

Harbor Large Cap Value Fund

Aristotle Capital Management, LLC

Subadvisor Since 05/25/2012

Total Net Assets - All Classes \$2,017,649,575
Equity Assets: 97.44%
Cash & Other Assets Less Liabilities: 2.56%
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 12/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	44	852	Information Technology	17.10	8.27
Wtd Avg Market Cap (\$Mil)	144,967.80	151,237.70	Financials	16.67	20.05
Med Cap - # Stocks (\$Mil)	40,364.00	11,144.00	Health Care	12.38	17.28
Price/Book Ratio	4.50	2.46	Industrials	11.79	10.48
Adjusted Trailing P/E Ratio	24.20	19.50	Materials	10.53	4.29
% EPS Growth - Past 3 Yr	14.00	16.00	Consumer Staples	9.01	7.41
Return on Equity (%)	16.88	15.40	Consumer Discretionary	6.91	5.92
Beta vs. Fund Benchmark	0.96		Utilities	5.09	5.82
Forecasted P/E Ratio	21.00	17.50	Energy	4.32	8.45
			Real Estate	3.64	4.50
			Communication Services	0.00	7.31

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Microsoft Corporation	3.85	0.00	Software	11.27	1.57
Corteva Inc	3.75	0.23	Chemicals	7.98	2.61
Danaher Corporation	3.03	0.87	Banks	7.49	7.22
Ameriprise Financial In	2.87	0.07	Machinery	6.94	1.95
Parker-Hannifin Corpora	2.86	0.16	Semiconductors	5.10	2.18
Merck & Co. Inc.	2.81	0.89	Household Durables	5.04	0.49
Amgen Inc.	2.80	0.12	Capital Markets	4.76	4.82
Microchip Technology In	2.77	0.03	Beverages	4.58	1.02
Lennar Corporation Clas	2.71	0.12	Oil Gas & Consumables	4.32	7.74
Adobe Incorporated	2.70	0.00	Health Care Equip	3.74	3.28
Total	30.15	2.49	Total	61.22	32.88

Market Capitalization		
		Portfolio %
Large	Above 25.0B	73.81
	10.0B - 25.0B	20.89
Mid	5.0B - 10.0B	5.30
	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	10.51%	-14.94%	-14.94%	6.74%	8.03%	12.04%	9.96%	12/29/87	0.69	0.72
Administrative Investor	HRLVX	411511751	10.49%	-15.16%	-15.16%	6.47%	7.74%	11.74%	9.13%	11/01/02	0.94	0.97
Investor	HILVX	411511744	10.48%	-15.26%	-15.26%	6.37%	7.62%	11.63%	8.97%	11/01/02	1.05	1.08
Retirement	HNLVX	411512478	10.57%	-14.90%	-14.90%	6.81%	8.10%	12.10%	9.97%	03/01/16	0.61	0.64
Russell 1000® Value Index			12.42%	-7.54%	-7.54%	5.96%	6.67%	10.29%	10.24%	12/29/87		

MANAGER COMMENTARY

As of 12/31/2022

“2022 proved a tumultuous year for most investors, with no shortage of macroeconomic and geopolitical events gripping the world’s attention and stirring volatility in markets.”

Aristotle Capital Management, LLC

Market in Review

Looking back at the fourth quarter of 2022, the fight against inflation has shown progress but still remains a primary concern. The annual Consumer Price Index (“CPI”) slowed for a fifth-straight month to 7.1% in November—the lowest since December 2021—and below forecasts of 7.3%. While concerns about a recession continue, the Federal Reserve’s (“Fed”) pace of quantitative tightening (“QT”) could be slowing as payroll reports showed slowing wage growth. In response to continued, elevated inflation, the Fed raised the federal funds rate by 0.50% in December, moving the benchmark rate to a range of 4.25% to 4.50%. This marked the seventh-consecutive rate increase and pushed borrowing costs to the highest level since 2007. Fed Chair Jerome Powell maintained his position that the Fed would continue to hike rates into 2023, in conjunction with QT, to bring down inflation. In spite of the Fed’s comments, the potential for a pivot—in light of cooling inflation—had a negative impact on the U.S. dollar index, which fell 7.5% and snapped a five-quarter winning streak. Geopolitical tensions also continued to mount as the Russia-Ukraine conflict waged on amid winter in Europe. The U.S. equity market posted its first positive quarter in a year, as the S&P 500 Index® gained 7.56% during the period, bringing its year-to-date return to –18.11%. Concurrently, the Bloomberg U.S. Aggregate Bond Index gained 1.87% for the quarter, bringing the year-to-date return to –13.01%. The Russell 1000® Value Index outperformed its growth counterpart by 10.22% during the quarter. On a sector basis, six sectors within the Russell 1000® Value Index finished lower for the quarter. Consumer Discretionary and Industrials were the top outperformers, while Energy and Materials 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 02/28/2023.

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, the Harbor Large Cap Value Fund (Institutional Class, “Fund”) returned 10.51%, underperforming its benchmark, the Russell 1000® Value Index, which returned 12.42%. The Fund’s underperformance relative to the Russell 1000® Value Index can be attributed to security selection, while allocation effects marginally contributed. Security selection in Materials and Energy, as well as an overweight in Information Technology, detracted the most from relative performance. Conversely, security selection in Consumer Discretionary and Industrials, as well as a lack of exposure to Communication Services, contributed the most to relative performance. (Relative weights are the result of bottom-up security selection.)

Contributors & Detractors

Ameriprise Financial, the investment management firm, was a top contributor during the quarter. During our time as shareholders, Ameriprise has continued to execute on its transformation into an important player in the asset and wealth management industry (and away from insurance products). Today, the advice and wealth management segment, combined with the asset management segment, account for nearly 80% of the company’s revenues. This has served to de-risk its business model, unlock excess capital (it returned \$632 million to shareholders during the quarter), and improve returns on equity, which are now in excess of 47%. In addition, the company takes pride in its ability to attract and retain financial advisors, providing them with the tools to build relationships with clients. The market volatility during the year, in our view, has given ample opportunity for Ameriprise’s advisors to demonstrate the value their services can provide for clients.

Blackstone, one of the world’s largest alternative asset managers, was the leading detractor during the quarter. Shares of the company declined following the decision to limit withdrawals from its Blackstone Real Estate Income Trust (BREIT), which allows retail clients access to alternative investments (typically only available to institutions). While we will continue to study the potential long-term impacts of this move, the monthly redemption limits are a mere 2% of the fund’s assets and, importantly, the structure of the fund is one of the reasons that attracted us to Blackstone. We believe lockup periods and redemption limits create stickier capital, while the evergreen nature of BREIT provides an edge over traditional alternative funds that require fundraising cycles. Just after quarter-end, a large institution invested \$4 billion in BREIT at current net asset value, providing what we view as a noteworthy endorsement of both the fund and firm as a whole. Moreover, we believe Blackstone’s track record of investment performance, as well as first-mover and distribution advantages, position the firm well to further penetrate retail and private wealth channels.

Buys and Sells

During the quarter, we established a position in Merck. Founded in 1891 and headquartered in New Jersey, Merck is one of the world’s largest pharmaceutical firms. The company’s drugs are used to treat conditions in a variety of areas, including oncology (~38% of revenue), vaccines (~19%), diabetes (~11%), animal health (~11%), and other (~21%). Merck produced over \$48 billion in sales in 2021—just under half of sales were generated in the United States. Within oncology, the firm’s immunoncology platform is becoming a major contributor to overall sales, driven by the blockbuster drug Keytruda. The company’s vaccine business is also significant and includes Gardasil for the prevention of HPV (the disease that can lead to cervical cancer in women), as well as vaccines for hepatitis B, pediatric diseases, and shingles. In recent years, Merck has been shifting its focus toward unmet medical needs in specialty care areas. As part of this shift in focus, in June 2021, Merck received \$9 billion from the spinoff of its women’s health, established brands, and biosimilars businesses into the now independent, publicly traded company Organon.

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We sold our position in Sun Communities during the quarter. We originally invested in the company during the third quarter of 2018. During our time as shareholders, Sun continued its expansion of housing sites and was able to steadily raise rents—items we had identified as catalysts. More recently, Sun has made significant acquisitions, including Safe Harbor in 2020 (owner and operator of ~100 marinas in the U.S.) and Park Holidays in 2022 (the second-largest U.K. holiday park). Given recent acquisitions and diversification outside the U.S., we decided to eliminate our position in Sun and use the proceeds to increase our investment in Equity Lifestyle Properties, also an operator of manufactured home communities.

Outlook

2022 proved a tumultuous year for most investors, with no shortage of macroeconomic and geopolitical events gripping the world’s attention and stirring volatility in markets. Global inflation reached multi-decade highs; central banks made drastic shifts in monetary policy; governments navigated instability and changes in leadership; and rising tensions between Eastern and Western nations came to a head with a ground war in Europe. This past year serves as a staunch reminder that there is “always something” to consider in financial markets and economics. However, for us at Aristotle Capital, it is important to assess whether events are truly analyzable. In our opinion, macroeconomic factors and the market’s corresponding reactions are impossible to predict consistently. Therefore, we will stay focused on what we do best—the continuous study and better understanding of individual businesses. We remain convinced this bottom-up approach will allow us to best serve our clients—as fundamentals, not headline news, reflect long-term value.

QUARTERLY ATTRIBUTION

As of 12/31/2022

Best & Worst Performers

Best Performers	Average Weight %	Return %
Mitsubishi UFJ Financial Group Inc. Sponsored ADR	1.20	48.22
Phillips 66	1.97	30.10
Merck & Co. Inc.	2.62	29.67
Honeywell International Inc.	2.50	28.98
Xylem Inc.	2.49	26.91

Worst Performers	Average Weight %	Return %
PayPal Holdings Inc.	0.81	-17.25
Blackstone Inc.	2.14	-10.51
Crown Castle Inc.	2.15	-5.10
Coterra Energy Inc.	2.69	-3.63
Medtronic Plc	1.75	-2.90

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Merck & Co. Inc.	29.67	0.69
Honeywell International Inc.	28.98	0.65
Ameriprise Financial Inc.	24.08	0.63
Xylem Inc.	26.91	0.59
Phillips 66	30.10	0.56
Total		3.12

Greatest Detractors	Return %	Contribution to Return %
Blackstone Inc.	-10.51	-0.17
Crown Castle Inc.	-5.10	-0.15
PayPal Holdings Inc.	-17.25	-0.15
QUALCOMM Incorporated	-2.11	-0.07
Sysco Corporation	4.07	-0.05
Total		-0.59

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Harbor Large Cap Value Fund

ATTRIBUTION

As of 12/31/2022



Quarterly Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	10.64	12.42	-1.78
Currency Contribution	0.00	0.00	0.00
Total Return	10.64	12.42	-1.78

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	0.00	7.47	-7.47	0.00	2.31	-2.31	0.00	0.19	0.81	0.00	0.81
Industrials	11.49	10.41	1.08	23.80	18.53	5.27	2.53	1.84	0.06	0.54	0.60
Consumer Discretionary	6.80	6.10	0.70	21.09	13.03	8.06	1.30	0.77	0.00	0.53	0.53
Utilities	5.01	5.65	-0.64	10.56	8.62	1.94	0.50	0.45	0.05	0.09	0.14
Health Care	12.19	17.05	-4.86	12.80	12.30	0.50	1.49	2.03	0.01	0.05	0.07
Real Estate	3.56	4.53	-0.97	-1.87	4.01	-5.88	-0.11	0.19	0.07	-0.23	-0.16
Consumer Staples	8.88	7.28	1.60	8.71	14.76	-6.05	0.75	1.04	0.04	-0.53	-0.49
Information Technology	17.44	8.51	8.93	6.26	5.97	0.29	1.06	0.54	-0.58	0.05	-0.53
Financials	16.96	20.20	-3.24	9.76	13.25	-3.49	1.82	2.75	-0.01	-0.60	-0.61
Materials	10.92	4.27	6.65	6.17	18.12	-11.95	0.73	0.73	0.39	-1.31	-0.92
Energy	4.66	8.54	-3.88	9.38	22.79	-13.41	0.53	1.88	-0.31	-0.62	-0.93
Total	100.00	100.00	0.00	10.64	12.42	-1.78	10.64	12.42	0.25	-2.03	-1.78

Trailing 1 Year Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-14.49	-7.53	-6.96
Currency Contribution	0.00	0.00	0.00
Total Return	-14.49	-7.53	-6.96

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	0.49	7.58	-7.09	13.51	-26.19	39.70	0.20	-2.31	1.45	0.27	1.72
Industrials	11.06	10.42	0.64	-3.83	-7.31	3.48	-0.39	-0.76	-0.03	0.28	0.24
Utilities	4.53	5.58	-1.05	6.94	1.35	5.59	0.19	-0.08	0.15	-0.02	0.12
Financials	17.05	20.31	-3.26	-11.47	-10.40	-1.07	-2.02	-1.99	0.01	-0.10	-0.09
Real Estate	4.37	4.81	-0.44	-30.93	-25.90	-5.03	-1.58	-1.43	0.11	-0.23	-0.12
Materials	10.37	4.09	6.28	-9.12	-7.23	-1.89	-0.85	-0.30	0.02	-0.19	-0.17
Consumer Staples	8.76	7.41	1.35	-6.76	1.60	-8.36	-0.68	0.01	0.12	-0.64	-0.52
Consumer Discretionary	7.17	5.62	1.55	-30.11	-19.80	-10.31	-2.49	-1.07	-0.30	-0.98	-1.27
Health Care	11.59	17.37	-5.78	-10.36	0.28	-10.64	-1.07	0.29	-0.46	-1.17	-1.62
Energy	4.35	7.57	-3.22	45.59	66.02	-20.43	1.07	3.15	-1.44	-0.56	-1.99
Information Technology	17.76	9.24	8.52	-34.95	-28.23	-6.72	-6.92	-3.04	-1.91	-1.46	-3.37
Total	100.00	100.00	0.00	-14.49	-7.53	-6.96	-14.49	-7.53	-2.15	-4.81	-6.95

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[®] 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[®] Value Index and Russell[®] 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.

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 next4quarters 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.

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.