

Harbor Small Cap Value Fund

EARNEST Partners LLC

Subadviser Since 12/14/2001

Total Net Assets - All Classes \$2,695,279,865
Equity Assets: 98.57%
Cash & Other Assets Less Liabilities: 1.43%
Benchmark Name: Russell 2000® Value Index

Portfolio Managers



Paul E. Viera

Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values. In selecting stocks for the Fund, the portfolio manager utilizes a value-based investment style seeking to identify companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values, applies fundamental and qualitative criteria to identify companies for the portfolio, and maintains relationships with key analysts and industry experts to obtain unbiased research perspectives.

CHARACTERISTICS & ALLOCATION

As of 06/30/2021

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	56	1,384	Industrials	26.80	15.18
Wtd Avg Market Cap (\$Mil)	6,036.30	3,000.50	Financials	18.88	25.25
Med Cap - # Stocks (\$Mil)	3,522.00	1,096.00	Information Technology	18.50	5.57
Price/Book Ratio	3.51	1.80	Health Care	15.08	11.32
Adjusted Trailing P/E Ratio	29.40	17.80	Consumer Discretionary	4.98	8.33
% EPS Growth - Past 3 Yr	13.50	8.10	Real Estate	4.76	11.14
Return on Equity (%)	8.37	5.30	Materials	4.13	4.71
Beta vs. Fund Benchmark	0.93		Consumer Staples	3.03	2.78
Forecasted P/E Ratio	20.70	15.40	Energy	2.41	6.56
Proj. Earnings Growth Rate (%)	17.60	11.10	Utilities	0.00	4.60
			Communication Services	0.00	4.51

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Catalent Inc	3.46	0.00	Semiconductors	9.27	0.90
Darling Ingredients Inc	3.03	0.00	Machinery	8.56	3.83
Teledyne Technologies I	2.74	0.00	Banks	8.25	14.33
Entegris, Inc.	2.70	0.00	Aerospace & Defense	7.49	1.08
MEDNAX, Inc.	2.67	0.07	Electronic Equipment	7.09	1.71
Houlihan Lokey, Inc. CI	2.60	0.04	Capital Markets	5.95	1.15
Scotts Miracle-Gro Comp	2.59	0.00	Health Care Providers	4.94	1.88
Casella Waste Systems,	2.58	0.02	Equity REITS	4.76	10.63
CONMED Corporation	2.50	0.00	Chemicals	4.13	1.88
Franklin Electric Co.,	2.44	0.00	Commercial Serv & Suppl	3.99	2.12
Total	27.31	0.13	Total	64.43	39.51

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	20.70
Mid	5.0B - 10.0B	15.13
	1.0B - 5.0B	61.54
Small	0.0 - 1.0B	2.64



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	HASCX	411511843	-1.48%	12.02%	50.84%	10.42%	14.24%	11.98%	10.86%	12/14/01	0.88	0.88
Administrative Investor	HSVRX	411511710	-1.53%	11.88%	50.45%	10.14%	13.96%	11.70%	11.16%	11/01/02	1.13	1.13
Investor	HISVX	411511694	-1.59%	11.80%	50.26%	10.01%	13.82%	11.57%	11.01%	11/01/02	1.24	1.24
Retirement	HNVRX	411512452	-1.45%	12.07%	50.93%	10.51%	14.33%	12.03%	10.89%	03/01/16	0.80	0.80
Russell 2000® Value Index			4.56%	26.69%	73.28%	10.27%	13.62%	10.85%	9.58%	12/14/01		

MANAGER COMMENTARY

As of 06/30/2021

"The continued willingness of the Fed to expand its balance sheet, acting as a lender of last resort and enacting stimulus measures as necessary, gave further confidence to equity and high-yield fixed income investors."

EARNEST Partners, LLC

Market in Review

Equity markets continued their steady advance upward as investors looked beyond the COVID-19 pandemic effects and embraced progress in vaccine rollouts, falling unemployment, and recovering consumer demand. While overall retail sales experienced a slight decline, activity for lockdown-sensitive industries (such as restaurants and air travel) surged as new case numbers fell to a pre-lockdown low. Vaccination rollouts continued, and by the end of the second quarter of 2021, over 50% of the U.S. population had received at least one dose of a vaccine versus 15% at the end of the first quarter of 2021. Expanded economic activity supported surging demand for raw materials, as automobiles and homes saw further price increases.

Previously, the U.S. Federal Reserve ("Fed") enacted an array of stimulative measures that included short-term rate reductions to near zero and repurchases of Treasuries, mortgages, and corporate debt. The Fed stated that it would "maintain an accommodative stance" until its goals of 2% long-term inflation and maximum employment are achieved. In its latest statement, the Fed maintained it would continue to hold rates near zero and provide stimulus by continuing its monthly purchases of \$80 billion in Treasury securities and at least \$40 billion in agency (government-sponsored enterprises, i.e., Fannie Mae, Freddie Mac, or Ginnie Mae) mortgage-backed securities ("MBS"). The continued willingness of the Fed to expand its balance sheet, acting as a lender of last resort and enacting stimulus measures as necessary, gave further confidence to equity and high-yield fixed income investors.

Additionally, the central bank increased its Gross Domestic Product ("GDP") forecast growth to 7.0% in 2021 to be followed by a 3.3% increase in 2022. After hitting a record high of 14.8% in April of last year, unemployment fell to 5.9% in June. The Fed maintained its unemployment projection of 4.5% by the end of 2021 and forecast unemployment to fall to 3.8% by the end of 2022.

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 harborfunds.com or by calling 800-422-1050.



Portfolio Performance

During the quarter, the Harbor Small Cap Value Fund (Institutional Class, "Fund") returned -1.48%, underperforming its benchmark, the Russell 2000® Value Index ("Index"), which returned 4.56%.

The Index rallied after a strong start to the year, rising over 4% during the quarter. The Fund underperformed the Index during the quarter but posted a double-digit absolute return in the first half of 2021.

Holdings in speculative companies in the Index were avoided, which added to the Fund's underperformance. Many of these names had fallen sharply during 2020 and bounced back as investors embraced higher risk during the first half of 2021, considering an improving economy. Additionally, the Index benefited significantly from several holdings that retail investors drove higher, based on social media campaigns to squeeze short sellers. For example, the best performing stock during the first half of 2021 was AMC Entertainment Holdings, which returned over 2,500%, while having negative earnings and poor fundamentals. GameStop was another example of a brick-and-mortar retail business that performed strongly, up over 1,000% during the first half of 2021, despite declining fundamentals, as retail investors sought short-term trading gains.

EARNEST Partners focuses on high-quality companies that we believe are well positioned to benefit over the long term. The Fund has continued to outperform the Index over the past 3-, 5-, 10-, 15-, and since-inception periods.

Contributors & Detractors

Detracting from relative performance was CMC Materials, which supplies consumable materials, including polishing slurries and polishing pads, to semiconductor manufacturers and pipeline companies. The company's products help its customers produce smaller, faster, and more complex IC devices with fewer defects. During the quarter, CMC Materials reported higher revenue than the same quarter a year ago. Its electronic materials segment's revenue was up 10.8%, driven by strong demand in slurries and pads sales. However, the stock underperformed during the quarter because of the pandemic's impact on the company's demand for industrial materials products.

As oil demand starts to normalize, we believe the performance materials business is likely to begin to return. We believe the company is well positioned for long-term robust semiconductor demand because of its capacity expansion investment. We believe the acquisition of International Test Solutions will also expand growth opportunities in critical consumables and services used in the semiconductor packaging and test areas.

Contributing to relative performance was Hexcel ("HXL"), a global leader in manufacturing advanced composite materials and structural parts for the commercial aerospace, space and defense, and industrial markets. HXL shares gained during the quarter because of better-than-expected pickup in air travel demand and commercial aerospace plane orders. HXL has historically derived most of its revenue from aerospace-grade carbon fiber sales to passenger airplane manufacturers. Barring another widespread global shutdown, we believe the second half of 2021 should continue a gradual step-up in sales and earnings growth. Strong secular growth has continued across Hexcel's automotive and renewable energy sectors, as carbon fiber has displaced aluminum and other heavier metals. Additionally, HXL has continued to focus on advanced composites, targeting markets with long-term growth potential and areas that the company can establish a sustainable, competitive advantage in versus its peers.

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Best & Worst Performers

Best Performers	Average Weight %	Return %
Core Laboratories NV	0.52	35.34
Houlihan Lokey, Inc. Class A	2.25	23.68
MEDNAX, Inc.	2.55	18.37
Altra Industrial Motion Corp.	2.03	17.68
FirstCash, Inc.	1.73	16.86

Worst Performers	Average Weight %	Return %
Emergent BioSolutions Inc.	1.04	-32.20
Scotts Miracle-Gro Company Class A	2.93	-21.43
United Fire Group, Inc.	0.63	-19.93
FormFactor, Inc.	2.58	-19.18
Sabre Corp.	2.36	-15.73

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Houlihan Lokey, Inc. Class A	23.68	0.49
MEDNAX, Inc.	18.37	0.37
Altra Industrial Motion Corp.	17.68	0.30
Entegris, Inc.	10.07	0.25
FirstCash, Inc.	16.86	0.23
Total		1.64

Greatest Detractors	Return %	Contribution to Return %
Scotts Miracle-Gro Company Class A	-21.43	-0.69
FormFactor, Inc.	-19.18	-0.53
Darling Ingredients Inc.	-8.26	-0.44
Emergent BioSolutions Inc.	-32.20	-0.43
Sabre Corp.	-15.73	-0.39
Total		-2.48

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Harbor Small Cap Value Fund

ATTRIBUTION

As of 06/30/2021



Quarterly Attribution:

Harbor Small Cap Value Fund vs. Russell 2000® Value

03/31/2021 - 06/30/2021

Performance

	Portfolio	Benchmark	Active
Return ex Currency	-1.26	4.56	-5.83
Currency Contribution	0.00	0.00	0.00
Total Return	-1.26	4.56	-5.83

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
Financials	17.88	26.84	-8.96	0.31	-0.11	0.42	0.03	0.09	0.36	0.06	0.42
Utilities	0.00	3.84	-3.84	0.00	-2.31	2.31	0.00	-0.10	0.25	0.00	0.25
Industrials	26.03	16.96	9.07	3.28	1.43	1.85	0.76	0.32	-0.29	0.42	0.13
Real Estate	4.61	8.60	-3.99	5.36	8.22	-2.87	0.22	0.63	-0.13	-0.12	-0.26
Consumer Staples	4.31	3.34	0.97	-8.26	-2.57	-5.69	-0.44	-0.08	-0.09	-0.32	-0.41
Health Care	14.22	6.43	7.79	0.71	3.73	-3.01	0.08	0.05	0.00	-0.43	-0.42
Energy	2.33	5.21	-2.88	6.31	20.03	-13.71	0.12	0.89	-0.38	-0.31	-0.69
Materials	4.49	6.32	-1.83	-12.24	4.64	-16.88	-0.56	0.31	0.03	-0.81	-0.78
Consumer Discretionary	5.33	13.91	-8.57	-8.83	5.74	-14.57	-0.50	0.85	-0.03	-0.81	-0.83
Communication Services	0.00	3.06	-3.06	0.00	53.24	-53.24	0.00	1.33	-1.24	0.00	-1.24
Information Technology	18.67	5.50	13.16	-5.55	5.15	-10.70	-0.99	0.27	-0.02	-1.85	-1.87
[Cash]	2.13	0.00	2.13	0.01	0.00	0.01	0.00	0.00	-0.13	0.00	-0.13
Total	100.00	100.00	0.00	-1.26	4.56	-5.83	-1.26	4.56	-1.66	-4.16	-5.83

Trailing 1 Year Attribution:

Harbor Small Cap Value Fund vs. Russell 2000® Value

06/30/2020 - 06/30/2021

Performance

	Portfolio	Benchmark	Active
Return ex Currency	51.94	73.28	-21.33
Currency Contribution	0.00	0.00	0.00
Total Return	51.94	73.28	-21.33

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
Consumer Staples	3.95	3.49	0.46	174.17	59.96	114.22	4.71	2.32	-0.50	2.22	1.72
Utilities	0.00	4.42	-4.42	0.00	19.85	-19.85	0.00	1.28	1.59	0.00	1.59
Real Estate	4.75	9.07	-4.32	37.08	47.15	-10.08	1.61	4.23	0.65	-0.75	-0.09
Financials	17.71	27.36	-9.64	56.20	59.29	-3.09	8.81	17.26	0.40	-0.65	-0.25
Health Care	12.78	6.53	6.25	59.65	60.13	-0.48	6.95	4.16	-0.79	-0.55	-1.34
Communication Services	0.00	2.56	-2.56	0.00	160.26	-160.26	0.00	2.94	-1.62	0.00	-1.62
Energy	1.96	4.59	-2.63	83.92	123.26	-39.33	1.46	4.24	-0.73	-1.05	-1.78
Materials	4.44	5.91	-1.47	52.35	103.28	-50.92	2.37	5.68	-0.58	-1.91	-2.49
Information Technology	21.19	5.82	15.37	50.19	73.30	-23.11	12.04	4.43	-0.16	-3.15	-3.32
Industrials	25.25	17.08	8.17	49.12	70.61	-21.49	12.02	12.67	-0.38	-4.53	-4.91
Consumer Discretionary	5.27	13.18	-7.91	34.51	124.83	-90.32	1.96	14.06	-2.64	-3.57	-6.21
[Cash]	2.70	0.00	2.70	0.07	0.00	0.07	0.00	0.00	-2.63	0.00	-2.63
Total	100.00	100.00	0.00	51.94	73.28	-21.33	51.94	73.28	-7.39	-13.95	-21.33

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. Stocks of small cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies.

Disclosures

Shares of the Harbor Small Cap Value Fund are unavailable to new investors as of June 1, 2021. The Fund continues to accept investments from existing shareholders and allows exchanges from other Harbor Funds as long as the exchanging shareholder has an existing Harbor Small Cap Value Fund account.

The Russell 2000[®] Value Index is an unmanaged index representing the smallest 2000 stocks with the lowest price-to-book ratio and future earnings. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 2000[®] Value Index and Russell[®] are trademarks of Frank Russell Company.

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.

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.

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.

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 subadviser 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 Harbor fund before investing. To obtain a summary prospectus or prospectus for this and other information, visit harborfunds.com or call 800-422-1050. Read it carefully before investing.

EARNEST Partners LLC is a third party subadviser to the Harbor Small Cap Value Fund.

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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.