

# Hartford MidCap I HFMIX

A solid approach and strong execution.

## Morningstar's Take HFMIX

**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	-10.37	1.98
2021	9.82	-3.23
2020	24.92	-14.34
2019	32.64	0.12
2018	-7.39	-0.74

Data through 3-31-22

1-28-22 | by Drew Carter

Hartford MidCap's experienced, stable team and a rigorous, long-term-focused process earn its cheapest five share classes a Morningstar Analyst Rating of Silver, while the pricier four are rated Bronze.

The team at subadvisor Wellington has been together since April 2011 when Phil Ruedi took over leadership from Phil Perelmuter. Ruedi worked closely with Perelmuter after he joined in 2004. Comanager Mark Whitaker started at same time, while analyst Joseph Sicilian came aboard in 2007. The team's sole focus is mid-cap stocks. It divides coverage by style, with Ruedi taking growthier names and sectors like healthcare, while Whitaker covers value-like areas, including financials. Sicilian's mix overlaps both managers. Plus, the team is backed by Wellington 50-plus global research analysts, leaning on them more in specialized areas. These robust resources bolster

our conviction in the team's ability to continue to deliver strong stock picks.

The team targets mid-cap firms with market caps of \$2 billion to \$10 billion at purchase but to maintain size discipline it will sell most holdings that approach \$30 billion in market cap. The team assesses a firm's fundamentals, valuation, and growth expectations, scoring each area so stocks can compete across sectors. The team leans on central analysts for fundamental analysis but tends to do its own valuation work. The fund's below-average portfolio turnover compared with its typical mid-growth peer reflects the team's long-term focus.

With \$22.6 billion in assets under management as of December 2021, this is the fifth-largest strategy in its Morningstar Category and one of the largest to remain open to new investors. While capacity management merits close monitoring, concerns have partially diminished in the past three years, when the fund saw nearly \$7 billion of outflows. The managers have delivered decent returns over time. Since Ruedi took the helm in May 2011, the fund's A shares gained 12.6% annualized through December 2021, edging its S&P MidCap 400 prospectus benchmark and typical mid-growth category peer by 0.8 and 0.1 percentage points, respectively. Overall, a solid relative value approach and strong execution make this strategy a compelling mid-cap option.

**Process Pillar** ● Above Average | Drew Carter 01/28/2022

Effective implementation of the team's long-term-focused approach earns the strategy an Above Average Process rating.

The managers perform rigorous fundamental research to find mid-cap companies that are industry leaders. They assess a firm's business

model, growth drivers, balance sheet, management team, and broader industry-specific trends to build a list of attractive candidates. Valuation is gauged by a variety of measures, including price/cash flow and price/earnings. The fund's below-average portfolio turnover compared with its typical mid-growth peer reflects the team's long-term focus.

Lead manager Phil Ruedi and his team target mid-cap firms with market caps of \$2 billion to \$10 billion at purchase but to maintain size discipline it will sell most holdings that approach \$30 billion in market cap. Despite the strategy's size (about \$22.6 billion), the portfolio's average market-cap tends to be fall between that of its S&P MidCap 400 prospectus benchmark and the category benchmark Russell Midcap Growth Index. Still, this is the fifth-largest strategy in its category and one of the largest to remain open to new investors. While we continue to closely monitor capacity, concerns have partially diminished as outflows have persisted in recent years. The fund saw \$5.7 billion in net outflows over the past three years through December 2021, while its clone, Hartford MidCap HLS HIMCX, saw \$1 billion in net outflows.

The strategy's low turnover and diversified portfolio of about 100 stocks help the team navigate its large asset base. But its flexibility could be limited by investments in smaller-cap companies where the fund has an ownership stake of 5% or more of the share float, potentially introducing some liquidity risk in adverse market conditions.

Sector weights, a product of the team's bottom-up security selection, tend to fall between its prospectus benchmark (S&P MidCap 400) and the category index (Russell Midcap Growth). For many years, the team has used a \$10 billion purchase ceiling and \$30 billion holding ceiling, though lead manager Phil Ruedi has made a few exceptions on higher conviction names, like Exact Sciences EXAS and First Republic Bank FRC. Still, the team has

stayed true to its mid-cap mandate, with the portfolio's \$9.4 billion average market cap just above the \$8 billion category median, and one of the smallest among peers with strategy assets of \$10 billion or more.

After the pandemic hit, Ruedi reduced the portfolio's allocation to growth stocks, bringing its valuation metrics closer to the prospectus benchmark and further from the category index and peers. Ruedi was wary of growth's run and sought more cyclical stocks, including in real estate, industrials, and consumer discretionary. Through 2021, Ruedi started moving back into growthier stocks, and planned to continue that path in early 2022.

#### **Performance Pillar** | Drew Carter 01/28/2022

The fund's focus on firms with an attractive relative valuation, sound fundamentals, and a compelling outlook that differs from consensus has produced a decent record. Since lead manager Phil Ruedi took the helm in May 2011, the fund's A shares gained 12.6% annualized through December 2021, edging its prospectus benchmark, the S&P MidCap 400, by 0.8 percentage points. But returns were less compelling relative to its peers in the mid-growth category. While results were in line with the typical mid-growth peer during the period, the fund trailed the Russell Midcap Growth category index by 1.5 percentage points, as it has allocated less to high-flying names that have soared in recent years.

Strong stock-picking in the healthcare sector had contributed to this fund's long-term success, but more recently the bets have soured. Specifically at issue was a large overweight to biotechnology stocks. In 2021, three picks--Allakos ALLK, Reata Pharmaceuticals RETA, and Iovance Biotherapeutics IOVA--lost 93%, 79%, and 59%, respectively. Ruedi believes the industry can return to outperformance and has modified his picks toward companies with two or more drugs to reduce the binary make-or-break outcomes common to biotechs. Its overweight to tech relative to its prospectus benchmark was also a drag in 2021, but there were some good picks within the sector, including application delivery controller F5 FFIV and business process management services provider Genpact G.

#### **People Pillar** Above Average | Drew Carter 01/28/2022

An experienced trio of investors whose sole focus is mid-cap stocks oversees the strategy and has strong analytical support. The team at subadvisor Wellington hasn't seen any departures since 2011 and continues to successfully execute its research-focused approach, meriting an Above Average People rating.

Phil Ruedi has led the team since April 2011. He worked closely with his predecessor, Phil Perelmuter, on the fund after joining Wellington in 2004. Comanager Mark Whitaker joined the team at the same time. Ruedi and Whitaker are both partners at Wellington, helping ensure they'll stick around. They're assisted by a dedicated analyst, Joseph Sicilian, who came aboard in 2007. Together, they conduct fundamental analysis on its universe of mid-cap stocks. They divide coverage by style: Ruedi covers names and sectors with more growth characteristics (such as healthcare), Whitaker has responsibility for value-like areas (such as financials), and Sicilian a mix.

The managers also lean on Wellington's team of more than 50 research analysts for analytical support. About 85% of the portfolio is covered by both the portfolio team as well as by an analyst on the centralized bench. The managers lean more heavily on the analyst pool in more specialized areas like energy. These robust resources bolster our conviction in the team's ability to continue to deliver strong stock picks.

#### **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** | Drew Carter 01/28/2022

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 second-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 MidCap Fund I	-6.40	10.74	12.15	12.91	12.19
Hartford MidCap Fund A	-6.61	10.48	11.86	12.64	12.03
Hartford MidCap Fund A (with 5.5 max sales charge)	-11.75	8.42	10.61	12.00	11.77
S&P MidCap 400 Index	4.59	14.14	11.10	12.20	—
Russell MidCap Index	6.92	14.89	12.62	12.85	—
Russell MidCap Growth Index	-0.89	14.81	15.10	13.52	—
Morningstar Mid-Cap Growth Category Average	-4.00	15.34	14.79	12.63	—

Expenses: <sup>1</sup> (%)	I	A
Gross	0.85	1.07
Net	0.85	1.07

**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: 12/31/97. Share Class Inception: I - 2/27/09; A - 12/31/97. Performance prior to the inception of a class reflects performance and operating expenses of another class, excluding sale charges if applicable. Performance of other share classes will vary. Since inception performance is calculated from 12/31/97. The Fund's benchmark is the S&P 400 MidCap Index.

S&P MidCap 400 Index is an unmanaged index of common stocks of companies chosen by S&P designed to represent price movements in the mid-cap US equity market. Russell MidCap Index measures the performance of the mid-cap segment of the U.S. equity universe. Russell MidCap Growth Index measures the performance of the mid-cap growth segment of the US equity universe. It includes those Russell MidCap Index companies with higher price-to-book ratios and higher forecasted growth values. Indices are unmanaged and not available for direct investment.

<sup>1</sup>Expenses as shown in the Fund's most recent prospectus. Gross expenses do not reflect contractual fee waivers or expense reimbursement arrangements, if any. Net expenses reflect such arrangements only with respect to Classes I and Y and in instances when they reduce gross expenses. These arrangements remain in effect until 2/28/23 unless the Fund's Board of Directors approves an earlier termination.

## Morningstar Rating™

Based on Risk-Adjusted Returns as of 3/31/22 | Morningstar Category: Mid-Cap Growth

Class	Morningstar Ratings*							
	Overall		3 Year		5 Year		10 Year	
	Star Rating	Rating Group	Star Rating	Rating Group	Star Rating	Rating Group	Star Rating	Rating Group
I	★★★★	542	2	542	2	503	3	386
A	★★	542	1	542	2	503	3	386

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

II-VI, Inc.	2.45
WEX, Inc.	2.42
F5, Inc.	2.16
Genpact Ltd.	2.10
Jazz Pharmaceuticals plc	2.01
Lumentum Holdings, Inc.	1.92
Credit Acceptance Corp.	1.91
Ingersoll Rand, Inc.	1.86
Markel Corp.	1.83
Flex Ltd.	1.76
<b>% of Portfolio</b>	<b>20.42</b>

## Sector Exposure (%) (as of 3/31/22)

Information Technology	25
Health Care	18
Industrials	17
Financials	13
Consumer Discretionary	10
Materials	5
Real Estate	3
Communications Services	3
Utilities	3
Energy	2
Consumer Staples	1

## Market Cap Distribution (%) (as of 3/31/22)

Less than \$2 billion	3
\$2 billion - \$5 billion	9
\$5 billion - \$10 billion	49
Greater than \$10 billion	39
Not Classified	0

The views and opinions expressed within this report are those of Morningstar and are subject to change based on market, economic, and other conditions. All fund holdings and information referenced herein is as of 1/28/22 unless otherwise noted. There is no guarantee that the Fund will continue to hold any security listed in the Top Ten Holdings or referenced within this report. Holdings are subject to change. Percentages may be rounded. For the Fund's most recent publicly available list of holdings, please visit hartfordfunds.com. Sector exposure is based on Global Industry Classification Standard (GICS), which was developed by and is the exclusive property and a service mark of MSCI Inc. (MSCI) and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). Sector exposure excludes cash and may not total to 100% due to rounding and/or pooled vehicle allocations.

\*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.

Morningstar awarded the Class I share of the Fund a Silver rating on 1/28/22. 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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**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. • Mid-cap securities can have greater risks and volatility than large-cap securities. • Integration of environmental, social and/or governance (ESG) factors into the investment process may not work as intended. • To the extent the Fund’s focuses on one or more sectors, the Fund may be subject to increased volatility and risk of loss if adverse developments occur.

Diversification does not ensure a profit or protect against a loss in a declining market.

**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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