

Harbor Corporate Cultural Leaders ETF

Harbor Capital Advisors, Inc.

Subadvisor Since 02/23/2022

Ticker: HAPY
CUSIP: 41151J604
Net Expense Ratio: 0.50%
Gross Expense Ratio: 0.50%
Total Net Assets: \$6,478,685
Benchmark Name: Human Capital Factor Unconstrained Index

Portfolio Managers



Steve Cook



Jim Erceg

Investment Philosophy

The Harbor Corporate Culture Leaders ETF (HAPY) seeks to provide investment results that correspond, before fees and expenses, to the performance of the Human Capital Factor Unconstrained Index (the "Index"). The Fund employs an indexing investment approach designed to track the performance of the Index. The Fund invests at least 80% of its total assets in securities that are included in the Index.

The Index is designed to deliver exposure to equity securities of large cap U.S. companies that demonstrate high employee engagement, based on scores produced by Irrational Capital LLC ("Irrational Capital" or the "Index Provider"). Large cap companies are defined by the Fund as those with market capitalizations over \$1 billion at the time of Index reconstitution. The Index is equally weighted and composed of approximately 70 to 100 companies with top "Human Capital Factor" scores at the time of Index reconstitution.

The Index Provider calculates Human Capital Factor scores based on a proprietary scoring methodology developed by Irrational Capital leveraging its research in behavioral science, data science and human capital. The scoring methodology seeks to quantitatively measure the contribution of a company's corporate culture to its future performance.

CHARACTERISTICS & ALLOCATION

As of 09/30/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	88	87	Information Technology	43.60	43.56
Wtd Avg Market Cap (\$Mil)	99,105.30	99,175.10	Health Care	10.54	10.55
Med Cap - # Stocks (\$Mil)	13,812.00	13,812.00	Consumer Discretionary	10.05	10.04
Price/Book Ratio	4.33	4.33	Financials	8.27	8.26
Adjusted Trailing P/E Ratio	26.50	26.50	Real Estate	7.91	7.93
% EPS Growth - Past 3 Yr	24.40	24.40	Communication Services	6.84	6.83
Return on Equity (%)	10.47	10.47	Industrials	5.81	5.81
Forecasted P/E Ratio	23.00	23.00	Consumer Staples	3.40	3.40
Proj. Earnings Growth Rate (%)	28.00	28.00	Utilities	2.47	2.47
			Materials	1.13	1.13
			Energy	0.00	0.00

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Biogen Inc.	1.73	1.73	Software	24.89	24.88
Snowflake Inc. Class A	1.45	1.45	It Services	7.77	7.74
Pinterest Inc. Class A	1.43	1.43	Equity REITS	6.87	6.89
United Therapeutics Cor	1.38	1.38	Biotechnology	6.63	6.63
Pinnacle Financial Part	1.36	1.36	Capital Markets	4.65	4.65
Merck & Co. Inc.	1.35	1.36	Semiconductors	3.88	3.87
nCino Inc	1.32	1.32	Interactive Media	3.64	3.63
Boston Scientific Corpo	1.31	1.31	Airlines	3.56	3.56
Paylocity Holding Corp.	1.31	1.31	Communications Equip	3.54	3.54
Pure Storage Inc. Class	1.29	1.29	Entertainment	3.20	3.20
Total	13.93	13.94	Total	68.63	68.59

Market Capitalization		
		Portfolio %
Large	Above 25.0B	33.90
	10.0B - 25.0B	30.95
Mid	5.0B - 10.0B	23.28
	1.0B - 5.0B	11.87
Small	0.0 - 1.0B	0.00



Trusted Partnerships > Trusted Solutions

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Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Corporate Culture Leaders ETF (NAV)	-4.09%	N/A	N/A	N/A	N/A	N/A	-21.08%	02/23/22
Harbor Corporate Culture Leaders ETF (Market)	-3.84%	N/A	N/A	N/A	N/A	N/A	-20.97%	02/23/22
Human Capital Factor Unconstrained Index	-3.70%	N/A	N/A	N/A	N/A	N/A	-20.52%	02/23/22

MANAGER COMMENTARY

As of 09/30/2022

“The decades-high inflation and rising interest rates continue to put downward pressure on longer-duration growth stocks.”

Harbor Capital Advisors, Inc.

Market in Review

It was a dramatic and volatile round trip for stock market performance in the third quarter. In the first half of the quarter, the S&P 500 Index rallied 13.5% on hopes of a Federal Reserve (“Fed”) pivot and cooling inflation. However, the hotter-than-expected August Core Consumer Price Index print combined with the latest Fed meeting signaling more rate hikes ahead, which worsened investor sentiment. As a result, the S&P 500 Index declined in the second half and closed the quarter with a total return of -4.88%, deepening year-to-date losses to -23.87%.

Additionally, it’s been a tough year for growth stocks. Despite growth’s outperformance relative to value in the third quarter, on the year-to-date basis, the Russell 3000® Value Index beat the Russell 3000® Growth Index by 12.6%. The decades-high inflation and rising interest rates continue to put downward pressure on longer-duration growth stocks. However, growth still exceeds value over three-, five-, and 10-year periods.

Portfolio Performance

During the third quarter of 2022, the Harbor Corporate Culture Leaders ETF (“ETF”) returned -4.09% (by NAV) and -3.84% (by market price), underperforming its benchmarks, the Human Capital Factor Unconstrained Index (the “Index”), which returned -3.70%. By comparison, the Russell 1000® Index returned -4.61%.

The ETF employs an investment approach designed to track the performance of the Index and invests at least 80% of its total assets in securities that are included in the Index.

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.

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.



An overweight to Information Technology (44.91% weight and largest sector exposure) was a contributor, with stock selection adding to the effect. Again, in the third quarter, stock selection in Health Care was the strongest of the sectors.

Contributors & Detractors

The largest contributors to performance during the quarter were Alnylam Pharmaceuticals and Plug Power. The largest detractors were Ultragenyx Pharmaceutical and YETI Holdings.

Buys & Sells

The Index rebalances quarterly and is recast on an annual basis, based on scores produced by Irrational Capital LLC (“Irrational Capital” or the “Index Provider”). At times, however, the Index may experience corporate actions. During the third quarter, Zendesk was acquired by a consortium of private equity firms.



Quarterly Attribution:

Harbor Corporate Cultural Leaders ETF vs Human Capital Factor Unconstrained Index

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-3.94	-3.71	-0.23
Currency Contribution	0.00	0.00	0.00
Total Return	-3.94	-3.71	-0.23

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	6.66	6.49	0.17	-8.36	-8.24	-0.12	-0.60	-0.62	0.02	-0.01	0.01
Materials	1.01	1.00	0.01	-13.72	-13.72	0.00	-0.18	-0.18	0.00	0.00	0.00
Financials	8.08	8.10	-0.02	-5.04	-5.00	-0.04	-0.47	-0.46	0.00	0.00	-0.01
Real Estate	7.84	7.80	0.04	-10.98	-10.94	-0.04	-0.88	-0.89	-0.01	0.00	-0.01
Utilities	2.39	2.36	0.03	-8.62	-8.62	0.00	-0.24	-0.25	-0.01	0.00	-0.01
Consumer Discretionary	9.90	9.92	-0.02	-3.06	-2.80	-0.26	-0.61	-0.58	0.00	-0.02	-0.02
Industrials	5.81	5.82	-0.01	6.32	6.69	-0.37	0.20	0.21	0.00	-0.02	-0.02
Consumer Staples	3.42	3.43	-0.01	-9.50	-8.81	-0.69	-0.38	-0.35	0.00	-0.02	-0.03
Health Care	9.94	9.79	0.15	5.02	5.17	-0.15	0.53	0.51	-0.03	-0.01	-0.04
Information Technology	44.91	45.29	-0.38	-4.27	-4.15	-0.12	-1.32	-1.11	-0.01	-0.06	-0.08
Total	100.00	100.00	0.00	-3.94	-3.71	-0.23	-3.94	-3.71	-0.07	-0.16	-0.23

Risks

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

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. The Fund may not exactly track the performance of the Index with perfect accuracy at all times. Tracking error may occur because of pricing differences, timing and costs incurred by the fund or during times of heightened market volatility.

The Fund relies on the Index provider's methodology in assessing whether a company may be considered a corporate culture leader. There is no guarantee that the construction methodology will accurately assess a company to include or exclude it from the index which could have an adverse effect on the Fund's returns. The Fund's assets may be concentrated in a particular sector or industries to the extent the Index is concentrated and is subject to the risk that economic, political, or other market conditions that have a negative effect on that sector or industry will negatively impact the value of the Fund.

Benchmarks

The Human Capital Factor Unconstrained Index is designed to deliver exposure to equity securities of large cap U.S. companies that demonstrate high employee engagement, based on scores produced by Irrational Capital LLC. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

Disclosures

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.

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.

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.

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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.

Irrational Capital is a third-party index provider to the Harbor Corporate Culture Leaders ETF.

Forside 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

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.