaming, FTAI Aviation, and Jazz Pharmaceuticals.

The top contributors tended to have longer than average maturities and benefited disproportionately from the move lower in interest rates. Each reported solid financial results. Trading activity was modest in the first quarter with turnover registering 6%.

Outlook

Market participants are adjusting to massive policy changes that accompanied the new administration to Washington. From immigration to foreign affairs to fiscal policy, the magnitude of change that occurred in the first quarter, both perceived and actual, served to heighten investor uncertainty. Greater uncertainty almost always gives rise to volatility, which we have seen in both equity valuations and credit spreads. Volatility will often cause everyday consumers and corporate executives to pause and reevaluate spending decisions. The pause usually portends a reduction in activity and slower economic growth, the signs of which were clear toward the end of the quarter. Add to this poor weather early in the quarter and the lagged effects of tighter monetary policy, which finally appears to be impacting activity, and we understand why the odds of a recession over the coming year have increased.

That said, this moment in time may be near peak uncertainty. We believe actual policy will eventually reveal itself, rhetoric will tone down over time, and market participants can and will adjust to new realities, both positive and negative. In the meantime, volatility creates both risks and opportunities in high-yield credit.

The goal of our credit research is to look through the noise, to proactively avoid areas of heightened risk, and to capitalize on new opportunities as we see them. The Carillon Chartwell Short Duration High Yield Fund seeks to provide consistent returns and diversification. We believe its emphasis on bonds with shorter maturities and higher-quality BB-ratings helps to mitigate both interest rate risk and credit risk.

Mutual fund investing involves risk, including the potential loss of principal.

Risk considerations:

Fixed income investment includes the following risks: credit, prepayment, call and interest rate risk. Credit risk refers to the loss in the value of a security based on a default in the payment of principle and/or interest of the security, or the perception of the market of such default. As interest rates rise the value of bond prices will decline. High-yield bonds have a higher risk of default or other adverse credit events, but have the potential to pay higher earnings over investment grade bonds. The higher risk of default, or the inability of the creditor to repay its debt, is the primary reason for the higher interest rates on high -yield bonds. The Fund may invest in foreign and emerging market securities which involves certain risks such as currency volatility, political and social instability and reduced market liquidity. The Fund may also invest in ETFs (Exchange-Traded Funds) and therefore would be subject to the same risks as the underlying securities in which the ETF invests as well as entails higher expenses than if invested into the underlying ETF directly. The fund is new and has limited performance history for investors to review.

Past performance is not indicative of future results, and investing involves risk, including the risk of loss. All information as of March 31, 2025. 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.

The information provided should not be construed as a recommendation to buy, sell, or hold any particular security. The data is shown for informational purposes only and is not indicative of future portfolio characteristics or returns. Portfolio holdings are not stagnant and may change over time without prior notice.

Prior to June 30, 2022 the wholesaling and marketing efforts were provided by, among others, Chartwell TSC Securities Corp., an affiliate broker dealer, member FINRA. Chartwell Investment Partners, LLC and Chartwell TSC Securities Corp. were both wholly owned subsidiaries of TriState Capital Holdings, Inc. Beginning July 1, 2022: the fund was re-named the Carillon Chartwell Short Duration High Yield Fund; the underwriting, wholesaling and marketing efforts became provided by Carillon Fund Distributors, Inc., member FINRA; Chartwell Investment Partners, LLC became the sub-adviser for the fund as well as a subsidiary of Carillon Tower Advisers, Inc., which became the investment adviser. All entities named are affiliates.

The fund is the successor to the Chartwell Short Duration High Yield Fund pursuant to a reorganization involving the Fund and the Predecessor Fund that occurred on July 1, 2022. The I share Class shares of the fund have adopted the performance history and financial statements of the Predecessor Fund. Prior to the date of the reorganization, the fund had no investment operations. Accordingly, the performance information, including information on fees and expenses and financial information provided in this prospectus for periods prior to the reorganization (the Fund's commencement of operations) is historical information for the Predecessor Fund. Given the above, unless specifically stated otherwise, subsequent references in this section to the fund should be read to include the Predecessor Fund, as well as the other predecessor funds described below.

Prior to this reorganization, the fund acquired the assets and liabilities of the Chartwell Short Duration High Yield Fund (the "IMST Predecessor Fund," and together with the Predecessor Fund, the "Predecessor Funds"), a series of Investment Managers Series Trust, on July 17, 2017. As a result of the reorganization, the fund is the accounting successor of the Predecessor Funds. Performance results shown in the bar chart and the performance table reflect the performance of the IMST Predecessor Fund for the period prior to July 17, 2017.

Bond Ratings are by Moody's, S&P, and/or Fitch. Ratings provided by nationally recognized statistical rating organizations, also called ratings agencies, are appraisals of a particular issuer's creditworthiness, including the possibility that the issuer will not be able to pay interest or repay principal. Ratings are not recommendations to buy, sell or hold a security, nor do ratings remove market risk. Securities with the same rating can actually trade at significantly different prices. In addition, ratings are subject to review, revision, suspension, reduction or withdrawal at any time, and a rating agency may place an issuer under review or credit watch. Additionally, Fitch reports are available for municipal bonds. More about ratings is available at moodys.com, standardandpoors.com, and fitchratings.com.

Definitions

Basis points (bps) are units of measure often used in discussions of interest rates, equity indices, and yields of fixed-income securities. One basis point is equal to 1/100th of 1%.

A BB bond rating, according to Fitch Ratings, indicates that the underlying bond should be considered to be speculative, with an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time. However, business or financial flexibility exists that supports the servicing of financial commitments. S&P Global Ratings describes BB bonds as speculative grade that are less vulnerable in the near term but that face ongoing uncertainties due to adverse business, financial, and economic conditions.

A B bond rating, according to Fitch Ratings, indicates that the underlying bond should be considered to be highly speculative. Material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment. S&P Global Ratings describes B bonds as speculative grade and more vulnerable to adverse business, financial, and economic conditions but currently having the capacity to meet financial commitments.

A CCC bond rating, according to Fitch Ratings, suggests that the underlying bond should be considered to have a substantial credit risk, with a very low margin for safety. Default is a real possibility. S&P Global Ratings describes CCC bonds as currently vulnerable and dependent on favorable business, financial, and economic conditions to meet financial commitments.

A credit spread is the difference in yield between a U.S. Treasury bond and another debt security with the same maturity but different credit quality. Also referred to as "bond spreads" or "default spreads," credit spreads are measured in basis points, with a 1% difference in yield equaling a spread of 100 basis points. Credit spreads reflect the risk of the debt security being compared with the Treasury bond, which is considered to be risk-free.

Credit spread widening refers to the expansion of credit spreads in response to changes in economic conditions that cause an increase in credit risk.

Duration incorporates a bond's yield, coupon, final maturity and call features into one number, expressed in years, that indicates how price-sensitive a bond or portfolio is to changes in interest rates. Bonds with higher durations carry more risk and have higher price volatility than bonds with lower durations.

Effective duration measures risk for bonds with embedded options. It accounts for fluctuations in expected cash flows as interest rates change.

An exchange traded fund (ETF) is a type of security that tracks a market index, sector, commodity, or other assets, but which can be bought or sold on a stock exchange the same way a regular stock or other security can. ETFs can be structured to track a wide range of securities, including stocks, bonds, individual commodities, diverse aggregations of securities, and specific investment strategies.

Fiscal policy refers to the tax collection and spending a government uses to influence the economy.

Gross domestic product (GDP) is the total value of goods and services provided in an economy during a specified period, often one year.

Headwind refers to events or market forces that hinder the prospects for performance in an individual investment or group of investments.

High-yield, or below investment-grade, bonds have credit ratings below BBB- from Standard & Poor's or below Baa3 from Moody's.

The inflation target of the U.S. Federal Reserve is the rate of price increases that the Fed prefers to see to ensure the economy will remain stable. Generally, the Fed's target rate is 2%, as measured by the Personal Consumption Expenditures (PCE) Price Index.

Leveraged loans describe loans made to companies with significant levels of debt, poor credit histories, or both. They are considered to have a higher risk of default and thus cost the borrower more to obtain.

The maturity date is when a debt comes due and all principal and/or interest must be repaid to creditors.

The payroll report, officially known as the Employment Situation Summary, is a monthly U.S. Bureau of Labor Statistics (BLS) report tracking nonfarm payroll employment and the national unemployment rate, with data on changes in average hourly earnings, and job trends in public and private sectors of employment. The report is based on surveys of households and employers.

Range-bound is a condition where the value of a security keeps vacillating between the low and high ends of a narrow range. For example, if the 10-year Treasury yield repeatedly vacillated between 3.75% and 4.25%, it would be described as "range-bound."

Secular trends are large-scale and ongoing changes in economies and societies that have the potential to drive broad and lasting economic, technological, social or other kinds of changes.

Total return, when measuring performance, is the actual rate of return of an investment or a pool of investments over a given period of time. Total return includes interest, capital gains, dividends, and distributions realized over the specified period. Total return accounts for two categories of return: income including interest paid by fixed-income investments, distributions, or dividends and capital appreciation, representing the change in the market price of an asset.

A risk premium is the investment return an asset is expected to yield in excess of the risk-free rate of return. It compensates investors for tolerating the additional risk of the investment over that of a risk-free asset.

A yield curve is a line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity.

Yield to maturity is the total rate of return that will have been earned by a bond when it makes all interest payments and repays the original principal.

Indices

The ICE BofA U.S. High Yield Corporate Cash Pay BB 1-3 Year Index, one of the Fund's two benchmark indices, is a subset of the Bank of America U.S. Cash Pay High Yield Index including all securities with a remaining term to final maturity less than 3 years and rated BB1 through BB3, inclusive.

The Bloomberg U.S. Govt./Credit Intermediate Index, one of the Fund's two benchmark indices, measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than 10 years.

The ICE Bank of America (ICE BofA) US Cash Pay High Yield Index is an unmanaged index used as a general measure of market performance consisting of fixed-rate, couponbearing bonds with an outstanding par which is greater than or equal to $50 million, a maturity range greater than or equal to one year and must be less than BBB/Baa3 rated but not in default.

"Bloomberg®" and the Bloomberg U.S. Govt./ Credit Intermediate Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the indices (collectively, "Bloomberg") and have been licensed for use for certain purposes by Carillon Tower Advisers and Chartwell Investment Partners. Bloomberg is not affiliated with Carillon Tower Advisers or Chartwell Investment Partners, and Bloomberg does not approve, endorse, review, or recommend the Carillon Chartwell Short Duration High Yield Fund. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Carillon Chartwell Short Duration High Yield Fund.

Indexes are unmanaged. It is not possible to invest directly in an index.

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