Harbor Core Bond Fund

Income Research + Management

Subadvisor Since 06/01/2018

Total Net Assets – *All Classes*	$105,429,062
Fixed Income Assets:	99.55%
Cash & Other Assets Less Liabilities:	0.45%
Benchmark Name:	Bloomberg US Aggregate Bond Index

Portfolio Managers


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Investment Philosophy

The Fund invests primarily in investment-grade fixed income securities of issuers located in the U.S. 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 bonds, debt securities and other similar instruments issued by various public- or private-sector entities. The Subadviser's approach is grounded in detailed bottom-up research and emphasizes careful security selection through rigorous fundamental credit analysis of the issuer, a detailed review of the structural features of the security, and relative-value comparisons to other opportunities. In order to be selected for the portfolio, a security must be attractive on all three of these factors. If one factor deteriorates, the security becomes a candidate for sale.

CHARACTERISTICS & ALLOCATION

As of 03/31/2023

Portfolio Characteristics

	Portfolio	Benchmark
Number of Bonds	271	13,278
Avg. Market Coupon (%)	3.64	2.87
Wtd. Avg. Maturity (yrs)	8.92	8.50
Wtd. Avg. Duration (yrs)	6.35	6.33
Beta vs. Fund Benchmark	1.01	
Current 30-Day Yield %	3.78	
Current 30-Day Un-Sub Yield %	3.70	

Top 10 Issues

	Portfolio %
US TREASURY N/B 08/42 3	5.98
US TREASURY N/B 01/28 3	4.85
US TREASURY N/B 08/52 3	3.57
US TREASURY N/B 01/25 4	2.98
US TREASURY N/B 08/32 2	2.34
US TREASURY N/B 02/42 2	1.38
US TREASURY N/B 02/52 2	1.01
FNMA POOL FM5601 FN 01/	0.96
FED HM LN PC POOL ZA119	0.90
FNMA POOL CA5181 FN 02/	0.88
Total	**24.85**

Maturity

	Portfolio %
0-1 yr	2.34
1-3 yr	14.82
3-5 yr	22.05
5-7 yr	13.85
7-10 yr	24.90
10-20 yr	13.28
20-30 yr	8.08
Over 30 yr	0.69

Duration

	Portfolio %
0-1 yr	3.13
1-3 yr	19.66
3-5 yr	29.24
5-7 yr	18.40
7-10 yr	12.93
10-20 yr	16.64
20-30 yr	0.00
Over 30 yr	0.00

Credit Quality

	Portfolio %
US Govt/Agency	22.14
AAA	43.36
AA	3.31
A	12.14
BBB	18.61
BB	0.23
B	0.00
CCC	0.00
CC	0.00
C	0.00
Below C	0.00
Non-Rated	0.00

Harbor

CHARACTERISTICS & ALLOCATION

As of 03/31/2023

Sector	% of Market Value
Credit	**30.12**
Industrial	13.86
Finance	13.17
Utility	3.09
Non-corporate	0
Government	**26.23**
Treasury	22.41
SBA and Gov Guaranteed	3.82
Agency	0
Municipal	**1.62**
Revenue	1.10
GO	0.52
Pre-Refund/ETM	0
Securitized	**41.81**
Agency RMBS	25.71
ABS	8.14
CMBS	6.71

Sector (cont.)	% of Market Value
RMBS	1.02
Agency CMBS	0.23

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	HACBX	411512239	3.22%	3.22%	-4.91%	-2.24%	N/A	N/A	1.13%	06/01/18	0.34	0.44
Retirement	HCBRX	411512197	3.35%	3.35%	-4.72%	-2.13%	N/A	N/A	1.23%	06/01/18	0.26	0.36
Bloomberg US Aggregate Bond Index			2.96%	2.96%	-4.78%	-2.77%	N/A	N/A	0.94%	06/01/18		

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.

“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.

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 Bond Fund (Institutional Class, “Fund”) returned 3.22%, 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.

Portfolio Positioning

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

Positive contributors to relative performance included security selection within Financials, CMBS, and ABS. Detractors from relative performance included overweights to both Financials and CMBS.

The Fund’s underweight in AAA securities and overweight to BAA securities have aided relative performance. Also, security selection in the AAA, BAA, A, and BA credit buckets aided relative performance.

The Fund’s out-of-benchmark security selection in Small Business Administration (“SBA”) loans aided relative returns.

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

On the negative side, our overweights in Financials and CMBS detracted from relative returns.

Contributors and Detractors

The largest contributors to Fund performance included WarnerMedia Holdings, United Airlines, and an agency residential mortgage-backed securities (“RMBS”) pool.

The largest detractors from Fund performance include American Tower Trust, Capital One Financial, and a CVS pass-through-trust security.

Buys & Sells

We purchased Penske 5.55 28 (five-year new issue) in the primary market at +2.05%.

Penske is one of the largest, full-service truck leasing companies in the U.S. and is privately held. The purchase of this new issue was based on our favorable view on long-term demand and the counter-cyclical cash flow of the business.

We sold FNMA pool FM8968 at 2.18% when the pay-up for this seasoned (2013 vintage) pool increased significantly from the time of purchase. The increase in pay-up provided an opportunity to sell the bond and monetize gains in the Fund.

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.

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

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference	Market Term Structure	Asset Allocation	Security Selection	Price and Intraday	Total
1Q 2023	3.18	2.96	0.21	(0.17)	(0.01)	0.42	(0.02)	0.21

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday	
Duration	(0.09)	Finance	(0.02)	Finance	0.09	Pricing	(0.02)
Shape	(0.07)	Industrial	0.00	Industrial	0.07	Intraday	(0.01)
Other	(0.01)	Utility	0.00	Utility	0.01		
		ABS	0.00	ABS	0.09		
		CMBS	(0.06)	CMBS	0.10		
		MBS	0.01	MBS	0.04		
		Agency	0.00	Agency	0.02		
		Municipal	0.03	Municipal	(0.01)		
		Non-Corp	0.00	Non-Corp	0.00		
		Treasury	0.03	Treasury	0.00		
		Other	(0.01)	Other	0.00		

What Worked

- The Harbor Core Bond Fund outperformed the Bloomberg Aggregate Index in the 1st quarter.
- Security selection within ABS and Finance contributed to outperformance.
- The portfolio's underweight to Treasury and overweight to Municipal aided relative performance.
- Top performers: WBD, UAL, and an Agency RMBS security.

What Didn't Work

- Security selection within RMBS detracted from relative returns.
- The portfolio's overweight to CMBS detracted from relative returns.
- Bottom performers: COF, ARE, and an ABS security.

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

Harbor Core Bond Fund – 1 Year Attribution – *As of 03/31/2023*

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference
1 Year	(4.54)	(4.78)	0.24

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday		Total
(0.14)		(0.12)		0.60		(0.10)		0.24
Duration	(0.05)	Finance	(0.01)	Finance	0.10	Pricing	0.00	
Shape	0.00	Industrial	0.05	Industrial	0.05	Intraday	(0.09)	
Other	(0.09)	Utility	0.01	Utility	0.04			
		ABS	0.06	ABS	(0.07)			
		CMBS	(0.10)	CMBS	0.16			
		MBS	0.03	MBS	0.29			
		Agency	0.02	Agency	0.00			
		Municipal	0.03	Municipal	0.04			
		Non-Corp	(0.02)	Non-Corp	0.00			
		Treasury	(0.13)	Treasury	(0.02)			
		Other	(0.05)	Other	0.00			

What Worked

- The Harbor Core Bond Fund portfolio outperformed the Bloomberg Aggregate Index over the past 12 months.
- Security selection within Agency RMBS aided relative performance.
- The portfolio's overweight to Industrial and ABS.
- Top performers: STLA, BA, and an Agency RMBS.

What Didn't Work

- Security selection within RMBS detracted from relative returns.
- The portfolio's underweight to Treasuries detracted from relative performance.
- Bottom performers: An ABS security, LNC and a Non-Agency RBMS.

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

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.

Credit quality breakdown is based on ratings from Moody’s, Standard and Poor’s and Fitch. In cases where all three credit rating agencies have assigned different credit ratings to the same security, the middle rating is used. In cases where the security is rated by two rating agencies, the lower rating is used and, in cases where only one rating agency has assigned a credit rating to a security, that rating is used. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Securities that receive no rating from an independent agency have been categorized as ‘not rated.’ Certain unrated securities (such as derivatives) are not reflected in the data shown. U.S. Treasury and U.S. Agency securities appear under the category U.S. Government/Agency. The credit quality of securities in the Fund’s portfolio does not apply to the stability or safety of the Fund. The Fund itself has not been rated by an independent rating agency.

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 Bond Fund.

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Attribution Disclosures

All data for this attribution analysis is provided by Income Research + Management.

Linked Performance by Sectors data is produced from FactSet using data supplied by State Street Bank and Trust Company.

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.

Other is the contribution to relative return due to the cumulative differences in carry, rolldown, and convexity.

Shape is the contribution to relative return due to the difference between the portfolio’s and the index’s duration profiles. The basic formula is the [(difference of each key rate duration between the portfolio and the index) multiplied by the total return of the respective key rate Treasury] minus the Duration and Other effects.

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.