HARBOR ALPHAEDGE NEXT GENERATION REITS ETF

Harbor Capital Advisors, Inc

Advisor Since 09/04/2024

Ticker:	AREA
CUSIP:	41151J760
Net Expense Ratio:	0.50%
Gross Expense Ratio:	0.50%
Total Net Assets:	$1,856,358
Benchmark Name:	Harbor AlphaEdge Next Generation REIT Index

Portfolio Managers


Steve Cook


Jim Erceg

Investment Philosophy

The Harbor AlphaEdge Next Generation REITs ETF (AREA) employs an enhanced indexing investment approach that seeks to track the performance of the Harbor AlphaEdge Next Generation REITs Index. The Index is designed to provide exposure to “Next Generation REITs” believed to be well positioned to benefit from secular tailwinds while eliminating exposure to property types facing cyclical headwinds.

CHARACTERISTICS & ALLOCATION

As of 03/31/2025

Portfolio Characteristics

	Portfolio	Benchmark
Number of Holdings	43	43
Wtd Avg Market Cap ($Mil)	19,811.80	19,819.90
Median Market Cap ($Mil)	4,141.00	4,141.00
Price/Book Ratio	2.19	2.19
Adjusted Trailing P/E Ratio	32.50	32.50
% EPS Growth - Past 3 Yr	6.70	6.70
Est 3-5 Yr EPS Growth Rate (%)	3.30	3.30
Return on Equity (%)	6.02	6.02
Forecasted P/E Ratio	26.70	26.70

Top 10 Holdings

	Portfolio %	Benchmark %
Lamar Advertising Company	6.65	6.65
Weyerhaeuser Company	6.65	6.67
Rayonier Inc.	5.92	5.93
EPR Properties	5.82	5.82
SBA Communications Corp	5.74	5.78
American Tower Corporation	5.54	5.55
Host Hotels & Resorts Inc.	5.03	5.03
DiamondRock Hospitality Co.	4.68	4.71
Healthcare Realty Trust Inc.	4.52	4.51
Public Storage	4.08	4.08
Total	**54.63**	**54.73**

RBICS Subindustries

	Portfolio %	Benchmark %
Specialized Reits	57.24	57.35
Health Care Reits	23.99	23.98
Hotel & Resort Reits	14.88	14.89
Residential Reits	3.75	3.78
Total	**99.86**	**100.00**

Market Capitalization

		Portfolio %
Large	Above 25.0B	22.72
	10.0B - 25.0B	27.75
Mid	5.0B - 10.0B	12.67
	1.0B - 5.0B	32.75
Small	0.0 - 1.0B	3.95

Harbor AlphaEdge Next Generation REITs ETF

PERFORMANCE

As of 03/31/2025

Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor AlphaEdge Next Generation REITs ETF (NAV)	0.54%	0.54%	N/A	N/A	N/A	N/A	-5.64%	09/04/2024
Harbor AlphaEdge Next Generation REITs ETF (Market)	0.65%	0.65%	N/A	N/A	N/A	N/A	-5.59%	09/04/2024
Harbor AlphaEdge Next Generation REIT Index	0.72%	0.72%	N/A	N/A	N/A	N/A	-5.35%	09/04/2024
FTSE NAREIT All Equity REITS Total Return Index	2.75%	2.75%	N/A	N/A	N/A	N/A	-2.95%	09/04/2024

MANAGER COMMENTARY

As of 03/31/2025

“As our base case, we expect risk assets to experience continued positive returns in the coming quarters, with economic growth remaining resilient.”
Harbor Multi-Assets Solutions Team

Market in Review

The first quarter of 2025 saw a return of volatility to financial markets, which resulted in mixed investment results across risk assets. Following the S&P 500 Index’s new all-time high midway through the quarter, those gains reversed, and the index posted its worst quarterly performance relative to the MSCI World ex-US Index in 16 years. U.S. equities experienced a sharp correction, as valuations that had become extended were coupled with investors’ new focus on the administration’s policy agenda and the resulting negative, near-term impact on economic growth and inflation.

The S&P 500 Index returned –4.3% during the quarter — its worst quarterly performance since the third quarter of 2023 — and the Russell 1000® Index returned –4.5%. Small caps continued to lag their larger peers with the Russell 2000® Index returning –9.5%. Investors’ concerns about a potential economic slowdown, in addition to uncertainty around the new administration’s economic policies, dampened consumer confidence and investor sentiment and weighed on investment returns. The quarter was marked by a reversal in market leadership within global equities, as international equities outperformed domestic equities, while U.S. Information Technology stocks, particularly the Magnificent 7, underperformed the broader equity market. Questions surrounding “American exceptionalism” and concerns about the impact of DeepSeek’s cost-efficient artificial intelligence (“AI”) model led investors to question the profitability driving the significant investment spending behind AI. A rotation away from U.S.-centric technology leadership took place during the quarter, with growth opportunities broadening internationally. Sentiment toward non-U.S. equities reached a low point, highlighted by the extreme valuation discount versus domestic equities.

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.

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.

Harbor AlphaEdge Next Generation REITs ETF

MANAGER COMMENTARY

As of 03/31/2025

Portfolio Performance

During the first quarter, the Harbor AlphaEdge Next Gen REITS ETF ("ETF") returned 0.54% (NAV), underperforming the Harbor AlphaEdge Next Gen REITS Index, which returned 0.72%, and underperforming its benchmark, the FTSE NAREIT All Equity REITS Total Return Index, which returned 2.75%.

The ETF underperformed the benchmark as the overweight positioning versus the benchmark within the hotel and resort REITs was a drag on returns, as concerns surrounding the outlook for the economy, particularly travel, weighed on overall returns. The underweight position versus the benchmark within the telecommunications tower REIT property types also detracted from performance as the property type significantly outperformed the index on continued growing demand by the major carriers. The ETF's underweight position to data center REITs contributed positively to relative performance, as this REIT type underperformed along with the broader artificial intelligence ("AI") ecosystem on concerns around the timeline for profitability, given the significant investments currently being made behind AI technology.

Outlook

Harbor's Business Cycle Regime indicator continues to signal late-cycle conditions with market sentiment remaining in risk-seeking mode at the end of the first quarter. The presidential election catalyzed an increase in consumer and business sentiment, with hopes of imminent tax cuts and deregulation driving expectations for forward growth higher. Despite the new administration's stimulative policies, there were other factors, such as slowing immigration, unclear trade policies, and a focus on reducing government spending from elevated levels, which are acting as headwinds to economic growth. Outside the U.S., pro-growth policy changes have come out of Europe, particularly Germany, where policymakers have relaxed their self-imposed "debt brake" to allow themselves the leeway to make needed investments in areas such as defense. Following 100 basis points of interest rate cuts in 2024, the U.S. Federal Reserve ("Fed") meeting in December acknowledged that interest rate cuts would not be a given at upcoming meetings, reflecting the uncertainty around both the effects of the policies of the new administration and the terminal rate in this cycle. Fiscal policy and tariff decisions will be key determinants on whether the Fed will deliver on the two rate cuts that have been priced into the market. Inflationary pressures within the economy have continued to decelerate, with Services (Ex-Shelter) the only subsector that is meaningfully above its pre-COVID trend. Higher tariffs pose an upside risk to inflation, and we remain focused on changes in tariff policy and their effects on growth and inflation. As our base case, we expect risk assets to experience continued positive returns in the coming quarters, with economic growth remaining resilient.

Harbor AlphaEdge Next Generation REITs ETF

QUARTERLY ATTRIBUTION

As of 03/31/2025

Best & Worst Performers

Best Performers	Average Weight %	Return % (NAV)
EPR PROPERTIES	4.07	20.86
AMERICAN TOWER CORP	5.92	18.64
VENTAS INC	2.09	17.58
CROWN CASTLE INC	0.70	16.58
VICI PROPERTIES INC	3.35	13.18

Worst Performers	Average Weight %	Return % (NAV)
PEBBLEBROOK HOTEL TRUST	0.32	-25.17
PARK HOTELS & RESORTS INC	1.54	-22.32
SUMMIT HOTEL PROPERTIES INC	0.58	-20.05
XENIA HOTELS & RESORTS INC	0.24	-19.92
SUNSTONE HOTEL INVESTORS INC	0.24	-19.76

Contributors & Detractors

Greatest Contributors	Return % (NAV)	Contribution to Return %
AMERICAN TOWER CORP	18.64	0.93
EPR PROPERTIES	20.86	0.79
SBA COMMUNICATIONS CORP	8.51	0.51
RAYONIER INC	7.87	0.43
VICI PROPERTIES INC	13.18	0.42
Total		3.08

Greatest Detractors	Return % (NAV)	Contribution to Return %
HOST HOTELS & RESORTS INC	-17.75	-1.04
DIAMONDROCK HOSPITALITY CO	-13.61	-0.69
IRON MOUNTAIN INC	-17.42	-0.50
PARK HOTELS & RESORTS INC	-22.32	-0.39
LAMAR ADVERTISING CO-A	-5.24	-0.37
Total		-2.98

Harbor AlphaEdge Next Generation REITs ETF

IMPORTANT INFORMATION

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.

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. Fund is exposed to real estate risks, including economic conditions, intense competition, and geographic concentration, which can affect property values and investment returns. Investments in REITs are subject to property value changes, management dependency, cash flow issues, and regulatory risks. REITs may also be more volatile and less liquid than other securities. 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 economic, political or regulatory occurrence than a more diversified portfolio. The Fund may not perfectly track its Index due to differences in securities held, transaction costs, or uninvested cash. Legal or regulatory constraints can also affect tracking accuracy, particularly during volatile markets. The Fund tracks the Index without using defensive strategies, which can lead to underperformance during market downturns or unusual conditions. Errors or flaws in the Index's methodology or data may have adverse impact the Fund's performance.

Benchmarks

The Harbor AlphaEdge Next-Generation REITs Index is comprised of equity securities of US-listed Real Estate Investment Trusts (REITs) that primarily own real estate for use outside of the traditional REIT property types. The index is constructed using a proprietary rules-based stock selection model developed by the Index Sponsor and weighted using an optimization approach.

The FTSE NAREIT All Equity REITs Index is a free-float adjusted market capitalization-weighted index that includes all tax qualified REITs listed in the NYSE, AMEX, and NASDAQ National Market.

Disclosures

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expense.

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.

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.

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.

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

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IMPORTANT INFORMATION

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

A basis point is one hundredth of 1 percentage point.

Median Market Cap: The median size of the companies in a portfolio or index as measured by the market value of outstanding shares.

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

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share.

% EPS Growth - Past 3 Year: Earnings per share refers to the bottom-line measure of a company’s profitability defined as net income divided by the number of outstanding shares.

The Est 3-5 Yr EPS Growth (%) is the estimated growth of earnings per share over the next 3-5 years, using pre-calculated mean long-term EPS growth rate estimates, which are calculated using each individual broker’s methodology, from FactSet, First Call, I/B/E/S Consensus, and Reuters. Forward looking estimates may not come to pass.

The Adjusted Trailing P/E (price-to-earnings) Ratio is the closing stock price divided by the sum of the last 12 months actual EPS.

Forecasted P/E Ratio: a measure of the P/E (price-to-earnings) ratio using forecasted earnings for the P/E calculation.

Return on Equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

The Price/Book (price-to-book) Ratio evaluates a firm's market value relative to its book value.

All P/E, ROE and P/B statistics are calculated as weighted medians.