

Harbor All-Weather Inflation Focus ETF

Quantix Commodities LP

Subadviser Since 02/09/2022

Investment Philosophy

The Harbor All-Weather Inflation Focus ETF (HGER) seeks to provide investment results that correspond, before fees and expenses, to the performance of the Quantix Inflation Index (the "Index"). The Index is composed of futures contracts on physical commodities and is constructed using Quantix's proprietary quantitative methodology, which considers a commodity's relative inflation sensitivity and the relative cost of holding a "rolling" futures position in the commodity (as described below).

Under normal market conditions, the Index contains at least 15 U.S. dollar-denominated commodity futures traded on exchanges in the United States and United Kingdom. A commodity futures contract is a legal agreement to buy or sell a particular commodity (for example, metals, oil or agricultural products) at a predetermined price at a specified time in the future.

WEIGHTS & PERFORMANCE

As of 06/30/2022

Portfolio Managers



Matthew Schwab

Fund Facts

Ticker:	HGER
CUSIP:	41151J505
Net Expense Ratio:	0.68%
Gross Expense Ratio:	0.68%
Total Net Assets:	\$64.18M
Benchmark Name:	Quantix Inflation Total Return Index

Commodity Sector Weights

Commodity Sector	Commodity	Ticker	Facility	Daily Weight %
Precious	Gold	GCZ2	CME	26.44
Petroleum	Brent Crude Oil	LCOX2	ICE	16.83
Petroleum	Gasoil	LGOU2	ICE	9.90
Petroleum	RBOB Gasoline	RBU2	CME	7.88
Petroleum	Heating Oil	HOU2	CME	7.79
Industrial	Comex Copper	HGU2	CME	4.84
Industrial	Aluminum	MALU2	LME	4.13
Industrial	Zinc	MZNU2	LME	4.07
Grains And Soybean Products	Corn	CU2	CME	3.15
Petroleum	WTI Light Crude Oil	CLU2	CME	3.13
Grains And Soybean Products	Bean Oil	BOZ2	CME	2.68
Softs	Sugar	SBV2	ICE	1.95
Grains And Soybean Products	Soybeans	SX2	CME	1.85
Industrial	Nickel	MNIU2	LME	1.84
Softs	Cocoa	CCU2	ICE	1.81
Precious	Silver	SIU2	CME	1.70

Performance

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor All-Weather Inflation Focus ETF (NAV)	-2.23%	N/A	N/A	N/A	N/A	N/A	11.60%	02/09/22
Harbor All-Weather Inflation Focus ETF (Market)	-1.84%	N/A	N/A	N/A	N/A	N/A	12.05%	02/09/22
Quantix Inflation Total Return Index	-1.83%	N/A	N/A	N/A	N/A	N/A	12.18%	02/09/22

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. 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.

Shares are bought and sold at market price not net asset value (NAV). A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times.



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Market in Review

The dominant macro theme during the second quarter of 2022 was rising inflation, which continued to reach multi-decade highs. This forced the U.S. Federal Reserve (“Fed”) to tighten monetary policy at a historic pace, albeit from an ultra-loose starting point.

The effect of this rapid change in policy on risk assets has been profound. Both equities and bonds have sold off so far in 2022, with the traditional 60/40 portfolio having the worst start to a year since 1988.

In this environment, commodities performed well, with the Bloomberg Commodity Index (“BCOM”) up every month this year until June. An allocation to the asset class did what investors wanted: it acted as an inflation hedge and as a diversifier to other risk assets. The supply-demand imbalance persisted, however, with not enough supply to meet the resurgent, post-pandemic demand.

In June, most risk assets fell as market participants became more concerned that the speed of change in Fed policy would cause a recession. This in turn led investors to anticipate a slowdown in demand for commodities, which had their worst month since March 2020.

Interestingly, despite the drop in prices, the shape of the commodity futures curve did not change for the month. The price of most commodities for delivery in the short term remained higher than the price for those in the medium term—the opposite of what is considered a “normal” market. This signals that demand was not affected as much as one would assume from the size of the price drop as consumers of commodities, such as airlines, continued to pay a premium to secure their short-term supply.

Portfolio Performance

During the second quarter of 2022, the Harbor All-Weather Inflation Focus ETF (“ETF”) returned -2.23% (by NAV) and -1.84% (by market price), underperforming its benchmark, the Quantix Inflation Index (“QII”), which returned -1.83%.

The biggest impact on performance was the broad commodity sell-off in June as fear of recession came to the fore. June performance more than offset positive performance earlier in the quarter.

Contributors & Detractors

The largest individual detractors were metals, namely gold and aluminum. Gold, the largest weighting in the ETF, was down in the quarter as the Fed started raising interest rates, and real rates rose. Aluminum was down due to China’s lockdowns and concern over a potential recession.

The largest individual contributors were in petroleum, as greater demand than supply drove prices higher. Gasoil and heating oil were the top contributors to performance.

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Buys & Sells

The ETF tracks the QII, which rebalances on a quarterly basis. During rebalances, the index methodology considers the latest inflation data as well as the most cost to hold and roll each commodity. It also considers whether inflation is more likely to come from a scarcity or debasement environment and adjusts the weight of gold relative to consumable commodities accordingly.

In the first-quarter rebalance, which was calculated in March and implemented in the first half of April, no individual commodity or sector changed weighting by more than 2%. This signifies that we remain in an environment where inflation is most likely to come from scarcity, but with an element of debasement.

Outlook

The QII's methodology is rules-based and therefore does not incorporate Quantix's discretionary views.

However, broadly speaking, we remain constructive on the potential for positive returns from an allocation to commodities. The slope of the futures curve for most commodities remains in steep backwardation—with the front of the curve higher than the back end. This means that investors in the ETF are currently getting a positive roll yield from holding an exposure.

If the current state of the market (driven by tight fundamental supply that does not meet demand) persists, we believe some level of positive roll yield, above and beyond positive or negative price moves, will continue adding to investor returns.

Risks

Investing involves risk, principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. Harbor ETFs are new and have limited operating history to judge.

There is no guarantee that the investment objective of the Fund will be achieved. Commodities may subject an investor to greater volatility than traditional securities such as stocks and bonds and can fluctuate significantly based on political, regulatory, market and economic conditions. Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty and management risks. The Fund's investments in commodity-linked derivative instruments and the tracking of an Index comprised of commodity futures may subject the Fund to significantly greater volatility than investments in traditional securities.

The Fund has a limited number of institutions that may act as authorized participants and engage in creation or redemption transactions directly with the Fund. There is no assurance that authorized participants will establish or maintain an active trading market for the Shares. This risk may be heightened during periods of volatility or market disruptions.

A non-diversified Fund may invest a greater percentage of its assets in securities of a single issuer, and/or invest in a relatively small number of issuers, it is more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio.

Commodity Risk: The Fund has exposure to commodities through its and/or the Subsidiary's investments in commodity linked derivative instruments.

Authorized Participant Concentration/Trading Risk: Only authorized participants ("APs") may engage in creation or redemption transactions directly with the Fund.

Commodity- Linked Derivatives Risk: The Fund's investments in commodity-linked derivative instruments (either directly or through the Subsidiary) and the tracking of an Index comprised of commodity futures may subject the Fund to significantly greater volatility than investments in traditional securities.

Benchmarks

The Quantix Inflation Index is calculated on a total return basis, which combines the returns of the futures contracts with the returns on cash collateral invested in 13-week U.S. Treasury Bills. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Quantix Inflation Index was developed by Quantix Commodities LP and is owned by Quantix Commodities Indices LLC.

Disclosures

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

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.

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.

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.

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.

Quantix Commodities LP ("Quantix") is a third-party subadvisor to the Harbor All-Weather Inflation Focus ETF.

Foreside Fund Services, LLC is the Distributor of the Harbor ETFs.