

# Harbor Corporate Culture Small Cap ETF

Ticker: **HAPS** | April 2023

## Why Culture Matters

It is often claimed that people are a company's most important asset, yet tangible measures of corporate culture and employee well-being are not captured on the balance sheet. Utilizing the latest behavioral economic research, Irrational Capital has uncovered what they believe to be a direct systematic link between company culture and resulting company equity performance – **The Human Capital Factor**.

The Human Capital Factor is built on the premise that 'doing the right thing pays.' More specifically, companies that treat employees well, across a range of characteristics, cultivate a more motivated and aligned workforce that potentially delivers improved stakeholder outcomes.

Derived from Irrational Capital's proprietary research and employee survey data along with other publicly available, grassroots sources, the Human Capital Factor is a distinctive investment factor measuring corporate culture and its connection to future equity performance.

HAPS offers exposure to small capitalization companies with strong Human Capital Factor scores while constraining sectors in an effort to enhance overall diversification benefits.

## Portfolio Implementation Ideas:

- A core small cap U.S. equity holding designed to incorporate the Human Capital Factor
- A portfolio diversifier; an offering seeking to be uncorrelated to other investment styles
- A socially conscious strategy accessing companies believed to have strong corporate cultures

Ticker Symbol	HAPS
Cusip	41151J851
Total Expense Ratio	0.64%
Inception Date	04/12/2023
Listing Date	04/13/2023
Index Provider	Canadian Imperial Bank of Commerce (CIBC)
Benchmark	The CIBC Human Capital Factor Small Cap Index
Initial Offering Price	\$25.00
Listed Exchange	NYSE
Lead Market Maker	Virtu
Index Rebalance Frequency	Quarterly, with Annual Index Reconstitution

## ETF Structure

- **Cost Effective:** HAPS is a cost-efficient way to gain access to a diversified, socially conscious, and leading-edge strategy focused on human capital.
- **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.



## HAPS Overview

The **Harbor Corporate Culture Small Cap ETF (HAPS)** seeks to provide investment results that correspond, before fees and expenses, to the performance of the CIBC Human Capital Factor Small Cap Index (the "Index").

The Fund employs an indexing investment approach designed to track the performance of the Index. The Fund invests at least 80% of its total assets in securities that are included in the Index.

The Index consists of a modified market capitalization-weighted portfolio of equity securities of approximately 200 U.S. companies identified by Irrational Capital LLC ("Irrational Capital") as those it believes to possess strong corporate culture based on its proprietary scoring methodology. The Index was developed by the Canadian Imperial Bank of Commerce (CIBC, the "Index Provider"). Irrational Capital calculates Human Capital Factor scores based on a proprietary, rules-based scoring methodology it developed by leveraging its research in behavioral science, data science, and human capital. The scoring methodology seeks to quantitatively measure the contribution of a company's corporate culture to its financial performance.



**Dan Ariely**

Behavioral Economist, Co-Founder,  
Irrational Capital

*"Of all the investments companies make, creating a strong corporate culture is one of the best ways to create value. This is why employee behavior and motivation can be such an important element of stock market performance."*

## Irrational Capital's Differentiated Approach

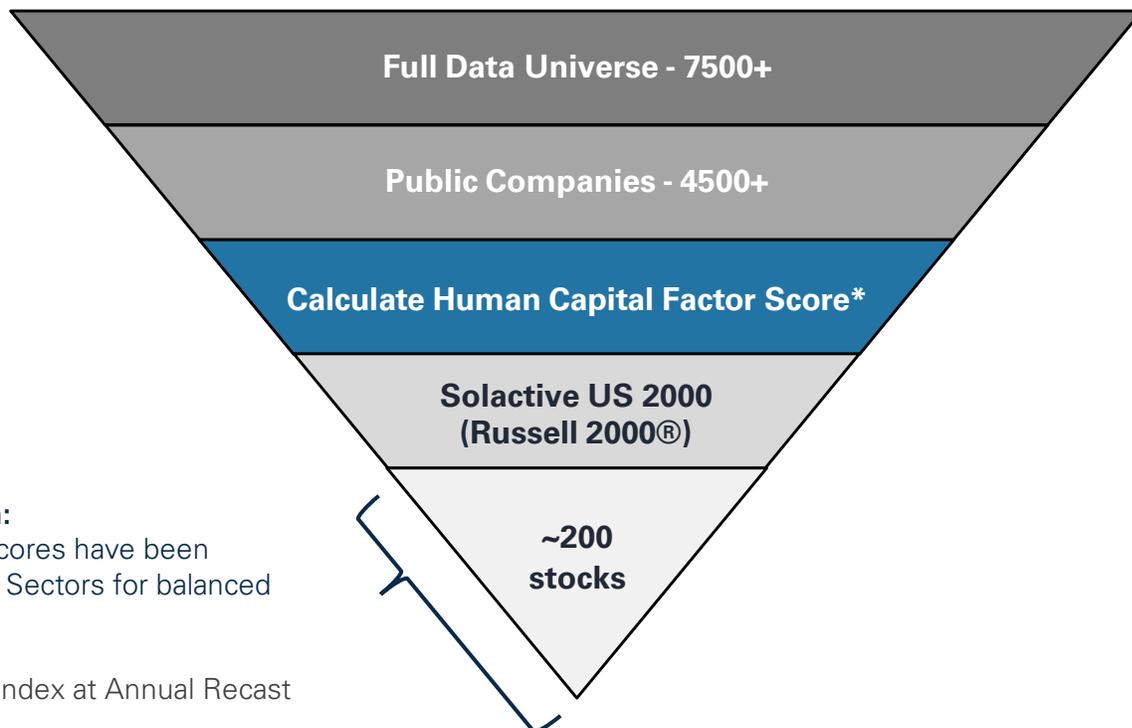
Current investment strategies that focus on social characteristics tend to evaluate companies based on easily measurable (and publicly available) inputs and voluntary disclosures. Irrational Capital believes that evaluating the strength of corporate culture requires deeper insight into intangible factors that are not yet captured in broadly available disclosure data. Instead, their approach focuses on what companies are really doing as measured through actual employee surveys and millions of data points. Through proprietary research, employee surveys and public data, the Human Capital Factor measures the impact of intrinsic and extrinsic motivation on business fundamentals which, in turn, can impact equity performance.



Source: Irrational Capital, March 2023



## HAPS Portfolio Construction



### \*Sector Normalization:

Human Capital Factor Scores have been normalized across GICS Sectors for balanced representation

- Sector Weighted to Index at Annual Recast
- Market Cap Weighted within sectors
- Lesser of 15x Index Weight and 2% Single Name Limits
- Sector Small Cap ETFs used to fill sector weight gaps

Source: Irrational Capital, March 2023

**For more information**, please visit [www.harborcapital.com/etfs](http://www.harborcapital.com/etfs) or call (866) 313-5549.



## Important Information

**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.

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.

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. Stocks of small cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies. The Fund may not exactly track the performance of the Index with perfect accuracy at all times. Tracking error may occur because of pricing differences, timing and costs incurred by the fund or during times of heightened market volatility. The Fund relies on the Index provider's methodology in assessing whether a company may be considered a corporate culture leader. There is no guarantee that the construction methodology will accurately assess a company to include or exclude it from the index which could have an adverse effect on the Fund's returns. The Fund's assets may be concentrated in a particular sector or industries to the extent the Index is concentrated and is subject to the risk that economic, political, or other market conditions that have a negative effect on that sector or industry will negatively impact the value of the Fund. The Fund's assets may be concentrated in a particular sector, industry or group of industries to the extent the Index is so concentrated and could subject the Fund to the risk that economic, political or other conditions that have a negative effect on the Fund. 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.

The Human Capital Factor Small Cap Index is designed to deliver exposure to equity securities of U.S. companies that possess strong human capital, based on proprietary scoring methodology produced by Irrational Capital LLC. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

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.

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**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 [harborfunds.com](http://harborfunds.com) or call 800-422-1050. Read it carefully before investing.**

**Foreside Fund Services, LLC is the Distributor of the Harbor Corporate Culture Small Cap ETF.**

CIBC is a third-party index provider to the Harbor Corporate Culture Small Cap ETF.