

# Harbor Small Cap Value Fund

EARNEST Partners LLC

Subadviser Since 12/14/2001

**Total Net Assets - All Classes** \$1,968,266,486  
**Equity Assets:** 97.22%  
**Cash & Other Assets Less Liabilities:** 2.78%  
**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 06/30/2022

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	59	1,404	Industrials	26.45	12.72
Wtd Avg Market Cap (\$Mil)	5,190.30	2,187.00	Financials	21.38	28.31
Med Cap - # Stocks (\$Mil)	2,784.00	809.00	Information Technology	18.70	6.02
Price/Book Ratio	2.16	1.35	Health Care	13.44	10.98
Adjusted Trailing P/E Ratio	20.30	12.40	Real Estate	4.48	11.88
% EPS Growth - Past 3 Yr	13.10	15.40	Consumer Discretionary	4.20	9.64
Return on Equity (%)	11.16	8.74	Materials	3.81	3.88
Beta vs. Fund Benchmark	0.87		Consumer Staples	3.08	2.83
Forecasted P/E Ratio	15.10	11.90	Energy	1.68	4.99
Proj. Earnings Growth Rate (%)	17.30	12.10	Utilities	0.00	5.36
			Communication Services	0.00	3.29

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
Casella Waste Systems I	3.40	0.00	Electronic Equipment	10.01	1.87
Catalent Inc	3.24	0.00	Machinery	9.66	3.11
Darling Ingredients Inc	3.08	0.00	Banks	9.56	17.48
FormFactor Inc.	2.97	0.00	Aerospace & Defense	7.42	1.26
Houlihan Lokey Inc. Cla	2.88	0.00	Capital Markets	6.55	0.92
Franklin Electric Co. I	2.55	0.00	Semiconductors	5.79	0.64
MEDNAX Inc.	2.35	0.16	Health Care Providers	4.58	1.72
Littelfuse Inc.	2.25	0.00	Commercial Serv & Suppl	4.55	1.82
Molina Healthcare Inc.	2.23	0.00	Equity REITS	4.48	11.21
Hexcel Corporation	2.21	0.00	Insurance	3.96	2.81
<b>Total</b>	<b>27.16</b>	<b>0.16</b>	<b>Total</b>	<b>66.56</b>	<b>42.84</b>

Market Capitalization		
		Portfolio %
Large	Above 25.0B	0.00
	10.0B - 25.0B	12.59
Mid	5.0B - 10.0B	15.80
	1.0B - 5.0B	69.99
Small	0.0 - 1.0B	1.63



### 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	-13.51%	-15.04%	-13.03%	5.91%	6.37%	10.84%	9.56%	12/14/01	0.87	0.87
Administrative	HSVRX	411511710	-13.58%	-15.15%	-13.26%	5.64%	6.11%	10.55%	9.77%	11/01/02	1.12	1.12
Investor	HISVX	411511694	-13.59%	-15.18%	-13.33%	5.53%	5.99%	10.43%	9.62%	11/01/02	1.23	1.23
Retirement	HNVRX	411512452	-13.51%	-15.01%	-12.96%	6.00%	6.46%	10.89%	9.59%	03/01/16	0.79	0.79
Russell 2000® Value Index			-15.28%	-17.31%	-16.28%	6.18%	4.89%	9.05%	8.15%	12/14/01		

## MANAGER COMMENTARY

As of 06/30/2022

**“Despite uncertainty within sectors of the equity markets, the labor market continued to show strength as the unemployment rate declined to 3.6% in May from 3.8% in February.”**

EARNEST Partners, LLC

### Market in Review

Global equities were broadly negative in the second quarter of 2022 as all major, domestic indices fell into bear market territory for the first time since March of 2020. In the wake of continued uncertainty surrounding the Federal Reserve’s posture, combined with supply-chain disruptions exacerbated by war in Eastern Europe, investors recalibrated expectations for risk assets. The S&P 500® returned -16.10% during the quarter.

Rate-sensitive growth stocks continued to be aggressively repriced as investors discounted their future growth prospects in favor of established businesses with consistent cash flow, higher dividends, and strong balance sheets. As such, value stocks continued to outperform growth, and many former growth stocks such as Netflix, Meta (Facebook), and PayPal were added to the Russell 1000® Value Index. Despite uncertainty within sectors of the equity markets, the labor market continued to show strength as the unemployment rate declined to 3.6% in May from 3.8% in February.

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 second quarter of 2022, the Harbor Small Cap Value Fund (Institutional Class, "Fund") returned -13.51%, outperforming its benchmark, the Russell 2000® Value Index, which returned -15.28%.

All 11 sectors in the Index generated negative returns for the quarter as the market continued to react to inflationary pressures, a rising interest-rate environment, and sustained geopolitical concerns. Consumer Staples and Utilities were the best performing sectors in the Index, while Consumer Discretionary and Communication Services were laggards. The Fund outperformed the Index as a result of favorable stock selection notably in the Industrials, Financials, and Information Technology sectors.

### Contributors & Detractors

Sanmina Corporation contributed to performance. Sanmina is a global electronics manufacturing-services provider that serves original equipment manufacturers (OEMs) in technology-driven industries including communication networks and computer hardware and storage. With nearly 80 manufacturing facilities, Sanmina is one of the largest independent manufacturers of printed circuit boards and backplanes. During the quarter, shares outperformed the benchmark as investors rewarded the company for delivering strong results across business lines. As the market for more complex and integrated component solutions expands, Sanmina is well positioned to continue benefiting from new opportunities in the industry.

Stifel Financial Corp. detracted from performance. Stifel is a diversified financial-services holding company that provides retail and institutional brokerage and investment banking services through several wholly owned subsidiaries. The company was founded in 1890 and is headquartered in St. Louis, Missouri. Despite beating consensus EPS estimates in the quarter, Stifel shares underperformed the benchmark as the market grappled with the prospect of lower deal activity in the firm's investment banking unit. The diversity of Stifel's business reflects its long track record of consistent growth through a variety of market conditions. The growth of the wealth management business combined with the power of Stifel Bank positions the company well to grow earnings despite street estimates, which have been overly punitive on the firm's earnings outlook.

### Buys & Sells

During the quarter we purchased SPX Corp., a supplier of infrastructure equipment and products and operates in the HVAC, detection and measurement, and engineered-solutions market segments. We believe the market is not giving the company enough credit for growth opportunities over our investment horizon.

### 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 of individual companies and the growth prospects relative to what is currently reflected in the stock price.



## Best &amp; Worst Performers

Best Performers	Average Weight %	Return %
SPX Corporation	0.49	20.34
Meridian Bioscience Inc.	1.38	17.18
United Fire Group Inc.	0.69	10.71
ManTech International Corporation Class A	0.98	9.35
Reinsurance Group of America Incorporated	1.91	7.81

Worst Performers	Average Weight %	Return %
Sabre Corp.	1.54	-48.99
DMC Global Inc.	0.55	-40.89
Core Laboratories NV	0.43	-37.35
CONMED Corporation	2.34	-35.40
Scotts Miracle-Gro Company Class A	1.63	-35.30

## Contributors &amp; Detractors

Greatest Contributors	Return %	Contribution to Return %
Meridian Bioscience Inc.	17.18	0.24
ManTech International Corporation Class	9.35	0.18
Reinsurance Group of America Incorporate	7.81	0.13
SPX Corporation	20.34	0.11
Parsons Corporation	4.44	0.09
<b>Total</b>		<b>0.75</b>

Greatest Detractors	Return %	Contribution to Return %
Darling Ingredients Inc.	-25.60	-1.04
Sabre Corp.	-48.99	-0.98
CONMED Corporation	-35.40	-0.94
Scotts Miracle-Gro Company Class A	-35.30	-0.71
Pebblebrook Hotel Trust	-32.27	-0.60
<b>Total</b>		<b>-4.27</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	-13.56	-15.28	1.72
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-13.56</b>	<b>-15.28</b>	<b>1.72</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	25.81	14.84	10.97	-10.41	-16.18	5.77	-2.67	-2.43	-0.08	1.51	1.42
Communication Services	0.00	3.22	-3.22	0.00	-31.01	31.01	0.00	-1.10	0.58	0.00	0.58
Consumer Discretionary	4.01	7.17	-3.16	-16.96	-21.50	4.54	-0.75	-1.79	0.30	0.18	0.49
Financials	20.44	25.57	-5.13	-7.57	-11.25	3.68	-1.46	-2.67	-0.19	0.67	0.48
Health Care	13.10	8.51	4.59	-14.65	-17.47	2.82	-1.84	-1.47	-0.10	0.40	0.30
Information Technology	19.99	5.33	14.66	-15.75	-19.35	3.60	-3.23	-1.10	-0.56	0.71	0.15
Real Estate	4.85	11.68	-6.83	-22.05	-18.82	-3.23	-1.17	-2.21	0.24	-0.17	0.07
Materials	3.61	4.48	-0.87	-20.14	-18.37	-1.77	-0.85	-0.83	0.00	-0.07	-0.07
Energy	1.92	10.30	-8.38	-25.85	-11.79	-14.06	-0.55	-1.39	-0.23	-0.31	-0.54
Utilities	0.00	5.66	-5.66	0.00	-3.92	3.92	0.00	-0.19	-0.59	0.00	-0.59
Consumer Staples	3.67	3.22	0.45	-25.60	-3.57	-22.03	-1.04	-0.09	0.05	-0.77	-0.72
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-13.56</b>	<b>-15.28</b>	<b>1.72</b>	<b>-13.56</b>	<b>-15.28</b>	<b>-0.43</b>	<b>2.14</b>	<b>1.71</b>

### Trailing 1 Year Attribution:

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

##### Performance

	Portfolio	Benchmark	Active
Return Ex Currency	-12.51	-16.26	3.75
Currency Contribution	0.00	0.00	0.00
<b>Total Return</b>	<b>-12.51</b>	<b>-16.26</b>	<b>3.75</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	14.26	9.87	4.39	-15.59	-37.20	21.61	-1.79	-3.71	-0.85	3.46	2.62
Information Technology	20.59	5.45	15.14	-9.91	-22.81	12.90	-1.93	-1.30	-0.99	2.74	1.75
Communication Services	0.00	3.68	-3.68	0.00	-50.62	50.62	0.00	-2.27	1.71	0.00	1.71
Industrials	24.70	15.06	9.64	-10.50	-13.76	3.26	-2.75	-2.12	0.26	0.94	1.21
Financials	20.42	26.21	-5.79	-2.23	-10.04	7.81	-0.49	-2.44	-0.35	1.45	1.10
Consumer Discretionary	4.62	7.70	-3.08	-35.03	-35.34	0.31	-1.70	-3.09	0.81	0.03	0.83
Real Estate	4.90	11.46	-6.56	-16.00	-14.30	-1.70	-0.85	-1.70	-0.11	-0.08	-0.19
Consumer Staples	3.32	2.96	0.36	-11.41	0.88	-12.29	-0.53	0.01	0.08	-0.43	-0.35
Materials	3.65	4.61	-0.96	-31.08	-19.06	-12.02	-1.44	-0.91	0.02	-0.53	-0.51
Utilities	0.00	5.11	-5.11	0.00	7.97	-7.97	0.00	0.31	-1.14	0.00	-1.14
Energy	1.96	7.89	-5.93	-41.79	23.55	-65.34	-1.03	0.95	-2.11	-1.28	-3.39
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-12.51</b>	<b>-16.26</b>	<b>3.75</b>	<b>-12.51</b>	<b>-16.26</b>	<b>-2.54</b>	<b>6.30</b>	<b>3.76</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<sup>®</sup> 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<sup>®</sup> Value Index and Russell<sup>®</sup> 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.**

**Distributed by Harbor Funds Distributors, Inc.**

### 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.