

# 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:** \$14,675,481  
**Benchmark 1 Name:** Russell 3000® Growth Health Care Index  
**Benchmark 2 Name:**

## 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 06/30/2024

Portfolio Characteristics		
	Portfolio	Benchmark
Number of Holdings	35	340
Wtd Avg Market Cap (\$Mil)	102,601.50	356,029.90
Median Market Cap (\$Mil)	13,850.00	1,185.00
Price/Book Ratio	5.40	12.30
Adjusted Trailing P/E Ratio	47.20	51.10
% EPS Growth - Past 3 Yr	-1.20	5.30
Est 3-5 Yr EPS Growth Rate (%)	17.80	22.00
Return on Equity (%)	13.22	26.88
Forecasted P/E Ratio	18.40	27.70

Top 10 Holdings		
	Portfolio %	Benchmark %
Ascendis Pharma A/S Spo	15.47	0.00
AbbVie Inc.	11.16	10.03
Legend Biotech Corp. Sp	8.87	0.00
Masimo Corporation	5.51	0.18
Pfizer Inc.	5.51	0.00
DexCom Inc.	4.44	1.45
UnitedHealth Group Inco	3.97	13.19
Sanofi Sponsored ADR	3.54	0.00
Option Care Health Inc	2.82	0.15
Lantheus Holdings Inc	2.78	0.18
<b>Total</b>	<b>64.07</b>	<b>25.18</b>

Top 5 Industries		
	Portfolio %	Benchmark %
Biotechnology	46.87	25.29
Health Care Equip	22.79	15.79
Pharmaceuticals	15.36	30.93
Health Care Providers	8.86	17.95
Life Sciences Tools	4.31	8.80
<b>Total</b>	<b>98.19</b>	<b>98.76</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	41.65
	10.0B - 25.0B	7.24
Mid	5.0B - 10.0B	36.33
	1.0B - 5.0B	12.85
Small	0.0 - 1.0B	1.17

# Harbor Health Care ETF



## PERFORMANCE

As of 06/30/2024

### Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Health Care ETF (NAV)	-6.00%	2.94%	15.69%	N/A	N/A	N/A	18.07%	11/16/2022
Harbor Health Care ETF (Market)	-6.01%	2.86%	15.54%	N/A	N/A	N/A	18.52%	11/16/2022
Russell 3000® Growth Health Care Index	2.48%	13.32%	21.82%	N/A	N/A	N/A	16.96%	11/16/2022

## MANAGER COMMENTARY

As of 06/30/2024

**"For now, large-cap technology stocks continue to drive the equity market's performance, overshadowing broader market challenges."**

Westfield Capital Management Company, L.P.

### Market in Review

The second quarter of 2024 continued the trends from early 2023, with sustained strong interest in big tech and artificial intelligence (AI)-related investments. Despite a broader economic slowdown, both the S&P 500 and Nasdaq reached new record highs, driven primarily by substantial gains in the "Magnificent 7" stocks. In contrast, the S&P 500 Equal-Weight Index, which reflects the performance of the broader equity market, showed more subdued returns. The broader market's performance more closely mirrored economic indicators, which displayed softening trends such as weaker nonresidential construction figures, decelerating home sales, and a softening employment landscape. This past quarter further underscored the sharp contrast between the significant gains in large-cap tech stocks and the broader struggles of smaller caps and cyclical sectors.

### Portfolio Performance

During the second quarter, the Harbor Health Care ETF ("ETF") returned -6.00% (NAV), underperforming the Russell 3000® Growth Health Care Index, which returned 2.48%.

From an industry perspective, relative weakness within biotechnology and pharmaceuticals outweighed relative strength in life sciences tools and services.

The underperformance of the ETF was due to a combination of stock selection and a common factor headwind. From a factor perspective, the ETF's underweight exposures to momentum and size, and overweight exposure to volatility were headwinds to relative performance. This was partially offset by a tailwind from the ETF's underweight exposure to earnings yield.

**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.

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# Harbor Health Care ETF

## MANAGER COMMENTARY

As of 06/30/2024



### Contributors & Detractors

Eli Lilly and Company, a global pharmaceutical company, was the top detractor from relative returns during the quarter due to our underweight positioning. The stock has benefited from continued weight loss euphoria; however, we believe the equity is overvalued at this point and remain underweight relative to the benchmark.

During the quarter, Ascendis Pharma A/S, an innovative biotech company focused on improving the delivery of complex molecules, detracted from relative performance solely due to the Prescription Drug User Fee Act extension it received for its TransCon PTH asset from the U.S. Food and Drug Administration ("FDA"). Following the complete response letter the company received in April 2023 – and the accepted resubmission in the fall of 2023 – there were high expectations for an approval from the FDA in May 2024. Delays related to staffing issues at the FDA have been well documented, and after discussing the development with company management, we are comfortable this extension was more a result of the FDA looking to buy more time rather than any issue with the submission or company. We maintain our exposure to the stock and continue to believe in its future potential.

Lantheus Holdings, a medical imaging and diagnostics provider, was the top contributor to relative performance during the quarter. The stock outperformed after the company released strong, first quarter results, led by its drug Pylarify, a prostate cancer diagnostic imaging agent. As fears around competition and reimbursement continue to subside, we believe Lantheus has the potential to experience multiple expansions and provide further upside to consensus numbers.

West Pharmaceutical Services, a manufacturer of pharmaceutical packaging and drug delivery systems, also contributed positively to relative results during the quarter, as the company has experienced strong demand for its injectable drug administration products. We continue to believe that West Pharmaceutical is a high-quality business with high barriers to entry.

### Buys & Sells

During the quarter we purchased Intra-Cellular Therapies, a biopharmaceutical company focused on neurological disorders, after the release of positive Phase 3 data from its lead drug for major depressive disorders, Caplyta, which could increase its total addressable market. The drug has already demonstrated strong commercial success with schizophrenia and bipolar depression, and management's strategic focus on expanding its label to cover additional neuropsychiatric conditions, coupled with its robust sales growth and pipeline potential, should position it well for revenue growth and operational scalability, in our opinion.

During the quarter, we sold our position in Avantor, a manufacturer and distributor of services and solutions for health care companies. Its valuation has come down from March highs, due to softening reports from other tools companies and vendor conferences. While we like Avantor's leverage to bioprocessing, the rebound in bioprocessing has been repeatedly delayed, so we decided to step aside.

### 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 the end of the second quarter. 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 the end of the second quarter. We continue to believe that the industry includes many interesting opportunities, and it represents the third-largest absolute weight in the ETF at 15%. However, the group remains fundamentally challenged. The pharmaceuticals industry has faced headwinds from massive patents expiring for legacy mega-blockbuster drugs, and the industry's ability to fill these gaps with mergers and acquisitions seems doubtful in the current environment.

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# Harbor Health Care ETF

## MANAGER COMMENTARY

As of 06/30/2024



### Outlook

For now, large-cap technology stocks continue to drive the equity market's performance, overshadowing broader market challenges. Despite resilient corporate earnings and promising disinflation, concerns linger about an economic slowdown and consumer health. The U.S. Federal Reserve's cautious stance on rate cuts, along with mixed economic signals, indicates a complex path ahead. We remain vigilant, balancing optimism about AI and tech growth with the mixed economic realities and challenges of investing in transformational technologies. Our focus is on balancing growth with resilience, ensuring our ETFs are well-equipped to navigate the opportunities and risks in this evolving landscape.

# Harbor Health Care ETF

## QUARTERLY ATTRIBUTION

As of 06/30/2024



### Best & Worst Performers

Best Performers	Average Weight %	Return % (NAV)
LANTHEUS HOLDINGS INC	3.21	29.00
INSULET CORP	1.30	17.74
ELI LILLY & CO	4.39	16.51
VERTEX PHARMACEUTICALS INC	0.97	11.91
VAXCYTE INC	2.31	10.54

Worst Performers	Average Weight %	Return % (NAV)
VIKING THERAPEUTICS INC	0.64	-42.21
REPLIGEN CORP	0.64	-31.86
CYTOKINETICS INC	0.49	-31.24
INSPIRE MEDICAL SYSTEMS INC	1.67	-26.54
ALIGN TECHNOLOGY INC	1.06	-26.38

### Contributors & Detractors

Greatest Contributors	Return % (NAV)	Contribution to Return %
LANTHEUS HOLDINGS INC	29.00	0.88
ELI LILLY & CO	16.51	0.52
VAXCYTE INC	10.54	0.31
INNOVIVA INC	7.61	0.25
INSULET CORP	17.74	0.21
<b>Total</b>		<b>2.16</b>

Greatest Detractors	Return % (NAV)	Contribution to Return %
ASCENDIS PHARMA A/S - ADR	-9.78	-1.60
LEGEND BIOTECH CORP-ADR	-21.04	-1.27
DEXCOM INC	-18.26	-0.89
OPTION CARE HEALTH INC	-17.41	-0.63
INSPIRE MEDICAL SYSTEMS INC	-26.54	-0.56
<b>Total</b>		<b>-4.95</b>

# Harbor Health Care ETF

## ATTRIBUTION

As of 06/30/2024



### Quarterly Attribution:

Harbor Health Care ETF vs Russell 3000 Growth Health Care Index

#### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-6.23	2.67	-8.90
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-6.23</b>	<b>2.67</b>	<b>-8.90</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
Financials	0.19	0.00	0.19	5.85	0.00	5.85	0.05	0.00	0.09	0.00	0.09
Industrials	0.00	0.03	-0.03	0.00	-15.22	15.22	0.00	-0.01	0.01	0.00	0.01
Materials	0.00	0.00	0.00	0.00	-71.18	71.18	0.00	0.00	0.00	0.00	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consumer Discretionary	0.00	0.05	-0.05	0.00	19.23	-19.23	0.00	0.01	-0.01	0.00	-0.01
Health Care	98.13	99.92	-1.79	-6.43	2.67	-9.10	-6.30	2.67	0.00	-8.89	-8.89
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-6.23</b>	<b>2.67</b>	<b>-8.90</b>	<b>-6.23</b>	<b>2.67</b>	<b>-0.01</b>	<b>-8.89</b>	<b>-8.90</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

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.