

Harbor Small Cap Growth Fund

Westfield Capital Management Company, L.P.

Subadvisor Since 11/01/2000

Total Net Assets - All Classes	\$899,762,710
Equity Assets:	95.51%
Cash & Other Assets Less Liabilities:	4.49%
Benchmark Name:	Russell 2000® Growth Index

Portfolio Managers



William A. Muggia



Richard D. Lee, CFA



Ethan J. Meyers, CFA



John M. Montgomery

Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies. The small cap companies selected meet strict fundamental criteria and are then subject to a qualitative review by the portfolio manager to ensure that they have: accelerated earnings growth, a strong balance sheet, attractive valuation as measured by price/earnings to growth ratio, unique market position and broad opportunities, superior management and solid financial controls and accounting. The Fund stays fully invested in stocks and does not try to time the market, but instead works toward steady investment growth.

CHARACTERISTICS & ALLOCATION

As of 12/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	61	1,109	Health Care	26.51	23.14
Wtd Avg Market Cap (\$Mil)	4,916.70	3,087.20	Industrials	19.97	17.86
Med Cap - # Stocks (\$Mil)	4,485.00	1,126.00	Information Technology	17.46	19.70
Price/Book Ratio	4.09	3.82	Consumer Discretionary	9.03	10.77
Adjusted Trailing P/E Ratio	21.10	20.30	Financials	7.39	5.71
% EPS Growth - Past 3 Yr	44.40	20.10	Real Estate	5.48	2.23
Return on Equity (%)	9.74	10.48	Energy	5.16	7.35
Beta vs. Fund Benchmark	0.90		Materials	2.86	4.49
Forecasted P/E Ratio	19.10	19.50	Communication Services	1.65	2.28
			Consumer Staples	0.00	4.49
			Utilities	0.00	1.74

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Ascendis Pharma A/S Spo	3.16	0.00	Biotechnology	10.79	9.08
Alkermes Plc	3.03	0.37	Software	7.47	7.82
Innoviva Inc.	2.93	0.07	It Services	6.67	3.20
Churchill Downs Incorpo	2.74	0.00	Electrical Equipment	5.77	2.14
Shift4 Payments Inc. Cl	2.71	0.00	Hotels Rest & Leisure	5.52	3.18
Spirit Realty Capital I	2.53	0.00	Equity REITS	5.48	1.52
Smartsheet Inc. Class A	2.52	0.00	Health Care Equip	5.36	6.59
Encore Wire Corporation	2.50	0.00	Insurance	4.50	1.40
Option Care Health Inc	2.47	0.41	Machinery	4.30	4.05
Saia Inc.	2.41	0.48	Health Care Providers	4.06	3.91
Total	27.00	1.33	Total	59.92	42.89

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	3.54
Mid	5.0B - 10.0B	45.26
	1.0B - 5.0B	45.67
Small	0.0 - 1.0B	5.53



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	HASGX	411511868	4.29%	-25.53%	-25.53%	4.20%	7.53%	11.40%	8.62%	11/01/00	0.87	0.87
Administrative Investor	HRSGX	411511769	4.22%	-25.74%	-25.74%	3.91%	7.24%	11.07%	10.03%	11/01/02	1.12	1.12
Investor	HISGX	411511777	4.18%	-25.81%	-25.81%	3.81%	7.14%	10.98%	9.90%	11/01/02	1.23	1.23
Retirement	HNSGX	411512494	4.35%	-25.45%	-25.45%	4.28%	7.61%	11.46%	8.65%	03/01/16	0.79	0.79
Russell 2000® Growth Index			4.13%	-26.36%	-26.36%	0.65%	3.51%	9.20%	5.64%	11/01/00		

MANAGER COMMENTARY

As of 12/31/2022

“We believe the growth-at-any-price investment mentality can no longer work, and a disciplined approach with a focus on high-quality operators trading at reasonable valuations is the best way to navigate this market.”

Westfield Capital Management Company, LP

Market In Review

U.S. equities closed out the fourth quarter of 2022 as they began the year, with a series of lower highs and lower lows amid high volatility. Inflation fears and the Federal Reserve’s (“Fed”) reaction was the central storyline all year, as policy transitioned from a highly accommodating to a rapidly tightening posture across the globe. As we experienced throughout 2022, this shift in monetary policy drove the repricing of all types of risk assets as the “everything bubble” burst in private equity, unicorns, meme stocks, and crypto. Importantly, there were very few places to hide, as the correlation across asset classes was far higher than in recent memory. In fact, the calendar marked the worst year for the traditional 60/40 stock/bond portfolio that nearly all investors have adopted at some point in their lives, as both stocks and bonds declined significantly during the year.

Portfolio Performance

During the quarter, the Harbor Small Cap Growth Fund (Institutional Class, “Fund”) returned 4.29%, outperforming the Russell 2000® Growth Index, which returned 4.13%. From a sector perspective, relative strength within the Health Care and Consumer Discretionary sectors offset relative weakness within Financials and Energy. Common factors provided a tailwind during the quarter. From a factor perspective, the Fund’s underweight to volatility and momentum provided a tailwind to relative performance. We have historically been underweight these factors given our quality bias. The Fund also benefited from an overweight to earnings yield and value—factors we have historically overweighted, given our growth-at-a-reasonable-price investment philosophy.

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 expense.

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.



Contributors & Detractors

Fintech payment processing company Shift4 Payments was the top contributor to relative performance during the quarter. Fundamentally, the company continues to execute well, outperforming across all key performance indicators during the most recent quarter. Shift4 is taking share from legacy incumbent processors at a brisk pace across its traditional verticals, such as restaurants and hotels. The company is also seeing increasing opportunities for growth in new verticals, such as travel, space technology, entertainment, and nonprofits.

Atkore, a manufacturer and supplier of metal products and electrical raceway infrastructure solutions, also contributed positively to relative results, as the company beat estimates and provided a favorable outlook for 2023. Shares had been under pressure on macro concerns; however, the stock rallied to close out the quarter on the back of stellar results.

Advanced Drainage Systems, a manufacturer of water drainage structures and supplies, was the top detractor from relative returns during the quarter. The company had an unexpectedly weak quarter as it was hit with distributor de-stocking in one of its product lines and, to a lesser extent, a plant shutdown from Hurricane Ian. Management also called out weakness in the Northeast and Northwest of the U.S., which they attributed to difficult year-over-year comps. Advanced Drainage continues to be a market leader with the ability to drive margins through a variety of initiatives, including the use of recycled plastic and creating standardized processes for production lines.

Palomar Holdings, one of the fastest-growing P&C insurers focusing exclusively on relatively exotic risks, was one of the top detractors during the quarter after it missed earnings expectations on temporary issues impacting its loss ratio for the third quarter. Sentiment swiftly deteriorated following its earnings release, over fears of rising reinsurance costs and the potential for an outsized impact on Palomar's earnings. We continue to favor the stock and believe these fears are overblown and short term in nature, with Palomar able to pass on these rising costs to customers with a modest timing lag.

Buys & Sells

During the quarter we purchased Dynatrace, an enterprise cloud software-intelligence platform based on artificial intelligence and automation. With an attractive mix of steady growth, high free cash flow margins, and a reasonable de-risked relative valuation (a rare combination in small-cap software), Dynatrace provides a compelling investment opportunity.

During the quarter we also purchased Planet Fitness, a franchisor and operator of fitness centers. Although the fitness space has not yet fully recovered to pre-pandemic levels, Planet Fitness's strong value proposition of a \$10/month opening membership is likely to benefit the company, especially during a period of more challenging macroeconomic conditions.

During the quarter, we sold our position in MACOM Technology Solutions Holdings, a semiconductor manufacturer supplying the aerospace and defense, telecom, and data center end markets. MACOM was a strong performer for the Fund during the period and was eliminated when the stock hit our internal price target.

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Outlook

Despite a challenging 2022 and a tough outlook as we start the new year, the turn of the calendar brings fresh optimism to the markets. While high inflation, high rates, and an all-but-guaranteed growth slowdown are present, investors are cognizant of these dynamics and positioned accordingly, leaving open the possibility for an overly negative outcome. Combine that with few historical examples of back-to-back down years for equity markets, and you might justifiably believe that another large drawdown in equities is less likely. As speculative pockets of the market get repriced, and mega-cap tech leadership fades, the backdrop for active stock picking continues to improve. We believe the growth-at-any-price investment mentality can no longer work, and a disciplined approach with a focus on high-quality operators trading at reasonable valuations is the best way to navigate this market.

QUARTERLY ATTRIBUTION

As of 12/31/2022

Best & Worst Performers

Best Performers	Average Weight %	Return %
Ranpak Holdings Corp Class A	0.31	68.71
Atkore Inc	1.97	45.77
Inspire Medical Systems Inc.	1.85	42.01
Azenta Inc.	1.27	35.84
Coupa Software Inc.	0.97	34.64

Worst Performers	Average Weight %	Return %
Fate Therapeutics Inc.	0.65	-54.98
Palomar Holdings Inc.	1.19	-46.06
Blueprint Medicines Corp.	0.40	-35.10
Advanced Drainage Systems Inc.	2.48	-34.01
Braze Inc. Class A	0.41	-31.44

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Atkore Inc	45.77	0.70
Inspire Medical Systems Inc.	42.01	0.63
Shift4 Payments Inc. Class A	25.38	0.52
Encore Wire Corporation	19.08	0.46
Ascendis Pharma A/S Sponsored ADR	18.27	0.45
Total		2.76

Greatest Detractors	Return %	Contribution to Return %
Advanced Drainage Systems Inc.	-34.01	-1.15
Palomar Holdings Inc.	-46.06	-0.68
Lantheus Holdings Inc	-27.54	-0.55
Chart Industries Inc.	-24.36	-0.49
Blueprint Medicines Corp.	-35.10	-0.42
Total		-3.29

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Quarterly Attribution:
Harbor Small Cap Growth Fund vs Russell 2000® Growth

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	4.48	4.13	0.35
Currency Contribution	0.00	0.00	0.00
Total Return	4.48	4.13	0.35

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
Health Care	26.17	22.81	3.36	0.35	-3.23	3.58	0.14	-0.68	-0.12	0.94	0.82
Consumer Discretionary	9.32	11.08	-1.76	13.49	5.10	8.39	1.30	0.56	0.03	0.71	0.74
Information Technology	16.44	19.61	-3.17	8.39	4.91	3.48	1.19	0.90	-0.10	0.61	0.51
Communication Services	1.53	2.40	-0.87	11.09	-0.80	11.89	0.19	-0.01	0.05	0.18	0.22
Materials	2.88	4.50	-1.62	18.94	7.92	11.02	0.52	0.36	-0.05	0.27	0.22
Real Estate	6.07	2.22	3.85	7.45	8.74	-1.29	0.42	0.18	0.17	-0.06	0.10
Utilities	0.00	1.77	-1.77	0.00	0.95	-0.95	0.00	0.03	0.06	0.00	0.06
Consumer Staples	0.00	4.39	-4.39	0.00	11.20	-11.20	0.00	0.44	-0.29	0.00	-0.29
Energy	6.01	7.48	-1.47	15.20	17.39	-2.19	0.76	1.15	-0.28	-0.08	-0.36
Industrials	20.96	17.80	3.16	4.91	7.29	-2.38	1.03	1.19	0.14	-0.51	-0.37
Financials	7.51	5.94	1.57	-13.33	0.06	-13.39	-1.10	0.02	-0.06	-1.10	-1.17
Total	100.00	100.00	0.00	4.48	4.13	0.35	4.48	4.13	-0.60	0.95	0.35

Trailing 1 Year Attribution:
Harbor Small Cap Growth Fund vs Russell 2000® Growth

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-24.67	-26.36	1.69
Currency Contribution	0.00	0.00	0.00
Total Return	-24.67	-26.36	1.69

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
Health Care	26.16	23.79	2.37	-22.19	-28.38	6.19	-4.82	-6.42	0.21	1.39	1.60
Consumer Discretionary	10.16	12.56	-2.40	-23.03	-31.07	8.04	-2.71	-4.73	0.27	0.79	1.05
Real Estate	5.99	2.79	3.20	-16.59	-41.30	24.71	-1.01	-1.48	-0.56	1.61	1.05
Information Technology	18.95	20.86	-1.91	-31.64	-34.55	2.91	-6.23	-7.84	0.16	0.56	0.72
Industrials	19.91	16.80	3.11	-18.72	-19.56	0.84	-3.69	-3.05	0.22	0.23	0.45
Utilities	0.00	1.10	-1.10	0.00	-19.75	19.75	0.00	-0.09	-0.02	0.00	-0.02
Communication Services	2.14	2.84	-0.70	-38.63	-37.01	-1.62	-1.03	-1.21	0.05	-0.16	-0.11
Financials	6.33	5.75	0.58	-30.41	-30.32	-0.09	-2.57	-1.80	0.00	-0.23	-0.23
Consumer Staples	0.00	4.33	-4.33	0.00	-8.79	8.79	0.00	-0.24	-0.71	0.00	-0.71
Energy	3.91	5.19	-1.28	35.71	39.44	-3.73	0.19	1.01	-0.71	-0.22	-0.92
Materials	3.60	4.00	-0.40	-52.78	-12.07	-40.71	-2.85	-0.51	0.14	-1.92	-1.78
Total	100.00	100.00	0.00	-24.67	-26.36	1.69	-24.67	-26.36	-0.36	2.06	1.69

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

Benchmarks

The Russell 2000® Growth Index is an unmanaged index representing the smallest 2000 stocks with the highest price-to-book ratio and future earnings. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 2000® Growth 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/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.

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.

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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.

Westfield Capital Management Company, L.P. is an independent subadvisor to the Harbor Small Cap Growth 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.