



CEDAR STREET  
ASSET MANAGEMENT LLC

# Harbor International Small Cap Fund

## Cedar Street: Purpose-Built for International Small Cap Investing

Cedar Street Asset Management LLC (“Cedar Street”) was founded in 2016 on the belief that a consistent and disciplined value-based investment framework, free of institutional conflicts, can generate superior risk adjusted returns for investors. The firm seeks the inherent pricing inefficiencies that can occur in foreign equity markets from a variety of fundamental, corporate governance, and macroeconomic factors and that a well-defined, value-oriented process, applied consistently over time can yield superior results. The process utilizes the best value investing practices that the firm’s portfolio managers have been refining throughout their careers. Every aspect of their firm’s structure is designed to optimize their focus on value investing in non-U.S. markets.

### Firm Overview:

- Founded in 2016 and located in Chicago, Cedar Street is an employee-owned boutique firm, focused exclusively on small capitalization value investing in international markets.
- Two PMs, formerly at Advisory Research and TAMRO Capital Partners/Aston Funds, have deep experience investing in non-U.S. small cap asset class.
- Discretionary, fundamental, bottom-up stock pickers with a disciplined and consistent value investment philosophy across all strategies.
- \$185M in total firm assets under management (as of 4/30/2019).

### Harbor believes Cedar Street’s strengths include the following:

- Classic value orientation with a long-term horizon and low portfolio turnover. Includes a corporate governance overlay in the process.
- Emphasis on capital preservation and downside protection has led to peer-leading total risk, beta, and down-market capture results.
- Clear, disciplined and repeatable process that provides opportunity to add value over the long-term in a less efficient part of the market.
- A research team comprised of professionals with diverse educational, language, cultural, and professional backgrounds who have lived and/or worked in almost every region in which they invest.

Cedar Street Asset Management, LLC is a third party subadviser to the Harbor International Small Cap Fund.

**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](http://harborfunds.com) or by calling 800-422-1050. Read it carefully before investing.**

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Harbor Funds 

**“Cedar Street is purpose-built for international small cap investing. We want to be the preferred option for institutions looking to move down market cap in non-U.S. equity with a clear investment focus and no institutional conflicts, to exploit the inherent inefficiencies in this part of the market with a process intended to generate alpha for clients.”**

Jonathon Brodsky  
*Cedar Street Founder, Principal & Portfolio Manager*

### **Portfolio Information:**

- Hired as Subadviser: May 23, 2019
- 50-70 stock portfolio of developed international small cap stocks
- Minimal exposure to emerging markets allows for true exposure to the asset class
- Consistent value bias vs. MSCI EAFE Small Cap Index
- 30-40% turnover
- High active share > 95%; < 5% tracking error

### **Cedar Street’s Approach to Active Management:**

- Value investment methodology with a focus on downside protection and the goal of full participation on the upside.
- Research capabilities to navigate parts of the market not well-covered by sell-side analysts, providing opportunities to unearth inefficiently priced stocks.
- Corporate governance overlay provides a tool to exclude companies with a poor management framework to protect the interest of minority shareholders.
- Ability to focus their investments on faster growing parts of the market, while keeping an orientation towards more cyclical segments of the market.
- Macro-economic capabilities allow them to exclude markets or regions with political uncertainty, social unrest and or economic instability.

### **Harbor International Small Cap Fund Tickers & Share Class Availability:**

Retirement: HNISX

Institutional: HAISX

Administrative: HRISX

Investor: HIISX

**Investment Risks:** Stock markets are volatile and equity values can decline significantly in response to adverse issuer, political, regulatory, market and economic conditions. 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.

Stocks of small cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies.

The Fund may invest in a limited number of companies and from time to time, the Fund may be more heavily invested in particular countries, geographic regions or sectors. As a result, the Fund’s performance may be more volatile, and you may experience greater losses.

The MSCI EAFE Small Cap index measures the performance of the small cap segment of developed markets, excluding the US & Canada equity securities. It is free float-adjusted market-capitalization weighted.

**Active Share** – a measure of the percentage of stock holdings in a manager’s portfolio that differ from the benchmark index.

**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.

**Tracking Error** is the standard deviation of a portfolio’s relative return (relative to some benchmark). It measures the volatility of the return differences between the portfolio and the benchmark over time.

**Up and Down Capture** is a measure of how well a manager was able to replicate or improve on phases of positive benchmark returns, and how badly the manager was affected by phases of negative returns.