Harbor Bond Fund

Pacific Investment Management Company, LLC

Subadviser Since 12/29/1987

Total Net Assets – *All Classes*	$1,612,478,806
Fixed Income Assets:	111.24%
Cash & Other Assets Less Liabilities:	-11.24%
Benchmark Name:	Bloomberg Barclays U.S. Aggregate Bond Index

Portfolio Managers

Scott A. Mather

Mark R. Kiesel

Mohit Mittal

Investment Philosophy

The Fund invests primarily in corporate and government-issued fixed income securities located in the U.S. and foreign countries, including emerging markets. The portfolio manager relies on proprietary research and analysis to select securities using a top-down strategy that takes into account: long-term social, political and demographics trends, cyclical business and economic conditions and current market conditions. The portfolio manager selects securities that appear the most undervalued relative to their risk and potential return characteristics. The Fund generally invests at least 80% of its net assets in a diversified portfolio of fixed income securities, and may invest up to 20% of total assets in below investment-grade domestic and foreign securities.

CHARACTERISTICS & ALLOCATION

As of 06/30/2021

Portfolio Characteristics

	Portfolio	Benchmark
Number of Issues	789	12,200
Avg. Market Coupon (%)	2.78	2.67
Wtd. Avg. Maturity (yrs)	7.07	8.51
Wtd. Avg. Duration (yrs)	5.45	6.58
Beta vs. Fund Benchmark	0.96	
Current 30-Day Yield %	1.86	
Current 30-Day Un-Sub Yield %	1.76	

Top 10 Holdings

	Portfolio %
FEDERAL NATIONAL MORTGAGE A	5.24%
U.S. Treasury Bonds	5.21%
FEDERAL NATIONAL MORTGAGE A	3.88%
Federal National Mortgage A	3.26%
LETRA TESOURO NACIONAL BILL	2.62%
U.S. Treasury Notes	2.61%
U.S. Treasury Notes	2.55%
U.S. Treasury Notes	2.28%
U.S. Treasury Bonds	2.18%
FNMA TBA 15 YR 2 SINGLE FAM	1.98%
Total	**31.81%**

Maturity

	Portfolio %
0-1 yr	10.18
1-3 yr	22.62
3-5 yr	13.99
5-7 yr	8.14
7-10 yr	33.04
10-20 yr	3.33
20-30 yr	10.42
Over 30 yr	-1.72

Duration

	Portfolio %
0-1 yr	3.03
1-3 yr	9.51
3-5 yr	9.06
5-7 yr	33.72
7-10 yr	13.32
10-20 yr	38.79
20-30 yr	-7.43
Over 30 yr	0.00

Harbor™

Trusted Partnerships › Trusted Solutions

CHARACTERISTICS & ALLOCATION

As of 06/30/2021

Sector	% of Market Value
Emerging Markets	**16.38**
Latin America	16.07
Asia	0.31
High Yield Credit	**2.88**
Finance & Real Estate	1.27
Other	0.59
Medical	0.50
Energy & Power	0.35
Communication	0.17
Invest. Grade Credit	**29.24**
Finance & Real Estate	9.56
Other	5.83
Retail & Food	4.87
Communication	4.55
Energy & Power	3.07
Medical	0.75
Commodity related	0.61

Sector (cont.)	% of Market Value
Net Other Short Duration Instruments	**29.10**
Non-USD Developed	**2.42**
EMU	2.22
$ Block	0.20
Other	**3.41**
Euro/Yankees	1.72
Preferred Stock	1.08
Municipal	0.61
Securitized	**28.41**
Agency MBS	16.74
Non-Agency MBS	7.82
CMBS	2.99
Asset Backed Securities	0.65
Other	0.21
US Government Related	**29.13**
US Treasury	23.52
US Govt-Related Other	5.61

PERFORMANCE

As of 06/30/2021

Performance & Fund Facts

Share Class	Ticker	CUSIP	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HABDX	411511108	2.15%	-0.67%	1.84%	5.94%	3.98%	3.71%	6.79%	12/29/87	0.62	0.73
Administrative	HRBDX	411511686	2.08%	-0.80%	1.52%	5.64%	3.70%	3.44%	4.74%	11/01/02	0.87	0.98
Retirement	HBFRX	411512189	2.17%	-0.63%	1.92%	6.00%	4.02%	3.73%	6.80%	06/01/18	0.54	0.65
Bloomberg Barclays U.S. Aggregate Bond Index			1.83%	-1.60%	-0.33%	5.34%	3.03%	3.39%	6.12%	12/29/87		

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 somewhat 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.

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.

"Inflation ticked up globally as higher prices of used autos and COVID-sensitive services drove a faster than expected U.S. inflation growth."

Pacific Investment Management Company, LLP

Market in Review

During the second quarter of 2021, global economic data continued to improve across most regions. Within developed countries, particularly the U.S., U.K., and Canada, consumer sentiment rose further, driving a resurgence in COVID-sensitive sectors, along with hiring sprints.

Vaccinations continued to advance globally, and case counts generally moved lower. The spread of a new variant with higher infectiousness, however, has underscored a key risk for the economic recovery – particularly in countries where vaccination rates have remained low.

Inflation ticked up globally as higher prices of used autos and COVID-sensitive services drove a faster than expected U.S. inflation growth.

The U.S. Federal Reserve ("Fed") has emphasized the transitory nature of inflation. It also has surprised markets, however, by releasing an updated Summary of Economic Projections ("SEP") in which the median dot anticipated two rate hikes in 2023, in contrast to the prior SEP that indicated no hikes in 2023.

Developed sovereign yields broadly fell and curves flattened, despite lingering inflation concerns. In the U.S., front-end yields rose in response to the Fed's more hawkish tone, while the 10-year Treasury yield fell 27 basis points to 1.47% – its lowest level since early March 2021. Meanwhile, global equities rallied, with the S&P 500 rising 8.5%. Strong momentum in economic growth data, along with positive earnings outlook, supported risk sentiment. Credit spreads have tightened – with IG Group spreads reaching their tightest level in 14 years – as commodity prices have rallied.

Geopolitical developments during the quarter were numerous. Among them, G7 leaders met for the first time since the start of the pandemic and affirmed support for continued fiscal stimulus and a global minimum corporate tax rate of 15%. Meanwhile, President Biden and a bipartisan group of senators announced an agreement on a $1.2 trillion infrastructure plan.

Portfolio Performance

During the quarter, the Harbor Bond Fund (Institutional Class, "Fund") returned 2.15%, outperforming its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index ("Index"), which returned 1.83%.

Spread strategies contributed to performance, including security selection within agency (government-sponsored enterprises, i.e., Fannie Mae, Freddie Mac, or Ginnie Mae) mortgage-backed securities ("MBS") and investment-grade credit.

Out-of-benchmark exposure to non-agency MBS and high-yield corporate credit contributed to performance during the quarter. Emerging Market ("EM") currency strategies (including exposure to the Brazilian real) contributed to performance.

Duration positioning detracted from performance, particularly short exposure to U.K. rates, as U.K. rates fell during the quarter. Near-benchmark U.S. duration positioning was neutral for performance.

Portfolio Positioning

The Fund was underweight headline duration, reflecting a modest underweight in the U.S., along with hedges in select regions, such as the U.K. and Japan. While rates may still drift higher, a generally steeper yield curve still makes the belly of the U.S. curve attractive from a yield-and-carry perspective.

We remain underweight overall within corporate credit. Mindful of the less attractive risk/reward dynamics, we still have a bias toward shorter-maturity and high-quality names, while de-emphasizing generic corporate credit exposure. We are actively seeking compelling name and sector exposure given the dispersion within the credit market. Overall, investment-grade credit positioning contributed to performance during the quarter.

Out-of-benchmark allocations contributed to performance, including an allocation to non-agency mortgages and high-yield credit.

Currency exposure remains low, mainly emphasizing a basket of EM currencies. We will remain tactical overall and continue to seek overshoots/undershoots with better risk/reward properties. Overall, currency strategies contributed to performance.

We have moderated our curve-steepening bias tactically, given market moves and steepening that has occurred since the third quarter of 2020. Overall, interest rate strategies detracted from performance.

Contributors & Detractors

During the second quarter, agency MBS strategies largely contributed to performance, including an underweight to the sector, as well as positive security selection.

Duration strategies detracted from performance because of short exposure to U.K. rates as U.K. rates fell during the quarter.

Buys & Sells

During the quarter, we moderated agency MBS overweight and are currently underweight. We focused mainly on selection along the coupon stack and on instruments.

During the quarter, the Fund was underweight headline duration, reflecting a modest underweight, along with hedges in select regions, such as the U.K. and Japan.

Outlook

In 2021, we believe the global growth recovery is likely to be uneven across sectors and regions. In 2022, the rebound will likely give way to a synchronized growth moderation, albeit at a still above-trend pace.

Though some central banks have begun tapering asset purchase programs already in 2021 – with others likely to follow – we do not believe any developed market central banks would begin hiking policy rates over our cyclical horizon. We believe that inflation in developed markets is likely to peak in the coming months. The exact timing and magnitude are uncertain, however, largely due to supply constraints.

In markets, we are seeing fewer high conviction opportunities, and we believe valuations are generally rich. We believe in patience and in focusing on maintaining liquidity and flexibility in our portfolios as events and opportunities emerge.

On duration, we intend to maintain a modest underweight position in our model portfolios. In spread positions, we continue to favor non-agency U.S. mortgages and other asset-backed securities. Within corporate credit, we see little potential for significant spread tightening.

We believe we will find good opportunities in EM local and external bonds, as well as select EM currencies. But we will take a cautious approach at this time of ongoing COVID-related challenges in EM countries.

Risks

There is no guarantee that the investment objective of the Fund will be achieved. 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.

Disclosures

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.

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 02/28/2022. Interest expense for the fiscal year ended October 31, 2019 was 0.53%. Expense ratio information is as of the Fund’s current prospectus, as supplemented. Gross expenses are the Fund’s total annual operating expenses.

Current 30-Day Yields are for the Institutional Class and represent the average annualized income dividend over the last 30 days excluding gains and losses as defined by the SEC. Current 30-Day Yield is the Current 30-Day Subsidized SEC Yield and reflects reimbursements or waivers of fees currently in effect. Current 30-Day Yield-Unsub is the Current 30-Day Unsubsidized SEC Yield and does not reflect reimbursements or waivers of fees currently in effect.

Due to the security valuation procedures of the Fund and intra-day trading activity not included in the FactSet calculations, the actual returns may vary. From time to time the cash return in the portfolio may appear distorted based on the way FactSet’s attribution calculation methodology addresses delayed settlements.

Due to rounding, percentages may not sum to 100.

Views expressed herein are drawn from commentary provided to Harbor by the subadviser and may not be reflective of their current opinions or future actions, are subject to change without prior notice, and should not be considered investment advice.

This information should not be considered as a recommendation to purchase or sell a particular security. The weightings, holdings, industries, sectors, countries, and returns mentioned 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.

Sector allocations are determined using the Global Industry Classification Standard (GICS), which is a service of Morgan Stanley Capital International (MSCI) and Standard & Poor's (S&P).

Investors should carefully consider the investment objectives, risks, charges and expenses of a Harbor fund before investing. To obtain a summary prospectus or prospectus for this and other information, visit harborfunds.com or call 800-422-1050. Read it carefully before investing.

Pacific Investment Management Company, LLC is an independent subadviser to the Harbor Bond Fund.

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Definitions

Beta is a measure of systematic risk, or the sensitivity of a fund to movements in the benchmark. A beta of 1 implies that the expected movement of a fund's return would match that of the benchmark used to measure beta.

Duration is a commonly used measure of the sensitivity of the price of a debt security, or the aggregate market value of a portfolio of debt securities, to change in interest rates. Securities with a longer duration are more sensitive to changes in interest rates and generally have more volatile prices than securities of comparable quality with a shorter duration.

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