

Harbor All-Weather Inflation Focus ETF

Quantix Commodities LP

Subadvisor Since 02/09/2022

Investment Philosophy

The Harbor All-Weather Inflation Focus ETF (HGER) seeks to provide investment results that correspond, before fees and expenses, to the performance of the Quantix Inflation Index (the "Index"). The Index is composed of futures contracts on physical commodities and is constructed using Quantix's proprietary quantitative methodology, which considers a commodity's relative inflation sensitivity and the relative cost of holding a "rolling" futures position in the commodity (as described below).

Under normal market conditions, the Index contains at least 15 U.S. dollar-denominated commodity futures traded on exchanges in the United States and United Kingdom. A commodity futures contract is a legal agreement to buy or sell a particular commodity (for example, metals, oil or agricultural products) at a predetermined price at a specified time in the future.

WEIGHTS & PERFORMANCE

As of 09/30/2022

Portfolio Managers



Matthew Schwab

Ticker: HGER
CUSIP: 41151J505
Net Expense Ratio: 0.68%
Gross Expense Ratio: 0.68%
Total Net Assets: \$61,385,251
Benchmark Name: Quantix Inflation Total Return Index

Commodity Sector Weights

Commodity Sector	Commodity	Ticker	Facility	Daily Weight %
Precious	Gold	GCZ2	CME	26.51
Petroleum	Brent Crude Oil	COF3	ICE	14.78
Petroleum	Gasoil	QSF3	ICE	7.26
Petroleum	Heating Oil	HOF3	CME	6.13
Petroleum	RBOB Gasoline	XBF3	CME	6.06
Industrial	Comex Copper	HGZ2	CME	6.05
Industrial	Aluminum	LAF23	LME	5.96
Grains And Soybean Products	Corn	C Z2	CME	5.23
Industrial	Zinc	LXF3	LME	4.83
Grains And Soybean Products	Bean Oil	BOF3	CME	3.16
Industrial	Nickel	LNF3	LME	2.80
Petroleum	WTI Light Crude Oil	CLF3	CME	2.54
Grains And Soybean Products	Kansas Wheat	KWZ2	CME	2.22
Grains And Soybean Products	Soybeans	S F3	CME	2.21
Softs	Sugar	SBH3	ICE	2.20
Precious	Silver	SIZ2	CME	2.06

Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor All-Weather Inflation Focus ETF (NAV)	-9.81%	N/A	N/A	N/A	N/A	N/A	0.65%	02/09/22
Harbor All-Weather Inflation Focus ETF (Market)	-10.22%	N/A	N/A	N/A	N/A	N/A	0.60%	02/09/22
Quantix Inflation Total Return Index	-9.37%	N/A	N/A	N/A	N/A	N/A	1.67%	02/09/22

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. 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.

Shares are bought and sold at market price not net asset value (NAV). A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times.



“September saw a steep decline in commodity prices as recessionary fears once again overwhelmed the fundamental tightness across commodities, as evidenced by continuing high levels of backwardation in most futures curves.”

Quantix Commodities

Market in Review

Financial markets continued to present extraordinary challenges for investors during the third quarter of 2022. Interest rates rose rapidly during the quarter as central banks, led by the U.S. Federal Reserve (“Fed”), became undeniably clear in their willingness to fight inflation almost regardless of the consequences.

Rising rates were responsible for chaos across asset classes. After a brief midsummer rally spurred by optimism of a potential “soft landing” for the economy, equity markets resumed their downward trend and closed the quarter at new lows for the year. Even with the S&P 500 returning -25% year to date (YTD), 10-year U.S. Treasuries have had their largest nine-month drop on record, returning -17%.

While commodity markets, as measured by the Bloomberg Commodity Index (“BCOM”), also declined during the third quarter, its positive 12% return YTD stands in stark contrast to almost every other asset class. September saw a steep decline in commodity prices as recessionary fears once again overwhelmed the fundamental tightness across commodities, as evidenced by continuing high levels of backwardation in most futures curves.

Portfolio Performance

During the third quarter of 2022, the Harbor All-Weather Inflation Focus ETF (“ETF”) returned -9.81% (by NAV) and -10.22% (by market price), underperforming its benchmark, the Quantix Inflation Total Return Index (“QII”), which returned -9.37%.

On a relative basis, the ETF underperformed the BCOM due to an underweight in Natural Gas and higher weights in Petroleum and Precious Metals.

The biggest impact on performance in the quarter was the broad commodity sell-off in September, as fears that a potential recession would impact commodity demand. Performance in September more than offset positive performance earlier in the quarter as commodity prices rose during the high inflationary environment.

Contributors & Detractors

On a sector basis, Petroleum, Precious Metals, Industrial Metals, and Softs all detracted from performance, while Grains was a positive contributor.

The largest individual detractors were Brent Crude Oil and Gold. Gold, the largest weighting in the portfolio, was down in the quarter as the Fed started raising interest rates and real rates rose. Brent Crude Oil was down due to demand concerns over a potential recession.

The largest individual contributors were in the Grains sector, as hotter-than-anticipated weather and drought conditions pushed up the prices for these commodities, particularly Corn.

Buys & Sells

The ETF aims to track the QII, which rebalances on a quarterly basis. During rebalances, the index methodology considers the latest inflation data as well as the most cost to hold and roll each commodity. It also considers whether inflation is more likely to come from a scarcity or a debasement environment and adjusts the weight of Gold relative to consumable commodities accordingly.

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In the second quarter rebalance, which was calculated in June and implemented in the roll in the first half of July, no individual commodity or sector changed weighting by more than 2%. This signifies that we remain in an environment where inflation is most likely to come from scarcity — but with an element of debasement.

Outlook

The index methodology of QII is rules-based and, therefore, does not incorporate our discretionary views.

However, broadly speaking, we remain constructive on the potential for positive returns from an allocation to commodities. The shape of the futures curves for most commodities remains in backwardation — the front of the curve is higher than the back. This means that investors are currently getting a positive roll yield from holding an exposure in the ETF.

If the current state of the market — tight fundamental supply not meeting demand — persists, we expect some level of positive roll yield to continue to add to investor returns above and beyond positive or negative price moves.

Risks

Investing involves risk, principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. Harbor ETFs are new and have limited operating history to judge.

There is no guarantee that the investment objective of the Fund will be achieved. Commodities may subject an investor to greater volatility than traditional securities such as stocks and bonds and can fluctuate significantly based on political, regulatory, market and economic conditions. Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty and management risks. The Fund's investments in commodity-linked derivative instruments and the tracking of an Index comprised of commodity futures may subject the Fund to significantly greater volatility than investments in traditional securities.

The Fund has a limited number of institutions that may act as authorized participants and engage in creation or redemption transactions directly with the Fund. There is no assurance that authorized participants will establish or maintain an active trading market for the Shares. This risk may be heightened during periods of volatility or market disruptions.

A non-diversified Fund may invest a greater percentage of its assets in securities of a single issuer, and/or invest in a relatively small number of issuers, it is more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio.

Commodity Risk: The Fund has exposure to commodities through its and/or the Subsidiary's investments in commodity linked derivative instruments.

Authorized Participant Concentration/Trading Risk: Only authorized participants ("APs") may engage in creation or redemption transactions directly with the Fund.

Commodity- Linked Derivatives Risk: The Fund's investments in commodity-linked derivative instruments (either directly or through the Subsidiary) and the tracking of an Index comprised of commodity futures may subject the Fund to significantly greater volatility than investments in traditional securities.

Benchmarks

The Quantix Inflation Index is calculated on a total return basis, which combines the returns of the futures contracts with the returns on cash collateral invested in 13-week U.S. Treasury Bills. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Quantix Inflation Index was developed by Quantix Commodities LP and is owned by Quantix Commodities Indices LLC.

The Bloomberg Commodity Index measures the performance of future contracts on physical commodities which traded on US exchanges and London Metal Exchange. The commodity weightings are based on production and liquidity, subject to weighting restrictions applied annually.

Disclosures

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expense.

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.

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.

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.

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.

Quantix Commodities LP ("Quantix") is a third-party subadvisor to the Harbor All-Weather Inflation Focus ETF.

Foreside Fund Services, LLC is the Distributor of the Harbor ETFs.