HARBOR CORE BOND FUND

Income Research + Management

Subadvisor Since 06/01/2018

Total Net Assets – *All Classes*	$1,345,043,356
Fixed Income Assets:	98.12%
Cash & Other Assets Less Liabilities:	1.88%
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 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 Subadviser'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 12/31/2024

Portfolio Characteristics

	Portfolio	Benchmark
Number of Bonds	493	13,630
Avg. Market Coupon (%)	4.33	3.42
Wtd. Avg. Maturity (yrs)	8.66	8.35
Wtd. Avg. Duration (yrs)	6.07	6.08
Beta vs. Fund Benchmark	0.99	

Top 10 Issues

	Portfolio %
US TREASURY N/B	4.96
US TREASURY N/B	3.89
US TREASURY N/B	2.78
US TREASURY N/B	2.68
US TREASURY N/B	2.44
US TREASURY N/B	2.07
US TREASURY N/B	1.78
US TREASURY N/B	1.68
US TREASURY N/B	1.64
US TREASURY N/B	0.98
Total	**24.89**

Maturity

	Portfolio %
0-1 yr	2.97
1-3 yr	13.73
3-5 yr	22.26
5-7 yr	14.82
7-10 yr	26.08
10-20 yr	12.18
20-30 yr	7.71
Over 30 yr	0.24

Duration

	Portfolio %
0-1 yr	5.15
1-3 yr	16.50
3-5 yr	27.30
5-7 yr	24.01
7-10 yr	9.67
10-20 yr	17.36
20-30 yr	0.00
Over 30 yr	0.00

Credit Quality

	Portfolio %
US Govt/Agency	25.24
AAA	13.01
AA	29.33
A	14.02
BBB	17.44
BB	0.00
B	0.00
CCC	0.00
CC	0.00
C	0.00
Below C	0.00
Non-Rated	0.00

Harbor

Harbor Core Bond Fund

CHARACTERISTICS & ALLOCATION

As of 12/31/2024

Sector	% of Market Value
Credit	**29.72**
Finance	14.53
Industrial	12.30
Utility	2.89
Non-corporate	0
Government	**29.31**
Treasury	25.74
SBA and Gov Guaranteed	3.57
Agency	0
Municipal	**0.33**
Revenue	0.29
GO	0.04
Securitized	**39.68**
Agency RMBS	24.11
ABS	8.34
CMBS	6.71
RMBS	0.52
Agency CMBS	0

PERFORMANCE

As of 12/31/2024

Average Annual Returns

Share Class	Ticker	CUSIP	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Current 30–Day Yield %	Current 30-Day Un-Sub Yield %	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HACBX	411512239	-2.91%	1.56%	1.56%	-2.38%	-0.04%	N/A	4.53%	4.52%	1.44%	06/01/18	0.34	0.44
Retirement	HCBRX	411512197	-2.99%	1.64%	1.64%	-2.30%	0.02%	N/A	4.61%	4.60%	1.51%	06/01/18	0.26	0.36
Bloomberg US Aggregate Bond Index			-3.06%	1.25%	1.25%	-2.41%	-0.33%	N/A			1.32%	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 12/31/2024

“In 2025, market participants are generally forecasting spreads to widen from their current, historically tight levels.”
Income Research + Management

Market in Review

Risk assets continued to rally for much of the fourth quarter of 2024, continuing the trend from the first nine months of the year. Buoyed by positive macroeconomic data and a decisive presidential election outcome, credit spreads reached their narrowest level in over two decades, and the S&P 500 Index climbed above 6,000. Consumer Price Index (“CPI”) growth picked up slightly in October and November with year-over-year increases of 2.6% and 2.7%, respectively, while the most recent estimate of annualized Gross Domestic Product (“GDP”) came in above expectations at 3.1%. The positive market sentiment cooled after the Federal Open Market Committee meeting in December, when the U.S. Federal Reserve (“Fed”) cut rates by 0.25% to bring the fed funds target rate range to 4.25%–4.50%. Although the rate move was expected, Chair Powell’s subsequent comments indicated a likely slowdown in the pace of future rate cuts. The updated Fed dot plot showed a median estimate of two rate cuts in 2025, down from September’s estimate of four, as Fed officials grew wary of the impact President-elect Trump’s tariff and immigration policies could have on the U.S. economy. The Treasury curve steepened considerably during the quarter, with the front-end inversion almost disappearing entirely. Treasury bill rates fell while bond yields rose, led by the 7-year tenor’s 0.83% increase to 4.48%. The 3-month/30-year yield inversion, typically seen as a leading indicator for economic recessions, reversed after 25 months in negative territory.

Portfolio Performance

During the fourth quarter, the Harbor Core Bond Fund (Institutional Class, “Fund”) returned –2.91%, outperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned –3.06%.

Overweights to Financials, commercial mortgage-backed securities (“CMBS”), and asset-backed securities (“ABS”), as well as an underweight to Treasuries, added to outperformance as spread product outperformed Treasuries during the quarter. This was slightly offset by security selection within agency residential mortgage-backed securities (“RMBS”), which detracted from performance.

Contributors and Detractors

The largest contributors to Fund performance included Charter Communications Operating, Warner Bros. Discovery, GATX, and Foundry JV Holdco.

The largest detractors from Fund performance included agency RMBS, Eversource Energy, AppLovin, and Bank5. Agency RMBS underperformed Treasuries and other securitized sectors following heightened Treasury-rate volatility around the 2024 presidential election and hawkish Fed commentary in December. Eversource Energy underperformed, as relative value analysis reflected a weak balance sheet and the potential for negative ratings action. Its intended divestment of Connecticut water utility Aquarion, with an estimated closing by 2025 year-end, could help in reaching the targets for its cash-flow enhancement plan. Despite the underperformance, we continue to be constructive about these holdings and will continue to hold them.

Harbor Core Bond Fund

MANAGER COMMENTARY

As of 12/31/2024

Positioning

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

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

Detractors from relative performance included security selection within the agency RMBS sector.

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

The Fund's out-of-benchmark allocation to SBAs aided relative returns, while the allocation to RMBS did not impact relative performance.

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

Buys & Sells

During the quarter, we purchased Blackstone 5.00% 2034 in the new issue market at 0.84% versus the 10-year Treasury. We continue to view Blackstone as worth trading at the tight end of the alternative asset manager universe due to its solid performance, despite an overall slowing in real estate. The company's leverage is one of the lowest among peers, and firm-wide, fee-related earnings continue to grow, despite weakness in the Real Estate sector.

During the quarter, we sold Warner Bros. Discovery 5.141% 2052. This was an opportunistic sale due to relative value and spread widening amid merger and acquisition ("M&A") discussions.

Sector Overweights and 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 18.6%, and the overweight to securitized products increased to 12.6%.

During the quarter, we increased our credit overweight by 0.7% and our Treasury underweight by 1.2%, and decreased our securitized overweight by 0.6%. Within securitized, we incrementally decreased our RMBS underweight, along with the overweights to CMBS and ABS. On the credit side, we increased our allocation to Industrials, primarily through increasing exposure to consumer cyclicals. The Fund's yield increased by 0.61% during the quarter, as an increase in Treasury rates pushed corporate yields higher despite the Fed's December cut.

Harbor Core Bond Fund

MANAGER COMMENTARY

As of 12/31/2024

Country Allocation

The Fund's country allocation relative to the benchmark did not change during the quarter. IR+M 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. During the quarter, the Fund's absolute allocation to Yankees increased moderately to 8.07%.

Outlook

In 2025, market participants are generally forecasting spreads to widen from their current, historically tight levels. Dealers project an increase in supply driven by an uptick in M&A activity and increased capital expenditure stemming from strong economic growth. The impact of President-elect Trump's policies, particularly tariffs, poses uncertainty for credit markets, as do continued geopolitical conflicts and intentional releveraging through M&A and higher capital expenditure. These risks are likely to have an uneven impact on different sectors and different issuers. We believe our bottom-up approach will allow us to identify and capitalize on any resulting dislocations and attractive market opportunities.

Harbor Core Bond Fund

ATTRIBUTION

As of 12/31/2024

Harbor Core Bond Fund - Quarterly Attribution

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference
4Q 2024	-2.92	-3.06	0.15

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday		Total
-0.01		0.14		0.00		0.02		0.15
Duration	0.00	Finance	0.03	Finance	0.02	Pricing	0.03	
Shape	-0.01	Industrial	-0.02	Industrial	0.05	Intraday	-0.01	
Other	0.00	Utility	0.00	Utility	0.00			
		ABS	0.03	ABS	0.01			
		CMBS	0.05	CMBS	-0.02			
		MBS	0.00	MBS	-0.07			
		Agency	-0.01	Agency	0.01			
		Municipal	0.00	Municipal	0.00			
		Non-corporate	0.01	Non-corporate	0.00			
		Treasury	0.03	Treasury	0.00			
		Other	0.00	Other	0.00			

What Worked

- The Harbor Core Bond Fund outperformed the Bloomberg Aggregate Index in the 4th quarter.
- Security selection within Financials and Industrials aided returns.
- The portfolio's underweight to Treasuries and overweight to CMBS, Financials, and ABS contributed to relative performance.
- Top performers: CHARTER COMM OP, an SBA security, and WARNERMEDIA HOLDINGS.

What Didn't Work

- The portfolio's underweight to Industrials and out of benchmark allocation to SBAs detracted from relative performance.
- Security selection within Agency RMBS and CMBS detracted from relative returns.
- Bottom performers: an Agency RMBS Security, EVERSOURCE ENERGY, and an SBA security.

Source: Bloomberg
Due to rounding totals may not sum to 100.
Past Performance is not a guarantee if future results.

Harbor Core Bond Fund

ATTRIBUTION

As of 12/31/2024

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	1.63	1.25	0.38	0.03	0.42	0.12	-0.18	0.38

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday	
Duration	0.08	Finance	0.12	Finance	0.05	Pricing	0.02
Shape	-0.03	Industrial	-0.02	Industrial	0.08	Intraday	-0.20
Other	-0.03	Utility	0.02	Utility	-0.02		
		ABS	0.05	ABS	0.03		
		CMBS	0.15	CMBS	-0.06		
		MBS	0.01	MBS	-0.03		
		Agency	-0.02	Agency	0.07		
		Municipal	0.00	Municipal	0.00		
		Non-corporat	0.01	Non-corporat	0.00		
		Treasury	0.12	Treasury	0.00		
		Other	-0.02	Other	0.00		

What Worked

- The Harbor Core Bond Fund portfolio outperformed the Bloomberg Aggregate Index over the past 12 months.
- Outperformance was driven by both asset allocation and security selection but largely by asset allocation.
- Security selection within SBAs, Financials, Industrials, and ABS contributed to relative returns.
- The portfolio's underweight to Treasuries and overweight exposure to Financials, ABS, and CMBS greatly contributed to performance.
- Top performers: CHARTER COMM OP, GATX CORP, and an SBA security.

What Didn't Work

- Security selection within the CMBS and Agency RMBS detracted from relative returns.
- An out-of-benchmark exposure to SBA and underweight exposure to Industrials detracted from performance.
- Bottom performers: EVERSOURCE ENERGY, a CMBS security, and an Agency RMBS security.

Source: Bloomberg

Due to rounding totals may not sum to 100.

Past Performance is not a guarantee if 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 or call 800-422-1050. Read it carefully before investing.

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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.