

HARBOR LARGE CAP VALUE FUND

Aristotle Capital Management, LLC

Subadvisor Since 05/25/2012

Total Net Assets - All Classes \$1,885,114,966
Equity Assets: 97.96%
Cash & Other Assets Less Liabilities: 2.04%
Benchmark Name: Russell 1000® Value Index

Portfolio Managers



Howard Gleicher



Gregory D. Padilla

Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks, of companies with market capitalizations that fall within the range of the Russell 1000® Value Index. The Subadvisor employs a fundamental, bottom-up research driven approach to identify companies for investment by the Fund. The Subadvisor focuses on those companies that it believes have higher quality businesses that are undervalued by the market relative to what the Subadvisor believes to be their fair value. The Subadvisor also looks for one or more catalysts that may help the company realize that fair value. The Subadvisor seeks to identify higher quality companies by focusing on the following attributes: attractive business fundamentals, financially strong, experienced, motivated company management, and exhibiting high and/or consistently improving market position, return on invested capital and operating margins. Under normal market conditions, the Fund expects to invest in approximately 35 to 45 companies.

CHARACTERISTICS & ALLOCATION

As of 06/30/2024

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	43	846	Information Technology	20.88	9.49
Wtd Avg Market Cap (\$Mil)	256,768.30	158,274.90	Financials	16.13	22.87
Median Market Cap (\$Mil)	52,897.00	12,697.00	Industrials	12.06	14.25
Price/Book Ratio	3.76	2.71	Health Care	11.13	13.87
Adjusted Trailing P/E Ratio	24.80	21.10	Materials	10.77	4.68
% EPS Growth - Past 3 Yr	11.20	18.00	Consumer Discretionary	9.33	4.70
Est 3-5 Yr EPS Growth Rate (%)	11.90	11.20	Consumer Staples	5.95	7.93
Return on Equity (%)	16.63	15.14	Utilities	5.91	4.98
Beta vs. Fund Benchmark	1.03		Energy	4.23	8.00
Forecasted P/E Ratio	20.00	17.90	Real Estate	1.57	4.61
			Communication Services	0.00	4.52

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Microsoft Corporation	4.92	0.00	Software	13.16	1.70
Parker-Hannifin Corpora	3.72	0.30	Banks	7.99	7.64
Adobe Inc.	3.27	0.00	Machinery	7.67	2.62
Martin Marietta Materia	3.27	0.16	Chemicals	7.50	2.69
Ameriprise Financial In	3.21	0.00	Semiconductors	5.91	4.11
Lennar Corporation Clas	3.21	0.17	Capital Markets	5.57	5.48
QUALCOMM Incorporated	3.10	0.13	Household Durables	5.40	0.92
Corteva Inc	2.92	0.18	Oil Gas & Consumables	4.23	7.31
Microchip Technology In	2.81	0.07	Beverages	3.89	1.30
Amgen Inc.	2.65	0.25	Health Care Equip	3.61	3.33
Total	33.08	1.26	Total	64.93	37.10

Market Capitalization		
		Portfolio %
Large	Above 25.0B	84.40
	10.0B - 25.0B	9.76
Mid	5.0B - 10.0B	3.81
	1.0B - 5.0B	0.00
Small	0.0 - 1.0B	0.00

Harbor Large Cap Value Fund



PERFORMANCE

As of 06/30/2024

Average Annual Returns

Share Class	Ticker	CUSIP	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HAVLX	411511603	-1.69%	5.61%	16.85%	4.82%	11.41%	10.75%	10.24%	12/29/87	0.69	0.73
Investor	HILVX	411511744	-1.80%	5.40%	16.41%	4.44%	11.00%	10.34%	9.48%	11/01/02	1.05	1.09
Retirement	HNLVX	411512478	-1.67%	5.61%	16.95%	4.89%	11.49%	10.82%	10.25%	03/01/16	0.61	0.65
Russell 1000® Value Index			-2.17%	6.62%	13.06%	5.52%	9.01%	8.23%	10.32%	12/29/87		

MANAGER COMMENTARY

As of 06/30/2024

“It is our core belief that the fundamentals of a business are the most important determinates of its long-term worth.”

Aristotle Capital Management, LLC

Market in Review

During the second quarter of 2024, the U.S. Federal Reserve (“Fed”) left the fed funds rate steady between 5.25%–5.5%. Policymakers do not believe it’s appropriate to reduce rates until they gain greater confidence that inflation is moving sustainably toward 2%. Meanwhile, the dot plot showed that policymakers expect only one potential rate cut this year – and four reductions in 2025. The unemployment rate rose to 4.1% in June 2024, the highest since November 2021, surprising market expectations, which expected that rate to remain unchanged. The Consumer Price Index (“CPI”) drifted lower during the quarter, coming in below expectations at 3.0% as inflationary pressures have eased. The U.S. economy added 206,000 jobs in June 2024, slightly below a downwardly revised 218,000 in May – and above forecasts of 190,000. The labor force participation rate in the United States increased to 62.6% in June of 2024, from 62.5% in the previous month.

The U.S. equity market posted a positive quarter, as the S&P 500 Index gained 4.28% during the period. Concurrently, the Bloomberg US Aggregate Bond Index rose 0.07%. The Russell 1000® Value Index underperformed its growth counterpart by 10.50% during the period. Treasuries were weaker across the curve, with the 10-year yield rising ~0.18%, quarter over quarter, to 4.36%, as market expectations for multiple 2024 rate cuts eased. The Bloomberg US Treasury Index returned 0.10% during the quarter, and the dollar index was up 1.3%. On a sector basis, nine of the 11 sectors within the Russell 1000® Value Index finished lower for the quarter. Utilities and Consumer Staples were the only two sectors to generate positive returns, while Consumer Discretionary and Health Care lagged.

Retirement Class shares commenced operations on March 1, 2016. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to March 1, 2016 has not been adjusted to reflect the lower expenses of Retirement Class shares. During this period, Retirement Class shares would have had returns similar to, but somewhat higher than, Institutional Class shares due to the fact that Retirement Class shares represent interests in the same portfolio as Institutional Class shares but are subject to lower expenses.

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 Large Cap Value Fund



MANAGER COMMENTARY

As of 06/30/2024

Portfolio Performance

During the second quarter, the Harbor Large Cap Value Fund (Institutional Class, "Fund") returned -1.69%, outperforming its benchmark, the Russell 1000® Value Index, which returned -2.17%, and underperforming the 4.28% return of the S&P 500 Index.

The Fund's outperformance relative to the Russell 1000® Value Index can be attributed to security selection, while allocation effects detracted. Security selection in Information Technology and Health Care, as well as an overweight in Information Technology, contributed the most to relative performance. Conversely, security selection in Financials and Materials, as well as an overweight in Consumer Discretionary, detracted the most from relative performance. (Relative weights are the result of bottom-up security selection.)

Contributors & Detractors

Qualcomm was the largest contributor for the quarter. After a period of weaker global demand for smartphones and elevated channel inventory, demand from Chinese handset manufacturers accelerated 40%, year over year. More importantly, in our opinion, Qualcomm continues to execute on a previously identified catalyst of shifting its business mix beyond smartphones. The company announced increased progress for its automotive and Internet of Things solutions. Within auto, the increase in vehicle content has resulted in 35% year-over-year revenue growth, with a design-win pipeline of ~\$45 billion. In recent years, Qualcomm has been able to retain its high market share in handsets while simultaneously expanding in non-smartphone devices. We believe this progress is a testament to Qualcomm's history of high R&D spending, resulting in technological superiority. We believe Qualcomm's technologies have the potential to benefit as the world stays on a path toward a proliferation of connectivity between varying devices – and as artificial intelligence applications extend from the cloud to on-device.

Lennar was the biggest detractor from Fund performance. Despite executing on previously identified catalysts – including shifting toward a capital-light business model and monetizing non-core assets such as the sale of multifamily housing assets – Lennar's share price declined during the quarter. Management has called out affordability pressures as challenges that have pressured gross margins – and may continue to do so. Lennar has navigated affordability issues through more efficient operations and increased incentives, the latter of which we view as unsustainable. As always, we are closely monitoring these cyclical dynamics with an eye to what is truly "normal." Moreover, we take (some) comfort in Lennar's excess net cash position and its potential to redeploy capital in the business and/or return cash to shareholders. Lastly, we remain sanguine about the U.S housing market, as well as Lennar's ability to manage through the inevitable housing cycles.

Buys & Sells

During the quarter, we established a position in American Water Works. Founded in 1886 and headquartered in New Jersey, American Water Works is the largest and most geographically diverse water (~92% of regulated sales) and wastewater (~8%) utility in the United States. The company serves a population of approximately 14 million people across 14 states, with operations that span 53,700 miles of pipe, 540 water treatment plants, 1,200 groundwater wells, 1,700 pumping stations, and 74 dams. The company expects to invest between \$16-\$17 billion from 2024-2028, as it replaces and upgrades infrastructure (often decades old) to improve the efficiency and sustainability of its operations.

Based on our estimates of normalized earnings and the company's targeted 55%-60% dividend payout ratio, we view shares as attractively valued. We believe opportunities for American Water Works to further enhance its revenues and profitability through infrastructure improvements and acquisitions may not be fully appreciated by the market.

During the quarter, we sold Crown Castle. We first invested in Crown Castle, a provider of telecommunications infrastructure (including towers, fiber, and small cells), in 2021. During our holding period, tenancy ratios for the company's tower business increased. However, the company's fiber and small cell business segments have yet to deliver the expected benefits from the 5G network transition. Additionally, the CEO of Crown Castle stepped down at the end of 2023, influenced by Elliott Investment Management, an activist investor. Concurrently, the company initiated a strategic and operational review of its fiber segment to determine whether to pursue a turnaround or a complete/partial sale. Given the uncertainty surrounding the company's business strategy and new management team, we decided to exit the investment. We will continue to monitor the company from the sidelines.

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Harbor Large Cap Value Fund



MANAGER COMMENTARY

As of 06/30/2024

Sector Overweights & Underweights

At the start of 2024, our largest overweight allocations were in the Information Technology and Materials sectors – and our largest underweights were in Financials and Communication Services. Our process is entirely bottom-up. Positions typically enter the Fund at a high-conviction equal weight (2.5%). A company's weight in a given index/benchmark plays no role in our position sizing. Over/underweights are purely outputs of our bottom-up process. Minimal trading activity resulted in little change to Fund positioning, as we closed out the second quarter with no changes to the largest overweight and underweight allocations from the first quarter.

Country Allocation

The Value Equity strategy invests mainly in U.S.-based companies but may allocate up to 20% to American Depositary Receipts ("ADRs").

Outlook

As economic data points fluctuate from quarter to quarter, and the macroeconomic outlook remains uncertain, we focus on individual businesses. This quarter, we highlighted some of the unique characteristics of American Water Works that, we believe, may afford the company a competitive advantage relative to peers. Rather than attempt to predict Fed policy, GDP, or presidential elections, we will continue to identify and study what we deem to be high-quality companies. It is our core belief that the fundamentals of a business are the most important determinates of its long-term worth.

QUARTERLY ATTRIBUTION

As of 06/30/2024

Best & Worst Performers

Best Performers	Average Weight %	Return %
QUALCOMM INC	2.98	18.14
AMGEN INC	2.55	10.68
ADOBE INC	2.86	10.10
AMERICAN WATER WORKS CO INC	1.68	9.22
ALCON INC	2.14	7.27

Worst Performers	Average Weight %	Return %
LOWE'S COS INC	2.08	-13.05
OSHKOSH CORP	1.54	-12.91
LENNAR CORP-A	3.41	-12.58
MARTIN MARIETTA MATERIALS	3.53	-11.63
US BANCORP	2.17	-10.09

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
QUALCOMM INC	18.14	0.48
ADOBE INC	10.10	0.30
MICROSOFT CORP	6.42	0.28
AMGEN INC	10.68	0.28
AMERICAN WATER WORKS CO INC	9.22	0.21
Total		1.55

Greatest Detractors	Return %	Contribution to Return %
LENNAR CORP-A	-12.58	-0.46
MARTIN MARIETTA MATERIALS	-11.63	-0.43
PARKER HANNIFIN CORP	-8.73	-0.36
LOWE'S COS INC	-13.05	-0.29
US BANCORP	-10.09	-0.24
Total		-1.78

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Harbor Large Cap Value Fund



ATTRIBUTION

As of 06/30/2024

Quarterly Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-1.54	-2.17	0.63
Currency Contribution	0.00	0.00	0.00
Total Return	-1.54	-2.17	0.63

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
Information Technology	20.20	9.28	10.93	3.08	-1.14	4.22	0.56	-0.15	0.14	0.83	0.97
Health Care	11.32	14.07	-2.75	1.10	-4.83	5.93	0.14	-0.70	0.08	0.67	0.75
Communication Services	0.00	4.45	-4.45	0.00	-4.35	4.35	0.00	-0.20	0.10	0.00	0.10
Industrials	12.51	14.43	-1.92	-2.00	-2.28	0.28	-0.24	-0.33	0.01	0.03	0.04
Energy	4.54	8.14	-3.60	-2.82	-2.54	-0.27	-0.12	-0.23	0.00	0.00	0.00
Real Estate	1.73	4.52	-2.79	-0.99	-1.44	0.45	-0.08	-0.07	-0.05	0.02	-0.04
Consumer Staples	6.03	7.90	-1.87	0.86	1.28	-0.43	0.07	0.12	-0.06	-0.02	-0.09
Utilities	5.66	4.98	0.68	2.31	4.74	-2.44	0.20	0.24	0.04	-0.13	-0.10
Consumer Discretionary	9.69	4.84	4.85	-6.93	-7.47	0.53	-0.69	-0.37	-0.27	0.06	-0.21
Materials	11.18	4.78	6.40	-6.52	-4.80	-1.71	-0.74	-0.24	-0.16	-0.21	-0.37
Financials	16.27	22.62	-6.35	-3.94	-1.28	-2.66	-0.64	-0.25	-0.06	-0.44	-0.50
Total	100.00	100.00	0.00	-1.54	-2.17	0.63	-1.54	-2.17	-0.18	0.80	0.63

Trailing 1 Year Attribution:

Harbor Large Cap Value Fund vs Russell 1000® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	17.72	13.05	4.66
Currency Contribution	0.00	0.00	0.00
Total Return	17.72	13.05	4.66

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
Health Care	11.34	14.79	-3.45	15.69	0.15	15.54	1.59	-0.10	0.51	1.89	2.40
Information Technology	20.46	9.37	11.10	19.74	18.29	1.45	4.23	1.69	0.65	0.29	0.94
Industrials	11.97	13.81	-1.84	24.14	17.46	6.68	2.87	2.46	-0.07	0.73	0.66
Consumer Discretionary	8.34	4.98	3.36	14.84	2.08	12.77	1.24	0.13	-0.41	1.01	0.60
Energy	4.42	8.23	-3.81	32.81	15.90	16.92	1.30	1.06	-0.12	0.70	0.58
Consumer Staples	7.40	8.07	-0.67	10.58	5.32	5.26	0.66	0.36	-0.02	0.47	0.46
Materials	10.84	4.79	6.05	14.02	6.73	7.29	1.47	0.34	-0.35	0.79	0.44
Communication Services	0.00	4.64	-4.64	0.00	8.50	-8.50	0.00	0.47	0.23	0.00	0.23
Real Estate	2.91	4.74	-1.83	-3.20	4.91	-8.11	-0.11	0.27	0.11	-0.31	-0.20
Utilities	4.75	4.92	-0.17	-0.64	8.63	-9.27	0.07	0.40	0.12	-0.47	-0.36
Financials	15.79	21.65	-5.86	27.50	28.48	-0.98	4.30	5.99	-0.87	-0.17	-1.04
Total	100.00	100.00	0.00	17.72	13.05	4.66	17.72	13.05	-0.27	4.93	4.66

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

Harbor Large Cap Value Fund



IMPORTANT INFORMATION

Fund Risks

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 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. 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.

Benchmarks

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

Disclosures

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.

Beta is a rolling three year, unless the Fund has a track record of less than three years, in which case it is a rolling one year.

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.

Aristotle Capital Management, LLC is an independent subadvisor to the Harbor Large Cap Value Fund.

Distributed by Harbor Funds Distributors, Inc.

Harbor Large Cap Value Fund



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

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.

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.