

# Harbor Small Cap Value Fund

EARNEST Partners LLC

Subadviser Since 12/14/2001

**Total Net Assets - All Classes** \$2,495,314,338  
**Equity Assets:** 98.89%  
**Cash & Other Assets Less Liabilities:** 1.11%  
**Benchmark Name:** Russell 2000® Value Index

## Portfolio Managers



Paul E. Viera

## Investment Philosophy

The Fund invests primarily in equity securities – common and preferred stocks – of small cap companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values. In selecting stocks for the Fund, the portfolio manager: utilizes a value-based investment style seeking to identify companies with stocks trading at prices below what the portfolio manager believes are their intrinsic values, applies fundamental and qualitative criteria to identify companies for the portfolio, and maintains relationships with key analysts and industry experts to obtain unbiased research perspectives.

## CHARACTERISTICS & ALLOCATION

As of 03/31/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	59.00	1,436	Industrials	26.01	15.21
Wtd Avg Market Cap (\$Mil)	6322.10	3,109.00	Information Technology	21.12	5.43
Med Cap - # Stocks (\$Mil)	3349.00	979.00	Financials	19.96	25.30
Price/Book Ratio	2.65	1.75	Health Care	13.91	8.74
Adjusted Trailing P/E Ratio	23.10	13.90	Real Estate	5.01	11.88
% EPS Growth - Past 3 Yr	13.80	16.90	Consumer Discretionary	3.82	7.04
Return on Equity (%)	10.76	9.01	Consumer Staples	3.59	3.03
Beta vs. Fund Benchmark	0.89		Materials	3.49	4.48
Forecasted P/E Ratio	19.40	13.60	Energy	1.98	9.60
Proj. Earnings Growth Rate (%)	16.00	13.80	Utilities	0.00	5.39
			Communication Services	0.00	3.58

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Darling Ingredients Inc	3.59	0.00	Semiconductors	8.92	1.02
Casella Waste Systems I	3.55	0.02	Banks	8.55	15.08
Catalent Inc	2.90	0.00	Electronic Equipment	8.50	1.74
CMC Materials Inc.	2.82	0.00	Machinery	7.44	3.20
FormFactor Inc.	2.79	0.03	Aerospace & Defense	6.99	1.11
Houlihan Lokey Inc. Cla	2.77	0.04	Capital Markets	6.66	1.09
Molina Healthcare Inc.	2.71	0.00	Equity REITS	5.01	11.29
CONMED Corporation	2.68	0.00	Health Care Providers	4.78	1.90
Franklin Electric Co. I	2.50	0.00	Commercial Serv & Suppl	4.66	1.82
Raymond James Financial	2.31	0.00	Health Care Equip	3.91	1.18
<b>Total</b>	<b>28.62</b>	<b>0.09</b>	<b>Total</b>	<b>65.42</b>	<b>39.43</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	16.96
Mid	5.0B - 10.0B	16.26
	1.0B - 5.0B	65.50
Small	0.0 - 1.0B	1.28



Trusted Partnerships > Trusted Solutions



### Performance

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	HASCX	411511843	-1.76%	-1.76%	-0.92%	13.25%	9.80%	11.86%	10.47%	12/14/01	0.87	0.87
Administrative Investor	HSVRX	411511710	-1.82%	-1.82%	-1.17%	12.96%	9.52%	11.57%	10.73%	11/01/02	1.12	1.12
Investor	HISVX	411511694	-1.84%	-1.84%	-1.29%	12.83%	9.39%	11.45%	10.58%	11/01/02	1.23	1.23
Retirement	HNVRX	411512452	-1.74%	-1.74%	-0.83%	13.33%	9.88%	11.91%	10.50%	03/01/16	0.79	0.79
Russell 2000® Value Index			-2.40%	-2.40%	3.32%	12.73%	8.57%	10.54%	9.15%	12/14/01		

## MANAGER COMMENTARY

As of 03/31/2022

**“Value stocks continued to outperform growth, as higher rate expectations and geopolitical uncertainty drove investors to favor established businesses over those with greater earnings growth potential.”**

EARNEST Partners, LLC

### Market in Review

Global equities were negative in the first quarter of 2022 as uncertainty surrounding rising rates and the war in Eastern Europe tempered investors’ expectations. Despite continued economic growth, falling unemployment, and strengthening consumer demand, equity markets saw their worst two-month start to the year since 2009 before rallying in March. The S&P 500 Index returned -4.60%, rebounding after declining more than 12% during the quarter, while small-cap equities, as represented by the Russell 2000® Index, fell by 7.50%.

Value stocks continued to outperform growth, as higher rate expectations and geopolitical uncertainty drove investors to favor established businesses over those with greater earnings growth potential. As COVID-19 cases declined following the emergence of a new variant, consumer spending continued to accelerate, and overall GDP grew at an annualized rate of 6.9% in the fourth quarter of last year, reflecting pent-up demand for pandemic-stricken industries, such as restaurants, travel, and hospitality. Vaccination distribution continued as most Americans received shots, and new measures, such as pills and boosters, were developed and approved to combat the disease. The labor market continued to show strength as new jobless claims fell to the lowest level since September of 1969, and unemployment stayed near a 50-year low.

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.**



### Portfolio Performance

During the first quarter of 2022, the Harbor Small Cap Value Fund (Institutional Class, "Fund") returned -1.76%, outperforming its benchmark, the Russell 2000® Value Index, which returned -2.40%. Outperformance was a result of favorable stock selection, notably in the Industrials, Financials, and Health Care sectors.

Our focus on high-quality companies, which we believe are well positioned to benefit over the long term, has resulted in the Fund outperforming the benchmark over trailing 3-, 5-, 7- and 10-year periods.

### Contributors & Detractors

Archrock, the largest, third-party provider of natural gas compression equipment in the U.S., contributed to performance. The company's shares rose 25.58% during the quarter, as it reported strong operations and revenue topped consensus estimates. The company also announced the completion of several multi-year technology investments that should further improve operational efficiencies. Archrock is well positioned to benefit from an improving U.S. oil and gas production market, as equipment utilization rates and pricing continue to rise. The company is also positioned to benefit from shifts toward unconventional well exploration (i.e., shale). Archrock's unique ability to address market demand is expected to lead to earnings growth.

Albany International, a global textiles and materials processing company, detracted from performance. Albany has two main lines of business: machine clothing used in paper manufacturing, building products, tanneries, and textiles; and composites used in the aerospace industry. Despite Albany's return of -4.44% for the quarter, the company beat analyst earnings estimates by more than 30%, and we believe its strong balance sheet and ample liquidity in the face of supply-chain and inflationary headwinds bode well. Further, we believe Albany's proprietary, 3-D technologies uniquely position the company to capture market share and grow earnings in the global composite market.

### Outlook

There were no new themes or trends introduced into the Fund during the quarter. We continue to position the Fund based on the underlying fundamentals and growth prospects of individual companies relative to what is currently reflected in the stock price.



## Best &amp; Worst Performers

Best Performers	Average Weight %	Return %
Core Laboratories NV	0.42	41.83
United Fire Group Inc.	0.55	34.70
Sabre Corp.	1.68	33.06
Meridian Bioscience Inc.	1.14	27.25
Archrock Inc.	0.83	25.58

Worst Performers	Average Weight %	Return %
Meritage Homes Corporation	1.64	-35.09
Altra Industrial Motion Corp.	1.53	-24.36
Scotts Miracle-Gro Company Class A	1.91	-23.24
DMC Global Inc.	0.76	-23.00
Wolverine World Wide Inc.	1.17	-21.35

## Contributors &amp; Detractors

Greatest Contributors	Return %	Contribution to Return %
Darling Ingredients Inc.	16.01	0.50
Sabre Corp.	33.06	0.47
GATX Corporation	18.96	0.36
Cabot Corporation	22.35	0.35
ManTech International Corporation Class	18.75	0.29
<b>Total</b>		<b>1.97</b>

Greatest Detractors	Return %	Contribution to Return %
Meritage Homes Corporation	-35.09	-0.71
Scotts Miracle-Gro Company Class A	-23.24	-0.55
Littelfuse Inc.	-20.57	-0.51
Houlihan Lokey Inc. Class A	-14.82	-0.50
Catalent Inc	-13.38	-0.43
<b>Total</b>		<b>-2.70</b>

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](http://harborcapital.com) or by calling 800-422-1050.



### Quarterly Attribution:

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

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-1.55	-2.40	0.85
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-1.55</b>	<b>-2.40</b>	<b>0.85</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
Industrials	25.11	15.15	9.96	1.70	-2.76	4.46	0.44	-0.38	-0.01	1.08	1.07
Financials	21.44	26.97	-5.53	-1.50	-5.41	3.91	-0.35	-1.59	0.16	0.87	1.03
Health Care	13.68	9.20	4.48	-3.08	-13.24	10.16	-0.34	-1.31	-0.40	1.41	1.01
Consumer Staples	3.15	3.00	0.15	16.01	-3.65	19.66	0.50	-0.12	0.01	0.59	0.59
Information Technology	20.71	5.46	15.25	-2.42	-8.82	6.40	-0.49	-0.50	-1.04	1.40	0.36
Communication Services	0.00	3.37	-3.37	0.00	-2.87	2.87	0.00	-0.09	0.01	0.00	0.01
Consumer Discretionary	4.39	7.59	-3.20	-22.24	-14.20	-8.04	-1.11	-1.15	0.41	-0.41	0.00
Real Estate	4.91	11.48	-6.57	-1.95	-2.23	0.28	-0.11	-0.27	-0.02	0.01	-0.01
Materials	3.71	4.57	-0.86	-4.47	-2.50	-1.97	-0.21	-0.14	0.01	-0.07	-0.07
Utilities	0.00	5.08	-5.08	0.00	4.11	-4.11	0.00	0.25	-0.34	0.00	-0.34
Energy	2.01	8.13	-6.12	7.09	43.41	-36.32	0.12	2.89	-2.28	-0.56	-2.84
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-1.55</b>	<b>-2.40</b>	<b>0.85</b>	<b>-1.55</b>	<b>-2.40</b>	<b>-3.46</b>	<b>4.31</b>	<b>0.85</b>

### Trailing 1 Year Attribution:

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

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-0.06	3.35	-3.41
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-0.06</b>	<b>3.35</b>	<b>-3.41</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	14.53	9.35	5.18	-0.39	-21.07	20.68	0.15	-2.59	-0.87	3.15	2.28
Financials	19.78	26.52	-6.74	6.09	1.32	4.77	1.16	0.37	0.18	0.97	1.15
Communication Services	0.00	3.62	-3.62	0.00	9.71	-9.71	0.00	-0.05	0.06	0.00	0.06
Industrials	24.09	15.56	8.53	3.41	3.99	-0.58	0.65	0.63	0.18	-0.12	0.05
Consumer Staples	3.48	2.99	0.49	9.24	1.92	7.32	0.15	0.03	-0.05	0.08	0.03
Information Technology	20.93	5.51	15.42	1.86	0.99	0.87	0.52	0.05	-0.50	0.32	-0.18
Utilities	0.00	4.66	-4.66	0.00	9.81	-9.81	0.00	0.50	-0.37	0.00	-0.37
Consumer Discretionary	4.95	9.39	-4.44	-28.68	-13.00	-15.68	-1.61	-0.70	0.57	-0.96	-0.40
Real Estate	4.84	10.68	-5.84	13.54	14.38	-0.84	0.60	1.23	-0.56	-0.02	-0.58
Materials	3.86	5.10	-1.24	-24.26	4.18	-28.44	-1.25	0.25	0.05	-1.37	-1.31
Energy	2.06	6.62	-4.56	-16.55	68.26	-84.81	-0.42	3.63	-2.55	-1.42	-3.98
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-0.06</b>	<b>3.35</b>	<b>-3.41</b>	<b>-0.06</b>	<b>3.35</b>	<b>-4.02</b>	<b>0.62</b>	<b>-3.40</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

Shares of the Harbor Small Cap Value Fund are unavailable to new investors as of June 1, 2021. The Fund continues to accept investments from existing shareholders and allows exchanges from other Harbor Funds as long as the exchanging shareholder has an existing Harbor Small Cap Value Fund account.

The Russell 2000® Value Index is an unmanaged index representing the smallest 2000 stocks with the lowest 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® Value Index and Russell® are trademarks of Frank Russell Company.

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

The views expressed herein may not be reflective of current opinions, 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.**

**EARNEST Partners LLC is an independent subadviser to the Harbor Small Cap Value Fund.**

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### Attribution Disclosures

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

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

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

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

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

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

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

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

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

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

### Definitions

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