

Harbor Energy Transition Strategy ETF

Quantix Commodities LP

Subadvisor Since 07/13/2022

Portfolio Managers



Matthew Schwab

Ticker: RENW
CUSIP: 41151J802
Net Expense Ratio: 0.80%
Gross Expense Ratio: 0.80%
Total Net Assets: \$22,759,720
Benchmark Name: Quantix Energy Transition Total Return Index

Investment Philosophy

The Harbor Energy Transition Strategy ETF seeks to provide investment results that closely correspond, before fees and expenses, to the performance of the Quantix Energy Transition Index (the "Index"). The Quantix Energy Transition Index ("QET") was designed with the objective of providing diversified exposure to the building blocks of the accelerating transition from carbon-intensive energy sources to less carbon-intensive sources of energy using commodity futures.

Commodity futures that provide exposure to the energy transition theme are considered component candidates for inclusion in the Index. Examples include copper, aluminum, nickel, zinc, lead, natural gas, silver, palladium, platinum, soybean oil, ethanol, emissions – European Union Allowances (EUA), and emissions – California Carbon Allowances (CCA).

The selection of commodities is subject to annual review by the Index Review Committee of Quantix Commodities Indices (the "Index Review Committee"). The Index Review Committee determines annually whether the commodity futures that meet certain criteria will be included in the index for the following year, and upon that determination will weight them by liquidity and open interest with a monthly rebalancing.

WEIGHTS & PERFORMANCE

As of 03/31/2023

Commodity Sector Weights				
Commodity Sector	Commodity	Ticker	Facility	Daily Weight %
Emissions	EU Emission Allowance	MOZ23	ICE	14.25
Industrial	Aluminum	LAU23	LME	12.47
Natural Gas	Dutch Natural Gas	TZTK3	ICE	10.28
Natural Gas	Natural Gas	NGU23	CME	8.57
Industrial	Comex Copper	HGU3	CME	8.40
Precious	Silver	SIU3	CME	7.60
Industrial	Nickel	LNU3	LME	7.44
Ethanol And Soybean Oil	Bean Oil	BOZ3	CME	6.86
Natural Gas	UK Natural Gas	FNK3	ICE	5.41
Industrial	Zinc	LXU3	LME	5.26
Ethanol And Soybean Oil	Ethanol	CUAK3	CME	2.85
Precious	Platinum	PLN3	CME	2.73
Emissions	California Carbon Allowance	LUDZ23	ICE	2.67
Precious	Platinum	PAM3	CME	2.65
Industrial	Lead	LLN3	LME	2.57

Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Energy Transition Strategy ETF (NAV)	-9.65%	-9.65%	N/A	N/A	N/A	N/A	-15.13%	07/13/22
Harbor Energy Transition Strategy ETF (Market)	-12.41%	-12.41%	N/A	N/A	N/A	N/A	-15.80%	07/13/22
Quantix Energy Transition Total Return Index	-9.06%	-9.06%	N/A	N/A	N/A	N/A	-13.29%	07/13/22
Bloomberg Commodity Index Total Return(SM)	-5.36%	-5.36%	N/A	N/A	N/A	N/A	-4.54%	07/13/22

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.

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.



“Quantix believes that the long-term investment thesis for the energy transition remains intact. As of December 2022, over 90% of global GDP is committed to an energy transition that will include a massive expansion of renewables over the next 30 years.”

Quantix Commodities

Market in Review

Macroeconomic cross currents created a very challenging investing environment during the first quarter of 2023. Conflicting signals have generated significant turbulence for the U.S. Federal Reserve (“Fed”) as it attempts to navigate a “soft landing.” Overall, investors have had to “fasten their seatbelts” due to unstable economic conditions.

These macro effects drove big price swings in commodities. In January, the belief that peak rates were near led to buoyant commodity markets for most of the month (with the exception of Natural Gas). Then, persistently strong inflation data and a hawkish Fed dampened this optimism in February, leading to moderate declines. In March, we saw the first significant signs of rate-induced financial stress feed into the market through well-publicized bank failures, leading to investors dumping commodity length (particularly Crude Oil) in a major way.

Commodity markets — as measured by the Bloomberg Commodity Index Total Return Index, BCOMTR — were negative during the first quarter, down -5.36%. More than two-thirds of those losses came in U.S. Natural Gas as an exceptionally warm winter meant that concerns about not having enough supply quickly turned to concerns about oversupply. The BCOM Natural Gas Index (BCOMNGTR) was down more than 50% during the quarter.

To turn the spotlight on Gold, since the financial crisis, the path of real rates has been a highly reliable signal for the price of Gold. As real rates rose, the price of Gold fell and vice versa. Given the rapid, nominal rate hikes witnessed in 2022, real rates rose dramatically and should have led to a precipitous decline in the price of Gold. However, that did not happen. Instead of dropping \$500 (consistent with historical rate/gold relationships), Gold prices remained relatively steady through the year. The reason for this relative strength was discovered during the first quarter: massive central bank demand. In 2022, these banks bought a record 1,136 tons of Gold according to the World Gold Council, worth around \$70 billion, and by far the most since 1950.

Portfolio Performance

During the quarter, the Harbor Energy Transition Strategy ETF (“ETF”) returned -9.65% (NAV), underperforming the Quantix Energy Transition Total Return Index return of -9.06%.

Different commodity sectors in the ETF performed very differently during the quarter, which was affected more by an idiosyncratic move in Natural Gas than by macro headwinds. Importantly, the energy transition theme shows no signs of being derailed.

Almost all of the underperformance came from the Natural Gas sector as the historically warm winter on both sides of the Atlantic led to the global price of Natural Gas falling precipitously. The Base Metals sector also detracted on global growth concerns and fewer signs that China’s reopening policies were feeding through to the real economy. Emissions contributed positively during the quarter, particularly in Europe, due to slower-than-expected sales by the European Union (“EU”) in connection with the REPowerEU reform package.

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Contributors & Detractors

On a commodity sector basis, the Natural Gas sector detracted from the ETF's performance during the quarter, along with Base Metals, Oilseeds, and Precious Metals. Emissions contributed positively.

On an individual basis, the biggest detractors were both in the Natural Gas sector, European Natural Gas, and U.K. Natural Gas. In a continuation from the fourth quarter of 2022, both commodities suffered due to the continued historically warm winter in Europe, and the geopolitical risk premium — which had built up earlier in 2022 — also continued to come out of the markets.

The largest individual contributor was EU Emissions, the largest individual holding, due to slower-than-expected sales by the EU in connection with the REPowerEU reform package. Copper was also a positive contributor during the first quarter.

Buys & Sells

There were no positions added or sold during the quarter.

Outlook

Quantix believes that the long-term investment thesis for the energy transition remains intact. As of December 2022, over 90% of global GDP is committed to an energy transition that will include a massive expansion of renewables over the next 30 years. This will require commodities that the world simply will not have at current production levels, and the availability of those materials does not seem to have been factored into any commitments, including those enshrined in law.

Events during the first quarter have proven that the flight path to a soft landing for the economy continues to remain unclear. The recent decision by U.S. regulators to provide emergency liquidity to stabilize regional banks may have avoided a crash landing, but in doing so, we believe it simultaneously ensured more “circling of the airfield” in continuing hazardous conditions.

It is only natural for investors to fixate on every bump on this flight. However, Quantix believes the best opportunity will be revealed by stepping back and focusing on what the environment will look like once markets “deplane.” The structural themes of deglobalization and decarbonization will be present wherever and whenever the plane touches down, and we believe these themes will be supportive for commodity markets for the foreseeable future.

Risks

Investing involves risk, principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. Harbor ETFs are new and have limited operating history to judge.

Commodity and Commodity Linked Derivative Risk: The Fund has exposure to commodities through its and/or the Subsidiary's investments in commodity-linked derivative instruments. The Fund's investments in commodity-linked derivative instruments (either directly or through the Subsidiary) and the tracking of an Index comprised of commodity futures may subject the Fund to significantly greater volatility than investments in traditional securities.

The Fund is non-diversified and may invest a greater concentrate of its assets in a particular sector of the commodities market (such as metal, gas or emissions products). As a result, the Fund may be more susceptible to risks associated with those sectors.

Authorized Participant Concentration/Trading Risk: Only authorized participants ("APs") may engage in creation or redemption transactions directly with the Fund.

Energy Transition Risk: The commodities included in the Index may become less representative of energy transition trends over time and the Fund's investments may be significantly impacted by government and corporate policies.

Foreign Currency Risk: Because the Index may include futures contracts denominated in foreign currencies, the Fund could be subject to currency risk.

Benchmarks

The Quantix Energy Transition Index ("QET") is a dynamic commodity index with the objective of providing diversified exposure to the building blocks of the accelerating transition from carbon-intensive energy sources to less carbon intensive sources of energy using commodity futures. This index is unmanaged and does not reflect fees and expenses and is not available for direct investment.

The Bloomberg Commodity Index measures the performance of future contracts on physical commodities which traded on US exchanges and London Metal Exchange. The commodity weightings are based on production and liquidity, subject to weighting restrictions applied annually.

BCOM Natural Gas Index (BCOMNGTR) is designed to be a benchmark for natural gas as an asset class and is currently composed of one futures contract on the commodity of natural gas. The Index is a sub-index of the Bloomberg Commodity Index Total ReturnSM (the "Commodity Index" or the "BCOM Index").

Disclosures

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expense.

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.

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.

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.

Quantix Commodities LP ("Quantix") is a third-party subadvisor to the Harbor Energy Transition Strategy ETF.

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