

Harbor Disruptive Innovation Fund

Harbor Capital Advisors, Inc.

Subadviser Since 09/01/2021

Total Net Assets - All Classes \$345,458,539
Equity Assets: 95.26%
Cash & Other Assets Less Liabilities: 4.74%
Benchmark Name: S&P 500 Index

Portfolio Managers



Spenser Lerner, CFA



Kristof Gleich, CFA

Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks of all cap companies. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in securities of U.S. domiciled companies. The Fund employs a multi-manager approach to achieve its investment objective. As the Fund's investment advisor, Harbor Capital Advisors, Inc. ("Harbor Capital") assumes responsibility of selecting and overseeing underlying managers for the Fund. Each underlying manager is responsible for submitting a model portfolio to Harbor Capital which the portfolio managers will implement in their discretion. The Fund seeks to invest in companies that are innovative and disruptive. The Fund defines innovation and disruption by those companies that are generating secular growth that growth is typically tied to accelerating shifts in the global economy. The Fund may invest up to 20% of its total assets in the securities of foreign issuers, including issuers located or doing business in emerging markets.

CHARACTERISTICS & ALLOCATION

As of 09/30/2021

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	96	505	Information Technology	41.71	27.65
Wtd Avg Market Cap (\$Mil)	263,205.50	564,349.60	Health Care	18.85	13.22
Med Cap - # Stocks (\$Mil)	26,128.00	30,579.00	Communication Services	14.81	11.29
Price/Book Ratio	14.48	7.49	Consumer Discretionary	12.96	12.36
Adjusted Trailing P/E Ratio	57.30	28.90	Industrials	3.59	7.99
% EPS Growth - Past 3 Yr	40.50	23.60	Materials	1.89	2.49
Return on Equity (%)	6.79	19.87	Real Estate	0.85	2.57
Forecasted P/E Ratio	54.10	25.30	Financials	0.39	11.38
Proj. Earnings Growth Rate (%)	17.30	16.10	Utilities	0.21	2.46
			Consumer Staples	0.00	5.76
			Energy	0.00	2.74

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Square, Inc. Class A	3.11	0.00	Software	15.09	9.27
Amazon.com, Inc.	3.11	3.92	It Services	14.30	4.91
DoorDash, Inc. Class A	2.98	0.00	Biotechnology	12.51	1.92
Microsoft Corporation	2.93	5.80	Semiconductors	10.93	5.57
Twilio, Inc. Class A	2.92	0.00	Internet & Direct Market	9.06	4.11
Sea Ltd. (Singapore) Sp	2.88	0.00	Interactive Media	7.62	6.72
Lam Research Corporatio	2.68	0.22	Entertainment	5.01	1.93
Twitter, Inc.	2.46	0.13	Health Care Equip	2.69	3.75
Facebook, Inc. Class A	2.43	2.21	Containers & Packaging	1.89	0.34
NVIDIA Corporation	2.37	1.41	Life Sciences Tools	1.89	1.39
Total	27.87	13.69	Total	80.99	39.91

Market Capitalization		
		Portfolio %
Large	Above 25.0B	72.30
	10.0B - 25.0B	7.82
Mid	5.0B - 10.0B	3.81
	1.0B - 5.0B	6.92
Small	0.0 - 1.0B	4.47



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	HAMGX	411511876	-2.78%	2.40%	20.77%	23.26%	23.65%	18.81%	7.98%	11/01/00	0.58	0.86
Administrative	HRMGX	411511793	-2.81%	2.21%	20.45%	22.95%	23.34%	18.50%	13.83%	11/01/02	0.83	1.11
Investor	HIMGX	411511785	-2.89%	2.17%	20.29%	22.79%	23.20%	18.36%	13.69%	11/01/02	0.94	1.22
Retirement	HNMGX	411512510	-2.76%	2.46%	20.84%	23.33%	23.75%	18.85%	8.00%	03/01/16	0.50	0.78
S&P 500 Index			0.58%	15.92%	30.00%	15.99%	16.90%	16.63%	7.49%	11/01/00		
Russell 3000® Growth Index			0.69%	13.49%	27.57%	21.27%	22.30%	19.40%	7.60%	11/01/00		
Russell Midcap® Growth Index			-0.76%	9.60%	30.45%	19.14%	19.27%	17.54%	7.98%	11/01/00		

MANAGER COMMENTARY

As of 09/30/2021

“We remain generally bullish on equities in this environment. However, we would highlight a recent contraction in our valuation spreads, which, on the margin, would be a more favorable backdrop for long-duration assets, such as growth.”

Harbor Capital Advisors, Inc.

Market in Review

The Harbor Disruptive Innovation Fund (“Fund”) went live at the beginning of September 2021. The most significant macro event during the month was the September 22nd Federal Open Market Committee (“FOMC”) meeting. The key takeaways from the meeting, from a market perspective, were Fed Chairman Powell’s statements concerning 1) the potential to begin tapering asset purchases by the end of the year and 2) the pull-forward of rate-hike expectations. Due to the shift in the dot plot, faster-than-expected pace of tapering, and waning Delta variant cases, yields backed up materially, leading to an internal rotation in the markets.

Portfolio Performance

In the third quarter of 2021, the Harbor Disruptive Innovation Fund (Institutional Class) returned -2.78%, underperforming its primary benchmark, the S&P 500 Index, which returned 0.58%, and its secondary benchmarks, the Russell 3000® Growth Index and the Russell Midcap® Growth Index, which returned 0.69% and -0.76%, respectively. Given that the Fund is invested in companies driving disruption in their respective markets, it has a growth tilt relative to the primary benchmark. There was a sharp rotation out of growth-oriented assets, after the FOMC meeting, in favor of more cyclical parts of the economy. Therefore, the allocation underweights to the Industrials, Financials, and Energy sectors detracted from relative performance. Additionally, the meaningful overweight and subpar stock selection in the Information Technology sector detracted from performance.

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.



Contributors & Detractors

Twillo was one of the biggest detractors from Fund performance. Twillo, a cloud-based, communications software company, continues to execute against its long-term strategic plans; however, it requires investment in the near term. The company guided revenue estimates ahead of consensus for the third quarter. However, operating and net profits will suffer due to increased investments. Additionally, new customer-addition numbers were below estimates for the second quarter, which was, otherwise, a strong quarter.

Rocket Pharmaceuticals, a platform-agnostic, clinical-stage, gene-therapy company, also detracted from Fund performance. Rocket underperformed over a disappointing quarter and month; we believe that an FDA lift of the clinical hold on the Danon Disease program would have provided more relief. Additionally, an adjacent safety issue for gene-therapy company Bluebird seemed to drag down the entire gene-therapy space. However, we are optimistic that Bluebird's problems appear to be isolated to their construct, as it uses an entirely different delivery mechanism from that which Rocket is using. Additionally, while the patient numbers are relatively small for their AAV gene therapy for Danon Disease, the curative potential for the drug, in a disease with such high fatality rates, should create a blockbuster opportunity for Rocket.

Bicycle Therapeutics was a positive contributor to Fund performance, in its best performing sector, Health Care. Momentum in the stock has been driven by its collaborator, Ionis Pharmaceuticals, which exercised an option that provided upfront capital and anticipation for key, upcoming readouts across three lead assets. The fourth quarter will be catalyst rich, with multiple, interim updates on three assets under investigation in a range of cancers.

Netflix was also a positive contributor to the Fund's performance in September. The company has seen new, high-quality content releases, during the quarter, of hit shows such as Money Heist, Virgin River, Never Have I Ever, etc., following weak, new content as a result of COVID-19. There are more content releases scheduled for the fourth quarter, such as Like You, the Witcher, etc. This content-refresh has resulted in higher engagement from the user.

Buys & Sells

During the quarter, we purchased SVB Financial Group, a bank focused on providing a full range of services to companies in the innovation economy. SVB continues to drive growth by diversifying its business model into health care & technology, investment banking & the wealth management business. It has grown to be a significant, entrenched player in the growing niche market of venture capital banking. Additionally, it is a big rate beneficiary (more so than a traditional bank), and this has recently provided a tailwind. SVB has also demonstrated an ability to grow revenue and earnings at a much faster pace than its peer banks, a trend which we expect to continue.

Outlook

We remain in a low-risk expansion part of the business cycle with a deceleration in growth, typical of a maturing economic recovery. Over the immediate term, we anticipate the potential for growth to re-accelerate from third-quarter levels. The pickup in growth is made possible by declining Delta cases, which had suppressed activity during the prior quarter. Over the intermediate to longer term, we anticipate that growth will continue to moderate from recent elevated levels. We remain generally bullish on equities in this environment. However, we would highlight a recent contraction in our valuation spreads, which, on the margin, would be a more favorable backdrop for long-duration assets, such as growth.

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. Since the Fund may hold foreign securities, it may be subject to greater risks than funds invested only in the U.S. Investing in REITs will subject the Fund to additional risk. Investing in international and emerging markets poses special risks, including potentially greater price volatility due to social, political and economic factors, as well as currency exchange rate fluctuations. These risks are more severe for securities of issuers in emerging market regions.

Benchmarks

The Standard & Poor's 500 Index is an unmanaged index generally representative of the U.S. market for large capitalization equities. The Russell 3000[®] Growth Index measures the performance of the broad growth segment of the US equity universe. It includes Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted. The Russell Midcap[®] Growth Index is an unmanaged index generally representative of the U.S. market for medium capitalization growth stocks. These unmanaged indices do not reflect fees and expenses and are not available for direct investment. The Russell 3000[®] Growth Index, Russell Midcap[®] Growth Index and Russell[®] are trademarks of Frank Russell Company.

Effective 9/1/2021 the Harbor Mid Cap Growth Fund has been renamed the Harbor Disruptive Innovation Fund and will seek to invest in what it believes to be disruptive and innovative companies of any market capitalization. Any performance prior to this effective date is attributable to the prior subadviser.

Effective September 1, 2021, the Fund's benchmark index changed from the Russell Midcap[®] Growth Index to the S&P 500 Index as the Adviser believes this index is a more appropriate comparison in light of the Fund's new name and investment strategy.

Disclosures

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 08/31/2022.

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 by Harbor Capital Advisors, Inc. 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.

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