

# Harbor Small Cap Growth Fund

Westfield Management Company, L.P.

Subadviser Since 11/01/2000

**Total Net Assets - All Classes** \$1,143,414,682  
**Equity Assets:** 97.21%  
**Cash & Other Assets Less Liabilities:** 2.79%  
**Benchmark Name:** Russell 2000® Growth Index

## Portfolio Managers



William A. Muggia



Richard D. Lee, CFA



Ethan J. Meyers, CFA



John M. Montgomery

## Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies. The small cap companies selected meet strict fundamental criteria and are then subject to a qualitative review by the portfolio manager to ensure that they have: accelerated earnings growth, a strong balance sheet, attractive valuation as measured by price/earnings to growth ratio, unique market position and broad opportunities, superior management and solid financial controls and accounting. The Fund stays fully invested in stocks and does not try to time the market, but instead works toward steady investment growth.

## CHARACTERISTICS & ALLOCATION

As of 06/30/2021

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	67	1,175	Health Care	32.11	30.42
Wtd Avg Market Cap (\$Mil)	5,818.90	3,776.70	Information Technology	17.70	21.25
Med Cap - # Stocks (\$Mil)	5,508.00	1,486.00	Industrials	17.29	13.39
Price/Book Ratio	5.12	6.31	Consumer Discretionary	12.60	15.17
Adjusted Trailing P/E Ratio	37.20	38.60	Financials	5.72	4.94
% EPS Growth - Past 3 Yr	20.80	17.80	Real Estate	4.75	2.81
Return on Equity (%)	4.31	1.34	Materials	3.94	2.99
Beta vs. Fund Benchmark	0.92		Communication Services	1.88	2.96
Forecasted P/E Ratio	25.50	29.80	Energy	1.22	2.08
Proj. Earnings Growth Rate (%)	16.50	21.50	Utilities	0.00	0.27
			Consumer Staples	0.00	3.55

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Advanced Drainage Systems	2.58	0.00	Biotechnology	17.70	14.03
First Citizens BancShares	2.31	0.00	Machinery	5.45	3.86
Turning Point Therapeutics	2.30	0.03	Software	5.01	10.61
Hexcel Corporation	2.22	0.00	Equity REITS	4.75	1.82
National Vision Holding	2.21	0.27	It Services	4.69	2.10
Silicon Motion Technology	2.08	0.00	Hotels Rest & Leisure	4.67	4.08
Atkore Inc	2.02	0.22	Semiconductors	4.51	4.39
Pacira Biosciences, Inc	2.00	0.17	Building Products	4.18	1.26
Timken Company	1.97	0.00	Life Sciences Tools	3.95	1.71
Acceleron Pharma Inc	1.95	0.00	Specialty Retail	3.79	3.50
<b>Total</b>	<b>21.64</b>	<b>0.69</b>	<b>Total</b>	<b>58.70</b>	<b>47.36</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	8.69
Mid	5.0B - 10.0B	48.13
	1.0B - 5.0B	42.49
Small	0.0 - 1.0B	0.69



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	HASGX	411511868	1.77%	5.67%	45.30%	19.83%	20.82%	14.08%	10.64%	11/01/00	0.89	0.89
Administrative Investor	HRSGX	411511769	1.67%	5.50%	44.89%	19.52%	20.43%	13.77%	12.44%	11/01/02	1.14	1.14
Investor	HISGX	411511777	1.66%	5.43%	44.71%	19.39%	20.38%	13.66%	12.30%	11/01/02	1.25	1.25
Retirement	HNSGX	411512494	1.76%	5.70%	45.40%	19.92%	20.92%	14.13%	10.66%	03/01/16	0.81	0.81
Russell 2000® Growth Index			3.92%	8.98%	51.36%	15.94%	18.76%	13.52%	7.95%	11/01/00		

## MANAGER COMMENTARY

As of 06/30/2021

**“We maintain conviction that the best way to invest in this type of environment is through exposure to high-quality-growth, cyclical businesses, particularly those with pricing power. We believe these businesses are best suited to navigate a rising interest-rate environment and pass through rising input costs.”**

Westfield Capital Management Company, LP

### Market In Review

U.S. equities ended the quarter in positive territory across all major U.S. indices, marking the fifth-consecutive, quarterly gain since the first quarter of 2020. Reversing a first-quarter trend, pro-cyclical value stocks ceded market leadership to their growth peers, as robust equity inflows, coupled with stellar corporate earnings, rising vaccination rates, continued reopenings, and supportive monetary policy, propelled equity markets higher. Inflation was the topic of the quarter with much debate over how much of the recent price pressures are transitory in nature, due to supply-chain bottlenecks, which may likely result in sustained, upward price pressure. While the debate raged on, the Federal Reserve (“Fed”) remained firm in its assertion that current pressures will abate over time, and no additional intervention will be necessary, much to the chagrin of investors such as ourselves, who believe the current inflationary threat is underappreciated.

### Portfolio Performance

During the second quarter of 2021, the Harbor Small Cap Growth Fund (Institutional Class, “Fund”) returned 1.77%, underperforming its benchmark, the Russell 2000® Growth Index, which returned 3.92%. Relative weakness in Health Care and Consumer Discretionary outweighed relative strength in Industrials and Information Technology.

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 harborfunds.com or by calling 800-422-1050.



### Contributors & Detractors

Haemonetics Corporation, a hematology-focused health care supplier, was the top detractor from the Fund's performance. The company failed to secure a supply-agreement extension with a significant partner, CSL Plasma. Additionally, investor sentiment turned more negative on the stock following the release of their quarterly earnings, with guidance foreshadowing a slower rebound in the plasma market. However, we continue to favor the shares, believing that the long-term opportunity warrants our continued investment.

Pacira Biosciences, Inc. also detracted from the Fund's relative results. Pacira sells post-surgical pain relief alternatives to opioids, which provide patients with early mobility at a low cost. Pacira underperformed following the circulation of a publication that claimed their drug Exparel was no better than generic bupivacaine in certain indications. However, we feel this was overblown as the study was funded by Pacira's competitor and was based on a meta-analysis on unapproved uses of Exparel. Over time, we believe the Exparel launch should continue to work as reopenings lead to an accelerating return of elective procedures.

Offsetting some of the relative underperformance mentioned above was the positive contribution from Nuance Communications, Inc., a provider of sophisticated voice and language solutions. Nuance announced they were being acquired by Microsoft in a deal valued at \$2 billion, a premium to their share price at the time. Shortly after the deal was announced, we exited the position.

NCR Corporation, a leading provider of ATMs, self-service kiosks, point-of-sale devices, and relevant software applications for businesses in the financial services, retail, hospitality, and travel industries, also added to the Fund's relative returns. NCR executed on cost control through the first quarter and guided the second quarter significantly above street expectations, which is attributable to a strong rebound in retail and hospitality.

### Buys & Sells

During the quarter, we purchased Smartsheet, Inc., a software company that manages and automates collaborative work. We believe Smartsheet is an open-ended growth story with a large addressable market, limited direct competition, attractive unit economics, and a strong track record of management execution.

We sold our position in bioprocessing equipment-vendor Repligen Corporation during the quarter when it hit our internal price target. Repligen benefited from the pandemic vaccine and therapeutic supply chain. The position added value during our holding period. Sticking to our valuation discipline, we had been trimming on strength and ultimately exited the position once the stock hit our price target.

### Outlook

Moving forward, we continue to believe that we are entering a period of robust economic activity as the economy fully reopens, supply chain bottlenecks subside, and pent-up demand is exhausted. With robust aggregate demand, we expect current price pressures in the system to remain, and likely worsen, as the labor market tightens in the coming months with the end of jobless benefits, which we believe will ultimately drive wage pressure higher. There will undoubtedly be counter-trend trades to make at times, but we maintain conviction that the best way to invest in this type of environment is through exposure to high-quality-growth, cyclical businesses, particularly those with pricing power. We believe these businesses are best suited to navigate a rising interest-rate environment and pass through rising input costs. For those best positioned, they may even be able to expand margins. We also believe that growth-at-any-price should be avoided here. Valuations will matter, and quality is key. Ultimately, we expect the Fed to adjust course over time and pull forward their timelines for both tapering bond purchases and raising interest rates.

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### Best & Worst Performers

Best Performers	Average Weight %	Return %
Mimecast Limited	1.40	31.93
Ranpak Holdings Corp. Class A	0.72	24.78
Nuance Communications, Inc.	1.23	21.22
NCR Corporation	1.42	20.18
Novavax, Inc.	0.43	17.10

Worst Performers	Average Weight %	Return %
Haemonetics Corporation	1.64	-39.97
Bottomline Technologies (de), Inc.	0.71	-18.52
Turning Point Therapeutics, Inc.	1.89	-17.52
Insmmed Incorporated	1.27	-16.44
Mersana Therapeutics, Inc.	0.76	-16.07

### Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Mimecast Limited	31.93	0.40
Nuance Communications, Inc.	21.22	0.37
NCR Corporation	20.18	0.31
Advanced Drainage Systems, Inc.	12.86	0.30
National Vision Holdings, Inc.	16.66	0.30
<b>Total</b>		<b>1.68</b>

Greatest Detractors	Return %	Contribution to Return %
Haemonetics Corporation	-39.97	-0.74
Churchill Downs Incorporated	-12.82	-0.26
Pacira Biosciences, Inc.	-13.43	-0.23
Turning Point Therapeutics, Inc.	-17.52	-0.23
Insmmed Incorporated	-16.44	-0.22
<b>Total</b>		<b>-1.68</b>

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# Harbor Small Cap Growth Fund

ATTRIBUTION

As of 06/30/2021



## Quarterly Attribution:

### Harbor Small Cap Growth Fund vs. Russell 2000® Growth

03/31/2021 - 06/30/2021

#### Performance

	Portfolio	Benchmark	Active
Return ex Currency	2.26	3.91	-1.65
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>2.26</b>	<b>3.91</b>	<b>-1.65</b>

#### 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	17.67	14.58	3.09	4.57	-1.06	5.63	0.66	-0.19	-0.14	0.85	0.71
Information Technology	19.72	20.30	-0.58	8.36	6.44	1.92	1.71	1.34	-0.05	0.44	0.39
Materials	3.69	2.79	0.91	10.38	2.97	7.40	0.36	0.07	-0.07	0.30	0.23
Communication Services	2.67	2.29	0.38	9.81	6.31	3.50	0.28	0.12	0.04	0.15	0.18
Utilities	0.00	1.46	-1.46	0.00	0.83	-0.83	0.00	0.02	0.05	0.00	0.05
Energy	0.37	0.31	0.07	10.86	24.59	-13.73	0.06	0.00	0.04	-0.03	0.01
Consumer Staples	0.00	3.25	-3.25	0.00	7.44	-7.44	0.00	0.25	-0.09	0.00	-0.09
Real Estate	3.86	3.51	0.35	6.10	5.27	0.83	0.16	0.20	-0.04	-0.07	-0.10
Financials	8.09	4.11	3.98	2.22	6.90	-4.69	0.24	0.27	0.14	-0.33	-0.19
Consumer Discretionary	13.05	15.36	-2.32	-2.18	5.70	-7.89	-0.35	0.80	0.02	-1.06	-1.03
Health Care	29.59	32.03	-2.44	-3.64	3.12	-6.75	-0.86	1.01	0.07	-2.05	-1.98
[Cash]	1.27	0.00	1.27	0.01	0.00	0.01	0.00	0.00	0.17	0.00	0.17
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>2.26</b>	<b>3.91</b>	<b>-1.65</b>	<b>2.26</b>	<b>3.91</b>	<b>0.14</b>	<b>-1.79</b>	<b>-1.65</b>

## Trailing 1 Year Attribution:

### Harbor Small Cap Growth Fund vs. Russell 2000® Growth

06/30/2020 - 06/30/2021

#### Performance

	Portfolio	Benchmark	Active
Return ex Currency	46.87	51.34	-4.48
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>46.87</b>	<b>51.34</b>	<b>-4.48</b>

#### 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
Real Estate	4.16	3.60	0.57	72.20	41.64	30.56	2.69	1.51	-0.22	0.82	0.60
Utilities	0.00	1.60	-1.60	0.00	18.47	-18.47	0.00	0.38	0.48	0.00	0.48
Information Technology	20.68	20.56	0.11	56.49	53.29	3.20	11.20	10.59	0.14	0.29	0.42
Materials	2.30	2.61	-0.31	47.64	53.17	-5.54	1.00	1.35	-0.02	0.02	0.00
Energy	0.09	0.20	-0.11	10.86	125.60	-114.74	0.06	0.11	-0.05	-0.09	-0.14
Consumer Staples	0.35	3.14	-2.79	0.32	54.11	-53.79	0.00	1.62	-0.02	-0.29	-0.30
Industrials	16.06	14.35	1.71	66.14	65.91	0.24	9.15	9.04	0.12	-0.53	-0.41
Communication Services	2.68	2.42	0.25	20.38	45.50	-25.12	0.49	0.99	-0.05	-0.53	-0.58
Financials	7.30	4.12	3.19	32.92	41.22	-8.30	2.27	1.79	-0.10	-0.64	-0.74
Consumer Discretionary	13.84	14.13	-0.29	64.61	79.51	-14.90	8.42	9.68	-0.09	-1.08	-1.17
Health Care	30.80	33.27	-2.46	28.97	38.78	-9.81	11.57	14.29	0.35	-1.83	-1.47
[Cash]	1.73	0.00	1.73	0.07	0.00	0.07	0.00	0.00	-1.16	0.00	-1.16
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>46.87</b>	<b>51.34</b>	<b>-4.48</b>	<b>46.87</b>	<b>51.34</b>	<b>-0.61</b>	<b>-3.86</b>	<b>-4.48</b>

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

### Disclosures

The Russell 2000® Growth Index is an unmanaged index representing the smallest 2000 stocks with the highest price-to-book ratio and future earnings. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 2000® Growth Index and Russell® are trademarks of Frank Russell Company.

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expense.

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](http://harborfunds.com) or call 800-422-1050. Read it carefully before investing.**

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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.