

# Harbor Large Cap Value Fund

Aristotle Capital Management, LLC

Subadvisor Since 05/25/2012

**Total Net Assets - All Classes** \$1,910,164,434  
**Equity Assets:** 97.97%  
**Cash & Other Assets Less Liabilities:** 2.03%  
**Benchmark Name:** Russell 1000® Value Index

## Portfolio Managers



Howard Gleicher, CFA



Gregory D. Padilla, CFA

## Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks, of companies with market capitalizations that fall within the range of the Russell 1000® Value Index. The Subadvisor employs a fundamental, bottom-up research driven approach to identify companies for investment by the Fund. The Subadvisor focuses on those companies that it believes have higher quality businesses that are undervalued by the market relative to what the Subadvisor believes to be their fair value. The Subadvisor also looks for one or more catalysts that may help the company realize that fair value. The Subadvisor seeks to identify higher quality companies by focusing on the following attributes: attractive business fundamentals, financially strong, experienced, motivated company management, and exhibiting high and/or consistently improving market position, return on invested capital and operating margins. Under normal market conditions, the Fund expects to invest in approximately 35 to 45 companies.

## CHARACTERISTICS & ALLOCATION

As of 03/31/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	44	849	Information Technology	17.87	7.95
Wtd Avg Market Cap (\$Mil)	160,678.20	154,998.30	Financials	15.30	19.96
Median Market Cap (\$Mil)	43,111.00	11,677.00	Health Care	11.72	16.30
Price/Book Ratio	4.97	2.53	Industrials	11.20	10.86
Adjusted Trailing P/E Ratio	26.10	21.30	Materials	10.65	4.48
% EPS Growth - Past 3 Yr	16.90	21.90	Consumer Staples	8.79	7.63
Est 3-5 Yr EPS Growth Rate (%)	12.50	9.60	Consumer Discretionary	7.34	5.97
Return on Equity (%)	15.73	13.73	Utilities	4.96	5.56
Beta vs. Fund Benchmark	0.98		Energy	4.22	7.95
Forecasted P/E Ratio	20.00	17.10	Real Estate	3.63	4.48
			Communication Services	2.29	8.61

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Microsoft Corporation	3.97	0.00	Software	12.23	1.89
Corteva Inc	3.84	0.23	Chemicals	8.04	2.68
Microchip Technology In	3.10	0.04	Machinery	6.79	2.05
ANSYS Inc.	3.09	0.07	Banks	6.28	6.31
Parker-Hannifin Corpora	3.02	0.18	Semiconductors	5.64	2.66
Danaher Corporation	2.84	0.83	Household Durables	5.43	0.56
Lennar Corporation Clas	2.83	0.14	Capital Markets	4.62	4.74
Adobe Incorporated	2.82	0.00	Beverages	4.42	1.00
Ameriprise Financial In	2.69	0.06	Oil Gas & Consumables	4.22	7.30
Merck & Co. Inc.	2.68	0.85	Health Care Equip	3.71	3.45
<b>Total</b>	<b>30.88</b>	<b>2.40</b>	<b>Total</b>	<b>61.38</b>	<b>32.64</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	77.48
	10.0B - 25.0B	18.02
Mid	5.0B - 10.0B	4.50
	1.0B - 5.0B	0.00
Small	0.0 - 1.0B	0.00



### 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	HAVLX	411511603	3.61%	3.61%	-5.00%	18.36%	8.95%	11.27%	10.00%	12/29/87	0.69	0.72
Investor	HILVX	411511744	3.52%	3.52%	-5.34%	17.93%	8.57%	10.86%	9.04%	11/01/02	1.05	1.08
Retirement	HNLVX	411512478	3.68%	3.68%	-4.89%	18.47%	9.06%	11.33%	10.01%	03/01/16	0.61	0.64
Russell 1000 <sup>®</sup> Value Index			1.01%	1.01%	-5.91%	17.93%	7.50%	9.13%	10.20%	12/29/87		

## MANAGER COMMENTARY

As of 03/31/2023

**“We believe a competitive advantage of our investment process lies in the fact that, instead of reacting and repositioning the Fund based on unknowns and unfolding events, our focus remains on business fundamentals.”**

Aristotle Capital Management, LLC

### Market in Review

Looking back at the first quarter of 2023, the fight against inflation continues to be the primary concern. The annual Consumer Price Index (“CPI”) slowed for an eighth straight month to 6.0% in February, in line with market consensus. As inflation remains elevated, the U.S. Federal Reserve (“Fed”) raised the federal funds rate by 0.25% in February and March, moving the benchmark rate to a range of 4.75% to 5.00%. This marked the eighth-consecutive rate increase and pushed borrowing costs to the highest level since 2007. At the March Federal Open Market Committee (“FOMC”) meeting, the Fed hinted it was close to pausing its rate-tightening cycle amid turbulence in the banking sector. The Fed noted the U.S. banking system is sound and resilient, and recent developments are likely to result in tighter credit conditions for households and businesses.

The U.S. equity market posted its second-consecutive positive quarter, as the S&P 500<sup>®</sup> Index gained 7.50% during the period. Concurrently, the Bloomberg US Aggregate Bond Index gained 2.96% for the quarter. The Russell 1000<sup>®</sup> Value Index underperformed its growth counterpart by 13.36% during the period. Treasuries were stronger with the yield on the two-year note falling approximately 0.35% to just over 4.05%, and the yield on the 10-year note falling approximately 0.40% to just under 3.50%. The move in short-term Treasuries belies the volatility during the quarter, as two-year yields rose about 1.0% to a peak of 5.1% in early March but fell thereafter in response to banking turmoil. The dollar index was down 1% after losing more than 7.50% in the prior quarter. On a sector basis, five of the 11 sectors within the Russell 1000<sup>®</sup> Value Index finished lower for the quarter. Information Technology, Communication Services, and Consumer Discretionary were the top outperformers, while Financials, Energy, and Health Care declined the most.

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 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 02/29/2024.

**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 first quarter, the Harbor Large Cap Value Fund (Institutional Class, "Fund") returned 3.61%, outperforming its benchmark, the Russell 1000<sup>®</sup> Value Index, which returned 1.01%.

The Fund's performance relative to the Russell 1000<sup>®</sup> Value Index can be attributed to security selection and allocation effects. Security selection in Consumer Discretionary and Information Technology, as well as an overweight in Information Technology, contributed the most to relative performance. Conversely, security selection in Industrials and Materials, as well as an underweight in Communication Services, detracted the most from relative performance. (Relative weights are the result of bottom-up security selection.)

### Contributors & Detractors

Ansys, an industry leader in engineering simulation software, was the top contributor during the quarter. The company reported strong results, with its annual contract value ("ACV") advancing 14% to \$2 billion in 2022. This, in our opinion, exemplifies the significant value Ansys' software provides, enabling its customers to save time and money by testing products before the design process is complete. The applications for Ansys' software suite have expanded over the years, as even the simplest products have increased in complexity. Meanwhile, the market for Ansys' products remains underpenetrated, with only a fraction of design engineers currently utilizing simulation software. Given the scale of its user base, high switching costs, network effects, technological leadership, and overall reputation across many disciplines, we believe the company is uniquely positioned to further increase its market share as simulation becomes more ubiquitous across industries and product types.

Cullen/Frost Bankers, a Texas-based bank, was the largest detractor during the quarter. Despite the recent events within the U.S. banking system, we remain confident in Cullen/Frost's ability to withstand short-term volatility based on its long and proven history and strong capital position. Since the company's inception in 1868, Cullen/Frost has employed a conservative strategy and client service-centric model that it continues to utilize today, with a relatively low loan-to-deposit ratio of 38% and current capital ratios in excess of well-capitalized levels. The company's strong balance sheet management and steady, relationship-based approach have led to consistent levels of profitability and 29 consecutive years of dividend increases. We believe Cullen/Frost remains in a strong position to navigate the current short-term environment, continue to win market share in areas such as Houston and Dallas, and generate returns for shareholders in the long run.

### Buys and Sells

During the quarter, we exited our investment in PayPal Holdings and did not add any new positions. We first invested in PayPal, the online and mobile e-commerce payments company, during the third quarter of 2015. Over the past decade, we have studied PayPal's ability to grow its extensive dual network (difficult to replicate, in our opinion), while navigating numerous competitors entering the industry. During our ownership period, the company has increased its payment volumes and made progress on many of its strategic initiatives, including adding partnerships with various companies (e.g., Walmart and American Express). We believe this has made the company a stronger force in the payments ecosystem. More recently, PayPal has shifted from its prior strategy of growing its user base to focusing instead on increasing transactions per user. The company has also seen an ongoing mix-shift away from the PayPal-branded checkout business toward its non-branded business Braintree. The non-branded business has a lower take rate, as its customers are primarily large enterprises (like Uber, Airbnb, and Live Nation) with which bespoke rates are negotiated. In addition, PayPal has experienced recent leadership changes, including the 2022 departure of then-CFO John Rainey and CEO Dan Schulman's announced retirement at the end of 2023. We will continue our research on the payments business and take our time to better understand these transitions. In the meantime, we decided PayPal was the best candidate for sale to fund the purchase of what we believe to be a more optimal investment (which we will discuss at a later date).

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### Outlook

A core tenet of our investment philosophy is the commitment to understand businesses with a long-term perspective. For us, this is especially important during times of heightened uncertainty when macroeconomic events dominate headlines. We remain aware of short-term topics such as inflation, monetary policy, and the recent shock to the banking system. However, we believe a competitive advantage of our investment process lies in the fact that, instead of reacting and repositioning the Fund based on unknowns and unfolding events, our focus remains on business fundamentals. Fundamentals, we are convinced, are what dictate shareholder value in the long term. As such, we continue to attentively study what we believe are high-quality companies with sustainable competitive advantages poised to outperform their peers over full market cycles.

## QUARTERLY ATTRIBUTION

As of 03/31/2023

### Best & Worst Performers

Best Performers	Average Weight %	Return %
ANSYS Inc.	2.71	37.75
Microsoft Corporation	3.83	20.52
Microchip Technology Incorporated	3.02	19.77
Blackstone Inc.	2.04	19.51
Sony Group Corporation Sponsored ADR	2.48	18.84

Worst Performers	Average Weight %	Return %
Cullen/Frost Bankers Inc.	1.98	-20.69
PNC Financial Services Group Inc.	2.17	-18.79
Commerce Bancshares Inc.	1.45	-13.93
Honeywell International Inc.	2.39	-10.35
RPM International Inc.	2.12	-10.03

### Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
ANSYS Inc.	37.75	0.88
Microsoft Corporation	20.52	0.75
Microchip Technology Incorporated	19.77	0.52
Lennar Corporation Class A	16.58	0.44
Sony Group Corporation Sponsored ADR	18.84	0.44
<b>Total</b>		<b>3.03</b>

Greatest Detractors	Return %	Contribution to Return %
Cullen/Frost Bankers Inc.	-20.69	-0.47
PNC Financial Services Group Inc.	-18.79	-0.43
Honeywell International Inc.	-10.35	-0.27
RPM International Inc.	-10.03	-0.25
Commerce Bancshares Inc.	-13.93	-0.22
<b>Total</b>		<b>-1.64</b>

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# Harbor Large Cap Value Fund

ATTRIBUTION

As of 03/31/2023



## Quarterly Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	3.84	1.01	2.83
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>3.84</b>	<b>1.01</b>	<b>2.83</b>

### Sector Attribution

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	17.10	7.36	9.75	20.17	16.50	3.67	3.20	1.14	1.42	0.56	1.98
Consumer Discretionary	7.34	5.91	1.43	15.53	5.27	10.26	1.06	0.28	0.06	0.68	0.74
Health Care	11.96	16.49	-4.53	-2.43	-5.52	3.10	-0.24	-0.87	0.32	0.41	0.73
Financials	17.19	21.39	-4.20	-3.36	-5.11	1.76	-0.52	-1.20	0.33	0.36	0.69
Energy	4.20	8.09	-3.89	0.65	-4.50	5.15	0.02	-0.36	0.23	0.22	0.44
Utilities	4.97	5.52	-0.55	-1.11	-3.17	2.06	-0.03	-0.15	0.03	0.11	0.14
Real Estate	3.66	4.58	-0.92	1.83	1.92	-0.10	0.10	0.07	0.00	0.00	0.00
Materials	10.48	4.45	6.02	2.50	5.25	-2.75	0.25	0.23	0.26	-0.28	-0.02
Consumer Staples	8.61	7.38	1.23	-0.93	0.27	-1.20	-0.04	0.05	0.00	-0.10	-0.10
Industrials	11.43	10.77	0.66	-1.58	3.78	-5.36	-0.22	0.36	0.02	-0.62	-0.61
Communication Services	0.84	8.07	-7.22	10.42	19.88	-9.46	0.23	1.45	-1.22	0.09	-1.13
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>3.84</b>	<b>1.01</b>	<b>2.83</b>	<b>3.84</b>	<b>1.01</b>	<b>1.43</b>	<b>1.40</b>	<b>2.83</b>

## Trailing 1 Year Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-4.50	-5.91	1.41
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-4.50</b>	<b>-5.91</b>	<b>1.41</b>

### Sector Attribution

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
Communication Services	0.34	7.77	-7.42	40.02	-8.67	48.69	0.57	-0.65	0.33	0.50	0.82
Materials	10.58	4.23	6.35	0.87	-7.29	8.15	0.03	-0.28	-0.06	0.78	0.72
Industrials	10.99	10.55	0.43	6.89	-0.03	6.92	0.81	-0.02	0.06	0.64	0.70
Information Technology	16.97	7.51	9.46	-4.13	-8.09	3.96	-0.42	-0.70	-0.16	0.81	0.65
Consumer Discretionary	7.02	5.47	1.56	3.61	-2.40	6.01	0.38	0.02	0.05	0.39	0.44
Real Estate	4.13	4.74	-0.61	-19.70	-21.06	1.35	-0.97	-1.17	0.11	0.15	0.27
Utilities	5.09	5.70	-0.61	-3.68	-6.04	2.36	-0.28	-0.46	0.02	0.11	0.14
Financials	17.60	21.25	-3.65	-18.32	-14.68	-3.63	-3.44	-3.22	0.40	-0.69	-0.29
Consumer Staples	8.76	7.68	1.08	-5.81	0.95	-6.76	-0.54	0.01	0.05	-0.55	-0.50
Health Care	11.75	17.13	-5.37	-8.99	-3.94	-5.05	-0.92	-0.41	-0.24	-0.58	-0.82
Energy	4.48	7.98	-3.50	8.82	14.27	-5.45	0.20	0.96	-0.53	-0.29	-0.82
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-4.50</b>	<b>-5.91</b>	<b>1.41</b>	<b>-4.50</b>	<b>-5.91</b>	<b>0.14</b>	<b>1.27</b>	<b>1.41</b>

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. Since the Fund typically invests in a limited number of companies, an adverse event affecting a particular company may hurt the Fund's performance more than if it had invested in a larger number of companies. Since the Fund may hold foreign securities, it may be subject to greater risks than funds invested only in the U.S. These risks are more severe for securities of issuers in emerging market regions.

### Benchmarks

The Russell 1000<sup>®</sup> Value Index is an unmanaged index generally representative of the U.S. market for larger capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000<sup>®</sup> Value Index and Russell<sup>®</sup> 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.

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.

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.**

**Aristotle Capital Management, LLC is an independent subadvisor to the Harbor Large 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.

Median Market Cap: The median size of the companies in a portfolio or index as measured by the market value of outstanding shares.

Weighted Average Market Capitalization: The average size of the companies in a portfolio or index as measured by the market value of outstanding shares.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share.

The Est 3-5 Yr EPS Growth (%) is the estimated growth of earnings per share over the next 3-5 years, using pre-calculated mean long-term EPS growth rate estimates, which are calculated using each individual broker's methodology, from FactSet, First Call, I/B/E/S Consensus, and Reuters. Forward looking estimates may not come to pass.

% EPS Growth - Past 3 Year: Earnings per share refers to the bottom-line measure of a company's profitability defined as net income divided by the number of outstanding shares.

The Adjusted Trailing P/E (price-to-earnings) Ratio is the closing stock price divided by the sum of the last 12 months actual EPS.

Forecasted P/E Ratio: a measure of the P/E (price-to-earnings) ratio using forecasted earnings for the P/E calculation.

Return on Equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

The Price/Book (price-to-book) Ratio evaluates a firm's market value relative to its book value.

All P/E, ROE and P/B statistics are calculated as weighted medians.