

# Harbor Dividend Growth Leaders ETF

Westfield Capital Management Company, L.P.

Subadvisor Since 04/30/10

**Ticker:** GDIV  
**CUSIP:** 41151J703  
**Net Expense Ratio:** 0.50%  
**Gross Expense Ratio:** 0.50%  
**Total Net Assets:** \$206,299,351  
**Benchmark 1 Name:** S&P 500 Index  
**Benchmark 2 Name:** 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 09/30/2023

Portfolio Characteristics				Economic Sectors			
	Portfolio	Bench 1	Bench 2		Portfolio %	Bench 1 %	Bench 2 %
Number of Holdings	46	503	286	Information Technology	28.64	27.47	21.20
Wtd Avg Market Cap (\$Mil)	394,694.60	631,031.30	413,454.30	Financials	14.31	12.83	18.59
Median Market Cap (\$Mil)	50,362.00	29,997.00	13,395.00	Health Care	14.11	13.36	16.93
Price/Book Ratio	6.22	6.22	6.76	Industrials	12.10	8.28	13.49
Adjusted Trailing P/E Ratio	24.50	28.80	25.60	Consumer Staples	7.79	6.54	13.58
% EPS Growth - Past 3 Yr	24.00	23.20	18.20	Real Estate	6.42	2.38	
Est 3-5 Yr EPS Growth Rate (%)	10.30	13.80	9.90	Consumer Discretionary	6.07	10.70	6.92
Return on Equity (%)	34.50	23.62	26.91	Energy	4.99	4.74	2.31
Forecasted P/E Ratio	20.30	23.00	21.20	Materials	2.26	2.47	3.11
				Communication Services	1.49	8.87	1.34
				Utilities	0.00	2.40	2.62

Top 10 Holdings				Top 10 Industries			
	Portfolio %	Bench 1 %	Bench 2 %		Portfolio %	Bench 1 %	Bench 2 %
Apple Inc.	5.43	7.00	4.53	Semiconductors	9.51	7.38	5.85
Microsoft Corporation	5.26	6.53	4.94	Insurance	7.89	2.17	4.64
Eli Lilly and Company	4.68	1.19	0.00	Pharmaceuticals	7.14	4.10	7.03
UnitedHealth Group Incorporated	3.91	1.30	3.38	Machinery	6.40	1.78	2.77
Arthur J. Gallagher & Co.	3.56	0.14	0.35	Beverages	6.09	1.63	3.55
International Business Machines Corporation	3.39	0.36	0.00	Tech Hardware Storage	5.43	7.24	4.53
Broadcom Inc.	3.18	0.95	2.49	Software	5.26	10.11	8.39
Cisco Systems Inc.	2.67	0.61	0.00	Oil Gas & Consumables	4.99	4.31	2.31
Microchip Technology Incorporated	2.59	0.12	0.31	Health Care Providers	4.91	2.99	5.61
PepsiCo Inc.	2.59	0.65	1.68	Banks	3.48	3.02	3.60
<b>Total</b>	<b>37.26</b>	<b>18.85</b>	<b>17.68</b>	<b>Total</b>	<b>61.10</b>	<b>44.73</b>	<b>48.28</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	77.61
	10.0B - 25.0B	12.07
Mid	5.0B - 10.0B	4.13
	1.0B - 5.0B	4.37
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)	-3.19%	3.49%	15.09%	8.55%	8.80%	10.17%	10.88%	04/30/2010
Harbor Dividend Growth Leaders ETF (Market)	-3.27%	3.57%	14.99%	8.55%	8.80%	10.17%	10.88%	04/30/2010
S&P 500 Index	-3.27%	13.07%	21.62%	10.15%	9.92%	11.91%	12.22%	04/30/2010
NASDAQ Dividend Achievers Select Total Return Index	-4.10%	3.39%	17.31%	8.42%	9.05%	10.58%	11.16%	04/30/2010

## MANAGER COMMENTARY

As of 09/30/2023

**“Looking ahead, we are incrementally more cautious today than we were three months ago, as the evolving macro backdrop increasingly warrants a more balanced posture between growth and durability.”**

Westfield Capital Management Company, L.P.

### Market in Review

The third quarter of 2023 provided mixed results for U.S. equity markets, with indexes initially surpassing the highs of the year, before reversing course to end the third quarter lower. The Federal Reserve's ("Fed") policy trajectory was a central focus during the period, as investors broadly expected the pause in rate hikes that was confirmed by the Fed in September. Over the course of the quarter, there was also a growing acceptance of the Fed's higher-for-longer mantra leading to the swift rise in longer-dated yields. Questions also began to percolate about the health of the consumer and the durability of their spending power, given the rise in the price of oil, planned resumption of student loan payments, dramatically higher borrowing costs, and the exhaustion of COVID-19-era savings. Consequently, cracks began to emerge in the key pillars of the argument supporting a soft landing, which drove a shift in risk tolerances toward quality, shorter-duration equities.

### Portfolio Performance

During the quarter, the Harbor Dividend Growth Leaders ETF ("ETF") returned -3.19% (NAV), outperforming the ETF's style benchmark, the NASDAQ Dividend Achievers Select Total Return Index, which returned -4.10%, and outperforming the ETF's primary benchmark, the S&P 500 index, which returned -3.27%.

From a sector perspective, relative strength within Health Care and Financials offset relative weakness within Consumer Discretionary and Communication Services.

The relative outperformance during the quarter was aided by a common factor tailwind. Stock-specific return was modestly negative for the period, primarily due to investments within Consumer Discretionary. From a factor perspective, the Fund's underweight to currency sensitivity and overweight to earnings yield provided a factor tailwind, which was partially offset by the Fund's underweight to size.

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 period. The stock outperformed due to increasing hype around the glucagon-like peptide-1 (“GLP-1”) class in treating obesity, which drove peak sales estimates higher for Eli Lilly’s compound Mounjaro. Its competitor, Novo Nordisk, released the topline cardiovascular outcomes data for its GLP-1, Wegovy, in August, which demonstrated 20% relative risk reduction, which we believe has the potential to eventual reimbursement from the Centers for Medicare and Medicaid in the obesity indication, sending estimates for Eli Lilly’s Mounjaro even higher.

International Business Machines Corporation, an information technology services company, also positively contributed to relative results during the period. The company reported a strong July earnings result with margins driving an earnings-per-share beat. It also reiterated full-year, topline, and free cash flow expectations. Its backlog growth and strong book to bill of 1.1x also provides visibility and support into the second half of the year.

Hershey, a global confectionary company, was the top detractor from relative returns during the quarter. The stock sold off with Consumer Staples peers, as investors were concerned about cycling big price increases. Volumes have been softer, and investors do not see much room for pricing growth in 2024. We believe Hershey continues to have more room for innovation relative to peers, which should help drive growth.

Microchip Technology, which manufactures microcontroller, mixed-signal, analog, and Flash-IP integrated circuits, also detracted from relative performance during the quarter. Microchip reported earnings in early August and guided amplified seasonal decline for the December quarter, leading the stock to sell off. We continue to believe Microchip’s proprietary technologies, loyal customer base, and cross-selling opportunities make it an attractive name within the semiconductor space.

### Buys & Sells

During the quarter, we purchased Lennar, a leading U.S. homebuilder. We believe Lennar should benefit from improving new home demand, amid a limited supply of existing home inventory. Large public builders continue to take market share from smaller peers, and we believe Lennar is positioned to capitalize on this share gain in an improving end-market, coupled with expanding margins and attractive relative valuation.

During the quarter, we sold Target Corporation, a general merchandise retailer. We believe Target may be entering a challenging environment, given a weakening revenue trend in the Consumer Discretionary sector and the impending resumption of student loans. The pause on student loan repayments, which has been in place since the start of the COVID-19 pandemic, has provided some financial relief to borrowers; however, repayments are set to resume, which may restrict consumer spending.

### Overweights and Underweights

Entering 2023, the Real Estate sector represented the Fund’s largest overweight relative to the index. As of quarter-end, Real Estate continues to be our largest overweight. 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. During the quarter, we purchased Spirit Realty Capital, a retail REIT, and Equinix, an internet connection and data center REIT.

The Communications Services sector represented the largest underweight at the end of 2022 and also at the end of the third quarter. The majority of this underweight is stemming from not owning the mega-cap benchmark names, which do not meet our capital return thresholds.

Book-to-bill ratio is the ratio of orders received to units shipped and billed for a specified period, generally a month or quarter.

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.

**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](http://harborcapital.com) or by calling 800-422-1050.**



### Outlook

Looking ahead, we are incrementally more cautious today than we were three months ago, as the evolving macro backdrop increasingly warrants a more balanced posture between growth and durability. Historical precedents suggest a low likelihood of a so-called soft landing, with the more likely outcome being a period of slowing economic growth, both in the U.S. and around the globe. Disinflationary trends, once pointed to as evidence of the soft landing scenario playing out, are being offset by rising borrowing costs, the exhaustion of surplus consumer savings, and a restrictive lending posture by U.S. banks. All the while, we remain encouraged by the quality of the businesses in which we invest on behalf of our clients and remain focused on allocating capital prudently in this turbulent market environment.

## QUARTERLY ATTRIBUTION

As of 09/30/2023

### Best & Worst Performers

Best Performers	Average Weight %	Return % (NAV)
ELI LILLY & CO	5.14	14.77
CDW CORP/DE	2.02	10.27
CELANESE CORP	2.17	9.00
CME GROUP INC	1.28	8.64
CHEVRON CORP	1.59	8.18

Worst Performers	Average Weight %	Return % (NAV)
HERSHEY CO/THE	1.76	-19.43
TEXAS ROADHOUSE INC	1.81	-14.38
MUELLER INDUSTRIES INC	1.60	-13.55
NIKE INC -CL B	2.03	-13.08
DIAGEO PLC-SPONSORED ADR	1.34	-12.71

### Contributors & Detractors

Greatest Contributors	Return % (NAV)	Contribution to Return %
ELI LILLY & CO	14.77	0.75
UNITEDHEALTH GROUP INC	5.31	0.19
CELANESE CORP	9.00	0.18
INTL BUSINESS MACHINES CORP	6.07	0.17
TRANE TECHNOLOGIES PLC	7.47	0.16
<b>Total</b>		<b>1.44</b>

Greatest Detractors	Return % (NAV)	Contribution to Return %
APPLE INC	-11.62	-0.69
MICROSOFT CORP	-7.08	-0.37
HERSHEY CO/THE	-19.43	-0.37
MICROCHIP TECHNOLOGY INC	-12.44	-0.34
TEXAS ROADHOUSE INC	-14.38	-0.28
<b>Total</b>		<b>-2.06</b>



**Quarterly Attribution:**  
Harbor Dividend Growth Leaders ETF vs S&P 500 Index

**Performance**

	Portfolio	Benchmark	Active
Return Ex Currency	-3.15	-3.27	0.13
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-3.15</b>	<b>-3.27</b>	<b>0.13</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
Health Care	13.82	13.32	0.50	4.84	-2.65	7.49	0.59	-0.37	-0.01	1.02	1.01
Financials	13.79	12.66	1.13	2.10	-1.13	3.23	0.23	-0.17	0.03	0.43	0.46
Materials	3.18	2.47	0.71	3.85	-4.76	8.61	0.08	-0.12	-0.01	0.21	0.20
Information Technology	28.68	27.79	0.89	-4.86	-5.64	0.79	-1.39	-1.51	-0.03	0.23	0.20
Utilities	0.00	2.53	-2.53	0.00	-9.25	9.25	0.00	-0.24	0.16	0.00	0.16
Industrials	11.28	8.45	2.84	-3.24	-5.16	1.92	-0.36	-0.43	-0.03	0.17	0.14
Real Estate	3.96	2.47	1.50	-7.88	-8.90	1.03	-0.38	-0.22	-0.11	0.03	-0.09
Energy	4.53	4.39	0.14	5.56	12.22	-6.66	0.19	0.48	0.02	-0.27	-0.25
Consumer Staples	9.30	6.62	2.68	-10.97	-5.97	-5.00	-1.01	-0.40	-0.07	-0.48	-0.55
Consumer Discretionary	7.61	10.65	-3.04	-12.02	-4.80	-7.21	-1.02	-0.52	0.03	-0.61	-0.58
Communication Services	1.54	8.66	-7.12	-6.74	3.07	-9.81	-0.11	0.23	-0.44	-0.15	-0.59
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-3.15</b>	<b>-3.27</b>	<b>0.13</b>	<b>-3.15</b>	<b>-3.27</b>	<b>-0.45</b>	<b>0.57</b>	<b>0.13</b>

## 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.

Investments involve risk including the possible loss of principal. There is no guarantee the investment objective of the Fund will be achieved. The Fund's emphasis on dividend paying stocks involves the risk that such stocks may fall out of favor with investors and under-perform the market. There is no guarantee that a company will pay or continually increase its dividend. The Fund may invest in a limited number of companies or at times may be more heavily invested in particular sectors. As a result, the Fund's performance may be more volatile, and the value of its shares may be especially sensitive to factors that specifically affect those sectors. The Fund may invest in foreign securities which may be more volatile and less liquid due to currency fluctuation, political instability, government sanctions, social and economic risks. Foreign currencies can decline in value and can adversely affect the dollar value of the fund.

## 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<sup>®</sup> Index is a modified market capitalization weighted index. The NASDAQ U.S. Dividend Achievers Select<sup>®</sup> 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](http://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.