

Harbor Small Cap Value Fund

EARNEST Partners LLC

Subadvisor Since 12/14/2001

Total Net Assets - All Classes \$1,869,925,552
Equity Assets: 97.29%
Cash & Other Assets Less Liabilities: 2.71%
Benchmark Name: Russell 2000® Value Index

Portfolio Managers



Paul E. Viera

Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values. In selecting stocks for the Fund, the portfolio manager: utilizes a value-based investment style seeking to identify companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values, applies fundamental and qualitative criteria to identify companies for the portfolio, and maintains relationships with key analysts and industry experts to obtain unbiased research perspectives.

CHARACTERISTICS & ALLOCATION

As of 09/30/2022

| Portfolio Characteristics | | | Economic Sectors | | |
|--------------------------------|-----------|-----------|------------------------|-------------|-------------|
| | Portfolio | Benchmark | | Portfolio % | Benchmark % |
| Number of Holdings | 59 | 1,394 | Industrials | 28.67 | 12.32 |
| Wtd Avg Market Cap (\$Mil) | 4,816.80 | 2,118.90 | Financials | 24.31 | 29.15 |
| Med Cap - # Stocks (\$Mil) | 2,591.00 | 783.00 | Information Technology | 17.98 | 5.68 |
| Price/Book Ratio | 2.01 | 1.27 | Health Care | 9.87 | 12.10 |
| Adjusted Trailing P/E Ratio | 18.60 | 12.10 | Consumer Discretionary | 4.42 | 9.65 |
| % EPS Growth - Past 3 Yr | 11.30 | 16.10 | Real Estate | 4.17 | 10.73 |
| Return on Equity (%) | 10.85 | 8.85 | Materials | 3.40 | 3.75 |
| Beta vs. Fund Benchmark | 0.88 | | Consumer Staples | 3.09 | 2.66 |
| Forecasted P/E Ratio | 13.80 | 11.50 | Energy | 1.38 | 5.91 |
| Proj. Earnings Growth Rate (%) | 15.20 | 10.20 | Utilities | 0.00 | 5.15 |
| | | | Communication Services | 0.00 | 3.00 |

| Top 10 Holdings | | | Top 10 Industries | | |
|----------------------------|--------------|-------------|----------------------------|--------------|--------------|
| | Portfolio % | Benchmark % | | Portfolio % | Benchmark % |
| Casella Waste Systems Inc. | 3.72 | 0.00 | Banks | 12.29 | 18.60 |
| Darling Ingredients Inc. | 3.09 | 0.00 | Machinery | 12.10 | 3.31 |
| Franklin Electric Co. Inc. | 2.96 | 0.00 | Electronic Equipment | 11.41 | 1.88 |
| Houlihan Lokey Inc. | 2.86 | 0.00 | Aerospace & Defense | 7.21 | 1.10 |
| Molina Healthcare Inc. | 2.74 | 0.00 | Capital Markets | 6.51 | 0.93 |
| Sanmina Corporation | 2.34 | 0.25 | Health Care Providers | 4.66 | 1.90 |
| Reinsurance Group | 2.31 | 0.00 | Commercial Serv & Supplies | 4.45 | 1.58 |
| Hexcel Corporation | 2.28 | 0.00 | Equity REITS | 4.17 | 10.16 |
| Catalent Inc. | 2.27 | 0.00 | Insurance | 4.06 | 2.69 |
| Raymond James Financial | 2.20 | 0.00 | Semiconductors | 3.74 | 0.64 |
| Total | 26.77 | 0.25 | Total | 70.60 | 42.79 |

| Market Capitalization | | |
|-----------------------|---------------|-------------|
| | | Portfolio % |
| Large | Above 25.0B | 0.00 |
| | 10.0B - 25.0B | 13.79 |
| Mid | 5.0B - 10.0B | 10.56 |
| | 1.0B - 5.0B | 72.75 |
| Small | 0.0 - 1.0B | 2.90 |



Trusted Partnerships > Trusted Solutions



Average Annual Returns

| 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 | HASCX | 411511843 | -4.23% | -18.63% | -14.91% | 4.20% | 4.03% | 9.79% | 9.21% | 12/14/01 | 0.87 | 0.87 |
| Administrative | HSVRX | 411511710 | -4.27% | -18.77% | -15.12% | 3.93% | 3.77% | 9.52% | 9.40% | 11/01/02 | 1.12 | 1.12 |
| Investor | HISVX | 411511694 | -4.32% | -18.85% | -15.23% | 3.81% | 3.65% | 9.39% | 9.25% | 11/01/02 | 1.23 | 1.23 |
| Retirement | HNVRX | 411512452 | -4.20% | -18.58% | -14.85% | 4.28% | 4.12% | 9.85% | 9.24% | 03/01/16 | 0.79 | 0.79 |
| Russell 2000® Value Index | | | -4.61% | -21.12% | -17.69% | 4.72% | 2.87% | 7.94% | 7.81% | 12/14/01 | | |

MANAGER COMMENTARY

As of 09/30/2022

“Despite the continued rate path of ‘higher for longer,’ growth stocks generally fared better than value stocks during the quarter, although they have been the worst performers year to date.”

EARNEST Partners, LLC

Market in Review

Global equities were negative in the third quarter of 2022 as investors continued to be wary of risk assets in the wake of continued supply-chain disruptions, geopolitical instability, and a firm posture by the U.S. Federal Reserve (“Fed”). The S&P 500 fell 4.88% during the quarter.

During the first part of the quarter, global equities rebounded sharply from June lows, as initial U.S. inflation readings came in lower than anticipated and global supply chain bottlenecks waned. However, August’s CPI reading came in hot, reigniting fears that the Fed would continue to raise rates to keep inflation in check.

Higher rates are especially threatening to high-growth sectors of the market, such as Consumer Discretionary and Information Technology, as these segments derive much of their valuation from expectations of future earnings rather than current cash flows. Additionally, they are heavily reliant on external financing — and rising rates make it increasingly difficult for them to borrow on favorable terms. Despite the continued rate path of “higher for longer,” growth stocks fared better than value stocks during the quarter, although they have been the worst performers year to date. Cash flow producing sectors, such as Energy, Utilities, and Consumer Staples, performed better. Uncertainty within market sectors aside, the labor market continued to show strength as the unemployment rate hovered at a near-record-low reading of 3.7%.

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.

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

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 third quarter of 2022, the Harbor Small Cap Value Fund (Institutional Class, “Fund”) returned -4.23%, outperforming its benchmark, the Russell 2000® Value Index, which returned -4.61%.

The U.S. small-cap equity market, as represented by the Russell 2000® Value Index, contracted in the third quarter as sustained inflationary pressures, accelerated interest rate hikes, and fears of recessions all weighed on investor sentiment. Only two of the 11 sectors in the Index — Energy and Health Care — generated positive returns for the quarter, and Energy remains the lone sector to generate positive returns year to date, as the underlying commodity price remains elevated.

Sustained volatility in the market resulted in a high level of dispersion between the best performing sector in the Index, Energy, which returned 7.84%, and the worst performing sector, Communication Services, which returned -14.63%.

While the Fund’s relative underweight to both Communication Services and Real Estate contributed to the relative outperformance, stock selection — notably in the Financials and Industrials sectors — also played a positive role.

Contributors & Detractors

Contributing to performance was Franklin Electric, a global leader in the production and marketing of groundwater and fuel-pumping systems. Franklin serves customers around the world in residential, commercial, agricultural, industrial, municipal, and fueling applications. The company’s shares were up 11.77% for the quarter, while beating consensus revenue estimates and growing sales nearly 21% year over year. Drought conditions in the Midwest contributed to robust demand and pricing over the quarter, highlighting the importance of Franklin Electric’s water pumping and irrigation solutions. The company is seeing strong growth in regions and communities with water management issues. A continued focus on crop volumes and crop yields combined with concerns about water conservation is expected to further drive margin expansion and grow earnings.

Detracting from performance was CONMED Corp., a medical device company focused on the development, manufacture, and sale of surgical devices and related equipment. CONMED products are used worldwide in a variety of specialty functions including general and orthopedic surgery, gynecology, neurosurgery, thoracic surgery, and gastroenterology. CONMED shares returned -16.10% in the quarter despite beating both revenue and earnings per share (EPS) estimates. While management remains optimistic about the business environment and growth prospects, full-year sales and EPS estimates were lower due to mounting foreign exchange pressures, which are viewed to be transitory in nature. CONMED continues to be well positioned for growth and continues to identify and execute strategic acquisitions like sports medicine specialist Biorez, creating both organic and acquisitive channels to grow earnings materially over the next several years.



Buys & Sells

We purchased Amkor Technology, a semiconductor packaging and test services provider headquartered in Tempe, Arizona. We believe the market is not giving the company enough credit for growth opportunities over our investment horizon.

Emergent BioSolutions is a multinational specialty biopharmaceutical company headquartered in Gaithersburg, Maryland. It develops vaccines and antibody therapeutics for infectious diseases, oncology, and autoimmune disorders, and provides medical devices for biodefense purposes. We sold the stock due to crowding out.

Outlook

There were no new themes or trends introduced into the Fund during the quarter. We continue to position the Fund based on the underlying fundamentals of individual companies and the growth prospects relative to what is currently reflected in the stock price.

Best & Worst Performers

| Best Performers | Average Weight % | Return % |
|---------------------------------------|------------------|----------|
| Molina Healthcare Inc. | 2.42 | 17.96 |
| Sanmina Corporation | 2.14 | 13.14 |
| Cracker Barrel Old Country Store Inc. | 1.38 | 12.52 |
| Timken Company | 1.79 | 11.80 |
| Franklin Electric Co. Inc. | 2.79 | 11.77 |

| Worst Performers | Average Weight % | Return % |
|------------------------------------|------------------|----------|
| Scotts Miracle-Gro Company Class A | 1.60 | -45.41 |
| Steelcase Inc. Class A | 1.09 | -38.40 |
| FormFactor Inc. | 2.36 | -35.32 |
| Catalent Inc. | 2.84 | -32.56 |
| Core Laboratories NV | 0.27 | -31.91 |

Contributors & Detractors

| Greatest Contributors | Return % | Contribution to Return % |
|------------------------------|----------|--------------------------|
| Molina Healthcare Inc. | 17.96 | 0.34 |
| Franklin Electric Co. Inc. | 11.77 | 0.25 |
| Sanmina Corporation | 13.14 | 0.21 |
| Darling Ingredients Inc. | 10.62 | 0.19 |
| Raymond James Financial Inc. | 10.90 | 0.17 |
| Total | | 1.16 |

| Greatest Detractors | Return % | Contribution to Return % |
|------------------------------------|----------|--------------------------|
| Catalent Inc. | -32.56 | -0.92 |
| FormFactor Inc. | -35.32 | -0.88 |
| Scotts Miracle-Gro Company Class A | -45.41 | -0.76 |
| Littelfuse Inc. | -21.59 | -0.42 |
| Steelcase Inc. Class A | -38.40 | -0.41 |
| Total | | -3.39 |

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.



Quarterly Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

| | Portfolio | Benchmark | Active |
|-----------------------|--------------|--------------|-------------|
| Return Ex Currency | -4.00 | -4.61 | 0.61 |
| Currency Contribution | 0.00 | 0.00 | 0.00 |
| Total Return | -4.00 | -4.61 | 0.61 |

| 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 | 27.01 | 12.79 | 14.22 | -1.20 | -7.39 | 6.19 | -0.45 | -0.87 | -0.41 | 1.67 | 1.26 |
| Financials | 22.33 | 28.48 | -6.15 | 2.89 | -2.49 | 5.38 | 0.29 | -0.89 | -0.09 | 1.21 | 1.12 |
| Consumer Staples | 3.38 | 2.71 | 0.67 | 10.62 | -9.80 | 20.42 | 0.19 | -0.27 | -0.01 | 0.63 | 0.62 |
| Real Estate | 4.36 | 11.33 | -6.97 | -9.62 | -11.37 | 1.75 | -0.38 | -1.19 | 0.49 | 0.08 | 0.57 |
| Communication Services | 0.00 | 3.17 | -3.17 | 0.00 | -14.63 | 14.63 | 0.00 | -0.46 | 0.33 | 0.00 | 0.33 |
| Utilities | 0.00 | 5.13 | -5.13 | 0.00 | -9.17 | 9.17 | 0.00 | -0.51 | 0.25 | 0.00 | 0.25 |
| Consumer Discretionary | 4.45 | 9.91 | -5.46 | -3.81 | -4.87 | 1.06 | -0.16 | -0.48 | 0.02 | 0.03 | 0.05 |
| Materials | 3.67 | 3.83 | -0.16 | -22.02 | -8.97 | -13.05 | -0.77 | -0.35 | 0.02 | -0.53 | -0.51 |
| Information Technology | 18.75 | 5.87 | 12.88 | -7.75 | -4.98 | -2.77 | -1.38 | -0.25 | -0.02 | -0.56 | -0.58 |
| Energy | 1.53 | 5.24 | -3.71 | -20.73 | 7.83 | -28.56 | -0.32 | 0.23 | -0.45 | -0.45 | -0.89 |
| Health Care | 11.19 | 11.53 | -0.34 | -13.47 | 3.16 | -16.63 | -1.04 | 0.43 | 0.14 | -1.98 | -1.84 |
| Total | 100.00 | 100.00 | 0.00 | -4.00 | -4.61 | 0.61 | -4.00 | -4.61 | 0.50 | 0.11 | 0.61 |

Trailing 1 Year Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

| | Portfolio | Benchmark | Active |
|-----------------------|---------------|---------------|-------------|
| Return Ex Currency | -14.38 | -17.67 | 3.29 |
| Currency Contribution | 0.00 | 0.00 | 0.00 |
| Total Return | -14.38 | -17.67 | 3.29 |

| 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 | 25.53 | 14.49 | 11.04 | -5.43 | -17.69 | 12.26 | -1.73 | -2.53 | -0.13 | 3.15 | 3.02 |
| Financials | 21.20 | 26.90 | -5.70 | -3.47 | -14.01 | 10.54 | -0.85 | -3.66 | -0.17 | 2.16 | 2.00 |
| Communication Services | 0.00 | 3.44 | -3.44 | 0.00 | -49.70 | 49.70 | 0.00 | -1.99 | 1.43 | 0.00 | 1.43 |
| Information Technology | 20.04 | 5.52 | 14.52 | -16.58 | -22.67 | 6.09 | -3.20 | -1.25 | -0.73 | 1.33 | 0.60 |
| Consumer Discretionary | 4.45 | 8.19 | -3.74 | -34.64 | -32.25 | -2.39 | -1.60 | -2.81 | 0.64 | -0.16 | 0.48 |
| Real Estate | 4.76 | 11.42 | -6.66 | -23.85 | -23.32 | -0.53 | -1.18 | -2.73 | 0.43 | -0.03 | 0.40 |
| Consumer Staples | 3.36 | 2.94 | 0.42 | -8.00 | -4.77 | -3.23 | -0.48 | -0.16 | 0.06 | -0.13 | -0.07 |
| Health Care | 13.09 | 9.95 | 3.14 | -28.48 | -30.65 | 2.17 | -3.06 | -2.50 | -0.62 | 0.51 | -0.11 |
| Materials | 3.64 | 4.48 | -0.84 | -33.71 | -21.81 | -11.90 | -1.48 | -0.97 | 0.00 | -0.52 | -0.52 |
| Utilities | 0.00 | 5.15 | -5.15 | 0.00 | 2.18 | -2.18 | 0.00 | -0.05 | -0.94 | 0.00 | -0.94 |
| Energy | 1.83 | 7.53 | -5.70 | -40.17 | 30.12 | -70.29 | -0.82 | 0.97 | -2.11 | -1.20 | -3.31 |
| Total | 100.00 | 100.00 | 0.00 | -14.38 | -17.67 | 3.29 | -14.38 | -17.67 | -1.83 | 5.12 | 3.28 |

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.

Benchmarks

The Russell 2000® Value Index is an unmanaged index representing the smallest 2000 stocks with the lowest 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® Value Index and Russell® are trademarks of Frank Russell Company.

Disclosures

Shares of the Harbor Small Cap Value Fund are unavailable to new investors as of June 1, 2021. The Fund continues to accept investments from existing shareholders and allows exchanges from other Harbor Funds as long as the exchanging shareholder has an existing Harbor Small Cap Value Fund account.

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.

Return on Equity (ROE) is the measure of a company's net income divided by its shareholders' equity.

Price-to-Book (P/B) Ratio compares a company's market value to its book value. The market value of a company is its share price multiplied by the number of outstanding shares. The book value is the net assets of a company.

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 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.

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 or call 800-422-1050. Read it carefully before investing.

EARNEST Partners LLC is an independent subadvisor to the Harbor Small 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.