

Harbor Mid Cap Value Fund

LSV Asset Management

Subadviser Since 09/30/2004

Total Net Assets - All Classes \$421,970,351
Equity Assets: 100.15%
Cash & Other Assets Less Liabilities: -0.15%
Benchmark Name: Russell Midcap® Value Index

Portfolio Managers



Josef Lakonishok, Ph.D.



Menno Vermeulen, CFA



Puneet Mansharamani, CFA



Greg Sleight



Guy Lakonishok, CFA

Investment Philosophy

The Fund invests primarily in equity securities, common stocks, of mid cap companies that the portfolio manager believes are undervalued in the marketplace at the time of purchase. The portfolio manager's investment strategy uses a quantitative model to evaluate and recommend companies based on the following indicators: fundamental undervaluation, such as low price-to-cash flow ratio or low price-to-earnings ratio, past negative market sentiment, recent momentum, such as high recent stock price performance and control of incremental risk relative to the benchmark index.

CHARACTERISTICS & ALLOCATION

As of 03/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	155.00	698	Financials	20.93	16.48
Wtd Avg Market Cap (\$Mil)	14333.10	22,618.90	Consumer Discretionary	13.85	9.29
Med Cap - # Stocks (\$Mil)	7414.00	10,421.00	Industrials	12.70	14.12
Price/Book Ratio	1.86	2.73	Information Technology	10.70	9.45
Adjusted Trailing P/E Ratio	9.90	22.10	Materials	9.18	8.12
% EPS Growth - Past 3 Yr	16.30	13.50	Consumer Staples	8.57	4.73
Return on Equity (%)	18.92	13.10	Real Estate	7.78	11.54
Beta vs. Fund Benchmark	1.18		Health Care	7.30	7.79
Forecasted P/E Ratio	10.60	18.00	Communication Services	3.11	3.52
Proj. Earnings Growth Rate (%)	10.50	11.90	Energy	3.02	7.24
			Utilities	3.01	7.74

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
McKesson Corporation	1.80	0.54	Insurance	8.74	5.93
Kroger Co.	1.72	0.58	Equity REITS	7.78	10.87
HP Inc.	1.71	0.36	Machinery	5.34	4.62
Hartford Financial Serv	1.46	0.33	Banks	5.15	5.00
Tyson Foods Inc. Class	1.45	0.36	Chemicals	4.87	3.79
Molson Coors Beverage C	1.40	0.13	Health Care Providers	4.36	2.38
Citizens Financial Grou	1.38	0.22	Electronic Equipment	4.33	1.70
AGCO Corporation	1.35	0.11	Food Products	3.78	3.06
Jazz Pharmaceuticals Pu	1.34	0.13	Specialty Retail	3.64	2.02
Allstate Corporation	1.31	0.00	Household Durables	3.48	1.36
Total	14.92	2.76	Total	51.47	40.73

Market Capitalization		
		Portfolio %
Large	Above 25.0B	18.59
	10.0B - 25.0B	27.90
Mid	5.0B - 10.0B	26.49
	1.0B - 5.0B	23.90
Small	0.0 - 1.0B	3.12



Trusted Partnerships > Trusted Solutions



Performance

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	HAMVX	411511835	-0.70%	-0.70%	8.21%	10.71%	6.42%	10.59%	7.92%	03/01/02	0.85	0.89
Administrative Investor	HRMVX	411511728	-0.77%	-0.77%	8.00%	10.44%	6.17%	10.32%	9.00%	11/01/02	1.10	1.14
Investor	HIMVX	411511736	-0.78%	-0.78%	7.85%	10.30%	6.04%	10.19%	8.87%	11/01/02	1.21	1.25
Retirement	HNMVX	411512460	-0.66%	-0.66%	8.35%	10.81%	6.51%	10.64%	7.94%	03/01/16	0.77	0.81
Russell Midcap® Value Index			-1.82%	-1.82%	11.45%	13.69%	9.99%	12.01%	10.23%	03/01/02		

MANAGER COMMENTARY

As of 03/31/2022

“The market disruption caused by the Russian invasion of Ukraine had a negative impact on the Fund in March but the longer term outlook remains positive.”

LSV Asset Management

Market in Review

U.S. equities stumbled during the first quarter as uncertainty surrounding the Russian invasion of Ukraine, higher inflation, and an increasingly hawkish Federal Reserve (“Fed”) weighed on markets. The S&P 500 returned -4.60% and, as measured by the Russell indexes, small-cap stocks underperformed large caps, while value stocks outperformed growth across all market-cap ranges.

Coming into the year, the market’s attention was focused on the increased likelihood of aggressive interest rate hikes and the tapering of asset purchases by the Fed to curb record levels of inflation. During the first half of the quarter, strong economic data further exacerbated investor concerns. However, these concerns quickly took a back seat as news broke about Russia’s invasion of Ukraine. The unprompted military attack was quickly followed by coordinated economic sanctions from the U.S. and its allies. Concerns over the war in Ukraine and uncertainty regarding the economic impacts of Western sanctions further dampened the outlook for global growth. As expected, the Fed raised interest rates by 0.25% in March and signaled more rate hikes in the coming months. The U.S. Treasury market responded by suffering one of its worst selloffs on record.

Nine of the 11 sectors in the broad market posted losses with Communication Services, Consumer Discretionary, and Information Technology leading the decline. Energy and Utilities were the only sectors to post positive results. Energy stocks meaningfully outperformed, advancing nearly 40%.

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.



Portfolio Performance

During the first quarter of 2022, the Harbor Mid Cap Value Fund (Institutional Class, "Fund") returned -0.70% outperforming its benchmark, Russell Midcap® Value Index, which returned -1.82%. Value stocks outperformed growth stocks among mid-caps, however growth stocks did rally late in the period.

We take limited sector and industry bets and look to add value primarily from bottom-up stock selection. As such, the Fund's sector allocation detracted while stock selection added value across several sectors.

The Fund benefited from an overweight to Consumer Staples which posted a positive return, but this was offset by an underweight to Energy, which advanced nearly 40%, and an overweight to Consumer Discretionary stocks which lagged. Stock selection was positive, particularly in the Industrials, Health Care, and Communication Services sectors. Among industries, our overweight to food retail, and stock selection among building products and industrial machinery added value, however, our overweight to homebuilders and household appliances detracted as interest rates began to rise.

Contributors & Detractors

Meritor was one of the top contributors, advancing 43.54% during the quarter on news that Cummins Engine planned to acquire Meritor at a 45% premium in an all-cash deal to help the company expand into electric powertrains. We often benefit from takeovers in the Fund, given that we favor companies that generate strong cash flow and earnings but are priced at attractive valuation multiples. Jazz Pharmaceuticals was also one of the top contributors, advancing 22.19%. The company reported strong results for 2021 and, with promising drugs in its pipeline, management provided encouraging guidance for 2022.

Homebuilders Toll Brothers, PulteGroup, and Meritage Homes were significant detractors in the first quarter. Toll Brothers and Meritage Homes each fell about 35%, while PulteGroup was off 26%. While home prices continued to increase and many Fund holdings posted strong quarterly results, these three companies fell early in the quarter as higher material costs, supply-chain issues, and labor shortages put pressure on margins. In addition, the expectation for a sharp rise in interest rates, which would potentially lead to a softening of demand, weighed on homebuilders. We continue to hold all three companies in the Fund as the stocks remain attractive on our valuation metrics.

Foot Locker also detracted in the quarter despite reporting strong sales and earnings. Management warned of difficulty going forward as more footwear and apparel companies, including Nike, Adidas, and Puma, focus on selling direct to consumers rather than through retailers such as Foot Locker. We continue to hold Foot Locker in the Fund.

Buys & Sells

We purchased Thor Industries in the Consumer Discretionary sector. Thor manufactures recreational vehicles (RVs) and sells them primarily in the U.S. and Canada. The company ranks high from a valuation standpoint, particularly on earnings and cash-flow measures. The stock is also strong on book value measures and pays a slightly above-average dividend of 2.1%. Long-term performance has been relatively poor, which is a positive indicator on our model. While recent price momentum has faltered, we are seeing improvement in sales and EBITDA (earnings before interest, taxes, depreciation, and amortization) growth.

We sold our position in Ziff Davis (formerly J2 Global) in the Communication Services sector. Ziff Davis is a digital media and internet company. The stock has become less attractive on several valuation metrics, particularly forward-earnings measures, and free cash flow metrics. In addition, the company is not returning cash to shareholders in a meaningful way either through dividend payments or share buybacks. Long-term performance has been relatively good, which is a negative signal in our model. In addition, recent price and operating momentum has been relatively weak, also weighing on the stock's ranking.

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Outlook

Despite recent market volatility, the Harbor Mid Cap Value Fund remains attractive. The market disruption caused by the Russian invasion of Ukraine had a negative impact on the Fund in March, but we believe the longer term outlook remains positive. As we have pointed out in recent quarters, the likelihood of higher interest rates and historically wide valuation spreads are favorable for value stocks. Furthermore, while expectations for global growth have been tempered by recent events, the potential for global growth in the medium term should also bode well for value investors. The Fund continues to trade at a 40% to 45% discount to the Russell Midcap® Value Index on price-to-earnings and price-to-cash flow measures, and we continue to seek attractive stocks across multiple sectors, including as Financials, Consumer Discretionary, and Consumer Staples.

QUARTERLY ATTRIBUTION

As of 03/31/2022

Best & Worst Performers

Best Performers	Average Weight %	Return %
Meritor Inc.	0.80	43.54
Valero Energy Corporation	0.57	36.72
Devon Energy Corporation	0.98	36.52
Marathon Petroleum Corporation	0.62	34.60
Archer-Daniels-Midland Company	0.69	34.24

Worst Performers	Average Weight %	Return %
Meritage Homes Corporation	0.30	-35.09
Toll Brothers Inc.	0.96	-34.89
Goodyear Tire & Rubber Company	0.29	-32.97
Foot Locker Inc.	0.74	-31.55
PulteGroup Inc.	0.79	-26.45

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Kroger Co.	27.34	0.39
McKesson Corporation	23.37	0.34
Meritor Inc.	43.54	0.34
AGCO Corporation	26.06	0.27
Devon Energy Corporation	36.52	0.27
Total		1.61

Greatest Detractors	Return %	Contribution to Return %
Toll Brothers Inc.	-34.89	-0.41
Whirlpool Corporation	-25.72	-0.37
Seagate Technology Holdings PLC	-19.82	-0.30
Foot Locker Inc.	-31.55	-0.26
PulteGroup Inc.	-26.45	-0.24
Total		-1.58

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Quarterly Attribution:

Harbor Mid Cap Value Fund vs Russell Midcap® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-0.58	-1.82	1.24
Currency Contribution	0.00	0.00	0.00
Total Return	-0.58	-1.82	1.24

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
Industrials	13.21	14.36	-1.15	3.80	-8.12	11.92	0.47	-1.24	0.09	1.62	1.72
Health Care	6.99	7.77	-0.78	6.54	-4.91	11.45	0.46	-0.37	0.04	0.77	0.81
Consumer Staples	8.60	4.59	4.01	10.66	7.70	2.96	0.81	0.32	0.36	0.24	0.60
Communication Services	2.88	3.56	-0.68	16.87	-1.07	17.94	0.43	-0.03	-0.01	0.46	0.45
Financials	20.15	16.92	3.23	-0.36	-2.46	2.10	-0.11	-0.47	-0.01	0.44	0.43
Real Estate	7.59	11.46	-3.87	0.70	-3.56	4.26	0.05	-0.41	0.08	0.31	0.40
Information Technology	10.82	10.04	0.78	-9.59	-9.88	0.29	-1.08	-1.10	-0.04	0.05	0.01
Materials	9.09	7.71	1.38	2.49	5.63	-3.14	0.18	0.46	0.09	-0.26	-0.18
Utilities	2.56	7.28	-4.72	0.01	3.77	-3.76	0.00	0.31	-0.28	-0.11	-0.39
Consumer Discretionary	14.58	9.93	4.65	-16.37	-12.89	-3.48	-2.52	-1.38	-0.55	-0.57	-1.12
Energy	2.71	6.38	-3.67	32.68	40.98	-8.30	0.72	2.09	-1.24	-0.16	-1.40
Total	100.00	100.00	0.00	-0.58	-1.82	1.24	-0.58	-1.82	-1.56	2.80	1.24

Trailing 1 Year Attribution:

Harbor Mid Cap Value Fund vs Russell Midcap® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	8.96	11.46	-2.50
Currency Contribution	0.00	0.00	0.00
Total Return	8.96	11.46	-2.50

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	7.64	4.17	3.47	26.41	18.63	7.78	1.81	0.71	0.30	0.56	0.86
Industrials	14.01	15.41	-1.40	4.26	-0.37	4.63	0.65	0.11	0.19	0.61	0.80
Communication Services	2.99	3.77	-0.78	2.54	-8.86	11.40	0.04	-0.34	0.20	0.36	0.55
Health Care	6.91	7.92	-1.01	11.79	7.29	4.50	0.91	0.59	0.11	0.33	0.44
Financials	20.14	16.64	3.50	14.04	14.06	-0.02	2.73	2.26	0.16	0.00	0.15
Information Technology	10.34	10.26	0.08	3.22	3.32	-0.10	0.36	0.39	0.02	-0.05	-0.03
Utilities	3.04	7.07	-4.03	23.96	16.79	7.17	0.70	1.15	-0.28	0.21	-0.07
Real Estate	7.42	11.03	-3.61	13.86	23.14	-9.28	0.92	2.34	-0.37	-0.68	-1.05
Materials	9.26	7.62	1.64	8.59	24.34	-15.75	0.72	1.72	0.18	-1.34	-1.17
Consumer Discretionary	14.87	10.97	3.90	-9.55	-6.62	-2.93	-1.26	-0.47	-0.85	-0.44	-1.29
Energy	2.31	5.14	-2.83	76.35	70.89	5.46	1.37	2.98	-1.49	0.04	-1.45
Total	100.00	100.00	0.00	8.96	11.46	-2.50	8.96	11.46	-2.08	-0.41	-2.49

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. The value of securities selected using quantitative analysis can react differently to issuer, political, market, and economic developments than the market as a whole or securities selected using only fundamental analysis. The factors used in quantitative analysis and the weight placed on those factors may not be predictive of a security's value. In addition, any model may contain flaws or the model may not perform as anticipated. Stocks of mid cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies.

Disclosures

The Russell Midcap® Value Index is an unmanaged index generally representative of the U.S. market for medium capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap® 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 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.

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.

The views expressed herein may not be reflective of current opinions, 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.

LSV Asset Management is an independent subadviser to the Harbor Mid 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.