

# HARBOR DIVIDEND GROWTH LEADERS ETF

Westfield Capital Management Company, L.P.

Subadvisor Since 04/30/2010

**Ticker:** GDIV  
**CUSIP:** 41151J703  
**Net Expense Ratio:** 0.50%  
**Gross Expense Ratio:** 0.50%  
**Total Net Assets:** \$234,728,360  
**Benchmark 1 Name:** S&P 500 Index  
**Benchmark 2 Name:** NASDAQ Dividend Achievers Select Total Return Index

## Portfolio Managers



William A. Muggia

## Investment Philosophy

The Harbor Dividend Growth Leaders ETF seeks long-term growth of capital.

Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in dividend-paying equity securities, principally common and preferred stocks of large capitalization companies with a history of paying dividends or as determined by the Westfield Capital's analysis, the ability to increase dividends in the future.

Westfield Capital uses a bottom-up process to identify companies which meet its fundamental criteria that evaluates companies on earnings, free cash flow generation and return of capital priorities, including dividends and stock buybacks. In constructing the Fund's portfolio, Westfield Capital seeks to identify companies that it believes possess the following quantitative and qualitative characteristics:

- High quality balance sheet;
- Good stewards of capital;
- Consistent free cash flow generation; and
- History of dividend increases.

## CHARACTERISTICS & ALLOCATION

As of 12/31/2023

Portfolio Characteristics				Economic Sectors			
	Portfolio	Bench 1	Bench 2		Portfolio %	Bench 1 %	Bench 2 %
Number of Holdings	44	503	286	Information Technology	28.55	28.88	22.57
Wtd Avg Market Cap (\$Mil)	460,620.70	721,660.50	475,947.30	Financials	17.36	12.98	19.05
Median Market Cap (\$Mil)	48,671.00	33,180.00	15,334.00	Health Care	14.62	12.61	15.84
Price/Book Ratio	6.95	6.70	7.37	Industrials	9.49	8.86	13.84
Adjusted Trailing P/E Ratio	24.80	31.20	26.50	Consumer Discretionary	7.96	10.88	7.08
% EPS Growth - Past 3 Yr	25.30	19.40	18.20	Real Estate	6.82	2.51	0.00
Est 3-5 Yr EPS Growth Rate (%)	11.30	13.10	10.00	Consumer Staples	4.15	6.12	12.84
Return on Equity (%)	34.50	23.11	26.91	Energy	3.42	3.91	1.86
Forecasted P/E Ratio	21.40	24.60	23.00	Materials	2.58	2.42	3.14
				Communication Services	1.69	8.55	1.21
				Utilities	1.54	2.36	2.56

Top 10 Holdings				Top 10 Industries			
	Portfolio %	Bench 1 %	Bench 2 %		Portfolio %	Bench 1 %	Bench 2 %
Microsoft Corporation	5.78	6.98	5.36	Semiconductors	8.70	8.12	6.64
Apple Inc.	5.64	7.03	4.64	Insurance	7.59	2.05	4.43
Broadcom Inc.	3.93	1.22	3.04	Pharmaceuticals	6.14	3.74	6.27
UnitedHealth Group Incorporated	3.76	1.22	3.21	Software	5.78	10.78	8.75
Eli Lilly and Company	3.74	1.16	0.00	Tech Hardware Storage	5.64	7.28	4.64
International Business Machines Corporation	3.64	0.37	0.00	Health Care Providers	4.83	2.83	5.36
Arthur J. Gallagher & Co.	3.24	0.12	0.31	Specialty Retail	4.60	2.04	3.51
Microchip Technology Incorporated	2.76	0.12	0.32	Capital Markets	4.54	2.99	5.09
Celanese Corporation	2.58	0.04	0.11	Machinery	4.04	1.79	2.82
Coca-Cola Company	2.48	0.57	1.67	Biotechnology	3.65	2.00	1.01
<b>Total</b>	<b>37.55</b>	<b>18.83</b>	<b>18.66</b>	<b>Total</b>	<b>55.51</b>	<b>43.62</b>	<b>48.52</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	73.17
	10.0B - 25.0B	15.86
Mid	5.0B - 10.0B	7.47
	1.0B - 5.0B	1.69
Small	0.0 - 1.0B	0.00

# Harbor Dividend Growth Leaders ETF



## PERFORMANCE

As of 12/31/2023

### Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
<b>Harbor Dividend Growth Leaders ETF (NAV)</b>	11.52%	15.41%	15.41%	8.52%	14.57%	10.48%	11.55%	04/30/2010
<b>Harbor Dividend Growth Leaders ETF (Market)</b>	11.68%	15.68%	15.68%	8.58%	14.60%	10.49%	11.56%	04/30/2010
S&P 500 Index	11.69%	26.29%	26.29%	10.00%	15.69%	12.03%	12.89%	04/30/2010
NASDAQ Dividend Achievers Select Total Return Index	10.43%	14.17%	14.17%	8.46%	13.87%	10.75%	11.75%	04/30/2010

## MANAGER COMMENTARY

As of 12/31/2023

**“Amid slowing growth and elevated recession risk, we believe our focus on quality growth with dividend support is critical to providing clients with an ETF capable of participating in the market upside, while also mitigating the downside when bouts of volatility emerge.”**

Westfield Capital Management Company, L.P.

### Market in Review

U.S. equities rallied sharply to end the year, with major indexes recording double-digit gains during the fourth quarter of 2023. Markets turned sharply higher in October on the heels of a dovish policy pivot by the U.S. Federal Reserve (“Fed”), with many market participants proclaiming the end of the current rate hiking cycle. The dramatic easing of financial conditions, driven by falling inflation and interest rates, propelled the market upward, as expectations for a successful soft landing gained traction. Importantly, the quarter saw a broadening in market leadership, moving beyond the dominance of the “Magnificent Seven” tech giants, with standout performances in small-cap equities and industry sectors like regional banks, credit cards, and homebuilders.

### Portfolio Performance

During the quarter, the Harbor Dividend Growth Leaders ETF (“ETF”) returned 11.52% (NAV), outperforming the ETF’s style benchmark, the NASDAQ Dividend Achievers Select Total Return Index, which returned 10.43%, and outperforming the ETF’s primary benchmark, the S&P 500® Index, which returned 11.69%.

From a sector perspective, relative weakness within Financials and Information Technology offset relative strength within Consumer Discretionary and Materials.

The ETF generated positive stock-specific returns during the quarter but faced factor headwinds. From a factor perspective, the ETF’s underweight to currency sensitivity, volatility, and size were factor headwinds. This was partially offset by the ETF’s overweight exposure to leverage, which provided a tailwind.

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

ETF performance prior to 5/23/22 is attributable to the Westfield Capital Dividend Growth Mutual Fund, Institutional Share class and/or Westfields private investment vehicle. The historical NAV of the predecessor are used for both NAV and Market Offer Price performance from inception to ETF listing date. Performance periods since GDIV listing date may contain NAV and MOP data of both the newly formed ETF and the predecessor fund performance. Please refer to the Fund prospectus for further details.

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.

# Harbor Dividend Growth Leaders ETF



## MANAGER COMMENTARY

As of 12/31/2023

### Contributors & Detractors

Broadcom, a supplier of analog and digital semiconductor connectivity solutions, was the top contributor to relative performance during the quarter. Broadcom has benefited from its position as an artificial intelligence (“AI”) beneficiary with its custom silicon solutions, and we believe it has managed its core business well during the inventory correction. The company also successfully obtained regulatory approval and closed the VMware acquisition during the quarter, which we expect to be accretive to earnings per share.

Celanese Corporation, a hybrid (upstream and downstream) global chemical company, also positively contributed to relative results during the quarter. Investors reacted favorably to Celanese being on track to hit its leverage reduction targets, following its acquisition of the mobility and materials business of DuPont. Additionally, Celanese moved its well-regarded, operationally focused chief financial officer over to the role of chief operating officer – to accelerate synergy capture and operational improvements at the acquired company, thus increasing confidence in the company’s improvement path.

Arthur J. Gallagher, an insurance brokerage and risk management service provider, was the top detractor from relative returns during the quarter. The company lagged the broader market amid a risk-on environment, despite a lack of negative fundamental news. Investor preferences swiftly shifted following the policy pivot from the Fed, with low-beta companies, such as Arthur J. Gallagher and other insurance brokers, being sold for more offensive, higher-beta alternatives such as banks and consumer finance companies within the sector. Despite the short-term drawdown, we continue to favor the company and its impressive organic growth rates and reliable consistency.

New York Community Bancorp, a commercial bank focused on multi-family and non-luxury rent-controlled mortgages and loans, also detracted from relative performance during the quarter. The stock lagged in November, as investors were overly concerned about the company’s multi-family loan fund in New York City. However, we believe that this is an asset class that has historically held up very well from a credit perspective and therefore, concerns are likely overblown, in our opinion.

### Buys & Sells

During the quarter, we purchased Williams-Sonoma, a home products retailer. Despite a challenging demand environment, the company is managing operations to preserve profitability, and margins have held up better than investors expected. We believe supply chain challenges have largely been worked through, leaving inventory in a healthier position. Management has aggressively returned capital to shareholders via share buybacks and dividends. Williams-Sonoma was also one of the few retailers to sustain and even increase dividends throughout the pandemic.

During the quarter, we sold Illinois Tool Works, a diversified industrial company operating in seven distinct verticals via 85 “sub” businesses. We exited our position, as we believed the industrial economy was slowing. Illinois Tool Works also has a 30% exposure to autos, where sales have been slowing as well.

### Sector Overweights & Underweights

Entering 2023, the Real Estate sector represented the ETF’s largest overweight relative to the index. As of year-end, Real Estate represented the ETF’s second largest overweight. Within the sector, we are primarily focused on owning shorter lease-duration assets that have the ability to adjust rents to outpace expense-inflation and grow earnings to outpace cap-rate expansion from higher interest rates, while returning capital to shareholders.

Beta is a measure of the volatility – or systematic risk – of a security or portfolio compared to the market as a whole.

Duration is an estimated measure of the price sensitivity of the aggregate market value of a portfolio of debt securities to changes in interest rates.

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

# Harbor Dividend Growth Leaders ETF



## MANAGER COMMENTARY

As of 12/31/2023

As of year-end, the Financials sector was the ETF's largest overweight relative to the index, with the largest overweights in the insurance and capital markets segments. We purchased two new names during the quarter, including Ares Management, an alternative asset manager, and Global Payments, a fintech company that provides payment technology and services.

The Communications Services sector represented the largest underweight at the end of both 2022 and 2023. The majority of this underweight stems from having no exposure to the mega-cap benchmark names that do not meet our capital return thresholds.

### Outlook

Our focus has been, and will continue to be, on identifying high-quality companies with robust businesses and cash flows able to maintain and raise their dividends throughout varying market environments. Importantly, during late-cycle periods and in recessions, dividend-growth strategies tend to perform at their best. Amid slowing growth and elevated recession risk, we believe our focus on quality growth with dividend support is critical to providing clients with an ETF capable of participating in the market upside, while also mitigating the downside when bouts of volatility emerge. Given the recent rate shock, driven by the lagged effects of the Fed's rate-hike regime, we expect this recent volatility and uncertainty to continue. Although dividend-paying stocks have lagged the very narrow market advance in 2023, we maintain our conviction in the group and our belief that dividend-growth stocks are ideal investments in this type of a market, given their risk versus return profile.

## QUARTERLY ATTRIBUTION

As of 12/31/2023

### Best & Worst Performers

Best Performers	Average Weight %	Return % (NAV)
BROADCOM INC	3.52	35.01
LENNAR CORP-A	1.49	33.24
WILLIAMS-SONOMA INC	1.01	32.61
SPIRIT REALTY CAPITAL INC	1.48	32.29
MUELLER INDUSTRIES INC	1.64	25.92

Worst Performers	Average Weight %	Return % (NAV)
CHEVRON CORP	1.77	-10.60
ANALOG DEVICES INC	0.61	-10.14
AUTOMATIC DATA PROCESSING	0.33	-9.29
NEW YORK COMMUNITY BANCORP	1.76	-8.21
HERSHEY CO/THE	1.74	-6.25

### Contributors & Detractors

Greatest Contributors	Return % (NAV)	Contribution to Return %
MICROSOFT CORP	19.34	1.13
BROADCOM INC	35.01	1.13
APPLE INC	12.60	0.75
INTL BUSINESS MACHINES CORP	17.89	0.64
CELANESE CORP	24.54	0.53

**Total** **4.16**

Greatest Detractors	Return % (NAV)	Contribution to Return %
CHEVRON CORP	-10.60	-0.24
ANALOG DEVICES INC	-10.14	-0.21
NEW YORK COMMUNITY BANCORP	-8.21	-0.18
CISCO SYSTEMS INC	-5.34	-0.16
DEVON ENERGY CORP	-10.17	-0.14

**Total** **-0.93**

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# Harbor Dividend Growth Leaders ETF



## ATTRIBUTION

As of 12/31/2023

### Quarterly Attribution:

Harbor Dividend Growth Leaders ETF vs S&P 500 Index

#### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	11.90	11.69	0.21
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>11.90</b>	<b>11.69</b>	<b>0.21</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
Consumer Discretionary	6.91	10.72	-3.81	21.84	12.42	9.42	1.35	1.35	-0.03	0.59	0.57
Health Care	14.86	12.89	1.97	9.29	6.41	2.87	1.44	0.77	-0.11	0.45	0.35
Materials	2.28	2.41	-0.13	24.54	9.69	14.86	0.53	0.23	0.01	0.34	0.34
Communication Services	1.56	8.74	-7.18	24.66	11.05	13.61	0.37	0.96	0.05	0.20	0.25
Industrials	9.48	8.38	1.10	16.08	13.06	3.02	1.29	1.07	-0.03	0.28	0.25
Utilities	1.43	2.40	-0.97	23.83	8.56	15.27	0.35	0.22	0.08	0.15	0.23
Real Estate	6.67	2.40	4.27	16.31	18.83	-2.52	1.10	0.44	0.31	-0.19	0.13
Energy	3.48	4.28	-0.80	-8.53	-6.94	-1.59	-0.44	-0.40	0.14	-0.07	0.08
Consumer Staples	6.24	6.35	-0.10	1.56	5.54	-3.98	0.11	0.35	0.01	-0.21	-0.20
Information Technology	28.54	28.65	-0.10	15.31	17.15	-1.83	4.24	4.94	0.01	-0.53	-0.52
Financials	16.53	12.79	3.73	8.26	14.03	-5.77	1.54	1.77	0.14	-1.05	-0.91
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>11.90</b>	<b>11.69</b>	<b>0.21</b>	<b>11.90</b>	<b>11.69</b>	<b>0.24</b>	<b>-0.03</b>	<b>0.21</b>

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

# Harbor Dividend Growth Leaders ETF



## IMPORTANT INFORMATION

### Risks

Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. The ETFs are new and have limited operating history to judge.

Investments involve risk including the possible loss of principal. There is no guarantee the investment objective of the Fund will be achieved. The Fund's emphasis on dividend paying stocks involves the risk that such stocks may fall out of favor with investors and under-perform the market. There is no guarantee that a company will pay or continually increase its dividend. The Fund may invest in a limited number of companies or at times may be more heavily invested in particular sectors. As a result, the Fund's performance may be more volatile, and the value of its shares may be especially sensitive to factors that specifically effect those sectors. The Fund may invest in foreign securities which may be more volatile and less liquid due to currency fluctuation, political instability, government sanctions, social and economic risks. Foreign currencies can decline in value and can adversely affect the dollar value of the fund.

### Benchmarks

The S&P 500 Index is an unmanaged index generally representative of the U.S. market for large capitalization equities. The NASDAQ U.S. Dividend Achievers Select® Index is a modified market capitalization weighted index. The NASDAQ U.S. Dividend Achievers Select® Index is comprised of a select group of securities with at least ten consecutive years of increasing annual regular dividend payments. The indices are unmanaged and do not reflect fees and expenses and are not available for direct investment.

### Disclosures

On or about May 20, 2022, the Fund acquired the assets and assumed the then existing known liabilities of the Predecessor Fund and the Fund is expected to be the performance successor of the reorganization. This means that the Predecessor Fund's performance and financial history will be used by the Fund going forward from the date of reorganization.

In the reorganization, former shareholders of the Predecessor Fund received shares of the Fund. Accordingly, the performance of the Fund for periods prior to the reorganization is the performance of the Predecessor Fund and the performance shown for periods prior to July 26, 2013 is the performance of a private investment vehicle that predated the Predecessor Fund. The private investment vehicle was managed by the Subadvisor using investment policies, objectives and guidelines that were in all material respects equivalent to the management of the Fund and Predecessor Fund. However, the private investment vehicle was not a registered investment company and so it was not subject to the same investment and tax restrictions as the Fund and Predecessor Fund. If it had been, its performance may have been lower. The performance of the Predecessor Fund has not been restated to reflect the annual operating expenses of the Fund, which are lower than those of the Predecessor Fund. Because the Fund has different fees and expenses than the Predecessor Fund, the Fund would also have had different performance results.

Best and Worst Performers sections reflect stocks in the portfolio for the quarter with an average weight of 0.25% or greater.

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.

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.

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.**

**Westfield Capital Management Company, L.P. is a third-party subadvisor to the Harbor Dividend Growth Leaders ETF.**

**Foreside Fund Services, LLC is the Distributor of the Harbor ETFs.**

# Harbor Dividend Growth Leaders ETF



## 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

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.

Free cash flow represents the cash a company can generate after accounting for capital expenditures needed to maintain or maximize its asset base.