



# The Russell rebalance

## A canary in the coal mine?

Investors can be forgiven for being so absorbed by the roller coaster that is the market that they pay little attention to index composition.

Occasionally, however, an index event comes along that prompts a doubletake on the structure of an index and, perhaps, on the market itself.

The recent rebalancing of the FTSE Russell indices was just such an event. One of the indices most impacted was the Russell 1000® Growth Index, a widely accepted benchmark for large-cap growth companies in the United States. It comprises 394 firms. If these firms were all the same size, each would be about 0.25% of the index. The Magnificent Seven would total 1.75%. But they aren't all the same size, and it's the Magnificent Seven, not the Middling Seven. So, of course, they are much larger than the average index constituent. How much larger? Remember that this is an index of the largest, growthiest companies in the United States. So, the average Magnificent Seven firm would be about five times bigger? Ten times? Try 30 times! Let's take another

perspective. The chart below has the weight of the seven largest firms in the index going back 30 years.

Note that the Magnificent Seven are far bigger than anything seen even during the giddy optimism of the dotcom era. Of course, a high weight (even a magnificent one) does not by itself suggest corrective action. But it certainly calls for a deeper examination.

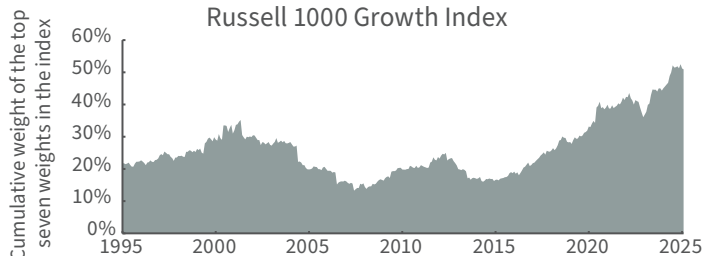
Large-cap growth mutual funds and benchmarks such as the Russell 1000 Growth Index have struggled for a while with diversification rules such as the 5/25, which stipulates that investments exceeding 5% of total assets cannot in aggregate exceed 25% of assets.<sup>1</sup> The juggernaut of concentration risk over the past two years has also brought into focus the 5/50 Rule.<sup>2</sup> That's why Russell implemented a capping methodology to its U.S. style indices on March 21: No single company can be greater than 22.5% of the index and all companies with weights of more than 4.5% cannot together account for more than 45% of the index. This likely won't result in big changes in how active assets are managed, but on the margin, it adds additional scrutiny to the largest stocks in the index, which were already in focus given the broader rotation taking place. It also likely signals that we've reached peak concentration (for now).

At the Carillon ClariVest Capital Appreciation Fund, the investment team analyzes every position for its contribution to return and risk before selection for the portfolio. Since the end of 2022 (during the latest steep jump in the chart), the Fund's Class I shares have outperformed the Fund's Russell 1000 Growth Index benchmark despite underweighting the Magnificent Seven as a group. It did this by picking well both within and outside the Magnificent Seven.

Investors would be well-advised to check their active funds' exposures and performance. If a fund has done well by

### The Magnificent Seven have propelled indices to an unprecedented level of concentration

Cumulative weight of the top seven weights in the Russell 1000 Growth Index



Source: Bloomberg, as of 2/28/2025. The weights over time include those of the largest seven stocks by market capitalization in the index at any particular time. The rise in the most recent couple of years reflects the impact of the Magnificent Seven.

riding the Magnificent Seven train, they can hope it is equally deft if that train goes into reverse. If the fund is a passive one, the investor has to make a conscious decision on the concentration risk in their portfolio.

The Russell index changes also had sector impacts. Most were minor, but a few involved significant increases or decreases.

We welcome the FTSE Russell index rebalance as it makes related investment products more diversified and prudent. The larger lesson for investors is to be aware of the implicit bets in our portfolios and to take corrective action as needed.

### Summary of sector weight changes as of March 14, 2025

GICS sector	Russell 1000®			Russell MidCap®			Russell 2000®			Russell 2500™		
	Core	Growth	Value	Core	Growth	Value	Core	Growth	Value	Core	Growth	Value
Communication services	-0.1	-1.4	1.2	0.1	0.6	0.0	0.3	1.0	-0.4	0.0	0.6	-0.4
Consumer discretionary	0.0	0.7	0.1	1.4	5.5	0.6	0.6	0.7	0.5	0.0	0.2	-0.1
Consumer staples	0.0	-1.4	1.2	0.9	0.6	0.8	-0.6	-0.9	-0.3	0.6	0.3	0.7
Energy	-0.1	0.0	-0.4	-1.1	-0.4	-1.4	0.2	0.0	0.4	-1.3	-1.9	-1.0
Financials	0.1	1.5	-1.7	-1.2	-0.2	-1.8	0.4	2.3	-1.6	-0.5	1.3	-1.5
Healthcare	0.0	1.0	-1.0	1.0	0.9	1.2	-0.2	0.1	-0.3	0.4	1.2	0.3
Industrials	0.0	-0.2	-0.1	0.6	1.3	0.5	-0.6	-1.1	-0.1	-0.4	-2.1	0.4
Information technology	0.1	0.2	1.1	-2.0	-8.6	0.7	-0.6	-1.5	0.4	0.8	0.9	1.0
Materials	-0.1	-0.3	0.0	-0.1	-0.4	-0.2	-0.1	-0.8	0.7	-0.1	-1.4	0.5
Real estate	0.0	0.0	-0.2	0.2	0.0	-0.2	0.4	0.2	0.5	0.2	0.3	-0.1
Utilities	0.0	0.0	-0.3	0.2	0.8	-0.2	0.1	0.0	0.2	0.3	0.6	0.1

Source: FactSet, FTSE Russell, Jefferies, as of 3/14/2025.

<sup>1</sup> A guideline of the Investment Company Act of 1940. A fund, however, will not lose its “diversified” status if the rise above 25% is driven just by market movements and not by acquisition of shares.

<sup>2</sup> Investment companies generally also seek to satisfy the Internal Revenue Code’s diversification test to qualify as a regulated investment company. This allows for pass-through tax treatment. A requirement here is that investments in securities of issuers with greater than 5% of assets do not in aggregate exceed 50% of assets.

### Carillon ClariVest Capital Appreciation Fund Average Annual Total Returns (%), as of Dec. 31, 2024

	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception	Gross Expense Ratio	Net Expense Ratio (After Waiver)	Inception
Class A (at NAV)	7.39	35.36	35.36	10.26	17.69	15.05	11.64	1.16%	1.00%	12/12/85
Class A (at Offer)	2.30	28.92	28.92	8.48	16.55	14.49	11.50	1.16%	1.00%	
Class C* (at NAV)	7.22	34.39	34.39	9.44	16.82	14.18	11.13	1.89%	1.75%	4/3/95
Class C* (at Offer)	6.27	34.39	34.39	9.44	16.82	14.18	11.13	1.89%	1.75%	
Class I	7.48	35.76	35.76	10.59	18.05	15.40	11.92	0.91%	0.70%	3/21/06
Class R-6	7.51	35.90	35.90	10.82	18.24	-	15.53	0.83%	0.60%	7/31/15
Russell 1000® Growth Index	7.07	33.36	33.36	10.47	18.96	16.78	-			

## Calendar Year Returns (%), as of Dec. 31, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund (Class A at NAV)	35.36	39.46	-29.00	30.67	28.91	31.49	-7.20	31.44	4.25	7.62
Fund (Class I)	35.76	39.90	-28.79	31.07	29.31	31.87	-6.93	31.84	4.59	7.93
Russell 1000® Growth Index	33.36	42.68	-29.14	27.60	38.49	36.39	-1.51	30.21	7.08	5.67

If the sales charge had been included, the calendar-year returns would have been lower.

**Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Call 800.421.4814 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.**

Performance data quoted represents past performance which does not guarantee future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Net performance reflects a maximum front-end sales charge or 4.75% for class A shares. A 1% contingent deferred sales charge for class C shares is charged on redemptions made within 12 months of purchase, but not at one year. The fund's investment adviser, Carillon Tower Advisers, Inc. has contractually agreed to waive or reimburse certain fees and expenses through April 30, 2025, and may recover/recoup previously waived expenses that it assumes within the following two fiscal years. Performance data quoted reflects reinvested dividends and capital gains. Returns less than one year are not annualized. Current performance may be higher or lower than the performance data quoted. Performance data current to the most recent month-end may be obtained by calling 1.800.421.4184 or visiting [carillonfunds.com](http://carillonfunds.com).

Performance "at NAV" assumes that no front-end sales charge applied or the investment was not redeemed. Performance "at offer" assumes that a front-end sales charge applied to the extent applicable.

Class I and R shares have no sales charge and are only available to certain investors. See the prospectus for more information.

\*The Carillon Family of Funds will convert class C share accounts that are more than 8 years old to class A shares on the third of each month. Shareholders may continue to purchase shares in either class, but will be required to pay a sales charge on new purchases of Class A shares.

### Risk Considerations:

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.

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.

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.

Quantitative risk involves the dependence on proprietary quantitative tools for security selection which may not be predictive of a security's value.

### Disclosures

ClariVest Asset Management LLC (the "Firm") does not guarantee any minimum level of investment performance or the success of any investment strategy. It should not be assumed that future results of any product will be profitable or similar to past performance. As with any investment, there is a potential for profit as well as the possibility of loss. There are risks associated with investing in a product of this type, and returns may vary over time as a result of changing market conditions, economic instability, investment decisions and the composition of the portfolio.

Carillon Tower Advisers is the investment adviser for the Carillon Family of Funds and ClariVest Asset Management is the sub-adviser to the Carillon Clarivest Capital Appreciation Fund and the Carillon ClariVest International Stock Fund. Eagle Asset Management (a sub-adviser to certain of the Carillon Family of Funds) owns 100% of ClariVest Asset Management. Carillon Fund Distributors is a wholly owned subsidiary of Eagle Asset Management and Eagle Asset Management is a wholly owned subsidiary of Carillon Tower Advisers. All entities named are affiliates.

Effective April 1, 2019, Eagle Asset Management Inc. completed its acquisition of ClariVest Asset Management LLC, thereby becoming sole owner. This transaction follows Eagle's original purchase in 2012 of an initial 45% investment in ClariVest.

### Definitions

Concentration is a term used to describe the extent to which investments in a portfolio, group of portfolios, industry, sector, index, or particular geography or clustered in groups that share specific factors or other characteristics.

The Investment Company Act of 1940 regulates the organization of companies, including mutual funds, that engage primarily in investing, reinvesting, and trading in securities, and whose own securities are offered to the investing public. The regulation is designed to minimize conflicts of interest that arise in these complex operations. The law requires these companies to disclose their financial condition and investment policies to investors when stock is initially sold and, subsequently, on a regular basis. The law focuses on disclosure to the investing public of information about the fund and its investment objectives, as well as on investment company structure and operations. The act's 5/25 rule limits mutual funds from holding more than 25% of their portfolio weight in stocks that individually have a portfolio weight of 5% or more.

The Magnificent Seven refers to the seven largest stocks by market capitalization in the S&P 500 Index, as of Dec. 31, 2024. Collectively they made up more than 25% of the market capitalization of the entire index. They are Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla.

Market capitalization, or market cap, refers to the total dollar market value of a company's outstanding shares of stock.

Rotation describes the movement of investments in securities from one industry, sector, factor, or asset class to another as market participants react to or try to anticipate the next stage of the economic cycle.

Underweight describes a portfolio position in an industry sector or some other category that is less than the corresponding weight level in a benchmark portfolio.

## Indices

The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 98% of the total market capitalization of the Russell 3000® Index.

The Russell 1000® Growth Index measures a growth-oriented subset of the Russell 1000 Index, which tracks approximately 1,000 of the large-sized capitalization companies in the United States equities market.

The Russell 1000® Value Index measures a value-oriented subset of the Russell 1000® Index, which tracks approximately 1,000 of the large-sized capitalization companies in the U.S. equities market.

The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. It includes approximately 800 of the smallest securities of the Russell 1000® Index based on a combination of their market capitalization and current index membership and represents approximately 27% of the total market capitalization of the Russell 1000® Index.

The Russell Midcap® Growth Index measures the performance of the midcap growth segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values.

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

The Russell 2000® Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell

3000® Index and includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2500™ Index measures the performance of the small to midcap segment of the U.S. equity universe, commonly referred to as “smid” cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 2500™ Growth Index measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

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## About the Carillon Family of Funds

Carillon Tower Advisers is the Investment Adviser for the Carillon Family of Funds. Scout Investments is the subadviser to certain of the funds and Reams Asset Management is a division of Scout Investments which is a wholly owned subsidiary of Carillon Tower Advisers. Eagle Asset Management is the subadviser to certain of the funds and a wholly owned subsidiary of Carillon Tower Advisers. ClariVest Asset Management is the subadviser to certain of the funds and Eagle Asset Management owns 100% of ClariVest Asset Management. Chartwell Investment Partners is the subadviser to certain of the funds and a wholly owned subsidiary of Carillon Tower Advisers. Carillon Fund Distributors serves as the underwriter and distributor of the Carillon Family of Funds and is a wholly owned subsidiary of Eagle Asset Management.



## About ClariVest Asset Management

ClariVest 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.