

# Harbor Corporate Culture Leaders ETF

Harbor Capital Advisors, Inc.

Manager Since 02/23/2022

## Fund Facts

<b>Ticker:</b>	HAPY
<b>CUSIP:</b>	41151J604
<b>Net Expense Ratio:</b>	0.50%
<b>Gross Expense Ratio:</b>	0.50%
<b>Total Net Assets:</b>	\$6.35M
<b>Benchmark Name:</b>	Human Capital Factor Unconstrained Index

## Portfolio Managers



Steve Cook



Jim Erceg

## Investment Philosophy

The Harbor Corporate Culture Leaders ETF (HAPY) seeks to provide investment results that correspond, before fees and expenses, to the performance of the Human Capital Factor Unconstrained Index (the "Index"). The Fund employs an indexing investment approach designed to track the performance of the Index. The Fund invests at least 80% of its total assets in securities that are included in the Index.

The Index is designed to deliver exposure to equity securities of large cap U.S. companies that demonstrate high employee engagement, based on scores produced by Irrational Capital LLC ("Irrational Capital" or the "Index Provider"). Large cap companies are defined by the Fund as those with market capitalizations over \$1 billion at the time of Index reconstitution. The Index is equally weighted and composed of approximately 70 to 100 companies with top "Human Capital Factor" scores at the time of Index reconstitution.

The Index Provider calculates Human Capital Factor scores based on a proprietary scoring methodology developed by Irrational Capital leveraging its research in behavioral science, data science and human capital. The scoring methodology seeks to quantitatively measure the contribution of a company's corporate culture to its future performance.

## CHARACTERISTICS & ALLOCATION

As of 06/30/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	89	88	Information Technology	45.68	46.64
Wtd Avg Market Cap (\$Mil)	108,327.48	106,978.75	Health Care	10.48	10.16
Med Cap - # Stocks (\$Mil)	15,400.89	15,400.89	Consumer Discretionary	8.94	8.95
Price/Book Ratio	5.38	5.38	Financials	7.92	7.96
Adjusted Trailing P/E Ratio	29.43	29.43	Real Estate	7.78	7.68
% EPS Growth - Past 3 Yr	29.65	30.21	Communication Services	6.49	6.50
Return on Equity (%)	10.33	10.33	Industrials	5.51	5.53
Forecasted P/E Ratio	25.72	25.72	Consumer Staples	3.36	3.35
Proj. Earnings Growth Rate (%)	20.78	21.17	Utilities	2.40	2.33
			Materials	0.92	0.90

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
United Therapeutics Corp	1.55	1.51	Software	27.51	28.14
Zoom Video Com, Inc. Class A	1.39	1.44	It Services	7.53	7.86
Alnylam Pharmaceuticals, Inc.	1.38	1.39	Equity Real Estate Trusts	6.85	6.73
VMware, Inc. Class A	1.37	1.35	Biotechnology	6.84	6.65
Ultragenyx Pharm, Inc.	1.36	1.28	Capital Markets	4.81	4.87
Dynatrace, Inc.	1.34	1.40	Semiconductors & Equip.	4.06	4.08
Palantir Tech, Inc. Class A	1.33	1.34	Entertainment	3.34	3.40
New Relic, Inc.	1.31	1.35	Comm. Equipment	3.21	3.21
Plug Power, Inc.	1.31	1.36	Interactive Media & Svcs.	3.15	3.09
Natera, Inc.	1.30	1.24	Airlines	3.02	3.00
<b>Total</b>	<b>13.65</b>	<b>13.66</b>	<b>Total</b>	<b>70.32</b>	<b>71.02</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	35.73
	10.0B - 25.0B	31.77
Mid	5.0B - 10.0B	19.43
	1.0B - 5.0B	12.56
Small	0.0 - 1.0B	0.00



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### Performance

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
<b>Harbor Corporate Culture Leaders ETF (NAV)</b>	-21.72%	N/A	N/A	N/A	N/A	N/A	-17.71%	02/23/22
<b>Harbor Corporate Culture Leaders ETF (Market)</b>	-22.01%	N/A	N/A	N/A	N/A	N/A	-17.81%	02/23/22
Human Capital Factor Unconstrained Index	-21.51%	N/A	N/A	N/A	N/A	N/A	-17.47%	02/23/22

**“The S&P 500 declined 16.10% in the second quarter of 2022, deepening its year-to-date losses to 19.96%. This is the worst first half for the benchmark since 1970.”**

Harbor Capital Advisors, Inc.

### Market in Review

A sharp spike in inflation prompted aggressive rate hikes from the Federal Reserve (“Fed”), causing investors’ increased concern that the rate hikes could tip the economy into a recession. These concerns contributed to increased volatility and selling pressure across global markets.

Although value stocks didn’t sidestep the sell-off, they significantly outperformed growth due in part, to higher energy allocations in value indexes and heightened concern that rising interest rates could negatively impact long-duration growth stocks. Value is ahead of growth over the one-year period as well; however, growth still exceeds value over the three-, five-, and 10-year periods.

Selling was widespread across all sectors.

From a factor perspective, investors appeared to seek quality characteristics amid the sell-off, as earnings yield and profitability were the best-performing factors during the quarter, while leverage also managed positive results. In a reversal of last quarter, the residual volatility, liquidity, and size factors lagged during the quarter.

**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. 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](http://harborcapital.com) or by calling 800-422-1050.**

Shares are bought and sold at market price not net asset value (NAV). A fund’s NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times.



### Portfolio Performance

The Harbor Corporate Culture Leaders ETF (HAPY) seeks to provide investment results that correspond, before fees and expenses, to the performance of the Human Capital Factor Unconstrained Index (the "Index"). The Fund employs an indexing investment approach designed to track the performance of the Index. The Fund invests at least 80% of its total assets in securities that are included in the Index.

During the second quarter of 2022, The Harbor Corporate Culture Leaders (ETF) returned -21.72%, versus -21.51% for the Human Capital Factor Unconstrained Index. By comparison, the Russell 1000<sup>®</sup> Index returned -16.67%.

Brinson attribution versus the Russell 1000<sup>®</sup> Index shows that once again, the overweight to Information Technology (44.67% weight and largest sector exposure) was a detractor, as was stock selection within that sector. However, stock selection in Health Care was the strongest of the sectors (United Therapeutics and Merck).

### Contributors and Detractors

The two largest contributors to ETF returns were United Therapeutics (1.23% weight) and Merck (1.3%). United contributed 0.35% and Merck 0.16% to ETF returns.

The largest detractors from ETF returns were Peloton Interactive and Royal Caribbean Group. Peloton detracted 0.79%, while Royal Caribbean detracted 0.81%.

### Buys & Sells

The Index rebalances quarterly and is recast on an annual basis, based on scores produced by Irrational Capital LLC ("Irrational Capital" or the "Index Provider"). At times, however, the Index may experience corporate actions. There were no changes during the period.

## Risks

Investing involves risk, principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. The ETFs are new and have limited operating history to judge.

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. The Fund may not exactly track the performance of the Index with perfect accuracy at all times. Tracking error may occur because of pricing differences, timing and costs incurred by the fund or during times of heightened market volatility.

The Fund relies on the Index provider's methodology in assessing whether a company may be considered a corporate culture leader. There is no guarantee that the construction methodology will accurately assess a company to include or exclude it from the index which could have an adverse effect on the Fund's returns. The Fund's assets may be concentrated in a particular sector or industries to the extent the Index is concentrated and is subject to the risk that economic, political, or other market conditions that have a negative effect on that sector or industry will negatively impact the value of the Fund.

## Benchmarks

The Human Capital Factor Unconstrained Index is designed to deliver exposure to equity securities of large cap U.S. companies that demonstrate high employee engagement, based on scores produced by Irrational Capital LLC. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

## Disclosures

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.

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.

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.

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.

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.**

**Irrational Capital is a third-party index provider to the Harbor Corporate Culture Leaders ETF.**

**Foreside Fund Services, LLC is the Distributor of the Harbor ETFs.**