Harbor Core Plus Fund

Income Research + Management

Subadvisor Since 02/02/2022

CHARACTERISTICS & ALLOCATION

As of 03/31/2023

Total Net Assets – *All Classes*	$996,704,397
Fixed Income Assets:	99.38%
Cash & Other Assets Less Liabilities:	0.62%
Benchmark Name:	Bloomberg US Aggregate Bond Index

Portfolio Managers

William A. O'Malley, CFA

James E. Gubitosi, CFA

Bill O'Neill, CFA

Jake Remley, CFA

Matt Walker, CFA

Rachel Campbell

Investment Philosophy

The Fund invests primarily in U.S. dollar-denominated fixed income securities. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in a diversified portfolio of fixed income instruments. Fixed income instruments include but are not limited to: obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities; corporate debt securities; municipal debt securities; U.S. dollar-denominated debt of foreign issuers; and securitized securities including mortgage-backed and asset-backed securities, which may also include non-agency mortgage-backed securities. These securities may have different types of interest rate payment and reset terms. The Subadviser's approach is grounded in detailed bottom-up research and emphasizes careful security selection.

Portfolio Characteristics

	Portfolio	Benchmark
Number of Bonds	683	13,278
Avg. Market Coupon (%)	3.62	2.87
Wtd. Avg. Maturity (yrs)	8.77	8.50
Wtd. Avg. Duration (yrs)	6.34	6.33
Beta vs. Fund Benchmark	0.97	
Current 30-Day Yield %	4.61	
Current 30-Day Un-Sub Yield %	4.60	

Top 10 Issues

	Portfolio %
US TREASURY N/B 08/41 1	5.50
US TREASURY N/B 01/28 3	4.48
US TREASURY N/B 08/32 2	3.08
US TREASURY N/B 08/51 2	2.43
US TREASURY N/B 08/42 3	1.41
FNMA POOL FS0065 FN 12/	1.23
FED HM LN PC POOL ZT152	1.22
FNMA POOL FM4956 FN 08/	1.16
FNMA POOL FM5397 FN 12/	1.15
FED HM LN PC POOL RA528	1.13
Total	**22.79**

Maturity

	Portfolio %
0-1 yr	2.80
1-3 yr	12.58
3-5 yr	22.70
5-7 yr	14.10
7-10 yr	26.28
10-20 yr	13.31
20-30 yr	7.68
Over 30 yr	0.56

Duration

	Portfolio %
0-1 yr	6.36
1-3 yr	13.29
3-5 yr	32.34
5-7 yr	20.54
7-10 yr	11.19
10-20 yr	16.07
20-30 yr	0.19
Over 30 yr	0.02

Credit Quality

	Portfolio %
US Govt/Agency	19.58
AAA	38.03
AA	1.00
A	7.16
BBB	25.36
BB	4.64
B	0.32
CCC	0.99
CC	0.95
C	0.08
Below C	0.00
Non-Rated	1.37

Harbor

CHARACTERISTICS & ALLOCATION

As of 03/31/2023

Sector	% of Market Value
Credit	**31.31**
Industrial	18.33
Finance	11.08
Utility	1.90
Non-corporate	0
Government	**19.74**
Treasury	19.58
SBA and Gov Guaranteed	0.16
Agency	0
Municipal	**0.61**
Pre-Refund/ETM	0.35
Revenue	0.26
GO	0
Securitized	**48.08**
Agency RMBS	25.56
ABS	10.04
CMBS	6.77

Sector (cont.)	% of Market Value
RMBS	5.71
Agency CMBS	0

PERFORMANCE

As of 03/31/2023

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	HABDX	411511108	3.41%	3.41%	-4.81%	-1.61%	1.24%	1.58%	6.12%	12/29/87	0.38	0.39
Retirement	HBFRX	411512189	3.42%	3.42%	-4.57%	-1.47%	1.34%	1.63%	6.13%	06/01/18	0.30	0.31
Bloomberg US Aggregate Bond Index			2.96%	2.96%	-4.78%	-2.77%	0.91%	1.36%	5.48%	12/29/87		

Retirement Class shares commenced operations on June 1, 2018. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to June 1, 2018 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 expenses. The net expense ratios for this fund are subject to a contractual management fee waiver and/or expense limitation agreement, excluding interest expense and acquired fund fees and expenses (if any), through 02/29/2024.

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 Core Plus Fund - Quarterly Attribution *– As of 03/31/2023*

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference
1Q 2023	3.33	2.96	0.37

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday		Total
(0.01)		0.02		0.38		(0.01)		0.37
Duration	0.03	Finance	0.00	Finance	0.04	Pricing	0.00	
Shape	(0.02)	Industrial	0.03	Industrial	0.13	Intraday	(0.01)	
Other	(0.02)	Utility	0.00	Utility	0.02			
		ABS	0.01	ABS	0.15			
		CMBS	(0.05)	CMBS	0.05			
		MBS	0.02	MBS	(0.01)			
		Agency	0.00	Agency	0.00			
		Municipal	0.00	Municipal	0.01			
		Non-Corp	0.00	Non-Corp	0.00			
		Treasury	0.01	Treasury	0.00			
		Other	0.01	Other	0.00			

What Worked

- The Harbor Core Plus Fund portfolio outperformed the Bloomberg Aggregate Index in the 1st quarter.
- Security selection within ABS aided performance.
- The portfolio's overweight to the Industrial sector contributed to relative returns.
- Top performers: an ABS security, CS, and WBD.

What Didn't Work

- Security selection within RBMS slightly detracted from performance.
- The portfolio's overweight to CMBS also detracted from relative returns.
- Bottom performers: BXP, BX, HIW.

Source: Bloomberg
Due to rounding totals may not sum to 100.
Past performance is not a guarantee of future results.

“We began 2023 with an overall tone of caution and uncertainty, and the recent market volatility caused by bank stresses has only compounded investor wariness.”

Income Research + Management

Market in Review

As was the case for much of 2022, concerns about inflation and the labor market were top of investors’ minds during the first two months of 2023. Risk assets performed well in January following a reduction in the rate of inflation and jobless claims coming in below expectations. A strong jobs print and higher-than-expected inflation in February led to weakness in equity and fixed-income assets before the collapse of Silicon Valley Bank (“SIVB”) in March led to significant market volatility and a halt in new bond issuance. Treasury yields fell considerably on news of the bank instability; the 10-year Treasury yield ended the quarter at 3.47%, which is 0.59% lower than the relative peak yield for March and 0.41% lower during the quarter. Investors’ focus shifted to reassessing the stability of financial institutions, particularly regional and Yankee banks, as central banks stepped in to avoid contagion fears. Amid the adverse impact that higher interest rates were having on banks, the U.S. Federal Reserve (“Fed”) hiked the fed funds target range by 0.25% to 4.75%-5.00% in March, following a 0.25% hike in February, continuing its policy to reduce inflation.

The Consumer Price Index (“CPI”) rose 6% year over year in February, down from 6.5% in December, but core CPI rose by 0.5% month over month, the highest figure in five months. The updated Fed DOT plot — the chart that reflects Federal Open Market Committee (“FOMC”) members’ expectations for the Fed target rate over time — maintained an expected terminal rate of 5% for 2023, signaling tight financial conditions ahead, but markets expect the Fed to cut rates in the second half of 2023.

High-yield corporate issuance was quiet in March with just under $5 billion of new bonds pricing during the month. The first quarter total of high-yield issuance came in at $42 billion, which was 51.6% below the trailing five-year, first quarter average. High-yield spreads tightened by 0.14% during the first quarter, from 4.69% to 4.55%, and yields dropped by 0.44%, from 8.96% to 8.52%.

We believe our bottom-up focus should allow us to take advantage of further weakness and benefit if sentiment shifts.

Portfolio Performance

During the first quarter of 2023, the Harbor Core Plus Bond Fund (Institutional Class, “Fund”) returned 3.41%, outperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned 2.96%.

The Fund’s outperformance relative to the index was driven primarily by security selection in the commercial mortgage-backed securities (“CMBS”), asset-backed securities (“ABS”), and Financial and Industrial sectors. Issuance in the first quarter totaled about $400 billion, down 14% from last year’s first quarter figure. The primary market was active during the first two months, but the pause in issuance stemming from the SIVB collapse resulted in the quietest March since 2013. Financial companies, which made up nearly half of the primary market issuance in 2022, were notably quiet and accounted for just 40% of the new deals in the first quarter. Investment-grade corporate spreads widened by 0.08% on the quarter, from 1.30% to 1.38%, with much of the widening coming in March. Despite the spread widening, corporate yields fell by 0.25%, from 5.42% to 5.17%. The spread between A- and BBB-rated debt tightened from 0.50% to 0.49%, continuing the trend from the previous two quarters.

The securitized market saw general weakness as ABS, CMBS, and agency mortgage-backed securities (“MBS”) all underperformed, driven by the increased interest rate volatility in March. Regional banks have significant exposure to commercial real estate, and the instability of those banks in March hurt CMBS performance in particular. The ABS sector benefited from its shorter duration, which attracted investors given the volatile interest rate environment.

On the negative side, our overweight to CMBS and our security selection in RMBS detracted from relative returns.

Portfolio Positioning

We strive to remain duration and curve neutral to the benchmark.

Positive contributors to relative performance included security selection within Industrials and ABS. Detractors from relative performance included security selection within RMBS and an overweight to CMBS.

The Fund's overweight in BAA securities aided relative performance. Also, security selection in the BAA and BA credit buckets aided relative performance.

The Fund's out-of-benchmark security selection in RMBS detracted from relative returns; however, the out-of-benchmark overweight to RMBS aided relative performance.

We invest exclusively in U.S. dollar-denominated, fixed-income securities.

Contributors & Detractors

The largest contributors to Fund performance included Domino's Pizza Master Issuer, Credit Suisse, and WarnerMedia Holdings.

The largest detractors to Fund performance included Boston Properties, Blackstone, and Highwoods Realty.

Buys and Sells

We purchased AMGN 5.25 33 (10-year new issue) in the primary market at +1.50%.

While secondary Amgen spreads do not appear overly appealing at levels that are still near higher-quality competitors, we view the megadeal as a good tactical entry point and believe it should outperform.

We sold AMSR 2022-SFR1 Trust in the secondary market at +1.15%.

This trade was part of a systemic effort to reduce CMBS exposure by selling less favored data center, single-family rental, and conduit CMBS bonds. We reduced exposure to CMBS given the headline risks associated with some subsectors of that market, particularly office and retail.

Outlook

We began 2023 with an overall tone of caution and uncertainty, and the recent market volatility caused by bank stresses has only compounded investor wariness. Markets did not anticipate that the health of financial institutions would pose a major risk at the beginning of the quarter, and it is difficult to anticipate what other turmoil lies ahead in the new monetary environment. There are also concerns about the Fed's ability to lower the rate of inflation to its desired 2% level without additional economic disruptions, as some components of inflation remain at elevated levels even as the overall rate of inflation has dropped. At Income Research + Management, we believe our bottom-up approach puts us in the position to take advantage of opportunities we identify in this volatile market environment. Corporate spreads have widened, but we continue to be highly selective when adding risk across the Fund.

IMPORTANT INFORMATION

Risks

There is no guarantee that the investment objective of the Fund will be achieved. Fixed income investments are affected by interest rate changes and the creditworthiness of the issues held by the Fund. As interest rates rise, the values of fixed income securities held by the Fund are likely to decrease and reduce the value of the Fund's portfolio.

There may be a greater risk that the Fund could lose money due to prepayment and extension risks because the Fund invests, at times, in mortgage-related and/or asset backed securities.

Benchmarks

The Bloomberg US Aggregate Bond Index is an unmanaged index of investment-grade fixed-rate debt issues with maturities of at least one year. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

Disclosures

All data except for top holdings, performance, and yields is provided by the subadvisor.

Current 30-Day Yields are for the Institutional Class and represent the average annualized income dividend over the last 30 days excluding gains and losses as defined by the SEC. Current 30-Day Yield is the Current 30-Day Subsidized SEC Yield and reflects reimbursements or waivers of fees currently in effect. Current 30-Day Yield-Unsub is the Current 30-Day Unsubsidized SEC Yield and does not reflect reimbursements or waivers of fees currently in effect.

Due to rounding, percentages may not sum to 100.

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.

Income Research + Management is an independent subadvisor to the Harbor Core Plus Fund.

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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.

Duration is a commonly used measure of the sensitivity of the price of a debt security, or the aggregate market value of a portfolio of debt securities, to change in interest rates. Securities with a longer duration are more sensitive to changes in interest rates and generally have more volatile prices than securities of comparable quality with a shorter duration.