

# HARBOR CORE PLUS FUND

## CHARACTERISTICS & ALLOCATION

As of 12/31/2023

Income Research + Management

Subadvisor Since 02/02/2022

<b>Total Net Assets – All Classes</b>	\$988,704,453
<b>Fixed Income Assets:</b>	99.18%
<b>Cash &amp; Other Assets Less Liabilities:</b>	0.82%
<b>Benchmark Name:</b>	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 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 Subadvisor's approach is grounded in detailed bottom-up research and emphasizes careful security selection.

Portfolio Characteristics			Top 10 Issues	
	Portfolio	Benchmark		Portfolio %
Number of Bonds	674	13,334	US TREASURY N/B	4.58
Avg. Market Coupon (%)	4.02	3.19	US TREASURY N/B	3.96
Wtd. Avg. Maturity (yrs)	9.52	8.46	US TREASURY N/B	1.97
Wtd. Avg. Duration (yrs)	6.21	6.24	US TREASURY N/B	1.74
Beta vs. Fund Benchmark	0.97		US TREASURY N/B	1.55
Current 30-Day Yield %	4.67		US TREASURY N/B	1.53
Current 30-Day Un-Sub Yield %	4.67		US TREASURY N/B	1.44
			FN FS0065	1.12
			FR ZT1526	1.11
			FN FM4956	1.07
			<b>Total</b>	<b>20.06</b>

Maturity		Duration	
	Portfolio %		Portfolio %
0-1 yr	2.00	0-1 yr	7.34
1-3 yr	12.95	1-3 yr	18.24
3-5 yr	19.40	3-5 yr	24.98
5-7 yr	11.17	5-7 yr	18.41
7-10 yr	32.08	7-10 yr	13.82
10-20 yr	13.27	10-20 yr	17.17
20-30 yr	8.18	20-30 yr	0.00
Over 30 yr	0.94	Over 30 yr	0.04

Credit Quality	
	Portfolio %
US Govt/Agency	21.56
AAA	11.33
AA	29.77
A	7.86
BBB	21.48
BB	4.18
B	0.24
CCC	0.93
CC	0.72
C	0.07
Below C	0.49
Non-Rated	1.27

# Harbor Core Plus Fund

## CHARACTERISTICS & ALLOCATION

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Sector	% of Market Value	Sector (cont.)	% of Market Value
<b>Credit</b>	<b>29.09</b>	CMBS	4.64
Industrial	14.45	Agency CMBS	0
Finance	13.20		
Utility	1.43		
Non-corporate	0		
<b>Government</b>	<b>24.56</b>		
Treasury	21.56		
SBA and Gov Guaranteed	3.00		
Agency	0		
<b>Municipal</b>	<b>0</b>		
Revenue	0		
Pre-Refund/ETM	0		
GO	0		
<b>Securitized</b>	<b>46.27</b>		
Agency RMBS	26.05		
ABS	9.79		
RMBS	5.79		

## PERFORMANCE

As of 12/31/2023

### 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 %
<b>Institutional</b>	HABDX	411511108	6.76%	6.70%	6.70%	-2.74%	1.66%	2.11%	6.08%	12/29/87	0.38	0.39
<b>Retirement</b>	HBFRX	411512189	6.77%	6.78%	6.78%	-2.61%	1.78%	2.17%	6.09%	06/01/18	0.30	0.31
Bloomberg US Aggregate Bond Index			6.82%	5.53%	5.53%	-3.31%	1.10%	1.81%	5.44%	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

## MANAGER COMMENTARY

As of 12/31/2023



**“As investors look to navigate the Fed’s changing policy, we continue to rely on our duration-neutral philosophy to mitigate interest rate risk and use our bottom-up approach to identify securities with attractive compensation.”**

Income Research + Management

### Market in Review

Stock prices and credit spreads overcame a rocky start to the fourth quarter of 2023 – to end the year on a high note. Global volatility, highlighted by the outbreak of war between Israel and Hamas, strained markets in October before improving investor sentiment and lower yields saw risk assets rebound in November and December. The U.S. Federal Reserve (“Fed”) unanimously voted to keep the federal funds target rate range at 5.25%–5.50% at both meetings during the fourth quarter, as economic data pointed to a cooling labor market and a slowdown in manufacturing activity. U.S. job openings fell to 8.7 million in October, the lowest level since March 2021, and November’s Institute for Supply Management (“ISM”) data showed a contraction in manufacturing activity for the 13th consecutive month. The most recent Federal Open Market Committee’s (“FOMC”) dot plot showed a median target rate prediction of 4.625% at the end of 2024, implying three rate cuts during the year, though markets are anticipating the cuts to come at a faster pace. Amid the dovish shift in the Fed’s rate outlook, Treasury yields dropped sharply after rising in the first half of October. The 10-year Treasury rate initially rose by 0.42% to 4.99%, before falling to 3.88% through the end of the quarter. Though the Fed is on track to ease monetary conditions, inflation remains above its 2% long-term target. The Consumer Price Index (“CPI”) rose by 3.1% year over year in November, and core CPI rose by 4% over the same period.

### Portfolio Performance

During the fourth quarter of 2023, the Harbor Core Plus Fund (Institutional Class, “Fund”) returned 6.76%, underperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned 6.82%.

The Fund’s outperformance relative to the index was driven primarily by our underweight to Treasuries, as well as our overweight to Financials and Industrials.

Despite the positive market backdrop, investment-grade corporate issuance came in at \$203 billion, only slightly ahead of the fourth quarter figure in 2022, and 4% below the trailing five-year average. The 2023 supply total of \$1.2 trillion was almost identical to the amount priced last year, and dealer projections for 2024 new issuance fall between \$1.2 and \$1.35 trillion. High-yield supply was \$41 billion, bringing the year-to-date total to \$176 billion, a 72% increase from 2022. Based on the Bloomberg US Corporate Index, Investment-grade spreads tightened by 0.22% from 1.21% to 0.99%, while yields dropped by 0.98% to 5.06%. As a result of the lower yields and tighter spreads, the Bloomberg Investment Grade Corporate Index returned 8.50% during the quarter – its best quarterly performance since the second quarter of 2020. High-yield spreads tightened by 0.71% to 3.23% and yields fell by 1.29% to 7.59%.

An underweight allocation to Treasuries, as well as an overweight to Financials and Industrials, benefited relative performance, as spread products outperformed Treasuries during the quarter. In addition, the Fund’s underweight to non-corporates added to relative performance. Security selection within the Financials sector and agency residential mortgage-backed securities (“RMBS”) industry contributed to relative performance. On the negative side, the Fund’s overweight to the asset-backed securities (“ABS”), commercial mortgage-backed securities (“CMBS”), and non-agency RMBS sectors detracted from relative returns.

### Fund Positioning

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

Positive contributors to relative performance included our underweight to Treasuries, as well as security selection within Financials, RMBS, and ABS. Detractors from relative performance were due to our overweight to securitized products, as corporates outperformed securitized products during the quarter.

The Fund’s overweight to the AAA and BAA credit buckets and underweight to the AA credit bucket aided relative returns. Additionally, security selection in AAA, AA, A, and BAA securities also contributed to positive relative performance.

**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.**

# Harbor Core Plus Fund

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The Fund's out-of-benchmark allocation to Small Business Administration ("SBA") and non-agency RMBS hindered relative returns.

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

### Contributors & Detractors

The largest contributors to Fund performance included U.S. Treasuries, Macy's, Ares Finance, and Global Atlantic Financial Group.

The largest detractors from Fund performance included JetBlue Airways, Pediatrix Medical Group, and a Ginnie Mae pool of agency fixed-rate, pass-through RMBS.

### Buys & Sells

We purchased DTE Electric Securitization Funding II LLC (5-year new issue) in the primary market at 1.05% of spread. The securities were purchased due to attractive relative value.

DTE Electric Securitization Funding II LLC is a special purpose vehicle that formed to issue two senior tranches. The proceeds from the securitization will finance the decommissioning of two coal-fired plants.

During the quarter, we sold Hercules Capital, thus opportunistically trimming exposure to business development companies ("BDCs").

### Overweights & Underweights

During the year, we reduced our absolute exposure to corporates by 5.42%. We reduced our allocation to Industrials and Utilities by 5.60% and 0.68%, respectively, and increased Financials positioning by 0.87%. During the most recent quarter, our positioning in Financials added 0.10%. Top-line securitized exposure was down 5.28% during the past year (absolute weight), and we have decreased our CMBS and ABS exposures by 4.53% and 1.28%, respectively. Our RMBS exposure has increased by 0.53%. We also increased Treasury exposure by 9.03% during the year on an absolute basis in the Fund. With regard to index-relative contributions to option-adjusted spread duration ("OASD"), the ABS overweight decreased by 0.08 years to 0.30 years, while CMBS, which began 2023 overweight to the index at 0.22 years, is now 0.08 years overweight. During the quarter, ABS cost the Fund 0.02%, while CMBS cost 0.01% relative to the index.

During the quarter, we reduced our credit and securitized exposures relative to the index and reduced our underweight to Treasuries. These changes took the overall OASD relative to the index down from 0.47 years to 0.20 years. We deployed dry powder in the Fund as we increased our positioning in government securities.

While we broadly rotated out of spread products, the yield advantage of the Fund relative to the index decreased by 0.04%, from 0.71% to 0.60%. The relative decrease in yield accompanied a drop in the Fund's absolute yield by 0.97% from 6.10% to 5.13%. The rotation out of cash decreased the dry powder available in the Fund.

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

Consumer (Industrial): OASD versus the index was -0.09 years as of September 30, 2023, and -0.20 years as of December 31, 2023. During the quarter, we decreased relative exposure to the consumer subsector in the Fund from overweight to underweight.

Small Business Administration: OASD versus the index was 0.13 years as of September 30, 2023, and 0.21 years as of December 31, 2023. During the quarter, we increased exposure to SBA securities in the Fund.

# Harbor Core Plus Fund

## MANAGER COMMENTARY

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### Country Allocations

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.

During the quarter, the Fund's absolute weight of Yankees increased slightly to 7.7%.

### Outlook

We did not add any new themes or tilts to the Fund during the quarter. As the new year began, markets appeared optimistic regarding the possibility of a soft landing as the Fed considers rate cuts, though concerns regarding credit fundamentals remain. Leverage and interest coverage ratios have deteriorated during the past few quarters, and companies may begin to increase capital expenditures if declining yields push borrowing costs down. Though fixed income remains attractive with overall yields at high levels, the strong demand has pushed investment-grade bond valuations up; corporate spreads are nearly one standard deviation below their 10-year average. As investors look to navigate the Fed's changing policy, we continue to rely on our duration-neutral philosophy to mitigate interest rate risk and use our bottom-up approach to identify securities with attractive compensation.

# Harbor Core Plus Fund

## ATTRIBUTION

As of 12/31/2023



### Harbor Core Plus Fund - Quarterly Attribution

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference
4Q 2023	7.07	6.82	0.26

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday		Total
-0.07		0.15		0.18		0.00		0.26
Duration	-0.03	Finance	0.04	Finance	0.04	Pricing	0.01	
Shape	-0.01	Industrial	0.03	Industrial	0.00	Intraday	0.00	
Other	-0.03	Utility	-0.01	Utility	0.00			
		ABS	-0.06	ABS	0.03			
		CMBS	-0.02	CMBS	0.00			
		MBS	-0.06	MBS	0.07			
		Agency	-0.02	Agency	0.01			
		Municipal	0.00	Municipal	0.00			
		Non-Corp	0.02	Non-Corp	0.00			
		Treasury	0.23	Treasury	0.03			
		Other	0.00	Other	0.00			

### What Worked

- Security selection within the RMBS aided performance.
- The portfolio's overweight to Treasuries contributed to relative returns.
- Top performers: a Treasury security, MACY'S RETAIL H, ARES.

### What Didn't Work

- The portfolio's overweight to RMBS and ABS detracted from relative returns.
- Bottom performers: JBLU, PEDIATRIX MEDIC, 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.**

# Harbor Core Plus Fund

## ATTRIBUTION

As of 12/31/2023



### Harbor Core Plus 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	7.14	5.53	1.61	-0.05	0.44	1.23	-0.02	1.61			
				Duration	0.01	Finance	0.09	Finance	0.23	Pricing	0.02
				Shape	0.05	Industrial	0.14	Industrial	0.28	Intraday	-0.03
				Other	-0.12	Utility	-0.02	Utility	0.01		
						ABS	-0.01	ABS	0.26		
						CMBS	-0.02	CMBS	0.06		
						MBS	-0.07	MBS	0.30		
						Agency	-0.03	Agency	0.03		
						Municipal	0.00	Municipal	-0.01		
						Non-Corp	0.00	Non-Corp	0.00		
						Treasury	0.36	Treasury	0.07		
						Other	0.00	Other	0.00		

### What Worked

- Security selection across all sectors aided performance.
- The portfolio's underweight to Treasuries contributed to relative returns.
- Top performers: a Treasury security, ARES, and an RMBS security.

### What Didn't Work

- The portfolio's out-of-benchmark exposure to RMBS detracted from relative returns.
- Bottom performers: HIGHWOODS REALT, EQIX, and DIGITAL REALTY.

Source: Bloomberg

Due to rounding totals may not sum to 100.

Past Performance is not a guarantee of future results.

# Harbor Core Plus 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.

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.

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](http://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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# Harbor Core Plus 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.