

# Harbor Strategic Growth Fund

Mar Vista Investment Partners, LLC

Subadviser Since 03/06/2017

**Total Net Assets - All Classes** \$115,550,478  
**Equity Assets:** 95.45%  
**Cash & Other Assets Less Liabilities:** 4.55%  
**Benchmark Name:** Russell 1000® Growth Index

## Portfolio Managers



Silas A. Myers, CFA   Brian L. Massey, CFA   Joshua J. Honeycutt, CFA   Jeffrey B. Prestine, CFA

## Investment Philosophy

The Harbor Strategic Growth Fund, subadvised by Mar Vista Investment Partners, LLC, invests in equity securities that are determined to have strong growth characteristics and that are undervalued in the marketplace. The Fund invests primarily in equity securities of U.S. companies. The Fund tends to invest more significantly in larger companies, but may also invest in mid and small sized companies. The portfolio manager uses a bottom-up approach to identify businesses with a sustainable competitive advantage. The Fund maintains a portfolio of approximately 30-50 stocks. However, the actual number of portfolio holdings may vary due to market conditions. Holdings are generally spread across a number of industries/sectors but may have a higher percentage in sectors that the Subadviser believes have greater investment opportunities.

## CHARACTERISTICS & ALLOCATION

As of 06/30/2021

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	37	499	Information Technology	28.97	44.05
Wtd Avg Market Cap (\$Mil)	500,936.60	795,046.00	Financials	20.22	2.29
Med Cap - # Stocks (\$Mil)	132,864.00	18,721.00	Consumer Discretionary	9.36	18.53
Price/Book Ratio	7.67	16.78	Communication Services	8.88	12.63
Adjusted Trailing P/E Ratio	33.80	36.90	Industrials	8.29	6.36
% EPS Growth - Past 3 Yr	30.20	31.40	Health Care	6.87	9.05
Return on Equity (%)	24.27	27.44	Materials	6.08	1.03
Beta vs. Fund Benchmark	0.88		Consumer Staples	3.44	3.88
Forecasted P/E Ratio	29.40	34.90	Real Estate	3.34	1.75
Proj. Earnings Growth Rate (%)	16.30	20.40	Energy	0.00	0.33
			Utilities	0.00	0.03

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Apple Inc.	4.62	10.19	Software	15.70	17.58
Berkshire Hathaway Inc.	4.61	0.00	Interactive Media	6.86	10.44
First Republic Bank	4.49	0.00	Capital Markets	6.30	1.52
Amazon.com, Inc.	4.28	7.08	Chemicals	6.08	0.80
Intuit Inc.	4.23	0.59	Banks	6.03	0.04
Alphabet Inc. Class C	4.09	2.90	Industrial Conglomerates	5.04	0.26
Adobe Inc.	3.76	1.33	Tech Hardware Storage	4.62	10.40
Microsoft Corporation	3.57	9.68	Diversified Fin Serv	4.61	0.00
American Tower Corporat	3.34	0.58	Internet & Direct Market	4.28	7.55
Markel Corporation	3.28	0.01	Equity REITS	3.34	1.73
<b>Total</b>	<b>40.27</b>	<b>32.36</b>	<b>Total</b>	<b>62.86</b>	<b>50.32</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	92.25
	10.0B - 25.0B	6.88
Mid	5.0B - 10.0B	0.87
	1.0B - 5.0B	0.00
Small	0.0 - 1.0B	0.00



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	MVSGX	411512353	10.04%	13.33%	37.28%	19.22%	17.47%	N/A	15.98%	11/01/11	0.71	0.80
Administrative	HSRGX	411512338	9.94%	13.20%	36.87%	18.91%	N/A	N/A	17.72%	03/06/17	0.96	1.05
Investor	HISWX	411512361	9.93%	13.16%	36.79%	18.25%	N/A	N/A	17.22%	03/06/17	1.07	1.16
Retirement	HNGSX	411512346	10.02%	13.36%	37.33%	19.30%	N/A	N/A	18.11%	03/06/17	0.63	0.72
Russell 1000® Growth Index			11.93%	12.99%	42.50%	25.14%	23.66%	N/A	19.00%	11/01/11		

## MANAGER COMMENTARY

As of 06/30/2021

**“While growth rates may lose steam as the fiscal stimulus impact wears thin, they should remain relatively strong through the second half of 2021.”**

Mar Vista Investment Partners, LLC

### Market in Review

Twelve months have passed since the Gross Domestic Product (“GDP”) contracted by over 30%, followed by an unprecedented rebound in the subsequent quarter. Growth rates have now stabilized as the economy continues to reopen, and consumer demand builds momentum. Growth factors dominated after the market lows of March 2020, maintaining a stronghold well into November. Traditional value factors then took center stage, particularly within the Information Technology, Communication Services, and Consumer Discretionary sectors. This offered a rare opportunity for value-oriented investors before growth knifed back in June to conclude the second quarter. The rebound persisted in the face of upward inflationary pressures, casting uncertainty on markets as rising consumer demand collided with a rash of supply-chain disruptions. In fact, the spread between the Consumer Price Index and Producer Price Index dipped to levels not seen since 1974—which historically has led to a challenging environment for stocks. While the U.S. Federal Reserve has signaled that recent inflation looks transitory, there is still uncertainty on the horizon associated with plans to raise interest rates by 2023 and the expected unwinding of its nearly \$7 trillion balance sheet.

### Portfolio Performance

During the second quarter of 2021, the Harbor Strategic Growth Fund (Institutional Class, “Fund”) returned 10.04%, underperforming the Russell 1000® Growth Index, which returned 11.93%, and outperforming the S&P 500 Index, which returned 8.55%. During the quarter, both negative allocation and security selection led to the relative underperformance versus the Russell 1000® Growth Index. On a sector basis, Consumer Discretionary and Consumer Staples contributed to returns, while Materials, Information Technology, and Health Care detracted from short-term results.

Retirement Class shares commenced operations on March 6, 2017. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to March 6, 2017 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 potentially 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

Intuit was a top contributor to the Fund's performance during the quarter, benefiting from the shift to digitally-enabled, cloud-based solutions and a recovering economy. Turbo Tax continues to take market share from premium-priced tax stores, which has materially expanded TurboTax's available market. In addition, Intuit's QuickBooks franchise is benefiting from a shift to the digital economy and an improving macro backdrop that is driving new subscribers and upselling existing users to more robust offerings. We believe Intuit will increase the pace of its compound intrinsic-value growth at a rate in the upper teens over the intermediate term.

Google's (Alphabet) first quarter financials far exceeded investors' most bullish expectations. The current pace of intrinsic-value growth (25%-30%) is materially above our long-term forecast of 15%. Google is entering the secular growth + cannibal stage with a new \$50 billion share-repurchase authorization. Another impressive quarter supports Google's recent stock price appreciation.

Microchip Technology detracted from performance during the quarter. Although the company is benefiting from very strong demand from a variety of end markets, customers, and geographies, this demand has resulted in lead times for product deliveries extending out several months. Despite this strong demand, the stock languished recently as investors worry about a cyclical correction driven by double ordering. We believe Microchip is well-positioned to benefit from the secular shift to all things digital, which drives smarter and more connected devices. This secular shift will benefit Microchip as semiconductor content is increasing across all its end markets. Therefore, we believe Microchip can grow intrinsic value in the low double digits or better over our investment horizon.

Teleflex also contributed negative performance during the quarter. The stock price fell modestly as expectations for the rebound in medical procedures have been more conservative. The company reported mixed results for the first quarter, as certain devices have still not returned to pre-COVID-19 demand levels.

### Buys and Sells

During the quarter, we initiated a new position in Netflix. Netflix has built an economic moat around a vertically integrated, streaming business with global scale. The company is reaping the benefits of owning the first global subscription media business in the \$500 billion TV market. Netflix's march to global supremacy was spurred by substantial investments in technology and content. The company smartly allocated excessive amounts of capital in the early stages of a nascent market to establish its dominance. By investing aggressively in streaming auctions that lacked competitive bidders, Netflix built an extensive content library with global appeal. The media industry is being disrupted and reinvented by technology. The TV cable bundle is dying, and legacy media companies are chasing Netflix's success. Unfortunately for media incumbents, the war for content is cost-prohibitive without global scale. With more than 200 million members, Netflix enjoys the lowest content-cost per subscriber in the industry. This allows the company to profitably outspend its rivals and make its flywheel spin faster. We believe this advantage is likely to compound over time.

Benjamin Graham famously said, "In the short run, the market is a voting machine but in the long run, it is a weighing machine." Netflix's stock price returned -20% after subscriber growth underperformed expectations. We think below-trend subscriber growth in 2021 mainly reflects demand pulled forward by the COVID-19 pandemic. Even though the law of large numbers likely caused Netflix's subscriber growth to peak in 2020, the company is far from financial maturation. Netflix accounts for 40% of television viewing but only 15% of bundle pricing. This imbalance should allow intrinsic value to compound at 15%-20% over our investment horizon.



### Outlook

The first quarter saw growth rates hit 52% year over year, and the second quarter's growth registered 62%, the highest since 2009. Companies have trimmed operating costs and have benefited from a quicker-than-anticipated reopening of the economy, thanks to the tandem effects of accommodative monetary policy and fiscal stimulus. While growth rates may lose steam as the fiscal stimulus impact wears thin, we believe they should remain relatively strong through the second half of 2021. Inflation will be under the microscope as a rapid increase lends itself to downward macro pressures, particularly in higher-multiple market segments. We maintain our expectation that future Fund returns will closely correlate with our companies' 12-13% intrinsic-value growth. As always, we are diligently working to identify investment opportunities that represent adequate discounts to intrinsic value.

## QUARTERLY ATTRIBUTION

As of 06/30/2021

### Best & Worst Performers

Best Performers	Average Weight %	Return %
Intuit Inc.	4.11	28.14
Adobe Inc.	3.42	23.20
Moody's Corporation	3.05	21.58
Alphabet Inc. Class C	4.43	21.16
Mettler-Toledo International Inc.	2.30	19.87

Worst Performers	Average Weight %	Return %
Ecolab Inc.	1.31	-3.57
Microchip Technology Incorporated	3.63	-3.27
Teleflex Incorporated	2.13	-3.21
Fortive Corp.	2.02	-1.18
Johnson & Johnson	3.24	0.86

### Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Intuit Inc.	28.14	1.04
Alphabet Inc. Class C	21.16	0.94
Adobe Inc.	23.20	0.75
Moody's Corporation	21.58	0.62
First Republic Bank	12.38	0.56
<b>Total</b>		<b>3.91</b>

Greatest Detractors	Return %	Contribution to Return %
Microchip Technology Incorporated	-3.27	-0.13
Teleflex Incorporated	-3.21	-0.06
Ecolab Inc.	-3.57	-0.04
Fortive Corp.	-1.18	-0.01
Johnson & Johnson	0.86	0.03
<b>Total</b>		<b>-0.21</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 [harborfunds.com](http://harborfunds.com) or by calling 800-422-1050.



### Quarterly Attribution:

#### Harbor Strategic Growth Fund vs. Russell 1000® Growth

03/31/2021 - 06/30/2021

#### Performance

	Portfolio	Benchmark	Active
Return ex Currency	10.24	11.94	-1.70
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>10.24</b>	<b>11.94</b>	<b>-1.70</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 Discretionary	9.17	16.31	-7.14	11.59	7.51	4.08	1.03	1.21	0.29	0.34	0.64
Consumer Staples	3.56	4.33	-0.77	5.60	4.05	1.55	0.21	0.18	0.06	0.05	0.11
Communication Services	9.33	12.26	-2.93	18.22	16.21	2.00	1.56	1.96	-0.12	0.17	0.05
Utilities	0.00	0.02	-0.02	0.00	7.61	-7.61	0.00	0.00	0.00	0.00	0.00
Energy	0.00	0.11	-0.11	0.00	19.46	-19.46	0.00	0.01	-0.01	0.00	-0.01
Real Estate	3.26	1.76	1.50	14.12	16.04	-1.92	0.45	0.28	0.05	-0.06	-0.01
Financials	20.64	1.95	18.69	10.69	11.84	-1.15	2.21	0.22	-0.03	-0.18	-0.20
Industrials	8.57	4.82	3.75	5.31	8.73	-3.42	0.48	0.41	-0.10	-0.28	-0.38
Health Care	7.67	13.35	-5.69	4.74	10.95	-6.21	0.39	1.45	0.03	-0.44	-0.41
Information Technology	28.85	44.27	-15.42	13.36	13.92	-0.57	3.81	6.18	-0.32	-0.17	-0.49
Materials	6.48	0.82	5.66	1.24	3.38	-2.15	0.11	0.03	-0.46	-0.14	-0.60
[Cash]	2.47	0.00	2.47	0.01	0.00	0.01	0.00	0.00	-0.38	0.00	-0.38
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>10.24</b>	<b>11.94</b>	<b>-1.70</b>	<b>10.24</b>	<b>11.94</b>	<b>-0.98</b>	<b>-0.72</b>	<b>-1.70</b>

### Trailing 1 Year Attribution:

#### Harbor Strategic Growth Fund vs. Russell 1000® Growth

06/30/2020 - 06/30/2021

#### Performance

	Portfolio	Benchmark	Active
Return ex Currency	38.46	42.50	-4.03
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>38.46</b>	<b>42.50</b>	<b>-4.03</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
Financials	19.04	1.93	17.11	57.69	29.15	28.54	10.13	0.58	-2.11	4.35	2.24
Health Care	8.59	13.78	-5.18	28.24	29.02	-0.78	2.56	4.24	0.74	0.05	0.78
Communication Services	8.97	11.56	-2.59	65.57	58.15	7.43	5.27	6.22	-0.27	0.48	0.21
Utilities	0.00	0.02	-0.02	0.00	28.00	-28.00	0.00	0.01	0.02	0.00	0.02
Energy	0.00	0.09	-0.09	0.00	76.62	-76.62	0.00	0.05	0.01	0.00	0.01
Industrials	9.01	4.70	4.32	36.48	39.11	-2.63	3.51	1.90	-0.11	-0.15	-0.26
Consumer Staples	3.91	4.55	-0.64	13.73	24.85	-11.12	0.65	1.30	0.12	-0.44	-0.33
Real Estate	2.95	1.76	1.19	6.60	23.43	-16.83	0.21	0.41	-0.12	-0.50	-0.62
Materials	5.02	0.82	4.20	21.32	29.95	-8.62	1.01	0.28	-0.56	-0.28	-0.84
Consumer Discretionary	9.65	16.44	-6.79	37.58	44.71	-7.12	3.69	7.45	-0.17	-0.80	-0.97
Information Technology	30.89	44.37	-13.48	37.03	46.48	-9.45	11.44	20.07	-0.49	-2.70	-3.19
[Cash]	1.96	0.00	1.96	0.07	0.00	0.07	0.00	0.00	-1.08	0.00	-1.08
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>38.46</b>	<b>42.50</b>	<b>-4.03</b>	<b>38.46</b>	<b>42.50</b>	<b>-4.03</b>	<b>0.00</b>	<b>-4.03</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. At times, a growth investing style may be out of favor with investors which could cause growth securities to underperform value or other equity securities. Since the Fund typically invests in a limited number of companies, an adverse event affecting a particular company may hurt the Fund's performance more than if it had invested in a larger number of companies.

### Disclosures

The Russell 1000<sup>®</sup> Growth Index is an unmanaged index generally representative of the U.S. market for larger capitalization growth stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000<sup>®</sup> Growth Index and Russell<sup>®</sup> 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 02/28/2022.

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.**

Distributed by Harbor Funds Distributors, Inc.

HARBOR FUNDS and the Lighthouse Design are Reg. U.S. Pat. & Tm. Off.

### 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.