

Harbor Large Cap Value Fund

Aristotle Capital Management, LLC

Subadvisor Since 05/25/2012

Total Net Assets - All Classes \$1,811,977,990
Equity Assets: 97.33%
Cash & Other Assets Less Liabilities: 2.67%
Benchmark Name: Russell 1000® Value Index

Portfolio Managers



Howard Gleicher, CFA



Gregory D. Padilla, CFA

Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks, of companies with market capitalizations that fall within the range of the Russell 1000® Value Index. The Subadvisor employs a fundamental, bottom-up research driven approach to identify companies for investment by the Fund. The Subadvisor focuses on those companies that it believes have higher quality businesses that are undervalued by the market relative to what the Subadvisor believes to be their fair value. The Subadvisor also looks for one or more catalysts that may help the company realize that fair value. The Subadvisor seeks to identify higher quality companies by focusing on the following attributes: attractive business fundamentals, financially strong, experienced, motivated company management, and exhibiting high and/or consistently improving market position, return on invested capital and operating margins. Under normal market conditions, the Fund expects to invest in approximately 35 to 45 companies.

CHARACTERISTICS & ALLOCATION

As of 09/30/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	44	845	Information Technology	20.23	9.00
Wtd Avg Market Cap (\$Mil)	176,845.50	138,045.20	Financials	15.27	20.58
Median Market Cap (\$Mil)	42,485.00	11,568.00	Health Care	11.88	15.26
Price/Book Ratio	4.84	2.53	Industrials	11.29	13.16
Adjusted Trailing P/E Ratio	23.90	18.20	Materials	10.59	4.79
% EPS Growth - Past 3 Yr	15.00	23.10	Consumer Staples	8.31	8.33
Est 3-5 Yr EPS Growth Rate (%)	11.10	8.70	Consumer Discretionary	7.32	4.94
Return on Equity (%)	16.40	14.50	Energy	4.67	9.15
Beta vs. Fund Benchmark	0.96		Utilities	4.51	4.85
Forecasted P/E Ratio	18.10	16.70	Real Estate	3.26	4.63
			Communication Services	0.00	5.01

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Microsoft Corporation	4.26	0.00	Software	12.92	1.56
Adobe Incorporated	3.51	0.00	Banks	7.93	6.31
Parker-Hannifin Corpora	3.41	0.27	Chemicals	7.59	2.91
Corteva Inc	3.25	0.20	Machinery	6.98	2.51
Martin Marietta Materia	3.00	0.14	Household Durables	5.37	0.82
Lennar Corporation Clas	2.99	0.15	Capital Markets	5.18	4.99
Microchip Technology In	2.88	0.06	Semiconductors	5.08	3.64
Ameriprise Financial In	2.83	0.00	Oil Gas & Consumables	4.67	8.27
ANSYS Inc.	2.80	0.02	Beverages	4.28	1.41
Danaher Corporation	2.79	0.87	Health Care Equip	3.88	3.43
Total	31.72	1.71	Total	63.88	35.85

Market Capitalization		
		Portfolio %
Large	Above 25.0B	78.15
	10.0B - 25.0B	15.12
Mid	5.0B - 10.0B	4.02
	1.0B - 5.0B	0.00
Small	0.0 - 1.0B	0.00



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	HAVLX	411511603	-3.14%	4.76%	15.77%	8.77%	8.15%	10.55%	9.88%	12/29/87	0.69	0.72
Investor	HILVX	411511744	-3.25%	4.47%	15.41%	8.37%	7.76%	10.13%	8.86%	11/01/02	1.05	1.08
Retirement	HNLVX	411512478	-3.13%	4.82%	15.91%	8.85%	8.23%	10.61%	9.90%	03/01/16	0.61	0.64
Russell 1000 [®] Value Index			-3.16%	1.79%	14.44%	11.05%	6.23%	8.45%	10.07%	12/29/87		

MANAGER COMMENTARY

As of 09/30/2023

“It is our belief that a disciplined, research-oriented approach to finding great companies, as well as a consistent, well-executed portfolio management process, is how we can add the most value for our clients.”

Aristotle Capital Management, LLC

Market in Review

Looking back at the third quarter of 2023, the U.S. Federal Reserve (“Fed”) hiked the fed funds rate by 0.25% in July, in line with expectations. The Consumer Price Index increased by 3.7% year on year in August, which was an acceleration from the 3.2% growth recorded in the previous month. Market expectations had predicted a smaller 3.6% increase. Oil prices have been on the rise during the previous two months, which, coupled with base effects from last year, pushed the inflation rate higher. The U.S. economy added 187,000 jobs in August 2023, compared to the downwardly revised 157,000 in July, and more than market expectations of 170,000. Still, it was the third-consecutive month with job gains falling below the 200,000 threshold, indicating a gradual easing of labor market conditions, largely attributed to the Fed’s significant interest rate hikes aimed at cooling down inflation. With the target range of the fed funds rate at a 22-year high of 5.25%–5.50%, fixed-income markets are expecting one more rate increase later this year.

The U.S. equity market posted a negative quarter, as the S&P 500 Index lost 3.27% during the period. Concurrently, the Bloomberg US Aggregate Bond Index fell 3.23%. The Russell 1000[®] Value Index underperformed its growth counterpart during the period. Treasuries generated positive total returns, as the yield on the two-year note increased, and the yield on the 10-year note rose. The dollar index was down for the quarter. On a sector basis, 10 of the 11 sectors within the Russell 1000[®] Value Index finished lower for the quarter. The only sector that was positive was Energy. Consumer Discretionary, Utilities, and Real Estate declined the most, while Financials, Information Technology, and Communication Services declined the least.

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 02/29/2024.

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 third quarter, the Harbor Large Cap Value Fund (Institutional Class, "Fund") returned -3.14%, slightly outperforming its benchmark, the Russell 1000® Value Index, which returned -3.16%.

The Fund's performance relative to the Russell 1000® Value Index this quarter can be attributed to security selection, while allocation effects detracted. Security selection in Health Care, Consumer Discretionary, and Communication Services contributed the most to relative performance. Conversely, security selection in Materials and Information Technology, as well as an underweight in Energy, detracted the most from relative performance. (Relative weights are the result of bottom-up security selection.)

Contributors & Detractors

Amgen was the top contributor for the quarter. The company continues to leverage its innovative platform to strengthen its product portfolio, offset maturing products, and increase market share. Over the past year, Amgen has reported double-digit volume growth, operating margin expansion to greater than 40%, and record levels of sales for cholesterol drug Repatha, bone-strengthening drug Prolia, and cancer drug Blincyto. Additionally, the company remains well positioned to benefit from the continued development and commercialization of biosimilars such as Amjevita, and the successful integration of Otezla to bolster its inflammation segment. Lastly, the Federal Trade Commission ("FTC") agreed to allow Amgen to proceed with its \$27.8 billion acquisition of Horizon Therapeutics. The transaction closed on October 6, 2023, bringing expertise in rare disease therapies, as well as additions to Amgen's immunology portfolio.

Xylem was the largest detractor for the quarter. After closing the acquisition of Evoqua in May 2023, long-time CEO Patrick Decker announced he would retire at the end of 2023, and COO Matthew Pine will step into the top position. Concurrently, Xylem announced a change in its CFO, with Bill Grogan joining from IDEX Corporation, where he served as CFO. Meanwhile, Xylem reported double-digit increases in revenue across all segments and end markets, amid strong global demand from public utilities, as well as industrial, commercial, and residential clients that seek solutions to treat, test, transport, and preserve water. We believe Xylem's portfolio of highly differentiated pumps, as well as the company's ability to cross-sell and link other products such as sensors and smart meters, will make it a one-stop shop for utilities and protect the company from pure price competition. In our opinion, long-term trends, such as water scarcity and the need to replace aging water infrastructure, create strong underlying demand for Xylem's products through various parts of the economic cycle.

Buys and Sells

During the quarter, we sold our position in Activision Blizzard and did not add any new positions.

We first purchased Activision Blizzard, one of the largest video game companies in the world, during the second quarter of 2023. We have long appreciated the critical role Activision Blizzard's gaming franchises fill for PlayStation, Xbox, and the broader gaming industry. Moreover, we believe the company is on the path toward increasing its revenue from new products that rely on in-game transactions and advertising, as well as through further leveraging its intellectual property from consoles and PCs into mobile games. At the time of purchase, there was heightened uncertainty regarding whether regulators would approve the pending acquisition of the company by Microsoft, a current value equity holding. This, we believe, provided an opportunity for us to own Activision Blizzard at an attractive discount to our estimates of intrinsic value, should the company remain independent. Conversely, if the transaction commenced and Activision Blizzard was indeed acquired, we would still benefit through our investment in Microsoft. As such, rather than attempting to predict regulatory approval of the transaction, we instead saw the company as an optimal investment. With the uncertainties regarding regulatory approval nearly disappearing, we decided to exit our investment.

Overweights and Underweights

We ended 2022 with our largest overweight allocations in Information Technology and Materials, and largest underweights in Communication Services and Health Care. Our process is entirely bottom-up. Positions typically enter the Fund at a high-conviction, equal weight (2.5%). A company's weight in a given index/benchmark plays no role in our position sizing. Over/underweights are purely outputs of our bottom-up process. Minimal trading activity resulted in little change to Fund positioning, as we closed out the quarter with our largest overweight allocations to Information Technology and Materials, and our largest underweight allocations in the Financials and Health Care sectors.

The operating margin measures how much profit a company makes on a dollar of sales after paying for variable costs of production,

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.



Outlook

Rather than attempting to predict short-term market dynamics, at Aristotle Capital, we stay focused on understanding company fundamentals, while carefully monitoring the long-term evolution of our portfolio of holdings. Our approach to understanding individual businesses reveals more insightful conclusions than would undue time spent concentrating on ever-changing and often unclear macroeconomic signals. While we strive to remain macro aware, our goal instead is to invest in businesses that are run by what we believe to be capable and proven management teams that have the skills to navigate changing factors such as inflation, interest rates, and government policy. We also analyze how such factors could alter the fundamentals of a business and whether those impacts are long term in nature.

We aim to find companies with high-quality characteristics that can succeed over full market cycles. It is our belief that a disciplined, research-oriented approach to finding great companies, as well as a consistent, well-executed portfolio management process, is how we can add the most value for our clients.

QUARTERLY ATTRIBUTION

As of 09/30/2023

Best & Worst Performers

Best Performers	Average Weight %	Return %
PHILLIPS 66	2.01	27.13
AMGEN INC	2.47	22.03
BLACKSTONE INC	2.22	16.11
MITSUBISHI UFJ FINL-SPON ADR	1.52	15.20
OSHKOSH CORP	1.49	10.66

Worst Performers	Average Weight %	Return %
XYLEM INC	2.27	-18.91
CROWN CASTLE INC	1.58	-17.95
CULLEN/FROST BANKERS INC	1.58	-14.35
MICROCHIP TECHNOLOGY INC	2.95	-12.44
MARTIN MARIETTA MATERIALS	3.13	-10.94

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
AMGEN INC	22.03	0.46
PHILLIPS 66	27.13	0.44
BLACKSTONE INC	16.11	0.32
MITSUBISHI UFJ FINL-SPON ADR	15.20	0.21
ACTIVISION BLIZZARD INC	10.63	0.20
Total		1.63

Greatest Detractors	Return %	Contribution to Return %
XYLEM INC	-18.91	-0.45
MICROCHIP TECHNOLOGY INC	-12.44	-0.36
CORTEVA INC	-10.43	-0.35
MARTIN MARIETTA MATERIALS	-10.94	-0.35
LENNAR CORP-A	-10.16	-0.32
Total		-1.83

Harbor Large Cap Value Fund

ATTRIBUTION

As of 09/30/2023



Quarterly Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-2.99	-3.17	0.18
Currency Contribution	0.00	0.00	0.00
Total Return	-2.99	-3.17	0.18

Sector Attribution

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
Health Care	11.74	15.47	-3.73	-0.20	-5.26	5.07	-0.04	-0.82	0.08	0.60	0.68
Communication Services	1.49	4.98	-3.49	10.63	-4.11	14.74	0.20	-0.21	0.00	0.25	0.25
Industrials	11.47	13.31	-1.84	-4.32	-5.50	1.18	-0.48	-0.72	0.05	0.14	0.19
Consumer Discretionary	7.38	5.12	2.26	-6.15	-9.30	3.16	-0.45	-0.47	-0.15	0.25	0.10
Utilities	4.67	5.07	-0.40	-7.80	-9.18	1.38	-0.36	-0.47	0.02	0.07	0.09
Consumer Staples	8.57	8.33	0.24	-4.38	-5.11	0.72	-0.39	-0.44	-0.01	0.06	0.06
Real Estate	3.39	4.85	-1.47	-10.85	-8.33	-2.52	-0.38	-0.40	0.07	-0.09	-0.02
Financials	15.21	20.56	-5.35	-0.42	-0.56	0.14	-0.06	-0.14	-0.13	0.02	-0.11
Information Technology	18.67	9.05	9.62	-5.08	-2.53	-2.55	-0.88	-0.22	0.06	-0.44	-0.38
Materials	10.77	4.80	5.97	-7.15	-4.38	-2.77	-0.79	-0.21	-0.07	-0.31	-0.38
Energy	4.43	8.47	-4.04	16.10	12.27	3.83	0.62	0.92	-0.59	0.13	-0.46
Total	100.00	100.00	0.00	-2.99	-3.17	0.18	-2.99	-3.17	-0.50	0.67	0.18

Trailing 1 Year Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	16.55	14.44	2.11
Currency Contribution	0.00	0.00	0.00
Total Return	16.55	14.44	2.11

Sector Attribution

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
Health Care	11.97	16.34	-4.38	14.00	1.97	12.03	1.70	0.56	0.59	1.54	2.13
Information Technology	17.51	7.83	9.69	33.00	28.97	4.03	5.16	1.99	1.30	0.70	2.00
Consumer Discretionary	7.27	5.70	1.57	41.21	16.80	24.41	2.55	1.00	-0.02	1.54	1.52
Utilities	4.93	5.44	-0.51	-0.54	-7.07	6.54	0.06	-0.32	0.14	0.39	0.52
Industrials	11.41	11.33	0.08	25.53	26.27	-0.74	2.79	2.51	0.13	-0.09	0.04
Financials	16.33	20.92	-4.58	7.62	11.31	-3.68	1.69	2.42	0.18	-0.61	-0.43
Consumer Staples	8.72	7.76	0.97	4.44	9.68	-5.23	0.47	0.74	0.01	-0.48	-0.47
Real Estate	3.51	4.71	-1.21	-18.04	0.15	-18.18	-0.70	0.04	0.18	-0.80	-0.62
Materials	10.71	4.48	6.23	10.14	19.94	-9.79	1.16	0.82	0.38	-1.07	-0.70
Energy	4.37	8.23	-3.86	27.75	30.57	-2.82	1.18	2.41	-0.58	-0.20	-0.78
Communication Services	1.12	7.26	-6.14	20.33	30.69	-10.36	0.39	2.27	-1.02	0.09	-0.93
Total	100.00	100.00	0.00	16.55	14.44	2.11	16.55	14.44	1.10	1.00	2.11

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. Since the Fund typically invests in a limited number of companies, an adverse event affecting a particular company may hurt the Fund's performance more than if it had invested in a larger number of companies. Since the Fund may hold foreign securities, it may be subject to greater risks than funds invested only in the U.S. These risks are more severe for securities of issuers in emerging market regions.

Benchmarks

The Russell 1000[®] Value Index is an unmanaged index generally representative of the U.S. market for larger capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000[®] Value Index and Russell[®] are trademarks of Frank Russell Company.

The S&P 500 Index is an unmanaged index generally representative of the U.S. market for large capitalization equities. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

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

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.

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.

Aristotle Capital Management, LLC is an independent subadvisor to the Harbor Large 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.

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.

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.

% 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 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.