Harbor High-Yield Bond Fund

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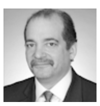

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3rd Quarter, 2018 Commentary

"Given the robust U.S. macroeconomic environment, the Federal Reserve's methodical normalization of interest rates seems appropriate and reasonable to us." -*Shenkman Capital Management, Inc.*

Investor risk appetite continued to drive the markets

The markets proved resilient in the third quarter of 2018. U.S. equity markets roared to record levels as investors shrugged off a growing trade rift, hostile political discourse, escalating oil prices and rising interest rates. Investor appetite for risk assets continued to drive the markets.

The Harbor High-Yield Bond Fund returned 2.28% in the third quarter of 2018, underperforming its benchmark, the ICE BofAML US Non-Distressed High Yield Index, which returned 2.45%.

Shenkman Capital Management's comments were made in an October, 2018 report. Highlights adapted from the report appear below. All comments relate to the quarter ended September 30, 2018, unless otherwise indicated. All references to the year-to-date are for the period January 1 through September 30, 2018.

HIGHLIGHTS

Many Credit Investors Seem Cautious and Skeptical

Although 10-year U.S. Treasury yields pierced the 3% barrier during the quarter and the Federal Reserve (the Fed) finally removed its "accommodative" monetary policy language, market reaction has been relatively benign. We believe strong consumer and business confidence has been the lifeblood of this economic expansion. While the risks of a correction are rumbling below the surface, in our view, pools of capital requiring deployment have provided the fuel driving equity market euphoria. Meanwhile, credit markets have remained more conscious of a possible 100 basis point increase in the federal funds target rate through 2019. Although equity investors seem willing to accept high valuations, many credit investors seem cautious and skeptical.

Contributors to and Detractors from Performance

During the quarter, security selection in the oil and gas industry detracted from relative performance, as did security selection in the Health Care sector. Conversely, security selection and an underweight position in Technology contributed to relative results. An overweight position and security selection in Media: cable also helped. Security selection in credits rated CCC and below hindered relative performance. In contrast, credits rated BB benefited relative performance, due to security selection and an underweight position, while an overweight position in credits rated B also contributed. Additionally, out-of-benchmark exposure to bank loans helped relative results. Security selection among credits with maturities less than three years detracted from relative performance, while security selection among credits with maturities between five and seven years helped.

The High Yield Market Is Firing on All Cylinders

Although investors face potential worries in the fourth quarter, including a contentious U.S. midterm election cycle, another anticipated Fed rate hike and various tariff tussles, we believe a plethora of positive economic news, robust corporate profitability and an unusual scarcity of new issuance leave the high yield market firing on all cylinders. Given the robust U.S. macroeconomic environment, the Fed's methodical normalization of interest rates seems appropriate and reasonable to us, and we believe it is unlikely to derail solid fundamentals.

Harbor High-Yield Bond Fund

We Continue to Maintain Our Defensive and Conservative Posture

We are mindful, however, that high yield spreads are near historically tight levels and intermittent dubious behavior is emerging. We continue to monitor these developments and maintain our defensive and conservative posture. Absent a recession, however, which we believe is a low probability in the intermediate term, and given that default rates could remain low for an extended period of time, we believe the credit markets could sustain current spread levels for a bit longer. Improving cash flows across high yield issuers should lead to stronger balance sheets and credit upgrades, in our view, and we continue to focus on companies we believe will benefit from this environment.

Total Returns

As of 09/30/2018

	Three Months	One Year	Three Years	Five Years	Ten Years	Expense Ratios Net	Expense Ratios Gross
Harbor High-Yield Bond Fund - INST	2.28%	2.51%	6.22%	4.47%	6.98%	0.63%	0.72%
ICE BofAML US Non-Distressed High Yield Index	2.45%	2.73%	7.35%	5.63%	7.85%		
ICE BofAML US High Yield Index (H0A0)	2.44%	2.96%	8.19%	5.54%	9.38%		

Sectors: As of 09/30/2018, the Harbor High-Yield Bond Fund had invested the following percentages of its assets in the sectors listed: Consumer Discretionary, 20.54%; Energy, 12.91%; Health Care, 11.51%; Industrials, 10.33%; Materials, 9.46%; Telecommunication Services, 8.53%; Information Technology, 6.74%; Financials, 6.58%; Real Estate, 4.20%; Consumer Staples, 3.01%; Utilities, 2.79%;

Performance data shown represents past performance and is no guarantee of future results. Past performance is net of management fees and expenses and reflects reinvested dividends and distributions. Past performance reflects the beneficial effect of any expense waivers or reimbursements, without which returns would have been lower. Investment returns and principal value will fluctuate and when redeemed may be worth more or less than their original cost. Returns for periods less than one year are not annualized. Current performance may be higher or lower and is available through the most recent month end at harborfunds.com or by calling 800-422-1050.

Performance figures discussed in any of the Manager Commentaries reflect that of the Institutional Class shares.

This information should not be considered as a recommendation to purchase or sell a particular security. The holdings or sectors mentioned may change at any time and may not represent current or future investments.

The Fund charges a redemption fee of 1.00% on redemption of shares that are held for less than 90 days.

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expenses. The net expense ratios for this fund are subject to a contractual management fee waiver through 02/29/2020.

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

Fixed income investments are affected by interest rate changes and the creditworthiness of the issues held by the Fund. As interest rates rise, the values of fixed income securities held by the Fund are likely to decrease and reduce the value of the Fund's portfolio. High yield investing poses additional credit risk related to lower-rated bonds.

The views expressed herein are those of the subadviser, Shenkman Capital Management, Inc., and may not be reflective of their current opinions or future actions. These views are not necessarily those of Harbor Funds and should not be construed as such.

Investors should carefully consider the investment objectives, risks, charges and expenses of a Harbor fund before investing. A summary prospectus or prospectus for this and other information is available at harborfunds.com or by calling 800-422-1050. Read it carefully before investing.

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