

# Harbor Small Cap Growth Fund

Westfield Capital Management Company, L.P.

Subadvisor Since 11/01/2000

<b>Total Net Assets - All Classes</b>	\$855,196,194
<b>Equity Assets:</b>	98.52%
<b>Cash &amp; Other Assets Less Liabilities:</b>	1.48%
<b>Benchmark Name:</b>	Russell 2000® Growth Index

## Portfolio Managers



William A. Muggia



Richard D. Lee, CFA



Ethan J. Meyers, CFA



John M. Montgomery

## Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies. The small cap companies selected meet strict fundamental criteria and are then subject to a qualitative review by the portfolio manager to ensure that they have: accelerated earnings growth, a strong balance sheet, attractive valuation as measured by price/earnings to growth ratio, unique market position and broad opportunities, superior management and solid financial controls and accounting. The Fund stays fully invested in stocks and does not try to time the market, but instead works toward steady investment growth.

## CHARACTERISTICS & ALLOCATION

As of 09/30/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	64	1,121	Health Care	26.27	25.25
Wtd Avg Market Cap (\$Mil)	4,247.60	2,917.20	Industrials	21.24	17.15
Med Cap - # Stocks (\$Mil)	3,626.00	1,080.00	Information Technology	18.17	19.53
Price/Book Ratio	3.74	3.79	Consumer Discretionary	10.24	10.77
Adjusted Trailing P/E Ratio	22.60	20.20	Financials	7.08	5.97
% EPS Growth - Past 3 Yr	41.10	19.90	Real Estate	5.67	2.15
Return on Equity (%)	9.74	9.71	Energy	5.09	6.53
Beta vs. Fund Benchmark	0.91		Materials	2.87	4.28
Forecasted P/E Ratio	18.60	18.40	Communication Services	1.89	2.42
Proj. Earnings Growth Rate (%)	19.80	18.30	Consumer Staples	0.00	4.20
			Utilities	0.00	1.76

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Advanced Drainage Systems Inc	3.51	0.00	Biotechnology	8.83	10.02
Option Care Health Inc	3.30	0.44	Software	7.28	7.84
WillScot Mobile Mini Holdings Inc	2.65	0.00	It Services	6.26	3.33
Innoviva Inc.	2.56	0.07	Health Care Equip	6.05	7.03
Encore Wire Corporation	2.54	0.00	Electrical Equipment	5.72	2.16
Ascendis Pharma A/S	2.51	0.00	Equity REITS	5.67	1.42
Churchill Downs Incorporated	2.38	0.00	Machinery	5.46	4.01
Alkermes Plc	2.34	0.33	Hotels Rest & Leisure	5.30	3.12
PDC Energy Inc.	2.29	0.00	Health Care Providers	5.13	4.41
Spirit Realty Capital I	2.28	0.00	Pharmaceuticals	4.07	2.43
<b>Total</b>	<b>26.36</b>	<b>0.84</b>	<b>Total</b>	<b>59.77</b>	<b>45.77</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	1.31
Mid	5.0B - 10.0B	28.98
	1.0B - 5.0B	64.15
Small	0.0 - 1.0B	5.56



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	HASGX	411511868	-0.91%	-28.59%	-25.47%	7.08%	8.07%	11.11%	8.52%	11/01/00	0.87	0.87
Administrative Investor	HRSGX	411511769	-0.95%	-28.74%	-25.65%	6.80%	7.79%	10.79%	9.93%	11/01/02	1.12	1.12
Investor	HISGX	411511777	-0.93%	-28.79%	-25.74%	6.71%	7.69%	10.70%	9.80%	11/01/02	1.23	1.23
Retirement	HNSGX	411512494	-0.81%	-28.56%	-25.42%	7.18%	8.16%	11.17%	8.54%	03/01/16	0.79	0.79
Russell 2000® Growth Index			0.24%	-29.28%	-29.27%	2.94%	3.60%	8.81%	5.51%	11/01/00		

## MANAGER COMMENTARY

As of 09/30/2022

**“With the likelihood of a U.S. recession seeming all but inevitable, the pivotal question is whether the Federal Reserve will pause or pivot their hawkish stance, given slowing economic activity, moderating inflation, and global market instability.”**

Westfield Capital Management Company, LP

### Market In Review

U.S. equities finished the third quarter of 2022 on the lows of the year, marking the largest decline during the first nine months of any year since 2002. After rallying to start the quarter, indexes turned sharply negative on the heels of higher-than-expected inflation data in August and a stern commitment by the Federal Reserve (“Fed”) at the annual symposium in Jackson Hole to tamp down inflation, even if it means inflicting some ‘pain’ and job losses on the U.S. economy. The steep trajectory of rate hikes by the Fed roiled already unsettled markets and forced other central banks across the globe to follow suit or risk having their currencies devalued. Once again, we witnessed most asset classes falling in tandem, with one exception being commodities, and even that asset class was largely driven by strong returns in the energy markets. This unusual correlation further strained financial markets and even drove some policymakers to intervene to prevent more widespread disruptions.

### Portfolio Performance

During the quarter, the Harbor Small Cap Growth Fund (Institutional Class, “Fund”) returned -0.91%, slightly underperforming the Russell 2000® Growth Index, which returned 0.24%. From a sector perspective, relative weakness within Health Care offset relative strength within Industrials and Information Technology. Stock-specific return was a positive contributor to performance during the quarter, while common factors provided a headwind. From a factor perspective, value and earnings yield, which is a proxy for value, underperformed, and the Fund faced a headwind from our overweight exposure. We have historically been overweight these two factors, given our growth-at-a-reasonable-price investment philosophy. Also, the Fund is overweight size and underweight momentum, which were additional headwinds. We have historically been overweight size and underweight momentum given our quality bias.

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.



### Contributors & Detractors

Advanced Drainage Systems was the top contributor to relative performance during the quarter. The stock had been struggling recently to push through enough pricing increases to offset rising input costs, but it appears that the company was finally able to turn a corner as it reported margins well above expectations, which lifted shares. We continue to favor the stock and feel the price increases will hold as its commercial and construction end-markets remain robust, enabling the company to enhance its margin durability moving forward.

Fintech payment processing company Shift4 Payments also contributed positively to relative results. Shift4 was a top contributor during the quarter with its new, vertical strategy driving increased diversification and growth. The company raised the price for its gateway customers to incentivize them to shift to its end-to-end payment system and, to date, has received little pushback. Additionally, the company has stated a clear focus on expanding its international capabilities and cites this as the focal point of potential M&A efforts, which has been well received by investors.

Azenta, a provider of life-science sample-exploration and management solutions, was the top detractor from relative returns, after pre-reporting a miss on its second-quarter sales, which fell below consensus estimates. The stock reaction was exacerbated by a challenging market backdrop, where skittish investors reacted swiftly and severely to incoming datapoints. Despite the tough quarter and the challenge ahead for management to win back investor support, we continue to favor Azenta and its end-market positioning, along with the \$3 billion in cash the company has on its balance sheet from the recent sale of its semiconductor business.

Biotechnology company Innoviva also detracted from relative results during the quarter. Shares traded lower despite strong execution and quarterly results. During the quarter, the company posted strong, second-quarter results when it beat street expectation for revenue and earnings before interest, taxes, depreciation, and amortization (EBIDTA). Despite the recent underperformance, we still like Innoviva's fundamental story and maintain conviction in the name.

### Buys & Sells

During the quarter, we purchased Wingstop, a fast-casual, wings-focused restaurant chain. We believe Wingstop is one of the best, long-term growth stories in restaurants, as the company has best-in-class unit economics and a long runway for unit growth. We believe the company's industry-leading margins, same-store-sales growth, and an asset-light model provide the potential for atypical capital returns.

During the quarter, we sold our position in semiconductor company Silicon Motion Technology. It was announced in May that the company would be acquired by MaxLinear in 2023. Since the acquisition doesn't close for a year, we decided to sell the position on strength due to the lack of upcoming catalysts.



## Outlook

With the likelihood of a U.S. recession seeming all but inevitable, the pivotal question is whether the Fed will pause or pivot their hawkish stance, given slowing economic activity, moderating inflation, and global market instability. Some consumer prices, such as gasoline, have moderated, while others, such as shelter, are likely to remain high for some time. We expect a more gradual decline in inflation than many are currently forecasting, although expectations appear to be increasingly moving in our direction. Looking at the earnings outlook, the environment remains challenging with market estimates likely still too high among forecasters. Slowing spending and job growth, combined with growing margin pressures and building inventories, are a recipe for an economic slowdown. Combine that with rising funding costs due to interest rates, and it's hard to envision an outcome that doesn't propel the economy into a recession. Based on our quality bias and valuation discipline, we believe we should fare better than other high-growth, higher-risk, long-duration options in this type of environment, as equity markets continue to find their footing and juggle tightening financial conditions not seen in over a decade. We do, however, remain optimistic on the path forward and believe we will be able to help our clients navigate the multiple headwinds we are now facing.

## QUARTERLY ATTRIBUTION

As of 09/30/2022

### Best & Worst Performers

Best Performers	Average Weight %	Return %
Wingstop Inc.	1.16	41.79
Silvergate Capital Corp. Class A	0.70	40.76
Advanced Drainage Systems Inc.	3.19	38.20
Shift4 Payments Inc. Class A	1.85	34.94
Blueprint Medicines Corp.	1.33	30.45

Worst Performers	Average Weight %	Return %
Ranpak Holdings Corp Class A	0.34	-51.14
SiTime Corporation	0.54	-41.74
Azenta Inc.	1.31	-40.55
Alkermes Plc	2.04	-25.04
Avient Corporation	1.76	-23.93

### Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Advanced Drainage Systems Inc.	38.20	0.76
Option Care Health Inc	13.24	0.45
Shift4 Payments Inc. Class A	34.94	0.42
WillScot Mobile Mini Holdings Corp. Clas	24.40	0.42
Flywire Corp.	30.23	0.36
<b>Total</b>		<b>2.41</b>

Greatest Detractors	Return %	Contribution to Return %
Azenta Inc.	-40.55	-0.57
Innoviva Inc.	-21.34	-0.55
Alkermes Plc	-25.04	-0.53
Avient Corporation	-23.93	-0.42
Ollie's Bargain Outlet Holdings Inc	-20.71	-0.35
<b>Total</b>		<b>-2.42</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 Small Cap Growth Fund vs Russell 2000® Growth

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-0.63	0.24	-0.87
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-0.63</b>	<b>0.24</b>	<b>-0.87</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
Industrials	20.63	17.38	3.25	8.98	0.11	8.87	1.19	-0.02	-0.05	1.70	1.65
Information Technology	18.19	20.02	-1.83	-1.26	-4.56	3.30	0.32	-0.62	0.16	0.65	0.81
Financials	5.66	5.97	-0.31	12.91	-0.64	13.55	0.48	-0.06	-0.01	0.70	0.69
Consumer Staples	0.00	4.34	-4.34	0.00	-6.69	6.69	0.00	-0.28	0.32	0.00	0.32
Consumer Discretionary	9.35	10.95	-1.60	4.32	1.33	2.99	0.21	0.14	-0.08	0.32	0.24
Real Estate	5.64	2.46	3.18	-6.97	-17.89	10.92	-0.40	-0.40	-0.64	0.73	0.09
Utilities	0.00	1.80	-1.80	0.00	-3.11	3.11	0.00	-0.09	0.06	0.00	0.06
Communication Services	2.36	2.54	-0.18	-6.13	-5.78	-0.35	-0.14	-0.08	0.00	-0.01	-0.01
Energy	4.79	6.25	-1.46	-6.61	3.97	-10.58	-0.46	0.06	-0.10	-0.44	-0.54
Materials	3.42	4.37	-0.95	-20.61	-2.06	-18.55	-0.70	-0.15	0.04	-0.69	-0.65
Health Care	26.55	23.92	2.63	-5.55	8.13	-13.68	-1.14	1.75	0.22	-3.62	-3.41
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-0.63</b>	<b>0.24</b>	<b>-0.87</b>	<b>-0.63</b>	<b>0.24</b>	<b>-0.22</b>	<b>-0.65</b>	<b>-0.87</b>

### Trailing 1 Year Attribution:

#### Harbor Small Cap Growth Fund vs Russell 2000® Growth

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-24.63	-29.27	4.64
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-24.63</b>	<b>-29.27</b>	<b>4.64</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
Industrials	19.43	16.13	3.30	-6.74	-18.22	11.48	-2.34	-3.28	0.34	1.94	2.28
Health Care	26.51	24.80	1.71	-27.88	-34.58	6.70	-6.03	-7.59	0.23	1.53	1.76
Real Estate	5.83	2.98	2.85	-14.90	-38.56	23.66	-0.99	-1.31	-0.46	1.51	1.06
Consumer Discretionary	11.02	13.45	-2.43	-30.87	-34.49	3.62	-3.65	-5.18	0.26	0.44	0.70
Information Technology	19.57	21.52	-1.95	-32.80	-34.43	1.63	-6.19	-7.65	0.13	0.27	0.40
Financials	6.12	5.64	0.48	-20.08	-24.09	4.01	-1.46	-1.45	0.11	0.14	0.26
Communication Services	1.93	3.08	-1.15	-34.99	-40.44	5.45	-0.94	-1.29	0.17	0.00	0.17
Utilities	0.00	0.74	-0.74	0.00	-9.24	9.24	0.00	-0.08	-0.09	0.00	-0.09
Energy	2.82	3.84	-1.02	22.86	17.28	5.58	-0.50	-0.16	-0.51	-0.09	-0.60
Consumer Staples	0.00	4.15	-4.15	0.00	-13.14	13.14	0.00	-0.50	-0.66	0.00	-0.66
Materials	4.02	3.67	0.35	-50.23	-16.56	-33.67	-2.57	-0.79	0.19	-1.50	-1.30
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-24.63</b>	<b>-29.27</b>	<b>4.64</b>	<b>-24.63</b>	<b>-29.27</b>	<b>0.38</b>	<b>4.26</b>	<b>4.64</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. 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® Growth Index is an unmanaged index representing the smallest 2000 stocks with the highest 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® Growth Index and Russell® are trademarks of Frank Russell Company.

### Disclosures

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](http://harborcapital.com) or call 800-422-1050. Read it carefully before investing.**

**Westfield Management Company, L.P. is an independent subadvisor to the Harbor Small Cap Growth 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.