Investment Team

Andrew S. Toburen, CFA
Senior Portfolio Manager

John M. Hopkins, CFA
Portfolio Manager/Senior Analyst

Christine F. Williams
Senior Portfolio Manager

Characteristics

Total Net Assets (millions): $236.34

Number of holdings: 58

Top Holdings

U.S. Bank Money Market Deposit Account

FORD MOTOR CREDIT CO LLC F 5 1/8 06/16/25

ICAHN ENTERPRISES/FIN IEP 4 3/4 09/15/24

CROWN AMER/CAP CORP VI CCK 4 3/4 02/01/26

NAVIENT CORP NAVI 6 1/8 03/25/24

TENET HEALTHCARE CORP THC 4 7/8 01/01/26

GFL ENVIRONMENTAL INC GFLCN 4 1/4 06/01/25

NEW FORTRESS ENERGY INC NFE 6 3/4 09/15/25

SBA COMMUNICATIONS CORP SBAC 3 7/8 02/15/27

SIRIUS XM RADIO INC SIRI 3 1/8 09/01/26

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

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 a 2.5% to 3% rate of inflation 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. The decision between an additional 25-basis point (bp) hike in the fall or a continued pause is likely 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. If the Fed were to continue to hike into 2024, we believe it would pull the odds of a recession forward considerably.

Rates Move Higher in Q3

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:

- Supply from the Treasury has been elevated due to the large deficit the government is running.
- Banks have stepped away from purchasing duration as they look to repair their balance sheets and ready themselves for increased capital requirements.
- Lastly, foreign countries have been net sellers of Treasuries as they become more comfortable holding lower amounts of dollar reserves.

High Yield Overview

The broad high-yield bond market returned 0.53% in the third quarter as measured by the ICE BAML US Cash Pay High Yield Index. The yield on the 10-Year Treasury bond rose 77 bps to end the quarter at 4.58%. High yield's risk premium, or spread over Treasury, was nearly unchanged, ending the third quarter at 3.98%. Within high yield, lower-quality issues outperformed meaningfully in the third quarter, with securities rated CCC, B, and BB returning 2.94%, 0.94% and -0.34%, respectively. High-yield mutual funds and exchange-traded funds (ETFs) saw $1 billion of outflows, and new issue activity was steady with approximately $41 billion of primary issues pricing. At the end of third quarter, the yield to maturity on the broad high-yield market was 8.9% and the market's effective duration was 3.7 years.

Fund Review

Within the Carillon Chartwell Short Duration High Yield Fund, industrials and financials were the Fund's best-performing sectors during the third quarter, while the leisure and healthcare sectors lagged. Top contributors in the third quarter included New Fortress Energy, an energy infrastructure concern, and Starwood Property Trust, a diversified real estate investment trust. New Fortress Energy is in the process of commissioning several energy infrastructure projects that we believe will have a positive impact on earnings over the coming quarters. Negative contributors in the third quarter included Boyd Gaming, a casino entertainment company, and Centene, a large health insurance managed care company. Both companies reported good earnings, but their bonds are among the longer maturities in the portfolio and were therefore disproportionately impacted by higher interest rates.

Trading activity was modest in the quarter with turnover registering 9%, which brings turnover on a year-to-date basis to approximately 30%. One position was called in full at a premium to par and two positions experienced partial calls at par during the quarter. We also sold two positions, one completely and one partially, that were upgraded earlier this year to fund buys that we think represent more attractive relative value. Proceeds were used to initiate new positions in a renewable energy/energy efficiency investment company as well as an owner and lessor of aircraft engines. In addition, we added exposure to several existing positions that we believe are attractive. The weighted average price of bonds sold during the quarter was $99.40 and the weighted average price of new purchases was $96.70. At the end of the third quarter, the portfolio's largest sector weights were financial services (9.9%), energy (9.7%), and capital goods (9.2%).

Outlook

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. Lower quality has outperformed massively in high yield so far this year, but with the backdrop of a potentially softer economy going forward we do not believe that is likely to continue. The high-yield market is tremendously diverse from a quality perspective, and investors do not have to own the "whole market" (i.e., ETFs). In today's market, we would argue that investors should steer clear of weaker B-rated and CCC-rated issuers. This lower-quality part of the market is typically the source of most candidates for default during a downturn.

In contrast, the Carillon Chartwell Short Duration High Yield Fund owns higher-quality BB-rated issues, which have historically generated income and preserved capital through softer economic environments. We believe that current yield levels in this market niche provide investors potential for meaningfully positive real returns.

The average maturity in the portfolio is roughly 2 years, and the average bond price is trading at an approximate 4-point discount to par. While credit trends may deteriorate, we believe the Fund currently provides an attractive total return opportunity in addition to income, as prices "pull towards par" for shorter duration BB-rated bonds approaching maturity.

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 invests 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 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.

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 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 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.

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.

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 bond that can be called is one that the issuer may redeem before it reaches its date of maturity.

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.l

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.

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. An ETF can be structured to track a wide variety of securities, including stocks, bonds, individual commodities, diverse aggregations of securities, and specific investment strategies.

Fund flow is the net of all cash inflows and outflows into and out of a particular financial asset, sector, or index. It typically is measured on a quarterly or monthly basis. Investors and others look at the direction of fund flows for indications about the health of specific securities and sectors or the overall market.

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

Par value, also known as nominal value, is the face value of a bond or the stock value stated in the corporate charter. Securities that sell for more than the par value are said to be tradiing at a premium to par. Those that sell for less than par value trade at a discount to par.

A real interest rate 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.

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.

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. 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.

Term to maturity is the period of time during which the investor in a bond will receive interest payments on the investment. When the bond reaches maturity the principal is repaid.

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.

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 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, coupon-bearing 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.

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

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