

HARBOR SCIENTIFIC ALPHA HIGH-YIELD ETF

BlueCove Limited

Subadvisor Since 09/14/2021

Ticker: SIHY
CUSIP: 41151J109
Net Expense Ratio: 0.48%
Gross Expense Ratio: 0.48%
Total Net Assets: \$125,598,736
Benchmark 1 Name: ICE BofA US High Yield Index (H0A0)

Portfolio Managers



Benjamin Brodsky



Michael Harper



Garth Flannery



Benoy Thomas

Investment Philosophy

The Harbor Scientific Alpha High-Yield ETF (SIHY) seeks total return. The management team has an objective to provide total returns in excess of its benchmark while maintaining a risk profile consistent with that of the broader high-yield market. The management team will seek to achieve its objective by mainly investing in below investment grade (high-yield) corporate bonds.

The Fund is an actively managed fixed income strategy which employs a structured investment process that utilizes a proprietary framework in the security selection of below investment-grade (high-yield) bonds.

CHARACTERISTICS & ALLOCATION

As of 06/30/2024

Portfolio Characteristics		
	Portfolio	Benchmark
Number of Issues	196	1,881
Number of Issuers	141	974
Number of Industries	49	66
Wtd. Avg. Maturity (yrs)	4.51	5.72
Duration	3.73	3.80
Derivatives % of Portfolio	0.00	

Top 10 Issues		Portfolio %
UNICREDIT SPA		1.34
FORTRESS TRANS & INFRAS		1.24
HILTON DOMESTIC OPERATI		1.21
RAKUTEN GROUP INC		1.19
DAVITA INC		1.15
BAUSCH HEALTH COS INC		1.13
TEGNA INC		1.13
FAIR ISAAC CORP		1.12
ROYAL CARIBBEAN CRUISES		1.10
TEMPUR SEALY INTL INC		1.08
Total		11.70

Top 10 Sectors		
	Portfolio %	Benchmark %
Energy	11.49	11.76
Retail	9.43	6.21
Leisure	8.86	7.28
Financial Services	7.88	6.35
Media	7.88	8.66
Healthcare	7.80	8.07
Capital Goods	7.09	6.49
Real Estate	6.45	4.31
Basic Industry	6.39	8.47
Consumer Goods	6.27	3.77
Total	79.55	71.38

Credit Quality		
	Portfolio %	Benchmark %
AAA	0.00	0.00
AA	0.00	0.00
A	0.00	0.00
BBB	0.00	0.00
BB	59.38	51.08
B	33.02	36.17
CCC	6.82	11.61
CC	0.22	0.88
C	0.00	0.03
Below C	0.00	0.00
Non-Rated	0.00	0.00

Bond Market Exposures		
	Portfolio %	Benchmark %
High-Yield Corporate	99.45	99.66
Cash	0.55	0.22

Harbor Scientific Alpha High-Yield ETF



ALLOCATION & PERFORMANCE

As of 06/30/2024

Maturity			Duration		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
0-1 yr	0.62	0.88	0-1 yr	5.12	5.30
1-3 yr	21.54	19.69	1-3 yr	25.81	29.90
3-5 yr	47.00	40.08	3-5 yr	52.26	51.69
5-7 yr	22.37	27.52	5-7 yr	14.74	10.78
7-10 yr	6.40	10.02	7-10 yr	1.51	1.49
10-20 yr	1.51	1.18	10-20 yr	0.00	0.63
20-30 yr	0.00	0.39	20-30 yr	0.00	0.00
Over 30 yr	0.00	0.04	Over 30 yr	0.00	0.00

Average Annual Returns

	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
Harbor Scientific Alpha High-Yield ETF (NAV)	1.53%	2.94%	11.94%	N/A	N/A	N/A	7.30%	7.30%	2.73%	09/14/2021
Harbor Scientific Alpha High-Yield ETF (Market)	1.10%	2.95%	12.06%	N/A	N/A	N/A	7.30%	7.30%	2.60%	09/14/2021
ICE BofA US High Yield Index (H0A0)	1.09%	2.62%	10.45%	N/A	N/A	N/A			1.27%	09/14/2021

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 Scientific Alpha High-Yield ETF



MANAGER COMMENTARY

As of 06/30/2024

"However, we believe that risky market valuations do not reflect the current backdrop of macroeconomic uncertainty, buoyed by fear-of-missing-out flows as bearish investors have capitulated."

BlueCove Limited

Market in Review

During the second quarter of 2024, risky assets continued their upward trend, while U.S. convertible bond returns were largely flat, with interest rates rangebound. Volatility spiked early in the quarter, as markets pushed back expectations for rate cuts in the U.S., amid concerns over stagflationary data alongside a rise in geopolitical tensions in the Middle East. Risk markets recovered losses, as volatility declined with the U.S. Federal Reserve maintaining a wait-and-see approach on the future direction of monetary policy, and the first quarter earnings season in the U.S. showing strong earnings growth. Toward quarter-end, market volatility remained relatively muted, with interest rates trending lower as political risk spiked in France and Mexico. This occurred alongside weaker economic data in the U.S. and the start of the rate-cutting cycle in Europe, Canada, and Switzerland. Though credit spread dispersion in high yield markets closed the quarter below long-term median levels, the fund was still able to take advantage of security selection opportunities.

Portfolio Performance

During the quarter, the Harbor Scientific Alpha High Yield ETF ("ETF") returned 1.53% (NAV), outperforming its benchmark, the ICE BofA US High Yield Index, which returned 1.09%.

The performance was driven by security selection across a number of sectors, most notably Consumer Non-Cyclicals, and sector positioning driven by the underweight allocation to Communications. The performance of fundamental insights improved as markets were softer into quarter-end, while valuation and sentiment insights performed well.

Portfolio Positioning

The ETF seeks to be broadly neutral duration and yield curve versus its benchmark. The largest sector positions were overweight allocations to selected Financials and Consumer Cyclicals and underweight allocations to Capital Goods and Communications companies.

In aggregate, sector positioning added 0.18% to performance versus the benchmark during the quarter.

The ETF was underweight lower-quality securities and overweight BB-rated securities, given our more defensive positioning. The ETF seeks to invest only in index-eligible securities, currently invests only in USD securities, and does not emphasize country selection versus the benchmark.

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.

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MANAGER COMMENTARY

As of 06/30/2024

Outlook

Political risk dominated market movements at the end of the quarter. Credit markets reflected growing uncertainty with widening risk premia, although there was a marginal improvement in corporate fundamentals. We continue to project an above-average default environment, as the elevated cost of borrowing continues to work its way through the economy. A “soft landing” for the U.S. economy over the next 12 months currently remains the consensus view. However, we believe that risky market valuations do not reflect the current backdrop of macroeconomic uncertainty, buoyed by fear-of-missing-out flows as bearish investors have capitulated. We believe that “pump priming” fiscal stimulus, which helps short-term growth and typically characterizes the months preceding U.S. elections, can be expected in the near term. In the longer run, we believe that a market that is “priced for perfection” could face a significant correction if the Goldilocks scenario does not arise. In our view, a persistently above-average corporate default incidence is conducive to elevated idiosyncratic dispersion within credit, with further upside potential from shocks to market volatility, and will likely provide a rich opportunity set for the ETF's security selection emphasis.

Harbor Scientific Alpha High-Yield 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.

All investments involve risk including the possible loss of principal. Fixed income securities fluctuate in price in response to various factors, including changes in interest rates, changes in market conditions and issuer-specific events, and the value of your investment in the Fund may go down. There is a greater risk that the Fund will lose money because they invest in below- investment grade fixed income securities and unrated securities of similar credit quality (commonly referred to as "high-yield securities" or "junk bonds"). These securities are considered speculative because they have a higher risk of issuer default, are subject to greater price volatility and may be illiquid. Because the Fund may invest in securities of foreign issuers, an investment in the Fund is subject to special risks in addition to those of U.S. securities. These risks include heightened political and economic risks, greater volatility, currency fluctuations, higher transaction costs, delayed settlement, possible foreign controls on investment, possible sanctions by government bodies of other countries and less stringent investor protection and disclosure standards of foreign markets.

Benchmarks

The ICE BofA US High Yield Index (H0A0) Index is an unmanaged index that tracks the performance of below investment grade U.S. Dollar-denominated corporate bonds publicly issued in the U.S. domestic market. All bonds are U.S. dollar denominated and rated Split BBB and below. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

Disclosures

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

A basis point is one hundredth of 1 percentage point.

Current 30-Day Yields 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 ratings for the underlying securities of the portfolio are composite ratings calculated by ICE Data Indices, LLC ("ICE") and based on the simple averages of ratings from Moody's, S&P, and Fitch. If a security rating is unavailable from ICE, composite ratings calculated by Bloomberg Financial L.P. ("BFLP") and based on the simple averages of ratings from security's Moody's, S&P, Fitch, and DBRS, are used. The composite rating from ICE is calculated by assigning a numeric equivalent to the ratings in each agency's scale. The average of the numeric equivalents for each agency that rates a bond is rounded to the nearest integer and then converted back to an equivalent composite rating using a scale that ranges from AAA (highest) to D (lowest). If only two of the designated agencies rate a bond, the composite rating is based on an average of the two. Likewise, if only one of the designated agencies rates a bond, the composite rating is based on that one rating. For the composite rating from BFLP, the rating agencies are evenly weighted when calculating the composite. It is calculated by taking the average of the existing ratings, rounded down to the lower rating in case the composite is between two ratings. A composite will not be generated if the bond is rated by only one of the four rating agencies. Ratings range from AAA (highest) to D (lowest). Mortgages: Short term and long term ratings are used to generate a composite. The composite ratings are not intended to be a credit opinion. Unrated securities are not rated by the national ratings agencies stated above. Ratings, which are subject to change, apply to the creditworthiness of the issuers of the underlying securities and not to the Fund or its shares. Totals may not sum to 100% due to the exclusion of certain assets and liabilities.

Duration is a commonly used measure of the sensitivity of the price of a debt security, or aggregate market value of a portfolio of debt securities, to change in interest rates. Modified Duration measures the change in the value of a security in response to the 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.

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 Credit Quality, Maturity, Sector, and Duration tables exclude derivatives and cash positions. Bond Market Exposures exclude derivatives only. Positions may not total 100% due to rounding.

Sector allocations are determined using the ICE BofA Fixed Income Index classifications.

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.

BlueCove Limited is a third-party subadvisor to the Harbor Scientific Alpha High-Yield ETF.

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

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IMPORTANT INFORMATION

Definitions

Credit spread is the difference between the yield (return) of two different debt instruments with the same maturity but different credit ratings.