

# Harbor Mid Cap Fund

EARNEST Partners LLC

Subadviser Since 12/01/2019

**Total Net Assets - All Classes** \$53,621,773  
**Equity Assets:** 95.58%  
**Cash & Other Assets Less Liabilities:** 4.42%  
**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 Subadviser uses a bottom-up investment process, employing fundamental and qualitative criteria to identify individual companies for potential investment in the Fund's portfolio. The Subadviser 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 06/30/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	58	828	Industrials	20.95	14.56
Wtd Avg Market Cap (\$Mil)	23,257.90	19,431.10	Information Technology	19.91	16.46
Med Cap - # Stocks (\$Mil)	16,065.00	9,033.00	Financials	14.83	13.54
Price/Book Ratio	2.95	3.19	Health Care	10.59	10.81
Adjusted Trailing P/E Ratio	19.60	21.60	Materials	7.82	6.26
% EPS Growth - Past 3 Yr	16.60	17.80	Real Estate	6.99	8.63
Return on Equity (%)	19.23	14.85	Consumer Discretionary	5.22	11.18
Beta vs. Fund Benchmark	0.89		Energy	4.28	4.78
Forecasted P/E Ratio	14.70	17.90	Communication Services	1.81	4.04
Proj. Earnings Growth Rate (%)	23.80	14.50	Consumer Staples	1.60	3.78
			Utilities	1.58	5.98

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Republic Services Inc.	3.08	0.29	Capital Markets	7.15	3.98
Coterra Energy Inc.	2.95	0.22	Insurance	6.17	4.68
Progressive Corporation	2.50	0.00	Software	5.43	6.34
Keysight Technologies I	2.43	0.27	Life Sciences Tools	5.38	2.90
CBRE Group Inc. Class A	2.37	0.27	Aerospace & Defense	4.96	1.18
Albemarle Corporation	2.26	0.27	Chemicals	4.65	3.29
D.R. Horton Inc.	2.23	0.23	Equity REITS	4.62	8.13
Masco Corporation	2.23	0.13	Semiconductors	4.45	2.05
Raymond James Financial	2.13	0.19	Oil Gas & Consumables	4.28	4.11
Reinsurance Group of Am	2.08	0.09	Electronic Equipment	4.16	2.34
<b>Total</b>	<b>24.26</b>	<b>1.96</b>	<b>Total</b>	<b>51.25</b>	<b>39.00</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	28.57
	10.0B - 25.0B	44.08
Mid	5.0B - 10.0B	20.59
	1.0B - 5.0B	6.76
Small	0.0 - 1.0B	0.00



Trusted Partnerships > Trusted Solutions



## Performance

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	-11.83%	-16.89%	-8.77%	N/A	N/A	N/A	9.87%	12/01/19	0.88	1.01
Investor	HMCNX	41152P880	-11.93%	-17.00%	-9.11%	N/A	N/A	N/A	9.49%	12/01/19	1.24	1.37
Retirement	HMCRX	41152P609	-11.82%	-16.82%	-8.71%	N/A	N/A	N/A	9.96%	12/01/19	0.80	0.93
Russell Midcap® Index			-16.85%	-21.57%	-17.30%	N/A	N/A	N/A	5.62%	12/01/19		

## MANAGER COMMENTARY

As of 06/30/2022

**“Despite uncertainty within sectors of the equity markets, the labor market continued to show strength as the unemployment rate declined to 3.6% in May from 3.8% in February.”**

EARNEST Partners LLC

## Market in Review

Global equities were broadly negative in the second quarter of 2022 as all major, domestic indices fell into bear market territory for the first time since March of 2020. In the wake of continued uncertainty surrounding the Federal Reserve’s posture, combined with supply-chain disruptions exacerbated by war in Eastern Europe, investors recalibrated expectations for risk assets. The S&P 500® returned -16.10% during the quarter.

Rate-sensitive growth stocks continued to be aggressively repriced as investors discounted their future growth prospects in favor of established businesses with consistent cash flow, higher dividends, and strong balance sheets. As such, value stocks continued to outperform growth, and many former growth stocks such as Netflix, Meta (Facebook), and PayPal were added to the Russell 1000® Value Index. Despite uncertainty within sectors of the equity markets, the labor market continued to show strength as the unemployment rate declined to 3.6% in May from 3.8% in February.

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 second quarter of 2022, the Harbor Mid Cap Fund (Institutional Class, "Fund") returned -11.83%, outperforming its benchmark, the Russell Midcap<sup>®</sup> Index, which returned -16.85%.

All 11 sectors in the Index generated negative returns for the quarter as the market continued to react to inflationary pressures, a rising interest-rate environment, and sustained geopolitical concerns. Utilities and Energy were the best-performing sectors in the Index, while Communication Services and Information Technology were the worst performers. The Fund's outperformance was attributed to favorable stock selection. Of note, the Fund realized positive stock selection in each of the 11 sectors for the quarter. Our focus on high-quality companies that we believe are well positioned to benefit over the long term has resulted in the Fund outperforming the Index over trailing one-, three-, and five-year periods, net of fees.

### Contributors & Detractors

Black Knight, a leading provider of integrated technology, services, and data and analytics to the mortgage and real estate industries contributed to performance. The company offers software and hosting solutions that support loan servicing, origination, and settlement services along with data and analytics services to the broader real-estate/capital markets industry. Shares outperformed during the period, following a strong quarter of earnings and discussions of a potential acquisition. The company delivered 11% revenue growth year-over-year. Loan servicing continued to be a bright spot with more than 50% of all U.S. mortgage loans outstanding being serviced on the company's platform. While Intercontinental Exchange proposed to purchase Black Knight for \$85 per share, the deal has yet to consummate and, as such, we continue to hold the name given continued upside potential. The stock continues to trade below the proposed cash portion of the deal value. Given the fundamental outlook for the company, we believe there remains intrinsic value to be realized in the stock, with or without the Intercontinental Exchange acquisition.

Applied Materials detracted from performance. Applied Materials provides manufacturing equipment, services, and software for semiconductor chips, computer displays, electronics, and solar products. During the quarter, shares underperformed the benchmark as the company reported operating results below analyst-consensus estimates. Despite supply-chain disruptions that hampered operations and negatively impacted margins, demand for the company's products and services was evidenced in the 12% year-over-year growth in sales. The company also detailed a backlog of orders that provide further visibility into earnings capacity moving forward. Demand continues to grow for both memory chips and more complex electronic chips along with the increased utility for the company's products in the automotive and industrial sectors. These industry tailwinds, combined with challenges competitors face in integrating more advanced technology nodes, are expected to further drive the company's market share and earnings.

### Buys and Sells

During the quarter we purchased Catalent, Inc., a holding company that provides delivery technologies, development, and manufacturing solutions for drugs, biologics, cell and gene therapies, and consumer health products. We believe the market is not giving the company enough credit for growth opportunities over our investment horizon.

### 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 %
Black Knight Inc.	1.52	12.76
Americold Realty Trust Inc.	1.48	8.54
Reinsurance Group of America Incorporated	1.94	7.81
Catalent Inc	1.23	7.23
Continental Resources Inc.	2.56	7.03

Worst Performers	Average Weight %	Return %
Scotts Miracle-Gro Company Class A	1.49	-35.30
Applied Materials Inc.	1.24	-30.81
Boston Properties Inc.	1.55	-30.16
Skyworks Solutions Inc.	1.73	-30.11
Intercontinental Exchange Inc.	1.98	-28.53

## Contributors &amp; Detractors

Greatest Contributors	Return %	Contribution to Return %
Continental Resources Inc.	7.03	0.33
CDK Global Inc.	11.96	0.27
Reinsurance Group of America Incorporate	7.81	0.13
Americold Realty Trust Inc.	8.54	0.11
Black Knight Inc.	12.76	0.10
<b>Total</b>		<b>0.94</b>

Greatest Detractors	Return %	Contribution to Return %
Intercontinental Exchange Inc.	-28.53	-0.63
Scotts Miracle-Gro Company Class A	-35.30	-0.61
Skyworks Solutions Inc.	-30.11	-0.58
Boston Properties Inc.	-30.16	-0.51
Woodward Inc.	-25.81	-0.50
<b>Total</b>		<b>-2.83</b>

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### Quarterly Attribution:

Harbor Mid Cap Fund vs Russell Midcap® Index

#### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-11.71	-16.85	5.14
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-11.71</b>	<b>-16.85</b>	<b>5.14</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
Information Technology	20.62	16.68	3.94	-15.40	-23.48	8.08	-3.21	-4.00	-0.29	1.76	1.47
Consumer Discretionary	5.31	11.13	-5.82	-11.61	-20.04	8.43	-0.63	-2.31	0.20	0.45	0.65
Financials	14.74	12.72	2.02	-11.65	-15.76	4.11	-1.66	-1.98	0.03	0.61	0.64
Communication Services	1.70	3.52	-1.82	-2.23	-26.63	24.40	-0.03	-1.01	0.22	0.41	0.63
Energy	5.84	6.41	-0.57	0.63	-6.31	6.94	0.13	-0.63	0.18	0.44	0.62
Industrials	21.21	14.40	6.81	-13.84	-16.19	2.35	-3.02	-2.35	0.07	0.50	0.56
Health Care	10.16	10.65	-0.49	-10.19	-14.90	4.71	-0.98	-1.45	-0.01	0.46	0.45
Real Estate	7.05	8.53	-1.48	-13.91	-16.36	2.45	-0.98	-1.37	0.00	0.17	0.17
Materials	8.24	6.28	1.96	-16.45	-16.95	0.50	-1.42	-1.12	0.00	0.07	0.07
Consumer Staples	1.49	4.06	-2.57	4.35	-7.96	12.31	0.05	-0.33	-0.21	0.16	-0.04
Utilities	1.49	5.60	-4.11	1.56	-5.55	7.11	0.03	-0.30	-0.44	0.09	-0.35
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-11.71</b>	<b>-16.85</b>	<b>5.14</b>	<b>-11.71</b>	<b>-16.85</b>	<b>0.01</b>	<b>5.12</b>	<b>5.13</b>

### Trailing 1 Year Attribution:

Harbor Mid Cap Fund vs Russell Midcap® Index

#### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-7.85	-17.29	9.44
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-7.85</b>	<b>-17.29</b>	<b>9.44</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
Consumer Discretionary	6.94	12.10	-5.16	-16.25	-31.39	15.14	-0.47	-3.82	0.89	1.43	2.33
Industrials	19.76	14.73	5.03	-9.72	-19.95	10.23	-2.14	-2.95	-0.10	2.05	1.95
Information Technology	23.48	18.47	5.01	-16.24	-26.14	9.90	-3.57	-4.52	-0.49	2.37	1.88
Financials	14.42	12.60	1.82	-0.53	-11.03	10.50	-0.15	-1.50	0.12	1.46	1.58
Communication Services	1.61	3.79	-2.18	-17.94	-48.22	30.28	-0.34	-2.10	0.93	0.61	1.54
Energy	4.50	4.69	-0.19	59.97	39.25	20.72	1.84	0.87	0.17	0.60	0.77
Health Care	9.87	11.25	-1.38	-16.10	-21.60	5.50	-1.45	-2.12	0.08	0.60	0.68
Materials	7.69	5.71	1.98	-11.89	-6.33	-5.56	-1.09	-0.58	0.23	-0.42	-0.20
Consumer Staples	1.36	3.60	-2.24	12.21	0.26	11.95	0.14	-0.10	-0.39	0.14	-0.25
Real Estate	7.17	8.21	-1.04	-11.88	-8.13	-3.75	-0.83	-0.77	-0.05	-0.27	-0.32
Utilities	1.34	4.86	-3.52	16.55	10.19	6.36	0.18	0.31	-0.95	0.08	-0.86
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-7.85</b>	<b>-17.29</b>	<b>9.44</b>	<b>-7.85</b>	<b>-17.29</b>	<b>0.78</b>	<b>8.66</b>	<b>9.43</b>

### 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.

### Disclosures

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.

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.

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.

The mean/median long term growth rate for Projected Earnings Growth Rate is the expected growth over the next 3-5 years calculated by FactSet from data provided by brokers. The Adjusted Trailing P/E (Price/Earnings) 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 next 4 quarters estimated EPS. All P/E, ROE and P/B statistics are calculated as weighted medians.

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 subadviser 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 subadviser 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.