



Harbor International Growth Fund



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1st Quarter, 2012 Commentary

"Growth in the emerging markets continues to run at a brisk overall pace amid easing inflationary pressures." -Marsico

Favorable economic climate helped lift international stocks

International equities moved broadly higher in the first quarter of 2012, reflecting an improving outlook for global economic growth. The MSCI EAFE Growth (ND) Index, a measure of growth stocks in developed international markets, posted a gain of 12.00% in U.S. Dollar terms. Every sector in the index had positive returns.

The Harbor International Growth Fund outpaced the index with a return of 14.78%. The Fund has been managed since 2004 by Marsico Capital Management, LLC. Portfolio Managers are James G. Gendelman and Munish Malhotra, Portfolio Managers and Senior Analysts with Marsico. Investments in Information Technology, Consumer Staples, and Financials were among the most important contributors to Fund performance relative to the index. Sector allocations and stock selection both boosted relative performance. Top individual contributors included BMW, Citigroup, Pacific Rubiales Energy, and Baidu.

In terms of strategy, the portfolio contains a number of names that the investment team believes should respond well to a positive environment for continued global growth. At the same time, the Fund also has investments in companies deemed capable of performing well in any macroeconomic environment.

The Marsico team's comments were made in a April 17, 2012, report. Highlights adapted from the report appear below. All comments relate to the quarter ended March 31, 2012, unless otherwise indicated. All references to year-to-date are for the period January 1 through March 31, 2012.

INTERVIEW HIGHLIGHTS

Diversified strategy

The Fund's positioning reflects the possibility of widely differing outcomes – one in which global growth reaccelerates, the other in which the EU sovereign debt crisis worsens and exerts a drag on the global economy. The portfolio's most significant sector weightings include Consumer Discretionary, Information Technology, Financials, and Industrials. The Fund also has investments in several areas - including Health Care, Consumer Staples, and Telecommunication Services - that have more defensive characteristics and should hold up relatively well if the economic environment remains choppy.

Revitalized markets

International equities were revitalized during the first quarter. Markets were lifted in large part by a sense that substantive progress had been made towards containing Europe's sovereign debt problem and that the risk of a global financial crisis had diminished.

Favorable profile

There were lingering concerns that China could experience a "hard landing" as a result of an overheated property market. However, much of the data from China painted a more favorable economic profile and it appeared that its central government was moving toward a policy of market oriented reforms, transitioning the country towards internal consumption rather than investment-led growth.

Emerging markets purchasing power

Growth in the emerging markets continued to run at a brisk overall pace amid easing inflationary pressures. Emerging markets now represent 49% of global GDP on a purchasing power parity basis. Their share of global consumption is estimated to be about 36% while the U.S. share has dropped below 30%. Germany now exports more cars to China than it does to the U.S.



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Total Returns

As of 03/31/2012

	Three Months	One Year	Three Years	Five Years	Ten Years	Expense Ratios	
						Net	Gross
Harbor International Growth Fund - INST	14.78%	-3.68%	18.45%	-1.52%	4.66%	0.87%	0.87%
MSCI EAFE Growth (ND) Index	12.00%	-3.71%	17.74%	-1.89%	5.46%		

As of 03/31/2012, the Harbor International Growth Fund had invested the following percentages of its assets in the sectors listed: Consumer Discretionary, 20.23%; Information Technology, 19.09%; Financials, 13.13%; Industrials, 12.32%; Health Care, 7.35%; Consumer Staples, 6.70%; Materials, 6.28%; Energy, 5.78%; Telecommunication Services, 5.49%;

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 growth 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.

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 03/31/2012, the Harbor International Growth Fund held the following positions referenced as a percentage of the Fund's total net assets: Baidu Inc. ADR - 2.46%, Bayerische Motoren Werke AG - 1.86%, Citigroup Inc. - 1.69%, Pacific Rubiales Energy Corp. - 0.96%.

The MSCI EAFE Growth (ND) Index is an unmanaged index generally representative of the growth stocks within the major overseas stock markets. 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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