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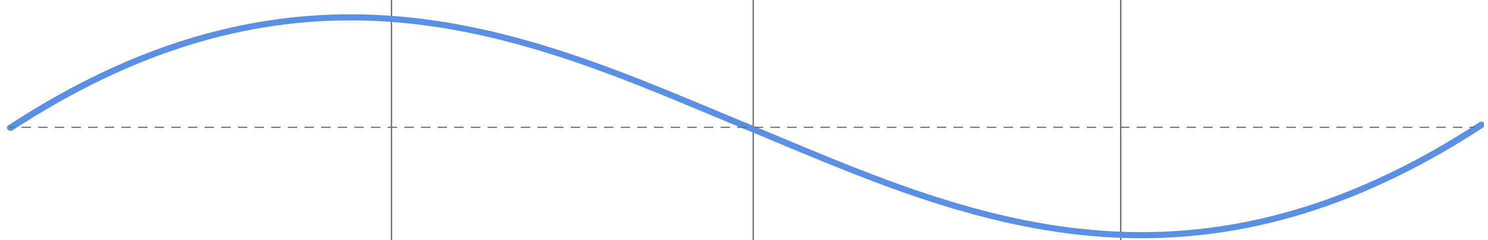
Demystifying Macroeconomic Cycles

Understanding economic cycles can help you build a stronger portfolio.

Economic Regime	**Expansion** The economy is growing strongly, and momentum is building	**Slowdown** Growth remains positive, but the pace of economic activity begins to cool	**Contraction** Economic activity weakens as conditions deteriorate	**Recovery** The economy begins to rebound, even if conditions still feel weak



Market Leadership Asset classes with expected relative outperformance during each part of the cycle	**Equities** ▪ Cyclicals ▪ Emerging markets (EM) ▪ Small caps ▪ Value	**Equities** ▪ Defensive ▪ Developed markets (foreign and domestic) ▪ Low volatility	**Rate Sensitive** ▪ Long duration ▪ High-quality bonds	**Equities** ▪ Cyclicals ▪ EM ▪ Small caps ▪ Value
	Credit ▪ High yield ▪ Bank loans ▪ EM hard currency	**Rate Sensitive** ▪ Long duration ▪ High-quality bonds	**Credit** ▪ IG Corporate ▪ IG Securitized	**Credit** ▪ High yield ▪ Bank loans ▪ EM hard currency
	Rate Sensitive ▪ Short duration ▪ TIPS[1]	**Credit** ▪ High yield ▪ Bank loans ▪ EM hard currency	**Equities** ▪ Defensive ▪ Developed markets (foreign and domestic) ▪ Low volatility	**Rate Sensitive** ▪ Intermediate duration ▪ TIPS

For illustrative purposes only. Data Sources: Morningstar and Hartford Funds, 2/26.

Expansion

Growth is accelerating, which has historically favored cyclical assets and risk- taking

Examples:

2003–2007: An expansion driven by housing, credit growth, and global trade

2010–2018: A prolonged expansion after the Global Financial Crisis (GFC), supported by accommodative monetary policy and steady job gains

Slowdown

Growth begins to slow, leading many investors to shift to more defensive areas of the market

Examples:

2006–2007: Economic growth slowed but remained positive as housing and credit markets weakened

2018–2019: Growth slowed amid tighter financial conditions and trade uncertainty, but the economy avoided recession

Contraction

Growth decelerates below trend, often coinciding with tighter financial conditions

Examples:

2008–2009: During the GFC, credit markets collapsed and unemployment skyrocketed

Early 2020: The brief but severe COVID-19 recession caused by widespread economic shutdowns

Recovery

Growth remains below trend, but improving fundamentals signal a turning point

Examples:

2009–2010: The initial recovery after the GFC, supported by stimulus and ultra-easy monetary policy

Mid-2020–2021: Rapid recovery after the pandemic recession as fiscal stimulus and pent-up demand boosted growth

Your financial professional can help you interpret today's economic environment and align your portfolio with your long-term goals.

[1] Treasury Inflation-Protected Securities (TIPS) are Treasury bonds that are adjusted to eliminate the effects of inflation on interest and principal payments, as measured by the Consumer Price Index (CPI).

Duration is a measure of the sensitivity of an investment's price to nominal interest-rate movement.

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, economic and regulatory developments. These risks may be greater, and include additional risks, for investments in emerging markets or if focused in a particular geographic region or country. • Small-cap securities can have greater risks and volatility than large-cap securities. • Fixed income security risks include credit, liquidity, call, duration, and interest-rate risk. As interest rates rise, bond prices generally fall. • The value of inflation-protected securities (IPS) generally fluctuates with changes in real interest rates, and the market for IPS may be less developed or liquid, and more volatile, than other securities markets. • Investments in high-yield ("junk") bonds involve greater risk of price volatility, illiquidity, and default than higher-rated debt 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. • Value investing style may go in and out of favor, which may cause the Fund to underperform other funds that use different investing styles.

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