

Harbor Mid Cap Fund

EARNEST Partners LLC

Subadviser Since 12/01/2019

Total Net Assets - All Classes \$63,470,418
Equity Assets: 98.21%
Cash & Other Assets Less Liabilities: 1.79%
Benchmark Name: Russell Midcap® Index

Portfolio Managers



Paul E. Viera

Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks, of U.S. mid cap companies. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in securities of mid cap companies. The Subadviser uses a bottom-up investment process, employing fundamental and qualitative criteria to identify individual companies for potential investment in the Fund's portfolio. The Subadviser employs statistical analysis, which is designed to limit certain risks in the Fund's portfolio versus the Fund's benchmark. The Fund expects to invest in approximately 50 to 70 companies.

CHARACTERISTICS & ALLOCATION

As of 03/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	58.00	824	Information Technology	23.38	17.87
Wtd Avg Market Cap (\$Mil)	26090.90	23,889.70	Industrials	21.21	14.48
Med Cap - # Stocks (\$Mil)	20163.00	10,562.00	Financials	14.91	12.67
Price/Book Ratio	3.55	3.91	Health Care	8.81	10.90
Adjusted Trailing P/E Ratio	20.10	26.00	Materials	7.79	6.09
% EPS Growth - Past 3 Yr	15.20	15.10	Real Estate	7.19	8.50
Return on Equity (%)	19.23	14.62	Energy	5.32	5.69
Beta vs. Fund Benchmark	0.82		Consumer Discretionary	5.21	11.37
Forecasted P/E Ratio	17.00	21.00	Communication Services	1.64	3.40
Proj. Earnings Growth Rate (%)	22.00	13.20	Utilities	1.38	5.24
			Consumer Staples	1.37	3.83

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Republic Services Inc.	2.75	0.26	Capital Markets	7.86	3.61
Coterra Energy Inc.	2.72	0.20	Software	7.56	7.40
CBRE Group Inc. Class A	2.60	0.28	Semiconductors	5.43	2.72
Continental Resources I	2.60	0.04	Oil Gas & Consumables	5.32	5.06
CDK Global Inc.	2.45	0.05	Insurance	5.32	4.14
Keysight Technologies I	2.45	0.27	Aerospace & Defense	5.21	1.22
Raymond James Financial	2.31	0.19	Life Sciences Tools	5.04	2.84
Intercontinental Exchan	2.28	0.00	Equity REITS	4.59	7.92
D.R. Horton Inc.	2.22	0.23	Chemicals	4.58	2.95
Progressive Corporation	2.16	0.00	It Services	4.39	3.31
Total	24.54	1.52	Total	55.30	41.17

Market Capitalization		
		Portfolio %
Large	Above 25.0B	38.87
	10.0B - 25.0B	29.73
Mid	5.0B - 10.0B	28.33
	1.0B - 5.0B	3.08
Small	0.0 - 1.0B	0.00



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	HMCLX	41152P708	-5.74%	-5.74%	7.40%	N/A	N/A	N/A	17.13%	12/01/19	0.88	1.01
Investor	HMCNX	41152P880	-5.76%	-5.76%	7.05%	N/A	N/A	N/A	16.75%	12/01/19	1.24	1.37
Retirement	HMCRX	41152P609	-5.67%	-5.67%	7.46%	N/A	N/A	N/A	17.24%	12/01/19	0.80	0.93
Russell Midcap® Index			-5.68%	-5.68%	6.92%	N/A	N/A	N/A	14.99%	12/01/19		

MANAGER COMMENTARY

As of 03/31/2022

“Value stocks continued to outperform growth, as higher rate expectations and geopolitical uncertainty drove investors to favor established businesses over those with greater earnings growth potential.”

EARNEST Partners LLC

Market in Review

Global equities were negative in the first quarter of 2022 as uncertainty surrounding rising rates and the war in Eastern Europe tempered investors' expectations. Despite continued economic growth, falling unemployment, and strengthening consumer demand, equity markets saw their worst two-month start to the year since 2009 before rallying in March. The S&P 500 Index returned -4.60%, rebounding after declining more than 12% earlier in the quarter, while the U.S. mid-cap market, as represented by the Russell Midcap® Index, fell by 5.68%.

Value stocks continued to outperform growth, as higher rate expectations and geopolitical uncertainty drove investors to favor established businesses over those with greater earnings growth potential. As COVID-19 cases declined following the emergence of a new variant, consumer spending continued to accelerate, and overall GDP grew at an annualized rate of 6.9% in the fourth quarter of last year, reflecting pent-up demand for pandemic-stricken industries such as restaurants, travel, and hospitality. Vaccination distribution continued as most Americans received shots, and new measures, such as pills and boosters, were developed and approved to combat the disease. The labor market continued to show strength as new jobless claims fell to the lowest level since September of 1969, and unemployment stayed near a 50-year low.

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 of 2022, the Harbor Mid Cap Fund (Institutional Class, "Fund") returned -5.74%, marginally underperforming its benchmark, the Russell Midcap® Index, which returned -5.68%.

The best performing sector in the Index, Energy, generated a return of 40.45% for the quarter while the worst performing sector, Consumer Discretionary, returned -14.50%. The Fund outperformed the Index over the trailing one-year period due to favorable stock selection, notably in the Industrials and Consumer Discretionary sectors.

Contributors & Detractors

Packaging Corporation of America (PCA), one of the largest producers of containerboard, corrugated packaging, and uncoated freesheet paper in the U.S., contributed to performance. PCA's shares rose 15.42% in the quarter after exceeding consensus-revenue estimates by more than 5%, and earnings-per-share estimates by more than 30%—both of which were ahead of management's estimates. Robust demand combined with supply shortages have resulted in the company's ability to implement price increases that are outpacing rising input costs. The ability to accelerate revenue growth and expand margins, given its vertically integrated business model, uniquely positions the company for future earnings growth.

Specialty-chemicals manufacturer, Albemarle, detracted from performance. Albemarle is the largest global producer of lithium compounds used in electric vehicle batteries, with low-cost operations located in the U.S., Chile, Australia, and China. Despite beating analysts' earnings per share (EPS) consensus estimates, Albemarle's shares returned -5.21% during the quarter as the company continued to manage through COVID-19-related supply-chain disruptions. Even with short-term headwinds, the company has effectively managed its operating costs. In addition, we believe the market has overreacted to capacity-expansion announcements made by other producers without adequately addressing the complexity, time, and cost of adding such capacity. Rising demand combined with the company's market-leading position bode well for Albemarle's ability to grow earnings ahead of expectations through the current market cycle.

Buys and Sells

Hexcel Corp. engages in the development, manufacture, and marketing of lightweight structural materials. The firm operates through the composite materials and engineered products markets. We purchased the stock and believe the market is not giving the company enough credit for growth opportunities over our investment horizon.

Xilinx engages in the design, development, and marketing of programmable logic solutions. We sold the stock as the investment thesis came to fruition.

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.

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Best & Worst Performers

Best Performers	Average Weight %	Return %
Coterra Energy Inc.	2.34	44.99
Continental Resources Inc.	2.34	37.62
Activision Blizzard Inc.	1.59	20.41
GATX Corporation	1.26	18.96
CDK Global Inc.	2.24	17.01

Worst Performers	Average Weight %	Return %
D.R. Horton Inc.	2.59	-31.11
Black Knight Inc.	1.17	-30.04
Masco Corporation	1.76	-27.00
Bio-Rad Laboratories Inc. Class A	1.91	-25.46
Keysight Technologies Inc	2.59	-23.50

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Coterra Energy Inc.	44.99	0.82
Continental Resources Inc.	37.62	0.67
CDK Global Inc.	17.01	0.36
Activision Blizzard Inc.	20.41	0.25
GATX Corporation	18.96	0.25
Total		2.35

Greatest Detractors	Return %	Contribution to Return %
D.R. Horton Inc.	-31.11	-0.96
Keysight Technologies Inc	-23.50	-0.72
Bio-Rad Laboratories Inc. Class A	-25.46	-0.56
Masco Corporation	-27.00	-0.53
ANSYS Inc.	-20.81	-0.51
Total		-3.28

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Quarterly Attribution:

Harbor Mid Cap Fund vs Russell Midcap® Index

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-5.51	-5.68	0.17
Currency Contribution	0.00	0.00	0.00
Total Return	-5.51	-5.68	0.17

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	19.86	14.70	5.16	-3.04	-9.69	6.65	-0.50	-1.49	-0.19	1.28	1.09
Communication Services	1.59	3.50	-1.91	20.41	-10.13	30.54	0.25	-0.38	0.09	0.41	0.50
Financials	15.19	13.08	2.11	-0.66	-3.53	2.87	-0.14	-0.52	0.04	0.42	0.46
Consumer Discretionary	5.76	11.84	-6.08	-22.09	-14.50	-7.59	-1.42	-1.85	0.57	-0.50	0.07
Energy	4.68	4.99	-0.31	41.31	40.45	0.86	1.49	1.59	-0.11	0.03	-0.08
Information Technology	24.43	18.19	6.24	-10.61	-11.16	0.55	-2.82	-2.18	-0.35	0.15	-0.20
Consumer Staples	1.35	3.73	-2.38	5.16	5.46	-0.30	0.06	0.17	-0.23	-0.02	-0.25
Utilities	1.30	4.90	-3.60	3.64	3.69	-0.05	0.05	0.21	-0.33	0.00	-0.33
Real Estate	7.17	8.46	-1.29	-9.08	-4.55	-4.53	-0.69	-0.39	0.00	-0.35	-0.35
Materials	7.56	5.82	1.74	-4.54	3.50	-8.04	-0.35	0.22	0.17	-0.61	-0.44
Health Care	9.08	10.80	-1.72	-15.09	-9.97	-5.12	-1.44	-1.07	0.07	-0.51	-0.45
Total	100.00	100.00	0.00	-5.51	-5.68	0.17	-5.51	-5.68	-0.14	0.31	0.17

Trailing 1 Year Attribution:

Harbor Mid Cap Fund vs Russell Midcap® Index

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	8.45	6.92	1.53
Currency Contribution	0.00	0.00	0.00
Total Return	8.45	6.92	1.53

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
Consumer Discretionary	7.53	12.33	-4.80	-6.77	-9.24	2.47	0.06	-1.12	0.93	0.62	1.56
Communication Services	1.69	4.03	-2.34	-13.44	-23.87	10.43	-0.29	-0.95	0.88	0.13	1.01
Industrials	19.30	15.00	4.30	5.35	0.59	4.76	1.09	0.11	-0.30	1.00	0.71
Energy	3.83	3.86	-0.03	111.58	71.36	40.22	2.86	2.22	-0.01	0.64	0.63
Financials	14.29	12.44	1.85	16.52	13.18	3.34	2.22	1.43	0.13	0.46	0.59
Health Care	9.71	11.57	-1.86	2.37	2.55	-0.18	0.39	0.54	0.01	0.00	0.01
Consumer Staples	1.34	3.49	-2.15	6.18	10.64	-4.46	0.08	0.33	-0.09	-0.07	-0.16
Utilities	1.31	4.63	-3.32	9.84	16.67	-6.83	0.12	0.74	-0.36	-0.08	-0.44
Materials	7.51	5.64	1.87	10.29	19.95	-9.66	0.70	1.02	0.29	-0.77	-0.48
Real Estate	7.14	7.97	-0.83	11.34	21.16	-9.82	0.75	1.47	-0.09	-0.66	-0.75
Information Technology	24.45	19.04	5.41	2.12	5.45	-3.33	0.48	1.14	-0.11	-0.84	-0.95
Total	100.00	100.00	0.00	8.45	6.92	1.53	8.45	6.92	1.10	0.43	1.53

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

Disclosures

The Russell Midcap® Index is an unmanaged index generally representative of the U.S. market for medium capitalization stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap® 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 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 02/28/2023.

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.

EARNEST Partners LLC is an independent subadviser to the Harbor Mid Cap 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.