# Fund Commentary

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## Hartford Low Duration High Income Fund

**Tickers A**: HFHAX **C**: HFHCX **F**: HFHFX **I**: HFHIX **R3**: HFHRX **R4**: HFHSX **R5**: HFHTX **Y**: HFHYX

**Morningstar® Category** High Yield Bond **Inception Date** 09/30/2011

**Lipper Peer Group** Loan Participation

### Market Overview

United States (US) fixed income markets generated negative total returns during the first quarter, as measured by the Bloomberg US Aggregate Bond Index. Stronger-than-expected economic data, including persistent inflation pressures, pushed out the expected timing of Federal Reserve rate cuts. Resilient consumer spending and strong corporate earnings helped propel further spread tightening across most fixed income sectors.

### Performance Summary

- The fund began transitioning to the Low Duration High Income strategy during the period. Comments below reflect the period after the transition date of 1 March 2024. We will note the transition is still ongoing and the performance is not reflective of the new mandate as of 3/31/2024.
- The fund transitioned from a short duration posture to a modestly long position over the period which detracted from returns
- The fund's underweight to high yield credit, particularly within Industrials and Financials, was a detractor from returns as the sector outperformed duration equivalent treasuries
- The fund's out-of-benchmark allocation to bank loans was a contributor to performance over the period with Industrials driving returns within the sector

### Positioning & Outlook

- We continue to be slightly long in our risk posture as the odds of a soft landing have increased, but we are monitoring inflation surprises due to the US election outcome and higher energy prices. Credit fundamentals are fairly strong but have peaked and corporate credit spreads remain generally tight. Securitized credit spreads caught up with the tightening in corporates over the first quarter, leaving most securitized sector valuations fair relative to corporates. We believe spreads will likely widen before this cycle is complete. We expect central banks to cut rates, but likely at a slower pace than was priced in entering the year. As such we are positioned with a neutral to slightly long duration posture.
- We maintain a positive view on the securitized space. We expect loan defaults to increase but remain benign.
- Within the credit space, investment grade (IG) credit metrics remain healthy, with improved margins and stable leverage while interest coverage has declined. We believe earnings growth will likely decelerate in 2024. IG credit spreads are well below average relative to history and all-in corporate bond yields remain attractive. Within high yield, valuations on a spread basis are tight relative to their history, but on an all-in yield basis high yield is above average.
- We maintain a neutral outlook on the bank loan space. Loan issuer fundamentals are starting from a strong position and solid earnings trends have resulted in leverage and coverage statistics better than pre-covid levels. However, we expect fundamentals to continue to weaken, with defaults continuing to increase over the next 12 months, but with downgrade pressure the more near-term concern.

### Portfolio Managers from Wellington Management

**Alyssa Irving**
Senior Managing Director
Fixed-Income Portfolio Manager
Professional Experience Since 1996

**Marc K. Piccuirro, CFA**
Senior Managing Director
Fixed-Income Portfolio Manager
Professional Experience Since 2001

The portfolio managers are supported by the full resources of Wellington.

### Top Ten Holdings (%)

| | |
|---|---|
| Federal Home Loan Mortgage Corp. | 11.94 |
| Federal National Mortgage Association Connecticut Avenue Securities | 3.63 |
| Verus Securitization Trust | 1.75 |
| Carlyle U.S. CLO Ltd. | 1.53 |
| Palmer Square CLO Ltd. | 1.38 |
| Ontario Gaming GTA LP | 1.12 |
| BX Trust | 0.91 |
| WMG Acquisition Corp. | 0.86 |
| Neuberger Berman Loan Advisers CLO 26 Ltd. | 0.84 |
| OCP CLO Ltd. | 0.83 |
| **Percentage Of Portfolio** | **24.79** |

Holdings and characteristics are subject to change. Percentages may be rounded.

Effective 3/1/24, the Fund (formerly known as the Hartford Floating Rate High Income Fund) changed its name, objective, principal investment strategy, portfolio managers and benchmark as well as reduced the Fund's contractual management fee.

## Performance (%)

| Class | QTD | YTD | Average Annual Total Returns 1 Year | 3 Year | 5 Year | 10 Year | SI | Expenses[1] Gross | Net |
|---|---|---|---|---|---|---|---|---|---|
| A | 1.56 | 1.56 | 10.29 | 3.23 | 3.49 | 3.27 | 4.37 | 1.07% | 1.01% |
| A with 3% Max Sales Charge | — | — | 6.99 | 2.19 | 2.86 | 2.96 | 4.12 | — | — |
| F | 1.64 | 1.64 | 10.73 | 3.54 | 3.80 | 3.56 | 4.67 | 0.71% | 0.66% |
| I | 1.73 | 1.73 | 10.61 | 3.50 | 3.71 | 3.50 | 4.62 | 0.80% | 0.76% |
| R3 | 1.48 | 1.48 | 10.07 | 2.91 | 3.19 | 2.98 | 4.06 | 1.42% | 1.33% |
| R4 | 1.56 | 1.56 | 10.29 | 3.22 | 3.50 | 3.28 | 4.37 | 1.10% | 1.03% |
| R5 | 1.63 | 1.63 | 10.60 | 3.53 | 3.81 | 3.69 | 4.76 | 0.81% | 0.73% |
| Y | 1.74 | 1.74 | 10.65 | 3.54 | 3.79 | 3.58 | 4.67 | 0.81% | 0.73% |
| ICE BofA 1-3 Year BB-B US Cash Pay High Yield Index | 1.59 | 1.59 | 9.14 | 4.00 | 4.12 | 4.28 | — | — | — |
| Morningstar Category | 1.67 | 1.67 | 10.40 | 2.07 | 3.76 | 3.60 | — | — | — |
| Lipper Peer Group | 2.29 | 2.29 | 11.24 | 4.72 | 4.07 | 3.46 | — | — | — |

**Morningstar® Category** High Yield Bond **Lipper Peer Group** Loan Participation

Returns prior to 3/1/24 reflect the performance of the Fund's prior objective and principal investment strategy.

**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.**

Share Class Inception: A, I, R3, R4, R5, Y - 9/30/11; F - 2/28/17. Performance shown prior to the inception of a class reflects performance and operating expenses of another class(es) (excluding sales charges, if applicable). Had fees and expenses of a class been reflected for the periods prior to the inception of that class, performance would be different. Since inception (SI) performance is from 9/30/11. Performance and expenses for other share classes will vary. Additional information is in the prospectus. Only Class A assesses a sales charge.

**ICE BofA 1-3 Year BB-B US Cash Pay High Yield Index** is a subset of ICE BofA US Cash Pay High Yield Index including all securities with a remaining term to final maturity less than 3 years and rated BB1 through B3. Indices are unmanaged and not available for direct investment.

[1]Expenses as shown in the Fund's most recent prospectus. Gross expenses do not reflect contractual expense reimbursement arrangements. Net expenses reflect such arrangements in instances when they reduce gross expenses. These arrangements remain in effect until 2/28/25 unless the Fund's Board of Directors approves an earlier termination. Without these arrangements, performance would have been lower.

**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. • Investments in high-yield ("junk") bonds involve greater risk of price volatility, illiquidity, and default than higher-rated debt securities. • 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. There are additional risks associated with credit risk transfer securities. • 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. • 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. • Fixed income security risks include credit, liquidity, call, duration, event and interest-rate risk. As interest rates rise, bond prices generally fall. • 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. • 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. • Restricted securities may be more difficult to sell and price than other securities. • The Fund's investments may fluctuate in value over a short period of time. • 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 Fund may have high portfolio turnover, which could increase its transaction costs and an investor's tax liability.

**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.**