

HARBOR SMALL CAP VALUE FUND

EARNEST Partners LLC

Subadvisor Since 12/14/2001

Total Net Assets - All Classes \$2,142,892,789
Equity Assets: 99.38%
Cash & Other Assets Less Liabilities: 0.62%
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 12/31/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	59	1,431	Industrials	29.56	14.11
Wtd Avg Market Cap (\$Mil)	4,555.10	2,699.70	Financials	23.42	27.10
Median Market Cap (\$Mil)	3,601.00	826.00	Information Technology	17.05	5.94
Price/Book Ratio	2.55	1.43	Consumer Discretionary	8.01	10.88
Adjusted Trailing P/E Ratio	21.70	13.70	Energy	5.45	9.15
% EPS Growth - Past 3 Yr	8.20	28.60	Health Care	5.29	8.77
Est 3-5 Yr EPS Growth Rate (%)	11.20	8.10	Real Estate	4.94	10.48
Return on Equity (%)	11.03	9.53	Materials	3.85	4.77
Beta vs. Fund Benchmark	0.88		Consumer Staples	1.81	2.32
Forecasted P/E Ratio	20.00	13.20	Communication Services	0.00	2.42
			Utilities	0.00	3.90

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Houlihan Lokey Inc. Cla	3.60	0.00	Banks	12.75	17.52
Parsons Corporation	2.90	0.11	Machinery	10.62	2.43
Franklin Electric Co. I	2.77	0.00	Electronic Equipment	7.27	2.15
Casella Waste Systems I	2.68	0.00	Semiconductors	6.94	1.83
FormFactor Inc.	2.63	0.00	Aerospace & Defense	6.92	1.05
Hexcel Corporation	2.56	0.00	Energy Equipment	5.45	2.05
Reinsurance Group of Am	2.35	0.00	Capital Markets	5.13	0.83
SPX Technologies Inc.	2.29	0.06	Health Care Equip	4.43	1.48
Flowserve Corporation	2.27	0.00	Hotels Rest & Leisure	4.06	0.90
SouthState Corporation	2.25	0.49	Professional Services	4.04	1.27
Total	26.30	0.66	Total	67.61	31.51

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	3.74
Mid	5.0B - 10.0B	30.30
	1.0B - 5.0B	61.53
Small	0.0 - 1.0B	3.80

Harbor Small Cap Value Fund



PERFORMANCE

As of 12/31/2023

Average Annual Returns

Share Class	Ticker	CUSIP	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HASCX	411511843	11.49%	15.07%	15.07%	6.08%	11.74%	8.61%	9.89%	12/14/01	0.88	0.88
Investor	HISVX	411511694	11.42%	14.67%	14.67%	5.70%	11.33%	8.21%	9.93%	11/01/02	1.24	1.24
Retirement	HNVRX	411512452	11.52%	15.16%	15.16%	6.16%	11.82%	8.68%	9.92%	03/01/16	0.80	0.80
Russell 2000® Value Index			15.26%	14.65%	14.65%	7.94%	10.00%	6.76%	8.41%	12/14/01		

MANAGER COMMENTARY

As of 12/31/2023

"Favorable macro data combined with heightened speculation that the Fed would begin reducing rates in 2024 led to increased market optimism, specifically within the small-cap segment."

EARNEST Partners, LLC

Market in Review

The "holiday rally" was in full swing in November and December 2023, as equities sprinted toward the finish line in the fourth quarter of the year, rebounding from a correction in September and October. Investors found renewed optimism as they caught a glimmer of light at the end of the rate-hike tunnel, with inflation numbers softening and the Federal Reserve ("Fed") acknowledging significant progress in curbing historically high inflation. Earlier in the year, market segments that are highly sensitive to interest rates — such as small-cap stocks and companies in the Real Estate and Financials sectors — grappled with challenges amid persistent inflation. However, these sectors rebounded strongly in the fourth quarter, buoyed by a surge in investor confidence fueled by the belief that the Fed had concluded its rate-hiking phase and was preparing for a more accommodative approach in the coming year. Energy, a standout performer in the third quarter, experienced a downturn in the fourth quarter, relinquishing some of its gains as demand for energy waned and inflation concerns diminished. Meanwhile, many stocks within the tech-heavy Nasdaq 100 Index resumed their upward trajectory after a brief pullback in the previous quarter. The index posted a remarkable gain of over 50% for the year, propelled by optimism surrounding artificial intelligence ("AI") and related industries, marking its best performance since 1999.

The Fed continued to play a central role in the financial landscape, as it weighed policy choices in the wake of falling Consumer Price Index ("CPI") numbers on the back of a strong economy. Following CPI readings of 3.7% in September, 3.2% in October, and 3.1% in November, the Fed held rates steady in the range of 5.25% to 5.50%, underlining the central bank's continued commitment to managing inflation while also acknowledging that it may be open to a more accommodative policy going forward. Currently, the central bank is projecting a federal funds rate of 4.6% by the end of 2024, implying that it will cut rates about three times over the course of the next year. Following September's rate pause, the central bank was previously split on whether it was going to hike again through the end of this year and was projecting a fed funds rate of 5.10% by the end of 2024.

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 12/31/2023

Outside of the U.S., China's economy showed signs of recovery, as its Gross Domestic Product ("GDP") expanded by 1.3% in the third quarter after a sluggish growth rate of 0.5% in the preceding quarter. Despite this positive uptick, the nation's economic landscape continues to grapple with growth challenges as the Real Estate sector remains in a protracted slump, while trade restrictions within the semiconductor industry pose additional hurdles.

In the European Union ("EU"), third quarter GDP declined by 0.1%, while the European Central Bank ("ECB") opted to maintain its central deposit facility at 4.0%, pausing its course after a 0.25% hike in September. EU bank officials acknowledged that the impact of tighter financing conditions is tempering demand, contributing to a decline in inflation. However, they also expressed that they expect subdued economic growth in the near term.

Portfolio Performance

The U.S. small-cap equity market, as represented by the Russell 2000® Value Index, gained more than 15% during the fourth quarter of 2023. After contracting for four consecutive weeks to begin the quarter, the index generated positive returns in seven of the final nine weeks as inflation, employment, and economic data continued to trend favorably. Favorable macro data, combined with heightened speculation that the Fed would begin reducing rates in 2024, led to increased market optimism, specifically within the small-cap segment. Small-cap companies disproportionately impacted by rising rates, given their implicit need to access public debt and equity markets to fund growth, were once again in favor. Of the 11 GICS sectors, 10 generated positive returns, led by Financials, which gained more than 23% in the quarter. Banks, specifically, were a meaningful contributor gaining more than 28%. Health Care was also a meaningful contributor, as pharmaceutical and biotech names gained more than 23% in the quarter. Energy was the lone sector to generate a negative return in the quarter, as global demand for the underlying commodity continued to temper resulting in price contraction.

Net of fees, the Harbor Small Cap Value Fund (Institutional Class, "Fund") underperformed its benchmark, the Russell 2000® Value Index, for the period in part due to its relative underweight allocations to banks and biotechnology companies, segments of the market where we have found relatively fewer opportunities that we believe are positioned to generate alpha* over full market cycles. EARNEST Partners continues to focus on high-quality companies that we believe are well positioned to benefit over the long term.

Contributors & Detractors

Detracting from performance was GATX, a leading provider of railcar leasing services across North America and Europe with a focus on the petroleum, chemical, food/agriculture, and transportation industries. The company also manufactures and leases commercial jet engines. Despite gaining nearly 11% during the fourth quarter, GATX was a detractor. The company reported revenue that beat estimates while earnings were in line with consensus. Revenue was driven by fleet utilization that remains at 99% and non-domestic market capture resulting in both fleet size and rate growth. GATX continues to gain market share and is well positioned to grow earnings as shippers continue to decrease the size of their owned railcar fleets and increasingly move to outsourced models.

*Alpha refers to excess returns earned on an investment above the benchmark return when adjusted for risk.

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Harbor Small Cap Value Fund

MANAGER COMMENTARY

As of 12/31/2023



Contributing to performance was Archrock (“AROC”), the largest third-party lessor of natural gas compression equipment in the U.S. and a leading supplier of aftermarket services to owners of compression equipment such as exploration/production and pipeline companies. The company also engages in the design, installation, operation, and service of natural gas compression equipment. AROC shares rose more than 23% during the quarter as the company reported revenue and EBITDA that grew 19% and 31% year over year, respectively, both ahead of consensus estimates. Leverage ratios also improved, resulting in a stronger free cash flow profile. AROC continues to be well positioned to benefit from an improving U.S. oil and gas production market, as both equipment utilization rates and pricing continue to rise and the market shifts toward unconventional well exploration.

Buy & Sells

During the fourth quarter of 2023, Four Corners Property Trust, a real estate investment trust primarily engaged in the ownership, acquisition, and leasing of restaurant and retail properties, was purchased. We believe the business fundamentals are not accurately reflected in current valuations. There were no sells.

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.

QUARTERLY ATTRIBUTION

As of 12/31/2023

Best & Worst Performers

Best Performers	Average Weight %	Return %
AMKOR TECHNOLOGY INC	1.26	47.62
MERITAGE HOMES CORP	1.74	42.55
UNITED BANKSHARES INC	1.44	37.54
FIRST MERCHANTS CORP	1.65	34.76
TRUSTMARK CORP	1.58	29.59

Worst Performers	Average Weight %	Return %
PEDIATRIX MEDICAL GROUP INC	1.04	-26.83
CORE LABORATORIES INC	1.22	-26.41
DMC GLOBAL INC	0.39	-23.09
OCEANEERING INTL INC	2.01	-17.26
HELMERICH & PAYNE	1.53	-13.14

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
MERITAGE HOMES CORP	42.55	0.72
MOOG INC-CLASS A	28.42	0.69
INTEGER HOLDINGS CORP	26.33	0.57
FIRST MERCHANTS CORP	34.76	0.55
SOUTHSTATE CORP	26.32	0.55
Total		3.07

Greatest Detractors	Return %	Contribution to Return %
OCEANEERING INTL INC	-17.26	-0.52
CORE LABORATORIES INC	-26.41	-0.45
PEDIATRIX MEDICAL GROUP INC	-26.83	-0.42
HELMERICH & PAYNE	-13.14	-0.26
DMC GLOBAL INC	-23.09	-0.15
Total		-1.80

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

Harbor Small Cap Value Fund



ATTRIBUTION

As of 12/31/2023

Quarterly Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	11.80	15.26	-3.46
Currency Contribution	0.00	0.00	0.00
Total Return	11.80	15.26	-3.46

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
Materials	3.60	4.68	-1.08	22.75	13.50	9.25	0.82	0.64	0.04	0.31	0.35
Utilities	0.00	4.11	-4.11	0.00	7.56	-7.56	0.00	0.33	0.32	0.00	0.32
Energy	6.14	10.35	-4.21	-13.26	-5.21	-8.05	-1.15	-0.76	0.97	-0.70	0.27
Communication Services	0.00	2.55	-2.55	0.00	5.88	-5.88	0.00	0.13	0.25	0.00	0.25
Real Estate	4.12	10.45	-6.33	12.53	16.24	-3.71	0.53	1.72	-0.07	-0.14	-0.21
Information Technology	16.42	5.71	10.71	13.31	14.03	-0.72	2.03	0.74	-0.16	-0.08	-0.24
Consumer Staples	1.78	2.57	-0.79	-4.52	11.78	-16.30	-0.14	0.30	0.02	-0.36	-0.34
Consumer Discretionary	7.58	10.74	-3.16	16.66	20.52	-3.86	1.24	2.19	-0.16	-0.29	-0.45
Health Care	5.36	8.29	-2.93	6.58	18.29	-11.71	0.38	1.49	-0.09	-0.64	-0.73
Industrials	30.34	14.09	16.24	12.03	14.98	-2.95	3.74	2.10	-0.05	-0.83	-0.88
Financials	22.02	26.46	-4.44	19.21	23.80	-4.59	4.31	6.39	-0.36	-1.00	-1.36
Total	100.00	100.00	0.00	11.80	15.26	-3.46	11.80	15.26	0.26	-3.72	-3.46

Trailing 1 Year Attribution:

Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	16.23	14.64	1.59
Currency Contribution	0.00	0.00	0.00
Total Return	16.23	14.64	1.59

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	29.51	13.63	15.88	28.68	29.95	-1.27	8.23	3.88	2.41	-0.37	2.04
Health Care	6.21	9.55	-3.34	16.08	0.00	16.08	1.41	0.07	0.72	1.27	1.99
Utilities	0.00	4.56	-4.56	0.00	-8.42	8.42	0.00	-0.41	1.19	0.00	1.19
Materials	3.94	4.43	-0.50	34.32	18.05	16.27	1.32	0.86	0.05	0.71	0.76
Communication Services	0.00	2.77	-2.77	0.00	-0.30	0.30	0.00	-0.06	0.46	0.00	0.46
Real Estate	4.09	10.72	-6.63	16.15	14.29	1.85	0.73	1.58	0.01	0.09	0.10
Energy	4.93	8.25	-3.32	14.69	15.91	-1.22	0.51	1.25	0.15	-0.34	-0.20
Financials	21.12	26.55	-5.43	5.68	9.43	-3.74	1.38	2.26	0.48	-0.89	-0.42
Consumer Staples	2.24	2.64	-0.41	-20.37	4.15	-24.52	-0.57	0.06	0.04	-0.65	-0.61
Information Technology	17.02	5.96	11.06	13.38	29.11	-15.73	2.29	1.68	1.69	-2.79	-1.11
Consumer Discretionary	8.16	10.94	-2.78	10.00	34.87	-24.86	0.79	3.48	-0.49	-1.98	-2.48
Total	100.00	100.00	0.00	16.23	14.64	1.59	16.23	14.64	6.56	-4.97	1.59

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.

The Nasdaq 100 is a stock market index that includes 100 of the largest, most actively traded, non-financial companies that are listed on the Nasdaq Stock Market.

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.

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.

Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is a measure computed for a company that takes its earnings and adds back interest expenses, taxes, and depreciation charges, plus other adjustments to the metric.