HARBOR CORE BOND FUND

Income Research + Management

Subadvisor Since 06/01/2018

Total Net Assets – *All Classes*	$1,067,674,671
Fixed Income Assets:	99.16%
Cash & Other Assets Less Liabilities:	0.84%
Benchmark Name:	Bloomberg US Aggregate Bond Index

Portfolio Managers


William A. O'Malley


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Jake Remley


Matt Walker


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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 06/30/2024

Portfolio Characteristics

	Portfolio	Benchmark
Number of Bonds	462	13,617
Avg. Market Coupon (%)	4.36	3.30
Wtd. Avg. Maturity (yrs)	8.88	8.43
Wtd. Avg. Duration (yrs)	6.10	6.13
Beta vs. Fund Benchmark	0.99	

Top 10 Issues

	Portfolio %
US TREASURY N/B	5.26
US TREASURY N/B	4.94
US TREASURY N/B	4.83
US TREASURY N/B	4.16
US TREASURY N/B	3.42
US TREASURY N/B	1.59
FR SD7563	0.99
US TREASURY N/B	0.91
FR SD7543	0.87
PENSKE TRUCK LEASING/PT	0.80
Total	27.77

Maturity

	Portfolio %
0-1 yr	1.41
1-3 yr	15.87
3-5 yr	22.05
5-7 yr	10.96
7-10 yr	28.54
10-20 yr	13.26
20-30 yr	7.59
Over 30 yr	0.31

Duration

	Portfolio %
0-1 yr	3.44
1-3 yr	15.72
3-5 yr	31.73
5-7 yr	21.61
7-10 yr	10.55
10-20 yr	16.95
20-30 yr	0.00
Over 30 yr	0.00

Credit Quality

	Portfolio %
US Govt/Agency	25.94
AAA	13.80
AA	28.65
A	13.96
BBB	17.45
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 06/30/2024

Sector	% of Market Value
Credit	**30.20**
Finance	15.76
Industrial	11.81
Utility	2.63
Non-corporate	0
Government	**30.46**
Treasury	26.39
SBA and Gov Guaranteed	4.06
Agency	0
Municipal	**0.19**
Revenue	0.14
GO	0.05
Securitized	**38.95**
Agency RMBS	22.95
ABS	8.54
CMBS	6.65
RMBS	0.81

Sector (cont.)	% of Market Value
Agency CMBS	0

PERFORMANCE

As of 06/30/2024

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-SubYield %	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HACBX	411512239	0.30%	-0.40%	2.77%	-3.11%	0.01%	N/A	4.49%	4.45%	1.23%	06/01/18	0.34	0.44
Retirement	HCBRX	411512197	0.21%	-0.37%	2.85%	-3.03%	0.10%	N/A	4.49%	4.45%	1.31%	06/01/18	0.26	0.36
Bloomberg US Aggregate Bond Index			0.07%	-0.71%	2.63%	-3.02%	-0.23%	N/A			1.10%	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 06/30/2024

"While risk assets and economic output have remained resilient during the higher interest rate regime, the market environment continues to be pulled in different directions as the impacts of fiscal and monetary policy diverge across sectors of the economy."
Income Research + Management

Market in Review

During the second quarter of 2024, a mix of positive and negative developments across risk assets and economic data offered little clarity about the future path of interest rates or the health of the market environment. Equities rose over the past three months, but credit spreads widened. Annualized real GDP growth stayed positive at 2.9%, but year-over-year increases in the Consumer Price Index ("CPI") were still stuck above 3%. The level of unemployment and jobless claims remained low, but credit card delinquencies rose above pre-2019 levels. This combination of mixed signals continued to make the U.S. Federal Reserve's ("Fed") job of directing monetary policy challenging, and Fed Chair Powell reiterated the need for greater confidence that inflation is moving closer to 2% before the Fed begins cutting interest rates. In accord with Powell's comments, the updated Federal Open Market Committee's dot plot indicated just one anticipated rate cut through the end of 2024, down from the three predicted during the first quarter. Both Fed meetings during the quarter resulted in no change to the federal funds target rate range, which has remained at 5.25%–5.50% since July 2023. Treasury yields rose broadly during the quarter, and the Treasury curve inversion flattened. The 30-year Treasury yield increased by 0.22% to 4.56%, and the spread between the 2-year and 10-year Treasury yields shrank by 0.06% from −0.42% to −0.36%.

Portfolio Performance

During the second quarter of 2024, the Harbor Core Bond (Institutional Class, "Fund") returned 0.30%, outperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned 0.07%.

The Fund's outperformance relative to the index was driven primarily by security selection within the Financials and Industrials sectors. Relative outperformance was also aided by our overweights to Financials, asset-backed securities ("ABS"), and Small Business Administration ("SBA") securities, in addition to our underweight to Industrials.

After the torrid pace of investment-grade corporate issuance that began the year, the second quarter saw supply normalize to a level more in line with long-term averages. The $338 billion of new bonds sold during the second quarter was 10% higher than the 10-year median average for the period, while the $867 billion of issuance, year to date, was 25% higher than the amount issued during the first half of 2023. Following four consecutive quarters of tightening, investment-grade corporate spreads widened by 0.04% from 0.90% to 0.94%, as investors grappled with rich corporate bond valuations with spreads at historically low levels. Despite some fundamental deterioration, the overall credit quality of the corporate bond market is still at a strong point. During the quarter, the ratio of A-rated bonds to BBB-rated bonds in the Bloomberg Corporate Index reached its highest point in eight years.

Commercial mortgage-backed securities ("CMBS") led the way within structured products, driven by outperformance from conduit deals, while single-asset/single-borrower deals underperformed following elevated levels of new issuance. Asset-backed securities ("ABS") posted positive excess returns as well, amid strong demand for the sector. ABS investors comfortably absorbed the largest whole business securitization deal ever to come to market, as a multinational quick-service restaurant chain sold $3.35 billion worth of bonds across five-, seven-, and 10-year tenors. Agency mortgage-backed securities ("MBS") continued to underperform for the second consecutive quarter, as their negative convexity dragged on returns while interest rate volatility picked up.

Harbor Core Bond Fund

MANAGER COMMENTARY

As of 06/30/2024

Contributors & Detractors

The largest contributors to Fund performance included a pool of SBA loans, The Ferguson Group, and Foundry JV Holdco.

The largest detractors from Fund performance included WarnerMedia, a pool of non-agency CMBS loans, and Amazon.

Positioning

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

Positive contributors to relative performance included our overweights to ABS and Financials, as well as our security section within the Industrials, Financials, and SBA sectors. Detractors to relative performance included security selection within the CMBS sector and our relative overweight to the insurance subsector.

The Fund is positioned with an underweight to AA-rated securities and is overweight AAA-, A-, and BAA-rated credit buckets. The majority of this underweight is due to our relative underweight to Treasuries.

The Fund's out-of-benchmark allocation to SBAs benefited relative returns.

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

Buys & Sells

During the quarter, we purchased Foundry JV at between 1.65%–1.70% of spread due to attractive relative value. Foundry JV is the Brookfield-owned portion of Intel's Arizona wafer fab manufacturing facility. This manufacturing facility, which this deal partially finances, will not be operational until 2027. As such, there will be no revenue during the construction phase. The deal is unique in structure, had a relatively small deal size, and attractive spreads at issuance.

During the quarter, we opportunistically trimmed our exposure to Verisk Analytics based on attractive relative value.

Sector Overweights & Underweights

Entering 2024, the Fund was overweight securitized products and underweight Treasuries, and although that positioning has remained the same, we increased our Treasuries underweight to 16.8% from 13.1%. We added to our ABS exposure during the quarter, as we believe the ABS sector offers attractive relative value on the short end of curve, with strong enhancement that can withstand more volatility as well or better than credit markets. Over the course of the first six months of the year, our ABS overweight moved from 7.1% to 8.1%. On the credit side, we continued to increase our allocation to the Financials sector, primarily through exposure to the banking subsector, which moved from a 1.8% overweight at the start of the year to a 4.1% overweight relative to the benchmark.

The most significant change to the Fund's characteristics was the Fund's yield increasing by 0.20% from 5.01% to 5.21%, as we added high-quality financial names to the Fund. Financials outperformed Treasuries during the quarter, and our preference for high-quality financial names helped the Fund outperform its index by 0.16%.

Harbor Core Bond Fund

MANAGER COMMENTARY

As of 06/30/2024

Country Allocation

The Fund's country allocation relative to the benchmark did not change during the quarter. Income Research + Management 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 weight of Yankees increased slightly to 7.4%.

Outlook

While risk assets and economic output have remained resilient during the higher interest rate regime, the market environment continues to be pulled in different directions as the impacts of fiscal and monetary policy diverge across sectors of the economy. The elevated policy rate should, in theory, slow aggregate output with the aim of cooling the rate of inflation. However, federal deficit spending has provided a tailwind to economic growth, and recent advancements in artificial intelligence have helped drive up risk asset valuations. The upcoming presidential election is poised to introduce additional uncertainty to the market as well. We will continue to rely on our duration-neutral approach to navigate interest rate volatility and our bottom-up security selection expertise to identify securities that offer attractive value.

Harbor Core Bond Fund

ATTRIBUTION

As of 06/30/2024

Harbor Core Bond Fund - Quarterly Attribution

	Portfolio Return (Gross of Fee)	Bloomberg Aggregate Index Return	Return Difference	Market Term Structure	Asset Allocation	Security Selection	Price and Intraday	Total
2Q 2024	**0.23**	**0.07**	**0.16**	**0.00**	**0.04**	**0.16**	**-0.03**	**0.16**

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday	
Duration	0.03	Finance	0.02	Finance	0.04	Pricing	0.00
Shape	-0.01	Industrial	0.00	Industrial	0.05	Intraday	-0.03
Other	-0.02	Utility	0.00	Utility	0.00		
		ABS	0.02	ABS	0.01		
		CMBS	0.01	CMBS	-0.01		
		MBS	0.00	MBS	0.01		
		Agency	0.00	Agency	0.04		
		Municipal	0.00	Municipal	0.00		
		Non-Corp	0.00	Non-Corp	0.00		
		Treasury	0.00	Treasury	0.00		
		Other	0.00	Other	0.00		

What Worked

- The Harbor Core Bond Fund outperformed the Bloomberg Aggregate Index in the 2nd quarter.
- Security selection within SBA, Finance, and the Industrial sectors aided returns.
- The portfolio's overweight to the ABS and the Finance sectors contributed to relative performance.
- Top performers: an SBA security, Ferguson Finance plc, and FOUNDRY JV HOLDCO LLC.

What Didn't Work

- Security selection within CMBS detracted from relative returns.
- Bottom performers: WARNERMEDIA HOLDINGS INC, a CMBS security, and AMAZON.COM INC.

Source: Bloomberg

Due to rounding totals may not sum to 100.

Past Performance is not a guarantee of future results.

Harbor Core Bond Fund

ATTRIBUTION

As of 06/30/2024

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	**2.93**	**2.63**	**0.30**	**-0.17**	**0.40**	**0.24**	**-0.17**	**0.30**

Market Term Structure		Asset Allocation		Security Selection		Price and Intraday	
Duration	0.00	Finance	0.14	Finance	0.01	Pricing	0.01
Shape	-0.08	Industrial	-0.03	Industrial	0.09	Intraday	-0.18
Other	-0.09	Utility	0.04	Utility	-0.05		
		ABS	0.03	ABS	0.06		
		CMBS	0.13	CMBS	-0.06		
		MBS	0.00	MBS	0.08		
		Agency	-0.03	Agency	0.11		
		Municipal	0.02	Municipal	-0.02		
		Non-Corp	0.01	Non-Corp	0.00		
		Treasury	0.18	Treasury	0.01		
		Other	-0.08	Other	0.01		

What Worked

- The Harbor Core Bond Fund portfolio outperformed the Bloomberg Aggregate Index over the past 12 months.
- Security selection within SBA and Industrials contributed to relative returns.
- The portfolio’s underweight to Treasuries and overweight exposure to the Finance sector greatly contributed to performance.
- Top performers: Blackstone Inc, an Agency RMBS security and CHARTER COMM OPT LLC/CAP.

What Didn’t Work

- Security selection within the CMBS detracted from relative returns.
- An out-of-benchmark exposure to SBA detracted from performance.
- Bottom performers: a Municipal security, and Agency RMBS security, and JPMORGAN CHASE & CO.

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

Income Research + Management is an independent subadvisor to the Harbor Core Bond Fund.

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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.

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