



Harbor Large Cap Value Fund



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1st Quarter, 2017 Commentary

"We believe that while stock prices can move quickly at times, business values change much more slowly." -Aristotle Capital Management, LLC

Fund beats market as stocks gain on pro-business expectations

In the wake of the Presidential election, expectations of changes in tax policy, interest rates, and the regulatory environment lifted markets driving U.S. stocks higher.

The Harbor Large Cap Value Fund advanced in the first quarter of 2017. The Fund posted a total return of 6.64%, outperforming its Russell 1000® Value Index benchmark, which rose 3.27%.

Both stock selection and sector allocations boosted relative performance during the quarter. The outperformance was due in part to a combination of stock selection and an overweight in Information Technology, the benchmark's strongest sector for the period. Stock selection in the Financials sector also drove relative gains. The Fund's underweight in Energy, the weakest sector in the benchmark by a significant margin, also contributed to relative results, as did stock selection and an overweight in Health Care. In contrast, stock selection in the Consumer Staples sector weighed on relative performance.

Aristotle Capital Management's comments were made in an April, 2017 report. Highlights adapted from the report appear below. All comments relate to the quarter ended March 31, 2017, unless otherwise indicated. All references to the year-to-date are for the period January 1 through March 31, 2017.

HIGHLIGHTS

A Steady Focus on the Long-Term

Post-election, expectations of changes in tax policy, interest rates and the regulatory environment buoyed the markets. We believe that while stock prices can move quickly at times, business values change much more slowly. Our fundamental, bottom-up process rarely responds to short-term changes in the macroeconomic environment, and we did not make any significant changes to the portfolio during the period.

Underweight to Struggling Energy Sector Pays Off

Market conditions during the quarter were mostly benign regarding their impact on our portfolio. The main macro impact to the portfolio was the pullback in energy-related businesses. Our underweight in Energy, which was a detractor in 2016, was a net positive in the first quarter of 2017.

New Administration's Impact to be Measured Over Years, not Months

We believe that the effects of changes to the macro environment won't be felt for years. Likewise, we believe that any possible changes stemming from the new administration will likely take years before individual business values change.



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Total Returns

As of 03/31/2017

	Three Months	One Year	Three Years	Five Years	Ten Years	Expense Ratios Net	Expense Ratios Gross
Harbor Large Cap Value Fund - INST	6.64%	23.81%	10.93%	14.73%	7.53%	0.68%	0.73%
Russell 1000® Value Index	3.27%	19.22%	8.67%	13.13%	5.93%		

Sectors: As of 03/31/2017, the Harbor Large Cap Value Fund had invested the following percentages of its assets in the sectors listed: Financials, 21.15%; Health Care, 16.11%; Information Technology, 13.06%; Consumer Staples, 11.99%; Energy, 8.41%; Consumer Discretionary, 7.79%; Materials, 7.63%; Industrials, 5.85%; Utilities, 3.21%;

Performance data shown represents past performance and is no guarantee of future results. Past performance is net of management fees and expenses and reflects reinvested dividends and distributions. Past performance reflects the beneficial effect of any expense waivers or reimbursements, without which returns would have been lower. Investment returns and principal value will fluctuate and when redeemed may be worth more or less than their original cost. Returns for periods less than one year are not annualized. Current performance may be higher or lower and is available through the most recent month end at www.harborfunds.com or by calling 800-422-1050.

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. The holdings or sectors mentioned may change at any time and may not represent current or future investments.

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expenses. The net expense ratios for this fund are contractually capped, excluding interest expense (if any), through 02/28/2018.

The Russell 1000® Value Index is an unmanaged index generally representative of the U.S. market for larger capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000® Value Index and Russell® are trademarks of Frank Russell Company.

Since the Fund typically invests in a small number of stocks, an adverse event affecting a particular company may hurt the Fund's performance more than if it had invested in a larger number of companies.

Since the Fund may hold foreign securities, it may be subject to greater risks than funds invested only in the U.S. These risks are more severe for securities of issuers in emerging market regions.

At times, a value investing style may be out of favor with investors which could cause value securities to underperform growth or other equity securities.

Stock markets are volatile and equity values can decline significantly in response to adverse issuer, political, regulatory, market and economic conditions.

The views expressed herein are those of the subadviser, Aristotle Capital Management, LLC, and may not be reflective of their current opinions or future actions. These views are not necessarily those of Harbor Funds and should not be construed as such.

Investors should carefully consider the investment objectives, risks, charges and expenses of a Harbor fund before investing. A summary prospectus or prospectus for this and other information is available at www.harborfunds.com or by calling 800-422-1050. Read it carefully before investing.

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