

Harbor Mid Cap Value Fund

LSV Asset Management

Subadvisor Since 09/30/2004

Total Net Assets - All Classes \$308,441,334
Equity Assets: 99.19%
Cash & Other Assets Less Liabilities: 0.81%
Benchmark Name: Russell Midcap® Value Index

Portfolio Managers



Josef Lakonishok, Ph.D.



Menno Vermeulen, CFA



Puneet Mansharamani,
CFA



Greg Sleight



Guy Lakonishok, CFA

Investment Philosophy

The Fund invests primarily in equity securities, common stocks, of mid cap companies that the portfolio manager believes are undervalued in the marketplace at the time of purchase. The portfolio manager's investment strategy uses a quantitative model to evaluate and recommend companies based on the following indicators: fundamental undervaluation, such as low price-to-cash flow ratio or low price-to-earnings ratio, past negative market sentiment, recent momentum, such as high recent stock price performance and control of incremental risk relative to the benchmark index.

CHARACTERISTICS & ALLOCATION

As of 12/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	154	699	Financials	20.12	18.18
Wtd Avg Market Cap (\$Mil)	12,988.20	19,836.00	Consumer Discretionary	14.64	9.83
Med Cap - # Stocks (\$Mil)	6,673.00	8,591.00	Industrials	12.18	15.60
Price/Book Ratio	1.77	2.30	Information Technology	11.00	8.83
Adjusted Trailing P/E Ratio	9.60	19.30	Materials	8.61	7.61
% EPS Growth - Past 3 Yr	18.40	14.80	Consumer Staples	8.11	4.09
Return on Equity (%)	20.44	12.83	Health Care	7.21	7.44
Beta vs. Fund Benchmark	1.12		Real Estate	6.07	10.61
Forecasted P/E Ratio	9.20	17.20	Energy	4.79	5.47
			Utilities	3.99	9.14
			Communication Services	2.47	3.12

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Hartford Financial Serv	1.54	0.40	Insurance	7.36	6.91
AGCO Corporation	1.47	0.12	Equity REITS	6.07	10.10
Jazz Pharmaceuticals Pu	1.39	0.16	Machinery	5.83	5.46
Cummins Inc.	1.38	0.56	Electronic Equipment	5.08	1.78
Ameriprise Financial In	1.32	0.20	Oil Gas & Consumables	4.79	4.56
Owens Corning	1.31	0.13	Banks	4.67	4.56
Snap-on Incorporated	1.31	0.20	Specialty Retail	4.58	2.11
Aflac Incorporated	1.30	0.73	Containers & Packaging	3.92	1.49
HP Inc.	1.29	0.24	Chemicals	3.74	3.98
Kroger Co.	1.27	0.48	Household Durables	3.71	1.50
Total	13.58	3.22	Total	49.75	42.45

Market Capitalization		
		Portfolio %
Large	Above 25.0B	15.06
	10.0B - 25.0B	25.70
Mid	5.0B - 10.0B	32.02
	1.0B - 5.0B	23.50
Small	0.0 - 1.0B	3.72



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	HAMVX	411511835	13.91%	-5.55%	-5.55%	5.71%	3.63%	9.47%	7.36%	03/01/02	0.85	0.89
Administrative Investor	HRMVX	411511728	13.81%	-5.84%	-5.84%	5.43%	3.36%	9.19%	8.36%	11/01/02	1.10	1.14
Investor	HIMVX	411511736	13.81%	-5.90%	-5.90%	5.31%	3.25%	9.07%	8.24%	11/01/02	1.21	1.25
Retirement	HNMVX	411512460	13.92%	-5.50%	-5.50%	5.78%	3.71%	9.52%	7.39%	03/01/16	0.77	0.81
Russell Midcap® Value Index			10.45%	-12.03%	-12.03%	5.82%	5.72%	10.11%	9.26%	03/01/02		

MANAGER COMMENTARY

As of 12/31/2022

“All but two of the 11 broad S&P 500 sectors posted gains for the quarter with Energy, Materials, and Industrials leading the way.”

LSV Asset Management

Market in Review

U.S. equities closed out a tumultuous year—characterized by geopolitical tensions, inflation fears, and hawkish monetary policy—with gains in the fourth quarter. Improved inflation data and favorable corporate earnings results lifted investor hopes that the Federal Reserve (“Fed”) may ease the pace of interest rate hikes in 2023. The S&P 500 was up 7.56% for the quarter. All but two of the 11 broad S&P 500 sectors posted gains for the quarter with Energy, Materials, and Industrials leading the way. Consumer Discretionary, Communication Services, Real Estate, and Information Technology stocks lagged. As measured by Russell indexes, small-cap stocks underperformed large-caps and value stocks outperformed growth across all market-cap segments.

On the economic front, the CPI came in at 7.1% year over year in November, below consensus estimates and down from the June peak of 9.1%. Economic results generally supported a slowdown in the Fed’s rate-hiking cycle, as data released over the quarter was broadly weaker. Forward-looking business activity, as measured by Purchasing Managers’ Index (PMI) data, remains in contraction territory while unemployment claims rose to the highest point in three months. The housing market also continues to show signs of meaningful deterioration. On the positive side, unemployment remains near all-time lows, while real GDP reversed course over the third quarter, expanding at a 3.2% annualized rate.

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 02/28/2023.

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 fourth quarter of 2022, the Harbor Mid Cap Value Fund (Institutional Class, "Fund") returned 13.91%, outperforming its benchmark, the Russell Midcap[®] Value Index, which returned 10.45%. Among mid-cap stocks, value outperformed growth. The strong performance of value stocks had a positive impact on relative results in the quarter given the Fund's deep value bias.

We take limited sector and industry bets and look to add value primarily from bottom-up stock selection. During the fourth quarter, good stock selection drove the Fund's outperformance, although sector selection also added value. The Fund benefited from an underweight to Real Estate, which lagged in the quarter. Stock selection added value across several sectors including Information Technology, Real Estate, Consumer Discretionary, and Industrials. At the industry level, strong stock selection among regional banks, insurance companies, and pharmaceuticals added value. Our underweight to Residential REITs also added value.

Contributors & Detractors

In general, industrial stocks were among the big winners in the fourth quarter as the reopening of China and the expectation of increased federal spending on infrastructure projects helped boost stocks in the sector. AGCO, an agricultural machinery manufacturer, was up more than 44.49% as demand remained high for agricultural equipment and supply-chain issues that plagued the industry have largely abated. Atkore, which manufactures safety and infrastructure products, was up 45.77%. The company reported better-than-expected results for the third quarter, and it is expected to be a beneficiary of increased infrastructure spending.

While no individual sector accounted for significant underperformance, several individual stocks performed poorly. NRG Energy in the Utilities sector returned -16.20% in a strong up market. NRG announced a significant acquisition, which was not well received by investors and analysts, many of whom slashed estimates. We continue to hold the stock given its attractive valuation and recent history of stock buybacks. In Financials, Lincoln National also struggled in the quarter. The stock returned -29.38% after reporting weak third-quarter earnings, which led to downgrades by analysts. We continue to hold Lincoln National in the Fund.

Buys & Sells

The Fund recently acquired Bloomin' Brands, a casual dining company in the Consumer Discretionary sector. Bloomin' Brands became a candidate for purchase given its attractive forward cash flow and earnings measures, which have the most weight in the stock ranking procedure. The company is returning cash to shareholders in the form of dividends and share repurchases. Long-term past performance of the stock has been relatively poor, which is a positive signal in our model. In addition, recent price momentum for the stock has been strong, also a positive signal.

We sold our position in Iron Mountain, a specialized real estate investment trust (REIT). The stock, which we initially purchased in 2020, has done well but has become less attractive on several valuation metrics, particularly funds from operations and cash flow metrics. Long-term performance has been strong, which is a negative signal in our model. While recent price momentum has been strong, measures of operating momentum have deteriorated, also weighing on the stock's ranking.



Outlook

While value stocks have staged a comeback over the past two years, we continue to find many attractive stocks that meet our investment criteria and are able to build portfolios that are trading at significant discounts to the value benchmarks. While value stocks somewhat helped mitigate portfolios in the down market this year, when we look at the overall market, growth stocks continue to trade at a premium to their long-term averages. The combination of the relative-valuation spreads between growth and value stocks and the attractive absolute and relative valuation of the Fund we believe should bode well for performance going forward.

QUARTERLY ATTRIBUTION

As of 12/31/2022

Best & Worst Performers

Best Performers	Average Weight %	Return %
Universal Health Services Inc. Class B	0.42	60.02
Capri Holdings Limited	0.28	49.12
Atkore Inc	0.83	45.77
AGCO Corporation	1.30	44.49
Amkor Technology Inc.	1.02	41.03

Worst Performers	Average Weight %	Return %
Lincoln National Corp	0.46	-29.38
NRG Energy Inc.	1.09	-16.20
H&R Block Inc.	0.75	-13.59
Piedmont Office Realty Trust Inc. Class A	0.44	-11.34
Ally Financial Inc	1.01	-11.19

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
AGCO Corporation	44.49	0.47
Hartford Financial Services Group Inc.	23.11	0.36
Ameriprise Financial Inc.	24.08	0.32
Amkor Technology Inc.	41.03	0.32
Aflac Incorporated	28.74	0.30
Total		1.77

Greatest Detractors	Return %	Contribution to Return %
NRG Energy Inc.	-16.20	-0.15
Lincoln National Corp	-29.38	-0.14
H&R Block Inc.	-13.59	-0.12
Ally Financial Inc	-11.19	-0.11
DaVita Inc.	-9.79	-0.08
Total		-0.60

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 Mid Cap Value Fund vs Russell Midcap® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	14.04	10.45	3.59
Currency Contribution	0.00	0.00	0.00
Total Return	14.04	10.45	3.59

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
Information Technology	11.08	8.94	2.14	15.27	5.74	9.53	1.64	0.53	-0.09	1.05	0.97
Real Estate	6.63	10.63	-4.00	9.03	2.96	6.07	0.67	0.35	0.30	0.45	0.75
Industrials	11.69	15.55	-3.86	22.08	14.30	7.78	2.39	2.15	-0.16	0.85	0.69
Consumer Discretionary	14.27	9.95	4.32	16.34	13.73	2.61	2.21	1.30	0.14	0.37	0.51
Financials	19.95	18.41	1.54	11.75	9.44	2.31	2.49	1.83	-0.01	0.48	0.47
Materials	8.40	7.64	0.76	18.83	13.96	4.87	1.48	1.04	0.02	0.40	0.42
Health Care	7.05	7.19	-0.14	17.47	13.45	4.02	1.22	0.91	-0.03	0.29	0.26
Consumer Staples	8.27	4.05	4.22	11.23	10.23	1.00	0.98	0.42	-0.02	0.09	0.07
Communication Services	2.49	3.22	-0.73	-0.99	2.11	-3.10	-0.02	0.08	0.06	-0.09	-0.02
Energy	5.37	5.61	-0.24	14.07	17.04	-2.97	0.84	0.94	0.00	-0.17	-0.17
Utilities	4.05	8.81	-4.76	2.67	10.82	-8.15	0.15	0.91	-0.03	-0.36	-0.39
Total	100.00	100.00	0.00	14.04	10.45	3.59	14.04	10.45	0.24	3.35	3.58

Trailing 1 Year Attribution:

Harbor Mid Cap Value Fund vs Russell Midcap® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-4.72	-12.02	7.30
Currency Contribution	0.00	0.00	0.00
Total Return	-4.72	-12.02	7.30

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
Industrials	11.69	14.63	-2.94	6.61	-11.00	17.61	0.83	-1.28	-0.15	1.96	1.81
Health Care	7.22	7.24	-0.02	14.07	-13.49	27.56	1.04	-0.83	0.00	1.77	1.77
Information Technology	10.93	9.60	1.33	-18.69	-26.92	8.23	-2.09	-2.89	-0.11	1.06	0.95
Consumer Staples	8.48	4.38	4.10	6.96	-0.56	7.52	0.57	-0.10	0.36	0.58	0.94
Communication Services	2.70	3.48	-0.78	-12.09	-32.11	20.02	-0.34	-1.33	0.24	0.62	0.86
Financials	20.13	17.36	2.77	-7.82	-11.69	3.87	-1.54	-1.72	-0.01	0.80	0.79
Consumer Discretionary	14.53	9.72	4.81	-14.13	-21.98	7.85	-2.11	-2.17	-0.60	1.33	0.74
Real Estate	7.28	11.33	-4.05	-23.66	-24.38	0.72	-1.96	-2.98	0.56	0.04	0.60
Materials	8.64	7.74	0.90	-4.57	-7.26	2.69	-0.47	-0.59	0.06	0.31	0.36
Utilities	3.55	8.30	-4.75	-3.84	2.58	-6.42	-0.26	0.04	-0.67	-0.28	-0.95
Energy	4.11	6.22	-2.11	69.55	52.60	16.95	1.61	1.82	-1.50	0.44	-1.06
Total	100.00	100.00	0.00	-4.72	-12.02	7.30	-4.72	-12.02	-1.31	8.62	7.31

Past performance is not a guarantee of future results.

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. 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. The factors used in quantitative analysis and the weight placed on those factors may not be predictive of a security's value. In addition, any model may contain flaws or the model may not perform as anticipated. 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® Value Index is an unmanaged index generally representative of the U.S. market for medium capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap® Value Index and Russell® 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.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share. EPS Growth Rate is calculated by subtracting the initial EPS from the final EPS and dividing the change in EPS by the initial EPS. The Adjusted Trailing P/E (Price/ 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 next4quarters 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.

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.

LSV Asset Management is an independent subadvisor to the Harbor Mid Cap Value Fund.

Distributed by Harbor Funds Distributors, Inc.

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.