

Harbor Small Cap Growth Fund

Westfield Management Company, L.P.

Subadviser Since 11/01/2000

Total Net Assets - All Classes \$984,446,877
Equity Assets: 97.45%
Cash & Other Assets Less Liabilities: 2.55%
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 03/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	62.00	1,244	Health Care	26.09	25.08
Wtd Avg Market Cap (\$Mil)	5326.30	3,624.20	Information Technology	20.87	22.79
Med Cap - # Stocks (\$Mil)	4995.00	1,055.00	Industrials	17.89	15.75
Price/Book Ratio	4.39	4.75	Consumer Discretionary	11.30	13.56
Adjusted Trailing P/E Ratio	30.40	26.90	Real Estate	5.93	3.25
% EPS Growth - Past 3 Yr	41.50	25.70	Financials	5.78	5.48
Return on Equity (%)	12.10	10.03	Materials	3.74	3.47
Beta vs. Fund Benchmark	0.89		Communication Services	3.54	2.68
Forecasted P/E Ratio	25.00	22.20	Energy	2.31	3.40
Proj. Earnings Growth Rate (%)	26.70	18.30	Utilities	0.00	0.36
			Consumer Staples	0.00	4.08

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Option Care Health Inc	3.22	0.00	Biotechnology	8.25	9.96
Atkore Inc	3.08	0.34	Software	7.18	10.20
Innoviva Inc.	2.67	0.01	Semiconductors	6.38	5.84
Advanced Drainage Systems Inc.	2.57	0.00	Equity REITS	5.93	2.39
Amedisys Inc.	2.50	0.00	Health Care Providers	5.72	4.26
PDC Energy Inc.	2.31	0.00	It Services	5.65	2.56
Smartsheet Inc. Class A	2.27	0.00	Electrical Equipment	5.02	1.33
Ironwood Pharmaceutical	2.22	0.14	Hotels Rest & Leisure	5.00	4.41
Churchill Downs Incorporated	2.21	0.00	Machinery	4.54	4.19
PS Business Parks Inc.	2.08	0.22	Pharmaceuticals	4.08	2.35
Total	25.13	0.71	Total	57.75	47.49

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	4.86
Mid	5.0B - 10.0B	47.74
	1.0B - 5.0B	47.40
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	HASGX	411511868	-12.13%	-12.13%	-7.11%	16.03%	14.36%	13.56%	9.78%	11/01/00	0.87	0.87
Administrative Investor	HRSGX	411511769	-12.25%	-12.25%	-7.41%	15.68%	13.98%	13.23%	11.39%	11/01/02	1.12	1.12
Investor	HISGX	411511777	-12.23%	-12.23%	-7.42%	15.58%	13.95%	13.14%	11.26%	11/01/02	1.23	1.23
Retirement	HNSGX	411512494	-12.17%	-12.17%	-7.08%	16.11%	14.43%	13.61%	9.81%	03/01/16	0.79	0.79
Russell 2000® Growth Index			-12.63%	-12.63%	-14.33%	9.88%	10.33%	11.21%	6.70%	11/01/00		

MANAGER COMMENTARY

As of 03/31/2022

“The first quarter proved to be a stock-pickers market, and we expect the environment to remain favorable to our investment style moving forward.”

Westfield Capital Management Company, LP

Market In Review

After notching fresh, all-time highs to start the year, U.S. equities ended the first quarter of 2022 markedly lower, booking the first quarterly decline since the start of the COVID-19 pandemic. Growth lagged value, and small caps lagged large caps over the period as slowing growth, persistent inflation, the Omicron variant, and increased recessionary fears plagued investor sentiment. Central to the narrative for the quarter was the breakout of war in Ukraine, which created a tragic humanitarian crisis exacerbating already disrupted supply chains. These issues drove sharp price responses in commodity markets already reeling from supply-and-demand imbalances. For U.S. equity investors, this uncertainty, created by an unclear geopolitical outcome, was compounded further by increasingly hawkish Federal Reserve (Fed) posturing. Expectations for interest-rates hikes in 2022 jumped in rather dramatic fashion from two hikes, estimated at the beginning of the year, to nearly nine now. The result of swiftly changing market expectations impacted all corners of the market during the quarter, as risk was repriced across the investable universe.

Portfolio Performance

During the first quarter, the Harbor Small Cap Growth Fund (Institutional Class, “Fund”) returned -12.13%, outperforming the Russell 2000® Growth Index, which returned -12.63%. Relative strength in Health Care and Communication Services outweighed relative weakness in Industrials and Materials. Several common factors provided a tailwind to performance during the quarter. The Fund benefited from an underweight to volatility and an overweight to earnings yield, which is a proxy for value.

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.

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.



However, one headwind during the quarter was the underperformance of the highest (quintile 1) earnings-revision stocks relative to the lowest (quintile 5), which was specific to the small-cap segment of the market. While the magnitude was not significant, over time we expect the Fund to benefit from our focus on positive earnings revisions, which have historically outperformed over the long term.

Contributors & Detractors

PDC Energy, an oil and gas exploration and production company, was the top, relative performer during the period. Over the quarter, investors appreciated the discipline of the company's healthy dividends and robust buybacks, combined with rising oil prices. Oil prices were already up double-digits prior to the Russian invasion of Ukraine, which applied further upward pressure on oil prices and in turn, drove the stock price higher. We believe PDC has the potential to generate a substantial portion of its market cap in cash, while simultaneously growing in the low single-digits, which is attractive the highly inflationary backdrop.

Zynga, which operates many of the highest-grossing mobile-gaming franchises of all time, also positively contributed to relative results. Zynga was a top contributor after announcing its acquisition by Take-Two Interactive Software at a substantial premium.

Trex Company, a composite-decking company, was the biggest relative underperformer during the quarter. The stock suffered from a rotation out of owning pandemic beneficiaries. We decided to exit our position due to the rapid rise in oil/energy prices that will result in higher production and transportation costs. Trex will try to pass these costs on to the consumers, but we are concerned about future demand due to the inflationary pressures already facing consumers.

Ranpak Holdings, a manufacturer of fiber-packaging equipment (razor) and fiber-packaging products (razor blades), was also a relative detractor during the quarter. The stock came under pressure after fourth quarter 2021 earnings were slightly below consensus as a result of increased investment in growth and management conservatism around future volume assumptions. Management also disclosed a paper mill located in Russia, which spooked investors. However, we continue to believe Ranpak has an attractive business model (razor/razor blade model) with a very high market share, as well as a defensive business that holds up well in recessionary environments.

Buys & Sells

During the quarter, we purchased Madison Square Garden Entertainment, which operates through their entertainment groups, Tao Group hospitality segments, as well as a portfolio of venues, one of which is the iconic MSG Arena in New York. With several premier assets showing signs of returning to pre-pandemic levels and additional venues providing future growth, such as the sphere in Las Vegas, MSG provides an attractive risk/reward with several catalysts for growth in the post-pandemic world as attendance and live events return to, and, we believe, rise above pre-pandemic levels.

During the quarter, we sold our position in Primerica, a broker of financial products (term life, mutual funds, annuities) to middle-income households. We exited our position given concerns that the tight labor market will lead to lower-than-expected growth in life insurance sales this year, which is the company's largest business segment.



Outlook

The central debate now revolves around the inevitability of the U.S. cascading into a recession. Pundits point to waning fiscal stimulus, slowing earnings growth, and second-order effects from conflict in Eastern Europe creating an environment in which the economy is unable to endure an interest-rate hiking cycle. Additionally, the fabled 10-year/2-year yield-curve inversion has been repeatedly cited as evidence of the inevitability of recession in the U.S. We understand the challenges of today's market and the uncertainty present, but we contend that many crosscurrents exist. Counterbalancing some of the market threats listed previously are strong, if not robust, consumer balance sheets with massively built-up savings, strong corporate balance sheets with low leverage, a healthy labor market flush with available jobs, and limited investment alternatives to equities given the negative, real interest rates. The first quarter proved to be a stock-pickers market, and we expect the environment to remain favorable to our investment style moving forward.

QUARTERLY ATTRIBUTION

As of 03/31/2022

Best & Worst Performers

Best Performers	Average Weight %	Return %
PDC Energy Inc.	2.03	49.53
Zynga Inc. Class A	1.07	44.38
Pacira Biosciences Inc.	1.90	26.84
Haemonetics Corporation	1.73	19.19
Hexcel Corporation	1.66	15.02

Worst Performers	Average Weight %	Return %
Ranpak Holdings Corp. Class A	1.43	-45.64
Turning Point Therapeutics Inc.	1.19	-43.71
Trex Company Inc.	1.30	-43.55
Samsara Inc. Class A	1.25	-43.01
Blueprint Medicines Corp.	1.70	-40.36

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
PDC Energy Inc.	49.53	0.77
Zynga Inc. Class A	44.38	0.62
Pacira Biosciences Inc.	26.84	0.44
Innoviva Inc.	12.17	0.36
Haemonetics Corporation	19.19	0.32
Total		2.51

Greatest Detractors	Return %	Contribution to Return %
Trex Company Inc.	-43.55	-1.07
Blueprint Medicines Corp.	-40.36	-0.90
Ranpak Holdings Corp. Class A	-45.64	-0.90
TopBuild Corp.	-34.26	-0.79
Smartsheet Inc. Class A	-29.27	-0.71
Total		-4.37

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.

Harbor Small Cap Growth Fund

ATTRIBUTION

As of 03/31/2022



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

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-11.66	-12.63	0.97
Currency Contribution	0.00	0.00	0.00
Total Return	-11.66	-12.63	0.97

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	25.30	24.58	0.72	-8.78	-15.24	6.46	-1.96	-3.77	0.04	1.53	1.57
Communication Services	3.29	2.73	0.56	12.23	-11.68	23.91	0.42	-0.32	0.02	0.73	0.75
Consumer Discretionary	12.07	14.64	-2.57	-15.30	-18.81	3.51	-1.89	-2.96	0.17	0.42	0.59
Real Estate	5.87	3.26	2.61	-3.52	-12.94	9.42	-0.23	-0.43	-0.01	0.52	0.51
Financials	6.61	5.63	0.98	-11.81	-13.83	2.02	-0.97	-0.82	0.07	0.10	0.17
Utilities	0.00	0.35	-0.35	0.00	-10.26	10.26	0.00	-0.03	-0.01	0.00	-0.01
Consumer Staples	0.00	4.09	-4.09	0.00	-10.09	10.09	0.00	-0.42	-0.10	0.00	-0.10
Energy	2.03	2.87	-0.84	49.53	36.92	12.61	0.77	0.85	-0.29	0.14	-0.14
Information Technology	19.52	22.81	-3.29	-17.22	-14.68	-2.54	-3.04	-3.38	0.14	-0.50	-0.36
Industrials	18.67	15.61	3.06	-16.07	-9.11	-6.96	-3.20	-1.33	0.15	-1.32	-1.17
Materials	4.32	3.44	0.88	-29.53	-0.30	-29.23	-1.57	-0.03	0.15	-1.33	-1.17
Total	100.00	100.00	0.00	-11.66	-12.63	0.97	-11.66	-12.63	0.65	0.31	0.96

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

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-5.64	-14.33	8.69
Currency Contribution	0.00	0.00	0.00
Total Return	-5.64	-14.33	8.69

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	28.50	28.22	0.28	-18.37	-31.96	13.59	-4.39	-8.59	-0.13	4.34	4.20
Industrials	18.18	14.88	3.30	4.46	-1.14	5.60	-0.05	-0.43	0.53	0.78	1.31
Consumer Discretionary	12.72	14.80	-2.08	-12.84	-20.26	7.42	-1.56	-3.38	0.26	0.95	1.21
Communication Services	2.40	2.88	-0.48	-17.04	-23.02	5.98	0.29	-0.71	0.23	0.88	1.11
Real Estate	5.08	3.17	1.91	14.01	4.12	9.89	0.46	0.08	0.34	0.40	0.74
Financials	6.86	5.08	1.78	-4.19	-0.89	-3.30	-0.42	-0.29	0.28	-0.25	0.03
Information Technology	18.74	21.82	-3.08	-4.36	-5.60	1.24	-0.45	-1.56	-0.26	0.28	0.02
Energy	1.33	1.77	-0.44	79.43	65.22	14.21	0.95	0.79	-0.24	0.25	0.01
Utilities	0.00	0.62	-0.62	0.00	9.91	-9.91	0.00	0.04	-0.05	0.00	-0.05
Materials	4.14	3.11	1.03	-3.06	-0.75	-2.31	-0.47	-0.09	0.14	-0.22	-0.09
Consumer Staples	0.00	3.65	-3.65	0.00	-3.66	3.66	0.00	-0.20	-0.39	0.00	-0.39
Total	100.00	100.00	0.00	-5.64	-14.33	8.69	-5.64	-14.33	1.29	7.41	8.69

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.

Disclosures

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.

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

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 or call 800-422-1050. Read it carefully before investing.

Westfield Management Company, L.P. is an independent subadviser 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.