



Harbor Funds®

Annual Report

October 31, 2016

# Strategic Markets Funds

	Institutional Class	Administrative Class
Harbor Commodity Real Return Strategy Fund	HACMX	HCMRX





# Table of Contents

---

<b>Annual Report Overview</b> .....	1
<b>Letter from the Chairman</b> .....	2
<b>Strategic Markets Funds</b>	
HARBOR COMMODITY REAL RETURN STRATEGY FUND	
Managers' Commentary .....	4
Fund Summary .....	7
Consolidated Portfolio of Investments .....	8
<b>Financial Statements</b>	
STATEMENT OF ASSETS AND LIABILITIES .....	22
STATEMENT OF OPERATIONS .....	23
STATEMENTS OF CHANGES IN NET ASSETS .....	24
STATEMENT OF CASH FLOWS .....	26
FINANCIAL HIGHLIGHTS .....	28
<b>Notes to Financial Statements</b> .....	30
<b>Report of Independent Registered Public Accounting Firm</b> .....	48
<b>Fees and Expenses Example</b> .....	49
<b>Additional Information</b>	
ADDITIONAL TAX INFORMATION .....	50
PROXY VOTING .....	50
HOUSEHOLDING .....	50
QUARTERLY PORTFOLIO DISCLOSURES .....	50
TRUSTEES AND OFFICERS .....	51
<b>Harbor's Privacy Statement</b> .....	53
<b>Glossary</b> .....	54



# Harbor Strategic Markets Funds

## ANNUAL REPORT OVERVIEW (Unaudited)

The Fund's fiscal year ended October 31, 2016. The performance figures for each of the Harbor Funds shown below assume the reinvestment of dividends and capital gains, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of shares of the Fund. From time to time, certain fees and/or expenses have been voluntarily or contractually waived or reimbursed. Without these waivers or reimbursements, the returns would have been lower. Voluntary waivers or reimbursements may be discontinued at any time without notice. For information on the different share classes, please refer to the current prospectus. The returns of the unmanaged indices assume the reinvestment of dividends but do not reflect fees and expenses, and the indices are not available for direct investment.

Performance data shown represents past performance, which is no guarantee of future results. Current performance may be higher or lower than the past performance data shown. Investment returns and the value of an investment will fluctuate, and an investor's shares, when sold, may be worth more or less than their original cost. You can obtain performance data current to the most recent month-end (available within seven business days after the most recent month-end) by calling 800-422-1050 or visiting [harborfunds.com](http://harborfunds.com).

		<u>Total Return Year Ended October 31, 2016</u>					
		<u>Institutional Class</u>	<u>Administrative Class</u>				
<b>HARBOR STRATEGIC MARKETS FUNDS</b>							
Harbor Commodity Real Return Strategy Fund .....		-0.38%	-0.85%				
			<u>Total Return Year Ended October 31, 2016</u>				
<b>COMMONLY USED MARKET INDICES</b>							
Bloomberg Commodity Index Total Return <sup>SM</sup> (commodities) .....			-2.62%				
			<u>Morningstar Average<sup>2</sup> (Unaudited)</u>				
		<u>EXPENSE RATIOS<sup>1</sup></u>					
		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
<b>STRATEGIC MARKET FUNDS</b>							
<b>Harbor Commodity Real Return Strategy Fund</b>							
Institutional Class .....		0.94%	0.94%	0.94%	0.94%	0.94%	1.07%
Administrative Class .....		1.19	1.19	1.19	1.19	1.19	1.33

1 Harbor Funds' expense ratios are for the fiscal years ended October 31 (unless otherwise noted) and are shown net of all expense offsets, waivers and reimbursements (see Financial Highlights).

2 The Morningstar Average includes all actively managed no-load funds in the October 31, 2016 Morningstar Universe with the same investment style as the comparable Harbor Fund's portfolio and with the following additional characteristics for each Harbor Funds share class: Institutional Class contains funds with 12b-1 fees less than or equal to 0.25% and Administrative Class contains funds with 12b-1 fees and which are restricted primarily for use by retirement plans.

# Letter from the Chairman



**David G. Van Hooser**  
Chairman

Dear Fellow Shareholder:

The Harbor Commodity Real Return Strategy Fund invests in commodity-linked derivative instruments backed by a portfolio of inflation-indexed and other fixed income instruments.

Commodities had a roller-coaster performance in the fiscal year ended October 31, 2016. Declining commodities prices led to double-digit negative returns in the fiscal first quarter followed by a significant recovery in the fiscal second quarter. Commodities prices largely moved sideways in the aggregate for the balance of the 2016 fiscal year. The Bloomberg Commodity Index Total Return<sup>SM</sup> had a return of -2.62% for the fiscal year.

Advancing oil prices and expectations of higher inflation helped U.S. Treasury Inflation Protected Securities (“TIPS”) outperform conventional U.S. Treasury bonds in fiscal 2016. TIPS, agency mortgage backed securities and the rest of the fixed income portfolio backing the derivative instruments helped the Fund outperform for the fiscal year.

Comments by the portfolio managers of the Harbor Commodity Real Return Strategy Fund can be found in the pages preceding the Fund’s portfolio of investments. As always, we recommend that shareholders maintain a long-term perspective in evaluating all of their investments, including Harbor Funds.

	RETURNS FOR PERIODS ENDED OCTOBER 31, 2016			
		Annualized		
	1 Year	5 Years	10 Years	30 Years
<b>Strategic Markets</b>				
Bloomberg Commodity Index Total Return <sup>SM</sup> (commodities)	-2.62%	-10.61%	-5.81%	N/A
<b>International &amp; Global</b>				
MSCI EAFE (ND) (foreign stocks)	-3.23%	4.99%	1.22%	5.90%
MSCI EAFE Small Cap (ND) (foreign small cap stocks)	2.98	8.91	3.72	N/A
MSCI World (ND) (global stocks)	1.18	9.03	3.89	7.40
MSCI All Country World Ex. U.S. (ND) (foreign stocks)	0.22	3.63	1.61	N/A
MSCI Emerging Markets (ND) (emerging markets stocks)	9.27	0.55	3.49	N/A
<b>Domestic Equities</b>				
Russell 3000 <sup>®</sup> (entire U.S. stock market)	4.24%	13.35%	6.76%	9.87%
S&P 500 (large cap stocks)	4.51	13.57	6.70	9.95
Russell Midcap <sup>®</sup> (mid cap stocks)	4.17	13.12	7.55	11.23
Russell 2000 <sup>®</sup> (small cap stocks)	4.11	11.51	5.96	9.01
Russell 3000 <sup>®</sup> Growth (growth stocks)	2.08	13.47	8.11	9.31
Russell 3000 <sup>®</sup> Value (value stocks)	6.55	13.17	5.31	10.06
<b>Fixed Income</b>				
BofA Merrill Lynch U.S. Non-Distressed High-Yield (domestic high-yield bonds)	8.21%	7.16%	6.51%	N/A
Bloomberg Barclays U.S. Aggregate Bond (domestic bonds)	4.37	2.90	4.64	6.48%
Bloomberg Barclays U.S. TIPS (domestic inflation-linked bonds)	5.89	1.47	4.46	N/A
BofA Merrill Lynch 3-Month U.S. Treasury Bill (proxy for money market returns)	0.31	0.11	0.88	3.54

## HARBOR FUNDS TRUSTEE RETIRES

On December 31, 2016, Rodger F. Smith will retire as a trustee of Harbor Funds in accordance with the board’s retirement policy. Rodger has served shareholders as a member of the board since 1987. His 29 years of service is the longest of any Harbor Funds trustee. Rodger’s knowledge of investments, the asset management industry and his broad business experience accumulated during his business and consulting career have been beneficial in the growth and development of Harbor Funds. Rodger was the first lead independent trustee of Harbor Funds, serving in that role for six years until his retirement. Rodger always focused on the best interests of fund shareholders. His insights and observations have been very helpful to the board and senior members of the Harbor Funds team. We wish Rodger the very best in what we know will be a very active retirement.

The board’s retirement policy enables the trustees to prepare for retirements well in advance. With Rodger Smith’s retirement, the board will be reduced, at least temporarily, from eight members to seven, of whom six are independent. The board has added several trustees in recent years in anticipation of certain scheduled trustee retirements.

## START INVESTING AS EARLY AS POSSIBLE

The end of a calendar year can serve as a useful checkpoint to evaluate your financial goals and your investments. We always encourage shareholders to take a long term perspective with all of their investments. With the growth in defined contribution plans, more and more investors each year have primary responsibility for their own retirement investments as well as their other investment needs.

We suggest each investor invest in a diversified asset allocation of stocks, bonds and cash that is consistent with your long term financial objectives and a level of risk that you find acceptable. While we know it is not always possible to invest as much as you would like for future needs, we encourage all investors to start as early as possible to save and invest for retirement

---

and other long term financial goals. Financial markets are volatile and stocks and bonds can go up and down in value. While past performance is never a guarantee of future results, over the long term, the returns of equities and debt have historically helped many investors achieve their financial objectives. For those investors investing for retirement, we suggest you consider the following:

1. If you have a defined contribution retirement plan where you work, if possible, invest at least as much as necessary to obtain any company match;
2. If you can do so, invest the maximum permitted each year in an individual retirement account; and
3. Invest in a taxable account so you have other assets to tap for emergencies or other situations where you would prefer not to disturb your longer term investments.

With careful planning and budgeting all of us can come closer to meeting our financial goals. Harbor Funds offers equity, strategic markets and fixed income funds to help you achieve your financial objectives.

Thank you for investing with Harbor Funds.

December 21, 2016



David G. Van Hooser  
Chairman

# Harbor Commodity Real Return Strategy Fund

## MANAGERS' COMMENTARY (Unaudited)

### SUBADVISER

Pacific Investment  
Management Company  
LLC (PIMCO)

650 Newport Center Dr.  
Newport Beach, CA  
92660

### PORTFOLIO MANAGERS

**Mihir P. Worah**  
*Since 2008*

**Nicholas J. Johnson**  
*Since 2015*

**Jeremie Banet**  
*Since 2015*

PIMCO has subadvised  
the Fund since 2008.

### INVESTMENT OBJECTIVE

Maximize real return,  
consistent with prudent  
investment management

### PRINCIPAL STYLE CHARACTERISTICS

Commodity-linked  
derivative instruments  
backed by a portfolio of  
inflation-indexed and  
other fixed income  
instruments



Mihir P. Worah



Nicholas J. Johnson



Jeremie Banet

## Management's Discussion of Fund Performance

### MARKET REVIEW

The future path of monetary policy globally continued to be a focus for bond markets for the fiscal year ended October 31, 2016. Markets remained relatively resilient despite a host of geopolitical shocks, though volatility generally remained below long-term average.

The end of 2015 saw robust domestic demand in the U.S., driven predominantly by consumer spending, which was supported by job gains and rising consumer confidence. This positive tone allowed the Federal Reserve (Fed) to begin reducing monetary accommodation, lifting the policy rate by 25 basis points in a unanimous vote in December 2015. Markets were well-prepared and interpreted the hike to be a vote of confidence in the economic recovery. However, a strong U.S. economy and successful liftoff by the Fed stood in contrast to challenges policymakers faced globally. In the eurozone, weak inflation led to additional policy action from the European Central Bank (ECB), which continued into 2016.

Global recession fears from early 2016 receded amid continued positive economic data in the U.S., including signs of labor market strength and higher inflation. However, this sustained period of low volatility was briefly broken by the unexpected "Brexit" result in the U.K.'s historic referendum. The British public voted to end the 40+ year relationship

with the EU, resulting in a sharp risk sell-off as markets scrambled to price in the unanticipated outcome. While moves on the day were significant, many were not as outsized when put in the context of price levels earlier in the year. However, markets generally shook off the surprise "Brexit" result as equities rallied and volatility remained low despite building concerns over the future path of monetary policy globally.

Markets generally recovered from post-Brexit volatility and remained relatively resilient, despite a host of geopolitical shocks including new leadership in the U.K. and Brazil, an attempted coup in Turkey, and an increasingly contentious presidential race in the U.S. Volatility generally remained below long-term averages, U.S. equities set new all-time highs, credit spreads tightened, and emerging market assets performed well in the seemingly benign market environment.

The U.S. Treasury curve flattened during the 2016 fiscal year as longer-dated securities outperformed those with shorter-dated maturities. Calmer markets and lower volatility impacted markets as fixed income spread sectors generally performed well over the fiscal year. U.S. Treasury Inflation Protected Securities, or TIPS, outperformed U.S. nominal Treasuries during the fiscal year as breakeven inflation levels moved higher on advancing oil prices and an upside surprise to inflation readings.

### PERFORMANCE

Harbor Commodity Real Return Strategy Fund returned -0.38% (Institutional Class) and -0.85% (Administrative Class) for fiscal 2016, outperforming the -2.62% return of the Bloomberg Commodity Index Total Return<sup>SM</sup> benchmark. From a longer-term perspective, the Fund has outperformed the index since its inception in 2008.

The Fund invests in commodity-linked derivative instruments backed by a portfolio of inflation-indexed bonds and other fixed income securities. The following strategies helped returns during the fiscal year:

- Implementation of value-added commodity alpha strategies
- Tactical exposure to non-agency mortgage-backed securities, which continued to provide attractive yield and price appreciation amid strong investor demand and a recovery in the housing sector
- The use of TIPS collateral, which outperformed U.S. Treasury bills as inflation expectations rose
- Tactical short currency exposure against a basket of emerging market currencies which depreciated over the period



# Harbor Commodity Real Return Strategy Fund

## MANAGERS' COMMENTARY—Continued

TOP TEN ISSUERS (% of net assets)	
U.S. Treasury	84.8%
Brazil Letras Do Tesouro Nacional	5.0%
Cooperatieve Rabobank UA	2.8%
Realkredit Danmark AS	2.5%
U.K. Gilt Inflation Linked	2.5%
JP Morgan Chase & Co.	2.1%
Italy Buoni Poliennali Del Tesoro	1.8%
Telefonica Emisiones SAU	1.8%
Citigroup Mortgage Loan Trust Inc.	1.7%
UBS Group Funding Jersey Ltd.	1.4%

The following strategies were negative or neutral for returns during the fiscal year:

- Nominal interest rate strategies in the U.S., specifically an underweight to intermediate maturities, as yields fell during the 2016 fiscal year

### OUTLOOK & STRATEGY

Over the next twelve months, we expect global growth to pick up slightly from around 2.5% this year to 2.5%–3.0%, with inflation remaining below target in most major developed market economies. Our baseline forecast is for a continuous global expansion, mostly supportive monetary and fiscal policies and broadly range-bound markets. However, we are concerned about risks that lurk beneath the surface, especially with asset prices that in many cases appear stretched, and periods of relative calm in the markets are likely to be punctuated by bouts of volatility and uncertainty brought on by the “cause” of the moment. The most relevant

swing factors for our cyclical outlook are productivity, which drives the supply side of the economy and thus potential output growth; policy, the main determinant of aggregate demand; and politics, the main non-economic source of uncertainty and volatility.

In the U.S., we predict growth returning to 2%–2.5% in 2017, following the soft patch earlier this year. We expect an end to the inventory correction and a revival of business investment amid robust consumer spending. We believe that a rise in headline CPI inflation to 2%–2.5% next year will likely allow a data-dependent Fed to raise interest rates two or three times between now and year-end 2017.

For the eurozone, growth momentum should remain broadly unchanged at 1%–1.5% in 2017, which is above potential output growth of at most 1%. Yet, with inflation unlikely to make much progress toward the ECB’s “below but close to 2%” objective, we expect a further round of monetary easing as soon as December 2016, the potential for additional easing next year and a likely extension of quantitative easing beyond March. Our forecast calls for U.K. growth to slow temporarily into a 0%–1% range next year as Brexit-related uncertainties dampen investment and make consumers more cautious to spend.

In Japan, we expect somewhat higher growth of 0.5%–1.0% in 2017, supported by significant fiscal stimulus. We believe that as fiscal policy turns expansionary, monetary policy may gain more traction, especially now that the Bank of Japan (BOJ) has recalibrated its easing program with a view to minimizing the negative side effects on the financial sector. Our forecast for China is a further gradual slowdown in growth to 5.75%–6.25% in 2017 from 6.4% this year. The slowing of economic growth in the industrial complex – which is what matters most for global trade and commodities – has already happened in recent years, and with an orderly depreciation in the currency, we believe that China is not likely to throw a wrench into the wheels of the global economy.

Better prospects for the emerging markets (EM) are a key feature of our 2017 forecast. We expect aggregate GDP growth in EM to accelerate from about 4.5% this year to 4.75%–5.25% next year. External conditions for many EM economies have improved due to the stabilization of commodity prices and the U.S. dollar. We believe that internal conditions are also more conducive to growth: inflation has likely peaked, giving central banks room to ease; several countries are making progress on structural reforms; and deep recessions in Brazil and Russia should give way to modest recoveries, removing a major drag on aggregate EM growth.

With respect to portfolio strategy, we plan to:

- Within commodities, focus on sectors with naturally declining supply (energy) as they are likely to outperform those that require producer discipline to bring down supply (metals). We continue to look to take advantage of relative value opportunities on commodity forward curves and inter-commodity spreads
- Tactically manage real duration, favoring TIPS relative to nominals and looking to take advantage of attractive opportunities in global inflation-linked bond markets
- Hold marginal positions in global inflation-linked bonds in countries that offer higher real, or inflation-adjusted, yields and potential policy maneuverability
- Maintain an allocation to non-agency mortgages, as we believe they offer an attractive source of yield
- Within currency, have a short exposure to the Chinese yuan which we anticipate will exhibit further weakness while also overweight select EM currencies including the Mexican peso

# Harbor Commodity Real Return Strategy Fund

## MANAGERS' COMMENTARY—Continued

---

This report contains the current opinions of Pacific Investment Management Company LLC (PIMCO) as of the date of this report and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Such opinions are subject to change without notice and securities described herein may no longer be included in, or may at any time be removed from, the Fund's portfolio. This report is distributed for informational purposes only. Information contained herein has been obtained from sources believed reliable, but not guaranteed.

The Fund invests in commodity-linked instruments, which may be significantly more volatile than other securities. The use of derivative instruments may add additional risk. It also invests in fixed income securities, which fluctuate in price in response to various factors, including changes in interest rates, changes in market conditions and issuer-specific events. 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. The Fund will seek to gain exposure to the commodity markets primarily through investments in leveraged or unleveraged commodity index-linked notes and through investments in the Harbor Cayman Commodity Fund Ltd., a wholly-owned subsidiary of the Fund. For information on the different share classes and the risks associated with an investment in the Fund, please refer to the current prospectus.

# Harbor Commodity Real Return Strategy Fund

## FUND SUMMARY—October 31, 2016 (Unaudited)

INSTITUTIONAL CLASS	
Fund #	2029
Cusip	411511397
Ticker	HACMX
Inception Date	09/02/2008
Net Expense Ratio	0.94% <sup>a</sup>
Total Net Assets (000s)	\$75,908

ADMINISTRATIVE CLASS	
Fund #	2229
Cusip	411511389
Ticker	HCMRX
Inception Date	09/02/2008
Net Expense Ratio	1.19% <sup>a</sup>
Total Net Assets (000s)	\$503

PORTFOLIO STATISTICS	
Average Market Coupon	1.21%
Yield to Maturity	1.94%
Current 30-Day Yield (Institutional Class)	0.81%
Weighted Average Maturity	3.01 years
Weighted Average Duration	2.81 years
Portfolio Turnover (Year Ended 10/31/2016)	1,069%

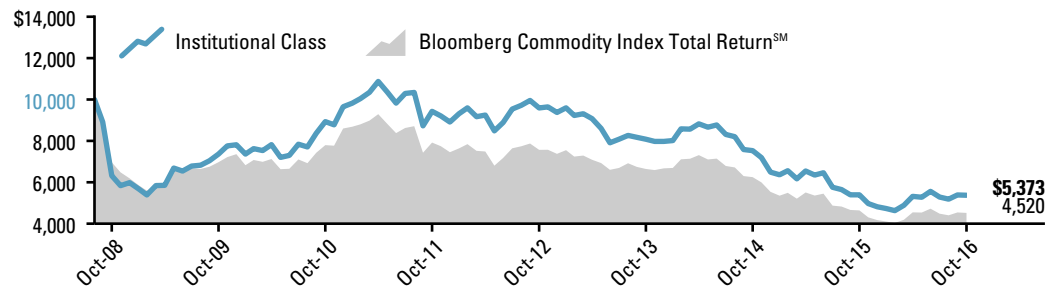
MATURITY PROFILE	
Years to Maturity	% of Investments
0 to 1 yr.	20.30%
>1 to 5	84.04%
>5 to 10	-3.89%
>10 to 15	-2.29%
>15 to 20	0.00%
>20 to 25	0.27%
>25 yrs.	1.57%

### FUND PERFORMANCE

The graph compares a \$10,000 investment in the Fund with the performance of the Bloomberg Commodity Index Total Return<sup>SM</sup>. The Fund's performance assumes the reinvestment of all dividend and capital gain distributions.

#### CHANGE IN A \$10,000 INVESTMENT

For the period 09/02/2008 through 10/31/2016



### TOTAL RETURNS

For the periods ended 10/31/2016

#### Harbor Commodity Real Return Strategy Fund

	1 Year	5 Years	Life of Fund	Inception Date	Final Value of a \$10,000 Investment
Institutional Class	-0.38%	-10.64%	-7.33%	09/02/2008	\$5,373
Administrative Class	-0.85	-10.88	-7.58	09/02/2008	5,256

#### Comparative Index

Bloomberg Commodity Index Total Return <sup>SM</sup>	-2.62%	-10.61%	-9.27%	—	\$4,520
--	--------	---------	--------	---	---------

As stated in the Fund's current prospectus, the expense ratios were 0.94% (Net) and 1.30% (Gross) (Institutional Class); and 1.19% (Net) and 1.55% (Gross) (Administrative Class). The net expense ratios reflect an expense limitation agreement (excluding interest expense, if any) effective through 02/28/2017. The expense ratios in the prospectus may differ from the actual expense ratios for the period disclosed within this report. The expense ratios shown in the prospectus are based on the prior fiscal year, adjusted to reflect changes, if any, in contractual arrangements that occurred prior to the date of the prospectus.

Performance data shown represents past performance, which is no guarantee of future results. Current performance may be higher or lower than the past performance data shown. Investment returns and the value of an investment will fluctuate, and an investor's shares, when sold, may be worth more or less than their original cost. You can obtain performance data current to the most recent month-end (available within seven business days after the most recent month-end) by calling 800-422-1050 or visiting [harborfunds.com](http://harborfunds.com).

The returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares. From time to time, certain fees and/or expenses have been waived or reimbursed. Without these waivers and reimbursements, the returns would have been lower.

<sup>a</sup> Reflects an expense limitation agreement (excluding interest expense, if any) effective through February 28, 2017.

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—October 31, 2016

Value, Cost, and Principal Amounts in Thousands

### Total Investments (% of net assets)

(Excludes net cash, short-term investments and derivative positions of -21.7%)

U.S. Government Obligations	84.8
Corporate Bonds & Notes	15.5
Foreign Government Obligations	11.7
Asset-Backed Securities	8.2
Collateralized Mortgage Obligations	1.1
Mortgage Pass-Through	0.4

### ASSET-BACKED SECURITIES—8.2%

Principal Amount		Value
\$ 384	Bear Stearns Asset Backed Securities Trust Series 2006-2 Cl. M1 0.954%—07/25/2036 <sup>1</sup> . . . . .	\$ 381
381	Citigroup Mortgage Loan Trust Inc. Series 2006-NC1 Cl. A1 0.664%—08/25/2036 <sup>1,2</sup> . . . . .	353
1,000	Series 2005-HE3 Cl. M2 1.254%—09/25/2035 <sup>1</sup> . . . . .	981
		<u>1,334</u>
90	Commercial Industrial Finance Corp. Series 2007-1A Cl. A1L 1.067%—05/10/2021 <sup>1,2</sup> . . . . .	91
42	Countrywide Asset-Backed Certificates Series 2005-15 Cl. 1AF6 5.530%—04/25/2036 <sup>3</sup> . . . . .	43
205	First Franklin Mortgage Loan Trust Series 2005-FF11 Cl. A2D 1.214%—11/25/2035 <sup>1</sup> . . . . .	206
900	Series 2005-FFH1 Cl. M2 1.314%—06/25/2036 <sup>1</sup> . . . . .	681
		<u>887</u>
363	Hillmark Funding Ltd. Series 2006-1A Cl. A1 1.061%—05/21/2021 <sup>1,2</sup> . . . . .	361
208	MASTR Asset Backed Securities Trust Series 2006-HE2 Cl. A2 0.774%—06/25/2036 <sup>1</sup> . . . . .	119
110	Morgan Stanley ABS Capital I Inc. Trust Series 2006-HE8 Cl. A2FP 0.604%—10/25/2036 <sup>1</sup> . . . . .	63
351	Series 2006-HE8 Cl. A1 0.664%—10/25/2036 <sup>1</sup> . . . . .	281
		<u>344</u>
100	Navient Student Loan Trust Series 2016-7 1.670%—03/25/2066 <sup>1,2</sup> . . . . .	100
600	People's Choice Home Loan Securities Trust Series 2005-1 Cl. M4 1.804%—01/25/2035 <sup>1</sup> . . . . .	540
€ 511	SLM Student Loan Trust Series 2003-2 Cl. A5 0.000%—12/15/2023 <sup>1</sup> . . . . .	548
\$ 271	Small Business Administration Participation Certificates Series 2007-20K Cl. 1 5.510%—11/01/2027 . . . . .	302
200	Soundview Home Loan Trust Series 2006-OPT2 Cl. A4 0.814%—05/25/2036 <sup>1</sup> . . . . .	176

### ASSET-BACKED SECURITIES—Continued

Principal Amount		Value
\$ 2	Stone Tower Capital LLC Series 2007-6A Cl. A1 1.110%—04/17/2021 <sup>1,2</sup> . . . . .	\$ 2
720	Structured Asset Investment Loan Trust Series 2006-BNC2 Cl. A5 0.694%—05/25/2036 <sup>1</sup> . . . . .	662
385	Venture CLO Ltd. <sup>4</sup> Series 2006-7A Cl. A1A 1.111%—01/20/2022 <sup>1,2</sup> . . . . .	382

### TOTAL ASSET-BACKED SECURITIES

(Cost \$5,946) . . . . . 6,272

### COLLATERALIZED MORTGAGE OBLIGATIONS—1.1%

£ 57	Eurosail-UK plc Series 2007-3X Cl. A3A 1.329%—06/13/2045 <sup>1</sup> . . . . .	67
€ 17	Marche Mutui Srl Series 4 Cl. A 0.108%—02/25/2055 <sup>1</sup> . . . . .	19
48	Series 6 Cl. A1 1.938%—01/27/2064 <sup>1</sup> . . . . .	53
		<u>72</u>
\$ 166	Morgan Stanley Mortgage Loan Trust Series 2006-8AR Cl. 6A1 2.674%—06/25/2036 <sup>1</sup> . . . . .	162
87	Thornburg Mortgage Securities Trust Series 2006-4 Cl. A2B 3.090%—07/25/2036 <sup>1</sup> . . . . .	84
471	Wachovia Mortgage Loan Trust LLC Series 2005-B Cl. 2A4 3.266%—10/20/2035 <sup>3</sup> . . . . .	430

### TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS

(Cost \$764) . . . . . 815

### CORPORATE BONDS & NOTES—15.5%

100	Aetna Inc. 1.491%—12/08/2017 <sup>1</sup> . . . . .	100
400	Ally Financial Inc. 5.500%—02/15/2017 . . . . .	404
€ 100	Banca Carige SpA MTN <sup>5</sup> 3.750%—11/25/2016 . . . . .	110
£ 100	BG Energy Capital plc 6.500%—11/30/2072 <sup>3</sup> . . . . .	129
DKK\$ 400	Brfkredit AS 2.000%—10/01/2017 . . . . .	60
200	4.000%—01/01/2018 . . . . .	31
		<u>91</u>
\$ 2,100	Cooperatieve Rabobank UA 1.220%—04/28/2017 <sup>1</sup> . . . . .	2,101
250	Credit Suisse Group Funding Guernsey Ltd. 3.800%—09/15/2022 . . . . .	255
400	Deutsche Bank AG 4.250%—10/14/2021 <sup>2</sup> . . . . .	403
100	ING Bank NV MTN <sup>5</sup> 2.625%—12/05/2022 <sup>2</sup> . . . . .	103
1,590	JP Morgan Chase & Co. MTN <sup>5</sup> 1.432%—04/25/2018 <sup>1</sup> . . . . .	1,590

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

Value, Cost, and Principal Amounts in Thousands

### CORPORATE BONDS & NOTES—Continued

Principal Amount		Value
\$	300	Navient Corp. MTN <sup>5</sup>
	100	1.253%—11/01/2016 <sup>3,6</sup> .....
		5.500%—01/15/2019 .....
		<u>102</u>
		402
DKK\$	300	Nordea Kredit Realkreditatieselskab
	600	1.000%—10/01/2017 .....
		2.000%—10/01/2017 .....
		<u>45</u>
		90
		135
		Nykredit Realkredit AS
	1,100	1.000%—04/01/2017-07/01/2017 .....
	4,100	2.000%—04/01/2017-10/01/2017 .....
		<u>164</u>
		614
		778
\$	200	Petrobras Global Finance BV
		4.375%—05/20/2023 .....
		182
DKK\$	8,200	Realkredit Danmark AS
	4,800	1.000%—01/01/2017-04/01/2018 .....
		2.000%—01/01/2017-04/01/2017 .....
		<u>1,217</u>
		715
		1,932
€	200	Royal Bank of Scotland plc MTN <sup>5</sup>
		6.934%—04/09/2018 .....
		238
		SSE plc
	200	5.625%—10/01/2017 <sup>3,7</sup> .....
		229
		Telefonica Emisiones SAU
	1,400	1.513%—06/23/2017 <sup>1</sup> .....
		1,399
		UBS Group Funding Jersey Ltd.
	1,000	2.661%—04/14/2021 <sup>1,2</sup> .....
		1,033
		Unibail-Rodamco SE MTN <sup>5</sup>
	200	1.650%—04/16/2019 <sup>1</sup> .....
		199
<b>TOTAL CORPORATE BONDS &amp; NOTES</b>		
		(Cost \$11,918) .....
		<u>11,813</u>

### FOREIGN GOVERNMENT OBLIGATIONS—11.7%

€	100	Autonomous Community of Catalonia
		4.950%—02/11/2020 .....
		118
R\$	13,100	Brazil Letras Do Tesouro Nacional
		0.000%—01/01/2017-01/01/2018 <sup>8</sup> .....
		3,810
€	214	France Government Bond OAT
		1.850%—07/25/2027 <sup>8</sup> .....
		303
		Hellenic Railways Organization SA
	200	4.028%—03/17/2017 .....
		216
		Italy Buoni Poliennali Del Tesoro
	1,085	2.350%—09/15/2024 <sup>2,6</sup> .....
		1,359
MEX\$	4,253	Mexican Bonos
		4.750%—06/14/2018 .....
		223
		Mexican Bonos de Proteccion Al Ahorro
	1,900	4.330%—06/29/2017 <sup>1,6</sup> .....
		102
		Mexican Udibonos
	152	4.000%—11/08/2046 <sup>6</sup> .....
		9
NZD\$	1,200	New Zealand Government Bond
		2.000%—09/20/2025 <sup>6</sup> .....
		924
£	1,229	U.K. Gilt Inflation Linked <sup>6</sup>
		0.125%—03/22/2024-03/22/2058 .....
		1,885
<b>TOTAL FOREIGN GOVERNMENT OBLIGATIONS</b>		
		(Cost \$9,200) .....
		<u>8,949</u>

### MORTGAGE PASS-THROUGH—0.4%

Principal Amount		Value
(Cost \$283)		
\$	290	Federal National Mortgage Association
		4.000%—02/01/2041 .....
		<u>\$ 311</u>

### U.S. GOVERNMENT OBLIGATIONS—84.8%

		U.S. Treasury Bonds
	150	2.250%—08/15/2046 .....
	1,540	2.500%—02/15/2046 .....
		<u>140</u>
		1,513
		1,653
		U.S. Treasury Inflation Indexed Bonds <sup>6</sup>
	24,823	0.125%—04/15/2018-07/15/2026 .....
	209	0.125%—01/15/2023 <sup>9</sup> .....
	447	0.250%—01/15/2025 <sup>9</sup> .....
	2,967	0.375%—07/15/2023-07/15/2025 .....
	7,504	0.625%—07/15/2021-01/15/2026 .....
	1,982	0.625%—01/15/2024 <sup>9</sup> .....
	417	1.000%—02/15/2046 .....
	4,760	1.250%—07/15/2020 <sup>9</sup> .....
	4,170	1.375%—07/15/2018-02/15/2044 .....
	23	1.750%—01/15/2028 <sup>9</sup> .....
	7,219	1.875%—07/15/2019 .....
	1,738	2.375%—01/15/2025 .....
	931	2.500%—01/15/2029 <sup>9</sup> .....
	322	3.875%—04/15/2029 <sup>9</sup> .....
		<u>25,149</u>
		212
		454
		3,060
		7,875
		2,072
		450
		5,085
		4,511
		27
		7,742
		2,059
		1,171
		460
		<u>60,327</u>
		U.S. Treasury Notes
	300	1.125%—08/31/2021 .....
	2,500	1.625%—05/15/2026 .....
	15	2.000%—08/31/2021 <sup>9</sup> .....
	15	2.125%—09/30/2021 .....
	50	2.250%—07/31/2021 .....
		<u>297</u>
		2,457
		16
		16
		52
		<u>2,838</u>
<b>TOTAL U.S. GOVERNMENT OBLIGATIONS</b>		
		(Cost \$62,930) .....
		<u>64,818</u>

### SHORT-TERM INVESTMENTS—27.4%

CERTIFICATES OF DEPOSIT—0.6% <sup>†</sup>		
	200	Barclays plc
		0.000%—09/08/2017 <sup>1</sup> .....
		200
	300	Credit Suisse NY
		0.000%—09/12/2017 <sup>1</sup> .....
		<u>301</u>
		501

### REPURCHASE AGREEMENTS—26.7%

		Repurchase Agreement with Citigroup dated October 31, 2016 due November 01, 2016 at 0.540% collateralized by U.S. Treasury Notes (value \$6,625) .....
	6,500	<u>6,500</u>
		Repurchase Agreement with Credit Suisse dated October 31, 2016 due November 01, 2016 at 0.520% collateralized by U.S. Treasury Notes (value \$7,225) .....
	7,100	<u>7,100</u>

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

Value, Cost, and Principal Amounts in Thousands

SHORT-TERM INVESTMENTS—Continued	
Principal Amount	Value
<b>REPURCHASE AGREEMENTS—Continued</b>	
\$ 6,500	Repurchase Agreement with JP Morgan Chase & Co. dated October 31, 2016 due November 01, 2016 at 0.540% collateralized by U.S. Treasury Notes (value \$6,637) . . . . . \$ 6,500
264	Repurchase Agreement with State Street Corp. dated October 31, 2016 due November 01, 2016 at 0.000% collateralized by Federal National Mortgage Association Notes (value \$270) . . . . . 264
	20,364
<b>U.S. GOVERNMENT AGENCIES—0.1%<sup>†</sup></b>	
100	Federal Home Loan Bank Discount Notes 0.265%—11/30/2016 . . . . . 100
<b>TOTAL SHORT-TERM INVESTMENTS</b>	
(Cost \$20,964) . . . . .	20,965
<b>TOTAL INVESTMENTS—149.1%</b>	
(Cost \$112,005) . . . . .	113,943
<b>CASH AND OTHER ASSETS, LESS LIABILITIES—(49.1)%</b> . . . . . (37,532)	
<b>TOTAL NET ASSETS—100.0%</b> . . . . . <u>\$ 76,411</u>	

### FUTURES CONTRACTS OPEN AT OCTOBER 31, 2016

Description	Number of Contracts	Aggregate Face Value (000s)	Expiration Date	Unrealized Appreciation/ (Depreciation) (000s)
Euro-BTP Futures (Sell) . . . . .	6	€ 600	12/08/2016	\$ 30
Euro-Bund Futures (Sell) . . . . .	3	300	12/08/2016	6
Euro-OAT Futures (Sell) . . . . .	7	700	12/08/2016	21
Cocoa Futures (Buy) . . . . .	5	£ —	03/16/2017	1
Cocoa Futures (Sell) . . . . .	3	—	12/13/2016	(1)
United Kingdom GILT Futures 90 day (Sell) . . . . .	5	500	12/28/2016	36
Brent Crude Oil Futures (Buy) . . . . .	2	\$ 2	11/30/2016	(8)
Brent Crude Oil Futures (Buy) . . . . .	9	9	01/31/2017	(3)
Brent Crude Oil Futures (Buy) . . . . .	14	14	10/31/2017	16
Brent Crude Oil Futures (Buy) . . . . .	2	2	11/30/2017	11
Brent Crude Oil Futures (Sell) . . . . .	13	13	04/28/2017	(1)
Brent Crude Oil Futures (Sell) . . . . .	7	7	07/31/2017	(27)
Brent Crude Oil Futures (Sell) . . . . .	1	1	08/31/2017	(6)
Brent Crude Oil Futures (Sell) . . . . .	1	1	01/31/2018	(12)
Brent Crude Oil Futures (Sell) . . . . .	1	1	02/28/2018	(5)
Brent Crude Oil Futures (Sell) . . . . .	3	3	04/30/2018	(22)
Chicago Ethanol Swap Futures (Buy) . . . . .	1	42	12/30/2016	7
Cocoa Futures (Sell) . . . . .	2	—	12/14/2016	—
Corn Futures (Buy) . . . . .	3	15	07/14/2017	3
Corn Futures (Buy) . . . . .	2	10	12/14/2017	1
Corn Futures (Sell) . . . . .	2	10	12/14/2016	(3)
Cotton Futures (Sell) . . . . .	1	50	12/07/2016	(2)
Eurodollar Futures-CME 90 day (Sell) . . . . .	13	3,250	12/19/2016	—
Gasoil Futures (Buy) . . . . .	4	—	12/12/2017	7
Gasoil Futures (Sell) . . . . .	2	—	06/12/2017	(3)
Gasoil Futures (Sell) . . . . .	2	—	06/12/2018	(4)
Gasoline Futures (Buy) . . . . .	1	42	02/28/2017	3
Gasoline Futures (Buy) . . . . .	1	42	03/31/2017	8
Gasoline Futures (Sell) . . . . .	2	84	12/30/2016	6
Gasoline Futures (Sell) . . . . .	1	42	05/31/2017	(8)
Gold Futures (Sell) . . . . .	2	—	12/28/2016	10
Heating Oil Futures (Buy) . . . . .	1	42	02/28/2017	1
Heating Oil Futures (Sell) . . . . .	1	42	05/31/2017	(1)
Lean Hogs Futures (Buy) . . . . .	1	40	02/14/2017	3

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### FUTURES CONTRACTS—Continued

Description	Number of Contracts	Aggregate Face Value (000s)	Expiration Date	Unrealized Appreciation/ (Depreciation) (000s)
Lean Hogs Futures (Sell)	1	\$ 40	04/17/2017	\$ (2)
Light Sweet Crude Oil Futures (Buy)	4	4	08/21/2017	(3)
Light Sweet Crude Oil Futures (Buy)	10	10	08/22/2017	78
Light Sweet Crude Oil Futures (Buy)	2	2	09/20/2017	8
Light Sweet Crude Oil Futures (Buy)	6	6	02/20/2018	23
Light Sweet Crude Oil Futures (Buy)	2	2	05/22/2018	(3)
Light Sweet Crude Oil Futures (Sell)	4	4	02/17/2017	5
Light Sweet Crude Oil Futures (Sell)	1	1	02/21/2017	(1)
Light Sweet Crude Oil Futures (Sell)	3	3	05/22/2017	2
Light Sweet Crude Oil Futures (Sell)	1	1	07/20/2017	(4)
Light Sweet Crude Oil Futures (Sell)	13	13	11/20/2017	(40)
Light Sweet Crude Oil Futures (Sell)	2	2	11/19/2018	2
LLS vs. WTI Light Sweet Crude Oil Swap Futures (Buy)	1	1	11/30/2016	—
LLS vs. WTI Light Sweet Crude Oil Swap Futures (Buy)	1	1	12/30/2016	—
Natural Gas Futures (Buy)	4	40	11/28/2016	(7)
Natural Gas Futures (Buy)	4	40	03/29/2017	19
Natural Gas Futures (Buy)	2	20	05/26/2017	(2)
Natural Gas Futures (Buy)	4	40	06/28/2017	(4)
Natural Gas Futures (Buy)	14	140	12/27/2017	7
Natural Gas Futures (Buy)	12	120	03/27/2018	11
Natural Gas Futures (Sell)	8	80	12/28/2016	9
Natural Gas Futures (Sell)	3	30	02/24/2017	(2)
Natural Gas Futures (Sell)	3	30	04/26/2017	2
Natural Gas Futures (Sell)	17	170	09/27/2017	(14)
Natural Gas Futures (Sell)	9	90	02/26/2018	(7)
Natural Gas Swap Futures (Buy)	16	40	03/29/2017	19
Natural Gas Swap Futures (Buy)	4	10	12/27/2017	5
Natural Gas Swap Futures (Buy)	4	10	01/29/2018	4
Natural Gas Swap Futures (Buy)	4	10	02/26/2018	3
Natural Gas Swap Futures (Buy)	8	20	03/27/2018	1
Natural Gas Swap Futures (Buy)	4	10	04/26/2018	(1)
Natural Gas Swap Futures (Buy)	4	10	05/29/2018	(1)
Natural Gas Swap Futures (Buy)	4	10	06/27/2018	(1)
Natural Gas Swap Futures (Buy)	4	10	07/27/2018	(1)
Natural Gas Swap Futures (Buy)	4	10	08/29/2018	(1)
Natural Gas Swap Futures (Buy)	4	10	09/26/2018	—
Natural Gas Swap Futures (Buy)	4	10	10/29/2018	—
Natural Gas Swap Futures (Buy)	4	10	11/28/2018	1
Natural Gas Swap Futures (Sell)	16	40	02/24/2017	(16)
Natural Gas Swap Futures (Sell)	4	10	09/27/2017	(4)
Platinum Futures (Buy)	6	—	01/27/2017	(19)
Soybean Futures (Buy)	2	—	03/14/2017	1
Soybean Futures (Sell)	2	—	05/12/2017	(2)
Soybean Futures (Sell)	2	10	11/14/2017	(5)
Sugar Futures (Buy)	9	1,008	06/30/2017	4
Sugar Futures (Sell)	1	112	02/28/2017	(1)
Sugar Futures (Sell)	9	1,008	04/28/2017	(3)
U.S. Treasury Bond Futures 30 year (Sell)	14	1,400	12/20/2016	113
U.S. Treasury Note Futures 2 year (Sell)	56	11,200	12/30/2016	10
U.S. Treasury Note Futures 5 year (Buy)	78	7,800	12/30/2016	(54)
U.S. Treasury Note Futures 10 year (Buy)	33	3,300	12/20/2016	(28)
Wheat Futures (Buy)	3	15	12/14/2016	(3)
Wheat Futures (Buy)	2	10	07/14/2017	—
Wheat Futures (Sell)	3	15	03/14/2017	4
Wheat Futures (Sell)	2	10	07/14/2017	—
White Sugar Futures (Buy)	1	—	02/13/2017	1
Total Futures Contracts				<u>\$167</u>

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### PURCHASED OPTIONS OPEN AT OCTOBER 31, 2016

#### PURCHASED OPTIONS THAT REQUIRE PERIODIC SETTLEMENT OF VARIATION MARGIN

Description	Counterparty/Exchange	Number of Contracts/Notional	Strike Price	Expiration Date	Premiums Paid (000s)	Value (000s)
Commodity - Crude Oil Futures (Call)	ICE Group	1	\$ 60.00	11/25/2016	\$ 2	\$—
Commodity - Crude Oil Futures (Call)	ICE Group	1	61.00	11/25/2016	2	—
Euro-Bund Futures (Call)	Eurex	3	€ 175.50	11/25/2016	—	—
U.K. LIBOR Future 90 day (Put)	ICE Group	108	£ 98.50	12/21/2016	11	—
U.K. LIBOR Future 90 day (Put)	ICE Group	24	98.50	06/21/2017	1	—
Total Purchased Options that Require Periodic Settlement of Variation Margin					\$16	\$—

#### PURCHASED OPTIONS NOT SETTLED THROUGH VARIATION MARGIN

Description	Counterparty/Exchange	Number of Contracts/Notional	Strike Rate/Price	Expiration Date	Premiums Paid (000s)	Value (000s)
Interest Rate Swap Option 1 year (Put)	Goldman Sachs Bank USA	14,800,000	1.250%	12/27/2016	\$ 13	\$ 1
Interest Rate Swap Option 1 year (Put)	Goldman Sachs Bank USA	14,200,000	1.250	01/09/2017	7	1
Interest Rate Swap Option 1 year (Put)	Morgan Stanley Capital Services LLC	14,200,000	1.200	02/13/2017	7	4
Interest Rate Swap Option 1 year (Put)	Morgan Stanley Capital Services LLC	15,200,000	1.250	02/06/2017	8	3
Interest Rate Swap Option 1 year (Put)	Morgan Stanley Capital Services LLC	11,300,000	1.250	02/21/2017	6	3
Interest Rate Swap Option 5 year (Put)	Credit Suisse International	1,900,000	3.400	12/05/2016	14	—
Interest Rate Swap Option 10 year (Put)	Morgan Stanley Capital Services LLC	1,500,000	2.720	07/16/2018	17	19
Interest Rate Swap Option 10 year (Put)	Morgan Stanley Capital Services LLC	2,000,000	2.770	07/16/2018	23	24
Interest Rate Swap Option 30 year (Call)	Deutsche Bank AG	500,000	2.150	06/15/2018	50	44
Interest Rate Swap Option 30 year (Put)	Deutsche Bank AG	500,000	2.150	06/15/2018	50	45
Interest Rate Swap Option 30 year (Put)	Deutsche Bank AG	600,000	2.860	10/23/2018	41	24
Interest Rate Swap Option 30 year (Put)	Morgan Stanley Capital Services LLC	100,000	2.590	12/10/2018	11	5
Interest Rate Swap Option 30 year (Put)	Morgan Stanley Capital Services LLC	900,000	2.600	03/29/2019	86	60
Interest Rate Swap Option 30 year (Put)	Morgan Stanley Capital Services LLC	400,000	2.610	10/17/2018	37	20
Interest Rate Swap Option 30 year (Put)	Morgan Stanley Capital Services LLC	100,000	2.610	11/15/2018	10	5
Federal National Mortgage Association Future 60 day (Put)	Credit Suisse International	2,000,000	\$ 80.00	11/07/2016	—	—
U.S. Treasury Note Option 2 year (Call)	Chicago Board of Trade	35	111.00	12/23/2016	—	—
U.S. Treasury Note Option 5 year (Put)	Chicago Board of Trade	78	112.50	11/25/2016	1	—
U.S. Treasury Note Option 10 year (Call)	Chicago Board of Trade	14	215.00	11/25/2016	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	17	113.00	12/23/2016	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	15	114.50	11/25/2016	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	33	118.00	12/23/2016	—	—
Total Purchased Options Not Settled Through Variation Margin					\$381	\$258
Total Purchased Options					\$397	\$258

### WRITTEN OPTIONS OPEN AT OCTOBER 31, 2016

#### WRITTEN OPTIONS THAT REQUIRE PERIODIC SETTLEMENT OF VARIATION MARGIN

Description	Counterparty/Exchange	Number of Contracts/Notional	Strike Price	Expiration Date	Premiums Received (000s)	Value (000s)
U.K. LIBOR Future 90 day (Put)	ICE Group	108	£ 98.00	12/21/2016	\$ 2	\$—
U.K. LIBOR Future 90 day (Put)	ICE Group	24	98.00	06/21/2017	—	—
Total Written Options that Require Periodic Settlement of Variation Margin					\$ 2	\$—

#### WRITTEN OPTIONS NOT SETTLED THROUGH VARIATION MARGIN

Description	Counterparty/Exchange	Number of Contracts/Notional	Strike Index/Rate/Price	Expiration Date	Premiums Received (000s)	Value (000s)
Inflation-Linked Swap Option 5 year (Put)	JP Morgan Chase Bank NA	1,600,000	234.810 <sup>j</sup>	03/24/2020	\$ 18	\$ (14)
Inflation-Linked Swap Option 10 year (Call)	JP Morgan Chase Bank NA	200,000	244.170 <sup>j</sup>	05/16/2024	1	—
Inflation-Linked Swap Option 20 year (Call)	Goldman Sachs Bank USA	400,000	120.720 <sup>j</sup>	06/22/2035	18	(3)
Credit Default Option (Call)	BNP Paribas SA	700,000	1.000%	11/16/2016	1	—
Credit Default Option (Call)	BNP Paribas SA	800,000	1.000	12/21/2016	1	—
Interest Rate Swap Option 5 year (Put)	Deutsche Bank AG	3,000,000	2.500	10/23/2018	42	(21)
Interest Rate Swap Option 5 year (Put)	Morgan Stanley Capital Services LLC	1,900,000	2.250	10/17/2018	38	(18)
Interest Rate Swap Option 5 year (Put)	Morgan Stanley Capital Services LLC	500,000	2.250	11/15/2018	11	(5)



# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### WRITTEN OPTIONS—Continued

#### WRITTEN OPTIONS NOT SETTLED THROUGH VARIATION MARGIN—Continued

Description	Counterparty/Exchange	Number of Contracts/Notional	Strike Index/Rate/Price	Expiration Date	Premiums Received (000s)	Value (000s)
Interest Rate Swap Option 5 year (Put)	Morgan Stanley Capital Services LLC	500,000	2.250%	12/10/2018	\$ 11	\$ (5)
Interest Rate Swap Option 5 year (Put)	Morgan Stanley Capital Services LLC	4,300,000	2.300	03/29/2019	86	(53)
Interest Rate Swap Option 5 year 5 year (Put)	Bank of America NA	600,000	1.950	11/04/2016	2	(5)
Interest Rate Swap Option 5 year 5 year (Call)	Credit Suisse International	400,000	2.400	12/05/2016	3	(6)
Commodity - Crude Oil Futures (Call)	New York Mercantile Exchange	1	\$ (0.25)	12/19/2016	—	—
Commodity - Crude Oil Futures (Call)	New York Mercantile Exchange	1	(0.25)	01/19/2017	—	—
Commodity - Crude Oil Futures (Call)	New York Mercantile Exchange	1	(0.25)	02/17/2017	—	—
Commodity - Crude Oil Futures (Put)	New York Mercantile Exchange	1	(1.00)	12/19/2016	—	—
Commodity - Crude Oil Futures (Put)	New York Mercantile Exchange	1	(1.00)	01/19/2017	—	—
Commodity - Crude Oil Futures (Put)	New York Mercantile Exchange	1	(1.00)	02/17/2017	—	—
Commodity - Natural Gas Futures (Put)	New York Mercantile Exchange	4	2.35	11/25/2016	5	—
Commodity - Natural Gas Futures (Put)	New York Mercantile Exchange	1	2.75	11/25/2016	1	—
Commodity - Gasoline Futures (Call)	New York Mercantile Exchange	2	165.00	11/25/2016	6	—
Currency Option U.S. Dollar vs. Brazilian Real (Call)	BNP Paribas SA	320,000	3.41	11/09/2016	3	—
Currency Option U.S. Dollar vs. Mexican Peso (Call)	Credit Suisse International	222,000	19.30	11/10/2016	2	(2)
Currency Option British Pound vs. U.S. Dollar (Call)	Barclays Bank plc	350,000	£ 1.37	11/04/2016	3	—
Currency Option British Pound vs. U.S. Dollar (Call)	Goldman Sachs Bank USA	310,000	1.25	11/10/2016	2	(1)
Currency Option Euro vs. U.S. Dollar (Call)	JP Morgan Chase Bank NA	148,000	€ 1.15	11/16/2016	2	—
Currency Option Euro vs. U.S. Dollar (Put)	Société Générale Paris	380,000	1.10	11/16/2016	4	(3)
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	10	\$ 129.00	11/25/2016	3	(4)
Total Written Options Not Settled Through Variation Margin					\$263	\$(140)
Total Written Options					\$265	\$(140)

### FORWARD CURRENCY CONTRACTS OPEN AT OCTOBER 31, 2016

Currency	Counterparty	Value (000s)	Aggregate Face Value (000s)	Delivery Date	Unrealized Appreciation/Depreciation (000s)
Australian Dollar (Sell)	JP Morgan Chase Bank NA	\$ 376	\$ 379	11/02/2016	\$ 3
Brazilian Real (Buy)	BNP Paribas SA	65	67	11/03/2016	(2)
Brazilian Real (Buy)	BNP Paribas SA	—	—	11/03/2016	—
Brazilian Real (Buy)	Deutsche Bank AG	129	131	12/02/2016	(2)
Brazilian Real (Buy)	Deutsche Bank AG	1,045	1,048	01/04/2017	(3)
Brazilian Real (Buy)	JP Morgan Chase Bank	66	65	11/03/2016	1
Brazilian Real (Buy)	JP Morgan Chase Bank	369	363	01/04/2017	6
Brazilian Real (Sell)	BNP Paribas SA	66	65	11/03/2016	(1)
Brazilian Real (Sell)	BNP Paribas SA	65	67	12/02/2016	2
Brazilian Real (Sell)	BNP Paribas SA	338	253	01/04/2017	(85)
Brazilian Real (Sell)	BNP Paribas SA	390	372	04/04/2017	(18)
Brazilian Real (Sell)	BNP Paribas SA	118	116	01/03/2018	(2)
Brazilian Real (Sell)	Deutsche Bank AG	430	324	01/04/2017	(106)
Brazilian Real (Sell)	Deutsche Bank AG	1,067	1,070	01/03/2018	3
Brazilian Real (Sell)	Goldman Sachs Bank USA	890	678	01/04/2017	(212)
Brazilian Real (Sell)	JP Morgan Chase Bank	66	65	11/03/2016	(1)
Brazilian Real (Sell)	JP Morgan Chase Bank	—	—	11/03/2016	—
Brazilian Real (Sell)	JP Morgan Chase Bank	890	682	01/04/2017	(208)
Brazilian Real (Sell)	JP Morgan Chase Bank	899	864	04/04/2017	(35)
Brazilian Real (Sell)	JP Morgan Chase Bank	247	243	01/03/2018	(4)
British Pound Sterling (Buy)	Goldman Sachs Bank USA	215	224	11/02/2016	(9)
British Pound Sterling (Buy)	Goldman Sachs Bank USA	79	79	11/02/2016	—
British Pound Sterling (Buy)	JP Morgan Chase Bank NA	7	7	11/02/2016	—
British Pound Sterling (Buy)	Société Générale	2,362	2,358	11/02/2016	4
British Pound Sterling (Sell)	BNP Paribas SA	2,663	2,832	11/02/2016	169
British Pound Sterling (Sell)	JP Morgan Chase Bank NA	6	6	11/14/2016	—
British Pound Sterling (Sell)	Société Générale	2,363	2,359	12/02/2016	(4)
Canadian Dollar (Sell)	Barclays Bank plc	4	4	11/14/2016	—
Chinese Yuan (Buy)	Société Générale	444	449	01/06/2017	(5)
Chinese Yuan (Sell)	Bank of America NA	3	3	01/06/2017	—
Chinese Yuan (Sell)	Barclays Capital	1,127	1,131	02/15/2017	4
Chinese Yuan (Sell)	Deutsche Bank AG	204	201	01/06/2017	(3)
Chinese Yuan (Sell)	JP Morgan Chase Bank	237	237	01/06/2017	—
Colombian Peso (Sell)	Barclays Capital	17	17	01/24/2017	—
Colombian Peso (Sell)	BNP Paribas SA	42	40	01/24/2017	(2)
Danish Krone (Buy)	Barclays Bank plc	7	7	01/03/2017	—

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### FORWARD CURRENCY CONTRACTS—Continued

Currency	Counterparty	Value (000s)	Aggregate Face Value (000s)	Delivery Date	Unrealized Appreciation/ (Depreciation) (000s)
Danish Krone (Sell)	Bank of America NA	\$1,034	\$1,054	04/03/2017	\$ 20
Danish Krone (Sell)	Barclays Bank plc	243	248	07/03/2017	5
Danish Krone (Sell)	BNP Paribas SA	243	250	04/03/2017	7
Danish Krone (Sell)	Deutsche Bank AG	638	637	04/03/2017	(1)
Danish Krone (Sell)	HSBC Bank USA	30	31	01/03/2017	1
Danish Krone (Sell)	HSBC Bank USA	260	265	10/02/2017	5
Danish Krone (Sell)	HSBC Bank USA	77	78	10/03/2017	1
Danish Krone (Sell)	JP Morgan Chase Bank NA	31	32	10/02/2017	1
Danish Krone (Sell)	Société Générale	90	93	01/03/2017	3
Danish Krone (Sell)	UBS AG	303	313	01/03/2017	10
Euro Currency (Buy)	BNP Paribas SA	3,897	3,878	11/02/2016	19
Euro Currency (Buy)	Goldman Sachs Bank USA	337	338	11/02/2016	(1)
Euro Currency (Buy)	JP Morgan Chase Bank NA	154	157	11/02/2016	(3)
Euro Currency (Buy)	JP Morgan Chase Bank NA	3	3	11/14/2016	—
Euro Currency (Buy)	UBS AG	50	50	12/02/2016	—
Euro Currency (Sell)	Barclays Bank plc	60	61	11/02/2016	1
Euro Currency (Sell)	BNP Paribas SA	3,902	3,883	12/02/2016	(19)
Euro Currency (Sell)	Goldman Sachs Bank USA	78	78	11/02/2016	—
Euro Currency (Sell)	Goldman Sachs Bank USA	4,250	4,345	11/02/2016	95
Indian Rupee (Buy)	Goldman Sachs Bank USA	386	385	01/17/2017	1
Indian Rupee (Buy)	UBS AG	389	384	11/10/2016	5
Indian Rupee (Sell)	Goldman Sachs Bank USA	390	389	11/10/2016	(1)
Mexican Peso (Buy)	Goldman Sachs Bank USA	370	368	02/13/2017	2
Mexican Peso (Sell)	JP Morgan Chase Bank NA	508	517	02/13/2017	9
New Zealand Dollar (Buy)	Goldman Sachs Bank USA	932	931	11/02/2016	1
New Zealand Dollar (Sell)	Goldman Sachs Bank USA	931	930	12/02/2016	(1)
New Zealand Dollar (Sell)	HSBC Bank USA	861	873	11/02/2016	12
New Zealand Dollar (Sell)	JP Morgan Chase Bank NA	71	70	11/02/2016	(1)
Russian Ruble (Buy)	Credit Suisse International	126	126	12/15/2016	—
Russian Ruble (Buy)	JP Morgan Chase Bank	68	68	12/15/2016	—
Taiwan Dollar (Buy)	Credit Suisse International	89	89	11/10/2016	—
Taiwan Dollar (Buy)	Deutsche Bank AG	34	34	11/10/2016	—
Taiwan Dollar (Buy)	JP Morgan Chase Bank	159	158	11/10/2016	1
Taiwan Dollar (Buy)	UBS AG	57	57	11/10/2016	—
Taiwan Dollar (Sell)	UBS AG	337	334	11/10/2016	(3)
Total Forward Currency Contracts					<u>\$ (341)</u>

### SWAP AGREEMENTS OPEN AT OCTOBER 31, 2016

#### CENTRALLY CLEARED SWAP AGREEMENTS INTEREST RATE SWAPS

Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Expiration Date	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
CME Group	British Bankers' Association LIBOR GBP 6-Month	Pay	0.750%	03/15/2027	£ 1,390	\$ 46
CME Group	British Bankers' Association LIBOR GBP 6-Month	Pay	1.750	03/15/2047	180	(15)
LCH Group	UK Retail Prices Index All Items NSA	Pay	3.350	05/15/2030	300	(5)
LCH Group	UK Retail Prices Index All Items NSA	Pay	3.100	06/15/2031	200	(6)
LCH Group	UK Retail Prices Index All Items NSA	Pay	3.585	10/15/2046	90	(6)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.000	12/16/2020	\$ 800	(9)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.500	12/21/2021	2,960	12
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.250	12/16/2022	4,500	215
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.230	09/16/2025	400	(20)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.350	10/02/2025	600	(36)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.800	10/28/2025	3,200	(102)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.500	02/22/2026	5,000	(106)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.400	03/16/2026	11,500	(127)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.300	04/21/2026	1,400	(8)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.300	04/27/2026	1,800	(13)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.250	12/21/2046	360	26
LCH Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.750	12/21/2026	1,500	28
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.000	10/11/2017	2,800	(1)

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### CENTRALLY CLEARED SWAP AGREEMENTS—Continued

#### INTEREST RATE SWAPS—Continued

Counterparty	Floating Rate Index	Pay/Receive		Expiration Date	Notional Amount (000s)	Unrealized Appreciation/Depreciation (000s)
		Floating Rate	Fixed Rate			
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.800%	09/12/2026	\$ 200	\$ (2)
Interest Rate Swaps						\$ (129)

#### CENTRALLY CLEARED SWAP AGREEMENTS

#### CREDIT DEFAULT SWAPS

Counterparty	Reference Entity	Buy/Sell <sup>b,c</sup>	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>d</sup>	Value (000s)	Upfront Premium Paid/(Received) (000s)	Notional Amount (000s)	Unrealized Appreciation/Depreciation (000s)
ICE Group	Markit CDX North America Investment Grade Index Series 26	Buy	1.000	06/20/2021	0.712	(14)	(13)	1,000	(1)
Credit Default Swaps									\$(5)

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS

#### INTEREST RATE SWAPS

Counterparty	Floating Rate Index	Pay/Receive		Expiration Date	Notional Amount (000s)	Unrealized Appreciation/Depreciation (000s)
		Floating Rate	Fixed Rate			
BNP Paribas SA	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.550%	10/15/2017	€ 100	\$ —
Credit Suisse International	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.620	09/15/2018	100	—
Deutsche Bank AG	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.580	10/15/2017	100	—
Deutsche Bank AG	Eurostat Eurozone HICP Ex Tobacco NSA	Receive	0.830	05/15/2018	1,100	(6)
Deutsche Bank AG	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.610	09/15/2018	200	—
Deutsche Bank AG	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.650	10/15/2018	200	(1)
Deutsche Bank AG	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.000	05/15/2021	800	4
Deutsche Bank AG	Eurostat Eurozone HICP Ex Tobacco NSA	Receive	1.178	05/15/2026	200	—
Goldman Sachs Bank USA	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.650	09/15/2018	100	—
JP Morgan Chase Bank NA	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.580	10/15/2017	300	(1)
Société Générale Paris	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.680	10/15/2018	100	—
UBS AG Stamford	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.530	10/15/2017	400	(1)
UBS AG Stamford	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.610	09/15/2018	200	(1)
BNP Paribas SA	French Consumer Price Index Ex Tobacco Index	Receive	1.140	08/15/2026	600	(8)
Bank of America NA	UK Retail Prices Index All Items NSA	Receive	3.430	06/15/2030	£ 600	(5)
Bank of America NA	UK Retail Prices Index All Items NSA	Receive	3.350	08/15/2030	600	(13)
BNP Paribas SA	UK Retail Prices Index All Items NSA	Receive	3.400	06/15/2030	300	(6)
BNP Paribas SA	UK Retail Prices Index All Items NSA	Receive	3.300	12/15/2030	200	(13)
Goldman Sachs Bank USA	UK Retail Prices Index All Items NSA	Receive	3.330	08/15/2030	900	(33)
Goldman Sachs Bank USA	UK Retail Prices Index All Items NSA	Pay	1.000	05/15/2046	140	39
Goldman Sachs Bank USA	UK Retail Prices Index All Items NSA	Pay	1.000	06/15/2046	60	20
Bank of America NA	US Consumer Price Index Urban Consumers NSA	Receive	1.500	01/15/2017	\$ 380	(1)
Bank of America NA	US Consumer Price Index Urban Consumers NSA	Receive	2.000	04/15/2017	120	—
Bank of America NA	US Consumer Price Index Urban Consumers NSA	Pay	1.000	05/23/2018	2,900	7
Bank of America NA	US Consumer Price Index Urban Consumers NSA	Pay	1.000	06/07/2018	100	—
BNP Paribas SA	US Consumer Price Index Urban Consumers NSA	Pay	2.250	07/15/2017	5,600	(306)
Deutsche Bank AG	US Consumer Price Index Urban Consumers NSA	Pay	2.173	11/01/2018	900	(38)
Deutsche Bank AG	US Consumer Price Index Urban Consumers NSA	Pay	1.730	03/04/2019	175	(1)
Goldman Sachs Bank USA	US Consumer Price Index Urban Consumers NSA	Pay	2.420	02/12/2017	1,400	(70)
Goldman Sachs Bank USA	US Consumer Price Index Urban Consumers NSA	Pay	2.210	10/11/2018	1,700	(75)
JP Morgan Chase Bank NA	US Consumer Price Index Urban Consumers NSA	Pay	1.000	07/26/2021	200	3
JP Morgan Chase Bank NA	US Consumer Price Index Urban Consumers NSA	Pay	1.000	09/12/2021	150	2
JP Morgan Chase Bank NA	US Consumer Price Index Urban Consumers NSA	Receive	1.730	07/26/2026	200	(6)
JP Morgan Chase Bank NA	US Consumer Price Index Urban Consumers NSA	Receive	1.762	08/30/2026	400	(10)
JP Morgan Chase Bank NA	US Consumer Price Index Urban Consumers NSA	Receive	1.801	09/12/2026	150	(3)
JP Morgan Chase Bank NA	US Consumer Price Index Urban Consumers NSA	Receive	1.805	09/12/2026	100	(2)
JP Morgan Chase Bank NA	US Consumer Price Index Urban Consumers NSA	Receive	1.780	09/15/2026	100	(2)

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS—Continued

##### INTEREST RATE SWAPS—Continued

Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Expiration Date	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Morgan Stanley Capital Services LLC	US Consumer Price Index Urban Consumers NSA	Receive	1.810%	07/19/2026	\$ 400	\$ (9)
Morgan Stanley Capital Services LLC	US Consumer Price Index Urban Consumers NSA	Receive	1.000	07/20/2026	200	(5)
Morgan Stanley Capital Services LLC	US Consumer Price Index Urban Consumers NSA	Receive	1.805	09/20/2026	100	(2)
Interest Rate Swaps						<u>\$(543)</u>

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS

##### TOTAL RETURN SWAPS ON INDICES

Counterparty	Floating/ Fixed Rate	Pay/Receive Fixed Rate	Index	Expiration Date	Notional Amount (000s)	Number of Units (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Citibank NA	0.100%	Pay	Bloomberg Commodity Index <sup>SM</sup>	02/15/2017	\$ 1,239	11	\$ 5
JP Morgan Chase Bank NA	0.150	Pay	Bloomberg Commodity Index <sup>SM</sup>	02/15/2017	572	5	(1)
JP Morgan Chase Bank NA	0.300	Pay	Bloomberg Commodity Index <sup>SM</sup>	02/15/2017	1,000	1	(6)
Bank of America NA	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	02/15/2017	51	—	(1)
BNP Paribas SA	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	02/15/2017	1,794	8	(34)
Citibank NA	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	02/15/2017	10,183	58	(176)
Credit Suisse International	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	02/15/2017	2,778	16	(47)
Goldman Sachs International	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	11,181	48	(196)
JP Morgan Chase Bank NA	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	02/15/2017	4,117	12	(65)
Morgan Stanley Capital Services LLC	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	02/15/2017	46,124	255	(797)
Société Générale Paris	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	02/15/2017	1,763	10	(30)
JP Morgan Chase Bank NA	0.350%	Pay	JP Morgan FNJ Commodity Index	02/15/2017	3,803	37	—
BNP Paribas SA	-0.050	Pay	S&P GSCI Industrial Metals Index Excess Return	02/15/2017	3	401	(18)
Goldman Sachs International	-0.050	Pay	S&P GSCI Industrial Metals Index Excess Return	08/15/2017	2	249	(11)
JP Morgan Chase Bank NA	-0.050	Pay	S&P GSCI Industrial Metals Index Excess Return	02/15/2017	—	35	(2)
Total Return Swaps on Indices							<u>\$(1,379)</u>

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS

##### TOTAL RETURN SWAPS ON COMMODITIES

Counterparty	Reference Entity	Pay/Receive Fixed Price	Fixed Price per Unit	Expiration Date	Number of Units (000s)	Unrealized Appreciation/ (Depreciation) (000s)
JP Morgan Chase Bank NA	Calendar Swap on Iron Ore	Receive	\$ 45.350	06/30/2017	600	\$ 6
Goldman Sachs International	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Receive	1,365.100	07/05/2017	100	8
Goldman Sachs International	London Platinum & Palladium Market Platinum PM Fix Price/USD	Receive	1,106.500	07/05/2017	100	(12)
BNP Paribas SA	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	6.950	11/30/2016	200	—
BNP Paribas SA	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	6.400	12/31/2016	600	1
BNP Paribas SA	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	5.850	12/31/2017	1,200	—
JP Morgan Chase Bank NA	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	13.000	12/31/2016	600	—
Morgan Stanley Capital Services LLC	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	6.440	12/31/2016	400	—
Morgan Stanley Capital Services LLC	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	5.780	12/31/2017	1,200	—
Morgan Stanley Capital Services LLC	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	5.800	12/31/2017	1,200	—
Société Générale Paris	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	4.580	12/31/2016	4,000	10
JP Morgan Chase Bank NA	Naphtha, Ultra-Low Sulfur Diesel, Gasoil vs. Brent Crude Oil	Receive	3.450	11/30/2016	600	—

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS—Continued TOTAL RETURN SWAPS ON COMMODITIES—Continued

Counterparty	Reference Entity	Pay/Receive Fixed Price	Fixed Price per Unit	Expiration Date	Number of Units (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Morgan Stanley Capital Services LLC	Naphtha, Ultra-Low Sulfur Diesel, Gasoil vs. Brent Crude Oil	Receive	\$ 3.440	11/30/2016	100	\$—
Morgan Stanley Capital Services LLC	Naphtha, Ultra-Low Sulfur Diesel, Gasoil vs. Brent Crude Oil	Receive	3.200	12/31/2016	200	—
BNP Paribas SA	Platinum London PM Fix/USD vs. LBMA India Gold Price PM USD	Receive	(338.750)	01/06/2017	400	(11)
Goldman Sachs International	Platinum London PM Fix/USD vs. LBMA India Gold Price PM USD	Receive	(244.000)	01/06/2017	200	(6)
Total Return Swaps on Commodities						\$ (4)

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS VARIANCE SWAPS ON COMMODITIES

Counterparty	Reference Assets	Pay/Receive Variance <sup>9</sup>	Initial Volatility Strike	Expiration Date	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Goldman Sachs International	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	\$ 0.09	04/27/2020	\$ 192	\$ 7
Goldman Sachs International	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.09	04/28/2020	169	6
Goldman Sachs International	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.07	07/29/2020	377	11
JP Morgan Chase Bank NA	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.11	04/29/2020	152	9
JP Morgan Chase Bank NA	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.11	05/07/2020	150	9
JP Morgan Chase Bank NA	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.09	07/24/2020	167	6
Variance Swaps on Commodities						\$48

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS VARIANCE SWAPS ON INDICES

Counterparty	Reference Assets	Pay/Receive Variance <sup>9</sup>	Initial Volatility Strike	Expiration Date	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Goldman Sachs International	London Metal Exchange Copper Futures	Pay	\$ 0.05	12/07/2016	\$ 24	\$1

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS CREDIT DEFAULT SWAPS

Counterparty	Reference Entity	Buy/ Sell <sup>b,c</sup>	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>d</sup>	Value <sup>e</sup> (000s)	Upfront Premium Paid/ (Received) (000s)	Notional Amount <sup>f</sup> (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Bank of America NA	Volkswagen International Finance 5.380% due 05/22/2018	Sell	1.000%	12/20/2016	0.228%	\$—	\$—	€ 20	\$—
Morgan Stanley Capital Services LLC	Canadian Natural Resources Ltd. 5.700% due 05/15/2017	Buy	1.000	03/20/2018	0.511	(1)	5	\$ 100	(6)
Deutsche Bank AG	Federative Republic of Brazil 4.250% due 01/07/2025	Sell	1.000	06/20/2021	2.469	(6)	(8)	100	2
Goldman Sachs International	Federative Republic of Brazil 4.250% due 01/07/2025	Sell	1.000	06/20/2021	2.469	(13)	(14)	200	1
Goldman Sachs International	Republic of Colombia 10.380% due 01/28/2033	Sell	1.000	12/20/2021	1.740	(4)	(4)	100	—
HSBC Bank USA NA	Republic of Colombia 10.380% due 01/28/2033	Sell	1.000	06/20/2021	1.583	(2)	(3)	100	1
HSBC Bank USA NA	Republic of Colombia 10.380% due 01/28/2033	Sell	1.000	12/20/2021	1.740	(4)	(4)	100	—
JP Morgan Chase Bank NA	Russian Federation 7.500% due 03/31/2030	Sell	1.000	06/20/2021	2.035	(4)	(6)	100	2

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS—Continued

#### CREDIT DEFAULT SWAPS—Continued

Counterparty	Reference Entity	Buy/ Sell <sup>b,c</sup>	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>d</sup>	Value <sup>e</sup> (000s)	Upfront Premium Paid/ (Received) (000s)	Notional Amount <sup>f</sup> (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Deutsche Bank AG	United Mexican States 5.950% due 03/19/2019	Sell	1.000%	06/20/2021	1.407%	\$(3)	\$(5)	\$ 200	\$ 2
Credit Default Swaps									\$ 2
Total Swaps									<u><u>\$(2,009)</u></u>

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### FAIR VALUE MEASUREMENTS

The following table summarizes the Fund's investments as of October 31, 2016 based on the inputs used to value them.

<u>Asset Category</u>	<u>Quoted Prices Level 1 (000s)</u>	<u>Other Significant Observable Inputs Level 2 (000s)</u>	<u>Significant Unobservable Inputs Level 3 (000s)</u>	<u>Total (000s)</u>
<b>Investments in Securities</b>				
Asset-Backed Securities	\$ —	\$ 6,272	\$—	\$ 6,272
Collateralized Mortgage Obligations	—	815	—	815
Corporate Bonds & Notes	—	11,813	—	11,813
Foreign Government Obligations	—	8,949	—	8,949
Mortgage Pass-Through	—	311	—	311
U.S. Government Obligations	—	64,818	—	64,818
<b>Short-Term Investments</b>				
Certificates of Deposit	—	501	—	501
Repurchase Agreements	—	20,364	—	20,364
U.S. Government Agencies	—	100	—	100
Total Investments in Securities	<u>\$ —</u>	<u>\$113,943</u>	<u>\$—</u>	<u>\$113,943</u>
<b>Financial Derivative Instruments - Assets</b>				
Forward Currency Contracts	\$ —	\$ 391	\$—	\$ 391
Futures Contracts	502	—	—	502
Purchased Options	—	258	—	258
Swap Agreements	—	489	—	489
Total Financial Derivative Instruments - Assets	<u>\$ 502</u>	<u>\$ 1,138</u>	<u>\$—</u>	<u>\$ 1,640</u>
<b>Liability Category</b>				
<b>Financial Derivative Instruments - Liabilities</b>				
Forward Currency Contracts	\$ —	\$ (732)	\$—	\$ (732)
Futures Contracts	(335)	—	—	(335)
Swap Agreements	—	(2,498)	—	(2,498)
Written Options	(4)	(136)	—	(140)
Total Financial Derivative Instruments-Liabilities	<u>\$(339)</u>	<u>\$ (3,366)</u>	<u>\$—</u>	<u>\$ (3,705)</u>
Total Investments	<u>\$ 163</u>	<u>\$111,715</u>	<u>\$—</u>	<u>\$111,878</u>

There were no Level 3 holdings at October 31, 2016 or 2015 and no transfers between levels during the year.

For more information on valuation inputs and their aggregation into the levels used in the table above, please refer to Fair Value Measurements and Disclosures in Note 2 of the accompanying Notes to Financial Statements.

The following is a summary of the remaining contractual maturities of transfers accounted for as secured borrowings, by type of security loaned, as of October 31, 2016.

	<u>Overnight and Continuous (000s)</u>	<u>Up to 30 days (000s)</u>	<u>31-90 days (000s)</u>	<u>Greater Than 90 days (000s)</u>	<u>Total (000s)</u>
<b>Sale-Buyback Transactions</b>					
U.S. Treasury Obligations	<u>\$(3,041)</u>	<u>\$(26,485)</u>	<u>\$(10,512)</u>	<u>\$—</u>	<u>\$(40,038)</u>

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

- 1 Floating rate security, the stated rate represents the rate in effect at October 31, 2016.
- 2 Securities purchased in a transaction exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. The Fund has no right to demand registration of these securities. These securities are priced by an independent pricing service in accordance with Harbor Funds Valuation Procedures. At October 31, 2016, the aggregate value of these securities was \$4,187,000 or 5% of net assets.
- 3 Variable rate security, the stated rate represents the rate in effect at October 31, 2016.
- 4 CLO after the name of a security stands for Collateralized Loan Obligation.
- 5 MTN after the name of a security stands for Medium Term Note.
- 6 Inflation-protected securities (“IPS”) are securities in which the principal amount is adjusted for inflation and interest payments are applied to the inflation-adjusted principal.
- 7 Perpetuity bond, the maturity date represents the next callable date.
- 8 Zero coupon bond.
- 9 At October 31, 2016, a portion of securities held by the Fund were pledged to cover margin requirements for open future contracts, written options on futures contracts and swap options (see Note 2 of the accompanying Notes to Financial Statements). The securities pledged had an aggregate value of \$1,099,000 or 1% of net assets.
- t Coupons represent a weighted average yield to maturity.
- b If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.
- c If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.
- d Implied credit spreads, represented in absolute terms, utilized in determining the value of credit default swap agreements on corporate issues or sovereign issues of an emerging country as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity’s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. A credit spread identified as “Defaulted” indicates a credit event has occurred for the referenced entity or obligation.
- e The quoted market prices and resulting values for credit default swap agreements on asset-backed securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity’s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.
- f The maximum potential amount the Fund could be required to make as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.
- g At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the realized price variance of the underlying asset and the strike price multiplied by the notional amount. As a receiver of the realized price variance, the Fund would receive the payoff amount when the realized price variance of the underlying asset is greater than the strike price and would owe the payoff amount when the variance is less than the strike price. As a payer of the realized price variance, the Fund would owe the payoff amount when the realized price variance of the underlying asset is greater than the strike price and would receive the payoff amount when the variance is less than the strike price.
- j Amount represents Index Value.
- RS\$ Brazilian Real
- £ British Pound
- DKK\$ Denmark Krone
- € Euro
- MEX\$ Mexican Peso
- NZD\$ New Zealand Dollar

The accompanying notes are an integral part of the Financial Statements.



[THIS PAGE INTENTIONALLY LEFT BLANK]

# Harbor Strategic Markets Funds

## STATEMENT OF ASSETS AND LIABILITIES—October 31, 2016

(All amounts in thousands, except per share amounts)

	Harbor Commodity Real Return Strategy Fund (Consolidated)
<b>ASSETS</b>	
Investments, at identified cost*	\$112,005
Investments, at value	\$ 93,579
Repurchase agreements	20,364
Cash-restricted	258
Cash	325
Foreign currency, at value (cost: \$273)	272
Receivables for:	
Investments sold	17,926
Foreign currency spot contracts	2
Capital shares sold	10
Interest	262
Unrealized appreciation on open forward currency contracts	391
Unrealized appreciation on OTC swap agreements	162
Variation margin on options and futures contracts	48
Variation margin on centrally cleared swap agreements	31
Purchased options, at value (premiums paid: \$381)	258
Options sold	25
Prepaid registration fees	5
Other assets	16
<b>Total Assets</b>	<b>133,934</b>
<b>LIABILITIES</b>	
Payables for:	
Due to broker	211
Investments purchased	14,096
Foreign currency spot contracts	2
Capital shares reacquired	106
Written options, at value (premiums received: \$263)	140
Swap premiums received	7
Unrealized depreciation on OTC swap agreements	2,037
Sale-buyback financing transactions	40,038
Variation margin on options and futures contracts	1
Unrealized depreciation on open forward currency contracts	732
Accrued expenses:	
Management fees	53
Transfer agent fees	5
Trustees' fees and expenses	1
Other	94
<b>Total Liabilities</b>	<b>57,523</b>
<b>NET ASSETS</b>	<b>\$ 76,411</b>
<b>Net Assets Consist of:</b>	
Paid-in capital	\$101,479
Accumulated undistributed net investment income/(loss)	164
Accumulated net realized gain/(loss)	(24,204)
Unrealized appreciation/(depreciation) of investments and translation of assets and liabilities in foreign currencies	1,169
Unrealized appreciation/(depreciation) of other financial instruments	(2,197)
	\$ 76,411
<b>NET ASSET VALUE PER SHARE BY CLASS</b>	
<b>Institutional Class</b>	
Net assets	\$ 75,908
Shares of beneficial interest <sup>1</sup>	20,481
Net asset value per share <sup>2</sup>	\$ 3.71
<b>Administrative Class</b>	
Net assets	\$ 503
Shares of beneficial interest <sup>1</sup>	136
Net asset value per share <sup>2</sup>	\$ 3.69

\* Including repurchase agreements and short-term investments.

1 Par value \$0.01 (unlimited authorizations).

2 Per share amounts can be recalculated to the amounts disclosed herein when total net assets and shares of beneficial interest are not rounded to thousands.

The accompanying notes are an integral part of the Financial Statements.

# Harbor Strategic Markets Funds

## STATEMENT OF OPERATIONS—Year Ended October 31, 2016

(All amounts in thousands)

	Harbor Commodity Real Return Strategy Fund (Consolidated)
<b>Investment Income</b>	
Interest .....	\$ 2,407
<b>Total Investment Income</b> .....	<b>2,407</b>
<b>Operating Expenses</b>	
Management fees .....	657
12b-1 fees:	
Administrative Class .....	2
Shareholder communications .....	33
Custodian fees .....	194
Transfer agent fees:	
Institutional Class .....	60
Administrative Class .....	—
Professional fees .....	5
Trustees' fees and expenses .....	2
Registration fees .....	38
Miscellaneous .....	7
Expenses before interest expense .....	998
Interest expense .....	239
Total expenses .....	1,237
Transfer agent fees waived .....	(3)
Other expenses reimbursed .....	(231)
Net expenses .....	1,003
<b>Net Investment Income/(Loss)</b> .....	<b>1,404</b>
<b>Realized and Change in Net Unrealized Gain/(Loss) on Investment Transactions</b>	
Net realized gain/(loss) on:	
Investments .....	(1,691)
Foreign currency transactions .....	867
Investments sold short .....	12
Swap agreements .....	(10,035)
Futures contracts .....	(525)
Purchased options .....	(208)
Written options .....	301
Change in net unrealized appreciation/(depreciation) on:	
Investments .....	3,656
Forwards currency contracts .....	(1,217)
Investments sold short .....	1
Swap agreements .....	3,793
Futures contracts .....	380
Purchased options .....	(57)
Written options .....	35
Translations of assets and liabilities in foreign currencies .....	(4)
Net gain/(loss) on investment transactions .....	(4,692)
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations</b> .....	<b>\$ (3,288)</b>

The accompanying notes are an integral part of the Financial Statements.

# Harbor Strategic Markets Funds

## STATEMENTS OF CHANGES IN NET ASSETS

(All amounts in thousands)

	Harbor Commodity Real Return Strategy Fund (Consolidated)	
	November 1, 2015 through October 31, 2016	November 1, 2014 through October 31, 2015
<b>INCREASE/(DECREASE) IN NET ASSETS</b>		
<b>Operations:</b>		
Net investment income/(loss) .....	\$ 1,404	\$ 537
Net realized gain/(loss) on investments .....	(11,279)	(47,320)
Change in net unrealized appreciation/(depreciation) of investments .....	6,587	(5,115)
<b>Net increase/(decrease) in assets resulting from operations .....</b>	<b>(3,288)</b>	<b>(51,898)</b>
<b>Distributions to Shareholders</b>		
Net investment income:		
Institutional Class .....	(1,967)	(6,835)
Administrative Class .....	(13)	(45)
Net realized gain on investments:		
Institutional Class .....	—	—
Administrative Class .....	—	—
Return of capital <sup>a</sup> :		
Institutional Class .....	(596)	—
Administrative Class .....	(3)	—
<b>Total distributions to shareholders .....</b>	<b>(2,579)</b>	<b>(6,880)</b>
<b>Net Increase/(Decrease) Derived from Capital Share Transactions .....</b>	<b>(26,750)</b>	<b>(42,426)</b>
Net increase/(decrease) in net assets .....	(32,617)	(101,204)
<b>Net Assets</b>		
Beginning of period .....	109,028	210,232
<b>End of period*</b> .....	<b>\$ 76,411</b>	<b>\$ 109,028</b>
* Includes accumulated undistributed net investment income/(loss) of: .....	\$ 164	\$ 3,559

a Determined in accordance with federal income tax regulations, see Note 5 in the Notes to Financial Statements for more information.

The accompanying notes are an integral part of the Financial Statements.

# Harbor Strategic Markets Funds

## STATEMENTS OF CHANGES IN NET ASSETS—CAPITAL STOCK ACTIVITY

(All amounts in thousands)

	Harbor Commodity Real Return Strategy Fund (Consolidated)	
	November 1, 2015 through October 31, 2016	November 1, 2014 through October 31, 2015
<b>AMOUNT (\$)</b>		
<b>Institutional Class</b>		
Net proceeds from sale of shares .....	\$ 19,388	\$ 70,153
Reinvested distributions .....	2,495	6,405
Cost of shares reacquired .....	(48,420)	(118,902)
<b>Net increase/(decrease) in net assets .....</b>	<b>\$(26,537)</b>	<b>\$ (42,344)</b>
<b>Administrative Class</b>		
Net proceeds from sale of shares .....	\$ 74	\$ 243
Reinvested distributions .....	16	36
Cost of shares reacquired .....	(303)	(361)
<b>Net increase/(decrease) in net assets .....</b>	<b>\$ (213)</b>	<b>\$ (82)</b>
<b>SHARES</b>		
<b>Institutional Class</b>		
Shares sold .....	5,503	15,237
Shares issued due to reinvestment of distributions .....	740	1,334
Shares reacquired .....	(13,954)	(25,823)
Net increase/(decrease) in shares outstanding .....	(7,711)	(9,252)
Beginning of period .....	28,192	37,444
<b>End of period .....</b>	<b>20,481</b>	<b>28,192</b>
<b>Administrative Class</b>		
Shares sold .....	21	54
Shares issued due to reinvestment of distributions .....	5	8
Shares reacquired .....	(89)	(85)
Net increase/(decrease) in shares outstanding .....	(63)	(23)
Beginning of period .....	199	222
<b>End of period .....</b>	<b>136</b>	<b>199</b>

The accompanying notes are an integral part of the Financial Statements.

# Harbor Strategic Markets Funds

## STATEMENT OF CASH FLOWS— Year Ended October 31, 2016

(All amounts in thousands)

	Harbor Commodity Real Return Strategy Fund (Consolidated)
<b>Cash flows provided by operating activities:</b>	
Net decrease in net assets resulting from operations	\$ (3,288)
<b>Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:</b>	
Purchases of long-term securities	(1,150,989)
Proceeds from sales of long-term securities	1,203,832
Proceeds from short-term portfolio investments, net	(949)
Increase in receivable for investments sold	(7,961)
Increase in foreign currency spot contracts receivable	(2)
Decrease in interest receivable	228
Decrease in variation margin on options and futures contracts	23
Decrease in variation margin on swap agreements	103
Decrease in options sold	21
Increase in prepaid registration fees	(4)
Decrease in other assets	36
Increase in payable for investments purchased	12,539
Increase in foreign currency spot contracts payable	2
Decrease in interest on investments sold short payable	(5)
Decrease in investments sold short	(2,313)
Decrease in premiums from options written	(29)
Decrease in swap premiums received	(40)
Decrease in management fees payable	(25)
Decrease in transfer agent fees payable	(1)
Increase in other liabilities	36
Net change in unrealized appreciation/(depreciation) on investments	(3,657)
Net change in unrealized appreciation/(depreciation) on forwards	1,217
Net change in unrealized appreciation/(depreciation) on OTC swaps	(2,571)
Net change in unrealized appreciation/(depreciation) on written options not settled through variation margin	(35)
Net change in unrealized appreciation/(depreciation) on purchased options not settled through variation margin	44
Net realized loss on investments	1,679
Net realized loss on purchased options not settled through variation margin	208
Net accretion and earned inflation component	(211)
Net cash provided by operating activities	47,888
<b>Cash flows used for financing activities:</b>	
Proceeds from shares sold	19,517
Payment on shares redeemed	(48,698)
Cash dividends paid	(68)
Decrease in sale-buyback financing transactions	(19,587)
Increase in due to broker and cash-restricted	1,093
Net cash used for financing activities	(47,743)
<b>Net Increase in Cash</b>	<b>145</b>
<b>Cash and Foreign Currency</b>	
Beginning of period	\$ 452
End of period	597
Reinvestment of dividends	\$ 2,511
<b>Supplemental disclosure of cash flow information:</b>	
Interest paid during the year	\$ 244

The accompanying notes are an integral part of the Financial Statements.

[THIS PAGE INTENTIONALLY LEFT BLANK]

# Harbor Strategic Markets Funds Financial Highlights

## SELECTED DATA FOR A SHARE OUTSTANDING FOR THE PERIODS PRESENTED

### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

Year Ended October 31,	Institutional Class				
	2016	2015	2014	2013	2012
Net asset value beginning of period	\$ 3.84	\$ 5.58	\$ 6.13	\$ 7.38	\$ 7.66
<b>Income from Investment Operations</b>					
Net investment income/(loss) <sup>a</sup>	0.06 <sup>c</sup>	0.02 <sup>c</sup>	0.14	0.02	0.08
Net realized and unrealized gains/(losses) on investments	(0.09)	(1.56)	(0.55)	(1.17)	0.01
Total from investment operations	(0.03)	(1.54)	(0.41)	(1.15)	0.09
<b>Less Distributions</b>					
Dividends from net investment income	(0.07)	(0.20)	(0.01)	(0.08)	(0.11)
Distributions from net realized capital gains <sup>1</sup>	—	—	(0.13)	(0.02)	(0.26)
Return of capital <sup>d</sup>	(0.03)	—	—	—	—
Total distributions	(0.10)	(0.20)	(0.14)	(0.10)	(0.37)
Proceeds from redemption fees	—	—	—	—*	—*
Net asset value end of period	3.71	3.84	5.58	6.13	7.38
Net assets end of period (000s)	\$75,908	\$108,267	\$208,996	\$318,937	\$348,315
<b>Ratios and Supplemental Data (%)</b>					
Total return <sup>b</sup>	(0.38)%	(28.36)%	(6.82)%	(15.76)%	1.73%
Ratio of total expenses to average net assets <sup>2</sup>	1.52	1.28	1.04	1.03	1.09
Ratio of net expenses to average net assets <sup>a</sup>	1.24	1.08	0.98	0.98	1.00
Ratio of net expenses excluding interest expense to average net assets <sup>a</sup>	0.94	0.94	0.94	0.94	0.94
Ratio of net investment income to average net assets <sup>a</sup>	1.73	0.36	1.23	0.45	1.21
Portfolio turnover	1,069	784	635	532	474

\* Less than \$0.01.

1 Includes both short-term and long-term capital gains.

2 Percentage does not reflect reduction for credit balance arrangements (see Note 2 of the accompanying Notes to Financial Statements).

a Reflects the Adviser's waiver, if any, of its management fees and/or other operating expenses.

b The total returns would have been lower had certain expenses not been waived during the periods shown.

c Amounts are allocated based upon average shares outstanding during the period.

d Determined in accordance with federal income tax regulations, see Note 5 in the Notes to Financial Statements for more information.

The accompanying notes are an integral part of the Financial Statements.



<b>Administrative Class</b>				
<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>\$ 3.82</b>	\$ 5.56	\$ 6.12	\$ 7.37	\$ 7.65
<b>0.05<sup>c</sup></b>	0.01 <sup>c</sup>	0.03	0.02	0.08
<b>(0.09)</b>	(1.56)	(0.45)	(1.18)	—*
<b>(0.04)</b>	(1.55)	(0.42)	(1.16)	0.08
<b>(0.07)</b>	(0.19)	(0.01)	(0.07)	(0.10)
<b>—</b>	—	(0.13)	(0.02)	(0.26)
<b>(0.02)</b>	—	—	—	—*
<b>(0.09)</b>	(0.19)	(0.14)	(0.09)	(0.36)
<b>—</b>	—	—	—*	—*
<b>3.69</b>	3.82	5.56	6.12	7.37
<b>\$ 503</b>	\$ 761	\$1,236	\$ 1,142	\$1,427
<b>(0.85)%</b>	(28.52)%	(7.06)%	(15.93)%	1.50%
<b>1.78</b>	1.53	1.29	1.27	1.34
<b>1.49</b>	1.33	1.23	1.23	1.26
<b>1.19</b>	1.19	1.19	1.19	1.19
<b>1.39</b>	0.18	1.40	0.11	1.13
<b>1,069</b>	784	635	532	474

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—October 31, 2016

### NOTE 1—ORGANIZATIONAL MATTERS

Harbor Funds (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), as an open-end management investment company. The Trust consists of 29 separate portfolios. The portfolio covered by this report includes: Harbor Commodity Real Return Strategy Fund (referred to as the “Fund”). Harbor Capital Advisors, Inc. (the “Adviser” or “Harbor Capital”) is the investment adviser for the Fund.

The Fund may offer up to two classes of shares, designated as Institutional Class and Administrative Class. The shares of each class represent an interest in the same portfolio of investments of the Fund and have equal rights to voting, redemptions, dividends, and liquidations, except that: (i) certain expenses, subject to the approval of the Trust’s Board of Trustees (the “Board of Trustees”), may be applied differently to each class of shares in accordance with current regulations of the Securities and Exchange Commission and the Internal Revenue Service; and (ii) shareholders of a class that bears distribution and service expenses under terms of a distribution plan have exclusive voting rights as to that distribution plan.

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements. The Fund follows the investment company reporting requirements under U.S. Generally Accepted Accounting Principles (“U.S. GAAP”), which includes the accounting and reporting guidelines under Accounting Standards Topic 946, Financial Services-Investment Companies. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

#### Security Valuation

Equity securities (including common stock, preferred stock, and convertible preferred stock) and financial derivative instruments (such as futures contracts, options contracts, including rights and warrants and centrally cleared swap agreements) that are traded or cleared on a national securities exchange or system (except securities listed on the National Association of Securities Dealers Automated Quotation (“NASDAQ”) system and United Kingdom securities), are valued at the last sale price on a national exchange or system on which they are principally traded or cleared as of the valuation date. Securities listed on the NASDAQ system or a United Kingdom exchange are valued at the official closing price of those securities. In the case of securities for which there are no sales on the valuation day, (i) securities traded principally on a U.S. exchange, including NASDAQ, are valued at the mean between the closing bid and ask price; and (ii) securities traded principally on a foreign exchange, including United Kingdom securities, are valued at the official bid price determined as of the close of the primary exchange. Securities of open-end registered investment companies that are held by the Fund are valued at net asset value. To the extent these securities are actively traded and fair valuation adjustments are not applied, they are normally categorized as Level 1 in the fair value hierarchy. Equity securities traded on inactive markets or valued by reference to similar instruments are normally categorized as Level 2 in the fair value hierarchy. For more information on the fair value hierarchy, please refer to the Fair Value Measurements and Disclosures section in Note 2.

Debt securities (including corporate bonds, municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, mortgage-backed and asset-backed securities, foreign government obligations, bank loans, and convertible securities other than short-term securities with a remaining maturity of less than 60 days at the time of acquisition), are valued using evaluated prices furnished by a pricing vendor selected by the Board of Trustees. An evaluated price represents an assessment by the pricing vendor using various market inputs of what the pricing vendor believes is the fair value of a security at a particular point in time. The pricing vendor determines evaluated prices for debt securities that would be transacted at institutional-size quantities using inputs including, but not limited to, (i) recent transaction prices and dealer quotes, (ii) transaction prices for what the pricing vendor believes are securities with similar characteristics, (iii) the pricing vendor’s assessment of the risk inherent in the security taking into account criteria such as credit quality, payment history, liquidity and market conditions, and (iv) various correlations and relationships between security price movements and other factors, such as interest rate changes, which are recognized by institutional traders. In the case of mortgage-backed and asset-backed securities, the inputs used by the pricing vendor may also include information about cash flows, prepayment rates, default rates, delinquency and loss assumption, collateral characteristics, credit enhancements and other specific information about the particular offering. Because many

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

---

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

debt securities trade infrequently, the pricing vendor will often not have current transaction price information available as an input in determining an evaluated price for a particular security. When current transaction price information is available, it is one input into the pricing vendor's evaluation process, which means that the evaluated price supplied by the pricing vendor will frequently differ from that transaction price.

Short-term securities with a remaining maturity of less than 60 days at the time of acquisition that are held by the Fund are valued at amortized cost to the extent amortized cost represents fair value. Securities that use similar valuation techniques and inputs as described above are normally categorized as Level 2 in the fair value hierarchy.

Over-the-counter ("OTC") financial derivative instruments, such as forward currency contracts, options contracts, and swap agreements, derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors. These instruments are valued using evaluated prices furnished by a pricing vendor selected by the Board of Trustees. In certain cases, when a valuation is not readily available from a pricing vendor, the Fund's subadviser provides a valuation, typically using its own proprietary models. Depending on the instrument and the terms of the transaction, the value of the derivative instrument can be determined by a pricing vendor or subadviser using a series of techniques, including simulation pricing models. The pricing models use inputs, such as issuer details, indices, spreads, interest rates, yield curves, dividends and exchange rates, that are observed from actively quoted markets. Derivative instruments that use valuation techniques and inputs similar to those described above are normally categorized as Level 2 in the fair value hierarchy.

When reliable market quotations or evaluated prices supplied by a pricing vendor are not readily available or are not believed to accurately reflect fair value, securities are priced at their fair value as determined by the Trust's Valuation Committee (the "Valuation Committee") pursuant to procedures adopted, and subject to oversight, by the Board of Trustees. The Valuation Committee is comprised of a trustee and officers of the Trust and employees of Harbor Capital with relevant experience or responsibilities. Each security for which the Valuation Committee determines a fair value, including the basis for the fair value decision, is reviewed by the Board of Trustees at its regularly scheduled board meetings.

When a fair valuation method is applied by the Valuation Committee or the Fund's subadviser, securities will be priced by a method that the Valuation Committee or subadviser believes accurately reflects fair value. Securities valued using fair valuation methods that incorporate significant unobservable inputs are normally categorized as Level 3 in the fair value hierarchy. Examples of possible fair valuation methodologies used in determining the fair value of securities categorized as Level 3 in the fair value hierarchy include, but are not limited to, benchmark pricing and indicative market quotations.

When benchmark pricing is used, the base price of a debt security is set and then subsequently adjusted in proportion to the market value changes of an index or similar security (the "benchmark security") that trades in an active market or for which other observable inputs are available. The base price may be a broker-dealer quote, transaction price, or an internal value as derived by analysis of market data. The base price of the security may be reset on a periodic basis based on the availability of market data and procedures approved by the Fund's subadviser. If the benchmark security is categorized as Level 2 of the fair value hierarchy due to the lack of an active market for that security, any security adjusted in proportion to the market value of the benchmark security may be categorized as Level 3 in the fair value hierarchy. Significant changes in the unobservable inputs of the benchmark pricing process (i.e., the base price) would result in direct and proportional changes in the fair value of the security. The reasonability of the fair value is reviewed by the subadviser on a periodic basis and may be amended as the availability of market data indicates a material change.

If evaluated pricing through a third-party pricing vendor is not available or deemed to be indicative of fair value, the Fund's subadviser may elect to obtain indicative market quotations ("broker quotes") directly from a broker-dealer or passed through from a third-party pricing vendor. Indicative market quotations are typically received from established market participants. In the event that the source of fair value is from a single-sourced broker quote, but the subadviser does not have the transparency to view the underlying inputs that support the market quotation, these securities are categorized as Level 3 in the fair value hierarchy. Significant changes in the broker quote would have direct and proportional changes in the fair value of the security.

The Fund may also use fair value pricing if the value of some or all of the Fund's securities have been materially affected by events occurring before the Fund's pricing time but after the close of the primary markets or exchanges on which the security is traded. This most commonly occurs with foreign securities, but may occur with other securities as well. In such cases, the Fund may apply a fair value factor supplied by the pricing vendor to a foreign security's market close value to reflect changes in value that may have occurred between the close of the primary market or exchange on which the security is traded and

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

---

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

the Fund's pricing time. That factor may be derived using observable inputs such as a comparison of the trading patterns of a foreign security to intraday trading in the U.S. markets that are highly correlated to the foreign security or other information that becomes available after the close of the foreign market on which the security principally traded. When fair value pricing is employed, the prices of securities used by the Fund to calculate its net asset value may differ from market quotations, official closing prices or evaluated prices for the same securities, which means that the Fund may value those securities higher or lower than another given fund that uses market quotations, official closing prices or evaluated prices supplied by a pricing vendor in its calculation of net asset value. Securities valued using observable inputs, such as those described above, are normally categorized as Level 2 of the fair value hierarchy.

#### Fair Value Measurements and Disclosures

Various inputs may be used to determine the value of the Fund's investments, which are summarized in three broad categories defined as Level 1, Level 2 and Level 3. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The assignment of an investment to Levels 1, 2 or 3 is based on the lowest level of significant inputs used to determine its fair value.

Level 1—Quoted prices in active markets for identical securities.

Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—Significant unobservable inputs are used in situations where quoted prices or other observable inputs are not available or are deemed unreliable. Significant unobservable inputs may include the Fund's own assumptions.

Transfers between levels, if any, are recognized as of the last day in the fiscal quarter of the period in which the event or change in circumstances that caused the reclassification occurred. For fair valuations using significant unobservable inputs, a reconciliation of the beginning to ending balances for reported fair values is provided that presents changes attributable to realized and unrealized gains and losses and purchases, sales, and transfers in/out of the Level 3 category during the period. A table that includes a categorization of investments into Levels 1, 2, or 3, transfers between levels, if any, and a Level 3 reconciliation, including details of significant unobservable inputs used, when applicable, can be found at the end of the Fund's Portfolio of Investments schedule.

The Fund used observable inputs in its valuation methodologies whenever they were available and deemed reliable.

#### Inflation-Indexed Bonds

Inflation-indexed bonds are fixed-income securities whose principal value is periodically adjusted based on the rate of inflation. During the year, the Fund invested in inflation-indexed bonds. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value that is adjusted for inflation. Any increase in the principal amount of an inflation-indexed bond will be included as interest income even though investors do not receive the principal until maturity.

#### Mortgage-Related and Other Asset-Backed Securities

Mortgage-backed or asset-backed securities include mortgage pass-through securities, collateralized mortgage obligations ("CMOs"), commercial mortgage-backed securities, mortgage dollar roll transactions, CMO residuals, stripped mortgage-backed securities ("SMBSs") and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. During the year, the Fund invested in mortgage- or other asset-backed securities. The value of some mortgage- or asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may expose the Fund to a lower rate of return upon reinvestment of principal. The value of these securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. Additionally, although mortgages and mortgage-related securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

---

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### U.S. Government Securities

During the year, the Fund invested in U.S. government securities. U.S. government securities include securities issued by U.S. government agencies or government-sponsored enterprises that may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association (“GNMA” or “Ginnie Mae”), a wholly owned U.S. government corporation, is authorized to guarantee, with the full faith and credit of the U.S. government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. government) include the Federal National Mortgage Association (“FNMA” or “Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”). On September 7, 2008, the Federal Housing Finance Agency placed Fannie Mae and Freddie Mac in conservatorship, while the U.S. Treasury agreed to purchase preferred stock as needed to ensure that both Fannie Mae and Freddie Mac maintain a positive net worth (guaranteeing up to \$100 billion for each entity). As a consequence, certain fixed income securities of Fannie Mae and Freddie Mac have more explicit U.S. government support. No assurance can be given as to whether the U.S. government will continue to support Fannie Mae and Freddie Mac. In addition, the future of Fannie Mae and Freddie Mac is uncertain because Congress has been considering proposals as to whether Fannie Mae and Freddie Mac should be nationalized, privatized, restructured or eliminated altogether. Fannie Mae and Freddie Mac are also the subject of continuing legal actions and investigations which may have an adverse effect on these entities.

#### Forward Commitments and When-Issued Securities

During the year, the Fund purchased and sold securities on a forward commitment basis, including “TBA” (to be announced) purchase and sale commitments. Purchasing securities on a when-issued or forward commitment basis involves a risk of loss if the value of the security to be purchased declines prior to the settlement date. Such risk is in addition to the risk of decline in value of the Fund’s other assets. Although the Fund would generally purchase securities on a when-issued or forward commitment basis with the intention of acquiring securities for its portfolio, the Fund may dispose of a when-issued security or forward commitment prior to settlement if a subadviser deems it appropriate to do so. The Fund may enter into a forward commitment sale to hedge its portfolio positions or to sell securities it owned under a delayed delivery arrangement. Sale proceeds are not received until the contractual settlement date. While such a contract is outstanding, the Fund must segregate equivalent deliverable securities or hold an offsetting purchase commitment. The Fund may realize short-term gains or losses upon such purchases and sales. These transactions involve a commitment by the Fund to purchase or sell securities at a future date (ordinarily one or two months later). The price of the underlying securities (usually expressed in terms of yield) and the date when the securities will be delivered and paid for (the settlement date) are fixed at the time the transaction is negotiated. When-issued purchase and forward commitment transactions are negotiated directly with the other party, and such commitments are not traded on exchanges.

The value of securities purchased on a when-issued or forward commitment basis and any subsequent fluctuations in their value are reflected in the computation of the Fund’s net asset value starting on the date of the agreement to purchase the securities. The Fund does not earn interest on the securities it has committed to purchase until they are paid for and delivered on the settlement date. When the Fund makes a forward commitment to sell securities it owns, the proceeds to be received upon settlement are included in the Fund’s assets. Fluctuations in the market value of the underlying securities are not reflected in the Fund’s net asset value as long as the commitment to sell remains in effect. Settlement of when-issued purchase and forward commitment transactions generally takes place within two months after the date of the transaction, but the Fund may agree to a longer settlement period.

The Fund will purchase securities on a when-issued basis, or purchase or sell securities on a forward commitment basis, only with the intention of completing the transaction and actually purchasing or selling the securities. If deemed advisable as a matter of investment strategy, however, the Fund may dispose of or renegotiate a commitment after it is entered into. The Fund also may sell securities it has committed to purchase before those securities are delivered to the Fund on the settlement date. The Fund may realize a capital gain or loss in connection with these transactions. When the Fund purchases securities on a when-issued or forward commitment basis, the Fund will maintain in a segregated account with the Fund’s custodian, or set aside or restrict in the subadviser’s records or systems relating to the Fund, cash or liquid assets having a value (determined daily) at least equal to the amount of the Fund’s purchase commitments. In the case of a forward commitment to sell portfolio securities, portfolio holdings will be held in a segregated account with the Fund’s custodian, or set aside or restricted on the subadviser’s records or systems relating to the Fund, while the commitment is outstanding.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

---

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### Repurchase Agreements

In a repurchase agreement, the Fund buys a security at one price and simultaneously agrees to sell it back at a higher price. Such agreements must be adequately collateralized to cover the counterparty's obligation to the Fund to close out the repurchase agreement. During the year, the Fund entered into repurchase agreements with domestic or foreign banks or with a member firm of the Financial Industry Regulatory Authority, Inc., or an affiliate of a member firm that is a primary dealer in U.S. government securities. Each repurchase agreement counterparty must meet the minimum credit quality requirements applicable to the respective Fund and any other appropriate counterparty criteria as determined by the Fund's subadviser. The minimum credit quality requirements are those applicable to the Fund's purchase of securities such that if the Fund is permitted to only purchase securities that are rated investment-grade (or the equivalent if unrated), the Fund could only enter into repurchase agreements with counterparties that have debt outstanding that is rated investment-grade (or the equivalent if unrated). The securities are regularly monitored to ensure that the collateral is adequate. The Fund seeks to further mitigate its counterparty risk by entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default, including bankruptcy, the Fund may terminate any repurchase agreements with that counterparty, determine the net amount owned, and sell or retain the collateral up to the net amount owed to the Fund. A counterparty's default may cause the Fund to suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the terms of the master repurchase agreement.

#### Sale-Buybacks

A "sale-buyback" financing transaction consists of a sale of a portfolio security by the Fund to a financial institution (the counterparty) with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. The Fund is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. During the year, the Fund entered into such financing transactions referred to as sale-buybacks.

The agreed-upon proceeds for securities to be repurchased by the Fund are reflected as a liability on the Statement of Assets and Liabilities. The Fund will recognize net income represented by the price differential between the price received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the "price drop." A price drop consists of two components: (i) the foregone interest and inflationary income adjustments, if any, the Fund would have otherwise received had the security not been sold, and (ii) the negotiated financing terms between the Fund and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Statement of Operations. Interest payments based upon negotiated financing terms made by the Fund to counterparties are recorded as a component of interest expense on the Statement of Operations. To cover its obligations under sale-buyback transactions, the Fund will segregate cash or liquid securities, which are marked-to-market daily, with the Fund's custodian, or set aside or restrict assets in the subadviser's records or systems relating to the Fund, in an amount not less than the repurchase price, including accrued interest, of the underlying security. Sale-buyback transactions involve the risk that the fair value of the securities sold by the Fund may decline below the repurchase price of the securities and, if the proceeds from the sale-buyback transaction are invested in securities, that the fair value of the securities purchased may decline below the repurchase price of the securities sold. In periods of increased demand for a security, the Fund may receive a fee for use of the security by the counterparty, which may result in additional interest income to the Fund.

The average amount of borrowings outstanding during the year ended October 31, 2016 was \$41,510,000 at a weighted average interest rate of 0.574% for the Fund.

A table that includes the remaining maturity period for outstanding sale-buyback transactions and the type of investment collateral pledged can be found within the Fund's Portfolio of Investments schedule.

#### Short Sales

During the year, the Fund engaged in short-selling, which obligates the Fund to replace a borrowed security by purchasing it at the market price at the time of replacement. Until the security is replaced, such Fund is required to pay any accrued interest or dividends to the lender and also may be required to pay a premium. The Fund would realize a gain if the security declines in price between the date of the short sale and the date on which such Fund replaces the borrowed security. The Fund would incur a loss as a result of the short sale if the price of the security increases between those dates. Until the Fund replaces the

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

---

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

borrowed security, subject to pre-arranged exposure levels, it will maintain cash or liquid securities sufficient to cover its short position in a segregated account with the Fund's custodian or set aside or restricted in the subadviser's records or systems relating to the Fund. Short sales involve the risk of an unlimited increase in the market price of the borrowed security.

#### Futures Contracts

A futures contract is an agreement between two parties to buy or sell a specified financial instrument at a set price on a future date. During the year, the Fund used futures contracts to gain exposure to the fixed income asset class with greater efficiency and lower cost than was possible through direct investment, to add value when these securities were attractively priced, or to adjust the portfolio's sensitivity to changes in interest rates or currency exchange rates. Futures contracts tend to increase or decrease the Fund's exposure to the underlying instrument or can be used to hedge other Fund investments.

Upon entering into a futures contract, the Fund is required to pledge to the broker an amount of cash, U.S. government securities or other liquid securities equal to the minimum "initial margin" requirements of the exchange. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract referred to as "variation margin." Such receipts or payments are recorded by the Fund as unrealized gains or losses. When the contract is closed or expires, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The Fund may suffer losses if it is unable to close out its position because of an illiquid secondary market. There is no assurance that a portfolio manager will be able to close out its position when the portfolio manager considers it appropriate or desirable to do so. In the event of adverse price movements, the Fund may be required to continue making daily cash payments to maintain its required margin. If the Fund has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when the portfolio manager would not otherwise elect to do so. In addition, the Fund may be required to deliver or take delivery of instruments. The maximum potential loss on a long futures contract is the U.S. dollar value of the notional amount at the time the contract is opened. The potential loss on a short futures contract is unlimited. There is minimal counterparty risk with futures contracts as they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures contracts against default.

#### Options

An option, including rights and warrants, is a contract that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). During the year, the Fund purchased and wrote (sold) option contracts to manage its exposure to the bond markets and to fluctuations in interest rates and currency values. Call options tend to increase the Fund's exposure to the underlying instrument, if purchased, and decrease exposure to the underlying instrument, if written. Put options tend to decrease the Fund's exposure to the underlying instrument, if purchased, and increase exposure to the underlying instrument, if written.

When the Fund purchases an option, it pays a premium. If a purchased option expires, the Fund realizes a loss in the amount of the premium. If the Fund enters into a closing sale transaction, it realizes a gain or loss, depending on whether the proceeds from the sale are greater or less than the cost of the option. If a call option is exercised by the Fund, the cost of the securities acquired by exercising the call is increased by the premium paid to buy the call. If a put option is exercised by the Fund, it realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are decreased by the premium originally paid. The risk associated with purchasing options is limited to the premium paid. The Fund's maximum risk of loss from counterparty credit risk is also limited to the premium paid for the contract.

When the Fund writes an option, it receives a premium. If a written option expires on its stipulated expiration date, or if the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss, if the cost of a closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If a written call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security, and the proceeds of the sale are increased by the premium originally received. If a written put option is exercised, the amount of the premium originally received reduces the cost of the security that the Fund purchases upon exercise of the option.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

---

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

The risk in writing a call option is that the Fund relinquishes the opportunity to profit if the market price of the underlying security increases and the option is exercised. In writing a put option, the Fund assumes the risk of incurring a loss if the market price of the underlying security decreases and the option is exercised. In addition, there is a risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market or if the counterparty does not perform under the contract's terms.

Options on exchange-traded futures contracts are an option contract in which the underlying instrument is a single futures contract. The Fund may write or purchase options on exchange-traded futures contracts in which the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract referred to as "variation margin." Such receipts or payments are recorded by the Fund as unrealized gains or losses. When the contract is closed or expires, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

### Swap Agreements

A swap is a contract between two parties to exchange future cash flows at specified intervals (payment dates) based upon a notional principal amount during the agreed-upon life of the contract. Swaps are marked to market daily and changes in value are recorded as unrealized appreciation or depreciation.

Upon entering a swap agreement, any payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities and represent a reconciling value to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (such as credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are recorded as realized gains or losses on the Statement of Operations upon termination or maturity of the swap. If a liquidation payment is received or made at the termination of the swap, it is recorded as realized gain or loss on the Statement of Operations. Net periodic payments received or paid by the Fund are included as part of realized gains or losses on the Statement of Operations. The Fund will only enter into swap agreements with counterparties that meet the minimum credit quality requirements applicable to the Fund and any other appropriate counterparty criteria as determined by the Fund's subadviser. The minimum credit quality requirements are similar to those applicable to the Fund's purchase of securities, such that if the Fund is permitted to only purchase securities that are rated investment-grade (or the equivalent if unrated), the Fund could only enter into one of the below referenced transactions with counterparties that have debt outstanding that is rated investment-grade (or the equivalent if unrated). Entering into swap agreements involves, to varying degrees, elements of credit risk, market risk and interest rate risk in excess of the amount recognized in the Statement of Assets and Liabilities. Such risks include the possibility that there is not a liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform, or that there may be unfavorable changes in market conditions or interest rates. The Fund's maximum risk of loss from counterparty credit risk is the discounted value of the net cash flows to be received from the counterparty over the contract's remaining life or the value of the contract. This risk is typically mitigated by entering into swap agreements with highly-rated counterparties, the existence of a master netting arrangement between the Fund and the counterparty, and the posting of collateral by the counterparty.

Interest Rate Swaps are agreements between counterparties to exchange cash flows or an exchange of commitments to pay or receive interest with respect to the notional amount of principal. During the year, the Fund used interest rate swap agreements to manage its exposure to interest rate changes. Changes in interest rates can have an effect on the value of bond holdings, the amount of interest income earned and the value of the interest rate swaps held.

Credit Default Swaps are agreements between counterparties to buy or sell protection on a debt security, a basket of securities, or an index of obligations against a defined credit event. Under the terms of a credit default swap, the buyer of protection receives credit protection in exchange for making periodic payments to the seller of protection based on a given percentage applied to a notional principal amount. In return for these payments, the seller acts as the guarantor of the creditworthiness of a reference entity, obligation or index. During the year, the Fund used credit default swap agreements as a seller to gain credit exposure to an issuer or to simulate investments in long bond positions that were either unavailable or less attractively priced in the bond market; the Fund used credit default swap agreements as a buyer to provide a measure of protection against defaults of an issuer. An issuer may represent either a single issuer, a "basket" of issuers, or a credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole.



# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

---

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

The buyer in a credit default contract is obligated to pay the seller a periodic stream of payments over the term of the contract provided that no credit event occurs. Credit events may include bankruptcy, failure to pay principal, maturity extension, rating downgrade, or write-down. As a seller, if an underlying credit event occurs, the Fund will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the reference obligation (or underlying securities comprising an index), or pay a net settlement amount of cash equal to the notional amount of the swap less the recovery value of the reference obligation (or underlying securities comprising an index). As a buyer, if an underlying credit event occurs, the Fund will either receive from the seller an amount equal to the notional amount of the swap and deliver the reference obligation (or underlying securities comprising an index) or receive a net settlement. The maximum exposure to loss of the notional value as the seller of credit default swaps outstanding at October 31, 2016 for the Fund was \$922,000.

Total Return Swaps are agreements between counterparties to exchange the return of a given underlying asset, including any income it generates and appreciation in value, in exchange for a set rate, either fixed or variable. During the year, the Fund used total return swap agreements to gain or mitigate exposure to underlying reference assets, securities, or indices.

Under the terms of a total return swap, one counterparty pays out the total return of a specific referenced asset or index and in return receives a regular stream of payments. To the extent the total return of an asset or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Fund will receive a payment or make a payment to the counterparty.

Variance Swaps are agreements between counterparties to exchange cash flows based upon the measured variance (or the square of volatility) of a specified underlying asset. One party agrees to exchange a strike price (“Fixed Rate”) for the realized price variance (“Floating Rate”) on the underlying asset with respect to the notional amount. During the year, the Fund used variance swap agreements to gain or mitigate exposure to underlying reference assets or securities.

When a variance swap agreement is originated, the strike price is generally set such that the fair value of the swap is zero. At the maturity date, a net cash flow is exchanged where the payoff amount is equal to the difference between the final market price of the asset and the strike price multiplied by the notional amount. As a receiver of the Floating Rate, the Fund receives the payoff amount when the final market price is greater than the strike price and owes the payoff amount when the final market price is less than the strike price. As a payer of the Floating Rate, the Fund owes the payoff amount when the final market price is greater than the strike price, and receives the payoff amount when the final market price is less than the strike price.

### Forward Currency Contracts

A forward currency contract is an agreement between two parties to buy and sell currencies at a set price on a future date. During the year, the Fund used forward currency contracts to manage its exposure to changes in exchange rates or as a hedge against foreign exchange risk related to specific transactions or portfolio positions.

The forward currency contract is marked-to-market daily and the change in market value is recorded as an unrealized gain or loss. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value on the open and close date. Risk of losses may arise from changes in the value of the foreign currency, or if the counterparties do not perform under the contract's terms. The maximum potential loss from such contracts is the aggregate face value in U.S. dollars at the time the contract was opened. During the year, the Fund entered into collateral agreements with certain counterparties to mitigate counterparty risk associated with forward currency contracts.

### Foreign Currency Spot Contracts

A foreign currency spot contract is an agreement between two parties to buy and sell currencies at the current market rate for settlement within two business days. During the year, the Fund used foreign currency spot contracts to facilitate transactions in foreign securities or to convert foreign currency receipts into U.S. dollars.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

---

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

The foreign currency spot contract is marked-to-market daily for settlements beyond one day, and any change in market value is recorded as an unrealized gain or loss. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value on the open and close date. Risk of losses may arise from changes in the value of the foreign currency or if the counterparties do not perform under the contract's terms. The maximum potential loss from such contracts is the aggregate face value in U.S. dollars at the time the contract was opened.

#### Foreign Currency Translations

Purchases and sales of securities are translated into U.S. dollars at the current exchange rate on the respective dates of the transactions. Income and withholding taxes are translated at the prevailing exchange rate when accrued or incurred. The accounting records of the Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars based on the current exchange rates at year end.

Reported net realized gains and losses on foreign currency transactions represent net gains and losses from sales and maturities of foreign currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income accrued and tax reclaims receivable and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities are included in the net realized and unrealized gain or loss on investments in the Statement of Operations.

#### Investment Income

Dividends declared on portfolio securities are accrued on the ex-dividend date. For foreign securities held, certain dividends are recorded after the ex-dividend date, but as soon as the respective Fund is notified of such dividends. Interest income is accrued daily as earned. Discounts and premiums on fixed income securities purchased are amortized over the life of the respective securities using the effective yield method. Paydown gains and losses on mortgage-backed and asset-backed securities are recognized as a component of interest income.

#### Securities Transactions

Securities transactions are accounted for on the trade date (the date the order to buy or sell is executed). Realized gains or losses on security transactions are determined on the basis of identified cost.

#### Proceeds from Litigation

The Fund may receive proceeds from shareholder litigation settlements involving current and/or previously held portfolio holdings. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/(loss) if the security has been disposed of by the Fund or in unrealized gain/(loss) if the security is still held by the Fund.

#### Distribution to Shareholders

Distributions on Fund shares are recorded on the ex-dividend date.

#### Expenses

Expenses incurred by the Trust are charged directly to the Fund that incurred such expense whenever possible. With respect to expenses incurred by any two or more Harbor Funds where amounts cannot be identified on a fund by fund basis, such expenses are generally allocated in proportion to the average net assets or the number of shareholders of each Fund.

#### Custodian

The Fund has credit balance arrangements with the Fund's custodian whereby positive balances in demand deposit accounts used by the transfer and shareholder servicing agent for clearing shareholder transactions in the Fund generates credits that are applied against gross custody expenses. Such custodial expense reductions, if any, are reflected on the Fund's accompanying Statement of Operations.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

---

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### Class Allocations

Income, common expenses and realized and unrealized gains/(losses) are determined at the Fund level and allocated daily to each class of shares based on the applicable net assets of the respective classes. Distribution and service fees, if any, and transfer agent fees are calculated daily at the class level based on the applicable net assets of each class and the expense rate(s) applicable to each class.

#### Basis for Consolidation

Harbor Cayman Commodity Fund Ltd. (the “Subsidiary”), a Cayman Islands exempted company, was incorporated on August 4, 2008 as a wholly-owned subsidiary acting as an investment vehicle for the Fund in order to gain exposure to certain asset classes consistent with the Fund’s investment objectives and policies specified in its prospectus and statement of additional information. Under the Articles of Association of the Subsidiary, the Fund will remain the sole shareholder of the Subsidiary and retain all rights associated with shares in the Subsidiary. The shares issued by the Subsidiary confer upon a shareholder the right to receive notice of, attend and vote at general meetings of the Subsidiary, rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Subsidiary. As such, the Fund has consolidated its investment in the Subsidiary into its financial statements and eliminated all intercompany accounts and transactions. As of October 31, 2016, the Subsidiary represented approximately \$25,385,000 or approximately 19% of the total assets of the Fund.

#### Treatment of Income from Offshore Subsidiary

Direct investment by a mutual fund in certain commodity-linked securities and derivative instruments is limited under Subchapter M of the Internal Revenue Code by the requirement that a mutual fund receive no more than ten percent (10%) of its gross income from such investments in order to receive favorable tax treatment as a regulated investment company. The Fund seeks to gain exposure to commodity markets indirectly by investing in the Subsidiary, which may invest without limitation in commodity-linked securities and derivative instruments. The tax treatment of the income received from the Subsidiary may potentially be affected by changes in legislation, regulations or other legally binding authority, which could affect the character, timing and amount of the Fund’s taxable income and distributions. If such changes occur, the Fund may need to significantly change its investment strategy and recognize unrealized gains in order to remain qualified for taxation as a regulated investment company, which could adversely affect the Fund.

#### Taxes

The Fund is treated as a separate entity for federal tax purposes. The Fund’s policy is to meet the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute to its shareholders all of its taxable income within the prescribed time. It is also the intention of the Fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Internal Revenue Code. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation of securities held or excise taxes on income and capital gains.

The Fund may be subject to taxes imposed by countries in which they invest. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued and applied to net investment income, net realized gains and unrealized appreciation as such income and/or gains are earned.

Management has analyzed the Fund’s tax positions for all open tax years (in particular, U.S. federal income tax returns for the tax years ended October 31, 2013–2015), including all positions expected to be taken upon filing the 2016 tax return, in all material jurisdictions where the Fund operates, and has concluded that no provision for income tax is required in the Fund’s financial statements. The Fund will recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations.

#### Consolidated Statement of Cash Flows

U.S. GAAP requires entities providing financial statements that report both a statement of assets and liabilities and a statement of operations to also provide a statement of cash flows for each period for which results of operations are provided. Investment Companies that meet certain conditions are exempted from this requirement. One of the conditions that must be satisfied is that the fund have little or no debt outstanding during the year. During the year ended October 31, 2016, the Fund entered

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

into repurchase agreements, which are categorized as sale-buyback financing transactions under the Accounting Standards Update (“ASU”) 2011-03, *A Reconsideration of Effective Control for Repurchase Agreements* (“ASU 2011-03”). ASU 2011-03 refers to the accounting for repurchase agreements and similar agreements that entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. These transactions resulted in debt being recorded on the Fund’s Statement of Assets and Liabilities. Management has determined that the average level of debt outstanding during the year for the Fund requires the Fund to present a Consolidated Statement of Cash Flows.

### New Accounting Pronouncements

The Fund has adopted Accounting Standards Update (“ASU”) 2014-11, *Transfers and Servicing* (“ASU 2014-11”) which requires expanded disclosures related to financial assets pledged in secured financing transactions, such as sale-buyback transactions, and the related contractual maturity terms of these secured transactions. A table that includes the remaining maturity period for outstanding sale-buyback transactions and the type of investment collateral pledged, if any, can be found within the Fund’s Portfolio of Investments schedule. The adoption of ASU 2014-11 had no impact on the Fund’s net assets or results of operations.

In October 2016, the Securities and Exchange Commission (SEC) released its final rule on Investment Company Reporting Modernization (the “Rule”). The Rule contains amendments to certain financial statement presentation, particularly the presentation of derivative investments. Although still evaluating the impact of the Rule, management believes that many of the amendments are consistent with the Fund’s current financial statement presentation.

### NOTE 3—INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, other than short-term securities, for the Fund for the year ended October 31, 2016 are as follows:

	Purchases (000s)		Sales (000s)	
	U.S. Government	Other	U.S. Government	Other
Harbor Commodity Real Return Strategy Fund (Consolidated) . . . . .	\$1,132,540	\$18,449	\$1,171,954	\$31,878

### Written Options

Transactions in written options for the year ended October 31, 2016 are summarized as follows:

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

	British Pound Futures*		Commodity Futures		Commodity Futures*	
	No. of Contracts/ Notional	Premiums Received (000s)	No. of Contracts/ Notional	Premiums Received (000s)	No. of Contracts/ Notional	Premiums Received (000s)
Options outstanding at beginning of year . . . . .	86	\$ 2	1,200,042	\$ 20	—	\$—
Options opened . . . . .	106	4	8,039,393	100	8	5
Options closed . . . . .	—	—	(55)	(42)	—	—
Options exercised . . . . .	(60)	(4)	(7)	(3)	(8)	(5)
Options expired . . . . .	—	—	(9,239,360)	(63)	—	—
Open at 10/31/2016 . . . . .	<u>132</u>	<u>\$ 2</u>	<u>13</u>	<u>\$ 12</u>	<u>—</u>	<u>\$—</u>

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 3—INVESTMENT PORTFOLIO TRANSACTIONS—Continued

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)—Continued

	Currency Options		Eurodollar Futures*		Swap Options	
	No. of Contracts/Notional	Premiums Received (000s)	No. of Contracts/Notional	Premiums Received (000s)	No. of Contracts/Notional	Premiums Received (000s)
Options outstanding at beginning of year	1,970,000	\$ 35	—	\$—	22,200,000	\$ 237
Options opened	7,813,000	60	13	7	55,800,000	317
Options closed	(1,390,000)	(12)	—	—	(21,600,000)	(214)
Options exercised	(1,830,000)	(16)	(13)	(7)	(24,600,000)	(77)
Options expired	(4,833,000)	(51)	—	—	(16,900,000)	(31)
Open at 10/31/2016	<u>1,730,000</u>	<u>\$ 16</u>	<u>—</u>	<u>\$—</u>	<u>14,900,000</u>	<u>\$ 232</u>

	U.S. Treasury Futures	
	No. of Contracts/Notional	Premiums Received (000s)
Options outstanding at beginning of year	—	\$—
Options opened	129	41
Options closed	(50)	(16)
Options exercised	(49)	(16)
Options expired	(20)	(6)
Open at 10/31/2016	<u>10</u>	<u>\$ 3</u>

\* Options in this category require periodic settlement of variation margin.

### NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES

#### Investment Adviser

Harbor Capital is an indirect, wholly-owned subsidiary of Robeco Groep N.V. (“Robeco”). Robeco is wholly-owned by ORIX Corporation (“ORIX”). Harbor Capital is the Trust’s investment adviser and is also responsible for administrative and other services.

The Fund has an advisory agreement with Harbor Capital. The agreement provides for management fees based on an annual percentage rate of average daily net assets as follows:

	Contractual Rate	Actual Rate
Harbor Commodity Real Return Strategy Fund (Consolidated)	0.81%	0.81%

Harbor Capital has from time to time voluntarily or contractually agreed not to impose a portion of its management fees and/or to bear a portion of the expenses incurred in the operation of certain Funds in order to limit Fund expenses. Such waivers, if any, are reflected on the accompanying Statement of Operations. Harbor Capital has entered into a contractual expense limitation agreement with Harbor Commodity Real Return Strategy Fund limiting the operating expenses, not including interest expense (if any), to 0.94% and 1.19% for the Institutional Class and Administrative Class, respectively. In addition, Harbor Capital has contractually agreed to waive the management fee it receives from Harbor Commodity Real Return Strategy Fund in an amount equal to the management fee paid to Harbor Capital by the Subsidiary. This waiver may not be terminated by Harbor Capital and will remain in effect for as long as Harbor Capital’s contract with the Subsidiary is in place. The contractual expense limitations are effective through February 28, 2017.

All expense limitations are inclusive of the transfer agent fee waiver discussed in the Transfer Agent note.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES—Continued

#### Distributor

Harbor Funds Distributors, Inc. (“Harbor Funds Distributors” or the “Distributor”), a wholly-owned subsidiary of Harbor Capital, is the distributor for Harbor Funds’ shares. Under the Trust’s current distribution plan pursuant to Rule 12b-1 under the Investment Company Act with respect to the Fund’s Administrative Class shares (the “12b-1 Plan”), the Fund pays the Distributor compensation at the annual rate of 0.25% of the average daily net assets of its Administrative Class shares. Pursuant to the 12b-1 Plan the Distributor is compensated for financing any activity that is primarily intended to result in the sale of Administrative Class shares of the Fund or for recordkeeping services or the servicing of shareholder accounts in the Administrative Class shares of the Fund. Such activities include, but are not limited to: printing of prospectuses and statements of additional information and reports for prospective shareholders (i.e., other than existing shareholders); preparation and distribution of advertising material and sales literature; expenses of organizing and conducting sales seminars; supplemental payments to dealers or other institutions such as asset-based sales charges, payments of recordkeeping fees under recordkeeping arrangements, or payments of service fees under shareholder service arrangements; and costs of administering the 12b-1 Plan.

Amounts payable by a Fund under the 12b-1 Plan need not be directly related to the expenses actually incurred by the Distributor on behalf of the Fund. The 12b-1 Plan does not obligate the Fund to reimburse the Distributor for the actual expenses the Distributor may incur in fulfilling its obligations under the 12b-1 Plan. Thus, even if the Distributor’s actual expenses exceed the fee payable to the Distributor at any given time, the Fund will not be obligated to pay more than that fee. If the Distributor’s expenses are less than the fee it receives, the Distributor will retain the difference.

The fees attributable to the Fund’s respective class are shown on the accompanying Statement of Operations.

#### Transfer Agent

Harbor Services Group, Inc. (“Harbor Services Group”), a wholly-owned subsidiary of Harbor Capital, is the transfer and shareholder servicing agent for the Fund. The transfer agency and service agreement is reviewed and approved annually by the Board of Trustees and provides currently for compensation up to the following amounts per class of the Fund:

	<u>Transfer Agent Fees<sup>a</sup></u>
Institutional Class .....	0.080% of the average daily net assets of all Institutional shares
Administrative Class .....	0.080% of the average daily net assets of all Administrative shares

a For the period November 1, 2015 through February 29, 2016, the Transfer Agent Fees for Institutional and Administrative Class shares were 0.065%.

Harbor Services Group has voluntarily waived a portion of its transfer agent fees during the year ended October 31, 2016. Fees incurred for these transfer agent services are shown on the Fund’s Statement of Operations. The voluntary waiver may be discontinued at any time.

#### Affiliated Transactions

The Investment Company Act permits purchase and sale transactions among affiliated investment companies subject to an exemptive rule. Harbor Funds has adopted policies and procedures pursuant to the Investment Company Act exemptive rule. During the year, the Fund did not enter into any transactions with any other Harbor fund.

#### Shareholders

On October 31, 2016, Harbor Capital, Harbor Funds Distributors, and Harbor Services Group, collectively held the following shares of beneficial interest in the Fund:

	<u>Number of Shares Owned by Harbor Capital, Harbor Funds Distributors, and Harbor Services Group</u>			<u>Percentage of Outstanding Shares</u>
	<u>Institutional Class</u>	<u>Administrative Class</u>	<u>Total</u>	
Harbor Commodity Real Return Strategy Fund (Consolidated) .....	82,187	—	82,187	0.4%

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES—Continued

#### Independent Trustees

The fees and expenses of the Independent Trustees are shown on the Fund's Statement of Operations. The Independent Trustees' remuneration for the Fund totaled \$2,000 for the year ended October 31, 2016.

The Board of Trustees has adopted a Deferred Compensation Plan for Independent Trustees (the "Plan"), which enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Trust. For purposes of determining the amount owed to a Trustee under the Plan, deferred amounts are treated as though they had been invested in shares of the Fund(s) selected by the Trustee. While not required to do so, the Fund makes an investment equal to the Trustee's investment election. The deferred compensation liability and the offsetting deferred compensation investment asset are included as a component of "Liabilities; Accrued Expenses: Other" and "Other assets", respectively, in the Statement of Assets and Liabilities. Such amounts fluctuate with changes in the market value of the selected securities. The deferred compensation and related mark-to-market impact liability and an offsetting investment asset will remain on the Fund's Statement of Assets and Liabilities until distributed in accordance with the Plan.

#### Indemnification

Under the Trust's organizational documents, its officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, in the normal course of business the Trust enters into contracts that provide general indemnities to other parties. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

### NOTE 5—TAX INFORMATION

The amount and character of income and net realized gains to be distributed are determined in accordance with income tax rules and regulations, which may differ from U.S. GAAP. These differences are attributable to permanent book and tax accounting differences that were primarily due to tax treatment of net investment losses, swap agreements, paydown reclasses, disallowance of loss from controlled foreign corporation, and foreign currency transactions. Reclassifications are made to the Fund's capital account to reflect income and net realized gains available for distribution (or available capital loss carryovers) under income tax rules and regulations. Distributions classified as a return of capital, if any, are reflected on the Statements of Changes in Net Assets and have been recorded to paid in capital. The amounts reclassified on the Statement of Assets and Liabilities for the year ended October 31, 2016 are as follows:

	Undistributed Net Investment Income/(Loss) (000s)	Accumulated Net Realized Gain/(Loss) (000s)	Paid-In Capital (000s)
Harbor Commodity Real Return Strategy Fund (Consolidated) .....	\$(2,819)	\$7,347	\$(4,528)

The tax composition of the Fund's distributions is as follows:

	As of October 31, 2016				As of October 31, 2015		
	Ordinary Income (000s)	Long-Term Capital Gains (000s)	Return of Capital (000s)	Total (000s)	Ordinary Income (000s)	Long-Term Capital Gains (000s)	Total (000s)
Harbor Commodity Real Return Strategy Fund (Consolidated) . . .	\$1,980	\$—	\$599	\$2,579	\$6,880	\$—	\$6,880

As of October 31, 2016, the components of the Fund's distributable earnings on a tax basis are as follows:

	Undistributed Ordinary Income (000s)	Undistributed Long-Term Capital Gains (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Harbor Commodity Real Return Strategy Fund (Consolidated) .....	\$—	\$—	\$(2,216)

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 5—TAX INFORMATION—Continued

At October 31, 2016, the Fund had a capital loss carryforward for federal tax purposes, which will reduce the Fund's taxable income arising from future net realized gain on investments, if any, to the extent permitted by the Internal Revenue Code. This will reduce the amount of the distribution to shareholders which would otherwise be necessary to relieve the Fund of any federal tax liability. The following capital loss carryforwards do not expire:

	Capital Loss Carryforwards		
	Short-Term (000s)	Long-Term (000s)	Total (000s)
Harbor Commodity Real Return Strategy Fund (Consolidated).....	\$8,168	\$14,659	\$22,827

The identified cost for federal income tax purposes of investments owned by the Fund and its respective gross unrealized appreciation and depreciation at October 31, 2016 is as follows:

	Identified Cost (000s)	Gross Unrealized		Net Unrealized Appreciation/ (Depreciation) (000s)
		Appreciation (000s)	(Depreciation) (000s)	
Harbor Commodity Real Return Strategy Fund (Consolidated)* .....	\$113,227	\$2,860	\$(2,144)	\$716

\* Capital loss carryforwards are available, which may reduce taxable income from future net realized gain on investments.

### NOTE 6—DERIVATIVES

The Fund's derivative holdings do not qualify for hedge accounting treatment and as such are recorded at current fair value. For a detailed discussion of risks related to these investments please refer to the descriptions of each type of derivative instrument in Note 2— Significant Accounting Policies.

The Fund's derivative instruments outstanding as of the year ended October 31, 2016, if any, as disclosed in the Portfolio of Investments, and the related amounts of realized and changes in unrealized gains and losses on derivative instruments during the year as disclosed in the Statement of Operations, are indicators of the volume of derivative activity for the Fund.



# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 6—DERIVATIVES—Continued

#### Derivative Instruments

At October 31, 2016, the fair values of derivatives, by primary risk exposure, were reflected in the Statement of Assets and Liabilities as follows:

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

Statement of Assets and Liabilities Caption	Interest Rate Contracts (000s)	Foreign Exchange Contracts (000s)	Credit Contracts (000s)	Commodity Contracts (000s)	Total (000s)
<b>Assets</b>					
Purchased options, at value	\$ 258	\$ —	\$—	\$ —	\$ 258
Unrealized appreciation on open forward currency contracts	—	391	—	—	391
Unrealized appreciation on OTC swap agreements <sup>b</sup>	75	—	8	79	162
Variation margin on centrally cleared swap agreements <sup>a,b</sup>	327	—	—	—	327
Variation margin on options and futures contracts (futures) <sup>a</sup>	216	—	—	286	502
Variation margin on options and futures contracts (options) <sup>a</sup>	—	—	—	—	—
<b>Liabilities</b>					
Unrealized depreciation on open forward currency contracts	\$ —	\$(732)	\$—	\$ —	\$ (732)
Unrealized depreciation on OTC swap agreements <sup>b</sup>	(618)	—	(6)	(1,413)	(2,037)
Variation margin on centrally cleared swap agreements <sup>a,b</sup>	(456)	—	(5)	—	(461)
Variation margin on options and futures contracts (futures) <sup>a</sup>	(82)	—	—	(253)	(335)
Variation margin on options and futures contracts (options) <sup>a</sup>	—	—	—	—	—
Written options, at value	(134)	(6)	—	—	(140)

a Includes cumulative appreciation/depreciation of contracts as reported in the Portfolio of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

b Net of premiums received of \$7,000.

Realized net gain/(loss) and the change in unrealized appreciation/(depreciation) on derivatives, by primary risk exposure, for the year ended October 31, 2016, were:

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

Net Realized Gain/(Loss) on Derivatives	Interest Rate Contracts (000s)	Foreign Exchange Contracts (000s)	Credit Contracts (000s)	Commodity Contracts (000s)	Total (000s)
Forward currency contracts	\$ —	\$847	\$—	\$ —	\$ 847
Futures contracts	(266)	—	—	(259)	(525)
Purchased options	(204)	(4)	—	—	(208)
Written options	247	54	—	—	301
Swap agreements	(3,570)	—	(65)	(6,400)	(10,035)
Net realized gain/(loss) on derivatives	<u>\$(3,793)</u>	<u>\$897</u>	<u>\$(65)</u>	<u>\$(6,659)</u>	<u>\$ (9,620)</u>
<b>Change in Unrealized Appreciation/(Depreciation) on Derivatives</b>					
Forward currency contracts	\$ —	\$(1,217)	\$—	\$ —	\$(1,217)
Futures contracts	—	—	—	380	380
Purchased options	(60)	1	—	2	(57)
Written options	32	7	1	(5)	35
Swap agreements	2,277	—	(36)	1,552	3,793
Change in unrealized appreciation/(depreciation) on derivatives	<u>\$2,249</u>	<u>\$(1,209)</u>	<u>\$(35)</u>	<u>\$1,929</u>	<u>\$2,934</u>

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 7—OFFSETTING ASSETS AND LIABILITIES

#### Master Netting Arrangements

As described in further detail below, the Fund may enter into Master Netting Arrangements that govern the terms of certain transactions. Master Netting Arrangements are designed to reduce the counterparty risk associated with relevant transactions by establishing credit protection mechanisms and providing standardization as a means of improving legal certainty. As Master Netting Arrangements are specific to the unique operations of different asset types, they allow the Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all of the transactions governed under a single agreement with that counterparty. Master Netting Arrangements can also help reduce counterparty risk by specifying collateral posting requirements at pre-arranged exposure levels. Securities and cash pledged as collateral are reflected as assets in the Statement of Assets and Liabilities as either a component of investments at value (securities) or cash-restricted (deposits due from counterparties). Cash collateral received is not typically held in a segregated account and, as such, is reflected as a liability in the Statement of Assets and Liabilities as due to broker. The fair value of any securities received as collateral is not reflected as a component of net asset value.

For the year ended October 31, 2016, the Fund entered into the following Master Netting Arrangements:

Master Repurchase Agreements and Global Master Repurchase Agreements, which govern repurchase and reverse repurchase transactions between the Fund and select counterparties.

Master Securities Forward Transaction Agreements, which govern the considerations and factors surrounding the settlement of certain forward settling transactions, such as delayed-delivery or sale-buyback transactions by and between the Fund and select counterparties.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes, which govern OTC market traded financial derivative transactions entered into by the Fund and select counterparties.

The following is a summary by counterparty of the gross value of material Borrowings and Other Financing Transactions and collateral (received)/pledged as of October 31, 2016:

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

Counterparty	Repurchase Agreement Proceeds to be Received (000s)	Payable for Reverse Repurchase Agreements (000s)	Payable for Sale-Buyback Transactions (000s)	Payable for Short Sales (000s)	Total Borrowings and Other Financing Transactions (000s)	Collateral (Received)/Pledged (000s)	Net Exposure (000s)
<b>Harbor Commodity Real Return Strategy Fund<sup>a</sup></b>							
<b>Global/Master Repurchase Agreement</b>							
State Street Bank .....	\$ 264	\$—	\$ —	\$—	\$ 264	\$ (264)	\$ —
<b>Master Securities Forward Transactions Agreements</b>							
BNP Paribas NY .....	—	—	(14,378)	—	(14,378)	—	(14,378)
Morgan Stanley & Co. Inc .....	—	—	(25,660)	—	(25,660)	—	(25,660)
<b>Harbor Cayman Commodity Fund Ltd. (Subsidiary)</b>							
<b>Global/Master Repurchase Agreement</b>							
Citigroup Global Markets, Inc. ....	6,500	—	—	—	6,500	(6,500)	—
Credit Suisse International .....	7,100	—	—	—	7,100	(7,100)	—
JP Morgan Chase & Co. ....	6,500	—	—	—	6,500	(6,500)	—
<b>Total Borrowings and Other Financing Transactions .....</b>	<u>\$20,364</u>	<u>\$—</u>	<u>\$(40,038)</u>	<u>\$—</u>			

a The Harbor Commodity Real Return Strategy Fund and its subsidiary, Harbor Cayman Commodity Fund Ltd. are recognized as two separate legal entities as such, exposure cannot be netted.

The Fund has not pledged any securities as collateral under the terms of the above Master Repurchase and Master Securities Forward Transactions agreements as of October 31, 2016.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 7—OFFSETTING ASSETS AND LIABILITIES—Continued

The following is a summary by counterparty of the value of OTC financial derivative instruments and collateral (received)/pledged as governed by International Swaps and Derivatives Association, Inc. master agreements as of October 31, 2016.

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

Counterparty	Financial Derivative Assets				Financial Derivative Liabilities						
	Forward Currency Contracts (000s)	Purchased Options (000s)	Swap Agreements (000s)	Total Over-the- Counter (000s)	Forward Currency Contracts (000s)	Written Options (000s)	Swap Agreements (000s)	Total Over-the- Counter (000s)	Net Value of OTC Derivatives (000s)	Collateral (Received)/ Pledged* (000s)	Net Exposure (000s)
<b>Harbor Commodity Real Return Strategy Fund<sup>a</sup></b>											
Bank of America NA.....	\$ 20	\$ —	\$ 7	\$ 27	\$ —	\$ (5)	\$ (19)	\$ (24)	\$ 3	\$ —	\$ 3
Barclays Bank plc.....	6	—	—	6	—	—	—	—	6	—	6
Barclays Capital.....	4	—	—	4	—	—	—	—	4	—	4
BNP Paribas SA.....	197	—	—	197	(129)	—	(351)	(480)	(283)	283	—
Credit Suisse International .	—	—	—	—	—	(8)	—	(8)	(8)	—	(8)
Deutsche Bank AG.....	3	113	8	124	(115)	(21)	(46)	(182)	(58)	31	(27)
Goldman Sachs Bank USA .	99	2	59	160	(224)	(4)	(178)	(406)	(246)	246	—
Goldman Sachs International.....	—	—	1	1	—	—	(29)	(29)	(28)	—	(28)
HSBC Bank USA.....	19	—	—	19	—	—	—	—	19	—	19
HSBC Bank USA NA.....	—	—	1	1	—	—	—	—	1	—	1
JP Morgan Chase Bank....	8	—	—	8	(248)	—	—	(248)	(240)	—	(240)
JP Morgan Chase Bank NA.	13	—	7	20	(4)	(14)	(26)	(44)	(24)	24	—
Morgan Stanley Capital Services LLC.....	—	143	—	143	—	(81)	(22)	(103)	40	—	40
Société Générale.....	7	—	—	7	(9)	—	—	(9)	(2)	—	(2)
Société Générale Paris....	—	—	—	—	—	(3)	—	(3)	(3)	—	(3)
UBS AG.....	15	—	—	15	(3)	—	—	(3)	12	—	12
UBS AG Stamford.....	—	—	—	—	—	—	(2)	(2)	(2)	—	(2)
<b>Harbor Cayman Commodity Fund Ltd. (Subsidiary)<sup>a</sup></b>											
Bank of America NA.....	—	—	—	—	—	—	(1)	(1)	(1)	—	(1)
BNP Paribas SA.....	—	—	1	1	—	—	(45)	(45)	(44)	—	(44)
Citibank NA.....	—	—	5	5	—	—	(176)	(176)	(171)	—	(171)
Credit Suisse International .	—	—	—	—	—	—	(47)	(47)	(47)	—	(47)
Goldman Sachs International.....	—	—	33	33	—	—	(196)	(196)	(163)	—	(163)
JP Morgan Chase Bank NA.	—	—	30	30	—	—	(72)	(72)	(42)	—	(42)
Morgan Stanley Capital Services LLC.....	—	—	—	—	—	—	(797)	(797)	(797)	—	(797)
Société Générale Paris....	—	—	10	10	—	—	(30)	(30)	(20)	—	(20)
<b>Total Over-the-Counter Exposure.....</b>	<b>\$391</b>	<b>\$258</b>	<b>\$162</b>	<b>\$811</b>	<b>\$(732)</b>	<b>\$(136)</b>	<b>\$(2,037)</b>	<b>\$(2,905)</b>			

\* Of the total collateral received and/or pledged listed in the table above, no cash has been received as collateral.

a The Harbor Commodity Real Return Strategy Fund and its subsidiary, Harbor Cayman Commodity Fund Ltd. are recognized as two separate legal entities as such, exposure cannot be netted.

### NOTE 8—SUBSEQUENT EVENTS

Through the date the financial statements were issued, no subsequent events or transactions had occurred that would have materially impacted the financial statements or related disclosures as presented herein.

# Harbor Strategic Markets Funds

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

---

The Board of Trustees and Shareholders of

Harbor Funds

We have audited the accompanying statement of assets and liabilities of Harbor Commodity Real Return Strategy Fund (consolidated) (one of the portfolios constituting the Harbor Funds (the Trust)), including the portfolio of investments, as of October 31, 2016, and the related statements of operations and cash flows for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2016, by correspondence with the custodian, agent banks and brokers, or by other appropriate auditing procedures where replies from agent banks and brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Harbor Commodity Real Return Strategy Fund (consolidated) at October 31, 2016, the results of its operations and cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*

Chicago, Illinois  
December 21, 2016

# Harbor Strategic Markets Funds

## FEES AND EXPENSES EXAMPLE (Unaudited)

### Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees (if any) and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period May 1, 2016 through October 31, 2016.

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses for each share class. You may use the information in the respective class line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line of the respective class under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The second line of the table for each share class below provides information about hypothetical account values and hypothetical expenses based on the respective Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the respective Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund to other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Annualized Expense Ratios*	Expenses Paid During Period**	Beginning Account Value May 1, 2016	Ending Account Value October 31, 2016
<b>HARBOR COMMODITY REAL RETURN STRATEGY FUND</b>				
<b>Institutional Class</b>	<b>0.94%</b>			
Actual		\$4.75	\$1,000	\$1,010.10
Hypothetical (5% return)		4.77	1,000	1,020.29
<b>Administrative Class</b>	<b>1.19%</b>			
Actual		\$6.01	\$1,000	\$1,008.80
Hypothetical (5% return)		6.04	1,000	1,019.00

\* Reflective of all fee waivers and expense reimbursements

\*\* Expenses are equal to the Fund’s annualized expense ratio, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

# Harbor Strategic Markets Funds

## ADDITIONAL INFORMATION (Unaudited)

### ADDITIONAL TAX INFORMATION

For the fiscal year ended October 31, 2016, the Fund designates up to the maximum amount of such dividends allowable pursuant to the Internal Revenue Code as qualified dividend income eligible for reduced tax rates. These lower rates range from 0% to 20% depending on an individual's tax bracket. If the Fund pays a distribution during calendar year 2016, complete information will be reported in conjunction with Form 1099-DIV.

Shareholders who own shares through a taxable Harbor Funds account and that received distributions from the Fund during calendar year 2016 will receive a Form 1099-DIV in January 2017 that will show the tax character of those distributions.

### PROXY VOTING

Harbor Funds has adopted Proxy Voting Policies and Procedures under which the Funds vote proxies relating to securities held by the Funds. In addition, the Funds file Form N-PX, with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. A description of the Funds' Proxy Voting Policies and Procedures and the Funds' proxy voting record (Form N-PX) is available (i) without charge, upon request, by calling Harbor Funds toll-free at 800-422-1050; (ii) on the Funds' website at *harborfunds.com*; and (iii) on the SEC's website at *sec.gov*.

### HOUSEHOLDING

Harbor Funds has adopted a policy that allows it to send only one copy of a Fund's prospectus, proxy material, annual report and semi-annual report to certain shareholders residing at the same household. This reduces Fund expenses, which benefits you and other shareholders. If you need additional copies or do not want your mailings to be "household," please call the Shareholder Servicing Agent at 800-422-1050. Individual copies will be sent within thirty (30) days after the Shareholder Servicing Agent receives your instructions. Your consent to householding is considered valid until revoked.

### QUARTERLY PORTFOLIO DISCLOSURES

Harbor Funds files a complete portfolio of investments with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Funds' Form N-Q is available (i) without charge, upon request, by calling Harbor Funds toll-free at 800-422-1050, (ii) on the Funds' website at *harborfunds.com*, and (iii) on the SEC's website at *sec.gov*. The form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may also be obtained by calling 800-SEC-0330.

# Harbor Strategic Markets Funds

## ADDITIONAL INFORMATION—Continued

### TRUSTEES AND OFFICERS

The business and affairs of the Trust shall be managed by or under the direction of the Trustees, and they shall have all powers necessary or desirable to carry out that responsibility. The Trustees shall have full power and authority to take or refrain from taking any action and to execute any contracts and instruments that they may consider necessary or desirable in the management of the Trust. Any determination made by the Trustees in good faith as to what is in the interests of the Trust shall be conclusive. Information pertaining to the Trustees and Officers of Harbor Funds is set forth below. The address of each Trustee and Officer is: [Name of Trustee or Officer] c/o Harbor Funds, 111 South Wacker Drive, 34th Floor, Chicago, IL 60606-4302.

The Harbor Fund's Statement of Additional Information includes additional information about the Trust's Trustees and is available without charge by calling 800-422-1050 or at the Trust's website at [harborfunds.com](http://harborfunds.com).

Name (Age) Position(s) with Fund	Term of Office and Length of Time Served <sup>1</sup>	Principal Occupation(s) During Past Five Years	Number of Portfolios In Fund Complex Overseen By Trustee	Other Directorships Of Public Companies and Other Registered Investment Companies Held by Trustee During Past Five Years
<b>INDEPENDENT TRUSTEES</b>				
Scott M. Amero (53) Trustee	Since 2014	Chairman (2015-Present) and Trustee (2011-2015), Rare (conservation non-profit); Trustee, Berkshire School (2014–Present); BlackRock, Inc., (publicly traded investment management firm) Vice Chairman and Global Chief Investment Officer, Fixed Income (2010), Vice Chairman and Global Chief Investment Officer, Fixed Income, and Co-Head, Fixed Income Portfolio Management (2007-2010).	29	None
Raymond J. Ball (71) Trustee	Since 2006	Sidney Davidson Distinguished Service Professor of Accounting, University of Chicago Booth School of Business (2000-Present); Academic Affiliate, Analysis Group (litigation consulting firm) (2000-Present); Financial Reporting Faculty Advisory Group of the Institute of Chartered Accountants in England and Wales (2008-Present); and Advisory Board of the Center for Accounting Research & Education at University of Notre Dame (2006-Present).	29	None
Donna J. Dean (64) Trustee	Since 2010	Chief Investment Officer of the Rockefeller Foundation (a private foundation) (1995-Present).	29	None
Randall A. Hack (69) Trustee	Since 2010	Founder and Senior Managing Director of Capstone Capital LLC (a private investment firm) (2003-Present); Director of Tower Development Corporation (cell tower developer) (2009-2016); and Advisory Director of Berkshire Partners (a private equity firm) (2002-2013).	29	None
Robert Kasdin (58) Trustee	Since 2014	Senior Vice President and Chief Operating Officer, Johns Hopkins Medicine (2015-Present); Senior Executive Vice President, Columbia University (2002-2015); Trustee, National September 11 Memorial & Museum at the World Trade Center (2005-Present); Trustee, The Metropolitan Museum of Art (2014-2015); Trustee, The Dalton School (2004-2014); Trustee, ARTstor Digital Library (a nonprofit digital images resource) (2013-2016); Director, Apollo Commercial Real Estate Finance, Inc. (2014-Present); and Director, Noranda Aluminum Holdings Corp. (2007-2014).	29	Director of Noranda Aluminum Holdings Corporation (2007-2014); Director of Apollo Commercial Real Estate Finance, Inc. (2014-Present).
Ann M. Spruill (62) Trustee	Since 2014	Partner (1993-2008), Member of Executive Committee (1996-2008), Member Board of Directors (2002-2008), Grantham, Mayo, Van Otterloo & Co, LLC (private investment management firm) (with the firm since 1990); Member Investment Committee and Chair of Global Equities, Museum of Fine Arts, Boston (2000-Present); and Trustee, Financial Accounting Foundation (2014-Present).	29	None
<b>INTERESTED TRUSTEE</b>				
David G. Van Hooser (70)* Chairman, Trustee and President	Since 2000	President (2002-Present), Director and Chairman of the Board (2000-Present), Harbor Capital Advisors, Inc.; Chief Executive Officer (2007-Present), Chief Financial Officer (2012-2015), Treasurer (2007-2012) and Director (2000-Present), Harbor Funds Distributors, Inc.; and Director (2000-Present), Harbor Services Group, Inc.	29	None

# Harbor Strategic Markets Funds

## ADDITIONAL INFORMATION—Continued

### TRUSTEES AND OFFICERS—Continued

Name (Age) Position(s) with Fund Address	Term of Office and Length of Time Served <sup>1</sup>	Principal Occupation(s) During Past Five Years
<b>FUND OFFICERS NOT LISTED ABOVE**</b>		
Charles F. McCain (47) Chief Compliance Officer	Since 2004	Executive Vice President and General Counsel (2004-Present) and Chief Compliance Officer (2004-2014), Harbor Capital Advisors, Inc.; Director (2007-Present) and Chief Compliance Officer (2004-Present), Harbor Services Group, Inc.; and Director, Executive Vice President and Chief Compliance Officer (2007-Present), Harbor Funds Distributors, Inc.
Anmarie S. Kolinski (45) Treasurer	Since 2007	Executive Vice President and Chief Financial Officer (2007-Present), Harbor Capital Advisors, Inc.; Chief Financial Officer (2007-Present), Harbor Services Group, Inc.; and Chief Financial Officer (2015-Present) and Treasurer (2012-Present), Harbor Funds Distributors, Inc.
Erik D. Ojala (41) Vice President and Secretary; AML Compliance Officer	Since 2007; Since 2010	Senior Vice President and Associate General Counsel (2007-Present) and Secretary (2010-Present), Harbor Capital Advisors, Inc.; and Assistant Secretary (2014-Present), Harbor Services Group, Inc.
Brian L. Collins (48) Vice President	Since 2005	Executive Vice President and Chief Investment Officer (2004-Present), Harbor Capital Advisors, Inc.
Charles P. Ragusa (57) Vice President	Since 2007	Executive Vice President (2007-Present), Harbor Capital Advisors, Inc.; President (2007-Present), Harbor Services Group, Inc.; and Executive Vice President and AML Compliance Officer (2007-Present), Harbor Funds Distributors, Inc.
Jodie L. Crotteau (44) Assistant Secretary	Since 2014	Senior Vice President and Chief Compliance Officer, Harbor Capital Advisors, Inc. (2014-Present); Assistant Secretary (2015-present), Harbor Services Group, Inc.; Assistant Secretary (2016-present), Harbor Funds Distributors, Inc.; Vice President and Chief Compliance Officer, Grosvenor Registered Funds (2011-2014); Vice President, Grosvenor Capital Management, L.P. (2010-2014); Assistant Secretary (2005-2010) and AML Compliance Officer (2007-2010), Harbor Funds; Vice President, Secretary and Compliance Director (2007-2010), Harbor Capital Advisors, Inc.; Assistant Secretary (2005-2010), Harbor Services Group, Inc.; and Assistant Secretary (2007-2010), Harbor Funds Distributors, Inc.
John M. Paral (47) Assistant Treasurer	Since 2013	Vice President (2012-Present) and Financial Reporting Manager (2007-Present), Harbor Capital Advisors, Inc.

<sup>1</sup> Each Trustee serves for an indefinite term, until his successor is elected. Each Officer is elected annually.

\* Mr. Van Hooser is deemed an "Interested Trustee" due to his affiliation with the Adviser and Distributor of Harbor Funds.

\*\* Officers of the Funds are "interested persons" as defined in the Investment Company Act.



## Harbor's Privacy Statement

---

The following privacy statement is issued by Harbor Funds and each series of Harbor Funds and its affiliates, Harbor Capital Advisors, Inc., Harbor Services Group, Inc. and Harbor Funds Distributors, Inc. These measures reflect our commitment to maintaining the privacy of your confidential information. We appreciate the confidence you have shown by entrusting us with your assets.

---

**Personal Information** It is our policy to respect the privacy of current and former shareholders and to protect personal information entrusted to us. We do not sell your personal information to anyone.

In the course of providing products and services, we collect non-public personal information about you from the following sources: applications, forms, our website (including any information captured through our use of "cookies"), through mobile applications, by telephone and in correspondence and transactions with us, our affiliates or other parties.

The non-public personal information collected may include name, address, e-mail address, telephone/fax numbers, account number, social security or taxpayer identification number, investment activity, and bank account information.

When you visit us through our website or a mobile application, we may collect technical and navigational information, such as computer browser type, Internet protocol address, pages visited and average time spent on our website. We may use this information to alert you to software compatibility issues, or to improve our web design and functionality. We use "cookies" and similar files that may be placed on your hard drive for security purposes, to facilitate site navigation and to personalize the appearance of our site.

---

**Information Sharing** We occasionally disclose non-public personal information about our current or former shareholders with affiliated and non-affiliated parties, as permitted or required by law or regulation. In the normal course of servicing our shareholders, information we collect may be shared with non-affiliated companies that perform support services on our behalf or to other firms that assist us in providing you with products and services, such as custodians, transfer agents, broker-dealers and marketing service firms, as well as with other financial institutions. These companies may not use the information for any other purpose and we require them to keep the information they handle confidential. We may also share information with affiliates that are engaged in a variety of financial services in order to better service your account(s).

When information is shared with third parties, they are not permitted to use the information for any purpose other than to assist our servicing of your account(s) or as permitted by law.

If you close your account(s) or if we lose contact with you, we will continue to share information in accordance with our current privacy policy and practices.

---

**Access to Information** Access to non-public personal information is limited to employees, agents or other parties who need to know that information to perform their jobs, such as servicing your account(s), resolving problems or informing you of new products or services.

---

**Security** We maintain physical, electronic and procedural safeguards that comply with industry standards to protect your non-public personal information.

For shareholders accessing information through our website or a mobile application, various forms of Internet security, such as data encryption firewall barriers, user names and passwords, and other tools are used. For additional information regarding our security measures, visit the terms and conditions of use on our website at *harborfunds.com*. If you have any questions or concerns about how we maintain the privacy of your non-public personal information, please contact us at 800-422-1050 Monday through Friday, between the hours of 8:00 a.m. and 6:00 p.m. Eastern time.

---

**We recommend that you read and retain this notice for your personal files.**

## Glossary

---

**12b-1 Fee**—A mutual fund fee, named for the SEC rule that permits it, used to pay for broker-dealer compensation and other distribution costs. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

**ADR**—ADR after the name of a foreign holding stands for American Depositary Receipts representing ownership of foreign securities. ADRs are issued by U.S. banking institutions.

**Average Market Capitalization**—The average market capitalization of a fund's equity portfolio gives you a measure of the size of the companies in which the fund invests. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its price per share.

**Average Weighted Coupon**—A calculation from a fund's portfolio by weighting the coupon of each bond by its relative size in the portfolio.

**Beta**—A measure of market-related risk. The beta of every index is 1.00, no matter how volatile the index is. A beta less than one means the portfolio is less volatile than the index. A beta higher than one indicates more volatility than the index.

**Bloomberg Barclays U.S. Aggregate Bond Index**—The Bloomberg Barclays U.S. 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.

**Bloomberg Barclays U.S. TIPS Index**—The Bloomberg Barclays U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation Protected Securities rated investment grade (Baa3 or better), have at least one year to final maturity, and at least \$250 million par amount outstanding. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**Bloomberg Commodity Index Total Return<sup>SM</sup>**—The Bloomberg Commodity Index Total Return<sup>SM</sup> is a broadly diversified index that tracks the commodities markets through commodity futures contracts. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**BofA Merrill Lynch All U.S. Convertibles Ex Mandatory Index**—The BofA Merrill Lynch All U.S. Convertibles Ex Mandatory Index is broadly representative of the U.S. convertible securities market, consisting of publicly traded issues, denominated in U.S. dollars, of all credit qualities, and excluding mandatory (equity-linked) convertibles. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**BofA Merrill Lynch U.S. Dollar 3-Month LIBOR Constant Maturity Index**—The BofA Merrill Lynch U.S. Dollar 3-Month LIBOR Constant Maturity Index tracks the performance of a synthetic asset paying Libor to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that day's fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day fixing rate) and rolled into a new instrument. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**BofA Merrill Lynch 3-Month U.S. Treasury Bill Index**—The BofA Merrill Lynch 3-Month U.S. Treasury Bill Index is comprised of a single U.S. Treasury Bill issue purchased at the beginning of each month and held for a full month, at which time that issue is sold and rolled into a newly selected issue. The issue selected each month is that having a maturity date closest to, but not beyond 90 days from the rebalance date.

**BofA Merrill Lynch U.S. High Yield Index**—The BofA Merrill Lynch U.S. High Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. All bonds are U.S. dollar denominated and rated Split BBB and below. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**BofA Merrill Lynch U.S. Non-Distressed High Yield Index**—The BofA Merrill Lynch U.S. Non-Distressed High Yield Index is a subset of the BofA Merrill Lynch U.S. High Yield Index including all securities with an option-adjusted spread less than 1,000 basis points. The unmanaged index does not reflect fees and expenses and is not available for direct investment.

**Bottom-Up Equity Management Style**—A management style that de-emphasizes the significance of economic and market cycles, focusing instead on the analysis of individual stocks.

**Capital Gains Distribution**—Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio.

**Credit Risk**—The possibility that a bond issuer may not be able to pay interest and repay its debt.

**CUSIP Number**—Identification number assigned to every stock, corporate bond and municipal bond by the Committee on Uniform Securities Identification Procedures (CUSIP), which is established by the American Bankers Association.

## Glossary—Continued

---

**Diversification**—The practice of investing broadly across securities of a number of issuers to reduce risk.

**Duration**—A common gauge of the price sensitivity of a fixed income asset or portfolio to a change in interest rates.

**Emerging Markets**—Emerging markets are countries with relatively young stock and bond markets. Examples include Brazil and Thailand. Typically, emerging-markets investments have the potential for losses and gains larger than those of developed-market investments.

**Expense Ratio**—The Fund's total annual operating expenses (including management fees, distribution (12b-1) fees and other expenses) expressed as a percentage of average net assets.

**Family of Funds**—A group of mutual funds, each typically with its own investment objective, managed and distributed by the same company.

**GDR**—GDR after the name of a holding stands for Global Depositary Receipt representing ownership of foreign securities. GDRs are issued by either U.S. or non-U.S. banking organizations.

**Inception Date**—The date on which the Fund commenced operations.

**Investment Objective**—The goal that an investor and mutual fund pursue together (e.g., current income, long-term capital growth, etc.).

**Median Market Cap**—An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

**MSCI All Country World Index**—The MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI All Country World Ex. U.S. (ND) Index**—The MSCI All Country World Ex. U.S. is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global developed and emerging markets, excluding the United States. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI EAFE (ND) Index**—The MSCI EAFE (ND) Index is an unmanaged index generally representative of major overseas stock markets. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI EAFE Small Cap (ND) Index**—The MSCI EAFE Small Cap (ND) Index is an equity index which captures small cap representation across developed market countries around the world, excluding the U.S. and Canada. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI Emerging Markets (ND) Index**—The MSCI Emerging Markets (ND) Index is a market capitalization weighted index of equity securities in more than 20 emerging market economies. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI World (ND) Index**—The MSCI World (ND) Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**Net Asset Value (NAV)**—The per share value of a mutual fund, determined by subtracting the fund's liabilities from its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once each business day.

**No-Load Fund**—A mutual fund whose shares are sold without a sales commission and without a 12b-1 fee of more than 0.25% per year. Harbor funds are no-load.

**Open-End Investment Company**—The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors on any business day. Harbor Funds is an open-end investment company.

**Operating Expenses**—Business costs paid from a fund's assets before earnings are distributed to shareholders. These include management fees and 12b-1 fees and other expenses.

**Portfolio Manager**—A specialist employed by a mutual fund's adviser or subadviser to invest the fund's assets in accordance with predetermined investment objectives.

**Portfolio Turnover**—A measure of the trading activity in a fund's investment portfolio (how often securities are bought and sold by a fund). Funds with high turnover rates incur higher transaction costs and may be more likely to distribute capital gains (which may be taxable to investors).

## Glossary—Continued

---

**Price to Book Ratio (P/B)**—A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value. For a fund, the weighted average price/book ratio of the stocks it holds.

**Price to Earnings Ratio (P/E)**—The ratio of a stock's current price to its per-share earnings over the past year. For a fund, the weighted average P/E of the stocks it holds. P/E is an indicator of market expectations about corporate prospects; the higher the P/E, the greater the market expectations are for a company's future growth.

**Prospectus**—The official document that describes a mutual fund to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services and fees.

**Record Date**—The date on which a shareholder must officially own shares in order to be entitled to a dividend.

**Redemption Fee**—Fee charged to shareholders by a mutual fund when they sell shares within a specified period after purchase. The time limit and size of fee vary among funds. The fee is paid to the fund, not the fund's investment adviser. Its purpose is to protect long-term investors from the impact of short-term traders.

**REITs (Real Estate Investment Trust)**—REITs invest in real estate or loans secured by real estate and issue shares in such investments. A REIT is similar to a closed-end mutual fund.

**Repurchase Agreement (Repo)**—A form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day. For the party selling the security (and agreeing to repurchase it in the future), it is a repo. For the party on the other end of the transaction (buying the security and agreeing to sell back in the future), it is a reverse repurchase agreement.

**Risk/Reward (or Return)**—The relationship between the degree of risk associated with an investment and its return potential. Typically, the higher the potential return of an investment, the greater the risk.

**Russell 1000<sup>®</sup> Growth Index**—The Russell 1000<sup>®</sup> Growth Index is an unmanaged index generally representative of the U.S. market for larger capitalization growth stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000<sup>®</sup> Growth Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 1000<sup>®</sup> Value Index**—The Russell 1000<sup>®</sup> 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<sup>®</sup> Value Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 2000<sup>®</sup> Index**—The Russell 2000<sup>®</sup> Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000<sup>®</sup> Index is a subset of the Russell 3000<sup>®</sup> Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000<sup>®</sup> Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000<sup>®</sup> Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 2000<sup>®</sup> Growth Index**—The Russell 2000<sup>®</sup> Growth Index is an unmanaged index representing the smallest 2,000 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<sup>®</sup> Growth Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 2000<sup>®</sup> Value Index**—The Russell 2000<sup>®</sup> Value Index is an unmanaged index representing the smallest 2,000 stocks with the lowest 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<sup>®</sup> Value Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 3000<sup>®</sup> Index**—The Russell 3000<sup>®</sup> Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000<sup>®</sup> Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000<sup>®</sup> Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 3000<sup>®</sup> Growth Index**—The Russell 3000<sup>®</sup> Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000<sup>®</sup> Growth Index is constructed to provide a comprehensive, unbiased, and stable barometer

## Glossary—Continued

---

of the broad growth market. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000<sup>®</sup> Growth Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 3000<sup>®</sup> Value Index**—The Russell 3000<sup>®</sup> Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000<sup>®</sup> companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000<sup>®</sup> Value Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad value market. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000<sup>®</sup> Value Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell Midcap<sup>®</sup> Growth Index**—The Russell Midcap<sup>®</sup> Growth Index is an unmanaged index generally representative of the U.S. market for medium capitalization growth stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap<sup>®</sup> Growth Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell Midcap<sup>®</sup> Value Index**—The Russell Midcap<sup>®</sup> Value Index is an unmanaged index generally representative of the U.S. market for medium capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap<sup>®</sup> Value Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**S&P 500 Index**—The S&P 500 Index is an unmanaged index generally representative of the U.S. stock market. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**Statement of Additional Information (SAI)**—The supplementary document to a prospectus that contains more detailed information about a mutual fund; also known as “Part B” of a fund’s registration statement.

**TBAs**—A term used to describe a forward mortgage-backed securities trade. Pass-through securities issued by Freddie Mac, Fannie Mae and Ginnie Mae trade in the TBA market. The term TBA is derived from the fact that the actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. The securities are “to be announced” 48 hours prior to the established trade settlement date.

**Treasury Inflation-Protected Securities (TIPS)**—TIPS are securities in which the principal amount is adjusted for inflation and interest payments are applied to the inflation-adjusted principal.

**Top-Down Equity Management Style**—Investment style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding various sectors of the financial markets and various industries.

**Total Return**—Return on an investment over a specified period, including price appreciation (or depreciation) plus any income, expressed as an average annual compound of return.

**Weighted Average Duration**—Duration is a time measure of a bond’s interest-rate sensitivity, based on the weighted average of the time periods over which a bond’s cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond’s price. (A bond’s cash flows consist of coupon payments and repayment of capital.) A bond’s duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.

**Weighted Average Maturity**—The average length of time until principal must be repaid for all bonds in a mutual fund portfolio on a dollar weighted basis.

**Yield**—A measure of net income (dividends and interest) earned by the securities in the fund’s portfolio less fund expenses during a specified period. A fund’s yield is expressed as a percentage of the maximum offering price per share on a specified date.

**Yield to Maturity**—The term used to describe the rate of return an investor will receive if a long-term, interest-bearing security, such as a bond, is held to its maturity date. Yield to maturity is greater than the coupon rate if the bond is selling at a discount and less than the coupon rate if it is selling at a premium.

# Notes

---





# Harbor Funds®

111 South Wacker Drive, 34th Floor | Chicago, IL 60606-4302 | 800-422-1050 | harborfunds.com

## Trustees & Officers

**David G. Van Hooser**  
*Chairman, President & Trustee*

**Scott M. Amero**  
*Trustee*

**Raymond J. Ball**  
*Trustee*

**Donna J. Dean**  
*Trustee*

**Randall A. Hack**  
*Trustee*

**Robert Kasdin**  
*Trustee*

**Ann M. Spruill**  
*Trustee*

**Charles F. McCain**  
*Chief Compliance Officer*

**Anmarie S. Kolinski**  
*Treasurer*

**Erik D. Ojala**  
*Vice President, Secretary &  
AML Compliance Officer*

**Brian L. Collins**  
*Vice President*

**Charles P. Ragusa**  
*Vice President*

**Jodie L. Crotteau**  
*Assistant Secretary*

**John M. Paral**  
*Assistant Treasurer*

## Investment Adviser

**Harbor Capital Advisors, Inc.**  
111 South Wacker Drive  
34th Floor  
Chicago, IL 60606-4302  
312-443-4400

## Distributor & Principal Underwriter

**Harbor Funds Distributors, Inc.**  
111 South Wacker Drive  
34th Floor  
Chicago, IL 60606-4302  
312-443-4600

## Shareholder Servicing Agent

**Harbor Services Group, Inc.**  
P.O. Box 804660  
Chicago, IL 60680-4108  
800-422-1050

## Custodian

**State Street Bank & Trust Company**  
State Street Financial Center  
1 Lincoln Street  
Boston, MA 02111-2900