

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: \$16,116,678
Benchmark 1 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 12/31/2024

Portfolio Characteristics		
	Portfolio	Benchmark
Number of Holdings	39	386
Wtd Avg Market Cap (\$Mil)	123,158.10	297,101.00
Median Market Cap (\$Mil)	8,261.00	931.00
Price/Book Ratio	5.37	14.06
Adjusted Trailing P/E Ratio	46.60	62.00
% EPS Growth - Past 3 Yr	11.70	-3.00
Est 3-5 Yr EPS Growth Rate (%)	16.70	26.40
Return on Equity (%)	13.22	25.78
Beta vs. Fund Benchmark	0.61	
Forecasted P/E Ratio	36.30	45.60

Top 10 Holdings		
	Portfolio %	Benchmark %
Ascendis Pharma A/S	16.01	0.00
Eli Lilly and Company	9.08	28.18
Legend Biotech Corp.	7.65	0.00
UnitedHealth Group	6.84	1.44
Vaxcyte Inc.	5.92	0.46
Option Care Health Inc.	4.95	0.08
Intuitive Surgical Inc.	4.43	8.41
DexCom Inc.	4.27	1.38
Lantheus Holdings Inc.	3.36	0.28
Insulet Corporation	2.60	0.83
Total	65.11	41.06

Top 5 Industries		
	Portfolio %	Benchmark %
Biotechnology	44.78	25.97
Health Care Equip	28.04	18.81
Health Care Providers	11.79	6.97
Pharmaceuticals	11.02	44.20
Life Sciences Tools	3.93	2.21
Total	99.56	98.16

Market Capitalization		
		Portfolio %
Large	Above 25.0B	33.56
	10.0B - 25.0B	13.84
Mid	5.0B - 10.0B	36.05
	1.0B - 5.0B	14.22
Small	0.0 - 1.0B	1.87

Harbor Health Care ETF



PERFORMANCE

As of 12/31/2024

Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Health Care ETF (NAV)	-10.89%	0.54%	0.54%	N/A	N/A	N/A	12.27%	11/16/2022
Harbor Health Care ETF (Market)	-10.92%	0.58%	0.58%	N/A	N/A	N/A	12.66%	11/16/2022
Russell 3000 [®] Growth Health Care Index	-9.42%	4.73%	4.73%	N/A	N/A	N/A	8.60%	11/16/2022

MANAGER COMMENTARY

As of 12/31/2024

“The fourth quarter of 2024 presented a complex landscape for the Health Care sector, reflecting broader market dynamics as well as idiosyncratic challenges and opportunities within the space.”

Westfield Capital Management Company, L.P.

Market in Review

The fourth quarter of 2024 presented a complex landscape for the Health Care sector, reflecting broader market dynamics as well as idiosyncratic challenges and opportunities within the space. U.S. equity markets demonstrated resilience, with indexes like the S&P 500 continuing to reach new highs. Yet, Health Care lagged, weighed down by persistent macroeconomic uncertainties and sector-specific headwinds. Deeply oversold conditions across many subsectors persisted, culminating in a 24-year low weighting for Health Care within the S&P 500. A confluence of events and sentiment shifts has led to extreme levels of exchange-traded fund (ETF) outflows and a significant down-weighting of the sector as a percentage of the S&P. Many high-quality structural winners now trade at multiples not seen in the past decade. Additionally, biopharma assets across the capitalization chain made strides on the clinical and regulatory fronts but have not yet seen corresponding upward movement in market caps, with some experiencing meaningful declines. These dynamics set the stage for potential recovery in 2025, but for now, sentiment remains subdued as the sector grapples with ongoing challenges.

Portfolio Performance

During the fourth quarter, the Harbor Health Care ETF (“ETF”) returned –10.89% (NAV), underperforming the Russell 3000[®] Growth Health Care Index, which returned –9.42%.

From an industry perspective, underperformance was driven by relative weakness in small- and mid-cap biotechnology stocks, as well as a pronounced headwind from health care services. Conversely, positive contributions from medical technology and selective biopharma positions provided offsets.

Stock selection was additive to relative outperformance during the quarter but was outweighed by a common factor headwind. From a factor perspective, the ETF’s underweight exposure to momentum and earnings yield, and overweight exposure to leverage was a headwind to relative performance. This was partially offset by a tailwind from the ETF’s overweight exposure to volatility.

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.

Harbor Health Care ETF

MANAGER COMMENTARY

As of 12/31/2024



Contributors & Detractors

Masimo, a leader in developing innovative noninvasive patient monitoring and sensor technology, was the largest contributor to relative results during the quarter, benefiting from strong operational execution and favorable investor sentiment, as well as a successful activist campaign that reconstituted the Board of Directors and ousted the longtime CEO. Westfield Capital played an active role in this process, engaging with the Board of Directors and proxy advisors ISS and Glass Lewis to represent our investors' views.

The ETF benefited from our significant underweight position to Eli Lilly throughout much of the fourth quarter. Eli Lilly's stock faced a downdraft following a third-quarter miss of investor expectations, driven in large part by stocking dynamics and growing competitive concerns from other pharma and biotech companies entering the obesity space. While we continue to view GLP-1 therapies as a transformative class, we remain cautious on the long-term valuation of Eli Lilly, as consensus models may underestimate challenges related to treatment persistency, pricing pressures, increased competition, and intellectual property risks. This positioning highlights our focus on risk-adjusted opportunities within the group.

Legend Biotech, a biopharmaceutical company specializing in innovative cell therapies for oncology, experienced significant price declines despite promising CAR-T-cell therapy pipeline developments. Despite the short-term underperformance, we remain confident in Legend's long-term market leadership and growth trajectory.

Intuitive Surgical, a leader in robotic-assisted minimally invasive surgery, also detracted from relative results due to our lack of exposure throughout the majority of the quarter. The company has a monopolistic position in the industry through its Da Vinci robotic surgery system, which increases the scale and efficiency of minimally invasive surgery. We had been out of the stock due to its elevated valuation but initiated a position in the ETF in December after meeting with management, which gave us increased confidence in the potential upside to gross margins if the Da Vinci 5 robot launch continues apace.

Buys & Sells

During the quarter, we purchased Revolution Medicines, a development-stage biotech company with promising drugs targeted to address previously undruggable large markets such as pancreatic cancer.

During the quarter, we sold our position in biopharmaceutical developer Innoviva. The stock had outperformed the broader sector, year to date, and our thesis had played out, so we felt it was no longer a best use of capital.

Sector Overweights and Underweights

Entering 2024, the biotechnology industry represented the largest overweight relative to the index, and it remains the largest overweight as of year-end. Following a period of overcapitalization and investor euphoria that peaked in February 2021, we have seen a precipitous decline in valuations, all while many high-quality companies have made significant progress in clinical trials and dramatically improved intrinsic value. We also believe an unprecedented wave of merger activity could be on the horizon.

The pharmaceuticals industry represented the ETF's largest underweight at the start of 2024 and continues to be the largest underweight as of year-end. We continue to believe that the industry includes many interesting opportunities, and it represents the third-largest absolute weight in the ETF at 11%. However, we remain underweight given our focus on risk-adjusted opportunities within the industry.

Harbor Health Care ETF

MANAGER COMMENTARY

As of 12/31/2024



Outlook

Despite what feels like a perpetual malaise of the health care ecosystem, we are incrementally more constructive on the opportunity from both a relative and absolute standpoint. While there is some uncertainty surrounding the new administration's stance on the Food & Drug Administration, the Centers for Medicare & Medicaid Services, and Health and Human Services, we largely believe much of the status quo at these agencies will remain intact. Furthermore, the notion that a few individuals could drive meaningful disruption appears overblown. Key factors often cited by health care bulls – including innovation, value-based care, robust demographics, and mergers & acquisitions (M&A) – remain strong potential drivers for equities, and perhaps even more so in the near term.

Regarding innovation, we are focused on long-duration assets that provide true advancements in treatment paradigms, adding value to all stakeholders. Within this subsector, we are finding opportunities across the development spectrum, including fully derisked and commercial-stage companies trading at significant discounts to intrinsic value, in our opinion, which we expect to unlock in the coming year. With the potential for a more lenient Federal Trade Commission backdrop, rising cash balances at larger pharma and biotech companies, and compelling valuations in biotech, we anticipate an uptick in M&A activity in 2025. We are also constructive on medical technology and equipment – a group likely insulated from political headwinds in 2025. As always, our hunt within the health care services space remains selective, but we see a few very compelling structural winners positioned well for multiple expansion in the coming year.

QUARTERLY ATTRIBUTION

As of 12/31/2024

Best & Worst Performers

Best Performers	Average Weight %	Return % (NAV)
IRHYTHM TECHNOLOGIES INC	0.84	44.30
MASIMO CORP	4.08	23.98
DEXCOM INC	3.63	16.01
GLAUKOS CORP	1.60	15.09
INTRA-CELLULAR THERAPIES INC	1.38	14.15

Worst Performers	Average Weight %	Return % (NAV)
BICYCLE THERAPEUTICS PLC-ADR	2.26	-38.14
OSCAR HEALTH INC - CLASS A	0.61	-35.69
LEGEND BIOTECH CORP-ADR	7.60	-33.22
VAXCYTE INC	4.77	-28.36
ICON PLC	2.40	-27.01

Contributors & Detractors

Greatest Contributors	Return % (NAV)	Contribution to Return %
MASIMO CORP	23.98	1.11
DEXCOM INC	16.01	0.45
INSULET CORP	12.17	0.35
IRHYTHM TECHNOLOGIES INC	44.30	0.31
GLAUKOS CORP	15.09	0.23
Total		2.45

Greatest Detractors	Return % (NAV)	Contribution to Return %
LEGEND BIOTECH CORP-ADR	-33.22	-2.76
VAXCYTE INC	-28.36	-1.37
OPTION CARE HEALTH INC	-25.88	-1.06
BICYCLE THERAPEUTICS PLC-ADR	-38.14	-0.99
ASCENDIS PHARMA A/S - ADR	-7.80	-0.89
Total		-7.08

Performance data shown represents past performance and is no guarantee of future results.

Harbor Health Care ETF

ATTRIBUTION

As of 12/31/2024



Quarterly Attribution:

Harbor Health Care ETF vs Russell 3000 Growth Health Care Index

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-10.85	-9.26	-1.59
Currency Contribution	0.00	0.00	0.00
Total Return	-10.85	-9.26	-1.59

Sector Attribution	Average Weight			Total Return			Contribution to Return		Attribution Analysis		
	Port. Avg. Wgt.	Bench. Avg. Wgt.	Variation in Avg. Wgt.	Port. Total Return	Bench. Total Return	Variation in Total Return	Port. Contribution To Return	Bench. Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Information Technology	0.00	0.00	0.00	0.00	-36.60	36.60	0.00	0.00	0.00	0.00	0.00
Consumer Discretionary	0.00	0.08	-0.08	0.00	48.26	-48.26	0.00	0.03	-0.03	0.00	-0.03
Financials	0.61	0.00	0.61	-35.69	0.00	-35.69	-0.30	0.00	-0.26	0.00	-0.26
Health Care	98.45	99.92	-1.48	-10.67	-9.30	-1.38	-10.56	-9.29	0.00	-1.33	-1.33
Total	100.00	100.00	0.00	-10.85	-9.26	-1.59	-10.85	-9.26	-0.26	-1.33	-1.59

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Harbor Health Care ETF



IMPORTANT INFORMATION

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.

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. 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.

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.

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

Harbor Health Care ETF



IMPORTANT INFORMATION

Attribution Disclosures

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

Active Currency Contribution is the Currency Contribution of the portfolio minus the Currency Contribution of the benchmark.

Allocation Effect is the portion of portfolio excess return that is attributable to taking different group bets from the benchmark. (If either the portfolio or the benchmark has no position in a given group, allocation effect is the lone effect.) A group's allocation effect equals the average percent capitalization of the portfolio's group minus the average percent cap of the benchmark's group times the total return of the benchmark group minus the total return of the benchmark.

Average Weight is the dollar value (price times the shares held) of the security or group, divided by the total dollar value of the entire portfolio displayed as a percentage. It is calculated as the simple arithmetic average of daily values.

Contribution to Return is the contribution of a security or group to the overall portfolio return. It is calculated as the security weight multiplied by the daily security return linked daily across the reporting period.

Currency Contribution is Total Return in USD subtracting out the Local Returns.

Local Returns are the Total Return of the portfolio or benchmark using the local currency.

Selection Effect is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark. A group's security selection effect equals the average weight of the benchmark's group times the total return of the portfolio's group minus the total return of the benchmark's group.

Total Effect is the sum of Allocation Effect and Selection Effect. The total effect represents the opportunity cost of what was done in a group relative to the overall portfolio. It is not just the difference between percent contribution in the portfolio and benchmark. At the overall portfolio level, the two numbers are equal. At the group level, they can be different.

Total Return is the price change of a security or group including dividends accrued over the report period (or the in-portfolio return) which includes only the time period that each security was in the portfolio.

Definitions

Alpha is a measure of risk (beta)-adjusted return.

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.

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.