

# HARBOR SMALL CAP VALUE FUND

EARNEST Partners LLC

Subadvisor Since 12/14/2001

**Total Net Assets - All Classes** \$2,471,236,195  
**Equity Assets:** 96.21%  
**Cash & Other Assets Less Liabilities:** 3.79%  
**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 06/30/2024

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	57	1,402	Industrials	28.88	14.36
Wtd Avg Market Cap (\$Mil)	4,941.60	2,944.90	Financials	21.88	26.21
Median Market Cap (\$Mil)	3,849.00	765.00	Information Technology	16.32	6.35
Price/Book Ratio	2.50	1.42	Consumer Discretionary	7.60	10.50
Adjusted Trailing P/E Ratio	24.00	14.50	Energy	7.50	10.38
% EPS Growth - Past 3 Yr	9.70	25.20	Real Estate	4.43	9.88
Est 3-5 Yr EPS Growth Rate (%)	14.70	9.90	Materials	4.18	5.00
Return on Equity (%)	11.06	7.94	Health Care	3.73	8.58
Beta vs. Fund Benchmark	0.90		Consumer Staples	1.67	2.23
Forecasted P/E Ratio	20.60	13.30	Utilities	0.02	3.86
			Communication Services	0.00	2.31

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
FormFactor Inc.	3.57	0.00	Banks	11.26	16.53
Houlihan Lokey Inc. Cla	3.30	0.00	Machinery	10.23	2.64
Casella Waste Systems I	2.91	0.00	Semiconductors	8.14	1.99
Parsons Corporation	2.91	0.14	Energy Equipment	7.50	2.25
Reinsurance Group of Am	2.64	0.00	Electronic Equipment	6.58	2.30
SPX Technologies Inc.	2.64	0.09	Aerospace & Defense	6.37	1.07
Flowserve Corporation	2.48	0.00	Capital Markets	5.04	0.83
Integer Holdings Corpor	2.42	0.30	Chemicals	4.18	1.46
Moog Inc. Class A	2.31	0.30	Professional Services	4.08	1.03
Franklin Electric Co. I	2.29	0.00	Hotels Rest & Leisure	3.94	0.94
<b>Total</b>	<b>27.47</b>	<b>0.83</b>	<b>Total</b>	<b>67.32</b>	<b>31.04</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	4.02
Mid	5.0B - 10.0B	36.92
	1.0B - 5.0B	53.17
Small	0.0 - 1.0B	2.09

# Harbor Small Cap Value Fund



## PERFORMANCE

As of 06/30/2024

### 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	N/A	4.23%	10.67%	3.56%	8.69%	8.63%	9.86%	12/14/01	0.88	0.88
Investor	HISVX	411511694	-0.10%	4.04%	10.26%	3.19%	8.30%	8.23%	9.89%	11/01/02	1.24	1.24
Retirement	HNVRX	411512452	0.02%	4.28%	10.75%	3.64%	8.78%	8.70%	9.89%	03/01/16	0.80	0.80
Russell 2000® Value Index			-3.64%	-0.85%	10.90%	-0.53%	7.07%	6.23%	8.13%	12/14/01		

## MANAGER COMMENTARY

As of 06/30/2024

**“Currently, the central bank projects a fed funds rate of 5.1% by the end of 2024, implying only one rate cut through the rest of the year.”**

EARNEST Partners

### Market in Review

Within the U.S., sector performance continued to be shaped by interest rate dynamics, with Information Technology and Communication Services emerging as standout performers. These sectors benefited from robust earnings from key players and sustained enthusiasm around artificial intelligence (“AI”) and other technological advancements. The Utilities sector also performed well, driven by anticipated future demand for powering data centers and investor optimism about potential rate cuts going forward. Conversely, sectors such as Industrials and Materials lagged, while Energy stocks – though volatile – ended the quarter slightly lower, supported by stable crude oil prices.

The U.S. Federal Reserve (“Fed”) remained a key focus for investors as it evaluated policy options in response to declining Consumer Price Index (“CPI”) numbers within a robust economy, where unemployment rates continue to hover near 50-year lows. Adhering to its higher-for-longer messaging, the Fed maintained its restrictive rate stance and signaled it will continue to do so until it is confident inflation is controlled. As anticipated by markets, the central bank held the federal funds rate steady in the 5.25% to 5.50% range. This decision followed encouraging inflation readings, with CPI figures showing ~3.4% in April and ~3.3% in May. The Fed reiterated its commitment to achieving its long-term inflation target of 2% while navigating complexities from geopolitical events and high post-COVID-19 inflation. Currently, the central bank projects a fed funds rate of 5.1% by the end of 2024, implying only one rate cut through the rest of the year. In March, the Fed had predicted a year-end rate of 4.6%, implying three rate cuts through the end of the year.

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.**

# Harbor Small Cap Value Fund



## MANAGER COMMENTARY

As of 06/30/2024

### Portfolio Performance

The U.S. small-cap equity market, as represented by the Russell 2000® Value Index, returned -3.64% during the second quarter of 2024. Investors saw market volatility return during the quarter as stocks fell sharply in April, rebounded strongly in May, and fell again in June. Despite the volatility, the Harbor Small Cap Value Fund (Institutional Class, "Fund") outperformed the index, net of fees, for the quarter. The preponderance of outperformance was a function of stock selection across most of the Fund. In fact, the Fund had positive stock selection in all but two sectors during the period. It is worth noting that the Fund had no exposure to Utilities and Communication Services companies.

All economic sectors in the index were negative in the quarter, with Utilities fairsing the best, down 0.39%, while small-cap Health Care companies lost over 10% of their value. We continue to focus on what we view as high-quality companies that we believe could be well positioned to benefit over the long term.

### Contributors & Detractors

Contributing to performance, Advanced Energy Industries (AEIS) designs and manufactures precision power conversion and control solutions essential for semiconductor manufacturing and data centers. The company's advanced systems ensure the efficient and reliable operation of high-tech equipment, and its technology is integral to many everyday electronic devices and digital infrastructure, impacting various aspects of modern life. Recently, AEIS delivered impressive financial results, hitting the growth margin target due to a healthy product mix and solid execution. Investors were particularly pleased with the company's performance within semiconductors, driven by strong demand and strategic product innovations. Additionally, the company's solid balance sheet and effective cost management contributed to these strong results. AEIS continues to be viewed as a strong investment due to its market position and continuous innovation in power solutions. The company's focus on expanding its product offerings and entering new high-growth markets positions it well for future growth. Its commitment to technological advancements and strategic market expansion bodes well for continued earnings growth and market share gains.

Detracting from performance, Albany International is a global advanced textiles and materials processing company. It specializes in producing engineered fabrics and materials for the paper and aerospace markets. Albany's products are crucial in manufacturing processes and high-performance applications, supporting various industries with innovative solutions. During the quarter, Albany International reported a 10% increase in revenue year over year, driven by strong performance in its aerospace line of business. However, market participants focused on a slight decline in operating margins, which led to the stock's underperformance. This margin compression is expected to be temporary as the company navigates through supply chain challenges and implements cost-saving initiatives. We believe Albany's solid market position and innovative approach make it an attractive long-term investment. The company's focus on expanding its high-performance materials and advanced textiles offerings potentially positions it well for future growth. Albany's ability to overcome current challenges and capitalize on emerging opportunities in the aerospace and industrial markets could bode well for the stock over our investment horizon.

### Buy and Sells

Investnet engages in the provision of intelligent systems for wealth management and financial wellness. We sold the stock as the investment thesis came to fruition.

Pediatrix Medical Group is a prominent provider of physician services specializing in neonatal, maternal-fetal, and pediatric care. With a focus on delivering high-quality health care, Pediatrix supports hospitals and health care facilities with expert medical care and innovative treatment solutions for mothers and children. We sold the stock due to risk management.

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

# Harbor Small Cap Value Fund

## QUARTERLY ATTRIBUTION

As of 06/30/2024



### Domestic and International Funds

The Fund entered the period with relative overweight allocations to Industrials and Information Technology. The Fund is positioned this way, as we have found more attractive individual opportunities relative to other sectors. Our views on the names in the Fund have remained consistent since last quarter, and the Fund continues to maintain a healthy overweight, reflecting our conviction in the holdings.

### Outlook

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

### Best & Worst Performers

Best Performers	Average Weight %	Return %
FORMFACTOR INC	3.09	32.65
HEARTLAND FINANCIAL USA INC	1.36	27.32
AMKOR TECHNOLOGY INC	1.40	24.44
AAR CORP	1.91	21.43
WOLVERINE WORLD WIDE INC	0.70	20.61

Worst Performers	Average Weight %	Return %
CRACKER BARREL OLD COUNTRY	0.78	-40.75
PEDIATRIX MEDICAL GROUP INC	0.56	-32.50
TRINET GROUP INC	1.32	-24.52
DARLING INGREDIENTS INC	1.65	-20.99
HELEN OF TROY LTD	1.20	-19.52

### Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
FORMFACTOR INC	32.65	0.92
AAR CORP	21.43	0.39
SPX TECHNOLOGIES INC	15.44	0.36
HEARTLAND FINANCIAL USA INC	27.32	0.35
AMKOR TECHNOLOGY INC	24.44	0.33
<b>Total</b>		<b>2.35</b>

Greatest Detractors	Return %	Contribution to Return %
CRACKER BARREL OLD COUNTRY	-40.75	-0.43
FIRSTCASH HOLDINGS INC	-17.52	-0.43
TRINET GROUP INC	-24.52	-0.40
DARLING INGREDIENTS INC	-20.99	-0.39
HEXCEL CORP	-14.09	-0.30
<b>Total</b>		<b>-1.94</b>

# Harbor Small Cap Value Fund



## ATTRIBUTION

As of 06/30/2024

Quarterly Attribution:  
Harbor Small Cap Value Fund vs Russell 2000® Value

### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	0.46	-3.65	4.11
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>0.46</b>	<b>-3.65</b>	<b>4.11</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
Information Technology	16.41	6.29	10.13	10.30	-1.34	11.64	1.68	-0.09	0.26	1.82	2.08
Industrials	28.94	14.58	14.36	-0.33	-5.04	4.72	-0.03	-0.78	-0.23	1.38	1.15
Energy	7.08	10.32	-3.24	3.87	-3.11	6.97	0.27	-0.36	-0.03	0.51	0.48
Health Care	4.42	8.94	-4.53	-10.48	-10.10	-0.38	-0.50	-0.98	0.31	0.01	0.32
Consumer Discretionary	7.69	10.66	-2.98	-6.16	-6.29	0.13	-0.46	-0.72	0.10	0.01	0.11
Financials	21.90	25.78	-3.88	0.11	-0.91	1.03	0.19	-0.08	-0.08	0.15	0.07
Communication Services	0.00	2.36	-2.36	0.00	-2.99	2.99	0.00	-0.07	-0.02	0.00	-0.02
Real Estate	4.44	9.71	-5.28	-2.41	-2.63	0.22	-0.10	-0.25	-0.06	0.01	-0.05
Materials	4.44	5.18	-0.73	-6.02	-3.94	-2.08	-0.24	-0.22	0.01	-0.08	-0.07
Utilities	0.00	3.90	-3.90	0.00	-0.39	0.39	0.00	0.00	-0.12	0.00	-0.12
Consumer Staples	1.65	2.28	-0.63	-20.99	-4.56	-16.43	-0.39	-0.10	0.02	-0.31	-0.30
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>0.46</b>	<b>-3.65</b>	<b>4.11</b>	<b>0.46</b>	<b>-3.65</b>	<b>0.63</b>	<b>3.48</b>	<b>4.11</b>

Trailing 1 Year Attribution:  
Harbor Small Cap Value Fund vs Russell 2000® Value

### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	11.97	10.90	1.08
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>11.97</b>	<b>10.90</b>	<b>1.08</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
Industrials	29.59	13.97	15.63	17.13	12.70	4.44	5.33	1.74	0.25	1.22	1.47
Financials	21.81	26.14	-4.32	28.39	21.01	7.39	6.24	5.64	-0.50	1.33	0.84
Utilities	0.00	4.01	-4.01	0.00	-6.59	6.59	0.00	-0.32	0.78	0.00	0.78
Communication Services	0.00	2.50	-2.50	0.00	-8.82	8.82	0.00	-0.28	0.53	0.00	0.53
Materials	3.84	4.84	-1.00	24.36	14.68	9.68	1.02	0.68	0.00	0.35	0.35
Real Estate	4.36	10.22	-5.86	5.53	5.72	-0.19	0.24	0.62	0.28	-0.01	0.27
Information Technology	16.62	6.19	10.43	8.45	1.54	6.91	1.07	0.03	-1.03	1.17	0.14
Energy	6.39	10.03	-3.63	24.59	22.01	2.58	1.25	1.74	-0.19	0.14	-0.05
Health Care	5.13	8.92	-3.79	-23.39	-3.29	-20.10	-1.54	-0.45	0.62	-1.32	-0.71
Consumer Staples	1.86	2.44	-0.58	-42.39	2.67	-45.06	-1.20	0.08	0.08	-1.23	-1.15
Consumer Discretionary	7.74	10.76	-3.02	-6.65	12.66	-19.31	-0.58	1.41	-0.04	-1.58	-1.62
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>11.97</b>	<b>10.90</b>	<b>1.08</b>	<b>11.97</b>	<b>10.90</b>	<b>1.00</b>	<b>0.08</b>	<b>1.08</b>

Performance data shown represents past performance and is no guarantee of future results.

# Harbor Small Cap Value Fund



## IMPORTANT INFORMATION

### 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](http://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.**

# Harbor Small Cap Value Fund



## IMPORTANT INFORMATION

### 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.

The Global Industry Classification Standard (GICS®) is an industry analysis framework that helps investors understand the key business activities for companies around the world. MSCI and S&P Dow Jones Indices developed this classification standard to provide investors with consistent and exhaustive industry definitions.