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Hartford Strategic Income Fund: **I:** HSNIX **F:** HSNFX **A:** HSNAX **C:** HSNCX **R3:** HSNRX **R4:** HSNSX **R5:** HSNTX **R6:** HSNVX **Y:** HSNYX
Hartford Strategic Income ETF: HFSI

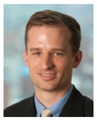
Not All Credit Is Created Equal: Why Selectivity Matters

Shifting valuations, policy dynamics, and dispersion across sectors are reshaping where fixed-income opportunities may lie.

What You Should Know

- A more complex macro backdrop in 2026 has pushed yields higher and reintroduced volatility, yet credit markets have remained relatively resilient, supported by steady fundamentals and strong demand for income.
- Elevated rates have pressured prices in the near term, but they've also created more attractive entry points, with higher starting yields improving income potential and offering a more compelling alternative to both cash and equities.
- As financing costs rise and risks become more uneven, dispersion across sectors and issuers is increasing—making selective positioning and careful credit analysis more important than broad exposure.
- With volatility likely to persist, a balanced approach that emphasizes active rotation, disciplined risk-taking, and flexibility may help investors capture opportunities while managing a narrower margin for error.

Insight from sub-adviser Wellington Management



Rob Burn, CFA
Hartford Strategic Income Fund
Portfolio Manager

Campe Goodman, CFA
Hartford Strategic Income Fund
Portfolio Manager

Markets have navigated a more complex macro backdrop than investors anticipated at the start of 2026. Growth has remained resilient, but inflation concerns have resurfaced as higher energy prices, tariff effects, and ongoing investment in AI-related infrastructure have led investors to rethink the likely path of monetary policy. Treasury yields have risen across much of the yield curve,[1] credit spreads[2] have widened modestly from tight levels, and bouts of volatility have reappeared across both rates and risk assets.[3] Despite this repricing, credit markets have held up well, supported by solid fundamentals, steady income demand, and healthy corporate balance sheets. We used these periods of volatility to selectively add credit risk and have since taken gains as spreads retraced.

Higher rates have created some near-term mark-to-market pressure, but they've also made fixed income more attractive on a forward-looking basis. Much of the shift to a higher rate environment now appears reflected in market pricing, reducing the likelihood of a sharp, unexpected adjustment. Yields in high-quality duration[4] and diversified credit increasingly stand out vs. cash, offering improved carry[5] and total return potential. And when compared with equities—where valuations remain elevated and earnings expectations leave less room for disappointment—higher-yielding credit continues to offer appealing risk-adjusted return potential. Just as important, today's starting yields provide a stronger cushion against volatility than investors had in the years following the Great Financial Crisis.

Dispersion Is Creating a More Selective Credit Market

An improved entry point in fixed income doesn't mean broad credit beta[6] should be added indiscriminately. While all-in yields[7] are more attractive, spreads across many higher-quality and liquid sectors remain tight by historical standards. At the same time, markets are showing greater differentiation across regions, sectors, ratings cohorts, and individual issuers. That shift points to a more selective backdrop: Fundamentals are generally solid, but higher financing costs, policy uncertainty, and energy volatility are beginning to separate winners from losers.

At the sector level, this dispersion is becoming more evident across public credit markets. Areas with stronger structural protections and shorter spread duration continue to compare favorably with segments where valuations are rich or fundamentals are more exposed to higher rates. This dynamic is becoming increasingly important as refinancing needs build and the cost of capital remains elevated. We expect this environment to reward managers that can separate attractive income opportunities from credits that are simply offering high yields because risk is deteriorating.

This backdrop reinforces the importance of active rotation and security selection across sectors:

- **Global High Yield –** We currently favor US high yield, where security selection opportunities are improving, particularly in software issuers affected by AI-related concerns and in building materials companies. The outlook for European high yield is less favorable given a weaker macro backdrop.
- **Emerging Markets (EM)** – Select high-yielding EM corporates, especially in telecom and utilities, continue to stand out vs. developed-market peers. However, with more compelling opportunities elsewhere, we favor selectively scaling back EM corporate exposure and remain cautious on investment-grade EM sovereigns.
- **Securitized Credit** – Within securitized markets, we favor US non-agency residential mortgage-backed securities over credit risk transfer securities,[8] supported by strong underwriting and attractive relative value. We also see value in select trophy-office commercial mortgage-backed securities (high-quality properties) and recommend trimming collateralized loan obligation exposure.
- **Bank Loans** – As spreads have widened and issuer-level differences have become more pronounced, loans are presenting more targeted opportunities. We see scope to add exposure, particularly in software and technology names tied to AI-related uncertainty.
- **Convertibles** – Convertibles in technology and biotech remain attractive, offering a compelling mix of potential equity upside and downside support. However, valuations are less attractive than earlier this year, so selective trimming may be warranted.

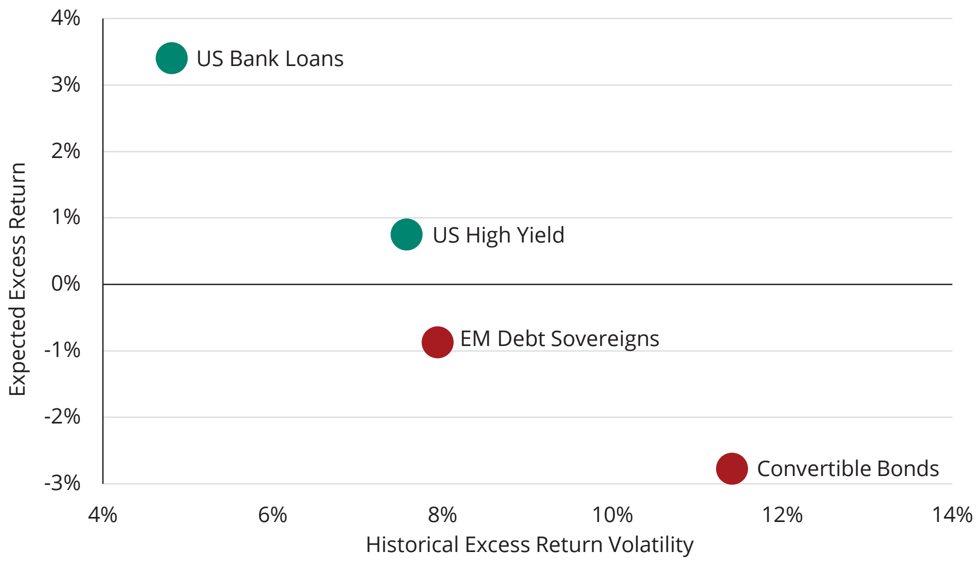
Our predictive indicators continue to point to a balanced approach to overall credit risk. Higher yields support maintaining meaningful exposure to fixed income, while tight spreads and a more uncertain macro backdrop caution against becoming overly aggressive. The most attractive opportunities are likely to come from thoughtful sector allocation, an up-in-quality bias where compensation for risk is limited, and the flexibility to add risk as volatility creates more favorable entry points. Portfolio construction, in this context, can be just as important as broad asset-class direction.

"Higher financing costs, policy uncertainty, and energy volatility are beginning to separate winners from losers.

FIGURE 1 shows how forward-looking excess-return forecasts vary across sectors under a healthy economic backdrop, highlighting the differences beneath the surface of the broader fixed-income market.

> “Even in a healthy backdrop, not all credit opportunities are created equal.

FIGURE 1
Supportive Conditions Still Reward Selectivity
Bull Scenario: Excess Return vs. Historical Volatility Forecast



As of 5/31/26. **Past performance does not guarantee future results.** Indices are unmanaged and not available for direct investment. Excess index return forecasts are measured vs. duration-equivalent US Treasuries. The bull scenario assumes spreads remain largely unchanged. These forward-looking excess-return and volatility expectations are based on historical return and volatility analyses and are considered alongside other fundamental and technical factors to assess fixed income sector attractiveness at a given time. Please see page 4 for representative indices. For illustrative purposes only. Sources: Bloomberg, BofA Merrill Lynch, Morningstar/LSTA, JPMorgan, Wellington Management, 6/26.

Volatility Could Continue to Create Opportunities

Volatility is likely to remain a defining feature of markets in the second half of 2026. Shifting expectations around Federal Reserve policy, geopolitical uncertainty, energy-market disruptions, and the financing demands tied to AI infrastructure all have the potential to drive sharp, albeit potentially brief, dislocations. While these episodes can be uncomfortable, they may also present more attractive entry points in sectors where fundamentals remain intact. Maintaining liquidity, along with a disciplined framework for adding risk, should allow for a timely response when markets overreact.

The key message for investors isn’t that the credit cycle has materially deteriorated, but that the margin for error has narrowed from earlier in the cycle. Higher yields have restored income to fixed-income portfolios and improved long-term return potential, but sector and issuer selection are likely to play a larger role moving forward. Through active sector rotation, disciplined timing around credit risk additions, and close collaboration across research and trading teams, we believe portfolios are well positioned to take advantage of dispersion while preserving flexibility for future volatility.

To learn more about today's opportunities in fixed income, talk to your financial professional.

[1] The yield curve is a line that plots interest rates of bonds having equal credit quality but differing maturity dates; its slope is used to forecast the state of the economy and interest-rate changes.

[2] Spreads are the difference in yields between two fixed-income securities with the same maturity but originating from different investment sectors.

[3] Risk assets refer to assets that have a significant degree of price volatility, such as equities, commodities, high-yield bonds, real estate, and currencies.

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

[5] Carry is the difference between the yield on a longer-maturity bond and the cost of borrowing.

[6] Beta is a measure of risk that indicates the price sensitivity of a security or a portfolio relative to a specified market index.

[7] All-in yield refers to the total yield available on a bond, reflecting both base interest rates as well as the additional income investors earn from taking on credit exposure.

[8] Credit risk transfer securities (CRTs) are bonds that allow mortgage lenders to pass some of the risk of borrower defaults on to private investors in exchange for higher potential yields.

Representative Indices from Figure 1:

Convertible Bonds are represented by the Bloomberg US Bond Only Convertibles Index, which measures the performance of US convertible bonds, which offer the income characteristics of bonds with the potential to participate in stock market gains.

EM Debt Sovereigns are represented by the JP Morgan EMBI Global Diversified IG Index, which measures the performance of US dollar-denominated investment-grade bonds issued by emerging-market governments and government-related entities.

US Bank Loans are represented by the JP Morgan Leveraged Loan Index, which measures the performance of leveraged loans, which are loans made to below-investment-grade companies and typically offer floating interest rates.

US High Yield is represented by the Bloomberg US High Yield Index, which tracks the performance of US corporate bonds rated below investment grade, offering a broad measure of the high-yield, or "junk bond," market.

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. • Fixed income security risks include credit, liquidity, call, duration, event and interest-rate risk. As interest rates rise, bond prices generally fall. • Investments in high-yield ("junk") bonds are considered speculative, involve heightened credit risk and greater risk of price volatility, illiquidity, and default than investment grade bonds. • Foreign investments, including foreign government debt, 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, valuation, and counterparty risk. • The risks associated with mortgage-related and asset-backed securities as well as collateralized loan obligations (CLOs) 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, which could increase transaction costs and an investor's tax liability. The risks associated with the TBA market include price and counterparty risk. • 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. • The portfolio managers may allocate a portion of the Fund's assets to specialist portfolio managers, which may not work as intended.

Additional risks for Hartford Strategic Income ETF: The market price of the Fund's shares will fluctuate in response to changes in the Fund's net asset value, intraday value of the Fund's holdings, and the supply and demand for shares on the exchange. • The Fund is actively managed and does not seek to replicate the performance of a specified index. • The Fund may effect creations and redemptions partly or wholly for cash, rather than in-kind, which may make the Fund less tax-efficient and incur more fees than an ETF that primarily or wholly effects creations and redemptions in-kind. • The Fund may have high portfolio turnover, which could increase its transaction costs and an investor's tax liability.

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. Please read it carefully before investing.

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