

# Harbor Mid Cap Fund

EARNEST Partners LLC (MC)

Subadvisor Since 12/01/2019

**Total Net Assets - All Classes** \$45,295,837  
**Equity Assets:** 98.22%  
**Cash & Other Assets Less Liabilities:** 1.78%  
**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 Subadvisor uses a bottom-up investment process, employing fundamental and qualitative criteria to identify individual companies for potential investment in the Fund's portfolio. The Subadvisor 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 09/30/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	59	824	Industrials	22.77	15.15
Wtd Avg Market Cap (\$Mil)	22,891.60	19,283.00	Information Technology	20.77	16.40
Med Cap - # Stocks (\$Mil)	14,322.00	8,722.00	Financials	15.42	13.74
Price/Book Ratio	2.71	3.10	Health Care	9.72	10.58
Adjusted Trailing P/E Ratio	18.00	21.30	Materials	7.34	6.05
% EPS Growth - Past 3 Yr	15.00	17.00	Real Estate	6.78	8.05
Return on Equity (%)	18.24	14.85	Consumer Discretionary	6.08	11.39
Beta vs. Fund Benchmark	0.93		Energy	4.61	4.97
Forecasted P/E Ratio	14.20	17.70	Communication Services	1.83	4.17
Proj. Earnings Growth Rate (%)	16.10	13.60	Utilities	1.48	5.83
			Consumer Staples	1.42	3.67

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Republic Services Inc.	3.39	0.32	Capital Markets	7.54	4.13
Coterra Energy Inc.	3.17	0.23	Insurance	6.46	4.67
Albemarle Corporation	3.03	0.35	Aerospace & Defense	6.08	1.21
Keysight Technologies I	2.94	0.32	Software	5.62	5.99
Progressive Corporation	2.65	0.00	Life Sciences Tools	4.85	2.59
Raymond James Financial	2.50	0.22	Electronic Equipment	4.77	2.28
Darden Restaurants Inc.	2.45	0.18	Chemicals	4.69	3.23
D.R. Horton Inc.	2.41	0.25	Oil Gas & Consumables	4.61	4.42
Reinsurance Group of Am	2.36	0.10	It Services	4.48	3.69
CBRE Group Inc. Class A	2.30	0.25	Equity REITS	4.48	7.61
<b>Total</b>	<b>27.20</b>	<b>2.22</b>	<b>Total</b>	<b>53.58</b>	<b>39.82</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	35.12
	10.0B - 25.0B	37.79
Mid	5.0B - 10.0B	15.55
	1.0B - 5.0B	11.55
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	HMCLX	41152P708	-5.94%	-21.83%	-13.01%	N/A	N/A	N/A	6.62%	12/01/19	0.88	1.01
Investor	HMCNX	41152P880	-6.05%	-22.02%	-13.36%	N/A	N/A	N/A	6.24%	12/01/19	1.24	1.37
Retirement	HMCRX	41152P609	-5.94%	-21.76%	-12.94%	N/A	N/A	N/A	6.70%	12/01/19	0.80	0.93
Russell Midcap® Index			-3.44%	-24.27%	-19.39%	N/A	N/A	N/A	3.82%	12/01/19		

## MANAGER COMMENTARY

As of 09/30/2022

**“Despite the continued rate path of ‘higher for longer,’ growth stocks generally fared better than value stocks during the quarter, although they have been the worst performers year to date.”**

EARNEST Partners LLC

### Market in Review

Global equities were generally negative in the third quarter of 2022 as investors continued to be wary of risk assets in the wake of continued supply chain disruptions, geopolitical instability, and a firm posture by the U.S. Federal Reserve (“Fed”). The S&P 500 fell 4.88% during the quarter.

During the first part of the quarter, global equities rebounded sharply from June lows, as initial U.S. inflation readings came in lower than anticipated and global supply-chain bottlenecks waned. However, August’s CPI reading came in hot, reigniting fears that the Fed would continue to raise rates to keep inflation in check.

Higher 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 valuation from expectations of future earnings rather than current cash flows. Additionally, they are heavily reliant on external financing — and rising rates make it increasingly difficult for them to borrow on favorable terms. Despite the continued rate path of “higher for longer,” growth stocks generally fared better than value stocks during the quarter, although they have been the worst performers year to date. Cash flow producing sectors, such as Energy, Utilities, and Consumer Staples, performed better. Uncertainty within market sectors aside, the labor market continued to show strength as the unemployment rate hovered at a near-record-low reading of 3.7%.

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 third quarter of 2022, the Harbor Mid Cap Fund (Institutional Class, "Fund") returned -5.94%, underperforming its benchmark, the Russell Midcap<sup>®</sup> Index, which returned -3.44%. The Fund's underperformance was largely driven by exposures in the Industrials and Information Technology sectors.

The U.S. mid-cap equity market, as represented by the Russell Midcap<sup>®</sup> Index, saw contraction in the third quarter as sustained inflationary pressures, accelerated Fed interest rate hikes, and fears of recession all weighed on investor sentiment. Energy was the lone sector in the Index to generate positive returns for the quarter, and a high level of dispersion separated top-performing Energy, which returned 3.32%, from the worst performing sector, Real Estate, which returned -9.19%

### Contributors & Detractors

Contributing to performance was TJX, one of the world's largest off-price apparel and home fashions retailers, operating stores such as T.J. Maxx, Marshalls, and HomeGoods. The company differentiates itself through its flexible business model, rapidly turning over limited quantities of products sold at bargain prices. Despite disruptions within the retail world caused by a shift to online shopping and price competition, TJX beat second-quarter earnings estimates. An exceptional value proposition on merchandise continues to encourage consistent customer traffic. As a result, shares increased 11.75% for the period. TJX's business model continues to appeal to a broader range of customers relative to traditional retailers. This strategy, combined with its experienced management team, provides TJX with successful growth prospects and a strong cash flow that leave the company well positioned to continue to focus on improving margins and driving earnings moving forward.

Detracting from performance was Masco Corporation, a leading designer, manufacturer, and distributor of home improvement and building products. The company manufactures and distributes its products worldwide. Despite the second-quarter sales showing 14% year-over-year growth, operating profit suffered from higher supply chain costs, notably freight transport. Increased management focus on the plumbing and decorative segments after the recent sale of the windows and cabinets business positions the company for significant earnings potential and improved returns. Market share continues to expand from the value proposition of their strong consumer brands.

### Buys and Sells

Spirit AeroSystems Holdings, Inc. is an independent non-original equipment manufacturer (non-OEM). It designs and manufactures commercial aerostructures worldwide. We believe the market is not giving the company enough credit for growth opportunities over our investment horizon.

### 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 &amp; Worst Performers

Best Performers	Average Weight %	Return %
Albemarle Corporation	2.58	26.71
Keysight Technologies Inc	2.66	14.15
Darden Restaurants Inc.	2.16	12.82
TJX Companies Inc	0.99	11.75
Raymond James Financial Inc.	2.28	10.90

Worst Performers	Average Weight %	Return %
Scotts Miracle-Gro Company Class A	1.14	-45.41
Syneos Health Inc. Class A	1.42	-34.22
Catalent Inc	1.41	-32.56
Spirit AeroSystems Holdings Inc. Class A	1.15	-29.08
Sealed Air Corporation	1.72	-22.60

## Contributors &amp; Detractors

Greatest Contributors	Return %	Contribution to Return %
Albemarle Corporation	26.71	0.44
Keysight Technologies Inc	14.15	0.27
Darden Restaurants Inc.	12.82	0.23
Raymond James Financial Inc.	10.90	0.16
Reinsurance Group of America Incorporate	7.92	0.12
<b>Total</b>		<b>1.22</b>

Greatest Detractors	Return %	Contribution to Return %
Scotts Miracle-Gro Company Class A	-45.41	-0.51
Spirit AeroSystems Holdings Inc. Class A	-29.08	-0.49
Catalent Inc	-32.56	-0.46
Syneos Health Inc. Class A	-34.22	-0.45
Sealed Air Corporation	-22.60	-0.37
<b>Total</b>		<b>-2.28</b>

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](http://harborcapital.com) or by calling 800-422-1050.



### Quarterly Attribution:

#### Harbor Mid Cap Fund vs Russell Midcap® Index

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-5.71	-3.46	-2.25
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-5.71</b>	<b>-3.46</b>	<b>-2.25</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	5.50	11.42	-5.92	7.95	-2.75	10.70	0.37	-0.30	-0.04	0.57	0.52
Financials	14.61	13.54	1.07	-0.59	-1.97	1.38	-0.27	-0.34	0.05	0.19	0.24
Communication Services	1.72	4.24	-2.52	-4.52	-5.49	0.97	-0.07	-0.20	0.05	0.01	0.06
Energy	4.40	4.81	-0.41	3.32	1.23	2.09	0.03	-0.04	-0.04	0.08	0.04
Utilities	1.52	5.88	-4.36	-10.52	-5.53	-4.99	-0.18	-0.42	0.09	-0.07	0.02
Consumer Staples	1.50	3.63	-2.13	-16.53	-6.41	-10.12	-0.25	-0.24	0.06	-0.16	-0.10
Real Estate	6.78	8.32	-1.54	-12.15	-9.19	-2.96	-0.75	-0.70	0.11	-0.21	-0.11
Materials	7.64	6.19	1.45	-10.99	-5.65	-5.34	-0.82	-0.34	-0.02	-0.41	-0.44
Information Technology	20.27	16.53	3.74	-4.49	-1.61	-2.88	-0.92	-0.25	0.07	-0.59	-0.52
Industrials	22.13	14.92	7.21	-5.63	-0.01	-5.62	-1.38	-0.05	0.26	-1.23	-0.97
Health Care	9.97	10.53	-0.56	-16.23	-6.76	-9.47	-1.48	-0.59	0.02	-0.99	-0.98
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-5.71</b>	<b>-3.46</b>	<b>-2.25</b>	<b>-5.71</b>	<b>-3.46</b>	<b>0.58</b>	<b>-2.83</b>	<b>-2.25</b>

### Trailing 1 Year Attribution:

#### Harbor Mid Cap Fund vs Russell Midcap® Index

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-12.29	-19.41	7.12
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-12.29</b>	<b>-19.41</b>	<b>7.12</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	6.28	11.75	-5.47	-8.07	-31.62	23.55	0.04	-3.75	0.77	1.87	2.64
Information Technology	22.33	17.78	4.55	-15.80	-26.70	10.90	-3.24	-4.48	-0.44	2.65	2.21
Financials	14.70	13.06	1.64	-2.39	-15.70	13.31	-0.57	-2.11	0.10	1.82	1.91
Communication Services	1.60	3.94	-2.34	-3.37	-44.31	40.94	-0.07	-1.88	0.76	0.73	1.49
Industrials	20.56	14.73	5.83	-12.82	-17.87	5.05	-3.02	-2.59	0.21	0.82	1.02
Energy	4.75	5.03	-0.28	36.23	40.76	-4.53	1.16	0.81	0.07	0.10	0.17
Real Estate	7.07	8.23	-1.16	-22.60	-18.20	-4.40	-1.54	-1.57	0.07	-0.35	-0.28
Health Care	9.77	10.69	-0.92	-32.53	-28.32	-4.21	-3.17	-2.78	0.11	-0.50	-0.39
Consumer Staples	1.40	3.67	-2.27	-8.34	-1.04	-7.30	-0.15	-0.19	-0.40	-0.09	-0.49
Materials	7.73	5.91	1.82	-20.31	-8.95	-11.36	-1.75	-0.77	0.22	-0.87	-0.64
Utilities	1.39	5.20	-3.81	4.43	4.44	-0.01	-0.01	-0.12	-0.83	0.01	-0.81
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-12.29</b>	<b>-19.41</b>	<b>7.12</b>	<b>-12.29</b>	<b>-19.41</b>	<b>0.94</b>	<b>6.18</b>	<b>7.12</b>

### 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.

### Benchmarks

The Russell Midcap<sup>®</sup> 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<sup>®</sup> 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.

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.

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](http://harborcapital.com) or call 800-422-1050. Read it carefully before investing.**

**EARNEST Partners LLC is an independent subadvisor 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.