CARILLON
FAMILY OF FUNDS

INSIGHT | COMMENTARY

THIRD QUARTER | 2023

Investment Team

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Characteristics

Total Net Assets (millions): $13.25

Number of holdings: 117

Top Holdings

US TREASURY N/B T 4 1/8 09/30/27
US TREASURY N/B T 1 1/2 01/31/27
US TREASURY N/B T 4 1/4 09/30/24
US TREASURY N/B T 0 3/4 11/15/24
US TREASURY N/B T 0 3/8 09/15/24
US TREASURY N/B T 3 1/8 08/15/25
US TREASURY N/B T 0 3/8 11/30/25
US TREASURY N/B T 1 12/15/24
US TREASURY N/B T 0 3/4 12/31/23
US TREASURY N/B T 1 5/8 09/30/26

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

Inflation Continues to Ease

As expected, inflation continued to ease over the past quarter. Shelter costs, which constitute more than 40% of the core Consumer Price Index (CPI) calculation, are now running below 2% when annualizing the last four months of data. We continue to expect downward pressure on core CPI over the rest of the year, though we do not believe the U.S. Federal Reserve (Fed) can achieve its goal of 2% inflation over a prolonged period. We see an inflation rate of 2.5% to 3% as a more likely outcome over the long run.

The Fed is Near the Terminal Rate for This Cycle

We believe the Fed is nearing the terminal rate for this cycle. In our opinion, the decision between an additional 25-basis point (bp) hike in the fall or a continued pause in the hiking cycle is inconsequential. Even if inflation were to remain stubbornly around 3%, real interest rates would still reside around 2.5% to 2.75%: levels not seen since 2007. We believe if the Fed were to continue to hike into 2024, it would pull the odds of a recession forward dramatically. It would therefore be prudent to keep rates at current levels rather than to hike.

Rates Move Higher in 3Q

Treasury yields pushed higher in the third quarter despite inflation moving lower and the hot jobs market starting to normalize. We believe three main culprits are behind the move:

- To start, supply from the Treasury has been elevated due to the significant deficit the government is running.
- In addition, banks have stepped away from purchasing duration as they look to repair their balance sheets and ready themselves for increased capital requirements from regulators.
- Lastly, investors are growing increasingly optimistic about a "soft landing" for the U.S. economy. Since Treasury yields are partially derived from the expected path of the overnight federal funds rate, the increased likelihood of a soft landing pushes out any chance the Fed will cut rates in the short term. In turn, this pushes rates higher across the curve, particularly the front end.

Value Emerges in Shorter Maturities

We believe an opportunity to buy short to intermediate maturities has emerged. With the yield on the 2-year Treasury note north of 5%, investors can purchase bonds with real yields well above the expected rate of inflation. As we previously noted, we believe long-run inflation will remain elevated above the Fed's 2% target, and yet the 2- to 5-year portion of the Treasury curve offers investors a reasonable enough cushion to lock in current rates well above our own inflation expectations. We think moving out of cash and Treasury bills and into this portion of the Treasury curve makes sense today.

Fund Review

Risk assets faltered during the quarter as the relentless push higher in rates caused investors to reevaluate relative value among asset classes. This led to negative total returns for broader equity and fixed-income indices. Rising rates create their own headwinds when investing in fixed income, which can be particularly painful for longer-duration assets given the most recent bear steepening leg of this interest rate cycle. High-yield credit spreads ended the quarter relatively unchanged, but the excess yield found in the high-yield market provided the backdrop for the ICE BofA U.S. High Yield Index to narrowly produce a positive return.

During the third quarter, corporates, more specifically industrials (27.0% of the Fund's portfolio by weight) and financials (21.7%) were the portfolio's best-performing sectors, while the more interest rate-sensitive sectors, Treasuries (36.9%) and government-related (6.6%), lagged. The excess yield generated from the strategy's allocation to high-yield securities (11.3%) was the leading contributor to performance. The allocation to corporate securities rated below investment grade (high yield) is concentrated in names that carry BB ratings,* and this portion has historically posted competitive returns due to the extra cushion they provide. We believe the enhanced income from this basket mitigates the underlying rate risk and is a key differentiator toward generating alpha.

**Credit quality ratings are sourced from Standard & Poor's (the "S&P"), and Moody's. Ratings values shown are reflective of both agencies. If none of the rating agencies has assigned a rating, the Fund will assign a rating of NR (non-rated security). The ratings represent their (S&P, Moody's) opinions as to the quality of the securities they rate. The ratings range from AAA (S&P) or Aaa (Moody's) (extremely strong capacity to meet its financial commitment) to D (S&P) or C (Moody's) (in default). Credit ratings of BBB are good credit quality and the lowest category of investment grade. Ratings are relative and subjective and are not absolute standards of quality. The ratings provided relate to the underlying securities within the fund and not the fund itself.*

Not FDIC Insured | May Lose Value | No Bank Guarantee

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Carillon Chartwell Short Duration Bond Fund

(as of 9/30/23)

	Fund	Bloomberg 1-3 Year U.S. Government/ Credit Index
Current Yield	3.4%	2.6%
Yield to Maturity	5.9%	5.4%
Average Coupon	3.3%	2.6%
Average Price*	95.8	95.3
Average Maturity	2.3 years	2.0 years
Effective Duration	1.9 years	1.8 years
SEC 30-day Yield (subsizied / unsubsidized)	5.2% / 3.0%	--

** Weighted average price.*

The Fund's duration of a slightly long position was actively maintained versus the index during the quarter. This tactical shift should continue as downside risks to the economy still exist and market re-pricing to a higher-for-longer policy reverberates through risk assets, causing heightened bouts of volatility. Monetary policy is said to work with "long and variable lags." This cycle's first interest rate increase was 18 months ago, and we think we are just now starting to see meaningful effects on the economy from both higher rates and reduced money supply. We believe our barbelled approach of maximizing exposure to the elevated yield levels offered by current conditions in the front-end of the curve with a higher-quality tilt slightly further out on the curve should serve clients well as we redeploy capital in a prudent manner. In our view, this approach will facilitate the portfolio's ability to capture the embedded value of the rate cycle and is an added benefit to a short-duration strategy where the reinvestment risk dynamic presents a reinvestment opportunity into more compelling value opportunities while also providing a risk-mitigating ballast.

Outlook

While market participants seem to be convinced that a "soft landing" for the economy is imminent, we are growing increasingly wary of such an outcome in 2024. We believe the job market should start to deteriorate in the coming quarters. It's worth noting that businesses are reducing temporary workers at levels typically seen in a pre-recession period and permanent job losses have risen to levels not seen since 2018. The quits rate has dropped dramatically as well, likely signaling a reduced confidence from workers to find satisfactory work outside their current jobs. With household excess savings dwindling rapidly, it is no surprise to us that credit card and auto loan delinquency rates are rising, particularly among younger borrowers. Lastly, bank-lending surveys show tightening credit conditions for both consumers and businesses. Banks' willingness to lend to consumers has reached levels typically seen prior to recessions.

We think the short end of the curve is providing investors value in terms of real returns (returns in excess of inflation). As such, we will continue to term out cash over the coming quarters to maturities in the 2- to 5-year space to lock in current rates for investors. The strategy's quality and maturity "guardrails" (solid investment-grade ratings and effective duration of less than three years) remain fundamental to our investment process, as we believe these structural factors continue to aid in preserving capital and generating an attractive income stream.

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 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 Sept. 30, 2023. 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.

Definitions

Alpha is a measure of the difference between a manager's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the manager has performed better than its Beta would predict. A negative Alpha indicates the manager performed worse than expected based on its level of risk. Thus it is possible for a manager to outperform an index and still have a negative Alpha. In general, however, the higher the Alpha the better.

Average coupon is the average rate of the coupons of the bonds in a portfolio. The average is weighted based on each bond holding's size relative to the portfolio.

A barbell investment strategy in fixed income typically entails investing half the portfolio in long-term bonds (generally those with maturities of 10 years or more) and the other half in short-term bonds (generally those

with maturities of five years or less), with little or nothing in between. Barbell strategies can allow investors to benefit from current interest rates by investing in short-term bonds and also benefit from the higher yields of holding long-term bonds. The risks associated with using a barbell strategy include interest rate risk and inflation risk.

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%.

Bear steepening refers to a move when interest rates move higher, but are led by longer-term rates that shift the entire curve higher.

Beta is a measure of the volatility or systemic risk of a security, group of securities, or portfolio compared with the market as a whole.

Core inflation, as measured by the "Consumer Price Index for All Urban Consumers: All Items Less Food & Energy" is an aggregate of prices paid by urban consumers for a typical basket of goods, that does not include food and energy. Core CPI is widely used by economists because food and energy typically have very volatile prices.

Credits are a generic term for fixed income securities such as corporate bonds, mortgage- or asset-backed securities, municipal bonds, or emerging market bonds.

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. Higher quality securities have a lower chance of the issuer defaulting. Lower quality securities have a higher chance of the issuer defaulting.

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.

The federal funds rate, known as the fed funds rate, is the target interest rate set by the Federal Open Market Committee of the Federal Reserve. The target is the Fed's suggested rate for commercial banks to borrow and lend their excess reserves to each other overnight.

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

The ICE BofA US High Yield Index tracks the performance of U.S. dollar-denominated below-investment grade rated corporate debt publicly issued in the U.S. domestic market.

Investment-grade refers to fixed-income securities rated BBB or better by Standard & Poor's or Baa or better by Moody's.

The quits rate, as reported by the U.S. Bureau of Labor Statistics Job Openings and Labor Turnover Survey (JOLTS), is the number of quits, or individuals who have left jobs, during the entire month as a percent of employment.

A real interest rate, also known as a real yield, is an interest rate that has been adjusted to remove the effects of inflation. Once adjusted, it reflects the real cost of funds to a borrower and the real yield to a lender or to an investor. A real interest rate reflects the rate of time preference for current goods over future goods. For an investment, a real interest rate is calculated as the difference between the nominal interest rate, which is not adjusted for inflation, and the inflation rate.

The real rate of return is the annual percentage of profit earned on an investment, adjusted for taxes and inflation. Real returns are lower than nominal returns, which do not subtract taxes and inflation.

The SEC 30-day yield is a standard yield calculation developed by the U.S. Securities and Exchange Commission (SEC) to facilitate comparisons of bond funds. It is based on the most recent 30-day period covered by a fund's filings with the SEC. The yield, also known as the standardized yield, reflects the dividends and interest earned during the period after deducting fund expenses.

The terminal rate is the rate at which the U.S. Federal Reserve stops raising the federal funds rate in an attempt to bring down inflation.

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.

Unsubsidized SEC yield represents what a fund's SEC 30-day yield would have been if there had been no fee waivers or expense reimbursement in place over the period.

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. Investors and market analysts watch certain yield curves for signs of inversion, when yields for longer-term debt instruments fall below yields on short-term debt with the same credit quality. Inversions are watched as potential signs of a weakening economy and at times as a harbinger of recessions.

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 Bloomberg 1-3 Year U.S. Government/Credit Index , the Fund's benchmark index, measures the performance of investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related debt with 1-3 years maturity. It is comprised of a corporate and a non-corporate component that includes non-U.S. agencies, sovereigns, supranationals and local authorities.

The ICE BofA US High Yield Index tracks the performance of U.S. dollar-denominated below-investment grade rated corporate debt publicly issued in the U.S. domestic market.

One cannot invest in an index.

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The fund is the successor to the Chartwell Short Duration Bond Fund pursuant to a reorganization involving the fund and the Predecessor Fund that occurred on July 1, 2022. The Class Chartwell 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 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.

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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

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While the Fund is no load, there are management fees and operating expenses that do apply. Such fees and expenses are described in the Fund's Prospectus.

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