

HARBOR CORE PLUS FUND

CHARACTERISTICS & ALLOCATION

As of 09/30/2024

Income Research + Management

Subadvisor Since 02/02/2022

Total Net Assets – All Classes	\$1,140,671,544
Fixed Income Assets:	99.28%
Cash & Other Assets Less Liabilities:	0.72%
Benchmark Name:	Bloomberg US Aggregate Bond Index

Portfolio Managers



William A. O'Malley



James E. Gubitosi



Bill O'Neill



Jake Remley



Matt Walker



Rachel Campbell

Investment Philosophy

The Fund invests primarily in U.S. dollar-denominated fixed income securities. Under normal market conditions, the Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in a diversified portfolio of fixed income instruments. Fixed income instruments include but are not limited to: obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities; corporate debt securities; municipal debt securities; U.S. dollar-denominated debt of foreign issuers; and securitized securities including mortgage-backed and asset-backed securities, which may also include non-agency mortgage-backed securities. These securities may have different types of interest rate payment and reset terms. The Subadvisor's approach is grounded in detailed bottom-up research and emphasizes careful security selection.

Portfolio Characteristics			Top 10 Issues	
	Portfolio	Benchmark		Portfolio %
Number of Bonds	677	13,702	US TREASURY N/B	4.04
Avg. Market Coupon (%)	4.34	3.37	US TREASURY N/B	3.88
Wtd. Avg. Maturity (yrs)	9.28	8.36	US TREASURY N/B	1.60
Wtd. Avg. Duration (yrs)	6.19	6.20	US TREASURY N/B	1.55
Beta vs. Fund Benchmark	0.97		US TREASURY N/B	1.52
Current 30-Day Yield %	4.37		US TREASURY N/B	1.50
Current 30-Day Un-Sub Yield %	4.37		US TREASURY N/B	1.34
			US TREASURY N/B	1.32
			US TREASURY N/B	1.16
			US TREASURY N/B	1.16
			Total	19.09

Maturity		Duration	
	Portfolio %		Portfolio %
0-1 yr	3.71	0-1 yr	8.63
1-3 yr	10.37	1-3 yr	13.50
3-5 yr	21.89	3-5 yr	29.70
5-7 yr	13.18	5-7 yr	20.03
7-10 yr	28.31	7-10 yr	10.11
10-20 yr	12.58	10-20 yr	18.00
20-30 yr	8.88	20-30 yr	0.02
Over 30 yr	1.06	Over 30 yr	0.01

Credit Quality	
	Portfolio %
US Govt/Agency	23.57
AAA	12.98
AA	27.97
A	6.71
BBB	22.36
BB	4.72
B	0.14
CCC	0.77
CC	0.00
C	0.00
Below C	0.00
Non-Rated	0.48

Harbor Core Plus Fund

CHARACTERISTICS & ALLOCATION

As of 09/30/2024



Sector	% of Market Value	Sector (cont.)	% of Market Value
Credit	29.24	Agency CMBS	0
Industrial	14.24		
Finance	13.37		
Utility	1.63		
Non-corporate	0		
Government	26.25		
Treasury	23.57		
SBA and Gov Guaranteed	2.67		
Agency	0		
Municipal	0		
GO	0		
Revenue	0		
Securitized	44.21		
Agency RMBS	25.05		
ABS	8.74		
CMBS	6.69		
RMBS	3.73		

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	HABDX	411511108	5.38%	5.53%	12.67%	-0.81%	1.08%	2.35%	6.10%	12/29/87	0.38	0.38
Retirement	HBFRX	411512189	5.40%	5.69%	12.85%	-0.65%	1.21%	2.42%	6.12%	06/01/16	0.30	0.30
Bloomberg US Aggregate Bond Index			5.20%	4.45%	11.57%	-1.39%	0.33%	1.84%	5.45%	12/29/87		

Retirement Class shares commenced operations on June 1, 2018. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to June 1, 2018 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 expenses. The net expense ratios for this fund are subject to a contractual management fee waiver and/or expense limitation agreement, excluding interest expense and acquired fund fees and expenses (if any), through 02/28/2025.

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 Core Plus Fund

MANAGER COMMENTARY

As of 09/30/2024



“Two notable uncertainties, which could impact the future path of the economy and risk assets, are the upcoming U.S. presidential election and ongoing geopolitical tensions.”

Income Research + Management

Market in Review

During the third quarter of 2024, risk assets experienced a rise in volatility following a notably weak labor market report in August. The underwhelming increase in nonfarm payrolls, along with the unwinding of a Japanese yen carry trade, precipitated a shockwave across equity prices and credit spreads; the S&P 500 fell by 3% on August 5th — its largest single-day drop in almost two years. Despite the jolt, risk assets quickly recovered and ended the quarter in positive territory. Inflation data from the quarter also pointed to a cooling economy; the year-over-year change in the Consumer Price Index (“CPI”) in August came in at 2.5%, marking five consecutive months of disinflation. The slowing inflationary trend and softening labor market spurred the U.S. Federal Reserve (“Fed”) to cut the federal funds target rate range by 0.50% to 4.75%–5.00% at September’s Federal Open Market Committee meeting. The updated Fed dot plot projection implies two more cuts through the end of the year, in contrast to bond markets, which are pricing in a faster pace of rate decreases. Treasury yields broadly fell during the quarter, and the Treasury curve steepened; the 2-year Treasury yield dropped by 1.11% to 3.64%, and the 10-year yield fell by 0.62% to 3.78%, a combination that reversed the 2-year/10-year Treasury yield curve inversion.

Portfolio Performance

During the third quarter, the Harbor Core Plus Bond Fund (Institutional Class, “Fund”) returned 5.38%, outperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned 5.20%.

The Fund's outperformance relative to the Index was driven by both security selection within agency residential mortgage-backed securities (“RMBS”) and RMBS, and our overweight to Financials as well as our underweight to Treasuries.

Investment-grade corporate spreads remained largely range-bound during the quarter, aside from the short-lived period of volatility in early August. Corporate bond yields ended the quarter above their trailing 10-year average, even with the decline in Treasury rates pulling the yield of the Bloomberg Corporate Index down by 0.76% to 4.72%. The recent drop in yields and tight spreads provided an attractive backdrop for corporate bond issuers, and the primary market saw \$397 billion of supply during the quarter, surpassing the previous high for the period set in the third quarter of 2020. Strong investor demand, buoyed by the attractive all-in bond yields, easily absorbed the heavier-than-expected supply.

Agency mortgage-backed securities (“MBS”), particularly lower-coupon MBS, saw strong performance during the quarter, driven by specified pool pay-up appreciation amid the decline in interest rates. The 30-year mortgage rate dropped by 0.58% to 6.68%, offering some relief to potential homebuyers. Commercial mortgage-backed security (“CMBS”) spreads tightened, especially among single asset/single-borrower deals, where the Fed’s rate cut helped mitigate some refinancing risks. Asset-backed securities (“ABS”) lagged other securitized products, but still outperformed Treasuries, as new issuance remained robust. The \$277 billion of ABS issuance, year to date, is 24% ahead of the total through the same period last year.

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Harbor Core Plus Fund

MANAGER COMMENTARY

As of 09/30/2024



Contributors & Detractors

The largest contributors to Fund performance included Pediatrix Medical Group, a DBALT non-agency collateralized mortgage obligation, and Navient.

The largest detractors from Fund performance included WarnerMedia, Occidental Petroleum, and Ford. WarnerMedia has continued to underperform on earnings before interest, taxes, depreciation, and amortization (“EBITDA”) expectations, resulting in leverage ticking slightly. Despite this, the company continues to pay down debt and report positive free cash flow. Occidental’s leverage ticked up to 1.7x during the second quarter of 2024 but reported in line with expectations on production and EBITDA. Occidental completed the CrownRock acquisition on August 1, 2024. U.S. benchmark oil prices fell approximately \$15 per barrel during the quarter, and the independent Energy sector underperformed corporates. The price appreciated from \$53 to \$56 but failed to keep pace with the benchmark. Ford reported weak second quarter earnings and missed on adjusted earnings per share, noting higher warranty costs. Free cash flow was higher, year over year, so the company is maintaining a solid liquidity profile. Despite the underperformance, we continue to be constructive on these holdings and will continue to hold these securities.

Fund Positioning

We strive to remain duration neutral and curve neutral to the benchmark.

Positive contributors to relative performance included our security section within the agency RMBS, RMBS, and ABS sectors. Relative performance was also helped by our overweight to Financials and underweight to Treasuries. Detractors to relative performance included security selection within the Industrials sector and our overweight to ABS.

The Fund's security selection within the AA, BAA, and BA credit buckets significantly aided relative performance. On the other hand, the Fund's overweights to AAA, AA, and BAA credit buckets detracted from relative performance.

The Fund's out of benchmark allocation to RMBS aided relative returns.

We invest exclusively in U.S. dollar-denominated, fixed-income securities.

Buys & Sells

During the quarter, we purchased Subway 2024-3A A211 in the primary market at 2.00% of spread versus a 7-year Treasury. The purchase was based on attractive relative value. Subway issued its second term whole business securitized (“WBS”) deal, \$2.3billion Subway Series 2024-3. Proceeds from the transaction will be used to repay a bank-funded term loan that is currently financing Subway’s international business. In conjunction with the transaction, Subway will be contributing royalties from roughly 15,000 international units located in over 90 countries worldwide. Subway is the largest issuer in this market followed by Dominos.

During the quarter, we sold Golub Capital. This was an opportunistic sale based on attractive relative value.

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MANAGER COMMENTARY

As of 09/30/2024



Sector Overweights & Underweights

Entering 2024, the Harbor Core Plus was overweight securitized products and underweight Treasuries, and that theme has remained largely the same throughout the year. We have decreased the Treasury underweight during the year, while increasing our credit overweight. In the securitized space, we've added to the CMBS overweight, which currently sits at 2.2% overweight compared to the index. Within credits, we've added to our Financials sector overweight by 0.35%, specifically within brokerage and insurance.

Spread products outperformed Treasuries during the quarter, and our preference for corporate and securitized bonds helped outperform the index.

Country Allocations

The Fund's country allocation relative to the benchmark did not change during the quarter. Income Research + Management invests exclusively in U.S. dollar-denominated, fixed-income securities. With that said, consistent with our bottom-up approach, we will opportunistically purchase Yankee issues when we believe they are attractive on a relative value basis.

Outlook

The Fed's rate cut marked the beginning of a new trajectory for monetary policy, shifting the central bank's attention from reducing inflation to supporting full employment. Recent economic data continued to suggest a likely path to a soft landing with easing price pressures, a resilient labor market, and continued economic growth. Two notable uncertainties, which could impact the future path of the economy and risk assets, are the upcoming U.S. presidential election and ongoing geopolitical tensions. As a result, we maintain a cautious posture across strategies but are selectively overweight certain credit and securitized sectors. We believe our bottom-up approach and avoidance of macro biases has the potential to buoy relative performance, should we experience additional volatility in the coming quarters.

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Harbor Core Plus Fund

ATTRIBUTION

As of 09/30/2024



Harbor Core Plus Fund - Quarterly Attribution

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference	Market Term Structure		Asset Allocation		Security Selection		Price and Intraday		Total
3Q 2024	5.22	5.20	0.03	-0.09		0.07		0.07		-0.02		0.03
				Duration	-0.05	Finance	0.03	Finance	0.00	Pricing	0.00	
				Shape	-0.07	Industrial	0.00	Industrial	-0.04	Intraday	-0.02	
				Other	0.03	Utility	-0.01	Utility	-0.01			
						ABS	-0.02	ABS	0.01			
						CMBS	0.00	CMBS	0.00			
						MBS	-0.01	MBS	0.11			
						Agency	-0.01	Agency	-0.01			
						Municipal	0.00	Municipal	0.00			
						Non-corporate	0.00	Non-corporate	0.00			
						Treasury	0.08	Treasury	0.00			
						Other	0.00	Other	0.00			

What Worked

- The Harbor Core Plus Bond Fund portfolio outperformed the Bloomberg Aggregate Index in the 3rd quarter.
- Security selection and asset allocation within the portfolio equally drove outperformance, particularly within the Agency RMBS and RMBS sectors.
- The portfolio's overweight exposure to Financial and underweight to Treasuries also contributed to relative returns.
- Top performers: PEDIATRIX MEDICAL, RMBS security, and NAVIENT CORP.

What Didn't Work

- Security selection within Industrials detracted from relative returns.
- The portfolio's overweight to ABS and out of benchmark exposure to RMBS detracted from relative returns.
- Bottom performers: WARNERMEDIA HOLDI, OCCIDENTAL PETROL, and FORD MOTOR CREDIT.

Source: Bloomberg

Due to rounding totals may not sum to 100.

Past Performance is not a guarantee of future results.

Harbor Core Plus Fund

ATTRIBUTION

As of 09/30/2024



Harbor Core Plus Fund – 1 Year Attribution

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference	Market Term Structure		Asset Allocation		Security Selection		Price and Intraday		Total
1 Year	12.98	11.57	1.41	-0.16		0.48		1.14		-0.04		1.41
				Duration	-0.09	Finance	0.14	Finance	0.28	Pricing	0.00	
				Shape	-0.11	Industrial	0.03	Industrial	0.21	Intraday	-0.05	
				Other	0.04	Utility	-0.02	Utility	0.05			
						ABS	-0.02	ABS	0.18			
						CMBS	0.11	CMBS	-0.05			
						MBS	-0.08	MBS	0.41			
						Agency	-0.04	Agency	0.07			
						Municipal	0.00	Municipal	0.00			
						Non-corporate	0.02	Non-corporate	0.00			
						Treasury	0.35	Treasury	0.00			
						Other	-0.01	Other	0.00			

What Worked

- The Harbor Core Plus Bond Fund portfolio outperformed the Bloomberg Aggregate Index over the past 12 months.
- Security selection within the portfolio was the primary driver for outperformance, particularly within the Finance, Agency RMBS, RMBS, and Industrial sectors.
- The portfolio's underweight to Treasuries, overweight to Financial and CMBS sectors contributed to relative returns.
- Top performers: a RMBS security, an ABS security, and MACY'S RETAIL HLDGS LLC.

What Didn't Work

- The portfolio's out-of-benchmark exposure to RMBS detracted from relative returns.
- Security Selection within CMBS slightly detracted from returns.
- Bottom performers: FOUNDRY JV HOLDCO LLC, and two CMBS securities.

Source: Bloomberg

Due to rounding totals may not sum to 100.

Past Performance is not a guarantee of future results.

Harbor Core Plus Fund



IMPORTANT INFORMATION

Risks

There is no guarantee that the investment objective of the Fund will be achieved. Fixed income investments are affected by interest rate changes and the creditworthiness of the issues held by the Fund. As interest rates rise, the values of fixed income securities held by the Fund are likely to decrease and reduce the value of the Fund's portfolio. There may be a greater risk that the Fund could lose money due to prepayment and extension risks because the Fund invests, at times, in mortgage-related and/or asset backed securities.

Benchmarks

The Bloomberg US Aggregate Bond Index is an unmanaged index of investment-grade fixed-rate debt issues with maturities of at least one year. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

Disclosures

All data except for top holdings, performance, and yields is provided by the subadvisor.

Credit quality breakdown is based on ratings from Moody's, Standard and Poor's and Fitch. In cases where all three credit rating agencies have assigned different credit ratings to the same security, the middle rating is used. In cases where the security is rated by two rating agencies, the lower rating is used and, in cases where only one rating agency has assigned a credit rating to a security, that rating is used. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Securities that receive no rating from an independent agency have been categorized as 'not rated.' Certain unrated securities (such as derivatives) are not reflected in the data shown. U.S. Treasury and U.S. Agency securities appear under the category U.S. Government/Agency. The credit quality of securities in the Fund's portfolio does not apply to the stability or safety of the Fund. The Fund itself has not been rated by an independent rating agency.

Current 30-Day Yields are for the Institutional Class and represent the average annualized income dividend over the last 30 days excluding gains and losses as defined by the SEC. Current 30-Day Yield is the Current 30-Day Subsidized SEC Yield and reflects reimbursements or waivers of fees currently in effect. Current 30-Day Yield-Unsub is the Current 30-Day Unsubsidized SEC Yield and does not reflect reimbursements or waivers of fees currently in effect.

Due to rounding, percentages may not sum to 100.

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.

Income Research + Management is a third-party subadvisor to the Harbor Core Plus Fund.

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IMPORTANT INFORMATION

Attribution Disclosures

All data for this attribution analysis is provided by Income Research + Management.

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

Other is the contribution to relative return due to the cumulative differences in carry, rolldown, and convexity.

Shape is the contribution to relative return due to the difference between the portfolio's and the index's duration profiles. The basic formula is the [(difference of each key rate duration between the portfolio and the index) multiplied by the total return of the respective key rate Treasury] minus the Duration and Other effects.

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.

Duration is a commonly used measure of the sensitivity of the price of a debt security, or the aggregate market value of a portfolio of debt securities, to change in interest rates. Securities with a longer duration are more sensitive to changes in interest rates and generally have more volatile prices than securities of comparable quality with a shorter duration.