

# Hartford Strategic Income F HSNFX

A solid multisector bond option.

## Morningstar's Take HSNFX

**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	0.83	-1.11
2020	12.62	7.78
2019	12.05	2.25
2018	-1.46	0.06
2017	9.01	2.94

Data through 6-30-21

6-15-21 | by Elizabeth Foos

Hartford Strategic Income is managed by a skilled group at subadvisor Wellington that follows a disciplined, value-driven process underpinned by strong analytic tools and risk management. It earns a Morningstar Analyst Rating of Silver on its cheaper share classes, while its more expensive ones are rated Bronze and Neutral.

Campe Goodman, Joseph Marvan, and Robert Burn took the reins in 2012 and boast significant experience. They make sector allocation, duration, and yield-curve decisions, while sector specialists, who are also seasoned portfolio managers, weigh in on individual security selections within the various sleeves of the portfolio. The team also relies on the firm's large analyst team, comprehensive fixed-income risk systems, and quantitative research team to hone the portfolio.

That matters given the strategy's focus on the more opaque sectors of the fixed income markets. Like many multisector bond Morningstar Category peers, its home base balances sectors that can add volatility, such as high-yield corporates, emerging-markets debt and bank loans, with higher quality mortgage-backed securities, U.S. Treasuries, and investment-grade corporates playing smaller roles. The team also employs credit and interest-rate derivatives to take long and short positions in various markets and to balance interest-rate risk in the portfolio, and to good effect. Strong risk management ensures that the portfolio remains diversified and that the managers can take advantage of credit market inefficiencies.

At times, that tack has caused it underperform in rocky credit markets, but it does relatively well when credit rallies. For example, the I shares lost 15.7% in the Feb. 20-March 23, 2020 downturn, worse than more than half of a distinct group of peers. However, the managers' strong sector and security selections, particularly in investment-grade credit, as well as a rally in higher-yielding fare helped thereafter; its 12.6% return for 2020 beat almost all of its rivals. Patient investors will be rewarded here over the longer term.

**Process Pillar** Above Average | Elizabeth Foos 06/15/2021

A sensible, repeatable, and value-driven approach, supported by deep research and risk-management tools, supports an Above Average Process rating.

Campe Goodman, Joseph Marvan, and Robert Burn determine the strategy's broad sector, yield-curve, and duration exposure by integrating research from across the firm's well-resourced fixed-income platform. Once these parameters are set, sector specialists backed by large analyst teams recommend securities. The team uses an internal risk-management system to monitor tracking error, run stress tests, and assess the risk-adjusted performance of the portfolio's various sleeves.

The strategy balances hefty stakes in high-yield bonds, emerging-markets debt, and bank loans with a moderate mix of investment-grade corporates, U.S. Treasuries, and agency and nonagency mortgages. Its Wellington subadvisor won't load up on the dodgiest fair and tactically increases exposure to lower-quality credits only when the team sees attractive valuations.

The strategy will often keep a longer duration, which can deviate from that of the Bloomberg Barclays U.S. Aggregate Bond Index by up to 2.5 years, to balance some of the credit risk it takes on, and the team employs a wide array of derivatives to take long and short exposures to various sectors.

The portfolio entered 2020 defensibly positioned owing to the team's cautious view on the credit cycle and tight credit spreads. Despite the relatively higher-quality stance for this strategy, its lower-quality bonds still weighed on the portfolio as markets plunged during 2020's first quarter. The team waited for the markets to calm in late March and early April before selectively adding to higher-quality corporate bonds that it deemed were being punished too harshly in the market sell-off; that stake reached roughly 9% of assets midyear before coming down to less than 2% at the end of 2020.

As the markets opened up and valuations became more compelling, the team tactically added high-yield derivatives and then high-yield credit cash bonds, which reached 25% of assets in November 2020 before settling at 18% at the end of 2021's first quarter. Within bank loans (20% as of April 2021) and emerging-markets debt (28%), the team favors a mix of sovereign debt and high yield industrials. (The team limits the strategy's exposure to volatile emerging-markets currencies to under 10% of assets.) At the same time, the strategy remained relatively light in U.S. Treasuries (16%) and MBS (12% including 4% in nonagency mortgages).

**Performance Pillar** | Elizabeth Foos 06/15/2021  
 Overall, patient investors have been rewarded. The Wellington team took over in April 2012, and through May 2021, the I shares gained 5.2% annualized. That beat its Aggregate Index benchmark (which sticks to investment-grade bonds) by 225 basis points and landed it in the top quintile of a distinct group of multisector bond category peers.

The strategy's allocations to high-yield and unhedged local-currency emerging-markets debt were a drag in the turbulent markets of late 2015 and early 2016. But the team avoided the most challenged issues in the energy sector, which softened the blow. Yet its allocation to those more volatile sectors--such as BB rated high-yield bonds, bank loans, and emerging-markets debt--helped when credit-sensitive sectors rebounded in 2016 through 2017. While modest positions in Turkey and Argentina weighed on results again in parts 2018 and 2019, the strategy's allocations to bank loans, high yield, and European contingent convertibles, all contributed favorably to returns as spreads tightened in 2019.

The managers upgraded the portfolio's credit quality moving into 2020, yet its 15.7% loss in the Feb. 20-March 23 market sell-off fell below more than half of peers. Strong selection in investment-grade credit and high-yield corporates helped thereafter, resulting in a 12.5% gain for 2020, which beat almost all of its category rivals.

**People Pillar** ● Above Average | Elizabeth Foos 06/15/2021

The skilled team running this strategy has built a solid record together, earning an Above Average People rating.

An experienced team from subadvisor Wellington Management--Campe Goodman, Joseph Marvan and Robert Burn--have been running this strategy since 2012. Goodman, who heads the sector-rotation team, has been at the firm since 2000 and is lead manager here. He's ultimately responsible for all investment and risk-management decisions. Marvan heads the fixed-income group's broad market team; Burn, who has a strong quant

background, joined the firm in 2007 and this effort in mid-2016.

The trio makes broad asset-allocation, duration, and yield-curve decisions, while sector specialists implement these recommendations within sleeves of the portfolio. Christopher Jones and Michael Hong, both Wellington veterans, are responsible for the global high-yield subportfolio, for example, while Jeff Heuer covers the bank-loan sector. Jim Valone and Kevin Murphy cover emerging markets, although Valone announced he will retire from the firm in December 2021 and leave the responsibility to Murphy. Murphy's a veteran Wellington manager, and the sector remains in good hands.

The team's backed by a deep and experienced analyst bench that includes large investment-grade and high-yield credit research groups, and emerging-markets and quant specialists.

**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** | Elizabeth Foos 06/15/2021

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 6/30/21)					
Hartford Strategic Income Fund F	9.75	8.21	6.90	5.55	5.42
Hartford Strategic Income Fund I	9.64	8.14	6.83	5.52	5.40
Morningstar Percentile Rank (Class I)*	47	3	5	14	---
Funds Within Category	347	289	256	134	---
Bloomberg Barclays US Aggregate Bond Index	-0.33	5.34	3.03	3.39	---
Morningstar Multisector Bond Category Average	9.23	5.23	4.63	4.32	---

Expenses\*\* (Class F) Net: 0.59% Gross: 0.59% (Class I) Net: 0.70% Gross: 0.70%

**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).**

Fund Inception: 5/31/07. Share Class Inception: F - 2/28/17; I - 5/31/07. 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 5/31/07.

\*Morningstar rankings are based on average total returns of all products in their peer group and do not take into account sales charges.

\*\*Expenses as shown in the Fund's most recent prospectus.

## Sector Exposure (%) (as of 6/30/21)

Emerging Market Debt	33	Other	3
Bank Loans	20	Asset Backed Securities	2
US Government	14	Commercial Mortgage Backed Securities	2
Mortgage Backed Securities	12	Developed Government and Related (non US\$)	1
High Yield Credit	11	Cash, Cash Equivalents, and Cash Offsets	-1
Investment Grade Credit	3		

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 information referenced herein are as of 6/15/21, unless otherwise noted. Sector exposure may not total to 100% due to rounding.

Class F-Share Star Ratings: Overall 5 stars out of 289 products, 3-year 5 stars out of 289 products, 5-year 5 stars out of 256 products, and 10-year 4 stars out of 134 products for the period ended 6/30/21. 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 F share of the Fund a Silver rating on 6/15/21. 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).

©2021 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Duration is a measure of the sensitivity of an investment's price to nominal interest-rate movement. A basis point is a unit of measure that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes, and the yield of a fixed-income security.

Indices are unmanaged and not available for direct investment. Bloomberg Barclays US Aggregate Bond Index is composed of securities from the Barclays Government/Credit Bond Index, Mortgage-Backed Securities Index, Asset-Backed Securities Index, and Commercial Mortgage-Backed Securities Index. Additional Information Regarding Bloomberg Barclays Indices Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

**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. • Investments in high-yield ("junk") bonds involve greater risk of price volatility, illiquidity, and default than higher-rated debt securities. • 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. These risks may be greater, and include additional risks, for investments in emerging markets. • 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, regulatory and counterparty risk. • The risks associated with mortgage-related and asset-backed securities 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 and related expenses as well as price and counterparty risk. • The Fund may have high portfolio turnover, which could increase its transaction costs and an investor's tax liability. • Restricted securities may be more difficult to sell and price than other securities. • Loans can be difficult to value and less liquid than other types of debt instruments; they are also subject to nonpayment, collateral, bankruptcy, default, extension, prepayment and insolvency risks. • 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. • Diversification does not ensure a profit or protect against a loss in 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.**

Mutual funds are distributed by Hartford Funds Distributors, LLC (HFD), Member FINRA. Advisory services are provided by Hartford Funds Management Company, LLC (HFMC). Certain funds are sub-advised by Wellington Management Company LLP. HFD and HFMC are not affiliated with any sub-adviser.

225028 MFAR212\_0821