



Harbor Small Cap Value Fund

Understanding Recent Performance Headwinds

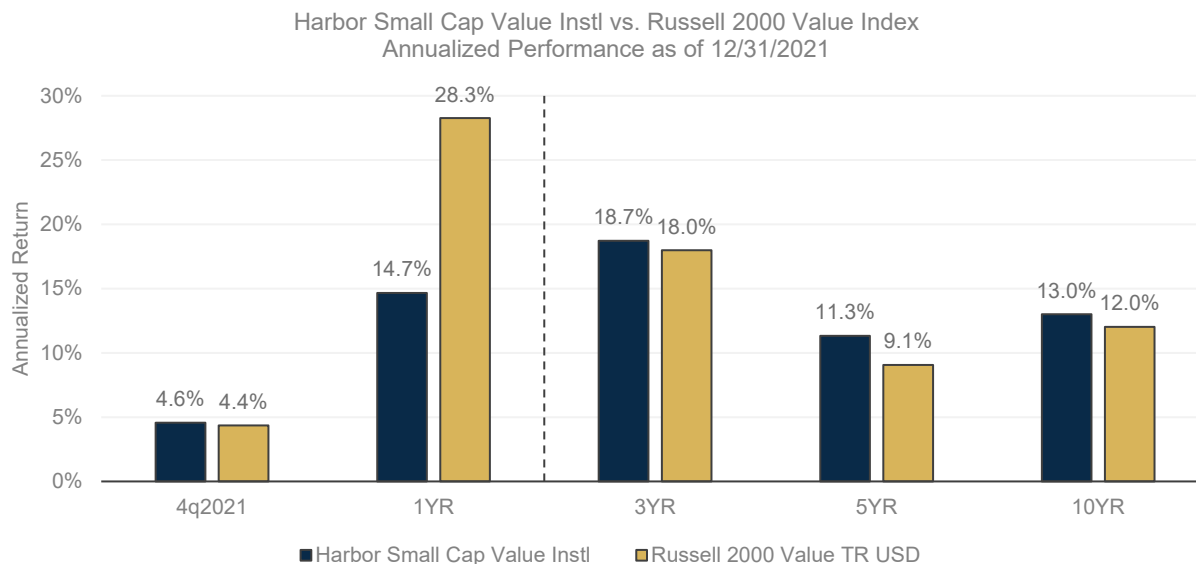
Key Highlights

- ✓ **We've been here before and retain highest conviction in the strategy**
- ✓ **2021: A tale of two halves**
- ✓ **Fierce factor headwinds in early 2021**
- ✓ **Meme stock mania also posed challenges in early 2021**
- ✓ **1H 2021: Underperformance versus the Index at the “top”**
- ✓ **Harbor Small Cap Value's disciplined approach favors long-term investors**

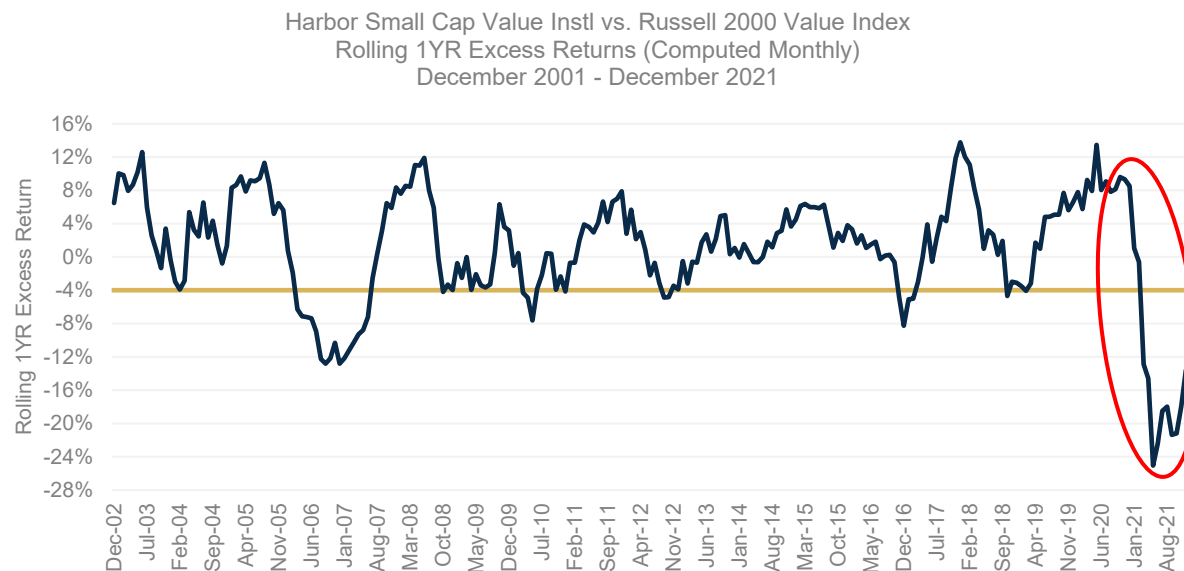
Performance Summary



- The Harbor Small Cap Value Fund underperformed the Russell 2000® Value Index by -13.6% in 2021.
- Despite recent setbacks, the Fund has maintained positive excess returns over the longer-term 3-year, 5-year and 10-year annualized periods.



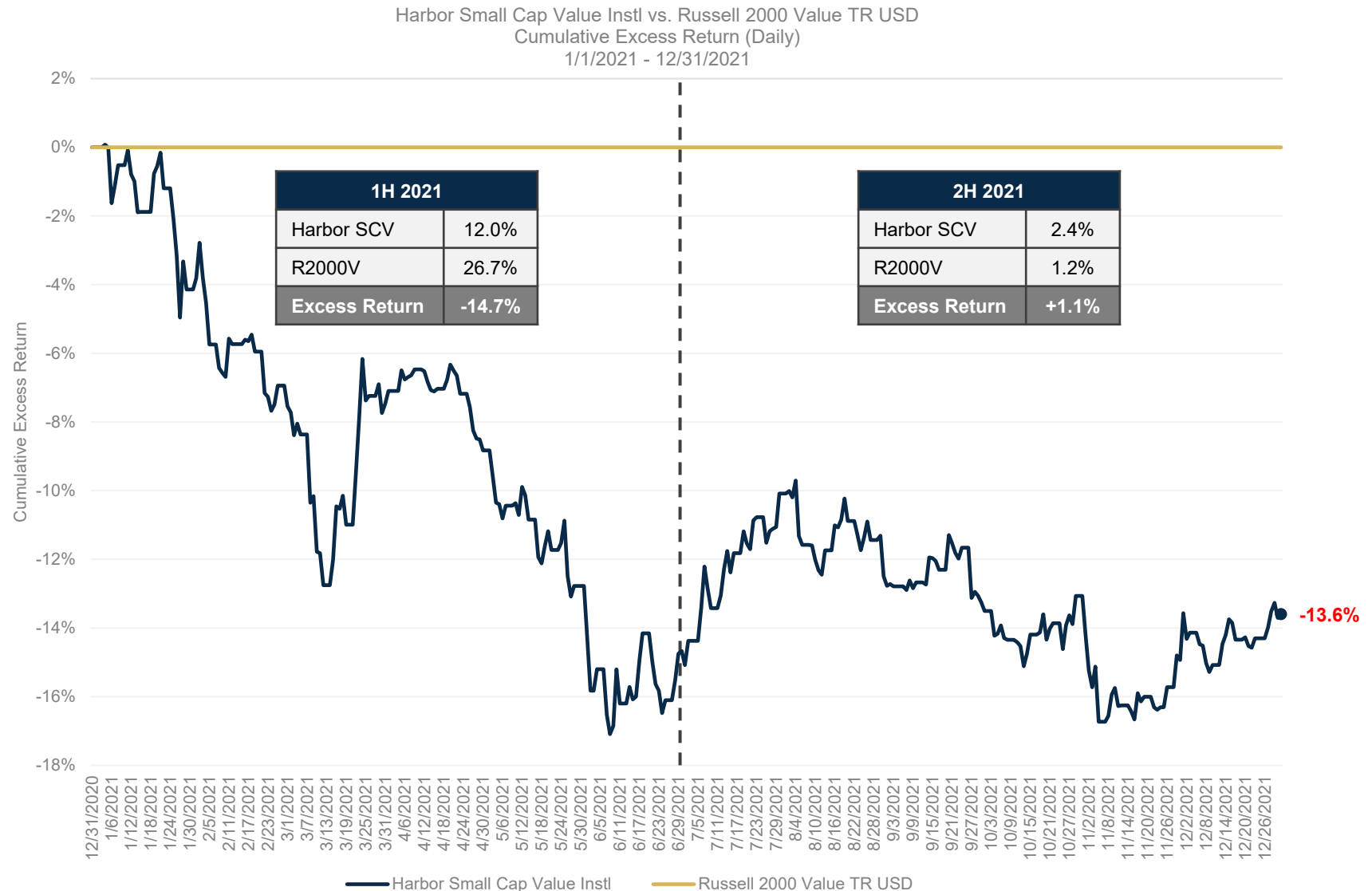
- Rolling 1-year excess returns experienced sharp decline in early 2021.
- The Team's Risk Model seeks to avoid having a portfolio whose expected return underperforms the Russell 2000® Value Index by more than 400bps on a rolling 1-year basis in 20% or > of scenarios.
- This is still intact: over its 20-year history, the Fund has only underperformed by more than 400bps in 17.0% of rolling 12-month windows as of 12/31/2021.





2021 Performance: A Tale of Two Halves

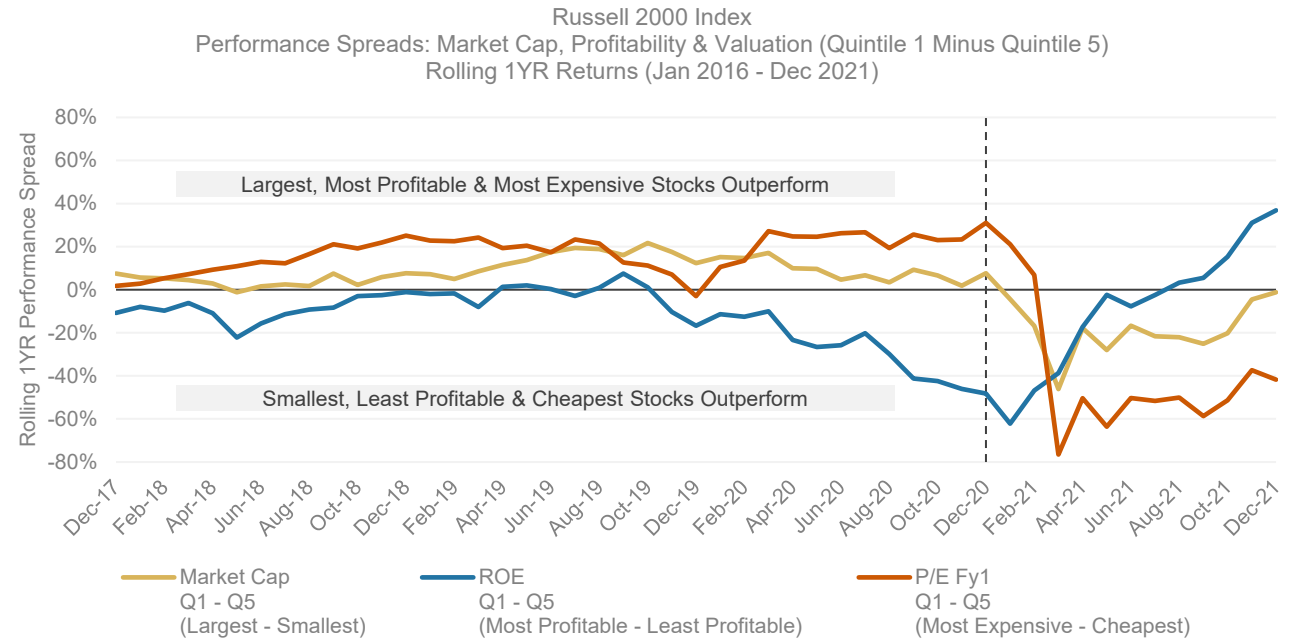
- Underperformance was concentrated in the first half of 2021 as the Fund faced meaningful headwinds from a factor & index composition perspective.
- The Fund outperformed in the second half of 2021 given general dissipation of factor and index composition headwinds combined with stock selection benefit.



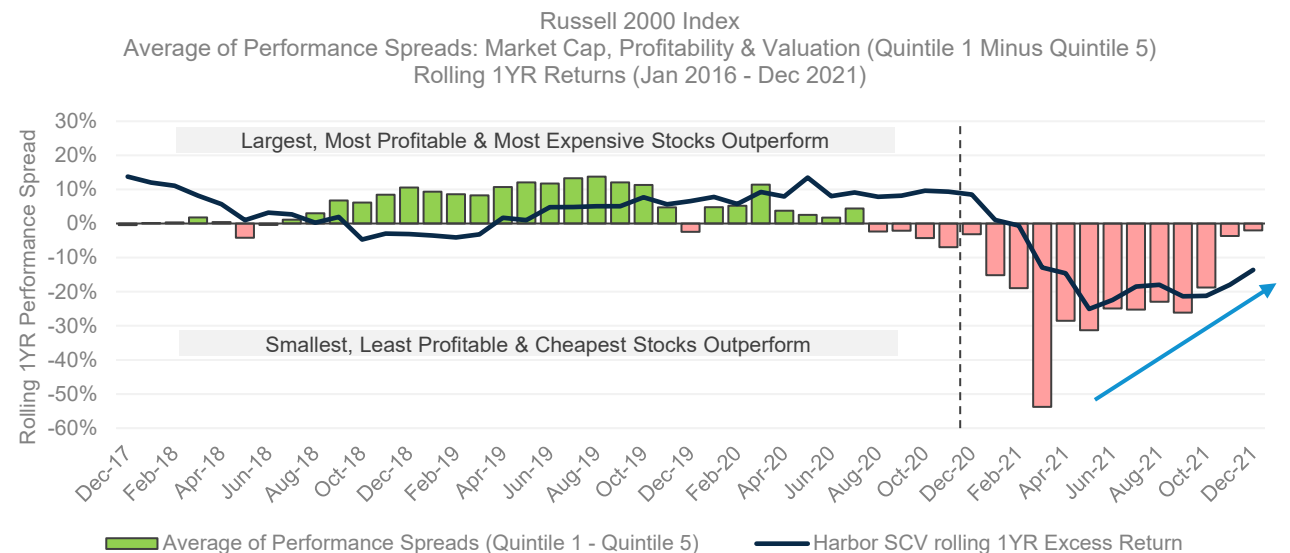


A Perfect Storm of Factor Formation in Early 2021

- In early 2021, investors increasingly focused on the perceived beneficiaries of economic reopening in a post COVID-19 era.
- Speculation meaningfully increased generating fierce factor headwinds for Harbor Small Cap Value.
- The smallest, least profitable and cheapest stocks meaningfully outperformed.

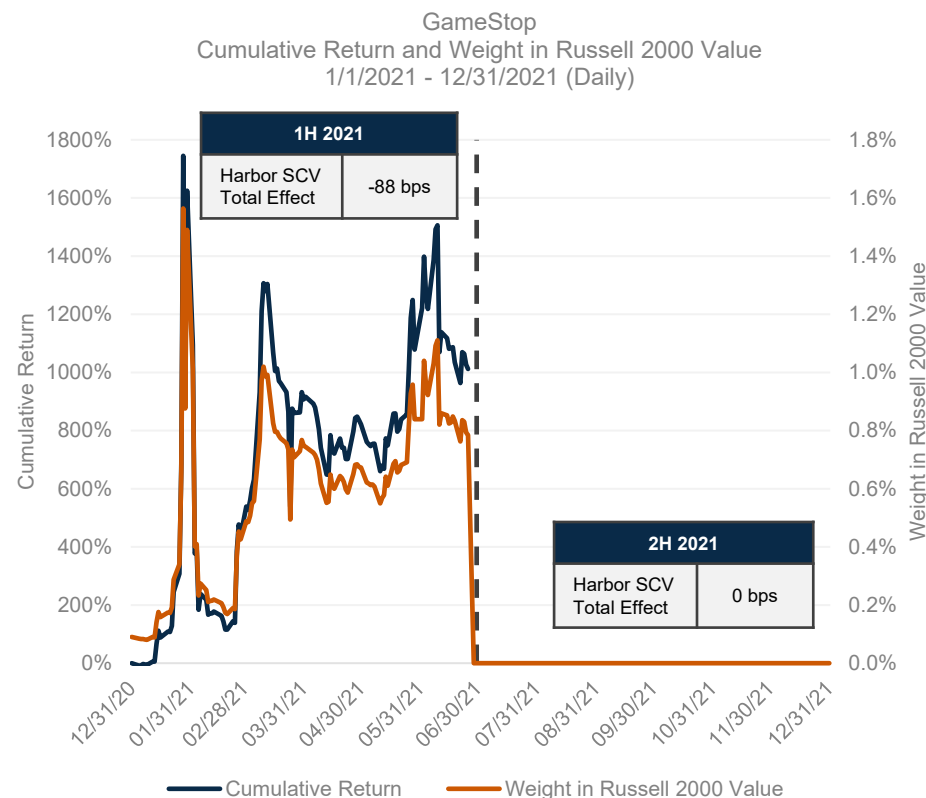
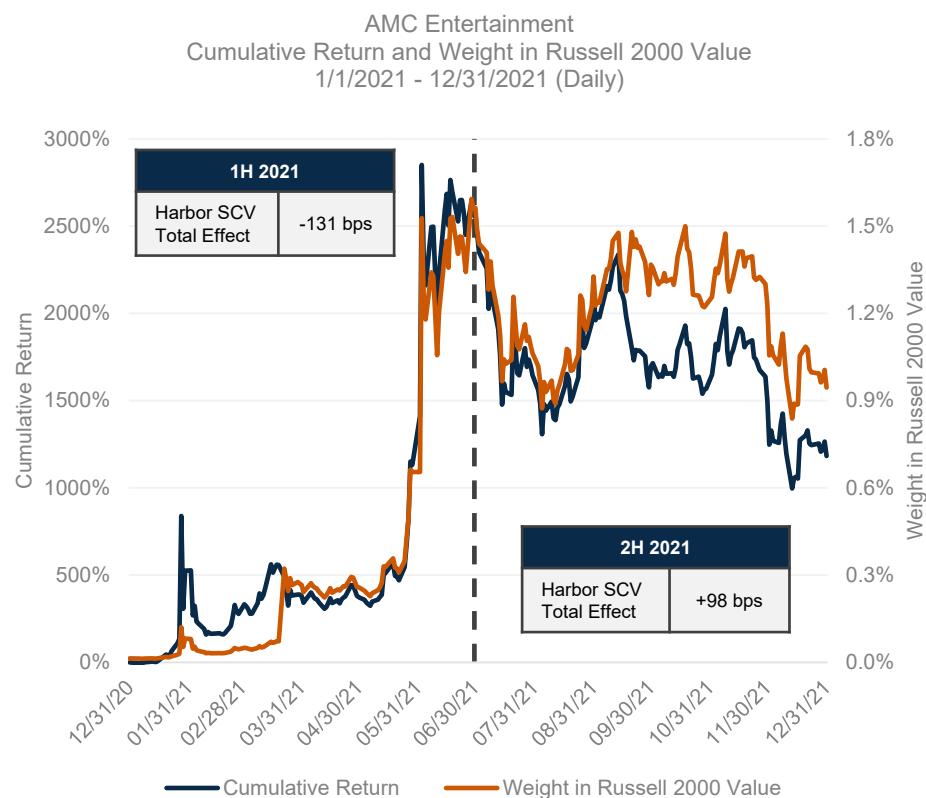


- In aggregate, these factor headwinds proved the most severe the Fund has experienced in recent history.
- Importantly, these factor headwinds began to subside in 2H 2021.
- In past calendar years where EARNEST experienced similar factor headwinds such as in 2006 and 2016, the Fund went on to outperform the Index in meaningful fashion during the following calendar years (+8.3% and +13.8% excess returns in 2007 & 2017, respectively).





Meme Stock Mania Also Posed Challenges in Early 2021

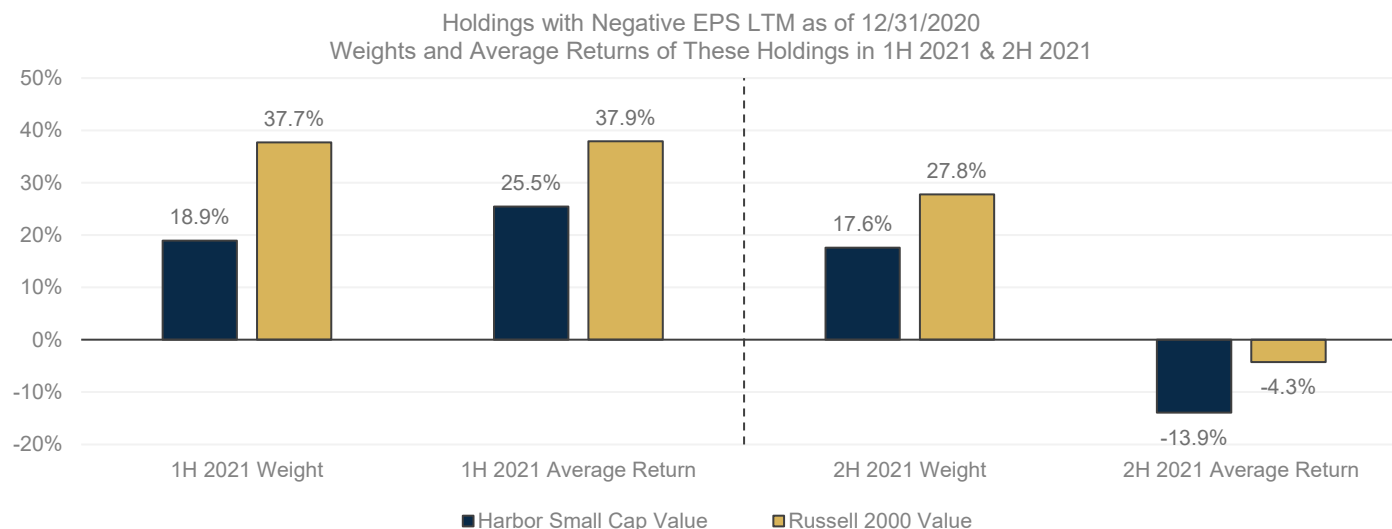


- Early in 2021, social media hype prompted retail investors to pile into highly speculative stocks (not owned by the Fund) in an effort to generate fast and outsized returns.
- AMC Entertainment and GameStop were direct beneficiaries of this trade and surged by 2,574% and 1,012% during the first half of 2021.
- AMC had an Index weighting of 1 bps in Jan 2021, this expanded to 156 bps by the end of June 2021. GameStop had an Index weighting of 9 bps in Jan 2021, this grew to 78 bps in June 2021. The stock was eventually reconstituted out of the Russell 2000® Value Index in June 2021 and placed within the mid cap construct.
- Both AMC and GameStop posed a collective -219 basis point total effect headwind in the first half of 2021. AMC performance reversed course in the second half of the year, providing a +98 basis point performance benefit for the Harbor Small Cap Value Fund.

Breaking Down 1H 2021 Performance Pressures



- The performance of companies with negative earnings was sharply positive in the first half of 2021. Harbor Small Cap Value maintained a weighting of only 18.9% to negative earners versus 37.7% for the Russell 2000® Value. The Fund was unable to keep pace with the Index as these speculative stocks experienced strong gains during 1H 2021.
- However, the performance of negative earners mainly reversed in the second half of 2021 given renewed investor focus on company fundamentals. The Fund's lower levels of exposure to this group aided relative returns in 2H 2021.



- Given the combined headwinds previously noted, 1H 2021 excess returns were pressured as the Fund's strongest performers failed to keep pace with the top performers within the Russell 2000® Value Index.

Percentile Performance Breakout of Holdings

1H 2021	Harbor Small Cap Value	Russell 2000® Value	Difference
25 th Percentile	22.2%	33.6%	-11.4%
Median	13.6%	13.1%	+0.5%
75 th Percentile	3.9%	-1.4%	+5.3%

2H 2021	Harbor Small Cap Value	Russell 2000® Value	Difference
25 th Percentile	12.7%	14.1%	-1.4%
Median	1.4%	0.2%	+1.2%
75 th Percentile	-13.2%	-19.9%	+6.7%



Looking Through Shorter-Term Periods of Underperformance

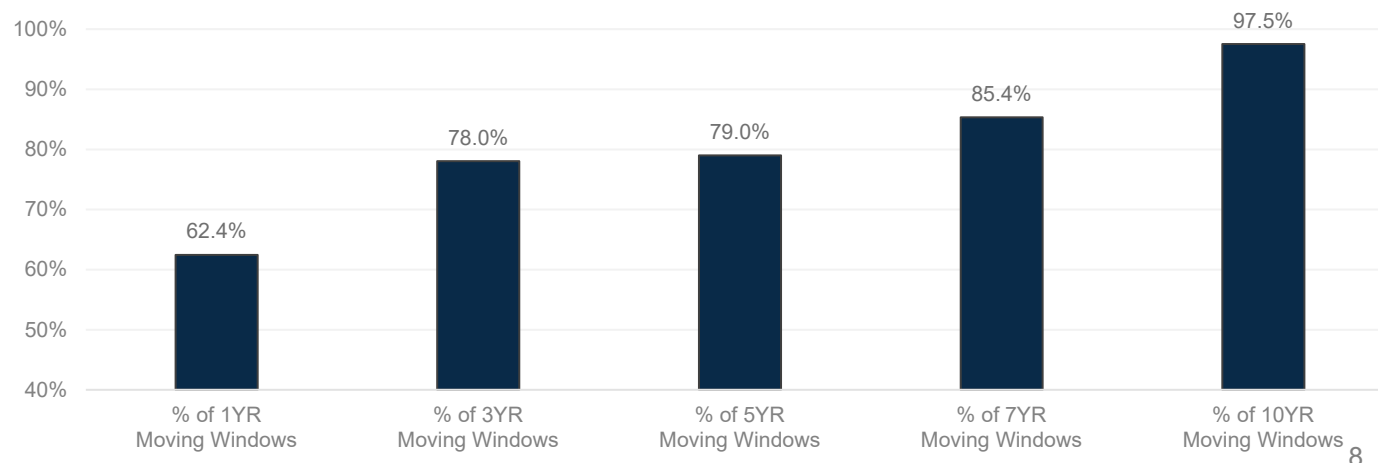
- Harbor Small Cap Value's bottom ten relative performers had an average return of -4.6% in the first half of 2021, pressuring excess returns during the period.
- Looking beyond this shorter-term time frame, these holdings exhibit an average 3-year return (as of 12/31/21) of +127.8%.
- In addition, these companies are now trading at an average price/earnings discount of -15.1% versus a year ago.

Harbor Small Cap Value Fund
Summary of Bottom 10 Relative Performance Detractors in 1H 2021

Company	1H 2021 Return	3YR Return as of 12/31/2021	YoY Price/Earnings Discount as of 12/31/21
FormFactor, Inc.	-15.2%	224.5%	-1.4%
Scotts Miracle-Gro	-3.1%	184.8%	-22.4%
Emergent BioSolutions	-29.7%	-11.3%	-40.5%
Catalent	3.9%	310.6%	-15.1%
CMC Materials	0.2%	109.2%	23.6%
Casella Waste Systems	2.4%	199.8%	33.5%
Horace Mann Educators	-9.6%	13.2%	-14.7%
Littelfuse	0.4%	88.7%	-45.0%
Teledyne Technologies	6.8%	111.0%	-33.1%
ManTech International	-1.8%	47.0%	-35.8%
Average	-4.6%	127.8%	-15.1%

- Looking ahead, EARNEST maintains adherence to their quality-focused approach, seeking businesses they believe are well positioned over the next several years.
- This discipline has resulted in strong outperformance over longer-term horizons.
- In fact, the Fund has outperformed the Russell 2000® Value Index in 97.5% of rolling 10-year periods since its inception ~20 years ago in 2001.

Harbor Small Cap Value Instl vs. Russell 2000 Value Index
% of Outperformance Over Rolling Period Windows (Monthly)
Dec 2001 - Dec 2021





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Performance & Top Ten Holdings – as of 12/31/2021

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	4.57%	14.67%	14.67%	18.72%	11.32%	13.01%	10.71%	12/14/01	0.88	0.88
Administrative	HSVRX	411511710	4.50%	14.38%	14.38%	18.42%	11.05%	12.72%	10.98%	11/01/02	1.13	1.13
Investor	HISVX	411511694	4.46%	14.25%	14.25%	18.28%	10.92%	12.59%	10.83%	11/01/02	1.24	1.24
Retirement	HNVRX	411512452	4.59%	14.77%	14.77%	18.81%	11.41%	13.06%	10.73%	03/01/16	0.80	0.80
Russell 2000® Value Index			4.36%	28.27%	28.27%	17.99%	9.07%	12.03%	9.40%	12/14/01		

Top 10 Holdings

	Portfolio %	Benchmark %
Casella Waste Systems,	3.43	0.02
Catalent Inc	3.32	0.00
Houlihan Lokey, Inc. CI	3.24	0.05
Darling Ingredients Inc	3.07	0.00
FormFactor, Inc.	3.01	0.03
CMC Materials, Inc.	2.96	0.00
Franklin Electric Co.,	2.82	0.00
Molina Healthcare, Inc.	2.56	0.00
CONMED Corporation	2.54	0.00
Littelfuse, Inc.	2.39	0.00
Total	29.34	0.10

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 harborfunds.com or by calling 800-422-1050.



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