

HARBOR SMALL CAP VALUE FUND

EARNEST Partners LLC

Subadvisor Since 12/14/2001

Total Net Assets - All Classes \$2,457,167,143
Equity Assets: 98.34%
Cash & Other Assets Less Liabilities: 1.66%
Benchmark Name: Russell 2000® Value Index

Portfolio Managers



Paul E. Viera

Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values. In selecting stocks for the Fund, the portfolio manager: utilizes a value-based investment style seeking to identify companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values, applies fundamental and qualitative criteria to identify companies for the portfolio, and maintains relationships with key analysts and industry experts to obtain unbiased research perspectives.

CHARACTERISTICS & ALLOCATION

As of 09/30/2024

Portfolio Characteristics		
	Portfolio	Benchmark
Number of Holdings	57	1,438
Wtd Avg Market Cap (\$Mil)	5,302.20	2,827.00
Median Market Cap (\$Mil)	4,106.00	784.00
Price/Book Ratio	2.67	1.47
Adjusted Trailing P/E Ratio	26.10	15.70
% EPS Growth - Past 3 Yr	10.00	24.40
Est 3-5 Yr EPS Growth Rate (%)	17.30	10.00
Return on Equity (%)	11.06	7.76
Beta vs. Fund Benchmark	0.89	
Forecasted P/E Ratio	19.30	14.50

Top 10 Holdings		
	Portfolio %	Benchmark %
Houlihan Lokey Inc.	3.62	0.00
Parsons Corporation	3.46	0.00
SPX Technologies Inc.	2.78	0.00
Casella Waste Systems	2.73	0.00
Reinsurance Group of America	2.62	0.00
Moog Inc. Class A	2.61	0.00
Integer Holdings Corp	2.55	0.10
FormFactor Inc.	2.54	0.00
Cabot Corporation	2.51	0.00
Flowserve Corporation	2.50	0.00
Total	27.92	0.10

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	10.78
Mid	5.0B - 10.0B	33.95
	1.0B - 5.0B	52.21
Small	0.0 - 1.0B	1.46

Economic Sectors		
	Portfolio %	Benchmark %
Industrials	29.03	12.21
Financials	23.48	28.00
Information Technology	14.45	5.80
Consumer Discretionary	8.03	9.99
Energy	6.57	7.16
Materials	4.99	5.15
Real Estate	4.65	11.39
Health Care	3.82	9.33
Utilities	1.69	5.26
Consumer Staples	1.63	2.30
Communication Services	0.00	3.36

Top 10 Industries		
	Portfolio %	Benchmark %
Banks	12.46	18.63
Machinery	10.41	2.59
Energy Equipment	6.57	2.09
Electronic Equipment	6.53	2.19
Aerospace & Defense	6.20	0.75
Semiconductors	6.07	0.97
Capital Markets	5.44	0.62
Chemicals	4.99	1.99
Professional Services	4.52	1.04
Hotels Rest & Leisure	4.28	1.08
Total	67.47	31.95

Harbor Small Cap Value Fund



PERFORMANCE

As of 09/30/2024

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	HASCX	411511843	7.11%	11.64%	24.47%	6.72%	10.07%	9.92%	10.08%	12/14/01	0.88	0.88
Investor	HISVX	411511694	7.04%	11.36%	24.08%	6.33%	9.67%	9.52%	10.11%	11/01/02	1.24	1.24
Retirement	HNVRX	411512452	7.14%	11.72%	24.59%	6.80%	10.16%	10.00%	10.11%	03/01/16	0.80	0.80
Russell 2000® Value Index			10.15%	9.22%	25.88%	3.77%	9.29%	8.22%	8.49%	12/14/01		

MANAGER COMMENTARY

As of 09/30/2024

"Political developments surrounding the 2024 U.S. presidential election also introduced market volatility, which added uncertainty to an already tense election cycle and briefly disrupted market stability."

EARNEST Partners

Market in Review

The U.S. economy showed resilience during the third quarter of 2024, with gross domestic product ("GDP") growing at an annualized rate of 3% in the second quarter, reflecting strong consumer spending and business investment despite elevated interest rates. Political developments surrounding the 2024 U.S. presidential election also introduced market volatility, which added uncertainty to an already tense election cycle and briefly disrupted market stability. Volatility spiked in early August, triggered by the unwinding of the yen carry trade – a strategy where investors borrow yen at low rates to invest in higher-yielding assets. This unwinding was prompted by an unexpected 0.25% rate hike by the Bank of Japan in late July, which caused the yen to appreciate sharply, making it more expensive to repay yen-denominated loans. As a result, global equities – including Japan's Nikkei 225, which dropped over 12% on Aug. 5, 2024 – saw significant selloffs. Market stability returned by August as the Federal Reserve's ("Fed") policy became clearer, and inflation showed signs of easing. In September, the Fed cut rates by 0.50%, reducing the federal funds rate to 4.75%-5.00% – its first cut since 2020. This move reflected the central bank's confidence in controlling inflation, with Consumer Price Index ("CPI") inflation falling to 2.5% in August, while unemployment remained near historical lows.

Utilities was among the top-performing sectors in the Russell 2000® Index during the quarter. The sector saw increased demand driven by electrification trends and artificial intelligence ("AI") data centers. The Utilities sector is now trading at an approximately 25% premium compared to a decade ago, with investors focusing more on demand as opposed to rising operational expenses and their regulatory environment. Meanwhile, Real Estate and Industrials also performed well, while Energy was the only sector to post a loss, impacted by falling oil prices and concerns over global demand.

Retirement Class shares commenced operations on March 1, 2016. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to March 1, 2016 has not been adjusted to reflect the lower expenses of Retirement Class shares. During this period, Retirement Class shares would have had returns similar to, but somewhat higher than, Institutional Class shares due to the fact that Retirement Class shares represent interests in the same portfolio as Institutional Class shares but are subject to lower expenses.

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

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.

Harbor Small Cap Value Fund

MANAGER COMMENTARY

As of 09/30/2024



Portfolio Performance

The U.S. small-cap equity market, as represented by the Russell 2000® Value Index, returned 10.15% during the quarter. The lion's share of the return came in July, largely driven by investor optimism surrounding a potential pivot in Fed policy. Investors anticipated this policy shift would benefit small-cap stocks, particularly within sectors more sensitive to rate movement. This is not an environment conducive to our investment approach, which is rooted in deep fundamental analysis of individual stocks. Despite positive stock selection, the Harbor Small Cap Value Fund (Institutional Class, "Fund") trailed the index, net of fees, for the quarter.

Much of the underperformance came in the form of less exposure to the top-performing sectors in the index. For instance, Communication Services, Real Estate, and Financials were the best performers within the Russell 2000® Value Index during the quarter. These sectors are considered generally more sensitive to moves in interest rates; however, we have found less attractive long-term investments in these sectors. This positioning was a drag on relative results. On the basis of deep fundamental analysis, we have found more compelling investment opportunities within Industrials and Information Technology.

Contributors & Detractors

Diodes Incorporated, a top detractor during the quarter, designs and manufactures semiconductors used in a wide range of applications, including automotive, industrial, and consumer electronics. Its product lineup includes discrete components, analog, and logic devices, which are crucial for power management and signal processing in electronic systems. Diodes' solutions play a vital role in improving the energy efficiency and performance of everyday electronic products. In the most recent quarter, Diodes reported solid revenue growth of 5%, driven by strong demand in the automotive and industrial sectors. However, the stock underperformed as market participants focused on a small decline in gross margins stemming from rising raw material costs and supply chain constraints. While these margin pressures impacted short-term performance, Diodes is actively optimizing its operations and adjusting its pricing strategies to protect profitability going forward. Despite the recent challenges, Diodes' strong market position and commitment to expanding its product offerings in high-growth sectors, like automotive and industrial electronics, make it a compelling long-term investment. The company's focus on technological innovation and its ability to adapt to changing market conditions positions it well for future growth. With these efforts, Diodes appears set to overcome short-term headwinds and continue delivering value to shareholders over time.

FirstCash Holdings, a top contributor, operates pawn stores across the United States and Latin America, offering consumers short-term, secured loans in exchange for personal items as collateral. The company also sells pre-owned merchandise, such as electronics and jewelry, positioning itself as a crucial financial service provider for underbanked communities. FirstCash's pawn services offer an accessible alternative to traditional credit for many individuals. During the most recent quarter, FirstCash reported strong results, with pawn loan demand rising year over year amid challenging economic conditions that increased the need for short-term lending solutions. The company's expansion in Latin America contributed significantly to its growth, with same-store sales up. Additionally, effective cost management and strategic investments in e-commerce platforms have further enhanced FirstCash's profitability and operational efficiency. We believe the company's resilient business model and focus on expanding in high-growth markets make it an attractive investment. As economic conditions continue to create demand for pawn loans, the company is well positioned to benefit from these trends. With its expanding international footprint and strong market presence, FirstCash appears to be poised to continue delivering long-term value for shareholders.

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.

Harbor Small Cap Value Fund



Moog, another contributor, designs and manufactures precision motion control components and systems for aerospace, defense, industrial machinery, and medical devices. Moog's products ensure precise control in high-performance applications, such as aircraft, satellites, and industrial automation systems. Its technology is crucial in enabling reliability and efficiency across industries that rely on advanced motion control. In the most recent quarter, Moog delivered solid results, with revenue rising by 7% year over year, driven by strong demand in the aerospace and defense sectors. The company also improved its operating margins, thanks to a combination of increased defense spending and a strong pipeline of new contracts in the aerospace sector. Moog's investments in cutting-edge technologies and its ability to secure long-term government contracts have contributed to its recent success. We believe Moog's leadership in motion control technology and its established position in the defense and aerospace industries make it a compelling investment. The company's strategic focus on innovation and expanding its market share in high-growth sectors positions it well for continued success. With its commitment to technological advancements and robust contract pipeline, Moog appears to be well-placed to deliver long-term value to shareholders.

QUARTERLY ATTRIBUTION

As of 09/30/2024

Buy and Sells

There were no new buys or sells in the Fund during the quarter.

Outlook

As bottom-up fundamental investors who aim to exceed the performance over a full market cycle, we do not maintain an economic forecast. However, we have found the most opportunities within the Industrials, Financials, and Information Technology sectors.

Best & Worst Performers

Best Performers	Average Weight %	Return %
SABRE CORP	1.54	37.45
SCOTTS MIRACLE-GRO CO	2.06	34.49
PLEXUS CORP	1.60	32.50
WOLVERINE WORLD WIDE INC	0.77	29.82
HEARTLAND FINANCIAL USA INC	1.68	28.31

Worst Performers	Average Weight %	Return %
HELEN OF TROY LTD	0.68	-33.31
EXPRO GROUP HOLDINGS NV	1.62	-25.09
FORMFACTOR INC	2.86	-24.01
AMKOR TECHNOLOGY INC	1.39	-23.34
ENTEGRIS INC	1.17	-16.82

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
PARSONS CORP	26.73	0.75
SCOTTS MIRACLE-GRO CO	34.49	0.62
HOULIHAN LOKEY INC	17.61	0.59
SOUTHSTATE CORP	27.95	0.52
SABRE CORP	37.45	0.52
Total		3.00

Greatest Detractors	Return %	Contribution to Return %
FORMFACTOR INC	-24.01	-0.80
EXPRO GROUP HOLDINGS NV	-25.09	-0.48
HELEN OF TROY LTD	-33.31	-0.40
AMKOR TECHNOLOGY INC	-23.34	-0.34
HELMERICH & PAYNE	-14.79	-0.22
Total		-2.23

Harbor Small Cap Value Fund



ATTRIBUTION

As of 09/30/2024

Quarterly Attribution:
Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	7.23	10.15	-2.93
Currency Contribution	0.00	0.00	0.00
Total Return	7.23	10.15	-2.93

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
Materials	4.35	5.11	-0.76	27.98	5.99	21.99	1.10	0.35	0.07	0.88	0.95
Consumer Discretionary	7.39	9.90	-2.51	13.21	9.72	3.50	0.91	0.92	0.01	0.27	0.29
Health Care	3.76	9.36	-5.60	9.39	8.81	0.58	0.35	0.88	0.08	0.00	0.08
Energy	7.33	7.77	-0.45	-9.12	-8.24	-0.88	-0.74	-0.70	0.09	-0.01	0.08
Utilities	1.53	5.24	-3.71	17.71	12.41	5.30	0.27	0.63	-0.07	0.08	0.01
Consumer Staples	1.71	2.26	-0.55	1.12	12.58	-11.47	0.01	0.25	-0.01	-0.20	-0.21
Financials	23.28	28.14	-4.87	15.12	15.06	0.06	3.22	4.04	-0.25	0.03	-0.22
Industrials	28.88	12.22	16.66	7.48	7.04	0.45	2.20	0.86	-0.49	0.09	-0.40
Communication Services	0.00	3.11	-3.11	0.00	26.92	-26.92	0.00	0.76	-0.47	0.00	-0.47
Real Estate	4.65	11.01	-6.36	12.88	17.69	-4.81	0.55	1.87	-0.44	-0.21	-0.65
Information Technology	15.00	5.87	9.13	-5.29	3.63	-8.91	-0.69	0.29	-0.58	-1.57	-2.15
Total	100.00	100.00	0.00	7.23	10.15	-2.93	7.23	10.15	-2.28	-0.64	-2.93

Trailing 1 Year Attribution:
Harbor Small Cap Value Fund vs Russell 2000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	25.78	25.88	-0.09
Currency Contribution	0.00	0.00	0.00
Total Return	25.78	25.88	-0.09

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
Materials	4.06	5.04	-0.97	69.46	24.18	45.28	2.43	1.22	0.09	1.61	1.71
Industrials	29.40	13.67	15.73	31.85	26.22	5.63	9.56	3.51	0.01	1.58	1.58
Energy	6.66	9.21	-2.55	-7.97	-6.57	-1.41	-0.87	-0.81	0.77	-0.02	0.75
Financials	22.54	26.88	-4.34	43.07	37.54	5.53	9.26	10.09	-0.60	1.06	0.46
Utilities	0.39	4.48	-4.09	17.71	21.39	-3.68	0.27	1.02	0.22	0.09	0.31
Communication Services	0.00	2.64	-2.64	0.00	24.35	-24.35	0.00	0.68	-0.07	0.00	-0.07
Information Technology	16.05	6.08	9.96	18.29	17.91	0.38	3.32	1.14	-0.72	0.13	-0.59
Real Estate	4.51	10.22	-5.70	20.82	31.51	-10.69	0.88	3.23	-0.40	-0.46	-0.86
Consumer Discretionary	7.56	10.49	-2.93	19.02	29.99	-10.98	1.44	3.12	-0.10	-0.82	-0.92
Consumer Staples	1.69	2.36	-0.66	-28.81	17.95	-46.77	-0.71	0.41	0.08	-1.14	-1.06
Health Care	4.63	8.95	-4.32	1.84	25.66	-23.81	0.06	2.28	0.12	-1.34	-1.22
Total	100.00	100.00	0.00	25.78	25.88	-0.09	25.78	25.88	-0.78	0.69	-0.09

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

Harbor Small Cap Value Fund



IMPORTANT INFORMATION

Risks

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.

Benchmarks

The Russell 2000® Value Index is an unmanaged index representing the smallest 2000 stocks with the lowest price-to-book ratio and future earnings. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 2000® Value Index and Russell® are trademarks of Frank Russell Company.

Disclosures

Shares of the Harbor Small Cap Value Fund are unavailable to new investors as of June 1, 2021. The Fund continues to accept investments from existing shareholders and allows exchanges from other Harbor Funds as long as the exchanging shareholder has an existing Harbor Small Cap Value Fund account.

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.

Beta is a rolling three year, unless the Fund has a track record of less than three years, in which case it is a rolling one year.

Best and Worst Performers sections reflect stocks in the portfolio for the quarter with an average weight of 0.25% or greater.

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.

EARNEST Partners LLC is a third-party subadvisor to the Harbor Small Cap Value Fund.

Distributed by Harbor Funds Distributors, Inc.

Harbor Small Cap Value Fund



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

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.

The Global Industry Classification Standard (GICS®) is an industry analysis framework that helps investors understand the key business activities for companies around the world. MSCI and S&P Dow Jones Indices developed this classification standard to provide investors with consistent and exhaustive industry definitions.