

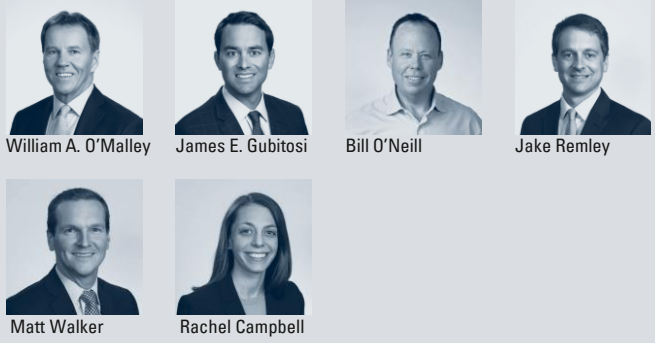
# HARBOR CORE BOND FUND

Income Research + Management

Subadvisor Since 06/01/2018

**Total Net Assets – All Classes** \$1,230,537,559  
**Fixed Income Assets:** 99.35%  
**Cash & Other Assets Less Liabilities:** 0.65%  
**Benchmark Name:** Bloomberg US Aggregate Bond Index

## Portfolio Managers



## Investment Philosophy

The Fund invests primarily in investment-grade fixed income securities of issuers located in the U.S. 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 bonds, debt securities and other similar instruments issued by various public- or private-sector entities. The Subadvisor's approach is grounded in detailed bottom-up research and emphasizes careful security selection through rigorous fundamental credit analysis of the issuer, a detailed review of the structural features of the security, and relative-value comparisons to other opportunities. In order to be selected for the portfolio, a security must be attractive on all three of these factors. If one factor deteriorates, the security becomes a candidate for sale.

# CHARACTERISTICS & ALLOCATION

As of 09/30/2024

## Portfolio Characteristics

	Portfolio	Benchmark
Number of Bonds	484	13,702
Avg. Market Coupon (%)	4.38	3.37
Wtd. Avg. Maturity (yrs)	8.98	8.36
Wtd. Avg. Duration (yrs)	6.20	6.20
Beta vs. Fund Benchmark	0.99	
Current 30-Day Yield %	4.10	
Current 30-Day Un-Sub Yield %	4.07	

## Top 10 Issues

	Portfolio %
US TREASURY N/B	5.38
US TREASURY N/B	4.75
US TREASURY N/B	3.45
US TREASURY N/B	3.16
US TREASURY N/B	2.99
US TREASURY N/B	1.83
US TREASURY N/B	1.10
US TREASURY N/B	1.02
FR SD7563	0.87
FR SD7543	0.77
<b>Total</b>	<b>25.33</b>

## Maturity

	Portfolio %
0-1 yr	1.46
1-3 yr	14.26
3-5 yr	22.61
5-7 yr	11.42
7-10 yr	29.14
10-20 yr	12.50
20-30 yr	8.31
Over 30 yr	0.29

## Duration

	Portfolio %
0-1 yr	4.68
1-3 yr	15.67
3-5 yr	29.91
5-7 yr	19.74
7-10 yr	12.21
10-20 yr	17.79
20-30 yr	0.01
Over 30 yr	0.00

## Credit Quality

	Portfolio %
US Govt/Agency	25.87
AAA	13.83
AA	29.18
A	13.96
BBB	17.00
BB	0.00
B	0.00
CCC	0.00
CC	0.00
C	0.00
Below C	0.00
Non-Rated	0.00



# Harbor Core Bond Fund

## CHARACTERISTICS & ALLOCATION

As of 09/30/2024



Sector	% of Market Value	Sector (cont.)	% of Market Value
<b>Credit</b>	<b>29.36</b>	Agency CMBS	0
Finance	14.49		
Industrial	12.09		
Utility	2.78		
Non-corporate	0		
<b>Government</b>	<b>29.85</b>		
Treasury	26.28		
SBA and Gov Guaranteed	3.57		
Agency	0		
<b>Municipal</b>	<b>0.17</b>		
Revenue	0.12		
GO	0.04		
<b>Securitized</b>	<b>40.46</b>		
Agency RMBS	24.13		
ABS	8.71		
CMBS	6.97		
RMBS	0.66		

## 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 %
<b>Institutional</b>	HACBX	411512239	5.03%	4.60%	11.44%	-1.51%	0.54%	N/A	1.97%	06/01/18	0.34	0.44
<b>Retirement</b>	HCBRX	411512197	5.16%	4.78%	11.64%	-1.40%	0.63%	N/A	2.06%	06/01/18	0.26	0.36
Bloomberg US Aggregate Bond Index			5.20%	4.45%	11.57%	-1.39%	0.33%	N/A	1.87%	06/01/18		

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 Bond 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 of 2024, the Harbor Core Bond (Institutional Class, “Fund”) returned 5.03%, underperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned 5.20%. The Fund’s underperformance relative to the Index was driven by security selection, particularly within the Industrials sector and asset-backed securities (“ABS”). The Fund’s underperformance relative to its benchmark was also due to being slightly short duration, relative to the Index.

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. 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 Bond Fund

## MANAGER COMMENTARY

As of 09/30/2024



### Contributors & Detractors

The largest contributors to Fund performance included Berkshire Hathaway Energy, Truist Financial, and a Freddie Mac agency residential mortgage-backed securities (“RMBS”) pool.

The largest detractors from Fund performance included WarnerMedia, Foundry JV Holdco, and an SBA security. 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. Foundry JV has underperformed due to its ties to Intel, which reported weak results and sent the stock down 27% after reporting earnings. Intel subsequently received downgrades to BBB+/Baa1 from all three rating agencies. Despite the underperformance, we continue to be constructive on these holdings and will continue to hold these securities.

### Positioning

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

Positive contributors to relative performance included our security selection within the agency RMBS, RMBS, and CMBS sectors. Relative performance was also helped by our overweight to Financials and underweight to Treasuries. Detractors from relative performance included security selection within the Industrials sector and our out-of-index allocation to SBAs.

The Fund's security selection within the AA and AAA credit buckets, as well as our underweight to AAs and overweight to BAAs, aided relative performance. On the other hand, security selection within the BAA and A credit buckets detracted from relative performance.

The Fund's out-of-benchmark allocation to RMBS aided relative returns, while the allocation to SBAs detracted from relative performance.

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

### Buys & Sells

During the quarter, we purchased Uber Technologies in the primary market at 0.75% versus a 5-year Treasury. Uber is the global leader in application-based ride-hailing and delivery technology. The company's proprietary technology connects consumers with drivers to facilitate rides and the delivery of food, alcohol, and groceries. Uber's technology can also be used by shippers for freight delivery. The revenue contributions during the most recent quarter were 57% mobility, 31% delivery, and 12% freight. The stock was purchased due to attractive relative value.

During the quarter, we sold GA Global Funding Trust. This was an opportunistic sale based on relative attractive value.

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# Harbor Core Bond Fund

## MANAGER COMMENTARY

As of 09/30/2024



### Sector Overweights & Underweights

Entering 2024, the Fund was overweight securitized products and underweight Treasuries, and that positioning has remained the same, as we've increased the underweight to Treasuries to 17.4%, and the overweight to the securitized sector increased from 7.7% to 13.1%. During the quarter, we decreased our credit overweight by 0.80%, and increased our Treasury underweight by nearly 1% and securitized products overweight by 1.80%. Within the securitized sector, we decreased our RMBS underweight by 1.24% and incrementally increased our overweight to ABS and CMBS. On the credit side, we decreased our allocation to the Financials sector, primarily through reducing exposure to the banking and insurance subsectors.

### Country Allocation

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 Bond Fund



## ATTRIBUTION

As of 09/30/2024

### Harbor Core Bond 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	5.19	5.20	-0.01	-0.02		0.03		-0.02		-0.01		-0.01
				Duration	-0.01	Finance	0.02	Finance	0.01	Pricing	0.00	
				Shape	-0.01	Industrial	0.00	Industrial	-0.07	Intraday	-0.01	
				Other	0.01	Utility	0.00	Utility	0.01			
						ABS	-0.02	ABS	-0.01			
						CMBS	0.00	CMBS	0.01			
						MBS	-0.02	MBS	0.07			
						Agency	-0.01	Agency	-0.02			
						Municipal	0.00	Municipal	0.00			
						Non-corporate	0.01	Non-corporate	0.00			
						Treasury	0.06	Treasury	0.00			
						Other	0.00	Other	0.00			

### What Worked

- The Harbor Core Bond Fund outperformed the Bloomberg Aggregate Index in the 3<sup>rd</sup> quarter.
- Security selection within Agency RMBS and CMBS sectors aided returns.
- The portfolio's underweight to Treasuries and overweight to the Finance sector contributed to relative performance.
- Top performers: BERKSHIRE HATHAWAY, an Agency RMBS security, and TRUIST FINANCIAL.

### What Didn't Work

- The portfolio's out of benchmark allocation to SBAs and overweight to ABS detracted from relative performance.
- Security selection within Industrials and SBAs detracted from relative returns.
- Bottom performers: WARNERMEDIA HOLDI, an SBA security, and FOUNDRY JV HOLDCO.

Source: Bloomberg

Due to rounding totals may not sum to 100.

**Past Performance is not a guarantee of future results.**

# Harbor Core Bond Fund

## ATTRIBUTION

As of 09/30/2024



### Harbor Core Bond 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	11.74	11.57	0.17	-0.24	0.39	0.21	-0.19	0.17			
				Duration	-0.14	Finance	0.15	Finance	-0.02	Pricing	0.00
				Shape	-0.02	Industrial	-0.01	Industrial	-0.01	Intraday	-0.19
				Other	-0.08	Utility	0.02	Utility	-0.03		
						ABS	-0.02	ABS	0.02		
						CMBS	0.10	CMBS	-0.07		
						MBS	-0.02	MBS	0.24		
						Agency	-0.05	Agency	0.06		
						Municipal	0.00	Municipal	0.01		
						Non-corporate	0.02	Non-corporate	0.00		
						Treasury	0.26	Treasury	0.00		
						Other	-0.07	Other	0.00		

### What Worked

- The Harbor Core Bond Fund portfolio outperformed the Bloomberg Aggregate Index over the past 12 months.
- Security selection within Agency RMBS and SBAs contributed to relative returns.
- The portfolio's underweight to Treasuries and overweight exposure to the Finance and CMBS sectors greatly contributed to performance.
- Top performers: Blackstone Inc, an Agency RMBS security and ROGERS COMMUNICATIONS IN.

### What Didn't Work

- Security selection within the CMBS detracted from relative returns.
- An out-of-benchmark exposure to SBA detracted from performance.
- Bottom performers: BNP PARIBAS, and Agency RMBS security, and WARNERMEDIA HOLDINGS INC.

Source: Bloomberg

Due to rounding totals may not sum to 100.

**Past Performance is not a guarantee of future results.**

# Harbor Core Bond 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.

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.

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.

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

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

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# Harbor Core Bond Fund



## 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.