

Harbor Small Cap Value Fund

EARNEST Partners LLC

Subadvisor Since 12/14/2001

Total Net Assets - All Classes \$2,166,266,144
Equity Assets: 97.66%
Cash & Other Assets Less Liabilities: 2.34%
Benchmark Name: Russell 2000® Value Index

Portfolio Managers



Paul E. Viera

Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values. In selecting stocks for the Fund, the portfolio manager: utilizes a value-based investment style seeking to identify companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values, applies fundamental and qualitative criteria to identify companies for the portfolio, and maintains relationships with key analysts and industry experts to obtain unbiased research perspectives.

CHARACTERISTICS & ALLOCATION

As of 03/31/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	59	1,363	Industrials	29.20	13.95
Wtd Avg Market Cap (\$Mil)	3,945.90	2,355.60	Financials	20.44	26.25
Median Market Cap (\$Mil)	3,183.00	811.00	Information Technology	17.85	5.86
Price/Book Ratio	2.45	1.39	Consumer Discretionary	9.00	11.23
Adjusted Trailing P/E Ratio	21.40	13.00	Health Care	7.05	9.84
% EPS Growth - Past 3 Yr	12.60	21.90	Materials	4.59	4.48
Est 3-5 Yr EPS Growth Rate (%)	13.70	9.40	Real Estate	4.03	10.77
Return on Equity (%)	11.03	8.44	Energy	3.22	6.48
Beta vs. Fund Benchmark	0.92		Consumer Staples	2.28	2.78
Forecasted P/E Ratio	18.60	12.60	Utilities	0.00	5.08
			Communication Services	0.00	3.03

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Casella Waste Systems I	3.42	0.00	Machinery	11.31	3.66
Franklin Electric Co. I	2.90	0.00	Banks	10.82	16.15
Houlihan Lokey Inc. Cla	2.82	0.00	Aerospace & Defense	8.78	1.56
CONMED Corporation	2.70	0.00	Electronic Equipment	8.34	2.21
Hexcel Corporation	2.55	0.00	Semiconductors	6.22	0.83
Scotts Miracle-Gro Comp	2.48	0.00	Hotels Rest & Leisure	4.70	1.92
SPX Technologies Inc.	2.30	0.28	Chemicals	4.59	1.50
Darling Ingredients Inc	2.28	0.00	Health Care Equip	4.57	0.96
Timken Company	2.22	0.00	Capital Markets	4.22	1.05
Parsons Corporation	2.17	0.14	Commercial Serv & Suppl	4.22	1.76
Total	25.84	0.42	Total	67.77	31.60

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	2.07
Mid	5.0B - 10.0B	20.82
	1.0B - 5.0B	75.25
Small	0.0 - 1.0B	1.86



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	HASCX	411511843	5.52%	5.52%	-2.82%	21.04%	6.48%	9.75%	9.81%	12/14/01	0.88	0.88
Investor	HISVX	411511694	5.46%	5.46%	-3.17%	20.60%	6.09%	9.35%	9.86%	11/01/02	1.24	1.24
Retirement	HNVRX	411512452	5.55%	5.55%	-2.75%	21.13%	6.56%	9.81%	9.84%	03/01/16	0.80	0.80
Russell 2000® Value Index			-0.66%	-0.66%	-12.96%	21.01%	4.55%	7.22%	7.99%	12/14/01		

MANAGER COMMENTARY

As of 03/31/2023

“Most benchmark stock indexes rallied about 10%, and many names within the beaten-down Nasdaq-100® experienced an especially strong rebound.”

EARNEST Partners, LLC

Market in Review

Global equity markets experienced a broad rally at the beginning of the first quarter of 2023 in the wake of favorable Consumer Price Index (“CPI”) data, which buoyed expectations that the U.S. Federal Reserve (“Fed”) is near the end of its hiking cycle.

Most benchmark stock indexes rallied about 10%, and many names within the beaten-down Nasdaq-100® experienced an especially strong rebound. In March, however, investor focus abruptly shifted away from concerns about inflation and the Fed’s posture, as fears that regional banks could be at risk of failure took hold. Silvergate Capital, Silicon Valley Bank (“SVB”), and Signature Bank all failed over the course of a week, as continued capital flight from cryptocurrency-adjacent and venture capital businesses saw these institutions unable to meet withdrawals and/or discontinue business. The following week, Credit Suisse was purchased by UBS at a 60% discount from its previous closing price, which also saw the holders of some of its unsecured bonds wiped out. Following the failure of SVB, the federal government guaranteed the depositors of these institutions beyond the \$250,000 FDIC limit, which ensured that those who conducted business through these banks were able to continue operating.

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.



Portfolio Performance

During the first quarter, the Harbor Small Cap Value Fund (Institutional Class, "Fund") returned 5.52%, outperforming its benchmark, the Russell 2000® Value Index, which returned -0.66%. Strong stock selection, specifically within the Financials, Health Care, and Industrials sectors, contributed to the relative outperformance.

After gaining 10% in January, the U.S. small-cap market, as represented by the Russell 2000® Value Index, declined in both February and early March due to uncertainty around the Fed's stance on rate policy and fallout from regional bank failures.

The Information Technology sector generated the best performance within the Index, while Financials (especially regional banks) saw the worst performance during the quarter.

Contributors & Detractors

Diodes was a top contributor to Fund performance. The company designs, manufactures, and supplies products within the discrete, logic, analog, and mixed-signal semiconductor sector, serving consumer electronics, communications, industrial, and automotive markets worldwide. Diodes gained more than 21%, despite experiencing ongoing supply chain challenges and COVID-19-related lockdowns in China. The company posted record revenue of \$521 million in the automotive and industrial end markets, up 10% year over year, resulting in earnings that beat consensus estimates by nearly 7%. Diodes remains well positioned to benefit from faster-growing, higher-margin product demand within the semiconductor industry.

Albany International detracted from Fund performance. A global textiles and materials processing company, Albany's main lines of business are machine clothing used in paper manufacturing and composites used in the aerospace industry. Despite beating consensus revenue and earnings estimates during the period, management's guidance was more conservative than expected, leading the stock's price to contract more than 9% in the quarter. Despite near-term guidance conservatism, the company has continued to recover in the aftermath of COVID-19 lockdowns, and its prior cost-control measures have positioned it well to benefit from the resumption of global travel. The company remains well positioned to grow earnings, and its proprietary, 3D carbon fiber printing capabilities uniquely position Albany to capitalize on this market dynamic, driving further revenue growth and capturing market share opportunities.



Buys & Sells

There were no new buys in the quarter. We sold Molina Healthcare and Myriad Genetics due to risk management considerations.

Outlook

There were no new themes or trends introduced into the Fund during the quarter. We continue to position the Fund based on the underlying fundamentals of individual companies and the growth prospects relative to what is currently reflected in the stock price.

Best & Worst Performers

Best Performers	Average Weight %	Return %
Wolverine World Wide Inc.	0.99	56.91
Catalent Inc	1.64	45.99
Scotts Miracle-Gro Company Class A	2.68	44.67
FormFactor Inc.	1.90	43.28
Meritage Homes Corporation	1.84	26.96

Worst Performers	Average Weight %	Return %
Sabre Corp.	1.31	-30.58
Trustmark Corporation	1.69	-28.69
First Merchants Corporation	1.80	-19.21
Heartland Financial USA Inc.	1.73	-17.22
United Community Banks Inc.	1.63	-16.10

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Catalent Inc	45.99	0.90
Scotts Miracle-Gro Company Class A	44.67	0.79
FormFactor Inc.	43.28	0.66
Meritage Homes Corporation	26.96	0.45
Franklin Electric Co. Inc.	18.29	0.43
Total		3.24

Greatest Detractors	Return %	Contribution to Return %
Trustmark Corporation	-28.69	-0.57
Sabre Corp.	-30.58	-0.40
First Merchants Corporation	-19.21	-0.36
Heartland Financial USA Inc.	-17.22	-0.32
United Community Banks Inc.	-16.10	-0.28
Total		-1.94

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.



Quarterly Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	5.82	-0.66	6.48
Currency Contribution	0.00	0.00	0.00
Total Return	5.82	-0.66	6.48

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	7.21	10.25	-3.04	19.36	-6.16	25.52	1.38	-0.53	0.22	1.73	1.95
Industrials	28.12	13.83	14.28	9.58	6.53	3.05	2.58	0.73	1.03	0.85	1.88
Financials	22.14	28.08	-5.93	-8.92	-10.89	1.97	-1.95	-3.16	0.66	0.50	1.16
Information Technology	16.93	5.35	11.58	10.73	15.27	-4.54	1.81	0.76	1.83	-0.73	1.10
Materials	4.71	4.26	0.45	30.00	7.36	22.63	1.07	0.33	0.03	0.82	0.85
Energy	3.35	6.18	-2.84	5.96	0.37	5.59	0.15	-0.04	-0.02	0.16	0.13
Utilities	0.00	4.87	-4.87	0.00	0.59	-4.87	0.00	0.08	-0.05	0.00	-0.05
Communication Services	0.00	3.01	-3.01	0.00	1.59	-1.59	0.00	0.05	-0.06	0.00	-0.06
Real Estate	4.12	10.70	-6.58	1.11	0.51	0.61	0.09	0.08	-0.09	0.03	-0.07
Consumer Staples	2.41	2.68	-0.27	-6.69	1.16	-7.86	-0.15	0.04	-0.01	-0.20	-0.21
Consumer Discretionary	8.57	10.78	-2.21	9.37	10.51	-1.14	0.82	1.00	-0.22	-0.10	-0.33
Total	100.00	100.00	0.00	5.82	-0.66	6.48	5.82	-0.66	3.43	3.05	6.48

Trailing 1 Year Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-2.15	-12.95	10.80
Currency Contribution	0.00	0.00	0.00
Total Return	-2.15	-12.95	10.80

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	27.02	13.65	13.37	14.74	-4.65	19.39	4.61	-0.89	1.37	4.55	5.91
Financials	22.00	28.10	-6.11	-4.38	-17.35	12.97	-0.31	-4.62	0.41	2.95	3.36
Information Technology	17.84	5.36	12.47	2.65	-4.42	7.07	0.33	-0.18	1.19	1.20	2.39
Communication Services	0.00	3.10	-3.10	0.00	-38.91	38.91	0.00	-1.51	1.01	0.00	1.01
Real Estate	4.36	11.09	-6.73	-23.19	-22.34	-0.85	-1.33	-2.69	0.67	-0.06	0.61
Health Care	10.12	10.14	-0.02	-21.78	-24.44	2.66	-2.99	-2.13	0.46	-0.33	0.13
Materials	3.93	4.18	-0.25	-11.22	-4.78	-6.44	-0.42	-0.22	0.03	-0.10	-0.06
Utilities	0.00	5.19	-5.19	0.00	-3.10	3.10	0.00	-0.19	-0.52	0.00	-0.52
Consumer Staples	3.09	2.83	0.27	-27.35	-5.94	-21.41	-1.12	-0.14	0.06	-0.73	-0.67
Consumer Discretionary	6.50	9.48	-2.99	-18.10	-6.64	-11.46	-0.96	-0.17	-0.14	-0.62	-0.76
Energy	2.19	6.88	-4.69	-8.69	12.25	-20.94	-0.05	-0.20	-0.93	-0.10	-1.03
Total	100.00	100.00	0.00	-2.15	-12.95	10.80	-2.15	-12.95	4.04	6.76	10.81

Past performance is not a guarantee of future results.

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® Value Index is an unmanaged index representing the smallest 2000 stocks with the lowest 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® Value Index and Russell® are trademarks of Frank Russell Company.

Disclosures

Shares of the Harbor Small Cap Value Fund are unavailable to new investors as of June 1, 2021. The Fund continues to accept investments from existing shareholders and allows exchanges from other Harbor Funds as long as the exchanging shareholder has an existing Harbor Small Cap Value Fund account.

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.

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.

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.

EARNEST Partners LLC is an independent subadvisor to the Harbor Small 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.

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.