

# Harbor Dividend Growth Leaders ETF

Westfield Capital Management Company, L.P.

Subadvisor Since 04/30/2010

**Ticker:** GDIV  
**CUSIP:** 41151J703  
**Net Expense Ratio:** 0.50%  
**Gross Expense Ratio:** 0.50%  
**Total Net Assets:** \$144,135,153  
**Benchmark Name:** S&P 500 Index

## Portfolio Managers



William A. Muggia

## Investment Philosophy

The Harbor Dividend Growth Leaders ETF seeks long-term growth of capital.

Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in dividend-paying equity securities, principally common and preferred stocks of large capitalization companies with a history of paying dividends or as determined by the Westfield Capital's analysis, the ability to increase dividends in the future.

Westfield Capital uses a bottom-up process to identify companies which meet its fundamental criteria that evaluates companies on earnings, free cash flow generation and return of capital priorities, including dividends and stock buybacks. In constructing the Fund's portfolio, Westfield Capital seeks to identify companies that it believes possess the following quantitative and qualitative characteristics:

- High quality balance sheet;
- Good stewards of capital;
- Consistent free cash flow generation; and
- History of dividend increases.

## CHARACTERISTICS & ALLOCATION

As of 12/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	40	503	Information Technology	25.77	25.75
Wtd Avg Market Cap (\$Mil)	299,562.70	417,468.30	Health Care	17.05	15.84
Med Cap - # Stocks (\$Mil)	68,603.00	29,552.00	Financials	11.68	11.65
Price/Book Ratio	6.34	5.43	Industrials	9.39	8.65
Adjusted Trailing P/E Ratio	21.30	24.20	Consumer Discretionary	9.04	9.79
% EPS Growth - Past 3 Yr	20.70	18.70	Consumer Staples	8.93	7.18
Return on Equity (%)	31.70	24.92	Energy	6.40	5.21
Forecasted P/E Ratio	16.70	21.00	Real Estate	4.62	2.72
			Materials	3.50	2.75
			Communication Services	3.14	7.28
			Utilities	0.00	3.19

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Broadcom Inc.	5.50	0.70	Semiconductors	9.84	5.10
Home Depot Inc.	4.56	1.01	Insurance	9.65	2.45
Apple Inc.	4.32	6.05	Oil Gas & Consumables	6.40	4.77
Microsoft Corporation	4.19	5.56	Health Care Providers	6.34	3.68
UnitedHealth Group Inco	3.75	1.54	Software	5.83	8.36
ConocoPhillips	3.68	0.46	Pharmaceuticals	5.49	4.90
International Business	3.30	0.40	Biotechnology	5.22	2.49
Eli Lilly and Company	3.23	0.90	Beverages	5.07	1.94
Union Pacific Corporati	3.21	0.40	Equity REITS	4.62	2.64
Arthur J. Gallagher & C	3.08	0.12	Specialty Retail	4.56	2.41
<b>Total</b>	<b>38.82</b>	<b>17.14</b>	<b>Total</b>	<b>63.02</b>	<b>38.74</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	80.81
	10.0B - 25.0B	15.03
Mid	5.0B - 10.0B	1.71
	1.0B - 5.0B	2.45
Small	0.0 - 1.0B	0.00



### Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Dividend Growth Leaders ETF (NAV)	11.21%	-12.17%	-12.17%	8.82%	10.54%	11.56%	11.25%	05/23/22
Harbor Dividend Growth Leaders ETF (Market)	11.02%	-12.24%	-12.24%	8.79%	10.52%	11.55%	11.25%	05/23/22
S&P 500 Index	7.56%	-18.11%	-18.11%	7.66%	9.42%	12.56%	11.90%	05/23/22
NASDAQ Dividend Achievers Select Total Return Index	13.47%	-9.52%	-9.52%	8.92%	10.45%	12.11%	11.56%	05/23/22

## MANAGER COMMENTARY

As of 12/31/2022

**“We have long maintained a focus on quality, and this strategy proved beneficial this past quarter and year in preserving capital amid a brutal down tape and heightened volatility in both equity and bond markets worldwide.”**

Westfield Capital Management Company, L.P.

### Market in Review

U.S. equities closed out the fourth quarter of 2022 as they began the year, with a series of lower highs and lower lows amid high volatility. Inflation fears and the Federal Reserve’s (“Fed”) reaction was the central storyline all year, as policy transitioned from a highly accommodating to a rapidly tightening posture across the globe. As we experienced throughout 2022, this shift in monetary policy drove the repricing of all types of risk assets as the “everything bubble” burst in private equity, unicorns, meme stocks, and crypto. Importantly, there were very few places to hide, as the correlation across asset classes was far higher than in recent memory. In fact, the calendar marked the worst year for the traditional 60/40 stock/bond portfolio that nearly all investors have adopted at some point in their lives, as both stocks and bonds declined significantly during the year.

### Portfolio Performance

During the quarter, the Harbor Dividend Growth Leaders ETF (“ETF”) returned 11.21% at NAV, outperforming the ETF’s primary benchmark, the S&P 500 Index (the “index”) return of 7.56%, and underperforming the 13.47% return of the NASDAQ Dividend Achievers Select Total Return Index. From a sector perspective, relative strength within Consumer Discretionary, Consumer Staples, and Health Care offset relative weakness within Industrials, Information Technology, and Financials. Common factors provided a modest headwind during the quarter. From a factor perspective, the ETF’s overweight to momentum was a headwind. This was partially offset by the tailwind from the overweight to leverage and earnings yield (which is a proxy for value) and underweight to growth.

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 or by calling 800-422-1050.

ETF performance prior to 5/23/22 is attributable to the Westfield Capital Dividend Growth Mutual Fund, Institutional Share class and/or Westfields private investment vehicle. The historical NAV of the predecessor are used for both NAV and Market Offer Price performance from inception to ETF listing date. Performance periods since GDIV listing date may contain NAV and MOP data of both the newly formed ETF and the predecessor fund performance. Please refer to the Fund prospectus for further details.

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.



### Contributors & Detractors

Broadcom, a leading supplier of a broad range of analog and digital semiconductor connectivity solutions, was the top contributor to relative performance during the quarter. The company has been implementing an impressive cost-cutting program that is driving strong free cash flow growth, which is boosting the return of capital to shareholders.

Finance and insurance corporation American International Group also contributed positively to relative results after it executed on a long-awaited spin-off of its life insurance business in mid-September. American International Group is now a pure property/casualty insurance company, which should trade at higher multiples than its life insurance peers.

Semiconductor company Silicon Motion Technology was the biggest relative underperformer during the quarter. It was announced in May that Silicon Motion was being acquired by MaxLinear, a maker of chips for broadband communications. The stock sold off due to subsequent complications around the deal. We exited our position and used the proceeds to purchase Oracle Corporation.

National Health Investors, a Real Estate Investment Trust (REIT) within independent living, assisted living, and skilled nursing homes, also detracted from relative results. Despite being one of the top-performing REITs in calendar year 2022, the stock underperformed during the quarter due to mean reversion, fear of a worse-than-seasonal flu/COVID-19 season (which has historically pressured occupancy), and fear of potential tenant credit issues following the expiration of pandemic-related, public health emergency (PHE) subsidies in 2023. We decided to exit our position and add to our position in Equity Lifestyle Properties, a manufactured housing REIT.

### Buys & Sells

During the quarter, we purchased Freeport-McMoRan, an international natural resources company. The company operates large, long-lived, geographically diverse assets with significant reserves of copper, gold, and molybdenum. With durable copper demand dynamics from global industrial production, electrification, and limited supply on the horizon, Freeport-McMoRan should be poised to benefit from a significant supply gap coupled with an operational inflection ready for growth, which we believe provides an attractive investment opportunity.

During the quarter, we sold our position in CVS Health Corporation, a provider of health care services. CVS has historically been a Medicare Advantage share gainer but more recently, the company has been losing share to Humana. The company also received a significantly lower CMS star rating (quality rating for Medicare Advantage plans) and may need to pull back on its benefits to meet margins.

### Outlook

We have long maintained a focus on quality, and this strategy proved beneficial this past quarter and year in preserving capital amid a brutal down tape and heightened volatility in both equity and bond markets worldwide. We remain steadfast in our positioning and conviction in high-quality companies with durable cash flows that can maintain and raise their dividends as they navigate complex market dynamics. As the Fed has continued to raise benchmark policy rates, long-duration assets—whose value can be attributed largely to cash flows far out into the future—were hit the hardest as the price investors were willing to pay for taking on the duration risk changed dramatically. Additionally, as the likelihood of muted forward equity returns and a U.S. recession continue to increase, we continue to believe that companies—providing reliable income streams in the form of dividends and downside valuations support—are best able to compete with rising, risk-free yield alternatives and preserve capital in prolonged market turbulence. In fact, given the modest equity returns expected in the years ahead, we believe dividend-growth strategies could be the best-performing asset class. Dividend-growth strategies have provided compelling relative returns throughout market cycles, and even more so in the late stages of a cycle like we are now experiencing.

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.

Mean reversion suggests that asset price volatility and historical returns eventually will revert to the long-run mean or average level of the entire dataset.

Duration is an estimated measure of the price sensitivity of the aggregate market value of a portfolio of debt securities to changes in interest rates.



## Best &amp; Worst Performers

Best Performers	Average Weight %	Return %
NIKE Inc. Class B	1.87	41.20
Gilead Sciences Inc.	2.19	40.31
American International Group Inc.	2.59	33.87
Merck & Co. Inc.	2.01	29.67
Quest Diagnostics Incorporated	2.29	28.18

Worst Performers	Average Weight %	Return %
Silicon Motion Technology Corporation Sponsored ADR	0.67	-13.16
Celanese Corporation	0.88	-7.53
Innovative Industrial Properties Inc	0.69	-7.47
Apple Inc.	4.60	-5.83
QUALCOMM Incorporated	0.32	-5.74

## Contributors &amp; Detractors

Greatest Contributors	Return %	Contribution to Return %
Broadcom Inc.	26.98	1.12
American International Group Inc.	33.87	0.76
Gilead Sciences Inc.	40.31	0.72
NIKE Inc. Class B	41.20	0.64
ConocoPhillips	16.44	0.63
<b>Total</b>		<b>3.87</b>

Greatest Detractors	Return %	Contribution to Return %
Silicon Motion Technology Corporation Sp	-13.16	-0.33
Apple Inc.	-5.83	-0.22
Celanese Corporation	-7.53	-0.14
QUALCOMM Incorporated	-5.74	-0.11
Innovative Industrial Properties Inc	-7.47	-0.09
<b>Total</b>		<b>-0.89</b>



### Quarterly Attribution:

#### Harbor Dividend Growth Leaders ETF vs S&P 500 Index

#### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	11.81	7.56	4.25
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>11.81</b>	<b>7.56</b>	<b>4.25</b>

#### 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	10.77	10.60	0.17	16.14	-10.18	26.32	1.88	-1.11	-0.02	3.10	3.08
Information Technology	23.20	26.18	-2.98	9.58	4.74	4.84	2.16	1.25	0.09	1.13	1.22
Health Care	15.04	15.36	-0.32	19.76	12.80	6.96	2.81	1.86	0.05	0.97	1.02
Communication Services	2.99	7.53	-4.54	8.03	-1.38	9.41	0.23	-0.07	0.44	0.29	0.73
Consumer Staples	8.39	6.99	1.40	13.61	12.72	0.89	1.14	0.84	0.06	0.08	0.15
Utilities	0.00	3.03	-3.03	0.00	8.64	-8.64	0.00	0.24	-0.04	0.00	-0.04
Financials	14.67	11.44	3.23	12.07	13.61	-1.54	1.79	1.53	0.18	-0.26	-0.08
Materials	2.05	2.64	-0.59	7.33	15.05	-7.72	0.08	0.37	-0.07	-0.09	-0.16
Real Estate	5.60	2.68	2.92	0.40	3.82	-3.42	0.07	0.10	-0.07	-0.22	-0.29
Energy	6.58	5.19	1.39	11.09	22.81	-11.72	0.80	1.08	0.23	-0.75	-0.52
Industrials	8.48	8.37	0.11	10.98	19.23	-8.25	0.83	1.48	-0.02	-0.59	-0.61
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>11.81</b>	<b>7.56</b>	<b>4.25</b>	<b>11.81</b>	<b>7.56</b>	<b>0.60</b>	<b>3.65</b>	<b>4.25</b>

## Risks

Investing involves risk, principally 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.

All investments involve risk including the possible loss of principal. 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. At times, a growth investing style may be out of favor with investors which could cause growth securities to underperform value or other equity securities. 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. A non-diversified Fund may invest a greater percentage of its assets in securities of a single issuer, and/or invest in a relatively small number of issuers, it is more susceptible to risks associated with a single loss economic, political or regulatory occurrence than a more diversified portfolio.

## Benchmarks

The S&P 500 Index is an unmanaged index generally representative of the U.S. market for large capitalization equities. The NASDAQ U.S. Dividend Achievers Select® Index is a modified market capitalization weighted index. The NASDAQ U.S. Dividend Achievers Select® Index is comprised of a select group of securities with at least ten consecutive years of increasing annual regular dividend payments. The indices are unmanaged and do not reflect fees and expenses and are not available for direct investment.

## Disclosures

On or about May 20, 2022, the Fund acquired the assets and assumed the then existing known liabilities of the Predecessor Fund and the Fund is expected to be the performance successor of the reorganization. This means that the Predecessor Fund's performance and financial history will be used by the Fund going forward from the date of reorganization.

In the reorganization, former shareholders of the Predecessor Fund received shares of the Fund. Accordingly, the performance of the Fund for periods prior to the reorganization is the performance of the Predecessor Fund and the performance shown for periods prior to July 26, 2013 is the performance of a private investment vehicle that predated the Predecessor Fund. The private investment vehicle was managed by the Subadvisor using investment policies, objectives and guidelines that were in all material respects equivalent to the management of the Fund and Predecessor Fund. However, the private investment vehicle was not a registered investment company and so it was not subject to the same investment and tax restrictions as the Fund and Predecessor Fund. If it had been, its performance may have been lower. The performance of the Predecessor Fund has not been restated to reflect the annual operating expenses of the Fund, which are lower than those of the Predecessor Fund. Because the Fund has different fees and expenses than the Predecessor Fund, the Fund would also have had different performance results.

Westfield Capital Management is a third-party subadvisor to the Harbor Dividend Growth Leaders ETF.

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.

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/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.

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.

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.

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.

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.***

Westfield Capital Management Company, L.P.

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

### 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.