

Harbor Large Cap Value Fund

Aristotle Capital Management, LLC

Subadvisor Since 05/25/2012

Total Net Assets - All Classes \$1,916,159,262
Equity Assets: 98.36%
Cash & Other Assets Less Liabilities: 1.64%
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 Subadvisor employs a fundamental, bottom-up research driven approach to identify companies for investment by the Fund. The Subadvisor focuses on those companies that it believes have higher quality businesses that are undervalued by the market relative to what the Subadvisor believes to be their fair value. The Subadvisor also looks for one or more catalysts that may help the company realize that fair value. The Subadvisor 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 06/30/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	45	844	Information Technology	18.44	9.04
Wtd Avg Market Cap (\$Mil)	190,069.90	137,620.10	Financials	15.15	20.13
Median Market Cap (\$Mil)	44,446.00	11,789.00	Health Care	11.76	15.81
Price/Book Ratio	5.25	2.63	Industrials	11.62	13.48
Adjusted Trailing P/E Ratio	25.90	21.80	Materials	11.13	4.80
% EPS Growth - Past 3 Yr	16.50	22.30	Consumer Staples	8.56	8.31
Est 3-5 Yr EPS Growth Rate (%)	12.00	7.70	Consumer Discretionary	7.45	5.27
Return on Equity (%)	15.73	14.33	Utilities	4.74	5.17
Beta vs. Fund Benchmark	0.96		Energy	4.09	7.92
Forecasted P/E Ratio	19.50	17.10	Real Estate	3.32	4.92
			Communication Services	2.10	5.11

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Microsoft Corporation	4.43	0.00	Software	12.99	1.62
Corteva Inc	3.52	0.21	Chemicals	7.82	2.90
Parker-Hannifin Corpora	3.43	0.26	Machinery	7.24	2.51
Adobe Incorporated	3.33	0.00	Banks	6.21	6.26
Martin Marietta Materia	3.31	0.15	Household Durables	5.68	0.84
Lennar Corporation Clas	3.19	0.16	Semiconductors	5.45	3.71
Microchip Technology In	3.17	0.07	Capital Markets	4.87	4.87
ANSYS Inc.	2.99	0.03	Beverages	4.36	1.41
Ameriprise Financial In	2.83	0.00	Oil Gas & Consumables	4.09	7.21
Merck & Co. Inc.	2.77	1.23	Health Care Equip	4.06	3.69
Total	32.97	2.11	Total	62.77	35.02

Market Capitalization		
		Portfolio %
Large	Above 25.0B	81.18
	10.0B - 25.0B	14.65
Mid	5.0B - 10.0B	4.17
	1.0B - 5.0B	0.00
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	HAVLX	411511603	4.40%	8.16%	13.22%	12.71%	9.62%	11.77%	10.06%	12/29/87	0.69	0.72
Investor	HILVX	411511744	4.30%	7.97%	12.81%	12.31%	9.23%	11.36%	9.15%	11/01/02	1.05	1.08
Retirement	HNLVX	411512478	4.36%	8.21%	13.26%	12.81%	9.71%	11.83%	10.07%	03/01/16	0.61	0.64
Russell 1000® Value Index			4.07%	5.12%	11.54%	14.30%	8.11%	9.22%	10.25%	12/29/87		

MANAGER COMMENTARY

As of 06/30/2023

“While macroeconomic factors, such as inflation, monetary policy decisions, and geopolitical conflicts, may continue to dominate the current news cycle, we take a long-term perspective, attempting to identify, what we believe to be, high-quality companies that can successfully navigate periods of boom and bust.”

Aristotle Capital Management, LLC

Market in Review

Looking back over the second quarter of 2023, the potential for a soft landing and disinflation supported investor optimism in the U.S. equity markets. The Consumer Price Index (“CPI”) declined to 4.0% in May — the lowest since March 2021 and slightly below market expectations of 4.1% — driven by a decline in energy prices. Although inflation remains above the 2% target, the U.S. Federal Reserve (“Fed”) decided not to raise the federal funds rate in June, allowing it more time to assess the impact of the tightening cycle on the real economy. The labor market remained very tight, as nonfarm payroll growth averaged over 315,000 in the first two months of the second quarter and continued to come in above-consensus forecasts. With the federal funds rate target still in a range of 5.00% to 5.25%, fixed-income markets are contemplating the potential for two additional rate increases later this year.

The U.S. equity market posted its third-consecutive positive quarter, as the S&P 500® Index gained 8.74%. Concurrently, the Bloomberg U.S. Aggregate Bond Index fell -0.84% for the quarter. The Russell 1000® Value Index underperformed its growth counterpart by 8.74% during the quarter. Treasuries generated negative total returns, as the yield on the two-year note increased by 0.80% to 4.87%, and the yield on the ten-year note rose by 0.31% to 3.81%. The U.S. dollar index was up 0.40% for the quarter with big gains versus the yen. On a sector basis, eight of the eleven sectors within the Russell 1000® Value Index finished higher for the quarter. Information Technology, Consumer Discretionary, and Communication Services were the top outperformers, while Utilities, Energy, and Consumer Staples declined the most.

Portfolio Performance

During the second quarter, the Harbor Large Cap Value Fund (Institutional Class, “Fund”) returned 4.40%, outperforming its benchmark, the Russell 1000® Value Index, which returned 4.07%.

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.

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.



The Fund's performance relative to the Russell 1000® Value Index can be attributed to positive security selection, while allocation effects detracted. Security selection in Materials, Information Technology, and Health Care contributed the most to relative performance. Conversely, security selection in Real Estate and Communication Services, as well as an underweight in Communication Services, detracted the most from relative performance. (Relative weights are the result of bottom-up security selection.)

Contributors & Detractors

Aggregates producer Martin Marietta Materials was the top contributor during the quarter. In 2022, the company's share price declined, as the sharp rise in energy costs had resulted in a decline in profit margins. Despite cost pressures and a stock price decline, in our view, fundamentals remained intact. We continue to believe in management's ability to navigate short-term setbacks given the company's leading market position, geographically advantaged asset base, and pricing power. Management's "value-over-volume" commercial strategy, the institution of multiple price increases, and an improved cost structure have led to robust margin expansion and record first quarter results. We remain optimistic about the firm's strategic plan, which emphasizes responsible growth through acquisitions, reinvestment in existing operations, and the consistent return of capital to shareholders — all while benefiting from healthy demand across its end markets.

Crown Castle, the largest U.S. provider of shared communications infrastructure — cell towers, small cells, and fiber — was the largest detractor from performance. The company reported a decline in fiber revenue and a deceleration in tower sales growth during the quarter. We believe Crown Castle's approach delivers a compelling value proposition, as the company's customers seek to utilize shared infrastructure while making multibillion-dollar investments in spectrum assets. Although carriers have generally pulled back from network spending this year, we continue to find the structure of Crown Castle's tower business attractive. Looking past the short-term movements in demand, we believe that, over the long term, the company is well poised to gain market share and also improve its profitability as it increases the average number of tenants per tower. As such, we view Crown Castle as uniquely positioned to benefit from the shift to 5G networks, since the company's market skews toward urban areas where densification of populations, infrastructure, and networks enhance the value proposition of small cells.

Buys and Sells

During the quarter, we invested in Activision Blizzard and did not exit any positions.

Headquartered in Santa Monica, California, Activision Blizzard is one of the largest video game companies in the world. The company develops and sells games that are played by nearly 400 million monthly active users across 190 countries. Activision Blizzard is a product of the 2008 merger of Activision, the console game-maker, and Blizzard Entertainment, the PC game-maker. In 2015, Activision Blizzard also acquired King Digital Entertainment, the developer of mobile games. The combined entities own some of the most well-known franchises globally, including World of Warcraft, Call of Duty, and Candy Crush Saga. Together, these three franchises account for roughly 80% of Activision Blizzard's sales.

The company has successfully navigated multiple console cycles and, in recent years, shifted its revenue mix away from physical sales toward more recurring sources. In 2013, roughly 70% of sales came from physical games, while today approximately 75% of sales comes from subscriptions, in-game content, and advertising across mobile devices, consoles, and PCs.

Overweights and Underweights

We ended 2022 with our largest overweight allocations in Information Technology and Materials and largest underweights in Communication Services and Health Care. Our process is entirely bottom-up. We typically establish positions in the Fund at a high-conviction equal weight (2.5%). A company's weight in a given index/benchmark plays no role in our position sizing. Over/underweights are purely outputs of our bottom-up process. Minimal trading activity resulted in little change to Fund positioning, as we closed out the quarter with our largest overweight allocations to Information Technology and Materials and our largest underweight allocations in the Communications Services and Financials sectors.

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Outlook

At Aristotle Capital, we take a bottom-up approach to studying businesses. While macroeconomic factors, such as inflation, monetary policy decisions, and geopolitical conflicts, may continue to dominate the current news cycle, we take a long-term perspective, attempting to identify what we believe to be high-quality companies that can successfully navigate periods of boom and bust. We spend very little time attempting to predict the outcome of macro or geopolitical events but rather spend considerable time attempting to identify businesses that are resilient. In our view, the fundamentals of a business are the most important determinants of its long-term stock price performance. Consequently, we believe the best way to consistently add value for our clients is to maintain a long-term view and focus on a deep understanding of individual companies' key attributes, value drivers, and progress toward improvement.

QUARTERLY ATTRIBUTION

As of 06/30/2023

Best & Worst Performers

Best Performers	Average Weight %	Return %
Martin Marietta Materials Inc.	2.90	30.25
Adobe Incorporated	2.92	26.89
Lennar Corporation Class A	3.01	19.62
Microsoft Corporation	4.27	18.38
Alcon AG	2.20	16.74

Worst Performers	Average Weight %	Return %
Commerce Bancshares Inc.	1.17	-16.09
Crown Castle Inc.	1.95	-13.70
Cincinnati Financial Corporation	2.08	-12.52
Amgen Inc.	2.40	-7.29
Xcel Energy Inc.	2.46	-7.05

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Martin Marietta Materials Inc.	30.25	0.83
Adobe Incorporated	26.89	0.79
Microsoft Corporation	18.38	0.78
Lennar Corporation Class A	19.62	0.56
Parker-Hannifin Corporation	16.57	0.52
Total		3.47

Greatest Detractors	Return %	Contribution to Return %
Crown Castle Inc.	-13.70	-0.32
Cincinnati Financial Corporation	-12.52	-0.30
Commerce Bancshares Inc.	-16.09	-0.22
Corteva Inc.	-4.72	-0.21
Amgen Inc.	-7.29	-0.20
Total		-1.25

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Harbor Large Cap Value Fund

ATTRIBUTION

As of 06/30/2023



Quarterly Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	4.54	4.08	0.47
Currency Contribution	0.00	0.00	0.00
Total Return	4.54	4.08	0.47

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
Information Technology	17.64	7.85	9.79	8.41	5.01	3.40	1.57	0.47	0.06	0.63	0.69
Materials	10.68	4.39	6.28	9.00	0.89	8.11	0.95	0.05	-0.20	0.85	0.65
Health Care	11.97	16.38	-4.41	3.77	1.45	2.33	0.41	0.20	0.10	0.29	0.39
Energy	4.20	7.83	-3.63	-0.05	-0.82	0.78	-0.01	-0.06	0.17	0.03	0.20
Utilities	5.09	5.54	-0.45	-1.33	-2.72	1.39	-0.08	-0.17	0.02	0.08	0.11
Consumer Discretionary	7.57	5.89	1.69	7.47	7.57	-0.10	0.56	0.40	0.07	-0.02	0.05
Consumer Staples	8.84	7.73	1.11	1.43	0.90	0.53	0.11	0.06	-0.01	0.05	0.04
Industrials	11.26	11.01	0.25	7.67	8.58	-0.90	0.86	1.02	-0.01	-0.10	-0.11
Financials	15.16	20.23	-5.07	3.10	5.28	-2.18	0.51	1.07	-0.06	-0.33	-0.39
Real Estate	3.43	4.62	-1.19	-8.00	3.26	-11.26	-0.32	0.17	0.00	-0.41	-0.41
Communication Services	2.16	8.55	-6.39	-1.51	11.18	-12.69	-0.05	0.86	-0.44	-0.28	-0.71
Total	100.00	100.00	0.00	4.54	4.08	0.47	4.54	4.08	-0.33	0.79	0.47

Trailing 1 Year Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	13.80	11.54	2.26
Currency Contribution	0.00	0.00	0.00
Total Return	13.80	11.54	2.26

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
Information Technology	17.27	7.42	9.84	29.49	19.29	10.20	4.76	1.48	0.64	1.72	2.35
Health Care	11.94	16.65	-4.71	8.00	1.42	6.58	0.99	0.36	0.55	0.82	1.37
Materials	10.68	4.32	6.36	23.50	15.38	8.12	2.29	0.68	0.27	0.78	1.05
Consumer Discretionary	7.13	5.83	1.30	34.60	25.02	9.58	2.35	1.29	0.22	0.58	0.80
Industrials	11.20	10.58	0.62	29.37	27.39	1.98	3.10	2.79	0.06	0.15	0.21
Utilities	5.08	5.69	-0.61	-1.60	-3.53	1.93	-0.19	-0.34	0.10	0.11	0.21
Communication Services	0.74	8.14	-7.40	8.76	18.19	-9.43	0.19	1.31	-0.19	-0.21	-0.40
Energy	4.39	7.97	-3.58	12.29	19.82	-7.53	0.60	1.64	-0.17	-0.41	-0.58
Financials	16.90	21.09	-4.19	3.60	8.45	-4.84	0.86	1.80	0.22	-0.81	-0.59
Real Estate	3.76	4.79	-1.03	-19.74	-1.62	-18.12	-0.92	-0.11	0.14	-0.84	-0.69
Consumer Staples	8.76	7.53	1.22	-3.22	8.51	-11.74	-0.31	0.65	-0.01	-1.10	-1.11
Total	100.00	100.00	0.00	13.80	11.54	2.26	13.80	11.54	1.47	0.80	2.26

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. 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.

Benchmarks

The Russell 1000[®] 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[®] Value 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.

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.

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.

Aristotle Capital Management, LLC is an independent subadvisor to the Harbor Large Cap Value 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.

Median Market Cap: The median size of the companies in a portfolio or index as measured by the market value of outstanding shares.

Weighted Average Market Capitalization: The average size of the companies in a portfolio or index as measured by the market value of outstanding shares.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share.

The Est 3-5 Yr EPS Growth (%) is the estimated growth of earnings per share over the next 3-5 years, using pre-calculated mean long-term EPS growth rate estimates, which are calculated using each individual broker's methodology, from FactSet, First Call, I/B/E/S Consensus, and Reuters. Forward looking estimates may not come to pass.

% EPS Growth - Past 3 Year: Earnings per share refers to the bottom-line measure of a company's profitability defined as net income divided by the number of outstanding shares.

The Adjusted Trailing P/E (price-to-earnings) Ratio is the closing stock price divided by the sum of the last 12 months actual EPS.

Forecasted P/E Ratio: a measure of the P/E (price-to-earnings) ratio using forecasted earnings for the P/E calculation.

Return on Equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

The Price/Book (price-to-book) Ratio evaluates a firm's market value relative to its book value.

All P/E, ROE and P/B statistics are calculated as weighted medians.