

Investment Overview

The Fund invests primarily in bonds of corporate and governmental issuers located in the U.S. and foreign countries, including emerging markets. Total return includes dividends, interest income, realized and unrealized capital gains and changes in net asset value.

Portfolio Management

Subadviser:

Pacific Investment Management Company, LLC
Since 12/29/1987

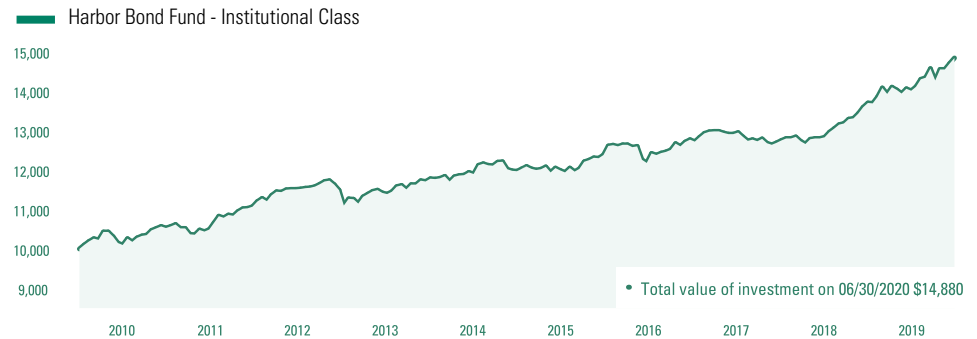
Portfolio Managers:

Scott A. Mather
Mark R. Kiesel
Mohit Mittal

Investment Risks

Fixed income investments are affected by interest rate changes and the creditworthiness of the issues held by the Fund. As interest rates rise, the values of fixed income securities held by the Fund are likely to decrease and reduce the value of the Fund's portfolio. The use of derivative instruments may add additional risk. There may be a greater risk that the Fund could lose money due to prepayment and extension risks because the Fund invests heavily at times in mortgage-related and/or asset backed securities. The Fund may engage in active and frequent trading to achieve its principal investment strategies. Investing in international and emerging markets poses special risks, including potentially greater price volatility due to social, political and economic factors, as well as currency exchange rate fluctuations. These risks are more severe for securities of issuers in emerging market regions.

Growth of a Hypothetical \$10,000 investment



Performance

| | Three Months | Year to Date | 1 Yr. | 3 Yr. | 5 Yr. | 10 Yr. | Since Inception |
|--|--------------|--------------|-------|-------|-------|--------|-----------------|
| Institutional Class | 4.20% | 6.20% | 8.45% | 5.32% | 4.42% | 4.06% | 6.95% |
| Retirement Class | 4.23% | 6.25% | 8.55% | 5.36% | 4.44% | 4.07% | 6.95% |
| Administrative Class | 4.22% | 6.06% | 8.24% | 5.04% | 4.17% | 3.80% | 4.93% |
| Bloomberg Barclays U.S. Aggregate Bond Index | 2.90% | 6.14% | 8.74% | 5.32% | 4.30% | 3.82% | 6.33% |

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

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. The Barclays U.S. Aggregate Bond Index since inception return uses 12/31/1987 as the period begin date.

Retirement Class shares commenced operations on June 1, 2018. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to June 1, 2018 has not been adjusted to reflect the lower expenses of Retirement Class shares. During this period, Retirement Class shares would have had returns similar to, but potentially higher than, Institutional Class shares due to the fact that Retirement Class shares represent interests in the same portfolio as Institutional Class shares but are subject to lower expenses.

Adjusted Expense Ratios: 0.43%, 0.51%, and 0.76% for the Retirement Class, Institutional Class, and Administrative Class, respectively. The Adjusted Expense Ratio excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying Harbor Funds (if applicable), none of which are paid to Harbor. The net expense ratios for this fund are subject to a contractual management fee waiver and/or expense limitation agreement, excluding interest expense and acquired fund fees and expenses (if any), through 02/28/2021. Interest expense for the fiscal year ended October 31, 2019 was 0.53%.

| Fund Facts | Institutional Class | Retirement Class | Administrative Class | Investor Class |
|-------------------------|---------------------|------------------|----------------------|----------------|
| Ticker | HABDX | HBFRX | HRBDX | N/A |
| Fund Number | 2014 | 2514 | 2214 | N/A |
| CUSIP | 411511108 | 411512189 | 411511686 | N/A |
| Inception Date | 12/29/1987 | 06/01/2018 | 11/01/2002 | N/A |
| 12b-1 Fee | None | N/A | 0.25% | N/A |
| Total Net Assets (\$MM) | 1,752.133 | 161.062 | 18.322 | N/A |
| Redemption Fee | None | N/A | None | N/A |
| Net Expense Ratio | 1.04 | 0.96 | 1.29 | N/A |
| Gross Expense Ratio | 1.15 | 1.07 | 1.40 | N/A |

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expenses.

Top Industries

| | |
|---------------------------------|---------|
| Mortgage Pass-Through | 42.44% |
| U.S. Government Obligations | 22.18% |
| Collateralized Mortgage Obli... | 10.01% |
| Banks | 9.19% |
| Asset-Backed Securities | 7.50% |
| Equity Real Estate Investmen... | 3.69% |
| Automobiles | 3.39% |
| Electric Utilities | 3.10% |
| Foreign Government Obligatio... | 2.82% |
| Capital Markets | 2.38% |
| Total | 106.70% |

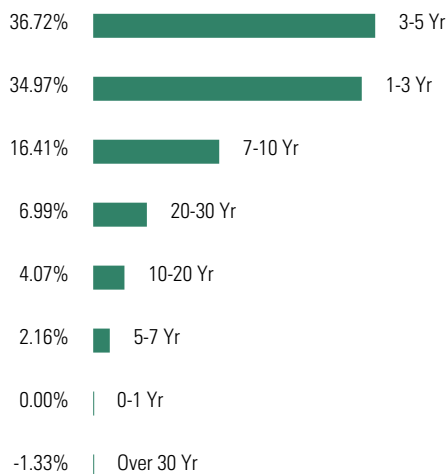
Duration

| | |
|------------|--------|
| 0-1 yr | 2.40% |
| 1-3 yr | 17.93% |
| 3-5 yr | 24.71% |
| 5-7 yr | 10.77% |
| 7-10 yr | 15.11% |
| 10-20 yr | 35.97% |
| 20-30 yr | -6.89% |
| Over 30 yr | 0.00% |

Top Holdings

| | Portfolio % |
|---|-------------|
| 1. Federal National Mortgage Associa... | 8.55% |
| 2. Federal National Mortgage Associa... | 5.57% |
| 3. Government National Mortgage Asso... | 5.13% |
| 4. U.S. Treasury Bonds | 4.94% |
| 5. Federal National Mortgage Associa... | 4.16% |
| 6. Federal National Mortgage Associa... | 3.53% |
| 7. Federal National Mortgage Associa... | 3.32% |
| 8. U.S. Treasury Notes | 2.22% |
| 9. U.S. Treasury Notes | 2.17% |
| 10. U.S. Treasury Bonds | 2.08% |
| Total | 41.67% |

Maturity Profile



Portfolio Statistics

| | |
|--|------|
| Number of Issues | 845 |
| Weighted Avg. Maturity (yrs) | 5.88 |
| Weighted Avg. Duration (yrs) | 5.19 |
| Annualized Turnover - as of 10/31/2019 | 644% |

Risk Statistics

| | The Fund | Bloomberg Barclays U.S. Aggregate Bond Index |
|--------------------|----------|--|
| Alpha | 0.05% | 0.00% |
| R-Squared | 86.47% | 100.00% |
| Standard Deviation | 3.46% | 3.27% |
| Sharpe Ratio | 1.03% | 1.09% |

Definitions:

Adjusted Price to Earnings (P/E) Ratio – the closing share price divided by the last 12 months of actual earnings per share. Only P/E's of 2.0 or greater are included. The higher the P/E ratio, the greater expectation there is for growth.

Alpha – a fund's risk-adjusted excess return relative to the benchmark.

Beta – measures fund volatility relative to the overall market. With a beta for every index at 1.0, a beta under 1.0 means the fund is less volatile and more than 1.0 means the fund is more volatile than the index.

Duration – an estimated measure of the price sensitivity of the aggregate market value of a portfolio of debt securities to changes in interest rates.

R-Squared – a measure of a fund's returns that are explained by movements in an index. A number lower than 70% suggests fund performance acts less like the index with performance more reflective of the active management of the fund.

Sharpe Ratio – measures return vs. risk; a higher number suggests less risk to achieve fund performance.

Standard Deviation – a statistical measure of historic volatility of a fund's returns; a higher number suggests greater volatility.

Beta is rolling three year, unless the Fund has a track record of less than three years, in which case it is since inception. All Risk Statistics are Rolling three year. If the Fund does not have a three year track record, the statistics will be listed as N/A.

Certain portfolio and risk statistics are provided by FactSet and Morningstar Direct.

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

As a result of changing market conditions, total net asset levels, expenses and other statistics may change at any time and may differ from those shown.

The total amount shown for sector, industries, or country holdings may be greater than 100% because of the inclusion of derivatives and the collateral securities supporting those instruments.

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

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