

Hartford Multifactor Index Methodologies

Hartford Disciplined US Equity Index - LHDUSX

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This document details the rules-based methodologies that govern the above-listed Hartford Multifactor Index.

Contents

Hartford Multifactor Index Methodology **Page**

Overview of Hartford Multifactor Indices 4

Hartford Disciplined US Equity Index 6

Appendix **Page**

Index Publishing and Calculation 8

Definitions 10

Country Eligibility 12

Index Notices 13

Overview

Hartford Multifactor Indices

The Hartford Multifactor Index outlined in this document is designed to capture the performance potential of US large-cap equities by seeking balanced and consistent exposures across multiple risk factors at lower levels of volatility, while controlling for active risk compared to a similar broad market capitalization-weighted index.

The rules-based, proprietary methodology employs a multi-layered risk-controlled approach that seeks to serve as a “core” holding within client portfolios, delivering balanced and consistent value, momentum, and quality exposures relative to the initial capitalization-weighted universe while remaining broadly representative of that universe.

While the index methodologies for each of Hartford Funds’ multifactor products follow similar approaches, each was designed to address the risks and opportunities inherent in its capitalization class or equity region. Thus, there are important distinctions between different index strategies.

The Index’s Provider (Lattice Strategies LLC (“Lattice Strategies” or “Lattice”), a wholly owned subsidiary of Hartford Funds Management Company, LLC (“HFMC”)), is responsible for the methodology and selection of each index component. The Index is calculated and distributed by Solactive AG. The Hartford Multifactor Indices are calculated as price and total return indexes.

Eligible Securities

Eligible securities for this index are derived from universes composed of companies within the following general parameters:

Hartford Multifactor Index	Eligible Universe
Hartford Disciplined US Equity Index	Includes the 1,000 largest US companies by estimated free-float market capitalization

See Appendix for an itemized list of eligible countries for the index

Overview of Index Construction Methodology

Hartford Multifactor Indices deploy an integrated process that seeks to deliberately allocate risk and deliver exposure to companies with attractive value, momentum, and quality characteristics relative to the initial capitalization-weighted universe.

- **Risk-First Portfolio Construction** – Establishes risk parameters for each index by setting objectives for sector and company diversification as well as for volatility.
- **Multifactor Security Selection** – Seeks to select companies exhibiting a favorable combination of value, momentum, and quality factors in an attempt to enhance return potential.

Hartford Disciplined US Equity Index (LHDUSX)

Index Overview

Hartford Disciplined US Equity Index (LHDUSX or the “Index”) seeks to enhance return potential available from investments in US large-cap equities. The index methodology seeks to enhance return potential through multifactor security selection while applying a comprehensive risk framework to overall index construction. The rules-based, proprietary methodology utilizes an optimization process to target balanced and consistent exposures across value, momentum and quality factors while controlling for total active risk and a reduced volatility level relative to the capitalization-weighted universe.

Composition of the Index

A. Selection of Index Components

The initial composition of the Index, as well as any ongoing adjustment, is based on the following rules:

1. Equity Universe

All companies included in the Index must pass the following screening criteria:

- A. The company must be domiciled in the United States. Country of domicile classification is determined by the Hartford Funds Index Committee using criteria such as:
 1. Country of incorporation
 2. Country of primary exchange listing
 3. Country of headquarters
- B. The average daily trading volume (ADTV) over the last 6 months exceeds 1MM USD
- C. The company is within the largest 1000 US companies using estimated free-float market capitalization as determined by Hartford Funds
- D. Limited partnerships, business development companies, closed-end funds, UCITs and SICAVs are excluded

2. Establishing the Index Constituents

Upon determination of the companies to be included in the universe, an optimization process is applied to determine which stocks are held and how they are weighted. The objectives and constraints of the process are discussed below.

▪ **Strategy Risk Controls**

The Index includes multi-layered risk controls, including:

1. Active sector allocation limitations are set at $\pm 2\%$ from each sector’s representation in the initial capitalization-weighted universe.
2. Active company allocation limitations are set at $\pm 1\%$ from each company’s representation in the initial capitalization-weighted universe, with a minimum of 0% or a maximum of 1x ADTV if it is lower.
3. Minimum effective number of equities must be no less than the effective number of equities in the initial capitalization-weighted universe.
4. Seeks a modest (5-10%) reduction in volatility over a complete market cycle, based on historical standard deviation of the capitalization-weighted universe’s three-year return.

▪ **Factor Enhancement**

The security selection process seeks to identify and assign weightings to companies with attractive factor characteristics. In this analysis, factors covering the traditional dimensions of

value, momentum and quality are utilized. Companies are selected with an aim to enhance the overall factor characteristics of the Index while also meeting the strategy risk controls outlined above. The Index seeks to deliver balanced and consistent exposure to value, momentum, and quality factors at the portfolio level relative to the initial capitalization-weighted universe, while seeking to enhance dividend yield. Considered factors are defined below:

Hartford Value Factor

The Hartford Value Factor equally weights multiple valuation metrics to arrive at an aggregated valuation metric. Valuation metrics include: Earnings Yield, EBITDA/Enterprise Value (EV), Operating Cash Flow/EV, Revenue/EV, and Book Value (used only in the financials and real estate sectors as a replacement to EBITDA/EV).

Hartford Momentum Factor

The Hartford Momentum Factor equally weights last 12 ex-1 monthly returns and last 6 ex-1 monthly returns to arrive at an aggregated momentum metric.

Hartford Quality Factor

Gross profitability/total assets is used to measure quality in the Index.

- The principle of "neutralization" is applied in the calculation of factor scores. Neutralization is deployed to remove biases between companies and securities of different classifications. In particular, the neutralization employed seeks to jointly mitigate biases by geographic (e.g., country, region) and economic (e.g., sector, industry) exposures.

B. Determining the Final Risk-Optimized Index

With the above inputs in place, the Index is constructed using a proprietary optimization process. The optimization uses the initial starting universe of eligible companies as the baseline and the optimization objectives and constraints determine the composition of the Index during each reconstitution and rebalance period. The process layer determines a suitable combination of companies that allows for the greatest expression of index objectives, including factor expression, diversification goals and volatility targets.

▪ Turnover Reduction

The optimization process seeks to mitigate unnecessary and counterproductive turnover while maintaining index attributes and other risk controls.

C. Reconstitution and Rebalancing

The composition of the Index is reconstituted and reweighted on the second Wednesday in March and on the second Wednesday in September. The composition of the Index is reviewed on each Selection Day and the necessary adjustments are announced. The Inception Date of the Index is December 31, 2021.

See Appendix for definitions of terms.

Appendix: Index Publishing and Calculation

General Information

Hartford Multifactor Index Tickers and ISINs

Index Name	Total Return		Price Return	
	Ticker	ISIN	Ticker	ISIN
Hartford Disciplined US Equity Index	LHDUSX	DE000SL0FCH4	LHDUSP	DE000SL0FCG6

*To be determined.

Distribution

The Indices are published via the price marketing services of Boerse Stuttgart AG and are distributed to all affiliated vendors. Each vendor decides on an individual basis as to whether the vendor will distribute/display each Hartford Multifactor Index via the vendor's information systems.

Prices and calculation frequency

The prices of the Indices are calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used. Prices of Index Components not listed in the Index Currency are translated using spot rates (London 4pm) as quoted by Thomson Reuters. Should there be no current price available on Reuters, the most recent price or the Trading Price on Reuters for the preceding Trading Day is used in the calculation.

The Indices are calculated every U.S. Business Day from 12:00am to 10:50pm, CET. The Index price is calculated continuously in 15-second intervals during these hours. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG, the Index cannot be distributed.

Any incorrect calculation is adjusted on a retrospective basis.

Lattice Strategies engages with and pays a fee to Solactive AG for index calculation and distribution services. Lattice Strategies is responsible for the methodology and selection of the index components. The Indices are calculated as price and total return indices in USD.

Decision-making bodies

A committee, composed of members as determined by Lattice Strategies LLC, is responsible for decisions regarding the application of any amendments to the rules (in this document referred to as the "Committee" or the "Index Committee"). The Committee shall decide if any Extraordinary Events should occur and on the implementation of any necessary adjustments.

Members of the Committee can recommend changes to the index methodology rules and submit them to the Committee for approval at any time. Refinements to methodology will be communicated in advance of pre-established rebalance and reconstitution periods via updates to the methodology document and noted in the Index Notices section of the Appendix.

Publication

All specifications and information relevant for calculating the Index are available via the following link: <https://www.solactive.com/documents/equity-index-methodology/>

Licensing

Licenses to use the Indices as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Lattice Strategies LLC.

Extraordinary adjustment

If a company included in any of the Indices is removed from an Index between two Adjustment Days due to an Extraordinary Event, or is otherwise deemed by the Index Committee to have experienced an Extraordinary Event that impacts its qualification for inclusion in the Index as determined by the Methodology, if necessary, the Index Committee shall designate a successor company or otherwise determine a course of action to bring the impacted company position back into alignment with the Methodology. The new Index composition would be communicated to Solactive AG once determination is made by the Index Committee, and any such change would be published by Solactive AG as soon as practicable thereafter, normally after the close of the US markets on the following business day. To the extent any such Index Committee determination is made within 45 days of the next Adjustment Day, the index committee may elect to wait until such next Adjustment Day to make the adjustment to the Index.

Appendix: Definitions

Definitions

Adjustment Days – An adjustment date is the date on which financial adjustments will be made to a contract or transaction as agreed by all the parties involved in the transaction.

Book Value – The book value of an asset is the value at which the asset is carried on a balance sheet and calculated by taking the cost of an asset minus the accumulated depreciation.

Debt-to-GDP – Debt-to-Gross Domestic Product (GDP) is the ratio of a country's public debt to its gross domestic product and can be interpreted as the number of years needed to pay back debt if GDP is dedicated entirely to debt repayment.

Dividend Yield – Dividend Yield is the weighted average dividend yield of the companies in the index (including cash). The number is not intended to demonstrate income earned or distributions made by a portfolio.

Earnings Yield – The net income (before extraordinary items and discontinued operations) for the most recent four-quarter period divided by the current total public equity value of the company.

EBITDA/Enterprise Value (EV) – EBITDA is an acronym for Earnings Before Interest Taxes Depreciation and Amortization. EBITDA/EV is a metric that is used as a valuation tool to allow investors to compare the value of a company, debt included, to the company's cash earnings less noncash expenses.

Extraordinary Event – Includes, but is not limited to, a corporate takeover, merger, spin-off, special dividend, or delisting, which may alter the manner in which the company's securities are valued and/or traded.

Free Float Market Capitalization – Free float market capitalization is another method of calculating market capitalization that requires taking the equity's price and multiplying it by the number of shares readily available in the market.

Gross Domestic Product (GDP) – Gross domestic product is the monetary value of all finished goods and services produced within a country's borders in a specific time and is used as a broad measurement of a nation's overall economic activity.

Gross Profitability – Gross profitability is the profit a company makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services.

Gross Profits/Total Assets – Gross profit/total assets is a profitability measure that allows investors to compare the gross profits of a company to the company's total assets.

Index Component – Security within an Index

Index Calculator – Agent responsible for calculating the value of each index (Solactive AG or any other appropriately appointed successor in this function.)

Index Currency – The US dollar.

Index Provider – Lattice Strategies LLC.

Market Cap – Market cap or market capitalization refers to the total dollar market value of a company's outstanding shares and is calculated by multiplying a company's shares outstanding by the current market price of one share.

Market Disruption Event – Market disruption events are situations where markets cease to function in a regular manner, typically characterized by rapid and large market declines.

Operating Cash Flow/EV – Operating Cash Flow/EV is the ratio of estimated cash generation to the entire economic value of a company. Cash production is calculated by taking the net income (before extraordinary items and discontinued operations) plus amortization and depreciation plus preferred dividends.

Rebalance – Rebalance is the process of realigning the weightings of a portfolio of assets by periodically buying or selling assets in a portfolio to maintain an original desired level of asset allocation.

Reconstitution – Reconstitution is the re-setting of an index that involves adding and removing companies as well as re-ranking existing companies so that the composition of the index reflects the application of systematic rules.

Revenue/EV – Revenue/EV is a measure of the value of a company that compares a company's enterprise to value to its revenue and is an indicator that investors use to determine whether a company is priced well.

Spot Rate – The price quoted for immediate settlement on a commodity, a security or a currency.

Standard Deviation – Standard Deviation is a statistical measure of the extent to which returns of an asset vary from its average return over a certain period.

Appendix: Country Eligibility by Index (as of December 2021)

Hartford Disciplined US Equity **Index**

United States

Appendix: Index Notices

The Index Committee is responsible for all decisions regarding methodology and application of Hartford Multifactor Indices. As part of its mandate, the Index Committee regularly reviews the tools and techniques employed by the team responsible for applying index methodology rules toward the calculation of security weights (i.e. achieving objectives stated in the methodology).

From time to time, the tools, program, and procedures employed in applying the index methodologies may be refined and enhanced.

Data Sources used in the development of Hartford Multifactor Indices include:

S&P Capital IQ/Compustat
FactSet Research Systems Inc.
Bloomberg L.P.
International Monetary Fund (Country Eligibility)
Organisation for Economic Co-Operation and Development

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