

Hartford Equity Income I HQIIX

Reliable.

Morningstar's Take HQIIX

Morningstar Rating ★★★★★

Morningstar Analyst Rating Silver

Morningstar Pillars

Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Positive
Price	○	Neutral

Role In Portfolio

Core

Fund Performance HQIIX

Year	Total Return (%)	+/- Category
YTD	-7.74	0.79
2017	17.77	1.82
2016	15.16	0.35
2015	-0.44	3.60
2014	9.34	-0.88

Data through 12-31-18

12-21-18 | by Alec Lucas, Ph.D.

Although fees could be more competitive, Hartford Equity Income's reliability under Wellington Management's Michael Reckmeyer warrants an upgrade in the fund's Morningstar Analyst Rating to Silver from Bronze.

Reckmeyer has skillfully led this fund since early 2008, but he hasn't done so alone. Comanagers Ian Link and Karen Grimes have helped as have the other members of the firm's now eight-person value team, not to mention Wellington's roughly 50-person bench of global industry analysts. The breadth and quality of these investment resources eases times of transition, such as Grimes' recent announcement that she'll retire at year-end 2018.

Reckmeyer's approach is not flashy, but it is effective. He runs a roughly 60-70 stock portfolio of above-average dividend payers that he tries to buy when they're out of favor. He bought top-20 holding

Eli Lilly LLY in late 2016 because he thought the market had overreacted to a disappointing trial of its experimental Alzheimer's therapy and neglected its broader drug pipeline. He has opportunistically added to the position since.

Pharmaceutical stocks such as Eli Lilly have been a favorite of Reckmeyer's. The fund has had a double-digit stake in the industry since mid-2011 and its current 11.7% weighting is one of the large-value Morningstar Category's highest. The fund also distinguishes itself by trading heavily in yield-rich sectors such as utilities and telecom.

The fund's income orientation has been a strength in market downturns. The fund held up better than three fourths of peers during the 2015-16 correction. The fund, though, is prone to lag in rallies and can also fall behind when interest-rates spike, such as between September 2017 and late April 2018 when the yield on the 10-year Treasury shot up about 100 basis points.

Over the long haul, Reckmeyer's stock-picking skill has produced strong risk-adjusted results. From his 2008 start date through April 2018, the fund's top-quintile 7.6% annualized gain beat the Russell 1000 Value Index by a percentage point with about 15% less volatility.

Process Pillar + Positive | Alec Lucas, Ph.D. 12/21/2018

The fund earns a Positive Process Pillar rating for its focus on yield without neglecting total return. Lead manager Michael Reckmeyer is a stickler for dividends, valuations, and healthy balance sheets. He buys stocks with above-average dividends and low valuations but unappreciated growth prospects. Typically, these stocks offer a yield above the S&P 500's upon purchase. Unlike the strategy he runs for Vanguard Wellesley Income VWINX, however, his portfolio here can hold a stock if its yield falls below the S&P 500's. Reckmeyer can be contrarian, adding

to solid but out-of-favor stocks whose challenges are more than reflected in their share prices. While he generally holds stocks for about four to five years, Reckmeyer is quick to sell if stocks' fundamentals deteriorate or hit their target price. He can also swap a name for a similar stock trading at a better valuation.

Although Reckmeyer's process is fundamentally driven, it's not benchmark-agnostic. He keeps the portfolio's sector weightings within 10 percentage points of the Russell 1000 Value Index's. That can lead to significant sector differences between this fund and his sleeve of Vanguard Equity-Income VEIPX, which is benchmarked against the FTSE High Dividend Yield Index. Financials stocks, for example, currently account for about 27% of the Russell 1000 Value Index, versus 14% for the FTSE High Dividend Yield Index.

The fund has a diverse portfolio of about 60-70 dividend-paying stocks. They consistently produce a higher yield than the large-value category norm and are typically well-capitalized firms. Currently, the fund derives its top-half 1.6% trailing 12-month yield from stocks that, on average, have a return on assets that ranks in the category's top half as well. The fund largely steers clear of higher-yielding stocks, which can signal a distressed dividend or limited growth prospects.

The fund's income orientation shows in its sector weightings. Its 10.6% combined stake in yield-rich telecom and utilities stocks, as of March 2018, ranked in the category's top quintile. The fund's 11.7% stake in pharmaceuticals stocks was also one of the category's highest. Top-15 holdings Johnson & Johnson and Pfizer PFE have each been in the portfolio since at least early 2009. Manager Michael Reckmeyer also bought Eli Lilly for its overall drug pipeline in late 2016 following weakness after a disappointing trial of its experimental Alzheimer's therapy.

Reckmeyer departs from the domestically oriented Russell 1000 Value Index by investing in attractively valued dividend payers overseas. Since early 2012, the fund's foreign stake has ranged from 12% to 20%. Most of these holdings are multinationals that pay stout dividends, including Switzerland's Novartis NOVN, which has a wide Morningstar Economic Moat Rating.

Performance Pillar + Positive | Alec Lucas, Ph.D. 12/21/2018

The fund's Positive Performance Pillar rating reflects its strong record under manager Michael Reckmeyer. Since he took over as lead in early 2008, the fund's 7.6% annualized gain through April 2018 beat the Russell 1000 Value Index by a percentage point and placed in the large-value category's top quintile. Over the same period, the fund's Sortino ratio (a risk-adjusted metric that penalizes downside risk) ranked near peers' top decile.

Reckmeyer's focus on well-capitalized dividend payers and willingness to buy them when they're out of favor has helped limit the fund's losses in faltering markets. In the 2008 credit crisis, the fund's 29% calendar-year loss beat the index by 7.9 percentage points and placed in category's top decile. The fund also had a top-decile 7% gain amid turbulence in 2011 and held up better than three fourths of peers during the 2015-16 correction.

The corollary of the fund's superior showings in down markets is that it tends to lag in rallies. The fund's 2009, 2012, and 2013 calendar-year returns each finished in or near the category's bottom third. The fund's income orientation can also make it sensitive to short-term interest-rate spikes. That happened during 2013's taper tantrum and in 2016's second half, when the 10-year Treasury's yield shot up about 120 basis points between July 8 and Dec. 15. The fund lagged more than four fifths of peers during that stretch.

People Pillar + Positive | Alec Lucas, Ph.D. 12/21/2018

Capable subadvisor leadership earns the fund a Positive People Pillar rating. Wellington Management's Michael Reckmeyer has led the fund since 2008, having joined in October 2007 along with comanagers Karen Grimes and Ian Link. Reckmeyer,

Grimes, and Link are part of an eight-person team at Wellington that includes dedicated analysts Adam Illfelder, Matthew Hand, Sean Kammann, Ami Shah, and Betsy George, who joined in late 2017. The team will add another analyst in view of Grimes' plan to retire at year-end 2018. The team resides in Pennsylvania, except for London-based Link and Shah. It also has access to the firm's 50-plus industry analysts.

The comanagers have distinct strategic responsibilities. Reckmeyer oversees the team's domestic equity-income strategies, which also include a slice of Vanguard Equity-Income and the equity portion of Vanguard Wellesley Income. Link has a global focus, which includes serving as a manager alongside Reckmeyer of Hartford Global Equity Income HLEAX. Grimes' has led the domestic value strategies; her duties will be reallocated when she retires.

Reckmeyer and Link each invest at least \$100,000 in the fund, and Grimes nothing. The managers' investment in their strategies is more substantial than is represented here, however. Reckmeyer, for example, invests more than \$1 million each in Vanguard Equity-Income and Vanguard Wellesley Income.

Parent Pillar + Positive | Alec Lucas, Ph.D. 12/21/2018

Hartford Funds has improved its stewardship profile in recent years by hiring strong subadvisors, honing its product lineup, and improving some funds' fee structures. These changes support an upgrade of the Parent Pillar rating to Positive from Neutral.

The firm moved its fixed-income mutual funds, previously run by an in-house affiliate with mixed results, to well-respected subadvisor Wellington Management Company in 2012. Wellington has long run the firm's equity funds--about two thirds of its roughly \$106 billion in fund assets. In 2016, Hartford Funds acquired Lattice Strategies, marking its expansion into strategic-beta exchange-traded funds, and the firm partnered with U.K.-based Schroders to expand its investment platform further. The Schroders alliance added another strong subadvisor to Hartford's lineup, with expertise in non-U.S. strategies.

Hartford Funds leaves day-to-day investment decisions to its subadvisors, acting as a distributor for their strategies. In 2013, the firm reorganized and grew its product-management and distribution effort. Since then, leadership has merged and liquidated subpar offerings, introduced new strategies, and lowered fees on many funds. Lower fees on the firm's largest strategies and prudent closures of capacity-constrained strategies would be welcome, but overall, the pluses outweigh the minuses here.

Price Pillar ● Neutral | Alec Lucas, Ph.D. 12/21/2018

The fund's Price Pillar rating has dropped to Neutral from Positive because its latest fees were roughly in line with most rivals'. The trend to become cheaper is positive. Between late 2016 and the fund's mid-2018 prospectus, fees for its A, C, and I shares--which together hold nearly three fourths of the assets--fell by 1 to 3 basis points apiece and the reasonably priced institutional F shares also debuted. Competitors' fees have fallen faster, though, and the fund's asset-weighted expense ratio now ranks in the peer group's third quintile.

Brokerage fees as a percentage of average net assets routinely fall below the category median thanks to the fund's modest portfolio turnover. A December 2017 capital gain of 5.1% of net asset value hurt investors in taxable accounts, however.

Historical Performance (%)	1 Year	3 Year	5 Year	10 Year	Since Inception
Average Annual Total Returns (as of 12/31/18)					
Hartford Equity Income Fund I	-7.74	7.76	6.37	11.39	8.50
Russell 1000 Value Index	-8.27	6.95	5.95	11.18	---
Morningstar Large Value Category Average	-8.60	6.73	5.13	10.45	---

30-DAY SEC Yield¹ (Class I): 2.49% Unsubsidized: 2.49%

Expenses* (Class I) Net: 0.76% Gross: 0.76%

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For more current performance information to the most recent month ended, please visit hartfordfunds.com.

Fund Inception: 8/28/03. Share Class Inception: 8/31/06.

Class I-share performance prior to its inception date reflects Class A-share performance (excluding sales charges) and operating expenses. Since inception performance is calculated from 8/28/03.

*Expenses as shown in the fund's most recent prospectus. Gross and Net expenses are the same.

Top Ten Holdings (as of 12/31/18)

JP Morgan Chase & Co.	4.03%	Chevron Corp.	2.53%
Verizon Communications, Inc.	3.45%	Johnson & Johnson	2.32%
Pfizer, Inc.	3.00%	Merck & Co., Inc.	2.27%
Cisco Systems, Inc.	2.99%	Suncor Energy, Inc.	2.14%
Eli Lilly & Co.	2.63%	Comcast Corp.	2.11%
		% Of Portfolio	27.47%

There is no guarantee that the Fund will continue to hold any security listed in the Top Ten Holdings or referenced within this report. Holdings are subject to change. Percentages may be rounded. For the Fund's most recent publicly available list of holdings, please visit hartfordfunds.com.

A basis point is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security.

Russell 1000 Value Index is an unmanaged index measuring the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. This Index is unmanaged and not available for direct investment.

¹ 30-Day SEC Yield reflects the hypothetical net current income earned, after the deduction of a fund's expenses, during a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the period. Actual income distributions will usually differ.

Important Risks: Investing involves risk, including the possible loss of principal. There is no guarantee a fund will achieve its stated objective. Security prices fluctuate in value depending on general market and economic conditions and the prospects of individual companies. • For dividend-paying stocks, dividends are not guaranteed and may decrease without notice. • Foreign investments may be more volatile and less liquid than U.S. investments and are subject to the risk of currency fluctuations and adverse political and economic developments. • Different investment styles may go in and out favor, which may cause a fund to underperform the broader stock market. • The Fund's focus on investments in particular sectors may increase its volatility and risk of loss if adverse developments occur.

The views and opinions expressed within this report are those of Morningstar and are subject to change based on market, economic, and other conditions. All fund holdings and fund information referenced herein are as of 5/16/18, all other information is as of 12/21/18, unless otherwise noted.

Class I-Share Star Ratings: Overall 4 stars out of 1,100 products, 3-year 4 stars out of 1,100 products, 5-year 4 stars out of 937 products, and 10-year 4 stars out of 686 products for the period ended herein. Other share classes may have different ratings. The Morningstar Rating™ for funds, or “star rating”, is calculated for funds and separate accounts with at least a 3-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. Star rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance (without adjusting for any sales load, if applicable), placing more emphasis on downward variations and rewarding consistent performance. 5 stars are assigned to the top 10%, 4 stars to the next 22.5%, 3 stars to the next 35%, 2 stars to the next 22.5%, and 1 star to the bottom 10%. Overall Morningstar Rating is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. For more information about the Morningstar Fund Ratings, including their methodology, please go to global.morningstar.com/managerdisclosures.

Morningstar awarded the Fund a Silver analyst rating on 5/16/18. The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by the manager research analysts of Morningstar. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Analysts use this five pillar evaluation to determine how they believe funds are likely to perform over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weighting of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects an Analyst’s conviction in a fund’s prospects for outperformance. Analyst Ratings are continuously monitored and reevaluated at least every 14 months. **The Morningstar Analyst Rating should not be used as the sole basis in evaluating a mutual fund. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar’s expectations not to occur or to differ significantly from what we expected.** For more detailed information about Morningstar’s Analyst rating, including its methodology, please go to hartfordfunds.com/MorningstarAnalystMethodology.

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Investors should carefully consider a fund’s investment objectives, risks, charges and expenses. This and other important information is contained in the fund’s [full prospectus](#) and summary prospectus, which can be obtained by visiting hartfordfunds.com. Please read it carefully before investing.

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