



Harbor Funds®

Semi-Annual Report  
April 30, 2017

# Strategic Markets Funds

	Institutional Class	Administrative Class
Harbor Commodity Real Return Strategy Fund	HACMX	HCMRX





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# Harbor Strategic Markets Funds

## SEMI-ANNUAL REPORT OVERVIEW (Unaudited)

The Fund's first half of the fiscal year ended April 30, 2017. The performance figures for the Harbor Fund shown below assume the reinvestment of dividends and capital gains, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of shares of the Fund. From time to time, certain fees and/or expenses have been voluntarily or contractually waived or reimbursed. Without these waivers or reimbursements, the returns would have been lower. Voluntary waivers or reimbursements may be discontinued at any time without notice. For information on the different share classes, please refer to the current prospectus. The returns of the unmanaged indices assume the reinvestment of dividends but do not reflect fees and expenses, and the indices are not available for direct investment.

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 [harborfunds.com](http://harborfunds.com).

		Unannualized Total Return 6 Months Ended April 30, 2017				
		Institutional Class	Administrative Class			
<b>HARBOR STRATEGIC MARKETS FUNDS</b>						
Harbor Commodity Real Return Strategy Fund .....		-0.27%	-0.27%			
		Unannualized Total Return 6 Months Ended April 30, 2017				
<b>COMMONLY USED MARKET INDICES</b>						
Bloomberg Commodity Index Total Return <sup>SM</sup> (commodities) .....			-0.76%			
		Morningstar Average <sup>2</sup> (Unaudited)				
		EXPENSE RATIOS <sup>1</sup>				
		2013*	2014*	2015*	2016*	2017 <sup>a</sup>
<b>STRATEGIC MARKET FUNDS</b>						
<b>Harbor Commodity Real Return Strategy Fund</b>						
Institutional Class .....		0.94%	0.94%	0.94%	0.94%	0.94%
Administrative Class .....		1.19	1.19	1.19	1.19	1.19
						1.07%
						1.32

\* Audited

1 Harbor Funds' expense ratios are for the fiscal years ended October 31 (unless otherwise noted) and are shown net of all expense offsets, waivers and reimbursements (see Financial Highlights).

2 The Morningstar Average includes all actively managed no-load funds in the April 30, 2017 Morningstar Universe with the same investment style as the comparable Harbor Fund's portfolio and with the following additional characteristics for each Harbor Funds share class: Institutional Class contains funds with 12b-1 fees less than or equal to 0.25% and Administrative Class contains funds with 12b-1 fees and which are restricted primarily for use by retirement plans.

a Unaudited annualized figures for the six-month period ended April 30, 2017

# Letter from the Chairman



**David G. Van Hooser**  
Chairman

Dear Fellow Shareholder:

The Harbor Commodity Real Return Strategy Fund invests in commodity-linked derivative instruments backed by a portfolio of inflation-indexed and other fixed income instruments.

Commodities generally declined modestly in the fiscal six months ended April 30, 2017. The Bloomberg Commodity Index Total Return<sup>SM</sup> had a return of -0.76% for the fiscal first half.

Among the commodities, oil and natural gas declined. Among the agricultural commodities, sugar and soybean prices declined.

U.S. Treasury Inflation Protected Securities (TIPS) U.S. Treasury bonds also had slightly negative returns. The Bloomberg Barclays U.S. TIPS Index (an index of U.S. TIPS bonds) had a return of -0.19%.

Comments by the portfolio managers of the Harbor Commodity Real Return Strategy Fund can be found in the pages preceding the Fund's portfolio of investments. As always, we recommend that shareholders maintain a long-term perspective in evaluating all of their investments, including Harbor Funds.

## RETURNS FOR PERIODS ENDED APRIL 30, 2017

	Unannualized		Annualized		
	6 Months	1 Year	5 Years	10 Years	30 Years
<b>Strategic Markets</b>					
Bloomberg Commodity Index Total Return <sup>SM</sup> (commodities) . . . . .	-0.76%	-1.32%	-9.74%	-6.47%	N/A
<b>Domestic Equities</b>					
Russell 3000 <sup>®</sup> (entire U.S. stock market) . . . . .	13.83%	18.58%	13.57%	7.23%	9.76%
S&P 500 (large cap stocks) . . . . .	13.32	17.92	13.68	7.15	9.74
Russell Midcap <sup>®</sup> (mid cap stocks) . . . . .	12.94	16.70	13.34	7.62	11.17
Russell 2000 <sup>®</sup> (small cap stocks) . . . . .	18.37	25.63	12.95	7.05	9.06
Russell 3000 <sup>®</sup> Growth (growth stocks) . . . . .	15.47	19.83	13.79	8.80	9.15
Russell 3000 <sup>®</sup> Value (value stocks) . . . . .	12.18	17.33	13.29	5.56	10.01
<b>International &amp; Global</b>					
MSCI EAFE (ND) (foreign stocks) . . . . .	11.47%	11.29%	6.78%	0.87%	4.81%
MSCI EAFE Small Cap (ND) (foreign small cap stocks) . . . . .	12.57	13.14	10.22	3.09	N/A
MSCI World (ND) (global stocks) . . . . .	12.12	14.65	9.94	3.92	6.67
MSCI All Country World Ex. U.S. (ND) (foreign stocks) . . . . .	10.37	12.59	5.14	1.12	N/A
MSCI Emerging Markets (ND) (emerging markets stocks) . . . . .	8.88	19.13	1.49	2.47	N/A
<b>Fixed Income</b>					
BofA Merrill Lynch U.S. Non-Distressed High Yield (domestic high-yield bonds) . . . . .	4.86%	11.27%	6.86%	6.32%	N/A
Bloomberg Barclays U.S. Aggregate Bond (domestic bonds) . . . . .	-0.67	0.83	2.27	4.30	6.43%
Bloomberg Barclays U.S. TIPS (domestic inflation-linked bonds) . . . . .	-0.19	1.73	0.69	4.22	N/A
BofA Merrill Lynch 3-Month U.S. Treasury Bill (proxy for money market returns) . . . . .	0.23	0.40	0.15	0.65	3.45

## INVEST FOR THE LONG-TERM

As this letter was being finalized in mid-June 2017, the U.S. Federal Reserve (Fed) once again raised the federal funds rate, a measure of short-term rates, to a range of 1% to 1.25%. It was the third rate increase in fiscal 2017. The Fed also indicated that, assuming the economy continues to perform as expected, they would begin later in 2017 reducing very slowly their large inventory of bonds purchased during the financial crisis.

The actions of the Fed indicate the economy continues to improve and the Fed believes it is appropriate for interest rates to return to more normal (higher) levels. While the actions of the Fed should help short-term and long-term interest rates return to more normal levels, no one is able to predict when such rate increases will occur, especially for longer-term rates.

So how should investors respond to the actions of the Fed? We believe long-term investors probably need to make few, if any, changes. Interest rates move in the opposite direction of bond prices. Higher interest rates mean lower prices for existing bonds. Over time, the higher interest rates should make up for any decline in the price of existing bonds.

No one can predict stock prices or bond prices with certainty. We encourage all investors to have a diversified portfolio of stocks, bonds and cash in an allocation consistent with their long-term financial objectives and comfort with risk. We also encourage investors to rebalance periodically to keep the allocation consistent with their long-term financial goals. Harbor Funds offers a variety of equity and fixed income funds to help you achieve your financial objectives.

Thank you for investing with Harbor Funds.

June 15, 2017

David G. Van Hooser  
Chairman

# Harbor Commodity Real Return Strategy Fund

## MANAGER'S COMMENTARY (Unaudited)

### SUBADVISER

Pacific Investment  
Management Company  
LLC (PIMCO)

650 Newport Center Dr.  
Newport Beach, CA  
92660

### PORTFOLIO MANAGERS

**Mihir P. Worah**  
*Since 2008*

**Nicholas J. Johnson**  
*Since 2015*

**Jeremie Banet**  
*Since 2015*

PIMCO has subadvised  
the Fund since 2008.

### INVESTMENT OBJECTIVE

The Fund seeks  
maximum real return,  
consistent with prudent  
investment  
management.



Mihir P. Worah



Nicholas J. Johnson



Jeremie Banet

## Management's Discussion of Fund Performance

### MARKET REVIEW

Commodity markets were weak over the six months ended April 30, 2017 as the Bloomberg Commodity Index Total Return<sup>SM</sup>, an unmanaged index of futures contracts on a diversified group of physical commodities, returned -0.76%. Within individual commodity sectors, the energy sector posted losses, as oil prices dipped lower on record-high U.S. inventory levels and doubts about OPEC's commitment to production cuts. Natural gas also underperformed due to the warm U.S. winter weather. Within agriculture, sugar posted negative returns given the deteriorating story around Indian imports and the prospect of increased supply coming from Brazil. Soybeans also saw further pressure and posted negative returns over the period given the impact of weather in South America.

Donald Trump stunned in winning the U.S. presidential election at the end of 2016, but the market reaction was almost as surprising. Most markets focused on the pro-growth and inflationary potential of fiscal stimulus as many risk assets rallied while inflation expectations and yields rose. Following the election, volatility fell, equities rallied, credit spreads tightened and the U.S. Dollar strengthened as investors anticipated expansionary fiscal policy, tax cuts, and deregulation. As such, the U.S. Federal Reserve (Fed) raised rates for just the second time in a decade (as widely expected), but with a hawkish tilt as the "blue dots" increased for 2017 – signaling the Federal Open Market Committee's (FOMC) shift towards raising interest rates.

This optimism continued into the new year and solid U.S. economic data, relatively easy financial conditions, and both business and consumer optimism gave the Fed an opportunity to continue on its path toward policy normalization. This rate hike, though, was perceived as more dovish given the largely unchanged statement. Inflation expectations were generally stable over the period, despite fluctuations in oil prices related to building inventories in the U.S. and concerns over OPEC's adherence to its production cut agreement. Real rates in the U.S. drifted lower in the beginning of 2017, in contrast to the sharp upward move seen in November post-election.

Abroad, Dutch election results tempered somewhat the risks related to more nationalist, anti-EU outcomes in the eurozone. This was further enforced by the French elections, as the first round victory for centrist Emmanuel Macron served to not only validate pre-election polls, but also spur a "relief rally" in the markets on his presumed victory in the second round against the anti-euro and populist candidate Marine Le Pen. Still, Le Pen's passage to the second round served as a reminder of the momentum of populist movements globally.

### PERFORMANCE

Harbor Commodity Real Return Strategy Fund returned -0.27% (Institutional Class and Administrative Class) for the six months ended April 30, 2017, outperforming the -0.76% return of the Bloomberg Commodity Index Total Return<sup>SM</sup> benchmark. From a longer-term perspective, the Fund has outperformed the Index since its inception in 2008.

The Fund invests in commodity-linked derivative instruments backed by a portfolio of inflation-indexed bonds and other fixed income securities.

The following strategies helped Fund returns for the six months ended April 30, 2017:

- Implementation of commodity alpha strategies

# Harbor Commodity Real Return Strategy Fund

## MANAGER'S COMMENTARY—Continued

TOP TEN ISSUERS (% of net assets)	
U.S. Treasury	102.3%
Brazil Letras Do Tesouro Nacional	6.0%
U.K. Gilt Inflation Linked	2.1%
Telefonica Emisiones SAU	2.0%
UBS Group Funding Jersey Ltd.	1.7%
New Zealand Government Bond	1.4%
People's Choice Home Loan Securities Trust	0.9%
Nykredit Realkredit AS	0.8%
SLM Student Loan Trust	0.8%
Deutsche Bank AG	0.7%

- Overweight breakevens in the U.S. as breakeven inflation expectations ended the period higher. Breakeven inflation levels are a measure of the market's expectation of future inflation, as expressed by the yield spread between U.S. Treasury Inflation Protected Securities (TIPS) and like-duration U.S. Treasuries
- A modest allocation to non-agency mortgages as non-agency mortgage backed securities performed well amid continued favorable market technicals and stable residential real estate fundamentals
- Short exposure to interest rates in the U.K. as rates fell over the period were negative or neutral for Fund returns during the first half of the fiscal year.

### OUTLOOK & STRATEGY

We expect the nearly eight-year-old global economic expansion will strengthen and broaden over the coming year. Our outlook reflects several positive factors: generally supportive fiscal policies (or expectations of them) in most developed market economies, easier financial conditions since the start of the year, more optimism among market participants as indicated by consumer and business confidence data, and a rebound in global trade.

In the U.S., we see growth above-trend at 2.0%–2.5% in 2017 as business investment recovers, particularly in the Energy sector, and Consumer Spending is supported by a further decline in unemployment, higher consumer confidence and expectations of personal income tax cuts in 2018. We forecast core inflation to hover sideways this year at 2.0%–2.5%, but expect that the Fed will feel encouraged by above-trend growth to raise interest rates two more times during 2017.

Within commodities, following several years of price corrections, commodity markets are likely to remain more balanced going forward, with return potential skewed slightly to the upside in select commodities. Within our active commodity strategies, we look to take advantage of relative value opportunities on commodity forward curves and inter-commodity spreads.

With respect to portfolio strategy, we plan to:

- Seek relative value opportunities within commodities while balancing the economic outlook with supply trends; we look to take advantage of relative value opportunities on commodity forward curves and inter-commodity spreads
- Within our active commodity strategies, we plan to be:
  - Short soybeans versus corn as the ratio of deferred soybean to corn prices is on the higher end of the historical range, which incentivized more soybean planting this year and should reduce soybean prices relative to corn going forward
  - Long platinum versus gold as platinum generally trades at a premium to gold given that it's a smaller supply, higher production cost, dual use metal. Platinum is at a rare discount largely due to emerging market weakness and gold's safe asset bid, which we expect to correct over time
  - Long propane versus short Brent crude oil as U.S. propane production has been stalling, while exports have increased. Both propane and Brent crude oil compete for petrochemical demand and propane is currently trading cheap relative to Brent
- Within our portfolio of inflation-indexed bonds and other fixed income securities, be cautious duration overall, while favoring TIPS relative to nominals and looking to take advantage of attractive opportunities in spread sectors

This report contains the current opinions of Pacific Investment Management Company LLC (PIMCO) as of the date of this report and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Such opinions are subject to change without notice and securities described herein may no longer be included in, or may at any time be removed from, the Fund's portfolio. This report is distributed for informational purposes only. Information contained herein has been obtained from sources believed reliable, but not guaranteed.

The Fund invests in commodity-linked instruments, which may be significantly more volatile than other securities. The use of derivative instruments may add additional risk. It also invests in fixed income securities, which fluctuate in price in response to various factors, including changes in interest rates, changes in market conditions and issuer-specific events. 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. The Fund will seek to gain exposure to the commodity markets primarily through investments in leveraged or unleveraged commodity index-linked notes and through investments in the Harbor Cayman Commodity Fund Ltd., a wholly-owned subsidiary of the Fund. For information on the different share classes and the risks associated with an investment in the Fund, please refer to the current prospectus.



# Harbor Commodity Real Return Strategy Fund

## FUND SUMMARY—April 30, 2017 (Unaudited)

INSTITUTIONAL CLASS	
Fund #	2029
Cusip	411511397
Ticker	HACMX
Inception Date	09/02/2008
Net Expense Ratio	0.94% <sup>a,b</sup>
Total Net Assets (000s)	\$59,681

PORTFOLIO STATISTICS	
Average Market Coupon	1.27%
Yield to Maturity	2.58%
Weighted Average Maturity	3.26 years
Weighted Average Duration	2.99 years
Portfolio Turnover (6-Month Period Ended 04/30/2017)	559% <sup>c</sup>

MATURITY PROFILE	
Years to Maturity	% of Investments
0 to 1 yr.	-7.67%
>1 to 5	75.36%
>5 to 10	40.98%
>10 to 15	-2.30%
>15 to 20	-0.01%
>20 to 25	0.20%
>25 yrs.	-6.56%

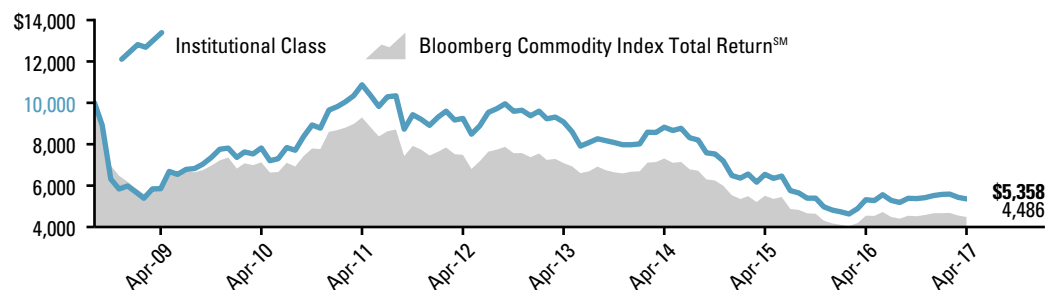
ADMINISTRATIVE CLASS	
Fund #	2229
Cusip	411511389
Ticker	HCMRX
Inception Date	09/02/2008
Net Expense Ratio	1.19% <sup>a,b</sup>
Total Net Assets (000s)	\$430

### FUND PERFORMANCE

The graph compares a \$10,000 investment in the Fund with the performance of the Bloomberg Commodity Index Total Return<sup>SM</sup>. The Fund's performance assumes the reinvestment of all dividend and capital gain distributions.

#### CHANGE IN A \$10,000 INVESTMENT

For the period 09/02/2008 through 04/30/2017



### TOTAL RETURNS

For the periods ended 04/30/2017

#### Harbor Commodity Real Return Strategy Fund

	Unannualized		Annualized		Inception Date	Final Value of a \$10,000 Investment
	6 Months	1 Year	5 Years	Life of Fund		
Institutional Class	-0.27%	0.74%	-10.34%	-6.95%	09/02/2008	\$5,358
Administrative Class	-0.27	0.61	-10.55	-7.19	09/02/2008	5,241
<b>Comparative Index</b>						
Bloomberg Commodity Index Total Return <sup>SM</sup>	-0.76%	-1.32%	-9.74%	-8.84%	—	\$4,486

As stated in the Fund's current prospectus, the expense ratios were 1.24% (Net) and 1.53% (Gross) (Institutional Class); and 1.49% (Net) and 1.78% (Gross) (Administrative Class). The net expense ratios reflect an expense limitation agreement (excluding interest expense, if any) effective through 02/28/2018. The expense ratios in the prospectus may differ from the actual expense ratios for the period disclosed within this report. The expense ratios shown in the prospectus are based on the prior fiscal year, adjusted to reflect changes, if any, in contractual arrangements that occurred prior to the date of the prospectus (or a supplement thereto, if applicable).

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 [harborfunds.com](http://harborfunds.com).

The returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares. From time to time, certain fees and/or expenses have been waived or reimbursed. Without these waivers and reimbursements, the returns would have been lower.

a Reflects an expense limitation agreement (excluding interest expense, if any) effective through February 28, 2018

b Annualized

c Unannualized

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—April 30, 2017 (Unaudited)

Value, Cost, Notional and Principal Amounts in Thousands

### Total Investments (% of net assets)

(Excludes net cash, short-term investments and derivative positions of -27.0%)

U.S. Government Obligations	102.3
Foreign Government Obligations	10.7
Corporate Bonds & Notes	8.7
Asset-Backed Securities	4.7
Mortgage Pass-Through	0.4
Collateralized Mortgage Obligations	0.2

### ASSET-BACKED SECURITIES—4.7%

Principal Amount		Value
\$	285	283
	25	26
	180	180
	202	117
	107	59
	329	265
		324
	97	98
	600	546
€	414	449
	235	254
	200	177
	348	346
<b>TOTAL ASSET-BACKED SECURITIES</b>		<b>2,800</b>
(Cost \$2,717)		

### COLLATERALIZED MORTGAGE OBLIGATIONS—0.2%

(Cost \$121)		
	126	122

### CORPORATE BONDS & NOTES—8.7%

Principal Amount		Value
<b>Banks—1.7%</b>		
DKK\$	400	\$ 59
	95	15
	200	30
		104
\$	100	100
	100	104
DKK\$	300	44
	600	89
	94	14
		147
	300	44
	2,300	339
	561	84
	83	13
		480
	472	70
	200	30
		1,035
<b>Diversified Financial Services—3.2%</b>		
\$	250	258
	400	414
€	200	231
\$	1,000	1,034
		1,937
<b>Diversified Telecommunication Services—2.4%</b>		
	100	101
	100	108
		209
	1,200	1,201
		1,410
<b>Electric Utilities—0.4%</b>		
€	200	223
<b>Mortgage Related Investment Trusts (REITs)—0.3%</b>		
	200	199
<b>Oil, Gas &amp; Consumable Fuels—0.7%</b>		
£	100	134

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

Value, Cost, Notional and Principal Amounts in Thousands

### CORPORATE BONDS & NOTES—Continued

Principal Amount		Value
<b>Oil, Gas &amp; Consumable Fuels—Continued</b>		
	Petrobras Global Finance BV	
\$ 200	4.375%—05/20/2023	\$ 192
100	6.125%—01/17/2022	105
		297
		431
<b>TOTAL CORPORATE BONDS &amp; NOTES</b>		
	(Cost \$5,280)	5,235

### FOREIGN GOVERNMENT OBLIGATIONS—10.7%

200	Argentine Republic Government International Bond	212
	6.875%—01/26/2027	
€ 100	Autonomous Community of Catalonia	117
	4.950%—02/11/2020	
R\$ 12,100	Brazil Letras Do Tesouro Nacional	3,618
	0.000%—10/01/2017-01/01/2018 <sup>7</sup>	
MEX\$ 4,253	Mexican Bonos	221
	4.750%—06/14/2018	
1,900	Mexican Bonos de Proteccion Al Ahorro	103
	6.090%—06/29/2017 <sup>1,8</sup>	
NZD\$ 1,200	New Zealand Government Bond	872
	2.000%—09/20/2025 <sup>8</sup>	
£ 590	U.K. Gilt Inflation Linked <sup>8</sup>	1,264
	0.125%—03/22/2024-11/22/2065	

<b>TOTAL FOREIGN GOVERNMENT OBLIGATIONS</b>		
	(Cost \$6,440)	6,407

### MORTGAGE PASS-THROUGH—0.4%

(Cost \$244)		
\$ 249	Federal National Mortgage Association	263
	4.000%—02/01/2041	

### U.S. GOVERNMENT OBLIGATIONS—102.3%

23,662	U.S. Treasury Inflation Indexed Bonds <sup>9</sup>	23,821
211	0.125%—04/15/2018-07/15/2026	212
1,933	0.125%—01/15/2023 <sup>9</sup>	1,926
3,763	0.250%—01/15/2025 <sup>9</sup>	3,825
1,294	0.375%—07/15/2023-01/15/2027	1,304
7,371	0.375%—07/15/2025 <sup>9</sup>	7,612
4,022	0.625%—07/15/2021-01/15/2026	4,241
2,790	1.250%—07/15/2020	2,864
31	1.375%—07/15/2018	35
23	1.375%—02/15/2044 <sup>9</sup>	26
7,301	1.750%—01/15/2028	7,712
245	1.875%—07/15/2019 <sup>9</sup>	280
	2.000%—01/15/2026	

### U.S. GOVERNMENT OBLIGATIONS—Continued

Principal Amount		Value
\$ 33	2.125%—02/15/2041	\$ 43
2,792	2.375%—01/15/2025	3,233
1,055	2.500%—01/15/2029 <sup>9</sup>	1,298
178	3.875%—04/15/2029	247
		58,679
U.S. Treasury Notes		
2,300	1.875%—02/28/2022	2,308
530	3.000%—02/15/2047	535
		2,843

<b>TOTAL U.S. GOVERNMENT OBLIGATIONS</b>		
	(Cost \$60,981)	61,522

### SHORT-TERM INVESTMENTS—28.7%

CERTIFICATES OF DEPOSIT—0.8%		
200	Barclays plc	200
	0.000%—09/08/2017 <sup>1</sup>	
300	Credit Suisse NY	301
	0.000%—09/12/2017 <sup>1</sup>	
		501

REPURCHASE AGREEMENTS—27.9%		
5,200	Repurchase Agreement with Barclays Capital Inc. dated April 28, 2017 due May 01, 2017 at 0.990% collateralized by U.S. Treasury Notes (value \$5,309)	5,200
5,200	Repurchase Agreement with Citigroup dated April 28, 2017 due May 01, 2017 at 1.010% collateralized by U.S. Treasury Notes (value \$5,304)	5,200
5,200	Repurchase Agreement with JPMorgan Chase & Co. dated April 28, 2017 due May 01, 2017 at 1.010% collateralized by Government National Mortgage Association Notes (value \$5,391)	5,200
300	Repurchase Agreement with Scotia Capital Inc. dated April 28, 2017 due May 01, 2017 at 1.000% collateralized by U.S. Treasury Notes (value \$304)	300
858	Repurchase Agreement with State Street Corp. dated April 28, 2017 due May 01, 2017 at 0.001% collateralized by Federal Farm Credit Notes (value \$877)	858
		16,758

<b>TOTAL SHORT-TERM INVESTMENTS</b>		
	(Cost \$17,258)	17,259

<b>TOTAL INVESTMENTS—155.7%</b>		
	(Cost \$93,041)	93,608

<b>CASH AND OTHER ASSETS, LESS LIABILITIES—(55.7)%</b>		
		(33,497)
<b>TOTAL NET ASSETS—100.0%</b>		
		\$ 60,111

### FUTURES CONTRACTS OPEN AT APRIL 30, 2017

Description	Number of Contracts	Expiration Date	Original Notional Value (000s)	Current Notional Value (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Euro-OAT Futures (Short)	4	06/08/2017	€ 400	€ 599	\$ (12)
Rapeseed Futures (Long)	3	10/31/2017	—	56	(3)
United Kingdom GILT Futures 90 day (Short)	5	06/28/2017	£ 500	£ 641	(21)
Brent Crude Oil Futures (Long)	28	10/31/2018	\$ 28	\$ 1,475	(61)

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### FUTURES CONTRACTS—Continued

Description	Number of Contracts	Expiration Date	Original Notional Value (000s)	Current Notional Value (000s)	Unrealized Appreciation/Depreciation (000s)
Brent Crude Oil Futures (Long)	3	10/31/2019	\$ 3	\$ 158	\$ (10)
Brent Crude Oil Futures (Short)	26	10/31/2017	26	1,378	63
Brent Crude Oil Futures (Short)	2	07/31/2018	2	106	1
Brent Crude Oil Futures (Short)	2	01/31/2019	2	105	1
Brent Crude Oil Futures (Short)	2	04/30/2019	2	105	3
Brent Crude Oil Futures (Short)	1	10/30/2020	1	53	4
Chicago Ethanol Swap Futures (Long)	1	12/29/2017	42	62	2
Corn Futures (Long)	8	12/14/2017	40	154	(3)
Cotton Futures (Long)	1	12/06/2017	50	37	—
Cotton Futures (Short)	2	07/07/2017	100	79	(2)
Gold Futures (Long)	1	12/27/2018	—	130	3
Gold Futures (Short)	2	06/28/2017	—	254	(6)
Light Sweet Crude Oil Futures (Long)	4	11/20/2017	4	202	—
Light Sweet Crude Oil Futures (Long)	4	02/20/2018	4	203	18
Light Sweet Crude Oil Futures (Long)	2	08/21/2018	2	101	(9)
Light Sweet Crude Oil Futures (Long)	4	10/30/2018	4	201	1
Light Sweet Crude Oil Futures (Long)	1	05/21/2019	1	50	(2)
Light Sweet Crude Oil Futures (Long)	2	11/20/2019	2	101	(4)
Light Sweet Crude Oil Futures (Long)	1	05/19/2020	1	51	(2)
Light Sweet Crude Oil Futures (Short)	1	07/20/2017	1	50	3
Light Sweet Crude Oil Futures (Short)	2	11/17/2017	2	101	—
Light Sweet Crude Oil Futures (Short)	1	03/20/2018	1	51	3
Light Sweet Crude Oil Futures (Short)	3	05/22/2018	3	152	2
Light Sweet Crude Oil Futures (Short)	3	11/19/2018	3	151	9
Light Sweet Crude Oil Futures (Short)	2	11/20/2020	2	101	3
Live Cattle Futures (Long)	1	08/31/2017	40	48	3
Live Cattle Futures (Short)	1	06/30/2017	40	50	(3)
Natural Gas Futures (Long)	2	05/26/2017	20	66	—
Natural Gas Futures (Long)	8	07/27/2017	80	270	7
Natural Gas Futures (Long)	5	09/27/2017	50	169	5
Natural Gas Futures (Long)	21	03/27/2018	210	624	23
Natural Gas Futures (Short)	7	06/28/2017	70	235	(3)
Natural Gas Futures (Short)	8	08/29/2017	80	269	(5)
Natural Gas Futures (Short)	2	12/27/2017	20	73	(2)
Natural Gas Futures (Short)	18	02/26/2018	180	631	(27)
Natural Gas Swap Futures (Long)	4	12/27/2017	10	36	7
Natural Gas Swap Futures (Long)	4	01/29/2018	10	36	6
Natural Gas Swap Futures (Long)	4	02/26/2018	10	35	6
Natural Gas Swap Futures (Long)	8	03/27/2018	20	59	3
Natural Gas Swap Futures (Long)	4	04/26/2018	10	29	(1)
Natural Gas Swap Futures (Long)	4	05/29/2018	10	29	—
Natural Gas Swap Futures (Long)	4	06/27/2018	10	30	—
Natural Gas Swap Futures (Long)	4	07/27/2018	10	30	—
Natural Gas Swap Futures (Long)	4	08/29/2018	10	29	—
Natural Gas Swap Futures (Long)	4	09/26/2018	10	30	—
Natural Gas Swap Futures (Long)	4	10/29/2018	10	30	—
Natural Gas Swap Futures (Long)	4	11/28/2018	10	31	2
Natural Gas Swap Futures (Short)	4	09/27/2017	10	34	(6)
Platinum Futures (Long)	4	07/27/2017	—	190	(11)
Silver Futures (Long)	1	12/27/2017	5	87	(3)
Soybean Futures (Long)	2	07/14/2017	10	96	(3)
Soybean Futures (Short)	7	11/14/2017	35	334	15
Sugar Futures (Short)	1	06/30/2017	112	18	—
Sugar Futures (Short)	1	09/29/2017	112	18	1
U.S. Treasury Bond Futures 30 year (Short)	16	06/21/2017	1,600	2,447	(38)
U.S. Treasury Note Futures 2 year (Short)	45	06/30/2017	9,000	9,747	(15)
U.S. Treasury Note Futures 5 year (Short)	26	06/30/2017	2,600	3,079	(23)
U.S. Treasury Note Futures 10 year (Long)	79	06/21/2017	7,900	9,932	119
Wheat Futures (Long)	3	07/14/2017	15	66	(3)
Wheat Futures (Short)	3	07/14/2017	15	65	4
White Sugar Futures (Long)	1	07/14/2017	—	23	—
White Sugar Futures (Long)	1	09/15/2017	—	22	(1)
Total Futures Contracts					\$ 38

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### PURCHASED OPTIONS OPEN AT APRIL 30, 2017

#### PURCHASED OPTIONS THAT REQUIRE PERIODIC SETTLEMENT OF VARIATION MARGIN

Description	Exchange	Strike Price	Expiration Date	Number of Contracts/ Notional	Premiums Paid (000s)	Value (000s)
U.K. LIBOR Future 90 day (Put)	ICE Group	£ 98.50	06/21/2017	24	\$1	\$—

#### PURCHASED OPTIONS NOT SETTLED THROUGH VARIATION MARGIN

Description	Counterparty/Exchange	Strike Price	Expiration Date	Number of Contracts/ Notional	Premiums Paid (000s)	Value (000s)
Commodity - Crude Oil Futures (Call)	New York Mercantile Exchange	\$ 63.00	11/15/2017	10	\$21	\$ 7
Commodity - Crude Oil Futures (Call)	New York Mercantile Exchange	64.00	11/14/2018	1	4	2
Commodity - Crude Oil Futures (Put)	New York Mercantile Exchange	48.00	11/15/2017	10	32	32
Commodity - Natural Gas Futures (Call)	New York Mercantile Exchange	0.50	02/23/2018	3	11	11
Commodity - Natural Gas Futures (Call)	New York Mercantile Exchange	1.00	02/23/2018	3	7	8
Commodity - WTI-Brent Crude Oil Spread Futures (Call)	New York Mercantile Exchange	2.00	10/30/2018	1	1	—
U.S. Treasury Bond Option 30 year (Call)	Chicago Board of Trade	180.00	05/26/2017	15	—	—
U.S. Treasury Note Option 2 year (Call)	Chicago Board of Trade	109.75	05/26/2017	4	—	—
U.S. Treasury Note Option 2 year (Call)	Chicago Board of Trade	110.00	05/26/2017	6	—	—
U.S. Treasury Note Option 2 year (Call)	Chicago Board of Trade	110.25	05/26/2017	35	—	—
U.S. Treasury Note Option 5 year (Call)	Chicago Board of Trade	124.00	05/26/2017	2	—	—
U.S. Treasury Note Option 5 year (Call)	Chicago Board of Trade	125.00	05/26/2017	11	—	—
U.S. Treasury Note Option 5 year (Call)	Chicago Board of Trade	126.00	05/26/2017	6	—	—
U.S. Treasury Note Option 5 year (Call)	Chicago Board of Trade	127.00	05/26/2017	1	—	—
U.S. Treasury Note Option 5 year (Call)	Chicago Board of Trade	127.25	05/26/2017	7	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	104.50	05/26/2017	51	1	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	108.50	05/26/2017	17	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	109.00	05/26/2017	1	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	110.00	05/26/2017	21	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	110.50	05/26/2017	2	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	111.00	05/26/2017	3	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	111.50	05/26/2017	2	—	—
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	112.00	05/26/2017	12	—	—
Total Purchased Options Not Settled Through Variation Margin					\$77	\$60

#### PURCHASED SWAP OPTIONS NOT SETTLED THROUGH VARIATION MARGIN

Description	Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Strike Rate	Expiration Date	Number of Contracts/ Notional	Premiums Paid (000s)	Value (000s)
Interest Rate Swap Option 10 year (Put)	Morgan Stanley Capital Services LLC	3-Month USD-LIBOR	Receive	2.720%	07/16/2018	\$ 1,500,000	\$ 17	\$ 30
Interest Rate Swap Option 10 year (Put)	Morgan Stanley Capital Services LLC	3-Month USD-LIBOR	Receive	2.770	07/16/2018	2,000,000	23	37
Interest Rate Swap Option 30 year (Call)	Deutsche Bank AG	3-Month USD-LIBOR	Pay	2.150	06/15/2018	500,000	50	14
Interest Rate Swap Option 30 year (Put)	Deutsche Bank AG	3-Month USD-LIBOR	Receive	2.150	06/15/2018	500,000	51	65
Total Purchased Swap Options Not Settled Through Variation Margin							\$141	\$146
Total Purchased Options							\$219	\$206

### WRITTEN OPTIONS OPEN AT APRIL 30, 2017

#### WRITTEN OPTIONS THAT REQUIRE PERIODIC SETTLEMENT OF VARIATION MARGIN

Description	Exchange	Strike Index/Rate	Expiration Date	Number of Contracts/ Notional	Premiums Received (000s)	Value (000s)
Commodity - Crude Oil Futures (Call)	ICE Group	\$ 65.00	10/26/2017	10	\$23	(\$ 7)
Commodity - Crude Oil Futures (Put)	ICE Group	50.00	10/26/2017	10	35	(30)
U.K. LIBOR Future 90 day (Put)	ICE Group	£ 98.00	06/21/2017	24	—	—
Total Written Options that Require Periodic Settlement of Variation Margin					\$58	\$(37)

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### WRITTEN OPTIONS—Continued

#### WRITTEN OPTIONS NOT SETTLED THROUGH VARIATION MARGIN

Description	Counterparty/Exchange	Strike Price	Expiration Date	Number of Contracts/ Notional	Premiums Received (000s)	Value (000s)
Commodity - Light Sweet Crude Oil Futures Option (Call)	New York Mercantile Exchange	\$ 64.00	11/15/2017	1	\$ 2	\$ (1)
Commodity - Natural Gas Futures (Call)	BNP Paribas SA	55.00	05/17/2017	1	—	— <sup>x</sup>
Commodity - Natural Gas Futures (Put)	BNP Paribas SA	50.00	05/17/2017	1	1	(1) <sup>x</sup>
Commodity - Natural Gas Futures (Call)	New York Mercantile Exchange	0.75	02/23/2018	6	18	(19)
Commodity - Natural Gas Futures (Put)	New York Mercantile Exchange	2.90	05/25/2017	1	1	—
Commodity - Wheat Futures (Put)	Chicago Board of Trade	400.00	06/23/2017	1	—	—
Commodity - WTI-Brent Crude Oil Spread Futures (Call)	New York Mercantile Exchange	—	10/30/2018	1	1	—
Currency Option British Pound vs. U.S. Dollar (Call)	BNP Paribas SA	£ 1.27	05/18/2017	600,000	4	(17)
Currency Option U.S. Dollar vs. Brazilian Real (Call)	Credit Suisse International	\$ 3.25	05/11/2017	124,900	1	(1)
Currency Option U.S. Dollar vs. Mexican Peso (Call)	Deutsche Bank AG	19.45	05/15/2017	111,700	1	—
Consumer Price All Urban Non-Seasonally Adjusted Index - Floor (Put)	JP Morgan Chase Bank NA	234.810 <sup>l</sup>	03/24/2020	1,600,000	18	(7)
Consumer Price All Urban Non-Seasonally Adjusted Index - Cap (Call)	JP Morgan Chase Bank NA	244.170 <sup>l</sup>	05/16/2024	200,000	1	—
Eurozone HICP ex-Tobacco Index - Cap (Call)	Goldman Sachs Bank USA	120.720 <sup>l</sup>	06/22/2035	400,000	18	(4)
U.S. Treasury Note Option 10 year (Call)	Chicago Board of Trade	\$ 124.50	05/26/2017	15	13	(21)
U.S. Treasury Note Option 10 year (Call)	Chicago Board of Trade	125.00	05/26/2017	8	4	(8)
U.S. Treasury Note Option 10 year (Call)	Chicago Board of Trade	126.00	05/26/2017	6	3	(3)
U.S. Treasury Note Option 10 year (Put)	Chicago Board of Trade	126.00	05/26/2017	1	1	(1)
Total Written Options Not Settled Through Variation Margin					\$87	\$(83)

#### WRITTEN SWAP OPTIONS NOT SETTLED THROUGH VARIATION MARGIN

Description	Reference/ Floating Rate	Floating Rate Index	Pay/ Receive Floating Rate Buy/Sell Protection	Strike Rate	Expiration Date	Number of Contracts/ Notional	Premiums Received (000s)	Value (000s)
Credit Default Swap Option (Call)	Barclays Bank plc	Markit iTraxx Europe Index	Sell	1.000%	05/17/2017	\$ 400,000	\$ 1	\$ (1)
Credit Default Swap Option (Call)	Barclays Bank plc	Markit iTraxx Europe Index	Sell	1.000	06/21/2017	200,000	—	—
Credit Default Swap Option (Put)	Barclays Bank plc	Markit iTraxx Europe Index	Sell	1.000	06/21/2017	200,000	—	—
Credit Default Swap Option (Call)	Citibank NA	Markit iTraxx Europe Index	Sell	1.000	06/21/2017	300,000	—	(1)
Credit Default Swap Option (Put)	Citibank NA	Markit iTraxx Europe Index	Sell	1.000	06/21/2017	300,000	1	—
Credit Default Swap Option (Call)	Deutsche Bank AG	Markit iTraxx Europe Index	Sell	1.000	05/17/2017	200,000	—	(1)
Interest Rate Swap Option 5 year (Call)	Royal Bank of Scotland plc	3-Month USD-LIBOR	Receive	1.800	11/07/2017	800,000	7	(1)
Interest Rate Swap Option 5 year (Put)	Royal Bank of Scotland plc	3-Month USD-LIBOR	Pay	2.600	11/07/2017	800,000	7	(10)
Interest Rate Swap Option 10 year (Put)	Goldman Sachs Bank USA	3-Month USD-LIBOR	Pay	2.460	05/18/2017	2,100,000	31	(2)
Total Written Swap Options Not Settled Through Variation Margin							\$ 47	\$(16)
Total Written Options							\$192	\$(136)

### FORWARD CURRENCY CONTRACTS OPEN AT APRIL 30, 2017

Counterparty	Amount to be Delivered (000s)	Amount to be Received (000s)	Settlement Date	Unrealized Appreciation/ (Depreciation) (000s)
BNP Paribas SA	\$ 649	ARG\$ 41	06/16/2017	\$ —
Citibank NA	\$ 382	ARG\$ 24	06/21/2017	—
Credit Suisse International	\$ 253	ARG\$ 16	06/16/2017	—
Royal Bank of Scotland plc	\$ 220	ARG\$ 14	05/22/2017	—
JP Morgan Chase Bank NA	AUD\$ 295	\$ 388	05/02/2017	4
Credit Suisse International	\$ 818	RS 256	05/03/2017	2
Credit Suisse International	\$ 818	RS 261	06/02/2017	(6)
Deutsche Bank AG	\$ 818	RS 256	05/03/2017	2
BNP Paribas SA	RS 613	\$ 2,100	10/03/2017	(27)
BNP Paribas SA	RS 116	\$ 420	01/03/2018	(10)
Credit Suisse International	RS 263	\$ 818	05/03/2017	6
Deutsche Bank AG	RS 256	\$ 818	05/03/2017	(2)
Deutsche Bank AG	RS 1,641	\$ 5,900	01/03/2018	(129)

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### FORWARD CURRENCY CONTRACTS—Continued

Counterparty	Amount to be Delivered (000s)	Amount to be Received (000s)	Settlement Date	Unrealized Appreciation/ (Depreciation) (000s)
JP Morgan Chase Bank	R\$ 824	\$ 2,800	10/03/2017	\$ (30)
JP Morgan Chase Bank	R\$ 243	\$ 880	01/03/2018	(21)
Goldman Sachs Bank USA	\$ 1,338	£ 1,714	05/02/2017	19
Citibank NA	£ 83	\$ 66	05/02/2017	(3)
Goldman Sachs Bank USA	£ 1,582	\$ 1,272	05/02/2017	(66)
Goldman Sachs Bank USA	£ 1,450	\$ 1,131	06/02/2017	(16)
BNP Paribas SA	\$ 5,236	CNY\$ 752	05/19/2017	6
UBS AG	CNY\$ 754	\$ 5,237	05/19/2017	(3)
HSBC Bank USA	COL\$ 58	\$ 176,613	06/09/2017	(1)
Citibank NA	\$ 2,386	DKK\$ 348	10/02/2017	5
Bank of America NA	DKK\$ 232	\$ 1,585	07/03/2017	—
Barclays Bank plc	DKK\$ 249	\$ 1,629	07/03/2017	9
Goldman Sachs Bank USA	DKK\$ 324	\$ 2,233	10/02/2017	(5)
Goldman Sachs Bank USA	DKK\$ 31	\$ 208	01/02/2018	—
HSBC Bank USA	DKK\$ 265	\$ 1,731	10/02/2017	9
HSBC Bank USA	DKK\$ 78	\$ 512	10/03/2017	2
JP Morgan Chase Bank NA	DKK\$ 32	\$ 210	10/02/2017	1
BNP Paribas SA	\$ 975	€ 1,064	05/02/2017	(1)
Citibank NA	\$ 152	€ 162	05/02/2017	3
Goldman Sachs Bank USA	\$ 60	€ 64	05/15/2017	1
BNP Paribas SA	€ 1,217	\$ 1,127	05/02/2017	(11)
BNP Paribas SA	€ 1,065	\$ 975	06/02/2017	1
Société Générale	\$ 10,919	₹ 166	07/20/2017	2
Deutsche Bank AG	MEX\$ 160	\$ 3,007	05/17/2017	1
BNP Paribas SA	NZD\$ 910	\$ 1,303	05/02/2017	16
UBS AG	NZD\$ 894	\$ 1,303	06/02/2017	—
Credit Suisse International	\$ 10,120	RUS\$ 168	05/24/2017	9
Credit Suisse International	RUS\$ 174	\$ 10,075	06/21/2017	(1)
Total Forward Currency Contracts				<u>\$(234)</u>

### SWAP AGREEMENTS OPEN AT APRIL 30, 2017

#### CENTRALLY CLEARED SWAP AGREEMENTS

#### INTEREST RATE SWAPS

Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Payment Frequency	Expiration Date	Notional Amount (000s)	Value (000s)	Upfront Premiums Received/ (Paid) (000s)	Unrealized Appreciation/ (Depreciation) (000s)
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.000%	At Maturity	10/15/2017	€ 800	\$ 2	\$ (3)	\$ 5
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.830	At Maturity	05/15/2018	1,100	(15)	(7)	(8)
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.000	At Maturity	09/15/2018	300	2	—	2
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.000	At Maturity	10/15/2018	200	1	(1)	2
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.000	At Maturity	11/15/2018	300	3	—	3
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.000	At Maturity	05/15/2021	800	20	5	15
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.000	At Maturity	12/15/2021	140	1	—	1
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.178	At Maturity	05/15/2026	200	(6)	(2)	(4)
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.100	At Maturity	08/15/2026	400	(14)	(19)	5
LCH Group	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	1.385	At Maturity	12/15/2026	200	(1)	(1)	—
LCH Group	French Consumer Price Index Ex Tobacco Index	Pay	1.000	At Maturity	11/15/2018	100	—	—	—
CME Group	British Bankers' Association LIBOR GBP 6-Month	Pay	1.750	Semi-Annual	03/21/2048	£ 10	(1)	(1)	—

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### CENTRALLY CLEARED SWAP AGREEMENTS—Continued

#### INTEREST RATE SWAPS—Continued

Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Payment Frequency	Expiration Date	Notional Amount (000s)	Value (000s)	Upfront Premiums Received/(Paid) (000s)	Unrealized Appreciation/(Depreciation) (000s)
LCH Group	British Bankers' Association LIBOR GBP 6-Month	Pay	1.500%	Semi-Annual	09/20/2027	£ 1,690	\$ (63)	\$ (23)	\$(40)
LCH Group	British Bankers' Association LIBOR GBP 6-Month	Pay	1.750	Semi-Annual	03/21/2048	630	(68)	(35)	(33)
LCH Group	UK Retail Prices Index All Items NSA	Pay	3.350	At Maturity	05/15/2030	300	(1)	(2)	1
LCH Group	UK Retail Prices Index All Items NSA	Pay	3.400	At Maturity	06/15/2030	300	1	(2)	3
LCH Group	UK Retail Prices Index All Items NSA	Pay	3.300	At Maturity	12/15/2030	200	(8)	(9)	1
LCH Group	UK Retail Prices Index All Items NSA	Pay	3.100	At Maturity	06/15/2031	70	(8)	(7)	(1)
LCH Group	UK Retail Prices Index All Items NSA	Pay	1.000	At Maturity	10/15/2046	100	(3)	(5)	2
LCH Group	UK Retail Prices Index All Items NSA	Pay	3.585	At Maturity	10/15/2046	90	3	5	(2)
LCH Group	UK Retail Prices Index All Items NSA	Pay	1.000	At Maturity	03/15/2047	100	9	—	9
CME Group	Mexico Interbank TIIE 28 Day	Pay	5.610	Lunar Monthly	07/07/2021	MEX\$ 4,000	(13)	(11)	(2)
CME Group	Mexico Interbank TIIE 28 Day	Pay	6.750	Lunar Monthly	08/31/2021	2,900	(3)	(2)	(1)
CME Group	Mexico Interbank TIIE 28 Day	Pay	7.030	Lunar Monthly	11/10/2021	3,900	(2)	—	(2)
CME Group	Mexico Interbank TIIE 28 Day	Pay	7.390	Lunar Monthly	11/17/2021	900	—	—	—
CME Group	Mexico Interbank TIIE 28 Day	Pay	7.380	Lunar Monthly	11/04/2026	300	—	—	—
CME Group	Mexico Interbank TIIE 28 Day	Pay	8.040	Lunar Monthly	12/17/2026	500	1	—	1
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.200	Semi-Annual	02/15/2018	\$ 5,300	6	3	2
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.250	Semi-Annual	02/23/2018	4,200	4	2	—
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.250	Semi-Annual	06/21/2019	2,500	(19)	(23)	4
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.000	Semi-Annual	12/16/2020	200	(1)	—	(3)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.250	Semi-Annual	06/21/2022	2,700	95	124	(29)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.250	Semi-Annual	12/16/2022	4,500	60	10	81
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.660	Semi-Annual	10/19/2023	1,000	19	—	19
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.680	Semi-Annual	10/25/2023	1,000	20	—	20
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.670	Semi-Annual	11/19/2023	300	6	—	6
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.680	Semi-Annual	12/12/2023	300	6	—	6
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.500	Semi-Annual	12/19/2023	1,100	11	(9)	20
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.400	Semi-Annual	03/16/2026	5,790	40	(38)	78
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.300	Semi-Annual	04/21/2026	1,400	16	(7)	24
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.300	Semi-Annual	04/27/2026	1,800	21	(7)	28
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.000	Semi-Annual	07/27/2026	1,100	29	32	(3)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.250	Semi-Annual	12/21/2046	1,690	114	176	(73)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.950	Semi-Annual	10/19/2048	200	(13)	1	(14)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.970	Semi-Annual	10/25/2048	100	(7)	—	(7)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.950	Semi-Annual	11/19/2048	100	(7)	—	(7)



# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### CENTRALLY CLEARED SWAP AGREEMENTS—Continued

#### INTEREST RATE SWAPS—Continued

Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Payment Frequency	Expiration Date	Notional Amount (000s)	Value (000s)	Upfront Premiums Received/(Paid) (000s)	Unrealized Appreciation/(Depreciation) (000s)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.950%	Semi-Annual	12/12/2048	\$ 100	\$ (7)	\$ —	\$ (7)
CME Group	British Bankers' Association LIBOR USD 3-Month	Pay	2.750	Semi-Annual	12/19/2048	200	(5)	5	(10)
LCH Group	British Bankers' Association LIBOR USD 3-Month	Pay	1.750	Semi-Annual	12/21/2026	900	39	42	(8)
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	10/11/2017	2,800	(96)	(95)	(1)
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	04/27/2018	500	(1)	—	(1)
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.935	At Maturity	04/27/2019	500	1	—	1
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	11/23/2020	300	—	—	—
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	11/25/2020	300	—	—	—
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	07/26/2021	200	5	7	(2)
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	09/12/2021	150	3	4	(1)
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.730	At Maturity	07/26/2026	200	(9)	(11)	2
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.762	At Maturity	08/30/2026	400	(16)	(19)	3
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.800	At Maturity	09/12/2026	200	(7)	(1)	(6)
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.801	At Maturity	09/12/2026	150	(6)	(7)	1
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.805	At Maturity	09/12/2026	100	(4)	(5)	1
LCH Group	US Consumer Price Index Urban Consumers NSA	Pay	1.780	At Maturity	09/15/2026	100	(4)	(5)	1
Interest Rate Swaps									\$ 82

#### CENTRALLY CLEARED SWAP AGREEMENTS

#### CREDIT DEFAULT SWAPS

Counterparty	Reference Entity	Buy/Sell <sup>b,c</sup>	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>d</sup>	Value (000s)	Payment Frequency	Upfront Premium Paid/(Received) (000s)	Notional Amount (000s)	Unrealized Appreciation/(Depreciation) (000s)
ICE Group	Canadian Natural Resources Ltd. 3.450% due 11/15/2021	Buy	1.000%	03/20/2018	0.134%	\$ (1)	Quarterly	\$ (1)	\$ 100	\$ —
ICE Group	Markit CDX North America High Yield Index Series 28	Buy	5.000	06/20/2022	3.282	(48)	Quarterly	(40)	580	(8)
Credit Default Swaps										\$ (8)

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS

#### INTEREST RATE SWAPS

Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Payment Frequency	Expiration Date	Notional Amount (000s)	Value (000s)	Upfront Premiums Received/(Paid) (000s)	Unrealized Appreciation/(Depreciation) (000s)
BNP Paribas SA	Eurostat Eurozone HICP Ex Tobacco NSA	Pay	0.550%	At Maturity	10/15/2017	€ 100	\$ —	\$ —	\$ —
Bank of America NA	UK Retail Prices Index All Items NSA	Receive	3.430	At Maturity	06/15/2030	£ 600	6	—	6
Bank of America NA	UK Retail Prices Index All Items NSA	Receive	3.350	At Maturity	08/15/2030	600	(11)	(7)	(4)
Goldman Sachs Bank USA	UK Retail Prices Index All Items NSA	Receive	3.330	At Maturity	08/15/2030	900	(22)	(3)	(19)

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS—Continued

##### INTEREST RATE SWAPS—Continued

Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Payment Frequency	Expiration Date	Notional Amount (000s)	Value (000s)	Upfront Premiums Received/ (Paid) (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Goldman Sachs Bank USA	UK Retail Prices Index All Items NSA	Pay	1.000%	At Maturity	05/15/2046	£ 140	\$ 39	\$ 2	\$ 37
Goldman Sachs Bank USA	UK Retail Prices Index All Items NSA	Pay	1.000	At Maturity	06/15/2046	60	19	—	19
Bank of America NA	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	05/23/2018	\$ 2,900	7	—	7
Bank of America NA	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	06/07/2018	100	—	—	—
Deutsche Bank AG	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	11/01/2018	900	(35)	1	(36)
Deutsche Bank AG	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	03/04/2019	175	—	—	—
Goldman Sachs Bank USA	US Consumer Price Index Urban Consumers NSA	Pay	1.000	At Maturity	10/11/2018	1,700	(70)	—	(70)
Morgan Stanley Capital Services LLC	US Consumer Price Index Urban Consumers NSA	Receive	1.810	At Maturity	07/19/2026	400	(17)	—	(17)
Morgan Stanley Capital Services LLC	US Consumer Price Index Urban Consumers NSA	Receive	1.000	At Maturity	07/20/2026	200	(8)	1	(9)
Morgan Stanley Capital Services LLC	US Consumer Price Index Urban Consumers NSA	Receive	1.805	At Maturity	09/20/2026	100	(4)	—	(4)
Interest Rate Swaps									\$(90)

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS

##### TOTAL RETURN SWAPS ON INDICES

Counterparty	Reference Rate	Pay/Receive Reference Rate	Index	Expiration Date	Payment Frequency	Notional Amount (000s)	Number of Units (000s)	Value (000s)	Upfront Premiums Received/ (Paid) (000s)	Unrealized Appreciation/ (Depreciation) (000s)
JP Morgan Chase Bank NA	0.150%	Pay	Bloomberg Commodity Index <sup>SM</sup>	08/15/2017	Monthly	\$ 572	5	\$ 5	\$ —	\$ —
Citibank NA	0.170%	Pay	Bloomberg Commodity Index <sup>SM</sup>	06/15/2017	Monthly	1,246	11	11	—	—
JP Morgan Chase Bank NA	0.300%	Pay	Bloomberg Commodity Index <sup>SM</sup>	08/15/2017	Monthly	1,022	1	(14)	—	(15)
JP Morgan Chase Bank NA	0.170%	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	1,455	4	(47)	—	(51)
BNP Paribas SA	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	783	2	(17)	(1)	(18)
BNP Paribas SA	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	2	355	363	4	4
Citibank NA	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	8,904	47	(166)	—	(213)
Credit Suisse International	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	2,377	14	(43)	—	(57)
Goldman Sachs International	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	37	6,425	6,527	—	102
Goldman Sachs International	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	10,943	32	(143)	—	(175)
JP Morgan Chase Bank NA	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	2,261	7	(47)	—	(54)
JP Morgan Chase Bank NA	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	9	1,537	1,574	14	23
Merrill Lynch International	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	5	—	(1)	—	(1)
Morgan Stanley Capital Services LLC	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	41,329	228	(757)	—	(985)
Société Générale Paris	U.S. Treasury Bills	Pay	Bloomberg Commodity Index Total Return <sup>SM</sup>	08/15/2017	Monthly	1,761	10	(32)	—	(42)
JP Morgan Chase Bank NA	0.350%	Pay	JP Morgan FNJ Commodity Index	08/15/2017	Monthly	3,127	31	76	—	45

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS—Continued TOTAL RETURN SWAPS ON INDICES—Continued

Counterparty	Reference Rate	Pay/Receive Reference Rate	Index	Expiration Date	Payment Frequency	Notional Amount (000s)	Number of Units (000s)	Value (000s)	Upfront Premiums Received/ (Paid) (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Goldman Sachs International . . . . .	0.050%	Pay	S&P GSCI Industrial Metals Index Excess Return	08/15/2017	Monthly	\$119	1	\$ 4	\$ —	\$ 3
BNP Paribas SA . . . . .	-0.050%	Pay	S&P GSCI Industrial Metals Index Excess Return	08/15/2017	Monthly	3	461	460	—	(1)
Goldman Sachs International . . . . .	-0.050%	Pay	S&P GSCI Industrial Metals Index Excess Return	08/15/2017	Monthly	2	279	272	—	(7)
JP Morgan Chase Bank NA . . . . .	-0.050%	Pay	S&P GSCI Industrial Metals Index Excess Return	08/15/2017	Monthly	—	40	40	—	—
Total Return Swaps on Indices . . . . .										\$ (1,442)

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS TOTAL RETURN SWAPS ON COMMODITIES

Counterparty	Reference Assets	Pay/Receive Fixed Price	Fixed Price per Unit	Payment Frequency	Expiration Date	Number of Units	Value (000s)	Upfront Premiums Received/ (Paid) (000s)	Unrealized Appreciation/ (Depreciation) (000s)
JP Morgan Chase Bank NA . . . . .	Hard Red Winter Wheat June 2017 Futures	Receive	\$ (2.590)	At Maturity	06/23/2017	9,700	\$ 11	\$ —	\$ 1
BNP Paribas SA . . . . .	Calendar Swap on Iron Ore	Receive	82.500	At Maturity	06/30/2017	400	6	—	6
BNP Paribas SA . . . . .	Calendar Swap on Iron Ore	Receive	69.200	At Maturity	03/31/2018	600	(4)	(1)	(4)
Goldman Sachs International . . . . .	Calendar Swap on Iron Ore	Receive	72.300	At Maturity	03/31/2018	300	3	—	3
Goldman Sachs International . . . . .	Calendar Swap on Iron Ore	Receive	58.400	At Maturity	03/31/2019	300	(1)	—	(1)
JP Morgan Chase Bank NA . . . . .	Calendar Swap on Iron Ore	Receive	45.350	At Maturity	06/30/2017	400	9	—	9
JP Morgan Chase Bank NA . . . . .	Calendar Swap on Iron Ore	Receive	69.700	At Maturity	03/31/2018	300	3	—	3
JP Morgan Chase Bank NA . . . . .	Calendar Swap on Iron Ore	Receive	55.900	At Maturity	03/31/2019	300	—	—	—
JP Morgan Chase Bank NA . . . . .	Hard Red Winter Wheat December 2017 Futures	Receive	477.270	At Maturity	11/24/2017	8,800	9	—	—
JP Morgan Chase Bank NA . . . . .	Hard Red Winter Wheat July 2017 Futures	Receive	437.500	At Maturity	06/23/2017	8,800	9	—	—
Goldman Sachs International . . . . .	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Receive	1,365.100	At Maturity	07/05/2017	100	10	—	10
Morgan Stanley Capital Services LLC . . . . .	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Receive	1,266.200	At Maturity	11/29/2018	100	(3)	—	(3)
Goldman Sachs International . . . . .	London Platinum & Palladium Market Platinum PM Fixing Price/USD	Receive	1,106.500	At Maturity	07/05/2017	100	(16)	—	(16)
Morgan Stanley Capital Services LLC . . . . .	London Silver Market Fixing Ltd-LBMA Fixing Price/USD	Receive	17.940	At Maturity	11/29/2017	5,000	8	—	3
BNP Paribas SA . . . . .	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	8.050	At Maturity	06/30/2017	200	—	—	—
BNP Paribas SA . . . . .	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	7.180	At Maturity	09/30/2017	600	2	—	1
BNP Paribas SA . . . . .	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	5.850	At Maturity	12/31/2017	800	1	—	—
JP Morgan Chase Bank NA . . . . .	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	8.010	At Maturity	06/30/2017	400	1	—	1
JP Morgan Chase Bank NA . . . . .	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	7.270	At Maturity	09/30/2017	201	—	—	—
Morgan Stanley Capital Services LLC . . . . .	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	7.530	At Maturity	09/30/2017	99	—	—	—
Morgan Stanley Capital Services LLC . . . . .	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	7.300	At Maturity	09/30/2017	300	—	—	—

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS—Continued TOTAL RETURN SWAPS ON COMMODITIES—Continued

Counterparty	Reference Assets	Pay/Receive Fixed Price	Fixed Price per Unit	Payment Frequency	Expiration Date	Number of Units	Value (000s)	Upfront Premiums Received/(Paid) (000s)	Unrealized Appreciation/(Depreciation) (000s)
Morgan Stanley Capital Services LLC	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	\$ 5.780	At Maturity	12/31/2017	800	\$ 1	\$—	\$—
Morgan Stanley Capital Services LLC	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	4.850	At Maturity	12/31/2017	300	—	—	—
Morgan Stanley Capital Services LLC	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	4.740	At Maturity	12/31/2017	300	—	—	—
Morgan Stanley Capital Services LLC	Naphtha, Euro-Bob Gasoline, Ultra-Low Sulphur Diesel, Fuel Oil vs. Brent Crude Oil	Receive	5.800	At Maturity	12/31/2017	800	1	—	—
BNP Paribas SA	Platinum London PM Fix/USD vs. LBMA India Gold Price PM USD	Receive	(238.250)	At Maturity	07/07/2017	400	(33)	1	(34)
Goldman Sachs International	Platinum London PM Fix/USD vs. LBMA India Gold Price PM USD	Receive	(232.800)	At Maturity	07/05/2017	100	(9)	—	(9)
Total Return Swaps on Commodities									<u>\$ (30)</u>

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS VARIANCE SWAPS ON COMMODITIES

Counterparty	Reference Assets	Pay/Receive Variance <sup>g</sup>	Initial Volatility Strike	Payment Frequency	Expiration Date	Notional Amount (000s)	Value (000s)	Upfront Premiums Received/(Paid) (000s)	Unrealized Appreciation/(Depreciation) (000s)
BNP Paribas SA	Brent Crude Oil July 2017 Futures	Pay	\$0.07	At Maturity	05/17/2017	\$ 3	\$ 3	\$—	\$—
BNP Paribas SA	Brent Crude Oil July 2017 Futures	Pay	0.08	At Maturity	05/17/2017	16	17	—	1
Goldman Sachs International	Brent Crude Oil July 2017 Futures	Pay	0.08	At Maturity	05/25/2017	10	10	—	—
Goldman Sachs International	Brent Crude Oil July 2017 Futures	Pay	0.12	At Maturity	05/25/2017	6	6	—	—
Goldman Sachs International	Brent Crude Oil July 2017 Futures	Pay	0.09	At Maturity	05/25/2017	20	20	—	—
Goldman Sachs International	Brent Crude Oil July 2017 Futures	Pay	0.30	At Maturity	05/25/2017	19	20	—	1
Goldman Sachs International	Brent Crude Oil July 2017 Futures	Pay	0.11	At Maturity	05/25/2017	15	16	—	1
Goldman Sachs International	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.07	At Maturity	07/29/2020	377	392	—	15
JP Morgan Chase Bank NA	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.09	At Maturity	07/24/2020	167	176	—	9
JP Morgan Chase Bank NA	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.04	At Maturity	07/29/2020	21	21	—	—
JP Morgan Chase Bank NA	London Gold Market Fixing Ltd-LBMA PM Fixing Price/USD	Pay	0.04	At Maturity	07/29/2020	356	353	—	(3)
Goldman Sachs International	WTI Crude Oil July 2017 Futures	Pay	0.30	At Maturity	05/25/2017	19	18	—	(1)
Goldman Sachs International	WTI Crude Oil July 2017 Futures	Pay	0.10	At Maturity	05/25/2017	15	14	—	(1)
Goldman Sachs International	WTI Crude Oil July 2017 Futures	Pay	0.24	At Maturity	05/25/2017	31	30	—	(1)
Goldman Sachs International	WTI Crude Oil July 2017 Futures	Pay	0.11	At Maturity	05/25/2017	6	6	—	—
BNP Paribas SA	WTI Crude Oil June 2017 Futures	Pay	0.08	At Maturity	05/17/2017	16	16	—	—
BNP Paribas SA	WTI Crude Oil June 2017 Futures	Pay	0.07	At Maturity	05/17/2017	3	3	—	—
Variance Swaps on Commodities									<u>\$21</u>

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS CREDIT DEFAULT SWAPS

Counterparty	Reference Entity	Buy/Sell <sup>b,c</sup>	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>d</sup>	Value <sup>e</sup> (000s)	Payment Frequency	Upfront Premium Paid/(Received) (000s)	Notional Amount <sup>f</sup> (000s)	Unrealized Appreciation/(Depreciation) (000s)
Deutsche Bank AG	Federative Republic of Brazil 4.250% due 01/07/2025	Sell	1.000%	06/20/2021	1.706%	\$(3)	Quarterly	\$ (9)	\$ 100	\$6
Goldman Sachs International	Federative Republic of Brazil 4.250% due 01/07/2025	Sell	1.000	06/20/2021	1.706	(5)	Quarterly	(13)	200	8

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### SWAP AGREEMENTS—Continued

#### OVER-THE-COUNTER (OTC) SWAP AGREEMENTS—Continued CREDIT DEFAULT SWAPS—Continued

Counterparty	Reference Entity	Buy/ Sell <sup>b,c</sup>	Pay/ Receive Fixed Rate	Expiration Date	Implied Credit Spread <sup>d</sup>	Value <sup>e</sup> (000s)	Payment Frequency	Upfront Premium Paid/ (Received) (000s)	Notional Amount <sup>f</sup> (000s)	Unrealized Appreciation/ (Depreciation) (000s)
JP Morgan Chase Bank NA . . . . .	Federative Republic of Brazil 4.250% due 01/07/2025	Sell	1.000%	12/20/2021	1.956%	\$ (4)	Quarterly	\$(8)	\$ 100	\$ 4
Bank of America NA . . . . .	Republic of Colombia 10.380% due 01/28/2033	Sell	1.000	06/20/2022	1.258	(2)	Quarterly	(3)	184	1
HSBC Bank USA NA . . . . .	Republic of Colombia 10.380% due 01/28/2033	Sell	1.000	06/20/2021	0.930	—	Quarterly	(3)	100	3
JP Morgan Chase Bank NA . . . . .	Russian Federation 7.500% due 03/31/2030	Sell	1.000	06/20/2021	1.169	—	Quarterly	(6)	100	6
Deutsche Bank AG . . . . .	United Mexican States 5.950% due 03/19/2019	Sell	1.000	06/20/2021	0.881	1	Quarterly	(5)	200	6
Credit Default Swaps . . . . .										34
Total Swaps . . . . .										<u>\$(1,433)</u>

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### FAIR VALUE MEASUREMENTS

The following table summarizes the Fund's investments as of April 30, 2017 based on the inputs used to value them.

Asset Category	Quoted Prices Level 1 (000s)	Other Significant Observable Inputs Level 2 (000s)	Significant Unobservable Inputs Level 3 (000s)	Total (000s)
<b>Investments in Securities</b>				
Asset-Backed Securities . . . . .	\$ —	\$ 2,800	\$—	\$ 2,800
Collateralized Mortgage Obligations . . . . .	—	122	—	122
Corporate Bonds & Notes . . . . .	—	5,235	—	5,235
Foreign Government Obligations . . . . .	—	6,407	—	6,407
Mortgage Pass-Through . . . . .	—	263	—	263
U.S. Government Obligations . . . . .	—	61,522	—	61,522
<b>Short-Term Investments</b>				
Certificates Of Deposit . . . . .	—	501	—	501
Repurchase Agreements . . . . .	—	16,758	—	16,758
<b>Total Investments in Securities</b> . . . . .	<u>\$ —</u>	<u>\$93,608</u>	<u>\$—</u>	<u>\$93,608</u>
<b>Financial Derivative Instruments - Assets</b>				
Forward Currency Contracts . . . . .	\$ —	\$ 98	\$—	\$ 98
Futures Contracts . . . . .	317	—	—	317
Purchased Options . . . . .	60	146	—	206
Swap Agreements . . . . .	—	691	—	691
<b>Total Financial Derivative Instruments - Assets</b> . . . . .	<u>\$ 377</u>	<u>\$ 935</u>	<u>\$—</u>	<u>\$ 1,312</u>
<b>Liability Category</b>				
<b>Financial Derivative Instruments - Liabilities</b>				
Forward Currency Contracts . . . . .	\$ —	\$ (332)	\$—	\$ (332)
Futures Contracts . . . . .	(279)	—	—	(279)
Swap Agreements . . . . .	—	(2,124)	—	(2,124)
Written Options . . . . .	(90)	(45)	(1)	(136)
<b>Total Financial Derivative Instruments-Liabilities</b> . . . . .	<u>\$(369)</u>	<u>\$(2,501)</u>	<u>\$ (1)</u>	<u>\$(2,871)</u>
<b>Total Investments</b> . . . . .	<u>\$ 8</u>	<u>\$92,042</u>	<u>\$ (1)</u>	<u>\$92,049</u>

The following is a rollforward of the Fund's Level 3 investments during the period ended April 30, 2017.

Valuation Description	Balance Beginning at 11/01/2016 (000s)	Purchases (000s)	Sales (000s)	Discount/ (Premium) (000s)	Total Realized Gain/(Loss) <sup>W</sup> (000s)	Change in Unrealized Appreciation/ (Depreciation) <sup>W</sup> (000s)	Transfers In Level 3 (000s)	Transfers Out of Level 3 (000s)	Ending Balance as of 04/30/2017 <sup>W</sup> (000s)
Written Options . . . . .	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(1)</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(1)</u>

There were no transfers between levels during the period.

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

### FAIR VALUE MEASUREMENTS—Continued

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy.

Valuation Descriptions	Ending Balance as of 04/30/2017 (000s)	Valuation Technique	Unobservable Inputs	Input Value(s)
Investments in Securities				
Written Options				
Commodity - Natural Gas Futures.....	\$ (1)	Market Approach	Broker Quote	\$ 0.98
Commodity - Natural Gas Futures.....	<u>—</u>	Market Approach	Broker Quote	0.07
	<u>\$ (1)</u>			

For more information on valuation inputs and their aggregation into the levels used in the table above, please refer to the Fair Value Measurements and Disclosures in Note 2 of the accompanying Notes to Financial Statements.

The following is a summary of the remaining contractual maturities of transfers accounted for as secured borrowings, by type of security loaned, as of April 30, 2017.

Sale-Buyback Transactions	Overnight and Continuous (000s)	Up to 30 days (000s)	31-90 days (000s)	Greater Than 90 days (000s)	Total (000s)
U.S. Treasury Obligations.....	<u>\$1,813</u>	<u>\$29,573</u>	<u>\$—</u>	<u>\$—</u>	<u>\$31,386</u>

# Harbor Commodity Real Return Strategy Fund

## CONSOLIDATED PORTFOLIO OF INVESTMENTS—Continued

- 1 Floating rate security, the stated rate represents the rate in effect at April 30, 2017.
- 2 Variable rate security, the stated rate represents the rate in effect at April 30, 2017.
- 3 Securities purchased in a transaction exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. The Fund has no right to demand registration of these securities. These securities are priced by an independent pricing service in accordance with Harbor Funds Valuation Procedures. At April 30, 2017, the aggregate value of these securities was \$1,826,000 or 4% of net assets.
- 4 CLO after the name of a security stands for Collateralized Loan Obligation.
- 5 MTN after the name of a security stands for Medium Term Note.
- 6 Perpetuity bond, the maturity date represents the next callable date.
- 7 Zero coupon bond.
- 8 Inflation-protected securities (“IPS”) are securities in which the principal amount is adjusted for inflation and interest payments are applied to the inflation-adjusted principal.
- 9 At April 30, 2017, a portion of securities held by the Fund were pledged to cover margin requirements for open future contracts, written options on futures contracts and swap options (see Note 2 of the accompanying Notes to Financial Statements). The securities pledged had an aggregate value of \$1,978,000 or 3% of net assets.
- b If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.
- c If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.
- d Implied credit spreads, represented in absolute terms, utilized in determining the value of credit default swap agreements on corporate issues or sovereign issues of an emerging country as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity’s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. A credit spread identified as “Defaulted” indicates a credit event has occurred for the referenced entity or obligation.
- e The quoted market prices and resulting values for credit default swap agreements on asset-backed securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity’s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.
- f The maximum potential amount the Fund could be required to make as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.
- g At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the realized price variance of the underlying asset and the strike price multiplied by the notional amount. As a receiver of the realized price variance, the Fund would receive the payoff amount when the realized price variance of the underlying asset is greater than the strike price and would owe the payoff amount when the variance is less than the strike price. As a payer of the realized price variance, the Fund would owe the payoff amount when the realized price variance of the underlying asset is greater than the strike price and would receive the payoff amount when the variance is less than the strike price.
- j Amount represents Index Value.
- w The amounts in this category are included in the “Realized and Change in Unrealized Gain/(Loss) on Investment Transactions” section of the Statement of Operations. The net unrealized appreciation/(depreciation) per investment type is below:

<u>Valuation Description</u>	<u>Unrealized Gain/(Loss) as of 04/30/2017 (000s)</u>
Written Options .....	<u>\$ (1)</u>
x Fair Valued by subadviser in accordance with Harbor Funds Valuation Procedures using a Broker Quote which is a Level 3 Input.	
ARG\$ Argentine Peso	
AUD\$ Australian Dollar	
R\$ Brazilian Real	
£ British Pound	
CNY\$ Chinese Yuan	
COL\$ Colombian Peso	
DKK\$ Danish Krone	
€ Euro	
₹ Indian Rupee	
MEX\$ Mexican Peso	
NZD\$ New Zealand Dollar	

The accompanying notes are an integral part of the Financial Statements.



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# Harbor Strategic Markets Funds

## STATEMENT OF ASSETS AND LIABILITIES—April 30, 2017 (Unaudited)

(All amounts in thousands, except per share amounts)

	Harbor Commodity Real Return Strategy Fund (Consolidated)
<b>ASSETS</b>	
Investments, at identified cost*	\$ 93,041
Investments, at value	\$ 76,850
Repurchase agreements	16,758
Cash restricted	71
Cash	479
Foreign currency, at value (cost: \$232)	232
Receivables for:	
Investments sold	2,485
Capital shares sold	207
Interest	190
Unrealized appreciation on open forward currency contracts	98
Unrealized appreciation on OTC swap agreements	344
Variation margin on options and futures contracts	37
Variation margin on centrally cleared swap agreements	6
Purchased options, at value (premiums paid: \$218)	206
Options sold	23
Prepaid registration fees	12
Other assets	47
<b>Total Assets</b>	<b>98,045</b>
<b>LIABILITIES</b>	
Payables for:	
Due to broker	180
Investments purchased	3,832
Capital shares reacquired	74
Written options, at value (premiums received: \$134)	99
Swap premiums received	36
Unrealized depreciation on OTC swap agreements	1,851
Sale-buyback financing transactions	31,386
Variation margin on options and futures contracts	1
Unrealized depreciation on open forward currency contracts	332
Accrued expenses:	
Management fees	42
Transfer agent fees	4
Trustees' fees and expenses	1
Other	96
<b>Total Liabilities</b>	<b>37,934</b>
<b>NET ASSETS</b>	<b>\$ 60,111</b>
<b>Net Assets Consist of:</b>	
Paid-in capital	\$ 85,066
Accumulated undistributed net investment income/(loss)	891
Accumulated net realized gain/(loss)	(24,856)
Unrealized appreciation/(depreciation) of investments and translation of assets and liabilities in foreign currencies	596
Unrealized appreciation/(depreciation) of other financial instruments	(1,586)
	<b>\$ 60,111</b>

The accompanying notes are an integral part of the Financial Statements.

**NET ASSET VALUE PER SHARE BY CLASS**

**Institutional Class**

Net assets .....	\$59,681
Shares of beneficial interest <sup>1</sup> .....	16,148
Net asset value per share <sup>2</sup> .....	\$ 3.70

**Administrative Class**

Net assets .....	\$ 430
Shares of beneficial interest <sup>1</sup> .....	117
Net asset value per share <sup>2</sup> .....	\$ 3.68

\* Including repurchase agreements and short-term investments.

1 Par value \$0.01 (unlimited authorizations).

2 Per share amounts can be recalculated to the amounts disclosed herein when total net assets and shares of beneficial interest are not rounded to thousands.

# Harbor Strategic Markets Funds

## STATEMENT OF OPERATIONS—Six Months Ended April 30, 2017 (Unaudited)

(All amounts in thousands)

	Harbor Commodity Real Return Strategy Fund (Consolidated)
<b>Investment Income</b>	
Interest .....	\$1,185
<b>Total Investment Income</b> .....	<b>1,185</b>
<b>Operating Expenses</b>	
Management fees .....	287
12b-1 fees:	
Administrative Class .....	1
Shareholder communications .....	23
Custodian fees .....	87
Transfer agent fees:	
Institutional Class .....	29
Administrative Class .....	—
Professional fees .....	3
Trustees' fees and expenses .....	1
Registration fees .....	18
Miscellaneous .....	4
Expenses before interest expense .....	453
Interest expense .....	124
Total expenses .....	577
Transfer agent fees waived .....	(3)
Other expenses reimbursed .....	(116)
Net expenses .....	458
<b>Net Investment Income/(Loss)</b> .....	<b>727</b>
<b>Realized and Change in Net Unrealized Gain/(Loss) on Investment Transactions</b>	
Net realized gain/(loss) on:	
Investments .....	(213)
Foreign currency transactions .....	(131)
Investments sold short .....	21
Swap agreements .....	(468)
Futures contracts .....	146
Purchased options .....	(1)
Written options .....	(6)
Change in net unrealized appreciation/(depreciation) on:	
Investments .....	(577)
Forwards currency contracts .....	107
Swap agreements .....	576
Futures contracts .....	(129)
Purchased options .....	126
Written options .....	(69)
Translations of assets and liabilities in foreign currencies .....	4
Net gain/(loss) on investment transactions .....	(614)
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations</b> .....	<b>\$ 113</b>

The accompanying notes are an integral part of the Financial Statements.

# Harbor Strategic Markets Funds

## STATEMENTS OF CHANGES IN NET ASSETS

(All amounts in thousands)

	Harbor Commodity Real Return Strategy Fund (Consolidated)	
	November 1, 2016 through April 30, 2017	November 1, 2015 through October 31, 2016
<b>INCREASE/(DECREASE) IN NET ASSETS</b>	(Unaudited)	
<b>Operations:</b>		
Net investment income/(loss) .....	\$ 727	\$ 1,404
Net realized gain/(loss) on investments .....	(652)	(11,279)
Change in net unrealized appreciation/(depreciation) of investments .....	38	6,587
<b>Net increase/(decrease) in assets resulting from operations .....</b>	<b>113</b>	<b>(3,288)</b>
<b>Distributions to Shareholders</b>		
Net investment income:		
Institutional Class .....	—	(1,967)
Administrative Class .....	—	(13)
Net realized gain on investments:		
Institutional Class .....	—	—
Administrative Class .....	—	—
Return of Capital <sup>a</sup> :		
Institutional Class .....	—	(596)
Administrative Class .....	—	(3)
<b>Total distributions to shareholders .....</b>	<b>—</b>	<b>(2,579)</b>
<b>Net Increase/(Decrease) Derived from Capital Share Transactions .....</b>	<b>(16,413)</b>	<b>(26,750)</b>
Net increase/(decrease) in net assets .....	(16,300)	(32,617)
<b>Net Assets</b>		
Beginning of period .....	76,411	109,028
<b>End of period*</b> .....	<b>\$ 60,111</b>	<b>\$ 76,411</b>
* Includes accumulated undistributed net investment income/(loss) of: .....	\$ 891	\$ 164

a Determined in accordance with federal income tax regulations.

The accompanying notes are an integral part of the Financial Statements.

# Harbor Strategic Markets Funds

## STATEMENTS OF CHANGES IN NET ASSETS—CAPITAL STOCK ACTIVITY

(All amounts in thousands)

	Harbor Commodity Real Return Strategy Fund (Consolidated)	
	November 1, 2016 through April 30, 2017	November 1, 2015 through October 31, 2016
	(Unaudited)	
<b>AMOUNT (\$)</b>		
<b>Institutional Class</b>		
Net proceeds from sale of shares .....	\$ 7,887	\$ 19,388
Reinvested distributions .....	—	2,495
Cost of shares reacquired .....	(24,228)	(48,420)
<b>Net increase/(decrease) in net assets .....</b>	<b>\$(16,341)</b>	<b>\$(26,537)</b>
<b>Administrative Class</b>		
Net proceeds from sale of shares .....	\$ 55	\$ 74
Reinvested distributions .....	—	16
Cost of shares reacquired .....	(127)	(303)
<b>Net increase/(decrease) in net assets .....</b>	<b>\$ (72)</b>	<b>\$ (213)</b>
<b>SHARES</b>		
<b>Institutional Class</b>		
Shares sold .....	2,093	5,503
Shares issued due to reinvestment of distributions .....	—	740
Shares reacquired .....	(6,426)	(13,954)
Net increase/(decrease) in shares outstanding .....	(4,333)	(7,711)
Beginning of period .....	20,481	28,192
<b>End of period .....</b>	<b>16,148</b>	<b>20,481</b>
<b>Administrative Class</b>		
Shares sold .....	15	21
Shares issued due to reinvestment of distributions .....	—	5
Shares reacquired .....	(34)	(89)
Net increase/(decrease) in shares outstanding .....	(19)	(63)
Beginning of period .....	136	199
<b>End of period .....</b>	<b>117</b>	<b>136</b>

The accompanying notes are an integral part of the Financial Statements.

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# Harbor Strategic Markets Funds

## STATEMENT OF CASH FLOWS— Six-Months Ended April 30, 2017 (Unaudited)

(All amounts in thousands)

	Harbor Commodity Real Return Strategy Fund (Consolidated)
<b>Cash flows provided by operating activities:</b>	
Net increase in net assets resulting from operations . . . . .	\$ 113
<b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b>	
Purchases of long-term securities . . . . .	(687,660)
Proceeds from sales of long-term securities . . . . .	703,703
Proceeds from short-term portfolio investments, net . . . . .	3,706
Decrease in receivable for investments sold . . . . .	15,441
Decrease in foreign spot contracts receivable . . . . .	2
Decrease in interest receivable . . . . .	72
Decrease in variation margin on options and futures contracts . . . . .	11
Decrease in variation margin on swap agreements . . . . .	25
Decrease in options sold . . . . .	2
Increase in prepaid registration fees . . . . .	(7)
Increase in other assets . . . . .	(31)
Decrease in payable for investments purchased . . . . .	(10,264)
Decrease in foreign currency spot contracts payable . . . . .	(2)
Decrease in premiums from written options . . . . .	(130)
Increase in swap premiums received . . . . .	29
Decrease in management fees payable . . . . .	(11)
Decrease in transfer agent fees payable . . . . .	(1)
Increase in other liabilities . . . . .	2
Net change in unrealized appreciation/(depreciation) on investments . . . . .	577
Net change in unrealized appreciation/(depreciation) on forwards . . . . .	(107)
Net change in unrealized appreciation/(depreciation) on OTC swaps . . . . .	(368)
Net change in unrealized appreciation/(depreciation) on written options not settled through variation margin . . . . .	89
Net change in unrealized appreciation/(depreciation) on purchased options not settled through variation margin . . . . .	(110)
Net realized loss on investments . . . . .	192
Net realized loss on purchased options not settled through variation margin . . . . .	1
Net accretion and earned inflation component . . . . .	(19)
Net cash provided by operating activities . . . . .	25,255
<b>Cash flows used for financing activities:</b>	
Proceeds from shares sold . . . . .	7,742
Payment on shares redeemed . . . . .	(24,387)
Decrease in sale-buyback financing transactions . . . . .	(8,652)
Increase in due to broker and cash restricted . . . . .	156
Net cash used for financing activities . . . . .	(25,141)
<b>Net increase in cash and foreign currency . . . . .</b>	<b>114</b>
<b>Cash and Foreign Currency</b>	
Beginning of period . . . . .	\$ 597
End of period . . . . .	711
<b>Supplemental disclosure of cash flow information:</b>	
Interest paid during the year . . . . .	\$ 124

The accompanying notes are an integral part of the Financial Statements.



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# Harbor Strategic Markets Funds Financial Highlights

## SELECTED DATA FOR A SHARE OUTSTANDING FOR THE PERIODS PRESENTED

### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

	6-Month Period Ended April 30, 2017	Institutional Class				
		Year Ended October 31,				
		2016	2015	2014	2013	2012
	(Unaudited)					
Net asset value beginning of period . . . . .	\$ 3.71	\$ 3.84	\$ 5.58	\$ 6.13	\$ 7.38	\$ 7.66
<b>Income from Investment Operations</b>						
Net investment income/(loss) <sup>a</sup> . . . . .	0.04 <sup>d</sup>	0.06 <sup>d</sup>	0.02 <sup>d</sup>	0.14	0.02	0.08
Net realized and unrealized gains/(losses) on investments . . . . .	(0.05)	(0.09)	(1.56)	(0.55)	(1.17)	0.01
Total from investment operations . . . . .	(0.01)	(0.03)	(1.54)	(0.41)	(1.15)	0.09
<b>Less Distributions</b>						
Dividends from net investment income . . . . .	—	(0.07)	(0.20)	(0.01)	(0.08)	(0.11)
Distributions from net realized capital gains <sup>1</sup> . . . . .	—	—	—	(0.13)	(0.02)	(0.26)
Return of capital <sup>e</sup> . . . . .	—	(0.03)	—	—	—	—
Total distributions . . . . .	—	(0.10)	(0.20)	(0.14)	(0.10)	(0.37)
Proceeds from redemption fees . . . . .	—	—	—	—	—*	—*
Net asset value end of period . . . . .	3.70	3.71	3.84	5.58	6.13	7.38
Net assets end of period (000s) . . . . .	\$59,681	\$75,908	\$108,267	\$208,996	\$318,937	\$348,315
<b>Ratios and Supplemental Data (%)</b>						
Total return <sup>b</sup> . . . . .	(0.27)% <sup>c</sup>	(0.38)%	(28.36)%	(6.82)%	(15.76)%	1.73%
Ratio of total expenses to average net assets <sup>2</sup> . . . . .	1.62 <sup>d</sup>	1.52	1.28	1.04	1.03	1.09
Ratio of net expenses to average net assets <sup>a</sup> . . . . .	1.29 <sup>d</sup>	1.24	1.08	0.98	0.98	1.00
Ratio of net expenses excluding interest expense to average net assets <sup>a</sup> . . . . .	0.94 <sup>d</sup>	0.94	0.94	0.94	0.94	0.94
Ratio of net investment income to average net assets <sup>a</sup> . . . . .	2.05 <sup>d</sup>	1.73	0.36	1.23	0.45	1.21
Portfolio turnover . . . . .	559 <sup>c</sup>	1,069	784	635	532	474

\* Less than \$0.01.

1 Includes both short-term and long-term capital gains.

2 Percentage does not reflect reduction for credit balance arrangements (see Note 2 of the accompanying Notes to Financial Statements).

a Reflects the Adviser's waiver, if any, of its management fees and/or other operating expenses.

b The total returns would have been lower had certain expenses not been waived during the periods shown.

c Unannualized.

d Amounts are allocated based upon average shares outstanding during the period.

e Determined in accordance with federal income tax regulations.

The accompanying notes are an integral part of the Financial Statements.

<b>Administrative Class</b>					
<b>6-Month Period Ended April 30, 2017</b>	<b>Year Ended October 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>(Unaudited)</b>					
<b>\$ 3.69</b>	\$ 3.82	\$ 5.56	\$ 6.12	\$ 7.37	\$ 7.65
<b>0.03<sup>d</sup></b>	0.05 <sup>d</sup>	0.01 <sup>d</sup>	0.03	0.02	0.08
<b>(0.04)</b>	(0.09)	(1.56)	(0.45)	(1.18)	—*
<b>(0.01)</b>	(0.04)	(1.55)	(0.42)	(1.16)	0.08
—	(0.07)	(0.19)	(0.01)	(0.07)	(0.10)
—	—	—	(0.13)	(0.02)	(0.26)
—	(0.02)	—	—	—	—*
—	(0.09)	(0.19)	(0.14)	(0.09)	(0.36)
—	—	—	—	—*	—*
<b>3.68</b>	3.69	3.82	5.56	6.12	7.37
<b>\$ 430</b>	\$ 503	\$ 761	\$1,236	\$ 1,142	\$1,427
<b>(0.27)%<sup>c</sup></b>	(0.85)%	(28.52)%	(7.06)%	(15.93)%	1.50%
<b>1.87<sup>d</sup></b>	1.78	1.53	1.29	1.27	1.34
<b>1.54<sup>d</sup></b>	1.49	1.33	1.23	1.23	1.26
<b>1.19<sup>d</sup></b>	1.19	1.19	1.19	1.19	1.19
<b>1.72<sup>d</sup></b>	1.39	0.18	1.40	0.11	1.13
<b>559<sup>c</sup></b>	1,069	784	635	532	474

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—April 30, 2017 (Unaudited)

### NOTE 1—ORGANIZATIONAL MATTERS

Harbor Funds (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), as an open-end management investment company. The Trust consists of 30 separate portfolios. The portfolio covered by this report includes Harbor Commodity Real Return Strategy Fund (referred to as the “Fund”). Harbor Capital Advisors, Inc. (the “Adviser” or “Harbor Capital”) is the investment adviser for the Fund.

The Fund currently may offer up to two classes of shares, designated as Institutional Class and Administrative Class. The shares of each class represent an interest in the same portfolio of investments of the Fund and have equal rights to voting, redemptions, dividends, and liquidations, except that: (i) certain expenses, subject to the approval of the Trust’s Board of Trustees (the “Board of Trustees”), may be applied differently to each class of shares in accordance with current regulations of the Securities and Exchange Commission (“SEC”) and the Internal Revenue Service; and (ii) shareholders of a class that bears distribution and service expenses under terms of a distribution plan have exclusive voting rights as to that distribution plan.

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements. The Fund follows the investment company reporting requirements under U.S. Generally Accepted Accounting Principles (“U.S. GAAP”), which includes the accounting and reporting guidelines under Accounting Standards Topic 946, *Financial Services-Investment Companies*. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

#### Security Valuation

Harbor Funds’ valuation procedures permit the Fund to use a variety of valuation methodologies, consider a number of subjective factors, analyze applicable facts and circumstances and, in general, exercise judgment, when valuing Fund investments. The methodology used for a specific type of investment may vary based on the circumstances and relevant considerations, including available market data.

Equity securities (including common stock, preferred stock, and convertible preferred stock), exchange-traded notes and financial derivative instruments (such as futures contracts, options contracts, including rights and warrants and centrally cleared swap agreements) that are traded or cleared on a national securities exchange or system (except securities listed on the National Association of Securities Dealers Automated Quotation (“NASDAQ”) system and United Kingdom securities) are valued at the last sale price on a national exchange or system on which they are principally traded or cleared as of the valuation date. Securities listed on the NASDAQ system or a United Kingdom exchange are valued at the official closing price of those securities. In the case of securities for which there are no sales on the valuation day, (i) securities traded principally on a U.S. exchange, including NASDAQ, are valued at the mean between the closing bid and ask price; and (ii) securities traded principally on a foreign exchange, including United Kingdom securities, are valued at the official bid price determined as of the close of the primary exchange. Securities of open-end registered investment companies that are held by the Fund are valued at net asset value. To the extent these securities are actively traded and fair valuation adjustments are not applied, they are normally categorized as Level 1 in the fair value hierarchy. Equity securities traded on inactive markets or valued by reference to similar instruments are normally categorized as Level 2 in the fair value hierarchy. For more information on the fair value hierarchy, please refer to the Fair Value Measurements and Disclosures section in Note 2.

Debt securities (including corporate bonds, municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, mortgage-backed and asset-backed securities, foreign government obligations, bank loans, and convertible securities other than short-term securities with a remaining maturity of less than 60 days at the time of acquisition), are valued using evaluated prices furnished by a pricing vendor selected by the Board of Trustees. An evaluated price represents an assessment by the pricing vendor using various market inputs of what the pricing vendor believes is the fair value of a security at a particular point in time. The pricing vendor determines evaluated prices for debt securities that would be transacted at institutional-size quantities using inputs including, but not limited to, (i) recent transaction prices and dealer quotes, (ii) transaction prices for what the pricing vendor believes are securities with similar characteristics, (iii) the pricing vendor’s assessment of the risk inherent in the security taking into account criteria such as credit quality, payment history, liquidity and market conditions, and (iv) various correlations and relationships between security price movements and other factors, such as interest rate changes, which are recognized by institutional traders. In the case of mortgage-backed and asset-backed securities, the inputs used by

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

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### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

the pricing vendor may also include information about cash flows, prepayment rates, default rates, delinquency and loss assumption, collateral characteristics, credit enhancements and other specific information about the particular offering. Because many debt securities trade infrequently, the pricing vendor will often not have current transaction price information available as an input in determining an evaluated price for a particular security. When current transaction price information is available, it is one input into the pricing vendor's evaluation process, which means that the evaluated price supplied by the pricing vendor will frequently differ from that transaction price.

Short-term securities with a remaining maturity of less than 60 days at the time of acquisition that are held by the Fund are valued at amortized cost to the extent amortized cost represents fair value. Securities that use similar valuation techniques and inputs as described above are normally categorized as Level 2 in the fair value hierarchy.

Over-the-counter (“OTC”) financial derivative instruments, such as forward currency contracts, options contracts, and swap agreements, derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors. These instruments are valued using evaluated prices furnished by a pricing vendor selected by the Board of Trustees. In certain cases, when a valuation is not readily available from a pricing vendor, the Fund's subadviser provides a valuation, typically using its own proprietary models. Depending on the instrument and the terms of the transaction, the value of the derivative instrument can be determined by a pricing vendor or subadviser using a series of techniques, including simulation pricing models. The pricing models use inputs, such as issuer details, indices, spreads, interest rates, yield curves, dividends and exchange rates, that are observed from actively quoted markets. Derivative instruments that use valuation techniques and inputs similar to those described above are normally categorized as Level 2 in the fair value hierarchy.

When reliable market quotations or evaluated prices supplied by a pricing vendor are not readily available or are not believed to accurately reflect fair value, securities are priced at their fair value as determined by the Trust's Valuation Committee (the “Valuation Committee”) pursuant to procedures adopted, and subject to oversight, by the Board of Trustees. The Valuation Committee is comprised of a trustee and officers of the Trust and employees of Harbor Capital with relevant experience or responsibilities. Each security for which the Valuation Committee determines a fair value, including the basis for the fair value decision, is reviewed by the Board of Trustees at its regularly scheduled board meetings.

When a fair valuation method is applied by the Valuation Committee or the Fund's subadviser, securities will be priced by a method that the Valuation Committee or subadviser believes accurately reflects fair value. Securities valued using fair valuation methods that incorporate significant unobservable inputs are normally categorized as Level 3 in the fair value hierarchy. Examples of possible fair valuation methodologies used in determining the fair value of securities categorized as Level 3 in the fair value hierarchy include, but are not limited to, benchmark pricing and indicative market quotations.

When benchmark pricing is used, the base price of a debt security is set and then subsequently adjusted in proportion to the market value changes of an index or similar security (the “benchmark security”) that trades in an active market or for which other observable inputs are available. The base price may be a broker-dealer quote, transaction price, or an internal value as derived by analysis of market data. The base price of the security may be reset on a periodic basis based on the availability of market data and procedures approved by the Fund's subadviser. If the benchmark security is categorized as Level 2 of the fair value hierarchy due to the lack of an active market for that security, any security adjusted in proportion to the market value of the benchmark security may be categorized as Level 3 in the fair value hierarchy. Significant changes in the unobservable inputs of the benchmark pricing process (i.e., the base price) would result in direct and proportional changes in the fair value of the security. The reasonability of the fair value is reviewed by the subadviser on a periodic basis and may be amended as the availability of market data indicates a material change.

If evaluated pricing through a third-party pricing vendor is not available or deemed to be indicative of fair value, the Fund's subadviser may elect to obtain indicative market quotations (“broker quotes”) directly from a broker-dealer or passed through from a third-party pricing vendor. Indicative market quotations are typically received from established market participants. In the event that the source of fair value is from a single-sourced broker quote, but the subadviser does not have the transparency to view the underlying inputs that support the market quotation, these securities are categorized as Level 3 in the fair value hierarchy. Significant changes in the broker quote would have direct and proportional changes in the fair value of the security.

The Fund may also use fair value pricing if the value of some or all of the Fund's securities have been materially affected by events occurring before the Fund's pricing time but after the close of the primary markets or exchanges on which the security is traded. This most commonly occurs with foreign securities, but may occur with other securities as well. In such cases, the

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

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### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

Fund may apply a fair value factor supplied by the pricing vendor to a foreign security's market close value to reflect changes in value that may have occurred between the close of the primary market or exchange on which the security is traded and the Fund's pricing time. That factor may be derived using observable inputs such as a comparison of the trading patterns of a foreign security to intraday trading in the U.S. markets that are highly correlated to the foreign security or other information that becomes available after the close of the foreign market on which the security principally traded. When fair value pricing is employed, the prices of securities used by the Fund to calculate its net asset value may differ from market quotations, official closing prices or evaluated prices for the same securities, which means that the Fund may value those securities higher or lower than another given fund that uses market quotations, official closing prices or evaluated prices supplied by a pricing vendor in its calculation of net asset value. Securities valued using observable inputs, such as those described above, are normally categorized as Level 2 of the fair value hierarchy.

### Fair Value Measurements and Disclosures

Various inputs may be used to determine the value of the Fund's investments, which are summarized in three broad categories defined as Level 1, Level 2 and Level 3. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The assignment of an investment to Levels 1, 2 or 3 is based on the lowest level of significant inputs used to determine its fair value.

Level 1—Quoted prices in active markets for identical securities.

Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—Significant unobservable inputs are used in situations where quoted prices or other observable inputs are not available or are deemed unreliable. Significant unobservable inputs may include the Fund's own assumptions.

Transfers between levels, if any, are recognized as of the last day in the fiscal quarter of the period in which the event or change in circumstances that caused the reclassification occurred. For fair valuations using significant unobservable inputs, a reconciliation of the beginning to ending balances for reported fair values is provided that presents changes attributable to realized and unrealized gains and losses and purchases, sales, and transfers in/out of the Level 3 category during the period. A table that includes a categorization of investments into Levels 1, 2, or 3, transfers between levels, if any, and a Level 3 reconciliation, including details of significant unobservable inputs used, when applicable, can be found at the end of the Fund's Portfolio of Investments schedule.

The Fund used observable inputs in its valuation methodologies whenever they were available and deemed reliable.

### Inflation-Indexed Bonds

Inflation-indexed bonds are fixed-income securities whose principal value is periodically adjusted based on the rate of inflation. During the period, the Fund invested in inflation-indexed bonds. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value that is adjusted for inflation. Any increase in the principal amount of an inflation-indexed bond will be included as interest income even though investors do not receive the principal until maturity.

### Mortgage-Related and Other Asset-Backed Securities

Mortgage-backed or asset-backed securities include mortgage pass-through securities, collateralized mortgage obligations ("CMOs"), commercial mortgage-backed securities, CMO residuals, stripped mortgage-backed securities ("SMBSs") and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. During the period, the Fund invested in mortgage- or other asset-backed securities. The value of some mortgage- or asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may expose the Fund to a lower rate of return upon reinvestment of principal. The value of these securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. Additionally, although mortgages and mortgage-related securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

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### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### U.S. Government Securities

During the period, the Fund invested in U.S. government securities. U.S. government securities include securities issued by U.S. government agencies or government-sponsored enterprises that may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association (“GNMA” or “Ginnie Mae”), a wholly owned U.S. government corporation, is authorized to guarantee, with the full faith and credit of the U.S. government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. government) include the Federal National Mortgage Association (“FNMA” or “Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”). On September 7, 2008, the Federal Housing Finance Agency placed Fannie Mae and Freddie Mac in conservatorship, while the U.S. Treasury agreed to purchase preferred stock as needed to ensure that both Fannie Mae and Freddie Mac maintain a positive net worth (guaranteeing up to \$100 billion for each entity). As a consequence, certain fixed income securities of Fannie Mae and Freddie Mac have more explicit U.S. government support. No assurance can be given as to whether the U.S. government will continue to support Fannie Mae and Freddie Mac. In addition, the future of Fannie Mae and Freddie Mac is uncertain because Congress has been considering proposals as to whether Fannie Mae and Freddie Mac should be nationalized, privatized, restructured or eliminated altogether. Fannie Mae and Freddie Mac are also the subject of continuing legal actions and investigations which may have an adverse effect on these entities.

#### Forward Commitments and When-Issued Securities

During the period, the Fund purchased and sold securities on a forward commitment basis, including “TBA” (to be announced) purchase and sale commitments. Purchasing securities on a when-issued or forward commitment basis involves a risk of loss if the value of the security to be purchased declines prior to the settlement date. Such risk is in addition to the risk of decline in value of the Fund’s other assets. Although the Fund would generally purchase securities on a when-issued or forward commitment basis with the intention of acquiring securities for its portfolio, the Fund may dispose of a when-issued security or forward commitment prior to settlement if a subadviser deems it appropriate to do so. The Fund may enter into a forward commitment sale to hedge its portfolio positions or to sell securities it owned under a delayed delivery arrangement. Sale proceeds are not received until the contractual settlement date. The Fund may realize short-term gains or losses upon such purchases and sales. These transactions involve a commitment by the Fund to purchase or sell securities at a future date (ordinarily one or two months later). The price of the underlying securities (usually expressed in terms of yield) and the date when the securities will be delivered and paid for (the settlement date) are fixed at the time the transaction is negotiated. When-issued purchase and forward commitment transactions are negotiated directly with the other party, and such commitments are not traded on exchanges.

The value of securities purchased on a when-issued or forward commitment basis and any subsequent fluctuations in their value are reflected in the computation of the Fund’s net asset value starting on the date of the agreement to purchase the securities. The Fund does not earn interest on the securities it has committed to purchase until they are paid for and delivered on the settlement date. When the Fund makes a forward commitment to sell securities it owns, the proceeds to be received upon settlement are included in the Fund’s assets. Fluctuations in the market value of the underlying securities are not reflected in the Fund’s net asset value as long as the commitment to sell remains in effect. Settlement of when-issued purchase and forward commitment transactions generally takes place within two months after the date of the transaction, but the Fund may agree to a longer settlement period.

The Fund will purchase securities on a when-issued basis, or purchase or sell securities on a forward commitment basis, only with the intention of completing the transaction and actually purchasing or selling the securities. If deemed advisable as a matter of investment strategy, however, the Fund may dispose of or renegotiate a commitment after it is entered into. The Fund also may sell securities it has committed to purchase before those securities are delivered to the Fund on the settlement date. The Fund may realize a capital gain or loss in connection with these transactions. When the Fund purchases securities on a when-issued or forward commitment basis, the Fund will maintain in a segregated account with the Fund’s custodian, or set aside or restrict in the subadviser’s records or systems relating to the Fund, cash or liquid assets having a value (determined daily) at least equal to the amount of the Fund’s purchase commitments. In the case of a forward commitment to sell portfolio securities, portfolio holdings will be held in a segregated account with the Fund’s custodian, or set aside or restricted on the subadviser’s records or systems relating to the Fund, while the commitment is outstanding.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### Repurchase Agreements

In a repurchase agreement, the Fund buys a security at one price and simultaneously agrees to sell it back at a higher price. Such agreements must be adequately collateralized to cover the counterparty's obligation to the Fund to close out the repurchase agreement. During the period, the Fund entered into repurchase agreements with domestic or foreign banks or with a member firm of the Financial Industry Regulatory Authority, Inc., or an affiliate of a member firm that is a primary dealer in U.S. government securities. Each repurchase agreement counterparty must meet the minimum credit quality requirements applicable to the respective Fund and any other appropriate counterparty criteria as determined by the Fund's subadviser. The minimum credit quality requirements are those applicable to the Fund's purchase of securities such that if the Fund is permitted to only purchase securities that are rated investment-grade (or the equivalent if unrated), the Fund could only enter into repurchase agreements with counterparties that have debt outstanding that is rated investment-grade (or the equivalent if unrated). The securities are regularly monitored to ensure that the collateral is adequate. The Fund seeks to further mitigate its counterparty risk by entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default, including bankruptcy, the Fund may terminate any repurchase agreements with that counterparty, determine the net amount owned, and sell or retain the collateral up to the net amount owed to the Fund. A counterparty's default may cause the Fund to suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the terms of the master repurchase agreement.

#### Sale-Buybacks

A "sale-buyback" financing transaction consists of a sale of a portfolio security by the Fund to a financial institution (the counterparty) with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. The Fund is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. During the period, the Fund entered into such financing transactions referred to as sale-buybacks.

The agreed-upon proceeds for securities to be repurchased by the Fund are reflected as a liability on the Statement of Assets and Liabilities. The Fund will recognize net income represented by the price differential between the price received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the "price drop." A price drop consists of two components: (i) the foregone interest and inflationary income adjustments, if any, the Fund would have otherwise received had the security not been sold, and (ii) the negotiated financing terms between the Fund and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Statement of Operations. Interest payments based upon negotiated financing terms made by the Fund to counterparties are recorded as a component of interest expense on the Statement of Operations. To cover its obligations under sale-buyback transactions, the Fund will segregate cash or liquid securities, which are marked-to-market daily, with the Fund's custodian, or set aside or restrict assets in the subadviser's records or systems relating to the Fund, in an amount not less than the repurchase price, including accrued interest, of the underlying security. Sale-buyback transactions involve the risk that the fair value of the securities sold by the Fund may decline below the repurchase price of the securities and, if the proceeds from the sale-buyback transaction are invested in securities, that the fair value of the securities purchased may decline below the repurchase price of the securities sold. In periods of increased demand for a security, the Fund may receive a fee for use of the security by the counterparty, which may result in additional interest income to the Fund.

The average amount of borrowings outstanding during the six-month period ended April 30, 2017 was \$29,229,000 at a weighted average interest rate of 0.855% for the Fund.

A table that includes the remaining maturity period for outstanding sale-buyback transactions and the type of investment collateral pledged can be found within the Fund's Portfolio of Investments schedule.

#### Short Sales

During the period, the Fund engaged in short-selling, which obligates the Fund to replace a borrowed security by purchasing it at the market price at the time of replacement. Until the security is replaced, the Fund is required to pay any accrued interest or dividends to the lender and also may be required to pay a premium. The Fund would realize a gain if the security declines in price between the date of the short sale and the date on which such Fund replaces the borrowed security. The Fund would incur a loss as a result of the short sale if the price of the security increases between those dates. Until the Fund replaces the



# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

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### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

borrowed security, subject to pre-arranged exposure levels, it will maintain cash or liquid securities sufficient to cover its short position in a segregated account with the Fund's custodian or set aside or restricted in the subadviser's records or systems relating to the Fund. Short sales involve the risk of an unlimited increase in the market price of the borrowed security.

#### Futures Contracts

A futures contract is an agreement between two parties to buy or sell a specified financial instrument at a set price on a future date. During the period, the Fund used futures contracts to gain exposure to the fixed income asset class with greater efficiency and lower cost than was possible through direct investment, to add value when these securities were attractively priced, or to adjust the portfolio's sensitivity to changes in interest rates or currency exchange rates. Futures contracts tend to increase or decrease the Fund's exposure to the underlying instrument or can be used to hedge other Fund investments.

Upon entering into a futures contract, the Fund is required to pledge to the broker an amount of cash, U.S. government securities or other liquid securities equal to the minimum "initial margin" requirements of the exchange. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract referred to as "variation margin." Such receipts or payments are recorded by the Fund as unrealized gains or losses. When the contract is closed or expires, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The Fund may suffer losses if it is unable to close out its position because of an illiquid secondary market. There is no assurance that the Fund will be able to close out its position when the Fund considers it appropriate or desirable to do so. In the event of adverse price movements, the Fund may be required to continue making daily cash payments to maintain its required margin. If the Fund has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when the Fund would not otherwise elect to do so. In addition, the Fund may be required to deliver or take delivery of instruments. The maximum potential loss on a long futures contract is the U.S. dollar value of the notional amount at the time the contract is opened. The potential loss on a short futures contract is unlimited. There is minimal counterparty risk with futures contracts as they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures contracts against default.

#### Options

An option, including rights and warrants, is a contract that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). During the period, the Fund purchased and wrote (sold) option contracts to manage its exposure to the bond markets and to fluctuations in interest rates and currency values. Purchased call options tend to increase the Fund's exposure to the underlying instrument. Purchased put options tend to decrease the Fund's exposure to the underlying instrument.

When the Fund purchases an option, it pays a premium. If a purchased option expires, the Fund realizes a loss in the amount of the premium. If the Fund enters into a closing sale transaction, it realizes a gain or loss, depending on whether the proceeds from the sale are greater or less than the cost of the option. If a call option is exercised by the Fund, the cost of the securities acquired by exercising the call is increased by the premium paid to buy the call. If a put option is exercised by the Fund, it realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are decreased by the premium originally paid. The risk associated with purchasing options is limited to the premium paid. The Fund's maximum risk of loss from counterparty credit risk is also limited to the premium paid for the contract.

When the Fund writes an option, it receives a premium. If a written option expires on its stipulated expiration date, or if the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss, if the cost of a closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If a written call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security, and the proceeds of the sale are increased by the premium originally received. If a written put option is exercised, the amount of the premium originally received reduces the cost of the security that the Fund purchases upon exercise of the option.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

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### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

The risk in writing a call option is that the Fund relinquishes the opportunity to profit if the fair value of the underlying security increases and the option is exercised. In writing a put option, the Fund assumes the risk of incurring a loss if the fair value of the underlying security decreases and the option is exercised. In addition, there is a risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market or if the counterparty does not perform under the contract's terms.

Options on exchange-traded futures contracts are an option contract in which the underlying instrument is a single futures contract. The Fund may write or purchase options on exchange-traded futures contracts in which the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract referred to as "variation margin." Such receipts or payments are recorded by the Fund as unrealized gains or losses. When the contract is closed or expires, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

#### Swap Agreements

A swap is a contract between two parties to exchange future cash flows at specified intervals (payment dates) based upon a notional principal amount during the agreed-upon life of the contract. Swaps are marked to market daily and changes in value are recorded as unrealized appreciation or depreciation.

Upon entering a swap agreement, any payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities and represent a reconciling value to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (such as credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are recorded as realized gains or losses on the Statement of Operations upon termination or maturity of the swap. If a liquidation payment is received or made at the termination of the swap, it is recorded as realized gain or loss on the Statement of Operations. Net periodic payments received or paid by the Fund are included as part of realized gains or losses on the Statement of Operations. The Fund will only enter into swap agreements with counterparties that meet the minimum credit quality requirements applicable to the Fund and any other appropriate counterparty criteria as determined by the Fund's subadviser. The minimum credit quality requirements are similar to those applicable to the Fund's purchase of securities, such that if the Fund is permitted to only purchase securities that are rated investment-grade (or the equivalent if unrated), the Fund could only enter into one of the below referenced transactions with counterparties that have debt outstanding that is rated investment-grade (or the equivalent if unrated). Entering into swap agreements involves, to varying degrees, elements of credit risk, market risk and interest rate risk in excess of the amount recognized in the Statement of Assets and Liabilities. Such risks include the possibility that there is not a liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform, or that there may be unfavorable changes in market conditions or interest rates. The Fund's maximum risk of loss from counterparty credit risk is the discounted value of the net cash flows to be received from the counterparty over the contract's remaining life or the value of the contract. This risk is typically mitigated by entering into swap agreements with highly-rated counterparties, the existence of a master netting arrangement between the Fund and the counterparty, and the posting of collateral by the counterparty.

Interest Rate Swaps are agreements between counterparties to exchange cash flows or an exchange of commitments to pay or receive interest with respect to the notional amount of principal. During the period, the Fund used interest rate swap agreements to manage its exposure to interest rate changes. Changes in interest rates can have an effect on the value of bond holdings, the amount of interest income earned and the value of the interest rate swaps held.

Credit Default Swaps are agreements between counterparties to buy or sell protection on a debt security, a basket of securities, or an index of obligations against a defined credit event. Under the terms of a credit default swap, the buyer of protection receives credit protection in exchange for making periodic payments to the seller of protection based on a given percentage applied to a notional principal amount. In return for these payments, the seller acts as the guarantor of the creditworthiness of a reference entity, obligation or index. During the period, the Fund used credit default swap agreements as a seller to gain credit exposure to an issuer or to simulate investments in long bond positions that were either unavailable or less attractively priced in the bond market; the Fund used credit default swap agreements as a buyer to provide a measure of protection against defaults of an issuer. An issuer may represent either a single issuer, a "basket" of issuers, or a credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

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### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

The buyer in a credit default contract is obligated to pay the seller a periodic stream of payments over the term of the contract provided that no credit event occurs. Credit events may include bankruptcy, failure to pay principal, maturity extension, rating downgrade, or write-down. As a seller, if an underlying credit event occurs, the Fund will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the reference obligation (or underlying securities comprising an index), or pay a net settlement amount of cash equal to the notional amount of the swap less the recovery value of the reference obligation (or underlying securities comprising an index). As a buyer, if an underlying credit event occurs, the Fund will either receive from the seller an amount equal to the notional amount of the swap and deliver the reference obligation (or underlying securities comprising an index) or receive a net settlement. The maximum exposure to loss of the notional value as the seller of credit default swaps outstanding at April 30, 2017 for the Fund was \$984,000.

Total Return Swaps are agreements between counterparties to exchange the return of a given underlying asset, including any income it generates and appreciation in value, in exchange for a set rate, either fixed or variable. During the period, the Fund used total return swap agreements to gain or mitigate exposure to underlying reference assets, securities, or indices.

Under the terms of a total return swap, one counterparty pays out the total return of a specific referenced asset or index and in return receives a regular stream of payments. To the extent the total return of an asset or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Fund will receive a payment or make a payment to the counterparty.

Variance Swaps are agreements between counterparties to exchange cash flows based upon the measured variance (or the square of volatility) of a specified underlying asset. One party agrees to exchange a strike price (“Fixed Rate”) for the realized price variance (“Floating Rate”) on the underlying asset with respect to the notional amount. During the period, the Fund used variance swap agreements to gain or mitigate exposure to underlying reference assets or securities.

When a variance swap agreement is originated, the strike price is generally set such that the fair value of the swap is zero. At the maturity date, a net cash flow is exchanged where the payoff amount is equal to the difference between the final market price of the asset and the strike price multiplied by the notional amount. As a receiver of the Floating Rate, the Fund receives the payoff amount when the final market price is greater than the strike price and owes the payoff amount when the final market price is less than the strike price. As a payer of the Floating Rate, the Fund owes the payoff amount when the final market price is greater than the strike price, and receives the payoff amount when the final market price is less than the strike price.

### Forward Currency Contracts

A forward currency contract is an agreement between two parties to buy and sell currencies at a set price on a future date. During the period, the Fund used forward currency contracts to manage its exposure to changes in exchange rates or as a hedge against foreign exchange risk related to specific transactions or portfolio positions.

The forward currency contract is marked-to-market daily and the change in market value is recorded as an unrealized gain or loss. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value on the open and close date. Risk of losses may arise from changes in the value of the foreign currency, or if the counterparties do not perform under the contract’s terms. The maximum potential loss from such contracts is the aggregate face value in U.S. dollars at the time the contract was opened. During the period, the Fund entered into collateral agreements with certain counterparties to mitigate counterparty risk associated with forward currency contracts.

### Foreign Currency Spot Contracts

A foreign currency spot contract is an agreement between two parties to buy and sell currencies at the current market rate for settlement within two business days. During the period, the Fund used foreign currency spot contracts to facilitate transactions in foreign securities or to convert foreign currency receipts into U.S. dollars.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

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### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

The foreign currency spot contract is marked-to-market daily for settlements beyond one day, and any change in market value is recorded as an unrealized gain or loss. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value on the open and close date. Risk of losses may arise from changes in the value of the foreign currency or if the counterparties do not perform under the contract's terms. The maximum potential loss from such contracts is the aggregate face value in U.S. dollars at the time the contract was opened.

#### Foreign Currency Translations

Purchases and sales of securities are translated into U.S. dollars at the current exchange rate on the respective dates of the transactions. Income and withholding taxes are translated at the prevailing exchange rate when accrued or incurred. The accounting records of the Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars based on the current exchange rates at period end.

Reported net realized gains and losses on foreign currency transactions represent net gains and losses from sales and maturities of foreign currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income accrued and tax reclaims receivable and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities are included in the net realized and unrealized gain or loss on investments in the Statement of Operations.

#### Investment Income

Dividends declared on portfolio securities are accrued on the ex-dividend date. For foreign securities held, certain dividends are recorded after the ex-dividend date, but as soon as the respective Fund is notified of such dividends. Interest income is accrued daily as earned. Discounts and premiums on fixed income securities purchased are amortized over the life of the respective securities using the effective yield method. Paydown gains and losses on mortgage-backed and asset-backed securities are recognized as a component of interest income.

#### Securities Transactions

Securities transactions are accounted for on the trade date (the date the order to buy or sell is executed). Realized gains or losses on security transactions are determined on the basis of identified cost.

#### Proceeds from Litigation

The Fund may receive proceeds from shareholder litigation settlements involving current and/or previously held portfolio holdings. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/(loss) if the security has been disposed of by the Fund or in unrealized gain/(loss) if the security is still held by the Fund.

#### Distribution to Shareholders

Distributions on Fund shares are recorded on the ex-dividend date.

#### Expenses

Expenses incurred by the Trust are charged directly to the Fund that incurred such expense whenever possible. With respect to expenses incurred by any two or more Harbor Funds where amounts cannot be identified on a fund by fund basis, such expenses are generally allocated in proportion to the average net assets or the number of shareholders of each Fund.

#### Custodian

The Fund has credit balance arrangements with the Fund's custodian whereby positive balances in demand deposit accounts used by the transfer and shareholder servicing agent for clearing shareholder transactions in the Fund generate credits that are applied against gross custody expenses. Such custodial expense reductions, if any, are reflected on the Fund's accompanying Statement of Operations.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

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### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### Class Allocations

Income, common expenses and realized and unrealized gains/(losses) are determined at the Fund level and allocated daily to each class of shares based on the applicable net assets of the respective classes. Distribution and service fees, if any, and transfer agent fees are calculated daily at the class level based on the applicable net assets of each class and the expense rate(s) applicable to each class.

#### Basis for Consolidation

Harbor Cayman Commodity Fund Ltd. (the “Subsidiary”), a Cayman Islands exempted company, was incorporated on August 4, 2008 as a wholly-owned subsidiary acting as an investment vehicle for the Fund in order to gain exposure to certain asset classes consistent with the Fund’s investment objectives and policies specified in its prospectus and statement of additional information. Under the Articles of Association of the Subsidiary, the Fund will remain the sole shareholder of the Subsidiary and retain all rights associated with shares in the Subsidiary. The shares issued by the Subsidiary confer upon a shareholder the right to receive notice of, attend and vote at general meetings of the Subsidiary, rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Subsidiary. As such, the Fund has consolidated its investment in the Subsidiary into its financial statements and eliminated all intercompany accounts and transactions. As of April 30, 2017, the Subsidiary represented approximately \$21,297,000 or approximately 22% of the total assets of the Fund.

#### Treatment of Income from Offshore Subsidiary

Direct investment by a mutual fund in certain commodity-linked securities and derivative instruments is limited under Subchapter M of the Internal Revenue Code by the requirement that a mutual fund receive no more than ten percent (10%) of its gross income from such investments in order to receive favorable tax treatment as a regulated investment company. The Fund seeks to gain exposure to commodity markets indirectly by investing in the Subsidiary, which may invest without limitation in commodity-linked securities and derivative instruments. The Internal Revenue Service has issued proposed regulations that, if finalized, would generally treat the Fund’s income inclusion with respect to the Subsidiary as qualifying income only if there is a distribution out of the earnings and profits of the Subsidiary that are attributable to such income inclusion. There can be no assurance that the Internal Revenue Service will not further change its position relating to whether that income derived from the Subsidiary is qualifying income. Furthermore, the tax treatment of the income received from the Subsidiary may potentially be affected by changes in legislation, regulations or other legally binding authority, which could affect the character, timing and amount of the Fund’s taxable income and distributions. If such changes occur, the Fund may need to significantly change its investment strategy and recognize unrealized gains in order to remain qualified for taxation as a regulated investment company, which could adversely affect the Fund.

#### Taxes

The Fund is treated as a separate entity for federal tax purposes. The Fund’s policy is to meet the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute to its shareholders all of its taxable income within the prescribed time. It is also the intention of the Fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Internal Revenue Code. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation of securities held or excise taxes on income and capital gains.

The Fund may be subject to taxes imposed by countries in which they invest. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued and applied to net investment income, net realized gains and unrealized appreciation as such income and/or gains are earned.

Management has analyzed the Fund’s tax positions for all open tax years (in particular, U.S. federal income tax returns for the tax years ended October 31, 2013–2015), including all positions expected to be taken upon filing the 2016 tax return, in all material jurisdictions where the Fund operates, and has concluded that no provision for income tax is required in the Fund’s financial statements. The Fund will recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

#### Consolidated Statement of Cash Flows

U.S. GAAP requires entities providing financial statements that report both a statement of assets and liabilities and a statement of operations to also provide a statement of cash flows for each period for which results of operations are provided. Investment companies that meet certain conditions are exempted from this requirement. One of the conditions that must be satisfied is that the fund have little or no debt outstanding during the period. During the six-month period ended April 30, 2017, the Fund entered into repurchase agreements, which are categorized as sale-buyback financing transactions under the Accounting Standards Update (“ASU”) 2011-03, *A Reconsideration of Effective Control for Repurchase Agreements* (“ASU 2011-03”). ASU 2011-03 refers to the accounting for repurchase agreements and similar agreements that entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. These transactions resulted in debt being recorded on the Fund’s Statement of Assets and Liabilities. Management has determined that the average level of debt outstanding during the period for Harbor Commodity Real Return Strategy Fund requires the Fund to present a Consolidated Statement of Cash Flows.

#### Investment Company Reporting Modernization

In October 2016, the SEC released its final rule on Investment Company Reporting Modernization (the “Rule”). The Rule contains amendments to certain financial statement presentation, particularly the presentation of derivative investments. Although still evaluating the impact of the Rule, management believes that many of the amendments are consistent with the Fund’s current financial statement presentation.

### NOTE 3—INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, other than short-term securities, for the Fund for the six-month period ended April 30, 2017 are as follows:

	Purchases (000s)		Sales (000s)	
	U.S.		U.S.	
	Government	Other	Government	Other
Harbor Commodity Real Return Strategy Fund (Consolidated) . . . . .	\$684,196	\$3,464	\$683,814	\$19,889

#### Written Options

Transactions in written options for the six-month period ended April 30, 2017 are summarized as follows:

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

	British Pound Futures*		Commodity Futures		Commodity Futures*	
	No. of Contracts/ Notional	Premiums Received (000s)	No. of Contracts/ Notional	Premiums Received (000s)	No. of Contracts/ Notional	Premiums Received (000s)
Options outstanding at beginning of year . . . . .	132	\$ 2	13	\$ 12	—	—
Options opened . . . . .	—	—	119,031	34	21	60
Options closed . . . . .	—	—	(23)	(16)	—	—
Options exercised . . . . .	(108)	(2)	—	—	(1)	(2)
Options expired . . . . .	—	—	(119,009)	(7)	—	—
Open at 04/30/2017 . . . . .	<u>24</u>	<u>\$—</u>	<u>12</u>	<u>\$ 23</u>	<u>20</u>	<u>\$58</u>

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 3—INVESTMENT PORTFOLIO TRANSACTIONS—Continued

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)—Continued

	Currency Options		Eurodollar Futures*		Swap/Inflation Linked Options	
	No. of Contracts/Notional	Premiums Received (000s)	No. of Contracts/Notional	Premiums Received (000s)	No. of Contracts/Notional	Premiums Received (000s)
Options outstanding at beginning of year.....	1,730,000	16	—	\$—	14,900,000	\$ 232
Options opened.....	3,856,600	24	20	4	12,000,000	83
Options closed.....	(540,000)	(4)	—	—	(11,500,000)	(189)
Options exercised.....	(602,000)	(5)	(20)	(4)	(4,300,000)	(22)
Options expired.....	(3,608,000)	(25)	—	—	(3,600,000)	(20)
Open at 04/30/2017.....	<u>836,600</u>	<u>\$ 6</u>	<u>—</u>	<u>\$—</u>	<u>7,500,000</u>	<u>\$ 84</u>

	U.S. Treasury Futures	
	No. of Contracts/Notional	Premiums Received (000s)
Options outstanding at beginning of year.....	10	\$ 3
Options opened.....	83	54
Options closed.....	(53)	(32)
Options exercised.....	(10)	(4)
Options expired.....	—	—
Open at 04/30/2017.....	<u>30</u>	<u>\$ 21</u>

\* Options in this category require periodic settlement of variation margin.

### NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES

#### Investment Adviser

Harbor Capital is an indirect, wholly-owned subsidiary of Robeco Groep N.V. (“Robeco”). Robeco is wholly-owned by ORIX Corporation (“ORIX”). Harbor Capital is the Trust’s investment adviser and is also responsible for administrative and other services.

The Fund has an advisory agreement with Harbor Capital. The agreement provides for management fees based on an annual percentage rate of average daily net assets as follows:

	Contractual Rate	Actual Rate
Harbor Commodity Real Return Strategy Fund (Consolidated).....	0.81%	0.81%

Harbor Capital has from time to time voluntarily or contractually agreed not to impose a portion of its management fees and/or to bear a portion of the expenses incurred in the operation of certain Funds in order to limit Fund expenses. Such waivers, if any, are reflected on the accompanying Statement of Operations. For the period November 1, 2016 through April 30, 2017, Harbor Capital has contractually agreed to limit the operating expenses, excluding interest expense (if any), to 0.94% and 1.19% for the Institutional Class and Administrative Class, respectively. In addition, Harbor Capital has contractually agreed to waive the management fee it receives from the Fund in an amount equal to the management fee paid to Harbor Capital by the Subsidiary. This waiver may not be terminated by Harbor Capital and will remain in effect for as long as Harbor Capital’s contract with the Subsidiary is in place. The contractual expense limitations are effective through February 28, 2018.

All expense limitations are inclusive of the transfer agent fee waiver discussed in the Transfer Agent note.

#### Distributor

Harbor Funds Distributors, Inc. (“Harbor Funds Distributors” or the “Distributor”), a wholly-owned subsidiary of Harbor Capital, is the distributor for Harbor Funds’ shares. Under the Trust’s current distribution plan pursuant to Rule 12b-1 under the Investment Company Act with respect to the Fund’s Administrative Class shares (the “12b-1 Plan”), the Fund pays the

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES—Continued

Distributor compensation at the annual rate of 0.25% of the average daily net assets of its Administrative Class shares. Pursuant to the 12b-1 Plan the Distributor is compensated for financing any activity that is primarily intended to result in the sale of Administrative Class shares of the Fund or for recordkeeping services or the servicing of shareholder accounts in the Administrative Class shares of the Fund. Such activities include, but are not limited to: printing of prospectuses and statements of additional information and reports for prospective shareholders (i.e., other than existing shareholders); preparation and distribution of advertising material and sales literature; expenses of organizing and conducting sales seminars; supplemental payments to dealers or other institutions such as asset-based sales charges, payments of recordkeeping fees under recordkeeping arrangements, or payments of service fees under shareholder service arrangements; and costs of administering the 12b-1 Plan.

Amounts payable by the Fund under the 12b-1 Plan need not be directly related to the expenses actually incurred by the Distributor on behalf of the Fund. The 12b-1 Plan does not obligate the Fund to reimburse the Distributor for the actual expenses the Distributor may incur in fulfilling its obligations under the 12b-1 Plan. Thus, even if the Distributor's actual expenses exceed the fee payable to the Distributor at any given time, the Fund will not be obligated to pay more than that fee. If the Distributor's expenses are less than the fee it receives, the Distributor will retain the difference.

The fees attributable to the Fund's respective class are shown on the accompanying Statement of Operations.

#### Transfer Agent

Harbor Services Group, Inc. ("Harbor Services Group"), a wholly-owned subsidiary of Harbor Capital, is the transfer and shareholder servicing agent for the Fund. The transfer agency and service agreement is reviewed and approved annually by the Board of Trustees and provides currently for compensation up to the following amounts per class of the Fund:

	<b>Transfer Agent Fees<sup>a</sup></b>
Institutional Class .....	0.09% of the average daily net assets of all Institutional shares
Administrative Class .....	0.09% of the average daily net assets of all Administrative shares

a For the period November 1, 2016 through February 28, 2017, the Transfer Agent Fees were 0.08% for the Institutional and Administrative Class shares.

#### Shareholders

On April 30, 2017, Harbor Capital, Harbor Funds Distributors, and Harbor Services Group, collectively held the following shares of beneficial interest in the Fund:

	<b>Number of Shares Owned by Harbor Capital, Harbor Funds Distributors, and Harbor Services Group</b>			<b>Percentage of Outstanding Shares</b>
	<b>Institutional Class</b>	<b>Administrative Class</b>	<b>Total</b>	
Harbor Commodity Real Return Strategy Fund (Consolidated) .....	83,261	—	83,261	0.5%

#### Independent Trustees

The fees and expenses of the Independent Trustees are shown on the Fund's Statement of Operations. The Independent Trustees' remuneration for the Fund totaled \$1,000 for the six-month period ended April 30, 2017.

The Board of Trustees has adopted a Deferred Compensation Plan for Independent Trustees (the "Plan"), which enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Trust. For purposes of determining the amount owed to a Trustee under the Plan, deferred amounts are treated as though they had been invested in shares of the Fund(s) selected by the Trustee. While not required to do so, the Fund makes an investment equal to the Trustee's investment election. The deferred compensation liability and the offsetting deferred compensation investment asset are included as a component of "Liabilities; Accrued Expenses: Other" and "Other assets", respectively, in the Statement of Assets and Liabilities. Such amounts fluctuate with changes in the market value of the selected securities. The deferred compensation and related mark-to-market impact liability and an offsetting investment asset will remain on the Fund's Statement of Assets and Liabilities until distributed in accordance with the Plan.



# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES—Continued

#### Indemnification

Under the Trust's organizational documents, its officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, in the normal course of business the Trust enters into contracts that provide general indemnities to other parties. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

### NOTE 5—TAX INFORMATION

The identified cost for federal income tax purposes of investments owned by the Fund and its respective gross unrealized appreciation and depreciation at April 30, 2017 is as follows:

	Identified Cost (000s)	Gross Unrealized		Net Unrealized Appreciation/ (Depreciation) (000s)
		Appreciation (000s)	(Depreciation) (000s)	
Harbor Commodity Real Return Strategy Fund (Consolidated)* .....	\$93,041	\$946	\$(379)	\$567

\* Capital loss carryforwards are available, which may reduce taxable income from future net realized gain on investments.

### NOTE 6—DERIVATIVES

The Fund's derivative holdings do not qualify for hedge accounting treatment and as such are recorded at current fair value. For a discussion of risks related to these investments please refer to the descriptions of each type of derivative instrument in Note 2— Significant Accounting Policies.

The Fund's derivative instruments outstanding as of the six-month period ended April 30, 2017, if any, as disclosed in the Portfolios of Investments, and the related amounts of realized and changes in unrealized gains and losses on derivative instruments during the period as disclosed in the Statements of Operations, are indicators of the volume of derivative activity for the Fund.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 6—DERIVATIVES—Continued

#### Derivative Instruments

At April 30, 2017, the fair values of derivatives, by primary risk exposure, were reflected in the Statement of Assets and Liabilities as follows:

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

Statement of Assets and Liabilities Caption	Interest Rate Contracts (000s)	Foreign Exchange Contracts (000s)	Credit Contracts (000s)	Commodity Contracts (000s)	Total (000s)
<b>Assets</b>					
Unrealized appreciation on open forward currency contracts .....	\$ —	\$ 98	\$—	\$ —	\$ 98
Unrealized appreciation on OTC swap agreements <sup>b</sup> .....	69	—	34	241	344
Variation margin on centrally cleared swap agreements <sup>a,b</sup> .....	347	—	—	—	347
Variation margin on options and futures contracts (futures) <sup>a</sup> .....	119	—	—	198	317
Variation margin on options and futures contracts (options) <sup>a</sup> .....	—	—	—	—	—
Purchased options, at value .....	146	—	—	60	206
<b>Liabilities</b>					
Unrealized depreciation on open forward currency contracts .....	\$ —	\$(332)	\$—	\$ —	\$ (332)
Unrealized depreciation on OTC swap agreements <sup>b</sup> .....	(159)	—	—	(1,692)	(1,851)
Variation margin on centrally cleared swap agreements <sup>a,b</sup> .....	(265)	—	(8)	—	(273)
Variation margin on options and futures contracts (futures) <sup>a</sup> .....	(109)	—	—	(170)	(279)
Variation margin on options and futures contracts (options) <sup>a</sup> .....	—	—	—	(37)	(37)
Written options, at value .....	(57)	(18)	(3)	(21)	(99)

a Includes cumulative appreciation/depreciation of contracts as reported in the Portfolio of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

b Net of premiums received of \$36,000

Realized net gain/(loss) and the change in unrealized appreciation/(depreciation) on derivatives, by primary risk exposure, for the six-month period ended April 30, 2017, were:

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

Net Realized Gain/(Loss) on Derivatives	Interest Rate Contracts (000s)	Foreign Exchange Contracts (000s)	Credit Contracts (000s)	Commodity Contracts (000s)	Total (000s)
Forward currency contracts .....	\$ —	\$(100)	\$—	\$ —	\$(100)
Futures contracts .....	103	—	—	43	146
Purchased Options .....	(1)	—	—	—	(1)
Written options .....	(33)	27	—	—	(6)
Swaps agreements .....	(73)	—	(45)	(350)	(468)
Net realized gain/(loss) on derivatives .....	<u>\$ (4)</u>	<u>\$ (73)</u>	<u>\$(45)</u>	<u>\$(307)</u>	<u>\$(429)</u>
<b>Change in Unrealized Appreciation/(Depreciation) on Derivatives</b>					
Forward currency contracts .....	\$ —	\$107	\$—	\$ —	\$ 107
Futures contracts .....	(125)	—	—	(4)	(129)
Purchased Options .....	137	—	—	(11)	126
Written options .....	(57)	(22)	(2)	12	(69)
Swaps agreements .....	664	—	29	(117)	576
Change in unrealized appreciation/(depreciation) on derivatives .....	<u>\$ 619</u>	<u>\$ 85</u>	<u>\$ 27</u>	<u>\$(120)</u>	<u>\$ 611</u>

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 7—OFFSETTING ASSETS AND LIABILITIES

#### Master Netting Arrangements

As described in further detail below, the Fund may enter into Master Netting Arrangements that govern the terms of certain transactions. Master Netting Arrangements are designed to reduce the counterparty risk associated with relevant transactions by establishing credit protection mechanisms and providing standardization as a means of improving legal certainty. As Master Netting Arrangements are specific to the unique operations of different asset types, they allow the Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all of the transactions governed under a single agreement with that counterparty. Master Netting Arrangements can also help reduce counterparty risk by specifying collateral posting requirements at pre-arranged exposure levels. Securities and cash pledged as collateral are reflected as assets in the Statement of Assets and Liabilities as either a component of investments at value (securities) or cash-restricted (deposits due from counterparties). Cash collateral received is not typically held in a segregated account and, as such, is reflected as a liability in the Statement of Assets and Liabilities as due to broker. The fair value of any securities received as collateral is not reflected as a component of net asset value.

For the six-month period ended April 30, 2017, the Fund entered into the following Master Netting Arrangements:

Master Repurchase Agreements and Global Master Repurchase Agreements, which govern repurchase and reverse repurchase transactions between the Fund and select counterparties.

Master Securities Forward Transaction Agreements, which govern the considerations and factors surrounding the settlement of certain forward settling transactions, such as delayed-delivery or sale-buyback transactions by and between the Fund and select counterparties.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes, which govern OTC market traded financial derivative transactions entered into by the Fund and select counterparties.

The following is a summary by counterparty of the gross value of material Borrowings and Other Financing Transactions and collateral (received)/pledged as of April 30, 2017:

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

Counterparty	Repurchase Agreement Proceeds to be Received (000s)	Payable for Reverse Repurchase Agreements (000s)	Payable for Sale-Buyback Transactions (000s)	Payable for Short Sale (000s)	Total Borrowings and Other Financing Transactions (000s)	Collateral (Received)/Pledged (000s)	Net Exposure (000s)
<b>Harbor Commodity Real Return Strategy Fund<sup>a</sup></b>							
<b>Global/Master Repurchase Agreement</b>							
State Street Corp. ....	\$ 858	\$—	\$ —	\$—	\$ 858	\$ (858)	\$ —
<b>Master Securities Forward Transactions Agreements</b>							
Barclays Capital Inc. ....	—	—	(17,895)	—	(17,895)	—	(17,895)
BNP Paribas NY. ....	—	—	(13,491)	—	(13,491)	—	(13,491)
<b>Harbor Cayman Commodity Fund Ltd. (Subsidiary)</b>							
<b>Global/Master Repurchase Agreement</b>							
Barclays plc. ....	5,200	—	—	—	5,200	(5,200)	—
Citigroup Global Markets Inc. ....	5,200	—	—	—	5,200	(5,200)	—
JP Morgan Chase Bank, NA. ....	5,200	—	—	—	5,200	(5,200)	—
Scotia Capital Inc. ....	300	—	—	—	300	(300)	—
<b>Total Borrowings and Other Financing Transactions. ....</b>	<b>\$16,758</b>	<b>\$—</b>	<b>\$(31,386)</b>	<b>\$—</b>			

a The Fund and its subsidiary, Harbor Cayman Commodity Fund Ltd. are recognized as two separate legal entities as such, exposure cannot be netted.

b The Fund has not pledged any securities as collateral under the terms of the above Master Repurchase and Master Securities Forward Transactions agreements as of April 30, 2017.

Harbor Commodity Real Return Strategy Fund (Consolidated) has not pledged any securities as collateral under the terms of the above Master Repurchase and Master Securities Forward Transactions agreements as of April 30, 2017.

# Harbor Strategic Markets Funds

## NOTES TO FINANCIAL STATEMENTS—Continued

### NOTE 7—OFFSETTING ASSETS AND LIABILITIES—Continued

The following is a summary by counterparty of the value of OTC financial derivative instruments and collateral (received)/pledged as governed by International Swaps and Derivatives Association, Inc. master agreements as of April 30, 2017.

#### HARBOR COMMODITY REAL RETURN STRATEGY FUND (CONSOLIDATED)

Counterparty	Financial Derivative Assets				Financial Derivative Liabilities				Net Value of OTC Derivatives (000s)	Collateral (Received)/Pledged* (000s)	Net Exposure (000s)
	Forward Currency Contracts (000s)	Purchased Options (000s)	Swap Agreements (000s)	Total Over-the-Counter (000s)	Forward Currency Contracts (000s)	Written Options (000s)	Swap Agreements (000s)	Total Over-the-Counter (000s)			
<b>Harbor Commodity Real Return Strategy Fund<sup>a</sup></b>											
Bank of America NA.....	\$—	\$—	\$ 14	\$ 14	\$—	\$—	\$ (4)	\$ (4)	\$ 10	\$—	\$ 10
Barclays Bank plc.....	9	—	—	9	—	(1)	—	(1)	8	—	8
BNP Paribas SA.....	23	—	—	23	(49)	(17)	—	(66)	(43)	—	(43)
Citibank NA.....	8	—	—	8	(3)	(1)	—	(4)	4	—	4
Credit Suisse International .	17	—	—	17	(7)	(1)	—	(8)	9	—	9
Deutsche Bank AG.....	3	79	12	94	(131)	(1)	(36)	(168)	(74)	—	(74)
Goldman Sachs Bank USA .	20	—	56	76	(87)	(6)	(89)	(182)	(106)	39	(67)
Goldman Sachs International .....	—	—	8	8	—	—	—	—	8	—	8
HSBC Bank USA.....	11	—	—	11	(1)	—	—	(1)	10	—	10
HSBC Bank USA NA.....	—	—	3	3	—	—	—	—	3	—	3
JP Morgan Chase Bank....	—	—	—	—	(51)	—	—	(51)	(51)	—	(51)
JP Morgan Chase Bank NA.	5	—	11	16	—	(7)	—	(7)	9	—	9
Morgan Stanley Capital Services LLC.....	—	67	—	67	—	—	(30)	(30)	37	—	37
Royal Bank of Scotland plc .	—	—	—	—	—	(11)	—	(11)	(11)	—	(11)
Société Générale.....	2	—	—	2	—	—	—	—	2	—	2
UBS AG.....	—	—	—	—	(3)	—	—	(3)	(3)	—	(3)
<b>Harbor Cayman Commodity Fund Ltd. (Subsidiary)<sup>a</sup></b>											
BNP Paribas SA.....	—	—	12	12	—	(1)	(57)	(58)	(46)	—	(46)
Citibank NA.....	—	—	—	—	—	—	(213)	(213)	(213)	213	—
Credit Suisse International .	—	—	—	—	—	—	(57)	(57)	(57)	—	(57)
Goldman Sachs International .....	—	—	135	135	—	—	(211)	(211)	(76)	76	—
JP Morgan Chase Bank NA.	—	—	90	90	—	—	(123)	(123)	(33)	—	(33)
Merrill Lynch International .	—	—	—	—	—	—	(1)	(1)	(1)	—	(1)
Morgan Stanley Capital Services LLC.....	—	—	3	3	—	—	(988)	(988)	(985)	985	—
Société Générale Paris .....	—	—	—	—	—	—	(42)	(42)	(42)	—	(42)
<b>Total Over-the-Counter Exposure.....</b>	<b>\$98</b>	<b>\$146</b>	<b>\$344</b>	<b>\$588</b>	<b>\$(332)</b>	<b>\$(46)</b>	<b>\$(1,851)</b>	<b>\$(2,229)</b>			

\* Of the total collateral received and/or pledged listed in the table above, cash of \$910,000 has been received as collateral.

a The Fund and its subsidiary, Harbor Cayman Commodity Fund Ltd. are recognized as two separate legal entities and as such, exposure cannot be netted.

Exchange traded and centrally cleared derivatives are not subject to master netting or similar arrangements.

### NOTE 8—SUBSEQUENT EVENTS

Through the date the financial statements were issued, no subsequent events or transactions had occurred that would have materially impacted the financial statements or related disclosures as presented herein.

# Harbor Strategic Markets Funds

## FEES AND EXPENSES EXAMPLE (Unaudited)

### Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees (if any) and (2) ongoing costs, including management fees, distribution and service (12b-1) fees (if any), and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period November 1, 2016 through April 30, 2017.

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses for each share class. You may use the information in the respective class line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line of the respective class under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The second line of the table for each share class below provides information about hypothetical account values and hypothetical expenses based on the respective Fund/Class’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the respective Fund/Class’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund to other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Annualized Expense Ratios	Expenses Paid During Period*	Beginning Account Value November 1, 2016	Ending Account Value April 30, 2017
<b>HARBOR COMMODITY REAL RETURN STRATEGY FUND</b>				
<b>Institutional Class</b>	<b>0.94%</b>			
Actual		\$4.65	\$1,000	\$ 997.30
Hypothetical (5% return)		4.71	1,000	1,020.02
<b>Administrative Class</b>	<b>1.19%</b>			
Actual		\$5.89	\$1,000	\$ 997.30
Hypothetical (5% return)		5.96	1,000	1,018.75

\* Reflective of all fee waivers and expense reimbursements

\*\* Expenses are equal to the Fund’s annualized expense ratio, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

# Harbor Strategic Markets Funds

## ADDITIONAL INFORMATION (Unaudited)

### PROXY VOTING

Harbor Funds has adopted Proxy Voting Policies and Procedures under which the Funds vote proxies relating to securities held by the Funds. In addition, the Funds file Form N-PX, with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. A description of the Funds' Proxy Voting Policies and Procedures and the Funds' proxy voting record (Form N-PX) is available (i) without charge, upon request, by calling Harbor Funds toll-free at 800-422-1050; (ii) on the Funds' website at *harborfunds.com*; and (iii) on the SEC's website at *sec.gov*.

### HOUSEHOLDING

Harbor Funds has adopted a policy that allows it to send only one copy of a Fund's prospectus, proxy material, annual report and semi-annual report to certain shareholders residing at the same household. This reduces Fund expenses, which benefits you and other shareholders. If you need additional copies or do not want your mailings to be "householded," please call the Shareholder Servicing Agent at 800-422-1050. Individual copies will be sent within thirty (30) days after the Shareholder Servicing Agent receives your instructions. Your consent to householding is considered valid until revoked.

### QUARTERLY PORTFOLIO DISCLOSURES

Harbor Funds files a complete portfolio of investments with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Funds' Form N-Q is available (i) without charge, upon request, by calling Harbor Funds toll-free at 800-422-1050, (ii) on the Funds' website at *harborfunds.com*, and (iii) on the SEC's website at *sec.gov*. The form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may also be obtained by calling 800-SEC-0330.

### ADVISORY AGREEMENT APPROVALS

#### FACTORS CONSIDERED BY THE TRUSTEES IN APPROVING THE INVESTMENT ADVISORY AGREEMENTS AND SUBADVISORY AGREEMENTS OF THE STRATEGIC MARKETS FUNDS

The Investment Company Act of 1940, as amended, requires that the Investment Advisory and Subadvisory Agreement of the Fund be approved initially, and following an initial two-year term, at least annually, by the Harbor Funds Board of Trustees, including a majority of the Independent Trustees voting separately.

At an in-person meeting of the Board of Trustees held on February 12, 13, and 14, 2017 (the "Meeting"), the Board, including the Independent Trustees voting separately, considered and approved the continuation of the Investment Advisory Agreement with Harbor Capital Advisors, Inc., the adviser to Harbor Commodity Real Return Strategy Fund (the "Adviser"), and a Subadvisory Agreement with Pacific Investment Management Company LLC ("PIMCO"), the subadviser to the Fund (the "Subadviser").

In evaluating the Investment Advisory Agreement and the Subadvisory Agreement, the Trustees reviewed materials furnished by the Adviser and the Subadviser, including information about their respective affiliates, personnel, and operations, and also relied upon their knowledge of the Adviser and Subadviser resulting from their quarterly meetings, periodic telephonic meetings and other prior communications. At the Meeting, which had been called for the purpose of considering the continuation of the Investment Advisory Agreements and Subadvisory Agreements, and at prior meetings, the Trustees, including the Independent Trustees, requested and received materials and presentations relating to Fund performance and the services rendered by the Adviser and the Subadviser. The Trustees also discussed with representatives of the Adviser, at the Meeting and at prior meetings, Harbor Funds' operations and the Adviser's ability, consistent with the "manager of managers" structure of Harbor Funds, to (i) identify and recommend to the Trustees a subadviser for the Fund, (ii) monitor and oversee the performance and investment capabilities of the Subadviser, and (iii) recommend the replacement of a subadviser where appropriate.

At the Meeting, the Trustees, including all of the Independent Trustees voting separately, determined that the terms of each Investment Advisory Agreement and each Subadvisory Agreement were fair and reasonable and approved the continuation for a one-year period of each such Investment Advisory Agreement and Subadvisory Agreement as being in the best interests of the Fund and its shareholders.

In their deliberations, the Independent Trustees had the opportunity to meet privately without representatives of the Adviser or the Subadviser present and were represented throughout the process by legal counsel to the Independent Trustees and the Fund.

# Harbor Strategic Markets Funds

## ADDITIONAL INFORMATION—Continued

### ADVISORY AGREEMENT APPROVALS—Continued

In considering the approval of the Investment Advisory Agreement and Subadvisory Agreement, the Board, including the Independent Trustees, evaluated a number of factors it considered relevant to its determination. The Board did not identify any single factor as all-important or controlling, and individual Trustees did not necessarily attribute the same weight or importance to each factor.

Among the factors considered by the Trustees in approving the Investment Advisory Agreement were the following:

- the nature, extent, and quality of the services provided by the Adviser, including the background, education, expertise and experience of the investment professionals of the Adviser who provide services to the Fund;
- the favorable history, reputation, qualifications and background of the Adviser, as well as the qualifications of its personnel;
- the profitability of the Adviser with respect to the Fund, including the effect of revenues of Harbor Services Group, Inc. (“Harbor Services Group”), the Fund’s transfer agent, and Harbor Funds Distributors, Inc. (“Harbor Funds Distributors”), the Fund’s principal underwriter, on such profitability;
- the fees charged by the Adviser for investment advisory services, including, in each case, the portion of the fee to be retained by the Adviser, after payment of the Subadviser’s fee, for the advisory and related services, including investment, business, legal, compliance, financial and administrative services, that the Adviser provides;
- the extent to which economies of scale might be realized as the Fund grows, and the extent to which the Fund’s advisory fee level reflects any economies of scale for the benefit of Fund investors;
- the fees and expense ratios of the Fund relative to the quality of services provided and the fees and expense ratios of similar investment companies;
- the short- and long-term investment performance of the Fund in comparison to peer groups and certain relevant benchmark indices and the Adviser’s efforts to address circumstances of underperformance where applicable;
- the compensation received by Harbor Services Group and Harbor Funds Distributors in consideration of the services each provides to the Fund, and any other “fall out” benefits that inure to the Adviser and its affiliates as a result of their relationship with the Fund;
- information received at regular meetings throughout the year related to Fund performance and services rendered by the Adviser, as well as the Subadviser, and research arrangements with brokers who execute transactions on behalf of the Subadviser;
- information contained in materials provided by the Adviser and compiled by Broadridge, as to the investment returns, advisory fees and total expense ratios of the Institutional Class of the Fund (and, in certain cases, total expense ratios of certain other classes) relative to those of other investment companies with similar objectives and strategies managed by other investment advisers, consisting both of a peer group of funds as well as a broader universe of funds compiled by Broadridge; and
- information contained in materials compiled by Morningstar, Inc. (“Morningstar”) as to the investment returns of the Institutional Class of the Fund relative to those of other investment companies with similar objectives and strategies managed by other investment advisers.

Among the factors considered by the Trustees in approving the Subadvisory Agreement were the following:

- the nature, extent, and quality of the services provided by the Subadviser, including the background, education, expertise and experience of the investment professionals of the Subadviser providing services to the Fund;
- the favorable history, reputation, qualifications and background of the Subadviser, as well as the qualifications of their respective personnel;
- the fees charged by the Subadviser for subadvisory services, which fees are paid by the Adviser, not by the Fund;
- information received at regular meetings throughout the year related to Fund performance and services rendered by each Subadviser, and research arrangements with brokers who execute transactions on behalf of each Subadviser;
- information contained in materials provided by the Adviser and compiled by Broadridge as to the investment returns of the Institutional Class of the Fund relative to those of other investment companies with similar objectives and strategies managed by other investment advisers, consisting both of a peer group of funds as well as a broader universe of funds compiled by Broadridge; and

# Harbor Strategic Markets Funds

## ADDITIONAL INFORMATION—Continued

### ADVISORY AGREEMENT APPROVALS—Continued

- information contained in materials compiled by Morningstar as to the investment returns of the Institutional Class of the Fund relative to those of other investment companies with similar objectives and strategies managed by other investment advisers.

### Nature, Extent, and Quality of Services

The Trustees separately considered the nature, extent, and quality of the services provided by the Adviser and the Subadviser. In their deliberations as to the approval of the Fund's Investment Advisory Agreement and Subadvisory Agreement, the Trustees were mindful of the fact that, by choosing to invest in the Fund, the shareholders had entrusted the Adviser with the responsibility, subject to the approval of the Trustees, for selecting the Subadviser, overseeing and monitoring that Subadviser's performance and replacing the Subadviser if necessary. The Trustees also considered as relevant to their determination the favorable history, reputation, qualifications and background of the Adviser and the Subadviser, as well as the qualifications of their respective personnel.

**The Adviser's Services.** The Board evaluated the nature, extent, and quality of the Adviser's services in light of the Board's experience with the Adviser, as well as materials provided by the Adviser as part of its comprehensive written response to the 15(c) request letter prepared by legal counsel to the Independent Trustees in consultation with the Independent Trustees concerning the financial and other resources devoted by the Adviser to Harbor Funds, including the breadth and depth of experience and expertise of the investment, administrative, legal and compliance professionals dedicated to Harbor Funds' operations. The Trustees noted that the Adviser had a favorable long-term record of identifying mutual fund products that proved to be attractive to investors, and selecting subadvisers to manage such funds. The Trustees determined that the Adviser had the expertise and resources to identify, select, oversee and monitor the Subadviser and to operate effectively as the "manager of managers" for the Fund.

**The Subadviser's Services.** The Trustees' consideration of the services provided by the Subadviser included a review of the Subadviser's portfolio managers, investment philosophy, style and processes and record of consistency therewith, the volatility of its results, its approach to controlling risk, and the quality and extent of its investment capabilities and resources, including the nature and extent of research it receives from broker-dealers (to the extent applicable) and other sources. In their deliberations with respect to the Fund, the Trustees considered the history of Harbor Funds' relationship with the Subadviser and Harbor Funds' experience with the Subadviser in this capacity.

The Trustees also considered the Subadviser's breadth and depth of experience and investment results in managing other accounts similar to the respective Fund. The Trustees received presentations at the Meeting by investment professionals from the Subadviser for the Fund. The Trustees reviewed information concerning the Subadviser's historical investment results in managing accounts and/or funds, as applicable, in a manner substantially similar to the Fund.

### Investment Performance, Advisory Fees and Expense Ratios

In considering the Fund's performance, advisory fees and expense ratio, the Trustees requested and received from the Adviser data compiled by Broadridge and Morningstar. The Trustees also received information explaining the methodology for compilation of certain of this information and what it was intended to demonstrate. The Trustees analyzed the Institutional Class performance of the Fund, the advisory fees of the Fund, and the Institutional Class expenses of the Fund (after giving effect to waivers and/or reimbursements, if applicable, that reduced the fees or expenses of the Fund or its peer funds) and made certain observations and findings as to the Fund as noted below. The Trustees also identified and reviewed certain Administrative Class and Investor Class comparative performance, fee and expense information they considered relevant to their deliberations. In evaluating performance, the Trustees recognized that the performance data reflects a snapshot of a period as of a particular date and that selecting a different performance period could produce significantly different results.

The Trustees considered the performance of the Fund (inception date September 2, 2008), noting its underperformance relative to its Broadridge group medians for the two- and four-year periods ended December 31, 2016, its outperformance versus its group medians for the one- and three-year periods ended December 31, 2016, and its performance at its group median for the five-year period ended December 31, 2016. The Fund outperformed its Broadridge universe medians for the one-, two- and three-year periods ended December 31, 2016 and underperformed its universe medians for the four- and five-year periods ended December 31, 2016. According to the Morningstar data presented, the Fund's one-, three- and five-year rolling returns as of December 31, 2016 were ranked in the first, second and third quartiles, respectively. The Trustees also considered the fact that the Fund outperformed its benchmark, the Bloomberg Commodity Index, for the one-year period ended December 31, 2016, but had underperformed its benchmark for the three- and five-year periods ended December 31, 2016. The Trustees



# Harbor Strategic Markets Funds

## ADDITIONAL INFORMATION—Continued

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### ADVISORY AGREEMENT APPROVALS—Continued

also reviewed more recent performance data than that reflected in the Broadridge and Morningstar materials and noted that the Fund had experienced meaningful improvement in relative performance and was currently outperforming its benchmark and the peer group median for both the year-to-date and trailing one-year periods.

The Trustees considered the expertise of PIMCO in managing assets generally and in the commodity and inflation-protection asset classes specifically, noting that PIMCO managed approximately \$11.31 billion in commodity assets, out of a firm-wide total of approximately \$1.47 trillion in assets under management. The Trustees also noted that the Fund's portfolio managers had significant experience in the inflation protection/Treasury Inflation Protected Securities (TIPS) and commodities markets.

The Trustees observed that the Broadridge comparison of contractual management fees for the Fund's expense group, assuming an asset level of \$100 million, showed the Fund's management fee was below the group median for the Institutional Class. The actual total expense ratio of the Fund's Institutional Class was below the Broadridge group and universe median expense ratios. The Trustees also considered that the Adviser proposed to continue the Fund's existing contractual fee waiver/expense reimbursement arrangement until at least February 28, 2018. The Trustees noted that the Adviser's profitability in operating the Fund was negative.

The Trustees also separately considered the allocation between the Adviser and the Subadviser of the Fund's investment advisory fee (i.e., the amount of the advisory fee retained by the Adviser relative to that paid to the Subadviser as a subadvisory fee). They determined that the allocation was reasonable and the product of arm's length negotiation between the Adviser and Subadviser.

### Profitability

The Trustees also considered the Adviser's profitability in operating the Fund (as well as on a fund complex-wide basis) as presented by the Adviser, and the allocation methodology used by the Adviser to compute such profitability. The Trustees concluded that the methodology was reasonable and that a reasonable level of profitability was important to provide suitable incentives for the Adviser to continue to attract and maintain high-quality personnel and to invest in infrastructure and other resources to support and enhance the Fund's operations. In considering the Adviser's profitability generally, the Trustees also reviewed the compensation received by Harbor Services Group and Harbor Funds Distributors in consideration of the transfer agency and distribution services, respectively, that are provided to Harbor Funds and any other benefits enjoyed by the Adviser and its affiliates as a result of their relationship with Harbor Funds.

The Trustees also considered that profitability calculations with respect to advisory, transfer agency and distribution operations vary significantly depending on whether revenues on which the calculation is based are taken gross or net of amounts paid to third parties, such as subadvisory fee expenses and certain transfer agency expenses, and noted that subadvisory fee expenses are a direct expense of the Adviser. The Trustees also noted that the Adviser was, in certain cases, waiving a portion of its advisory fee and/or paid or reimbursing a portion of Fund expenses. The Trustees determined that the Adviser's profitability in operating the Fund was not excessive.

### Economies of Scale

The Trustees also considered the extent to which economies of scale might be realized as the Fund grows, and the extent to which the Fund's advisory fee level reflects these economies of scale for the benefit of Fund investors. The Trustees specifically considered whether any advisory fee reduction "breakpoints" should be added to the advisory fee payable by the Fund. As noted above, the Trustees concluded that the Adviser's profitability was not excessive. They concluded that the Fund's fee structure reflected economies of scale to date and that breakpoints in this fee structure were not required at the present time. The Trustees noted they intend to monitor the Fund's asset growth in connection with future reviews of the Fund's Investment Advisory Agreement to determine whether breakpoints may be appropriate at such time.

## Harbor's Privacy Statement

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The following privacy statement is issued by Harbor Funds and each series of Harbor Funds and its affiliates, Harbor Capital Advisors, Inc., Harbor Services Group, Inc. and Harbor Funds Distributors, Inc. These measures reflect our commitment to maintaining the privacy of your confidential information. We appreciate the confidence you have shown by entrusting us with your assets.

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**Personal Information** It is our policy to respect the privacy of current and former shareholders and to protect personal information entrusted to us. We do not sell your personal information to anyone.

In the course of providing products and services, we collect non-public personal information about you from the following sources: applications, forms, our website (including any information captured through our use of "cookies"), through mobile applications, by telephone and in correspondence and transactions with us, our affiliates or other parties.

The non-public personal information collected may include name, address, e-mail address, telephone/fax numbers, account number, social security or taxpayer identification number, investment activity, and bank account information.

When you visit us through our website or a mobile application, we may collect technical and navigational information, such as computer browser type, Internet protocol address, pages visited and average time spent on our website. We may use this information to alert you to software compatibility issues, or to improve our web design and functionality. We use "cookies" and similar files that may be placed on your hard drive for security purposes, to facilitate site navigation and to personalize the appearance of our site.

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**Information Sharing** We occasionally disclose non-public personal information about our current or former shareholders with affiliated and non-affiliated parties, as permitted or required by law or regulation. In the normal course of servicing our shareholders, information we collect may be shared with non-affiliated companies that perform support services on our behalf or to other firms that assist us in providing you with products and services, such as custodians, transfer agents, broker-dealers and marketing service firms, as well as with other financial institutions. These companies may not use the information for any other purpose and we require them to keep the information they handle confidential. We may also share information with affiliates that are engaged in a variety of financial services in order to better service your account(s).

When information is shared with third parties, they are not permitted to use the information for any purpose other than to assist our servicing of your account(s) or as permitted by law.

If you close your account(s) or if we lose contact with you, we will continue to share information in accordance with our current privacy policy and practices.

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**Access to Information** Access to non-public personal information is limited to employees, agents or other parties who need to know that information to perform their jobs, such as servicing your account(s), resolving problems or informing you of new products or services.

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**Security** We maintain physical, electronic and procedural safeguards that comply with industry standards to protect your non-public personal information.

For shareholders accessing information through our website or a mobile application, various forms of Internet security, such as data encryption firewall barriers, user names and passwords, and other tools are used. For additional information regarding our security measures, visit the terms and conditions of use on our website at *harborfunds.com*. If you have any questions or concerns about how we maintain the privacy of your non-public personal information, please contact us at 800-422-1050 Monday through Friday, between the hours of 8:00 a.m. and 6:00 p.m. Eastern time.

**We recommend that you read and retain this notice for your personal files.**

## BENCHMARK DESCRIPTIONS

**Bloomberg Barclays U.S. Aggregate Bond Index**—The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of investment-grade fixed-rate debt issues with maturities of at least one year. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**Bloomberg Barclays U.S. TIPS Index**—The Bloomberg Barclays U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation Protected Securities rated investment grade (Baa3 or better), have at least one year to final maturity, and at least \$250 million par amount outstanding. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**Bloomberg Commodity Index Total Return<sup>SM</sup>**—The Bloomberg Commodity Index Total Return<sup>SM</sup> is a broadly diversified index that tracks the commodities markets through commodity futures contracts. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**BofA Merrill Lynch All U.S. Convertibles Ex Mandatory Index**—The BofA Merrill Lynch All U.S. Convertibles Ex Mandatory Index is broadly representative of the U.S. convertible securities market, consisting of publicly traded issues, denominated in U.S. dollars, of all credit qualities, and excluding mandatory (equity-linked) convertibles. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**BofA Merrill Lynch U.S. Dollar 3-Month LIBOR Constant Maturity Index**—The BofA Merrill Lynch U.S. Dollar 3-Month LIBOR Constant Maturity Index tracks the performance of a synthetic asset paying Libor to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that day's fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day fixing rate) and rolled into a new instrument. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**BofA Merrill Lynch 3-Month U.S. Treasury Bill Index**—The BofA Merrill Lynch 3-Month U.S. 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.

**BofA Merrill Lynch U.S. High Yield Index**—The BofA Merrill Lynch U.S. High Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. All bonds are U.S. dollar denominated and rated Split BBB and below. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**BofA Merrill Lynch U.S. Non-Distressed High Yield Index**—The BofA Merrill Lynch U.S. Non-Distressed High Yield Index is a subset of the BofA Merrill Lynch U.S. High Yield Index including all securities with an option-adjusted spread less than 1,000 basis points. The unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI All Country World Index**—The MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI All Country World Ex. U.S. (ND) Index**—The MSCI All Country World Ex. U.S. is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global developed and emerging markets, excluding the United States. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI EAFE (ND) Index**—The MSCI EAFE (ND) Index is an unmanaged index generally representative of major overseas stock markets. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI EAFE Small Cap (ND) Index**—The MSCI EAFE Small Cap (ND) Index is an equity index which captures small cap representation across developed market countries around the world, excluding the U.S. and Canada. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI Emerging Markets (ND) Index**—The MSCI Emerging Markets (ND) Index is a market capitalization weighted index of equity securities in more than 20 emerging market economies. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

**MSCI World (ND) Index**—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.

### BENCHMARK DESCRIPTIONS—Continued

**Russell 1000<sup>®</sup> Growth Index**—The Russell 1000<sup>®</sup> Growth Index is an unmanaged index generally representative of the U.S. market for larger capitalization growth stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000<sup>®</sup> Growth Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 1000<sup>®</sup> Value Index**—The Russell 1000<sup>®</sup> 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<sup>®</sup> Value Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 2000<sup>®</sup> Index**—The Russell 2000<sup>®</sup> Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000<sup>®</sup> Index is a subset of the Russell 3000<sup>®</sup> Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000<sup>®</sup> Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000<sup>®</sup> Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 2000<sup>®</sup> Growth Index**—The Russell 2000<sup>®</sup> Growth Index is an unmanaged index representing the smallest 2,000 stocks with the highest price-to-book ratio and future earnings. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 2000<sup>®</sup> Growth Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 2000<sup>®</sup> Value Index**—The Russell 2000<sup>®</sup> Value Index is an unmanaged index representing the smallest 2,000 stocks with the lowest price-to-book ratio and future earnings. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 2000<sup>®</sup> Value Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 3000<sup>®</sup> Index**—The Russell 3000<sup>®</sup> Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000<sup>®</sup> Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000<sup>®</sup> Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 3000<sup>®</sup> Growth Index**—The Russell 3000<sup>®</sup> Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000<sup>®</sup> Growth Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad growth market. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000<sup>®</sup> Growth Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell 3000<sup>®</sup> Value Index**—The Russell 3000<sup>®</sup> Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000<sup>®</sup> companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000<sup>®</sup> Value Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad value market. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000<sup>®</sup> Value Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell Midcap<sup>®</sup> Growth Index**—The Russell Midcap<sup>®</sup> 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<sup>®</sup> Growth Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**Russell Midcap<sup>®</sup> Value Index**—The Russell Midcap<sup>®</sup> Value Index is an unmanaged index generally representative of the U.S. market for medium capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap<sup>®</sup> Value Index and Russell<sup>®</sup> are trademarks of Frank Russell Company.

**S&P 500 Index**—The S&P 500 Index is an unmanaged index generally representative of the U.S. stock market. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

### FINANCIAL TERMS

**12b-1 Fee**—A mutual fund fee, named for the SEC rule that permits it, used to pay for broker-dealer compensation and other distribution costs. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

**ADR**—ADR after the name of a foreign holding stands for American Depositary Receipts representing ownership of foreign securities. ADRs are issued by U.S. banking institutions.

**Average Market Cap**—The average market capitalization of a fund's equity portfolio gives you a measure of the size of the companies in which the fund invests. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its price per share.

**Average Market Coupon**—A calculation from a fund's portfolio by weighting the coupon of each bond by its relative size in the portfolio.

**Beta**—A measure of market-related risk. The beta of every index is 1.00, no matter how volatile the index is. A beta less than one means the portfolio is less volatile than the index. A beta higher than one indicates more volatility than the index.

**Bottom-Up Equity Management Style**—A management style that de-emphasizes the significance of economic and market cycles, focusing instead on the analysis of individual stocks.

**Capital Gains Distribution**—Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio.

**Credit Risk**—The possibility that a bond issuer may not be able to pay interest and repay its debt.

**CUSIP Number**—Identification number assigned to every stock, corporate bond and municipal bond by the Committee on Uniform Securities Identification Procedures (CUSIP), which is established by the American Bankers Association.

**Diversification**—The practice of investing broadly across securities of a number of issuers to reduce risk.

**Duration**—A common gauge of the price sensitivity of a fixed income asset or portfolio to a change in interest rates.

**Emerging Markets**—Emerging markets are countries with relatively young stock and bond markets. Examples include Brazil and Thailand. Typically, emerging-markets investments have the potential for losses and gains larger than those of developed-market investments.

**Expense Ratio**—The Fund's total annual operating expenses (including management fees, distribution (12b-1) fees and other expenses) expressed as a percentage of average net assets.

**Family of Funds**—A group of mutual funds, each typically with its own investment objective, managed and distributed by the same company.

**GDR**—GDR after the name of a holding stands for Global Depositary Receipt representing ownership of foreign securities. GDRs are issued by either U.S. or non-U.S. banking organizations.

**Inception Date**—The date on which the Fund commenced operations.

**Investment Objective**—The goal that an investor and mutual fund pursue together (e.g., current income, long-term capital growth, etc.).

**Median Market Cap**—An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

**Net Asset Value (NAV)**—The per share value of a mutual fund, determined by subtracting the fund's liabilities from its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once each business day.

**No-Load Fund**—A mutual fund whose shares are sold without a sales commission and without a 12b-1 fee of more than 0.25% per year. Harbor funds are no-load.

**Open-End Management Company**—The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors on any business day. Harbor Funds is an open-end investment company.

**Operating Expenses**—Business costs paid from a fund's assets before earnings are distributed to shareholders. These include management fees and 12b-1 fees and other expenses.

## Glossary—Continued

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### FINANCIAL TERMS—Continued

**Portfolio Manager**—A specialist employed by a mutual fund’s adviser or subadviser to invest the fund’s assets in accordance with predetermined investment objectives.

**Portfolio Turnover**—A measure of the trading activity in a fund’s investment portfolio (how often securities are bought and sold by a fund). Funds with high turnover rates incur higher transaction costs and may be more likely to distribute capital gains (which may be taxable to investors).

**Price to Book Ratio (P/B)**—A ratio used to compare a stock’s market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter’s book value. For a fund, the weighted average price/book ratio of the stocks it holds.

**Price to Earnings Ratio (P/E)**—The ratio of a stock’s current price to its per-share earnings over the past year. For a fund, the weighted average P/E of the stocks it holds. P/E is an indicator of market expectations about corporate prospects; the higher the P/E, the greater the market expectations are for a company’s future growth.

**Prospectus**—The official document that describes a mutual fund to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services and fees.

**Record Date**—The date on which a shareholder must officially own shares in order to be entitled to a dividend.

**Redemption Fee**—Fee charged to shareholders by a mutual fund when they sell shares within a specified period after purchase. The time limit and size of fee vary among funds. The fee is paid to the fund, not the fund’s investment adviser. Its purpose is to protect long-term investors from the impact of short-term traders.

**REITs (Real Estate Investment Trust)**—REITs invest in real estate or loans secured by real estate and issue shares in such investments. A REIT is similar to a closed-end mutual fund.

**Repurchase Agreement (Repo)**—A form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day. For the party selling the security (and agreeing to repurchase it in the future), it is a repo. For the party on the other end of the transaction (buying the security and agreeing to sell back in the future), it is a reverse repurchase agreement.

**Risk/Reward (or Return)**—The relationship between the degree of risk associated with an investment and its return potential. Typically, the higher the potential return of an investment, the greater the risk.

**Statement of Additional Information (SAI)**—The supplementary document to a prospectus that contains more detailed information about a mutual fund; also known as “Part B” of a fund’s registration statement.

**TBAs**—A term used to describe a forward mortgage-backed securities trade. Pass-through securities issued by Freddie Mac, Fannie Mae and Ginnie Mae trade in the TBA market. The term TBA is derived from the fact that the actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. The securities are “to be announced” 48 hours prior to the established trade settlement date.

**Treasury Inflation-Protected Securities (TIPS)**—TIPS are securities in which the principal amount is adjusted for inflation and interest payments are adjusted to the inflation-adjusted principal.

**Top-Down Equity Management Style**—Investment style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding various sectors of the financial markets and various industries.

**Total Return**—Return on an investment over a specified period, including price appreciation (or depreciation) plus any income, expressed as an average annual compound of return.

**Weighted Average Duration**—Duration is a time measure of a bond’s interest-rate sensitivity, based on the weighted average of the time periods over which a bond’s cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond’s price. (A bond’s cash flows consist of coupon payments and repayment of capital.) A bond’s duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.

**Weighted Average Maturity**—The average length of time until principal must be repaid for all bonds in a mutual fund portfolio on a dollar weighted basis.

## Glossary—Continued

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### FINANCIAL TERMS—Continued

**Yield**—A measure of net income (dividends and interest) earned by the securities in the fund's portfolio less fund expenses during a specified period. A fund's yield is expressed as a percentage of the maximum offering price per share on a specified date.

**Yield to Maturity**—The term used to describe the rate of return an investor will receive if a long-term, interest-bearing security, such as a bond, is held to its maturity date. Yield to maturity is greater than the coupon rate if the bond is selling at a discount and less than the coupon rate if it is selling at a premium.

# Notes

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