Harbor Mid Cap Growth Fund

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Equities close out 2011 with a strong finish

U.S equities finished 2011 on a strong note, with the Russell Midcap® Growth Index recording a return of 11.24% for the quarter ended December 31, 2011. Michael Carmen, Portfolio Manager of the Harbor Mid Cap Growth Fund, comments that 9 of the 10 economic sectors in the index posted gains, with the strongest sectors being Energy, Industrials, and Materials.

The Harbor Mid Cap Growth Fund moved higher in the fourth quarter but trailed the index with a return of 4.26%. The Fund's best performers in the quarter included United Rentals, F5 Networks, and Pharmaceutical Product Development, Carmen says, while the biggest detractors from performance included Green Mountain Coffee Roasters, Diamond Foods, and Shutterfly. From a sector perspective, the Fund's weakest areas included Consumer Staples, Consumer Discretionary, and Information Technology.

Looking ahead, the Fund is positioned to benefit from an improving economic environment, Carmen says. In terms of portfolio positioning, the portfolio had larger-than-index exposures to Technology, Health Care, and Consumer Discretionary names entering 2012, Carmen says. Underweighted positions included Materials, Consumer Staples, and Financials.

Michael Carmen's comments were made in a January 18, 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

Positive outlook
Overall for 2012, we are constructive on the environment. We clearly are seeing improvement in the U.S. economy and that's coupled with central banks globally becoming more accommodative.

Favorable metrics
We think valuations are very attractive, as can be seen by the portfolio relative to the index. In terms of our longer-term earnings outlook, the portfolio is expected to grow at close to 20% a year versus 15% for the Russell Midcap® Growth Index. However, the current P/E of the portfolio at 14.4x is actually below that of the index at 14.8x. From a historical perspective, when you have seen those kinds of metrics, that typically has been a good time to be invested in the portfolio.

Stocks at a discount
The last time I felt this strongly about our style of investing was in late 2002 and early 2003, a time when I felt that the kinds of stocks we like to invest in were selling at a discount, not just on an absolute basis but relative to other areas of the market. We subsequently had a very strong run of performance from 2003 to 2007. When I look at the relative positioning of the portfolio now, it is very much reminiscent of that period. That's why I'm optimistic about the positioning of the portfolio as we enter 2012.

Regional banks
A lot of the regional banks didn't go through quite the pain of the money center banks and now are in a position to be consolidators within their regions. We're not overweight the Financial sector. We're not that bullish on Financials, particularly relative to other opportunities we see in the marketplace. But we do see opportunities to start building positions in some of the better-positioned regional banks.

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Improvement in housing

Housing obviously has been a big headwind on the economy the past several years. If it just becomes relatively less of a headwind and perhaps a little bit of a tailwind, that could be a very positive factor in employment growth. We started to see better employment numbers the last couple of months and we think that should help our performance. The portfolio is positioned for a pro-cyclical, pro-growth economy.

Total Returns

As of 12/31/2011

	Three Months	One Year	Three Years	Five Years	Ten Years	Expense Ratios Net	Expense Ratios Gross
Harbor Mid Cap Growth Fund - INST	4.26%	-8.95%	13.54%	0.64%	3.89%	0.87%	0.87%
Russell Midcap® Growth Index	11.24%	-1.65%	22.06%	2.44%	5.29%		

As of 12/31/2011, the Harbor Mid Cap Growth Fund had invested the following percentages of its assets in the sectors listed: Information Technology, 29.49%; Consumer Discretionary, 21.31%; Health Care, 17.48%; Industrials, 12.48%; Energy, 10.49%; Financials, 4.04%; Materials, 2.25%; Consumer Staples, 1.47%;

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.

Stocks of mid cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies. Since the Fund also 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.

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 12/31/2011, the Harbor Mid Cap Growth Fund held the following positions referenced as a percentage of the Fund's total net assets: F5 Networks Inc. - 1.21%, United Rentals Inc. - 1.04%, Green Mountain Coffee Roasters Inc. - 0.92%, Shutterfly Inc. - 0.88%, Diamond Foods Inc. - 0.55%, Pharmaceutical Product Development Inc. - 0.00%

The Russell Midcap® Growth Index is an unmanaged index generally representative of the U.S. market for medium capitalization growth stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap® Growth Index and Russell® are trademarks of Russell Investments.

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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