

HARBOR HEALTH CARE ETF

Westfield Capital Management Company, L.P.

Subadvisor Since 11/16/2022

Ticker: MEDI
CUSIP: 41151J869
Net Expense Ratio: 0.80%
Gross Expense Ratio: 0.80%
Total Net Assets: \$5,577,101
Benchmark: Russell 3000® Growth Health Care Index

Portfolio Managers



William A. Muggia



Matthew R. Renna

Investment Philosophy

The Harbor Health Care ETF (MEDI) is actively managed by Westfield Capital and primarily invests in the securities of companies principally engaged in the research, development, production or distribution of products and services related to the health care industry. MEDI is a concentrated portfolio (30 to 50 holdings) of companies Westfield believes are best positioned to benefit from the secular growth and innovation within the US health care system with long-term alpha potential. The portfolio is diversified across health care industry groups and market capitalizations.

Westfield employs a bottom-up process to identify quality health care opportunities with differentiated products, technologies, and services that meet their disciplined valuation criteria. In constructing the Fund's portfolio, Westfield seeks to identify companies that it believes possess the following characteristics:

- Compelling company management;
- Significant inside ownership;
- Unique market positions and broad market opportunities, and
- Solid financial controls and accounting processes

CHARACTERISTICS & ALLOCATION

As of 12/31/2023

Portfolio Characteristics		
	Portfolio	Benchmark
Number of Holdings	35	349
Wtd Avg Market Cap (\$Mil)	156,492.80	246,958.80
Median Market Cap (\$Mil)	7,122.00	1,162.00
Price/Book Ratio	5.76	9.47
Adjusted Trailing P/E Ratio	42.40	42.40
% EPS Growth - Past 3 Yr	6.70	15.20
Est 3-5 Yr EPS Growth Rate (%)	18.50	13.80
Return on Equity (%)	11.75	26.91
Forecasted P/E Ratio	22.00	27.20

Top 10 Holdings		
	Portfolio %	Benchmark %
UnitedHealth Group Inco	13.77	15.32
Ascendis Pharma A/S Spo	11.91	0.00
Eli Lilly and Company	9.50	18.37
AbbVie Inc.	7.79	10.18
DexCom Inc.	4.58	1.79
Rocket Pharmaceuticals	4.08	0.06
ICON Plc	3.65	0.13
Legend Biotech Corp. Sp	3.65	0.00
Option Care Health Inc	3.54	0.21
Humana Inc.	2.87	0.92
Total	65.34	46.98

Top 5 Industries		
	Portfolio %	Benchmark %
Biotechnology	38.12	26.14
Health Care Providers	21.28	20.67
Health Care Equip	20.13	16.44
Pharmaceuticals	12.10	25.01
Life Sciences Tools	6.06	10.26
Total	97.69	98.52

Market Capitalization		
		Portfolio %
Large	Above 25.0B	45.65
	10.0B - 25.0B	14.95
Mid	5.0B - 10.0B	21.20
	1.0B - 5.0B	13.00
Small	0.0 - 1.0B	2.89

Harbor Health Care ETF



PERFORMANCE

As of 12/31/2023

Average Annual Returns

	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date
Harbor Health Care ETF (NAV)	14.36%	24.81%	24.81%	N/A	N/A	N/A	23.82%	11/16/2022
Harbor Health Care ETF (Market)	14.51%	24.86%	24.86%	N/A	N/A	N/A	24.59%	11/16/2022
Russell 3000® Growth Health Care Index	9.28%	11.67%	11.67%	N/A	N/A	N/A	12.16%	11/16/2022

MANAGER COMMENTARY

As of 12/31/2023

“In our opinion, a continued focus on high-quality, durable businesses with robust cash flows and valuation support seems prudent, while also remaining selective and disciplined with higher-growth opportunities as they arise.”

Westfield Capital Management Company, L.P.

Market in Review

U.S. equities rallied sharply to end the year, with major indexes recording double-digit gains during the fourth quarter of 2023. Markets turned sharply higher in October on the heels of a dovish policy pivot by the U.S. Federal Reserve (“Fed”), with many market participants proclaiming the end of the current rate-hiking cycle. The dramatic easing of financial conditions, driven by falling inflation and interest rates, propelled the market upward, as expectations for a successful soft landing gained traction. Importantly, the quarter saw a broadening in market leadership, moving beyond the dominance of the “Magnificent Seven” tech giants, with standout performances in small-cap equities and industry sectors like regional banks, credit cards, and homebuilders.

Portfolio Performance

During the quarter, the Harbor Health Care ETF (“ETF”) returned 14.36% (NAV), outperforming the Russell 3000® Growth Health Care Index, which returned 9.28%.

From an industry perspective, relative strength within biotechnology offset relative weakness within health care technology.

The outperformance was driven by strong stock selection, combined with a common factor tailwind during the quarter. From a factor perspective, the ETF’s overweight exposure to volatility and underweight exposure to momentum provided a tailwind to relative performance. This was partially offset by a headwind from the ETF’s underweight exposure to size and overweight exposure to earnings variation.

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. 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.

Shares are bought and sold at market price not net asset value (NAV). A fund’s NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times.

Harbor Health Care ETF

MANAGER COMMENTARY

As of 12/31/2023



Contributors & Detractors

Ascendis Pharma A/S, an innovative biotech company focused on improving the delivery of complex molecules, was the top contributor to relative performance during the quarter. Favorable updates and regulatory clarity in the U.S. for its key product, TransCon PTH, along with approval in the European Union, improved investor sentiment for the name. Additionally, the growth rate for its pediatric growth hormone treatment, Skytrofa, is accelerating, which, when coupled with a global PTH launch in 2024, could propel the company to first-time profitability. Highlights from its pipeline were also viewed favorably by investors, which included an announcement of a once-monthly GLP-1 therapy treatment that we believe could lead to a near-term deal with a larger obesity player, further lifting sentiment and the share price.

Rocket Pharmaceuticals, a clinical-stage biotech company focused on the development of gene therapy treatment options for rare and devastating pediatric diseases, also contributed positively to relative results during the quarter. The stock traded higher following regulatory clarity on its key product for Danon disease. FDA agreement for pivotal design seems to be a very low bar, and thus the probability of success has gone up significantly. The company is now well-capitalized through major value-creating events and benefited from the sharp rally in biotech.

Legend Biotech, a clinical-stage biopharmaceutical company, was the top detractor from relative returns during the quarter. The stock sold off due to competitive threats, in addition to its partner, Johnson & Johnson, undergoing capacity constraints, which weighed on sales. We believe these headwinds will be short-lived, as capacity is set to come on line in early 2024, and we believe the competitive threats are overblown.

Sarepta Therapeutics, a Duchenne muscular dystrophy (DMD) therapy developer, also detracted from relative performance during the quarter. The stock price lagged following the failure of a key FDA confirmatory trial for its lead DMD gene therapy program. Many investors still believe the FDA will ultimately approve an expanded label for the therapy, but we believe the product may have a very limited label. We decided to exit our position, given the current trial's failure.

Buys & Sells

During the quarter, we purchased Masimo, a global medical technology company that develops and produces a wide array of industry-leading monitoring technologies. Masimo is the leader in the pulse oximetry market, which measures a patient's oxygen levels during surgery. In our opinion, much of the prior value destruction stemming from its acquisition of Sound United has been reflected in the valuation. Given both the involvement of an activist investor and the potential growth of its consumer segment, we believe Masimo provides outsized growth potential from both its core pulse oximetry business and other growth segments.

During the quarter, we sold our position in Apellis Pharmaceuticals, a clinical-stage biopharmaceutical company. We exited our position following news indicating that Apellis' treatment for geographic atrophy (GA) will be receiving a negative vote from the European Union's medical agency's ongoing regulatory review. The company extended its cash runway into the first quarter of 2025, following its corporate restructuring in the fall, but this outcome was disappointing, nonetheless. We used the capital to add to higher-conviction holdings in the ETF.

Sector Overweights & Underweights

The life sciences tools and services industry represented the ETF's largest overweight relative to the index entering 2023; however, as of year-end, we are underweight the group. During the quarter, we sold our positions in Bio-Techne, a life science reagents and instruments company, and Thermo Fisher Scientific, a lab tools and instruments provider. Over the course of the past year, the life sciences tools and services fundamental backdrop continued to deteriorate, and companies seemed to lack clear visibility into when destocking will end and when the recovery will occur. Given that valuations are still not cheap on a relative and absolute basis, we reduced our exposure and allocated toward industries with a better risk/reward profile.

Performance data shown represents past performance and is no guarantee of future results.

Harbor Health Care ETF

MANAGER COMMENTARY

As of 12/31/2023



Entering 2023, health care providers and services was the largest underweight relative to the index, but we added exposure to the industry during the year with the purchase of Humana, a health insurance services company, and Cencora, an American drug wholesale company. In addition, the industry benchmark weight declined following the Russell index rebalancing in June, which increased our relative weight.

As of year-end, the biotechnology industry represented the largest overweight relative to the index. We have been taking capital out of life sciences tools and services, given the difficult backdrop previously discussed, and adding exposure to biotechnology with five new purchases during the quarter. We believe valuations within biotechnology are attractive right now. Following a period of over-capitalization and investor euphoria that peaked in February 2021, we have seen a precipitous decline in valuations, all while many high-quality companies have made significant progress in the research clinics and dramatically improved intrinsic value. We also believe an unprecedented wave of merger activity is on the horizon. As of year-end, the pharmaceuticals industry represented the largest underweight relative to the index. We continue to believe that the industry includes many interesting opportunities, with the industry representing the fourth-largest absolute weight in the ETF at 12%. However, the group remains fundamentally challenged. The pharmaceuticals industry has faced headwinds of massive patent expirations for legacy mega-blockbuster drugs, and the ability to fill these gaps with mergers and acquisitions seems doubtful in the current environment.

Outlook

Despite the sharp rally in equities to end the year, the outlook for 2024 remains uncertain. Broadening market participation, falling inflation, and a resilient consumer backdrop provide hope that a perfectly engineered soft landing may be underway. However, historical analogues of prior curve-inversion cycles suggest that we may still be in a window where the lagged impacts of the rate hikes remain ahead of us. In addition, betting odds over the potential for U.S. markets to avoid a slowdown may be overestimating the probability of success. Navigating the path ahead will require careful attention to evolving macro conditions and potential headwinds, with several crosscurrents leaving us with less conviction on the direction of markets. In our opinion, a continued focus on high-quality, durable businesses with robust cash flows and valuation support seems prudent, while also remaining selective and disciplined with higher-growth opportunities as they arise.

Harbor Health Care ETF

QUARTERLY ATTRIBUTION

As of 12/31/2023



Best & Worst Performers

Best Performers	Average Weight %	Return % (NAV)
CEREVEL THERAPEUTICS HOLDING	0.73	94.23
MURAL ONCOLOGY PLC	0.37	82.71
INSULET CORP	1.78	53.47
ROCKET PHARMACEUTICALS INC	4.27	46.27
MASIMO CORP	1.03	43.69

Worst Performers	Average Weight %	Return % (NAV)
ALIGN TECHNOLOGY INC	0.67	-37.46
SAREPTA THERAPEUTICS INC	0.65	-35.65
VERADIGM INC	0.99	-26.64
SHOCKWAVE MEDICAL INC	0.35	-15.83
REPLIGEN CORP	0.31	-13.09

Contributors & Detractors

Greatest Contributors	Return % (NAV)	Contribution to Return %
ASCENDIS PHARMA A/S - ADR	34.50	4.56
DEXCOM INC	33.00	2.29
ROCKET PHARMACEUTICALS INC	46.27	1.86
ELI LILLY & CO	8.67	1.37
INSULET CORP	53.47	1.06
Total		11.13

Greatest Detractors	Return % (NAV)	Contribution to Return %
ALIGN TECHNOLOGY INC	-37.46	-1.11
SAREPTA THERAPEUTICS INC	-35.65	-0.83
LEGEND BIOTECH CORP-ADR	-10.42	-0.49
INTUITIVE SURGICAL INC	-10.29	-0.42
VERADIGM INC	-26.64	-0.31
Total		-3.16

Harbor Health Care ETF

ATTRIBUTION

As of 12/31/2023



Quarterly Attribution:

Harbor Health Care ETF vs Russell 3000 Growth Health Care Index

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	14.94	9.50	5.45
Currency Contribution	0.00	0.00	0.00
Total Return	14.94	9.50	5.45

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	98.54	99.91	-1.37	15.21	9.50	5.71	14.92	9.50	0.00	5.61	5.61
Industrials	0.00	0.03	-0.03	0.00	-0.58	0.58	0.00	0.00	0.00	0.00	0.00
Materials	0.00	0.01	-0.01	0.00	-6.63	6.63	0.00	0.00	0.00	0.00	0.00
Consumer Discretionary	0.00	0.04	-0.04	0.00	7.14	-7.14	0.00	0.00	0.00	0.00	0.00
Information Technology	0.00	0.01	-0.01	0.00	0.85	-0.85	0.00	0.00	0.00	0.00	0.00
Total	100.00	100.00	0.00	14.94	9.50	5.45	14.94	9.50	-0.17	5.61	5.45

Performance data shown represents past performance and is no guarantee of future results.

Harbor Health Care ETF



IMPORTANT INFORMATION

Risks

Investing involves risk, principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. Harbor ETFs are new and have limited operating history to judge.

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. Since the Fund may hold foreign securities, it may be subject to greater risks than funds invested only in the U.S. These risks are more severe for securities of issuers in emerging market regions. Foreign currencies can decline in value and can adversely affect the dollar value of the fund. Since the Fund typically invests in a limited number of companies, an adverse event affecting a particular company may hurt the Fund's performance more than if it had invested in a larger number of companies.

Health Care Industry Risk: Because the Fund seeks to invest all, or substantially all, of its assets in the health care industry, the value of its shares will depend on the general condition of the that industry. The health care industry may be affected by any number of factors, including, but not limited to, lapsing patent protection, industry innovation, extensive government regulation, restrictions on government reimbursement for medical expenses, research and development costs, limited product lines, product liability litigation, an increased emphasis on outpatient services, and competitive forces.

Authorized Participant Concentration/Trading Risk: Only authorized participants ("APs") may engage in creation or redemption transactions directly with the Fund. The Fund is classified as non-diversified, a non-diversified Fund may invest a greater percentage of its assets in securities of a single issuer, and/or invest in a relatively small number of issuers, it is more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio. **New Fund Risk:** There can be no assurance that the Fund will grow to or maintain an economically viable size, in which case the Board of Trustees may determine to liquidate the Fund. **Small and Mid Cap Risk:** The Fund's performance may be more volatile because it may invest in issuers that are smaller companies.

Benchmarks

The Russell 3000® Growth Health Care Index is an unmanaged index generally representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

Disclosures

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.

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.

Views expressed herein are drawn from commentary provided to Harbor by the subadvisor 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.

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.

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 or call 800-422-1050. Read it carefully before investing.

Westfield Capital Management Company, L.P. is a third-party subadvisor to the Harbor Health Care ETF.

Forside Fund Services, LLC is the Distributor of the Harbor ETFs.

Harbor Health Care ETF



IMPORTANT INFORMATION

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

Alpha is a measure of performance in finance. It is used to indicate when a strategy, trader, or portfolio manager has managed to beat the market return or other benchmark over some period.

Median Market Cap: The median size of the companies in a portfolio or index as measured by the market value of outstanding shares.

Weighted Average Market Capitalization: The average size of the companies in a portfolio or index as measured by the market value of outstanding shares.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share.

The Est 3-5 Yr EPS Growth (%) is the estimated growth of earnings per share over the next 3-5 years, using pre-calculated mean long-term EPS growth rate estimates, which are calculated using each individual broker's methodology, from FactSet, First Call, I/B/E/S Consensus, and Reuters. Forward looking estimates may not come to pass.

% EPS Growth - Past 3 Year: Earnings per share refers to the bottom-line measure of a company's profitability defined as net income divided by the number of outstanding shares.

The Adjusted Trailing P/E (price-to-earnings) Ratio is the closing stock price divided by the sum of the last 12 months actual EPS.

Forecasted P/E Ratio: a measure of the P/E (price-to-earnings) ratio using forecasted earnings for the P/E calculation.

Return on Equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

The Price/Book (price-to-book) Ratio evaluates a firm's market value relative to its book value.

All P/E, ROE and P/B statistics are calculated as weighted medians.