

HARBOR CORE BOND FUND

CHARACTERISTICS & ALLOCATION

As of 12/31/2023

Income Research + Management

Subadvisor Since 06/01/2018

Total Net Assets – All Classes \$207,823,717
Fixed Income Assets: 98.83%
Cash & Other Assets Less Liabilities: 1.17%
Benchmark Name: Bloomberg US Aggregate Bond Index

Portfolio Managers



William A. O'Malley, CFA



James E. Gubitosi, CFA



Bill O'Neill, CFA



Jake Remley, CFA



Matt Walker, CFA



Rachel Campbell

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 Subadvisor'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.

Portfolio Characteristics			Top 10 Issues	
	Portfolio	Benchmark		Portfolio %
Number of Bonds	321	13,334	US TREASURY N/B	8.05
Avg. Market Coupon (%)	3.84	3.19	US TREASURY N/B	5.36
Wtd. Avg. Maturity (yrs)	8.80	8.46	US TREASURY N/B	4.04
Wtd. Avg. Duration (yrs)	6.13	6.24	US TREASURY N/B	3.02
Beta vs. Fund Benchmark	0.99		US TREASURY N/B	2.94
Current 30-Day Yield %	3.88		US TREASURY N/B	1.73
Current 30-Day Un-Sub Yield %	3.79		US TREASURY N/B	1.64
			US TREASURY N/B	1.48
			FN CB4337	1.02
			FN FS2444	0.97
			Total	30.24

Maturity		Duration	
	Portfolio %		Portfolio %
0-1 yr	4.16	0-1 yr	5.88
1-3 yr	18.13	1-3 yr	20.65
3-5 yr	16.20	3-5 yr	23.56
5-7 yr	11.24	5-7 yr	19.64
7-10 yr	29.18	7-10 yr	13.45
10-20 yr	13.16	10-20 yr	16.83
20-30 yr	7.50	20-30 yr	0.00
Over 30 yr	0.43	Over 30 yr	0.00

Credit Quality	
	Portfolio %
US Govt/Agency	28.06
AAA	10.13
AA	30.88
A	11.80
BBB	16.80
BB	0.00
B	0.00
CCC	0.00
CC	0.00
C	0.00
Below C	0.00
Non-Rated	0.00

Harbor Core Bond Fund

CHARACTERISTICS & ALLOCATION

As of 12/31/2023



Sector	% of Market Value	Sector (cont.)	% of Market Value
Credit	27.74	Agency CMBS	0.11
Finance	12.52	RMBS	0.06
Industrial	12.30		
Utility	2.92		
Non-corporate	0		
Government	32.51		
Treasury	28.54		
SBA and Gov Guaranteed	3.97		
Agency	0		
Municipal	1.00		
Revenue	0.76		
GO	0.25		
Pre-Refund/ETM	0		
Securitized	36.41		
Agency RMBS	23.76		
ABS	7.60		
CMBS	4.88		

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	HACBX	411512239	6.53%	5.73%	5.73%	-3.42%	1.31%	N/A	1.41%	06/01/18	0.34	0.44
Retirement	HCBRX	411512197	6.55%	5.81%	5.81%	-3.34%	1.39%	N/A	1.49%	06/01/18	0.26	0.36
Bloomberg US Aggregate Bond Index			6.82%	5.53%	5.53%	-3.31%	1.10%	N/A	1.26%	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 02/29/2024.

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 12/31/2023



“As investors look to navigate the Fed’s changing policy, we continue to rely on our duration-neutral philosophy to mitigate interest rate risk and use our bottom-up approach to identify securities with attractive compensation.”

Income Research + Management

Market in Review

Stock prices and credit spreads overcame a rocky start to the fourth quarter of 2023 – to end the year on a high note. Global volatility, highlighted by the outbreak of war between Israel and Hamas, strained markets in October before improving investor sentiment and lower yields saw risk assets rebound in November and December. The U.S. Federal Reserve (“Fed”) unanimously voted to keep the federal funds target rate range at 5.25%–5.50% at both meetings during the fourth quarter, as economic data pointed to a cooling labor market and a slowdown in manufacturing activity. U.S. job openings fell to 8.7 million in October, the lowest level since March 2021, and November’s Institute for Supply Management (“ISM”) data showed a contraction in manufacturing activity for the 13th consecutive month. The most recent Federal Open Market Committee’s (“FOMC”) dot plot showed a median target rate prediction of 4.625% at the end of 2024, implying three rate cuts during the year, though markets are anticipating the cuts to come at a faster pace. Amid the dovish shift in the Fed’s rate outlook, Treasury yields dropped sharply after rising in the first half of October. The 10-year Treasury rate initially rose by 0.42% to 4.99%, before falling to 3.88% through the end of the quarter. Though the Fed is on track to ease monetary conditions, inflation remains above its 2% long-term target. The Consumer Price Index (“CPI”) rose by 3.1% year over year in November, and core CPI rose by 4% over the same period.

Portfolio Performance

During the fourth quarter of 2023, the Harbor Core Bond Fund (Institutional Class, “Fund”) returned 6.53%, underperforming its benchmark, the Bloomberg US Aggregate Bond Index, which returned 6.82%.

The Fund’s underperformance relative to the index was driven primarily by our asset-backed securities (“ABS”), commercial mortgage-backed securities (“CMBS”), and Small Business Administration (“SBA”) overweights.

Despite the positive market backdrop, investment-grade corporate issuance came in at \$203 billion, only slightly ahead of the fourth-quarter figure in 2022, and 4% below the trailing five-year average. The 2023 supply total of \$1.2 trillion was almost identical to the amount priced last year, and dealer projections for 2024 new issuance fall between \$1.2 and \$1.35 trillion. The share of Financials issuance declined from 49% in 2022 to 45% in 2023, while the share of Health Care issuance nearly doubled from 5.5% to 10.3%, driven by jumbo deals from pharmaceutical firms. Based on the Bloomberg US Corporate Index investment-grade spreads tightened by 0.22% from 1.21% to 0.99%, while yields dropped by 0.98% to 5.06%. As a result of the lower yields and tighter spreads, the Bloomberg Corporate Investment Grade Index returned 8.50% during the quarter – its best quarterly performance since the second quarter of 2020.

Our underweight allocation to Treasuries benefited relative performance as spread products outperformed Treasuries during the quarter. Security selection within the agency residential mortgage-backed (“RMBS”) sector aided relative returns. On the negative side, security selection within corporates and the CMBS sector weighed on relative performance.

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 12/31/2023



Fund Positioning

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

Positive contributors to relative performance included our underweights to Treasuries and non-corporates, as well as security selection within the agency RMBS sector. Detractors from relative performance included security selection within corporates, particularly within the Financials and Industrial sectors, as well as within the CMBS sector.

The Fund's overweight to AAA-rated securitized products and security selection within the A and BAA credit buckets hindered relative returns.

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

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

Contributors & Detractors

The largest contributors to Fund performance included WarnerMedia, a Fannie Mae pool of agency fixed-rate, pass-through RMBS, and Blackstone.

The largest detractors from Fund performance included United Airlines, CVS, and PeaceHealth.

Buys & Sells

During the quarter, we purchased SBAP 2023-25L 1 (10-year new issue) in the primary market at 1.04% of Z-spread securitized pool of loans issued by the SBA. These securities are backed by the full faith and credit of the U.S. Treasury. The securities were purchased due to attractive relative value; current spread levels are above historical averages and lag corporate spreads.

During the quarter, we sold OAKIG 2020-1A A1, opportunistically trimming exposure to triple-net-lease ABS bonds.

Overweights & Underweights

During 2023, we reduced our absolute exposure to corporates by 4.66%. We reduced our allocation to Industrials by 4.39%, while slightly reducing our Financials and Utilities positioning by 0.08% and 0.19%, respectively. Relative to the index, the contribution to option-adjusted spread duration ("OASD") from Industrials decreased by 0.37 years to 0.42 years underweight. Top-line securitized exposure was down 8.23% in 2023 (absolute weight), and we decreased our RMBS exposure by 4.56%. We also decreased our ABS and CMBS exposures by 1.18% and 2.50%, respectively. Treasury exposure increased by 11.57% in 2023 on an absolute basis in the Fund.

Index-relative contributions to OASD changed similarly. RMBS, which began 2023 slightly overweight to the index at 0.02 years, is now 0.21 years underweight, while the CMBS overweight decreased by 0.10 years to 0.05 years. During the quarter, agency RMBS contributed 0.16%, while CMBS cost 0.05% in the Fund, relative to the index.

During the quarter, we reduced our exposure to securitized and credit sectors relative to the index and increased our exposure to U.S. Treasuries. These changes took the overall OASD, relative to the index, down from 0.23 years to -0.11 years. As we broadly rotated out of spread products, the yield advantage of the Fund, relative to the index, decreased by 0.15%. Although we reduced our exposure to agency fixed-rate, pass-through RMBS during the quarter, strong security selection within the subsector added 0.20% to relative returns.

Harbor Core Bond Fund



MANAGER COMMENTARY

As of 12/31/2023

Looking at individual subsector contributions to the OASD, relative to the index, the two largest changes during the quarter were as follows:

Insurance (Financials): OASD versus index was 0.08 years as of September 30, 2023, and 0.02 years as of December 31, 2023. During the quarter, we decreased relative exposure to the insurance subsector in the Fund.

Consumer (Industrials): OASD versus index was -0.17 years as of September 30, 2023, and -0.22 years as of December 31, 2023. During the quarter, we increased our relative underweight to the consumer subsector in the Fund.

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 decreased slightly to 5.9%.

Outlook

We did not add any new themes or tilts to the Fund during the quarter. As the new year began, markets appeared optimistic regarding the possibility of a soft landing as the Fed considered rate cuts, though concerns regarding credit fundamentals remain. Leverage and interest coverage ratios have deteriorated during the past few quarters, and companies may begin to increase capital expenditures if declining yields push borrowing costs down. Though fixed income remains attractive with overall yields at high levels, the strong demand has pushed investment-grade bond valuations up; corporate spreads are nearly one standard deviation below their 10-year average. As investors look to navigate the Fed's changing policy, we continue to rely on our duration-neutral philosophy to mitigate interest rate risk and use our bottom-up approach to identify securities with attractive compensation.

Harbor Core Bond Fund



ATTRIBUTION

As of 12/31/2023

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
4Q 2023	6.74	6.82	-0.08	-0.26		0.08		0.08		0.03		-0.08
				Duration	-0.24	Finance	0.04	Finance	-0.04	Pricing	0.01	
				Shape	0.00	Industrial	-0.01	Industrial	-0.03	Intraday	0.01	
				Other	-0.03	Utility	0.01	Utility	-0.01			
						ABS	-0.04	ABS	0.01			
						CMBS	-0.01	CMBS	-0.05			
						MBS	-0.03	MBS	0.18			
						Agency	-0.02	Agency	0.01			
						Municipal	0.00	Municipal	0.01			
						Non-Corp	0.02	Non-Corp	0.00			
						Treasury	0.15	Treasury	0.00			
						Other	-0.04	Other	0.00			

What Worked

- The portfolio's underweight to the Treasury sector contributed to relative performance.
- Security selection within Agency RMBS aided returns.
- Top performers: two agency RMBS securities and WARNERMEDIA HOL.

What Didn't Work

- The Harbor Core Bond Fund underperformed the Bloomberg Aggregate Index in the 4th quarter.
- The portfolio's overweight to ABS detracted from relative returns.
- Security selection within CMS detracted from relative returns.
- Bottom performers: a CMBS security, UNITED AIR 2014, and CVSPAS.

Source: Bloomberg

Due to rounding totals may not sum to 100.

Past Performance is not a guarantee if future results.

Harbor Core Bond Fund

ATTRIBUTION

As of 12/31/2023



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	6.01	5.53	0.48	-0.35		0.37		0.46		0.00		0.48
				Duration	-0.22	Finance	0.11	Finance	0.00	Pricing	0.00	
				Shape	-0.08	Industrial	-0.02	Industrial	0.09	Intraday	0.00	
				Other	-0.05	Utility	0.03	Utility	-0.02			
						ABS	-0.01	ABS	0.18			
						CMBS	-0.01	CMBS	0.06			
						MBS	-0.02	MBS	0.09			
						Agency	-0.05	Agency	0.08			
						Municipal	0.06	Municipal	-0.02			
						Non-Corp	0.00	Non-Corp	0.00			
						Treasury	0.33	Treasury	0.00			
						Other	-0.06	Other	0.00			

What Worked

- Security selection within ABS contributed to relative returns.
- The portfolio's underweight to Treasuries greatly contributed to performance.
- Top performers: WARNERMEDIA HOL, an Agency RMBS security, and BELL.

What Didn't Work

- Security selection within Utilities detracted from relative returns.
- An out-of-benchmark exposure to SBA detracted from performance.
- Bottom performers: CVSPAS, PEAHEA, and a CMBS security.

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.

Distributed by Harbor Funds Distributors, Inc.

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.