

Harbor Small Cap Value Fund

EARNEST Partners LLC

Subadvisor Since 12/14/2001

Total Net Assets - All Classes \$2,240,236,141
Equity Assets: 97.46%
Cash & Other Assets Less Liabilities: 2.54%
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 06/30/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	59	1,458	Industrials	30.46	14.54
Wtd Avg Market Cap (\$Mil)	4,264.70	2,360.10	Financials	19.29	24.12
Median Market Cap (\$Mil)	3,574.00	794.00	Information Technology	18.07	6.31
Price/Book Ratio	2.63	1.37	Consumer Discretionary	8.12	10.32
Adjusted Trailing P/E Ratio	21.70	11.60	Health Care	6.27	10.10
% EPS Growth - Past 3 Yr	8.00	26.30	Energy	5.33	9.11
Est 3-5 Yr EPS Growth Rate (%)	14.00	7.80	Real Estate	4.00	10.55
Return on Equity (%)	10.94	9.06	Materials	3.52	4.89
Beta vs. Fund Benchmark	0.90		Consumer Staples	2.40	2.64
Forecasted P/E Ratio	19.10	12.10	Communication Services	0.00	2.88
			Utilities	0.00	4.41

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Casella Waste Systems I	3.62	0.00	Machinery	10.72	2.69
Houlihan Lokey Inc. Cla	3.07	0.00	Banks	9.75	14.72
Franklin Electric Co. I	3.06	0.00	Aerospace & Defense	9.26	1.05
CONMED Corporation	2.85	0.00	Electronic Equipment	7.92	2.38
Hexcel Corporation	2.75	0.00	Semiconductors	6.68	1.91
Darling Ingredients Inc	2.40	0.00	Energy Equipment	5.33	2.11
Parsons Corporation	2.32	0.09	Health Care Equip	4.91	1.82
FormFactor Inc.	2.24	0.00	Capital Markets	4.44	0.70
Littelfuse Inc.	2.21	0.00	Hotels Rest & Leisure	4.20	0.91
AAR CORP.	2.14	0.17	Commercial Serv & Suppl	3.62	1.58
Total	26.66	0.26	Total	66.83	29.87

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	3.84
Mid	5.0B - 10.0B	22.46
	1.0B - 5.0B	72.86
Small	0.0 - 1.0B	0.84



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	2.70%	8.37%	15.39%	14.82%	6.21%	9.74%	9.83%	12/14/01	0.88	0.88
Investor	HISVX	411511694	2.60%	8.20%	14.98%	14.40%	5.82%	9.34%	9.87%	11/01/02	1.24	1.24
Retirement	HNVRX	411512452	2.72%	8.42%	15.49%	14.91%	6.29%	9.80%	9.85%	03/01/16	0.80	0.80
Russell 2000 [®] Value Index			3.18%	2.50%	6.01%	15.43%	3.54%	7.29%	8.05%	12/14/01		

MANAGER COMMENTARY

As of 06/30/2023

“Global equity markets continued their broad rally during the quarter in the wake of favorable CPI data combined with the Fed pausing rate hikes in June, reinforcing investors’ expectations that the Fed is near the end of its hiking cycle.”

EARNEST Partners, LLC

Market in Review

Global equity markets were generally positive during the second quarter of 2023, notching their third consecutive quarter of gains. Investors continued to regain confidence in stocks, buoyed by optimistic inflation data and growing confidence in the wake of the Federal Reserve’s (“Fed”) handling of economic challenges. The S&P 500 Index rose 8.74% during the quarter, continuing to recover after hitting a drawdown of about 25% in October of last year. The U.S. large-cap market, as represented by the Russell 1000[®] Index, rose 8.58%. The U.S. mid-cap market, as represented by the Russell Midcap[®] Index, rose by 4.76%. Small-cap equities, as represented by the Russell 2000[®] Index, rose 5.29%. International equity markets, as represented by the MSCI All Country World Ex. US (ND) Index, rose by 2.44%. Emerging markets underperformed developed markets as the MSCI Emerging Markets (ND) Index rose by 0.90%, while the MSCI EAFE (ND) Index rose by 3.19% during the quarter.

Global equity markets continued their broad rally during the quarter in the wake of favorable CPI data combined with the Fed pausing rate hikes in June, reinforcing investors’ expectations that the Fed is near the end of its hiking cycle. Most major benchmark stock indexes sustained their rally that began in the fourth quarter of last year, and some are up over 10% year to date. Many of the biggest names within the beaten-down Nasdaq-100 index continued their resurgence, as companies raced to embrace artificial intelligence (“AI”) and adjacent technologies, propelling this basket of names to a more than 35% surge this year. Across the market-cap spectrum, companies within the Information Technology, Consumer Discretionary, and Communications Services sectors performed especially well, as both established tech giants and smaller companies are actively engaged in AI research, development, and deployment. Additionally, homebuilders (within the Consumer Discretionary sector) have done especially well, as strong demand and low inventories for housing have overshadowed higher mortgage rates. Energy, Utilities, and Consumer Staples were the laggards during the quarter, as oil prices continued to decline and demand for staples remained muted in the wake of inflationary pressures.

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

The U.S. small-cap equity market, as represented by the Russell 2000[®] Value Index, increased by 3.18% during the second quarter of 2023. After losing more than 3% through the first eight weeks of the quarter, the index gained more than 6.2% over the final five weeks of the quarter to finish in positive territory. The index's broad recovery was sparked by various market data and a more resilient macroeconomic backdrop despite sustained interest rate increases by the Fed through the first six months of the year. As inflation continued to ease and the Fed slowed the pace of the rate increases, what began as a large-cap recovery in Communication Services and Information Technology broadened to other areas of the market, including various sectors of the small-cap segment of the market. Information Technology, Industrials, and Health Care were the best-performing sectors in the index, while Utilities and Consumer Staples saw the worst performance during the quarter. Stock selection in Real Estate and Consumer Staples was positive, while underweight allocations to Health Care and Consumer Discretionary detracted from performance for the period. The Harbor Small Cap Value Fund (Institutional Class, "Fund") underperformed the index for the quarter, but it has outperformed the index over the one-, five-, and 10-year periods.

Contributors & Detractors

Contributing to performance was Helmerich & Payne ("HP"). HP is a leading U.S. land driller that provides performance-driven drilling solutions that make hydrocarbon recovery safer and more economical for oil and gas exploration and production companies. HP shares gained more than 15% for the quarter, as the company beat both consensus revenue and earnings estimates. Reported earnings came in ~20% above estimates due to revenue-per-rig growth that increased 10% quarter over quarter and improved rig margins that exceeded 50% during the quarter. HP continues to be well positioned to grow earnings. Though market conditions suggest a demand lull due to falling natural gas prices, HP's pricing discipline has the potential to position the company well to continue to grow revenue as the market recovers. Future revenue growth combined with continued margin improvement should bode well for earnings.

Detracting from performance was Envestnet. Envestnet provides wealth management software and services and offers a range of services, including data aggregation, reporting and analytics, trading, portfolio accounting, and CRM software. Company shares were down just under 1% during the quarter despite beating consensus earnings estimates and increases in management guidance across the board. Margin pressure, a detriment to earnings in prior periods, had an inflection point during the quarter. Investments made to modernize the platform and broader cost-saving initiatives resulted in margin expansion after consecutive quarters of contraction. Despite relative underperformance during the quarter, Envestnet remains an attractive investment. The company maintains a market-leading position and continues to gain market share. The company is focused on growing higher-margin revenue streams, such as its AI-driven insights engine, which has yielded significant growth among the advisor community. The ability to drive organic revenue while incrementally improving margins should continue to drive earnings growth.

Buys & Sells

We purchased TriNet Group and Helmerich & Payne. We sold Catalent and Steelcase.

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.

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.



Best & Worst Performers

Best Performers	Average Weight %	Return %
Entegris Inc.	1.14	35.31
CONMED Corporation	2.96	31.03
EnerSys	1.87	25.11
Meritage Homes Corporation	1.67	22.10
SPX Technologies Inc.	1.96	20.39

Worst Performers	Average Weight %	Return %
Heartland Financial USA Inc.	1.21	-26.53
Sabre Corporation	0.87	-25.64
Methode Electronics Inc.	1.30	-23.36
DMC Global Inc.	0.39	-19.16
Cracker Barrel Old Country Store Inc.	1.85	-17.05

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
CONMED Corporation	31.03	0.80
EnerSys	25.11	0.47
Entegris Inc.	35.31	0.40
Houlihan Lokey Inc. Class A	13.07	0.37
Casella Waste Systems Inc. Class A	9.42	0.36
Total		2.40

Greatest Detractors	Return %	Contribution to Return %
Heartland Financial USA Inc.	-26.53	-0.42
Cracker Barrel Old Country Store Inc.	-17.05	-0.35
Catalent Inc	-23.73	-0.33
Methode Electronics Inc.	-23.36	-0.32
Sabre Corporation	-25.64	-0.28
Total		-1.69

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	2.93	3.17	-0.24
Currency Contribution	0.00	0.00	0.00
Total Return	2.93	3.17	-0.24

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	29.95	13.99	15.97	9.77	11.06	-1.28	2.92	1.54	1.22	-0.39	0.84
Consumer Staples	2.40	2.77	-0.37	9.23	-5.80	15.03	0.23	-0.19	0.03	0.37	0.40
Utilities	0.00	5.09	-5.09	0.00	-4.18	4.18	0.00	-0.23	0.37	0.00	0.37
Communication Services	0.00	3.00	-3.00	0.00	-0.42	0.42	0.00	-0.03	0.11	0.00	0.11
Real Estate	4.09	10.90	-6.81	3.54	2.57	0.96	0.16	0.28	0.05	0.04	0.09
Health Care	6.56	10.48	-3.92	10.90	7.41	3.49	0.67	0.82	-0.07	0.11	0.04
Energy	3.94	6.58	-2.64	1.41	2.66	-1.25	0.17	0.27	0.01	-0.04	-0.03
Information Technology	17.49	6.05	11.44	4.06	12.70	-8.64	0.77	0.75	1.10	-1.48	-0.38
Materials	3.97	4.43	-0.46	-10.37	0.50	-10.87	-0.44	0.03	-0.01	-0.40	-0.41
Financials	19.93	25.49	-5.56	-5.78	-2.15	-3.63	-1.28	-0.62	0.28	-0.75	-0.48
Consumer Discretionary	8.38	11.25	-2.87	-2.92	5.67	-8.59	-0.30	0.56	-0.08	-0.71	-0.78
Total	100.00	100.00	0.00	2.93	3.17	-0.24	2.93	3.17	3.00	-3.24	-0.24

Trailing 1 Year Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	16.53	6.01	10.52
Currency Contribution	0.00	0.00	0.00
Total Return	16.53	6.01	10.52

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	27.57	13.08	14.50	38.11	24.39	13.72	9.59	2.94	2.87	2.92	5.79
Financials	21.87	28.01	-6.14	-2.53	-8.56	6.03	0.10	-2.43	1.03	1.76	2.79
Information Technology	18.07	5.91	12.16	27.43	36.54	-9.12	4.88	1.90	3.49	-1.53	1.96
Real Estate	4.17	10.94	-6.77	2.03	-2.00	4.04	0.15	-0.17	0.57	0.19	0.76
Communication Services	0.00	3.04	-3.04	0.00	-11.69	11.69	0.00	-0.42	0.62	0.00	0.62
Consumer Staples	2.78	2.72	0.07	6.67	-8.10	14.77	0.29	-0.24	0.03	0.50	0.54
Utilities	0.00	5.04	-5.04	0.00	-3.31	3.31	0.00	-0.21	0.52	0.00	0.52
Health Care	8.51	10.65	-2.15	1.79	-0.92	2.70	-0.24	0.22	0.62	-0.83	-0.21
Materials	4.01	4.14	-0.13	-0.36	16.10	-16.47	0.12	0.66	0.03	-0.44	-0.41
Energy	2.69	6.00	-3.31	24.87	30.72	-5.85	0.76	1.54	-0.86	0.21	-0.64
Consumer Discretionary	7.20	10.47	-3.27	9.84	24.87	-15.04	0.73	2.21	-0.50	-1.02	-1.51
Total	100.00	100.00	0.00	16.53	6.01	10.52	16.53	6.01	8.75	1.77	10.52

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.

Distributed by Harbor Funds Distributors, Inc.

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.