

Harbor Small Cap Value Fund

EARNEST Partners LLC

Subadvisor Since 12/14/2001

Total Net Assets - All Classes \$2,029,721,903
Equity Assets: 100.00%
Cash & Other Assets Less Liabilities: 0.00%
Benchmark Name: Russell 2000® Value Index

Portfolio Managers



Paul E. Viera

Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values. In selecting stocks for the Fund, the portfolio manager: utilizes a value-based investment style seeking to identify companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values, applies fundamental and qualitative criteria to identify companies for the portfolio, and maintains relationships with key analysts and industry experts to obtain unbiased research perspectives.

CHARACTERISTICS & ALLOCATION

As of 12/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	62	1,383	Industrials	28.07	13.24
Wtd Avg Market Cap (\$Mil)	4,102.40	2,346.20	Financials	23.50	28.74
Med Cap - # Stocks (\$Mil)	3,014.00	803.00	Information Technology	18.78	5.56
Price/Book Ratio	2.45	1.41	Health Care	9.01	10.39
Adjusted Trailing P/E Ratio	18.50	13.40	Consumer Discretionary	6.62	9.95
% EPS Growth - Past 3 Yr	12.90	15.70	Real Estate	4.27	10.64
Return on Equity (%)	10.49	8.96	Materials	3.91	4.10
Beta vs. Fund Benchmark	0.90		Energy	3.25	6.18
Forecasted P/E Ratio	16.00	12.20	Consumer Staples	2.59	2.64
			Utilities	0.00	5.32
			Communication Services	0.00	2.85

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Casella Waste Systems I	3.49	0.00	Banks	13.22	18.33
Houlihan Lokey Inc. Cla	2.99	0.00	Machinery	11.01	3.62
Franklin Electric Co. I	2.61	0.00	Electronic Equipment	8.98	2.01
Darling Ingredients Inc	2.59	0.00	Aerospace & Defense	8.10	1.39
Reinsurance Group of Am	2.35	0.00	Semiconductors	4.69	0.72
Hexcel Corporation	2.34	0.00	Capital Markets	4.46	0.99
SPX Technologies Inc.	2.28	0.25	Equity REITS	4.27	10.14
Parsons Corporation	2.22	0.14	Commercial Serv & Suppl	4.20	1.69
Albany International Co	2.20	0.22	Insurance	3.95	2.83
Molina Healthcare Inc.	2.11	0.00	Chemicals	3.91	1.40
Total	25.18	0.61	Total	66.79	43.12

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	4.70
Mid	5.0B - 10.0B	19.36
	1.0B - 5.0B	73.09
Small	0.0 - 1.0B	2.85



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	HASCX	411511843	11.18%	-9.53%	-9.53%	5.49%	4.93%	10.41%	9.65%	12/14/01	0.87	0.87
Administrative	HSVRX	411511710	11.08%	-9.77%	-9.77%	5.21%	4.66%	10.13%	9.85%	11/01/02	1.12	1.12
Investor	HISVX	411511694	11.06%	-9.87%	-9.87%	5.09%	4.54%	10.00%	9.70%	11/01/02	1.23	1.23
Retirement	HNVRX	411512452	11.19%	-9.47%	-9.47%	5.57%	5.01%	10.47%	9.68%	03/01/16	0.79	0.79
Russell 2000® Value Index			8.42%	-14.48%	-14.48%	4.70%	4.13%	8.48%	8.12%	12/14/01		

MANAGER COMMENTARY

As of 12/31/2022

“Despite continued uncertainty within different sectors of the equity markets, the labor market continued to show strength as the unemployment rate hovered near a record low of 3.7%.”

EARNEST Partners, LLC

Market in Review

Global equities were generally positive in the fourth quarter of 2022 as investors regained confidence in risk assets following the easing of supply chain concerns and encouraging inflation data. The S&P 500 rose 7.56%.

Equities initially continued their slide downward and hit new lows before sharply rebounding in mid-October, as two lower-than-expected CPI readings in October and November gave confidence to investors who believed we had passed peak inflation, and the Federal Reserve (“Fed”) could begin moderating its tightening campaign.

Higher interest rates are especially threatening to high-growth sectors of the market, such as Consumer Discretionary and Information Technology, as these segments derive much of their value from expectations of future earnings rather than current cash flows. They are also heavily reliant on external financing, and rising rates make it difficult to borrow on favorable terms. Conversely, cash flow producing sectors, such as Health Care, Utilities, and Consumer Staples, finished the year largely unscathed. Energy was a standout as it benefited from higher oil prices and a rebound in demand following the resumption of travel, the outbreak of war in Ukraine, and the lifting of pandemic-era restrictions. Despite continued uncertainty within different sectors of the equity markets, the labor market continued to show strength as the unemployment rate hovered near a record low of 3.7%.

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.



Portfolio Performance

During the fourth quarter of 2022, the Harbor Small Cap Value Fund (Institutional Class, "Fund") returned 11.18%, outperforming its benchmark, the Russell 2000[®] Value Index, which returned 8.42%. Positive stock selection, notably in the Financials, Industrials, and Information Technology sectors, drove Fund performance. The Fund has now outperformed the Index over the trailing quarter and one-, three-, and five-year periods.

The Index gained in nine of the 13 weeks in the fourth quarter despite continued interest rate hikes by the Fed and sustained inflationary pressures. Ten of the 11 sectors in the Index generated positive returns during the quarter, with Health Care being the only sector to post negative returns. A high level of dispersion separated the best performing sector in the Index, Materials, and the worst performing sector, Health Care.

Contributors & Detractors

Diodes Incorporated was a top contributor to Fund performance. Diodes designs, manufactures, and supplies products within the discrete, logic, analog, and mixed-signal semiconductor sector, serving consumer electronics, communications, industrial and automotive markets worldwide. Diodes gained 17.30% for the quarter despite experiencing ongoing supply chain challenges and COVID-19-related lockdowns in China. The company posted earnings that beat consensus estimates by nearly 7% driven by strength in operating margins. Diodes' automotive business continues to find success, while the company also remains well positioned to benefit from faster-growing, higher-margin product demand within the semiconductor industry. Its portfolio mix allows the company to pivot capacity from the computer and consumer market to the automotive and industrial market, which bodes well for further top-line growth and margin expansion.

Casella Waste Systems detracted from performance. Casella is a regional, vertically integrated, solid waste services company. The company provides a range of nonhazardous solid waste services, including collections, transfer stations, and disposal facilities. Despite reporting revenue and EBITDA (earnings before interest, taxes, depreciation, and amortization) performance that beat consensus estimates, Casella shares rose just 3.82% in the quarter. That said, the company has now beat consensus estimates in consecutive quarters and has raised guidance for 2023, with the prospect of further upside as a function of a robust merger and acquisition (M&A) pipeline. The company is well positioned to grow through improved contract and pricing structure, increased volumes in its collection and disposal/landfill businesses, and the further consolidation of smaller operators.



Buys & Sells

We bought Cheesecake Factory, an American restaurant company and distributor of cheesecakes based in the United States. We believe the market is not giving the company enough credit for growth opportunities over our investment horizon.

We sold Altra Industrial Motion Corp. (AIMC). The company designs and manufactures power transmission and motion control products. It will be acquired by Regal Rexnord Corporation at \$62 in cash per share, which represents a 54% premium.

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.

Best & Worst Performers

Best Performers	Average Weight %	Return %
Altra Industrial Motion Corp.	0.83	70.64
Core Laboratories NV	0.31	50.44
Archrock Inc.	0.82	42.26
Amkor Technology Inc.	0.53	33.59
Meritage Homes Corporation	1.54	31.21

Worst Performers	Average Weight %	Return %
Catalent Inc	1.57	-37.80
Wolverine World Wide Inc.	0.74	-28.32
Myriad Genetics Inc.	1.05	-23.95
Entegris Inc.	0.98	-20.90
FormFactor Inc.	1.68	-11.26

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Altra Industrial Motion Corp.	70.64	1.36
Sanmina Corporation	24.33	0.74
Albany International Corp. Class A	25.38	0.46
Box Inc. Class A	27.63	0.46
Houlihan Lokey Inc. Class A	16.25	0.44
Total		3.46

Greatest Detractors	Return %	Contribution to Return %
Catalent Inc	-37.80	-0.76
Myriad Genetics Inc.	-23.95	-0.24
Entegris Inc.	-20.90	-0.23
FormFactor Inc.	-11.26	-0.23
Wolverine World Wide Inc.	-28.32	-0.20
Total		-1.66

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.



Quarterly Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	11.44	8.44	3.00
Currency Contribution	0.00	0.00	0.00
Total Return	11.44	8.44	3.00

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
Industrials	28.12	12.96	15.16	19.87	15.58	4.29	5.47	1.86	1.09	1.15	2.24
Information Technology	18.51	5.69	12.82	13.31	5.33	7.98	2.35	0.30	-0.36	1.49	1.13
Financials	23.05	29.22	-6.17	10.40	7.42	2.98	2.79	2.33	0.11	0.76	0.87
Energy	2.00	6.24	-4.24	46.60	17.64	28.96	0.76	1.04	-0.38	0.59	0.22
Communication Services	0.00	2.93	-2.93	0.00	2.00	-2.00	0.00	0.06	0.20	0.00	0.20
Real Estate	4.11	10.65	-6.54	7.83	7.39	0.44	0.34	0.79	0.06	0.02	0.08
Utilities	0.00	5.06	-5.06	0.00	10.45	-10.45	0.00	0.50	-0.11	0.00	-0.11
Materials	3.72	4.00	-0.28	9.66	18.69	-9.03	0.37	0.68	-0.01	-0.33	-0.34
Consumer Staples	2.92	2.71	0.21	-5.38	7.11	-12.49	-0.01	0.21	0.03	-0.40	-0.38
Health Care	8.98	10.58	-1.60	-11.13	-4.68	-6.45	-0.98	-0.51	0.27	-0.66	-0.39
Consumer Discretionary	5.18	9.97	-4.79	8.63	13.01	-4.38	0.32	1.18	-0.25	-0.18	-0.43
Total	100.00	100.00	0.00	11.44	8.44	3.00	11.44	8.44	0.57	2.43	3.00

Trailing 1 Year Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-8.96	-14.47	5.51
Currency Contribution	0.00	0.00	0.00
Total Return	-8.96	-14.47	5.51

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
Industrials	25.86	13.82	12.04	5.33	-13.47	18.80	2.06	-2.03	0.35	4.52	4.87
Financials	21.82	27.58	-5.76	3.41	-12.09	15.50	1.23	-2.80	-0.04	3.18	3.14
Information Technology	20.14	5.83	14.31	-11.43	-24.01	12.58	-2.61	-1.45	-1.45	2.79	1.35
Communication Services	0.00	3.18	-3.18	0.00	-41.64	41.64	0.00	-1.65	1.07	0.00	1.07
Real Estate	4.56	11.28	-6.72	-25.51	-24.45	-1.06	-1.44	-3.03	0.73	-0.07	0.66
Consumer Discretionary	4.51	8.65	-4.14	-32.52	-27.62	-4.90	-1.68	-2.19	0.48	-0.29	0.19
Consumer Staples	3.28	2.91	0.37	-9.67	-10.24	0.57	-0.45	-0.27	0.07	-0.02	0.05
Utilities	0.00	5.23	-5.23	0.00	0.35	-0.35	0.00	-0.04	-0.76	0.00	-0.76
Health Care	11.72	9.85	1.87	-36.48	-30.02	-6.46	-4.45	-2.74	-0.11	-0.69	-0.80
Materials	3.68	4.29	-0.61	-34.76	-12.12	-22.64	-1.60	-0.60	0.00	-0.97	-0.97
Energy	1.86	7.38	-5.52	-7.72	60.88	-68.60	-0.07	2.34	-2.87	-0.74	-3.62
Total	100.00	100.00	0.00	-8.96	-14.47	5.51	-8.96	-14.47	-2.21	7.72	5.51

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. 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[®] Value Index is an unmanaged index representing the smallest 2000 stocks with the lowest 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[®] Value Index and Russell[®] are trademarks of Frank Russell Company.

Disclosures

Shares of the Harbor Small Cap Value Fund are unavailable to new investors as of June 1, 2021. The Fund continues to accept investments from existing shareholders and allows exchanges from other Harbor Funds as long as the exchanging shareholder has an existing Harbor Small Cap Value Fund account.

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/ 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 nextnext4quarters 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.

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.

EARNEST Partners LLC is an independent subadvisor to the Harbor Small 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.