

# 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:** \$16,780,790  
**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 09/30/2024

Portfolio Characteristics		
	Portfolio	Benchmark
Number of Holdings	37	381
Wtd Avg Market Cap (\$Mil)	91,307.10	347,676.20
Median Market Cap (\$Mil)	8,926.00	1,073.00
Price/Book Ratio	6.36	17.85
Adjusted Trailing P/E Ratio	38.70	66.10
% EPS Growth - Past 3 Yr	-0.50	-3.40
Est 3-5 Yr EPS Growth Rate (%)	21.90	32.20
Return on Equity (%)	6.90	26.88
Beta vs Fund Benchmark	0.66	
Forecasted P/E Ratio	21.10	46.80

Top 10 Holdings		
	Portfolio %	Benchmark %
Ascendis Pharma A/S - ADR	16.19	0.00
AbbVie Inc.	7.69	6.24
Legend Biotech Corp. - ADR	7.66	0.00
Masimo Corporation	5.24	0.12
Pfizer Inc.	4.70	0.00
Option Care Health Inc	4.27	0.10
ICON Plc	4.05	0.00
Lantheus Holdings Inc	4.03	0.31
UnitedHealth Group Inc	3.64	1.51
Vaxcyte Inc.	3.34	0.56
<b>Total</b>	<b>60.81</b>	<b>8.84</b>

Top 5 Industries		
	Portfolio %	Benchmark %
Biotechnology	44.92	26.26
Health Care Equip	23.80	16.92
Pharmaceuticals	12.11	45.86
Health Care Providers	11.42	7.20
Life Sciences Tools	6.17	2.05
<b>Total</b>	<b>98.42</b>	<b>98.29</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	32.79
	10.0B - 25.0B	13.42
Mid	5.0B - 10.0B	42.84
	1.0B - 5.0B	9.80
Small	0.0 - 1.0B	0.50

# Harbor Health Care ETF



## PERFORMANCE

As of 09/30/2024

### Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
<b>Harbor Health Care ETF (NAV)</b>	9.60%	12.83%	29.03%	N/A	N/A	N/A	21.26%	11/16/2022
<b>Harbor Health Care ETF (Market)</b>	9.76%	12.90%	29.29%	N/A	N/A	N/A	21.75%	11/16/2022
Russell 3000 <sup>®</sup> Growth Health Care Index	2.04%	15.63%	26.36%	N/A	N/A	N/A	15.77%	11/16/2022

## MANAGER COMMENTARY

As of 09/30/2024

**“We believe that the economic backdrop, Fed easing cycle, relative year-to-date sector underperformance versus sectors like large-cap Information Technology, and a potentially favorable political backdrop all offer potential for strong, forward relative returns in Health Care.”**

Westfield Capital Management Company, L.P.

### Market in Review

The third quarter of 2024 saw continued strength in U.S. equity markets, with both the S&P 500 Index and Nasdaq reaching new, all-time highs. Market participation broadened significantly, as confidence in the U.S. Federal Reserve's (“Fed”) ability to deliver a soft landing grew. In a reversal of prior trends, equal-weight indexes like the S&P 500 outperformed their cap-weighted counterparts, with sectors such as Industrials, Financials, and Utilities showing notable resilience, while Information Technology leadership eroded. Small-cap stocks also had a strong quarter, buoyed by optimism surrounding lower inflation, a stable labor market, and expectations of the Fed's shift toward a monetary easing cycle.

### Portfolio Performance

During the third quarter, the Harbor Health Care ETF (“ETF”) returned 9.60% (NAV), outperforming the Russell 3000<sup>®</sup> Growth Health Care Index, which returned 2.04%.

From an industry perspective, relative strength within biotechnology and pharmaceuticals outweighed relative weakness in health care providers and services.

Stock selection drove the relative outperformance during the quarter, outweighing a common factor headwind. From a factor perspective, the ETF's overweight exposures to earnings variation and volatility were headwinds to relative performance. This was partially offset by tailwinds from the ETF's underweight exposure to size and overweight exposure to leverage.

**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 09/30/2024



### Contributors & Detractors

Ascendis Pharma, an innovative biotech company focused on improving the delivery of complex molecules, was the top contributor to relative performance during the quarter. Ascendis reached a watershed moment with the long-awaited FDA approval of its key product Yorvipath. Additionally, the company surprised the market with positive Phase-3 data for what appears to be a competitive product for the treatment of achondroplasia. We believe that the addition of these two products to its portfolio represents long-term, peak sales potential, and that Ascendis represents one of the most asymmetric risk/reward profiles of any name in Health Care.

Legend Biotech, a clinical-stage biopharmaceutical company, also contributed positively to relative results during the quarter. Noise around the Biosecure Act in Congress has died down, thus, investors have returned to the fundamentals in Legend, which drove a much needed rebound during the quarter. With supply constraints for its future blockbuster Carvykti easing, we think Legend will continue to rebound from its significant discount.

Dexcom, a leading player in the rapidly growing continuous glucose-monitoring diabetes market, was the top detractor from relative returns during the quarter. The stock sold off in July following its second quarter earnings report, revealing that the company missed on revenues and reducing its 2024 guidance. Management had indicated satisfaction with revenues in mid-June, which exacerbated investor frustration with the company. Despite the recent weakness, we continue to believe that Dexcom's end-market growth remains unchanged, and that the company has a strong position with a superior product in a duopoly market. We continue to view Dexcom as a core holding and added to our position at a reset valuation. We believe the company's upcoming G7 and Stelo glucose biosensor launches should drive further upside.

ICON, one of the world's largest contract research organizations, also detracted from relative performance during the quarter. The underperformance was mostly due to negative industry commentary coming from peers rather than ICON's operations. We have confidence in ICON's 2025 estimates, as the company has both the visibility and capacity to deploy its balance sheet, while being largely insulated from sluggish funding in earlier-stage biotech.

### Buys & Sells

During the quarter we purchased Merus, a clinical-stage immuno-oncology company. Merus' lead product targets squamous cell skin cancer. We believe it has the potential to significantly extend treatment duration and enhance patient outcomes, and it has reduced competitive threats after the discontinuation of competing trials. We also believe the company's robust pipeline should provide potential upside.

During the quarter, we sold our position in Neurocrine Biosciences, a biotech company focused on neurological and endocrine diseases. We were disappointed with Phase-2 results from its key pipeline program for schizophrenia, as effectiveness was below our expectations. We sold the stock and rotated capital into holdings with better risk/reward profiles.

### 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 quarter-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 clinics 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 entering 2024 and continues to be the largest underweight as of quarter-end. We believe that the industry includes many interesting opportunities, and in fact, the industry represents the third-largest absolute weight in the ETF at 12%; however, the group remains fundamentally challenged. The pharmaceuticals industry has faced headwinds from massive patents expiring for legacy mega-blockbuster drugs, and its ability to fill these gaps with mergers and acquisitions seems doubtful in the current environment.

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

# Harbor Health Care ETF

## MANAGER COMMENTARY

As of 09/30/2024



### Outlook

Overall, the third quarter represented a solid bounceback from the second quarter, when the ETF underperformed. We believe that the economic backdrop, Fed easing cycle, relative year-to-date sector underperformance versus sectors like large-cap Information Technology, and a potentially favorable political backdrop all offer potential for strong, forward relative returns in Health Care. We continue to believe that our largest positions have the potential to capitalize on future alpha-generating opportunities, and we favor both biotechnology and health care equipment in the current environment.

# Harbor Health Care ETF

## QUARTERLY ATTRIBUTION

As of 09/30/2024



### Best & Worst Performers

Best Performers	Average Weight %	Return % (NAV)
EDGEWISE THERAPEUTICS INC	0.28	68.84
VAXCYTE INC	2.81	51.33
EVOLENT HEALTH INC - A	0.28	38.08
LANTHEUS HOLDINGS INC	2.78	36.69
OSCAR HEALTH INC - CLASS A	0.76	34.07

Worst Performers	Average Weight %	Return % (NAV)
DEXCOM INC	2.52	-40.87
IRHYTHM TECHNOLOGIES INC	0.25	-32.34
ROCKET PHARMACEUTICALS INC	1.76	-14.21
NEUROCRINE BIOSCIENCES INC	0.82	-12.71
MCKESSON CORP	1.06	-8.55

### Contributors & Detractors

Greatest Contributors	Return % (NAV)	Contribution to Return %
LEGEND BIOTECH CORP-ADR	10.03	1.67
ASCENDIS PHARMA A/S - ADR	9.48	1.65
LANTHEUS HOLDINGS INC	36.69	1.40
ABBVIE INC	15.88	1.38
VAXCYTE INC	51.33	1.24
<b>Total</b>		<b>7.34</b>

Greatest Detractors	Return % (NAV)	Contribution to Return %
DEXCOM INC	-40.87	-1.83
ICON PLC	-8.35	-0.42
ROCKET PHARMACEUTICALS INC	-14.21	-0.32
IRHYTHM TECHNOLOGIES INC	-32.34	-0.30
MCKESSON CORP	-8.55	-0.25
<b>Total</b>		<b>-3.12</b>

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# Harbor Health Care ETF

## ATTRIBUTION

As of 09/30/2024



### Quarterly Attribution:

Harbor Health Care ETF vs Russell 3000 Growth Health Care Index

#### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	10.30	2.21	8.09
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>10.30</b>	<b>2.21</b>	<b>8.09</b>

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
Health Care	97.48	99.95	-2.47	10.38	2.21	8.17	10.03	2.21	0.00	7.84	7.84
Financials	0.76	0.00	0.76	34.07	0.00	34.07	0.25	0.00	0.23	0.00	0.23
Consumer Discretionary	0.00	0.05	-0.05	0.00	1.68	-1.68	0.00	0.00	0.00	0.00	0.00
Information Technology	0.00	0.00	0.00	0.00	-32.62	32.62	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>10.30</b>	<b>2.21</b>	<b>8.09</b>	<b>10.30</b>	<b>2.21</b>	<b>0.25</b>	<b>7.84</b>	<b>8.09</b>

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

# 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. The Russell 3000® Growth Health Care Index and Russell® are trademarks of Frank Russell Company. 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.

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.

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

**Westfield Capital Management Company, L.P. is a third-party subadvisor to the Harbor Health Care ETF.**

**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.