

Hartford Balanced Income I HBLIX

A strong combination.

Morningstar's Take HBLIX

Morningstar Rating ★★★★★

Morningstar Analyst Rating Silver

Morningstar Pillars

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

Role In Portfolio

Core

Fund Performance HBLIX

Year	Total Return (%)	+/- Category
YTD	-3.17	-0.50
2017	11.75	1.89
2016	11.44	4.82
2015	-0.19	2.13
2014	7.92	3.90

Data through 10-31-18

11-04-18 | by Patricia Oey

Skilled managers employing a sensible, time-tested process earn Hartford Balanced Income a Morningstar Analyst Rating of Silver.

Michael Reckmeyer and Scott St. John oversee this income-focused fund, which targets a 45% equity, 55% fixed-income allocation split. They generally stick close to these strategic weightings; as of September 2018, the fund's equity stake stood at 44%. The managers prefer to focus on their respective sleeves of the portfolio. Reckmeyer employs a fundamental, low-turnover approach to look for stocks with yields that are at least 25% greater than that of the S&P 500. He has been the lead here since 2007 and uses a similar process to manage the equity portion of Gold-rated Vanguard Wellesley Income VWINX. St. John, who has been the lead on the bond sleeve since the fund's 2006 inception, looks to further supplement the yield with a mix of 80% investment-grade corporate credit, 10% high-yield bonds, and 10% emerging-markets

debt. The resulting portfolio's credit quality tends to land near the lower end of investment-grade, in line with the allocation -- 30% to 50% equity Morningstar Category average, but with a slightly higher duration relative to peers. St. John relies on subadvisor Wellington's generally well-regarded fixed-income team, and he also manages Silver-rated Vanguard Long-Term Investment-Grade VWESX.

Combining these two approaches has resulted in an impressive track record. From the fund's August 2006 inception through September 2018, its annualized gain of 6.9% outpaced the 6.4% return of its custom benchmark (consisting of 45% Russell 1000 Value, 44% Bloomberg Barclays Corporate, 5.5% JPMorgan EMBI, and 5.5% Bloomberg Barclays High Yield) and the category's average gain of 4.4%. The fund's 45% equity allocation is higher than the category average of 35%, and as a result the fund's standard deviation has been higher than peers'. But during periods of volatility, this fund tends to hold up better, and the result has been top-decile risk-adjusted returns over the past decade. Reasonable fees add to the appeal of this fund.

Process Pillar + Positive | Patricia Oey
11/04/2018

This fund brings together a proven equity strategy with an equally established fixed-income investing process, resulting in a Process rating of Positive. Michael Reckmeyer and Scott St. John can use market-driven considerations to vary the allocation by up to 5 percentage points from its target of 45% equities and 55% fixed income, but they rarely do so.

Instead, both managers focus on fundamental, bottom-up research to manage their parts of the portfolio. Reckmeyer generally looks for stocks with yields that are at least 25% greater than that of the S&P 500. His contrarian streak compels him to look for strong companies facing what he believes are short-term, transient issues. His equity portfolio-construction guidelines allow him to meaningfully express those views; up to 25% of his sleeve can be

invested in non-U.S. companies, and he can deviate by up to 10 percentage points relative to the Russell 1000 Value Index's sector weightings.

St. John manages his part of the portfolio with targets of 80% investment-grade corporate credit, 10% high-yield bonds, and 10% emerging-markets debt, and he relies on Wellington's specialists in the latter two sectors for security selection. He usually keeps his sleeve's duration within one year of the fund's custom benchmark, but this is about two years longer than its average category peer.

The equity portfolio holds roughly 70 dividend-paying stocks with a tilt toward mega-caps such as long-held Johnson & Johnson JNJ and JPMorgan Chase JPM. Its 20%-plus allocation in financials and low 10% tech weighting are similar to its Russell 1000 Value Index benchmark. In the second quarter of 2018, Michael Reckmeyer sold Microsoft MSFT (after holding it for about five years), as he continues to maintain a disciplined approach to valuation. This can be a headwind in a growth-led environment.

As rates continue to rise, Scott St. John has a mostly short-duration position relative to the benchmark and is overweight in banks, which should benefit in the current rising rate environment. He is underweight in emerging-markets bonds, as the macro environment remains challenging in his view. The fund's top equity holdings can overlap with its top fixed-income issuers, so the managers limit exposure to any given company to 5% of the portfolio. With its strong balance sheet and consistent record of paying dividends, JPMorgan holds the top spot on that measure, with its stock occupying 2.3% of the portfolio and its bonds comprising 0.8%.

Reckmeyer is also the equity lead on Vanguard Wellesley Income VWINX; that fund and this one have very similar equity portfolios. But the Vanguard fund is more conservative, with a 35% equity/65% bond split and a higher-quality bond portfolio.

Performance Pillar + Positive | Patricia Oey
11/04/2018

Strong long-term performance justifies a Positive Performance rating. From the fund's August 2006 inception through September 2018, its annualized gain of 6.9% outpaced the 6.4% return of its custom benchmark (consisting of 45% Russell 1000 Value, 44% Bloomberg Barclays Corporate, 5.5% JPMorgan EMBI, and 5.5% Bloomberg Barclays High Yield) and the category's average gain of 4.4%. Over rolling three-year periods, the fund beat its blended benchmark more than 78% of the time and the average peer 100% of the time.

The value tilt in the equity sleeve can drive short-term performance and has been a headwind during the recent growth-led rally. But in the first nine months of 2018, the equity portfolio underperformed the Russell 1000 Value Index, weighed by large declines in Canadian energy stocks and tobacco companies.

The fund's trailing 12-month average yield over the past five years was 2.6%, lower than income-focused peers that have more aggressive portfolios. But during periods of market volatility, this fund tends to hold up better. As a result, over the trailing five- and 10-year periods, its risk-adjusted returns have been in the top decile.

Duration was 6.8 years as of September 2018, higher than the category average of 4.3 years. This tilt, plus the emphasis on dividend-paying stocks, means that the fund's returns are relatively more sensitive to rate changes.

People Pillar + Positive | Patricia Oey
11/04/2018

Michael Reckmeyer, the lead on the equity side, and Scott St. John, the lead on the bond side, are named portfolio managers for this fund. They are supported by the well-resourced equity and fixed-income teams at Wellington Management, the subadvisor to this fund. Their experience and long records of outperformance drive the fund's Positive People rating.

Reckmeyer has been at Wellington since 1994 and has more than 30 years of investment experience. He is also a named manager at Gold-rated Vanguard

Wellesley Income VWINX, for which he and his team were named Morningstar Allocation Fund Manager of 2015. Named comanagers for the equity sleeve include Karen Grimes and Ian Link. Grimes will retire at the end of 2018 and has been working closely with Adam Illfelder for the past two years to prepare him for the transition. Link and Illfelder have each been at Wellington for more than a decade and have more than 20 years of experience.

St. John focuses on the fixed-income side and has been with the fund since its August 2006 inception. He also manages Silver-rated Vanguard Long-Term Investment-Grade VWESX. St. John specializes in U.S. corporate bonds and relies on the firm's generally well-regarded fixed-income team, and works closely with Jim Valone, chair of Wellington's emerging-markets debt strategy group since 1999, and Chris Jones, chair of the high-yield strategy group.

Parent Pillar ● Neutral | Patricia Oey
11/17/2017

Hartford Funds, a subsidiary of The Hartford, has improved its stewardship profile but remains Neutral-rated while recent changes take hold. In 2012, The Hartford trimmed its business lineup, refocusing on its property-casualty, group benefits, and mutual fund units. At the same time, it moved its fixed-income funds, previously run in-house with mixed results, to well-respected subadvisor Wellington Management Company. Wellington has long run the firm's equity funds--about two thirds of its roughly \$91 billion in fund assets. In 2016, Hartford Funds acquired Lattice Strategies, marking its expansion into exchange-traded funds, and the firm partnered with U.K.-based Schroders to expand its investment platform further. After both deals, the firm added 10 strategic-beta and actively managed ETFs and 10 actively managed mutual funds to its offerings.

While the firm mostly leaves day-to-day investment decisions to its subadvisors, it leads product management and distribution. In 2013, the firm reorganized its distribution effort and grew its internal sales team. The board and management also merged offerings, introduced new strategies, and lowered fees on several funds. While these changes have been positive, and there have been no flagrant missteps, the transitions remain new. Should the

firm's recent efforts yield good experiences for fundholders at increasingly competitive costs, our confidence in Hartford Funds would grow.

Price Pillar + Positive | Patricia Oey 11/04/2018

Most of this fund's assets are in share classes that are below average compared with their respective similarly sold peers. On a weighted fee level basis across all its share classes, the fund ranks in the second-cheapest quintile, which results in a Positive Price rating.

Historical Performance (Class I) (%)	1 Year	3 Year	5 Year	10 Year	Since Inception
Average Annual Total Returns (as of 9/30/18)					
Hartford Balanced Income Fund I	3.38	8.63	7.06	8.96	7.19
Morningstar Percentile Ranking ¹	51	10	4	3	---
Fund Rank within Category	257/521	48/483	22/404	13/337	---
Blended Index ²	3.57	8.19	6.99	8.37	---
Morningstar Allocation 30-50% Equity Category Average	3.24	6.07	4.32	5.48	---

Expenses³ (Class I): Net: 0.69% Gross: 0.69%

Yield (Class I): 30-Day SEC Yield: 3.10% Unsubsidized 30-Day SEC Yield: 3.10%

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: 7/31/06. Share Class Inception: 2/26/10. 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 7/31/06.

¹Morningstar category average and rankings are based on average total returns of all products in their peer group and do not take into account sales charges

²The blended index consists of 45% Russell 1000 Value Index, 44% Bloomberg Barclays Corporate Index, 5.5% JP Morgan Emerging Markets Bond Index Plus, and 5.5% Bloomberg Barclays U.S. Corporate High-Yield Bond 2% Issuer Cap Index.

³Expenses as shown in the fund's most recent prospectus. Gross and Net expenses are the same.

Top Ten Equity Holdings (as of 9/30/18)

JP Morgan Chase & Co.	2.14%
Pfizer, Inc.	1.57%
Cisco Systems, Inc.	1.36%
Verizon Communications, Inc.	1.25%
Johnson & Johnson	1.18%
Suncor Energy, Inc.	1.18%
Eli Lilly & Co.	1.15%
Chevron Corp.	1.15%
Philip Morris International, Inc.	1.08%
Exxon Mobil Corp.	0.96%
% Of Portfolio	13.02%

Top Ten Fixed-Income Holdings (as of 9/30/18)

U.S. Treasury Notes.	2.24%
Bank of America Corp.	1.42%
Morgan Stanley	1.18%
JP Morgan Chase & Co.	1.12%
Goldman Sachs Group, Inc.	1.06%
Citigroup, Inc.	1.01%
Wells Fargo & Co.	0.80%
Verizon Communications, Inc.	0.79%
CVS Health Corp.	0.74%
HSBC Holdings plc.	0.61%
% Of Portfolio	10.97%

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.

30-Day SEC Yield reflects the approximate theoretical net current income earned over 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 and distributions may differ. Unsubsidized 30-Day SEC Yield is the Fund's 30-Day SEC yield without the impact of fee/expense waivers. Duration is a measure of the sensitivity of an investment's price to nominal interest-rate movement. Indices are unmanaged and not available for direct investment.

Credit quality ratings are reported by Morningstar using ratings from Nationally Recognized Statistical Rating Organizations. Credit ratings typically range from AAA/Aaa (highest) to C/D (lowest). Ratings do not apply to the Fund itself or to Fund shares and may change.

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 information referenced herein are as of 11/4/18 unless otherwise noted.

Important Risks: Investing involves risk, including the possible loss of principal. • The Fund seeks to achieve its investment objective by allocating assets among different asset classes and/or specialist portfolio managers. 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. • Fixed income security risks include credit, liquidity, call, duration, and interest-rate risk. As interest rates rise, bond prices generally fall. • 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.

Class I-Share Star Ratings: Overall 5-stars out of 439 products, 3-year 5 stars out of 439 products, 5-year 5 stars out of 355 products, and 10-year 5 stars out of 256 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 11/4/18. 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 prospectus](#) and summary prospectus, which can be obtained by visiting hartfordfunds.com. Please read it carefully before investing.

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