

HARBOR LONG-SHORT EQUITY ETF

Disciplined Alpha

Subadvisor Since 12/04/2023

Ticker: LSEQ
CUSIP: 41151J828
Net Expense Ratio: 1.70%
Gross Expense Ratio: 1.70%
Total Net Assets: \$18,468,917
Benchmark Name: HFRX Equity Hedge Index

Portfolio Manager



Kevin Shea, CFA

Investment Philosophy

The Harbor Long-Short Equity ETF seeks to provide long-term growth of capital. The Fund invests at least 80% of its net assets, plus borrowings for investment purposes, in long and short positions in equity securities. The Fund invests primarily in the common stocks of U.S.-listed large cap and mid cap companies. The Fund defines large cap and mid cap companies as those with market capitalizations that fall within the range of the Russell 1000® Index (the "Index").

To seek to achieve the Fund's investment objective, Disciplined Alpha utilizes a disciplined quantitative process – maintaining long and short exposures to potentially neutralize downside risk and limit drawdowns.

CHARACTERISTICS & ALLOCATION

As of 12/31/2024

Portfolio Characteristics		
	Long %	Short %
Number of Holdings	135	34
Wtd Avg Market Cap (\$Mil)	103,514.31	247,491.78
Median Market Cap (\$Mil)	23,564.24	9,151.44
Price/Book Ratio	4.24	1.98
Adjusted Trailing P/E Ratio	25.82	13.61
% EPS Growth - Past 3 Yr	33.62	18.57
Est 3-5 Yr EPS Growth Rate (%)	14.23	9.73
Return on Equity (%)	17.43	9.43
Forecasted P/E Ratio	23.48	14.23

Economic Sectors		
	Long%	Short %
Information Technology	29.35	-7.71
Consumer Discretionary	25.94	-15.82
Health Care	21.61	-10.56
Materials	14.41	-2.79
Communication Services	11.42	-4.38
Consumer Staples	7.07	-6.09
Industrials	6.79	-4.45
Energy	6.02	-12.62
Utilities	5.39	-3.08

Top 10 Holdings Long %	
	Long %
ADT, Inc.	2.41
Palantir Technologies Inc. Class A	2.23
Southwest Airlines Co.	2.03
PG&E Corporation	2.02
Element Solutions Inc	1.91
AppLovin Corp. Class A	1.90
Envista Holdings Corp.	1.88
Arista Networks, Inc.	1.76
DocuSign, Inc.	1.67
Royal Gold, Inc.	1.66
Total	19.48

Top 10 Holdings Short %	
	Short %
AES Corporation	-3.08
Huntsman Corporation	-2.79
Confluent Inc Class A	-2.40
Devon Energy Corporation	-2.33
SiriusXM Holdings Inc.	-2.33
Amazon.com, Inc.	-2.30
Walgreens Boots Alliance, Inc.	-2.30
Alaska Air Group, Inc.	-2.25
Lyft, Inc. Class A	-2.20
Vail Resorts, Inc.	-2.19
Total	-24.16

Market Capitalization			
		Long %	Short %
Large	Above 25.0B	58.98	-18.59
	10.0B - 25.0B	35.09	-11.49
Mid	5.0B - 10.0B	23.58	-27.42
	1.0B - 5.0B	8.56	-10.00
Small	0.0 - 1.0B	0.00	0.00

Harbor Long-Short Equity ETF



PERFORMANCE

As of 12/31/2024

Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Long-Short Equity ETF (NAV)	0.74%	14.10%	14.10%	-1.92%	4.88%	N/A	4.80%	12/04/2023
Harbor Long-Short Equity ETF (Market)	-0.37%	12.84%	12.84%	-2.27%	4.66%	N/A	4.69%	12/04/2023
HFRX Equity Hedge Index	0.33%	7.83%	7.83%	3.73%	5.53%	N/A	3.51%	12/04/2023

MANAGER COMMENTARY

As of 12/31/2024

“As our regime model is in momentum regime, we continue to expect growth stocks to outperform value stocks.”

Disciplined Alpha LLC

Market in Review

Our macroeconomic regime model shifted to momentum regime on April 30, 2023. In momentum regime, the strategy is essentially long growth stocks and short value stocks. During the fourth quarter of 2024, the Russell 1000® Growth Index returned 7.07%, while the Russell 1000® Value Index returned -1.98%. For the entire calendar year 2024, the Russell 1000® Growth Index returned 33.36%, while the Russell 1000® Value Index returned 14.37%. Determining the correct growth versus value style tilt can contribute positively to performance over the medium term.

Portfolio Performance

During the fourth quarter, the Harbor Long-Short Equity ETF (“ETF”) returned 0.74% (NAV), outperforming its benchmark, the HFRX Equity Hedge Index, which returned 0.33%.

From a long/short perspective, longs contributed 5.79% to performance, while shorts detracted 3.73% from performance.

From a sector perspective, Information Technology, Energy, and Communication Services contributed 3.50%, 1.22%, and 0.37% to performance, respectively. Materials, Consumer Discretionary, and Industrials detracted 2.52%, 0.50%, and 0.29% from performance, respectively.

Contributors & Detractors

During the quarter, contributors to the ETF’s performance included AppLovin and Palantir, which contributed 2.49% and 1.54%, respectively.

Top detractors included short positions in Five9 and Snowflake, which detracted from the ETF’s performance by -0.77% and -0.72%, respectively.

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.

ETF performance prior to 12/4/23 is attributable to the Disciplined Alpha Onshore Fund LP (the “Predecessor Fund”). The historical NAV of the predecessor are used for both NAV and Market Offer Price performance from inception to ETF listing date. Performance periods since LSEQ listing date may contain NAV and MOP data of both the newly formed ETF and the predecessor fund performance. Please refer to the Fund prospectus for further details.

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 Long-Short Equity ETF

MANAGER COMMENTARY

As of 12/31/2024



Buys & Sells

During the quarter, we sold CAVA Group, a restaurant holding company, which returned 33% during the five months it was held in the ETF. While the official latest quarter was fine, senior management provided very vague guidance about the future during its last conference call.

During the quarter, Bright Horizons Family Solutions was sold because of a decrease in the relative estimate revisions of its industry group, leading to the overall industry rank decreasing.

During the quarter, we purchased Southwest Airlines because of an increase in the relative estimate revisions of its industry group. Southwest could be a beneficiary of Spirit Airlines, a low-cost competing airline, filing for bankruptcy.

During the quarter, Live Nation Entertainment was purchased because of an increase in the relative estimate revisions of its industry group. During the COVID pandemic, consumers refrained from attending live concerts, but this has reversed in the past couple of years, driving estimates higher.

Overweights and Underweights

The sector overweights and underweights reflect the regime model being in momentum regime, which involves overweighting growth stocks and underweighting value stocks.

At the start of 2024, the ETF was overweight in the Information Technology and Health Care sectors and underweight in the Communication Services and Utilities sectors.

During the course of the fourth quarter, Information Technology was increased in weight and remained the largest overweight. Health Care was reduced in weight, and Consumer Discretionary became the second largest overweight.

Country Allocation

The Long-Short Equity ETF strategy is focused on U.S. securities.

Outlook

As our regime model is in momentum regime, we continue to expect growth stocks to outperform value stocks. As mentioned previously, during 2023, higher beta stocks significantly outperformed lower beta stocks. (Beta is a measure of systematic risk, or the sensitivity of a fund to movements in the benchmark. A beta of 1.0 implies that the expected movement of a fund's return would match that of the benchmark used to measure beta.) In the Russell 1000® Index, during an average six-month time period between 2002 and 2023, higher beta stocks (those with betas greater than 1.3) outperformed lower beta stocks (those with betas less than 0.7) by 2.4%. During the first half of 2023, however, higher beta stocks outperformed lower beta stocks by 46.0%. This was 3.1 standard deviations above average and was unprecedented during the 2002 to 2023 time period.

Our current market outlook continues to show that growth stocks should outperform value stocks over the short term, and we expect growth stocks with more moderate betas (e.g., those with betas between 1 and 1.3) to outperform other growth stocks.

This will likely change in March due to the introduction of upper limits (caps) in the Russell style benchmarks. Starting March 25, 2025, stocks that are over 4.5% of the benchmark must sum to a total of less than 45% of the benchmark. Using data from October 31, 2024, this will lead to the Magnificent 7 stocks in the Russell 1000® Growth Index being reduced from 51.88% of the benchmark to 45.00% of the benchmark. Active managers will likely therefore start selling these stocks in the middle of March, and index funds will sell these stocks on March 25, 2025. This will likely cause a decline in the Magnificent 7 stocks. A similar change in benchmark weights occurred in March 2000, and this corresponded with the peak of the NASDAQ, which then declined by approximately 80% over the next three years.

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.

Harbor Long-Short Equity ETF



QUARTERLY CONTRIBUTION - LONG

As of 12/31/2024

Best Performers	Average Weight %	Return % (NAV)
AppLovin Corp. Class A	2.51	147.86
Palantir Technologies Inc. Class A	2.22	107.43
Victoria's Secret & Company	1.62	64.82
DocuSign, Inc.	1.44	46.43
Royal Caribbean Group	1.17	33.48

Worst Performers	Average Weight %	Return % (NAV)
MP Materials Corp Class A	0.64	-25.96
Tenet Healthcare Corporation	0.97	-22.50
Steel Dynamics, Inc.	0.23	-21.16
HCA Healthcare Inc	0.54	-19.29
ATI Inc.	0.38	-19.01

Greatest Contributors	Return % (NAV)	Contribution to Return %
AppLovin Corp. Class A	147.86	2.54
Palantir Technologies Inc. Class A	107.43	1.61
Victoria's Secret & Company	64.82	0.80
Exelixis, Inc.	26.62	0.52
DocuSign, Inc.	46.43	0.48
Total		5.95

Greatest Detractors	Return % (NAV)	Contribution to Return %
MP Materials Corp Class A	-25.96	-0.54
Kohl's Corporation	-17.29	-0.31
Envista Holdings Corp.	-13.46	-0.26
Newmont Corporation	-16.40	-0.24
Element Solutions Inc	-11.08	-0.22
Total		-1.57

QUARTERLY CONTRIBUTION - SHORT

As of 12/31/2024

Best Performers	Average Weight %	Return % (NAV)
Acadia Healthcare Company, Inc.	-1.49	-36.47
Super Micro Computer, Inc.	-0.99	-36.37
Regeneron Pharmaceuticals, Inc.	-0.19	-23.49
Wingstop, Inc.	-0.38	-21.82
Universal Health Services, Inc. Class B	-0.22	-19.96

Worst Performers	Average Weight %	Return % (NAV)
Snowflake, Inc. Class A	-1.09	58.58
Five9, Inc.	-1.36	51.43
Lumentum Holdings, Inc.	-1.09	41.44
New Fortress Energy Inc. Class A	-0.81	33.38
Avis Budget Group, Inc.	-1.33	27.05

Greatest Contributors	Return % (NAV)	Contribution to Return %
Super Micro Computer, Inc.	-36.37	0.64
Lyft, Inc. Class A	-19.80	0.56
Acadia Healthcare Company, Inc.	-36.47	0.49
SiriusXM Holdings Inc.	-11.74	0.40
Devon Energy Corporation	-13.19	0.32
Total		2.40

Greatest Detractors	Return % (NAV)	Contribution to Return %
Five9, Inc.	51.43	-0.84
Snowflake, Inc. Class A	58.58	-0.80
New Fortress Energy Inc. Class A	33.38	-0.74
Lumentum Holdings, Inc.	41.44	-0.57
Norwegian Cruise Line Holdings Ltd.	24.96	-0.56
Total		-3.51

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

Harbor Long-Short Equity 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. Short selling securities could potentially have unlimited loss due to the price of securities sold short increasing beyond the cost of replacement and the limitless increase on the value of a security. The Fund utilizes a quantitative model and there are limitations in every quantitative model. There can be no assurances that the strategies pursued or the techniques implemented in the quantitative model will be profitable, and various market conditions may be materially less favorable to certain strategies than others.

Benchmarks

The Russell 1000® Growth Index is an unmanaged index generally representative of the U.S. market for larger capitalization growth stocks. The Russell 1000® Value Index is an unmanaged index generally representative of the U.S. market for larger capitalization value stocks. These unmanaged indices do not reflect fees and expenses and are not available for direct investment. The Russell 1000® Value Index and Russell® are trademarks of Frank Russell Company. The Russell 1000® Growth Index, Russell 1000® Value Index and Russell® are trademarks of Frank Russell Company.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios.

Indices listed are unmanaged and do not reflect fees and expenses and are not available for direct investment.

Disclosures

The Harbor Long-Short Equity ETF (the "Fund") acquired the assets and assumed the then existing known liabilities of the Disciplined Alpha Onshore Fund LP (the "Predecessor Fund"), a Delaware limited partnership, on 12/4/23, and the Fund is the performance successor of the reorganization. This means that the Predecessor Fund's performance and financial history will be used by the Fund going forward from the date of reorganization. Performance information prior to 12/4/23 reflects all fees and expenses, including a performance fee, incurred by the Predecessor Fund. Disciplined Alpha LLC ("Disciplined Alpha") served as the general partner and investment manager to the Predecessor Fund, which commenced operations on 1/1/15 and, since that time, implemented its investment strategy indirectly through its investment in a master fund, which had the same general partner, investment manager, investment policies, objectives, guidelines and restrictions as the Predecessor Fund. Regardless of whether the Predecessor Fund operated as a stand-alone fund or invested indirectly through a master fund, Disciplined Alpha managed the Predecessor Fund assets using investment policies, objectives, guidelines and restrictions that were in all material respects equivalent to those of the Fund. However, the Predecessor Fund was not a registered fund and so it was not subject to the same investment and tax restrictions as the Fund. If it had been, the Predecessor Fund's performance may have been lower.

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

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.

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.

Foreside Fund Services, LLC is the Distributor of the Harbor ETFs.

Harbor Long–Short Equity ETF



IMPORTANT INFORMATION

Definitions

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.

Standard deviation measures the dispersion of a dataset relative to its mean.