



Harbor Staffs Up Amid Abating Outflows

By David Isenberg January 25, 2021

Harbor Funds added 33 employees last year in departments including sales, marketing and investment management, increasing its overall head count by more than 25% from the year prior.

The company has 163 employees as of January 2021. The new hires are part of an effort to add data and analytics functionality and prepare for the launch of its first model portfolios and active ETFs, says a Harbor spokesperson.

The new employees are based in the firm's Chicago headquarters and its Boston office.

"We've hired some great new talent internally and are planning to work with some fintech firms who can help us understand markets, portfolios and risk with a different lens," the spokesperson says.

Harbor Funds had \$57.6 billion in mutual fund assets under management at the end of last year, according to Morningstar Direct.

During the 36-month period ended Sept. 30, 2018, Harbor's mutual fund line organically shrank by 54%, the fastest of all shops with more than \$50 billion in mutual fund assets, according to a 2018 *Ignites* analysis. That calendar year, the products bled \$21.2 billion. But since then, such outflows have slimmed down. In 2019, the funds collectively leaked \$7.4 billion, and last year they lost a net \$6.3 billion, Morningstar data shows.

In August 2019, Harbor hired John Halaby, T. Rowe Price's former head of financial institutions for U.S. intermediaries, to run its sales and distribution team.

Soon after, the firm began to embark on a distribution "mindset shift," focused on building a tech and operating platform with data analytics at its core to help with sales and marketing, Halaby told *Ignites* last year.

Harbor aimed to double the size of its distribution group by the end of 2021, Halaby said last March. The firm's focus was to hire those with analytics and distribution intelligence skills, he added.

A Harbor spokesperson says that the firm is on track for that goal.

"The use of data and analytics, it's not about creating data for data's sake," says Kristof Gleich, Harbor's president and chief investment officer. "[It's] about creating an information edge to complement human judgment to make better decisions."

Gleich was appointed CIO in November, when former CIO Brian Collins departed the firm. Gleich maintains his position as president, which he has held since 2018.

The firm's new distribution focus on data and analytics is already showing signs of success, he says. "It's early days, and we're certainly in the foundational build period," he adds.

While many asset managers have taken steps to incorporate data and analytics into their sales and distribution, few have seen a significant sales boost from their efforts, according to a ZS Associates report published in September.

Firms used to use a "shotgun approach" in distribution, says Dennis Gallant, a senior analyst at Aite Group. "With data and analytics, you have a laser." And using such analytics can reduce costs and help investment strategy, he says.

“The goal of analytics is that it is also going to provide you more of a GPS or stronger direction on what are the next solutions that you need to come out with or where are the gaps in the market,” he says.

Some of the new hires also focus on product development.

Harbor plans to soon launch its first ETFs, Gleich notes. The firm has not disclosed any details. The launch date is still to be determined, says a Harbor spokesperson.

Harbor's effort to launch its first ETFs has been led by Jim Erceg, who was hired in December 2019 to lead the firm's product development and management team. He was previously T. Rowe Price's head of North American strategy, according to his LinkedIn profile.

The firm has also made other hires who will support ETFs. Steve Cook, State Street's former VP of global services and operations, was tapped this month to be Harbor's managing director of ETF capital markets, according to a Harbor spokesperson. Cook reports to Erceg, the company spokesperson says.

Several other large active shops are also preparing to launch their first ETFs, Gallant notes. Capital Group, for example, recently hired Holly Framsted, BlackRock's head of U.S. ETF product segments, to help the firm launch its first ETFs.

“We know that ETFs are a large component of an advisor's portfolio,” Gallant says. “Having some solutions that provide some choice for the advisor makes sense.”

Harbor also plans to launch its first model portfolios this year, Gleich notes. While there is no exact date yet, the model portfolios will contain active and passive funds, and the portfolios will be multi-managed, the company spokesperson says.

The models will contain Harbor's forthcoming ETFs, as well as active and index ETFs run by other managers. “If you get good active managers, they can make a meaningful difference to clients again,” Gleich says.

Harbor's models will include multiple types of vehicles, Gleich says. Different clients have different needs, he adds.

Matthew Pallai joined the firm last May to lead its new multi-asset solutions group. Pallai was previously head of JPMorgan Asset Management's advisory portfolio solutions team. At JPMorgan, he helped build and market model portfolios, according to his LinkedIn profile. Harbor's multi-asset group is also headed by Spenser Lerner, managing director and portfolio manager.

The firm did not hire any portfolio managers last year, the spokesperson noted.

Harbor plans to continue staffing up this year. The firm has 10 open positions, including director of research science, investment specialist director and data enablement analyst, according to its career site.

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