

Harbor Health Care ETF

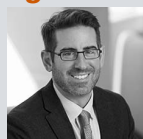
Westfield Capital Management Company, L.P.
Subadvisor Since 11/16/2022

Ticker: MEDI
CUSIP: 41151J869
Net Expense Ratio: 0.80%
Gross Expense Ratio: 0.80%
Total Net Assets: \$3,600,427
Benchmark Name: Russell 3000® Growth Health Care Index

Portfolio Managers



William A. Muggia



Matthew R. Renna

Investment Philosophy

The Harbor Health Care ETF (MEDI) is actively managed by Westfield Capital and primarily invests in the securities of companies principally engaged in the research, development, production or distribution of products and services related to the health care industry. MEDI is a concentrated portfolio (30 to 50 holdings) of companies Westfield believes are best positioned to benefit from the secular growth and innovation within the US health care system with long-term alpha potential. The portfolio is diversified across health care industry groups and market capitalizations.

Westfield employs a bottom-up process to identify quality health care opportunities with differentiated products, technologies, and services that meet their disciplined valuation criteria. In constructing the Fund's portfolio, Westfield seeks to identify companies that it believes possess the following characteristics:

- Compelling company management;
- Significant inside ownership;
- Unique market positions and broad market opportunities, and
- Solid financial controls and accounting processes

CHARACTERISTICS & ALLOCATION

As of 03/31/2023

Portfolio Characteristics		
	Portfolio	Benchmark
Number of Holdings	34	311
Wtd. Avg Market Cap (\$Mil)	138,012.60	181,699.80
Med Cap - # Stocks (\$Mil)	9,768.00	1,385.00
Price/Book Ratio	5.68	7.83
Adjusted Trailing P/E Ratio	34.50	24.60
% EPS Growth - Past 3 Yr	16.40	15.10
Return on Equity (%)	11.55	26.91
Forecasted P/E Ratio	27.90	19.10

Top 5 Industries		
	Portfolio %	Benchmark %
Biotechnology	22.13	28.88
Health Care Providers	19.97	22.93
Health Care Equip	19.16	19.61
Pharmaceuticals	19.03	18.78
Life Sciences Tools	18.01	8.28
Total	98.30	99.48

Top 10 Holdings		
	Portfolio %	Benchmark %
UnitedHealth Group Inco	14.61	16.51
Eli Lilly and Company	13.55	9.67
Ascendis Pharma A/S Spo	7.77	0.00
ICON Plc	5.73	0.00
Alkermes Public Limited	5.39	0.19
Bio-Rad Laboratories In	4.38	0.00
DexCom Inc.	3.99	1.84
Intuitive Surgical Inc.	3.59	3.40
Thermo Fisher Scientifi	3.55	1.13
Merck & Co. Inc.	3.53	4.63
Total	66.11	37.37

Market Capitalization		
		Portfolio %
Large	Above 25.0B	45.68
	10.0B - 25.0B	21.51
Mid	5.0B - 10.0B	18.43
	1.0B - 5.0B	13.59
Small	0.0 - 1.0B	0.78



Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Health Care ETF (NAV)	1.63%	1.63%	N/A	N/A	N/A	N/A	3.58%	11/16/22
Harbor Health Care ETF (Market)	1.58%	1.58%	N/A	N/A	N/A	N/A	4.21%	11/16/22
Russell 3000® Growth Health Care Index	-1.34%	-1.34%	N/A	N/A	N/A	N/A	0.54%	11/16/22

MANAGER COMMENTARY

As of 03/31/2023

“Amid slowing growth and persistent volatility over the last 12 months, embracing quality has yielded strong results, and we expect that backdrop to continue over the balance of the year, as it did during the first quarter.”

Westfield Capital Management Company, L.P.

Market in Review

Equities finished the first quarter of 2023 higher, despite multiple, double-digit percentage swings in the indexes throughout the month. After stocks surged in January on the hopes of a more dovish U.S. Federal Reserve (“Fed”) policy and a “soft landing” coming to pass, indexes reversed course in February as data showed persistent inflation and hawkish Fed commentary. Then, almost 12 months into the tightening cycle, cracks emerged in the banking system, which ultimately led to the collapse of Silicon Valley Bank. Investors flocked to perceived safe-haven segments of the market, most notably into mega-cap Tech, among others. Despite trading in tandem for much of the quarter, large caps diverged rather dramatically in March, outperforming small caps by a wide margin.

Portfolio Performance

During the quarter, the Harbor Health Care ETF (“ETF”) returned 1.63% (NAV), outperforming the Russell 3000® Growth Health Care Index, which returned -1.34%. From an industry perspective, relative strength within Health Care Equipment & Supplies and Life Sciences Tools & Services offset relative weakness within Health Care Technology.

The relative outperformance was driven by a combination of strong stock selection and a common factor tailwind during the quarter. From a factor perspective, the ETF’s overweight to Growth, Momentum, and Volatility provided a tailwind to relative performance. This was partially offset by a headwind from the ETF’s overweight to Value.

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. 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.



Contributors & Detractors

Lantheus Holdings, a provider of diagnostic imaging, was the top contributor to relative performance during the quarter. The stock outperformed after the company raised its guidance at the JPMorgan conference. We believe its drug Pylarify, used to treat prostate cancer, continues to gain share and should provide a runway for growth. We also see further upside to consensus numbers via radiopharmaceutical market growth.

Catalent, a delivery-technology and development-solution provider for drugs, biologics, and consumer health products, also contributed positively to relative results during the quarter. The stock performed well following the JPMorgan conference, aided by rumors that Danaher was interested in acquiring Catalent. We continue to believe Catalent is a leading, global provider of advanced dosage-delivery technologies and drug-development solutions, and it has a diversified product portfolio with strong consumer retention.

Ascendis Pharma, a biotech company with an innovative technology platform with multiple late-stage assets, was the top detractor from relative returns during the quarter. Despite preannouncing that its fourth quarter Skytrofa revenues met consensus expectations, the company disclosed ophthalmology as the next vertical for its TransCon technology, which disappointed investors who were anticipating a metabolic or endocrine vertical in nature. Additionally, poor investor sentiment within the biotech space weighed on the stock during the quarter.

Veradigm, an integrated data systems and services company that combines data-driven clinical insights with actionable tools to help health care stakeholders, also detracted from relative performance during the quarter. The stock underperformed after the company announced it detected internal control failures related to revenue recognition over the prior six quarters. Despite the negative news, we believe the new management team is capable of remedying the ills of previous management and getting the company back on solid footing.

Buys & Sells

During the quarter, we purchased 89bio, a biotech company focused on cardiometabolic disorders. We added 89bio to the ETF in advance of the company's Phase 2b data release for a drug treating nonalcoholic steatohepatitis (NASH), which has an enormous, obesity-like, total addressable market. Importantly, 89bio trades at an attractive valuation relative to peers, resulting in an attractive upside/downside in our opinion.

During the quarter, we sold our position in Karuna Therapeutics, a clinical stage biopharma company focused on therapies to treat psychosis and cognitive impairment disorders. Shares traded lower following the announcement that the company was doing a follow-on offering, and we decided to sell our position on a bounce as we no longer had confidence in the company's setup for 2023.

Outlook

Amid slowing growth and persistent volatility over the past 12 months, embracing quality has yielded strong results, and we expect that backdrop to continue over the balance of the year, as it did during the first quarter. Market headwinds remain, and we expect turbulence to continue throughout 2023. We remain focused on what we can control: sticking to evaluating fundamentals with a bias toward quality growth. We favor cash flows and durable earnings over long-duration assets and leverage — all else equal. We are also looking across the market for opportunities where beaten-down stocks with fantastic growth prospects now trade at compelling prices. We have positioned the ETF to endure the volatility, but also to participate in improving conditions, should that come to pass. As always, our ETF positioning will evolve alongside our market expectations as we move forward throughout the year.



Best & Worst Performers

Best Performers	Average Weight %	Return % (NAV)
Lantheus Holdings Inc	4.21	62.01
Catalent Inc	2.68	45.99
Apellis Pharmaceuticals Inc.	1.25	27.56
IVERIC bio Inc.	0.32	26.19
IDEXX Laboratories Inc.	1.77	22.58

Worst Performers	Average Weight %	Return % (NAV)
Veradigm Inc.	1.10	-29.27
Azenta Inc.	1.05	-23.36
Arcutis Biotherapeutics Inc	0.28	-18.31
Bicycle Therapeutics Plc Sponsored ADR	0.30	-16.94
Innoviva Inc.	0.86	-15.09

Contributors & Detractors

Greatest Contributors	Return % (NAV)	Contribution to Return %
Lantheus Holdings Inc	62.01	2.21
Catalent Inc	45.99	1.01
IDEXX Laboratories Inc.	22.58	0.56
Bio-Rad Laboratories Inc. Class A	13.92	0.55
ICON Plc	9.96	0.54
Total		4.85

Greatest Detractors	Return % (NAV)	Contribution to Return %
UnitedHealth Group Incorporated	-10.64	-1.60
Ascendis Pharma A/S Sponsored ADR	-12.21	-1.10
Eli Lilly and Company	-5.92	-0.48
Veradigm Inc.	-29.27	-0.48
AbbVie Inc.	-3.27	-0.33
Total		-3.99

Risks

Investing involves risk, principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. The ETFs are new and have 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. Since the Fund may hold foreign securities, it may be subject to greater risks than funds invested only in the U.S. These risks are more severe for securities of issuers in emerging market regions. Foreign currencies can decline in value and can adversely affect the dollar value of the fund. Since the Fund typically invests in a limited number of companies, an adverse event affecting a particular company may hurt the Fund's performance more than if it had invested in a larger number of companies.

Health Care Industry Risk: Because the Fund seeks to invest all, or substantially all, of its assets in the health care industry, the value of its shares will depend on the general condition of the that industry. The health care industry may be affected by any number of factors, including, but not limited to, lapsing patent protection, industry innovation, extensive government regulation, restrictions on government reimbursement for medical expenses, research and development costs, limited product lines, product liability litigation, an increased emphasis on outpatient services, and competitive forces.

Authorized Participant Concentration/Trading Risk: Only authorized participants ("APs") may engage in creation or redemption transactions directly with the Fund. The Fund is classified as non-diversified, a non-diversified Fund may invest a greater percentage of its assets in securities of a single issuer, and/or invest in a relatively small number of issuers, it is more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio. **New Fund Risk:** There can be no assurance that the Fund will grow to or maintain an economically viable size, in which case the Board of Trustees may determine to liquidate the Fund. **Small and Mid Cap Risk:** The Fund's performance may be more volatile because it may invest in issuers that are smaller companies.

Benchmarks

The Russell 3000® Growth Health Care Index is an unmanaged index generally representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. The Russell 3000® Growth Health Care Index and Russell® are trademarks of Frank Russell Company. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

Disclosures

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

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.

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.

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.

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.

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.

Westfield Capital Management Company, L.P. is a third-party subadvisor to the Harbor Health Care ETF.

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

Definitions

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.