Harbor Core Plus Fund

Income Research + Management

Subadvisor Since 02/02/2022

Total Net Assets – *All Classes*	$964,773,308
Fixed Income Assets:	98.47%
Cash & Other Assets Less Liabilities:	1.53%
Benchmark Name:	Bloomberg US Aggregate Bond Index

Portfolio Managers

William A. O'Malley, CFA

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Investment Philosophy

The Fund invests primarily in U.S. dollar-denominated fixed income securities. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in a diversified portfolio of fixed income instruments. Fixed income instruments include but are not limited to: obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities; corporate debt securities; municipal debt securities; U.S. dollar-denominated debt of foreign issuers; and securitized securities including mortgage-backed and asset-backed securities, which may also include non-agency mortgage-backed securities. These securities may have different types of interest rate payment and reset terms. The Subadviser's approach is grounded in detailed bottom-up research and emphasizes careful security selection.

CHARACTERISTICS & ALLOCATION

As of 12/31/2022

Portfolio Characteristics

	Portfolio	Benchmark
Number of Bonds	698	13,133
Avg. Market Coupon (%)	3.57	2.75
Wtd. Avg. Maturity (yrs)	8.77	8.44
Wtd. Avg. Duration (yrs)	6.13	6.17
Beta vs. Fund Benchmark	0.98	
Current 30-Day Yield %	4.72	
Current 30-Day Un-Sub Yield %	4.71	

Top 10 Issues

	Portfolio %
US TREASURY N/B 08/41 1	5.37
US TREASURY N/B 08/51 2	2.33
FNMA POOL FS0065 FN 12/	1.28
FED HM LN PC POOL ZT152	1.27
FNMA POOL FM4956 FN 08/	1.21
FNMA POOL FM5397 FN 12/	1.19
FED HM LN PC POOL RA528	1.16
FNMA POOL FM8217 FN 03/	1.15
FNMA POOL BV3088 FN 02/	1.08
FNMA POOL FM5547 FN 01/	1.07
Total	17.10

Maturity

	Portfolio %
0-1 yr	3.49
1-3 yr	15.22
3-5 yr	18.60
5-7 yr	11.86
7-10 yr	28.75
10-20 yr	13.82
20-30 yr	7.50
Over 30 yr	0.77

Duration

	Portfolio %
0-1 yr	7.57
1-3 yr	11.94
3-5 yr	29.68
5-7 yr	25.37
7-10 yr	10.30
10-20 yr	14.93
20-30 yr	0.15
Over 30 yr	0.06

Credit Quality

	Portfolio %
US Govt/Agency	11.98
AAA	40.49
AA	1.59
A	7.71
BBB	29.29
BB	4.40
B	0.35
CCC	1.05
CC	1.00
C	0.09
Below C	0.30
Non-Rated	1.46

CHARACTERISTICS & ALLOCATION

As of 12/31/2022

Sector	% of Market Value
Credit	**34.50**
Industrial	20.05
Finance	12.33
Utility	2.12
Non-corporate	0
Government	**12.72**
Treasury	12.52
SBA and Gov Guaranteed	0.20
Agency	0
Municipal	**0.92**
Revenue	0.48
Pre-Refund/ETM	0.35
GO	0.09
Securitized	**51.55**
Agency RMBS	26.21
ABS	11.07
CMBS	8.59

Sector (cont.)	% of Market Value
RMBS	5.10
Agency CMBS	0.59

PERFORMANCE

As of 12/31/2022

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	HABDX	411511108	1.74%	-13.22%	-13.22%	-2.08%	0.31%	1.30%	6.06%	12/29/87	0.38	0.39
Administrative	HRBDX	411511686	1.67%	-13.51%	-13.51%	-2.35%	0.06%	1.05%	3.63%	11/01/02	0.63	0.64
Retirement	HBFRX	411512189	1.66%	-13.01%	-13.01%	-1.95%	0.41%	1.35%	6.07%	06/01/18	0.30	0.31
Bloomberg US Aggregate Bond Index			1.87%	-13.01%	-13.01%	-2.71%	0.02%	1.06%	5.43%	12/29/87		

Retirement Class shares commenced operations on June 1, 2018. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to June 1, 2018 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.

Harbor Core Plus Fund - Quarterly Attribution – *As of 12/31/2022*

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference	Market Term Structure	Asset Allocation	Security Selection	Price and Intraday	Total
4Q 2022	**2.04**	**1.87**	**0.17**	**(0.03)**	**0.20**	**0.04**	**(0.04)**	**0.17**

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday	
Duration	0.01	Finance	0.05	Finance	(0.04)	Pricing	(0.01)
Shape	(0.01)	Industrial	0.13	Industrial	0.04	Intraday	(0.03)
Other	(0.03)	Utility	(0.00)	Utility	(0.01)		
		ABS	(0.11)	ABS	0.01		
		CMBS	(0.10)	CMBS	0.02		
		MBS	(0.05)	MBS	0.03		
		Agency	0.01	Agency	0.00		
		Municipal	0.00	Municipal	(0.01)		
		Non-Corp	(0.01)	Non-Corp	0.00		
		Treasury	0.29	Treasury	0.00		
		Other	(0.01)	Other	0.00		

What Worked

- The Harbor Core Plus Fund portfolio outperformed the Bloomberg Aggregate Index in the 4th quarter.
- Security selection within Agency RMBS and Industria aided performance.
- The portfolio's underweight to Treasury and overweight to Industrial contributed to relative returns.
- Top performers: two Agency RMBS security, and APTV.

What Didn't Work

- Security selection within Finance slightly detracted from performance.
- The portfolio's overweight to CMBS and ABS also detracted from relative returns.
- Bottom performers: OXY, CVSPAS, and BDN.

Source: Bloomberg
Due to rounding totals may not sum to 100.
Past performance is not a guarantee of future results.

"The Fed, through tighter monetary policy, appears to have curbed inflation's ascent, but the question remains, at what cost to the broader economy?"

Income Research + Management

Market in Review

A firmer market tone supported risk assets during the fourth quarter of 2022, as familiar fears of persistent inflation and an impending recession eased. The U.S. Federal Reserve ("Fed") continued its effort to tame inflation through tighter monetary conditions by hiking the federal funds target range by 1.25% to 4.25%–4.50%—the fastest hiking cycle on record. Inflationary pressures decreased further, as the Fed hoped, but remained well above the long-term target. The Consumer Price Index rose just 7.1% year over year in November—compared to expectations of 7.3%—and was down from 9.1% in June, but still far from the desired 2% growth rate. Although the Fed suggested the pace of increases may slow, Fed Chair Jerome Powell mentioned there was still "a long ways to go to get back to price stability." This was evident in the December "DOT plot" (illustrating the outlook for the fed funds rate), which shows Federal Open Market Committee members expect a terminal rate of 5% in 2023, before falling below 4.25% in 2024. Investors questioned the Fed's resolve in keeping rates elevated for too long, given inflation's current trajectory—the market is expecting rate cuts to begin in mid-2023. The hawkish rhetoric pushed front-end rates higher, with some Treasury Bill yields increasing by over 1.00% during the quarter. However, economic data releases showed the U.S. economy remained resilient—third-quarter GDP rose 2.6% year over year, and initial jobless claims were generally below estimates; however, manufacturing data and spending began to lose steam.

We believe our bottom-up focus should allow us to take advantage of further weakness—and benefit if sentiment shifts.

Portfolio Performance

During the fourth quarter, the Harbor Core Plus Bond Fund (Institutional Class, "Fund") returned 1.74%, slightly underperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned 1.87%. The Fund's performance was driven primarily by our overweight to spread product and underweight to U.S. Treasuries. Total high-yield issuance for the year came in around $103 billion, well below issuance figures from the previous two years. High-yield spreads tightened by 0.83% during the fourth quarter, from 5.52% to 4.69%, and yields dropped by 0.72%, from 9.68% to 8.96%.

In the securitized market, performance was mixed as asset-backed securities ("ABS") and non-agency commercial mortgage-backed securities ("CMBS") underperformed, while agency mortgage-backed securities ("MBS") and agency CMBS outperformed. A lack of demand for less liquid sectors in October led to the underperformance that could not be offset by light, new issue activity and improved market sentiment in November and December. However, agency-backed sectors benefited from a slight reprieve from the elevated rate volatility experienced during the latter part of the third and early fourth quarters.

Security selection within Industrials and agency RMBS aided relative performance. On the negative side, security selection within Financials and non-agency RMBS detracted from relative returns.

Portfolio Positioning

We strive to remain duration and curve neutral to the benchmark

The Fund's overweight to the BAA and BA credit buckets and underweight to AAA securities aided relative performance. Additionally, security selection in BA and AAA securities contributed to positive relative performance.

The Fund's non-allocation to non-corporates detracted from relative returns.

We invest exclusively in U.S. dollar-denominated, fixed-income securities.

Contributors & Detractors

The largest contributors to Fund performance included two agency RMBS and Aptiv.

The largest detractors from Fund performance included Occidental Petroleum, a CVS pass-through security, and Brandywine Realty Trust.

Buys and Sells

We purchased Credit Suisse 9.016 2033s in the new issue market at 4.85%. While Credit Suisse has faced challenges, and execution risks remain high on a restructuring, it still has solid core businesses in the bank and asset/wealth management divisions, and it is going into a restructuring with solid underlying credit fundamentals.

We sold HESM 26s at +1.32%—opportunistically trimming tighter-trading, high-yield names that outperformed during the market rally. The spread on the HESM 26s tightened by nearly 1.00% since we purchased them earlier in the quarter.

Outlook

Going into 2023, the overall tone is one of caution and uncertainty, two sentiments that investors have become familiar with over the past few years. The Fed, through tighter monetary policy, appears to have curbed inflation's ascent, but the question remains, at what cost to the broader economy? Although the health of the consumer has been resilient so far, there are signs of deterioration with savings rates declining and credit card usage increasing. Corporate issuers were able to lock in low debt costs earlier this year, but those that need to access the capital markets in the future will need to do so at much higher rates. The timing of this need could coincide with lower earnings and a possible recession. At Income Research + Management, we remain steadfast and vigilant in our bottom-up approach, continuing to be highly selective when adding risk across Funds. Spreads are trading near longer-term averages, which may not be compensatory for the current environment, so the hurdle to add securities to Funds is high.

Risks

There is no guarantee that the investment objective of the Fund will be achieved. Fixed income investments are affected by interest rate changes and the creditworthiness of the issues held by the Fund. As interest rates rise, the values of fixed income securities held by the Fund are likely to decrease and reduce the value of the Fund's portfolio.

There may be a greater risk that the Fund could lose money due to prepayment and extension risks because the Fund invests, at times, in mortgage-related and/or asset backed securities.

Benchmarks

The Bloomberg US Aggregate Bond Index is an unmanaged index of investment-grade fixed-rate debt issues with maturities of at least one year. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

Disclosures

Effective on February 2, 2022, Income Research + Management ("IR+M") replaced Pacific Investment Management Company, LLC ("PIMCO") as investment subadvisor to Harbor Bond Fund (the "Fund"). In connection with this change, the Fund was renamed "Harbor Core Plus Fund" and its investment strategy changed to reflect IR+M's approach to managing the Fund's assets. Performance prior to that date is not attributable to IR+M.

All data except for top holdings, performance, and yields is provided by the subadvisor.

Current 30-Day Yields are for the Institutional Class and represent the average annualized income dividend over the last 30 days excluding gains and losses as defined by the SEC. Current 30-Day Yield is the Current 30-Day Subsidized SEC Yield and reflects reimbursements or waivers of fees currently in effect. Current 30-Day Yield-Unsub is the Current 30-Day Unsubsidized SEC Yield and does not reflect reimbursements or waivers of fees currently in effect.

Due to rounding, percentages may not sum to 100.

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 or call 800-422-1050. Read it carefully before investing.

Income Research + Management is an independent subadvisor to the Harbor Core Plus Fund.

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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.

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.

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