Harbor Core Plus Fund

Income Research + Management

Subadvisor Since 02/02/2022

Total Net Assets – *All Classes*	$1,005,340,031
Fixed Income Assets:	98.96%
Cash & Other Assets Less Liabilities:	1.04%
Benchmark Name:	Bloomberg US Aggregate Bond Index

Portfolio Managers


William A. O'Malley, CFA


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Bill O'Neill, CFA


Jake Remley, CFA


Matt Walker, CFA


Rachel Campbell

Investment Philosophy

The Fund invests primarily in U.S. dollar-denominated fixed income securities. 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 but are not limited to: obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities; corporate debt securities; municipal debt securities; U.S. dollar-denominated debt of foreign issuers; and securitized securities including mortgage-backed and asset-backed securities, which may also include non-agency mortgage-backed securities. These securities may have different types of interest rate payment and reset terms. The Subadviser's approach is grounded in detailed bottom-up research and emphasizes careful security selection.

CHARACTERISTICS & ALLOCATION

As of 06/30/2023

Portfolio Characteristics

	Portfolio	Benchmark
Number of Bonds	692	13,358
Avg. Market Coupon (%)	3.82	2.96
Wtd. Avg. Maturity (yrs)	8.66	8.60
Wtd. Avg. Duration (yrs)	6.26	6.31
Beta vs. Fund Benchmark	0.96	
Current 30-Day Yield %	4.68	
Current 30-Day Un-Sub Yield %	4.67	

Top 10 Issues

	Portfolio %
US TREASURY N/B 08/41 1	5.18
US TREASURY N/B 01/28 3	3.03
US TREASURY N/B 08/51 2	2.12
US TREASURY N/B 08/42 3	1.74
US TREASURY N/B 08/32 2	1.41
FNMA POOL FS0065 FN 12/	1.16
FED HM LN PC POOL ZT152	1.14
FNMA POOL FM4956 FN 08/	1.10
FNMA POOL FM5397 FN 12/	1.09
FED HM LN PC POOL RA528	1.09
Total	19.07

Maturity

	Portfolio %
0-1 yr	3.64
1-3 yr	11.49
3-5 yr	22.11
5-7 yr	18.11
7-10 yr	24.71
10-20 yr	11.67
20-30 yr	7.94
Over 30 yr	0.33

Duration

	Portfolio %
0-1 yr	5.87
1-3 yr	15.22
3-5 yr	30.22
5-7 yr	20.44
7-10 yr	12.02
10-20 yr	16.04
20-30 yr	0.15
Over 30 yr	0.04

Credit Quality

	Portfolio %
US Govt/Agency	16.97
AAA	40.86
AA	1.38
A	7.76
BBB	24.44
BB	4.63
B	0.29
CCC	0.96
CC	0.94
C	0.08
Below C	0.00
Non-Rated	1.34

Harbor

Harbor Core Plus Fund

CHARACTERISTICS & ALLOCATION

As of 06/30/2023

Sector	% of Market Value
Credit	**31.79**
Industrial	19.41
Finance	10.81
Utility	1.57
Non-corporate	0
Government	**18.12**
Treasury	16.97
SBA and Gov Guaranteed	1.15
Agency	0
Municipal	**0.60**
Pre-Refund/ETM	0.34
Revenue	0.26
GO	0
Securitized	**49.41**
Agency RMBS	26.68
ABS	9.96
CMBS	6.74

Sector (cont.)	% of Market Value
RMBS	6.02
Agency CMBS	0

PERFORMANCE

As of 06/30/2023

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	HABDX	411511108	-0.35%	3.04%	0.28%	-3.06%	1.24%	1.89%	6.06%	12/29/87	0.38	0.39
Retirement	HBFRX	411512189	-0.33%	3.08%	0.36%	-2.93%	1.34%	1.94%	6.08%	06/01/18	0.30	0.31
Bloomberg US Aggregate Bond Index			-0.84%	2.09%	-0.94%	-3.96%	0.77%	1.52%	5.42%	12/29/87		

Retirement Class shares commenced operations on June 1, 2018. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to June 1, 2018 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.

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 02/29/2024.

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 Plus Fund - Quarterly Attribution – *As of 06/30/2023*

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference	Market Term Structure	Asset Allocation	Security Selection	Price and Intraday	Total
2Q 2023	**-0.28**	**-0.84**	**0.56**	**0.09**	**0.15**	**0.34**	**-0.02**	**0.56**

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday	
Duration	0.02	Finance	0.03	Finance	0.05	Pricing	0.00
Shape	0.07	Industrial	0.03	Industrial	0.14	Intraday	-0.01
Other	0.00	Utility	0.00	Utility	0.00		
		ABS	0.00	ABS	0.03		
		CMBS	0.01	CMBS	-0.01		
		MBS	-0.04	MBS	0.12		
		Agency	0.00	Agency	0.01		
		Municipal	0.00	Municipal	0.00		
		Non-Corp	-0.01	Non-Corp	0.00		
		Treasury	0.13	Treasury	0.00		
		Other	0.00	Other	0.00		

What Worked

- The Harbor Core Plus Fund portfolio outperformed the Bloomberg Aggregate Index in the 2nd quarter.
- Security selection within Industrials aided performance.
- The portfolio's underweight to the Treasury sector contributed to relative returns.
- Top performers: two RMBS securities, and OXY.

What Didn't Work

- Security selection within Agency RBMS detracted from performance.
- The portfolio's overweight to RMBS also detracted from relative returns.
- Bottom performers: two Agency RMBS securities, and SECBEN.

Source: Bloomberg
Due to rounding totals may not sum to 100.
Past performance is not a guarantee of future results.

Harbor Core Plus Fund – 1 Year Attribution – *As of 06/30/2023*

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference
1 Year	**0.67**	**-0.94**	**1.60**

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday		Total
0.13		**0.46**		**1.14**		**-0.11**		**1.60**
Duration	0.17	Finance	0.09	Finance	0.16	Pricing	-0.02	
Shape	0.06	Industrial	0.21	Industrial	0.42	Intraday	-0.09	
Other	-0.10	Utility	0.00	Utility	0.02			
		ABS	-0.01	ABS	0.14			
		CMBS	-0.09	CMBS	0.05			
		MBS	0.01	MBS	0.35			
		Agency	0.01	Agency	0.01			
		Municipal	0.00	Municipal	0.00			
		Non-Corp	-0.04	Non-Corp	0.00			
		Treasury	0.27	Treasury	-0.02			
		Other	0.00	Other	0.00			

What Worked

- The Harbor Core Plus Fund portfolio outperformed the Bloomberg Aggregate Index over the past 12 months.
- Security selection within Agency RMBS and Industrial aided performance.
- The portfolio's overweight to the Industrial and Treasury sector contributed to relative returns.
- Top performers: two RMS securities, and ORCINIC.

What Didn't Work

- Security selection within Treasuries detracted from performance.
- The portfolio's overweight to CMBS and RMBS detracted from relative returns.
- Bottom performers: HIW, BDN, and an Agency RMBS security.

Source: Bloomberg
Due to rounding totals may not sum to 100.
Past performance is not a guarantee of future results.

"Volatility breeds opportunity, and we continue to seek incremental relative value opportunities on a bottom-up basis, while remaining mindful of liquidity and our risk positioning relative to the benchmark."
Income Research + Management

Market in Review

Risk assets showed resilience during the second quarter of 2023, despite continued concerns about inflation, aftershocks from the mini-banking crisis, and uncertainty regarding the federal debt ceiling. Additional banking collapses and the potential for a U.S. Treasury default resulted in weakness and volatility in the markets during April and May, before a calmer tone in June saw equities rise and credit spreads tighten, following the debt ceiling resolution. The Consumer Price Index ("CPI") rose 4% year over year in May, the lowest figure since March 2021, marking 11 straight months of disinflation.

Though the overall rate of inflation has come down, thanks to lower energy prices, core CPI remains more stubborn, growing 5.3% year over year in May, a modest decline from the relative peak of 6.6% in September 2022. The U.S. Federal Reserve ("Fed") hiked the fed funds target range by 0.25% to 5.00%–5.25% in May, before deciding to pause hikes at the most recent Federal Open Market Committee ("FOMC") meeting in June.

Treasury yields rose across the curve during the quarter, particularly in the front end where yields are more sensitive to Fed decisions. Despite the pause, the Fed signaled that monetary conditions may continue to tighten, as inflation remains above its desired long-term target of 2%. This outlook for monetary conditions was reflected in the Fed's updated dot plot, which showed a median estimate of a 0.50% increase in rates through the end of 2023. The labor market has continued to show strength, as job additions outpaced expectations in each month during the quarter, though the rate of unemployment increased slightly in June.

We believe our bottom-up focus should allow us to take advantage of further weakness and benefit if sentiment shifts.

Portfolio Performance

During the second quarter of 2023, the Harbor Core Plus Bond Fund (Institutional Class, "Fund") returned –0.35%, outperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned –0.84%.

The Fund's outperformance relative to the index was driven primarily by our security selection in the residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS"), Financial, and Industrial sectors. Investment-grade corporate issuance during the second quarter was $306 billion, bringing the total for the first half of the year to $706 billion, down slightly from the amount issued in the first half of 2022. The high-yield market saw $54 billion come to market during the second quarter, about double the amount issued in the second quarter of 2022, but still below historical averages for the period. Investment-grade corporate spreads tightened and the rise in Treasury rates pushed corporate yields higher. High-yield spreads tightened as well while yields fell slightly.

Securitized products generally saw positive excess returns during the quarter, led by commercial mortgage-backed securities ("CMBS"). CMBS rebounded from weak returns during the first quarter, as spreads tightened amid positive consumer spending data and Fed Chair Jerome Powell's comments that the Fed is focused on smaller banks with heavy lending in the commercial real estate sector. Agency mortgage-backed securities ("MBS") recovered from underperformance driven by the FDIC's sale of MBS products from failed banks early in the quarter, as investors gradually absorbed the additional supply.

On the negative side, our overweight to RMBS and our security selection in the agency RMBS sector detracted from relative returns.

Fund Positioning

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

Positive contributors to relative performance included security selection within RMBS, ABS, Financials, and Industrials. Detractors from relative performance included security selection within agency RMBS and our overweight to RMBS.

The Fund's overweight in BAA securities and underweight in AAA securities has aided relative performance. Alternatively, security selection in the AAA, BAA, A, and BA credit buckets have aided relative performance.

The Fund's out-of-benchmark security selection in RMBS has aided relative returns. Alternatively, the Fund's out-of-benchmark overweight to RMBS has detracted from relative performance.

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

Contributors & Detractors

The largest contributors to Fund performance included Occidental Petroleum, Seagate Technology, and non-agency, fixed-rate, collateralized mortgage obligations ("CMOs").

The largest detractors to Fund performance included SBL Holdings and some agency RMBS securities.

Buys and Sells

We purchased BNCN 6.087 33 (10-year new issue) in the primary market at +230 versus the 10-year Treasury. Brookfield Corp ("BNCN") is a global alternative asset management company based in Toronto, Canada. Brookfield has more than 120 years of history of owning and operating assets. It has fee-bearing capital diversified across real estate, infrastructure, renewable power, private equity, credit, and other asset types. We view the fundraising trajectory of the company over the next several years as a bigger fundamental tailwind, as it expects +30%–40% growth.

We sold VDC 2021-1A A2 in the secondary market at +212. This Vantage Data Center ("VDC") trade was part of a systemic effort to reduce CMBS exposure by selling less favored data center bonds.

Overweights and Underweights

The absolute Treasury exposure in the Fund increased by 4.48% year to date, and the Fund's underweight to the index went from -28.5% to -24.1%. Treasury positioning contributed 0.13% to the Fund during the quarter.

Securitized exposure overall decreased by about 2.2% (absolute weight) year to date. The sector's contribution to option-adjusted spread duration ("OASD") relative to the index decreased by 0.14 years during the period, from 0.69 years to 0.55 years.

Other ABS decreased by 0.8%; the contribution to OASD overweight relative to the index decreased from 0.33 years to 0.24 years. ABS positioning contributed 0.03% to Fund performance during the quarter.

CMBS exposure decreased by 2.43% in the Fund; the contribution to the OASD overweight relative to the index decreased from 0.22 years to 0.13 years. CMBS positioning slightly benefited Fund performance during the quarter.

During the year, we reduced our corporate exposure by 2.7% in the Fund. Relative to the index, our contribution to OASD positioning went from 0.14 years overweight to 0.08 years underweight. We reduced our contribution to OASD positions in Industrials and Finance by 0.12 years and 0.10 years, respectively. Additionally, we reduced our OASD overweight relative to the index in Baa-rated securities from 0.80 years to 0.52 years. Our corporate positioning added 0.27% to Fund outperformance relative to the index during the quarter.

During the quarter, we increased our exposure to corporates relative to the index by 0.02 years of OASD. The OASD Contribution vs. index went from -0.10 years to -0.08 years.

Looking at individual subsector contributions to OASD relative to the index, the largest changes during the quarter were as follows:

REIT (Finance): OASD Ctr vs. index was 0.16 years at 3/31/23 and 0.02 years at 6/30/23.

Broadly across Core Plus portfolios, during the quarter, we reduced our position in REITs, given the headline risk associated with the commercial real estate market.

Brokerage (Finance): OASD Ctr vs. index was 0.12 years at 3/31/23 and 0.22 years at 6/30/23.

During the quarter, we added to our position in the Brokerage subsector, purchasing BNCN 6.087 23 (10-year new issue) in the primary market. Brookfield has appropriate leverage, given its diverse business, balance sheet strength, and exceptional liquidity. We view management as committed to remaining competitive with peers.

Country Allocations

The Fund's country allocation relative to the benchmark did not change during the quarter. Income Research + Management 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 from 4.35% to 4.54%.

Outlook

We did not add any new themes or tilts to the Fund during the quarter. The second quarter of 2023 provided some relief to equity and fixed-income investors, following volatility in the first quarter, though our risk posture remains cautious. Global economic indicators, such as the manufacturing Purchasing Managers' Index ("PMI") across developed economies, are gradually deteriorating, yet fixed-income valuations remain firm around long-term spread averages. We continue to watch central bank activity, geopolitical events, and forces that impact the consumer and the economy, such as interest rates, inflation, housing and mortgage rates, jobs, sentiment, etc. Volatility breeds opportunity, and we continue to seek incremental relative value opportunities on a bottom-up basis, while remaining mindful of liquidity and our risk positioning relative to the benchmark.

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.

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 Plus Fund.

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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.

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.

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.

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