

Harbor Strategic Growth Fund

Mar Vista Investment Partners, LLC

Subadviser Since 03/06/2017

Total Net Assets - All Classes \$114,700,454
Equity Assets: 96.59%
Cash & Other Assets Less Liabilities: 3.41%
Benchmark Name: Russell 1000® Growth Index

Portfolio Managers



Silas A. Myers, CFA



Brian L. Massey, CFA



Joshua J. Honeycutt, CFA



Jeffrey B. Prestine, CFA

Investment Philosophy

The Harbor Strategic Growth Fund, subadvised by Mar Vista Investment Partners, LLC, invests in equity securities that are determined to have strong growth characteristics and that are undervalued in the marketplace. The Fund invests primarily in equity securities of U.S. companies. The Fund tends to invest more significantly in larger companies, but may also invest in mid and small sized companies. The portfolio manager uses a bottom-up approach to identify businesses with a sustainable competitive advantage. The Fund maintains a portfolio of approximately 30-50 stocks. However, the actual number of portfolio holdings may vary due to market conditions. Holdings are generally spread across a number of industries/sectors but may have a higher percentage in sectors that the Subadviser believes have greater investment opportunities.

CHARACTERISTICS & ALLOCATION

As of 09/30/2021

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	36	501	Information Technology	31.66	44.34
Wtd Avg Market Cap (\$Mil)	510,296.20	825,319.10	Financials	20.45	2.47
Med Cap - # Stocks (\$Mil)	141,675.00	17,965.00	Communication Services	9.46	12.71
Price/Book Ratio	7.66	14.93	Industrials	8.11	5.88
Adjusted Trailing P/E Ratio	32.00	35.00	Consumer Discretionary	7.69	18.38
% EPS Growth - Past 3 Yr	29.60	32.00	Health Care	6.75	9.25
Return on Equity (%)	24.27	27.44	Materials	5.82	0.95
Beta vs. Fund Benchmark	0.89		Consumer Staples	3.35	3.82
Forecasted P/E Ratio	26.20	32.00	Real Estate	3.30	1.66
Proj. Earnings Growth Rate (%)	15.70	20.30	Energy	0.00	0.32
			Utilities	0.00	0.03

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Apple Inc.	4.80	10.41	Software	16.48	17.91
Intuit Inc.	4.68	0.65	Interactive Media	7.11	10.55
First Republic Bank	4.66	0.00	Banks	6.28	0.05
Berkshire Hathaway Inc.	4.56	0.00	Capital Markets	6.28	1.62
Alphabet Inc. Class C	4.38	3.02	Chemicals	5.82	0.73
Amazon.com, Inc.	4.12	6.68	Industrial Conglomerates	4.87	0.22
Microsoft Corporation	3.75	9.96	Tech Hardware Storage	4.80	10.61
Adobe Inc.	3.72	1.29	Diversified Fin Serv	4.56	0.00
Microchip Technology In	3.33	0.16	Electronic Equipment	4.28	0.62
Markel Corporation	3.33	0.01	Internet & Direct Market	4.12	7.18
Total	41.33	32.18	Total	64.60	49.49

Market Capitalization		
		Portfolio %
Large	Above 25.0B	89.53
	10.0B - 25.0B	4.64
Mid	5.0B - 10.0B	2.44
	1.0B - 5.0B	0.00
Small	0.0 - 1.0B	0.00



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	MVSGX	411512353	0.16%	13.51%	25.22%	16.63%	17.03%	N/A	15.56%	11/01/11	0.71	0.80
Administrative Investor	HSRGX	411512338	0.10%	13.31%	24.90%	16.33%	N/A	N/A	16.69%	03/06/17	0.96	1.05
Investor	HISWX	411512361	0.10%	13.27%	24.83%	15.71%	N/A	N/A	16.22%	03/06/17	1.07	1.16
Retirement	HNGSX	411512346	0.23%	13.61%	25.36%	16.75%	N/A	N/A	17.09%	03/06/17	0.63	0.72
Russell 1000 [®] Growth Index			1.16%	14.30%	27.32%	22.00%	22.84%	N/A	18.61%	11/01/11		

MANAGER COMMENTARY

As of 09/30/2021

“In uncertain and volatile environments, an acute focus on a quality blend of growth and value has historically been an effective recipe for success.”

Mar Vista Investment Partners, LLC

Market in Review

U.S. markets continued their upward trend in the third quarter of 2021, briefly setting fresh highs before retreating in September. It's apparent the reflation trade, which proved a prime source of momentum behind economically sensitive stocks, has begun to shed some of its luster. Investors paused on fears of the COVID-19 Delta variant and its potential impact on an already strained, global supply chain. On the surface, the S&P 500 Index suggests a relatively tame market. However, nearly 90% of its constituents have entered correction territory this year. Despite the tumultuous churn beneath the surface, the S&P 500 Index posted its highest, year-over-year earnings growth in more than a decade, spurred by companies with strong pricing power beating Wall Street expectations. The robust earnings season stretched already lofty equity valuations, leaving many investors to question their capacity for further expansion. These concerns could be amplified with a spike in market volatility, catalyzed by stalemates in Washington, D.C. over raising the debt ceiling, proposed tax increases, and two massive spending bills bogged down in Congress.

Portfolio Performance

In the third quarter, the Harbor Strategic Growth Fund (Institutional Class, “Fund”) returned 0.16%, underperforming its benchmark, the Russell 1000[®] Growth Index, which returned 1.16%. During the quarter, the Fund's overweight within Financials led to a broad, positive allocation effect, while security selection drove relative underperformance versus the Russell 1000[®] Growth Index. On a sector basis, Information Technology (+0.4%), Communication Services (+0.3%), and Industrials (+0.3%) were additive to relative performance, while Financials (-1.3%), Health Care (-0.4%), and Consumer Discretionary (-0.3%) were primary detractors from short-term results.

Retirement Class shares commenced operations on March 6, 2017. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to March 6, 2017 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 potentially 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

The top two contributors to Fund performance were Intuit and Netflix. Intuit is benefiting from the shift to digitally enabled, cloud-based solutions and a recovering economy. TurboTax continues to take share from premium-priced tax stores, which has materially expanded TurboTax's available market. Additionally, Intuit's QuickBooks franchise is benefiting from a shift to the digital economy and an improving macro backdrop that is driving new subscribers and upselling existing users to more robust offerings. We believe Intuit should compound intrinsic value in the upper teens over the intermediate term.

As Netflix moves past the pandemic pull-forward, the company should experience accelerating subscriber growth against a slate of new, high-quality content. Netflix is on track to release over 270 original films and documentaries, along with over 300 additions to its original series slate. With Netflix nearing sustainable free-cash-flow generation, the company's long runway of self-funded content creation is accelerating their competitive advantage and intrinsic value growth.

The two top detractors to relative performance were Air Products & Chemicals ("APD") and Amazon.com. APD saw a decline in its stock price during the quarter as it missed the Street's earnings estimates, although it did beat Wall Street consensus on revenue. Additionally, management narrowed guidance for the upcoming quarter, citing supply-chain concerns and providing fodder for a segment of the market that believes APD to be already overvalued at current levels. We believe this short-term narrative to be contrary to the secular growth segments that lie within the global energy transition, where APD enjoys a strong leadership position. The company has positioned itself to expand upon this standing, deploying over \$18 billion to capital expenditures in advanced, sustainable industries including gasification, carbon capture, and hydrogen technologies, while maintaining a pristine balance sheet. We expect these initiatives to have immense impact on the company's ability to achieve mid-teen, intrinsic-value growth over our investment horizon. In the near term, we feel confident in management's ability to reinvest earnings into these profitable, long-term growth segments that have the potential to reshape the company for decades to come.

Amazon.com experienced decelerating revenue growth due to consumers' online shopping levels returning to normal, as they shifted some spending to other entertainment sources and offline consumption. Meanwhile, the company continues to add fulfillment capacity at breakneck speed in order to meet customer demand, thus pressuring profitability. As we have previously stated, difficult growth comparisons are meaningless to intrinsic value. We expect Prime, AWS, and advertising to support healthy intrinsic-value growth over the next three to five years.

Buys and Sells

During the third quarter there were no new positions added to the Fund, and there was one sale. O'Reilly Automotive is performing at record levels of growth and profitability, but the company's future is unlikely to be as lucrative. The sustainability of selling replacement parts for gas-powered vehicles at 20% profit margins in an e-commerce world is finite. More importantly, electric vehicles with fewer moving parts will slowly disrupt the aftermarket auto-parts industry. This transportation revolution will likely weigh heavily on industry terminal values in future years. After appreciating another 35% in five months, O'Reilly's future investment returns carry more risk and less potential.

Outlook

A strong earnings season and pent-up consumer demand drove markets higher over the course of the third quarter. These tailwinds have begun to subside, and we expect this to continue over the coming months, as we still face uncertainty around the pandemic, upcoming hurdles within Washington, D.C., and stretched equity valuations. Heightened volatility may prove to be a catalyst for a fundamental shift in investor risk-appetite and may shine a light on long-undervalued pockets of the market. In uncertain and volatile environments, an acute focus on a quality blend of growth and value has historically been an effective recipe for success. We continue to maintain our expectation that future portfolio returns will closely correlate with our companies' 12% to 13% intrinsic-value growth. As always, we are diligently working to identify investment opportunities that represent adequate discounts to intrinsic value.

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Best & Worst Performers

Best Performers	Average Weight %	Return %
Netflix, Inc.	2.04	15.55
salesforce.com, inc.	2.15	11.03
Intuit Inc.	4.51	10.19
Amphenol Corporation Class A	1.78	7.25
Alphabet Inc. Class C	4.37	6.34

Worst Performers	Average Weight %	Return %
Air Products and Chemicals, Inc.	2.95	-10.45
Unilever PLC Sponsored ADR	1.73	-6.51
Teleflex Incorporated	1.31	-6.19
NIKE, Inc. Class B	2.69	-5.84
Roper Technologies, Inc.	1.87	-5.01

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Intuit Inc.	10.19	0.41
Netflix, Inc.	15.55	0.29
Alphabet Inc. Class C	6.34	0.24
salesforce.com, inc.	11.03	0.22
Apple Inc.	3.47	0.15
Total		1.31

Greatest Detractors	Return %	Contribution to Return %
Air Products and Chemicals, Inc.	-10.45	-0.31
Amazon.com, Inc.	-4.51	-0.19
NIKE, Inc. Class B	-5.84	-0.13
Visa Inc. Class A	-4.60	-0.12
Unilever PLC Sponsored ADR	-6.51	-0.11
Total		-0.86

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Quarterly Attribution:

Harbor Strategic Growth Fund vs Russell 1000® Growth

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	0.36	1.16	-0.80
Currency Contribution	0.00	0.00	0.00
Total Return	0.36	1.16	-0.80

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
Communication Services	9.21	12.77	-3.56	5.71	2.12	3.59	0.47	0.25	-0.03	0.31	0.27
Information Technology	30.21	44.47	-14.26	3.14	1.79	1.35	0.77	0.81	-0.11	0.37	0.25
Industrials	8.22	6.07	2.15	-2.49	-5.85	3.36	-0.19	-0.35	-0.14	0.28	0.14
Energy	0.00	0.29	-0.29	0.00	1.10	-1.10	0.00	0.00	0.00	0.00	0.00
Utilities	0.00	0.03	-0.03	0.00	0.03	-0.03	0.00	0.00	0.00	0.00	0.00
Real Estate	3.43	1.73	1.70	-1.28	-2.24	0.96	-0.04	-0.03	-0.06	0.03	-0.03
Consumer Staples	3.36	3.84	-0.48	-2.44	0.40	-2.84	-0.08	0.02	0.00	-0.09	-0.09
Consumer Discretionary	8.09	18.13	-10.04	-4.83	0.12	-4.95	-0.28	-0.01	0.11	-0.33	-0.22
Financials	20.13	2.40	17.73	0.55	7.32	-6.77	0.10	0.16	1.00	-1.26	-0.26
Materials	5.97	1.01	4.96	-4.58	-2.96	-1.62	-0.26	-0.03	-0.20	-0.10	-0.30
Health Care	6.96	9.27	-2.31	-2.08	3.66	-5.74	-0.13	0.34	-0.04	-0.39	-0.44
Cash	4.41	0.00	4.41	0.01	0.00	0.01	0.00	0.00	-0.13	0.00	-0.13
Total	100.00	100.00	0.00	0.36	1.16	-0.80	0.36	1.16	0.39	-1.19	-0.80

Trailing 1 Year Attribution:

Harbor Strategic Growth Fund vs Russell 1000® Growth

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	26.25	27.32	-1.07
Currency Contribution	0.00	0.00	0.00
Total Return	26.25	27.32	-1.07

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	19.63	2.02	17.61	46.89	30.32	16.57	8.46	0.56	0.26	2.81	3.07
Communication Services	9.12	11.95	-2.83	58.24	46.47	11.77	4.56	5.08	-0.42	0.76	0.34
Industrials	8.63	5.08	3.55	22.06	15.91	6.15	2.21	0.82	-0.26	0.58	0.32
Utilities	0.00	0.02	-0.02	0.00	34.43	-34.43	0.00	0.01	0.00	0.00	0.00
Energy	0.00	0.14	-0.14	0.00	86.06	-86.06	0.00	0.06	-0.02	0.00	-0.02
Health Care	8.07	12.47	-4.40	20.39	26.46	-6.07	1.89	3.45	0.18	-0.22	-0.05
Consumer Discretionary	9.21	16.91	-7.70	11.74	20.27	-8.53	1.34	3.47	0.45	-0.73	-0.28
Real Estate	3.13	1.71	1.42	12.03	19.42	-7.39	0.39	0.35	-0.07	-0.22	-0.29
Consumer Staples	3.69	4.30	-0.61	0.69	11.62	-10.93	0.03	0.59	0.11	-0.45	-0.34
Materials	5.67	0.86	4.81	8.16	9.62	-1.46	0.45	0.10	-0.81	-0.08	-0.89
Information Technology	30.31	44.53	-14.22	25.21	29.65	-4.44	6.92	12.84	-0.39	-1.52	-1.90
Cash	2.54	0.00	2.54	0.05	0.00	0.05	0.00	0.00	-1.04	0.00	-1.04
Total	100.00	100.00	0.00	26.25	27.32	-1.07	26.25	27.32	-2.01	0.94	-1.07

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. At times, a growth investing style may be out of favor with investors which could cause growth securities to underperform value or other equity securities. 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.

Disclosures

The Russell 1000[®] Growth Index is an unmanaged index generally representative of the U.S. market for larger capitalization growth stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000[®] Growth 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 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 02/28/2022.

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.

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 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.

Mar Vista Investment Partners, LLC is an independent subadviser to the Harbor Strategic Growth 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.