



# Harbor Funds

Quarterly Schedule of  
Portfolio Holdings  
January 31, 2012

## Strategic Markets Funds

	<b>Institutional Class</b>	<b>Administrative Class</b>	<b>Investor Class</b>
Harbor Commodity Real Return Strategy Fund	HACMX	HCMRX	—
Harbor Unconstrained Bond Fund	HAUBX	HRUBX	—
Harbor Flexible Capital Fund	HAFIX	HRFLX	HIFIX





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# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—January 31, 2012 (Unaudited)

### Total Investments (% of net assets)

(Excludes net cash, short-term investments, and derivative positions of -18.7%)

U.S. Government Obligations	84.4
Corporate Bonds & Notes	15.4
Asset-Backed Securities	8.6
Foreign Government Obligations	4.0
Collateralized Mortgage Obligations	3.6
Mortgage Pass-Through	1.7
Bank Loan Obligations	0.9
Purchased Options	0.1

### ASSET-BACKED SECURITIES—Continued

Principal Amount (000s)		Value (000s)
\$ 1,200	Hillmark Funding Series 2006-1A Cl. A1 0.729%—05/21/2021 <sup>1,2</sup>	\$ 1,113
464	Katonah Ltd. Series 6A Cl. A1A 0.883%—09/20/2016 <sup>1,2</sup>	457
€ 465	Magi Funding plc Series I-A Cl. A 2.015%—04/11/2021 <sup>2</sup>	561
\$ 13	Premium Loan Trust Ltd. Series 2004-1A Cl. A 0.940%—10/25/2014 <sup>1,2</sup>	13
€ 1,384	SLM Student Loan Trust Series 2003-2 Cl. A5 1.686%—12/15/2023 <sup>1</sup>	1,652
724	Series 2002-7X Cl. A5 1.696%—09/15/2021 <sup>1</sup>	912
		<u>2,564</u>

### ASSET-BACKED SECURITIES—8.6%

Principal Amount (000s)		Value (000s)
\$ 196	American Money Management Corporation Series 2005-5A Cl. A1A 0.798%—08/08/2017 <sup>1,2</sup>	\$ 189
413	Ares CLO Funds Series 2006-6RA Cl. A1B 0.768%—03/12/2018 <sup>1,2</sup>	399
442	Argent Securities Inc. Series 2005-W2 Cl. A2B1 0.476%—10/25/2035 <sup>1</sup>	401
721	Bayview Financial Acquisition Trust Series 2006-D Cl. 1A2 5.660%—12/28/2036 <sup>3</sup>	705
£ 3,000	Chester Asset Receivables Dealings Series 2004-1 Cl. A 1.198%—04/15/2016 <sup>1</sup>	4,611
\$ 3,000	Citibank Omni Master Trust Series 2009-A8 Cl. A8 2.390%—05/16/2016 <sup>1,2</sup>	3,016
2,600	Series 2009-A14A Cl. A14 3.035%—08/15/2018 <sup>1,2</sup>	<u>2,737</u>
		<u>5,753</u>
1,700	Commercial Industrial Finance Corp. Series 2007-1A Cl. A1L 0.704%—05/10/2021 <sup>1,2</sup>	1,588
600	Series 2006-2A Cl. A1L 0.787%—03/01/2021 <sup>1,2</sup>	<u>558</u>
		<u>2,146</u>
836	Countrywide Asset-Backed Certificates Series 2005-15 Cl. 1AF6 5.458%—04/25/2036 <sup>4</sup>	775
€ 750	Driver One GmbH Series 8 Cl. A 1.488%—02/21/2017 <sup>1</sup>	983
\$ 2,215	First Franklin Mortgage Loan Asset Backed Certificates Series 2005-FF11 Cl. A2D 0.616%—11/25/2035 <sup>1</sup>	1,862
1,244	Series 2005-FF8 Cl. A2D 0.656%—09/25/2035 <sup>1</sup>	<u>1,173</u>
		<u>3,035</u>
€ 709	Globaldrive BV Series 2010-A Cl. A 2.400%—04/20/2018 <sup>1</sup>	937
\$ 42	Gulf Stream Compass CLO Ltd. Series 2004-1A Cl. A 0.927%—07/15/2016 <sup>1,2</sup>	42
€ 191	Harvest CLO SA Series IX Cl. A1 2.228%—03/29/2017 <sup>1</sup>	241

\$ 586	Small Business Administration Participation Certificates Series 2007-20K Cl. 1 5.510%—11/01/2027	661
1,200	Stone Tower Capital LLC Series 2007-6A Cl. A1 0.797%—04/17/2021 <sup>1,2</sup>	1,112
600	Venture CDO Ltd. Series 2006-7A Cl. A1A 0.791%—01/20/2022 <sup>1,2</sup>	<u>556</u>
	<b>TOTAL ASSET-BACKED SECURITIES</b> (Cost \$27,960)	<u>27,254</u>

### BANK LOAN OBLIGATIONS—0.9%

1,500	International Lease Finance Corporation Term Loan 6.750%—03/17/2015 <sup>4</sup>	1,510
1,400	Springleaf Financial Funding Company Term Loan 5.500%—05/28/2017 <sup>4</sup>	<u>1,308</u>
	<b>TOTAL BANK LOAN OBLIGATIONS</b> (Cost \$2,874)	<u>2,818</u>

### COLLATERALIZED MORTGAGE OBLIGATIONS—3.6%

1,999	Banc of America Large Loan Inc. Series 2010-HLTN Cl. HLTN 2.035%—11/15/2015 <sup>1,2</sup>	1,859
45	Banc of America Mortgage Securities Inc. Series 2004-1 Cl. 5A1 6.500%—09/25/2033	47
2,065	Bear Stearns Alt-A Trust Series 2004-8 Cl. 1A 0.976%—09/25/2034 <sup>1</sup>	1,664
2,200	DBUS Mortgage Trust Series 2011-LC2A Cl. A2 3.386%—07/10/2044 <sup>2</sup>	2,320
£ 700	Gosforth Funding plc Series 2011-1 Cl. A2 2.540%—04/24/2047 <sup>1</sup>	1,091
€ 458	Granite Mortgages plc Series 2004-2 Cl. 2A1 1.697%—06/20/2044 <sup>1</sup>	579
\$ 214	Harborview Mortgage Loan Trust Series 2005-2 Cl. 2A1A 0.501%—05/19/2035 <sup>1</sup>	128
€ 1,200	Holmes Master Issuer plc Series 2011-1A Cl. A3 2.581%—10/15/2054 <sup>2</sup>	1,567

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### COLLATERALIZED MORTGAGE OBLIGATIONS—Continued

Principal Amount (000s)		Value (000s)
\$ 364	MLCC Mortgage Investors Inc. Series 2006-1 Cl. 1A 2.178%—02/25/2036 <sup>1</sup> .....	\$ 286
€ 500	Permanent Master Issuer plc Series 2011-1A Cl. 1A3 2.531%—07/15/2042 <sup>1,2</sup> .....	652
\$ 239	Thornburg Mortgage Securities Trust Series 2006-4 A2B 5.964%—07/25/2036 <sup>1</sup> .....	236
800	Wachovia Mortgage Loan Trust LLC Series 2005-B Cl. 2A4 2.679%—10/20/2035 <sup>1</sup> .....	600
555	Washington Mutual Mortgage Pass Through Certificates Series 2006-AR1 Cl. 2A1A 1.267%—01/25/2046 <sup>1</sup> .....	427
<b>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</b> (Cost \$11,876) .....		<b>11,456</b>

### CORPORATE BONDS & NOTES—15.4%

600	Ally Financial Inc. 3.649%—02/11/2014 <sup>1</sup> .....	593
300	3.963%—06/20/2014 <sup>1</sup> .....	293
900	8.300%—02/12/2015 .....	995
		<b>1,881</b>
800	Banco Santander Brazil SA MTN <sup>5</sup> 2.659%—03/18/2014 <sup>1,2</sup> .....	764
500	Banco Santander Chile 1.811%—04/20/2012 <sup>1,2</sup> .....	500
£ 300	Bank of America Corporation MTN <sup>5</sup> 1.148%—06/11/2012 <sup>1</sup> .....	470
\$ 4,700	Barclays Bank plc MTN <sup>5</sup> 0.531%—03/23/2017 <sup>1</sup> .....	4,684
2,100	BPCE SA 2.277%—02/07/2014 <sup>1,2</sup> .....	2,004
900	Centex Corporation 5.700%—05/15/2014 .....	934
500	CMS Energy Corp. 4.250%—09/30/2015 .....	516
2,000	Commonwealth Bank of Australia 0.839%—09/17/2014 <sup>1,2</sup> .....	2,013
2,000	Credit Agricole SA MTN <sup>5</sup> 2.011%—01/21/2014 <sup>1,2</sup> .....	1,891
2,900	Dexia Credit Local New York 0.927%—03/05/2013 <sup>1,2</sup> .....	2,757
1,600	Ford Motor Credit Co. LLC 7.500%—08/01/2012 .....	1,645
1,200	FUEL Trust 3.984%—06/15/2016 <sup>2</sup> .....	1,223
500	HCA Inc. 7.250%—09/15/2020 .....	541
1,500	ICICI Bank Ltd. MTN <sup>5</sup> 2.256%—02/24/2014 <sup>1,2</sup> .....	1,411
3,800	ING Bank NV 1.940%—06/09/2014 <sup>1,2</sup> .....	3,663
800	International Lease Finance Corporation MTN <sup>5</sup> 5.400%—02/15/20 .....	802
2,200	Intesa Sanpaolo SpA 2.906%—02/24/2014 <sup>1,2</sup> .....	2,029
1,000	LeasePlan Corporation NV 3.000%—05/07/2012 <sup>2</sup> .....	1,007
1,000	Limited Brands Inc. 6.900%—07/15/2017 .....	1,095
749	Lyondell Chemical Co. 11.000%—05/01/2018 .....	823

### CORPORATE BONDS & NOTES—Continued

Principal Amount (000s)		Value (000s)
\$ 900	Merrill Lynch & Co. Inc. MTN <sup>5</sup> 1.777%—05/30/2014 <sup>1</sup> .....	\$ 1,097
1,800	Morgan Stanley 2.161%—01/24/2014 <sup>1</sup> .....	1,732
500	Morgan Stanley MTN <sup>5</sup> 1.775%—11/29/2013 <sup>1</sup> .....	631
1,200	1.807%—03/01/2013 <sup>1</sup> .....	1,544
		<b>2,175</b>
700	New York Life Global Funding MTN <sup>5</sup> 1.537%—12/20/2013 <sup>1</sup> .....	902
650	Pride International Inc. 6.875%—08/15/2020 .....	786
300	Royal Bank of Scotland plc 2.915%—08/23/2013 <sup>1</sup> .....	295
300	4.875%—03/16/2015 .....	304
		<b>599</b>
300	SLM Corporation 5.092%—11/01/2016 <sup>4,6</sup> .....	258
151	SLM Corporation MTN <sup>5</sup> 5.014%—04/01/2014 <sup>4,6</sup> .....	146
700	5.525%—03/17/2014 <sup>4,6</sup> .....	683
200	5.775%—06/15/2013 <sup>4,6</sup> .....	198
		<b>1,027</b>
15	Svenska Handelsbanken AB 1.544%—09/14/2012 <sup>1,2</sup> .....	15
900	The Goldman Sachs Group Inc. 1.408%—02/04/2013 <sup>1</sup> .....	1,160
200	Turkiye Garanti Bankasi AS 3.061%—04/20/2016 <sup>1,2</sup> .....	182
1,600	Volkswagen International Finance NV 1.031%—10/01/2012 <sup>1,2</sup> .....	1,599
500	1.625%—08/12/2013 <sup>2</sup> .....	503
		<b>2,102</b>
€ 1,100	Wachovia Corp. MTN <sup>5</sup> 1.614%—02/13/2014 <sup>1</sup> .....	1,409
\$ 2,600	Wesfarmers Ltd. 2.983%—05/18/2016 <sup>2</sup> .....	2,648
<b>TOTAL CORPORATE BONDS &amp; NOTES</b> (Cost \$49,427) .....		<b>48,745</b>

### FOREIGN GOVERNMENT OBLIGATIONS—4.0%

AUD\$ 800	Australia Government Bond 2.500%—09/20/2030 <sup>6</sup> .....	1,055
\$ 1,300	3.000%—09/20/2025 <sup>6</sup> .....	1,819
2,400	4.000%—08/20/2020 <sup>6</sup> .....	4,780
		<b>7,654</b>
CAD\$ 105	Canadian Government Bond 1.500%—12/01/2044 <sup>6</sup> .....	138
437	4.250%—12/01/2021 <sup>6</sup> .....	626
		<b>764</b>
\$ 600	Export-Import Bank of Korea MTN <sup>5</sup> 1.592%—03/13/2012 <sup>1,2</sup> .....	600
€ 1,600	Instituto de Credito Oficial MTN <sup>5</sup> 3.154%—03/25/2014 <sup>1</sup> .....	2,000
\$ 100	Petroleos de Venezuela SA 5.000%—10/28/2015 .....	77
£ 812	United Kingdom Gilt Inflation Linked 1.875%—11/22/2022 <sup>6</sup> .....	1,628
<b>TOTAL FOREIGN GOVERNMENT OBLIGATIONS</b> (Cost \$11,446) .....		<b>12,723</b>

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### MORTGAGE PASS-THROUGH—1.7%

Principal Amount (000s)		Value (000s)
\$ 2,269	Federal Home Loan Mortgage Corp. REMIC <sup>7</sup> 0.890%—12/15/2037 <sup>1</sup>	\$ 2,282
925	Federal National Mortgage Association 4.000%—02/01/2041	979
408	Federal National Mortgage Association REMIC <sup>7</sup> 0.626%—07/25/2037 <sup>1</sup>	408
364	0.656%—07/25/2037 <sup>1</sup>	364
298	0.716%—05/25/2036 <sup>1</sup>	298
112	0.721%—02/25/2037 <sup>1</sup>	112
		<u>1,182</u>
333	Government National Mortgage Association 0.581%—03/20/2037 <sup>1</sup>	332
455	National Credit Union Administration Guaranteed Notes Series 2010-R3 Cl. 2A 0.855%—12/08/2020 <sup>1</sup>	457
<b>TOTAL MORTGAGE PASS-THROUGH</b> (Cost \$5,125)		<u>5,232</u>

### PURCHASED OPTION—0.1%

No. of Contracts		
	Commodity Option	
	Gold Futures	
200	08/06/2012	8
100	08/08/2012	7
		<u>15</u>
	Brent Oil Futures	
3	06/11/2012	3
	Crude Oil Futures	
18	11/15/2013	76
27	11/17/2015	88
		<u>164</u>
	Heating Oil Futures	
12	03/27/2012	1
		<u>183</u>
2,100,000	Interest Rate Swap Option 1 year 2.000%—11/19/2012	—
2,700,000	Interest Rate Swap Option 30 year 3.273%—09/24/2012	31
<b>TOTAL PURCHASED OPTIONS</b> (Cost \$458)		<u>214</u>

### U.S. GOVERNMENT OBLIGATIONS—84.4%

Principal Amount (000s)		
\$ 23,979	U.S. Treasury Inflation Indexed Bonds <sup>6</sup> 0.125%—04/15/2016 <sup>8</sup>	25,451
200	0.125%—01/15/2022	208
11,379	0.500%—04/15/2015 <sup>8</sup>	12,082
43,844	0.625%—04/15/2013-07/15/2021	48,077
13,341	1.125%—01/15/2021	15,263
2,031	1.250%—04/15/2014	2,154
33,890	1.250%—07/15/2020 <sup>8</sup>	39,265
5,551	1.375%—07/15/2018-01/15/2020	6,445
1,007	1.625%—01/15/2015	1,100
16,899	1.875%—07/15/2013	17,795
10,913	1.875%—07/15/2019 <sup>8</sup>	13,141

### U.S. GOVERNMENT OBLIGATIONS—Continued

Principal Amount (000s)		Value (000s)
\$ 15,226	2.000%—04/15/2012-07/15/2014	\$ 16,470
27,018	2.000%—01/15/2014 <sup>8</sup>	28,901
5,585	2.125%—01/15/2019 <sup>8</sup>	6,770
1,446	2.125%—02/15/2041	2,030
2,540	2.375%—01/15/2017-01/15/2027	3,113
3,384	2.625%—07/15/2017	4,107
13,778	3.000%—07/15/2012 <sup>8</sup>	14,105
		<u>256,477</u>
10,000	U.S. Treasury Notes 0.500%—10/15/2013 <sup>8</sup>	10,051
<b>TOTAL U.S. GOVERNMENT OBLIGATIONS</b> (Cost \$258,579)		<u>266,528</u>

### SHORT-TERM INVESTMENTS—17.4%

CERTIFICATES OF DEPOSIT—0.3%		
1,000	Banco Bradesco SA 0.000%—01/24/2013 <sup>2</sup>	1,000
REPURCHASE AGREEMENTS—0.3%		
1,030	Repurchase Agreement with State Street Corporation dated January 31, 2012 due February 01, 2012 at 0.010% collateralized by Federal National Mortgage Association (market value \$1,051)	1,030
U.S. TREASURY BILLS—16.8%		
4,900	U.S. Treasury Bills 0.045%—04/12/2012 <sup>8</sup>	4,900
13,900	0.048%—05/31/2012 <sup>8</sup>	13,898
100	0.048%—05/17/2012	100
8,000	0.050%—07/05/2012	7,998
610	0.052%—06/28/2012 <sup>8</sup>	610
2,400	0.058%—04/26/2012	2,400
320	0.073%—03/01/2012 <sup>8</sup>	320
11,900	0.073%—07/19/2012	11,896
1,600	0.073%—01/15/2022	1,599
700	0.092%—12/13/2012	699
7,400	0.103%—01/10/2013	7,393
1,100	0.110%—10/18/2012	1,099
		<u>52,912</u>
<b>TOTAL SHORT-TERM INVESTMENTS</b> (Cost \$54,942)		<u>54,942</u>
<b>TOTAL INVESTMENTS—136.1%</b> (Cost \$422,687)		<u>429,912</u>
<b>CASH AND OTHER ASSETS, LESS LIABILITIES—(36.1)%</b>		<u>(114,078)</u>
<b>TOTAL NET ASSETS—100.0%</b>		<u>\$ 315,834</u>

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### FUTURES CONTRACTS OPEN AT JANUARY 31, 2012

Description	Number of Contracts	Aggregate Face Value (000s)	Expiration Date	Unrealized Appreciation/ (Depreciation) (000s)
Eurodollar Futures-CME 90 day (Buy)	33	\$ 8,250	03/18/2013	\$ 52
Eurodollar Futures-CME 90 day (Buy)	86	21,500	06/17/2013	179
Eurodollar Futures-CME 90 day (Buy)	53	13,250	09/16/2013	96
Eurodollar Futures-CME 90 day (Buy)	138	34,500	12/16/2013	290
Eurodollar Futures-CME 90 day (Buy)	19	4,750	03/16/2015	16
Gold Futures (Buy)	9	1	04/26/2012	75
Wheat Futures (Buy)	4	20	07/13/2012	10
Wheat Futures (Sell)	4	20	07/13/2012	(11)
				<u>\$707</u>

### FORWARD CURRENCY CONTRACTS OPEN AT JANUARY 31, 2012

Currency	Counterparty	Market Value (000s)	Aggregate Face Value (000s)	Delivery Date	Unrealized Appreciation/ (Depreciation) (000s)
Australian Dollar (Sell)	Barclays Bank plc	\$ 992	\$ 929	02/23/2012	\$ (63)
Australian Dollar (Sell)	JP Morgan Chase Bank, N.A.	9,725	9,049	02/23/2012	(676)
Australian Dollar (Sell)	UBS AG	636	591	02/23/2012	(45)
Brazilian Real (Buy)	UBS AG	18	17	03/02/2012	1
Brazilian Real (Sell)	HSBC Bank USA, N.A.	59	55	03/02/2012	(4)
Brazilian Real (Sell)	Morgan Stanley and Co. Inc.	59	55	03/02/2012	(4)
British Pound Sterling (Buy)	Deutsche Bank AG	413	405	03/12/2012	8
British Pound Sterling (Buy)	Morgan Stanley and Co. Inc.	418	412	03/12/2012	6
British Pound Sterling (Buy)	UBS AG	225	219	03/12/2012	6
British Pound Sterling (Sell)	JP Morgan Chase Bank, N.A.	8,941	8,902	03/12/2012	(39)
Canadian Dollar (Buy)	Barclays Bank plc	779	779	02/09/2012	—
Canadian Dollar (Buy)	Deutsche Bank AG	1,094	1,075	02/09/2012	19
Canadian Dollar (Sell)	Barclays Bank plc	539	530	02/09/2012	(9)
Canadian Dollar (Sell)	Barclays Bank plc	778	778	03/22/2012	—
Canadian Dollar (Sell)	Deutsche Bank AG	61	61	02/09/2012	—
Canadian Dollar (Sell)	Goldman Sachs International	734	725	02/09/2012	(9)
Canadian Dollar (Sell)	Royal Bank of Canada	540	529	02/09/2012	(11)
Chinese Yuan (Buy)	Barclays Capital	913	900	06/01/2012	13
Chinese Yuan (Buy)	Barclays Capital	553	553	02/01/2013	—
Chinese Yuan (Buy)	Deutsche Bank AG	552	538	02/13/2012	14
Chinese Yuan (Sell)	Barclays Capital	552	552	02/13/2012	—
Euro Currency (Buy)	Barclays Bank plc	286	300	02/17/2012	(14)
Euro Currency (Buy)	Barclays Bank plc	485	482	02/17/2012	3
Euro Currency (Buy)	JP Morgan Chase Bank, N.A.	144	149	02/17/2012	(5)
Euro Currency (Buy)	Morgan Stanley and Co. Inc.	309	310	02/17/2012	(1)
Euro Currency (Buy)	Morgan Stanley and Co. Inc.	233	230	02/17/2012	3
Euro Currency (Buy)	Royal Bank of Canada	514	525	02/17/2012	(11)
Euro Currency (Buy)	Royal Bank of Canada	4,268	4,183	02/17/2012	85
Euro Currency (Buy)	UBS AG	526	529	02/17/2012	(3)
Euro Currency (Sell)	Barclays Bank plc	15,935	16,587	02/17/2012	652
Euro Currency (Sell)	UBS AG	14,177	14,750	02/17/2012	573
Indian Rupee (Buy)	JP Morgan Chase Bank	2,506	2,755	07/12/2012	(249)
Indian Rupee (Sell)	Barclays Capital	600	573	07/12/2012	(27)
Indian Rupee (Sell)	Barclays Capital	792	800	07/12/2012	8
Indian Rupee (Sell)	Deutsche Bank AG	144	133	07/12/2012	(11)
Indian Rupee (Sell)	Goldman Sachs International	109	100	07/12/2012	(9)
Indian Rupee (Sell)	HSBC Bank USA, N.A.	202	187	07/12/2012	(15)
Indian Rupee (Sell)	JP Morgan Chase Bank	659	643	07/12/2012	(16)
Indonesian Rupiah (Sell)	UBS AG	—	—	07/02/2012	—
Japanese Yen (Sell)	Deutsche Bank AG	736	732	02/14/2012	(4)
Malaysian Ringgit (Buy)	JP Morgan Chase Bank	733	739	04/23/2012	(6)
Malaysian Ringgit (Sell)	Barclays Capital	194	185	04/23/2012	(9)
Malaysian Ringgit (Sell)	Deutsche Bank AG	233	222	04/23/2012	(11)
Malaysian Ringgit (Sell)	HSBC Bank USA, N.A.	97	93	04/23/2012	(4)
Malaysian Ringgit (Sell)	JP Morgan Chase Bank	210	200	04/23/2012	(10)
Mexican Peso (Buy)	HSBC Bank USA, N.A.	793	765	03/15/2012	28
Mexican Peso (Sell)	Barclays Bank plc	188	180	03/15/2012	(8)
Mexican Peso (Sell)	UBS AG	594	558	03/15/2012	(36)

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### FORWARD CURRENCY CONTRACTS—Continued

Currency	Counterparty	Market Value (000s)	Aggregate Face Value (000s)	Delivery Date	Unrealized Appreciation/ (Depreciation) (000s)
Philippine Peso (Buy)	Barclays Capital	\$ 506	\$ 510	03/15/2012	\$ (4)
Philippine Peso (Buy)	JP Morgan Chase Bank	460	456	03/15/2012	4
Philippine Peso (Sell)	Barclays Capital	446	436	03/15/2012	(10)
Philippine Peso (Sell)	Deutsche Bank AG	245	240	03/15/2012	(5)
Philippine Peso (Sell)	Goldman Sachs International	174	170	03/15/2012	(4)
Philippine Peso (Sell)	JP Morgan Chase Bank	101	100	03/15/2012	(1)
Singapore Dollar (Buy)	JP Morgan Chase Bank, N.A.	800	772	02/10/2012	28
Singapore Dollar (Buy)	UBS AG	—	—	05/15/2012	—
Singapore Dollar (Sell)	Barclays Bank plc	423	411	02/10/2012	(12)
Singapore Dollar (Sell)	Deutsche Bank AG	67	65	02/10/2012	(2)
Singapore Dollar (Sell)	HSBC Bank USA, N.A.	103	100	02/10/2012	(3)
Singapore Dollar (Sell)	UBS AG	205	200	02/10/2012	(5)
South Korean Won (Buy)	UBS AG	1,751	1,750	02/27/2012	1
South Korean Won (Sell)	Barclays Capital	890	870	02/27/2012	(20)
South Korean Won (Sell)	Deutsche Bank AG	72	70	02/27/2012	(2)
South Korean Won (Sell)	Goldman Sachs International	178	172	02/27/2012	(6)
South Korean Won (Sell)	HSBC Bank USA, N.A.	204	200	02/27/2012	(4)
South Korean Won (Sell)	Morgan Stanley and Co. Inc.	405	400	02/27/2012	(5)
					<u>\$ 60</u>

### SWAP AGREEMENTS OPEN AT JANUARY 31, 2012

#### TOTAL RETURN SWAPS ON INDICIES

Counterparty	Floating Rate	Pay/Receive Floating Rate	Index	Expiration Date	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Deutsche Bank AG	U.S. Treasury Bill	Pay	Dow Jones-UBS Commodity Index Total Return	02/27/2012	\$39,060	\$ (386)
JP Morgan Chase Bank, N.A.	U.S. Treasury Bill	Pay	Dow Jones-UBS Commodity Index Total Return	02/27/2012	61,970	(524)
Barclays Bank PLC	U.S. Treasury Bill	Pay	Dow Jones-UBS Commodity Index Total Return	02/27/2012	38,640	(312)
UBS AG	U.S. Treasury Bill	Pay	Dow Jones-UBS Commodity Index Total Return	02/27/2012	8,580	(85)
Morgan Stanley Capital Services LLC	U.S. Treasury Bill	Pay	Dow Jones-UBS Commodity Index Total Return	02/27/2012	11,300	(112)
Morgan Stanley Capital Services LLC	U.S. Treasury Bill	Pay	Dow Jones-UBS Commodity Index Total Return	02/27/2012	90,000	(898)
Goldman Sachs Bank USA	U.S. Treasury Bill	Pay	Dow Jones-UBS Commodity Index Total Return	02/01/2012	25,360	552
Credit Suisse International	U.S. Treasury Bill	Pay	Dow Jones-UBS Commodity Index Total Return	02/27/2012	17,380	(173)
Goldman Sachs Bank USA	U.S. Treasury Bill	Pay	Dow Jones-UBS Commodity Index Total Return	02/27/2012	22,480	(224)
Total Return Swaps on Indicies						<u>\$(2,162)</u>

#### TOTAL RETURN SWAPS ON COMMODITIES

Counterparty	Reference Entity	Pay/Receive Fixed Price	Fixed Price per Unit	Expiration Date	Number of Units	Unrealized Appreciation/ (Depreciation) (000s)
Barclays Bank PLC	Bloomberg Nymex Heating Oil Nymex WTI Cushing Crude Oil First Month Spread	Receive	\$ (7.635)	12/31/2012	7,700	\$(14)
Barclays Bank PLC	Bloomberg Nymex Heating Oil Nymex WTI Cushing Crude Oil First Month Spread	Receive	0.000	12/31/2012	22,000	(2)
Barclays Bank PLC	Bloomberg Nymex Heating Oil Nymex WTI Cushing Crude Oil First Month Spread	Receive	4.150	12/31/2012	5,500	(15)
Barclays Bank PLC	Bloomberg Nymex Heating Oil Nymex WTI Cushing Crude Oil First Month Spread	Receive	5.100	12/31/2012	11,000	(18)
Barclays Bank PLC	Bloomberg Nymex Heating Oil Nymex WTI Cushing Crude Oil First Month Spread	Receive	5.150	12/31/2012	11,000	(18)
Barclays Bank PLC	Bloomberg Nymex Heating Oil Nymex WTI Cushing Crude Oil First Month Spread	Receive	5.250	12/31/2012	11,000	(17)
Barclays Bank PLC	Bloomberg Nymex Heating Oil Nymex WTI Cushing Crude Oil First Month Spread	Receive	5.450	12/31/2012	11,000	(14)
Barclays Bank PLC	Bloomberg Nymex Heating Oil Nymex WTI Cushing Crude Oil First Month Spread	Receive	15.650	12/31/2012	6,600	(7)
Barclays Bank PLC	Bloomberg Nymex Heating Oil Nymex WTI Cushing Crude Oil First Month Spread	Receive	19.900	12/31/2012	2,200	—
Deutsche Bank AG	Corn-March 2012	Receive	596.590	02/24/2012	50,000	(21)

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### 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	Unrealized Appreciation/ (Depreciation) (000s)
Deutsche Bank AG	Gold-April 2012	Receive	\$1,730.730	03/29/2012	320	\$ (3)
Deutsche Bank AG	Natural Gas-December 2019	Receive	7.200	12/31/2019	24,000	(31)
Deutsche Bank AG	Platinum-April 2012	Receive	1,434.549	03/29/2012	320	48
Deutsche Bank AG	Soybean-March 2012	Receive	1,230.000	02/24/2012	20,000	(6)
Australia and New Zealand Banking Group	Wheat-July 2012	Receive	641.000	06/22/2012	15,000	(7)
Australia and New Zealand Banking Group	Wheat-July 2012	Receive	680.000	06/22/2012	15,000	8
Total Return Swaps on Commodities						\$(117)

#### VARIANCE SWAPS ON COMMODITIES

Counterparty	Reference Assets	Pay/Receive Variance <sup>f</sup>	Initial Volatility Strike	Expiration Date	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Deutsche Bank AG	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	\$0.044	04/27/2012	\$150	\$—
Goldman Sachs International	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.065	03/05/2012	290	2
Goldman Sachs International	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.064	03/06/2012	280	2
Morgan Stanley Capital Services LLC	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.044	04/18/2012	210	(1)
Deutsche Bank AG	West Texas Intermediate Crude Oil Futures	Pay	0.108	02/15/2012	100	5
Variance Swaps on Commodities						\$ 8

#### CREDIT DEFAULT SWAPS

Counterparty	Reference Entity	Buy/ Sell <sup>a,b</sup>	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>c</sup>	Market Value <sup>d</sup> (000s)	Upfront Premium Paid/(Received) (000s)	Notional Amount <sup>e</sup> (000s)	Unrealized Appreciation/ (Depreciation) (000s)
BNP Paribas S.A.	Centex Corporation Senior Bond 5.250% due 06/15/2015	Buy	1.000%	6/20/2014	2.013%	\$ 21	\$(11)	\$ 900	\$ 32
Morgan Stanley Capital Services LLC	Credit Agricole SA Senior Bond 5.065% due 08/10/2022	Buy	1.000	3/20/2014	1.898	37	61	2,000	(24)
Barclays Bank plc	Dow Jones CDX Emerging Markets Index Series 15	Sell	5.000	6/20/2016	2.591	156	206	1,600	(50)
Deutsche Bank AG	Dow Jones CDX Emerging Markets Index Series 14	Sell	5.000	12/20/2015	2.519	18	28	200	(10)
UBS AG	Dow Jones CDX Emerging Markets Index Series 14	Sell	5.000	12/20/2015	2.519	18	27	200	(9)
Barclays Bank plc	Federative Republic of Brazil 12.250% due 03/06/2030	Sell	1.000	6/20/2015	1.170	(6)	(21)	1,000	15
HSBC Bank USA, N.A.	Federative Republic of Brazil 12.250% due 03/06/2030	Sell	1.000	6/20/2015	1.170	(5)	(10)	900	5
Deutsche Bank AG	French Republic 4.250% due 04/25/2019	Sell	0.250	6/20/2015	1.511	(8)	(6)	200	(2)
Royal Bank of Scotland plc	French Republic 4.250% due 04/25/2019	Sell	0.250	12/20/2015	1.607	(15)	(6)	300	(9)
Goldman Sachs International	Government of Japan 2.000% due 03/21/2022	Sell	1.000	12/20/2015	1.156	(4)	15	700	(19)
HSBC Bank USA, N.A.	Government of Japan 2.000% due 03/21/2022	Sell	1.000	6/20/2016	1.244	(18)	(3)	1,700	(15)
Royal Bank of Scotland plc	Government of Japan 2.000% due 03/21/2022	Sell	1.000	12/20/2015	1.156	(1)	2	100	(3)
Bank of America, N.A.	International Lease Finance Corporation Senior Bond 8.250% due 12/15/2020	Sell	5.000	6/20/2016	5.058	4	(62)	1,000	66
Goldman Sachs International	International Lease Finance Corporation 5.550% due 09/05/2012	Buy	5.000	3/20/2012	3.414	(2)	56	800	(58)
BNP Paribas S.A.	Intesa Sanpaolo Spa Senior Bond 4.750% due 06/15/2017	Buy	3.000	3/20/2014	3.167	7	94	2,200	(87)

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### CREDIT DEFAULT SWAPS—Continued

Counterparty	Reference Entity	Buy/ Sell <sup>a,b</sup>	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>c</sup>	Market Value <sup>d</sup> (000s)	Upfront Premium Paid/(Received) (000s)	Notional Amount <sup>e</sup> (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Deutsche Bank AG	Limited Brands Inc. Senior Bond 6.900% due 07/15/2017	Buy	1.000%	9/20/2017	2.028%	\$54	\$54	\$1,000	\$ —
JP Morgan Chase Bank, N.A.	Petroleo Brasileiro SA Petrobras 8.375% due 12/10/2018	Sell	1.000	9/20/2015	1.472	(5)	(9)	300	4
Bank of America, N.A.	United Kingdom of Great Britain and Northern Ireland 4.250% due 06/07/2032	Sell	1.000	6/20/2015	0.481	9	6	500	3
Deutsche Bank AG	United Kingdom of Great Britain and Northern Ireland 4.250% due 06/07/2032	Sell	1.000	12/20/2015	0.587	2	3	100	(1)
Credit Default Swaps									<u>\$(162)</u>

#### INTEREST RATE SWAPS

Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Expiration Date	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Barclays Bank plc	Brazil Cetip Interbank Deposit	Pay	9.970%	01/02/2014	R\$ 800	\$ —
BNP Paribas S.A.	Brazil Cetip Interbank Deposit	Pay	11.880	01/02/2013	600	15
Goldman Sachs Bank USA	Brazil Cetip Interbank Deposit	Pay	11.890	01/02/2013	3,000	59
HSBC Bank USA, N.A.	Brazil Cetip Interbank Deposit	Pay	11.890	01/02/2013	700	13
HSBC Bank USA, N.A.	Brazil Cetip Interbank Deposit	Pay	10.180	01/02/2014	5,900	25
HSBC Bank USA, N.A.	Brazil Cetip Interbank Deposit	Pay	10.530	01/02/2014	2,800	—
JP Morgan Chase Bank, N.A.	Brazil Cetip Interbank Deposit	Pay	12.170	01/02/2013	300	6
Morgan Stanley Capital Services LLC	Brazil Cetip Interbank Deposit	Pay	11.980	01/02/2013	500	10
Morgan Stanley Capital Services LLC	Brazil Cetip Interbank Deposit	Pay	10.580	01/02/2014	5,000	3
UBS AG	Brazil Cetip Interbank Deposit	Pay	12.070	01/02/2013	200	5
UBS AG	Brazil Cetip Interbank Deposit	Pay	10.380	01/02/2014	3,300	—
UBS AG	Brazil Cetip Interbank Deposit	Pay	10.770	01/02/2014	4,600	16
Barclays Bank plc	France CPI Ex Tobacco Index	Pay	1.850	10/15/2016	€ 1,000	(17)
BNP Paribas S.A.	France CPI Ex Tobacco Index	Pay	1.850	10/15/2016	1,500	(33)
Interest Rate Swaps						<u>\$ 102</u>
Total Swaps						<u>\$(2,331)</u>

#### WRITTEN OPTIONS OPEN AT JANUARY 31, 2012

Description	Number of Shares/Contracts	Strike Price/Rate	Expiration Date	Value (000s)
Interest Rate Swap Option 1 year (Call)	(900,000)	0.80%	10/11/2012	\$ (3)
Interest Rate Swap Option 1 year (Call)	(1,000,000)	0.80	10/11/2012	(3)
Interest Rate Swap Option 1 year (Put)	(1,000,000)	0.80	10/11/2012	(1)
Interest Rate Swap Option 1 year (Put)	(900,000)	0.80	10/11/2012	—
Interest Rate Swap Option 1 year (Put)	(2,100,000)	1.00	11/19/2012	(1)
Interest Rate Swap Option 2 year (Call)	(2,000,000)	1.06	10/11/2012	(21)
Interest Rate Swap Option 2 year (Call)	(2,200,000)	0.92	11/14/2012	(17)
Interest Rate Swap Option 2 year (Put)	(8,600,000)	2.25	09/24/2012	(1)
Interest Rate Swap Option 2 year (Put)	(400,000)	2.25	09/24/2012	—
Interest Rate Swap Option 2 year (Put)	(400,000)	2.25	09/24/2012	—
Interest Rate Swap Option 2 year (Put)	(2,000,000)	1.06	10/11/2012	(2)
Interest Rate Swap Option 2 year (Put)	(2,200,000)	0.92	11/14/2012	(3)
Interest Rate Swap Option 3 year (Put)	(2,600,000)	3.00	06/18/2012	—
Interest Rate Swap Option 3 year (Put)	(1,400,000)	3.00	06/18/2012	—
Interest Rate Swap Option 3 year (Put)	(1,000,000)	3.00	06/18/2012	—
Interest Rate Swap Option 3 year (Put)	(900,000)	3.00	06/18/2012	—
Interest Rate Swap Option 3 year (Put)	(300,000)	3.00	06/18/2012	—
Interest Rate Swap Option 5 year (Put)	(12,300,000)	2.25	09/24/2012	(13)
Commodity-Crude Oil Futures (Call)	(18)	\$140.00	11/11/2013	(75)
Commodity-Crude Oil Futures (Call)	(27)	160.00	11/10/2015	(95)
Commodity-Crude Oil Futures (Put)	(6)	80.00	03/12/2012	—
Commodity-Crude Oil Futures (Put)	(6)	80.00	03/12/2012	—

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### WRITTEN OPTIONS—Continued

Description	Number of Shares/Contracts	Strike Price/Rate	Expiration Date	Value (000s)
Commodity-Matiff Corn Futures (Call) . . . . .	(3)	\$ 350.00	05/25/2012	\$ (6)
Commodity-Platinum & Palladium Futures (Put) . . . . .	(200)	1,565.00	08/06/2012	(20)
Commodity-Platinum & Palladium Futures (Put) . . . . .	(100)	1,650.00	08/08/2012	(15)
Written options outstanding, at value (premiums received of \$612) . . . . .				<u>\$(276)</u>

### FAIR VALUE MEASUREMENTS

Holdings in Futures contracts valued at \$707 are classified as Level 1. All other holdings at January 31, 2012 (as disclosed in the preceding Portfolio of Investments) are classified as Level 2. There were no Level 3 holdings at October 31, 2011 or January 31, 2012, and no significant transfers between levels during the period.

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

### DERIVATIVE INSTRUMENTS

The following table summarizes the Fund's derivative instruments categorized by risk exposure as of January 31, 2012.

Risk Exposure Category	Asset Derivatives Fair Value (000s)	Liability Derivatives Fair Value (000s)
Commodity Contracts . . . . .	\$ 885	\$(3,110)
Credit Contracts . . . . .	125	(287)
Foreign Exchange Contracts . . . . .	1,452	(1,392)
Interest Rate Contracts . . . . .	816	(115)
Total . . . . .	<u>\$3,278</u>	<u>\$(4,904)</u>

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

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- 1 Floating rate security. The stated rate represents the rate in effect at January 31, 2012.
- 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 January 31, 2012, these securities were valued at \$44,548 or 14% of net assets.
- 3 Step coupon security.
- 4 Variable rate security. The stated rate represents the rate in effect at January 31, 2012.
- 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 REMICs are CMOs which can hold mortgages secured by any type of real property and issue multiple-class securities backed by those mortgages.
- 8 At January 31, 2012, 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 Portfolios of Investments.) The securities pledged had an aggregate market value of \$169,494 or 54% of net assets.
- a 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.
- b 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.
- c Implied credit spreads, represented in absolute terms, utilized in determining the market 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.
- d 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 been closed/ sold as of the period end. Increasing market 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.
- e 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.
- f 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.

AUD\$ Australian Dollar.  
R\$ Brazilian Real.  
£ British Pound.  
CAD\$ Canadian Dollar.  
€ Euro.

The accompanying notes are an integral part of the Portfolio of Investments.

# Harbor Unconstrained Bond Fund

## PORTFOLIO OF INVESTMENTS—January 31, 2012 (Unaudited)

### Total Investments (% of net assets)

(Excludes net cash, short-term investments, and derivative positions of -20.1%)

U.S. Government Obligations	47.3
Mortgage Pass-Through	24.7
Corporate Bonds & Notes	15.5
Foreign Government Obligations	10.7
Asset-Backed Securities	6.2
Collateralized Mortgage Obligations	6.0
Bank Loan Obligations	4.3
Convertible Bonds	2.5
Municipal Bonds	2.3
U.S. Government Agencies	0.4
Purchased Options	0.2

### BANK LOAN OBLIGATIONS—4.3%

Principal Amount (000s)		Value (000s)
\$ 500	DigitalGlobe Inc. Term Loan B 1.000%—09/21/2018 <sup>4</sup>	\$ 499
600	Springleaf Financial Corporation Term Loan 5.500%—05/28/2017 <sup>4</sup>	560
€ 100	Terex Corporation Term Loan 6.032%—04/28/2017 <sup>4</sup>	130
<b>TOTAL BANK LOAN OBLIGATIONS</b> (Cost \$1,227)		<b>1,189</b>

### COLLATERALIZED MORTGAGE OBLIGATIONS—6.0%

\$ 57	American Home Mortgage Assets Series 2006-2 Cl. 1A1 1.157%—09/25/2046 <sup>2</sup>	28
€ 168	Arran Residential Mortgages Funding plc Series 2011-1A Cl. A1B 2.660%—11/19/2047 <sup>2,3</sup>	220
\$ 38	Banc of America Alternative Loan Trust Series 2003-2 Cl. CB1 5.750%—04/25/2033	40
100	Banc of America Funding Corporation Series 2007-D Cl. 1A4 0.511%—06/20/2047 <sup>2</sup>	71
22	Series 2004-A Cl. 4A1 2.858%—06/20/2032 <sup>4</sup>	21
		<u>92</u>
94	BCAP LLC Trust Series 2011 Cl. RR5 5.250%—06/26/2036 <sup>3</sup>	80
61	Bear Stearns Adjustable Rate Mortgage Trust Series 2005-5 Cl. A2 2.250%—08/25/2035 <sup>2</sup>	52
17	Series 2004-10 Cl. 15A1 2.700%—01/25/2035 <sup>2</sup>	14
35	Series 2005-1 Cl. 4A1 5.230%—03/25/2035 <sup>4</sup>	32
		<u>98</u>
93	Citigroup Mortgage Loan Trust Inc. Series 2005-3 Cl. 1A1 1.933%—08/25/2035 <sup>2</sup>	69
£ 107	Granite Mortgages plc Series 2004-3 Cl. 3A2 1.450%—09/20/2044 <sup>2</sup>	165
€ 12	Series 2003-3 Cl. 2A 1.584%—01/20/2044 <sup>2</sup>	15
		<u>180</u>
\$ 32	Impac CMB Trust Series 2004-4 Cl. 1A1 0.916%—09/25/2034 <sup>2</sup>	24
15	Indymac Index Mortgage Loan Trust Series 2004-Cl. AR6 5A1 2.588%—10/25/2034 <sup>4</sup>	13
54	JP Morgan Alternative Loan Trust Series 2006-A3 Cl. 1A3 0.426%—07/25/2036 <sup>2</sup>	47
12	MASTR Adjustable Rate Mortgages Trust Series 2004-4 Cl. 3A1 2.232%—05/25/2034 <sup>4</sup>	11
100	Structured Asset Securities Corporation Series 2005-16 Cl. 1A2 5.500%—09/25/2035	87
42	Thornburg Mortgage Securities Trust Series 2007-1 Cl. A3A 0.376%—03/25/2037 <sup>2</sup>	42

### ASSET-BACKED SECURITIES—6.2%

Principal Amount (000s)		Value (000s)
€ 484	Avoca Capital Series III-X Cl. A 1.974%—09/15/2021	\$ 596
\$ 100	Countrywide Asset-Backed Certificates Series 2006-1 Cl. AF5 5.884%—07/25/2036 <sup>1</sup>	43
198	Credit-Based Asset Servicing and Securitization LLC Series 2007-CB3 Cl. A4 5.419%—03/25/2037 <sup>1</sup>	71
198	Series 2007-CB3 Cl. A3 5.419%—03/25/2037 <sup>1</sup>	70
81	Indymac Residential Asset Backed Trust Series 2007-B Cl. 2A2 0.436%—07/25/2037 <sup>2</sup>	40
800	Morgan Stanley ABS Capital I Series 2007-HE2 Cl. A2B 0.366%—01/25/2037 <sup>2</sup>	264
100	Series 2007-NC1 Cl. A2C 0.416%—11/25/2036 <sup>2</sup>	32
		<u>296</u>
88	Ownit Mortgage Loan Asset Backed Certificates Series 2006-4 Cl. A2C 0.426%—05/25/2037 <sup>2</sup>	45
70	Plymouth Rock CLO Ltd. Series 2010-1A Cl. A 1.961%—02/16/2019 <sup>2,3</sup>	69
79	Securitized Asset Backed Receivables LLC Trust Series 2004-OP1 Cl. M1 1.041%—02/25/2034 <sup>2</sup>	58
79	SLC Student Loan Trust Series 2009-AA Cl. A 4.750%—06/15/2033 <sup>2,3</sup>	77
179	SLM Student Loan Trust Series 2010-A Cl. 2A 3.535%—05/16/2044 <sup>2,3</sup>	183
100	Stone Tower Capital LLC Series 2007-6A Cl. A1 0.797%—04/17/2021 <sup>2,3</sup>	93
80	Structured Asset Investment Loan Trust Series 2005-8 Cl. A4 0.636%—10/25/2035 <sup>2</sup>	56
<b>TOTAL ASSET-BACKED SECURITIES</b> (Cost \$1,819)		<b>1,697</b>

# Harbor Unconstrained Bond Fund

## PORTFOLIO OF INVESTMENTS—Continued

### COLLATERALIZED MORTGAGE OBLIGATIONS—Continued

Principal Amount (000s)		Value (000s)
	Wachovia Bank Commercial Mortgage Trust	
	Series 2007-WHL8 Cl. A1	
\$ 124	0.370%—06/15/2020 <sup>2,3</sup>	\$ 112
	Series 2006-C29 Cl. A2	
6	5.275%—11/15/2048	6
		118
	Washington Mutual Mortgage Pass Through Certificates	
	Series 2005-AR6 Cl. 2A1A	
17	0.506%—04/25/2045 <sup>2</sup>	13
	Series 2005-AR15 Cl. A1A2	
93	0.556%—11/25/2045 <sup>2</sup>	63
	Series 2005-AR9 Cl. A1A	
74	0.596%—07/25/2045 <sup>2</sup>	56
	Series 2007-HY3 Cl. 2A1	
166	5.178%—03/25/2037 <sup>2</sup>	117
	Series 2007-HY4 Cl. 3A1	
312	5.514%—04/25/2037 <sup>2</sup>	254
		503
	<b>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</b>	
	(Cost \$1,758)	1,652

### CONVERTIBLE BONDS—2.5%

	Electronic Arts Inc.	
400	0.750%—07/15/2016 <sup>3</sup>	380
	Transocean Inc.	
300	1.500%—12/15/2037	296

### TOTAL CONVERTIBLE BONDS

(Cost \$695) 676

### CONVERTIBLE PREFERRED STOCKS—0.0%

(Cost \$5)

#### Shares

### ELECTRIC UTILITIES—0.0%

	PPL Corporation	
100	9.500%—07/01/2013 <sup>3</sup>	5

### CORPORATE BONDS & NOTES—15.5%

Principal Amount (000s)		
	Abbey National Treasury Services plc	
\$ 100	4.000%—04/27/2016	97
	Ally Financial Inc.	
100	3.963%—06/20/2014 <sup>2</sup>	98
	Banco Santander Brazil SA MTN <sup>5</sup>	
200	2.659%—03/18/2014 <sup>2,3</sup>	191
	Bank of America Corporation	
100	6.500%—08/01/2016	107
	Banque PSA Finance	
100	2.481%—04/04/2014 <sup>2,3</sup>	91
	Barclays Bank plc	
100	1.617%—01/13/2014 <sup>2</sup>	98
	Countrywide Financial Corporation MTN <sup>5</sup>	
50	5.800%—06/07/2012	50
	Ford Motor Credit Co. LLC	
100	7.500%—08/01/2012	103
	Goldman Sachs Group Inc.	
€ 100	1.817%—05/23/2016 <sup>2</sup>	115

### CORPORATE BONDS & NOTES—Continued

Principal Amount (000s)		Value (000s)
	Goldman Sachs Group Inc. MTN <sup>5</sup>	
\$ 100	5.375%—03/15/2020	\$ 102
100	7.500%—02/15/2019	114
		216
	Hewlett-Packard Co.	
100	0.786%—05/24/2013 <sup>2</sup>	99
	HSBC Bank plc	
300	3.100%—05/24/2016 <sup>3</sup>	307
	HSBC Holdings plc	
100	5.100%—04/05/2021	109
	International Lease Finance Corporation	
100	6.500%—09/01/2014 <sup>3</sup>	106
	International Lease Finance Corporation MTN <sup>5</sup>	
300	6.375%—03/25/2013	306
	Intesa Sanpaolo SpA MTN <sup>5</sup>	
100	6.500%—02/24/2021 <sup>3</sup>	92
	JPMorgan Chase & Co.	
400	4.625%—05/10/2021	415
	LBG Capital No.1 plc	
£ 100	7.869%—08/25/2020	131
	MetLife Institutional Funding II	
\$ 100	1.481%—04/04/2014 <sup>2,3</sup>	100
	Morgan Stanley	
100	5.750%—01/25/2021	100
	Morgan Stanley MTN <sup>5</sup>	
100	7.300%—05/13/2019	109
	National Australia Bank Ltd.	
100	1.301%—04/11/2014 <sup>2,3</sup>	99
	Reynolds Group Issuer Inc.	
100	6.875%—02/15/2021 <sup>3</sup>	105
	Royal Bank of Scotland plc	
100	5.625%—08/24/2020	103
	Royal Bank of Scotland plc MTN <sup>5</sup>	
100	5.500%—03/23/2020	132
	SLM Corporation MTN <sup>5</sup>	
300	0.860%—01/27/2014 <sup>2</sup>	278
	UBS AG MTN <sup>5</sup>	
300	5.875%—12/20/2017	336
	Volkswagen International Finance NV	
100	1.875%—04/01/2014 <sup>3</sup>	101
	Wynn Las Vegas LLC	
50	7.750%—08/15/2020	57

### TOTAL CORPORATE BONDS & NOTES

(Cost \$4,283) 4,251

### FOREIGN GOVERNMENT OBLIGATIONS—10.7%

	Australia Government Bond	
AUD\$ 200	4.750%—06/15/2016	225
900	5.500%—12/15/2013-04/21/2023	1,056
200	5.750%—07/15/2022	247
		1,528
	Bundesrepublik Deutschland	
€ 200	4.250%—07/04/2018	313
	Canadian Government Bond	
CAD\$ 100	1.500%—12/01/2012	100
200	1.750%—03/01/2013	201
300	2.750%—09/01/2016	319
		620
	Mexican Bonos	
MEX\$ 930	6.500%—06/10/2021	75
1,800	10.000%—12/05/2024	185
		260



# Harbor Unconstrained Bond Fund

## PORTFOLIO OF INVESTMENTS—Continued

### FUTURES CONTRACTS OPEN AT JANUARY 31, 2012

Description	Number of Contracts	Aggregate Face Value (000s)	Expiration Date	Unrealized Appreciation/ (Depreciation) (000s)
Eurodollar Futures-CME 90 day (Buy)	6	\$1,500	03/17/2014	\$ 6
Eurodollar Futures-CME 90 day (Buy)	2	500	06/16/2014	3
U.S. Treasury Note Futures-30 year (Sell)	6	600	03/21/2012	(9)
U.S. Treasury Note Futures-5 year (Sell)	57	5,700	03/30/2012	(76)
Ultra-Long U.S. Treasury Bond Futures (Buy)	4	400	03/21/2012	3
				<u>\$(73)</u>

### FORWARD CURRENCY CONTRACTS OPEN AT JANUARY 31, 2012

Currency	Counterparty	Market Value (000s)	Aggregate Face Value (000s)	Delivery Date	Unrealized Appreciation/ (Depreciation) (000s)
Australian Dollar (Buy)	Deutsche Bank AG	\$ 17	\$ 17	02/23/2012	\$ —
Australian Dollar (Sell)	Barclays Bank plc	2,275	2,111	02/23/2012	(164)
Australian Dollar (Sell)	JP Morgan Chase Bank, N.A.	233	224	02/23/2012	(9)
Brazilian Real (Sell)	Deutsche Bank AG	8	8	03/02/2012	—
Brazilian Real (Sell)	UBS AG	92	90	03/02/2012	(2)
British Pound Sterling (Buy)	Barclays Bank plc	13	13	03/12/2012	—
British Pound Sterling (Buy)	UBS AG	13	13	03/12/2012	—
British Pound Sterling (Sell)	JP Morgan Chase Bank, N.A.	602	599	03/12/2012	(3)
Canadian Dollar (Buy)	Barclays Bank plc	618	618	02/09/2012	—
Canadian Dollar (Sell)	Barclays Bank plc	618	606	02/09/2012	(12)
Canadian Dollar (Sell)	Barclays Bank plc	618	618	03/22/2012	—
Chinese Yuan (Buy)	Barclays Capital	296	293	06/01/2012	3
Chinese Yuan (Buy)	Barclays Capital	783	783	02/01/2013	—
Chinese Yuan (Buy)	Credit Suisse First Boston	95	95	06/01/2012	—
Chinese Yuan (Buy)	Deutsche Bank AG	233	229	02/03/2012	4
Chinese Yuan (Buy)	Deutsche Bank AG	92	92	02/01/2013	—
Chinese Yuan (Buy)	Deutsche Bank AG	48	48	08/05/2013	—
Chinese Yuan (Buy)	Goldman Sachs International	36	36	02/01/2013	—
Chinese Yuan (Buy)	JP Morgan Chase Bank	612	605	02/13/2012	7
Chinese Yuan (Buy)	JP Morgan Chase Bank	14	14	02/01/2013	—
Chinese Yuan (Buy)	UBS AG	31	31	02/13/2012	—
Chinese Yuan (Sell)	Barclays Capital	783	783	02/13/2012	—
Chinese Yuan (Sell)	Deutsche Bank AG	95	95	02/03/2012	—
Euro Currency (Buy)	JP Morgan Chase Bank, N.A.	18	18	04/16/2012	—
Euro Currency (Sell)	JP Morgan Chase Bank, N.A.	285	280	04/16/2012	(5)
Euro Currency (Sell)	UBS AG	2,311	2,254	04/16/2012	(57)
Hong Kong Dollar (Buy)	UBS AG	61	61	02/16/2012	—
Hungarian Forint (Sell)	Deutsche Bank AG	200	186	05/14/2012	(14)
Indian Rupee (Buy)	JP Morgan Chase Bank	181	199	07/12/2012	(18)
Japanese Yen (Buy)	Deutsche Bank AG	9	9	02/14/2012	—
Japanese Yen (Sell)	Deutsche Bank AG	525	522	02/14/2012	(3)
Japanese Yen (Sell)	Deutsche Bank AG	323	324	10/11/2016	1
Malaysian Ringgit (Buy)	JP Morgan Chase Bank	225	227	04/23/2012	(2)
Mexican Peso (Buy)	Barclays Bank plc	8	7	03/15/2012	1
Mexican Peso (Buy)	JP Morgan Chase Bank, N.A.	65	64	03/15/2012	1
Norwegian Krone (Buy)	Barclays Bank plc	88	89	03/08/2012	(1)
Singapore Dollar (Buy)	JP Morgan Chase Bank, N.A.	1	1	02/10/2012	—
Singapore Dollar (Buy)	UBS AG	1	1	05/15/2012	—
Singapore Dollar (Sell)	UBS AG	1	1	02/10/2012	—
South Korean Won (Buy)	UBS AG	233	233	02/27/2012	—
South Korean Won (Sell)	UBS AG	232	227	02/27/2012	(5)
Swiss Franc (Sell)	Barclays Bank plc	168	167	03/08/2012	(1)
Taiwan Dollar (Buy)	Barclays Capital	192	188	04/09/2012	4
					<u>\$(275)</u>

# Harbor Unconstrained Bond Fund

## PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS OPEN AT JANUARY 31, 2012

#### INTEREST RATE SWAPS

Counterparty	Senior Bond Floating Rate Index	Pay/Receive		Expiration Date	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
		Floating Rate	Fixed Rate			
UBS AG	AUD Bank Bill 6-Month	Pay	4.750%	12/14/2017	AUD\$ 300	\$ 4
Barclays Bank plc	AUD-BBR-BBSW-Bloomberg 3-Month	Pay	5.500	06/15/2013	1,500	32
UBS AG	AUD-BBR-BBSW-Bloomberg 6-Month	Pay	4.750	12/15/2017	300	3
Bank of America, N.A.	Brazil Cetip Interbank Deposit	Pay	12.485	01/02/2014	R\$ 4,100	96
Barclays Bank plc	Brazil Cetip Interbank Deposit	Pay	12.510	01/02/2014	300	7
JP Morgan Chase Bank, N.A.	Brazil Cetip Interbank Deposit	Pay	12.200	01/02/2014	700	19
UBS AG	Brazil Cetip Interbank Deposit	Pay	12.395	01/02/2014	200	5
UBS AG	Brazil Cetip Interbank Deposit	Pay	10.380	01/02/2014	2,600	2
Deutsche Bank AG	EUR-EONIA-OIS-Compound-Bloomberg	Pay	0.370	03/20/2013	€ 7,300	1
Deutsche Bank AG	EUR-EONIA-OIS-Compound-Bloomberg	Receive	0.570	03/19/2014	7,300	—
Goldman Sachs Bank USA	EUR-EONIA-OIS-Compound-Bloomberg	Pay	0.350	03/20/2013	3,800	—
Goldman Sachs Bank USA	EUR-EONIA-OIS-Compound-Bloomberg	Receive	0.568	03/19/2014	3,800	—
Deutsche Bank AG	EUR-EURIBOR-Act/360-Bloomberg 3-Month	Receive	0.805	03/20/2013	7,300	—
Deutsche Bank AG	EUR-EURIBOR-Act/360-Bloomberg 3-Month	Pay	0.935	03/19/2014	7,300	2
Goldman Sachs Bank USA	EUR-EURIBOR-Act/360-Bloomberg 3-Month	Receive	0.760	03/20/2013	3,800	—
Goldman Sachs Bank USA	EUR-EURIBOR-Act/360-Bloomberg 3-Month	Pay	0.910	03/19/2014	3,800	—
Barclays Bank plc	EUR-EURIBOR-Act/360-Bloomberg 6-Month	Pay	2.000	03/21/2017	800	27
CEM Group	EUR-EURIBOR-Act/360-Bloomberg 6-Month	Pay	2.000	09/21/2016	200	4
CEM Group	EUR-EURIBOR-Act/360-Bloomberg 6-Month	Pay	3.143	12/20/2040	1,300	(13)
BNP Paribas S.A.	British Bankers' Association LIBOR JPY 6-Month	Receive	2.000	12/21/2041	¥ 20,000	—
Deutsche Bank AG	British Bankers' Association LIBOR JPY 6-Month	Receive	1.000	12/21/2018	90,000	(20)
Deutsche Bank AG	British Bankers' Association LIBOR JPY 6-Month	Receive	2.000	12/21/2041	20,000	(2)
Barclays Bank plc	SEK-STIBOR-Bloomberg 3-Month	Pay	2.500	09/15/2016	SEK 1,300	5
CEM Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.250	12/21/2014	\$ 2,000	(6)
CEM Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.500	12/21/2015	2,000	12
CEM Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.500	12/21/2016	500	(13)
CEM Group	British Bankers' Association LIBOR USD 3-Month	Pay	3.000	06/15/2018	500	(3)
CEM Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.750	12/15/2020	400	(17)
CEM Group	British Bankers' Association LIBOR USD 3-Month	Pay	3.500	06/15/2021	3,700	(77)
CEM Group	British Bankers' Association LIBOR USD 3-Month	Pay	3.250	12/21/2021	300	(15)
CEM Group	British Bankers' Association LIBOR USD 3-Month	Pay	4.000	12/15/2040	100	(7)
Deutsche Bank AG	British Bankers' Association LIBOR USD 3-Month	Pay	1.550	12/17/2014	11,500	18
Deutsche Bank AG	British Bankers' Association LIBOR USD 3-Month	Receive	3.588	08/26/2041	100	(22)
Goldman Sachs Bank USA	British Bankers' Association LIBOR USD 3-Month	Receive	0.641	09/19/2012	11,500	(5)
Deutsche Bank AG	Federal Funds Effective Rate US	Receive	1.090	12/17/2014	11,500	(18)
Goldman Sachs Bank USA	Federal Funds Effective Rate US	Pay	0.135	09/19/2012	11,500	1
Interest Rate Swaps						\$ 20

# Harbor Unconstrained Bond Fund

## PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### CREDIT DEFAULT SWAPS

Counterparty	Reference Entity	Buy/ Sell <sup>a,b</sup>	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>c</sup>	Market Value <sup>d</sup> (000s)	Upfront Premium Paid/(Received) (000s)	Notional Amount <sup>e</sup> (000s)	Unrealized Appreciation/ (Depreciation) (000s)
BNP Paribas S.A.	iTraxx Europe Senior Financials Series 16 Version 1	Buy	1.000%	12/20/2016	2.210%	\$14	\$ 15	€ 200	\$ (1)
Bank of America, N.A.	iTraxx Japan Series 16 Version 1	Buy	1.000	12/20/2016	1.605	4	6	¥10,000	(2)
BNP Paribas S.A.	Alcoa Inc. Senior Bond 5.720% due 02/23/2019	Buy	1.000	06/20/2016	2.540	6	3	\$ 100	3
Goldman Sachs International	Carnival Corporation 6.650% due 01/15/2028	Buy	1.000	09/20/2016	1.450	2	1	100	1
Bank of America, N.A.	Caterpillar Inc. Senior Bond 5.700% due 08/15/2016	Buy	1.000	09/20/2016	0.849	(1)	(1)	100	—
Bank of America, N.A.	Dow Jones CDX North America Series 15 - 5Y	Buy	5.000	12/20/2015	4.987	(1)	(4)	98	3
Bank of America, N.A.	Dow Jones CDX North America High Yield Index Series 17 - 5Y	Buy	5.000	12/20/2016	5.669	6	12	294	(6)
Barclays Bank plc	Dow Jones CDX North America High Yield Index Series 17 - 5Y	Buy	5.000	12/20/2016	5.669	22	148	1,078	(126)
BNP Paribas S.A.	Dow Jones CDX North America High Yield Index Series 17 - 5Y	Buy	5.000	12/20/2016	5.669	6	44	294	(38)
CEM Group	Dow Jones CDX North America High Yield Index Series 15 - 5Y	Buy	5.000	12/20/2015	4.973	(3)	18	392	(21)
CEM Group	Dow Jones CDX North America Investment Grade Index Series 15 - 5Y	Buy	1.000	12/20/2015	0.867	(4)	2	600	(6)
CEM Group	Dow Jones CDX North America Investment Grade Index Series 16 - 5Y	Buy	1.000	06/20/2016	0.973	(1)	7	400	(8)
Bank of America, N.A.	General Electric Capital Corporation Senior Bond 5.625% due 09/15/2017	Buy	1.000	09/20/2016	1.843	4	2	100	2
Bank of America, N.A.	Kingdom of Sweden 3.125% due 05/07/2014	Buy	0.250	09/20/2021	0.737	8	4	200	4
Bank of America, N.A.	Kohl'S Corporation Senior Bond 6.250% due 12/15/2017	Buy	1.000	06/20/2016	1.603	2	(2)	100	4
Bank of America, N.A.	Limited Brands Inc. Senior Bond 6.900% due 07/15/2017	Buy	1.000	03/20/2017	1.920	4	4	100	—
Deutsche Bank AG	Limited Brands Inc. Senior Bond 6.900% due 07/15/2017	Buy	1.000	03/20/2017	1.920	4	5	100	(1)
Bank of America, N.A.	Macy's Inc. Senior Bond 7.450% due 07/15/2017	Buy	1.000	03/20/2017	1.165	1	3	200	(2)
Goldman Sachs International	Markit CMBX North America AAA Indices Series 3	Buy	0.080	12/13/2049	0.000	8	14	100	(6)
Goldman Sachs International	Markit CMBX North America AAA Indices Series 4	Buy	0.350	02/17/2051	0.000	8	15	100	(7)
Bank of America, N.A.	Marriott International Inc. Senior Bond 5.810% due 11/10/2015	Buy	1.000	09/20/2016	0.976	—	1	100	(1)
Goldman Sachs International	Marriott International Inc. Senior Bond 5.810% due 11/10/2015	Buy	1.000	09/20/2016	0.976	—	3	100	(3)
Bank of America, N.A.	Nordstrom Inc. Senior Bond 6.950% due 03/15/2028	Buy	1.000	09/20/2016	0.848	(1)	—	100	(1)
JP Morgan Chase Bank, N.A.	People'S Republic of China 4.750% due 10/29/2013	Sell	1.000	12/20/2016	1.333	(1)	(5)	100	4
BNP Paribas S.A.	Ryder System Inc. Senior Bond 6.950% due 12/01/2025	Buy	1.000	09/20/2016	1.096	—	—	100	—
Bank of America, N.A.	Safeway Inc. Senior Bond 7.250% due 02/01/2031	Buy	1.000	12/20/2021	1.451	4	6	100	(2)

# Harbor Unconstrained Bond Fund

## PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### CREDIT DEFAULT SWAPS—Continued

Counterparty	Reference Entity	Buy/ Sell <sup>a,b</sup>	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>c</sup>	Market Value <sup>d</sup> (000s)	Upfront Premium Paid/(Received) (000s)	Notional Amount <sup>e</sup> (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Bank of America, N.A.	Target Corporation Senior Bond 5.375% due 05/01/2017	Buy	1.000%	09/20/2016	0.478%	\$ (3)	\$(3)	\$100	\$ —
Bank of America, N.A.	Target Corporation Senior Bond 5.375% due 05/01/2017	Buy	1.000	03/20/2017	0.522	(5)	(4)	200	(1)
JP Morgan Chase Bank, N.A.	Target Corporation Senior Bond 5.375% due 05/01/2017	Buy	1.000	09/20/2016	0.478	(3)	(3)	100	—
Goldman Sachs International	The Home Depot Inc. Senior Bond 5.875% due 12/16/2036	Buy	1.000	12/20/2016	0.499	(3)	(3)	100	—
Bank of America, N.A.	The Kroger Co. Senior Bond 6.150% due 01/15/2020	Buy	1.000	12/20/2016	0.688	(2)	(1)	100	(1)
Barclays Bank plc	The Williams Companies Inc. Senior Bond 7.500% due 01/15/2031	Buy	1.000	09/20/2016	1.553	2	2	100	—
Bank of America, N.A.	Wal-Mart Stores Inc. Senior Bond 5.875% due 04/05/2027	Buy	1.000	06/20/2021	0.728	(2)	(2)	100	—
Bank of America, N.A.	Wells Fargo & Company Senior Bond 0.753% due 10/28/2015	Buy	1.000	12/20/2016	1.109	1	5	200	(4)
Deutsche Bank AG	Wells Fargo & Company Senior Bond 0.753% due 10/28/2015	Buy	1.000	09/20/2016	1.076	—	1	100	(1)
Deutsche Bank AG	Wells Fargo & Company Senior Bond 0.753% due 10/28/2015	Buy	1.000	12/20/2016	1.109	1	5	200	(4)
Credit Default Swaps									\$(221)
Total Swaps									\$(201)

### WRITTEN OPTIONS OPEN AT JANUARY 31, 2012

Description	Number of Shares/Contracts	Strike Price/Rate	Expiration Date	Value (000s)
Credit Default Option 5 year (Call)	(300,000)	1.00%	06/20/2012	\$ (1)
Credit Default Option 5 year (Call)	(400,000)	1.00	12/19/2012	(2)
Credit Default Option 5 year (Put)	(1,000,000)	2.20	03/21/2012	—
Credit Default Option 5 year (Put)	(300,000)	2.00	06/20/2012	(3)
Credit Default Option 5 year (Put)	(400,000)	2.00	12/19/2012	(2)
Interest Rate Swap Option 10 year (Call)	(200,000)	2.20	04/10/2012	(2)
Interest Rate Swap Option 10 year (Call)	(200,000)	3.00	03/11/2013	(15)
Interest Rate Swap Option 10 year (Call)	(100,000)	3.00	03/11/2013	(8)
Interest Rate Swap Option 5 year (Put)	(1,400,000)	2.00	09/24/2012	(2)
Interest Rate Swap Option 5 year (Put)	(400,000)	2.80	11/05/2012	(1)
Written options outstanding, at value (premiums received of \$43)				\$(36)

### FIXED INCOME INVESTMENTS SOLD SHORT AT JANUARY 31, 2012

Par Value (000s)	Security	Value (000s)
\$(4,000)	Federal National Mortgage Association TBA <sup>10</sup>	\$(4,253)
(2,400)	U.S. Treasury Notes	(2,623)
	Investments Sold Short, at value (proceeds \$6,831)	\$(6,876)

# Harbor Unconstrained Bond Fund

## PORTFOLIO OF INVESTMENTS—Continued

### FAIR VALUE MEASUREMENTS

The following table summarizes the Fund's investments as of January 31, 2012 based on the inputs used to value them.

Asset Category	Quoted Prices Level 1 (000s)	Other Significant Observable Inputs Level 2 (000s)	Significant Unobservable Inputs Level 3 (000s)	Total (000s)
Investments in Securities				
Asset-Backed Securities	\$—	\$ 1,697	\$—	\$ 1,697
Bank Loan Obligations	—	1,189	—	1,189
Collateralized Mortgage Obligations	—	1,652	—	1,652
Convertible Bonds	—	676	—	676
Convertible Preferred Stocks	—	5	—	5
Corporate Bond & Notes	—	4,251	—	4,251
Foreign Government Obligations	—	2,924	—	2,924
Mortgage Pass-Through	—	6,770	—	6,770
Municipal Bonds	—	647	—	647
Purchased Options	—	39	24	63
U.S. Government Agencies	—	101	—	101
U.S. Government Obligations	—	12,958	—	12,958
Short-Term Investments				
U.S. Treasury Bills	—	378	—	378
Total Investments in Securities	<u>\$—</u>	<u>\$33,287</u>	<u>\$24</u>	<u>\$33,311</u>
Liability Category				
Fixed Income Investments Sold Short	<u>\$—</u>	<u>\$ (6,876)</u>	<u>\$—</u>	<u>\$ (6,876)</u>
Investments in Other Financial Instruments				
Forward Currency Contracts	—	(275)	—	(275)
Futures Contracts	(73)	—	—	(73)
Options-Written	—	(36)	—	(36)
Swap Agreements	—	(201)	—	(201)
Total Investments in Other Financial Instruments	<u>\$(73)</u>	<u>\$ (512)</u>	<u>\$—</u>	<u>\$ (585)</u>
Total Investments	<u>\$(73)</u>	<u>\$25,899</u>	<u>\$24</u>	<u>\$25,850</u>

The following is a reconciliation of the Fund's Level 3 investments during the period ended January 31, 2012.

Valuation Description	Beginning Balance at 11/01/2011 (000s)	Purchases (000s)	Sales (000s)	Accrued Discount/ (Premium) (000s)	Total Realized Gain/ (Loss) (000s)	Change in Unrealized Appreciation/ (Depreciation) (000s)	Transfers In Level 3 (000s)	Ending Balance as of 01/31/2012 <sup>w</sup> (000s)
Purchased Options	<u>\$23</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1</u>	<u>\$—</u>	<u>\$24</u>

There were no significant transfers between levels during the period.

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 Portfolios of Investments.

### DERIVATIVE INSTRUMENTS

The following table summarizes the Fund's derivative instruments categorized by risk exposure as of January 31, 2012

Risk Exposure Category	Asset Derivatives Fair Value (000s)	Liability Derivatives Fair Value (000s)
Credit Contracts	\$ 21	\$(250)
Foreign Exchange Contracts	31	(296)
Interest Rate Contracts	303	(331)
Total	<u>\$355</u>	<u>\$(877)</u>

# Harbor Unconstrained Bond Fund

## PORTFOLIO OF INVESTMENTS—Continued

- 1 Step coupon security.
- 2 Floating rate security. The stated rate represents the rate in effect at January 31, 2012.
- 3 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 January 31, 2012, these securities were valued at \$2,406 or 9% of net assets.
- 4 Variable rate security. The stated rate represents the rate in effect at January 31, 2012.
- 5 MTN after the name of a security stands for Medium Term Note.
- 6 REMICs are CMOs which can hold mortgages secured by any type of real property and issue multiple-class securities backed by those mortgages.
- 7 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.
- 8 At January 31, 2012, 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 Portfolios of Investments.) The securities pledged had an aggregate market value of \$4,869 or 18% of net assets.
- 9 The maturity date represents the date by which the conversion must take effect at discretion of the holder.
- 10 TBAs are mortgage-backed securities traded under delayed delivery commitments, settling after January 31, 2012. Although the unit price for the trades has been established, the principal value has not been finalized. However, the amount of the commitments will not fluctuate more than 2% from the principal amount. Income on TBAs is not earned until settlement date. (See Note 2 of the accompanying Notes to Portfolios of Investments.)
- a 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.
- b 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.
- c Implied credit spreads, represented in absolute terms, utilized in determining the market 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.
- d 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 been closed/sold as of the period end. Increasing market 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.
- e 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.
- i Rounds to less than \$1,000.
- w The net unrealized appreciation/(depreciation) as of January 31, 2012 per investment type is as below:

**Unrealized  
Gain/(Loss) as of  
01/31/2012**

**Valuation Description**

Purchased Options .....	\$ <u>    </u> <sup>i</sup>
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- z Valued by subadviser in accordance with Harbor Funds Valuation Procedures using quoted prices from actively traded securities with similar terms, which is a Level 3 input.

- AUD\$ Australian Dollar.  
 R\$ Brazilian Real.  
 £ British Pound.  
 CAD\$ Canadian Dollar.  
 € Euro.  
 ¥ Japanese Yen.  
 MEX\$ Mexican Peso.  
 SEK Swedish Krona.

The accompanying notes are an integral part of the Portfolio of Investments.

# Harbor Flexible Capital Fund

## PORTFOLIO OF INVESTMENTS—January 31, 2012 (Unaudited)

### Equity Holdings (% of net assets)

(Excludes net cash and short-term investment positions of 5.5%)

Media	9.7
Commercial Banks	7.0
Computers & Peripherals	5.9
Specialty Retail	5.7
Textiles, Apparel & Luxury Goods	5.5
Internet Software & Services	5.2
Oil, Gas & Consumable Fuels	5.1
Insurance	4.9
Food Products	4.2
IT Services	4.2
Hotels, Restaurants & Leisure	4.1
Electrical Equipment	3.6
Chemicals	3.4
Pharmaceuticals	3.1
Consumer Finance	2.8
Aerospace & Defense	2.7
Capital Markets	2.7
Industrial Conglomerates	2.2
Software	2.2
Energy Equipment & Services	2.0
Professional Services	1.9
Healthcare Providers & Services	1.5
Wireless Telecommunication Services	1.4
Real Estate Management & Development	1.1
Transportation Infrastructure	1.0
Diversified Consumer Services	0.8
Automobiles	0.6

### COMMON STOCKS—Continued

Shares		Value (000s)
<b>COMPUTERS &amp; PERIPHERALS—5.9%</b>		
2,027	Apple Inc. (US)*	\$ 925
<b>CONSUMER FINANCE—2.8%</b>		
9,553	Capital One Financial Corporation (US)	437
<b>ELECTRICAL EQUIPMENT—3.6%</b>		
19,512	Sensata Technologies Holding NV (US)*	562
<b>ENERGY EQUIPMENT &amp; SERVICES—2.0%</b>		
8,479	Halliburton Co. (US)	312
<b>FOOD PRODUCTS—4.2%</b>		
8,429	McCormick & Co. Inc. (US)	426
3,076	Mead Johnson Nutrition Company (US)	228
		654
<b>HEALTH CARE PROVIDERS &amp; SERVICES—1.5%</b>		
14,200	Odontoprev SA (BR)	237
<b>HOTELS, RESTAURANTS &amp; LEISURE—2.6%</b>		
6,117	Carnival Corp. (US)	185
4,353	Home Inns & Hotels Management Inc. ADR (CHN) <sup>1*</sup>	128
2,295	Vail Resorts Inc. (US)	100
		413
<b>INDUSTRIAL CONGLOMERATES—2.2%</b>		
6,800	Jardine Matheson Holdings Ltd. (SGP)	352
<b>INSURANCE—4.9%</b>		
97,200	AIA Group Ltd. (HK)	325
22,095	Progressive Corp. (US)	448
		773
<b>INTERNET SOFTWARE &amp; SERVICES—5.2%</b>		
2,142	Baidu Inc. ADR (CHN) <sup>1*</sup>	273
10,181	Bankrate Inc. (US)*	238
423	Google Inc. (US)*	245
3,070	Youku.com Inc. ADR (CHN) <sup>1*</sup>	66
		822
<b>IT SERVICES—4.2%</b>		
7,661	Accenture plc (IE)	439
2,215	VISA Inc. (US)	223
		662
<b>MEDIA—9.4%</b>		
39,091	British Sky Broadcasting Group plc (UK)	426
5,218	Liberty Global Inc. (US)*	239
9,797	Time Warner Inc. (US)	363
9,677	Viacom Inc. (US)	455
		1,483
<b>OIL, GAS &amp; CONSUMABLE FUELS—5.1%</b>		
1,093	Concho Resources Inc. (US)*	117
8,134	El Paso Corp. (US)	219
11,350	Targa Resources Corp. (US)	470
		806
<b>PHARMACEUTICALS—3.1%</b>		
5,093	Abbott Laboratories (US)	276
2,479	Allergan Inc. (US)	218
		494
<b>PROFESSIONAL SERVICES—1.9%</b>		
10,042	Nielsen Holdings NV (NET)*	291
<b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT—1.1%</b>		
50,000	Hang Lung Properties Ltd. (HK)	172

### COMMON STOCKS—88.4%

Shares		Value (000s)
<b>AEROSPACE &amp; DEFENSE—1.9%</b>		
2,858	TransDigm Group Inc. (US)*	\$ 299
<b>AUTOMOBILES—0.6%</b>		
3,331	Tesla Motors Inc. (US)*	97
<b>CAPITAL MARKETS—2.7%</b>		
21,443	Charles Schwab Corp. (US)	250
3,748	Greenhill & Co. Inc. (US)	174
		424
<b>CHEMICALS—3.4%</b>		
5,748	Celanese Corp. (US)	280
5,868	LyondellBasell Industries NV (US)	253
		533
<b>COMMERCIAL BANKS—5.7%</b>		
8,596	First Horizon National Corporation (US)	75
15,178	Standard Chartered plc (UK)	367
15,890	U.S. Bancorp. (US)	448
		890

# Harbor Flexible Capital Fund

## PORTFOLIO OF INVESTMENTS—Continued

COMMON STOCKS—Continued		Value (000s)	CORPORATE BONDS & NOTES—Continued		Value (000s)
Shares			Principal Amount (000s)		
<b>SOFTWARE—2.2%</b>					
10,911	SolarWinds Inc. (US)*	\$ 345			
<b>SPECIALTY RETAIL—5.7%</b>					
1,099	AutoZone Inc. (US)*	382			
7,450	TJX Cos. Inc. (US)	508			
		890			
<b>TEXTILES, APPAREL &amp; LUXURY GOODS—5.5%</b>					
5,458	Adidas AG (GER)	394			
3,087	Deckers Outdoor Corp. (US)*	250			
2,766	PVH Corp. (US)	214			
		858			
<b>TRANSPORTATION INFRASTRUCTURE—1.0%</b>					
10,795	Wesco Aircraft Holdings Inc. (US)*	151			
<b>TOTAL COMMON STOCKS</b>					
	(Cost \$12,547)	13,882			
<b>CORPORATE BONDS &amp; NOTES—4.8%</b>					
<b>Principal Amount (000s)</b>					
<b>AEROSPACE &amp; DEFENSE—0.8%</b>					
\$115,000	TransDigm Inc. (US) 7.750%—12/15/2018	126			
<b>DIVERSIFIED CONSUMER SERVICES—0.8%</b>					
120,000	ARAMARK Corporation (US) 8.500%—02/01/2015	124			
<b>HOTELS, RESTAURANTS &amp; LEISURE—1.5%</b>					
216,000	The Wendy's Company (US) 10.000%—07/15/2016	238			
<b>MEDIA—0.3%</b>					
39,000	Nielsen Finance LLC (US) 7.750%—10/15/2018	44			
<b>WIRELESS TELECOMMUNICATION SERVICES—1.4%</b>					
\$199,000	Crown Castle International Corp. (US) 7.125%—11/01/2019	\$ 217			
<b>TOTAL CORPORATE BONDS &amp; NOTES</b>					
	(Cost \$715)	749			
<b>PREFERRED STOCKS—1.3%</b>					
<b>Shares</b>					
<b>COMMERCIAL BANKS—1.3%</b>					
1,051	Fifth Third Capital Trust VI (US) 7.250%—11/15/2012 <sup>2,3</sup>	27			
6,847	First Niagara Financial Group Inc. (US) 8.625%—03/02/2012 <sup>2,3</sup>	184			
<b>TOTAL PREFERRED STOCKS</b>					
	(Cost \$197)	211			
<b>SHORT-TERM INVESTMENTS—4.2%</b>					
(Cost \$653)					
<b>Principal Amount (000s)</b>					
<b>REPURCHASE AGREEMENTS</b>					
\$ 653	Repurchase Agreement with State Street Corporation dated January 31, 2012 due February 01, 2012 at 0.010% collateralized by Federal Home Loan Mortgage Corp. (market value \$667)	653			
<b>TOTAL INVESTMENTS—98.7%</b>					
	(Cost \$14,112)	15,495			
<b>CASH AND OTHER ASSETS, LESS LIABILITIES—1.3%</b>					
		207			
<b>TOTAL NET ASSETS—100.0%</b>					
		\$15,702			

# Harbor Flexible Capital Fund

## PORTFOLIO OF INVESTMENTS—Continued

### FAIR VALUE MEASUREMENTS

The following table summarizes the Fund's investments as of January 31, 2012 based on the inputs used to value them.

Asset Category	Quoted Prices Level 1 (000s)	Other Significant Observable Inputs Level 2 (000s)	Significant Unobservable Inputs Level 3 (000s)	Total (000s)
Investments in Securities				
Common Stocks				
Aerospace & Defense	\$ 299	\$ —	\$—	\$ 299
Automobiles	97	—	—	97
Capital Markets	424	—	—	424
Chemicals	533	—	—	533
Commercial Banks	523	367	—	890
Computers & Peripherals	925	—	—	925
Consumer Finance	437	—	—	437
Electrical Equipment	562	—	—	562
Energy Equipment & Services	312	—	—	312
Food Products	654	—	—	654
Health Care Providers & Services	237	—	—	237
Hotels, Restaurants & Leisure	413	—	—	413
Industrial Conglomerates	—	352	—	352
Insurance	448	325	—	773
Internet Software & Services	822	—	—	822
IT Services	662	—	—	662
Media	1,057	426	—	1,483
Oil, Gas & Consumable Fuels	806	—	—	806
Pharmaceuticals	494	—	—	494
Professional Services	291	—	—	291
Real Estate Management & Development	—	172	—	172
Software	345	—	—	345
Specialty Retail	890	—	—	890
Textiles, Apparel & Luxury Goods	464	394	—	858
Transportation Infrastructure	151	—	—	151
Corporate Bonds & Notes				
Aerospace & Defense	—	126	—	126
Diversified Consumer Services	—	124	—	124
Hotels, Restaurants & Leisure	—	238	—	238
Media	—	44	—	44
Wireless Telecommunication Services	—	217	—	217
Preferred Stocks				
Commercial Banks	27	184	—	211
Short-Term Investments				
Repurchase Agreements	—	653	—	653
Total Investments in Securities	<u>\$11,873</u>	<u>\$3,622</u>	<u>\$—</u>	<u>\$15,495</u>

There were no Level 3 holdings at October 31, 2011 or January 31, 2012, and no significant transfers between levels during the period.

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 Portfolios of Investments.

\* Non-income producing security.

1 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.

2 Floating rate security. The stated rate represents the rate in effect at January 31, 2012.

3 The maturity date represents the next callable date.

BR Brazil.

CHN China.

GER Germany.

HK Hong Kong.

IE Ireland.

NET Netherlands.

SGP Singapore.

UK United Kingdom.

US United States.

The accompanying notes are an integral part of the Portfolio of Investments.

# Harbor Strategic Markets Funds

## NOTES TO PORTFOLIOS OF INVESTMENTS—January 31, 2012

(Currency in thousands)

### 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 portfolios covered by this report include: Harbor Commodity Real Return Strategy Fund, Harbor Unconstrained Bond Fund and Harbor Flexible Capital Fund (individually or collectively referred to as a “Fund” or the “Funds,” respectively). Harbor Capital Advisors, Inc. (the “Adviser” or “Harbor Capital”) is the investment adviser for the Funds.

The Funds may offer up to three classes of shares, designated as Institutional Class, Administrative Class and Investor Class. The shares of each class represent an interest in the same portfolio of investments of the respective 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, 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 “IRS”; 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

#### Security Valuation

Equity securities (including common stock, preferred stock, and convertible preferred stock) and financial derivative instruments (such as futures contracts and options contracts) that are traded on a national security exchange (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 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. 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 preferred securities other than short-term securities with a remaining maturity of less than 60 days at the time they are acquired), are valued using evaluated prices furnished by a pricing service selected by the Board of Trustees. An evaluated price represents an assessment by the pricing service using various market inputs of what the pricing service believes is the fair market value of a security at a particular point in time. The pricing service 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 service 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 service may also include information about cash flows, prepayment rates, default rates, delinquency and loss assumptions, collateral characteristics, credit enhancements and other specific information about the particular offering. Because many 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 service’s evaluation process, which means that the evaluated price supplied by the pricing service will frequently differ from that transaction price. Short-term securities with a remaining maturity of less than 60 days at the time they are acquired are stated at amortized cost, which approximates fair value. Securities that use similar valuation techniques and inputs as described above are normally categorized as Level 2 in the fair value hierarchy.

# Harbor Strategic Markets Funds

## NOTES TO PORTFOLIOS OF INVESTMENTS—Continued

(Currency in thousands)

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

Over-the-counter financial derivative instruments, such as foreign 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 service selected by the Board of Trustees. In certain cases, when a valuation is not readily available from a pricing service, 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 service 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 in Level 2 of 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 pursuant to procedures adopted by the Board of Trustees. Securities valued using fair value pricing procedures that incorporate significant unobservable inputs are normally categorized as Level 3 in the fair value hierarchy.

A 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 service 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 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 a 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 fund that uses market quotations, official closing prices or evaluated prices supplied by a pricing vendor. 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 each 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 Level 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. Significant unobservable inputs may include the Funds' 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 market values that presents changes attributable to total realized and unrealized gains or losses is provided, including purchases and sales, and transfers in/out of the Level 3 category during the period. A fair value hierarchy, level transfer activity, and a Level 3 reconciliation, when applicable, can be found at the end of each Fund's Portfolio of Investments schedule.

The Funds used observable inputs in their valuation methodologies whenever they were available and deemed reliable.

# Harbor Strategic Markets Funds

## NOTES TO PORTFOLIOS OF INVESTMENTS—Continued

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(Currency in thousands)

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### Loan Participations and Assignments

Loan participations and loan assignments are direct debt instruments, which are interests in amounts owed by corporate, governmental, or other borrowers to lenders or lending syndicates. During the period, Harbor Commodity Real Return Strategy Fund and Harbor Unconstrained Bond Fund invested in loan participations and assignments. A Fund's investments in loans may be in the form of participation in loans or assignments of all or a portion of loans from third parties. A loan is often administered by a bank or other financial institution (the "lender") that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. When investing in a loan participation, the Fund has the right to receive payments of principal, interest and any fees to which it is entitled, only from the lender selling the loan agreement and only upon receipt by the lender of payments from the borrower. As a result, the Fund may be subject to the credit risk of both the borrower and the lender that is selling the loan agreement. When the Fund purchases assignments from lenders it acquires direct rights against the borrower on the loan.

#### Inflation-Indexed Bonds

Inflation-indexed bonds are fixed-income securities whose principal value is periodically adjusted based on the rate of inflation. During the period, Harbor Commodity Real Return Strategy Fund and Harbor Unconstrained Bond 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 rolls, 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 period, Harbor Commodity Real Return Strategy Fund and Harbor Unconstrained Bond 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 a 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.

#### U.S. Government Securities

During the period, each Fund (except Harbor Flexible Capital 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 ("FHFA") placed Fannie Mae and Freddie Mac in conservatorship, while the 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.

# Harbor Strategic Markets Funds

## NOTES TO PORTFOLIOS OF INVESTMENTS—Continued

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(Currency in thousands)

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### Forward Commitments and When-Issued Securities

During the period, Harbor Unconstrained Bond 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 a Fund’s other assets. Although a Fund would generally purchase securities on a when-issued or forward commitment basis with the intention of acquiring securities for its portfolio, a Fund may dispose of a when-issued security or forward commitment prior to settlement if the subadviser deems it appropriate to do so. Each 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, a Fund must segregate equivalent deliverable securities or hold an offsetting purchase commitment. A Fund may realize short-term gains or losses upon such purchases and sales. These transactions involve a commitment by a 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 a Fund’s net asset value starting on the date of the agreement to purchase the securities. A 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 a Fund makes a forward commitment to sell securities it owns, the proceeds to be received upon settlement are included in such Fund’s assets. Fluctuations in the market value of the underlying securities are not reflected in a 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 take place within two months after the date of the transaction, but the Fund may agree to a longer settlement period.

A 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, a Fund may dispose of or renegotiate a commitment after it is entered into. A Fund also may sell securities it has committed to purchase before those securities are delivered to such Fund on the settlement date. A Fund may realize a capital gain or loss in connection with these transactions. When a Fund purchases securities on a when-issued or forward commitment basis, such Fund will maintain in a segregated account with the Fund’s custodian, or set aside or restrict in the subadviser’s records 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 a Fund’s custodian, or set aside on a Fund’s records, while the commitment is outstanding.

#### Repurchase Agreements

In a repurchase agreement, a 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 period, each Fund entered into repurchase agreements with domestic or foreign banks or with a member firm of the Financial Industry Regulatory Authority, Inc. (“FINRA”), 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 a Fund’s purchase of securities such that if a Fund is permitted to only purchase securities that are rated investment grade (or the equivalent if unrated), that 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. In the event of the bankruptcy of the seller or the failure of the seller to repurchase the securities as agreed, the Fund could suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the repurchase agreement.

# Harbor Strategic Markets Funds

## NOTES TO PORTFOLIOS OF INVESTMENTS—Continued

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(Currency in thousands)

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### Short Sales

During the period, Harbor Unconstrained Bond Fund engaged in short-selling, which obligates a 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. A 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. A Fund would incur a loss as a result of the short sale if the price of the security increases between those dates. Until a Fund replaces the borrowed security, it will maintain cash or liquid securities sufficient to cover its short position in a segregated account or set aside or restricted in the subadviser's records 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 period, Harbor Commodity Real Return Strategy Fund and Harbor Unconstrained Bond Fund used futures contracts to gain exposure to the fixed income or commodity 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 a Fund's exposure to the underlying instrument or can be used to hedge other Fund investments.

Upon entering into a futures contract, a 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, a 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 a Fund as unrealized gains or losses. When the contract is closed or expires, a 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. A 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, a Fund may be required to continue making daily cash payments to maintain its required margin. If a 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, a 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 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 period, Harbor Commodity Real Return Strategy Fund and Harbor Unconstrained Bond Fund purchased and wrote (sold) option contracts to manage their exposure to the bond markets and to fluctuations in interest rates and currency values or commodity prices. Additionally during the period, Harbor Flexible Capital Fund purchased option contracts to manage its exposure to the equity markets. Call options tend to increase a Fund's exposure to the underlying instrument, if purchased, and decrease exposure to the underlying instrument, if written. Put options tend to decrease a Fund's exposure to the underlying instrument, if purchased, and increase exposure to the underlying instrument, if written.

When a Fund purchases an option, it pays a premium. If a purchased option expires, a Fund realizes a loss in the amount of the premium. If a 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 a Fund, the cost of the

# Harbor Strategic Markets Funds

## NOTES TO PORTFOLIOS OF INVESTMENTS—Continued

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(Currency in thousands)

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

securities acquired by exercising the call is increased by the premium paid to buy the call. If a put option is exercised by a 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. A Fund's maximum risk of loss from counterparty credit risk is also limited to the premium paid for the contract.

When a Fund writes an option, it receives a premium. If a written option expires on its stipulated expiration date, or if a 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, a 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 a Fund purchases upon exercise of the option.

The risk in writing a call option is that a 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, a 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 a 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.

### 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.

A 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 a 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. 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 fair 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 with 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 period, Harbor Commodity Real Return Strategy Fund and Harbor Unconstrained Bond Fund used interest rate swap agreements to manage their exposure to interest rate changes. Changes in interest rates can have an effect on both the value of bond holdings and the amount of interest income earned.

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 period, Harbor Commodity Real Return Strategy Fund and Harbor Unconstrained Bond Fund used credit default swap agreements as a seller to gain credit exposure to an

# Harbor Strategic Markets Funds

## NOTES TO PORTFOLIOS OF INVESTMENTS—Continued

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(Currency in thousands)

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

issuer or to simulate investments in long bond positions that were either unavailable or less attractively priced in the bond market; such Funds 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.

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 include bankruptcy, failure to pay principal, maturity extension, rating downgrade, or write-down. As a seller, if an underlying credit event occurs, a 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, a 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 January 31, 2012 for Harbor Commodity Real Return Strategy Fund and Harbor Unconstrained Bond Fund is \$8,800 and \$100, respectively.

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 period, Harbor Commodity Real Return Strategy 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 period, Harbor Commodity Real Return Strategy 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, a 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, a 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.

### Foreign Forward Currency Contracts

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

The foreign 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

# Harbor Strategic Markets Funds

## NOTES TO PORTFOLIOS OF INVESTMENTS—Continued

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(Currency in thousands)

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

aggregate face value in U.S. dollars at the time the contract was opened. During the period, Harbor Commodity Real Return Strategy Fund and Harbor Unconstrained Bond Fund entered into collateral agreements with certain counterparties to mitigate counterparty risk associated with foreign 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 period, each Fund used foreign currency spot contracts to facilitate transactions in foreign securities or to convert foreign currency receipts into U.S. dollars.

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

The accounting records of the Funds 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 period end. Purchases and sales of securities are translated into U.S. dollars at the current exchange rate on the respective dates of the transaction. Income and withholding taxes are translated at the prevailing exchange rate when accrued or incurred.

Reported net realized gains and losses on foreign currency transactions represent net gains and losses from sales and maturities of foreign forward 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.

#### Basis for Consolidation for the Harbor Commodity Real Return Strategy Fund

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 Harbor Commodity Real Return Strategy 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, Harbor Commodity Real Return Strategy 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 of January 31, 2012, the Subsidiary represented approximately \$60,119 or approximately 19% of the net assets of Harbor Commodity Real Return Strategy Fund.

#### Treatment of Income from Offshore Subsidiary for Harbor Commodity Real Return Strategy Fund

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 Harbor Commodity Real Return Strategy Fund seeks to gain exposure indirectly to commodity markets by investing in the Subsidiary, which may invest without limitation in commodity-linked securities and derivative instruments. The IRS has issued private letter rulings to other taxpayers concluding that income produced by certain types of commodity-linked notes or a fund's investment in a controlled foreign corporation (such as the Subsidiary) will constitute qualifying income. The tax treatment of commodity-related derivative instruments may potentially be affected by changes in legislation, regulations or other legally binding authority, which could affect the character, timing and amount of the

# Harbor Strategic Markets Funds

## NOTES TO PORTFOLIOS OF INVESTMENTS—Continued

(Currency in thousands)

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

Harbor Commodity Real Return Strategy Fund’s taxable income and distributions. In late July 2011, the IRS indicated that the granting of private letter rulings is currently suspended. As a result, the Fund is unable to obtain a private letter ruling with respect to its investments or structure, although, based on the analysis in private letter rulings previously issued to other taxpayers, the Fund intends to continue to treat its income from commodity-linked securities and the Subsidiary as qualifying income. If the IRS should make an adverse determination relating to the treatment of such income, the Fund would likely 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.

### New Accounting Pronouncements

#### Repurchase Agreements

In April 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-03, *A Reconsideration of Effective Control for Repurchase Agreements* (“ASU 2011-03”). Specifically, ASU 2011-03 refers to accounting treatment for repurchase agreements that obligate a transferor to repurchase or redeem financial assets before their maturity. ASU 2011-03 modifies the criteria for determining effective control of the transferred assets and, as a result, certain repurchase agreements may now be required to be accounted for as secured borrowings. ASU 2011-03 will become effective for interim and annual periods beginning after December 15, 2011. Management is evaluating the implications of this pronouncement and the impact it will have on the financial statement amounts and disclosures, if any.

#### Fair Value Measurements and Disclosures

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (“ASU 2011-04”), with the goal of convergence with the International Accounting Standards Board guidance on fair value measurements and disclosures. ASU 2011-04 will require additional disclosures and detail about the circumstances surrounding transfers between securities classified as Level 1 and Level 2 and all securities classified as Level 3. ASU 2011-04 will become effective for interim and annual periods beginning after December 15, 2011. Management is evaluating the implications of this pronouncement and the impact it will have on the Funds’ disclosures.

### NOTE 3—TAX INFORMATION

The identified cost for federal income tax purposes of investments owned by each Fund (including earned discount on corporate short-term notes and commercial paper) and their respective gross unrealized appreciation and depreciation at January 31, 2012 are as follows:

	Identified Cost	Gross Unrealized		Net Unrealized
		Appreciation	(Depreciation)	Appreciation/ (Depreciation)
Harbor Commodity Real Return Strategy Fund .....	\$422,687	\$10,479	\$(3,254)	\$7,225
Harbor Unconstrained Bond Fund .....	32,821	977	(487)	490
Harbor Flexible Capital Fund* .....	14,112	1,592	(209)	1,383

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



# Harbor Funds

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