

Harbor Dividend Growth Leaders ETF

Westfield Capital Management Company, L.P.

Subadvisor Since 04/30/2010

Ticker: GDIV
CUSIP: 41151J703
Net Expense Ratio: 0.50%
Gross Expense Ratio: 0.50%
Total Net Assets: \$190,643,739
Benchmark Name 1: S&P 500 Index
Benchmark Name 2: NASDAQ Dividend Achievers Select Total Return Index

Portfolio Managers



William A. Muggia

Investment Philosophy

The Harbor Dividend Growth Leaders ETF seeks long-term growth of capital.

Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in dividend-paying equity securities, principally common and preferred stocks of large capitalization companies with a history of paying dividends or as determined by the Westfield Capital's analysis, the ability to increase dividends in the future.

Westfield Capital uses a bottom-up process to identify companies which meet its fundamental criteria that evaluates companies on earnings, free cash flow generation and return of capital priorities, including dividends and stock buybacks. In constructing the Fund's portfolio, Westfield Capital seeks to identify companies that it believes possess the following quantitative and qualitative characteristics:

- High quality balance sheet;
- Good stewards of capital;
- Consistent free cash flow generation; and
- History of dividend increases.

CHARACTERISTICS & ALLOCATION

As of 06/30/2023

Portfolio Characteristics				Economic Sectors			
	Portfolio	Bench 1	Bench 2		Portfolio %	Bench 1 %	Bench 2 %
Number of Holdings	45	503	287	Information Technology	28.53	28.30	21.84
Wtd Avg Market Cap (\$Mil)	456,094.70	680,836.80	456,689.30	Health Care	13.18	13.39	16.77
Median Market Cap (\$Mil)	55,955.00	31,117.00	13,887.00	Financials	12.88	12.49	17.88
Price/Book Ratio	7.13	6.25	6.99	Industrials	12.69	8.50	13.50
Adjusted Trailing P/E Ratio	26.50	32.30	27.40	Consumer Staples	10.15	6.66	13.49
% EPS Growth - Past 3 Yr	20.90	22.70	18.00	Consumer Discretionary	7.16	10.63	7.19
Est 3-5 Yr EPS Growth Rate (%)	9.80	12.30	9.40	Materials	4.06	2.50	3.18
Return on Equity (%)	34.63	23.62	26.91	Real Estate	3.26	2.48	0.00
Forecasted P/E Ratio	20.90	24.00	22.50	Energy	3.21	4.11	2.06
				Communication Services	1.57	8.39	1.20
				Utilities	0.00	2.59	2.92

Top 10 Holdings				Top 10 Industries			
	Portfolio %	Bench 1 %	Bench 2 %		Portfolio %	Bench 1 %	Bench 2 %
Apple Inc.	6.00	7.72	4.90	Semiconductors	9.69	7.39	6.03
Microsoft Corporation	5.53	6.81	5.08	Pharmaceuticals	7.50	4.13	7.32
Eli Lilly and Company	4.82	0.99	0.00	Insurance	7.00	2.12	4.32
UnitedHealth Group Incorporated	3.62	1.20	3.07	Beverages	6.53	1.68	3.68
Arthur J. Gallagher & Co.	3.34	0.13	0.32	Tech Hardware Storage	6.00	7.95	4.90
Broadcom Inc.	3.22	0.97	2.48	Machinery	5.72	1.77	2.70
International Business Machines Corporation	3.15	0.33	0.00	Software	5.53	10.32	8.51
Microchip Technology Incorporated	2.89	0.13	0.34	Health Care Providers	3.62	2.88	5.22
PepsiCo Inc.	2.75	0.69	1.75	Hotels Rest & Leisure	3.51	2.06	2.35
Merck & Co. Inc.	2.68	0.79	2.01	Residential Reits	3.26	0.34	0.00
Total	38.00	19.76	19.95	Total	58.36	40.64	45.03

Market Capitalization		
		Portfolio %
Large	Above 25.0B	76.92
	10.0B - 25.0B	12.86
Mid	5.0B - 10.0B	6.79
	1.0B - 5.0B	3.43
Small	0.0 - 1.0B	0.00



Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Dividend Growth Leaders ETF (NAV)	4.95%	6.90%	11.84%	13.17%	11.23%	10.91%	11.37%	04/30/2010
Harbor Dividend Growth Leaders ETF (Market)	4.94%	7.07%	12.12%	13.20%	11.25%	10.92%	11.38%	04/30/2010
S&P 500 Index	8.74%	16.89%	19.59%	14.60%	12.31%	12.86%	12.76%	04/30/2010
NASDAQ Dividend Achievers Select Total Return Index	6.04%	7.81%	15.87%	13.64%	11.95%	11.66%	11.74%	04/30/2010

MANAGER COMMENTARY

As of 06/30/2023

“Our focus has been and will continue to be on identifying high-quality companies with robust businesses and cash flows able to maintain and raise their dividends throughout varying market environments.”

Westfield Capital Management Company, L.P.

Market in Review

During the second quarter of 2023, cap-weighted, broad market indexes, such as the S&P 500 and Nasdaq, surged, driven predominantly by robust gains from a select group of mega-cap tech stocks aptly named the “Magnificent 7.” Although earnings from the first quarter came in better than expected, the strong gains were attributable almost entirely to multiple expansion resulting from increased expectations of a soft landing, falling inflation readings, and hype surrounding the emergence and impact of broadly accessible, generative artificial intelligence (“AI”) applications. Despite these gains, concerns loomed regarding a policy mistake from an overly aggressive U.S. Federal Reserve and the delayed impact of broad-based and rapid global monetary tightening. However, offsetting some of these concerns were bullish narratives supported by a tight labor market, resilient consumer spending, and improvements in the housing market, despite higher interest rates. Large-cap, profitable growth stocks were the clear winners for the quarter as they drove indexes higher, while the average stock largely traded sideways during the quarter.

Portfolio Performance

During the quarter, the Harbor Dividend Growth Leaders ETF (“ETF”) returned 4.95% (NAV), underperforming the ETF’s style benchmark, the NASDAQ Dividend Achievers Select Total Return Index, which returned 6.04%, and underperforming the ETF’s primary benchmark, the S&P 500 Index, which returned 8.74%.

From a sector perspective, relative weakness within Information Technology and Consumer Discretionary offset relative strength within Health Care.

The relative underperformance during the quarter was due to a combination of stock-specific weakness and a common factor headwind. From a factor perspective, the ETF’s underweight to size and volatility was a headwind. The ETF’s overweight to momentum was a modest tailwind.

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.

ETF performance prior to 5/23/22 is attributable to the Westfield Capital Dividend Growth Mutual Fund, Institutional Share class and/or Westfields private investment vehicle. The historical NAV of the predecessor are used for both NAV and Market Offer Price performance from inception to ETF listing date. Performance periods since GDIV listing date may contain NAV and MOP data of both the newly formed ETF and the predecessor fund performance. Please refer to the Fund prospectus for further details.

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.



Contributors & Detractors

Eli Lilly and Company, a global pharmaceutical company, was the top contributor to relative performance over the quarter. Eli Lilly outperformed after another great quarter driven by hype around the obesity market and the company's drug Mounjaro. Despite supply constraints and without final FDA approval for obesity, the unprecedented potential of Mounjaro in treating obesity is appreciated by investors, as Nordisk's own launch of Ozempic and Wegovy continues to flourish. Eli Lilly ended the quarter with new data presented for Retatrutide (GGG tri-agonist) at the American Diabetes Association conference, which adds a third mechanism of action on top of Mounjaro and demonstrated even more weight loss.

Broadcom, a supplier of analog and digital semiconductor connectivity solutions, also contributed positively to relative results during the quarter. Broadcom has been viewed as an "AI beneficiary," as it supplies chips that go into AI workloads. At its recent earnings call, the company quantified AI revenue at ~10% of total semiconductor segment sales in fiscal year 2022, increasing to ~15% in fiscal year 2023, and potentially >25% in fiscal year 2024. We believe Broadcom has an impressive cost-cutting program that is driving strong free-cash-flow growth, which is boosting the return of capital to shareholders. The company also pays an attractive dividend.

Target, a general merchandise retailer, was the top detractor from relative returns during the quarter. Shares of the company were weak as consumers are coming under pressure and prioritizing lower-margin items like consumables. As a result, the company provided guidance below expectations, indicating the headwinds are unlikely to subside in the near term. We continue to believe Target has an impressive business model with improving sales productivity that should help drive growth and its competitive advantage versus its peers.

IDEX Corp., an industrial machinery company, also detracted from relative performance over the quarter. While the majority of its business (~85%) is industrial-facing and has performed well, the life sciences space was down ~25%, causing IDEX to lower guidance. We continue to believe IDEX has one of the best management teams in the industry with high cash conversion and potential M&A helping drive double-digit earnings before interest, taxes, depreciation, and amortization ("EBITDA"), and cash flow growth.

Buys & Sells

During the quarter, we purchased Watsco, a distributor of residential HVAC equipment. We view Watsco as a serial compounder in uncertain market environments, and the company, in our opinion, has an impressive, long-term track record of financial operating performance and shareholder value creation. Watsco has been working on improving efficiencies, which we are starting to see flow through with structurally higher margins that should aid it in maintaining its leading market position and gain share versus its peers.

During the quarter, we sold Oracle, one of the world's largest software companies focused on cloud applications and platforms. We sold our position on strength after the stock had a positive run, adding value versus the benchmark over our holding period. We used the capital to purchase Mueller Industries, a manufacturing company that specializes in piping, industrial metals, and climate machinery, which we viewed as a better use of capital.

Overweights and Underweights

Entering 2023, the Real Estate sector represented the ETF's largest overweight relative to the index. While we remain overweight the sector, it is no longer our largest overweight following the sale of Innovative Industrial Properties, an industrial property REIT, during the first quarter. Within the sector, we are primarily focused on owning shorter-lease duration assets that have the ability to adjust rents to outpace expense inflation and grow earnings to outpace cap rate expansion from higher interest rates, while returning capital to shareholders. At the end of the second quarter, the Information Technology sector represented the ETF's largest overweight relative to the index.

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Duration is an estimated measure of the price sensitivity of the aggregate market value of a portfolio of debt securities to changes in interest rates.



The Communications Services sector represented the largest underweight at the end of 2022 and at the end of the second quarter. The main reason for this underweight stems from not owning the mega-cap benchmark names that do not meet our capital return thresholds. During the quarter, we sold our position in Nexstar Media Group, a television broadcasting and digital media company, as we had identified better uses for the capital.

Outlook

Our focus has been and will continue to be on identifying high-quality companies with robust businesses and cash flows able to maintain and raise their dividends throughout varying market environments. Amid slowing growth and elevated recession risk, this focus on quality growth with dividend support has allowed the ETF to participate in the market upside, while also mitigating the downside when bouts of volatility emerge. Given the lagged effects of the Federal Reserve's rate hike regime and the substantial strain placed on the broader economy, we expect this volatility and uncertainty to continue. Although dividend-paying stocks have lagged the very narrow market advance year to date, we maintain our conviction in the group and believe that dividend growth stocks are ideal investments in this type of market, given their risk versus return profile. It is also important to consider that periods like we have just experienced — with lagging relative performance of this magnitude — are often followed by periods of strong relative gains, such as those experienced in the wake of the internet bubble.

QUARTERLY ATTRIBUTION

As of 06/30/2023

Best & Worst Performers

Best Performers	Average Weight %	Return % (NAV)
Eli Lilly and Company	4.49	36.92
Broadcom Inc.	2.77	35.94
Watsco Inc.	1.42	22.63
Mueller Industries Inc.	1.10	20.37
Microsoft Corporation	5.32	18.38

Worst Performers	Average Weight %	Return % (NAV)
Target Corporation	2.17	-19.82
Silgan Holdings Inc.	0.68	-12.95
NIKE Inc. Class B	2.28	-9.72
Sun Communities Inc.	1.77	-6.73
United Parcel Service Inc. Class B	1.66	-6.71

Contributors & Detractors

Greatest Contributors	Return % (NAV)	Contribution to Return %
Eli Lilly and Company	36.92	1.43
Apple Inc.	17.79	0.98
Microsoft Corporation	18.38	0.96
Broadcom Inc.	35.94	0.95
Arthur J. Gallagher & Co.	15.08	0.46
Total		4.77

Greatest Detractors	Return % (NAV)	Contribution to Return %
Target Corporation	-19.82	-0.51
NIKE Inc. Class B	-9.72	-0.24
IDEX Corporation	-6.54	-0.18
Gilead Sciences Inc.	-6.22	-0.16
QUALCOMM Incorporated	-6.04	-0.15
Total		-1.23

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.

Harbor Dividend Growth Leaders ETF

ATTRIBUTION

As of 06/30/2023



Quarterly Attribution:

Harbor Dividend Growth Leaders ETF vs S&P 500 Index

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	5.20	8.74	-3.55
Currency Contribution	0.00	0.00	0.00
Total Return	5.20	8.74	-3.55

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
Health Care	14.23	14.11	0.13	10.23	2.95	7.28	1.48	0.39	0.05	1.07	1.11
Utilities	0.00	2.78	-2.78	0.00	-2.53	2.53	0.00	-0.08	0.32	0.00	0.32
Financials	13.97	12.77	1.20	7.45	5.33	2.12	0.98	0.66	-0.06	0.27	0.20
Energy	3.46	4.43	-0.97	-2.90	-0.89	-2.01	-0.11	-0.06	0.09	-0.06	0.03
Industrials	11.72	8.42	3.30	4.16	6.25	-2.09	0.61	0.50	-0.03	-0.21	-0.24
Real Estate	3.45	2.56	0.90	-3.36	2.48	-5.83	-0.13	0.06	-0.05	-0.21	-0.27
Materials	3.92	2.54	1.38	-2.80	3.31	-6.10	-0.07	0.07	-0.08	-0.22	-0.29
Communication Services	1.91	8.42	-6.51	3.40	13.07	-9.66	0.14	1.12	-0.29	-0.08	-0.37
Consumer Staples	11.12	7.10	4.02	-4.98	0.45	-5.43	-0.60	0.02	-0.34	-0.63	-0.97
Consumer Discretionary	6.39	10.15	-3.76	-1.81	14.58	-16.38	-0.15	1.46	-0.23	-1.10	-1.32
Information Technology	27.59	26.73	0.86	11.00	17.23	-6.23	3.01	4.61	0.00	-1.62	-1.63
Total	100.00	100.00	0.00	5.20	8.74	-3.55	5.20	8.74	-0.74	-2.81	-3.55

Risks

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

All investments involve risk including the possible loss of principal. 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 may hold foreign securities, it may be subject to greater risks than funds invested only in the U.S. These risks are more severe for securities of issuers in emerging market regions. 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 all loss economic, political or regulatory occurrence than a more diversified portfolio.

Benchmarks

The S&P 500 Index is an unmanaged index generally representative of the U.S. market for large capitalization equities. The NASDAQ U.S. Dividend Achievers Select® Index is a modified market capitalization weighted index. The NASDAQ U.S. Dividend Achievers Select® Index is comprised of a select group of securities with at least ten consecutive years of increasing annual regular dividend payments. The indices are unmanaged and do not reflect fees and expenses and are not available for direct investment.

Disclosures

On or about May 20, 2022, the Fund acquired the assets and assumed the then existing known liabilities of the Predecessor Fund and the Fund is expected to be the performance successor of the reorganization. This means that the Predecessor Fund's performance and financial history will be used by the Fund going forward from the date of reorganization.

In the reorganization, former shareholders of the Predecessor Fund received shares of the Fund. Accordingly, the performance of the Fund for periods prior to the reorganization is the performance of the Predecessor Fund and the performance shown for periods prior to July 26, 2013 is the performance of a private investment vehicle that predated the Predecessor Fund. The private investment vehicle was managed by the Subadvisor using investment policies, objectives and guidelines that were in all material respects equivalent to the management of the Fund and Predecessor Fund. However, the private investment vehicle was not a registered investment company and so it was not subject to the same investment and tax restrictions as the Fund and Predecessor Fund. If it had been, its performance may have been lower. The performance of the Predecessor Fund has not been restated to reflect the annual operating expenses of the Fund, which are lower than those of the Predecessor Fund. Because the Fund has different fees and expenses than the Predecessor Fund, the Fund would also have had different performance results.

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

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.

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.

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.

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.

Westfield Capital Management Company, L.P. is a third-party subadvisor to the Harbor Dividend Growth Leaders ETF.

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

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

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.

Free cash flow represents the cash a company can generate after accounting for capital expenditures needed to maintain or maximize its asset base.