

# Harbor Small Cap Growth Fund

Westfield Management Company, L.P.

Subadviser Since 11/01/2000

<b>Total Net Assets - All Classes</b>	\$1,087,054,744
<b>Equity Assets:</b>	96.54%
<b>Cash &amp; Other Assets Less Liabilities:</b>	3.46%
<b>Benchmark Name:</b>	Russell 2000® Growth Index

## Portfolio Managers



William A. Muggia



Richard D. Lee, CFA



Ethan J. Meyers, CFA



John M. Montgomery

## Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies. The small cap companies selected meet strict fundamental criteria and are then subject to a qualitative review by the portfolio manager to ensure that they have: accelerated earnings growth, a strong balance sheet, attractive valuation as measured by price/earnings to growth ratio, unique market position and broad opportunities, superior management and solid financial controls and accounting. The Fund stays fully invested in stocks and does not try to time the market, but instead works toward steady investment growth.

## CHARACTERISTICS & ALLOCATION

As of 09/30/2021

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	65	1,226	Health Care	31.37	28.91
Wtd Avg Market Cap (\$Mil)	5,829.10	3,765.10	Information Technology	17.81	22.46
Med Cap - # Stocks (\$Mil)	5,051.00	1,330.00	Industrials	16.75	14.09
Price/Book Ratio	4.95	5.79	Consumer Discretionary	12.24	14.76
Adjusted Trailing P/E Ratio	34.80	35.00	Financials	6.23	5.11
% EPS Growth - Past 3 Yr	21.40	19.50	Real Estate	5.30	2.84
Return on Equity (%)	4.31	2.87	Materials	3.90	2.93
Beta vs. Fund Benchmark	0.93		Energy	1.59	2.11
Forecasted P/E Ratio	27.70	27.30	Communication Services	1.35	2.68
Proj. Earnings Growth Rate (%)	22.20	20.20	Utilities	0.00	0.31
			Consumer Staples	0.00	3.65

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Atkore Inc	2.78	0.27	Biotechnology	16.51	13.17
Accelaron Pharma Inc	2.71	0.00	Software	7.17	11.26
Haemonetics Corporation	2.57	0.16	Equity REITS	5.30	1.88
National Vision Holding	2.47	0.31	Machinery	4.97	4.02
Advanced Drainage Systems Inc	2.41	0.00	Semiconductors	4.81	4.97
Innoviva, Inc.	2.41	0.01	Pharmaceuticals	4.27	2.27
Option Care Health Inc	2.28	0.00	Health Care Equip	4.24	5.93
Blueprint Medicines Corp	2.23	0.38	Building Products	4.02	1.25
Churchill Downs Incorpo	2.20	0.00	It Services	3.98	2.50
Saia, Inc.	2.19	0.42	Specialty Retail	3.93	3.08
<b>Total</b>	<b>24.25</b>	<b>1.55</b>	<b>Total</b>	<b>59.20</b>	<b>50.33</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	6.71
Mid	5.0B - 10.0B	43.45
	1.0B - 5.0B	45.80
Small	0.0 - 1.0B	0.58



Trusted Partnerships > Trusted Solutions



### Performance & Fund Facts

Share Class	Ticker	CUSIP	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HASGX	411511868	-0.47%	5.17%	30.30%	16.81%	18.79%	17.50%	10.48%	11/01/00	0.89	0.89
Administrative Investor	HRSGX	411511769	-0.53%	4.95%	29.92%	16.49%	18.39%	17.18%	12.23%	11/01/02	1.14	1.14
Investor	HISGX	411511777	-0.50%	4.90%	29.85%	16.38%	18.35%	17.07%	12.10%	11/01/02	1.25	1.25
Retirement	HNSGX	411512494	-0.42%	5.26%	30.43%	16.90%	18.88%	17.55%	10.51%	03/01/16	0.81	0.81
Russell 2000® Growth Index			-5.65%	2.82%	33.27%	11.70%	15.34%	15.74%	7.55%	11/01/00		

## MANAGER COMMENTARY

As of 09/30/2021

**“Moving forward, we believe that companies with strong, underlying earnings growth that trade at reasonable valuations will be favored at the expense of high multiple, momentum-growth stocks.”**

Westfield Capital Management Company, LP

### Market In Review

U.S. equities finished the third quarter of 2021 primarily lower, as investors digested a myriad of concerns including the delta variant, ‘peak everything,’ persistent supply-chain disruptions, and rising input costs. As worries mounted over the summer months, cyclicity was shunned in favor of reliable growth stocks. All the while, the 10-year Treasury continued to fall back toward its trend, having risen too far, too fast earlier in the year. Complicating matters was a consistent stream of news out of China impacting U.S. markets, ranging from increased regulation of gaming and leisure to banning trading in cryptocurrencies, and lastly, the Evergrande liquidity scare, which roiled markets for a period. On the policy front, the Federal Reserve began telegraphing their plans for tapering of bond purchases, while additional stimulus measures and a bipartisan infrastructure bill continued to be a subject of debate in Congress.

### Portfolio Performance

During the quarter, the Harbor Small Cap Growth Fund (Institutional Class, “Fund”) returned -0.47%, outperforming its benchmark, the Russell 2000® Growth Index, which returned -5.65%. From a sector perspective, relative strength in Health Care and Consumer Discretionary outweighed relative weakness in Communication Services. Additionally, most of the outperformance was driven by positive stock-specific return. The Fund also benefited from a common factor tailwind, driven by the Fund’s underweight to volatility and overweight to earnings yield (proxy for value), which more than offset the Fund’s underweight to momentum, the top performing factor.

Retirement Class shares commenced operations on March 1, 2016. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to March 1, 2016 has not been adjusted to reflect the lower expenses of Retirement Class shares. During this period, Retirement Class shares would have had returns similar to, but somewhat higher than, Institutional Class shares due to the fact that Retirement Class shares represent interests in the same portfolio as Institutional Class shares but are subject to lower expenses.

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



### Contributors & Detractors

Accelaron Pharma, a biopharma company focused on therapeutics to treat serious and rare diseases, was the top relative performer during the period. The stock advanced on news that Merck had entered into an agreement to purchase Accelaron at \$180 per share, representing a significant premium to the trading range the stock was in prior to the announcement.

Atkore, a manufacturer and supplier of metal products and electrical raceway-infrastructure solutions, also contributed positively to relative returns, as its continued realization of pricing strength across products was highlighted in its quarterly results, pleasing investors. Importantly, Atkore was able to generate significant margin expansion, despite inflationary headwinds it has faced with its raw materials and transportation costs. Current prices suggest there should be prolonged strength in both revenue growth and margin expansion for Atkore.

Amedisys, a pure play on the home health care services theme, was the worst relative performer. The stock traded lower on a modest earnings miss, and a forward-guidance cut related to weakness in the hospice business, which has been significantly impacted by COVID-19. Weakness persisted following management commentary, which was more cautious, essentially resetting forward expectations. We are maintaining our position in the company as we believe the setup from here remains the best in health care services, following their acquisition of Contessa Health, which looks to be tracking ahead of schedule.

Social video game developer Zynga also detracted from relative performance over the quarter, after the company missed expectations on second quarter results and provided a lower, forward guide for the remainder of the year. Zynga has experienced some moderated usage among its players and is having some difficulties navigating Apple's new customer data-protection rules in their iOS operating system. Moving forward, we continue to favor Zynga, believing the current valuation is at a relative trough compared to peers, and we feel positive results should aid in stabilizing the stock.

### Buys & Sells

During the quarter the Fund purchased Semtech, a semiconductor company serving several different end markets including high-end consumer, enterprise computing, communications, and industrial equipment. Semtech provides a balance of secular and cyclical growth, while trading at a compelling valuation. The company also provides exposure to megatrends such as Internet of Things and 5G/datacenter investments, as well as a 30% exposure to the Industrials sector, which add cyclical to the Fund.

The Fund sold its position in casual dining chain Cheesecake Factory during the quarter. The stock had been a contributor over the holding period, but we believed it had mostly priced in a recovery. After meeting with management, we did not have confidence in their ability to execute their long-term growth plan.

### Outlook

Moving forward, we believe that companies with strong, underlying earnings growth that trade at reasonable valuations will be favored at the expense of high multiple, momentum-growth stocks. If the market environment plays out like we think it will, with rising interest rates and rising inflation, earnings multiples are likely to compress, with the most pronounced impact being felt by those companies with the longest-duration assets most heavily influenced by discount rates. In addition, falling correlations are increasing the importance and impact of good stock picking. With persistent inflation likely for the foreseeable future, our focus will remain on high-quality operators with pricing power, which are positioned advantageously for uncertain input costs and continued supply-chain disruptions.

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## Best &amp; Worst Performers

Best Performers	Average Weight %	Return %
Accelaron Pharma Inc	2.20	37.14
Pure Storage, Inc. Class A	1.40	28.83
BRP Group Inc Class A	1.29	24.92
Innoviva, Inc.	2.03	24.61
Tandem Diabetes Care, Inc.	1.77	22.57

Worst Performers	Average Weight %	Return %
Amedisys, Inc.	1.72	-39.13
Rocket Pharmaceuticals, Inc.	1.11	-32.51
Fate Therapeutics, Inc.	1.05	-31.71
Zynga Inc. Class A	1.63	-29.16
Pacific Biosciences of California, Inc.	1.09	-26.94

## Contributors &amp; Detractors

Greatest Contributors	Return %	Contribution to Return %
Accelaron Pharma Inc	37.14	0.79
Atkore Inc	22.42	0.51
Innoviva, Inc.	24.61	0.44
Pure Storage, Inc. Class A	28.83	0.39
Tandem Diabetes Care, Inc.	22.57	0.39
<b>Total</b>		<b>2.52</b>

Greatest Detractors	Return %	Contribution to Return %
Amedisys, Inc.	-39.13	-0.77
Zynga Inc. Class A	-29.16	-0.55
Rocket Pharmaceuticals, Inc.	-32.51	-0.45
Timken Company	-18.49	-0.37
Fate Therapeutics, Inc.	-31.71	-0.36
<b>Total</b>		<b>-2.50</b>

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### Quarterly Attribution:

#### Harbor Small Cap Growth Fund vs Russell 2000® Growth

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-0.06	-5.65	5.59
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-0.06</b>	<b>-5.65</b>	<b>5.59</b>

Sector Attribution	Average Weight			Total Return			Contribution to Return		Attribution Analysis		
	Port. Avg. Wgt.	Bench. Avg. Wgt.	Variation in Avg. Wgt.	Port. Total Return	Bench. Total Return	Variation in Total Return	Port. Contribution To Return	Bench. Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Health Care	31.47	29.50	1.97	-0.17	-11.76	11.59	-0.07	-3.53	-0.15	3.78	3.63
Consumer Discretionary	13.04	14.99	-1.95	3.22	-6.02	9.24	0.45	-0.94	0.03	1.19	1.21
Financials	6.10	5.06	1.04	6.78	-1.34	8.12	0.42	-0.07	-0.01	0.52	0.52
Materials	4.02	3.00	1.02	-0.58	-7.07	6.49	-0.04	-0.23	-0.02	0.26	0.23
Real Estate	5.13	2.93	2.20	1.61	-0.17	1.78	0.07	0.00	0.11	0.08	0.19
Energy	1.23	1.85	-0.62	3.79	-1.12	4.91	0.07	-0.04	0.03	0.04	0.07
Consumer Staples	0.00	3.60	-3.60	0.00	-5.82	5.82	0.00	-0.21	0.01	0.00	0.01
Industrials	17.59	13.97	3.62	-2.01	-0.47	-1.54	-0.29	-0.07	0.21	-0.24	-0.03
Utilities	0.00	0.31	-0.31	0.00	6.91	-6.91	0.00	0.02	-0.04	0.00	-0.04
Information Technology	17.88	21.99	-4.11	-0.57	-1.13	0.56	-0.13	-0.22	-0.18	0.10	-0.08
Communication Services	1.63	2.81	-1.18	-29.16	-11.68	-17.48	-0.55	-0.35	0.08	-0.36	-0.28
Cash	1.91	0.00	1.91	0.01	0.00	0.01	0.00	0.00	0.15	0.00	0.15
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-0.06</b>	<b>-5.65</b>	<b>5.59</b>	<b>-0.06</b>	<b>-5.65</b>	<b>0.22</b>	<b>5.37</b>	<b>5.59</b>

### Trailing 1 Year Attribution:

#### Harbor Small Cap Growth Fund vs Russell 2000® Growth

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	32.10	33.25	-1.15
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>32.10</b>	<b>33.25</b>	<b>-1.15</b>

Sector Attribution	Average Weight			Total Return			Contribution to Return		Attribution Analysis		
	Port. Avg. Wgt.	Bench. Avg. Wgt.	Variation in Avg. Wgt.	Port. Total Return	Bench. Total Return	Variation in Total Return	Port. Contribution To Return	Bench. Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Real Estate	4.29	3.38	0.91	52.20	32.51	19.69	1.89	1.09	0.04	0.52	0.56
Information Technology	20.45	20.84	-0.39	50.35	46.45	3.90	10.20	8.72	-0.09	0.55	0.46
Materials	2.85	2.69	0.16	34.62	33.61	1.01	0.72	0.79	0.07	0.33	0.39
Utilities	0.00	1.23	-1.23	0.00	31.48	-31.48	0.00	0.46	0.27	0.00	0.27
Financials	6.86	4.31	2.55	37.55	32.35	5.20	2.20	1.33	0.10	0.15	0.25
Consumer Staples	0.04	3.23	-3.19	4.09	32.16	-28.07	0.06	0.90	0.14	0.08	0.22
Industrials	16.54	14.40	2.14	46.14	44.57	1.57	6.49	5.97	0.27	-0.09	0.18
Energy	0.41	0.63	-0.22	15.06	139.10	-124.04	0.13	0.09	0.06	0.05	0.12
Communication Services	2.38	2.46	-0.08	-12.45	31.94	-44.39	0.04	0.65	0.17	-0.75	-0.58
Consumer Discretionary	13.45	14.49	-1.04	38.53	44.21	-5.68	4.95	5.32	0.03	-0.78	-0.75
Health Care	31.08	32.33	-1.25	11.48	17.01	-5.53	5.42	7.92	0.16	-2.03	-1.86
Cash	1.65	0.00	1.65	0.05	0.00	0.05	0.00	0.00	-0.41	0.00	-0.41
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>32.10</b>	<b>33.25</b>	<b>-1.15</b>	<b>32.10</b>	<b>33.25</b>	<b>0.81</b>	<b>-1.96</b>	<b>-1.15</b>

### Risks

There is no guarantee that the investment objective of the Fund will be achieved. Stock markets are volatile and equity values can decline significantly in response to adverse issuer, political, regulatory, market and economic conditions. Stocks of small cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies.

### Disclosures

The Russell 2000® Growth Index is an unmanaged index representing the smallest 2000 stocks with the highest price-to-book ratio and future earnings. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell 2000® Growth Index and Russell® are trademarks of Frank Russell Company.

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

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

Due to the security valuation procedures of the Fund and intra-day trading activity not included in the FactSet calculations, the actual returns may vary. From time to time the cash return in the portfolio may appear distorted based on the way FactSet's attribution calculation methodology addresses delayed settlements.

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

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

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

Views expressed herein are drawn from commentary provided to Harbor by the subadviser and may not be reflective of their current opinions or future actions, are subject to change without prior notice, and should not be considered investment advice.

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

As a result of changing market conditions, total net asset levels, expenses and other statistics may change at any time and may differ from those shown.

The total amount shown for sector, industries, or country holdings may be greater than 100% because of the inclusion of derivatives and the collateral securities supporting those instruments.

Sector allocations are determined using the Global Industry Classification Standard (GICS), which is a service of Morgan Stanley Capital International (MSCI) and Standard & Poor's (S&P).

**Investors should carefully consider the investment objectives, risks, charges and expenses of a fund before investing. To obtain a summary prospectus or prospectus for this and other information, visit [harborcapital.com](http://harborcapital.com) or call 800-422-1050. Read it carefully before investing.**

**Westfield Management Company, L.P. is an independent subadviser to the Harbor Small Cap Growth Fund.**

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### Attribution Disclosures

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

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

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

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

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

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

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

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

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

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

### Definitions

Beta is a measure of systematic risk, or the sensitivity of a fund to movements in the benchmark. A beta of 1 implies that the expected movement of a fund's return would match that of the benchmark used to measure beta.