

Hartford Schrodgers China A Fund

Tickers A: HSHAX C: HSHCX F: HSHFX I: HSHIX SDR: HSHRX Y: HSHYX

Morningstar® Category China Region

Inception Date 03/31/2020

Lipper Peer Group China Region

Market Overview

Chinese equities rose in the last quarter of 2020 as news that a COVID-19 vaccine was on its way provided a boost to the outlook for the world economy and spurred a significant rally in equity markets. Externally, hopes of a win by Democrat Joe Biden in the US election earlier this quarter and potentially a smoother road forward for US-China relations supported Chinese equities. "First in, first out" sums up the Chinese economy's COVID-19 story in 2020. Having suffered its slump early in the year and avoided a significant second wave, China has rebounded earlier and quicker than other major economies and staged a V-shaped recovery, led mainly by investment and exports. Despite the global pandemic, exports have been holding up surprisingly well in 2020 due to strong global demand on healthcare products and China's fast resumption of industrial activities. China's solid economic recovery has also been supported by the unprecedented levels of fiscal and monetary stimulus by the government. This has, in turn, dramatically reduced bankruptcy risks and allowed investors to look through the current slump in earnings towards a more normal operating environment into 2021. Elsewhere, rising retail participation, as evidenced by the recent pickup in turnover velocity, new investor account opening, and margin financing balance, has also been cited as a key fuel for the recent upswing in the onshore Chinese equities market.

Performance Summary

- The Hartford Schrodgers China A Fund (I Share) outperformed the MSCI China A Onshore Index
- Sector allocation contributed to relative return. The overweighting of consumer discretionary, material and industrial were key contributing factors.
- Stock selection was also positive. It was especially strong in the technology, financial and consumer discretionary sectors, and was relatively weaker in healthcare and consumer staples.

Positioning & Outlook

- Our key focus remains on those stocks exposed to the more secular growth themes in the country
- We like industrials and upstream material as we believe they will benefit from multiple drivers including: 1) China industrial upgrade; 2) the localization trend amid international trade friction; 3) the abundance of engineering talent supporting research and development; 4) increasing automation on the back of escalating labor costs; 5) a greener China.
- We also remain overweight companies within the consumer sector that are geared to China's consumer upgrade cycle
- Also, some cyclical and value names that have been out of investors' favor and are trading on a reasonable, if not distressed, valuations. Given the continued economic recovery in China, we may consider rotating into cheap cyclical sectors, such as petrochemicals and other materials, if they can show significant improvements in earnings.
- Chinese banks will remain a key funding source of use as monetary policies will now turn even lower for longer to support the economy, which means net interest margins of banks will remain under pressure
- We also remained underweight in healthcare and consumer staple sectors given the very rich valuations

Portfolio Manager from Schrodgers Management

Jack Lee, CFA

Portfolio Manager

Professional Experience Since 1998

The portfolio manager is supported by the full resources of Schrodgers.

Top Ten Holdings (%)

Ping An Insurance Group Co., of China Ltd.	7.32
Midea Group Co., Ltd.	4.17
Oppein Home Group, Inc.	3.58
Anhui Kouzi Distillery Co., Ltd.	3.11
China Merchants Bank Co., Ltd.	2.80
Hongfa Technology Co., Ltd.	2.72
Eve Energy Co., Ltd.	2.63
Shandong Sinocera Functional Material Co., Ltd.	2.48
China Jushi Co., Ltd.	2.40
Chacha Food Co., Ltd.	2.33
Percentage Of Portfolio	33.54

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

Performance (%)									
Class	QTD	YTD	Average Annual Total Returns				SI	Expenses ¹	
			1 Year	3 Year	5 Year	10 Year		Gross	Net
A	20.60	—	—	—	—	—	71.73	1.47%	1.45%
A with 5.5% Max Sales Charge	—	—	—	—	—	—	62.28	—	—
F	20.73	—	—	—	—	—	72.16	1.12%	0.99%
I	20.63	—	—	—	—	—	71.90	1.20%	1.15%
SDR	20.73	—	—	—	—	—	72.16	1.12%	0.99%
Y	20.68	—	—	—	—	—	71.97	1.22%	1.11%
MSCI China A Onshore Index	17.53	—	—	—	—	—	—	—	—
Morningstar Category	15.29	—	—	—	—	—	—	—	—
Lipper Peer Group	14.97	—	—	—	—	—	—	—	—

Morningstar® Category China Region Lipper Peer Group China Region

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.

Since Inception (SI) performance is from 3/31/20. Only Class A assesses a sales charge.

MSCI China A Onshore Index is designed to capture large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges. MSCI index performance is shown net of dividend withholding tax. Indices are unmanaged and not available for direct investment.

Important Risks: Investing involves risk, including the possible loss of principal. Security prices fluctuate in value depending on general market and economic conditions and the prospects of individual companies. • The Fund invests in China A shares through Stock Connect, which is subject to a number of restrictions that may affect the Fund's investments and returns. • Risks associated with investments in China include currency fluctuation, political, economic, social, environmental, regulatory and other risks, including risks associated with differing legal standards. Concentrating investments in China subjects the Fund to more volatility and greater risk of loss than a more diversified fund. • 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-cap and mid-cap securities can have greater risks and volatility than large-cap 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, and counterparty risk.

¹Expenses 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 gross expenses. These arrangements remain in effect until 3/31/21 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. Please read it carefully before investing.

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