

Harbor Large Cap Value Fund

Aristotle Capital Management, LLC

Subadviser Since 05/25/2012

Total Net Assets - All Classes \$2,421,218,519
Equity Assets: 97.55%
Cash & Other Assets Less Liabilities: 2.45%
Benchmark Name: Russell 1000® Value Index

Portfolio Managers



Howard Gleicher,
CFA



Gregory D. Padilla,
CFA

Investment Philosophy

The Fund invests primarily in equity securities, principally common and preferred stocks, of companies with market capitalizations that fall within the range of the Russell 1000® Value Index. The Subadviser employs a fundamental, bottom-up research driven approach to identify companies for investment by the Fund. The Subadviser focuses on those companies that it believes have higher quality businesses that are undervalued by the market relative to what the Subadviser believes to be their fair value. The Subadviser also looks for one or more catalysts that may help the company realize that fair value. The Subadviser seeks to identify higher quality companies by focusing on the following attributes: attractive business fundamentals, financially strong, experienced, motivated company management, and exhibiting high and/or consistently improving market position, return on invested capital and operating margins. Under normal market conditions, the Fund expects to invest in approximately 35 to 45 companies.

CHARACTERISTICS & ALLOCATION

As of 06/30/2021

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	46	842	Information Technology	19.67	10.25
Wtd Avg Market Cap (\$Mil)	180,505.40	152,697.60	Financials	18.10	20.80
Med Cap - # Stocks (\$Mil)	40,958.00	13,796.00	Health Care	14.40	17.31
Price/Book Ratio	5.15	3.21	Industrials	12.46	12.02
Adjusted Trailing P/E Ratio	28.90	24.50	Consumer Discretionary	8.13	5.70
% EPS Growth - Past 3 Yr	17.00	14.40	Materials	7.27	3.78
Return on Equity (%)	11.49	10.89	Consumer Staples	6.61	7.15
Beta vs. Fund Benchmark	0.94		Real Estate	4.84	4.49
Forecasted P/E Ratio	24.10	19.10	Energy	3.29	5.14
Proj. Earnings Growth Rate (%)	16.20	13.50	Communication Services	2.78	8.49
			Utilities	0.00	4.79

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Microsoft Corporation	4.16	0.00	Software	11.43	1.72
Adobe Inc.	4.07	0.00	Banks	8.79	8.33
Danaher Corporation	3.98	0.80	Health Care Equip	8.28	4.03
Capital One Financial C	3.21	0.34	Household Durables	5.74	0.65
ANSYS, Inc.	3.20	0.09	Semiconductors	5.52	3.00
Lennar Corporation Clas	2.89	0.13	Machinery	5.24	1.98
Sony Group Corporation	2.83	0.00	Equity REITS	4.84	4.27
Microchip Technology In	2.78	0.03	Chemicals	4.77	1.96
Twitter, Inc.	2.78	0.24	Insurance	3.77	3.83
Corteva Inc	2.77	0.16	Pharmaceuticals	3.69	5.60
Total	32.67	1.79	Total	62.07	35.37

Market Capitalization		
		Portfolio %
Large	Above 25.0B	79.86
	10.0B - 25.0B	15.22
Mid	5.0B - 10.0B	4.92
	1.0B - 5.0B	0.00
Small	0.0 - 1.0B	0.00



Trusted Partnerships > Trusted Solutions



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	HAVLX	411511603	6.21%	16.65%	45.30%	17.11%	16.91%	14.66%	10.74%	12/29/87	0.69	0.72
Administrative Investor	HRLVX	411511751	6.17%	16.49%	44.91%	16.82%	16.61%	14.35%	10.47%	11/01/02	0.94	0.97
Investor	HILVX	411511744	6.10%	16.47%	44.78%	16.69%	16.48%	14.24%	10.31%	11/01/02	1.05	1.08
Retirement	HNLVX	411512478	6.25%	16.76%	45.50%	17.22%	17.02%	14.71%	10.75%	03/01/16	0.61	0.64
Russell 1000® Value Index			5.21%	17.05%	43.68%	12.42%	11.87%	11.61%	10.76%	12/29/87		

MANAGER COMMENTARY

As of 06/30/2021

“We will persist in our quest to identify what we perceive to be high quality businesses, trading at discounts to our estimate of their intrinsic value, that possess catalysts for appreciation which are within management’s control.”

Aristotle Capital Management, LLC

Market in Review

Positive momentum in the U.S. regarding the receding spread of the COVID-19 pandemic, vaccination uptake, and relaxation of quarantine mandates continued to build during the quarter. According to CDC reports, more than 50% of the country (more than 65% for those 18 and over) has received at least one dose of vaccine, and the number of new daily cases in the U.S. has fallen to levels unseen since the onset of the pandemic. As a result, various state governments have dropped travel restrictions, capacity limitations, curfews, and mask requirements for fully vaccinated individuals, leading to increased economic activity, such as traveler throughput at U.S. airports, which, as of June 2021, is approaching pre-pandemic levels.

In line with the improving conditions, economic data points were also strong: May retail sales were up 28.1% year over year; the Institute for Supply Management (“ISM”) manufacturing index came in above 60 for a fourth consecutive month; and the ISM services index hit a record high. The unemployment rate also continued to decline, hitting 5.8% – the lowest level over the past year.

Against this backdrop, ten out of eleven sectors within the Russell 1000® Value Index finished higher for the period, led by Energy, Real Estate, and Financials. The worst performers were Utilities (the only sector to post a negative return), Information Technology, and Industrials. From a sector perspective, performance was mixed, with Real Estate and Information Technology delivering the strongest returns versus Consumer Discretionary and Materials, which ended the period in negative territory. From a positioning standpoint and relative to the Russell 1000 Value® Index, an overweight in Information Technology and an underweight in Energy detracted from relative return, while underweights in Utilities and Communication Services contributed favorably to relative results.

Retirement Class shares commenced operations on March 1, 2016. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to March 1, 2016 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.



Portfolio Performance

During the second quarter of 2021, the Harbor Large Cap Value Fund (Institutional Class, "Fund") returned 6.21%, outperforming its benchmark, the Russell 1000® Value Index, which returned 5.21%, and underperforming the S&P 500 Index, which returned 8.55%.

The Fund's outperformance relative to the Russell 1000® Value Index this past quarter can be entirely attributed to security selection, while allocation effects had a negative impact. Security selection in the Information Technology, Industrials, and Health Care sectors contributed the most to relative performance. Conversely, security selection in Consumer Discretionary and Materials and an overweight in Information Technology detracted. (Relative weights are the result of bottom-up security selection.)

Contributors & Detractors

The top contributor to Fund returns was leading credit card issuer Capital One Financial. Shares of Capital One advanced as the company posted record earnings for the most recent period, driven by strong credit results and rebounding spending volumes in the credit card segment. Furthermore, Capital One reported a significant improvement in its results from the Federal Reserve's simulated nine-quarter stress test that determines required levels of capital. As a result, the company was able to substantially reduce its capital requirements and deploy the excess capital in shareholder-friendly ways. Lastly, Capital One announced a data-sharing agreement with Plaid and established itself as the exclusive long-term issuing partner for Williams-Sonoma's new credit cards. We believe these types of partnerships will enhance the company's platform and allow Capital One to gain market share in the long run.

Conglomerate Sony, maker of the PlayStation videogame console, was a primary detractor from the Fund's performance. Shares pulled back after the company's full-year 2021 guidance indicated a year-over-year decline in operating profits, and amid heightening concerns surrounding the company's gaming and imaging & sensing segments. Nevertheless, management remained optimistic, as it stated that it still expects to exceed the 14.8 million PlayStation 4s sold in the second year after the product's launch. Additionally, the company continued to invest in the customer experience with its offering of its gaming segment by partnering with Discord, an instant messaging and digital distribution platform popular with gamers, and by funding Epic Games, a videogame and software developer. Elsewhere, the company's pictures segment has dragged due to pandemic-related restrictions; however, management has remained active and forward-thinking in the space by signing deals with both Netflix and Disney to bring their titles to the streaming platforms. We believe these deals will continue to strengthen Sony's brand and can improve profitability of the business unit.

Outlook

As conditions begin to normalize in the U.S., we have seen a plethora of headlines – such as improving economic figures, inflation, and potential policy decisions – capture the market's attention. Although broad economic factors are taken into consideration as part of our analysis, we spend the vast majority of our efforts focusing on individual companies that, in our opinion, possess a combination of qualities which are both sustainable and difficult to reproduce. We will persist in our quest to identify what we perceive to be high quality businesses, trading at discounts to our estimate of their intrinsic value, that possess catalysts for appreciation which are within management's control. It is our belief that a diversified portfolio of investments in these companies will hold up best – regardless of the environment – and will optimize risk-adjusted performance for our clients.

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Best & Worst Performers

Best Performers	Average Weight %	Return %
Adobe Inc.	3.63	23.20
Capital One Financial Corporation	3.14	21.89
PayPal Holdings Inc	2.50	20.03
Danaher Corporation	3.79	19.32
Elanco Animal Health, Inc.	1.98	17.79

Worst Performers	Average Weight %	Return %
Sony Group Corporation Sponsored ADR	3.00	-8.29
Cabot Oil & Gas Corporation	1.65	-6.44
Corteva Inc	2.88	-4.60
Walgreens Boots Alliance Inc	1.06	-3.35
Microchip Technology Incorporated	2.87	-3.27

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Adobe Inc.	23.20	0.80
Danaher Corporation	19.32	0.69
Capital One Financial Corporation	21.89	0.60
Microsoft Corporation	15.16	0.59
PayPal Holdings Inc	20.03	0.48
Total		3.16

Greatest Detractors	Return %	Contribution to Return %
Sony Group Corporation Sponsored ADR	-8.29	-0.25
Corteva Inc	-4.60	-0.14
Cabot Oil & Gas Corporation	-6.44	-0.12
Microchip Technology Incorporated	-3.27	-0.09
Honeywell International Inc.	-2.62	-0.06
Total		-0.66

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Harbor Large Cap Value Fund

ATTRIBUTION

As of 06/30/2021



Quarterly Attribution:

Harbor Large Cap Value Fund vs. Russell 1000® Value

03/31/2021 - 06/30/2021

Performance

	Portfolio	Benchmark	Active
Return ex Currency	6.39	5.21	1.18
Currency Contribution	0.00	0.00	0.00
Total Return	6.39	5.21	1.18

Sector Attribution

	Average Weight			Total Return			Contribution to Return		Attribution Analysis		
	Port. Avg. Wgt.	Bench. Avg. Wgt.	Variation in Avg. Wgt.	Port. Total Return	Bench. Total Return	Variation in Total Return	Port. Contribution To Return	Bench. Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Information Technology	18.82	9.22	9.60	11.09	1.03	10.06	2.09	0.11	-0.42	1.89	1.47
Industrials	12.31	13.68	-1.37	7.67	2.83	4.84	0.88	0.42	0.04	0.57	0.60
Health Care	14.20	12.80	1.40	8.87	6.73	2.14	1.24	0.84	0.00	0.30	0.30
Utilities	0.00	4.93	-4.93	0.00	-0.38	0.38	0.00	-0.01	0.28	0.00	0.28
Communication Services	2.51	9.00	-6.50	8.14	3.74	4.40	0.21	0.35	0.11	0.11	0.22
Real Estate	4.73	4.48	0.24	14.97	10.88	4.10	0.67	0.46	0.02	0.18	0.19
Financials	19.34	21.15	-1.81	7.04	7.63	-0.59	1.46	1.58	0.01	-0.08	-0.07
Consumer Staples	6.85	7.01	-0.16	0.56	3.40	-2.84	-0.05	0.24	0.00	-0.19	-0.18
Materials	7.57	4.85	2.72	-1.07	4.97	-6.04	0.07	0.24	0.03	-0.50	-0.46
Energy	3.21	5.16	-1.95	-0.55	11.80	-12.35	-0.02	0.57	-0.13	-0.38	-0.51
Consumer Discretionary	8.29	7.72	0.57	-1.48	4.94	-6.42	-0.12	0.41	0.00	-0.55	-0.55
[Cash]	2.18	0.00	2.18	0.01	0.00	0.01	0.00	0.00	-0.09	0.00	-0.09
Total	100.00	100.00	0.00	6.39	5.21	1.18	6.39	5.21	-0.16	1.34	1.18

Trailing 1 Year Attribution:

Harbor Large Cap Value Fund vs. Russell 1000® Value

06/30/2020 - 06/30/2021

Performance

	Portfolio	Benchmark	Active
Return ex Currency	46.45	43.69	2.76
Currency Contribution	0.00	0.00	0.00
Total Return	46.45	43.69	2.76

Sector Attribution

	Average Weight			Total Return			Contribution to Return		Attribution Analysis		
	Port. Avg. Wgt.	Bench. Avg. Wgt.	Variation in Avg. Wgt.	Port. Total Return	Bench. Total Return	Variation in Total Return	Port. Contribution To Return	Bench. Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Communication Services	2.35	9.37	-7.03	130.99	39.55	91.45	2.28	3.91	0.18	1.39	1.57
Utilities	0.00	5.47	-5.47	0.00	16.01	-16.01	0.00	1.18	1.32	0.00	1.32
Information Technology	20.30	9.41	10.89	40.19	29.86	10.33	8.68	2.88	-1.65	2.43	0.78
Financials	17.83	19.67	-1.84	71.96	65.43	6.53	11.58	11.72	-0.29	0.86	0.57
Industrials	12.50	13.36	-0.86	62.56	55.67	6.89	7.38	7.26	0.03	0.46	0.50
Health Care	15.55	13.47	2.08	32.14	29.25	2.88	5.61	4.24	-0.20	0.64	0.43
Materials	7.36	4.77	2.59	52.49	52.14	0.35	3.94	2.47	0.26	0.05	0.31
Real Estate	3.12	4.49	-1.37	28.06	37.60	-9.55	1.10	1.64	0.27	-0.06	0.22
Consumer Staples	6.89	7.62	-0.73	19.97	23.37	-3.40	1.42	2.01	0.04	-0.18	-0.14
Consumer Discretionary	6.96	7.61	-0.64	56.24	59.99	-3.75	3.74	4.35	-0.15	-0.14	-0.29
Energy	3.98	4.76	-0.78	19.37	51.04	-31.67	0.71	2.03	-0.24	-0.80	-1.03
[Cash]	3.16	0.00	3.16	0.07	0.00	0.07	0.00	0.00	-1.48	0.00	-1.48
Total	100.00	100.00	0.00	46.45	43.69	2.76	46.45	43.69	-1.90	4.66	2.76

Risks

There is no guarantee that the investment objective of the Fund will be achieved. Stock markets are volatile and equity values can decline significantly in response to adverse issuer, political, regulatory, market and economic conditions. Since the Fund typically invests in a limited number of companies, an adverse event affecting a particular company may hurt the Fund's performance more than if it had invested in a larger number of companies. 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.

Disclosures

The Russell 1000[®] 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[®] Value Index and Russell[®] are trademarks of Frank Russell Company.

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

All holdings-related data is provided by FactSet. Because FactSet relies on external sources for its data, that data may differ slightly from actual values maintained by Harbor Funds.

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.

Beta is a rolling three year, unless the Fund has a track record of less than three years, in which case it is a rolling one year.

The mean/median long term growth rate for Projected Earnings Growth Rate is the expected growth over the next 3-5 years calculated by FactSet from data provided by brokers. The Adjusted Trailing P/E (Price/Earnings) Ratio is the closing stock price divided by the sum of the last 12 months actual EPS. The Forecast P/E Ratio is the closing stock price divided by the sum of the next 4 quarters estimated EPS. All P/E, ROE and P/B statistics are calculated as weighted medians.

Best and Worst Performers sections reflect stocks in the portfolio for the quarter with an average weight of 0.25% or greater.

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.

Aristotle Capital Management, LLC is an independent subadviser to the Harbor Large Cap Value Fund.

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Attribution Disclosures

Linked Performance by Sectors data is produced from FactSet using data supplied by State Street Bank and Trust Company.

Active Currency Contribution is the Currency Contribution of the portfolio minus the Currency Contribution of the benchmark.

Allocation Effect is the portion of portfolio excess return that is attributable to taking different group bets from the benchmark. (If either the portfolio or the benchmark has no position in a given group, allocation effect is the lone effect.) A group's allocation effect equals the average percent capitalization of the portfolio's group minus the average percent cap of the benchmark's group times the total return of the benchmark group minus the total return of the benchmark.

Average Weight is the dollar value (price times the shares held) of the security or group, divided by the total dollar value of the entire portfolio displayed as a percentage. It is calculated as the simple arithmetic average of daily values.

Contribution to Return is the contribution of a security or group to the overall portfolio return. It is calculated as the security weight multiplied by the daily security return linked daily across the reporting period.

Currency Contribution is Total Return in USD subtracting out the Local Returns.

Local Returns are the Total Return of the portfolio or benchmark using the local currency.

Selection Effect is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark. A group's security selection effect equals the average weight of the benchmark's group times the total return of the portfolio's group minus the total return of the benchmark's group.

Total Effect is the sum of Allocation Effect and Selection Effect. The total effect represents the opportunity cost of what was done in a group relative to the overall portfolio. It is not just the difference between percent contribution in the portfolio and benchmark. At the overall portfolio level, the two numbers are equal. At the group level, they can be different.

Total Return is the price change of a security or group including dividends accrued over the report period (or the in-portfolio return) which includes only the time period that each security was in the portfolio.

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.