

# 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:** \$149,485,611  
**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 12/31/2024

### Portfolio Characteristics

	Portfolio	Benchmark
Number of Issues	243	1,879
Number of Issuers	169	967
Number of Industries	49	66
Wtd. Avg. Maturity (yrs)	4.26	4.74
Duration	3.53	3.80
Derivatives % of Portfolio	0.00	
Beta vs. Fund Benchmark	0.92	

### Top 10 Issues

	Portfolio %
UNICREDIT SPA	1.16
LIVE NATION ENTERTAINME	1.08
FORTRESS TRANS & INFRAS	1.05
HILTON DOMESTIC OPERATI	1.02
RAKUTEN GROUP INC	1.02
BAUSCH HEALTH COS INC	1.02
SABRE GLBL INC	1.01
ROYAL CARIBBEAN CRUISES	1.00
TEGNA INC	1.00
DAVITA INC	0.98
<b>Total</b>	<b>10.36</b>

### Top 10 Sectors

	Portfolio %	Benchmark %
Energy	13.71	11.18
Leisure	9.45	7.08
Retail	8.46	6.20
Real Estate	7.97	4.36
Financial Services	7.79	6.80
Healthcare	7.04	8.05
Media	6.95	8.49
Basic Industry	5.95	8.78
Technology & Electronics	5.47	5.07
Capital Goods	4.97	6.59
<b>Total</b>	<b>77.77</b>	<b>72.60</b>

### 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	56.55	53.38
B	33.88	34.48
CCC	7.47	10.80
CC	0.00	1.24
C	0.00	0.10
Below C	0.00	0.00
Non-Rated	0.00	0.00

### Bond Market Exposures

	Portfolio %	Benchmark %
High-Yield Corporate	98.40	100.00
Cash	1.60	0.00

# Harbor Scientific Alpha High-Yield ETF



## ALLOCATION & PERFORMANCE

As of 12/31/2024

Maturity			Duration		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
0-1 yr	1.63	0.02	0-1 yr	4.02	4.07
1-3 yr	18.61	19.50	1-3 yr	36.42	36.36
3-5 yr	51.14	41.88	3-5 yr	41.69	46.08
5-7 yr	20.36	25.50	5-7 yr	15.38	11.78
7-10 yr	5.59	11.62	7-10 yr	0.54	1.17
10-20 yr	1.06	1.21	10-20 yr	0.36	0.54
20-30 yr	0.00	0.23	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
<b>Harbor Scientific Alpha High-Yield ETF (NAV)</b>	0.47%	8.52%	8.52%	4.35%	N/A	N/A	6.83%	6.83%	3.96%	09/14/2021
<b>Harbor Scientific Alpha High-Yield ETF (Market)</b>	0.16%	8.64%	8.64%	4.17%	N/A	N/A	6.83%	6.83%	3.88%	09/14/2021
ICE BofA US High Yield Index (H0A0)	0.16%	8.20%	8.20%	2.91%	N/A	N/A			2.72%	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](http://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 12/31/2024

**“Within corporate credit markets, the trailing global high-yield default rate remains elevated, reflecting continuing challenges for corporates with weak credit profiles.”**

BlueCove Limited

### Market in Review

Risk-asset performance was muted during the fourth quarter of 2024, with U.S. equities higher by just over 2% and U.S. high yield flat, as interest rates trended higher. The yield on 10-year U.S. Treasury bonds climbed nearly 0.85%, as markets anticipated a more hawkish U.S. Federal Reserve (“Fed”) on the back of increased inflation expectations toward quarter-end. After the U.S. presidential election, market pricing and flows thematically embraced the prospect of deregulation-enhancing earnings growth, while the expectation of tax cuts and “America-first” initiatives, backed by the threat of tariffs, were a tailwind for U.S. dollar strength. At the same time, geopolitical risk remained heightened, with the ongoing conflicts in Ukraine and the Middle East. Credit-spread dispersion in high-yield markets contracted below long-term median levels – a less supportive environment for our opportunity set.

### Portfolio Performance

During the fourth quarter, the Harbor Scientific Alpha High Yield ETF (“ETF”) returned 0.46% (at NAV), outperforming its benchmark, the ICE BofA US High Yield Index (H0A0), which returned 0.16%.

Performance was driven by security selection across several sectors, notably Consumer Staples, Industrials, and Communication Services. The contribution from sector positioning was modestly negative, driven by an underweight to Communication Services and an overweight to Real Estate, specifically REITs. The positive effect of sentiment insights was the strongest contributor to performance.

### Underweights and Overweights

The ETF seeks to be broadly neutral duration and yield curve versus its benchmark. The largest sector positions were overweights to Financials and Real Estate (specifically, REITs) and underweights to Industrials and Communication Services. In aggregate, sector positioning detracted 0.09% from performance versus the benchmark. We were underweight lower quality, with an increased allocation to single B-rated bonds, reflecting the current opportunity set. Further, we seek to invest only in index-eligible securities, U.S. dollar securities, and do not emphasize country selection versus the benchmark.

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## MANAGER COMMENTARY

As of 12/31/2024

### Outlook

Credit markets ended 2024 with tight valuations, underpinned by consensus institutional investor views of low global recession risk and prospective earnings growth, following a year of corporate profit expansion and rising corporate margins. We think the principal risk for the new year is that the Goldilocks scenario – that of a soft landing coupled with renewed economic vigor from resurgent personal consumption, alongside a long-dormant capital expenditure cycle – is not realized.

We see one threat to the execution of the soft landing to be the procyclical fiscal policy that has supported the outlook for growth. In the U.S., this optimism has been at loggerheads with monetary policy focused on reining in inflation. A third of fund managers ended the year expecting a global no-landing scenario, where growth remains strong but higher-than-target inflation persists.

Another potential trigger for market turbulence is the impact of protectionism on global trade. We think that markets may be underestimating the degree of the U.S. president's tariff ambitions, and the global response. We believe the risk premium does not adequately compensate for the backdrop of macroeconomic uncertainty and fragility. Within corporate credit markets, the trailing global high-yield default rate remains elevated, reflecting continuing challenges for corporates with weak credit profiles. We believe this will provide a strong opportunity for security selection in the ETF.

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

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

### 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.