

# Harbor Mid Cap Value Fund

LSV Asset Management

Subadviser Since 09/30/2004

**Total Net Assets - All Classes** \$351,944,130  
**Equity Assets:** 99.38%  
**Cash & Other Assets Less Liabilities:** 0.62%  
**Benchmark Name:** Russell Midcap® Value Index

## Portfolio Managers



Josef Lakonishok, Ph.D.



Menno Vermeulen, CFA



Puneet Mansharamani, CFA



Greg Sleight



Guy Lakonishok, CFA

## Investment Philosophy

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

## CHARACTERISTICS & ALLOCATION

As of 06/30/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	151	706	Financials	20.31	17.87
Wtd Avg Market Cap (\$Mil)	12,867.20	18,330.30	Consumer Discretionary	13.89	9.55
Med Cap - # Stocks (\$Mil)	6,791.00	8,545.00	Industrials	11.36	14.39
Price/Book Ratio	1.62	2.20	Information Technology	10.68	9.37
Adjusted Trailing P/E Ratio	8.80	18.60	Consumer Staples	8.80	4.18
% EPS Growth - Past 3 Yr	17.50	15.70	Materials	8.59	7.50
Return on Equity (%)	19.35	12.94	Health Care	7.79	7.38
Beta vs. Fund Benchmark	1.14		Real Estate	7.30	12.09
Forecasted P/E Ratio	8.60	15.60	Energy	4.24	5.00
Proj. Earnings Growth Rate (%)	10.90	12.10	Utilities	3.80	9.03
			Communication Services	2.62	3.60

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
McKesson Corporation	1.73	0.00	Insurance	8.61	6.67
Molson Coors Beverage C	1.71	0.16	Equity REITS	7.30	11.55
Tyson Foods Inc. Class	1.67	0.41	Banks	4.88	4.73
Jazz Pharmaceuticals Pu	1.60	0.16	Machinery	4.68	4.82
Hartford Financial Serv	1.59	0.36	Electronic Equipment	4.65	1.87
HP Inc.	1.51	0.31	Oil Gas & Consumables	4.24	4.18
Allstate Corporation	1.43	0.58	Food Products	4.13	2.53
Kroger Co.	1.40	0.52	Health Care Providers	4.12	1.72
Citizens Financial Grou	1.30	0.29	Chemicals	4.07	3.99
Arrow Electronics Inc.	1.24	0.12	Specialty Retail	3.78	1.95
<b>Total</b>	<b>15.18</b>	<b>2.91</b>	<b>Total</b>	<b>50.46</b>	<b>44.01</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	17.77
	10.0B - 25.0B	25.01
Mid	5.0B - 10.0B	28.56
	1.0B - 5.0B	24.86
Small	0.0 - 1.0B	3.80



### Performance

Share Class	Ticker	CUSIP	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HAMVX	411511835	-12.34%	-12.96%	-9.50%	5.62%	3.69%	9.75%	7.12%	03/01/02	0.85	0.89
Administrative Investor	HRMVX	411511728	-12.41%	-13.09%	-9.74%	5.36%	3.43%	9.47%	8.15%	11/01/02	1.10	1.14
Investor	HIMVX	411511736	-12.45%	-13.13%	-9.83%	5.23%	3.30%	9.34%	8.02%	11/01/02	1.21	1.25
Retirement	HNMVX	411512460	-12.34%	-12.92%	-9.42%	5.71%	3.77%	9.80%	7.15%	03/01/16	0.77	0.81
Russell Midcap® Value Index			-14.68%	-16.23%	-10.00%	6.70%	6.27%	10.62%	9.24%	03/01/02		

## MANAGER COMMENTARY

As of 06/30/2022

**“While the labor market remains on firm footing, much of the data released over the latter half of the quarter pointed toward an economic slowdown.”**

LSV Asset Management

### Market in Review

U.S. equities fell sharply during the second quarter, finishing the worst first half of the year since 1970. The S&P 500 Index returned -16.10% for the quarter. Small-cap stocks modestly underperformed large-cap stocks, while value stocks outperformed growth across all market-cap ranges. The decline and sell-off was driven by record high inflation, a slowing economy, and an increasingly hawkish Federal Reserve (Fed), which moved to raise interest rates by 0.75% in June, the largest increase since 1994. The market is currently pricing in another 0.75% hike in July and another 0.50% hike in September.

Each of the 11 sectors in the broad market posted losses, with Materials, Communication Services, and Information Technology stocks leading the decline. Energy, Utilities, and Consumer Staples fared the best. The bond market also reacted poorly, as the yield on 10-year Treasuries finished at 2.98%, up from 2.32% at the start of the quarter.

While the labor market remains on firm footing, much of the data released over the latter half of the quarter pointed toward an economic slowdown. Personal Consumption Expenditures (PCE) pulled back as purchases fell 0.4% in May. In June, the Purchasing Managers' Index (PMI) revealed that manufacturing activity had deteriorated to levels not seen since the height of the pandemic, while the services gauge also missed estimates.

Retirement Class shares commenced operations on March 1, 2016. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to March 1, 2016 has not been adjusted to reflect the lower expenses of Retirement Class shares. During this period, Retirement Class shares would have had returns similar to, but somewhat higher than, Institutional Class shares due to the fact that Retirement Class shares represent interests in the same portfolio as Institutional Class shares but are subject to lower expenses.

Performance data shown represents past performance and is no guarantee of future results. Past performance is net of management fees and expenses and reflects reinvested dividends and distributions. Past performance reflects the beneficial effect of any expense waivers or reimbursements, without which returns would have been lower. Investment returns and principal value will fluctuate and when redeemed may be worth more or less than their original cost. Returns for periods less than one year are not annualized. Current performance may be higher or lower and is available through the most recent month end at harborcapital.com or by calling 800-422-1050.



### Portfolio Performance

During the second quarter of 2022, the Harbor Mid Cap Value Fund (Institutional Class, "Fund") returned -12.34% outperforming its benchmark, the Russell Midcap® Value Index, which returned -14.68%.

Given the Fund's deep value bias, the relative outperformance of value versus growth contributed to performance.

We take limited sector and industry bets and look to add value primarily from bottom-up stock selection. That said, the Fund's sector allocation detracted slightly while stock selection added value across several sectors. The Fund benefited from an overweight to Consumer Staples, which held up well in the down market. This was offset by an underweight to Energy and Utilities, which also protected in the difficult market environment. Stock selection was positive, particularly in the Materials, Consumer Discretionary, Health Care, and Information Technology sectors. Among industries, our overweight to pharmaceutical stocks and brewers, and strong stock selection among metals and steel companies added value. However, our underweight to electric utilities and multi-utilities detracted.

### Contributors & Detractors

H&R Block was one of the top contributors in the Fund, advancing over 35%. The company reported strong quarterly results which beat analysts' estimates for both earnings and revenue. In addition, management raised guidance for fiscal year 2022. Penske Automotive in the Consumer Discretionary sector was up double-digits in the quarter, hitting a 52-week high after reporting first quarter earnings and revenue that exceeded consensus forecasts. Several of the Fund's Health Care holdings also contributed positively, including United Therapeutics, which was up over 30% after posting earnings well above estimates.

Disappointing earnings had a negative impact on several Fund holdings. Health Care company, DaVita, fell short on earnings and the stock finished down nearly 30%. While eBay posted better-than-expected earnings, management reduced forward guidance. The stock was off more than 25% in the quarter. Long-time Fund holding, Lincoln National, declined nearly 30% after missing on both the top and bottom line in the first quarter.

### Buys & Sells

We purchased APA Corp, an independent energy company in the oil and gas exploration & production (E&P) industry. While the Fund has long been underweight the E&P industry, several E&P companies have entered our buy range as oil and natural gas prices have soared, and these companies have begun to generate positive cash flow and earnings.

We sold our position in MDU Resources in the Industrials sector. MDU is an energy delivery and construction materials and services business. We initially bought the stock in the first quarter of 2020; however, it has become less attractive on several valuation metrics, particularly forward-earnings measures and free-cash-flow metrics. Long-term performance has been relatively good, which is a negative signal in our model. While recent price momentum has been relatively strong, several measures of operating momentum have deteriorated, also affecting the stock's ranking.



### Outlook

Even though U.S. equity markets have experienced the worst first six months of the year in 50 years, value stocks have provided downside protection in this difficult environment. While growth stocks have led the market decline in 2022, valuations for growth stocks remain elevated. Going forward, value stocks in general, and the Fund in particular, seem well-positioned given the expectation that the Fed will continue to raise rates to tame inflation. While a slowdown in global growth may be the result of efforts to bring inflation under control, given the valuation multiples and the quality of the holdings in the Fund, we expect it to hold up relatively well in this environment of slowing growth. Furthermore, we continue to find attractive stocks across the market, particularly in the Consumer Discretionary, Consumer Staples, and Financials sectors.

## QUARTERLY ATTRIBUTION

As of 06/30/2022

### Best & Worst Performers

Best Performers	Average Weight %	Return %
H&R Block Inc.	0.70	36.65
United Therapeutics Corporation	0.55	31.34
HF Sinclair Corporation	0.76	14.30
Penske Automotive Group Inc.	1.01	12.22
Prestige Consumer Healthcare Inc	0.43	11.07

Worst Performers	Average Weight %	Return %
Kohl's Corporation	0.26	-40.32
Big Lots Inc.	0.31	-38.66
Industrial Logistics Properties Trust	0.37	-36.86
Paramount Global Class B	0.31	-34.11
ODP Corporation	0.38	-34.02

### Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
H&R Block Inc.	36.65	0.21
United Therapeutics Corporation	31.34	0.15
McKesson Corporation	6.71	0.12
Valero Energy Corporation	5.52	0.09
Penske Automotive Group Inc.	12.22	0.08
<b>Total</b>		<b>0.65</b>

Greatest Detractors	Return %	Contribution to Return %
AGCO Corporation	-29.73	-0.41
Atlas Air Worldwide Holdings Inc.	-28.55	-0.33
DaVita Inc.	-29.31	-0.29
Ally Financial Inc	-22.35	-0.28
Citizens Financial Group Inc.	-20.49	-0.27
<b>Total</b>		<b>-1.58</b>

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](http://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	-12.31	-14.67	2.36
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-12.31</b>	<b>-14.67</b>	<b>2.36</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
Information Technology	10.75	9.04	1.71	-13.31	-20.04	6.73	-1.47	-1.86	-0.07	0.74	0.67
Materials	8.95	8.12	0.83	-10.50	-17.38	6.88	-0.99	-1.45	-0.02	0.63	0.62
Health Care	7.45	7.70	-0.25	-4.55	-12.00	7.45	-0.28	-0.82	-0.01	0.53	0.52
Consumer Staples	8.58	4.87	3.71	-6.38	-8.95	2.57	-0.48	-0.43	0.21	0.21	0.42
Consumer Discretionary	14.10	9.24	4.86	-13.31	-16.53	3.22	-1.86	-1.58	-0.09	0.49	0.39
Communication Services	2.63	3.73	-1.10	-18.76	-25.36	6.60	-0.48	-1.00	0.16	0.17	0.33
Financials	20.38	16.10	4.28	-14.87	-15.51	0.64	-2.96	-2.48	-0.04	0.14	0.09
Industrials	11.74	13.84	-2.10	-15.78	-14.86	-0.92	-1.94	-2.09	-0.01	-0.11	-0.12
Energy	3.77	7.92	-4.15	0.47	-6.82	7.29	-0.34	-0.82	-0.36	0.20	-0.16
Real Estate	7.49	11.35	-3.86	-19.36	-15.92	-3.44	-1.47	-1.75	0.04	-0.27	-0.24
Utilities	3.60	8.10	-4.50	0.77	-5.53	6.30	-0.03	-0.41	-0.42	0.18	-0.24
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-12.31</b>	<b>-14.67</b>	<b>2.36</b>	<b>-12.31</b>	<b>-14.67</b>	<b>-0.54</b>	<b>2.90</b>	<b>2.36</b>

### Trailing 1 Year Attribution:

#### Harbor Mid Cap Value Fund vs Russell Midcap® Value

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-9.01	-9.99	0.98
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-9.01</b>	<b>-9.99</b>	<b>0.98</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
Consumer Staples	8.08	4.44	3.64	15.96	5.59	10.37	0.99	0.11	0.57	0.68	1.25
Health Care	6.89	8.07	-1.18	-0.52	-12.75	12.23	0.04	-0.85	0.09	0.88	0.97
Industrials	13.13	14.58	-1.45	-12.27	-17.95	5.68	-1.48	-2.54	0.10	0.80	0.90
Information Technology	10.65	10.07	0.58	-15.36	-20.91	5.55	-1.62	-1.93	-0.10	0.68	0.58
Communication Services	2.90	3.77	-0.87	-25.57	-34.52	8.95	-0.76	-1.42	0.29	0.27	0.56
Financials	20.34	16.58	3.76	-8.74	-9.63	0.89	-1.67	-1.52	0.07	0.18	0.25
Materials	9.17	7.65	1.52	-6.68	-4.38	-2.30	-0.71	-0.49	0.09	-0.18	-0.09
Utilities	3.19	7.34	-4.15	20.09	10.40	9.69	0.49	0.57	-0.85	0.25	-0.60
Consumer Discretionary	14.69	10.18	4.51	-25.43	-25.54	0.11	-3.70	-2.53	-0.77	0.07	-0.70
Real Estate	7.51	11.27	-3.76	-16.17	-5.54	-10.63	-1.21	-0.61	-0.14	-0.82	-0.96
Energy	2.70	6.04	-3.34	56.68	38.67	18.01	0.62	1.23	-1.43	0.27	-1.16
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-9.01</b>	<b>-9.99</b>	<b>0.98</b>	<b>-9.01</b>	<b>-9.99</b>	<b>-2.10</b>	<b>3.08</b>	<b>0.98</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. The value of securities selected using quantitative analysis can react differently to issuer, political, market, and economic developments than the market as a whole or securities selected using only fundamental analysis. The factors used in quantitative analysis and the weight placed on those factors may not be predictive of a security's value. In addition, any model may contain flaws or the model may not perform as anticipated. Stocks of mid cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies.

### Disclosures

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

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expenses. The net expense ratios for this fund are subject to a contractual management fee waiver and/or expense limitation agreement, excluding interest expense and acquired fund fees and expenses (if any), through 02/28/2023.

All holdings-related data is provided by FactSet. Because FactSet relies on external sources for its data, that data may differ slightly from actual values maintained by Harbor Funds.

Due to the security valuation procedures of the Fund and intra-day trading activity not included in the FactSet calculations, the actual returns may vary. From time to time the cash return in the portfolio may appear distorted based on the way FactSet's attribution calculation methodology addresses delayed settlements.

Beta is a rolling three year, unless the Fund has a track record of less than three years, in which case it is a rolling one year.

The mean/median long term growth rate for Projected Earnings Growth Rate is the expected growth over the next 3-5 years calculated by FactSet from data provided by brokers. The Adjusted Trailing P/E (Price/Earnings) Ratio is the closing stock price divided by the sum of the last 12 months actual EPS. The Forecast P/E Ratio is the closing stock price divided by the sum of the next 4 quarters estimated EPS. All P/E, ROE and P/B statistics are calculated as weighted medians.

Best and Worst Performers sections reflect stocks in the portfolio for the quarter with an average weight of 0.25% or greater.

Views expressed herein are drawn from commentary provided to Harbor by the subadviser and may not be reflective of their current opinions or future actions, are subject to change without prior notice, and should not be considered investment advice.

The views expressed herein may not be reflective of current opinions, are subject to change without prior notice, and should not be considered investment advice.

This information should not be considered as a recommendation to purchase or sell a particular security. The weightings, holdings, industries, sectors, countries, and returns mentioned may change at any time and may not represent current or future investments.

As a result of changing market conditions, total net asset levels, expenses and other statistics may change at any time and may differ from those shown.

The total amount shown for sector, industries, or country holdings may be greater than 100% because of the inclusion of derivatives and the collateral securities supporting those instruments.

Sector allocations are determined using the Global Industry Classification Standard (GICS), which is a service of Morgan Stanley Capital International (MSCI) and Standard & Poor's (S&P).

**Investors should carefully consider the investment objectives, risks, charges and expenses of a fund before investing. To obtain a summary prospectus or prospectus for this and other information, visit [harborcapital.com](http://harborcapital.com) or call 800-422-1050. Read it carefully before investing.**

**LSV Asset Management is an independent subadviser to the Harbor Mid Cap Value Fund.**

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### Attribution Disclosures

Linked Performance by Sectors data is produced from FactSet using data supplied by State Street Bank and Trust Company.

Active Currency Contribution is the Currency Contribution of the portfolio minus the Currency Contribution of the benchmark.

Allocation Effect is the portion of portfolio excess return that is attributable to taking different group bets from the benchmark. (If either the portfolio or the benchmark has no position in a given group, allocation effect is the lone effect.) A group's allocation effect equals the average percent capitalization of the portfolio's group minus the average percent cap of the benchmark's group times the total return of the benchmark group minus the total return of the benchmark.

Average Weight is the dollar value (price times the shares held) of the security or group, divided by the total dollar value of the entire portfolio displayed as a percentage. It is calculated as the simple arithmetic average of daily values.

Contribution to Return is the contribution of a security or group to the overall portfolio return. It is calculated as the security weight multiplied by the daily security return linked daily across the reporting period.

Currency Contribution is Total Return in USD subtracting out the Local Returns.

Local Returns are the Total Return of the portfolio or benchmark using the local currency.

Selection Effect is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark. A group's security selection effect equals the average weight of the benchmark's group times the total return of the portfolio's group minus the total return of the benchmark's group.

Total Effect is the sum of Allocation Effect and Selection Effect. The total effect represents the opportunity cost of what was done in a group relative to the overall portfolio. It is not just the difference between percent contribution in the portfolio and benchmark. At the overall portfolio level, the two numbers are equal. At the group level, they can be different.

Total Return is the price change of a security or group including dividends accrued over the report period (or the in-portfolio return) which includes only the time period that each security was in the portfolio.

### Definitions

Beta is a measure of systematic risk, or the sensitivity of a fund to movements in the benchmark. A beta of 1 implies that the expected movement of a fund's return would match that of the benchmark used to measure beta.