



Harbor Funds®

Annual Report

October 31, 2017

Harbor Strategic Growth Fund

**Institutional
Class**

**Administrative
Class**

**Investor
Class**

**Retirement
Class**

MVSGX

HSRGX

HISWX

HNGSX



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Letter from the Chairman



Charles F. McCain
Chairman

Dear Fellow Shareholder:

I am honored to be writing my first shareholder letter to you as Chairman of the Board of Trustees of Harbor Funds. David Van Hooser, our long-standing Chairman, retired from the Board of Trustees on September 22, 2017 after 17 years of distinguished service. Over that 17 year tenure, I have admired how Dave has maintained a singular focus on serving the best interests of Harbor Funds and its shareholders. He has served as an example to me and the other women and men who work diligently to support Harbor Funds. I remain committed to carrying on the responsibility that Dave so fully embraced to place the interests of Harbor Funds and its shareholders first.

We have also had other changes on the Board of Trustees over the past year. Rodger Smith, our long-standing Lead Independent Trustee, retired from the Board on December 31, 2016 after a 29 year tenure. He was replaced as Lead Independent Trustee by Randy Hack, who has served on the Board since 2010. Shareholders also elected two new independent Trustees to the Board on September 22, 2017 in Katie Quirk and Joe Dowling. With their election, eight of the nine

members of the Board are independent of Harbor Capital Advisors, the investment adviser to Harbor Funds.

MARKET REVIEW

U.S. equities generally had strong returns for the fiscal year ended October 31, 2017. The period began with a U.S. election that fueled a market rally based upon optimism that promises of tax cuts, infrastructure spending and a business-friendly approach to regulation could lead to improved economic growth and higher corporate earnings.

As the fiscal year continued, U.S. stocks advanced despite rising interest rates, falling oil prices and political uncertainty, as corporate earnings exceeded expectations. Better-than-expected economic growth and job gains drove U.S. equity indexes to record levels toward the end of the period, while oil prices stabilized and the Federal Reserve stayed on track to continue raising short-term interest rates while laying the groundwork for gradually reducing its U.S. Treasury bond balance sheet holdings.

The Russell 3000[®] Index, a measure of the broad U.S. stock market, had a return of 23.98% for the fiscal year. Growth stocks outperformed value stocks by a significant margin, and small cap stocks outperformed both large cap and mid cap stocks.

Comments by the portfolio managers of the Harbor Strategic Growth Fund can be found in the pages preceding the Fund's portfolio of investments. As always, we recommend that shareholders maintain a long-term perspective in evaluating all of their investments, including those in Harbor Funds.

RETURNS FOR PERIODS ENDED OCTOBER 31, 2017

	Annualized			
	1 Year	5 Years	10 Years	30 Years
Domestic Equities				
Russell 3000 [®] (entire U.S. stock market)	23.98%	15.12%	7.61%	10.60%
S&P 500 (large cap stocks)	23.63	15.18	7.51	10.50
Russell Midcap [®] (mid cap stocks)	21.09	14.87	8.09	12.11
Russell 2000 [®] (small cap stocks)	27.85	14.49	7.63	10.45
Russell 3000 [®] Growth (growth stocks)	29.80	16.71	9.05	10.16
Russell 3000 [®] Value (value stocks)	18.30	13.48	6.07	10.68
International & Global				
MSCI EAFE (ND) (foreign stocks)	23.44%	8.53%	1.10%	5.62%
MSCI EAFE Small Cap (ND) (foreign small cap stocks)	27.51	13.03	4.18	N/A
MSCI World (ND) (global stocks)	22.77	11.56	4.10	7.44
MSCI All Country World Ex. U.S. (ND) (foreign stocks)	23.64	7.29	0.92	N/A
MSCI Emerging Markets (ND) (emerging market stocks)	26.45	4.83	0.60	N/A
Strategic Markets				
Bloomberg Commodity Index Total Return SM (commodities)	2.35%	-9.37%	-6.93%	N/A
Fixed Income				
ICE BofAML U.S. Non-Distressed High Yield (domestic high-yield bonds)	8.62%	6.33%	6.69%	N/A
Bloomberg Barclays U.S. Aggregate Bond (domestic bonds)	0.90	2.04	4.19	6.43%
Bloomberg Barclays U.S. TIPS (domestic inflation-linked bonds)	-0.11	-0.11	3.81	N/A
ICE BofAML U.S. 3-Month Treasury Bill (proxy for money market returns)	0.72	0.24	0.45	3.35

STAY FOCUSED ON THE LONG-TERM

Major U.S. indexes hit record levels toward the end of the fiscal year, supported by continued earnings gains and favorable economic data. Against this backdrop, the third calendar quarter of 2017 marked the eighth consecutive quarter of gains for U.S. equities.

With equities having rallied for an extended period, it is reasonable to question whether the market's advance might be due for a slowdown or even a reversal in the near future. For even the most experienced investment professionals, it is difficult to reliably predict the movements of stock prices or bond prices with certainty, particularly in the shorter-term.

We always encourage shareholders to take a long-term perspective with all of their investments. While past performance is never a guarantee of future results, over the long term, the returns of equities and debt securities have historically helped many investors achieve their financial objectives. We encourage all investors to maintain a diversified portfolio of equities, debt and cash in an allocation consistent with their long-term financial goals and comfort with risk.

Harbor Funds offers a variety of equity, strategic markets and fixed income funds to help you achieve your financial goals. Thank you for investing with Harbor Funds.

December 21, 2017

A handwritten signature in black ink that reads "Charles F. McCain". The signature is written in a cursive style with a large, prominent "C" at the beginning.

Charles F. McCain
Chairman

Harbor Strategic Growth Fund

MANAGERS' COMMENTARY (Unaudited)

SUBADVISER

Mar Vista Investment
Partners, LLC

11150 Santa Monica
Boulevard, Suite 320
Los Angeles, CA 90025

PORTFOLIO MANAGERS

Silas A. Myers, CFA
Since 2017

Brian L. Massey, CFA
Since 2017

Joshua J. Honeycutt,
CFA
Since 2017

Jeffrey B. Prestine
Since 2017

Mar Vista has
subadvised the Fund
since 2017.*

INVESTMENT OBJECTIVE

The Fund seeks
long-term growth of
capital.



Silas A. Myers, CFA



Brian L. Massey, CFA



Joshua J. Honeycutt,
CFA



Jeffrey B. Prestine

Management's Discussion of Fund Performance

MARKET REVIEW

For the 12-month period ended October 31, 2017, the Russell 1000[®] Growth Index was up 29.71%. The favorable macro environment is fostering incessant stock appreciation that is largely outpacing the growth of underlying business values and, in our estimate, these elevated expectations leave little room for disappointment. A broad swath of economic data continues to support a synchronized global economic recovery. Job growth, industrial production and inflation statistics generally remain in the "Goldilocks" -not too hot, not too cold - zone helping interest rates, credit spreads and volatility remain remarkably subdued and creating a favorable environment for most risk assets.

Besides the growing labor shortages, uncertainties over U.S. trade policies, firing of North Korean missiles and low market volatility, the market seems to be comfortable with accelerating global growth and low interest rates justifying elevated valuations. The most recent U.S. GDP report showed a sequential acceleration of growth to 3% with the consumer being the main driver. Inflation measured by the GDP price index remains below 2% but has been steadily rising over the past two years. The most recent unemployment report showed the unemployment rate at 4.1% with a gain of 261,000 jobs. The rising probability of U.S. corporate tax reform has also added momentum to the markets.

PERFORMANCE

For the 12-month period ended October 31, 2017**, the Harbor Strategic Growth Fund (Institutional Class) returned 22.90%. The Institutional Class returns prior to March 6, 2017 are that of the Predecessor Fund. The Fund's Administrative Class, Investor Class, and Retirement Class shares commenced operations on March 6, 2017 and returned 12.29%, 12.23%, and 12.53%, respectively, for the period March 6, 2017 through October 31, 2017. Stock selection within the Financials, Consumer Discretionary, Industrials, and Health Care sectors drove the Fund's underperformance relative to the benchmark. The Fund's sector overweight in Energy, underweight in Information Technology and cash position also detracted from performance.

Allergan, a global pharmaceutical company, struggled with concerns over cash flows falling short of expectations, aggressive capital allocation, pipeline vitality and patent risks for key products. The Fund's Energy holdings, Core Laboratories and Schlumberger, declined due to weaker oil prices, concerns over the Organization of Petroleum Exporting Countries' (OPEC) compliance and the growing supply from U.S. shale. O'Reilly Automotive, an automotive supply retailer, fell on a report that Amazon may enter the auto parts market and that new and used auto prices have peaked. Concerns over general weakness in global consumer goods brands and the negative impact of private label offerings led to Mondelez's underperformance.

Strong contributors to performance included Mettler-Toledo, whose revenue and operating profit growth exceeded expectations. We believe that the company's durable competitive position across an array of measurement tool segments and nearly flawless execution should continue to drive growth. Unilever's improvements in business mix, margins and capital allocation also drove favorable stock returns. Dollar Tree's stock rose after reporting improved store economics for both the Dollar Tree and Family Dollar platforms.

* On March 6, 2017, the Fund acquired all of the assets and substantially all of the liabilities of the Mar Vista Strategic Growth Fund (the "Predecessor Fund"). For the period November 1, 2011 (inception of the Predecessor Fund) to January 20, 2015, Mar Vista served as the Predecessor Fund's subadviser and for the period January 20, 2015 to March 6, 2017, Mar Vista served as investment adviser to the Predecessor Fund.

** Effective July 1, 2017, the Fund changed its fiscal year end date from June 30 to October 31.

Harbor Strategic Growth Fund

MANAGERS' COMMENTARY—Continued

TOP TEN HOLDINGS (% of net assets)	
Oracle Corp.	5.0%
Berkshire Hathaway Inc. Class B	4.9%
Market Corp.	4.8%
American Tower Corp.	4.7%
Honeywell International Inc.	4.4%
Alphabet Inc. Class C	4.1%
Dollar Tree Inc.	3.8%
Intuit Inc.	3.5%
Unilever NV	3.3%
Apple Inc.	3.2%

OUTLOOK & STRATEGY

From an absolute viewpoint, current market conditions are, in our view, favorable for our approach. The combination of low and stable interest rates with modest global economic growth typically bodes well for higher quality businesses. From a relative viewpoint, the Fund's more conservative positioning compared to the mega-cap high-growth areas of the benchmark hurt performance. Three traditional growth sectors account for nearly 70% of the Russell 1000[®] Growth Index: Information Technology (37%), Consumer Discretionary (18%) and Health Care (14%). However, they represent only 41% of the Fund. Mar Vista's portfolio construction process focuses on bottom-up factors independent of benchmark weights. The resulting sector exposures represent the areas in which we are finding more favorable risk-reward opportunities in from sustained growth companies, and are not an expressed opinion on the sectors from a macro

level.

Over time, the expected returns of the Fund should reflect two components: (1) the compounding nature of the Fund's businesses and (2) the discount we are paying relative to fair value. There will be times when the sentiment pendulum swings towards optimism; leading to higher valuations that exceeded the underlying intrinsic value growth, and margins of safety contract. Conversely, fear and skepticism often drive down stock prices more than expected, providing opportunities for both higher expected returns and less risk. Judged by the Fund's relatively narrow average margin of safety, or discount to intrinsic value, we think the pendulum sits on the more optimistic side of the scale. The 7% portfolio average discount continues to be at the extreme low end of the last decade in our opinion and the number of stocks that are trading below our estimate of fair value is smaller than is typical.

We claim no special skill in predicting the market's direction but, in the fullness of time, we believe a patient, high-conviction portfolio comprised of competitively advantaged serial compounders with stock prices that represent an appropriate margin of safety should generate excess risk-adjusted returns. In an environment with growing optimism, we remain diligent, conservative and patient as we deploy capital.

This report contains the current opinions of Mar Vista Investment Partners, LLC as of the date of this report and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Such opinions are subject to change without notice and securities described herein may no longer be included in, or may at any time be removed from, the Fund's portfolio. This report is distributed for informational purposes only. Information contained herein has been obtained from sources believed reliable, but not guaranteed.

Equity securities, such as common stocks, are affected by company specific events and by movements in the overall stock markets in which those securities principally trade, among other factors. An adverse company specific event, or downturn in those stock markets, can depress the value of a particular company's equity securities. For information on the different share classes and the risks associated with an investment in the Fund, please refer to the current prospectus.

Harbor Strategic Growth Fund

FUND SUMMARY—October 31, 2017 (Unaudited)

INSTITUTIONAL CLASS	
Fund #	2040
Cusip	411512353
Ticker	MVSGX
Inception Date	11/01/2011
Net Expense Ratio	0.70% ^{a,b}
Total Net Assets (000s)	\$56,026

ADMINISTRATIVE CLASS	
Fund #	2240
Cusip	411512338
Ticker	HSRGX
Inception Date	03/06/2017
Net Expense Ratio	0.95% ^{a,b}
Total Net Assets (000s)	\$12

INVESTOR CLASS	
Fund #	2440
Cusip	411512361
Ticker	HISWX
Inception Date	03/06/2017
Net Expense Ratio	1.07% ^{a,b}
Total Net Assets (000s)	\$75

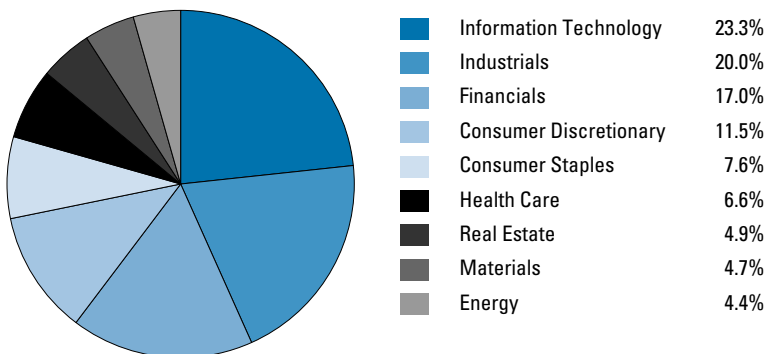
RETIREMENT CLASS	
Fund #	2540
Cusip	411512346
Ticker	HNGSX
Inception Date	03/06/2017
Net Expense Ratio	0.62% ^{a,b}
Total Net Assets (000s)	\$435

PORTFOLIO STATISTICS

	Portfolio	Benchmark
Weighted Average Market Cap (MM)	\$169,318	\$225,048
Price/Earning Ratio (P/E)	36.1x	31.8x
Price/Book Ratio (P/B)	5.4x	7.9x
Beta vs. Russell 1000 [®] Growth Index	0.85	N/A
Portfolio Turnover (Period Ended 10/31/2017)	9% ^c	N/A

SECTOR ALLOCATION (% of investments)

(Excludes cash and short-term investments)



a Annualized

b Reflects an expense limitation agreement (excluding acquired fund fees and expenses and interest expense, if any) effective through February 28, 2019

c Unannualized

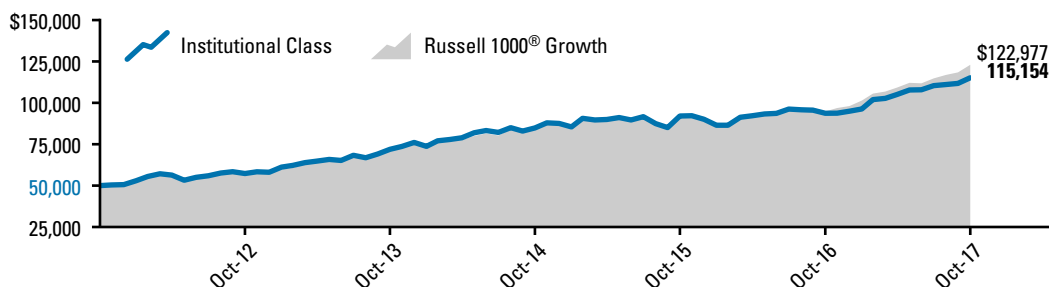
Harbor Strategic Growth Fund

FUND PERFORMANCE SUMMARY (Unaudited)

CHANGE IN A \$50,000 INVESTMENT

For the period 11/01/2011 through 10/31/2017

The graph compares a \$50,000 investment in the Institutional Class shares of the Fund with the performance of the Russell 1000[®] Growth Index. The Fund's performance assumes the reinvestment of all dividend and capital gain distributions.



TOTAL RETURNS

For the periods ended 10/31/2017

Harbor Strategic Growth Fund

	1 Year	Annualized 5 Years	Annualized Life of Class	Inception Date	Final Value of a \$50,000 Investment
Institutional Class	22.90%	14.98%	14.92%	11/01/2011	\$115,154
Administrative Class ¹	N/A	N/A	12.29	03/06/2017	56,146
Investor Class ¹	N/A	N/A	12.23	03/06/2017	56,116
Retirement Class ¹	N/A	N/A	12.53	03/06/2017	56,265
Comparative Index					
Russell 1000 [®] Growth ²	29.71%	16.83%	16.18%	—	\$122,977

As stated in the Fund's current prospectus, the expense ratios were 0.70% (Net) and 0.91% (Gross) (Institutional Class); 0.95% (Net) and 1.16% (Gross) (Administrative Class); 1.07% (Net) and 1.28% (Gross) (Investor Class); and 0.62% (Net) and 0.83% (Gross) (Retirement Class). The net expense ratios reflect an expense limitation agreement (excluding interest expense, if any) effective through 02/28/2019. The expense ratios in the prospectus may differ from the actual expense ratios for the period disclosed within this report. The expense ratios shown in the prospectus are based on the prior fiscal year, adjusted to reflect changes, if any, in contractual arrangements that occurred prior to the date of the prospectus (or supplement thereto, if applicable).

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, but does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or upon the redemption of Fund shares. 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 Fund acquired the assets and assumed the known liabilities of the Mar Vista Strategic Growth Fund (the "Predecessor Fund") on March 6, 2017. The Fund is the performance successor of the reorganization. This means that the Predecessor Fund's performance and financial history will be used by the Fund going forward from the date of reorganization. In the reorganization, former shareholders of the Predecessor Fund received Institutional Class shares of the Fund. Accordingly, the performance of the Institutional Class of the Fund for periods prior to the reorganization is the performance of the Predecessor Fund. The performance of the Predecessor Fund has not been restated to reflect the estimated annual operating expenses of the Institutional Class shares of the Fund, which are lower than those of the Predecessor Fund. Because the Fund has different fees and expenses than the Predecessor Fund, the Fund would also have had different performance results.

¹ The "Life of Class" return represents unannualized values.

² The "Life of Class" return and "Final Value of a \$50,000 Investment" as shown reflects the period 11/01/2011 through 10/31/2017.

Harbor Strategic Growth Fund

PORTFOLIO OF INVESTMENTS—October 31, 2017

Value, Cost, and Principal Amounts in Thousands

Equity Holdings (% of net assets)

(Excludes net cash and short-term investments of 2.4%)

Software	10.7
Industrial Conglomerates	7.3
Internet Software & Services	6.3
Diversified Financial Services	4.9
Insurance	4.8
Equity Real Estate Investment Trusts (REITs)	4.7
Chemicals	4.6
Banks	4.4
Energy Equipment & Services	4.3
Pharmaceuticals	4.2
Multiline Retail	3.8
Personal Products	3.3
Technology Hardware, Storage & Peripherals	3.2
Aerospace & Defense	3.1
Electrical Equipment	2.9
Air Freight & Logistics	2.6
Hotels, Restaurants & Leisure	2.6
IT Services	2.6
Capital Markets	2.5
Machinery	2.3
Beverages	2.2
Life Sciences Tools & Services	2.2
Internet & Direct Marketing Retail	2.0
Food Products	1.9
Media	1.8
Road & Rail	1.3
Specialty Retail	1.1

COMMON STOCKS—Continued

Shares		Value
DIVERSIFIED FINANCIAL SERVICES—4.9%		
14,851	Berkshire Hathaway Inc. Class B*	\$ 2,776
ELECTRICAL EQUIPMENT—2.9%		
33,481	Sensata Technologies Holding NV*	1,638
ENERGY EQUIPMENT & SERVICES—4.3%		
11,716	Core Laboratories NV	1,171
19,970	Schlumberger Ltd.	1,278
		<u>2,449</u>
EQUITY REAL ESTATE INVESTMENT TRUSTS (REITs)—4.7%		
18,590	American Tower Corp.	2,671
FOOD PRODUCTS—1.9%		
26,556	Mondelez International Inc.	1,100
HOTELS, RESTAURANTS & LEISURE—2.6%		
26,864	Starbucks Corp.	1,473
INDUSTRIAL CONGLOMERATES—7.3%		
17,226	Honeywell International Inc.	2,483
6,438	Roper Technologies Inc.	1,662
		<u>4,145</u>
INSURANCE—4.8%		
2,506	Markel Corp.*	2,717
INTERNET & DIRECT MARKETING RETAIL—2.0%		
1,029	Amazon.com Inc.*	1,137
INTERNET SOFTWARE & SERVICES—6.3%		
2,299	Alphabet Inc. Class C*	2,337
6,804	Facebook Inc.*	1,225
		<u>3,562</u>
IT SERVICES—2.6%		
13,134	Visa Inc.	1,445
LIFE SCIENCES TOOLS & SERVICES—2.2%		
1,855	Mettler-Toledo International Inc. (SWS)*	1,266
MACHINERY—2.3%		
18,203	Fortive Corp.	1,315
MEDIA—1.8%		
10,338	Walt Disney Co.	1,011
MULTILINE RETAIL—3.8%		
23,351	Dollar Tree Inc.*	2,131
PERSONAL PRODUCTS—3.3%		
32,180	Unilever NV (NET)	1,865
PHARMACEUTICALS—4.2%		
3,857	Allergan plc (IE)	683
11,933	Johnson & Johnson	1,664
		<u>2,347</u>
ROAD & RAIL—1.3%		
6,980	Kansas City Southern	728
SOFTWARE—10.7%		
7,296	Adobe Systems Inc.*	1,278
13,048	Intuit Inc.	1,970
55,283	Oracle Corp.	2,814
		<u>6,062</u>

COMMON STOCKS—97.6%

Shares		Value
AEROSPACE & DEFENSE—3.1%		
6,272	TransDigm Group Inc.	\$ 1,741
AIR FREIGHT & LOGISTICS—2.6%		
20,843	XPO Logistics Inc.*	1,446
BANKS—4.4%		
8,924	First Republic Bank	869
29,604	U.S. Bancorp.	1,610
		<u>2,479</u>
BEVERAGES—2.2%		
11,291	PepsiCo Inc.	1,245
CAPITAL MARKETS—2.5%		
9,897	Moody's Corp.	1,410
CHEMICALS—4.6%		
12,449	Ecolab Inc.	1,626
6,719	Praxair Inc.	982
		<u>2,608</u>

Harbor Strategic Growth Fund

PORTFOLIO OF INVESTMENTS—Continued

Value, Cost, and Principal Amounts in Thousands

COMMON STOCKS—Continued

Shares	Value
SPECIALTY RETAIL—1.1%	
2,827 O'Reilly Automotive Inc.*	\$ 596
TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS—3.2%	
10,560 Apple Inc.	1,785
TOTAL COMMON STOCKS	
(Cost \$45,156)	<u>55,148</u>

SHORT-TERM INVESTMENTS—3.2%

(Cost \$1,826)

Principal Amount

REPURCHASE AGREEMENTS

	Repurchase Agreement with Fixed Income Clearing Corp. dated October 31, 2017 due November 01, 2017 at 0.001% collateralized by U.S. Treasury Notes (value	
\$ 1,826	\$1,863)	<u>1,826</u>

TOTAL INVESTMENTS—100.8%	
(Cost \$46,982)	<u>56,974</u>

CASH AND OTHER ASSETS, LESS LIABILITIES—(0.8)%	<u>(426)</u>
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TOTAL NET ASSETS—100.0%	<u>\$56,548</u>
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FAIR VALUE MEASUREMENTS

Repurchase Agreements valued at \$1,826 are classified as Level 2. All other holdings at October 31, 2017 (as disclosed in the preceding Portfolio of Investments) are classified as Level 1. There were no Level 3 holdings at June 30, 2017 or October 31, 2017 and no transfers between levels during the period.

For more information on valuation inputs and their aggregation into the levels identified above, please refer to the Fair Value Measurements and Disclosures in Note 2 of the accompanying Notes to Financial Statements.

* Non-income producing security
IE Ireland
NET Netherlands
SWS Switzerland

The accompanying notes are an integral part of the Financial Statements.

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Harbor Strategic Growth Fund

STATEMENT OF ASSETS AND LIABILITIES—October 31, 2017

(All amounts in thousands, except per share amounts)

	Harbor Strategic Growth Fund
ASSETS	
Investments, at identified cost*	\$46,982
Investments, at value	\$55,148
Repurchase agreements	1,826
Cash	1
Receivables for:	
Capital shares sold	38
Dividends	8
Withholding tax	1
Prepaid registration fees	9
Other assets	26
Total Assets	57,057
LIABILITIES	
Payables for:	
Investments purchased	369
Capital shares reacquired	41
Accrued expenses:	
Administrative fees	7
Management fees	28
Transfer agent fees	1
Trustees' fees and expenses	1
Other	62
Total Liabilities	509
NET ASSETS	\$56,548
Net Assets Consist of:	
Paid-in capital	45,701
Accumulated undistributed net investment income/(loss)	77
Accumulated net realized gain/(loss)	778
Unrealized appreciation/(depreciation) of investments	9,992
	56,548
NET ASSET VALUE PER SHARE BY CLASS	
Institutional Class	
Net assets	\$56,026
Shares of beneficial interest ¹	2,972
Net asset value per share ²	\$ 18.85
Administrative Class	
Net assets	\$ 12
Shares of beneficial interest ¹	1
Net asset value per share ²	\$ 18.82
Investor Class	
Net assets	\$ 75
Shares of beneficial interest ¹	4
Net asset value per share ²	\$ 18.81
Retirement Class	
Net assets	\$ 435
Shares of beneficial interest ¹	23
Net asset value per share ²	\$ 18.86

* Including repurchase agreements and short-term investments

1 Par value \$0.01 (unlimited authorizations)

2 Per share amounts can be recalculated to the amounts disclosed herein when total net assets and shares of beneficial interest are not rounded to thousands.

The accompanying notes are an integral part of the Financial Statements.

Harbor Strategic Growth Fund

STATEMENTS OF OPERATIONS

(All amounts in thousands)

	Harbor Strategic Growth Fund	
	July 1, 2017 through October 31, 2017	July 1, 2015 through June 30, 2016
Investment Income		
Dividends	\$ 143	\$ 449
Interest	1	—
Foreign taxes withheld	(3)	(6)
Total Investment Income	141	443
Operating Expenses		
Management fees	85	200
12b-1 fees:		
Administrative Class	—	—
Investor Class	—	—
Administrative fees	—	24
Compliance fees	—	8
Shareholder communications	3	3
Custodian fees	3	10
Transfer agent fees:		
Institutional Class	13	30
Administrative Class	—	—
Investor Class	—	—
Retirement Class	—	—
Professional fees	1	68
Trustees' fees and expenses	—	7
Registration fees	57	62
Miscellaneous	5	12
Total expenses	167	424
Transfer agent fees waived	(1)	(1)
Other expenses reimbursed	(67)	(185)
Net expenses	99	238
Net Investment Income/(Loss)	42	205
Realized and Change in Net Unrealized Gain/(Loss) on Investment Transactions		
Net realized gain/(loss) on:		
Investments	144	773
Change in net unrealized appreciation/(depreciation) on:		
Investments	2,754	3,139
Net gain/(loss) on investment transactions	2,898	3,912
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$2,940	\$4,117

The accompanying notes are an integral part of the Financial Statements.

Harbor Strategic Growth Fund

STATEMENTS OF CHANGES IN NET ASSETS

(All amounts in thousands)

	Harbor Strategic Growth Fund		
	July 1, 2017 through October 31, 2017	July 1, 2016 through June 30, 2017	July 1, 2015 through June 30, 2016
INCREASE/(DECREASE) IN NET ASSETS			
Operations:			
Net investment income/(loss)	\$ 42	\$ 205	\$ 44
Net realized gain/(loss) on investments	144	773	283
Change in net unrealized appreciation/(depreciation) of investments	2,754	3,139	874
Net increase/(decrease) in assets resulting from operations	2,940	4,117	1,201
Distributions to Shareholders			
Net investment income:			
Institutional Class	—	(193)	(16)
Administrative Class	—	—	N/A
Investor Class	—	—	N/A
Retirement Class	—	—	N/A
Net realized gain on investments:			
Institutional Class	—	(205)	(737)
Administrative Class	—	—	N/A
Investor Class	—	—	N/A
Retirement Class	—	—	N/A
Total distributions to shareholders	—	(398)	(753)
Net Increase/(Decrease) Derived from Capital Share Transactions	21,393	3,108	4,400
Net increase/(decrease) in net assets	24,333	6,827	4,848
Net Assets			
Beginning of period	32,215	25,388	20,540
End of period*	\$56,548	\$32,215	\$25,388
* Includes accumulated undistributed net investment income/(loss) of:	\$ 77	\$ 39	\$ 28

The accompanying notes are an integral part of the Financial Statements.

Harbor Strategic Growth Fund

STATEMENTS OF CHANGES IN NET ASSETS—CAPITAL STOCK ACTIVITY

(All amounts in thousands)

AMOUNT (\$)	Harbor Strategic Growth Fund		
	July 1, 2017 through October 31, 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017
Institutional Class			
Net proceeds from sale of shares	\$22,972	\$ 8,515	\$10,211
Net proceeds from redemption fees	—	—	—
Reinvested distributions	—	346	591
Cost of shares reacquired	(1,724)	(6,094)	(6,402)
Net increase/(decrease) in net assets	\$21,248	\$ 2,767	\$ 4,400
Administrative Class			
Net proceeds from sale of shares	\$ 1	\$ 11*	N/A
Cost of shares reacquired	—	(1)*	N/A
Net increase/(decrease) in net assets	\$ 1	\$ 10*	N/A
Investor Class			
Net proceeds from sale of shares	\$ 56	\$ 22*	N/A
Cost of shares reacquired	(7)	—*	N/A
Net increase/(decrease) in net assets	\$ 49	\$ 22*	N/A
Retirement Class			
Net proceeds from sale of shares	\$ 96	\$ 311*	N/A
Cost of shares reacquired	(1)	(2)*	N/A
Net increase/(decrease) in net assets	\$ 95	\$ 309*	N/A

* For the period March 6, 2017 (commencement of operations) through June 30, 2017

The accompanying notes are an integral part of the Financial Statements.

	Harbor Strategic Growth Fund		
	July 1, 2017 through October 31, 2017	July 1, 2016 through June 30, 2017	July 1, 2015 through June 30, 2016
SHARES			
Institutional Class			
Shares sold	1,263	525	693
Shares issued due to reinvestment of distributions	—	22	39
Shares reacquired	(95)	(377)	(433)
Net increase/(decrease) in shares outstanding	1,168	170	299
Beginning of period	1,804	1,634	1,335
End of period	2,972	1,804	1,634
Administrative Class			
Shares sold	—	1*	N/A
Shares issued due to reinvestment of distributions	—	—	N/A
Shares reacquired	—	—	N/A
Net increase/(decrease) in shares outstanding	—	1*	N/A
Beginning of period	1	—	N/A
End of period	1	1*	N/A
Investor Class			
Shares sold	3	1*	N/A
Shares issued due to reinvestment of distributions	—	—	N/A
Shares reacquired	—	—	N/A
Net increase/(decrease) in shares outstanding	3	1*	N/A
Beginning of period	1	—	N/A
End of period	4	1*	N/A
Retirement Class			
Shares sold	5	18*	N/A
Shares issued due to reinvestment of distributions	—	—	N/A
Shares reacquired	—	—	N/A
Net increase/(decrease) in shares outstanding	5	18*	N/A
Beginning of period	18	—	N/A
End of period	23	18*	N/A

* For the period March 6, 2017 (commencement of operations) through June 30, 2017

Harbor Strategic Growth Fund Financial Highlights

SELECTED DATA FOR A SHARE OUTSTANDING FOR THE PERIODS PRESENTED

HARBOR STRATEGIC GROWTH FUND

	Institutional Class					
	4-Month Period Ended October 31, 2017 ^a	Year Ended June 30,				
		2017	2016	2015	2014	2013
Net asset value beginning of period	\$ 17.66	\$ 15.54	\$ 15.39	\$ 15.41	\$ 12.80	\$11.00
Income from Investment Operations						
Net investment income/(loss) ^a	0.03 ^e	0.12 ^e	0.03 ^e	0.04 ^e	0.08 ^e	0.10 ^e
Net realized and unrealized gains/(losses) on investments	1.16	2.22	0.63	1.11	3.35	1.92
Total from investment operations	1.19	2.34	0.66	1.15	3.43	2.02
Less Distributions						
Dividends from net investment income	—	(0.11)	(0.01)	(0.06)	(0.15)	(0.13)
Distributions from net realized capital gains ¹	—	(0.11)	(0.50)	(1.11)	(0.67)	(0.09)
Total distributions	—	(0.22)	(0.51)	(1.17)	(0.82)	(0.22)
Proceeds from redemption fees	N/A	—*	—*	—*	—*	—*
Net asset value end of period	18.85	17.66	15.54	15.39	15.41	12.80
Net assets end of period (000s)	\$56,026	\$31,866	\$25,388	\$20,540	\$13,678	\$8,665
Ratios and Supplemental Data (%)						
Total return ^b	6.74% ^c	15.21%	4.44%	7.67%	27.71%	18.55%
Ratio of total expenses to average net assets ²	1.18 ^d	1.48	1.74	2.23	2.79	3.99
Ratio of net expenses to average net assets ^a	0.70 ^d	0.83	0.90	0.90	0.90	0.90
Ratio of net investment income to average net assets ^a	0.29 ^d	0.71	0.19	0.18	0.58	0.82
Portfolio turnover	9 ^c	21	40	33	31	59

	Investor Class	
	4-Month Period Ended October 31, 2017 ^a	Period Ended June 30, 2017 ^f
	Net asset value beginning of period	\$17.64
Income from Investment Operations		
Net investment income/(loss) ^a	0.02 ^e	0.01 ^e
Net realized and unrealized gains/(losses) on investments	1.15	0.87
Total from investment operations	1.17	0.88
Less Distributions		
Dividends from net investment income	—	—
Distributions from net realized capital gains ¹	—	—
Total distributions	—	—
Net asset value end of period	18.81	17.64
Net assets end of period (000s)	\$ 75	\$ 22
Ratios and Supplemental Data (%)		
Total return ^b	6.63% ^c	5.25% ^c
Ratio of total expenses to average net assets ²	1.55 ^d	2.03 ^d
Ratio of net expenses to average net assets ^a	1.07 ^d	1.07 ^d
Ratio of net investment income to average net assets ^a	0.05 ^d	0.13 ^d
Portfolio turnover	9 ^c	21 ^c

See page 17 for notes to the Financial Highlights.

The accompanying notes are an integral part of the Financial Statements.

Administrative Class	
4-Month Period Ended October 31, 2017⁹	Period Ended June 30, 2017⁷
\$17.65	\$16.76
0.01 ^e	0.01 ^e
1.16	0.88
1.17	0.89
—	—
—	—
—	—
—	—
18.82	17.65
\$ 12	\$ 11
6.63% ^c	5.31% ^c
1.43 ^d	1.93 ^d
0.95 ^d	0.95 ^d
0.10 ^d	0.19 ^d
9 ^c	21 ^c

Retirement Class	
4-Month Period Ended October 31, 2017⁹	Period Ended June 30, 2017⁷
\$17.67	\$16.76
0.05 ^e	0.03 ^e
1.14	0.88
1.19	0.91
—	—
—	—
—	—
18.86	17.67
\$ 435	\$ 316
6.73% ^c	5.43% ^c
1.10 ^d	1.52 ^d
0.62 ^d	0.62 ^d
0.42 ^d	0.58 ^d
9 ^c	21 ^c

Harbor Strategic Growth Fund Financial Highlights—Continued

SELECTED DATA FOR A SHARE OUTSTANDING FOR THE PERIODS PRESENTED

* Less than \$0.01

1 Includes both short-term and long-term capital gains

2 Percentage does not reflect reduction for credit balance arrangements (see Note 2 of the accompanying Notes to Financial Statements)

a Reflects the Adviser's waiver, if any, of its management fees and/or other operating expenses

b The total returns would have been lower had certain expenses not been waived during the periods shown.

c Unannualized

d Annualized

e Amounts are allocated based upon average shares outstanding during the period.

f For the period March 6, 2017 (commencement of operations) through June 30, 2017

g For the period July 1, 2017 through October 31, 2017

The accompanying notes are an integral part of the Financial Statements.

Harbor Strategic Growth Fund

NOTES TO FINANCIAL STATEMENTS—October 31, 2017

NOTE 1—ORGANIZATIONAL MATTERS

Harbor Funds (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), as an open-end management investment company. As of October 31, 2017 the Trust consists of 31 separate portfolios. The portfolio covered by this report is Harbor Strategic Growth Fund (referred to as the “Fund”). Harbor Capital Advisors, Inc. (the “Adviser” or “Harbor Capital”) is the investment adviser for the Fund.

The Fund currently offers four classes of shares, designated as Institutional Class, Administrative Class, Investor Class, and Retirement Class. The shares of each class represent an interest in the same portfolio of investments of the Fund and have equal rights with respect to voting, redemptions, dividends, and liquidations, except that: (i) certain expenses, subject to the approval of the Trust’s Board of Trustees (the “Board of Trustees”), may be applied differently to each class of shares in accordance with current regulations of the Securities and Exchange Commission (“SEC”) and the Internal Revenue Service; and (ii) shareholders of a class that bears distribution and service expenses under terms of a distribution plan have exclusive voting rights as to that distribution plan.

Effective July 1, 2017, the Harbor Strategic Growth Fund began operating on an October 31 fiscal year end.

Reorganization

On March 6, 2017 (the “Reorganization Date”), the Fund, a newly organized series of the Trust with no investment operations prior to the Reorganization Date, acquired all of the assets of the Mar Vista Strategic Growth Fund (the “Predecessor Fund”) in exchange for Institutional Class shares of the Fund and assumption by the Fund of substantially all of the Predecessor Fund’s liabilities. The exchange was accomplished as a tax-free reorganization (the “Reorganization”) in accordance with the Agreement and Plan of Reorganization (the “Reorganization Agreement”), which was approved by the shareholders of the Predecessor Fund on February 24, 2017. Under the Reorganization, all outstanding shares of the Predecessor Fund were exchanged for Institutional Class shares of the Fund. The exchange was based on values of the Predecessor Fund as of the close of business on the immediately preceding business day, March 3, 2017 (the “Valuation Date”). For financial reporting purposes, assets received were recorded at fair value; however, the cost basis of investments received were carried forward to align ongoing reporting from the Predecessor Fund’s unrealized gains and losses with amounts distributable to shareholders for tax purposes. The Fund has substantially similar investment objectives, principal investment strategies, and risks as the Predecessor Fund, and the investment adviser and portfolio management team of the Predecessor Fund serves as subadviser to the Fund.

The Fund is the surviving legal entity, but has adopted the performance and financial history of the Predecessor Fund, which is included in these financial statements. The following is a summary of the shares issued to the Predecessor Fund in the Reorganization and the net unrealized gains as of the Valuation Date:

Predecessor Fund’s Shares Outstanding at Valuation Date (000s)	Predecessor Fund’s Net Assets at Valuation Date (000s)	Institutional Class Shares’ Net Asset Value Per Share Issued	Institutional Class Shares Issued in the Reorganization (000s)	Net Unrealized Appreciation (000s)
1,753	\$29,486	\$16.82	1,753	\$6,499

Because the Fund was a newly organized series with no investment operations prior to the Reorganization Date, it is not practicable to present pro forma results of operations of the combined entity for the entire period ended June 30, 2017 as though the acquisition had occurred as of the beginning of the period (rather than on the actual Reorganization Date) or separate the amounts of revenue and earnings of the Predecessor Fund that have been included in the Fund’s accompanying Statement of Operations for the period from the Reorganization Date through June 30, 2017.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements. The Fund follows the investment company reporting requirements under U.S. Generally Accepted Accounting Principles (“U.S. GAAP”), which includes the accounting and reporting guidelines under Accounting Standards Topic 946, *Financial Services—Investment Companies*. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

Harbor Strategic Growth Fund

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

Security Valuation

The Trust's valuation procedures permit the Fund to use a variety of valuation methodologies, consider a number of subjective factors, analyze applicable facts and circumstances and, in general, exercise judgment, when valuing Fund investments. The methodology used for a specific type of investment may vary based on the circumstances and relevant considerations, including available market data.

Equity securities (including common stock, preferred stock, and convertible preferred stock), exchange-traded notes and financial derivative instruments (such as futures contracts, options contracts, including rights and warrants and centrally cleared swap agreements) that are traded or cleared on a national securities exchange or system (except securities listed on the National Association of Securities Dealers Automated Quotation ("NASDAQ") system and United Kingdom securities) are valued at the last sale price on a national exchange or system on which they are principally traded or cleared as of the valuation date. Securities listed on the NASDAQ system or a United Kingdom exchange are valued at the official closing price of those securities. In the case of securities for which there are no sales on the valuation day, (i) securities traded principally on a U.S. exchange, including NASDAQ, are valued at the mean between the closing bid and ask price; and (ii) securities traded principally on a foreign exchange are valued at the official bid price determined as of the close of the primary exchange. Securities of open-end registered investment companies that are held by the Fund are valued at net asset value. To the extent these securities are actively traded and fair valuation adjustments are not applied, they are normally categorized as Level 1 in the fair value hierarchy. Equity securities traded on inactive markets or valued by reference to similar instruments are normally categorized as Level 2 in the fair value hierarchy. For more information on the fair value hierarchy, please refer to the Fair Value Measurements and Disclosures section in Note 2.

Short-term securities with a remaining maturity of less than 60 days at the time of acquisition that are held by the Fund are valued at amortized cost to the extent amortized cost represents fair value. Securities that use similar valuation techniques and inputs as described above are normally categorized as Level 2 in the fair value hierarchy.

When reliable market quotations or evaluated prices supplied by a pricing vendor are not readily available or are not believed to accurately reflect fair value, securities are priced at their fair value as determined by the Trust's Valuation Committee (the "Valuation Committee") pursuant to procedures adopted, and subject to oversight, by the Board of Trustees. The Valuation Committee is comprised of a trustee and officers of the Trust and employees of Harbor Capital with relevant experience or responsibilities. Each security for which the Valuation Committee determines a fair value, including the basis for the fair value decision, is reviewed by the Board of Trustees at its regularly scheduled board meetings.

When a fair valuation method is applied by the Valuation Committee or the Fund's subadviser, securities will be priced by a method that the Valuation Committee or subadviser believes accurately reflects fair value. Securities valued using fair valuation methods that incorporate significant unobservable inputs are normally categorized as Level 3 in the fair value hierarchy. Examples of possible fair valuation methodologies used in determining the fair value of securities categorized as Level 3 in the fair value hierarchy include, but are not limited to, benchmark pricing and indicative market quotations.

When benchmark pricing is used, the base price of a debt security is set and then subsequently adjusted in proportion to the market value changes of an index or similar security (the "benchmark security") that trades in an active market or for which other observable inputs are available. The base price may be a broker-dealer quote, transaction price, or an internal value as derived by analysis of market data. The base price of the security may be reset on a periodic basis based on the availability of market data and procedures approved by the Fund's subadviser. If the benchmark security is categorized as Level 2 in the fair value hierarchy due to the lack of an active market for that security, any security adjusted in proportion to the market value of the benchmark security may be categorized as Level 3 in the fair value hierarchy. Significant changes in the unobservable inputs of the benchmark pricing process (i.e., the base price) would result in direct and proportional changes in the fair value of the security. The reasonability of the fair value is reviewed by the subadviser on a periodic basis and may be amended as the availability of market data indicates a material change.

If evaluated pricing through a third-party pricing vendor is not available or deemed not to be indicative of fair value, the Fund's subadviser may elect to obtain indicative market quotations ("broker quotes") directly from a broker-dealer or passed through from a third-party pricing vendor. Indicative market quotations are typically received from established market participants. In the event that the source of fair value is from a single-sourced broker quote, but the subadviser does not have the transparency to view the underlying inputs that support the market quotation, these securities are categorized as Level 3 in the fair value hierarchy. Significant changes in the broker quote would have direct and proportional changes in the fair value of the security.

Harbor Strategic Growth Fund

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

The Fund may also use fair value pricing if the value of some or all of the Fund's securities have been materially affected by events occurring before the Fund's pricing time but after the close of the primary markets or exchanges on which the security is traded. This most commonly occurs with foreign securities, but may occur with other securities as well. In such cases, the Fund may apply a fair value factor supplied by the pricing vendor to a foreign security's market close value to reflect changes in value that may have occurred between the close of the primary market or exchange on which the security is traded and the Fund's pricing time. That factor may be derived using observable inputs such as a comparison of the trading patterns of a foreign security to intraday trading in the U.S. markets that are highly correlated to the foreign security or other information that becomes available after the close of the foreign market on which the security principally traded. When fair value pricing is employed, the prices of securities used by the Fund to calculate its net asset value may differ from market quotations, official closing prices or evaluated prices for the same securities, which means that the Fund may value those securities higher or lower than another given fund that uses market quotations, official closing prices or evaluated prices supplied by a pricing vendor in its calculation of net asset value. Securities valued using observable inputs, such as those described above, are normally categorized as Level 2 of the fair value hierarchy.

Fair Value Measurements and Disclosures

Various inputs may be used to determine the value of the Fund's investments, which are summarized in three broad categories defined as Level 1, Level 2, and Level 3. The inputs or methodologies used for valuing securities are not necessarily indicative of the risk associated with investing in those securities. The assignment of an investment to Levels 1, 2, or 3 is based on the lowest level of significant inputs used to determine its fair value.

Level 1—Quoted prices in active markets for identical securities.

Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—Significant unobservable inputs are used in situations where quoted prices or other observable inputs are not available or are deemed unreliable. Significant unobservable inputs may include the Fund's own assumptions.

Transfers between levels, if any, are recognized as of the last day in the fiscal quarter of the period in which the event or change in circumstances that caused the reclassification occurred. For fair valuations using significant unobservable inputs, a reconciliation of the beginning to ending balances for reported fair values is provided that presents changes attributable to realized and unrealized gains and losses and purchases, sales, and transfers in/out of the Level 3 category during the period. A table that includes a categorization of investments into Levels 1, 2, or 3, transfers between levels, if any, and a Level 3 reconciliation, including details of significant unobservable inputs used, when applicable, can be found at the end of the Fund's Portfolio of Investments schedule.

The Fund used observable inputs in its valuation methodologies whenever they were available and deemed reliable.

U.S. Government Securities

U.S. government securities include securities issued by U.S. government agencies or government-sponsored enterprises that may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association ("GNMA" or "Ginnie Mae"), a wholly owned U.S. government corporation, is authorized to guarantee, with the full faith and credit of the U.S. government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Government-related guarantors are not backed by the full faith and credit of the U.S. government and include the Federal National Mortgage Association ("FNMA" or "Fannie Mae") and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). On September 7, 2008, the Federal Housing Finance Agency placed Fannie Mae and Freddie Mac in conservatorship, while the U.S. Treasury agreed to purchase preferred stock as needed to ensure that both Fannie Mae and Freddie Mac maintain a positive net worth (guaranteeing up to \$100 billion for each entity). As a consequence, certain fixed income securities of Fannie Mae and Freddie Mac have more explicit U.S. government support. No assurance can be given as to whether the U.S. government will continue to support Fannie Mae and Freddie Mac. In addition, the future of Fannie Mae and Freddie Mac is uncertain because Congress has been considering proposals as to whether Fannie Mae and Freddie Mac should be nationalized, privatized, restructured or eliminated altogether. Fannie Mae and Freddie Mac are also the subject of continuing legal actions and investigations, which may have an adverse effect on these entities.

Harbor Strategic Growth Fund

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

Repurchase Agreements

In a repurchase agreement, the Fund buys a security at one price and simultaneously agrees to sell it back at a higher price. Such agreements must be adequately collateralized to cover the counterparty's obligation to the Fund to close out the repurchase agreement. During the period, the Fund entered into repurchase agreements with domestic or foreign banks or with a member firm of the Financial Industry Regulatory Authority, Inc., or an affiliate of a member firm that is a primary dealer in U.S. government securities. Each repurchase agreement counterparty must meet the minimum credit quality requirements applicable to the Fund and any other appropriate counterparty criteria as determined by the Fund's subadviser. The minimum credit quality requirements are those applicable to the Fund's purchase of securities such that if the Fund is permitted to only purchase securities that are rated investment-grade (or the equivalent if unrated), the Fund could only enter into repurchase agreements with counterparties that have debt outstanding that is rated investment-grade (or the equivalent if unrated). The securities are regularly monitored to ensure that the collateral is adequate. The Fund seeks to further mitigate its counterparty risk by entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default, including bankruptcy, the Fund may terminate any repurchase agreements with that counterparty, determine the net amount owned, and sell or retain the collateral up to the net amount owed to the Fund. A counterparty's default may cause the Fund to suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the terms of the master repurchase agreement.

Foreign Currency Translations

Purchases and sales of securities are translated into U.S. dollars at the current exchange rate on the respective dates of the transactions. Income and withholding taxes are translated at the prevailing exchange rate when accrued or incurred. The accounting records of the Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency, when applicable, are translated into U.S. dollars based on the current exchange rates at period end.

Reported net realized gains and losses on foreign currency transactions, when applicable, represent net gains and losses from sales and maturities of foreign currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income accrued and tax reclaims receivable and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities, when applicable, are included in the net realized and unrealized gain or loss on investments in the Statement of Operations.

Investment Income

Dividends declared on portfolio securities are accrued on the ex-dividend date. For foreign securities, certain dividends are recorded after the ex-dividend date, but as soon as the Fund is notified of such dividends. Interest income is accrued daily as earned. Discounts and premiums on fixed income securities are amortized over the life of the respective securities using the effective yield method.

Securities Transactions

Securities transactions are accounted for on the trade date (the date the order to buy or sell is executed). Realized gains or losses on security transactions are determined on the basis of identified cost.

Proceeds from Litigation

The Fund may receive proceeds from shareholder litigation settlements involving current and/or previously held portfolio holdings. Any proceeds received from litigation involving portfolio holdings are reflected in the Statements of Operations in realized gain/(loss) if the security has been disposed of by the Fund, or in unrealized gain/(loss) if the security is still held by the Fund.

Distribution to Shareholders

Distributions on Fund shares are recorded on the ex-dividend date.

Harbor Strategic Growth Fund

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

Expenses

Expenses incurred by the Trust are charged directly to the Fund that incurred such expense whenever possible. With respect to expenses incurred by any two or more Harbor Funds where amounts cannot be identified on a fund by fund basis, such expenses are generally allocated in proportion to the average net assets or the number of shareholders of each Fund.

Custodian

The Fund has credit balance arrangements with its custodian whereby positive balances in demand deposit accounts used by the transfer and shareholder servicing agent for clearing shareholder transactions in the Fund generate credits that are applied against gross custody expenses. Such custodial expense reductions, if any, are reflected on the Fund's accompanying Statement of Operations.

Class Allocations

Income, common expenses and realized and unrealized gains/(losses) are determined at the Fund level and allocated daily to each class of shares based on the applicable net assets of the respective classes. Distribution and service fees, if any, and transfer agent fees are calculated daily at the class level based on the applicable net assets of each class and the expense rate(s) applicable to each class.

Taxes

The Fund is treated as a separate entity for federal tax purposes. The Fund's policy is to meet the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute to its shareholders all of its taxable income within the prescribed time. It is also the intention of the Fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Internal Revenue Code. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation of securities held or excise taxes on income and capital gains.

The Fund may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued and applied to net investment income, net realized gains and unrealized appreciation as such income and/or gains are earned.

The U.S. federal income tax returns for the tax years ended June 30, 2014, 2015, 2016 and the period ended March 3, 2017 remain subject to examination by the Internal Revenue Service. Management has analyzed the Fund's tax positions expected to be taken upon filing the October 31, 2017 tax return, in all material jurisdictions where the Fund operates, and has concluded that no provision for income tax is required in the Fund's financial statements. The Fund will recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statements of Operations.

NOTE 3—INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, other than short-term securities, for the Fund for the period ended October 31, 2017 are as follows:

	Purchases (000s)	Sales (000s)
Harbor Strategic Growth Fund	\$25,120	\$3,560

NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES

Investment Adviser

Harbor Capital is a wholly-owned subsidiary of Robeco Groep N.V. ("Robeco"). Robeco is wholly-owned by ORIX Corporation ("ORIX"). Harbor Capital is the Fund's investment adviser and is also responsible for administrative and other services.

Harbor Strategic Growth Fund

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES—Continued

The Fund has an advisory agreement with Harbor Capital. The agreement provides for management fees based on an annual percentage rate of average daily net assets as follows:

	<u>Contractual Rate</u>
Harbor Strategic Growth Fund	0.60% ^a

a Reflects the period March 6, 2017 (date of Reorganization) through October 31, 2017.

Harbor Capital has from time to time voluntarily or contractually agreed not to impose a portion of its management fees and/or to bear a portion of the expenses incurred in the operation of the Fund in order to limit Fund expenses. Such waivers, if any, are reflected on the accompanying Statements of Operations. For the period March 1, 2017 through February 28, 2019, Harbor Capital has contractually agreed to limit the operating expenses of the Fund (excluding acquired fund fees and expenses and interest expense, if any), to 0.70%, 0.95%, 1.07% and 0.62% for the Institutional Class, Administrative Class, Investor Class, and Retirement Class, respectively.

All expense limitation agreements include the transfer agent fee waiver discussed in the Transfer Agent note.

Prior to the Reorganization, pursuant to a separate investment advisory agreement, Mar Vista Investment Partners, LLC (“Mar Vista”) served as investment adviser to the Predecessor Fund and earned a fee for such services based on 0.75% of average daily net assets of the Predecessor Fund.

Prior to the Reorganization, Mar Vista had contractually agreed to waive its fees and/or absorb expenses of the Predecessor Fund to ensure that the net annual operating expenses (excluding acquired fund fees and expenses, taxes, brokerage commissions, interest, and extraordinary expenses) did not exceed 0.90% of average daily net assets of the Predecessor Fund. Pursuant to this agreement, \$92,000 of expenses were waived and/or reimbursed by Mar Vista during the period July 1, 2016 through March 3, 2017.

Distributor

Harbor Funds Distributors, Inc. (“Harbor Funds Distributors” or the “Distributor”), a wholly-owned subsidiary of Harbor Capital, is the distributor for Harbor Funds’ shares. Under the Trust’s current distribution plans pursuant to Rule 12b-1 under the Investment Company Act with respect to the Fund’s Administrative and Investor Class shares (the “12b-1 Plan”), the Fund pays the Distributor compensation at the annual rate of 0.25% of the average daily net assets of its Administrative and Investor Class shares. Pursuant to the 12b-1 Plan the Distributor is compensated for financing any activity that is primarily intended to result in the sale of Administrative and Investor Class shares of the Fund or for recordkeeping services or the servicing of shareholder accounts in the Administrative and Investor Class shares of the Fund. Such activities include, but are not limited to: printing of prospectuses and statements of additional information and reports for prospective shareholders (i.e., other than existing shareholders); preparation and distribution of advertising material and sales literature; expenses of organizing and conducting sales seminars; supplemental payments to dealers or other institutions such as asset-based sales charges, payments of recordkeeping fees under recordkeeping arrangements, or payments of service fees under shareholder service arrangements; and costs of administering the 12b-1 Plan.

Amounts payable by the Fund under the 12b-1 Plan need not be directly related to the expenses actually incurred by the Distributor on behalf of the Fund. The 12b-1 Plan does not obligate the Fund to reimburse the Distributor for the actual expenses the Distributor may incur in fulfilling its obligations under the 12b-1 Plan. Thus, even if the Distributor’s actual expenses exceed the fee payable to the Distributor at any given time, the Fund will not be obligated to pay more than that fee. If the Distributor’s expenses are less than the fee it receives, the Distributor will retain the difference.

The fees attributable to each respective class of the Fund are shown on the accompanying Statements of Operations.

Prior to the Reorganization, Quasar Distributors, LLC (“Quasar”) served as the Predecessor Fund’s principal underwriter. Quasar is an affiliate of the Predecessor Fund’s Administrator.

Harbor Strategic Growth Fund

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES—Continued

Transfer Agent

Harbor Services Group, Inc. (“Harbor Services Group”), a wholly-owned subsidiary of Harbor Capital, is the transfer and shareholder servicing agent for the Fund. The transfer agency and service agreement is reviewed and approved annually by the Board of Trustees and provides currently for compensation up to the following amounts per class of the Fund:

	<u>Transfer Agent Fees^a</u>
Institutional Class	0.09% of the average daily net assets of all Institutional Class shares
Administrative Class	0.09% of the average daily net assets of all Administrative Class shares
Investor Class	0.21% of the average daily net assets of all Investor Class shares
Retirement Class	0.01% of the average daily net assets of all Retirement Class shares

a For the period March 6, 2017 (date of Reorganization) through October 31, 2017.

Harbor Services Group has voluntarily waived a portion of its transfer agent fees during the periods ended June 30, and October 31, 2017. Fees incurred for these transfer agent services are shown on the Fund’s Statement of Operations. The voluntary waiver may be discontinued at any time.

Prior to the Reorganization, U.S. Bancorp Fund Services, LLC (the “Prior Administrator”) served as the Predecessor Fund’s Administrator under an Administration Agreement. The Prior Administrator prepared various federal and state regulatory filings, reports and returns for the Predecessor Fund; prepared reports and materials to be supplied to the Predecessor Fund’s Trustees; monitored the activities of the Predecessor Fund’s custodian, transfer agent and accountants; coordinated the preparation and payment of the Predecessor Fund’s expenses and reviewed the Predecessor Fund’s expense accruals. U.S. Bancorp Fund Services, LLC also served as the fund accountant and transfer agent to the Predecessor Fund. Vigilant Compliance, LLC served as the Chief Compliance Officer to the Predecessor Fund. U.S. Bank N.A., an affiliate of U.S. Bancorp Fund Services, served as the Predecessor Fund’s custodian. For the period July 1, 2016 through March 3, 2017, the Predecessor Fund incurred the following expenses for administration, fund accounting, transfer agency, custody and Chief Compliance Officer fees:

	<u>Amount (000s)</u>
Administration & Fund Accounting	\$24
Custody	4
Transfer Agency ^a	25
Chief Compliance Officer	8

a Does not include out-of-pocket expenses

Affiliated Transactions

The Investment Company Act permits purchase and sale transactions among affiliated investment companies subject to an exemptive rule. Harbor Funds has adopted policies and procedures pursuant to such rule. During the period, the Fund did not enter into any transactions with any other Harbor fund.

Shareholders

On October 31, 2017, Harbor Capital, Harbor Funds Distributors, and Harbor Services Group, collectively held the following shares of beneficial interest in the Fund:

	<u>Number of Shares Owned by Harbor Capital, Harbor Funds Distributors, and Harbor Services Group</u>				<u>Total</u>	<u>Percentage of Outstanding Shares</u>
	<u>Institutional Class</u>	<u>Administrative Class</u>	<u>Investor Class</u>	<u>Retirement Class</u>		
Harbor Strategic Growth Fund	1,099,721	603	603	10,133	1,111,060	37.0%

Harbor Strategic Growth Fund

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 4—FEES AND OTHER TRANSACTIONS WITH AFFILIATES—Continued

Independent Trustees

The fees and expenses of the independent trustees are shown on the Fund's Statements of Operations. Prior to the Reorganization, the Predecessor Fund incurred Independent Trustees' remuneration of \$7,000 for the period ended March 3, 2017. The Independent Trustees' remuneration for the Fund totaled \$1,000 for the period ended October 31, 2017.

The Board of Trustees has adopted a Deferred Compensation Plan for Independent Trustees (the "Plan"), which enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Trust. For purposes of determining the amount owed to a Trustee under the Plan, deferred amounts are treated as though they had been invested in shares of the Fund(s) selected by the Trustee. While not required to do so, the Fund makes an investment equal to the Trustee's investment election. The deferred compensation liability and the offsetting deferred compensation investment asset are included as a component of "Other Accrued Expenses" and "Other assets", respectively, in the Statement of Assets and Liabilities. Such amounts fluctuate with changes in the market value of the selected Funds. The deferred compensation and related mark-to-market impact liability and an offsetting investment asset will remain on the Fund's Statement of Assets and Liabilities until distributed in accordance with the Plan.

Redemption Fee

The Fund does not charge a redemption fee, however the Predecessor Fund charged a 0.75% redemption fee on shares of the Predecessor Fund that were redeemed within 60 days from their date of purchase. Redemption fees were recorded as paid-in capital. For the period July 1, 2016 through March 3, 2017, redemption fee proceeds for the Predecessor Fund totaled \$100.

Indemnification

Under the Trust's organizational documents, its officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, in the normal course of business the Trust enters into contracts that provide general indemnities to other parties. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

Harbor Strategic Growth Fund

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 5—TAX INFORMATION

The Reorganization is intended to be treated for tax purposes as a reorganization described in Section 368(a)(1)(D) of the Internal Revenue Code. Accordingly, the Predecessor Fund made a final ordinary income dividend and capital gain distribution prior to the Reorganization Date and has filed its final tax return. The Fund has an October 31, tax year end. The amount and character of income and net realized gains to be distributed are determined in accordance with income tax rules and regulations, which may differ from U.S. GAAP. These differences are attributable to permanent book and tax accounting differences that were primarily due to tax treatment of wash sales from the Predecessor Fund and use of equalization. Reclassifications are made to the Fund's capital account to reflect income and net realized gains available for distribution (or available capital loss carryovers) under income tax rules and regulations. The amounts reclassified on the Statement of Assets and Liabilities for the period ended October 31, 2017 are as follows:

	Undistributed Net Investment Income/(Loss) (000s)	Accumulated Net Realized Gain/(Loss) (000s)	Paid in Capital (000s)
Harbor Strategic Growth Fund	\$(4)	\$(67)	\$71

The tax composition of the Fund's distributions is as follows:

	As of October 31, 2017			As of June 30, 2017		
	Ordinary Income (000s)	Long-Term Capital Gains (000s)	Total (000s)	Ordinary Income (000s)	Long-Term Capital Gains (000s)	Total (000s)
Harbor Strategic Growth Fund	\$—	\$—	\$—	\$193	\$205	\$398

As of October 31, 2017, the components of the Fund's distributable earnings on a tax basis are as follows:

	Undistributed Ordinary Income (000s)	Undistributed Long-Term Capital Gains (000s)	Net Unrealized Appreciation/ (Depreciation) (000s)
Harbor Strategic Growth Fund	\$132	\$1,034	\$9,682

The identified cost for federal income tax purposes of investments owned by the Fund and its respective gross unrealized appreciation and depreciation at October 31, 2017 are as follows:

	Identified Cost (000s)	Gross Unrealized		Net Unrealized Appreciation/ (Depreciation) (000s)
		Appreciation (000s)	(Depreciation) (000s)	
Harbor Strategic Growth Fund	\$47,292	\$10,099	\$(417)	\$9,682

NOTE 6—SUBSEQUENT EVENTS

Through the date the financial statements were issued, there were no subsequent events or transactions that would have materially impacted the financial statements or related disclosures as presented herein.

Harbor Strategic Growth Fund

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Trustees and Shareholders of

Harbor Funds

We have audited the accompanying statement of assets and liabilities of Harbor Strategic Growth Fund (one of the portfolios constituting the Harbor Funds (the Trust)), including the portfolio of investments, as of October 31, 2017, and the related statement of operations, the statement of changes in net assets, and the financial highlights for the periods indicated therein. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The statement of changes in net assets and the financial highlights for the periods presented through June 30, 2016, were audited by other auditors whose report dated August 26, 2016, expressed an unqualified opinion on that statement and those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2017, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Harbor Strategic Growth Fund at October 31, 2017, the results of its operations, the changes in its net assets, and the financial highlights for each of the periods indicated therein in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Chicago, Illinois
December 21, 2017

Harbor Strategic Growth Fund

FEES AND EXPENSES EXAMPLE (Unaudited)

Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees (if any) and (2) ongoing costs, including management fees, distribution and service (12b-1) fees (if any), and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period May 1, 2017 through October 31, 2017.

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses for each share class. You may use the information in the respective class line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line of the respective class under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table for each share class below provides information about hypothetical account values and hypothetical expenses based on the respective Fund/Class’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the respective Fund/Class’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund to other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Annualized Expense Ratios*	Expenses Paid During Period**	Beginning Account Value May 1, 2017	Ending Account Value October 31, 2017
HARBOR STRATEGIC GROWTH FUND				
Institutional Class	0.70%			
Actual		\$3.70	1,000	\$1,095.90
Hypothetical (5% return)		3.57	1,000	1,021.59
Administrative Class	0.95%			
Actual		\$5.02	1,000	\$1,094.20
Hypothetical (5% return)		4.84	1,000	1,020.30
Investor Class	1.07%			
Actual		\$5.64	1,000	\$1,094.20
Hypothetical (5% return)		5.45	1,000	1,019.68
Retirement Class	0.62%			
Actual		\$3.28	1,000	\$1,096.50
Hypothetical (5% return)		3.16	1,000	1,022.00

* Reflective of all fee waivers and expense reimbursements

** Expenses are equal to the Fund’s annualized net expense ratio, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

Harbor Strategic Growth Fund

ADDITIONAL INFORMATION (Unaudited)

ADDITIONAL TAX INFORMATION

The Funds designate the following portions of their distributions from investment company taxable income for the fiscal period as qualifying for the dividends received deduction for corporate shareholders.

	<u>Percentage of Distribution</u>
Harbor Strategic Growth Fund	100%

Pursuant to Section 852 of the Internal Revenue Code, the Funds designate the following capital gain dividends for the period ended October 31, 2017:

	<u>Amount (000s)</u>
Harbor Strategic Growth Fund	\$63

PROXY VOTING

Harbor Funds has adopted Proxy Voting Policies and Procedures under which proxies relating to securities held by the Harbor funds are voted. In addition, Harbor Funds files Form N-PX, with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. A description of Harbor Funds' Proxy Voting Policies and Procedures and the proxy voting records (Form N-PX) are available (i) upon request, by calling Harbor Funds toll-free at 800-422-1050; (ii) on Harbor Funds' website at *harborfunds.com*; and (iii) on the SEC's website at *sec.gov*.

HOUSEHOLDING

Harbor Funds has adopted a policy that allows it to send only one copy of the Fund's prospectus, proxy materials, annual report and semi-annual report to certain shareholders residing at the same household. This reduces Fund expenses, which benefits you and other shareholders. If you need additional copies or do not want your mailings to be "household," please call the Shareholder Servicing Agent at 800-422-1050. Individual copies will be sent within thirty (30) days after the Shareholder Servicing Agent receives your instructions. Your consent to householding is considered valid until revoked.

QUARTERLY PORTFOLIO DISCLOSURES

Harbor Funds files a complete portfolio of investments with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available (i) without charge, upon request, by calling Harbor Funds toll-free at 800-422-1050, (ii) on Harbor Funds' website at *harborfunds.com*, and (iii) on the SEC's website at *sec.gov*. The form may also be viewed and copied at the SEC's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may also be obtained by calling 800-SEC-0330.

SPECIAL MEETING OF SHAREHOLDERS

At a special meeting of the shareholders of the Harbor Funds held on September 22, 2017, shareholders elected six trustees to the Board of Trustees of Harbor Funds. Scott M. Amero, Robert A. Kasdin, and Ann M. Spruill were previously appointed as Trustees but had not been elected by shareholders. Raymond J. Ball, Donna J. Dean, and Randall A. Hack continue to serve on the Board.

<u>Trustee</u>	<u>For</u>	<u>Withhold</u>
Scott M. Amero	1,047,869,265	14,860,642
Joseph L. Dowling III	1,046,335,272	16,394,636
Robert A. Kasdin	1,047,514,035	15,215,872
Charles F. McCain	1,047,667,935	15,061,973
Kathryn L. Quirk	1,046,812,694	15,917,214
Ann M. Spruill	1,047,274,165	15,455,742

Harbor Strategic Growth Fund

ADDITIONAL INFORMATION—Continued

SPECIAL MEETING OF SHAREHOLDERS—Continued

At a special meeting of the shareholders of the Harbor Funds held on September 22, 2017, shareholders approved an amendment to each Fund's fundamental investment restriction regarding borrowing.

<u>Fund Name</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Vote</u>
Harbor Strategic Growth Fund ^a	910,417	12,112	6,367	630,438

At a special meeting of the shareholders of the Harbor Funds held on September 22, 2017, shareholders approved an amendment to each Fund's fundamental investment restriction regarding lending.

<u>Fund Name</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Vote</u>
Harbor Strategic Growth Fund ^a	909,963	12,566	6,367	630,438

^a Meeting held on October 18, 2017

Harbor Strategic Growth Fund

ADDITIONAL INFORMATION—Continued

TRUSTEES AND OFFICERS

AS OF DECEMBER 2017

The business and affairs of the Trust shall be managed by or under the direction of the Trustees, and they shall have all powers necessary or desirable to carry out that responsibility. The Trustees shall have full power and authority to take or refrain from taking any action and to execute any contracts and instruments that they may consider necessary or desirable in the management of the Trust. Any determination made by the Trustees in good faith as to what is in the interests of the Trust shall be conclusive. Information pertaining to the Trustees and Officers of Harbor Funds is set forth below. The address of each Trustee and Officer is: [Name of Trustee or Officer] c/o Harbor Funds, 111 South Wacker Drive, 34th Floor, Chicago, IL 60606-4302.

The Harbor Fund's Statement of Additional Information includes additional information about the Trust's Trustees and is available without charge by calling 800-422-1050 or at the Trust's website at harborfunds.com.

Name (Age) Position(s) with Fund	Term of Office and Length of Time Served ¹	Principal Occupation(s) During Past Five Years	Number of Portfolios In Fund Complex Overseen By Trustee	Other Directorships Of Public Companies and Other Registered Investment Companies Held by Trustee During Past Five Years
INDEPENDENT TRUSTEES				
Scott M. Amero (54) Trustee	Since 2014	Chairman (2015-Present) and Trustee (2011-2015), Rare (conservation nonprofit); Trustee, Berkshire School (2014-Present); Vice Chairman and Global Chief Investment Officer, Fixed Income (2010), Vice Chairman and Global Chief Investment Officer, Fixed Income, and Co-Head, Fixed Income Portfolio Management (2007-2010), BlackRock, Inc., (publicly traded investment management firm).	32	None
Raymond J. Ball (73) Trustee	Since 2006	Sidney Davidson Distinguished Service Professor of Accounting, University of Chicago Booth School of Business (2000-Present); Academic Affiliate, Analysis Group (litigation consulting firm) (2000-Present); Financial Reporting Faculty Advisory Group of the Institute of Chartered Accountants in England and Wales (2008-Present); and Advisory Board of the Center for Accounting Research & Education at University of Notre Dame (2006-Present).	32	None
Donna J. Dean (66) Trustee	Since 2010	Chief Investment Officer of the Rockefeller Foundation (a private foundation) (1995-Present).	32	None
Joseph L. Dowling III (53) Trustee	Since 2017	Chief Investment Officer, Brown University (2013-Present); Advisory Board Member, Stage Point Capital (private mortgage specialist) (2016-Present); Advisory Board Member, Harbor Funds (2016-2017); and Founder and Managing Member, Narragansett Asset Management (private investment management firm) (1998-2013).	32	Director of Integrated Electrical Services (2011-Present).
Randall A. Hack (70) Trustee	Since 2010	Founder and Senior Managing Director of Capstone Capital LLC (private investment firm) (2003-Present); Director of Tower Development Corporation (cell tower developer) (2009-2016); and Advisory Director of Berkshire Partners (private equity firm) (2002-2013).	32	None
Robert Kasdin (59) Trustee	Since 2014	Senior Vice President and Chief Operating Officer, Johns Hopkins Medicine (2015-Present); Senior Executive Vice President, Columbia University (2002-2015); Trustee and Co-Chair of the Finance Committee, National September 11 Memorial & Museum at the World Trade Center (2005-Present); Director, Apollo Commercial Real Estate Finance, Inc. (2014-Present); and Director, Noranda Aluminum Holdings Corp. (2007-2014).	32	Director of Noranda Aluminum Holdings Corporation (2007-2014); and Director of Apollo Commercial Real Estate Finance, Inc. (2014-Present).

Harbor Strategic Growth Fund

ADDITIONAL INFORMATION—Continued

TRUSTEES AND OFFICERS—Continued

Name (Age) Position(s) with Fund	Term of Office and Length of Time Served ¹	Principal Occupation(s) During Past Five Years	Number of Portfolios In Fund Complex Overseen By Trustee	Other Directorships Of Public Companies and Other Registered Investment Companies Held by Trustee During Past Five Years
INDEPENDENT TRUSTEES—Continued				
Kathryn L. Quirk (65) Trustee	Since 2017	Retired; Vice President, Senior Compliance Officer and Head, U.S. Regulatory Compliance, Goldman Sachs Asset Management (2013-2017); Deputy Chief Legal Officer, Asset Management, and Vice President and Corporate Counsel, Prudential Insurance Company of America (2010-2012); Co-Chief Legal Officer, Prudential Investment Management, Inc., and Chief Legal Officer, Prudential Investments and Prudential Mutual Funds (2008-2012); Vice President and Corporate Counsel and Chief Legal Officer, Mutual Funds, Prudential Insurance Company of America, and Chief Legal Officer, Prudential Investments (2005-2008); Vice President and Corporate Counsel and Chief Legal Officer, Mutual Funds, Prudential Insurance Company of America (2004-2005); Member, Management Committee (2000-2002), General Counsel and Chief Compliance Officer, Zurich Scudder Investments, Inc. (1997-2002).	32	None
Ann M. Spruill (63) Trustee	Since 2014	Partner (1993-2008), member of Executive Committee (1996-2008), Member Board of Directors (2002-2008), Grantham, Mayo, Van Otterloo & Co, LLC (private investment management firm) (with the firm since 1990); Member Investment Committee and Chair of Global Equities, Museum of Fine Arts, Boston (2000-Present); and Trustee, Financial Accounting Foundation (2014-Present).	32	None
INTERESTED TRUSTEE				
Charles F. McCain (48)* Chairman, Trustee and President	Since 2017	Chief Executive Officer (2017-Present), Director (2007-Present), President and Chief Operating Officer (2017), Executive Vice President and General Counsel (2004-2017), and Chief Compliance Officer (2004-2014), Harbor Capital Advisors, Inc.; Director (2007-Present) and Chief Compliance Officer (2004-2017), Harbor Services Group, Inc.; and Chief Executive Officer (2017-Present), Director (2007-Present), Chief Compliance Officer and Executive Vice President (2007-2017), Harbor Funds Distributors, Inc.	32	None
FUND OFFICERS NOT LISTED ABOVE**				
Erik D. Ojala (42) Chief Compliance Officer and Secretary	Since 2017 Since 2007	Executive Vice President and General Counsel (2017-Present) and Secretary (2010-Present); Senior Vice President and Associate General Counsel (2007-2017), Harbor Capital Advisors, Inc.; Director, Executive Vice President and Chief Compliance Officer (2017-Present), Harbor Funds Distributors, Inc.; and Director (2017-Present) and Assistant Secretary (2014-Present), Harbor Services Group, Inc.		
Anmarie S. Kolinski (46) Treasurer	Since 2007	Executive Vice President and Chief Financial Officer (2007-Present), Harbor Capital Advisors, Inc.; Chief Financial Officer (2007-Present), Harbor Services Group, Inc.; and Chief Financial Officer (2015-Present) and Treasurer (2012-Present), Harbor Funds Distributors, Inc.		
Brian L. Collins (49) Vice President	Since 2005	Executive Vice President and Chief Investment Officer (2004-Present), Harbor Capital Advisors, Inc.		
Charles P. Ragusa (58) Vice President	Since 2007	Executive Vice President (2007-Present), Harbor Capital Advisors, Inc.; President (2007-Present), Harbor Services Group, Inc.; and Executive Vice President and AML Compliance Officer (2007-Present) and OFAC Officer (2015-Present), Harbor Funds Distributors, Inc.		
Jodie L. Crotteau (45) Assistant Secretary	Since 2014	Senior Vice President and Chief Compliance Officer, Harbor Capital Advisors, Inc. (2014-Present); Chief Compliance Officer and Secretary (2017-present) and Assistant Secretary (2015-2016), Harbor Services Group, Inc.; Assistant Secretary (2016-present), Harbor Funds Distributors, Inc.; Vice President and Chief Compliance Officer, Grosvenor Registered Funds (2011-2014); and Vice President, Grosvenor Capital Management, L.P. (2010-2014).		

Harbor Strategic Growth Fund

ADDITIONAL INFORMATION—Continued

TRUSTEES AND OFFICERS—Continued

Name (Age) Position(s) with Fund	Term of Office and Length of Time Served ¹	Principal Occupation(s) During Past Five Years
FUND OFFICERS NOT LISTED ABOVE^{**}—Continued		
Lana M. Lewandowski (38) AML Compliance Officer and Assistant Secretary	Since 2017	Legal & Compliance Manager (2016-Present) and Legal Specialist (2012-2015), Harbor Capital Advisors, Inc.
Lora A. Kmiecik (53) Assistant Treasurer	Since 2017	Senior Vice President – Fund Administration and Analysis (2017-Present) and Senior Vice President - Business Analysis (2015-2017), Harbor Capital Advisors, Inc.; and Assurance Executive Director (1999-2015), Ernst & Young LLP.
John M. Paral (49) Assistant Treasurer	Since 2013	Director of Fund Administration and Analysis (2017-Present), Vice President (2012-Present) and Financial Reporting Manager (2007-2017), Harbor Capital Advisors, Inc.

¹ Each Trustee serves for an indefinite term, until his successor is elected. Each Officer is elected annually.

* Mr. McCain is deemed an “Interested Trustee” due to his affiliation with the Adviser and Distributor of Harbor Funds.

** Officers of the Funds are “interested persons” as defined in the Investment Company Act.

Harbor's Privacy Statement

The following privacy statement is issued by Harbor Funds and each series of Harbor Funds and its affiliates, Harbor Capital Advisors, Inc., Harbor Services Group, Inc. and Harbor Funds Distributors, Inc. These measures reflect our commitment to maintaining the privacy of your confidential information. We appreciate the confidence you have shown by entrusting us with your assets.

Personal Information It is our policy to respect the privacy of current and former shareholders and to protect personal information entrusted to us. We do not sell your personal information to anyone.

In the course of providing products and services, we collect non-public personal information about you from the following sources: applications, forms, our website (including any information captured through our use of "cookies"), through mobile applications, by telephone and in correspondence and transactions with us, our affiliates or other parties.

The non-public personal information collected may include name, address, e-mail address, telephone/fax numbers, account number, social security or taxpayer identification number, investment activity, and bank account information.

When you visit us through our website or a mobile application, we may collect technical and navigational information, such as computer browser type, Internet protocol address, pages visited and average time spent on our website. We may use this information to alert you to software compatibility issues, or to improve our web design and functionality. We use "cookies" and similar files that may be placed on your hard drive for security purposes, to facilitate site navigation and to personalize the appearance of our site.

Information Sharing We occasionally disclose non-public personal information about our current or former shareholders with affiliated and non-affiliated parties, as permitted or required by law or regulation. In the normal course of servicing our shareholders, information we collect may be shared with non-affiliated companies that perform support services on our behalf or to other firms that assist us in providing you with products and services, such as custodians, transfer agents, broker-dealers and marketing service firms, as well as with other financial institutions. These companies may not use the information for any other purpose and we require them to keep the information they handle confidential. We may also share information with affiliates that are engaged in a variety of financial services in order to better service your account(s).

When information is shared with third parties, they are not permitted to use the information for any purpose other than to assist our servicing of your account(s) or as permitted by law.

If you close your account(s) or if we lose contact with you, we will continue to share information in accordance with our current privacy policy and practices.

Access to Information Access to non-public personal information is limited to employees, agents or other parties who need to know that information to perform their jobs, such as servicing your account(s), resolving problems or informing you of new products or services.

Security We maintain physical, electronic and procedural safeguards that comply with industry standards to protect your non-public personal information.

For shareholders accessing information through our website or a mobile application, various forms of Internet security, such as data encryption firewall barriers, user names and passwords, and other tools are used. For additional information regarding our security measures, visit the terms and conditions of use on our website at harborfunds.com. If you have any questions or concerns about how we maintain the privacy of your non-public personal information, please contact us at 800-422-1050 Monday through Friday, between the hours of 8:00 a.m. and 6:00 p.m. Eastern time.

We recommend that you read and retain this notice for your personal files.

Glossary

BENCHMARK DESCRIPTIONS

Bloomberg Barclays U.S. Aggregate Bond Index—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.

Bloomberg Barclays U.S. TIPS Index—The Bloomberg Barclays U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation Protected Securities rated investment grade (Baa3 or better), have at least one year to final maturity, and at least \$250 million par amount outstanding. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

Bloomberg Commodity Index Total ReturnSM—The Bloomberg Commodity Index Total ReturnSM is a broadly diversified index that tracks the commodities markets through commodity futures contracts. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

ICE BofAML All U.S. Convertibles Ex Mandatory Index—The BofA Merrill Lynch All U.S. Convertibles Ex Mandatory Index is broadly representative of the U.S. convertible securities market, consisting of publicly traded issues, denominated in U.S. dollars, of all credit qualities, and excluding mandatory (equity-linked) convertibles. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

ICE BofAML U.S. Dollar 3-Month LIBOR Constant Maturity Index—The ICE BofAML U.S. Dollar 3-Month LIBOR Constant Maturity Index tracks the performance of a synthetic asset paying Libor to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that day's fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day fixing rate) and rolled into a new instrument. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

ICE BofAML 3-Month U.S. Treasury Bill Index—The ICE BofAML 3-Month U.S. Treasury Bill Index is comprised of a single U.S. Treasury Bill issue purchased at the beginning of each month and held for a full month, at which time that issue is sold and rolled into a newly selected issue. The issue selected each month is that having a maturity date closest to, but not beyond 90 days from the rebalance date.

ICE BofAML U.S. High Yield Index (H0A0)—The ICE BofAML U.S. High Yield Index (H0A0) is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. All bonds are U.S. dollar denominated and rated Split BBB and below. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

ICE BofAML U.S. Non-Distressed High Yield Index—The ICE BofAML U.S. Non-Distressed High Yield Index is a subset of the ICE BofAML U.S. High Yield Index (H0A0) including all securities with an option-adjusted spread less than 1,000 basis points. The unmanaged index does not reflect fees and expenses and is not available for direct investment.

MSCI All Country World Index—The MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

MSCI All Country World Ex. U.S. (ND) Index—The MSCI All Country World Ex. U.S. is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global developed and emerging markets, excluding the United States. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

MSCI EAFE (ND) Index—The MSCI EAFE (ND) Index is an unmanaged index generally representative of major overseas stock markets. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

MSCI EAFE Small Cap (ND) Index—The MSCI EAFE Small Cap (ND) Index is an equity index which captures small cap representation across developed market countries around the world, excluding the U.S. and Canada. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

MSCI Emerging Markets (ND) Index—The MSCI Emerging Markets (ND) Index is a market capitalization weighted index of equity securities in more than 20 emerging market economies. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

MSCI World (ND) Index—The MSCI World (ND) Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

BENCHMARK DESCRIPTIONS—Continued

Russell 1000[®] Index—The Russell 1000[®] Index is an unmanaged index generally representative of the U.S. market for larger capitalization stocks as it includes the largest 1000 securities in the Russell 3000[®] Index by market capitalization. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 1000[®] Index and Russell[®] are trademarks of Frank Russell Company.

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Russell 3000[®] Growth Index—The Russell 3000[®] Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000[®] companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000[®] Growth Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad growth market. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000[®] Growth Index and Russell[®] are trademarks of Frank Russell Company.

Russell 3000[®] Value Index—The Russell 3000[®] Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000[®] companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000[®] Value Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad value market. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 3000[®] Value Index and Russell[®] are trademarks of Frank Russell Company.

Russell Midcap[®] Index—The Russell Midcap[®] Index is an unmanaged index generally representative of the U.S. market for medium capitalization stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap[®] Index and Russell[®] are trademarks of Frank Russell Company.

Russell Midcap[®] Growth Index—The Russell Midcap[®] Growth Index is an unmanaged index generally representative of the U.S. market for medium capitalization growth stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap[®] Growth Index and Russell[®] are trademarks of Frank Russell Company.

Glossary—Continued

BENCHMARK DESCRIPTIONS—Continued

Russell Midcap[®] Value Index—The Russell Midcap[®] Value Index is an unmanaged index generally representative of the U.S. market for medium capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap[®] Value Index and Russell[®] are trademarks of Frank Russell Company.

S&P 500 Index—The S&P 500 Index is an unmanaged index generally representative of the U.S. stock market. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

FINANCIAL TERMS

12b-1 Fee—A mutual fund fee, named for the SEC rule that permits it, used to pay for broker-dealer compensation and other distribution costs. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

ADR—ADR after the name of a foreign holding stands for American Depositary Receipts representing ownership of foreign securities. ADRs are issued by U.S. banking institutions.

Average Market Cap—The average market capitalization of a fund's equity portfolio gives you a measure of the size of the companies in which the fund invests. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its price per share.

Average Market Coupon—A calculation from a fund's portfolio by weighting the coupon of each bond by its relative size in the portfolio.

Beta—A measure of market-related risk. The beta of every index is 1.00, no matter how volatile the index is. A beta less than one means the portfolio is less volatile than the index. A beta higher than one indicates more volatility than the index.

Bottom-Up Equity Management Style—A management style that de-emphasizes the significance of economic and market cycles, focusing instead on the analysis of individual stocks.

Capital Gains Distribution—Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio.

Credit Risk—The possibility that a bond issuer may not be able to pay interest and repay its debt.

CUSIP Number—Identification number assigned to every stock, corporate bond and municipal bond by the Committee on Uniform Securities Identification Procedures (CUSIP), which is established by the American Bankers Association.

Diversification—The practice of investing broadly across securities of a number of issuers to reduce risk.

Duration—A common gauge of the price sensitivity of a fixed income asset or portfolio to a change in interest rates.

Emerging Markets—Emerging markets are countries with relatively young stock and bond markets. Examples include Brazil and Thailand. Typically, emerging-markets investments have the potential for losses and gains larger than those of developed-market investments.

Expense Ratio—The Fund's total annual operating expenses (including management fees, distribution (12b-1) fees and other expenses) expressed as a percentage of average net assets.

Family of Funds—A group of mutual funds, each typically with its own investment objective, managed or distributed by the same company that hold themselves out to investors as related companies for the purposes of investment and investor services.

GDR—GDR after the name of a holding stands for Global Depositary Receipt representing ownership of foreign securities. GDRs are issued by either U.S. or non-U.S. banking organizations. SADR after the name of a holding stands for South African Depositary Receipts representing ownership of South African securities listed on the Johannesburg Stock Exchange. SDR after the name of a holding stands for Swedish Depositary Receipts representing ownership of foreign securities in Sweden. NVDR after the name of a holding stands for Non-Voting Depositary Receipts representing ownership of a listed security in the Stock Exchange of Thailand.

Inception Date—The date on which the Fund commenced operations.

Investment Objective—The goal that an investor and mutual fund pursue together (e.g., current income, long-term capital growth, etc.).

Glossary—Continued

FINANCIAL TERMS—Continued

Median Market Cap—An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

Net Asset Value (NAV)—The per share value of a mutual fund, determined by subtracting the fund's liabilities from its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once each business day.

No-Load Fund—A mutual fund whose shares are sold without a sales commission and without a 12b-1 fee of more than 0.25% per year. Harbor funds are no-load.

Open-End Management Company—The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors on any business day. Harbor Funds is an open-end investment company.

Operating Expenses—Business costs paid from a fund's assets before earnings are distributed to shareholders. These include management fees and 12b-1 fees and other expenses.

Portfolio Manager—A specialist employed by a mutual fund's adviser or subadviser to invest the fund's assets in accordance with predetermined investment objectives.

Portfolio Turnover—A measure of the trading activity in a fund's investment portfolio (how often securities are bought and sold by a fund). Funds with high turnover rates incur higher transaction costs and may be more likely to distribute capital gains (which may be taxable to investors).

Price to Book Ratio (P/B)—A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value. For a fund, the weighted average price/book ratio of the stocks it holds.

Price to Earnings Ratio (P/E)—The ratio of a stock's current price to its per-share earnings over the past year. For a fund, the weighted average P/E of the stocks it holds. P/E is an indicator of market expectations about corporate prospects; the higher the P/E, the greater the market expectations are for a company's future growth.

Prospectus—The official document that describes a mutual fund to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services and fees.

Record Date—The date on which a shareholder must officially own shares in order to be entitled to a dividend.

Redemption Fee—Fee charged to shareholders by a mutual fund when they sell shares within a specified period after purchase. The time limit and size of fee vary among funds. The fee is paid to the fund, not the fund's investment adviser. Its purpose is to protect long-term investors from the impact of short-term traders.

REITs (Real Estate Investment Trust)—REITs invest in real estate or loans secured by real estate and issue shares in such investments. A REIT is similar to a closed-end mutual fund.

Repurchase Agreement (Repo)—A form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day. For the party selling the security (and agreeing to repurchase it in the future), it is a repo. For the party on the other end of the transaction (buying the security and agreeing to sell back in the future), it is a reverse repurchase agreement.

Risk/Reward (or Return)—The relationship between the degree of risk associated with an investment and its return potential. Typically, the higher the potential return of an investment, the greater the risk.

Statement of Additional Information (SAI)—The supplementary document to a prospectus that contains more detailed information about a mutual fund; also known as "Part B" of a fund's registration statement.

TBAs—A term used to describe a forward mortgage-backed securities trade. Pass-through securities issued by Freddie Mac, Fannie Mae and Ginnie Mae trade in the TBA market. The term TBA is derived from the fact that the actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. The securities are "to be announced" 48 hours prior to the established trade settlement date.

Treasury Inflation-Protected Securities (TIPS)—TIPS are securities in which the principal amount is adjusted for inflation and interest payments are applied to the inflation-adjusted principal.

Glossary—Continued

FINANCIAL TERMS—Continued

Top-Down Equity Management Style—Investment style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding various sectors of the financial markets and various industries.

Total Return—Return on an investment over a specified period, including price appreciation (or depreciation) plus any income, expressed as an average annual compound of return.

Weighted Average Duration—Duration is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.

Weighted Average Maturity—The average length of time until principal must be repaid for all bonds in a mutual fund portfolio on a dollar weighted basis.

Yield—A measure of net income (dividends and interest) earned by the securities in the fund's portfolio less fund expenses during a specified period. A fund's yield is expressed as a percentage of the maximum offering price per share on a specified date.

Yield to Maturity—The term used to describe the rate of return an investor will receive if a long-term, interest-bearing security, such as a bond, is held to its maturity date. Yield to maturity is greater than the coupon rate if the bond is selling at a discount and less than the coupon rate if it is selling at a premium.



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