

## Hartford Schroders Emerging Markets Equity Fund

**Tickers** A: SEMVX C: HHCX F: HHHFX I: SEMNX R3: HHRX R4: HHHSX R5: HHHTX SDR: SEMTX Y: HHHYX

**Morningstar® Category** Diversified Emerging Markets **Inception Date** 03/31/2006

**Lipper Peer Group** Emerging Markets

### Market Overview

Emerging markets (EM) registered a positive return in the first quarter, with US dollar weakness proving supportive. This was despite falling back later amid a rise in market volatility stemming from tensions over global trade. The MSCI Emerging Markets Index recorded a positive return. Brazil generated the strongest return as former president Luiz Inácio Lula da Silva, saw his criminal conviction upheld, increasing the chances that he is prohibited from participating in October's presidential elections. Despite falling back later in the quarter, Russia recorded a strong gain as the central bank cut interest rates and the country's debt was upgraded to investment grade by ratings agency S&P. A 5.1% increase in the price of Brent crude also proved supportive. Although Chinese equities were volatile toward the end of the quarter, the market recorded a positive return and outperformed. Macroeconomic data remained broadly stable. In contrast, Indian equities lost value as domestic bond yields increased given rising external pressures from higher oil prices, as well as concerns over the fiscal deficit. Downward revisions to earnings forecasts, a reported US\$2 billion fraud at a state-owned bank and incrementally negative developments in politics also weighed on sentiment. European EM were also weaker, notably Poland where state-controlled enterprises led the market lower.

### Performance Summary

- EM delivered positive returns in Q1 2018 with the Fund (I Share) outperforming the MSCI Emerging Markets Index. Country allocation was positive and stock selection was negative.
- The overweight to Russia, which outperformed, and the underweights to India and Indonesia, both of which underperformed, added value. This was somewhat offset by the overweight to Poland which underperformed.
- Stock selection was negative in Korea, Thailand and Brazil and positive in China and India.

### Positioning & Outlook

- Global growth appears relatively well supported, despite some signs of a moderation in momentum. The outlook for EM growth remains positive, though we expect modest deceleration in the pace of economic growth in China. Most EM economies are mid-cycle and we expect healthy growth to continue to support an ongoing recovery in corporate earnings and return on equity. We continue to expect earnings to lead market performance in 2018.
- Two of our risks for 2018 have been developed market monetary policy normalization and trade conflict. Both persist, with the US late cycle and moving into fiscal stimulus, and with a notable deterioration in sentiment regarding trade protectionism as a result of recent US action. NAFTA also remains an outstanding issue. We constantly re-assess our core view to evaluate the extent to which either of these two key issues could impact growth and earnings expectations. Domestic politics and geopolitics are further areas to watch. Russia is also a key country to watch. The recent US sanctions have likely lifted the risk premium for the Russian market on a sustained basis but the gradual economic rebound should remain intact and valuations and the currency look cheap, especially after the recent sell-off.

### Portfolio Managers from Schroders

#### Tom Wilson, CFA

Portfolio Manager  
Professional Experience Since 2001

#### Robert Davy

Portfolio Manager  
Professional Experience Since 1982

#### James Gotto

Portfolio Manager  
Professional Experience Since 1991

#### Waj Hashmi, CFA

Portfolio Manager  
Professional Experience Since 1993

#### Nicholas Field

Portfolio Manager  
Professional Experience Since 1991

The portfolio managers are supported by the full resources of Schroders.

### Top Ten Holdings (%)

Tencent Holdings Ltd.	7.24
Samsung Electronics Co., Ltd.	6.56
Taiwan Semiconductor Manufacturing Co., Ltd.	5.17
Alibaba Group Holding Ltd.	4.90
China Construction Bank Corp.	3.51
Sberbank of Russia PJSC	3.03
Lukoil PJSC	2.55
AIA Group Ltd.	1.92
China Petroleum & Chemical Corp.	1.91
Naspers Ltd.	1.86
<b>Percent of Portfolio</b>	<b>38.65</b>

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

Class	Performance (%)		Average Annual Total Returns				Expenses <sup>1</sup>		
	QTD	YTD	1 Year	3 Year	5 Year	10 Year	SI	Gross	Net
A	2.40	2.40	28.04	10.32	5.66	3.63	6.32	1.50%	1.50%
A with 5.5% Max Sales Charge	—	—	21.00	8.27	4.46	3.04	5.82	—	—
F	2.47	2.47	28.47	10.59	5.93	3.85	6.55	1.10%	1.10%
I	2.46	2.46	28.29	10.57	5.92	3.84	6.54	1.23%	1.23%
R3	2.35	2.35	28.01	10.42	5.83	3.80	6.51	1.82%	1.81%
R4	2.41	2.41	27.96	10.43	5.84	3.81	6.51	1.52%	1.51%
R5	2.46	2.46	28.33	10.58	5.92	3.85	6.55	1.22%	1.21%
SDR	2.46	2.46	28.41	10.72	6.00	3.89	6.58	1.10%	1.10%
Y	2.52	2.52	28.58	10.66	5.97	3.87	6.57	1.11%	1.11%
MSCI Emerging Markets Index	1.42	1.42	24.93	8.81	4.99	3.02	—	—	—
Morningstar Category	2.00	2.00	23.13	8.19	4.35	2.10	—	—	—
Lipper Peer Group	1.97	1.97	23.20	8.18	4.65	2.95	—	—	—

**Morningstar® Category** Diversified Emerging Markets **Lipper Peer Group** Emerging Markets

**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](http://hartfordfunds.com).**

Share Class Inception: A, I – 3/31/06; F – 2/28/17; R3, R4, R5, Y- 10/24/16; SDR – 12/30/14. Share class performance prior to 10/24/16 reflects the performance of the unaffiliated predecessor fund, Schroder Emerging Market Equity Fund. Performance shown prior to the inception of a class reflects performance and operating expenses of another class(es) (excluding sales charges, as applicable). Had fees and expenses of a class been reflected for the periods prior to the inception of that class, performance would be different. Since inception (SI) performance is from 3/31/06. Performance and expenses for other share classes will vary. Additional information is in the prospectus. Only Class A assesses a sales charge.

**MSCI Emerging Markets Index** is a free float-adjusted market capitalization-weighted index that is designed to measure equity market performance in the global emerging markets, consisting of 24 emerging market country indices. MSCI index performance is shown net of dividend withholding tax; prior to 3/1/17, it was gross of dividend withholding tax. This Index is unmanaged and not available for direct investment.

**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. • 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. These risks may be greater for investments in emerging markets. • Small- and mid-cap securities can have greater risks and volatility than large-cap securities. • The fund's focus on investments in particular sectors may increase its volatility and risk of loss if adverse developments occur. • The consideration of certain ESG factors may limit the number of investment opportunities available to the fund, which may lead it to underperform funds that are not subject to such criteria.

<sup>1</sup> Expenses as shown in the fund's most recent prospectus. Gross expenses do not reflect contractual expense reimbursement arrangements. Net expenses reflect

such arrangements in instances when they reduce the fund's gross expenses. These arrangements remain in effect until 2/28/19 unless the fund's Board of Directors approves an earlier termination.

**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](http://hartfordfunds.com). Please read it carefully before investing.**

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