Harbor Core Plus Fund

Income Research + Management

Subadvisor Since 02/02/2022

Total Net Assets – *All Classes*	$957,844,522
Fixed Income Assets:	98.98%
Cash & Other Assets Less Liabilities:	1.02%
Benchmark Name:	Bloomberg US Aggregate Bond Index

Portfolio Managers


William A. O'Malley, CFA


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Rachel Campbell

Investment Philosophy

The Fund invests primarily in U.S. dollar-denominated fixed income securities. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in a diversified portfolio of fixed income instruments. Fixed income instruments include but are not limited to: obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities; corporate debt securities; municipal debt securities; U.S. dollar-denominated debt of foreign issuers; and securitized securities including mortgage-backed and asset-backed securities, which may also include non-agency mortgage-backed securities. These securities may have different types of interest rate payment and reset terms. The Subadviser's approach is grounded in detailed bottom-up research and emphasizes careful security selection.

CHARACTERISTICS & ALLOCATION

As of 09/30/2023

Portfolio Characteristics

	Portfolio	Benchmark
Number of Bonds	684	13,358
Avg. Market Coupon (%)	3.89	3.07
Wtd. Avg. Maturity (yrs)	9.23	8.49
Wtd. Avg. Duration (yrs)	6.06	6.15
Beta vs. Fund Benchmark	0.96	
Current 30-Day Yield %	5.08	
Current 30-Day Un-Sub Yield %	5.06	

Top 10 Issues

	Portfolio %
US TREASURY N/B	4.70
US TREASURY N/B	1.88
US TREASURY N/B	1.83
US TREASURY N/B	1.63
US TREASURY N/B	1.32
US TREASURY N/B	1.24
US TREASURY N/B	1.16
FN FS0065	1.13
FR ZT1526	1.10
FN FM4956	1.06
Total	17.06

Maturity

	Portfolio %
0-1 yr	3.54
1-3 yr	14.32
3-5 yr	18.90
5-7 yr	11.92
7-10 yr	29.48
10-20 yr	13.00
20-30 yr	7.83
Over 30 yr	1.01

Duration

	Portfolio %
0-1 yr	8.58
1-3 yr	16.51
3-5 yr	24.84
5-7 yr	23.56
7-10 yr	10.06
10-20 yr	16.41
20-30 yr	0.00
Over 30 yr	0.04

Credit Quality

	Portfolio %
US Govt/Agency	16.82
AAA	12.09
AA	30.19
A	7.23
BBB	23.76
BB	5.36
B	0.27
CCC	0.97
CC	0.83
C	0.08
Below C	0.42
Non-Rated	1.34

Harbor

CHARACTERISTICS & ALLOCATION

As of 09/30/2023

Sector	% of Market Value
Credit	**31.65**
Industrial	18.01
Finance	11.92
Utility	1.72
Non-corporate	0
Government	**18.79**
Treasury	16.82
SBA and Gov Guaranteed	1.97
Agency	0
Municipal	**0.36**
Pre-Refund/ETM	0.36
GO	0
Revenue	0
Securitized	**48.55**
Agency RMBS	26.86
ABS	9.45
CMBS	6.21

Sector (cont.)	% of Market Value
RMBS	6.04
Agency CMBS	0

PERFORMANCE

As of 09/30/2023

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	HABDX	411511108	-3.01%	-0.06%	1.68%	-4.52%	0.58%	1.47%	5.93%	12/29/87	0.38	0.39
Retirement	HBFRX	411512189	-2.98%	0.00%	1.66%	-4.39%	0.69%	1.52%	5.94%	06/01/18	0.30	0.31
Bloomberg US Aggregate Bond Index			-3.23%	-1.21%	0.64%	-5.21%	0.10%	1.13%	5.28%	12/29/87		

Retirement Class shares commenced operations on June 1, 2018. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to June 1, 2018 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 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 02/29/2024.

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.

Harbor Core Plus Fund - Quarterly Attribution – *As of 09/30/2023*

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference
3Q 2023	-2.90	-3.23	0.33

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday		Total
-0.01		0.10		0.23		0.01		0.33
Duration	0.01	Finance	0.01	Finance	0.09	Pricing	0.02	
Shape	-0.01	Industrial	0.04	Industrial	-0.01	Intraday	-0.01	
Other	-0.01	Utility	-0.01	Utility	-0.01			
		ABS	0.03	ABS	0.06			
		CMBS	0.04	CMBS	0.02			
		MBS	0.00	MBS	0.08			
		Agency	0.00	Agency	0.01			
		Municipal	0.00	Municipal	0.00			
		Non-Corp	0.00	Non-Corp	0.00			
		Treasury	0.00	Treasury	0.00			
		Other	0.00	Other	0.00			

What Worked

- The Harbor Core Plus Fund portfolio outperformed the Bloomberg Aggregate Index in the 3rd quarter.
- Security selection within the Finance sector aided performance.
- The portfolio's overweight to Industrials and CMBS contributed to relative returns.
- Top performers: BX, SECBEN, and BOAA.

What Didn't Work

- Security selection within the Industrial and Utility sector detracted from performance.
- The portfolio's underweight to Utilities also detracted from relative returns.
- Bottom performers: OXY, a RMBS security, and MACY'S RETAIL H.

Source: Bloomberg
Due to rounding totals may not sum to 100.
Past performance is is not a guarantee of future results.

Harbor Core Plus Fund – 1 Year Attribution – *As of 09/30/2023*

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference	Market Term Structure	Asset Allocation	Security Selection	Price and Intraday	Total
1 Year	**2.10**	**0.64**	**1.45**	**0.04**	**0.49**	**0.99**	**-0.06**	**1.45**

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday	
Duration	0.09	Finance	0.09	Finance	0.14	Pricing	0.00
Shape	-0.01	Industrial	0.23	Industrial	0.30	Intraday	-0.06
Other	-0.04	Utility	-0.01	Utility	0.00		
		ABS	-0.07	ABS	0.23		
		CMBS	-0.10	CMBS	0.08		
		MBS	-0.06	MBS	0.23		
		Agency	0.01	Agency	0.02		
		Municipal	0.00	Municipal	-0.01		
		Non-Corp	-0.03	Non-Corp	0.00		
		Treasury	0.43	Treasury	0.00		
		Other	-0.01	Other	0.00		

What Worked

- The Harbor Core Plus Fund portfolio outperformed the Bloomberg Aggregate Index over the past 12 months.
- Security selection within Industrials aided performance.
- The portfolio's underweight to Treasuries contributed to relative returns.
- Top performers: two RMS securities, and APTV.

What Didn't Work

- The portfolio's overweight to CMBS detracted from relative returns.
- Bottom performers: OXY, HIW, BDN.

Source: Bloomberg
Due to rounding totals may not sum to 100.
Past performance is is not a guarantee of future results.

"At Income Research + Management, our Fund positioning aims to neutralize the impact of broad macro risks, while relying on our bottom-up security selection to drive alpha as we navigate different market environments."

Income Research + Management

Market in Review

The rally in risk assets that started in June continued through July, before Fitch's downgrade of the United States' credit rating saw equities fall and credit spreads widen in August. The rating agency's decision came amid increased scrutiny over the United States' fiscal balance and political discord, as higher bond yields led to increased interest costs associated with Treasury debt. The possibility of a government shutdown in September did little to ease investors' concerns, as market volatility increased and risk assets suffered. The Consumer Price Index rose by 3.7% year over year in August, marking two straight months of inflation increases and serving as a reminder that the Federal Reserve's ("Fed") path to its 2% inflation target is far from over. While much of the stubbornly high inflation could be attributed to shelter, where pricing data tends to lag reality, the recent rise in energy prices is unlikely to help the Fed's cause. Oil prices jumped by 29% during the quarter, and average gasoline prices in the U.S. rose from $3.92 to $4.33 per gallon. In a repeat of last quarter's policy decisions, the Fed chose to hike its fed funds rate in the first of its two Federal Open Market Committee ("FOMC") meetings during the third quarter, increasing the fed funds target range to 5.25%–5.50% and keeping it there in September. Despite the pause, the post-meeting commentary struck a hawkish tone, as the Fed dot plot indicated a rise in the FOMC's median interest-rate expectations for 2024. Treasury yields rose during the quarter, especially following the Fed's comments, led by the long end of the curve.

Portfolio Performance

During the third quarter of 2023, the Harbor Core Plus Fund (Institutional Class, "Fund") returned –3.01%, outperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned –3.23%.

The Fund's outperformance relative to the index was driven primarily by our security selection within the Financial, residential mortgage-backed securities ("RMBS"), and asset-backed securities ("ABS") sectors. The investment-grade corporate market saw $286 billion of new issuance during the quarter, slightly below the trailing five-year average of $342 billion for the period. High-yield issuance totaled $43 billion during the quarter, over twice the amount from the same period last year but also below the five-year average. The outstanding par amount of the Bloomberg High Yield Index has dropped by 3% during the year, as the muted high-yield supply has been outpaced by bonds falling out of the index. Investment-grade spreads tightened during the quarter and rising Treasury rates pushed corporate yields higher. High-yield spreads widened and yields rose during the quarter.

Our overweight to Industrials, ABS, and commercial mortgage-backed securities ("CMBS") aided relative performance. On the negative side, security selection within the Industrial and Financial sectors detracted from relative returns.

Fund Positioning

We strive to remain duration neutral and curve neutral to the benchmark.

Positive contributors to relative performance included security selection within Financials, RMBS, and ABS.

Detractors from relative performance included security selection within Industrials and Utilities.

The Fund's overweight to the BAA credit bucket and underweight to the AAA and AA credit buckets aided relative returns. Additionally, security selection in AAA, BAA, A, and BA securities also contributed to positive relative performance.

The Fund's out-of-benchmark allocation to Small Business Administration loans ("SBA") aided relative returns.

We invest exclusively in U.S. dollar-denominated, fixed-income securities.

Contributors & Detractors

The largest contributors to Fund performance included Blackstone, SBL Holdings, and Bank of America non-agency RMBS pool.

The largest detractors from Fund performance included Occidental Petroleum, Macy's, and a non-agency RMBS pool.

Buys and Sells

During the quarter, we purchased SBAP 2023-25G 1 (10-year new issue) in the primary market at 0.90% of Z-spread (e.g., zero-volatility spread). This is a securitized pool of loans issued by the U.S. Small Business Administration. These securities are backed by the full faith and credit of the U.S. Treasury. The securities were purchased due to attractive relative value; current spread levels are above historical averages and lag corporate spreads. They were purchased in the primary market at +2.30% versus the 10-year Treasury.

We sold VDC 2021-1A A2 due to relative value and to manage exposure to spread product susceptible to a weaker economic downturn.

Overweights and Underweights

During the year, we have reduced our absolute exposure to corporates by 2.86%. We reduced our allocation to Industrials and Financials by 2.05% and 0.41%, respectively, and decreased Utilities positioning by 0.40%. During the most recent quarter, our positioning in Financials added 0.11%. Top-line securitized exposure is down 3.00% during the year (absolute weight), and we have decreased our ABS and CMBS exposures by 1.62% and 2.97%, respectively. Our RMBS exposure has increased by 1.68% during the year. We also increased Treasury exposure by 4.30% on an absolute basis in the Fund. With regard to index-relative contributions to option-adjusted spread (“OAS”), the ABS overweight decreased by 0.11 years to 0.27 years, while CMBS, which started the year overweight to the index at 0.22 years, is now 0.08 years overweight. During the quarter, ABS contributed +0.10%, while CMBS added 0.05% in the Fund relative to the index.

During the quarter, we reduced our credit and securitized exposures relative to the index and increased our exposure to cash. This change took the overall OAS relative to the index down from 0.48 years to 0.47 years. The rotation into cash increased the dry powder available in the Fund, which we will look to deploy as attractive buying opportunities present themselves.

While we broadly rotated out of spread products, the yield advantage of the Fund relative to the index decreased by 0.04%, from 0.75% to 0.71%. Despite the relative decrease in yield, the Fund’s absolute yield increased by 0.54% from 5.56% to 6.10%.

Looking at individual sub-sector contributions to OAS relative to the index, the two largest changes during the quarter were as follows:

Banking (Finance): OAS contribution versus the index was -0.24 years as of June 30, 2023, and -0.18 years as of September 30, 2023. During the quarter, we decreased relative exposure to the Banking sub-sector in the Fund.

Small Business Administration: OAS contribution versus the index was 0.07 years as of June 30, 2023, and 0.13 years as of September 30, 2023. During the quarter, we increased exposure to SBA securities in the Fund.

The zero-volatility spread s a measure of the spread that a bond has over the risk-free Treasury yield curve.

The option-adjusted spread is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option.

Country Allocations

The Fund's country allocation relative to the benchmark did not change during the quarter. Income Research + Management invests exclusively in U.S. dollar-denominated, fixed-income securities. With that said, consistent with our bottom-up approach, we will opportunistically purchase Yankee issues when we believe they are attractive on a relative value basis.

During the quarter, the Fund's absolute weight of Yankees increased slightly from 4.5% to 5.0%.

Outlook

We did not add any new themes or tilts to the Fund during the quarter. Entering the fourth quarter, rising net interest costs combined with recent spending increases and tax cuts have weakened the U.S. fiscal position. This combination of tight monetary policy and loose fiscal policy could have varying impacts across different sectors of the economy, which creates the potential for dispersion in risk assets. Despite concerns about fundamental data, corporate spreads held in well during the quarter and fixed-income assets, in general, are enjoying a strong technical boosted by yields that remain historically high; the usual seasonal influx of new bond issuance in September was well absorbed by market participants. At IR+M, our Fund positioning aims to neutralize the impact of broad macro risks while relying on our bottom-up security selection to drive alpha as we navigate different market environments.

Risks

There is no guarantee that the investment objective of the Fund will be achieved. Fixed income investments are affected by interest rate changes and the creditworthiness of the issues held by the Fund. As interest rates rise, the values of fixed income securities held by the Fund are likely to decrease and reduce the value of the Fund's portfolio.

There may be a greater risk that the Fund could lose money due to prepayment and extension risks because the Fund invests, at times, in mortgage-related and/or asset backed securities.

Benchmarks

The Bloomberg US Aggregate Bond Index is an unmanaged index of investment-grade fixed-rate debt issues with maturities of at least one year. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The Bloomberg High Yield Index covers the universe of fixed rate, non-investment grade debt.

Disclosures

All data except for top holdings, performance, and yields is provided by the subadvisor.

Credit quality breakdown is based on ratings from Moody's, Standard and Poor's and Fitch. In cases where all three credit rating agencies have assigned different credit ratings to the same security, the middle rating is used. In cases where the security is rated by two rating agencies, the lower rating is used and, in cases where only one rating agency has assigned a credit rating to a security, that rating is used. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Securities that receive no rating from an independent agency have been categorized as 'not rated.' Certain unrated securities (such as derivatives) are not reflected in the data shown. U.S. Treasury and U.S. Agency securities appear under the category U.S. Government/Agency. The credit quality of securities in the Fund's portfolio does not apply to the stability or safety of the Fund. The Fund itself has not been rated by an independent rating agency.

Current 30-Day Yields are for the Institutional Class and represent the average annualized income dividend over the last 30 days excluding gains and losses as defined by the SEC. Current 30-Day Yield is the Current 30-Day Subsidized SEC Yield and reflects reimbursements or waivers of fees currently in effect. Current 30-Day Yield-Unsub is the Current 30-Day Unsubsidized SEC Yield and does not reflect reimbursements or waivers of fees currently in effect.

Due to rounding, percentages may not sum to 100.

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.

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.

Income Research + Management is an independent subadvisor to the Harbor Core Plus Fund.

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Attribution Disclosures

All data for this attribution analysis is provided by Income Research + Management.

Linked Performance by Sectors data is produced from FactSet using data supplied by State Street Bank and Trust Company.

Other is the contribution to relative return due to the cumulative differences in carry, rolldown, and convexity.

Shape is the contribution to relative return due to the difference between the portfolio’s and the index’s duration profiles. The basic formula is the [(difference of each key rate duration between the portfolio and the index) multiplied by the total return of the respective key rate Treasury] minus the Duration and Other effects.

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.

measure beta.

Duration is a commonly used measure of the sensitivity of the price of a debt security, or the aggregate market value of a portfolio of debt securities, to change in interest rates. Securities with a longer duration are more sensitive to changes in interest rates and generally have more volatile prices than securities of comparable quality with a shorter duration.