



Harbor Money Market Fund



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1st Quarter, 2017 Commentary

"We believe a more active Fed has increased the value of tactical positioning in yield curve and duration, and shifted the portfolio from strategic to tactical as opportunities emerged." -Fischer Francis Trees & Watts, Inc.

Fund outperforms as monetary tightening returns

Investor sentiment improved dramatically in the first quarter of 2017, with survey based measures indicating that a broad based rebound in global growth was underway. Fixed income markets experienced a steady rise in yields across most major economies. Deflationary concerns abated as headline inflation climbed from very low levels. Global central banks, with the exception of the U.S., began to discuss the potential for a reduction in stimulus measures for the first time in the cycle. While populist political challenges remain, the impact on markets has been less forceful than in prior years. In March, the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve (Fed) raised its target for short-term interest rates by 25 basis points, for the second time in three months.

U.S. treasury markets remained in a range that was established in the weeks following the U.S. election. Short-term yields closely tracked expectations for monetary policy rates, which were increased by 25 basis points in mid-February. Markets are currently pricing a 50% probability of an additional tightening measure in the second quarter. Collectively, yield changes served to flatten the curve as short-term yields climbed in excess of intermediate yields.

Against this backdrop, the Harbor Money Market Fund returned 0.13% for the first quarter of 2017. The Fund outperformed the 0.10% return of the BofA Merrill Lynch US 3-Month Treasury Bill Index after fees. Portfolio returns benefited from excess yield associated with agency discount notes. Duration and yield curve positioning modestly contributed to performance.

Comments by Fischer Francis Trees & Watts 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

Tactical Adjustments Surrounding Interest Rate Hike

Valuations in money market securities remain closely tied to monetary policy. We believe a more active Fed has increased the value of tactical positioning in yield curve and duration, and shifted the portfolio from strategic to tactical as opportunities emerged ahead of the FOMC meeting in March. Portfolio duration was shortened weeks ahead of the meeting and lengthened in the days before the meeting. This tactical positioning reduced the magnitude of the loss associated with the repricing in the front end of the yield curve.

"Measured" Expectations for Further Tightening

We believe our expectations for pace of monetary policy became more consistent with that of the FOMC as the quarter progressed. Inflation data has improved and is approaching Fed targets. External factors appear to play less of a role in the Fed's reaction function than in the past. Recent global developments have eliminated the impediments to policy normalization. Nonetheless, we believe the pace of monetary policy tightening will likely be measured and follow a quarterly cycle.

Strong Market Sentiment Leads to More Optimism

We became more optimistic, on the margin, during the quarter in response to firmer economic data and improving market sentiment around the globe. A significant market event would be required to reverse this shift in sentiment. The global economic environment has improved, enabling the U.S. economy to successfully decouple and return to a self-sustaining growth path.



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We recognize that neutral policy rates are likely much lower than in the past and that U.S. trend growth has probably declined below 2.0%.

Total Returns

As of 03/31/2017

	Three Months	One Year	Three Years	Five Years	Ten Years	Expense Ratios Net	Expense Ratios Gross
Harbor Money Market Fund - INST	0.13%	0.40%	0.20%	0.16%	0.75%	0.28%	0.37%
BofA Merrill Lynch US 3-Month Treasury Bill Index	0.10%	0.36%	0.17%	0.14%	0.69%		

Current 7-Day Subsidized SEC Yield – INST Class: 0.65%. Average annualized income dividend over the last 7 days. Reflects reimbursements or waivers of fees currently in effect.

Current 7-Day Unsubsidized SEC Yield – INST Class: 0.32%. Average annualized income dividend over the last 7 days. Does not reflect reimbursements or waivers of fees currently in effect.

Current yield is annualized and excludes gains and losses as defined by the Securities and Exchange Commission. The current yield more closely reflects the current earnings of the Harbor Money Market Fund than the total return.

Sectors: As of 03/31/2017, the Harbor Money Market Fund had invested the following percentages of its assets in the sectors listed: Government Agency Debt, 78.89%; Treasury Debt, 21.04%; Repurchase Agreements, 0.13%;

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 reflect a contractual management fee waiver and are contractually capped, excluding interest expense (if any), through 02/28/2018, as well as a voluntary fee waiver that may be discontinued at any time.

The BofA Merrill Lynch US 3-Month Treasury Bill Index is comprised of a single U.S. Treasury Bill issue purchased at the beginning of each month and held for a full month, at which time that issue is sold and rolled into a newly selected issue. The issue selected each month is that having a maturity date closest to, but not beyond 90 days from the rebalance date.

You could lose money by investing in the Harbor Money Market Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the FDIC or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund and you should not expect the sponsor to provide financial support to the Fund at any time.

The views expressed herein are those of the subadviser, Fischer Francis Trees & Watts, Inc., 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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