

Hartford Multifactor Dev Mkts (exUS) ETF RODM

A multifactor strategy that cuts back on risk.

Morningstar's Take RODM

Morningstar Rating ★★

Morningstar Analyst Rating Silver

Morningstar Pillars

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

Role In Portfolio

Core

Fund Performance

Year	Total Return (%)	+/- Category
YTD	8.69	1.64
2020	-0.21	-9.52
2019	17.10	-4.48
2018	-9.73	4.86
2017	25.77	0.64

Data through 9-30-21

9-29-21 | by Daniel Sotiroff

Hartford Multifactor Developed Markets ex-U.S. ETF should deliver solid risk-adjusted performance. It leans toward profitable stocks with lower valuations and strong momentum, while also cutting back on risk. This low-cost fund earns a Morningstar Analyst Rating of Silver.

This strategy starts with all stocks in the MSCI World Ex-USA Index and scores each one on the strength of its value, momentum, and quality characteristics. Those factor exposures are combined to arrive at an overall score for each stock. It emphasizes value over the other two, so the final portfolio may lean toward the value factor. Incorporating momentum and quality should help steer the portfolio away from value traps.

An optimizer selects and weights the fund's holdings in a way that maximizes the portfolio's exposure to those with the highest overall scores,

while simultaneously cutting back on risk. It uses each stock's historical standard deviation and relationship with others to build a portfolio with 20% less expected volatility than the market. This is an effective way to improve risk-adjusted performance because there isn't a strong relationship between risk and return among stocks. However, it reduces the likelihood that the fund's total return will beat the market. A marketlike total return is a more reasonable expectation. Cutting back on risk should smooth the fund's performance over the course of a market cycle, underperforming the market during rallies and outperforming during drawdowns.

So far, this strategy has delivered on expectations. Its total return roughly equaled the MSCI ACWI Ex-USA Index from its launch in February 2015 through August 2021, with about 9% less volatility. On average, it has tended to experience shallower drawdowns than the benchmark. Hartford charges 0.29% for this exchange-traded fund, making it one of the cheaper funds in the foreign large-blend Morningstar Category.

Process Pillar ● Above Average | Daniel Sotiroff 09/29/2021

This strategy targets stocks with a favorable combination of value, momentum, and quality characteristics, while cutting back on risk. Each of these three factors may potentially outperform the MSCI ACWI Ex-USA Index over the long run, while reducing risk can improve risk-adjusted performance. It earns an Above Average Process Pillar rating.

This fund tracks the Hartford Risk-Optimized Multifactor Developed Markets (ex-US) Index. It starts with all large- and mid-cap stocks listed in 22 developed markets outside of the United States, including Canada. The strategy scores each stock on profitability (gross profits divided by assets), momentum (total return over the prior six and 12 months, excluding the most recent month), and

value. Several value metrics are averaged together to arrive at a stock's overall valuation, including earnings yield, EBITDA/enterprise value, operating cash flow/EV, revenue/EV, dividend yield, and price/book value. It then combines these individual scores into an overall composite score. Each stock's value score makes up half of the composite score, while momentum and profitability represent 30% and 20% of stocks' composite score, respectively.

An optimizer then selects and weights stocks, trying to maximize the fund's exposure to those with high composite factor scores while reducing the portfolio's overall volatility by 20% relative to the market. It uses each stock's historical volatility, as well as its correlation to other stocks in the portfolio to accomplish its low-volatility objective. The optimizer also enforces several constraints. First, it requires the portfolio to hold at least 300 stocks to promote diversification. It also keeps sector and country weights within 2% of their weight in the market to limit unintended bets that may not be rewarded.

The index rebalances semiannually in March and September. The committee that oversees the index tries to keep one-way turnover near 30% at each semiannual rebalance. It may deviate to emphasize stocks with high composite factor scores.

This process produces a dynamic portfolio that can change its factor exposure over time. While value accounts for half of each stock's factor score, the fund's exposure to quality and momentum tend to increase as they become less volatile. For example, the portfolio favored stocks with strong momentum between September 2016 and March 2018--a period when the momentum factor was stable in many markets around the world. Since then, it has drifted toward the large-value segment of the Morningstar Style Box, but it still lands in the foreign large-blend Morningstar Category.

This strategy cuts back on risk and goes beyond simply owning stocks with low standard deviations. Volatile companies from the materials sector, like Fortescue Metals Group FSUMF and Rio Tinto RIO, have found their way into the portfolio because their low correlations with others help reduce the fund's overall volatility.

This well-diversified portfolio holds more than 400 stocks, and its 10 largest holdings typically account for less than 10% of the fund's assets. The optimizer's constraints have kept sector and country weights close to those of the MSCI ACWI Ex-USA Index. As of August 2021, the industrials and financials sectors were the largest, with each accounting for roughly 15% of the portfolio.

Performance Pillar | Daniel Sotiroff 09/29/2021

The strategy effectively dialed down volatility over most of its life. Its standard deviation was 9% lower than the MSCI ACWI Ex-USA Index from its launch in February 2015 through August 2021, and it has tended to smooth out the market's bumps. For example, the fund beat the benchmark by 2.5 percentage points during the second half of 2018, when many global markets went through a correction. However, it underperformed the index by 4.1 percentage points during 2019's market rally. Overall, its total return was roughly equal to the index from its launch in February 2015 through August 2021.

The fund's factor exposures can increase its risk from time to time. It started overweighting value stocks at the March 2018 rebalance and continued to have a value orientation through December 2019. That caused the portfolio to be riskier than the market during the coronavirus sell-off in the first quarter of 2020. It lost about 1.4 percentage points more than the benchmark over those three months, while its standard deviation was slightly higher.

The portfolio managers have skillfully tracked this fund's target index. The portfolio lagged its bogy by 8 basis points annually over the trailing three years through August 2021. Conservative tax-withholding assumptions embedded in the index helped the fund recover some of its fee.

People Pillar ● Average | Daniel

Sotiroff 09/29/2021

A team at Mellon subadvisees this portfolio. While the team has navigated a recent overhaul, Mellon's solid index-tracking resources and global trading desk remain intact. It retains its Average People Pillar rating.

Marlene Walker-Smith was named Mellon's head of equity index portfolio management following Tom Durante's retirement in June 2021. She heads up a fresh roster of named managers on this fund; none of the current managers were listed on this fund before October 2020. Walker-Smith should prove ready for the task. She started with Mellon in 1995 and long served as a behind-the-scenes portfolio manager under Durante. Plus, her predecessor's retirement was planned, allowing her to benefit from a comfortable transition.

Each of the four managers that report to Walker-Smith--David France, Todd Frysinger, Vlasta Sheremeta, and Michael Stoll--are backed by an associate portfolio manager and at least one index analyst. This support should help the managers focus on tax efficiency and carve out other advantages at the margin. Manager compensation is not tied to index tracking performance. However, the management team is subject to independent risk oversight from both Mellon and WisdomTree.

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 | Daniel Sotiroff 09/29/2021

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
Average Annual Total Returns (as of 9/30/21)					
Hartford Multifactor Developed Markets (ex-US) ETF (NAV)	20.81	4.42	7.13	---	5.75
Hartford Multifactor Developed Markets (ex-US) ETF (Market Price)	20.24	4.27	6.90	---	5.67
Hartford Risk-Optimized Multifactor Developed Markets (ex-US) Index	20.96	4.51	7.25	---	---
MSCI World ex USA Index	26.50	7.87	8.88	---	---
Morningstar Foreign Large Blend Category Average	23.96	7.55	8.33	---	---

Expenses* Net: 0.29%

Fund Inception: 2/25/2015

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.

Index performance returns do not reflect any management fees, transaction costs, or expenses.

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

ETF shares are bought and sold at market price, not net asset value (NAV). Total returns are calculated using the daily 4:00 p.m. Eastern Time NAV. Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns an investor would receive if they traded shares at other times. Brokerage commissions apply and will reduce returns.

Top Ten Holdings (%) (as of 9/30/21)

Koninklijke Ahold Delhaize N.V.	0.76
Novo Nordisk A/S	0.74
Kuehne + Nagel International AG	0.73
Merck KGaA	0.72
Fujitsu Ltd.	0.71
Roche Holding AG	0.71
Bouygues S.A.	0.70
Investor AB	0.69
Sanofi	0.69
Swisscom AG	0.68
Percentage Of Portfolio	7.13

Sector Exposure (%) (as of 9/30/21)

Financials	16
Industrials	15
Healthcare	13
Consumer Staples	12
Consumer Discretionary	10
Information Technology	8
Communication Services	7
Materials	6
Utilities	6
Real Estate	5
Energy	2

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 12/21/20, unless otherwise noted. Sector exposure may not total to 100% due to rounding. 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.

Morningstar Ratings: Overall 2 stars out of 691 products, 3-year 2 stars out of 691 products, 5-year 2 stars out of 591 products for the period ended 9/30/21. 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 Fund a Silver rating on 9/29/21. 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.

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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 is not actively managed but rather attempts to track the performance of an index. The Fund's returns may diverge from that of the index. • Foreign investments may be more volatile and less liquid than U.S. investments and are subject to the risk of currency fluctuations and adverse regulatory, political and economic developments. These risks may be greater in particular geographic regions or countries. • Investments focused in a country, region, sector, industry or group of industries may increase volatility and risk. • Mid-cap securities can have greater risks and volatility than large-cap securities.

Fund Objective: Seeks to provide investment results that, before fees and expenses, correspond to the total return performance of an index that tracks the performance of companies located in major developed markets of Europe, Canada and the Pacific Region.

Transactions in ETF shares will result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders.

Premium/discount reflects the relationship between an ETF's market price and its net asset value (NAV). Because ETFs are traded on an exchange, their market prices are in part driven by supply and demand dynamics. The ETF's market price may be above its NAV (reflecting a premium) or below its NAV (reflecting a discount).

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. Please read it carefully before investing.

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