

Harbor Convertible Securities Fund

BlueCove Limited

Subadvisor Since 03/01/2023

Total Net Assets – All Classes \$27,585,452
Fixed Income Assets: 97.70%
Cash & Other Assets Less Liabilities: 2.30%
Benchmark Name: ICE BofA U.S. Convertible Bond Index

Portfolio Managers



Benjamin Brodsky, CFA



Michael Harper, CFA



Benoy Thomas, CFA

Investment Philosophy

The Fund invests primarily in convertible securities of U.S. and non-U.S. corporate issuers. Convertible securities are "hybrid" securities that possess both fixed income and equity characteristics, and include corporate bonds, preferred stocks and other types of securities that are convertible into common stock or its equivalent value. While the Fund has broad discretion to invest in all types of convertible securities, the Fund focuses primarily on investments in convertible bonds. The Fund also focuses primarily on convertible securities of corporate issuers with debt rated below investment grade, commonly referred to as "high yield" or "junk bonds." The Fund invests primarily in U.S. dollar denominated securities; however the Fund may invest in securities denominated in other currencies.

CHARACTERISTICS & ALLOCATION

As of 09/30/2023

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	2.13	2.08
Wtd. Avg. Maturity (yrs)	9.88	9.88
Average Market Coupon	1.93	2.02

Maturity		
	Portfolio %	Benchmark %
0-1 yr	0.84	6.35
1-3 yr	49.32	48.16
3-5 yr	34.03	30.37
5-7 yr	6.78	7.57
7-10 yr	0.00	0.00
10-20 yr	0.00	0.32
20-30 yr	2.02	1.60
Over 30 yr	3.68	3.78

Economic Sectors		
	Portfolio %	Benchmark %
Tech & Electronics	27.32	25.41
Healthcare	11.65	15.72
Leisure	8.39	7.30
Financial Services	8.18	5.52
Real Estate	6.35	4.93
Utility	5.13	7.46
Media	5.09	6.62
Basic Industry	4.65	2.46
Energy	4.29	2.90
Retail	3.97	3.49
Total	85.02	81.80

Credit Quality		
	Portfolio %	Benchmark %
US Govt/Agency	0.00	0.00
AAA	0.00	0.00
AA	0.00	0.00
A	0.60	1.08
BBB	8.91	12.81
BB	2.26	4.36
B	1.34	1.07
CCC	1.66	2.57
CC	0.00	0.00
C	0.00	0.00
Below C	0.00	0.00
Non-Rated	81.91	76.28



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	HACSX	411512734	-2.73%	2.88%	6.19%	0.91%	5.25%	5.36%	5.34%	05/01/11	0.71	0.74
Investor	HICSX	411512718	-2.82%	2.67%	5.90%	0.58%	4.88%	4.98%	4.96%	05/01/11	1.07	1.10
Retirement	HNCVX	411512387	-2.70%	2.94%	6.30%	1.00%	5.35%	5.42%	5.39%	03/01/16	0.63	0.66
ICE BofA U.S. Convertible Bond Index			-2.53%	5.81%	7.49%	3.06%	8.36%	8.83%	8.64%	05/01/11		
ICE BofA US Convertible Ex Mandatory Index			-2.44%	6.69%	7.64%	2.63%	8.66%	9.37%	9.16%	05/01/11		

MANAGER COMMENTARY

As of 09/30/2023

"Over the course of the quarter, economic data generally remained robust, and the market's anticipation of a recession waned."

BlueCove Limited

Market in Review

Volatility increased during the third quarter of 2023, as the yield on the U.S. 10-year Treasury rose over 0.75%, leading to a ~3% decline in U.S. equities and U.S. convertible bonds and broadly flat performance in high-yield markets. The quarter began with risk markets trending upward, as the U.S. consumer remained strong amidst declining inflationary pressures and a positive outlook for growth. Over the course of the quarter, economic data generally remained robust, and the market's anticipation of a recession waned. The positive tone was interrupted by concerns in China given weakening demand alongside negative headlines in the Real Estate sector. Risk markets closed the quarter with a weaker tone, as interest rates spiked under the expectation that rates would remain higher for longer. The increased market volatility was supportive of the Harbor Convertible Securities Fund's ("Fund") security selection focus.

Portfolio Performance

During the quarter, the Harbor Convertible Securities Fund (Institutional Class) underperformed its benchmark by 0.20%. Returns from security selection were broadly flat. While valuation insights performed well, fundamental and sentiment insights detracted. Within the delta buckets, lower delta names posted the strongest performance.

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 Positioning

The Fund seeks to be broadly neutral in duration and yield curve versus the index. During the quarter, the largest sector positions were overweight allocations to Consumer Cyclical and Technology and underweight allocations to Communication Services and Consumer Non-Cyclicals.

A large portion of the convertible bond universe is not rated. The Fund does not target a specific credit quality focus. Risk continues to be focused on security selection in convertible bonds with the Fund well matched on delta exposures versus the benchmark. The Fund seeks to invest only in index-eligible securities. The Fund currently invests only in USD securities. The Fund does not emphasize country selection versus the benchmark.

Outlook

The impact of rate hikes to date continues to be digested by the global economy. The effect of key supports to growth through 2023 — fiscal stimulus and post-pandemic excess consumer savings — are fading, while tightening lending conditions have a lagged impact on credit growth and financial conditions, which we believe will drag on growth over the next six to 12 months. Outside the U.S., growth in the eurozone remains fragile, while China's recovery has been challenged by rising debt distress. The ongoing conflict in Ukraine and the response by Israel to terrorist action in early October underline a period characterized by elevated geopolitical risks. An increase in market volatility can be a positive backdrop for convertible bond returns as an asset class and supports a scientific approach to security selection that seeks to capture this volatility through company-specific insights.

Risks

All investments involve risk including the possible loss of principal. Fixed income securities fluctuate in price in response to various factors, including changes in interest rates, changes in market conditions and issuer-specific events, and the value of your investment in the Fund may go down. There is a greater risk that the Funds will lose money because they invest in below- investment grade fixed income securities and unrated securities of similar credit quality (commonly referred to as “high-yield securities” or “junk bonds”). These securities are considered speculative because they have a higher risk of issuer default, are subject to greater price volatility and may be illiquid. The market for convertible securities is less liquid than the market for non-convertible corporate bonds. There are limitations inherent in every quantitative model. The value of securities selected using quantitative analysis can react differently to issuer, political, market, and economic developments than the market as a whole or securities selected using only fundamental analysis. Because the Funds may invest in securities of foreign issuers, an investment in the Funds is subject to special risks in addition to those of U.S. securities. These risks include heightened political and economic risks, greater volatility, currency fluctuations, higher transaction costs, delayed settlement, possible foreign controls on investment, possible sanctions by government bodies of other countries and less stringent investor protection and disclosure standards of foreign markets.

Benchmarks

Effective on March 1, 2023, the Fund's benchmark changed from ICE BofA U.S. Convertible Ex Mandatory to ICE BofA U.S. Convertible Bond Index.

The ICE BofA US Convertible Ex Mandatory Index is broadly representative of the U.S. convertible securities market, consisting of publicly traded issues, denominated in U.S. Dollars, of all credit qualities, and excluding mandatory (equity-linked) convertibles. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The ICE BofA All U.S. Convertibles Index is an unmanaged index that consists of convertible bonds traded in the U.S. dollar denominated investment grade and non-investment grade convertible securities sold into the U.S. market and publicly traded in the United States.

Disclosures

All data except for performance is provided by the subadvisor.

Credit quality ratings for the underlying securities of the portfolio are composite ratings calculated by ICE Data Indices, LLC (“ICE”) and based on the simple averages of ratings from Moody's, S&P, and Fitch. If a security rating is unavailable from ICE, composite ratings calculated by Bloomberg Financial L.P. (“BFLP”) and based on the simple averages of ratings from security's Moody's, S&P, Fitch, and DBRS, are used. The composite rating from ICE is calculated by assigning a numeric equivalent to the ratings in each agency's scale. The average of the numeric equivalents for each agency that rates a bond is rounded to the nearest integer and then converted back to an equivalent composite rating using a scale that ranges from AAA (highest) to D (lowest). If only two of the designated agencies rate a bond, the composite rating is based on an average of the two. Likewise, if only one of the designated agencies rates a bond, the composite rating is based on that one rating. For the composite rating from BFLP, the rating agencies are evenly weighted when calculating the composite. It is calculated by taking the average of the existing ratings, rounded down to the lower rating in case the composite is between two ratings. A composite will not be generated if the bond is rated by only one of the four rating agencies. Ratings range from AAA (highest) to D (lowest). Mortgages: Short term and long term ratings are used to generate a composite. The composite ratings are not intended to be a credit opinion. Unrated securities are not rated by the national ratings agencies stated above. Ratings, which are subject to change, apply to the creditworthiness of the issuers of the underlying securities and not to the Fund or its shares. Totals may not sum to 100% due to the exclusion of certain assets and liabilities.

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). Effective on March 1, 2023, BlueCove Limited became investment subadvisor to Harbor Convertible Securities Fund. In connection with this change, the Fund's investment strategy and risk changed to reflect BlueCove's approach to managing the Fund's assets. Please see the Fund's Prospectus for additional information.

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.

BlueCove Limited is a third-party subadvisor to the Harbor Convertible Securities Fund.

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Definitions

Delta is a risk metric that estimates the change in the price of a derivative.

Duration is a commonly used measure of the sensitivity of the price of a debt security, or the aggregate market value of a portfolio of debt securities, to change in interest rates. Securities with a longer duration are more sensitive to changes in interest rates and generally have more volatile prices than securities of comparable quality with a shorter duration.

Effective duration is the sensitivity of a bond's price against the benchmark yield curve.

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