

# Harbor Long-Short Equity ETF

Ticker: **LSEQ** | June 2024



## Strategy Highlights

**Regime Framework.** Investors have different risk tolerances in different economic regimes, which has implications for the performance of equities and different equity styles. The Fund's macro regime-based model aims to determine the appropriate net equity position and factor weights and exposures for various market environments.

**Low Correlation Diversifier.** The strategy seeks low correlation to broad-based equity markets, resulting in potential diversification benefits.

**Experienced Management.** Portfolio Manager Kevin Shea has amassed over three decades of experience in investment management, bringing his knowledge to launch Disciplined Alpha, a Registered Investment Advisor firm in 2013.

**Clarity of Process and Purpose.** Disciplined Alpha's transparent process for idea generation, stock selection, portfolio construction, and risk management we believe stands out within the alternatives category that is often called out for its opaqueness.

## Overview

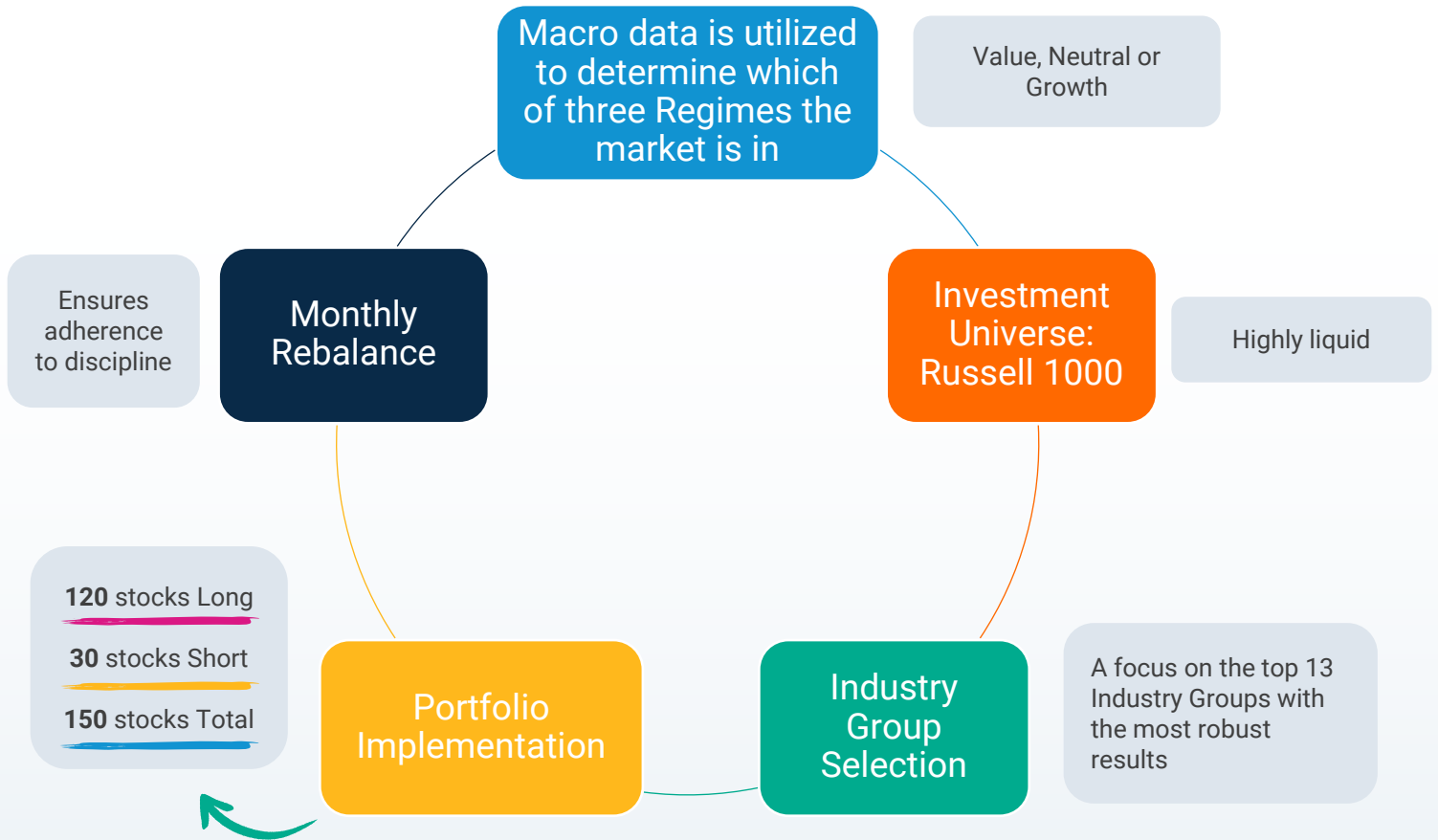
The **Harbor Long-Short Equity ETF** seeks to provide long-term growth of capital. The Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in long and short positions in equity securities. The Fund invests primarily in the common stocks of U.S.-listed large cap and mid cap companies. The Fund defines large cap and mid cap companies as those with market capitalizations that fall within the range of the Russell 1000<sup>®</sup> Index.

To seek to achieve the Fund's investment objective, Disciplined Alpha utilizes a disciplined quantitative process – maintaining long and short exposures to potentially neutralize downside risk and limit drawdowns.

Ticker Symbol	LSEQ
Cusip	41151J828
Total Expense Ratio	1.70%
Inception Date	01/01/2015
Listing Date	12/04/2023
Manager Name	Disciplined Alpha, LLC
Listed Exchange	NYSE
Active/Passive	Active
Benchmark	HFRX Equity Hedge Index
Lead Market Maker	GTS
Morningstar Category	Long-Short Equity

## ETF Structure

- **Cost Effective:** LSEQ is a cost-efficient way to gain access to an active, long-short equity allocation strategy.
- **Liquid:** The ETF vehicle can be traded throughout the day, which provides intra-day liquidity for shareholders.
- **Tax-efficient:** Due to the in-kind exchange of shares, the ETF vehicle may allow for greater tax efficiency and reduced costs.
- **Transparent:** The availability of daily holdings may allow investors to make more informed investment decisions.



For illustrative purposes only.



**Macroeconomic Regime Model:** Disciplined Alpha’s proprietary macroeconomic regime model designates three regimes - value, neutral, and momentum - based on their analysis of macroeconomic data that is consistent, in their view, with market participants’ willingness to accept less, average, or more risk in their portfolios. This macroeconomic data is then to determine the weights of various stock selection factors and gross and net exposures for the Fund.



**Industry Group Focus:** It is the subadvisor’s view that the opportunity for positive returns for active management are not equal among industry groups. For this reason, there is a stronger focus on those industry groups that, in their view, have the greatest potential to add value through the stock selection process over time by starting with the Index and further narrowing that universe by focusing on industry groups exhibiting the highest dispersion in returns over time.



**Long Model:** Utilizing a multifactor model, stocks are identified that are believed to deliver the best upside return potential. These factors fall into the broad groups of valuation, quality, profitability, and momentum, and are determined based on experience and conversations with company management and third-party fundamental analysts and are specific to each industry group.

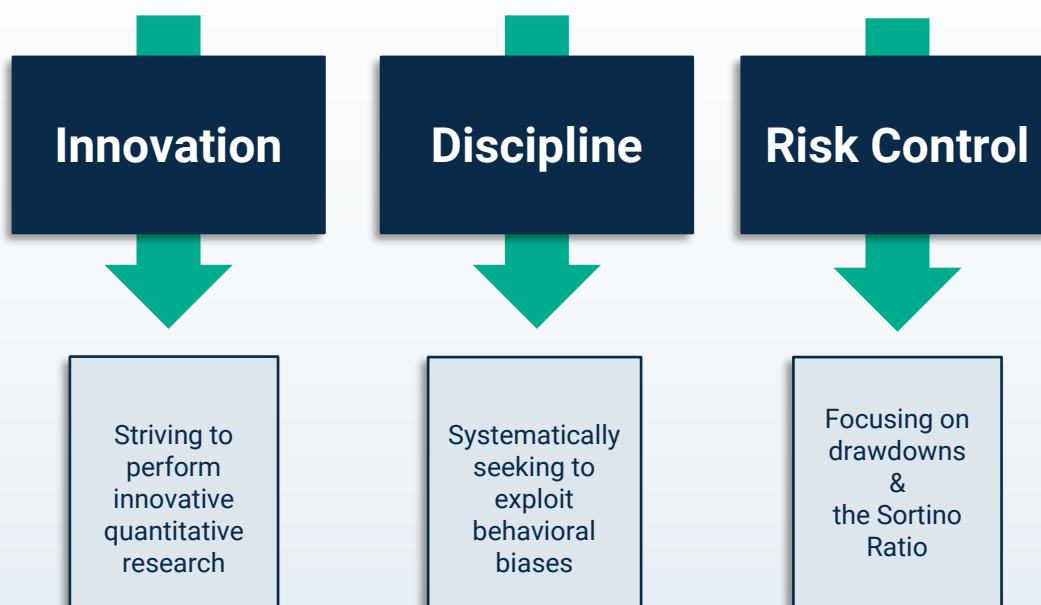


**Short Model:** Disciplined Alpha will identify equity securities of companies that they believe will underperform using a separate short model that analyzes several factors. Short sales are considered speculative transactions and a form of leverage.



# Discipline $\delta$ Alpha $\alpha$

## founding principles



**What is Disciplined Alpha's mission?** The firm's foundation is built upon the principles of seeking to offer robust investment strategies with reasonable returns, limited downside and low correlation to equity markets. They specialize in systematic equity and macro strategies in the context of market regimes.

**What makes Disciplined Alpha distinct?** They operate with a creative yet innovative approach while emphasizing risk control. Their systematic processes and disciplined implementation has helped them in producing distinctive strategies.

**Who is Kevin Shea?** Shea leads the firm from a business perspective and an investment perspective. He has three decades of experience in the investment management industry, including as an analyst, portfolio manager and director of research. Through these experiences Shea has accumulated knowledge and acumen across various areas including security selection, portfolio construction, and macro investing. Shea set out to bring this cumulative ability to bear in a new, focused, boutique endeavor and founded Disciplined Alpha in 2013.

# Important Information



The views expressed herein may not be reflective of current opinions, are subject to change without prior notice, and should not be considered investment advice or a recommendation to purchase a particular security.

**All investments involve risk including the possible loss of principal.** Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. The ETF is new and has limited operating history to judge.

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. Short selling securities could potentially have unlimited loss due to the price of securities sold short increasing beyond the cost of replacement and the limitless increase on the value of a security. The Fund utilizes a quantitative model and there are limitations in every quantitative model. There can be no assurances that the strategies pursued or the techniques implemented in the quantitative model will be profitable, and various market conditions may be materially less favorable to certain strategies than others.

The Harbor Long-Short Equity ETF (the "Fund") acquired the assets and assumed the then existing known liabilities of the Disciplined Alpha Onshore Fund LP (the "Predecessor Fund"), a Delaware limited partnership, on 12/4/23, and the Fund is 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. Performance information prior to 12/4/23 reflects all fees and expenses, including a performance fee, incurred by the Predecessor Fund. Disciplined Alpha LLC ("Disciplined Alpha") served as the general partner and investment manager to the Predecessor Fund, which commenced operations on 1/1/15 and, since that time, implemented its investment strategy indirectly through its investment in a master fund, which had the same general partner, investment manager, investment policies, objectives, guidelines and restrictions as the Predecessor Fund. Regardless of whether the predecessor fund operate as a stand-alone fund or invested indirectly through a master fund, Disciplined Alpha managed the Predecessor Fund assets using investment policies, objectives, guidelines and restrictions that were in all material respects equivalent to those of the Fund. However, the Predecessor Fund was not a registered fund and so it was not subject to the same investment and tax restrictions as the Fund. If it had been, the Predecessor Fund's performance may have been lower.

Diversification does not assure a profit or protect against loss in a declining market.

ETFs are subject to capital gains tax and taxation of dividend income. However, ETFs are structured in such a manner that taxes are generally minimized for the holder of the ETF. An ETF manager accommodates investment inflows and outflows by creating or redeeming "creation units," which are baskets of assets. As a result, the investor usually is not exposed to capital gains on any individual security in the underlying portfolio. However, capital gains tax may be incurred by the investor after the ETF is sold.

Shares are bought and sold at market price not net asset value (NAV). 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.

The Sortino ratio measures the risk-adjusted return of an investment asset, portfolio, or strategy. It is a modification of the Sharpe ratio but penalizes only those returns falling below a user-specified target or required rate of return, while the Sharpe ratio penalizes both upside and downside volatility equally.

Dispersion is a statistical term that describes the size of the distribution of values expected for a particular variable.

Leverage refers to using debt (borrowed funds) to amplify returns from an investment or project.

The **HFRX Equity Hedge Index** measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Index listed is unmanaged and does not reflect fees and expenses and is not available for direct investment. The **Russell 1000 Index** is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index.

Disciplined Alpha, LLC is a third-party subadviser to the Harbor Long-Short Equity Fund

**Investors should carefully consider the investment objectives, risks, charges and expenses of a Harbor 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.**

**Forside Fund Services, LLC is the Distributor of the Harbor Long-Short Equity ETF.**