

Harbor International Small Cap Fund

Cedar Street Asset Management LLC

Subadviser Since 05/23/2019

Total Net Assets - All Classes \$53,524,071
Equity Assets: 94.88%
Cash & Other Assets Less Liabilities: 5.12%
Benchmark Name: MSCI EAFE Small Cap (ND) Index

Portfolio Managers



Jonathan Brodsky



Waldemar Mozes

Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks and convertible securities, of foreign companies. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in the securities of small cap companies. The Subadviser's investment process utilizes a range of screening and idea sourcing methodologies to shrink the universe of securities to a manageable level. The Subadviser primarily utilizes bottom-up research to identify companies with attractive valuations, as determined by the Subadviser, while taking into account macroeconomic considerations.

CHARACTERISTICS & ALLOCATION

As of 06/30/2021

Portfolio Characteristics		
	Portfolio	Benchmark
Number of Holdings	78	2,389
Wtd Avg Market Cap (\$Mil)	2,300.20	3,277.50
Med Cap - # Stocks (\$Mil)	1,721.00	1,356.00
Price/Book Ratio	1.83	2.12
Adjusted Trailing P/E Ratio	18.50	24.30
% EPS Growth - Past 3 Yr	-1.70	4.40
Return on Equity (%)	5.93	7.39
Beta vs. Fund Benchmark	1.04	
Forecasted P/E Ratio	14.70	20.40
Proj. Earnings Growth Rate (%)	-0.40	13.80

Top 10 Holdings		
	Portfolio %	Benchmark %
Spin Master Corp	2.09	0.00
MaireTecnimont SpA	2.06	0.02
HENSOLDT AG	2.05	0.02
Amano Corporation	2.00	0.04
Clarkson PLC	1.98	0.00
Equiniti Group Plc	1.94	0.03
TomTom NV	1.91	0.02
ISS A/S	1.89	0.12
ASR Nederland NV	1.89	0.17
Redde Northgate PLC	1.89	0.04
Total	19.70	0.46

Top 10 Industries		
	Portfolio %	Benchmark %
Electronic Equipment	8.99	2.27
Insurance	7.05	1.70
Food Products	5.91	3.03
It Services	4.62	2.63
Commercial Serv & Suppl	4.52	2.39
Chemicals	4.43	3.02
Construction & Engineer	3.50	2.55
Media	3.41	1.91
Semiconductors	3.36	2.16
Machinery	3.31	6.32
Total	49.10	27.98

Economic Sectors		
	Portfolio %	Benchmark %
Industrials	22.96	23.43
Information Technology	18.46	10.03
Consumer Discretionary	14.25	13.40
Financials	11.09	10.50
Consumer Staples	10.31	5.75
Materials	9.18	9.00
Communication Services	3.41	4.46
Health Care	3.06	7.38
Energy	2.16	1.60
Utilities	0.00	2.88
Real Estate	0.00	11.73

Top 10 Countries		
	Portfolio %	Benchmark %
Japan	19.65	28.17
United Kingdom	15.21	17.54
France	7.28	3.32
Germany	6.96	5.21
Australia	5.98	9.04
Switzerland	4.89	5.07
Sweden	4.69	7.34
Netherlands	3.80	2.42
Denmark	3.67	1.76
Italy	3.61	2.84
Total	75.74	82.71
Emerging Markets	0.00	0.00

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	0.00
Mid	5.0B - 10.0B	7.29
	1.0B - 5.0B	74.87
Small	0.0 - 1.0B	17.83



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	HAISX	411512569	6.51%	17.44%	50.91%	8.76%	12.03%	N/A	11.68%	02/01/16	0.96	1.45
Administrative	HRISX	411512551	6.46%	17.33%	50.67%	8.48%	11.74%	N/A	11.39%	02/01/16	1.21	1.70
Investor	HIISX	411512544	6.46%	17.33%	50.43%	8.37%	11.63%	N/A	11.26%	02/01/16	1.32	1.81
Retirement	HNISX	411512536	6.58%	17.53%	51.14%	8.85%	12.11%	N/A	11.75%	02/01/16	0.88	1.37
MSCI EAFE Small Cap (ND) Index			4.34%	9.04%	40.98%	8.40%	12.03%	N/A	12.09%	02/01/16		

MANAGER COMMENTARY

As of 06/30/2021

“The broad trajectory for economic growth continues to suggest global GDP growth at the highest levels in many years. When combined with the still very easy monetary conditions and the influx of cash from fiscal stimulus programs, we believe global equities still have ample room for further gains in 2021.”

Cedar Street Asset Management LLC

Market in Review

Global Gross Domestic Product (“GDP”) growth rates continued at a brisk pace in the second quarter of 2021. As COVID-19 vaccine distributions gained momentum globally, lockdown restrictions eased, allowing businesses to reopen and consumers to leave their homes to travel, shop, eat, and entertain themselves. Inconsistent vaccine rollouts and coronavirus flare-ups with new strains like the Delta variant continue to hamper efforts to fully eradicate COVID-19, but the trajectory of death rates continues to be on a steady decline from the peak reached in January of this year.

Inflationary pressures continued to be elevated during the quarter but, in our view, did not seem to accelerate from first quarter 2021 levels, based on mixed signals. For example, commodity prices were mixed during the second quarter, with lumber and copper prices finishing the quarter well below recent peak levels, while food prices and oil reached new highs in the second quarter. The employment picture was also mixed, with most of Europe continuing to show steady declines in unemployment, while the U.S. and Japan experienced slight increases in unemployment, as various furlough schemes expired, and wage gains caused more people to seek employment. As a result, 10-year bonds in the U.S., U.K., and Japan declined from the first to the second quarter, but in most of continental Europe, 10-year yields saw steady increases.

We believe current economic conditions continue to support further gains in global equities, but the highly correlated swings over the past 18–24 months are not likely to persist, as uneven growth and macroeconomic decoupling of major markets result in disparate outcomes. We believe that an uncorrelated market environment favors an active management approach to stock selection, and that company-specific fundamentals rather than macro considerations will be the key to alpha generation in such an environment.

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 International Small Cap Fund (Institutional Class, "Fund") returned 6.51%, outperforming its benchmark, the MSCI EAFE Small Cap (ND) Index, which returned 4.34%.

As indicated above, we believe the outperformance was a function of individual stock selection. Although the growth-style segment of our benchmark outperformed the value-style segment during the quarter, our fundamental, bottom-up approach focused on individual companies that benefited from stock-specific dynamics related to earnings growth and improving industry fundamentals. While we continue to focus on discounted valuation as our primary rationale for stock selection and portfolio construction, we also consider business quality, balance sheet flexibility, and corporate governance as important contributing factors.

In a market environment that is defined by macroeconomic volatility and mixed financial market signals, we believe a nuanced, bottom-up approach to value is better suited to uncover unique investment opportunities.

Contributors & Detractors

The top contributor to Fund performance was Spin Master, a Canada-listed children's entertainment company with a broad portfolio of games, toys, and brand franchises. During the second quarter, the company reported earnings growth that exceeded analyst estimates, as digital entertainment posted a growth rate of 394%, and licensing revenue increased by 79%, now accounting for 20% of total revenue.

Another top contributor was Matas, Denmark's largest health and beauty retailer. During the quarter, the company reported fiscal year earnings results that exceeded expectations, as the company's online channel penetration continued to grow, even after many brick-and-mortar outlets reopened. Online sales doubled during the fiscal year and now account for more than 25% of group sales, helping to expand margins.

The biggest detractor to Fund performance was Beach Energy, a natural gas-focused, exploration and production company in Australia. During the quarter, the company announced that one of its major oil fields was experiencing more rapid decline rates than had been initially expected. The company had to lower near-term production guidance and will likely have to expand its capital expenditure budget to identify new sources of additional growth.

Another detractor to Fund performance was NEO Performance Materials, a Canada-listed processor of rare earths, including neodymium, a key material used in the production of powerful electric motors used in electric vehicles, consumer electronics, and energy-efficient lighting. During the quarter, the company reported better-than-expected results, including volume growth of more than 20%. However, the company hinted at uncertainties that clouded its outlook for the remainder of the year due to component shortages that are likely to limit automotive production growth.



Buys & Sells

In the second quarter, we initiated a position in Technip Energies, a newly listed French engineering group recently spun out of TechnipFMC, the French oilfield services group. Technip Energies is focused on highly complex engineering solutions for infrastructure related to energy transition. While the bulk of its current backlog is related to large, complex LNG projects, the company is also a leader in hydrogen production (35% of global capacity; 270 plants), sustainable chemistry (biochemicals, biofuels), and CO2 management. Due to its new listing and connection to its parent, market participants still view Technip Energies as a traditional energy services business and have assigned it discounted valuation multiples consistent with that view. We believe the perception of the business is likely to change as newer, energy transition segments capture a greater share of backlog.

We sold our position in Ryohin Keikaku, a Japan-listed retailer of specialty goods for the home under the Muji brand, similar to U.S. retailers such as Crate & Barrel and The Container Store. We first entered the position as the company experienced significant headwinds – first, from an internal restructuring program focused on inventory management – and then, from early lockdowns during the pandemic. As demand for stay-at-home products accelerated, Muji stores benefited, causing the share price to appreciate quickly. We exited our position early in the quarter due to concerns that valuation exceeded our estimate of fair value and concerns about cotton sourcing from parts of China.

Outlook

The economic rebound from the COVID-19 pandemic is proving to be just as unprecedented as the pandemic itself, in our view. Still, the broad trajectory for economic growth continues to suggest global GDP growth at the highest levels in many years. When combined with the still very easy monetary conditions and the influx of cash from fiscal stimulus programs, we believe global equities still have ample room for further gains in 2021.

We expect market volatility to increase, as market participants digest conflicting signals related to inflation, interest rates, and central bank policy-tightening, as economic stability shows signs of returning. Our analysis indicates that the main equity markets in Europe and the developed parts of the Asia-Pacific region were significantly less correlated in the second quarter of 2021 than in the second quarter of 2020, and we expect low correlations to continue.

Given heightened uncertainty and lower correlations, we also believe it is important to highlight some relevant valuation disparities across markets. The U.S. (as measured by the S&P 500 Index) continues to trade at elevated multiples of 23x estimated 2021 earnings versus the MSCI EAFE Index (broad developed markets) trading at 17x 2021 estimates. It is also notable that S&P 500 estimates imply a record-high return on equity (“ROE”) of 21% for 2021, while the MSCI EAFE’s estimated ROE of 8.9% is right around its 10-year average. In other words, the risks of earnings disappointments appear greater in the U.S. than in EAFE markets.



Best & Worst Performers

Best Performers	Average Weight %	Return %
Matas A/S	1.71	39.73
Spin Master Corp	2.12	39.48
Equiniti Group Plc	1.88	39.19
Criteo SA Sponsored ADR	1.75	30.23
Redde Northgate PLC	1.86	29.71

Worst Performers	Average Weight %	Return %
Beach Energy Limited	1.44	-28.73
Service Stream Limited	0.86	-19.48
Neo Performance Materials, Inc.	1.66	-16.43
ASR Nederland NV	1.97	-11.33
Kanamoto Co., Ltd.	1.64	-10.90

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Spin Master Corp	39.48	0.75
Equiniti Group Plc	39.19	0.59
Matas A/S	39.73	0.58
MaireTechnimont SpA	28.30	0.52
Redde Northgate PLC	29.71	0.50
Total		2.94

Greatest Detractors	Return %	Contribution to Return %
Beach Energy Limited	-28.73	-0.48
Neo Performance Materials, Inc.	-16.43	-0.28
ASR Nederland NV	-11.33	-0.23
Kanamoto Co., Ltd.	-10.90	-0.19
Service Stream Limited	-19.48	-0.18
Total		-1.36

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Quarterly Attribution:

Harbor International Small Cap Fund vs. MSCI EAFE Small Cap (ND) Index

03/31/2021 - 06/30/2021

Performance

	Portfolio	Benchmark	Active
Return ex Currency	6.15	4.06	2.09
Currency Contribution	0.44	0.29	0.15
Total Return	6.59	4.35	2.24

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
Consumer Discretionary	15.06	13.35	1.71	13.74	2.76	10.98	1.96	0.38	-0.01	1.52	1.51
Information Technology	16.25	9.86	6.39	10.48	5.13	5.36	1.55	0.51	0.09	0.78	0.87
Industrials	23.85	23.51	0.34	8.33	5.77	2.55	1.98	1.36	0.01	0.57	0.58
Communication Services	3.31	4.55	-1.23	18.93	3.93	15.00	0.61	0.18	0.01	0.46	0.47
Consumer Staples	10.22	5.64	4.58	3.21	0.07	3.13	0.32	0.01	-0.20	0.32	0.12
Utilities	0.00	2.82	-2.82	0.00	0.96	-0.96	0.00	0.03	0.10	0.00	0.10
Materials	10.19	9.24	0.95	2.06	2.12	-0.06	0.29	0.21	0.02	-0.02	0.00
Financials	12.13	10.82	1.31	1.46	2.62	-1.16	0.21	0.31	-0.01	-0.12	-0.14
Health Care	3.01	6.98	-3.97	5.65	7.88	-2.23	0.16	0.52	-0.13	-0.07	-0.21
Real Estate	0.00	11.62	-11.62	0.00	8.06	-8.06	0.00	0.89	-0.39	0.00	-0.39
Energy	1.47	1.62	-0.15	-28.28	-2.73	-25.55	-0.50	-0.04	0.00	-0.44	-0.44
[Cash]	4.52	0.00	4.52	0.11	0.00	0.11	0.01	0.00	-0.23	0.00	-0.23
Total	100.00	100.00	0.00	6.59	4.35	2.24	6.59	4.35	-0.74	2.98	2.24



Quarterly Attribution:

Harbor International Small Cap Fund vs. MSCI EAFE Small Cap (ND) Index

03/31/2021 - 06/30/2021

Country 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
United Kingdom	15.48	18.03	-2.55	13.76	4.37	9.39	1.98	0.83	-0.03	1.34	1.31
Japan	20.22	27.42	-7.20	1.82	-0.92	2.74	0.33	-0.24	0.36	0.53	0.89
Denmark	3.45	1.69	1.76	32.50	11.56	20.94	1.00	0.18	0.13	0.61	0.74
France	6.27	3.36	2.91	16.45	4.25	12.20	1.01	0.14	0.01	0.72	0.74
Germany	6.94	5.38	1.56	13.15	5.47	7.68	0.89	0.30	0.02	0.50	0.52
Canada	3.78	0.00	3.78	11.79	0.00	11.79	0.47	0.00	0.28	0.00	0.28
Italy	2.37	2.96	-0.58	26.79	10.40	16.39	0.38	0.30	-0.09	0.25	0.16
Switzerland	4.86	5.12	-0.26	9.50	7.56	1.94	0.45	0.38	0.00	0.09	0.09
Belgium	1.36	1.54	-0.18	17.98	8.08	9.90	0.18	0.12	0.00	0.09	0.08
Ireland	1.74	0.58	1.16	9.42	5.55	3.86	0.15	0.03	0.00	0.07	0.08
Portugal	1.60	0.23	1.37	7.79	8.35	-0.56	0.13	0.02	0.06	-0.01	0.05
Norway	0.00	2.40	-2.40	0.00	2.64	-2.64	0.00	0.06	0.04	0.00	0.04
Spain	3.65	2.05	1.60	4.13	3.27	0.86	0.17	0.07	0.00	0.02	0.02
New Zealand	0.00	0.94	-0.94	0.00	3.99	-3.99	0.00	0.04	0.01	0.00	0.01
China	0.00	0.03	-0.03	0.00	11.98	-11.98	0.00	0.00	0.00	0.00	0.00
United States	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Austria	0.00	0.97	-0.97	0.00	8.38	-8.38	0.00	0.08	-0.04	0.00	-0.04
Finland	1.76	1.76	0.00	1.74	7.94	-6.20	0.04	0.13	0.01	-0.11	-0.10
Singapore	1.54	1.83	-0.29	-6.52	1.38	-7.90	-0.10	0.03	0.02	-0.11	-0.10
Hong Kong	1.66	2.11	-0.45	-3.96	3.45	-7.41	-0.06	0.07	0.03	-0.13	-0.10
Israel	1.54	2.56	-1.02	4.96	12.87	-7.92	0.11	0.31	-0.08	-0.08	-0.16
Sweden	5.21	7.59	-2.38	2.25	10.20	-7.94	0.17	0.76	-0.11	-0.40	-0.51
Netherlands	5.14	2.54	2.60	-6.26	4.30	-10.56	-0.27	0.12	0.02	-0.56	-0.54
Australia	6.92	8.94	-2.02	-6.16	7.01	-13.17	-0.46	0.60	-0.05	-0.96	-1.01
[Cash]	4.52	0.00	4.52	0.11	0.00	0.11	0.01	0.00	-0.23	0.00	-0.23
Total	100.00	100.00	0.00	6.59	4.35	2.24	6.59	4.35	0.38	1.87	2.24



Trailing 1 Year Attribution:

Harbor International Small Cap Fund vs. MSCI EAFE Small Cap (ND) Index

06/30/2020 - 06/30/2021

Performance

	Portfolio	Benchmark	Active
Return ex Currency	47.21	34.77	12.44
Currency Contribution	5.86	6.22	-0.35
Total Return	53.07	40.99	12.09

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 Discretionary	14.26	12.98	1.27	74.41	50.53	23.88	9.73	6.26	0.38	2.49	2.87
Communication Services	2.75	4.65	-1.90	196.24	46.51	149.73	4.01	2.21	-0.16	2.94	2.79
Financials	10.52	10.52	0.00	70.06	42.82	27.24	6.95	4.45	0.15	2.53	2.68
Consumer Staples	9.86	6.11	3.76	48.19	17.77	30.41	4.64	1.28	-0.62	2.69	2.06
Health Care	3.91	7.30	-3.40	46.77	27.64	19.13	1.95	2.22	0.61	0.74	1.35
Real Estate	0.00	11.83	-11.83	0.00	32.86	-32.86	0.00	3.98	1.20	0.00	1.20
Information Technology	13.82	10.50	3.32	47.50	40.23	7.27	6.54	4.32	0.27	0.82	1.08
Industrials	25.68	22.84	2.84	56.12	50.52	5.60	14.43	10.99	0.35	0.72	1.07
Materials	9.04	8.81	0.23	54.41	46.11	8.30	4.89	3.88	0.21	0.68	0.89
Utilities	0.00	2.82	-2.82	0.00	27.67	-27.67	0.00	0.86	0.48	0.00	0.48
Energy	2.57	1.63	0.94	-19.40	30.29	-49.70	-0.33	0.54	-0.14	-1.01	-1.14
[Cash]	7.59	0.00	7.59	2.50	0.00	2.50	0.28	0.00	-3.23	0.00	-3.23
Total	100.00	100.00	0.00	53.07	40.99	12.09	53.07	40.99	-0.51	12.60	12.09



Trailing 1 Year Attribution:

Harbor International Small Cap Fund vs. MSCI EAFE Small Cap (ND) Index

06/30/2020 - 06/30/2021

Country 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
Japan	22.78	29.03	-6.26	43.05	21.21	21.84	10.69	6.91	1.25	4.75	6.00
France	6.77	3.15	3.62	140.81	41.43	99.37	7.56	1.28	0.22	4.26	4.48
United Kingdom	12.27	17.34	-5.07	80.21	50.53	29.68	8.79	8.41	-0.42	2.97	2.55
Canada	2.97	0.00	2.97	120.41	0.00	120.41	2.95	0.00	1.84	0.00	1.84
Hong Kong	2.87	2.09	0.78	68.26	54.42	13.83	3.14	1.04	0.29	1.29	1.58
Denmark	3.22	1.70	1.52	77.13	55.35	21.78	2.41	0.90	0.32	0.57	0.89
Singapore	2.33	1.86	0.48	47.19	21.90	25.29	1.48	0.42	-0.05	0.84	0.80
Germany	6.20	5.46	0.74	56.26	44.96	11.30	3.37	2.44	0.11	0.58	0.69
Switzerland	4.43	5.31	-0.88	55.10	39.27	15.83	2.30	2.14	0.14	0.51	0.65
Ireland	1.16	0.49	0.67	58.74	73.60	-14.86	0.92	0.31	0.52	-0.01	0.50
Netherlands	5.69	2.47	3.22	54.94	74.47	-19.53	3.57	1.61	0.96	-0.50	0.46
Italy	1.89	2.93	-1.04	93.31	53.27	40.05	1.29	1.49	-0.06	0.49	0.44
Portugal	1.53	0.23	1.30	51.57	27.10	24.47	0.76	0.06	-0.14	0.43	0.29
China	0.00	0.04	-0.04	0.00	-4.28	4.28	0.00	0.00	0.10	0.00	0.10
Israel	1.58	2.27	-0.69	54.16	62.12	-7.95	1.00	1.26	-0.03	0.07	0.04
New Zealand	0.00	0.98	-0.98	0.00	45.75	-45.75	0.00	0.46	0.01	0.00	0.01
Austria	0.00	0.87	-0.87	0.00	58.28	-58.28	0.00	0.45	-0.04	0.00	-0.04
Finland	0.69	1.73	-1.04	-4.12	65.83	-69.95	-0.03	1.04	-0.24	-0.14	-0.38
Norway	0.00	2.24	-2.24	0.00	64.90	-64.90	0.00	1.33	-0.40	0.00	-0.40
United States	0.45	0.00	0.45	-16.99	0.00	-16.99	-0.40	0.00	-0.51	0.00	-0.51
Spain	3.73	1.98	1.75	29.02	44.51	-15.49	0.98	0.86	-0.01	-0.60	-0.61
Belgium	1.43	1.59	-0.15	-14.91	28.62	-43.53	-0.43	0.49	0.06	-0.77	-0.71
Sweden	3.95	7.43	-3.48	39.55	59.60	-20.05	1.51	4.17	-0.57	-0.54	-1.11
Australia	6.47	8.83	-2.35	8.47	45.63	-37.16	0.93	3.88	0.03	-2.19	-2.16
[Cash]	7.59	0.00	7.59	2.50	0.00	2.50	0.28	0.00	-3.31	0.00	-3.31
Total	100.00	100.00	0.00	53.07	40.99	12.09	53.07	40.99	0.08	12.01	12.09

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

Disclosures

The MSCI EAFE Small Cap (ND) Index is an equity index which captures small cap representation across developed market countries around the world, excluding the U.S. and Canada. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

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 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.

Cedar Street Asset Management, LLC is a third party subadviser to the Harbor International Small Cap 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.