

HARBOR CORE BOND FUND

Income Research + Management

Subadvisor Since 06/01/2018

Total Net Assets – All Classes \$835,595,365
Fixed Income Assets: 97.08%
Cash & Other Assets Less Liabilities: 2.92%
Benchmark Name: Bloomberg US Aggregate Bond Index

Portfolio Managers



William A. O'Malley, CFA



James E. Gubitosi, CFA



Bill O'Neill, CFA



Jake Remley, CFA



Matt Walker, CFA



Rachel Campbell

Investment Philosophy

The Fund invests primarily in investment-grade fixed income securities of issuers located in the U.S. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in a diversified portfolio of fixed income instruments. Fixed income instruments include bonds, debt securities and other similar instruments issued by various public- or private-sector entities. The Subadvisor's approach is grounded in detailed bottom-up research and emphasizes careful security selection through rigorous fundamental credit analysis of the issuer, a detailed review of the structural features of the security, and relative-value comparisons to other opportunities. In order to be selected for the portfolio, a security must be attractive on all three of these factors. If one factor deteriorates, the security becomes a candidate for sale.

CHARACTERISTICS & ALLOCATION

As of 03/31/2024

Portfolio Characteristics			Top 10 Issues	
	Portfolio	Benchmark		Portfolio %
Number of Bonds	430	13,530	US TREASURY N/B	5.55
Avg. Market Coupon (%)	4.04	3.30	US TREASURY N/B	5.46
Wtd. Avg. Maturity (yrs)	8.65	8.44	US TREASURY N/B	4.90
Wtd. Avg. Duration (yrs)	6.01	6.21	US TREASURY N/B	3.89
Beta vs. Fund Benchmark	0.99		US TREASURY N/B	3.48
Current 30-Day Yield %	3.97		US TREASURY N/B	3.13
Current 30-Day Un-Sub Yield %	3.96		US TREASURY N/B	1.89
			FR SD7543	1.14
			FR SD7563	1.04
			MORGAN STANLEY	0.73
			Total	31.23

Maturity		Duration	
	Portfolio %		Portfolio %
0-1 yr	6.23	0-1 yr	8.28
1-3 yr	14.89	1-3 yr	16.04
3-5 yr	20.16	3-5 yr	26.72
5-7 yr	11.18	5-7 yr	19.08
7-10 yr	27.29	7-10 yr	13.11
10-20 yr	12.44	10-20 yr	16.76
20-30 yr	7.40	20-30 yr	0.00
Over 30 yr	0.41	Over 30 yr	0.00

Credit Quality	
	Portfolio %
US Govt/Agency	29.13
AAA	12.51
AA	26.91
A	12.86
BBB	14.36
BB	0.00
B	0.00
CCC	0.00
CC	0.00
C	0.00
Below C	0.00
Non-Rated	0.00

Harbor Core Bond Fund

CHARACTERISTICS & ALLOCATION

As of 03/31/2024



Sector	% of Market Value	Sector (cont.)	% of Market Value
Credit	26.93	Agency CMBS	0
Finance	13.93		
Industrial	10.64		
Utility	2.35		
Non-corporate	0		
Government	33.07		
Treasury	29.46		
SBA and Gov Guaranteed	3.61		
Agency	0		
Municipal	0.23		
Revenue	0.17		
GO	0.06		
Securitized	35.54		
Agency RMBS	21.49		
ABS	8.12		
CMBS	5.92		
RMBS	0.01		

PERFORMANCE

As of 03/31/2024

Average Annual Returns

Share Class	Ticker	CUSIP	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HACBX	411512239	-0.70%	-0.70%	1.72%	-2.61%	0.56%	N/A	1.23%	06/01/18	0.34	0.44
Retirement	HCBRX	411512197	-0.58%	-0.58%	1.79%	-2.50%	0.67%	N/A	1.33%	06/01/18	0.26	0.36
Bloomberg US Aggregate Bond Index			-0.78%	-0.78%	1.70%	-2.46%	0.36%	N/A	1.13%	06/01/18		

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expenses. The net expense ratios for this fund are subject to a contractual management fee waiver and/or expense limitation agreement, excluding interest expense and acquired fund fees and expenses (if any), through 02/28/2025.

Performance data shown represents past performance and is no guarantee of future results. Past performance is net of management fees and expenses and reflects reinvested dividends and distributions. Past performance reflects the beneficial effect of any expense waivers or reimbursements, without which returns would have been lower. Investment returns and principal value will fluctuate and when redeemed may be worth more or less than their original cost. Returns for periods less than one year are not annualized. Current performance may be higher or lower and is available through the most recent month end at harborcapital.com or by calling 800-422-1050.

Harbor Core Bond Fund

MANAGER COMMENTARY

As of 03/31/2024



“As spreads remain tight, we continue to rely on our bottom-up security selection approach to identify attractive opportunities in the market in an attempt to maintain a yield advantage relative to the index.”

Income Research + Management

Market in Review

The first quarter of 2024 was marked by a decline in U.S. Treasury yield volatility and strong risk asset performance, as equities rose to all-time highs and credit spreads tightened. The U.S. Federal Reserve (“Fed”) met twice during the quarter and chose to keep the federal funds target rate range unchanged at 5.25%–5.50% on both occasions. The rate of inflation continued to trend above the Fed’s 2% target, and labor market data showed higher-than-expected changes in nonfarm payrolls in each of the three months during the quarter. The updated Federal Open Market Committee (“FOMC”) dot plot revealed that Fed officials still anticipate three rate cuts in 2024, despite inflation remaining stubbornly high. Market expectations, meanwhile, have fallen in line with the official guidance from the Fed, after initially pricing in more aggressive easing action at the beginning of the year. This shift contributed to Treasury yields broadly rising outside of the short (less than one year) end of the curve. The 10-year Treasury rate rose by 0.32% to 4.20%, while the MOVE Index, a measure of interest rate volatility, fell to its lowest point since February 2022 – highlighting the recent stabilization of the broader economic outlook.

Portfolio Performance

During the first quarter, the Harbor Core Bond (Institutional Class, “Fund”) returned -0.70%, slightly outperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned -0.78%.

The Fund’s outperformance relative to the index was driven primarily by our overweights to Financials, asset-backed securities (“ABS”), commercial mortgage-backed securities (“CMBS”), and Small Business Administration (“SBA”) securities. Our underweight to Treasuries benefited relative returns, as spread products outperformed Treasuries during the quarter amid the risk-on sentiment.

Following a sluggish end to 2023, investment-grade corporate issuance roared out of the gates in 2024 with \$529 billion of new bonds coming to market – the highest total on record for the first quarter of any year. January and February each saw all-time high levels of supply, coming in at \$189 billion and \$198 billion, respectively. January issuance was dominated by new issues from large Financials sector firms, while February saw increased issuance from companies funding mergers and acquisitions. March supply, meanwhile, came in below the five-year average for the month. Despite the greater-than-expected issuance, spreads remained resilient, as unwavering demand from investors helped digest the inflow of new deals.

Within corporates, the Fund benefited from its overweight to Financials, and security selection in the consumer cyclical (Industrials) and transportation (Industrials) subsectors helped the Fund outperform the index during the first three months of the year. On the negative side, our underweight to Industrials was a slight drag on relative performance, in addition to security selection within Utility sector securities.

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Harbor Core Bond Fund

MANAGER COMMENTARY

As of 03/31/2024



Within securitized sectors, our overweight to CMBS added relative performance, as CMBS had strong excess returns amid light supply and strong investor demand. ABS, meanwhile, have seen a significant increase in supply compared to the same period last year, particularly within the collateralized loan obligation (“CLO”) market, where \$49 billion has been issued year to date — a 51% increase compared to the first quarter of 2023. Our overweight to nontraditional ABS added to relative returns. MBS slightly underperformed Treasuries, as MBS spreads widened by 0.02%, from 0.47% to 0.49%. On the negative side, our positioning in agency fixed-rate pass-throughs detracted from relative performance during the quarter.

Contributors & Detractors

The largest contributors to Fund performance included a Fannie Mae pool of agency fixed-rate pass-through residential mortgage-backed securities (“RMBS”), Northern Natural Gas, and Columbia Pipelines.

The largest detractors from Fund performance included a Freddie Mac pool of agency fixed-rate pass-through RMBS, Morgan Stanley, and Peachtree Funding Trust.

Positioning

We strive to remain duration neutral and curve neutral to the benchmark.

Positive contributors to relative performance included our overweights to CMBS and Financials, as well as our security section within the Industrials and SBA sectors.

Detractors from relative performance included security selection within the CMBS and agency RMBs sectors.

The Fund’s underweight to AA-rated securities and security selection within the AAA and A credit buckets aided relative performance. On the other hand, the Fund’s allocation to cash hindered relative returns.

The Fund’s out-of-benchmark allocation to SBAs hindered relative returns.

We invest exclusively in U.S. dollar-denominated, fixed income securities.

Buys & Sells

During the quarter, we purchased GMF Floorplan Owner Revolving Trust, a securitized pool of dealer floorplan ABS issued by GM Financial, at between 0.76%–0.80% of spread. These securities, which are backed by the full faith and credit of the U.S. Treasury, were purchased due to attractive relative value. GM is one of the world’s largest automakers and manufactures vehicles under several brands, including Buick, Cadillac, Chevrolet, and GMC, for which GM Financial provides wholesale financing. GM Financial has been actively originating and servicing wholesale dealer floorplan assets since 2012.

During the quarter, we opportunistically sold our exposure to Carlisle based on its attractive relative value.

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Harbor Core Bond Fund

MANAGER COMMENTARY

As of 03/31/2024



Sector Overweights & Underweights

Entering 2024, the Fund was overweight securitized products and underweight Treasuries, and although that positioning has remained the same, we reduced our Treasuries underweight to 12.7%, down from a 13.1% underweight. We added to our ABS exposure during the quarter, as we believe the ABS sector offers attractive relative value on the short end of the curve, with strong enhancement that can withstand more volatility as well, or better than, credit markets. Over the course of the first three months of the year, our ABS overweight moved from 7.1% to 7.6%, and we also added to our CMBS positioning. On the credit side, we increased our allocation to the Financials sector, primarily through exposure to the banking subsector, which moved from an 1.8% overweight to a 2.9% overweight relative to the benchmark. Spread products outperformed Treasuries during the quarter, and our preference for corporates and securitized bonds helped the Fund outperform the index by 0.08%.

Country Allocation

The Fund's country allocation relative to the benchmark did not change during the quarter. IR+M invests exclusively in U.S. dollar-denominated, fixed income securities. With that said, consistent with our bottom-up approach, we will opportunistically purchase Yankee issues when we believe they are attractive on a relative value basis.

Over the quarter, the Fund's absolute weight of Yankees increased slightly to 6.9%.

Outlook

We did not add any new themes or tilts to the Fund during the quarter. The market optimism regarding economic prospects picked up momentum during the quarter, as evidenced by the median forecast probability of a recession falling from 50% to start the year – to 35% at the end of March. More investors are beginning to consider a “no-landing” scenario, as the resilient labor market, strong recent GDP growth, and above-target inflation raise questions about the need to ease monetary conditions. The dramatic shift in market expectations of the Fed's future actions underscores the difficulty in predicting the direction of interest rates and highlights the added value of mitigating interest rate risk through a duration-neutral investment philosophy. As spreads remain tight, we continue to rely on our bottom-up security selection approach to identify attractive opportunities in the market and maintain a yield advantage relative to the index.

Past performance is net of management fees and expenses and reflects reinvested dividends and distributions. Past performance reflects the beneficial effect of any expense waivers or reimbursements, without which returns would have been lower. Investment returns and principal value will fluctuate and when redeemed may be worth more or less than their original cost. Returns for periods less than one year are not annualized. Current performance may be higher or lower and is available through the most recent month end at harborcapital.com or by calling 800-422-1050.

Harbor Core Bond Fund



ATTRIBUTION

As of 03/31/2024

Performance of the Fund's Assets

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference	Market Term Structure	Asset Allocation	Security Selection	Price and Intraday	Total
1Q 2024	-0.70	-0.78	0.07	0.06	0.16	0.01	-0.15	0.07
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	
Overweight				Overweight	Overweight	Overweight	Overweight	
Underweight				Underweight	Underweight	Underweight	Underweight	
Neutral				Neutral	Neutral	Neutral	Neutral	

What Worked

- Overweight in the 1-3 year maturity segment contributed positively to performance.
- Overweight in the 1-3 year maturity segment contributed positively to performance.
- The portfolio's overweight to the CMBS contributed positively to performance.
- Overweight in the 1-3 year maturity segment contributed positively to performance.

What Didn't Work

- Underweight in the 1-3 year maturity segment contributed negatively to performance.
- The portfolio's overweight to the CMBS contributed negatively to performance.
- Overweight in the 1-3 year maturity segment contributed negatively to performance.

Source: Bloomberg

Due to rounding totals may not sum to 100.

Past Performance is not a guarantee of future results.

Harbor Core Bond Fund



ATTRIBUTION

As of 03/31/2024

Harbor Core Bond Fund – 1 Year Attribution

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference	Market Term Structure	Asset Allocation	Security Selection	Price and Intraday	Total	
1 Year	2.02	1.70	0.32	-0.12	0.53	0.06	-0.14	0.32	
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What Worked

- The Harbor Core Bond Fund portfolio outperformed the Bloomberg Aggregate Index over the past 12 months.
- Security selection within SBA and ABS contributed to relative returns.
- The portfolio's underweight to Treasuries greatly contributed to performance.
- Top performers: Blackstone Inc, Oracle Corp and Warnermedia Holdings Inc.

What Didn't Work

- Security selection within the Finance sector detracted from relative returns.
- An out-of-benchmark exposure to SBA detracted from performance.
- Bottom performers: a Municipal security, Morgan Stanley and Federal Realty Investment Trust.

Source: Bloomberg

Due to rounding totals may not sum to 100.

Past Performance is not a guarantee if future results.

Harbor Core Bond Fund



IMPORTANT INFORMATION

Risks

There is no guarantee that the investment objective of the Fund will be achieved. Fixed income investments are affected by interest rate changes and the creditworthiness of the issues held by the Fund. As interest rates rise, the values of fixed income securities held by the Fund are likely to decrease and reduce the value of the Fund's portfolio.

There may be a greater risk that the Fund could lose money due to prepayment and extension risks because the Fund invests, at times, in mortgage-related and/or asset backed securities.

Benchmarks

The Bloomberg US Aggregate Bond Index is an unmanaged index of investment-grade fixed-rate debt issues with maturities of at least one year. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

Disclosures

All data except for top holdings, performance, and yields is provided by the subadvisor.

Current 30-Day Yields are for the Institutional Class and represent the average annualized income dividend over the last 30 days excluding gains and losses as defined by the SEC. Current 30-Day Yield is the Current 30-Day Subsidized SEC Yield and reflects reimbursements or waivers of fees currently in effect. Current 30-Day Yield-Unsub is the Current 30-Day Unsubsidized SEC Yield and does not reflect reimbursements or waivers of fees currently in effect.

Credit quality breakdown is based on ratings from Moody's, Standard and Poor's and Fitch. In cases where all three credit rating agencies have assigned different credit ratings to the same security, the middle rating is used. In cases where the security is rated by two rating agencies, the lower rating is used and, in cases where only one rating agency has assigned a credit rating to a security, that rating is used. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Securities that receive no rating from an independent agency have been categorized as 'not rated.' Certain unrated securities (such as derivatives) are not reflected in the data shown. U.S. Treasury and U.S. Agency securities appear under the category U.S. Government/Agency. The credit quality of securities in the Fund's portfolio does not apply to the stability or safety of the Fund. The Fund itself has not been rated by an independent rating agency.

Due to rounding, percentages may not sum to 100.

Views expressed herein are drawn from commentary provided to Harbor by the subadvisor and may not be reflective of their current opinions or future actions, are subject to change without prior notice, and should not be considered investment advice.

This information should not be considered as a recommendation to purchase or sell a particular security. The weightings, holdings, industries, sectors, countries, and returns mentioned may change at any time and may not represent current or future investments.

As a result of changing market conditions, total net asset levels, expenses and other statistics may change at any time and may differ from those shown.

The total amount shown for sector, industries, or country holdings may be greater than 100% because of the inclusion of derivatives and the collateral securities supporting those instruments.

Sector allocations are determined using the Global Industry Classification Standard (GICS), which is a service of Morgan Stanley Capital International (MSCI) and Standard & Poor's (S&P).

Investors should carefully consider the investment objectives, risks, charges and expenses of a fund before investing. To obtain a summary prospectus or prospectus for this and other information, visit harborcapital.com or call 800-422-1050. Read it carefully before investing.

Income Research + Management is an independent subadvisor to the Harbor Core Bond Fund.

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Harbor Core Bond Fund



IMPORTANT INFORMATION

Attribution Disclosures

All data for this attribution analysis is provided by Income Research + Management.

Linked Performance by Sectors data is produced from FactSet using data supplied by State Street Bank and Trust Company.

Other is the contribution to relative return due to the cumulative differences in carry, rolldown, and convexity.

Shape is the contribution to relative return due to the difference between the portfolio's and the index's duration profiles. The basic formula is the [(difference of each key rate duration between the portfolio and the index) multiplied by the total return of the respective key rate Treasury] minus the Duration and Other effects.

Definitions

Beta is a measure of systematic risk, or the sensitivity of a fund to movements in the benchmark. A beta of 1 implies that the expected movement of a fund's return would match that of the benchmark used to measure beta.

Duration is a commonly used measure of the sensitivity of the price of a debt security, or the aggregate market value of a portfolio of debt securities, to change in interest rates. Securities with a longer duration are more sensitive to changes in interest rates and generally have more volatile prices than securities of comparable quality with a shorter duration.