

# Hartford Balanced Income F HBLFX

A retirement doesn't alter our views.

## Morningstar's Take HBLFX

**Morningstar Rating** ★★★★★

**Morningstar Analyst Rating** Silver

### Morningstar Pillars

Process	● Above Average
Performance	—
People	● Above Average
Parent	● Above Average
Price	—

### Role In Portfolio

Supporting Player

### Fund Performance

Year	Total Return (%)	+/- Category
YTD	-3.48	1.21
2021	10.23	2.00
2020	7.87	-0.99
2019	19.43	4.62
2018	-4.81	0.23

Data through 3-31-22

10-26-21 | by Patricia Oey

Hartford Balanced Income's managers maintain a disciplined, time-tested process. Lead equity manager Michael Reckmeyer will retire in June 2022 and Matthew Hand, who has been on the team for 17 years, will take over. We have confidence in this carefully planned transition and are maintaining our ratings. Its cheapest share classes earn a Morningstar Analyst Rating of Silver, while its more expensive share classes are rated Bronze or Neutral.

Reckmeyer employs a disciplined, quality-focused approach, looking for stocks with yields that are at least 25% greater than that of the S&P 500. He maintains a watch list and is able to add companies with strong balance sheets when they are temporarily out of favor or during periods of market volatility. As part of his manager training, Hand has run his own concentrated portfolio since August 2019 and he continues to strengthen his

access to Wellington's robust resources such as the equity and credit analyst teams.

Scott St. John, who has been a named manager since the fund's 2006 inception, looks to supplement the yield with a bond sleeve focused on investment-grade corporate debt, with small allocations in high-yield and emerging-markets debt. He works with Wellington's well-regarded sector specialists and credit analysts to construct the portfolio. The bond sleeve can be a source of volatility when markets decline, as its credit quality tends to land near the lower end of investment-grade. Relatively higher duration, combined with a dividend-focused equity sleeve, means this fund is also likely to be more sensitive to rising rates. Currently, the fund's duration of 8.1 years is about 2.0 years above that of the Morningstar Category benchmark.

This fund takes a moderate approach to income. The institutional share class' annual yield over the past three years has been 2.6%, whereas some multi-asset income peers have yielded about 5%. But the overall process has resulted in strong returns, with trailing 10-year performance through September 2021 landing in the top decile within the category. The strategy has also outperformed the category benchmark on an absolute and risk-adjusted basis from inception in August 2006 through September 2021.

**Process Pillar** ● Above Average | Patricia Oey 10/26/2021

This income-oriented fund employs a complementary pairing of two proven strategies, a defensive equity sleeve with a nimble credit-focused bond sleeve, resulting in a Process rating of Above Average.

On the equity side, the team looks for companies that pay a dividend yield greater than that of the S&P 500 which also have the potential to grow

dividends over time. These are typically firms with strong balance sheets that are added when they are temporarily out of favor, such as General Dynamics GD in the first quarter of 2020. The team also runs recession scenarios through its company financial models to see if holdings can maintain their dividends in a challenging environment. The output of this process is a very defensive portfolio, especially during periods of volatility.

On the bond side, Scott St. John focuses on investment-grade corporate credit but holds small allocations in high-yield and emerging-markets debt for additional income. He relies on Wellington's specialists in the latter two sectors for security selection. When markets are volatile, he tries to scoop up mispriced assets, and these moves can contribute meaningfully to performance. He made some opportunistic trades when credit spreads widened in the end of 2018 and in early 2020, which contributed to returns.

The managers tend to keep the equity and bond allocations at 45% and 55%, respectively, but have the flexibility to shift 5% in either direction.

The equity sleeve holds about 70 dividend-paying stocks, primarily mega-caps. The portfolio is high-quality, with wide- and narrow-moat names accounting for 94%, versus the Russell 1000 Value Index's 85%. Purchases in 2021 include Waste Management, bought when it was lagging more cyclically oriented businesses in the coronavirus recovery. The company has a dominant 25% market share and is positioned to benefit as industrial and commercial waste volumes normalize. The managers also bought low-cost energy producer Pioneer Natural Resources, favored for its strong balance sheet and commitment to returning excess capital to shareholders. The managers remain disciplined and will remove a name if its yield falls below that of the S&P 500, such as Microsoft MSFT in 2018 and Xcel Energy XEL in 2019.

The bond sleeve's allocations are close to that of its benchmark (80% Bloomberg Barclays Corporate Index, 10% JPMorgan EMBI+, and 10% Bloomberg Barclays U.S. Corporate High Yield 2% Cap Index) and so it is quite different from the category benchmark. During the first half of 2021, the managers shifted to an overweight position in high yield due to a favorable fiscal and monetary environment, but they were focused primarily on security selection as credit spreads remain tight. In addition, given the relative lack of attractive opportunities in credit, the equity and bond managers decided to raise the equity allocation to 48% from its neutral weight of 45%.

**Performance Pillar** | Patricia Oey 10/26/2021

Long-term performance has been strong. From its August 2006 inception through September 2021, the fund outperformed its allocation -- 30% to 50% equity category index and its average peer. The institutional shares' since-inception Sharpe ratio of 0.94 beat the category index's 0.82 and the category average of 0.57.

As an income-focused fund, its current 12-month yield of 2.22% is only slightly higher than the category average's 2.06%, and it is significantly lower than Franklin Income's 4.61%. But Hartford Balanced Income has consistently generated higher rolling five-year risk-adjusted returns than Franklin Income.

The fund's strength comes from its complementary sleeves. The equity side provides strong outperformance (about 600 and 500 basis points in the fourth quarter of 2018 and first quarter of 2020, respectively) relative to the Russell 1000 Value Index during market declines, typically more than offsetting likely negative returns from the credit-heavy bond sleeve. The fourth quarter of 2018 was not that challenging for the bond sleeve (which fell about 90 basis points), but the first quarter of 2020 was difficult, as the sleeve fell about 400 basis points. While the fund can experience short-term underperformance during periods of high market stress, we think the highly defensive equity portfolio, combined with nimble management on the bond side, should drive strong long-term performance.

**People Pillar** ● Above Average | Patricia

Oey 10/26/2021

We have confidence in the new equity manager and are maintaining our Above Average People rating.

Lead equity manager Michael Reckmeyer will retire in June 2022 and is passing the reins to Matthew Hand, who was added to the manager roster in 2019. Hand has been a member of Reckmeyer's team since 2004, and over the past few years has been preparing for his new role by running his own concentrated income portfolio, participating in a portfolio manager program, and slowly transitioning some of his sector coverage responsibilities to fellow teammates. In addition, he has been instrumental in incorporating data science and environmental, social, and governance considerations into the investment process. Hand will continue to have the support of four team members for sector coverage, as well as Wellington's well-resourced global industry analysts and other investment teams. Reckmeyer will also hand off his lead equity role on Gold-rated Vanguard Wellesley Income to Hand.

Scott St. John has been a listed manager since the fund's 2006 inception. He also runs Silver-rated Vanguard Long-Term Investment-Grade VWESX, which employs a very similar process, and is chair of the U.S. corporate bond strategy group. He is supported by a wealth of resources, including two credit portfolio managers, a high-yield manager, an emerging-markets debt manager, Wellington's fixed-income research analyst team, and economists.

**Parent Pillar** ● Above Average | Elizabeth

Foos 12/21/2020

Hartford Funds has evolved over the past decade by hiring strong subadvisors, honing its product lineup, and improving some fee structures. These efforts support an Above Average Parent Pillar rating.

The firm maintains a long-standing relationship with well-respected subadvisor Wellington Management Company. Wellington has long run the firm's equity funds--over half of its \$116 billion in fund assets--and took the reins of Hartford

Fund's fixed-income platform beginning in 2012. In 2016, Hartford Funds began offering strategic-beta exchange-traded funds with its acquisition of Lattice Strategies and partnered with U.K.-based Schroders to expand its investment platform further. The Schroders alliance added another strong subadvisor to Hartford's lineup, with expertise in non-U.S. strategies.

Hartford Funds mostly leaves day-to-day investment decisions to its well-equipped subadvisors and instead steers product development, risk oversight, and distribution for its strategies. In 2013, the firm reorganized and grew its product-management and distribution effort. Since then, leadership has added resources to its distribution and oversight teams, merged and liquidated subpar offerings, introduced new strategies, evolved its strategic partnerships with MIT AgeLab and AARP, and lowered some fees. That said, fees are still not always best in class but have improved.

**Price Pillar** | Patricia Oey 10/26/2021

It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's cheapest quintile. Based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Silver.

Historical Performance (%)	1 Year	3 Year	5 Year	10 Year	Since Inception
<b>Average Annual Total Returns</b> (as of 3/31/22)					
Hartford Balanced Income Fund F	4.32	8.17	7.33	7.76	7.36
Hartford Balanced Income Fund Y	4.23	8.06	7.24	7.78	7.49
Blended Index*	2.45	7.52	6.54	7.46	—
Morningstar Allocation--30% to 50% Equity Category Average	1.43	6.65	5.75	5.53	—

Expenses: <sup>1</sup> (%)	F	Y	Yields (%)	F	Y
Gross	0.53	0.64	30-Day SEC Yield	2.69	2.58
Net	0.53	0.64	Unsubsidized 30-Day SEC Yield	2.69	2.58

**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: 2/28/17. Class F-share performance prior to its inception date reflects Class I-shares performance and operating expenses, and, prior to 2/26/10, the performance and operating expenses of Class A-shares (excluding sales charges). Since inception performance is calculated from 7/31/06.

\*The Blended Index consists of 45% Russell 1000 Value Index, 44% Bloomberg Corporate Index, 5.5% JP Morgan Emerging Markets Bond Index Plus, and 5.5% Bloomberg U.S. Corporate High-Yield Bond 2% Issuer Cap Index. Indices are unmanaged and not available for direct investment.

<sup>1</sup>Expenses as shown in the Fund's most recent prospectus.

## Morningstar Rating™ and Percentile Rankings

Based on Risk-Adjusted Returns as of 3/31/22 | Morningstar Category: Allocation--30% to 50% Equity

Class	Morningstar Ratings <sup>2</sup>								Morningstar Rankings <sup>3</sup>							
	Overall		3 Year		5 Year		10 Year		1 Year		3 Year		5 Year		10 Year	
	Star Rating	Rating Group	Star Rating	Rating Group	Star Rating	Rating Group	Star Rating	Rating Group	% Rank	Funds in Category	% Rank	Funds in Category	% Rank	Funds in Category	% Rank	Funds in Category
F	★★★★★	447	4	447	5	415	5	274	10	480	14	447	10	415	4	274
Y	★★★★★	447	4	447	5	415	5	274	11	480	16	447	11	415	4	274

<sup>2</sup>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. Other share classes may have different ratings.

<sup>3</sup>Morningstar rankings are based on average total returns of all products in their peer group and do not take into account sales charges.

### Top Ten Equity Holdings (%) (as of 3/31/22)

Johnson & Johnson	1.70
MetLife, Inc.	1.44
Chubb Ltd.	1.43
JP Morgan Chase & Co.	1.43
Cisco Systems, Inc.	1.39
ConocoPhillips	1.32
Medtronic plc	1.27
Morgan Stanley	1.26
Pfizer, Inc.	1.24
Pioneer Natural Resources Co.	1.17

**Percentage Of Portfolio**

**13.65**

### Top Ten Fixed-Income Holdings (%) (as of 3/31/22)

Bank of America Corp.	1.22
JP Morgan Chase & Co.	1.06
Morgan Stanley	0.98
Goldman Sachs Group, Inc.	0.88
AT&T, Inc.	0.83
Citigroup, Inc.	0.77
Wells Fargo & Co.	0.63
U.S. Treasury Notes	0.62
Oracle Corp.	0.59
HSBC Holdings plc	0.58

**Percentage Of Portfolio**

**8.16**

### Sharpe Ratio (8/1/96 – 3/31/22)

Balanced Income F	0.81
Blended Index	0.64
Morningstar Category Avg.	0.53

### Fixed Income Characteristics

# of Fixed-Income Issuers	634
Effective Duration	7.66 years

Morningstar awarded the Class F share of the Fund a Silver rating on 10/26/21. The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the US, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the US Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five-pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark over the long term on a risk adjusted basis. They consider quantitative and qualitative factors in their research and weights will vary.

The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months. The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group's expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund. For more detailed information about Morningstar's Rating for Funds and Analyst Rating, including their methodology, please go to [global.morningstar.com/managerdisclosures](http://global.morningstar.com/managerdisclosures).

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The Morningstar Economic Moat Rating represents a company's sustainable competitive advantage. A company whose competitive advantages are expected by Morningstar to last more than 20 years has a wide moat; one that can fend off their rivals for 10 years has a narrow moat; while a firm with either no advantage or one that we think will quickly dissipate has no moat.

30-Day SEC Yield reflects the hypothetical net current income earned, after the deduction of a fund's expenses, during 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 distributions will usually 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. Sharpe Ratio is a measure of the excess fund returns per unit of risk, as measured by standard deviation. Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha.

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**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 may allocate a portion of its assets to specialist portfolio managers, which may not work as intended. ● 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. ● Different investment styles may go in and out of favor, which may cause the Fund to underperform the broader stock market. ● 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.

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

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