



Harbor Global Value Fund



John Goetz



Michael Peterson



Caroline Cai, CFA

4th Quarter, 2011 Commentary

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- John Goetz

Global equities lost ground in 2011 despite Q4 gains

Global equity markets finished 2011 on a positive note, with the MSCI World Index recording a return of 7.59% for the quarter ended December 31, 2011. The Harbor Global Value Fund outperformed the index with a return of 7.92% for the quarter. Stock selection in the Consumer Discretionary sector was the biggest contributor to the Fund's performance relative to the index, while stock selection and a larger-than-index position in Financials detracted from relative performance.

Despite the positive finish, global equities ended the year in negative territory. The MSCI World Index had a negative return of -5.54% for the year, while the Harbor Global Value Fund was off -14.17%. The continuing European debt crisis was the key factor weighing on investor confidence, says John Goetz, Portfolio Manager of the Fund.

Even after their advances in the fourth quarter, many global stocks are priced at attractive levels, Goetz believes. At year end, the portfolio was trading near the low end of its historical valuation range, he reports.

John Goetz's comments were made in a January 12, 2012, interview. Highlights adapted from the interview appear below. All comments relate to the quarter ended December 31, 2011, unless otherwise indicated. All references to year-to-date are for the period January 1 through December 31, 2011.

INTERVIEW HIGHLIGHTS

Fear and volatility

Clearly 2011 had a lot of volatility in it and a lot of fear. Unfortunately, periods of increasing fear usually aren't that great for deep value managers and they can be ugly as they were in the third quarter. But they also can lead to great opportunity.

Long-term perspective

The portfolio is made up mostly of companies with very good balance sheets, very good cash flow, and they're leaders in their respective fields. Meaning that if we do go into a global recession or depression, we think these companies will be survivors. We may accept near-term volatility in our performance but we don't accept long-term risk.

Value-driven process

When you see an overweight in the portfolio relative to the benchmark, it doesn't mean we're trying to make a macro call by country. Rather, our portfolio weights are a result of company-by-company research, deciding where the best values are, based on their earnings, and taking into account where those earnings actually come from.

End-market perspective

The U.S. appears to have better economic momentum than Europe does right now so I wouldn't want the Fund to be massively overexposed to Europe. Europe's got some real problems. If you look at the portfolio from an end-market perspective, you'll find that the companies we own are basically global.

Taking profits

We always have both risk and reward in mind in managing the portfolio. During the fourth quarter J.C. Penney got close enough to our fair value target price that we felt there were better risk/reward opportunities out there. So we sold out of it and put the proceeds to work elsewhere.



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Total Returns

As of 12/31/2011

	Three Months	One Year	Three Years	Five Years	Since Inception (08/07/2006)	Expense Ratios Net	Gross
Harbor Global Value Fund - INST	7.92%	-14.17%	9.72%	-9.75%	-7.21%	1.00%	1.16%
MSCI World (ND) Index	7.59%	-5.54%	11.13%	-2.37%	-0.16%		

As of 12/31/2011, the Harbor Global Value Fund had invested the following percentages of its assets in the sectors listed: Financials, 24.83%; Information Technology, 17.05%; Industrials, 14.58%; Energy, 13.49%; Consumer Discretionary, 9.61%; Materials, 8.72%; Consumer Staples, 3.79%; Health Care, 2.48%; Utilities, 2.42%; Telecommunication Services, 2.18%;

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

Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus for this and other information about the Fund, visit harborfunds.com or call 800-422-1050. Read it carefully before investing.

The Harbor Funds performance shown assumes the reinvestment of dividend and capital gain distributions and is net of management fees and expenses. Returns for periods less than one year are not annualized. From time to time, certain fees and/or expenses have been voluntarily waived, which has resulted in higher returns. Without these waivers, the returns would have been lower. Voluntary waivers may be applied or discontinued at any time without notice. The Harbor Funds are no-load; other fees and expenses do apply to a continued investment in the Funds and are described in each Fund's current prospectus.

Investing in international and emerging markets poses special risks, including potentially greater price volatility due to social, political and economic factors, as well as currency exchange rate fluctuations. These risks are more severe for securities of issuers in emerging market regions. The Fund charges a redemption fee of 2.00% on redemption of shares that are held for less than 60 days.

Over time, a value oriented investing style may go in and out of favor, which may cause the Fund to sometimes underperform other equity funds that use different investing styles.

Equity securities, such as common stocks, are affected by company specific events and by movements in the overall stock markets in which those securities principally trade. An adverse company specific event, or downturn in those stock markets, can depress the value of a particular company's equity securities.

About Expense Ratios: All mutual funds have expense ratios which represent what shareholders pay for operating expenses and management fees. Expense ratios are expressed as an annualized percentage of a fund's average net assets paid out in expenses. Net expense ratios reflect adjustments due to voluntary or contractual fee waivers or expense reimbursements. Expense ratio information is as of the Fund's current prospectus, as revised and supplemented from time to time. The net expense ratio reflected is contractual until 02/29/2012.

Performance figures discussed in any of the Manager Commentaries reflect that of the Institutional Class shares.

This information should not be considered as a recommendation to purchase or sell a particular security and the holdings or sectors mentioned may change at any time and may not represent current or future investments. As of 12/31/2011, the Harbor Global Value Fund held the following positions referenced as a percentage of the Fund's total net assets: J.C. Penney Company Inc. - 0.00%.

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

The views expressed herein are those of the portfolio managers at the time of the interview and may not be reflective of their current opinions or future actions. These views are not necessarily those of the fund company and should not be construed as such.

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