

Harbor Small Cap Value Fund

EARNEST Partners LLC

Subadviser Since 12/14/2001

Total Net Assets - All Classes \$2,591,948,252
Equity Assets: 98.24%
Cash & Other Assets Less Liabilities: 1.76%
Benchmark Name: Russell 2000® Value Index

Portfolio Managers



Paul E. Viera

Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values. In selecting stocks for the Fund, the portfolio manager utilizes a value-based investment style seeking to identify companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values, applies fundamental and qualitative criteria to identify companies for the portfolio, and maintains relationships with key analysts and industry experts to obtain unbiased research perspectives.

CHARACTERISTICS & ALLOCATION

As of 09/30/2021

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	57	1,429	Industrials	23.61	14.82
Wtd Avg Market Cap (\$Mil)	6,423.40	2,865.20	Financials	20.38	26.12
Med Cap - # Stocks (\$Mil)	3,414.00	1,060.00	Information Technology	20.17	5.43
Price/Book Ratio	2.78	1.74	Health Care	15.81	11.18
Adjusted Trailing P/E Ratio	24.40	14.90	Consumer Discretionary	4.84	7.93
% EPS Growth - Past 3 Yr	12.90	7.80	Real Estate	4.83	11.10
Return on Equity (%)	8.12	5.34	Materials	3.41	4.61
Beta vs. Fund Benchmark	0.92		Consumer Staples	3.31	2.75
Forecasted P/E Ratio	19.50	14.00	Energy	1.88	7.03
Proj. Earnings Growth Rate (%)	18.20	12.70	Utilities	0.00	4.59
			Communication Services	0.00	4.28

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Catalent Inc	4.36	0.00	Electronic Equipment	9.43	1.70
Darling Ingredients Inc	3.31	0.00	Banks	8.72	14.78
Casella Waste Systems, Houlihan Lokey, Inc. Cl	3.17	0.02	Semiconductors	8.23	0.92
MEDNAX, Inc.	3.00	0.04	Machinery	7.75	3.71
FormFactor, Inc.	2.58	0.07	Capital Markets	6.65	1.15
Teledyne Technologies I	2.55	0.03	Aerospace & Defense	5.08	0.94
Molina Healthcare, Inc.	2.50	0.00	Health Care Providers	5.07	1.95
Franklin Electric Co., CONMED Corporation	2.49	0.00	Equity REITS	4.83	10.58
	2.48	0.00	Commercial Serv & Suppl	4.38	1.88
	2.44	0.00	Pharmaceuticals	4.36	0.94
Total	28.88	0.16	Total	64.50	38.55

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	18.38
Mid	5.0B - 10.0B	13.58
	1.0B - 5.0B	64.21
Small	0.0 - 1.0B	2.08



Trusted Partnerships > Trusted Solutions



Performance & Fund Facts

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	HASCX	411511843	-2.11%	9.66%	42.56%	8.79%	12.33%	14.35%	10.60%	12/14/01	0.88	0.88
Administrative Investor	HSVRX	411511710	-2.17%	9.46%	42.21%	8.51%	12.04%	14.05%	10.88%	11/01/02	1.13	1.13
Investor	HISVX	411511694	-2.17%	9.38%	42.07%	8.39%	11.92%	13.92%	10.73%	11/01/02	1.24	1.24
Retirement	HNVRX	411512452	-2.09%	9.73%	42.69%	8.87%	12.41%	14.40%	10.62%	03/01/16	0.80	0.80
Russell 2000® Value Index			-2.98%	22.92%	63.92%	8.58%	11.03%	13.22%	9.28%	12/14/01		

MANAGER COMMENTARY

As of 09/30/2021

“The S&P 500 returned 0.58% and hit record highs during the quarter as investors looked beyond the effects of the coronavirus pandemic and embraced the progress in vaccine rollouts, falling unemployment, and recovering demand into future earnings growth.”

EARNEST Partners LLC

Market in Review

Global equity markets were generally mixed as investors continued to gain confidence in large U.S.-based businesses while higher interest rates and regulatory uncertainty tempered expectations for small-cap and emerging-market equities. The S&P 500 returned 0.58% and hit record highs during the quarter as investors looked beyond the effects of the coronavirus pandemic and embraced the progress in vaccine rollouts, falling unemployment, and recovering demand into future earnings growth.

Value stocks generally outperformed growth stocks as higher interest rates reduced expectations for future earnings growth and investors favored companies with more consistent cash flows. Retail sales continued to rebound even as federal supplemental employment insurance and eviction moratoriums ended. Expanded economic activity supported steady demand for raw materials as automobiles and homes saw continued price increases.

Portfolio Performance

During the quarter, the Harbor Small Cap Value Fund (Institutional Class, “Fund”) returned -2.11%, slightly outperforming its benchmark, the Russell 2000® Value Index, which returned -2.98%.

The U.S. small-cap equity market, as represented by the Russell 2000® Value Index, experienced contraction in the third quarter after five consecutive quarters of expansion. Nine of the 11 sectors in the Index generated negative returns amid the continued impact of the Delta variant and supply-chain disruptions.

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.

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.



The Fund marginally outperformed the Index in the quarter as demand for some of the more speculative names waned. Many of these names had risen sharply over the trailing 12-month period as investors embraced higher risk in an improving economy. EARNEST Partners' focus on high-quality companies that we believe are well-positioned to benefit over the long term has resulted in the Fund outperforming the benchmark over the past 3-, 5-, 10-year and since-inception periods, net of fees.

Contributors & Detractors

Darling Ingredients, which develops and produces sustainable natural ingredients and sourced bio-nutrients, contributed to performance. The company operates through three segments: feed ingredients, food ingredients, and fuel ingredients, offering specialty solutions for customers in various industries including pharmaceuticals, food/pet food, industrials, and energy. The company converts animal by-product streams into specialty ingredients such as collagen, edible fats, and animal proteins. Darling shares gained 6.52% for the quarter, beating consensus earnings estimates by more than 30%. On strength of operations, management raised guidance for 2021 and 2022 by ~20% and ~15%, respectively. Darling's recent performance reflects the strength of its legacy business lines combined with an underappreciated opportunity in the rapidly expanding renewable diesel space. Given Darling's first-mover advantage and market-leading position within the renewable business, the company is well positioned to capitalize on market opportunities and grow earnings.

Cabot Corp., a global specialty chemicals and performance materials company, detracted from performance. Cabot's products include rubber and specialty-grade carbon blacks with operations in reinforcement materials, performance chemicals, and purification solutions. Despite reporting strong performance relative to expectations, Cabot shares were down 11.38% for the quarter. Although the company has been successful in implementing price increases, raw material costs have negatively impacted performance, as has the recent slowdown in automobile sales. That temporary disruption is already beginning to correct itself, however, as original equipment manufacturers (OEMs) across all tire types have begun capacity expansion—an indication of increased demand. As automotive and specialty chemical demand recovers, the company is well positioned to benefit. Cabot's expansion into the battery market has also materialized as it has secured contracts with the top five electric-vehicle (EV) battery producers in China—a quickly evolving market expected to accelerate and provide additional channels to grow earnings.

Buys & Sells

Box Inc. offers to meet the evolving needs of enterprises for securely managing content and content-based workflows, which is increasingly referred to as Cloud Content Management. 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 & Worst Performers

Best Performers	Average Weight %	Return %
Monolithic Power Systems, Inc.	2.06	29.95
Catalent Inc	4.02	23.08
Casella Waste Systems, Inc. Class A	2.89	19.72
FirstCash, Inc.	2.14	14.88
Houlihan Lokey, Inc. Class A	2.81	13.14

Worst Performers	Average Weight %	Return %
DMC Global Inc.	0.76	-34.34
Core Laboratories NV	0.46	-28.73
EnerSys	1.80	-23.66
Scotts Miracle-Gro Company Class A	2.25	-23.42
Advanced Energy Industries, Inc.	1.55	-22.05

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Catalent Inc	23.08	0.79
Monolithic Power Systems, Inc.	29.95	0.58
Casella Waste Systems, Inc. Class A	19.72	0.53
Houlihan Lokey, Inc. Class A	13.14	0.35
FirstCash, Inc.	14.88	0.28
Total		2.53

Greatest Detractors	Return %	Contribution to Return %
Scotts Miracle-Gro Company Class A	-23.42	-0.60
EnerSys	-23.66	-0.46
CMC Materials, Inc.	-18.25	-0.44
Advanced Energy Industries, Inc.	-22.05	-0.41
Timken Company	-18.49	-0.40
Total		-2.31

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.



Quarterly Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-1.90	-2.99	1.09
Currency Contribution	0.00	0.00	0.00
Total Return	-1.90	-2.99	1.09

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
Health Care	15.80	11.22	4.58	2.13	-6.67	8.80	0.35	-0.76	-0.09	1.29	1.19
Information Technology	20.93	5.45	15.48	-0.38	-4.67	4.29	-0.05	-0.24	-0.25	0.89	0.64
Communication Services	0.00	4.08	-4.08	0.00	-16.10	16.10	0.00	-0.76	0.62	0.00	0.62
Consumer Discretionary	5.10	8.22	-3.12	-4.39	-8.38	3.99	-0.22	-0.70	0.17	0.21	0.39
Consumer Staples	3.25	2.80	0.45	6.52	-4.45	10.97	0.19	-0.13	0.01	0.33	0.34
Financials	19.24	25.73	-6.49	4.20	1.99	2.21	0.78	0.53	-0.30	0.40	0.10
Utilities	0.00	4.84	-4.84	0.00	-4.29	4.29	0.00	-0.21	0.09	0.00	0.09
Real Estate	4.91	11.52	-6.61	-0.30	-0.98	0.68	-0.02	-0.12	-0.12	0.03	-0.08
Materials	3.71	4.82	-1.11	-18.93	-4.83	-14.10	-0.79	-0.24	0.04	-0.60	-0.56
Industrials	23.76	15.13	8.63	-6.50	-3.49	-3.01	-1.59	-0.53	-0.03	-0.74	-0.77
Energy	2.01	6.19	-4.18	-22.89	2.91	-25.80	-0.56	0.16	-0.35	-0.54	-0.89
Cash	1.30	0.00	1.30	0.01	0.00	0.01	0.00	0.00	0.03	0.00	0.03
Total	100.00	100.00	0.00	-1.90	-2.99	1.09	-1.90	-2.99	-0.18	1.27	1.09

Trailing 1 Year Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	43.56	63.91	-20.35
Currency Contribution	0.00	0.00	0.00
Total Return	43.56	63.91	-20.35

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
Utilities	0.00	4.35	-4.35	0.00	18.32	-18.32	0.00	1.19	1.30	0.00	1.30
Consumer Staples	3.97	3.29	0.68	99.56	42.65	56.91	3.15	1.74	-0.41	1.15	0.75
Financials	17.82	26.84	-9.02	73.66	68.61	5.05	11.25	18.97	-0.61	0.54	-0.08
Real Estate	4.69	9.48	-4.79	39.58	49.33	-9.75	1.72	4.43	0.23	-0.68	-0.45
Communication Services	0.00	3.00	-3.00	0.00	121.23	-121.23	0.00	2.16	-1.04	0.00	-1.04
Health Care	14.01	7.72	6.29	41.18	38.88	2.30	5.16	2.39	-1.00	-0.14	-1.14
Materials	4.24	5.80	-1.56	11.64	80.65	-69.01	0.88	4.71	-0.43	-2.60	-3.03
Energy	2.15	5.04	-2.89	38.81	156.24	-117.43	0.85	4.95	-1.51	-1.73	-3.24
Information Technology	22.60	5.71	16.89	44.94	64.88	-19.94	11.61	3.94	0.38	-3.80	-3.42
Industrials	22.83	16.57	6.26	37.87	55.28	-17.41	8.70	10.14	-0.60	-3.09	-3.70
Consumer Discretionary	5.24	12.20	-6.96	5.66	69.32	-63.66	0.26	9.30	-0.70	-3.28	-3.98
Cash	2.45	0.00	2.45	0.05	0.00	0.05	0.00	0.00	-2.32	0.00	-2.32
Total	100.00	100.00	0.00	43.56	63.91	-20.35	43.56	63.91	-6.70	-13.64	-20.34

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

Disclosures

Shares of the Harbor Small Cap Value Fund are unavailable to new investors as of June 1, 2021. The Fund continues to accept investments from existing shareholders and allows exchanges from other Harbor Funds as long as the exchanging shareholder has an existing Harbor Small Cap Value Fund account.

The Russell 2000[®] Value Index is an unmanaged index representing the smallest 2000 stocks with the lowest price-to-book ratio and future earnings. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 2000[®] Value 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 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.

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.

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 Small 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.