

# HARBOR SMALL CAP GROWTH FUND

Westfield Capital Management Company, L.P.

Subadvisor Since 11/01/2000

**Total Net Assets - All Classes** \$1,255,046,281  
**Equity Assets:** 97.04%  
**Cash & Other Assets Less Liabilities:** 2.96%  
**Benchmark Name:** Russell 2000® Growth Index

## Portfolio Managers



William A. Muggia



Richard D. Lee, CFA



Ethan J. Meyers, CFA



John M. Montgomery

## Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies. The small cap companies selected meet strict fundamental criteria and are then subject to a qualitative review by the portfolio manager to ensure that they have: accelerated earnings growth, a strong balance sheet, attractive valuation as measured by price/earnings to growth ratio, unique market position and broad opportunities, superior management and solid financial controls and accounting. The Fund stays fully invested in stocks and does not try to time the market, but instead works toward steady investment growth.

## CHARACTERISTICS & ALLOCATION

As of 12/31/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	67	1,074	Health Care	23.70	22.37
Wtd Avg Market Cap (\$Mil)	6,512.60	3,778.10	Information Technology	21.36	21.67
Median Market Cap (\$Mil)	5,696.00	1,250.00	Industrials	20.55	20.04
Price/Book Ratio	4.52	4.42	Financials	10.70	6.35
Adjusted Trailing P/E Ratio	28.70	26.10	Consumer Discretionary	10.70	11.08
% EPS Growth - Past 3 Yr	28.70	33.90	Energy	4.14	4.47
Est 3-5 Yr EPS Growth Rate (%)	15.70	18.20	Materials	3.56	4.15
Return on Equity (%)	11.37	11.10	Real Estate	2.33	1.68
Beta vs. Fund Benchmark	0.89		Utilities	0.00	1.53
Forecasted P/E Ratio	23.80	22.50	Communication Services	0.00	2.17
			Consumer Staples	0.00	4.50

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Ascendis Pharma A/S Spo	3.86	0.00	Biotechnology	13.36	10.35
ITT Inc.	2.62	0.00	Software	9.92	10.96
Meritage Homes Corporat	2.58	0.00	Financial Services	5.62	1.52
Option Care Health Inc	2.30	0.46	Hotels Rest & Leisure	4.98	3.54
Smartsheet Inc. Class A	2.25	0.00	Health Care Equip	4.83	4.21
M/I Homes Inc.	2.24	0.00	Household Durables	4.82	1.21
Casella Waste Systems I	2.20	0.39	Machinery	4.57	4.64
Saia Inc.	2.14	0.00	Insurance	4.01	1.13
Samsara Inc. Class A	2.10	0.00	Semiconductors	4.01	4.47
Haemonetics Corporation	2.08	0.35	Electronic Equipment	3.64	3.34
<b>Total</b>	<b>24.37</b>	<b>1.20</b>	<b>Total</b>	<b>59.76</b>	<b>45.38</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	12.27
Mid	5.0B - 10.0B	50.90
	1.0B - 5.0B	32.06
Small	0.0 - 1.0B	1.78

# Harbor Small Cap Growth Fund



## PERFORMANCE

As of 12/31/2023

### 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	HASGX	411511868	12.83%	22.20%	22.20%	-0.03%	14.50%	9.53%	9.17%	11/01/00	0.88	0.88
Investor	HISGX	411511777	12.69%	21.69%	21.69%	-0.41%	14.06%	9.12%	10.43%	11/01/02	1.24	1.24
Retirement	HNSGX	411512494	12.79%	22.18%	22.18%	0.03%	14.58%	9.59%	9.20%	03/01/16	0.80	0.80
Russell 2000® Growth Index			12.75%	18.66%	18.66%	-3.50%	9.22%	7.16%	6.17%	11/01/00		

## MANAGER COMMENTARY

As of 12/31/2023

**“In our opinion, a continued focus on high-quality, durable businesses with robust cash flows and valuation support seems prudent, while also remaining selective and disciplined with higher-growth opportunities as they arise.”**

Westfield Capital Management Company, L.P.

### Market In Review

U.S. equities rallied sharply to end the year, with major indexes recording double-digit gains during the fourth quarter of 2023. Markets turned sharply higher in October on the heels of a dovish policy pivot by the U.S. Federal Reserve (“Fed”), with many market participants proclaiming the end of the current rate-hiking cycle. The dramatic easing of financial conditions, driven by falling inflation and interest rates, propelled the market upward, as expectations for a successful soft landing gained traction. Importantly, the quarter saw a broadening in market leadership, moving beyond the dominance of the “Magnificent Seven” tech giants, with standout performances in small-cap equities and industry sectors like regional banks, credit cards, and homebuilders.

### Portfolio Performance

During the quarter, the Harbor Small Cap Growth Fund (Institutional Class, “Fund”) returned 12.83%, outperforming the Russell 2000® Growth Index, which returned 12.75%.

From a sector perspective, relative strength within Consumer Discretionary and Information Technology offset relative weakness within Financials and Energy.

Performance was led by strong stock selection, while common factors detracted. From a factor perspective, the Fund’s underweight exposure to volatility and leverage was a headwind to relative performance. This was partially offset by the Fund’s overweight to size, which provided a relative tailwind.

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 expense.

**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 Small Cap Growth Fund



## MANAGER COMMENTARY

As of 12/31/2023

### Contributors & Detractors

M/I Homes, a single-family homebuilder, was the top contributor to relative performance during the quarter. The company benefited from the sharp increase in housing sentiment, following the policy pivot from the Fed and falling mortgage rates. Additionally, M/I Homes continued to report strong year-over-year growth numbers and improving margins, which investors viewed favorably.

Cerevel Therapeutics Holdings, a clinical-stage biopharmaceutical company, also contributed positively to relative results. The stock outperformed after it was announced that AbbVie was acquiring Cerevel for about \$8.7 billion, a 73% premium.

Flywire, a global payment provider for education, health care, travel, and business, was the top detractor from relative returns during the quarter. Following quarterly results that were underwhelming relative to expectations, foreign exchange headwinds and delayed new customer deployments weighed on the company's growth. As a result, investors rotated out of Flywire during the risk-on environment during the quarter. Despite these short-term challenges, Flywire continues to report record customer retention, new client bookings, and steady cross-selling, which we believe should be more than enough to support continued solid growth for the company.

Kinsale Capital Group, a property and casualty ("P&C") insurance company, also detracted from relative performance after third-quarter top-line growth decelerated to the low 30% range, which was below expectations of 35%+. We believe the sell-off is overdone and expect to see robust growth for the fourth quarter (when earnings are reported) and looking forward in 2024.

### Buys & Sells

During the quarter, we purchased Wintrust Financial, a multi-bank holding company providing community-based banking services in Chicago across a variety of commercial and personal financial services. Wintrust has shown strong net interest margin ("NIM") resiliency amid considerable headwinds impacting the banking sector. We also believe Wintrust has additional upside within its mortgage segment, providing an attractive investment opportunity for a well-diversified bank.

During the quarter, we sold our position in Spirit Realty Capital, a retail REIT with long-leased assets, after the announcement that Spirit was being acquired by Realty Income at a 16% premium. We rotated the capital into Rexford Industrial Realty, an industrial REIT focused on owning "last mile" warehouses in Los Angeles.

### Sector Overweights & Underweights

Entering 2023, the Health Care sector represented the Fund's largest overweight relative to the index. As of year-end, our relative exposure has come down, but we remain overweight the benchmark. The Fund's biggest overweight is within biotech, where we had two new purchases during the quarter (Bicycle Therapeutics and Xenon Pharmaceuticals). We have reduced exposure to the life sciences tools and services segment, as the fundamental backdrop has continued to deteriorate, and companies seem to lack clear visibility into when destocking will end and when the recovery will occur.

As of year-end, the Financials sector is the Fund's largest overweight relative to the index. We remain significantly overweight the financial services industry as we continue to find attractive, growth-at-a-reasonable-price investment opportunities within this space.

Consumer Staples continues to be the largest underweight relative to the index as of year-end, as we continue to not have any exposure to the sector. We have historically struggled to identify exciting growth opportunities in this sector, and our lack of exposure has been characteristic of Fund positioning over time.

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# Harbor Small Cap Growth Fund



## MANAGER COMMENTARY

As of 12/31/2023

### Outlook

Despite the sharp rally in equities to end the year, the outlook for 2024 remains uncertain. Broadening market participation, falling inflation, and a resilient consumer backdrop provide hope that a perfectly engineered soft landing may be underway. However, historical analogues of prior curve-inversion cycles suggest that we may still be in a window where the lagged impacts of the rate hikes remain ahead of us. In addition, betting odds over the potential for U.S. markets to avoid a slowdown may be overestimating the probability of success. Navigating the path ahead will require careful attention to evolving macro conditions and potential headwinds, with several crosscurrents leaving us with less conviction on the direction of markets. In our opinion, a continued focus on high-quality, durable businesses with robust cash flows and valuation support seems prudent, while also remaining selective and disciplined with higher-growth opportunities as they arise.

## QUARTERLY ATTRIBUTION

As of 12/31/2023

### Best & Worst Performers

Best Performers	Average Weight %	Return %
CEREVEL THERAPEUTICS HOLDING	1.22	94.23
M/I HOMES INC	1.78	63.90
IMPINJ INC	1.10	63.60
SENTINELONE INC -CLASS A	1.57	62.75
ROCKET PHARMACEUTICALS INC	1.81	46.27

Worst Performers	Average Weight %	Return %
89BIO INC	0.59	-27.66
FLYWIRE CORP-VOTING	1.86	-27.41
VERADIGM INC	1.15	-26.64
PATTERSON-UTI ENERGY INC	1.60	-21.43
VISTEON CORP	0.51	-19.39

### Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
ASCENDIS PHARMA A/S - ADR	34.50	1.14
M/I HOMES INC	63.90	1.07
CEREVEL THERAPEUTICS HOLDING	94.23	1.07
MERITAGE HOMES CORP	42.55	0.98
SENTINELONE INC -CLASS A	62.75	0.92
<b>Total</b>		<b>5.19</b>

Greatest Detractors	Return %	Contribution to Return %
FLYWIRE CORP-VOTING	-27.41	-0.79
KINSALE CAPITAL GROUP INC	-19.10	-0.51
PATTERSON-UTI ENERGY INC	-21.43	-0.46
VERADIGM INC	-26.64	-0.38
VISTEON CORP	-19.39	-0.35
<b>Total</b>		<b>-2.49</b>

# Harbor Small Cap Growth Fund



## ATTRIBUTION

As of 12/31/2023

### Quarterly Attribution:

Harbor Small Cap Growth Fund vs Russell 2000® Growth

#### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	13.37	12.75	0.62
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>13.37</b>	<b>12.75</b>	<b>0.62</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
Consumer Discretionary	10.51	11.07	-0.56	28.80	14.19	14.61	3.01	1.57	-0.02	1.47	1.45
Information Technology	19.87	21.66	-1.78	19.42	13.94	5.49	4.07	3.05	-0.05	1.10	1.05
Materials	3.38	4.17	-0.79	22.38	13.20	9.18	0.82	0.55	0.00	0.30	0.30
Health Care	23.27	21.13	2.13	15.88	15.49	0.39	3.62	3.24	0.04	0.14	0.18
Real Estate	1.97	1.62	0.35	22.85	21.08	1.77	0.46	0.35	0.02	0.16	0.18
Utilities	0.00	1.61	-1.61	0.00	8.57	-8.57	0.00	0.15	0.07	0.00	0.07
Industrials	19.82	20.34	-0.52	12.58	12.53	0.06	2.62	2.63	-0.02	0.04	0.03
Communication Services	0.00	2.22	-2.22	0.00	14.57	-14.57	0.00	0.34	-0.04	0.00	-0.04
Consumer Staples	0.00	4.57	-4.57	0.00	13.63	-13.63	0.00	0.64	-0.04	0.00	-0.04
Energy	5.03	5.18	-0.15	-14.01	-7.60	-6.41	-0.97	-0.60	0.02	-0.38	-0.37
Financials	12.32	6.43	5.89	-0.47	12.28	-12.75	-0.32	0.82	0.01	-1.61	-1.61
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>13.37</b>	<b>12.75</b>	<b>0.62</b>	<b>13.37</b>	<b>12.75</b>	<b>-0.59</b>	<b>1.21</b>	<b>0.62</b>

### Trailing 1 Year Attribution:

Harbor Small Cap Growth Fund vs Russell 2000® Growth

#### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	23.30	18.66	4.64
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>23.30</b>	<b>18.66</b>	<b>4.64</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
Health Care	24.55	22.24	2.30	20.80	11.26	9.55	5.34	2.73	0.15	2.35	2.50
Information Technology	16.24	19.71	-3.48	40.37	27.84	12.52	6.41	5.35	-0.34	2.05	1.72
Industrials	20.24	19.80	0.43	29.85	24.34	5.50	6.33	4.64	-0.07	1.43	1.35
Materials	3.39	4.44	-1.05	21.61	10.83	10.78	0.85	0.50	0.08	0.40	0.48
Utilities	0.00	1.66	-1.66	0.00	-2.42	2.42	0.00	-0.01	0.39	0.00	0.39
Energy	5.47	5.79	-0.32	7.65	8.63	-0.98	0.09	-0.01	0.14	0.06	0.19
Financials	11.83	6.46	5.38	19.79	19.24	0.55	2.20	1.16	0.24	-0.07	0.16
Communication Services	0.41	2.30	-1.89	8.25	18.29	-10.03	0.10	0.47	0.12	-0.11	0.01
Real Estate	2.77	1.87	0.90	5.92	16.62	-10.69	0.05	0.29	-0.06	-0.32	-0.38
Consumer Staples	0.00	4.56	-4.56	0.00	28.61	-28.61	0.00	1.26	-0.45	0.00	-0.45
Consumer Discretionary	11.13	11.17	-0.04	14.98	21.32	-6.34	1.71	2.28	-0.19	-0.66	-0.85
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>23.30</b>	<b>18.66</b>	<b>4.64</b>	<b>23.30</b>	<b>18.66</b>	<b>-0.48</b>	<b>5.12</b>	<b>4.64</b>

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

# Harbor Small Cap Growth Fund



## IMPORTANT INFORMATION

### 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. Stocks of small cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies.

### Benchmarks

The Russell 2000® Growth Index is an unmanaged index representing the smallest 2000 stocks with the highest price-to-book ratio and future earnings. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 2000® Growth 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](http://harborcapital.com) or call 800-422-1050. Read it carefully before investing.**

**Westfield Capital Management Company, L.P. is an independent subadvisor to the Harbor Small Cap Growth Fund.**

**Distributed by Harbor Funds Distributors, Inc.**

# Harbor Small Cap Growth 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.