

# Harbor Large Cap Value Fund

Aristotle Capital Management, LLC

Subadviser Since 05/25/2012

**Total Net Assets - All Classes** \$2,350,963,868  
**Equity Assets:** 97.13%  
**Cash & Other Assets Less Liabilities:** 2.87%  
**Benchmark Name:** Russell 1000® Value Index

## Portfolio Managers



Howard Gleicher, CFA



Gregory D. Padilla, CFA

## Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks, of companies with market capitalizations that fall within the range of the Russell 1000® Value Index. The Subadviser employs a fundamental, bottom-up research driven approach to identify companies for investment by the Fund. The Subadviser focuses on those companies that it believes have higher quality businesses that are undervalued by the market relative to what the Subadviser believes to be their fair value. The Subadviser also looks for one or more catalysts that may help the company realize that fair value. The Subadviser seeks to identify higher quality companies by focusing on the following attributes: attractive business fundamentals, financially strong, experienced, motivated company management, and exhibiting high and/or consistently improving market position, return on invested capital and operating margins. Under normal market conditions, the Fund expects to invest in approximately 35 to 45 companies.

## CHARACTERISTICS & ALLOCATION

As of 03/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	45.00	848	Financials	17.60	20.80
Wtd Avg Market Cap (\$Mil)	183105.90	169,078.60	Information Technology	17.25	9.21
Med Cap - # Stocks (\$Mil)	39071.00	13,603.00	Health Care	11.31	17.96
Price/Book Ratio	3.84	2.95	Industrials	10.25	10.98
Adjusted Trailing P/E Ratio	24.20	21.20	Materials	9.92	4.05
% EPS Growth - Past 3 Yr	16.90	15.90	Consumer Staples	8.30	7.39
Return on Equity (%)	16.55	15.90	Consumer Discretionary	7.39	5.00
Beta vs. Fund Benchmark	0.92		Utilities	4.91	5.41
Forecasted P/E Ratio	22.50	18.00	Real Estate	4.73	4.99
Proj. Earnings Growth Rate (%)	14.70	11.20	Energy	3.97	7.10
			Communication Services	1.50	7.17

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Microsoft Corporation	4.49	0.00	Software	10.56	1.47
Corteva Inc	3.37	0.20	Chemicals	7.23	2.00
Adobe Incorporated	3.22	0.00	Banks	6.96	7.57
Danaher Corporation	3.16	0.85	Machinery	5.91	1.73
Sony Group Corporation	2.89	0.00	Semiconductors	5.53	2.68
ANSYS Inc.	2.85	0.08	Household Durables	5.31	0.48
Capital One Financial C	2.84	0.26	Capital Markets	5.17	4.82
Qualcomm Incorporated	2.79	0.00	Equity REITS	4.73	4.75
Microchip Technology In	2.74	0.03	Health Care Equip	4.23	3.02
Martin Marietta Materia	2.69	0.12	Beverages	4.20	0.93
<b>Total</b>	<b>31.04</b>	<b>1.54</b>	<b>Total</b>	<b>59.83</b>	<b>29.45</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	72.09
	10.0B - 25.0B	22.85
Mid	5.0B - 10.0B	5.07
	1.0B - 5.0B	0.00
Small	0.0 - 1.0B	0.00



Trusted Partnerships > Trusted Solutions



### Performance

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	HAVLX	411511603	-7.24%	-7.24%	5.54%	16.27%	12.97%	13.85%	10.47%	12/29/87	0.69	0.72
Administrative Investor	HRLVX	411511751	-7.32%	-7.32%	5.27%	15.95%	12.67%	13.54%	10.00%	11/01/02	0.94	0.97
Retirement	HNLVX	411512478	-7.24%	-7.24%	5.63%	16.36%	13.07%	13.90%	10.48%	03/01/16	0.61	0.64
Russell 1000® Value Index			-0.74%	-0.74%	11.67%	13.02%	10.29%	11.70%	10.71%	12/29/87		

## MANAGER COMMENTARY

As of 03/31/2022

**“We believe our approach of understanding companies’ earnings power from a normalized perspective, combined with our focus on high-quality, undervalued businesses that possess significant catalysts, is the best way to create lasting, long-term value for our clients.”**

Aristotle Capital Management, LLC

### Market in Review

On the economic front, the labor market continued to improve, and inflation continued to rise, resulting in tighter monetary policy. Specifically, the unemployment rate continued its descent, falling to 3.8%, while the Consumer Price Index (“CPI”) rose 7.9%—the fastest pace of annual inflation in 40 years—amid increases in gasoline, food, and housing rental prices. Inflation remained at elevated levels due to factors such as supply-chain disruptions, a tight labor market, and increasing commodity prices. In turn, the U.S. Federal Reserve (“Fed”) voted to raise the target for its benchmark federal funds rate by a quarter percentage point to a range of 0.25% to 0.50%. Fed officials reiterated their mandate of achieving maximum employment and 2% inflation in the long run, and expect that ongoing interest-rate hikes will be needed. Additionally, the central bank ended its bond-buying program and will begin reducing its holdings of Treasury securities, agency debt, and agency mortgage-backed securities.

In corporate earnings, supply-chain disruptions, input-price pressures, and wage growth remained major talking points for management teams. Nevertheless, the S&P 500 constituents continued to push past pre-pandemic levels, reporting approximately 26% earnings growth since 2019, as businesses across a wide range of industries continued to benefit from strong demand. The U.S. equity market finished in the red during the first quarter of 2022, ending seven, consecutive quarters of positive performance. Overall, the S&P 500 Index fell 4.60% during the period. Concurrently, the Bloomberg US Aggregate Bond Index dropped 5.93% during the quarter. In terms of style, the Russell 1000® Value Index outperformed its growth counterpart by 8.30%. On a sector basis, seven out of eleven sectors within the Russell 1000® Value Index finished lower, with Consumer Discretionary, Information Technology, and Real Estate posting the largest declines. The strongest performers were Energy, Materials, and Utilities.

Retirement Class shares commenced operations on March 1, 2016. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to March 1, 2016 has not been adjusted to reflect the lower expenses of Retirement Class shares. During this period, Retirement Class shares would have had returns similar to, but somewhat higher than, Institutional Class shares due to the fact that Retirement Class shares represent interests in the same portfolio as Institutional Class shares but are subject to lower expenses.

**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.**



### Portfolio Performance

During the first quarter, the Harbor Large Cap Value Fund (Institutional Class, "Fund") returned -7.24%, underperforming its benchmark, the Russell 1000<sup>®</sup> Value Index, which returned -0.74%, and the S&P 500 Index, which returned -4.60%.

The Fund's underperformance relative to the Index can be attributed to security selection and allocation effects. Security selection in the Information Technology and Materials sectors, as well as an underweight in Energy, detracted the most from relative performance. Conversely, security selection in Financials, as well as an overweight to Materials and an underweight to Communication Services contributed the most to relative performance. Relative weights are the result of bottom-up security selection.

### Contributors & Detractors

Lennar, one of the nation's largest homebuilders, was a primary detractor during the quarter. The combination of rising home values and higher mortgage rates in the U.S. has reduced homeownership affordability, causing concerns of a slowdown in the housing market. While we recognize higher mortgage rates reduce affordability, we also recognize there is a supply deficit caused by nearly 10 years of new home construction lagging demand. Despite rising costs, Lennar's profitability has increased, with the company's year-over-year, home-sales gross margin expanding by 190 basis points to 26.9%. First-quarter new orders and home deliveries also exceeded management's expectations, and the firm raised its home-delivery target for fiscal year 2022. With increased free cash flow, Lennar continued to buy back shares, and the Board approved a 50% increase in the annual dividend, as well as an additional \$2 billion stock-repurchase authorization. Lennar's conservative capital allocation and prudent inventory management have allowed—and we believe will continue to allow—the company to overcome higher interest rates.

Corteva Agriscience, one of the world's largest seeds-and-crop-protection companies, was a primary contributor during the quarter. Due to its respected brand and the value-added benefits of its patented seeds-and-crop-protection solutions for farmers, Corteva has been able to more than offset input-cost inflation with sustainable price increases. In addition, the company's ongoing mix-shift to higher-margin, premium products—a catalyst we previously identified—is aiding both sales and profit growth. Market participants, perhaps eager to chase short-term trends, poured into the sector. At Aristotle Capital, we look past such gyrations and, as long-term investors, we do not attempt to predict short-term changes in commodity prices. We remain excited about what we view to be high-quality characteristics and fundamental improvements that permeate Corteva's business, including its pricing power.

### Buys and Sells

During the quarter, we sold our position in Chubb and used the proceeds to fund the purchase of Blackstone.

Founded in 1985, Blackstone is one of the largest alternative asset managers in the world, with more than \$880 billion of assets under management (AUM). The firm creates and manages investment vehicles that span asset classes globally and serves both institutional clients as well as high-net-worth individuals. Its core business segments include Real Estate (34% of fee-earning AUM), Credit and Insurance (31%), Private Equity (24%), and Hedge Fund Solutions (11%).

Blackstone has leveraged its broad product portfolio and enviable investment performance to not only raise substantial amounts of capital, but also to maintain its reputation as a one-stop shop for investors looking to gain exposure to alternative assets. In contrast to traditional asset managers that rely on investor inaction to keep redemption rates low, the products offered by alternative asset managers typically have lockup periods that prevent redemptions for a substantial amount of time (often 10+ years).

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](http://harborcapital.com) or by calling 800-422-1050.



Our investment in Chubb began in the fourth quarter of 2015, shortly after ACE Limited announced it would acquire the Chubb Corporation, creating the largest, global property and casualty insurance company by underwriting income. During our seven-year holding period, the company's combination progressed, leading to the realization of the main catalysts we had identified. These included cost savings, broadened product offerings, and an expanded customer base, as well as enhanced distribution capabilities and improved pricing due to scale. In addition, Chubb successfully grew its profitable high-net-worth personal lines. While we still consider Chubb to be a high-quality business, few catalysts remain after what was, in our opinion, a remarkable run of successful business execution. As such, we decided to step aside in favor of what we believe to be a more optimal investment in Blackstone.

### Outlook

As investors, the first few months of 2022 have undoubtedly been disappointing. However, in both strong, short-term periods and weak ones, we are resolute in our mantra— "not every quarter, not every year." Down markets and short-term price swings are a natural part of investing. And while issues such as inflation, interest rates, war, and trade relations will likely persist in the coming quarters, we remain focused on what is, in our opinion, analyzable. As such, while we are ever-cognizant of the events and environment around us, we will always choose to concentrate instead on the long-term fundamentals of the businesses we study. We believe our approach of understanding companies' earnings power from a normalized perspective, combined with our focus on high-quality, undervalued businesses that possess significant catalysts, is the best way to create lasting, long-term value for our clients.

## QUARTERLY ATTRIBUTION

As of 03/31/2022

### Best & Worst Performers

Best Performers	Average Weight %	Return %
Coterra Energy Inc.	2.14	44.99
Corteva Inc	3.05	21.90
Phillips 66	1.53	20.51
Cincinnati Financial Corporation	2.40	19.96
General Dynamics Corporation	1.96	16.34

Worst Performers	Average Weight %	Return %
PayPal Holdings Inc.	1.31	-38.67
Lennar Corporation Class A	2.65	-29.84
Xylem Inc.	2.05	-28.67
Ecolab Inc.	2.08	-24.50
ANSYS Inc.	2.90	-20.81

### Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Coterra Energy Inc.	44.99	0.75
Corteva Inc	21.90	0.64
Cincinnati Financial Corporation	19.96	0.45
General Dynamics Corporation	16.34	0.29
Atmos Energy Corporation	14.71	0.28
<b>Total</b>		<b>2.41</b>

Greatest Detractors	Return %	Contribution to Return %
Lennar Corporation Class A	-29.84	-0.94
Adobe Incorporated	-19.65	-0.71
Xylem Inc.	-28.67	-0.70
ANSYS Inc.	-20.81	-0.67
PayPal Holdings Inc.	-38.67	-0.67
<b>Total</b>		<b>-3.69</b>

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# Harbor Large Cap Value Fund

ATTRIBUTION

As of 03/31/2022



## Quarterly Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-7.04	-0.74	-6.30
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-7.04</b>	<b>-0.74</b>	<b>-6.30</b>

### Sector Attribution

Sector Attribution	Average Weight			Total Return			Contribution to Return		Attribution Analysis		
	Port. Avg. Wgt.	Bench. Avg. Wgt.	Variation in Avg. Wgt.	Port. Total Return	Bench. Total Return	Variation in Total Return	Port. Contribution To Return	Bench. Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Financials	17.66	21.34	-3.68	2.93	-1.16	4.09	0.37	-0.27	-0.08	0.70	0.62
Utilities	2.67	5.06	-2.39	9.79	4.44	5.35	0.46	0.25	0.16	-0.04	0.13
Communication Services	1.46	7.32	-5.86	-10.48	-3.01	-7.47	-0.13	-0.25	0.12	-0.13	0.00
Consumer Staples	8.62	7.47	1.15	-1.93	0.01	-1.94	-0.21	-0.04	0.03	-0.16	-0.13
Health Care	11.30	17.61	-6.31	-3.90	-1.33	-2.57	-0.45	-0.17	0.04	-0.32	-0.28
Real Estate	4.66	4.87	-0.21	-12.41	-4.34	-8.07	-0.60	-0.22	0.01	-0.40	-0.39
Materials	9.64	3.87	5.77	-7.65	5.31	-12.96	-0.70	0.21	0.31	-1.22	-0.91
Energy	3.67	6.44	-2.77	34.66	38.75	-4.09	0.97	1.99	-0.81	-0.12	-0.93
Industrials	11.71	11.03	0.68	-11.44	-3.99	-7.45	-1.51	-0.46	-0.08	-0.88	-0.96
Consumer Discretionary	7.93	5.34	2.59	-22.12	-13.20	-8.92	-1.99	-0.77	-0.32	-0.84	-1.16
Information Technology	17.62	9.65	7.97	-17.27	-9.52	-7.75	-3.26	-1.00	-0.75	-1.55	-2.30
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-7.04</b>	<b>-0.74</b>	<b>-6.30</b>	<b>-7.04</b>	<b>-0.74</b>	<b>-1.36</b>	<b>-4.95</b>	<b>-6.31</b>

## Trailing 1 Year Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	6.34	11.67	-5.33
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>6.34</b>	<b>11.67</b>	<b>-5.33</b>

### Sector Attribution

Sector Attribution	Average Weight			Total Return			Contribution to Return		Attribution Analysis		
	Port. Avg. Wgt.	Bench. Avg. Wgt.	Variation in Avg. Wgt.	Port. Total Return	Bench. Total Return	Variation in Total Return	Port. Contribution To Return	Bench. Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Financials	17.79	21.23	-3.44	17.62	14.26	3.36	2.99	3.00	-0.09	0.61	0.53
Communication Services	2.14	8.08	-5.94	-39.20	-7.62	-31.58	-0.83	-0.57	1.24	-0.94	0.30
Consumer Staples	7.38	7.19	0.19	14.08	13.37	0.71	0.91	0.88	0.12	0.05	0.17
Utilities	0.66	4.96	-4.30	9.79	19.53	-9.74	0.46	0.94	0.08	-0.04	0.04
Industrials	12.11	11.91	0.20	1.15	1.51	-0.36	0.07	0.30	-0.10	0.06	-0.05
Information Technology	19.00	9.95	9.05	-0.20	-4.28	4.08	0.39	-0.39	-1.53	1.11	-0.42
Real Estate	4.76	4.76	0.00	15.03	25.53	-10.50	0.68	1.13	0.02	-0.45	-0.44
Materials	8.86	4.05	4.81	3.62	18.98	-15.36	0.40	0.74	0.49	-1.35	-0.87
Consumer Discretionary	8.21	6.11	2.10	-9.75	-3.63	-6.12	-0.80	-0.01	-0.39	-0.56	-0.95
Health Care	13.31	16.36	-3.05	7.01	17.87	-10.86	1.10	2.72	-0.22	-1.38	-1.60
Energy	3.26	5.39	-2.13	35.16	64.94	-29.78	0.98	2.93	-1.03	-0.76	-1.79
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>6.34</b>	<b>11.67</b>	<b>-5.33</b>	<b>6.34</b>	<b>11.67</b>	<b>-1.67</b>	<b>-3.66</b>	<b>-5.33</b>

### Risks

There is no guarantee that the investment objective of the Fund will be achieved. Stock markets are volatile and equity values can decline significantly in response to adverse issuer, political, regulatory, market and economic conditions. Since the Fund typically invests in a limited number of companies, an adverse event affecting a particular company may hurt the Fund's performance more than if it had invested in a larger number of companies. Since the Fund may hold foreign securities, it may be subject to greater risks than funds invested only in the U.S. These risks are more severe for securities of issuers in emerging market regions.

### Disclosures

The Russell 1000<sup>®</sup> Value Index is an unmanaged index generally representative of the U.S. market for larger capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000<sup>®</sup> Value Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

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 02/28/2023.

All holdings-related data is provided by FactSet. Because FactSet relies on external sources for its data, that data may differ slightly from actual values maintained by Harbor Funds.

Due to the security valuation procedures of the Fund and intra-day trading activity not included in the FactSet calculations, the actual returns may vary. From time to time the cash return in the portfolio may appear distorted based on the way FactSet's attribution calculation methodology addresses delayed settlements.

Beta is a rolling three year, unless the Fund has a track record of less than three years, in which case it is a rolling one year.

The mean/median long term growth rate for Projected Earnings Growth Rate is the expected growth over the next 3-5 years calculated by FactSet from data provided by brokers. The Adjusted Trailing P/E (Price/Earnings) Ratio is the closing stock price divided by the sum of the last 12 months actual EPS. The Forecast P/E Ratio is the closing stock price divided by the sum of the next 4 quarters estimated EPS. All P/E, ROE and P/B statistics are calculated as weighted medians.

Best and Worst Performers sections reflect stocks in the portfolio for the quarter with an average weight of 0.25% or greater.

Views expressed herein are drawn from commentary provided to Harbor by the subadviser 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.

The views expressed herein may not be reflective of current opinions, 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](http://harborcapital.com) or call 800-422-1050. Read it carefully before investing.**

**Aristotle Capital Management, LLC is an independent subadviser to the Harbor Large Cap Value Fund.**

**Distributed by Harbor Funds Distributors, Inc.**

### Attribution Disclosures

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

Active Currency Contribution is the Currency Contribution of the portfolio minus the Currency Contribution of the benchmark.

Allocation Effect is the portion of portfolio excess return that is attributable to taking different group bets from the benchmark. (If either the portfolio or the benchmark has no position in a given group, allocation effect is the lone effect.) A group's allocation effect equals the average percent capitalization of the portfolio's group minus the average percent cap of the benchmark's group times the total return of the benchmark group minus the total return of the benchmark.

Average Weight is the dollar value (price times the shares held) of the security or group, divided by the total dollar value of the entire portfolio displayed as a percentage. It is calculated as the simple arithmetic average of daily values.

Contribution to Return is the contribution of a security or group to the overall portfolio return. It is calculated as the security weight multiplied by the daily security return linked daily across the reporting period.

Currency Contribution is Total Return in USD subtracting out the Local Returns.

Local Returns are the Total Return of the portfolio or benchmark using the local currency.

Selection Effect is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark. A group's security selection effect equals the average weight of the benchmark's group times the total return of the portfolio's group minus the total return of the benchmark's group.

Total Effect is the sum of Allocation Effect and Selection Effect. The total effect represents the opportunity cost of what was done in a group relative to the overall portfolio. It is not just the difference between percent contribution in the portfolio and benchmark. At the overall portfolio level, the two numbers are equal. At the group level, they can be different.

Total Return is the price change of a security or group including dividends accrued over the report period (or the in-portfolio return) which includes only the time period that each security was in the portfolio.

### 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.