

Harbor Mid Cap Value Fund

LSV Asset Management

Subadvisor Since 09/30/2004

Total Net Assets - All Classes \$286,425,953
Equity Assets: 98.85%
Cash & Other Assets Less Liabilities: 1.15%
Benchmark Name: Russell Midcap® Value Index

Portfolio Managers



Josef Lakonishok, Ph.D.



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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 03/31/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	146	695	Financials	19.42	17.01
Wtd Avg Market Cap (\$Mil)	12,482.80	20,220.60	Consumer Discretionary	14.51	10.06
Median Market Cap (\$Mil)	6,454.00	9,092.00	Industrials	13.82	16.88
Price/Book Ratio	1.81	2.36	Information Technology	10.81	8.72
Adjusted Trailing P/E Ratio	9.80	20.00	Materials	8.58	7.86
% EPS Growth - Past 3 Yr	27.80	19.30	Consumer Staples	8.22	4.44
Est 3-5 Yr EPS Growth Rate (%)	9.40	10.00	Health Care	6.92	7.39
Return on Equity (%)	20.78	11.65	Real Estate	5.79	10.38
Beta vs. Fund Benchmark	1.05		Energy	4.59	4.98
Forecasted P/E Ratio	9.90	17.20	Utilities	4.02	8.94
			Communication Services	2.17	3.28

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Owens Corning	1.59	0.15	Insurance	6.88	6.43
AGCO Corporation	1.54	0.12	Machinery	6.67	5.82
Snap-on Incorporated	1.53	0.21	Electronic Equipment	5.11	2.00
Hartford Financial Serv	1.52	0.36	Oil Gas & Consumables	4.59	4.16
HP Inc.	1.52	0.26	Household Durables	4.26	1.69
Kroger Co.	1.52	0.53	Specialty Retail	4.15	2.10
Cummins Inc.	1.47	0.55	Chemicals	3.72	4.00
Jazz Pharmaceuticals Pu	1.37	0.15	Consumer Staples	3.69	1.40
Molson Coors Beverage C	1.31	0.15	Distribution & Retail	3.69	1.51
Jabil Inc.	1.27	0.03	Containers & Packaging	3.60	1.84
Total	14.64	2.51	Total	46.36	30.95

Market Capitalization		
		Portfolio %
Large	Above 25.0B	14.94
	10.0B - 25.0B	24.66
Mid	5.0B - 10.0B	31.18
	1.0B - 5.0B	24.86
Small	0.0 - 1.0B	4.36



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	HAMVX	411511835	0.85%	0.85%	-4.08%	25.49%	4.31%	8.02%	7.32%	03/01/02	0.85	0.89
Investor	HIMVX	411511736	0.76%	0.76%	-4.45%	25.05%	3.93%	7.63%	8.17%	11/01/02	1.21	1.25
Retirement	HNMVX	411512460	0.89%	0.89%	-4.02%	25.61%	4.40%	8.08%	7.34%	03/01/16	0.77	0.81
Russell Midcap® Value Index			1.32%	1.32%	-9.22%	20.69%	6.54%	8.80%	9.22%	03/01/02		

MANAGER COMMENTARY

As of 03/31/2023

“While the Fed continued to raise rates in the quarter to their highest point since September 2007, investors reacted positively to the slow but steady improvement in inflation numbers.”

LSV Asset Management

Market in Review

U.S. equities posted strong gains in the first quarter despite fears of a banking crisis following the collapse of Silicon Valley Bank (SVB) and the rescue of Credit Suisse by UBS. The S&P 500 was up 7.5%, small-cap stocks underperformed large-caps during the quarter, while value stocks significantly lagged growth stocks across all market-cap segments. There was wide dispersion in sector returns in the S&P 500, as the Information Technology and Communication Services sectors advanced more than 20%, while Energy, Health Care, and Financials were all down about 5%.

U.S. equities started the year on a positive note, as investors anticipated a slowing of interest rate hikes from the Federal Reserve (“Fed”). Markets declined in early March but quickly moved on from the regional bank scare touched off by the collapse of Silicon Valley Bank and Signature Bank. While the Fed continued to raise rates in the quarter to their highest point since September 2007, investors reacted positively to the slow but steady improvement in inflation numbers. Stocks, particularly cyclical and value-oriented stocks, fell sharply after the banking industry turmoil, but markets recovered quickly led by mega-cap growth stocks, including Apple and Microsoft in the Information Technology sector and Google and Meta Platforms in the Communication Services sector.

Economic results supported a slowdown in the Fed’s rate-hiking cycle, as data released during the quarter was weaker. Forward-looking business activity, as measured by Purchasing Managers’ Index (PMI) data, moved into expansionary territory, however layoff announcements by large employers including Amazon and Facebook parent Meta Platforms continued. While employment gains have slowed, the labor market remains tight, with unemployment hovering at near all-time lows. The U.S. jobless rate stood at 3.6% at the end of February.

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 first quarter of 2023, the Harbor Mid Cap Value Fund (Institutional Class, "Fund") returned 0.85%, underperforming its benchmark, the Russell Midcap[®] Value Index, which returned 1.32%. The poor relative performance of value stocks proved to be a significant headwind in the quarter and had a negative impact on relative results given the Fund's deep value bias.

We take limited sector and industry bets and look to add value primarily from bottom-up stock selection. During the first quarter, sector selection added value while stock selection detracted. The Fund benefited from an overweight to Consumer Discretionary and Information Technology stocks and underweight to Energy, which lagged in the quarter. While stock selection added value in the Financials sector, this was offset by poor selection among Health Care, Real Estate, and Industrials stocks. At the industry level, strong stock selection among regional banks and property and casualty insurance companies in the Financials sector and homebuilders and automotive retailers in the Consumer Discretionary sector added value.

Contributors & Detractors

Homebuilders PulteGroup, Toll Brothers, and Meritage Homes in the Consumer Discretionary sector added value, as did automotive retailers Penske Automotive Group and Group 1 Automotive. While stock selection among insurance companies was mixed, holdings in the property and casualty group that added value include Universal Insurance Holdings, which was up over 70%, and our underweight to Allstate, which we sold in the quarter.

Regional banks were among the top detractors during the quarter, however, since the Fund was not invested in First Republic Bank, Signature Bank, or SVB Financial — all of which were in the benchmark — stock selection in this area was generally positive. That said, regional bank holdings that did detract included Zions Bancorporation, Citizens Financial Group, KeyCorp, and Regions Financial. Other detractors included multiline insurers American International Group (AIG) and Hartford Financial Services.

Buys & Sells

We added to our position in G-III Apparel Group, a designer and seller of clothing and luxury goods. The stock ranks in the top decile on cash flow and earnings measures, which we emphasize heavily in the stock ranking procedure. While the company does not pay a dividend, G-III has been returning cash to shareholders through stock buybacks. Long-term past performance of the stock is relatively poor, which is a positive signal in our model. While recent price momentum has been mixed, our comprehensive measure of price momentum is near the median of stocks in the universe. Although the Fund is overweight the Consumer Discretionary sector, G-III Apparel was attractive enough to continue to add.

We sold our position in Paramount Global, a global media, streaming, and entertainment company in the Communication Services sector. We initially bought the stock in the first quarter of 2020. The stock has become less attractive on several valuation metrics, particularly forward earnings and cash flow metrics. While the stock pays a 4.4% dividend, the payout ratio is relatively high, which can indicate a potential cut in the dividend. Recent price and earnings momentum have both been poor, and other measures of operating momentum have deteriorated, weighing on the stock's ranking.



Outlook

While the broad equity market continued to advance, value stocks were left behind during the first quarter. The Fund continues to trade at attractive valuations while exhibiting much higher quality measures than the value benchmark. The Fund is trading at a 40% to 45% discount to the value benchmark on various multiples, including our important variables of price to cash flow and price to earnings. These are slightly higher spreads than what we saw at the start of the year. While value stocks have recovered in the past two to three years, when we look at the overall market, growth stocks continue to trade at a premium to their long-term averages, while value stocks remain at a discount. The combination of the relative valuation spreads between growth and value stocks and the attractive absolute and relative valuation of the Fund should bode well for Fund performance going forward.

QUARTERLY ATTRIBUTION

As of 03/31/2023

Best & Worst Performers

Best Performers	Average Weight %	Return %
Universal Insurance Holdings Inc.	0.37	73.49
Service Properties Trust	0.31	39.99
O-I Glass Inc	0.61	37.06
Jabil Inc.	1.25	29.39
Bloomin' Brands Inc.	0.46	28.66

Worst Performers	Average Weight %	Return %
Zions Bancorporation N.A.	0.79	-38.64
Titan International Inc.	0.25	-31.59
KeyCorp	0.70	-27.32
Lincoln National Corp	0.35	-25.78
Medical Properties Trust Inc.	0.41	-23.59

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Jabil Inc.	29.39	0.31
PulteGroup Inc.	28.37	0.24
Reliance Steel & Aluminum Co.	27.32	0.24
Toll Brothers Inc.	20.71	0.18
Universal Insurance Holdings Inc.	73.49	0.17
Total		1.14

Greatest Detractors	Return %	Contribution to Return %
Zions Bancorporation N.A.	-38.64	-0.34
Citizens Financial Group Inc.	-22.09	-0.24
KeyCorp	-27.32	-0.21
APA Corporation	-22.32	-0.18
Regions Financial Corporation	-13.08	-0.17
Total		-1.14

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.



Quarterly Attribution:

Harbor Mid Cap Value Fund vs Russell Midcap® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	1.04	1.32	-0.28
Currency Contribution	0.00	0.00	0.00
Total Return	1.04	1.32	-0.28

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	14.89	9.93	4.96	7.85	6.55	1.30	1.06	0.61	0.26	0.19	0.45
Energy	4.49	5.10	-0.61	-3.91	-7.06	3.15	-0.13	-0.35	0.05	0.17	0.22
Information Technology	10.71	8.19	2.52	11.68	11.98	-0.31	1.19	0.93	0.26	-0.04	0.22
Utilities	3.89	8.63	-4.75	-0.02	-1.68	1.66	-0.01	-0.07	0.17	0.05	0.21
Financials	20.51	18.53	1.98	-6.47	-8.01	1.54	-1.31	-1.55	-0.19	0.36	0.17
Materials	8.83	7.83	1.00	6.10	4.98	1.13	0.51	0.38	0.04	0.09	0.13
Consumer Staples	7.80	4.26	3.54	0.19	1.44	-1.25	0.05	0.09	0.02	-0.11	-0.09
Communication Services	2.23	3.22	-0.99	0.61	7.33	-6.72	0.05	0.25	-0.05	-0.15	-0.20
Real Estate	6.01	10.55	-4.54	-6.91	0.38	-7.29	-0.43	0.04	0.04	-0.46	-0.42
Industrials	13.08	16.45	-3.37	4.76	6.63	-1.87	0.43	0.94	-0.17	-0.26	-0.42
Health Care	6.86	7.32	-0.47	-6.62	0.38	-7.00	-0.38	0.08	-0.01	-0.50	-0.52
Total	100.00	100.00	0.00	1.04	1.32	-0.28	1.04	1.32	0.38	-0.66	-0.28

Trailing 1 Year Attribution:

Harbor Mid Cap Value Fund vs Russell Midcap® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-3.16	-9.21	6.05
Currency Contribution	0.00	0.00	0.00
Total Return	-3.16	-9.21	6.05

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	14.41	9.41	4.99	7.35	-4.72	12.07	1.04	-0.31	0.23	1.64	1.87
Information Technology	10.49	8.24	2.25	1.23	-8.99	10.22	0.27	-0.73	0.10	1.01	1.11
Materials	8.58	7.77	0.81	-1.21	-7.83	6.63	-0.14	-0.64	0.02	0.64	0.66
Financials	20.62	18.22	2.40	-13.92	-17.37	3.45	-2.90	-3.06	-0.19	0.82	0.63
Health Care	7.19	7.23	-0.04	-0.02	-8.27	8.24	0.22	-0.41	-0.04	0.59	0.54
Energy	4.55	5.90	-1.36	22.79	0.59	22.20	0.80	-0.40	-0.34	0.76	0.42
Consumer Staples	8.28	4.61	3.67	-3.17	-6.58	3.41	-0.16	-0.34	0.03	0.28	0.31
Industrials	11.86	15.48	-3.62	10.36	2.78	7.59	1.14	0.66	-0.45	0.71	0.26
Communication Services	2.54	3.41	-0.87	-24.33	-25.88	1.55	-0.72	-1.06	0.20	0.05	0.25
Real Estate	6.89	11.10	-4.22	-29.43	-21.29	-8.13	-2.46	-2.61	0.54	-0.69	-0.15
Utilities	3.88	8.63	-4.76	-3.86	-2.81	-1.06	-0.28	-0.31	-0.27	-0.14	-0.41
Total	100.00	100.00	0.00	-3.16	-9.21	6.05	-3.16	-9.21	0.39	5.65	6.05

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. 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.

Benchmarks

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.

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.

LSV Asset Management is an independent subadvisor 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.

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.