

Harbor Large Cap Value Fund

Aristotle Capital Management, LLC

Subadviser Since 05/25/2012

Total Net Assets - All Classes \$2,002,344,358
Equity Assets: 98.52%
Cash & Other Assets Less Liabilities: 1.48%
Benchmark Name: Russell 1000® Value Index

Portfolio Managers



Howard Gleicher, CFA



Gregory D. Padilla, CFA

Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks, of companies with market capitalizations that fall within the range of the Russell 1000® Value Index. The Subadviser employs a fundamental, bottom-up research driven approach to identify companies for investment by the Fund. The Subadviser focuses on those companies that it believes have higher quality businesses that are undervalued by the market relative to what the Subadviser believes to be their fair value. The Subadviser also looks for one or more catalysts that may help the company realize that fair value. The Subadviser seeks to identify higher quality companies by focusing on the following attributes: attractive business fundamentals, financially strong, experienced, motivated company management, and exhibiting high and/or consistently improving market position, return on invested capital and operating margins. Under normal market conditions, the Fund expects to invest in approximately 35 to 45 companies.

CHARACTERISTICS & ALLOCATION

As of 06/30/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	45	859	Information Technology	18.16	9.03
Wtd Avg Market Cap (\$Mil)	153,672.10	145,054.20	Financials	16.79	19.54
Med Cap - # Stocks (\$Mil)	38,900.00	11,302.00	Health Care	11.57	17.22
Price/Book Ratio	3.81	2.45	Industrials	10.52	9.85
Adjusted Trailing P/E Ratio	23.20	17.40	Materials	10.33	4.25
% EPS Growth - Past 3 Yr	15.90	16.20	Consumer Staples	9.29	7.32
Return on Equity (%)	16.55	15.53	Consumer Discretionary	7.08	5.73
Beta vs. Fund Benchmark	0.93		Utilities	5.47	5.98
Forecasted P/E Ratio	20.20	16.00	Real Estate	5.01	5.08
Proj. Earnings Growth Rate (%)	12.20	9.30	Energy	4.30	7.26
			Communication Services	0.00	8.77

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Microsoft Corporation	4.39	0.00	Software	12.12	1.84
Corteva Inc	3.73	0.22	Chemicals	7.88	2.53
Danaher Corporation	3.21	0.86	Banks	6.99	7.13
Adobe Incorporated	3.04	0.00	Machinery	6.04	1.72
Xcel Energy Inc.	2.78	0.22	Semiconductors	5.22	2.47
Amgen Inc.	2.76	0.12	Household Durables	5.14	0.49
Qualcomm Incorporated	2.74	0.00	Equity REITS	5.01	4.90
Sony Group Corporation	2.71	0.00	Beverages	4.79	1.02
Atmos Energy Corporatio	2.69	0.09	Capital Markets	4.58	4.72
Coca-Cola Company	2.68	0.35	Oil Gas & Consumables	4.30	6.69
Total	30.73	1.86	Total	62.07	33.51

Market Capitalization		
		Portfolio %
Large	Above 25.0B	71.40
	10.0B - 25.0B	22.22
Mid	5.0B - 10.0B	6.38
	1.0B - 5.0B	0.00
Small	0.0 - 1.0B	0.00



Trusted Partnerships > Trusted Solutions



Performance

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	HAVLX	411511603	-12.40%	-18.74%	-12.95%	9.06%	9.18%	12.79%	9.97%	12/29/87	0.69	0.72
Administrative Investor	HRLVX	411511751	-12.44%	-18.85%	-13.18%	8.77%	8.90%	12.48%	9.12%	11/01/02	0.94	0.97
Investor	HILVX	411511744	-12.49%	-18.89%	-13.27%	8.66%	8.79%	12.37%	8.97%	11/01/02	1.05	1.08
Retirement	HNLVX	411512478	-12.36%	-18.70%	-12.88%	9.15%	9.27%	12.84%	9.98%	03/01/16	0.61	0.64
Russell 1000® Value Index			-12.21%	-12.86%	-6.82%	6.87%	7.17%	10.50%	10.21%	12/29/87		

MANAGER COMMENTARY

As of 06/30/2022

“Instead of spending our time making predictions or analyzing the “news of the day” (which can change rapidly), we continue to direct our efforts toward understanding the long-term fundamentals of businesses.”

Aristotle Capital Management, LLC

Market in Review

Soaring inflation, combined with a 1.6% decrease in first-quarter gross domestic product (“GDP”) and estimates for another decline in the second quarter of 2022, are increasing fears that a recession may be on the horizon. The Consumer Price Index (“CPI”) rose by 8.6% for the year ended in May, and average U.S. gasoline prices briefly breached \$5 per gallon in June for the first time in history. Consumers responded to the broad-based increase in prices by reducing their personal savings rate to 4.4% in April, the lowest level since September 2008. The negative effects of supply-chain disruptions also persist, and management teams have highlighted that the strengthening dollar has reduced demand for U.S. goods sold abroad. In response to elevated inflation, in May, the Federal Reserve (“Fed”) raised the federal funds rate by 0.50%. In June, it raised rates an additional 0.75%, the largest increase since 1994, moving the benchmark rate to a range of 1.50% to 1.75%. Additionally, the U.S. central bank officially began quantitative tightening as it moved to reduce its \$9 trillion balance sheet. The U.S. equity market posted its second, consecutive quarterly decline, as the S&P 500 Index fell by 16.10% during the period, bringing its year-to-date return to -19.96%. This year-to-date performance marked the worst first-half of a year since 1962. Concurrently, the Bloomberg U.S. Aggregate Bond Index dropped -4.69% for the quarter, bringing the year-to-date return to -10.35%. The Russell 1000® Value Index outperformed its growth counterpart by 8.71% during the quarter. For the first half of the year, that outperformance was 15.21%, on track to be the largest calendar-year lead for value since the early 2000s. On a sector basis, all eleven sectors within the Russell 1000® Value Index finished lower for the quarter, with Information Technology, Materials, and Financials falling the most. Meanwhile, Health Care, Utilities, and Energy declined the least.

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.

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 second quarter, the Harbor Large Cap Value Fund (Institutional Class, "Fund") returned -12.40%, slightly underperforming its benchmark, the Russell 1000[®] Value Index, which returned -12.21%, and outperforming the S&P 500 Index, which returned -16.10%.

The Fund's underperformance relative to the Russell 1000[®] Value Index this can be attributed to allocation effects, while security selection had a positive impact. Security selection in Health Care, as well as an overweight in Information Technology and an underweight in Health Care, detracted the most from relative performance. Conversely, security selection in Materials, Real Estate, and Communication Services contributed the most to relative performance. (Relative weights are the result of bottom-up security selection.)

Contributors & Detractors

Microchip Technology, the microcontroller (MCU) and analog semiconductor producer, was a primary detractor during the quarter. Shares declined despite strong fundamentals, as the company posted its fifth, consecutive quarter of record revenues. After years of industry consolidation and cost-cutting, the business is executing on our catalyst of enhanced profitability, with operating margins exceeding 40%. Free cash flow-generation has continued to improve, allowing the company to pay out \$1.6 billion in dividends and repurchase \$426 million shares since fiscal-year 2019. While we recognize Microchip operates in a cyclical industry, we admire the company's history of strong free cash flow-generation through the cycles. Moreover, our conviction remains in Microchip's ability to grow its market share, while benefiting from the secular trend of expanded usage of MCUs across segments that include 5G products, IoT, data centers, electric vehicles, and autonomous driving systems.

Amgen, the pharmaceutical company focused on biotechnology-based therapeutics, was a top contributor during the quarter. The company reported solid results, with a variety of products contributing to overall revenue growth. Amgen continued to increase the market share for cholesterol drug, Repatha (a catalyst we had originally identified), delivering record quarterly sales as the drug's usage expands. In addition, we believe the company is poised to gain market share with its biosimilars (akin to generic versions of biologic drugs), also a previously identified catalyst. Biosimilars accounted for over \$2 billion in revenue in 2021, and we believe it has the potential to more than double by the end of the decade. Meanwhile, the company is advancing its robust pipeline of early- and late-stage assets, with several phase III results due this year. These developments have caused us to remain enthusiastic about Amgen's ability to build on its decades of success developing novel treatments using biopharmaceuticals.

Buys and Sells

During the quarter, we purchased Autodesk. Headquartered in Northern California, Autodesk produces software that allows companies to design and model their products and/or projects. The company is the global industry standard for computer-aided design in the architecture, engineering, and construction industry (AEC). Autodesk's millions of subscribers rely on its software to design and model buildings, manufactured products, animated films, and video games. Autodesk primarily sells its software on a subscription basis, having discontinued perpetual license sales of most stand-alone products in 2016. In recent years, the AEC industry has increasingly sought to resolve the inefficiencies that arise when many parties are needed to complete a building project. Autodesk has been at the cutting edge of enabling improvements through innovation and promoting the use of open standards, or open-building information modeling (BIM), which allows for all relevant building data to be processed virtually in a 3D model and shared across stakeholders. Importantly, Autodesk's leadership in ensuring the interoperability of its software with that of its competitors increases collaboration and productivity among architects, engineers, and contractors —an attractive value proposition for its customers.

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During the quarter, we sold Twitter. We first invested in Twitter in the third quarter of 2018. During our holding period, the company executed on some catalysts that included improving the health of the platform and enhancing the advertising server to allow for a greater mix of direct response ads. However, Twitter disappointed on other catalysts, primarily the company's inability to gain market share. Furthermore, we recently began evaluating the strategy of new CEO Parag Agrawal, but the prospect of changes under his leadership was overshadowed by Elon Musk's \$44 billion offer (\$54.20 per share) to acquire Twitter. As the investment case became more reliant on a merger-arbitrage scenario— and less about Twitter's business fundamentals—we exited our position in late April/early May and invested the proceeds in Autodesk.

Outlook

During the first half of 2022, we witnessed a new, significant geopolitical conflict, soaring inflation, and tighter monetary policy. As usual, every period (up or down) brings its own "news of the day" questions, which, at the time, may seem critical: Is the economy entering a recession? If so, how long will it last? What will central banks do next? ... and so on. Instead of spending our time making predictions or analyzing the "news of the day" (which can change rapidly), we continue to direct our efforts toward understanding the long-term fundamentals of businesses. Before investing in a company, we spend time understanding its experience in prior times of adversity, its ability (or inability) to express pricing power, management's ability to react to changing conditions, and many other factors that may affect a company's sustainable, competitive advantages. Today, we continue to focus on the long-term fundamentals of businesses, as we believe this is the best way for us to serve our clients.

QUARTERLY ATTRIBUTION

As of 06/30/2022

Best & Worst Performers

Best Performers	Average Weight %	Return %
Twitter Inc.	0.54	26.80
Coca-Cola Company	2.49	2.22
Constellation Brands Inc. Class A	2.04	1.51
Amgen Inc.	2.54	1.41
Xcel Energy Inc.	2.63	-1.23

Worst Performers	Average Weight %	Return %
PayPal Holdings Inc.	0.93	-39.61
Blackstone Inc.	2.41	-27.20
Elanco Animal Health Inc.	1.54	-24.76
ANSYS Inc.	2.55	-24.67
Microchip Technology Incorporated	2.59	-22.38

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Twitter Inc.	26.80	0.31
Coca-Cola Company	2.22	0.06
Amgen Inc.	1.41	0.05
Constellation Brands Inc. Class A	1.51	0.01
Lennar Corporation Class B	-13.63	0.00
Total		0.43

Greatest Detractors	Return %	Contribution to Return %
Blackstone Inc.	-27.20	-0.70
Microsoft Corporation	-16.49	-0.68
ANSYS Inc.	-24.67	-0.66
Adobe Incorporated	-19.66	-0.62
Capital One Financial Corp	-20.23	-0.60
Total		-3.26

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Harbor Large Cap Value Fund

ATTRIBUTION

As of 06/30/2022



Quarterly Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-12.25	-12.21	-0.04
Currency Contribution	0.00	0.00	0.00
Total Return	-12.25	-12.21	-0.04

Sector Attribution

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
Communication Services	0.54	7.08	-6.54	26.80	-14.03	40.83	0.31	-1.01	0.08	0.39	0.47
Consumer Staples	8.83	7.74	1.09	-1.28	-5.55	4.27	-0.12	-0.44	0.08	0.34	0.43
Real Estate	4.91	4.81	0.10	-7.95	-16.78	8.83	-0.36	-0.82	0.00	0.43	0.43
Materials	10.27	4.05	6.22	-10.98	-18.93	7.95	-1.14	-0.82	-0.43	0.83	0.40
Industrials	10.40	10.40	0.00	-11.04	-14.69	3.65	-1.22	-1.57	0.01	0.38	0.39
Financials	17.08	19.93	-2.85	-17.23	-17.16	-0.07	-3.01	-3.46	0.15	-0.01	0.14
Utilities	5.14	5.58	-0.44	-3.42	-5.25	1.83	-0.16	-0.27	-0.03	0.09	0.05
Energy	4.59	7.88	-3.29	-3.14	-5.42	2.28	-0.35	-0.63	-0.22	0.08	-0.13
Consumer Discretionary	7.12	5.00	2.12	-17.21	-15.89	-1.32	-1.22	-0.86	-0.05	-0.12	-0.16
Information Technology	17.35	9.10	8.25	-21.03	-19.04	-1.99	-3.63	-1.79	-0.59	-0.31	-0.89
Health Care	11.24	18.43	-7.19	-12.55	-3.92	-8.63	-1.35	-0.53	-0.57	-0.94	-1.51
Total	100.00	100.00	0.00	-12.25	-12.21	-0.04	-12.25	-12.21	-1.23	1.19	-0.04

Trailing 1 Year Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-12.27	-6.82	-5.45
Currency Contribution	0.00	0.00	0.00
Total Return	-12.27	-6.82	-5.45

Sector Attribution

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 Staples	7.87	7.38	0.49	11.99	3.56	8.43	0.64	0.12	0.18	0.55	0.74
Financials	17.23	20.93	-3.70	-8.95	-12.05	3.10	-1.65	-2.30	0.07	0.59	0.66
Communication Services	1.65	7.63	-5.98	-28.70	-23.58	-5.12	-0.61	-1.85	1.01	-0.47	0.55
Materials	9.53	3.85	5.68	-6.75	-8.11	1.36	-0.73	-0.40	-0.06	0.16	0.10
Real Estate	4.80	4.82	-0.02	-7.90	-5.28	-2.62	-0.35	-0.25	0.01	-0.13	-0.12
Utilities	1.92	5.12	-3.20	6.04	13.64	-7.60	0.25	0.56	-0.21	0.05	-0.16
Industrials	11.64	10.95	0.69	-16.42	-15.72	-0.70	-1.93	-1.68	-0.12	-0.10	-0.22
Consumer Discretionary	7.93	5.43	2.50	-24.10	-22.77	-1.33	-1.81	-1.25	-0.37	-0.07	-0.44
Energy	3.60	6.06	-2.46	31.65	39.55	-7.90	0.52	1.41	-0.95	-0.20	-1.15
Information Technology	18.64	10.06	8.58	-29.06	-23.29	-5.77	-5.13	-2.25	-1.45	-1.09	-2.54
Health Care	12.57	17.78	-5.21	-14.04	6.09	-20.13	-1.48	1.07	-0.75	-2.33	-3.08
Total	100.00	100.00	0.00	-12.27	-6.82	-5.45	-12.27	-6.82	-2.42	-3.03	-5.46

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. 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. 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.

Disclosures

The Russell 1000[®] Value Index is an unmanaged index generally representative of the U.S. market for larger capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000[®] Value Index and Russell[®] 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 02/28/2023.

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.

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.

Aristotle Capital Management, LLC is an independent subadviser to the Harbor Large 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.