Client Conversations

10 Things You Should Know About Sustainable Investing

Sustainable investing is an umbrella term that describes varying levels of investor commitment to the common good. It can be a successful investment strategy that allows clients to choose an investment based on its ability to generate returns and improve the human condition: “Doing good while doing well.”

1. Range of Investing Options: Under the sustainable investing umbrella there are three distinct areas: socially responsible investing (SRI); environmental, social, and governance (ESG) investing; and impact investing. You might hear the terms sustainable investing and socially responsible investing used interchangeably, but there are some differences.

2. Socially Responsible Investing (SRI): SRI is sometimes used as the “catch-all” term, but simply stated, it means avoiding socially “bad” companies (think tobacco companies, or casinos).

3. Environmental, Social, and Corporate Governance (ESG): ESG is a way to evaluate how a company behaves. For example, environmental standards measure how the company treats natural resources; social standards evaluate how a company manages relationships with employees and its community; and corporate governance focuses on issues such as recruiting women for the board, financing underserved community re-investment projects, and actively working to be a good corporate citizen. The more a company prioritizes the three criteria, the higher its ESG rating will be.

4. ESG in Action: Some mutual funds consider a company’s ESG rating as one factor among many as they decide whether or not to invest in it. Other mutual funds make a company’s ESG rating a key consideration in their investment decision. For these funds, ESG is integrated as a key part of their decision-making process. Funds that use this approach demonstrate a higher level of commitment to ESG than those that merely consider it as one factor among many.

5. Impact Investing: Impact companies generally share a common mission: to improve the human condition around the world. Whether it’s a renewable power generation company, a water-treatment facility, or a research group striving to end disease, impact companies strive to make the world a better place.

6. Money Matters: A recent survey from Morningstar found that 72% of all investors are at least moderately interested in sustainable investments.¹ A survey that assessed the leading sustainable equity indexes over the long term found “no statistical difference in returns compared to broad market benchmarks, which suggests the absence of any systematic performance penalty.”²

7. Throw Out the Stereotypes: Contrary to popular opinion, Morningstar’s research found that men and women share a similar interest level in sustainable investing, and millennials’ interest in sustainable investing was on par with baby boomers and generation X after adjusting for sociodemographic factors.³

8. A Growing Market: Sustainable investing is growing in popularity. During the last decade, it’s become a mainstream strategy as opposed to an aspirational concept. In fact, assets in sustainable-investing strategies reached $12 trillion in the US in 2018, up 38% from 2016.³

9. Something to Talk About: The top three issues for asset managers and their institutional investor clients are climate change/carbon, tobacco, and conflict risk. Your list may be quite different. Help your advisor better understand your values by telling him/her what issues concern you most and the causes you support.

10. Aligning Wealth With Values: Investing with your values in mind can give you a sense of purpose and the feeling that you’re connected to the world around you. Of course, the main goal of investing is to make money, but the sense of satisfaction that comes with “doing well while doing good” is an added benefit. Share your interests with your advisor to learn more about sustainable investing.

¹Source: Morningstar, “The True Faces of Sustainable Investing,” 2019
³Source: US SIF Trends Report, 2018
Sustainable investing has evolved

### Minimize Negative Impact

**Monitor**
Socially Responsible Investing
Seeks to avoid companies in particular industries (e.g., tobacco companies, casinos, etc.)

**Modify**
Environmental, Social, and Governance (ESG) integration
Pursues systematic and explicit inclusion of ESG factors in financial analysis

**Magnify**
ESG and Sustainability Focused
Applies specific focus on companies and assets with positive ESG performance based on external or proprietary research

**Make a change**
Impact Investing
Seeks to invest in companies that have an active, positive impact on society (e.g., clean air, clean water, etc.)

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### Hartford Funds sustainable, impact, and ESG-integrated investing platform

#### Sustainable/Fund

**Hartford Global Impact Fund (HGXIX)** — Seeks long-term capital appreciation by investing in companies whose core businesses are focused on addressing the world’s major social and environmental challenges.

**Hartford Environmental Opportunities Fund (HEOIX)** — Seeks long-term capital appreciation by investing in companies that generate revenue by actively helping to address environmental issues.

#### ESG-Integrated Funds

**Hartford Schroders Emerging Markets Equity Fund (SEMNX)** — Seeks capital appreciation by considering, among other factors, certain environmental, social, and corporate governance criteria when selecting stocks.

**Hartford Schroders International Stock Fund (SCIEX)** — Seeks long-term capital appreciation through investment in securities markets outside the US by considering, among other factors, certain environmental, social, and corporate governance criteria when selecting stocks.

**Hartford Schroders International Multi-Cap Value Fund (SIDNX)** — A highly diversified international equity fund with a focus on value companies of high quality.

**Hartford Schroders US MidCap Opportunities Fund** — (SMDIX) — A mid-cap fund that seeks companies with compelling business models, strong management teams, and attractive valuation levels.

**Hartford Schroders US Small Cap Opportunities Fund (SCUIX)** — A small-cap fund that seeks companies with compelling business models, strong management teams, and attractive valuation levels.

**Hartford Dividend and Growth Fund (IHGIX)** — A quality, dividend-focused fund that seeks to take advantage of the resilience of great franchises trading at attractive valuations.

**Hartford International Opportunities Fund (IHOIX)** — An international stock fund that seeks long-term growth of capital by looking for companies with improving or sustainable returns.

**Hartford High Yield Fund (HAHIX)** — A fund that invests in high-yield bonds, by combining fundamental research, industry allocation, and macroeconomic trends.

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4Effective 11/8/19, the Fund will change the description of its principal investment strategies and its name to the Hartford Climate Opportunities Fund. Please refer to the prospectus supplement dated 8/8/19 for more information.

**Important Risks:** Investing involves risk, including the possible loss of principal. • 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. • Investing in companies that seek to address major social and environmental challenges may cause the Fund to forego certain investment opportunities and underperform funds that do not have a similar focus. • Risks of focusing investments on the utilities and industrials sectors include regulatory and legal developments, competitive pressures, pricing and rate pressures (utilities), rapid technological changes, potential product obsolescence, and liquidity risk. • Risks of focusing on investments that involve sustainability and environmentally responsible investment criteria may influence investment performance relative to a Fund’s benchmark or competing funds and expose the Fund to increased risks related to downturns or other adverse developments in that market segment. • 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.

**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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