

# Harbor Long-Term Growers ETF

Jennison Associates LLC

Subadviser Since 02/02/2022

## Fund Facts

<b>Ticker:</b>	WINN
<b>CUSIP:</b>	41151J406
<b>Net Expense Ratio:</b>	0.57%
<b>Gross Expense Ratio:</b>	0.57%
<b>Total Net Assets:</b>	\$53.41M
<b>Benchmark Name:</b>	Russell 1000® Growth Index

## Portfolio Managers



Kathleen A. McCarragher



Blair A. Boyer



Natasha Kuhikin, CFA



Jason McManus

## Investment Philosophy

The Harbor Long-Term Growers ETF (WINN) seeks long-term growth of capital. The Fund invests primarily in equity securities of U.S. companies that the investment team believes will deliver superior long-term growth in revenues and earnings. This strategy employs a proprietary combination of bottom-up, fundamental research and systematic portfolio construction to derive a portfolio of growth stocks that reflects a compelling combination of opportunity, valuation and risk.

The investment team's fundamental research seeks to identify large- and mid- capitalization companies that have superior prospects for long-term growth. The investment team uses systematic portfolio construction to achieve characteristics and risk exposures consistent with the ETF's objectives. Portfolio optimization tools are employed to incorporate the investment team's fundamental growth insights, considering diversification and liquidity risk.

## CHARACTERISTICS & ALLOCATION

As of 06/30/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	76	520	Information Technology	37.40	43.54
Wtd Avg Market Cap (\$Mil)	783,191.30	730,857.00	Consumer Discretionary	27.55	15.45
Med Cap - # Stocks (\$Mil)	72,018.00	14,183.00	Health Care	12.42	12.35
Price/Book Ratio	11.80	11.68	Communication Services	9.86	8.12
Adjusted Trailing P/E Ratio	27.80	26.80	Consumer Staples	3.92	5.84
% EPS Growth - Past 3 Yr	23.00	23.20	Financials	2.93	2.92
Return on Equity (%)	30.25	32.07	Real Estate	1.78	1.77
Forecasted P/E Ratio	27.70	24.30	Energy	1.62	1.47
Proj. Earnings Growth Rate (%)	21.90	16.90	Industrials	1.18	7.04
			Materials	0.00	1.39
			Utilities	0.00	0.04

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Microsoft Corporation	11.36	10.89	Software	16.11	17.10
Apple Inc.	10.91	11.84	Tech Hardware Storage	10.91	12.06
Alphabet Inc. Class A	7.41	3.23	Interactive Media	8.88	6.96
Tesla Inc	6.89	3.24	Internet & Direct Market	7.52	5.51
Amazon.com Inc.	6.60	5.35	Automobiles	6.89	3.29
NVIDIA Corporation	2.43	2.07	It Services	6.60	6.71
Eli Lilly and Company	2.39	1.26	Pharmaceuticals	5.09	2.30
Visa Inc. Class A	2.14	1.84	Textiles Apparel & Lux	4.51	0.92
LVMH Moet Hennessy Loui	1.84	0.00	Specialty Retail	3.98	2.70
Home Depot Inc.	1.69	0.93	Semiconductors	3.78	6.97
<b>Total</b>	<b>53.66</b>	<b>40.65</b>	<b>Total</b>	<b>74.27</b>	<b>64.52</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	96.37
	10.0B - 25.0B	3.63
Mid	5.0B - 10.0B	0.00
	1.0B - 5.0B	0.00
Small	0.0 - 1.0B	0.00



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### Performance

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Long-Term Growers ETF (NAV)	-25.57%	N/A	N/A	N/A	N/A	N/A	-26.76%	02/02/22
Harbor Long-Term Growers ETF (Market)	-26.00%	N/A	N/A	N/A	N/A	N/A	-26.92%	02/02/22
Russell 1000 <sup>®</sup> Growth Index	-20.92%	N/A	N/A	N/A	N/A	N/A	-22.45%	02/02/22

## MANAGER COMMENTARY

As of 06/30/2022

**“Investors remain concerned about the Fed’s willingness to take the measures necessary to combat inflation, despite the recently stepped-up magnitude and pace of rate increases and language communicating a whatever-it-takes approach.”**

Jennison Associates LLC

### Market in Review

Stock prices continued to suffer in the second quarter from the war in Ukraine, unexpectedly high inflation, tightening monetary policy, and ongoing COVID-19 lockdowns in China. This has led to one of the largest selloffs in a three-month period since the global financial crisis nearly 15 years ago. Recent events have also started to weigh on global GDP growth. Lower-income households have been hit hardest, with inflation rapidly consuming pandemic-driven savings and wages unable to keep pace. In response, the Federal Reserve’s (Fed’s) policy of tightening increased markedly, with the unusual move of a 0.75% interest rate hike during its June meeting, including indications that a further 0.75% hike might be necessary in July.

A U.S. recession is not inevitable, in our view, but the evidence for one continues to build. Companies across the Harbor Long-Term Growers ETF (“Fund”) are approaching their planning with the recognition that the intermediate-term outlook poses greater uncertainty today than when the year began. Adjustments in hiring plans and greater impact from foreign currency translations on reported profits are among the shifts that are affecting the full year financial outlook at this stage.

High-quality growth companies tend to attract greater investor attention during periods of slowing growth, given their relative resiliency to economic headwinds. For much of the past 40 years, disinflation was the common theme, with interest rates trending lower, particularly during economic slowdowns. In the current cycle, however, a spike in inflation has forced policymakers and the market to respond with sharply higher interest rates, pushing up the discount rate investors apply to the value of future cash flows for many of the growth companies that make up the Fund. As a result, the valuation of our Fund has adjusted significantly over the past several months, returning to pre-pandemic levels.

**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.**

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.



### Portfolio Performance

During the second quarter of 2022, the Harbor Long-Term Growers ETF returned -25.57% (by NAV) and -26.00% (by market price) underperforming its benchmark, the Russell 1000® Growth Index, which returned -20.92%.

All sectors posted negative returns for the period. Among the benchmark's largest sectors, Consumer Discretionary, Communication Services, and Information Technology underperformed, while Health Care outperformed the benchmark.

Stock selection in the Fund's Information Technology, Communication Services, and Consumer Discretionary sectors, along with an overweight allocation to Consumer Discretionary detracted the most from relative returns. Stock selection in the Health Care sector modestly benefited results.

### Contributors & Detractors

Tesla had lower delivery performance due to the temporary shutdown of its Shanghai facility, as well as investor concern about Elon Musk's activities. However, we continue to expect full year deliveries for 2022 to be approximately 1.5 million—more than 50% above 2021.

Amazon underperformed during the quarter due to concerns about a tougher consumer environment and the company's focus on operations, with respect to inventory, delivery speed, and economics.

Eli Lilly rose in the quarter, benefiting from the relative defensiveness of Health Care and the approval of its diabetes drug in the United States.

American Tower posted a positive return in the period, despite a significant decline in markets, due to the relative stability of the company's revenue stream and high cash returns.

### Buys & Sells

Vertex Pharmaceuticals was added to the Fund in the quarter, due to the combination of the company's prominent and profitable leadership position in the treatment of rare diseases, as well as the growth opportunity presented by drugs-in-development for the treatment of diabetes and pain.

We sold our position in Okta to consolidate our SaaS (software-as-a-service) exposure in larger, more established holdings.

### Outlook

Over the past year, the investment backdrop has transformed from stimulus and spending to inflation and tightening financial conditions, with the need to control inflation moving aggressively to the fore. Investors remain concerned about the Fed's willingness to take the measures necessary to combat inflation, despite the recently stepped-up magnitude and pace of rate increases and language communicating a whatever-it-takes approach. The uncomfortable reality for investors and policymakers is that the primary sources of elevated headline inflation this year are supply driven—tied directly to the war in Ukraine and related sanctions on Russia—which challenge the effectiveness of monetary policy as a tool for addressing the problem. Meanwhile, an intensifying slowdown in global economic activity and rising concerns about recession in many countries will take hold as the second half of the year unfolds. Within that environment, the Fed's task of bringing inflation back to its 2% target, without undermining the robust employment outlook and precipitating a recession, underscores current uncertainty around the macro outlook.

Through our bottom-up research and analysis, we continue to hold companies that, in our view, are best placed to withstand the slowdown with unique products and services that address demands in growing markets with innovation and agility. The companies' strong balance sheets and financial flexibility should allow them to gain market share from weaker competitors while continuing to invest for future growth throughout the period.

We remain optimistic about the prospects for our holdings over our multi-year investment time horizon while acknowledging the challenges of today's complex investment landscape. We firmly believe these holdings continue to embody the superior growth potential that has rewarded our clients over our long history.

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.

### Risks

Investing involves risk, principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. Harbor ETFs are new and have limited operating history to judge. 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.

### Benchmarks

The Russell 1000<sup>®</sup> Growth Index is an unmanaged index generally representative of the U.S. market for larger capitalization growth stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000<sup>®</sup> Growth Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

### Disclosures

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.

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.

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.

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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.**

**Jennison Associates LLC is an independent subadvisor to the Harbor Long-Term Growers ETF.**

**Forside Fund Services, LLC is the Distributor of the Harbor ETFs.**