

# Harbor Mid Cap Fund

EARNEST Partners LLC

Subadvisor Since 12/01/2019

**Total Net Assets - All Classes** \$88,514,924  
**Equity Assets:** 97.62%  
**Cash & Other Assets Less Liabilities:** 2.38%  
**Benchmark Name:** Russell Midcap® Index

## Portfolio Managers



Paul E. Viera

## Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks, of U.S. mid cap companies. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in securities of mid cap companies. The Subadvisor uses a bottom-up investment process, employing fundamental and qualitative criteria to identify individual companies for potential investment in the Fund's portfolio. The Subadvisor employs statistical analysis, which is designed to limit certain risks in the Fund's portfolio versus the Fund's benchmark. The Fund expects to invest in approximately 50 to 70 companies.

## CHARACTERISTICS & ALLOCATION

As of 12/31/2022

| Portfolio Characteristics   |           |           | Economic Sectors       |             |             |
|-----------------------------|-----------|-----------|------------------------|-------------|-------------|
|                             | Portfolio | Benchmark |                        | Portfolio % | Benchmark % |
| Number of Holdings          | 61        | 818       | Industrials            | 23.85       | 15.74       |
| Wtd Avg Market Cap (\$Mil)  | 23,650.00 | 21,242.70 | Information Technology | 19.33       | 15.37       |
| Med Cap - # Stocks (\$Mil)  | 12,925.00 | 9,164.00  | Financials             | 16.68       | 13.87       |
| Price/Book Ratio            | 3.07      | 3.21      | Health Care            | 9.79        | 11.01       |
| Adjusted Trailing P/E Ratio | 20.40     | 21.60     | Real Estate            | 6.81        | 7.56        |
| % EPS Growth - Past 3 Yr    | 11.70     | 16.90     | Materials              | 6.44        | 6.29        |
| Return on Equity (%)        | 17.08     | 15.36     | Energy                 | 5.36        | 5.32        |
| Beta vs. Fund Benchmark     | 0.89      |           | Consumer Discretionary | 4.74        | 11.71       |
| Forecasted P/E Ratio        | 16.30     | 19.50     | Communication Services | 1.75        | 3.32        |
|                             |           |           | Utilities              | 1.44        | 6.07        |
|                             |           |           | Consumer Staples       | 1.43        | 3.73        |

| Top 10 Holdings         |              |             | Top 10 Industries    |              |              |
|-------------------------|--------------|-------------|----------------------|--------------|--------------|
|                         | Portfolio %  | Benchmark % |                      | Portfolio %  | Benchmark %  |
| Progressive Corporation | 2.75         | 0.00        | Capital Markets      | 7.62         | 4.23         |
| Republic Services Inc.  | 2.73         | 0.28        | Insurance            | 7.32         | 4.87         |
| Keysight Technologies I | 2.71         | 0.33        | Aerospace & Defense  | 6.81         | 1.35         |
| Reinsurance Group of Am | 2.48         | 0.10        | Software             | 5.38         | 5.20         |
| CBRE Group Inc. Class A | 2.43         | 0.26        | Life Sciences Tools  | 4.92         | 2.78         |
| Agilent Technologies In | 2.42         | 0.47        | Machinery            | 4.74         | 4.16         |
| Raymond James Financial | 2.28         | 0.22        | Equity REITS         | 4.38         | 7.11         |
| Darden Restaurants Inc. | 2.25         | 0.18        | Semiconductors       | 4.33         | 2.29         |
| RenaissanceRe Holdings  | 2.09         | 0.08        | It Services          | 4.25         | 3.46         |
| Synopsys Inc.           | 2.09         | 0.52        | Electronic Equipment | 4.22         | 2.35         |
| <b>Total</b>            | <b>24.23</b> | <b>2.44</b> | <b>Total</b>         | <b>53.97</b> | <b>37.80</b> |

| Market Capitalization |               |             |
|-----------------------|---------------|-------------|
|                       |               | Portfolio % |
| Large                 | Above 25.0B   | 35.27       |
|                       | 10.0B - 25.0B | 27.77       |
| Mid                   | 5.0B - 10.0B  | 26.52       |
|                       | 1.0B - 5.0B   | 10.44       |
| Small                 | 0.0 - 1.0B    | 0.00        |



### 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         | HMCLX  | 41152P708 | 5.99%    | -17.15% | -17.15% | 7.07% | N/A   | N/A    | 8.08%           | 12/01/19       | 0.88                | 1.01                  |
| Investor              | HMCNX  | 41152P880 | 5.89%    | -17.43% | -17.43% | 6.69% | N/A   | N/A    | 7.70%           | 12/01/19       | 1.24                | 1.37                  |
| Retirement            | HMCRX  | 41152P609 | 6.01%    | -17.06% | -17.06% | 7.15% | N/A   | N/A    | 8.17%           | 12/01/19       | 0.80                | 0.93                  |
| Russell Midcap® Index |        |           | 9.18%    | -17.32% | -17.32% | 5.88% | N/A   | N/A    | 6.49%           | 12/01/19       |                     |                       |

## MANAGER COMMENTARY

As of 12/31/2022

**“Despite continued uncertainty within different sectors of the equity markets, the labor market continued to show strength as the unemployment rate hovered near a record low of 3.7%.”**

EARNEST Partners LLC

### Market in Review

Global equities were positive in the fourth quarter of 2022, as investors regained confidence in risk assets following the easing of supply chain concerns and encouraging inflation data. The S&P 500 rose 7.56%.

Equities initially continued their slide downward and hit new lows before sharply rebounding in mid-October, as two lower-than-expected CPI readings in October and November gave confidence to investors who believed we had passed peak inflation, and the Federal Reserve (“Fed”) could begin moderating its tightening campaign.

Higher interest rates are especially threatening to high-growth sectors of the market, such as Consumer Discretionary and Information Technology, as these segments derive much of their value from expectations of future earnings rather than current cash flows. They are also heavily reliant on external financing, and rising rates make it difficult to borrow on favorable terms. Many high-multiple technology stocks continued to suffer as last year’s winners, such as Tesla, Nvidia, and Facebook/Meta, plummeted. Conversely, cash flow producing sectors, such as Health Care, Utilities, and Consumer Staples, finished the year largely unscathed. Energy was a standout as it benefited from higher oil prices and a rebound in demand following the resumption of travel, the outbreak of war in Ukraine, and the lifting of pandemic-era restrictions. Despite continued uncertainty within different sectors of the equity markets, the labor market continued to show strength as the unemployment rate hovered near a record low of 3.7%.

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.

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 fourth quarter of 2022, the Harbor Mid Cap Fund (Institutional Class, "Fund") returned 5.99%, underperforming its benchmark, the Russell Midcap<sup>®</sup> Index, which returned 9.18%.

Relative weakness in the Health Care and Materials sectors contributed to underperformance, which was offset by strength in the Industrials and Financials sectors. Despite underperforming the Index during the fourth quarter, the Fund outperformed the Index over trailing one-, three- and five-year periods, largely as a function of stock selection.

The U.S. mid-cap equity market, as represented by the Index, generated positive returns in the fourth quarter, albeit with meaningful volatility along the way. Ten of the Index's 11 sectors generated positive returns, with Energy and Health Care leading as the best performers. Communication Services was the laggard as the lone sector to generate negative returns in the quarter.

### Contributors & Detractors

Detracting from performance was Akamai Technologies, which provides cloud services used to deliver, optimize, and secure content and business applications over the internet. Products include cloud solutions, web and mobile security solutions, media delivery solutions, and edge computing solutions. Akamai's shares gained only 4.96% after the company reported mixed results. The company beat revenue, EBITDA (earnings before interest, taxes, depreciation, and amortization), and earnings estimates but reported slowing demand in the media delivery solutions business. Despite facing near-term headwinds, the company continues to shift growth investment to higher-margin businesses, like security and computing solutions, which have large addressable markets. Market-share capture in higher-margin businesses positions the company for sustained earnings growth.

A top contributor to Fund performance, Woodward designs, manufactures, and services energy control systems and components for aircraft and industrial engines and turbines. The company's products and services are used in the aerospace, power generation, oil and gas processing, and transportation markets, which include rail, marine, and light and heavy industrial applications. Woodward shares gained 20.60% as the company reported both revenue and earnings that exceeded consensus estimates. Recovery in the broader commercial aerospace segment combined with the company's technology leadership enable it to continue to capture market share. Continued shifts toward higher-margin components combined with stabilization in both labor and the supply chain are expected to result in incremental upside to the company's earnings profile.

### Buys and Sells

We bought ChampionX, a global company providing chemistry programs and services for the upstream oil and natural gas industry. We believe the market is not giving the company enough credit for growth opportunities over our investment horizon.

We sold Continental Resources after plans to acquire the company were announced.

### Outlook

There were no new themes or trends introduced into the Fund during the quarter. We continue to position the Fund based on the underlying fundamentals of individual companies and the growth prospects relative to what is currently reflected in the stock price.

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## Best &amp; Worst Performers

| Best Performers                          | Average Weight % | Return % |
|--|------------------|----------|
| Spirit AeroSystems Holdings Inc. Class A | 1.25             | 35.04    |
| D.R. Horton Inc.                         | 2.56             | 32.74    |
| RenaissanceRe Holdings Ltd.              | 1.89             | 31.49    |
| TJX Companies Inc                        | 0.75             | 28.68    |
| GATX Corporation                         | 1.32             | 25.48    |

| Worst Performers           | Average Weight % | Return % |
|----------------------------|------------------|----------|
| Catalent Inc               | 1.01             | -37.80   |
| Lumentum Holdings Inc.     | 1.33             | -23.92   |
| Syneos Health Inc. Class A | 0.88             | -22.21   |
| Entegris Inc.              | 1.40             | -20.90   |
| Albemarle Corporation      | 2.68             | -17.86   |

## Contributors &amp; Detractors

| Greatest Contributors                    | Return % | Contribution to Return % |
|--|----------|--------------------------|
| D.R. Horton Inc.                         | 32.74    | 0.75                     |
| RenaissanceRe Holdings Ltd.              | 31.49    | 0.62                     |
| Agilent Technologies Inc.                | 23.51    | 0.49                     |
| Spirit AeroSystems Holdings Inc. Class A | 35.04    | 0.40                     |
| CBRE Group Inc. Class A                  | 14.00    | 0.36                     |
| <b>Total</b>                             |          | <b>2.62</b>              |

| Greatest Detractors        | Return % | Contribution to Return % |
|----------------------------|----------|--------------------------|
| Catalent Inc               | -37.80   | -0.52                    |
| Albemarle Corporation      | -17.86   | -0.35                    |
| Lumentum Holdings Inc.     | -23.92   | -0.35                    |
| Entegris Inc.              | -20.90   | -0.29                    |
| Syneos Health Inc. Class A | -22.21   | -0.23                    |
| <b>Total</b>               |          | <b>-1.74</b>             |

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### Quarterly Attribution:

#### Harbor Mid Cap Fund vs Russell Midcap® Index

##### Performance

|                       | Portfolio   | Benchmark   | Active      |
|-----------------------|-------------|-------------|-------------|
| Return Ex Currency    | 9.33        | 9.18        | 0.15        |
| Currency Contribution | 0.00        | 0.00        | 0.00        |
| <b>Total Return</b>   | <b>9.33</b> | <b>9.18</b> | <b>0.15</b> |

| 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             | 16.39           | 13.93            | 2.46                   | 14.64              | 9.58                | 5.06                      | 2.60                         | 1.39                          | 0.01                 | 0.83             | 0.84         |
| Industrials            | 22.99           | 15.61            | 7.38                   | 13.39              | 12.52               | 0.87                      | 3.37                         | 1.90                          | 0.26                 | 0.19             | 0.45         |
| Communication Services | 1.67            | 3.64             | -1.97                  | 2.97               | -3.64               | 6.61                      | 0.06                         | -0.09                         | 0.27                 | 0.10             | 0.36         |
| Consumer Discretionary | 5.78            | 11.73            | -5.95                  | 22.29              | 12.46               | 9.83                      | 1.27                         | 1.39                          | -0.21                | 0.54             | 0.33         |
| Real Estate            | 6.42            | 7.56             | -1.14                  | 6.05               | 3.88                | 2.17                      | 0.60                         | 0.32                          | 0.15                 | 0.17             | 0.32         |
| Consumer Staples       | 1.48            | 3.68             | -2.20                  | 8.84               | 8.97                | -0.13                     | 0.16                         | 0.33                          | 0.00                 | 0.00             | 0.00         |
| Utilities              | 1.40            | 5.80             | -4.40                  | 5.65               | 10.91               | -5.26                     | 0.14                         | 0.61                          | -0.05                | -0.06            | -0.12        |
| Information Technology | 19.24           | 15.64            | 3.60                   | 0.32               | 2.08                | -1.76                     | 0.41                         | 0.33                          | -0.28                | -0.40            | -0.68        |
| Materials              | 7.10            | 6.32             | 0.78                   | 1.34               | 11.81               | -10.47                    | 0.36                         | 0.74                          | 0.05                 | -0.73            | -0.68        |
| Energy                 | 4.90            | 5.44             | -0.54                  | -0.93              | 16.35               | -17.28                    | -0.09                        | 0.87                          | -0.12                | -0.87            | -0.99        |
| Health Care            | 9.08            | 10.66            | -1.58                  | 3.17               | 14.08               | -10.91                    | 0.43                         | 1.40                          | -0.13                | -0.99            | -1.12        |
| <b>Total</b>           | <b>100.00</b>   | <b>100.00</b>    | <b>0.00</b>            | <b>9.33</b>        | <b>9.18</b>         | <b>0.15</b>               | <b>9.33</b>                  | <b>9.18</b>                   | <b>1.37</b>          | <b>-1.22</b>     | <b>0.15</b>  |

### Trailing 1 Year Attribution:

#### Harbor Mid Cap Fund vs Russell Midcap® Index

##### Performance

|                       | Portfolio     | Benchmark     | Active      |
|-----------------------|---------------|---------------|-------------|
| Return Ex Currency    | -14.02        | -17.31        | 3.29        |
| Currency Contribution | 0.00          | 0.00          | 0.00        |
| <b>Total Return</b>   | <b>-14.02</b> | <b>-17.31</b> | <b>3.29</b> |

| 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             | 15.23           | 13.32            | 1.91                   | 0.03               | -12.58              | 12.61                     | 0.47                         | -1.51                         | 0.12                 | 1.78             | 1.90         |
| Communication Services | 1.67            | 3.83             | -2.16                  | 15.74              | -42.09              | 57.83                     | 0.18                         | -1.90                         | 0.66                 | 0.89             | 1.55         |
| Consumer Discretionary | 5.59            | 11.53            | -5.94                  | -9.09              | -25.22              | 16.13                     | -0.27                        | -3.00                         | 0.49                 | 0.96             | 1.45         |
| Industrials            | 21.55           | 14.90            | 6.65                   | -10.60             | -14.82              | 4.22                      | -1.71                        | -1.93                         | 0.34                 | 0.65             | 0.99         |
| Information Technology | 21.13           | 16.80            | 4.33                   | -27.65             | -30.71              | 3.06                      | -6.48                        | -5.83                         | -0.69                | 0.73             | 0.04         |
| Real Estate            | 6.85            | 8.23             | -1.38                  | -27.08             | -24.74              | -2.34                     | -1.86                        | -2.23                         | 0.21                 | -0.19            | 0.02         |
| Energy                 | 4.95            | 5.41             | -0.46                  | 45.55              | 54.98               | -9.43                     | 1.43                         | 1.54                          | -0.04                | -0.14            | -0.18        |
| Consumer Staples       | 1.46            | 3.77             | -2.31                  | -0.30              | -1.00               | 0.70                      | 0.00                         | -0.12                         | -0.35                | 0.00             | -0.35        |
| Utilities              | 1.43            | 5.55             | -4.12                  | -0.49              | 2.61                | -3.10                     | 0.01                         | 0.01                          | -0.69                | -0.02            | -0.71        |
| Materials              | 7.63            | 6.16             | 1.47                   | -28.06             | -9.32               | -18.74                    | -2.33                        | -0.61                         | 0.16                 | -1.42            | -1.26        |
| Health Care            | 9.58            | 10.52            | -0.94                  | -34.10             | -19.26              | -14.84                    | -3.51                        | -1.74                         | -0.05                | -1.60            | -1.64        |
| <b>Total</b>           | <b>100.00</b>   | <b>100.00</b>    | <b>0.00</b>            | <b>-14.02</b>      | <b>-17.31</b>       | <b>3.29</b>               | <b>-14.02</b>                | <b>-17.31</b>                 | <b>1.66</b>          | <b>1.63</b>      | <b>3.29</b>  |

Past performance is not a guarantee of future results.

### 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. Stocks of mid cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies.

### Benchmarks

The Russell Midcap® Index is an unmanaged index generally representative of the U.S. market for medium capitalization stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap® Index and Russell® are trademarks of Frank Russell Company.

### Disclosures

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.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share. EPS Growth Rate is calculated by subtracting the initial EPS from the final EPS and dividing the change in EPS by the initial EPS. The Adjusted Trailing P/E (Price/ 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 next4quarters estimated EPS. All P/E, ROE and P/B statistics are calculated as weighted medians.

Return on Equity (ROE) is the measure of a company's net income divided by its shareholders' equity.

Price-to-Book (P/B) Ratio compares a company's market value to its book value. The market value of a company is its share price multiplied by the number of outstanding shares. The book value is the net assets of a company.

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 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.

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.**

**EARNEST Partners LLC is an independent subadvisor to the Harbor Mid Cap Fund.**

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### 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.