

Harbor Mid Cap Fund

EARNEST Partners LLC

Subadvisor Since 12/01/2019

Total Net Assets - All Classes \$102,735,731
Equity Assets: 96.53%
Cash & Other Assets Less Liabilities: 3.47%
Benchmark Name: Russell Midcap® Index

Portfolio Managers



Paul E. Viera

Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks, of U.S. mid cap companies. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in securities of mid cap companies. The Subadvisor uses a bottom-up investment process, employing fundamental and qualitative criteria to identify individual companies for potential investment in the Fund's portfolio. The Subadvisor employs statistical analysis, which is designed to limit certain risks in the Fund's portfolio versus the Fund's benchmark. The Fund expects to invest in approximately 50 to 70 companies.

CHARACTERISTICS & ALLOCATION

As of 09/30/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	58	812	Industrials	25.11	19.06
Wtd Avg Market Cap (\$Mil)	23,792.00	21,564.20	Information Technology	17.68	13.33
Median Market Cap (\$Mil)	14,096.00	9,323.00	Financials	17.33	15.00
Price/Book Ratio	2.84	3.12	Health Care	9.69	11.00
Adjusted Trailing P/E Ratio	19.00	23.00	Real Estate	6.64	7.67
% EPS Growth - Past 3 Yr	15.50	21.10	Materials	6.64	5.92
Est 3-5 Yr EPS Growth Rate (%)	11.30	11.10	Energy	5.67	5.36
Return on Equity (%)	14.15	14.43	Consumer Discretionary	4.92	10.22
Beta vs. Fund Benchmark	0.89		Utilities	1.45	5.33
Forecasted P/E Ratio	17.20	18.40	Consumer Staples	1.40	3.69
			Communication Services	0.00	3.52

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Republic Services Inc.	2.88	0.31	Capital Markets	7.73	4.58
Synopsys Inc.	2.88	0.00	Insurance	6.39	4.93
Akamai Technologies Inc	2.39	0.17	Aerospace & Defense	5.70	1.55
Entegris Inc.	2.27	0.15	Semiconductors	5.40	2.92
RenaissanceRe Holdings	2.24	0.10	Machinery	5.13	4.68
CBRE Group Inc. Class A	2.23	0.24	Software	4.99	4.50
Darden Restaurants Inc.	2.22	0.18	Chemicals	4.13	2.88
Masco Corporation	2.21	0.13	Commercial Serv & Suppl	3.88	1.64
ANSYS Inc.	2.11	0.27	Electronic Equipment	3.72	2.47
Progressive Corporation	2.11	0.00	Trading Companies	3.50	1.73
Total	23.54	1.55	Total	50.57	31.88

Market Capitalization		
		Portfolio %
Large	Above 25.0B	28.70
	10.0B - 25.0B	35.53
Mid	5.0B - 10.0B	21.82
	1.0B - 5.0B	10.54
Small	0.0 - 1.0B	0.00



Average Annual Returns

Share Class	Ticker	CUSIP	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HMCLX	41152P708	-4.60%	3.50%	9.70%	7.85%	N/A	N/A	7.41%	12/01/19	0.88	1.00
Investor	HMCNX	41152P880	-4.70%	3.26%	9.33%	7.49%	N/A	N/A	7.04%	12/01/19	1.24	1.36
Retirement	HMCRX	41152P609	-4.60%	3.58%	9.80%	7.93%	N/A	N/A	7.50%	12/01/19	0.80	0.92
Russell Midcap® Index			-4.68%	3.91%	13.45%	8.09%	N/A	N/A	6.25%	12/01/19		

MANAGER COMMENTARY

As of 09/30/2023

"Mounting consumer pressures combined with the increasing bargaining power of labor ultimately weighed heavily on market sentiment in the quarter."

EARNEST Partners LLC

Market in Review

In the third quarter of 2023, the broad rally in global equity markets stalled after a strong first half of the year as investors began to focus on long-term economic growth prospects and the posture of the Federal Reserve ("Fed") in its fight against inflation. Energy emerged as the star performer during the quarter, gaining momentum as travel demand continued to remain strong and several OPEC countries extended supply restrictions through the end of 2024. Rate-sensitive industries, such as Consumer Discretionary, Real Estate, and Utilities, encountered headwinds in the wake of the Fed's persistent commitment to maintaining higher interest rates for an extended period. These businesses typically hold lots of debt on their balance sheets, which ensures that they will face higher financing costs. Additionally, Utilities and real estate investment trusts ("REITs") — often viewed as bond proxies by many investors — are competing for investors' capital with government securities that are offering over 5% annualized rates. Many of the stocks within the tech-heavy Nasdaq-100 (Amazon and Tesla are both within Consumer Discretionary) saw a pullback after the index gained more than 40% during the first half of the year on the back of optimism surrounding artificial intelligence ("AI") and related industries.

Portfolio Performance

The U.S. equity market, as represented by the Russell Midcap® Index, contracted 4.68% during the third quarter of 2023, the first quarter of contraction year to date. Markets continued to adapt to inflationary pressures and negative investor sentiment stemming from ongoing concerns about future economic growth. The index gained nearly 0.8% in the first six weeks of the quarter but contracted more than 5% over the final seven weeks to finish in negative territory. Mounting consumer pressures combined with the increasing bargaining power of labor ultimately weighed heavily on market sentiment in the quarter. Only two of the 11 Global Industry Classification Standard ("GICS®") sectors in the index generated positive returns during the quarter. The Energy sector saw the biggest gains for the quarter, up more than 13% in the wake of rising oil prices, as supply constraints drove underlying commodity pricing higher. Health Care was the worst-performing sector, down more than 11% as the markets adjusted to a higher-for-longer interest rate regime.

The Global Industry Classification Standard GICS® is an industry analysis framework that helps investors understand the key business activities for companies around the world.

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.



Net of fees, the Harbor Mid Cap Fund (Institutional Class, “Fund”) outperformed its benchmark, the Russell Midcap[®] Index, for the quarter due in part to a favorable stock selection in the Financials and Health Care sectors. EARNEST Partners continues to focus on high-quality companies that we believe are well positioned to benefit over the long term.

Contributors & Detractors

Contributing to performance, Houlihan Lokey (“HLI”), an investment banking company, provides merger and acquisition (“M&A”), capital market, and financial advisory services worldwide. It operates in three segments: corporate finance, financial restructuring, and financial and valuation advisory. Despite missing consensus earnings estimates, HLI shares were up approximately 11% in the quarter. The earning miss was driven in part by a decline in M&A activity coupled with increased operating expenses. These factors, however, were partially offset by robust restructuring transaction revenue, which constituted ~30% of the top line and represented a ~57% increase year over year. Management notes that the restructuring business is expected to remain buoyant. We maintain our position in HLI owing to its cyclically balanced business model, where its corporate finance and financial restructuring segments continue to outperform expectations. The company’s growing market share in middle-market M&A transactions underscores our optimism toward the growth potential of its corporate finance business.

Detracting from performance, Sysco Corporation is a leading provider of distribution services for the foodservice industry. Sysco caters to a wide range of customers such as restaurants, schools, health care facilities, and entertainment venues. Despite beating consensus earnings estimates, Sysco shares pulled back about 10% during the quarter, as investors discounted the company’s revenue growth due to higher-than-expected costs. As a leading provider of distribution services to the food-away-from-home industry, we believe Sysco is well positioned to grow earnings as the consumption of food-away-from-home continues to increase and larger operators continue to take share from smaller operators. Furthermore, Sysco’s focus on selling its white-label option to customers is driving further margin expansion that should benefit earnings growth through our forecast period.

Buys and Sells

We sold Black Knight and Activision Blizzard in the portfolio, as both were taken private at a premium of 35% and 45%, respectively.

Underweights and Overweights

The Fund entered the period with a relative overweight to Technology, Financials, and Industrials. The Fund is positioned this way because we have found more attractive individual opportunities relative to other sectors. Our views on the names in the Fund have remained consistent since last quarter, and the Fund continues to maintain a healthy overweight, reflecting our conviction in the holdings.

Outlook

There were no new themes or trends introduced into the Fund during the quarter. We continue to position the Fund based on the underlying fundamentals of individual companies and the growth prospects relative to what is currently reflected in the stock price.



Best & Worst Performers

Best Performers	Average Weight %	Return %
BLACK KNIGHT INC	0.77	24.98
HELMERICH & PAYNE	1.10	20.34
MURPHY OIL CORP	1.05	19.15
KEYCORP	1.38	18.64
AKAMAI TECHNOLOGIES INC	2.15	18.55

Worst Performers	Average Weight %	Return %
SPIRIT AEROSYSTEMS HOLD-CL A	1.54	-44.71
ALBEMARLE CORP	1.62	-23.62
KEYSIGHT TECHNOLOGIES IN	2.16	-20.99
LUMENTUM HOLDINGS INC	1.17	-20.36
SEALED AIR CORP	1.24	-17.36

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
BLACK KNIGHT INC	24.98	0.38
AKAMAI TECHNOLOGIES INC	18.55	0.34
GLOBAL PAYMENTS INC	17.36	0.21
PACKAGING CORP OF AMERICA	17.16	0.18
MURPHY OIL CORP	19.15	0.17
Total		1.26

Greatest Detractors	Return %	Contribution to Return %
SPIRIT AEROSYSTEMS HOLD-CL A	-44.71	-0.80
KEYSIGHT TECHNOLOGIES IN	-20.99	-0.50
ALBEMARLE CORP	-23.62	-0.39
ENTEGRIS INC	-15.18	-0.36
DARDEN RESTAURANTS INC	-13.59	-0.33
Total		-2.37



Quarterly Attribution:

Harbor Mid Cap Fund vs Russell Midcap® Index

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-4.30	-4.68	0.38
Currency Contribution	0.00	0.00	0.00
Total Return	-4.30	-4.68	0.38

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	16.50	14.73	1.77	5.50	1.33	4.16	0.76	0.12	0.09	0.64	0.73
Health Care	9.50	11.30	-1.81	-5.59	-11.39	5.80	-0.58	-1.29	0.15	0.55	0.69
Communication Services	0.22	3.59	-3.37	6.76	-9.56	16.32	0.11	-0.33	0.21	0.04	0.25
Real Estate	6.96	7.85	-0.89	-6.79	-7.90	1.11	-0.48	-0.63	0.04	0.08	0.11
Utilities	1.39	5.41	-4.02	-7.89	-7.32	-0.58	-0.12	-0.41	0.11	-0.01	0.10
Consumer Staples	1.37	3.80	-2.44	-10.38	-8.66	-1.72	-0.16	-0.34	0.10	-0.02	0.07
Energy	5.29	5.04	0.25	14.11	13.17	0.95	0.59	0.56	0.03	0.03	0.05
Consumer Discretionary	5.21	10.37	-5.16	-10.22	-6.99	-3.23	-0.54	-0.72	0.12	-0.17	-0.05
Information Technology	18.40	13.11	5.28	-5.13	-4.04	-1.09	-0.89	-0.49	-0.01	-0.20	-0.21
Materials	6.93	5.89	1.05	-11.57	-4.81	-6.76	-0.76	-0.28	-0.01	-0.47	-0.48
Industrials	25.28	18.92	6.36	-9.15	-4.61	-4.55	-2.27	-0.87	0.00	-1.15	-1.15
Total	100.00	100.00	0.00	-4.30	-4.68	0.38	-4.30	-4.68	1.07	-0.69	0.38

Trailing 1 Year Attribution:

Harbor Mid Cap Fund vs Russell Midcap® Index

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	14.02	13.45	0.57
Currency Contribution	0.00	0.00	0.00
Total Return	14.02	13.45	0.57

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	16.97	14.33	2.64	16.61	6.52	10.09	3.17	1.05	-0.20	1.79	1.59
Utilities	1.38	5.64	-4.26	-6.88	-1.10	-5.78	-0.03	0.03	0.69	-0.08	0.61
Communication Services	1.34	3.60	-2.26	21.07	2.19	18.88	0.34	0.12	0.38	0.03	0.41
Real Estate	6.61	7.79	-1.18	-1.75	-0.41	-1.34	0.16	0.06	0.25	-0.05	0.20
Consumer Discretionary	5.23	11.48	-6.25	37.61	22.01	15.60	1.98	2.44	-0.59	0.77	0.18
Consumer Staples	1.39	3.95	-2.56	-4.12	3.07	-7.19	0.00	0.19	0.27	-0.11	0.16
Information Technology	17.61	13.79	3.81	20.24	21.66	-1.42	3.85	2.85	0.40	-0.32	0.08
Health Care	9.75	10.93	-1.19	-0.86	5.34	-6.19	-0.19	0.64	0.25	-0.83	-0.57
Energy	4.91	5.01	-0.10	8.12	23.63	-15.51	0.26	1.15	-0.11	-0.77	-0.87
Materials	7.16	6.12	1.04	-6.83	11.77	-18.59	-0.14	0.78	-0.02	-1.39	-1.41
Industrials	25.05	17.37	7.69	16.20	27.46	-11.26	4.52	4.13	1.09	-2.64	-1.54
Total	100.00	100.00	0.00	14.02	13.45	0.57	14.02	13.45	4.15	-3.58	0.57

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

The Nasdaq 100 Index is a stock index of the 100 largest companies by modified market capitalization trading on Nasdaq exchanges.

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.

EARNEST Partners LLC is an independent subadvisor to the Harbor Mid 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.

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.