MARCH 31, 2025

# Fund Commentary

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## HCRB Hartford Core Bond ETF

**Inception Date** 2/19/20 **Morningstar® Category** Intermediate Core Bond

## Market Overview

US fixed-income markets generated positive total returns during the first quarter, as measured by the Bloomberg US Aggregate Bond Index. Trade tensions and monetary-policy divergence drove market volatility and an increasingly clouded economic outlook. Most fixed-income sectors underperformed US Treasuries as spreads widened amid expectations of worsening economic growth and inflation.

## Performance Summary

- The Hartford Core Bond ETF underperformed the Bloomberg US Aggregate Bond Index during the quarter.
- An allocation to Treasury Inflation-Protected Securities had a modestly negative impact on results.
- Credit positioning was the primary driver of the positive relative results during the period. Within investment-grade (IG) corporate credit, we had an underweight allocation to industrials which contributed to results. We continued to have an underweight exposure to the taxable municipal bond sector, which had a negligible impact on relative results.
- We maintained an overweight exposure to agency mortgage-backed securities (MBS) during the quarter, which contributed to results. We maintained an allocation to non-agency residential mortgage-backed securities (RMBS), which hurt our results. Additionally, our overweight exposure to commercial mortgage-backed securities (CMBS) had a modestly negative impact. Exposure to collateralized loan obligations had a negligible impact on results.

## Positioning & Outlook

- Full implementation of proposed tariffs will likely result in a dramatically worse near-term growth/inflation tradeoff, increasing the probability of a US recession. While the actual magnitude of tariffs will depend on negotiations, high uncertainty is expected to persist. Inflation is likely to spike in the short term and remain more volatile over the medium term. Tariffs are putting the Federal Reserve (Fed) in a difficult position. The growth shock may pressure the Fed to cut rates, but doing so amid high and rising inflation challenges their credibility. Corporate fundamentals could deteriorate, though they start from a healthy position across most sectors. Credit spreads haven't yet widened to levels that compensate for risks to diminished growth prospects. Securitized credit offers more attractive risk/reward opportunities than corporates.
- We're positioned underweight relative to the benchmark in IG credit, but still observe attractive opportunities in utilities (beneficiaries of increased electricity demand from artificial-intelligence) and money-center banks (better capitalized and more diversified than regional banks). We continue to be overweight agency mortgages, focusing on relative value opportunities and enhancing cash flow stability. We also favor exposure to high-quality securitized credit, particularly non-agency RMBS (structural supply shortages and past credit enhancement), shorter duration* consumer ABS (tight lending standards), and select single-asset single borrower CMBS deals.

**Portfolio managers from Wellington Management and years of experience**

Joseph F. Marvan, CFA, 37 years
Campe Goodman, CFA, 28 years
Robert D. Burn, CFA, 27 years
Jeremy Forster, 21 years
Connor Fitzgerald, CFA, 19 years

**Top Ten Holdings (%)**

| | |
|---|---|
| U.S. Treasury Notes | 27.54 |
| Uniform Mortgage-Backed Security | 11.76 |
| U.S. Treasury Bonds | 9.27 |
| Government National Mortgage Association | 7.21 |
| Federal National Mortgage Association | 7.18 |
| Federal Home Loan Mortgage Corp. | 5.04 |
| U.S. Treasury Inflation-Indexed Bonds | 1.56 |
| JP Morgan Chase & Co. | 0.89 |
| Bank of America Corp. | 0.80 |
| Wells Fargo & Co. | 0.57 |
| **Percentage Of Portfolio** | **71.82** |

Holdings and characteristics are subject to change. Percentages may be rounded.

***Duration** is a measure of the sensitivity of an investment's price to nominal interest-rate movement.

## Average Annual Total Returns (%)

| | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | SI |
|---|---|---|---|---|---|---|---|
| HCRB NAV | 2.75 | 2.75 | 5.02 | 0.74 | 0.06 | — | 0.15 |
| HCRB Market Price | 2.84 | 2.84 | 5.05 | 0.80 | 0.08 | — | 0.18 |
| Benchmark | 2.78 | 2.78 | 4.88 | 0.52 | -0.40 | — | — |
| Morningstar Category | 2.65 | 2.65 | 4.97 | 0.55 | 0.05 | — | — |

**Total Operating Expenses[1]:** 0.29%

**Morningstar® Category** Intermediate Core Bond

SI = Since Inception. Performance for periods of less than one year is not annualized

**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.**

ETF shares are bought and sold at market price, not net asset value (NAV). Total returns are calculated using the daily 4:00 p.m. Eastern Time NAV. Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns an investor would receive if they traded shares at other times. Brokerage commissions apply and will reduce returns.

Benchmark: Bloomberg US Aggregate Bond Index is composed of securities that cover the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. Indices are unmanaged and not available for direct investment.

BLOOMBERG® and any Bloomberg Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the indices (collectively, "Bloomberg") and have been licensed for use for certain purposes by Hartford Funds. Bloomberg is not affiliated with Hartford Funds, and Bloomberg does not approve, endorse, review, or recommend any Hartford Funds product. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Hartford Funds products.

[1]Expenses are the total annual operating expenses from the Fund's most recent prospectus at the time of publication.

**Important Risks:** Investing involves risk, including the possible loss of principal. Security prices of the Fund's underlying holdings will fluctuate in value depending on general market and economic conditions and the prospects of individual companies. The market price of the Fund's shares will fluctuate in response to changes in the Fund's net asset value, intraday value of the Fund's holdings, and the supply and demand for shares. • The Fund is actively managed and does not seek to replicate the performance of a specified index. • Fixed income security risks include credit, liquidity, call, duration, event, and interest-rate risk. As interest rates rise, bond prices generally fall. • Obligations of U.S. Government agencies are supported by varying degrees of credit but are generally not backed by the full faith and credit of the U.S. Government. • The risks associated with mortgage-related and asset-backed securities as well as collateralized loan obligations (CLOs) include credit, interest-rate, prepayment, liquidity, default and extension risk. • The purchase of securities in the To-Be-Announced (TBA) market can result in higher portfolio turnover, which could increase transaction costs and an investor's tax liability. The risks associated with the TBA market include price and counterparty risk. • Restricted securities may be more difficult to sell and price than other securities. • Derivatives are generally more volatile and sensitive to changes in market or economic conditions than other securities; their risks include currency, leverage, liquidity, index, pricing, valuation, and counterparty risk. • The portfolio managers may allocate a portion of the Fund's assets to specialist portfolio managers, which may not work as intended. • 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, economic and regulatory developments. • The Fund may effect creations and redemptions partly or wholly for cash, rather than in-kind, which may make the Fund less tax-efficient and incur more fees than an ETF that primarily or wholly effects creations and redemptions in-kind.

**Investors should carefully consider a fund's investment objectives, risks, charges and expenses. This and other important information is contained in a 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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