



## ➤ Form ADV Part 2A Brochure

**March 31, 2021**

This Brochure provides information about the qualifications and business practices of Harbor Capital Advisors, Inc. (Harbor Capital). Please contact [compliance@harborfunds.com](mailto:compliance@harborfunds.com) if you have any questions. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Harbor Capital is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Harbor Capital is available through the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Material Changes

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Harbor Capital has updated our Brochure as of March 31, 2021. Material changes since the last annual update of our Brochure include our management of model portfolios, including direct trading of client assets, and anticipated launch of exchange-traded funds.



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# Form ADV Part 2A

## ADVISORY BUSINESS

### Harbor's History, Organization & Ownership

Harbor Capital is an investment adviser registered with the Securities and Exchange Commission (SEC).

Harbor Capital was founded in 1983 to manage the pension and retirement plan assets of our former parent company, Owens-Illinois. In 1986, we introduced Harbor Funds, a family of no-load mutual funds that employs a manager-of-managers business model. In June 2001, Harbor Capital was acquired by ORIX Corporation Europe N.V. and is currently a wholly owned subsidiary of ORIX Corporation (ORIX), a global financial services company based in Tokyo, Japan. ORIX provides a range of financial services to corporate and retail customers around the world, including financing, leasing, real estate and investment banking services. The stock of ORIX trades publicly on both the New York (through American Depositary Receipts) and Tokyo Stock Exchanges.

### Investment Advisory Services

Harbor Capital provides discretionary investment advisory services to our clients. Our investment solutions include:

- the **Harbor Funds** complex of mutual funds, an investment company registered under the Investment Company Act of 1940. Harbor Funds is comprised of individual funds (Funds), each with different investment objectives and strategies spanning domestic equity, international and global equity, fixed income and target retirement asset classes. Harbor Capital provides investment management services with respect to each Fund, subject to the oversight of the Board of Trustees of Harbor Funds.
- the **Harbor ETF Trust**, an investment company that will be registered under the Investment Company Act of 1940. Harbor ETF Trust will be comprised of individual exchange-traded funds (ETFs), each with different investment objectives and strategies, for which Harbor Capital will provide investment management services, subject to the oversight of the Board of Trustees of Harbor ETF Trust. We expect to establish one or more ETFs in 2021.
- the **Harbor Collective Investment Trust**, a collective investment trust exempt from registration under the Investment Company Act of 1940 pursuant to section 3(c)(11). Harbor Collective Investment Trust is comprised of individual collective investment trusts (CITs), each with different investment objectives and strategies. Harbor Trust Company, Inc. (Harbor Trust Company), a wholly owned subsidiary of Harbor Capital, serves as trustee to Harbor Collective Investment Trust and the CITs. Harbor Capital provides investment management services with respect to the CITs, subject to the oversight of Harbor Trust Company. The CITs are only available for investment by certain qualified plans and other eligible investors.
- the **Harbor Capital Group Trust for Defined Benefit Plans**, a collective investment vehicle exempt from registration under the Investment Company Act of 1940 pursuant to Sections 3(c)(1) and 3(c)(7). The Group Trust is comprised of defined benefit retirement plan assets of a small number of corporate defined benefit plans. The Group Trust is not marketed or offered to the public.
- a range of **model portfolios** (Model Portfolios) comprised of mutual funds and/or ETFs. Harbor Capital expects to provide the Model Portfolios for use by third-party financial advisers and other intermediaries for use as investment strategies for managing their underlying client accounts. Harbor Capital does not manage Model Portfolio assets on behalf of individual financial advisers or individual clients.

We provide investment advisory services directly or by employing a “manager-of-managers” approach through which we enter into subadvisory agreements with investment advisers (Subadvisers) that either provide discretionary investment management services directly or provide portfolios of investment recommendations to us that we select and execute. We monitor, evaluate and oversee each Subadviser’s performance. When necessary, we



replace or terminate or, in the case of Harbor Funds and Harbor ETF Trust, we recommend to its Board of Trustees the replacement or termination of a Subadviser. With respect to Harbor Funds and Harbor ETF Trust, the applicable Board of Trustees must approve each investment advisory and subadvisory agreement.

We establish investment policies, strategies, and guidelines for each client and update those policies, strategies, and guidelines as necessary. In the case of discretionary subadvised arrangements, each Subadviser is responsible for making the day-to-day investment decisions for the assets that we have allocated to them, including the securities to be purchased or sold and the timing and manner in which to effect those securities transactions. In the case of Subadvisers' strategies executed by Harbor Capital, we may implement the strategies as provided or may deviate from them but in either case are responsible for the timing and manner in which to effect securities transactions. All investment decisions must conform to the stated investment policies, strategies and guidelines. Harbor Capital does not tailor the Model Portfolios to meet the needs of individual clients.

## **Assets Under Management**

The amount of regulatory assets under management as of December 31, 2020 was \$63,006,165,350. All assets under management are managed on a discretionary basis.

## **FEES & COMPENSATION**

### **Compensation Terms**

We do not have an established fee schedule. The specific manner in which fees are charged is negotiated with each client and established within the advisory agreement between Harbor Capital and such client. Each of Harbor Capital's advisory agreements provides that the agreement may be terminated upon written notice to the other party without penalty. We may voluntarily agree not to impose a portion of our fee for a client for a period of time during the advisory relationship. Our compensation is derived solely from fees we receive under our agreements.

### **Harbor Funds**

Harbor Funds pays Harbor Capital an advisory fee at an annual rate based on the average net assets of each fund other than the Target Retirement Funds. Advisory fees accrue daily and are paid monthly in arrears. Harbor Capital, in turn, uses its assets to pay each Subadviser for advisory services. The advisory fee is in addition to Harbor Funds' other operating expenses that are borne by each Harbor fund (including each Target Retirement Fund through the individual Harbor funds in which each Target Retirement Fund invests). The annual operating expenses of each Harbor fund are described in each fund's prospectus.

### **Target Retirement Funds**

The Harbor Target Retirement Funds (Target Retirement Funds) are a group of individual funds within Harbor Funds, each with an investment portfolio designed to become more conservative over time as a target retirement date is approached. Each Target Retirement Fund invests its assets in other funds as provided in each Target Retirement Fund's prospectus.

Harbor Capital is responsible for developing and managing each Target Retirement Fund's asset allocation across the equity, fixed income, and short-term asset classes and for selecting the underlying funds to be held based upon each Target Retirement Fund's investment objectives and policies.

We currently do not receive any direct compensation for the advisory services we provide to the Target Retirement Funds. We are indirectly compensated for these advisory services because each Target Retirement Fund invests in individual Harbor funds that pay advisory fees to us.



## Harbor ETF Trust

Harbor ETF Trust will pay Harbor Capital a unitary advisory fee at an annual rate based on the average net assets of each ETF. Advisory fees accrue daily and are paid monthly in arrears. Out of the unitary advisory fee, Harbor Capital pays substantially all expenses of the ETF, including the cost of transfer agency, custody, fund administration, legal, audit and other services. Harbor Capital is responsible for compensating Subadvisers, if any, for advisory services. The total annual operating expenses of each Harbor ETF will be described in each ETF's prospectus.

## Harbor Collective Investment Trusts

Each CIT pays Harbor Capital an advisory fee at an annual rate based on the average net assets of such CIT. Advisory fees accrue daily and are paid monthly in arrears. Harbor Capital, in turn, uses its assets to pay each Subadviser for advisory services. The advisory fee is in addition to the CITs' other operating expenses (including trustee and other expenses) that are borne by each CIT. The annual operating expenses of each CIT are described in each CIT's offering documents.

## Group Trust

The corporate defined benefits plans comprising the Group Trust pay servicing fees to Harbor Capital quarterly in arrears that are based on a percentage of the average value of the assets of their respective plans as of month end. Each Subadviser is paid for its advisory services directly from the assets of the Group Trust.

## Management, Administrative & Support Services

Harbor Capital is also responsible for providing various management, financial, administrative, compliance, legal and regulatory, and tax services to its clients. These services are described in the agreements between Harbor Capital and each client. We do not receive a separate fee for any of these services.

## Fees to Our Subsidiaries

Harbor Services Group, Inc. serves as the transfer agent for Harbor Funds and each CIT. Harbor Funds Distributors, Inc. serves or will serve as the distributor for each Fund and each CIT. Harbor Trust Company serves as the trustee to the CITs. Harbor Services Group and Harbor Funds Distributors receive transfer agency fees and distribution fees, respectively, from Harbor Funds. Harbor Services Group and Harbor Trust Company receive transfer agency fees and trustee fees, respectively, from the CITs. See below at *"Other Financial Industry Activities and Affiliations."*

## Other Expenses

Our clients also pay transaction costs or commissions when securities are bought and sold. See *"Brokerage Practices"* below.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

We do not receive performance-based fees from any client. All of the fees that we receive from a client are based on a percentage of the assets being managed.

## TYPES OF CLIENTS

We provide advisory services to investment companies, a collective investment trust and a pooled investment vehicle. These clients are more fully described above at *"Advisory Business"*. We also expect to provide advisory services to third-party platforms through which financial advisors invest their clients' assets using the Model Portfolios.



## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

Investing in securities involves risk of loss that clients should be prepared to bear.

### Method of Analysis

#### Manager-of-Managers Strategy

Subadvisers may provide day-to-day investment management over the client assets that Harbor Capital has allocated to each such Subadviser or may serve as model portfolio providers and deliver model portfolios to Harbor Capital to execute. We perform due diligence in selecting and monitoring the performance of Subadvisers and, if warranted, replacing them. Subadvisers may also be employed either to provide discretionary investment management or model portfolios for our multi-asset strategies, which are discussed in more detail below in *“Multi-Asset Strategies”*.

Selecting and monitoring Subadvisers includes the efforts of our Investments and Legal & Compliance Teams and our Investment Committee, among others. The selection processes include:

- Assessing the Subadviser’s ability to deliver upon the stated mandate for which it has been engaged;
- Evaluating the Subadviser’s investment process, personnel, and investment professionals;
- Evaluating the Subadviser’s ownership and organizational structures and incentive programs;
- Ascertaining the adequacy of the Subadviser’s legal, compliance, and operational infrastructure;
- Reviewing the Subadviser’s historical performance record in the context of Harbor Capital’s assessment of the Subadviser’s ability to deliver future performance. Harbor Capital may at times evaluate Subadviser candidates that may be newly formed or yet to be formed entities that may not have existing products and corresponding investment performance records to evaluate, and may also evaluate Subadviser candidates that while established as investment advisers the proposed product(s) being evaluated may not currently exist;
- Reviewing the Subadviser’s financial condition;
- Informing each Subadviser of the investment objective(s), policies, and restrictions applicable to each product that it manages; and
- For investment company clients, formulating and presenting a recommendation for review and approval by such investment company’s Board of Trustees regarding the hiring of a particular Subadviser.

The ongoing oversight processes include:

- Reviewing the performance of each Subadviser relative to peers and appropriate benchmarks;
- Continuing to assess the adequacy of the Subadviser’s legal, compliance, and operational infrastructure and monitoring ongoing compliance with legal requirements as they pertain to portfolio management responsibilities;
- Monitoring for material changes in ownership and organization structures and incentive programs;
- Evaluating the Subadviser’s ability to deliver consistently strong future performance in light of the information obtained about the Subadviser through the ongoing monitoring process;
- Confirming adherence to investment guidelines and, in the case of the Funds, the ETFs and the CITs, reporting material violations thereof to the applicable Board of Trustees or Directors;
- For discretionary Subadvisers, reviewing brokerage practices, including the process to achieve best execution, the use of soft dollar commissions, and affiliated brokerage, if any;
- In the case of the Funds, the ETFs and the CITs, reporting the results of the performance and compliance monitoring and review to the applicable Board of Trustees or Directors on a periodic basis;



- In the case of the Group Trust or a CIT, determining whether a Subadviser will continue to manage Group Trust or CIT assets or be replaced;
- For the Funds and the ETFs, formulating a recommendation regarding the renewal or replacement of Subadvisers for consideration by such entity's Board of Trustees; and
- For the Funds, the ETFs and the CITs, preparing materials for the applicable Board of Trustees or Directors to assist in their regular or special review of Subadviser arrangements.

### Target Retirement Funds Strategy

Each Target Retirement Fund currently invests its assets in underlying Harbor funds. The due diligence that we perform in selecting, overseeing, monitoring the performance of, and, if necessary, replacing a Subadviser to a Harbor fund is described above.

We are also responsible for:

- Developing and continually evaluating a glidepath for the Target Retirement Funds and the broad asset allocation for each Target Retirement Fund;
- Selecting the underlying funds to be held by each Target Retirement Fund;
- Managing the asset allocation for each Target Retirement Fund and adjusting exposures to underlying funds when deemed necessary;
- Monitoring the actual underlying fund allocations and initiating rebalancing trades within each Target Retirement Fund when actual allocations deviate from target allocations;
- Verifying that subscription and redemption activity with each Target Retirement Fund is processed accurately; and
- Preparing materials for Harbor Funds' Board of Trustees to assist in the Board's review of the Target Retirement Funds.

We also compare our asset allocation to target retirement funds offered by other mutual fund companies using industry data.

### Multi-Asset Strategies

Our investment philosophy and process combine both quantitative modeling and predictive forecasting, with qualitative investment research and oversight. Harbor Capital believes that markets are reasonably—though not entirely—efficient and, therefore, emphasize the importance of portfolio construction and strategic asset allocation in its efforts to maximize returns per unit of risk taken. The team also attempts to identify inefficiencies through which it seeks to generate alpha through tactical asset allocation.

We break down portfolios into three segments: strategic asset allocation, tactical asset allocation and manager selection.

- The **strategic asset allocation** is constructed based on long-term capital market assumptions and discretionary insight and is calibrated to a longer-term time horizon of seven to over ten years.
- The **tactical asset allocation** is constructed based on a process of evaluating assets on four criteria: (1) fundamentals, (2) valuation, (3) sentiment and technical factors and (4) risk. The tactical asset allocation is calibrated to a time horizon of 12 months.
- We allocate a portion of portfolio risk to **manager selection** and styles within regions and asset classes. We leverage our extensive network to identify best-in-class managers to generate security-specific alpha for broader multi-asset portfolios.

Positions are sized according to their contribution to overall risk, which determination takes into account volatility and correlation as well as the strength of Harbor Capital's conviction in the expected risk-adjusted return of the asset. We also conduct risk management and portfolio construction using a framework that goes beyond traditional



risk modeling by deconstructing indices into individual securities and then re-constructing those securities into “building blocks,” which offer additional granularity in the portfolio construction process. Construction of these “building blocks” is based on risk characteristics that cause the underlying securities to co-vary beyond market capitalization, size and style. The team believes that this process leads to a more balanced portfolio.

Harbor Capital expects to manage additional multi-asset funds (aside from the Target Retirement Funds) and ETFs later in 2021 in accordance with the investment philosophy and process described above. We expect to allocate assets among discretionary Subadvisers and Subadvisers providing model portfolios to us to execute. The specific strategies to be employed in managing such products will be detailed in each applicable Fund’s or ETF’s prospectus.

We currently apply the above criteria to each of the following model investment strategies, which are not yet publicly available.

#### Conservative

The Conservative strategy is designed with a low risk profile for conservative investors who prioritize the preservation of capital and income over the growth of capital. Approximately 20% of the portfolio is invested in equity securities and approximately 80% of the portfolio is invested in fixed income securities. The portfolio may be invested in diversified or non-diversified mutual funds, money market funds, exchange-traded funds, exchange-traded notes and exchange-traded products. The portfolio is benchmarked 20% to the MSCI All Country World Index and 80% to the Barclays Global Aggregate Index.

#### Balanced

The Balanced strategy is designed for the investor with a more balanced preference for capital growth, income and capital preservation. Approximately 60% of the portfolio is invested in equity securities and approximately 40% of the portfolio is invested in fixed income securities. The portfolio may be invested in diversified or non-diversified mutual funds, money market funds, exchange-traded funds, exchange-traded notes and exchange-traded products. The portfolio is benchmarked 60% to the MSCI All Country World Index and 40% to the Barclays Global Aggregate Index.

#### Growth

The Growth strategy is designed for investors with a higher tolerance for capital risk, and a strong preference for capital growth over income and capital preservation. Approximately 85% of the portfolio is invested in equity securities and approximately 15% of the portfolio is invested in fixed income securities. The portfolio may be invested in diversified or non-diversified mutual funds, money market funds, exchange-traded funds, exchange-traded notes and exchange-traded products. The portfolio is benchmarked 85% to the MSCI All Country World Index and 15% to the Barclays Global Aggregate Index.

### **Material Risks**

In our business, there are a number of material risks. We have put controls in place to address those risks and actively monitor those risks and controls. The material risks relating to our significant investment strategies and methods of analysis are summarized below. Not all of the risks listed below will apply to every investment strategy, as certain risks may only apply to certain investment strategies or investments in different types of securities. The summary provided is not intended to be a complete description of the risks associated with the investment strategies and methods of analysis employed by Harbor Capital.

#### **Active Management Risk**

There is a risk that our judgments about the attractiveness, value or potential appreciation in a client’s investments may prove to be incorrect. If the selection of securities or strategies fail to produce the intended results, the account could underperform other accounts with similar objectives and investment strategies.

#### **Asset Allocation Risk**

Investing in multiple asset classes (either directly or indirectly, such as through pooled investment vehicles) can facilitate diversification, but also creates exposure to the risks of many different areas of the market. The selection





of investments and the allocation of assets among various asset classes and market sectors could cause the account to underperform other accounts with a similar investment objective but a different asset allocation. Further, the allocation of assets among multiple Subadvisers or strategies within an asset class creates exposure to the risks of different strategies and the assets may be allocated to a Subadviser or strategy that underperforms other strategies or Subadvisers within an asset class.

### **Use of Subadvisers**

When we engage Subadvisers, we are highly dependent upon their investment expertise and abilities as they may have day-to-day investment discretion over the underlying portfolio assets or may be providing a model portfolio to Harbor Capital to implement. Some of these Subadvisers may be newly formed and may have limited or no investment track records applicable to the client assets that they would manage for us or that we would allocate to their models. There is a risk that a Subadviser will not meet our expectations from an investment performance perspective over time and a risk that an event having a negative impact at a Subadviser (such as a significant change in personnel, corporate structure or resources) may adversely impact a client's investment results.

We also may engage Subadvisers that are affiliated with us. There is a risk that our evaluation or oversight of an affiliated Subadviser would be less objective or less thorough than that of an unaffiliated Subadviser. The criteria that we use to evaluate and oversee Subadvisers, which is the same irrespective of whether a Subadviser is affiliated or unaffiliated, is discussed below.

Despite the review process we undertake when selecting Subadvisers, we may fail to identify an appropriate Subadviser for the asset class. In the case of discretionary Subadvisers, we are dependent on each Subadviser's infrastructure and processes and may fail to identify existing weaknesses in a Subadviser's compliance or operational infrastructure, or existing material regulatory, financial or other operational issues at the Subadviser. There is also a risk that, despite our efforts to monitor each Subadviser, a Subadviser will develop significant weaknesses in its compliance or operational infrastructure that could lead to a material adverse event, or will develop material regulatory, financial or other operational issues.

### **Subadviser Due Diligence Considerations**

We conduct extensive due diligence in selecting, monitoring, and overseeing the Subadvisers. However, due diligence is not foolproof and may not uncover problems associated with a particular Subadviser. For example, one or more of the Subadvisers may engage in improper conduct (including unauthorized changes in investment strategy) that may be harmful and may result in losses. We may rely upon representations made by Subadvisers, accountants, attorneys, and/or other service providers. If any of these representations are misleading, incomplete or false, this may result in the selection of a Subadviser that might otherwise have been eliminated from consideration if fully accurate and complete information had been made available to us. Even if our understanding of a particular Subadviser is accurate, our judgment about whether a particular Subadviser is able to perform in a manner that meets our expectations over the long-term may be incorrect.

Although the Subadvisers are subject to our investment policies, strategies, and guidelines, there can be no assurance that the Subadvisers will comply with these policies, strategies, and guidelines. Failure to comply with the policies, strategies, and guidelines could result in an unintended deviation in the investment strategy and could result in losses. We employ various reviews to seek to identify any deviations and would act promptly to correct them when identified.

### **Replacement of Subadvisers**

We may replace a Subadviser (or, with respect to a Fund or an ETF, we may recommend the replacement of a Subadviser to the applicable Board of Trustees) in the event of a material adverse event, prolonged underperformance or for other reasons. The process for identifying an appropriate replacement Subadviser and entering into a new subadvisory relationship takes a significant amount of due diligence and a significant amount of time. A decision to replace a Subadviser could result in significant portfolio turnover and uneven performance during the period in which a new Subadviser aligns the portfolio holdings to its strategy or Harbor Capital aligns the portfolio holdings to the new Subadviser's model portfolio. High portfolio turnover could result in higher transaction costs.



Prolonged underperformance of or a decision to replace a Subadviser to a Fund, ETF or CIT could cause some investors to redeem their holdings in the affected product, which could further impact performance of the Fund, ETF or CIT. There could also be negative tax consequences to Fund or ETF shareholders associated with either liquidating ownership or remaining in a Fund or ETF where there are significant outflows or portfolio adjustments resulting from a transition to a new Subadviser.

### **Investment Risks**

The performance and risk of each strategy employed by Harbor Capital or its Subadvisers will correspond to the performance and risks of the underlying investments. Any investment in securities carries certain market risks.

Investments made by Harbor Capital or the Subadvisers may decline in value for a number of reasons. Those reasons include changes in the overall market for equity or debt securities, changes in the market for the particular types of securities favored by Harbor Capital or the Subadviser as well as factors relating to particular portfolio securities (such as management, the market for the issuer's products or services, sources of supply, technological changes within the issuer's industry, availability of additional capital and labor, general economic conditions, or political conditions). In addition, certain securities in the portfolios may be subject to credit risk of the issuer or another party and/or interest rate risk.

The value of each investment portfolio will fluctuate. There is no assurance that our clients will achieve their investment objectives.

Risk factors associated with a Subadviser's investment strategy are required to be disclosed in that Subadviser's Form ADV Part 2A Brochure.

### **Brokerage Practices**

There is a risk Harbor Capital or a Subadviser may engage in more frequent trading to implement its investment strategy. More frequent trading of portfolio securities will normally result in higher brokerage commissions, transaction costs and taxes. For the Funds, ETFs and CITs, these costs are not included explicitly in either the Funds', ETFs' or CITs' operating expense ratios. Instead, these costs are reflected in the Funds', ETFs' and CITs' net asset values, which can affect performance. This may make excessive commission practices harder for Fund and ETF shareholders and CIT investors to observe.

There is a risk that a Subadviser could use client assets to pay for research and brokerage services that are excessive or do not fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. Harbor Capital does not use client assets to pay for research and brokerage services.

### **Industry Changes Impacting Subadviser Selection**

The current marketplace offers investment managers multiple outlets for their investment products. Investment managers may be able to make their strategies available to investors through a variety of channels, potentially charging higher fees and/or retaining more of those fees than when they offer their services through Harbor products. Working through these additional channels may also leave less capacity in the investment managers' strategies for Harbor products. As a result, the most successful investment managers may be less willing to offer their strategies to investors through Harbor products going forward.

Changes in the industry may make it more difficult to identify and secure the investment services of outstanding Subadvisers at all or at fee levels consistent with those we have obtained historically. These changes may require us to identify and retain Subadvisers at an earlier stage and to take risks that we may not have taken historically, such as retaining a Subadviser that does not have an investment performance record or a record that reflects a full market cycle.

In the best of circumstances, it is difficult to find investment managers that outperform over the long term. We continue to look for skilled investment managers while recognizing there is a risk that it may be increasingly difficult for us to identify compelling investment managers that are willing to partner with us from a fee and/or capacity perspective.



### Management of the Target Retirement Funds

There is a risk that our investment allocation and rebalancing decisions are not consistent with the Target Retirement Funds' investment objectives. This could result in poor or unexpected performance in the Target Retirement Funds.

Even if investment allocation and rebalancing decisions are made consistently with each Target Retirement Fund's investment objectives, there is a risk that the investment managers to the underlying funds in which the Target Retirement Funds have invested, including Harbor Capital and Subadvisers to underlying Harbor funds, fail to perform as expected or underperform relative to other investment managers providing similar asset class exposure. Poor performance of the underlying funds can result in poor performance at the Target Retirement Fund level.

There is also a risk that we could make an error in effecting or executing our rebalancing decisions that goes undetected. This could result in investments in underlying funds that are inconsistent with rebalancing decisions made to meet the Target Retirement Fund's investment objectives.

### Management of the Group Trust

There is a risk that the asset allocation guidelines established by the corporate defined benefit plan sponsors that invest in the Group Trust are not followed. This could result in a material divergence between the expectations of the Group Trust participants and actual performance.

There is also a risk that the Subadvisers we select to manage portions of the Group Trust's assets or pooled investment vehicles into which Group Trust assets are invested fail to perform as expected or underperform relative to other investment managers providing exposure to similar asset classes. Poor performance by the Subadvisers or pooled investment vehicles can result in poor performance at the overall Group Trust level even if asset allocation guidelines are followed consistently.

### Investment in Funds, ETFs and CITs

The principal risks of investing in specific Harbor Funds, ETFs and CITs are described in each Fund's and ETF's prospectus and each CIT's offering documents.

## DISCIPLINARY INFORMATION

Neither Harbor Capital nor its management personnel has been involved in any legal or disciplinary event that we believe is material to a client's evaluation of Harbor Capital or the integrity of its management.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

### Registered Personnel & Affiliated Entities

**Harbor Funds** is registered under the Investment Company Act of 1940 as an open-end management investment company. Harbor Funds' Board of Trustees is responsible for overseeing Harbor Funds' business and each of its service providers, including Harbor Capital. Harbor Funds' Board of Trustees is comprised of eight trustees, seven of whom are independent of Harbor Capital. Harbor Capital is engaged by the Board of Trustees of Harbor Funds to serve as the investment manager to each Fund. Certain members of Harbor Capital's senior management serve as officers to Harbor Funds.

**Harbor ETF Trust** will be registered under the Investment Company Act of 1940 as an open-end management investment company. Harbor ETF Trust's Board of Trustees will be responsible for overseeing Harbor ETF Trust's business and each of its service providers, including Harbor Capital. Harbor ETF Trust's Board of Trustees will be comprised of eight trustees, seven of whom are independent of Harbor Capital. Harbor Capital is expected to be engaged by the Board of Trustees of Harbor ETF Trust to serve as the investment manager to each ETF. Certain members of Harbor Capital's senior management are expected to serve as officers to Harbor ETF Trust.

**Harbor Trust Company**, a New Hampshire non-depository trust company, is wholly owned by Harbor Capital and serves as trustee to the CITs. Certain members of Harbor Capital's senior management are also officers of Harbor Trust Company.



**Harbor Funds Distributors, Inc.**, a broker-dealer registered with the SEC, is wholly owned by Harbor Capital and is the distributor for the Funds and the CITs. Harbor Funds' Board of Trustees has adopted distribution and service plans pursuant to Rule 12b-1 under the Investment Company Act of 1940 that provide for the payment of a distribution and service fee of 0.25% to the Administrative and Investor Classes of each Fund. Harbor Funds Distributors does not execute brokerage transactions in securities held by the Funds or CITs. Certain members of Harbor Capital's senior management are also officers and registered principals of Harbor Funds Distributors.

**Harbor Services Group, Inc.**, a transfer agent registered with the SEC, is wholly owned by Harbor Capital and is the shareholder servicing agent for the Funds and the CITs. Certain members of Harbor Capital's senior management are also officers of Harbor Services Group.

Both Harbor Funds Distributors and Harbor Services Group have been engaged by the Board of Trustees of Harbor Funds to provide services to the Funds and by Harbor Trust Company to provide services to the CITs. Harbor Funds Distributors is compensated by the Funds for services provided to the Funds. Harbor Services Group is compensated by the Funds and the CITs for services provided with respect to the Funds and CITs, respectively. Harbor Trust Company serves as trustee to the CITs and is compensated by each CIT for such services. Those fees are described in detail in the Funds' current prospectuses and statement of additional information and in each CIT's offering documents. Each Fund's current prospectus and statement of additional information is available on [harborfunds.com](http://harborfunds.com). The CIT offering documents are available upon request to qualified plans and other eligible investors.

### Providing Seed Capital

Harbor Capital typically serves as the initial investor in a new Fund and may invest its own capital in an ETF. We may be the sole or majority investor in any new Fund or ETF until that Fund or ETF garners significant assets from unaffiliated outside investors. Please refer to each Fund's or ETF's prospectus for additional information. Harbor Capital does not provide seed capital for the CITs.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

### Code of Ethics

Harbor Capital has adopted a Code of Ethics and Standards of Conduct (Code of Ethics) that requires all of its employees to conduct their activities and carry out their responsibilities following these standards:

- Client interests must come first. Each employee shall place at all times the interests of each client of Harbor first. In particular, each employee must avoid serving his or her own personal interests ahead of the interests of Harbor clients.
- Each employee must avoid any situation involving an actual or potential impropriety with respect to his or her duties and responsibilities to Harbor clients.
- No employee will take advantage of his or her position of trust and responsibility at Harbor and must avoid any situation that might compromise or call into question his or her exercise of full independent judgment in the best interests of Harbor clients.
- Avoid violations of the federal securities laws. No employee will engage in any act, practice or course of conduct that would violate any applicable federal securities laws, including the Investment Advisers Act of 1940.

Each employee must promptly report potential violations to Harbor Capital's Chief Compliance Officer.

Employees are required to pre-clear personal securities transactions and are subject to ongoing reporting regarding certain personal securities transactions and holdings. We review the reports submitted by our employees for compliance with our Code of Ethics. We actively monitor transactions by employees for compliance with our Code of Ethics.



Employees who transact in reportable securities must hold such securities for at least 30 calendar days prior to requesting to sell such security. Employees are prohibited from transacting in any security while in possession of material non-public information regarding such security. Additional requirements apply to Harbor Capital's investment professionals.

All of our employees must certify upon their initial employment with Harbor Capital, and then annually, that they have read and understand our Code of Ethics and have complied with all applicable requirements.

### **Subadvisers**

Harbor Capital requires each Subadviser to certify each quarter that all of its personnel who are engaged in providing investment advisory services to our clients have complied with the requirements of that Subadviser's code of ethics. As part of our due diligence, we review each Subadviser's code of ethics to assess how the Subadviser monitors trading by employees and to determine if the Subadviser has ethical walls and controls to prevent the misuse of inside information.

### **To Request our Code of Ethics**

You may request a copy of our Code of Ethics by contacting: Legal & Compliance at Harbor Capital Advisors, Inc., 111 South Wacker Drive, 34th Floor, Chicago, IL 60606.

### **Participation/Interest in Client Transactions**

Harbor Capital has adopted policies and associated procedures intended to address any actual conflict of interest in a manner that is fair and equitable for Harbor Capital and its clients and does not disadvantage a client relative to Harbor Capital, and to make full disclosure of those conflicts to its clients. Ongoing monitoring to address personal and firm conflicts is conducted by compliance or business unit employees using various systems and reports. The results of these reviews are discussed with senior management as appropriate.

Conflicts that are not eliminated are addressed through disclosure and/or adoption of policies and procedures reasonably designed to manage or mitigate such conflicts. We seek to disclose material conflicts of interest to our clients and prospective clients, including disclosure in Part 2A of our Form ADV, and seek to manage and mitigate conflicts through governance, oversight and the adoption of additional policies and procedures. We cannot guarantee, however, that our policies and procedures will detect and prevent, or lead to the disclosure of, each situation in which a conflict may arise.

### **Potential Conflicts Between Harbor Capital Employees and Clients**

A Harbor Capital employee may have a conflict of interest where the employee has a personal interest that could be placed ahead of the employee's obligations to Harbor Capital or its clients. Such personal conflicts may arise, for example, in the following circumstances.

**Outside Business Activities.** An outside business activity is any business activity outside of an employee's job at Harbor Capital. The interests of such organization may conflict with those of Harbor Capital or its clients, and/or may require time commitments that interfere with the employee's responsibilities to Harbor Capital.

**Personal Securities Transactions.** Personal trading by our employees creates a conflict when they are trading the same securities or types of securities as we trade on behalf of our clients. A portfolio manager who personally owns a security could decide to buy or sell the same security for client accounts. Similarly, an analyst who personally owns a security could recommend the security to be purchased or sold for client accounts. Personal securities transactions also present a conflict of interest if they compete with trades for clients or are structured in such a way as to benefit from trades executed or to be executed on behalf of client accounts. Similarly, personal securities transactions in pooled funds managed by Harbor Capital present a conflict of interest if they are timed in such a way as to disadvantage other investors in those funds or take advantage of non-public information obtained about the fund or its holdings.



**Personal Relationships or Substantial Financial Interest.** Employees may not direct business to a person or entity due to a personal relationship. Employees are required to bring to our attention any personal relationship that could adversely affect their judgment or objectivity. For example, the decision to place trades with a particular broker-dealer or the selection of a vendor should not be based on a personal relationship. In addition, employees may not, without prior approval, have a substantial financial interest in any entity (whether through ownership or investment) involved in a business transaction with Harbor Capital or engaged in businesses similar to any business engaged in by Harbor Capital.

**Gifts and Entertainment.** Employees may occasionally give or receive gifts, meals or entertainment of moderate value, subject to compliance with applicable laws and regulations and rules of self-regulatory organizations. Potential conflicts of interest may exist with respect to such activity if it is intended to influence, or appears to influence, business decisions or the business decisions of our clients or prospects. In addition, employees are prohibited from soliciting the receipt of gifts, meals or entertainment.

**Political Contributions.** Potential conflicts may exist with respect to political contributions if the contributions appear to be made with the intent of influencing a public official about the award of public contracts or mandates.

**Charitable Contributions.** Employees may have a conflict of interest when making contributions to a charitable organization that is affiliated with, or is favored by, one of our clients. Charitable contributions could give the appearance of our improperly favoring one individual or institution over another or of our seeking to exert an improper influence on the requestor or recipient of a contribution.

**Sales Activity.** Employees engaged in selling Harbor products or services may have an incentive to make sales whether or not such products or services are in the best interests of a potential client because sales may be considered in connection with their compensation and also result in increased revenue to Harbor.

#### **Potential Conflicts Between Harbor Capital and its Clients**

Potential or actual conflicts of interest between client accounts and Harbor Capital may arise in a variety of circumstances. Set forth below are examples of potential conflicts of interest between client accounts and Harbor Capital.

**Co-Investment by Harbor.** Harbor Capital may provide initial funding or otherwise invest in products managed by us. When Harbor Capital provides capital for a product, it may do so with the intention of redeeming all or part of its interest at a future point in time or when it deems that sufficient additional outside capital has been invested in that product. Harbor Capital's interest may diverge from the interests of the product or other investors. For example, the timing of a redemption by Harbor Capital could benefit Harbor Capital. The product may also be more liquid at the time of Harbor Capital's redemption than it is at times when other investors may wish to withdraw all or part of their interests. Harbor Capital does not provide seed money for the CITs. See above at "*Other Financial Industry Activities and Affiliations.*"

**Valuation.** When client accounts hold illiquid or difficult to value investments, Harbor Capital faces a conflict of interest when making recommendations regarding the value of such investments since our management fees are generally based on the value of assets under management.

**Proxy Voting.** Occasionally, a conflict of interest may arise with respect to proxy voting. For example, the issuer of the securities being voted may also be a client of Harbor Capital.

**Securities in which Harbor Capital has a Financial Interest.** Harbor Capital, on behalf of its clients, may purchase or sell securities of companies in which Harbor Capital or its affiliates (or their respective officers and employees) have interests. This creates a conflict of interest because it produces incentives to promote these securities over others. From time to time, Harbor Capital will establish proprietary accounts that are generally established for the purpose of developing new investment strategies and products. This creates a conflict of interest with our client accounts as our portfolio managers may be incented to focus extra attention on or allocate select investment opportunities to these accounts. [To manage this conflict, we require that trades for proprietary accounts be executed after the trades of all other client accounts.]



**Group Trust.** Harbor Capital does not normally recommend that the Group Trust invest a portion of their assets in one or more Funds, ETFs or CITs. However, we may direct an investment by the Group Trust in a Fund or ETF as long as such investment is consistent with applicable law and internal policies. If we were to invest Group Trust assets in a Fund, ETF or CIT, we may be considered to have a financial interest in the Fund shares, ETF shares or CIT units that we recommend since we receive an advisory fee from each Fund, ETF and CIT based on a percentage of the net asset value of the Fund, ETF or CIT. In that circumstance, we would waive advisory fees charged to the Group Trust on any portion of their assets invested in a Fund, ETF or CIT in order to ensure that we are not charging fees on those assets twice. As of December 31, 2020, no Group Trust assets were invested in any Harbor product.

### **Potential Conflicts Amongst Clients**

Harbor Capital may have various interests arising out of its side-by-side management of accounts that create incentives to favor one account over another. These include the following:

**Affiliated Accounts.** We manage accounts on our own behalf as well as on behalf of our clients. We could be considered to have an incentive to favor Harbor Capital accounts over those of our clients.

We may also purchase shares of Funds and other unaffiliated mutual funds for cash management purposes. We invest significantly in several Funds, including Harbor Money Market Fund. We use Harbor Money Market Fund to invest a portion of our corporate cash. Our significant investments in other Funds consist of investments of seed capital as discussed further below and in *"Other Financial Industry Activities and Affiliations."*

**Single-Subadviser and Multi-Manager Products.** A perceived conflict may exist when an individual/group that is responsible for managing multi-manager products may have access, directly or indirectly, to material non-public information regarding one or more underlying managers as a result of such manager also serving as subadviser to a single-subadviser product. Such conflict may also arise when the same individual/group is responsible for managing both multi-manager ETFs and the creation basket process for such products and for managing the creation basket for single-subadviser ETFs. A perceived conflict may exist where Harbor Capital receives model portfolios of its subadvisers for use in multi-manager products allowing Harbor to potentially utilize such models to benefit its investment process more broadly.

**Large Accounts/Higher Fee Strategies.** Large accounts and clients typically generate more revenue than do smaller accounts or clients, and certain of Harbor Capital's strategies have higher fees than others. As a result, a portfolio manager could be considered to have an incentive to favor accounts that pay a higher fee or generate more income.

**Multiple Strategies.** Harbor Capital and the different Subadvisers that are engaged to manage different Harbor products or different portions of the assets of Harbor products may not all make consistent investment decisions. Harbor Capital may not make consistent investment decisions on behalf of each of its clients and a Subadviser to multiple Harbor products or clients may not make consistent investment decisions on behalf of each product or client.

We or the Subadvisers may buy or sell or may direct or recommend that one client buy or sell securities of the same kind or class that are purchased or sold for another client, at prices that may be different. We may also, at any time, execute trades of securities of the same kind or class in one direction for an account and in the opposite direction for another account, due to differences in investment strategy or client direction. Different strategies effecting trading in the same securities or types of securities may appear as inconsistencies in our management of multiple accounts side-by-side.

For example, one Subadviser may use its allocation of the Group Trust's assets to purchase a company's stock. At the same time, another Subadviser may use its allocation of the Group Trust's assets to sell the same company's stock. This could result in higher transaction costs, which would be borne by the client. This could also result in less favorable transaction prices than would occur if the Group Trust's assets were all managed by one Subadviser. Similarly, a Subadviser to multiple Harbor products may purchase a company's stock for one product while selling the same company's stock for another product.





**Securities of the Same Kind or Class.** We or our Subadvisers sometimes buy or sell for one client securities of the same kind or class that are purchased or sold for another client at prices that may be different. We may also, at any time, execute trades of securities of the same kind or class in one direction for an account and in the opposite direction for another account due, for example to differences in investment strategy, client direction or portfolio composition. Different strategies trading in the same securities or types of securities may appear as inconsistencies in the management of multiple accounts side-by-side.

**Investment at Different Levels of an Issuer's Capital Structure.** The investment of assets of different clients in the same issuer may create conflicting interests among clients. For example, we may invest client assets (including affiliated clients) in the same issuer, but at different levels in the capital structure, and may exercise rights or remedies and/or take other actions that may benefit investors in one level of the capital structure over another.

**Financial Interests of Investment Professionals.** Investment professionals may invest or have other direct or indirect interests in investment vehicles that we manage, including mutual funds. As a result, they may have incentives to favor these accounts over others. If a greater proportion of a portfolio manager's compensation could be derived from the revenue derived from a specific account or group of accounts than other accounts under the portfolio manager's management, there could be an incentive for the portfolio manager to favor the accounts that could have a greater impact on the portfolio manager's compensation.

## Personal Trading

Harbor Capital has adopted a policy which requires the officers of Harbor Capital to maintain certain minimum levels of ownership in shares of one or more Harbor products. We believe this will serve to further align their interests with those of our clients. While not required, we normally see most of our employees who are not officers also invest in one or more Harbor products. In the aggregate, these holdings generally represent a minority interest in each such product. We also sponsor 401(k) and non-qualified retirement plans for our employees. These plans include, among other funds, each Harbor Fund as an investment option, and the employees direct their own investments.

We monitor the personal trading activity of all employees in Harbor products, whether held directly or indirectly through the retirement plans that we offer or in accounts maintained by other financial institutions, to seek to ensure that no employee engages in market timing or excessive trading activities in Harbor products.

## BROKERAGE PRACTICES

Harbor Capital may engage in trading and brokerage activities for clients directly or may delegate these activities to Subadvisers. When assets are delegated to discretionary Subadvisers, each Subadviser is responsible for making the day-to-day investment decisions for the client assets allocated to it. Each Subadviser in turn determines, for the client assets allocated to it, the securities to be purchased or sold, as well as the timing and manner in which to effect those securities transactions. Harbor Capital has engaged Cowen Prime Brokerage LLC to provide trade execution services.

As part of our ongoing due diligence responsibilities, we review each Subadviser's brokerage policies, procedures and practices, including its use of commissions to pay for research and brokerage services under Section 28(e) of the Securities Exchange Act of 1934, affiliated brokerage and various electronic trading venues.

We have adopted policies governing the trading and brokerage activities of Harbor Capital and of each Subadviser that we engage. These policies are summarized below. In the case of the CITs, we are responsible, subject to Harbor Trust Company's discretion and control, for ensuring that Subadvisers to the CITs comply with applicable rules and regulations pertaining to trading and brokerage activities.

## Best Execution

Harbor Capital seeks to obtain best execution for client accounts, taking into account the following factors: best execution (price) or commission rates; execution capabilities including the quality of execution, the reputation, experience and financial stability of the broker-dealer involved; familiarity with the securities markets and investment techniques employed by Harbor Capital in diverse geographical regions; the availability of financing





arrangements; or other special execution capabilities or services provided for client accounts. Allocations to brokers and the commissions paid may not necessarily represent the lowest commission rates available, but rather will reflect Harbor Capital's evaluation of the balance of applicable factors.

Harbor Capital does not receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transaction.

Discretionary Subadvisers are required to seek to obtain best execution for all client transactions. A discretionary Subadviser may obtain brokerage or research products or services from broker-dealers in connection with placing securities transactions on behalf of clients provided the arrangements comply with Section 28(e) of the Securities Exchange Act of 1934.

### **Trade Aggregation and Allocation**

Harbor Capital and each discretionary Subadviser should aggregate trades for different client accounts if such aggregation is in the best interest of each participating client (and is permitted by the client) and the allocation of completed trades is made between participating accounts in a fair and equitable manner. Our policy requires that we document the intended allocation to each client on a pre-trade basis. Pre-trade allocation may be determined based on factors including contractual liquidity constraints, subscription and redemption liquidity needs, order sizing, fill ratios and risk limits, among other factors. In the event that an aggregated order is partially filled, the shares and associated costs will generally be allocated to each participating client on a pro-rata basis, with any deviations from pro-rata distributions clearly documented and reviewed by Harbor Capital's Chief Compliance Officer.

### **Agency Transactions**

Harbor Capital and the discretionary Subadvisers are permitted to engage in internal cross and agency cross transactions involving clients if permitted by law and the client. For the Funds and the ETFs, any internal cross transactions and agency cross transactions must comply with procedures established by the Funds and the ETFs to comply with Rule 17a-7 and Rule 17e-1 under the Investment Company Act of 1940, which includes a quarterly review of such transactions by the Funds' and the ETFs' Chief Compliance Officer and reporting to each entity's Board of Trustees.

### **Principal Transactions**

Our policy prohibits Harbor Capital and all discretionary Subadvisers from engaging in principal transactions involving any Harbor Capital client.

### **Directing Portfolio Transactions**

Harbor Capital does not consider, in selecting or recommending broker-dealers, whether we or a related person receives client referrals from a broker-dealer or third party. We do not permit clients to direct us to execute transactions through a specified broker-dealer.

Our policy prohibits discretionary Subadvisers from directing portfolio securities transactions to a particular broker-dealer to compensate that broker-dealer for promoting or selling Harbor products.

### **Trade Errors**

Though Harbor Capital takes the utmost care in making and implementing investment decisions on behalf of client accounts, trade errors may occur from time to time. Trade errors include mistakes discovered pre- or post-settlement that have had a financial impact on a client's account. If Harbor Capital is responsible for a trade error, we will seek to remedy the error in a manner that is fair and equitable to the affected client accounts. It is Harbor's policy that a client account be restored to its original position. Trades are adjusted as needed in order to put the client in such a position, as soon as reasonably practicable, as if the error had never occurred. Trade errors will be corrected at no cost to the client. Harbor is prohibited from using one client's account to correct a trade error in



another client's account, and Harbor will not use future trade commissions to compensate a broker either directly or indirectly for absorbing the cost of correcting a trade error in an earlier transaction.

### **Arrangement with Cowen Execution Services LLC**

Harbor Capital has an arrangement with Cowen Execution Services LLC (Cowen) to rebate a portion of their commission to the Harbor Capital client using their brokerage services. Cowen is not affiliated with Harbor Capital, our subsidiaries, or our clients. Cowen is an affiliate of Cowen Prime Brokerage LLC, which Harbor Capital has engaged to provide trade execution services.

Any discretionary Subadviser using Cowen is responsible for determining if the use of Cowen for a particular securities transaction is consistent with its obligation to seek to obtain best execution for our client. Transactions effected through Cowen do not generate commissions that can be used by any party to pay for research and brokerage services under Section 28(e) of the Securities Exchange Act of 1934. Neither Harbor Capital nor any Subadviser receives any portion of the rebated commission.

## **REVIEW OF ACCOUNTS**

### **Review of Client Accounts**

On at least a monthly basis, we review the performance of each Harbor product. In the case of a product for which one or more Subadvisers has been engaged to provide portfolio management services, each Subadviser is reviewed at least monthly. We analyze each Subadviser's and/or Harbor product's performance against a benchmark, appropriate indices, peer groups, prior periods and client guidelines. We also analyze each individual portfolio, focusing on how exposures to particular securities, industries, sectors and/or geographic regions may be evolving or changing in light of current market dynamics and in light of our expectations regarding our or the applicable Subadviser's investment philosophy and approach.

### **Investment Committee**

Our Investment Committee is responsible for determining the investment strategies and outsourced solutions offered by Harbor Capital and, when applicable, for the selection of individual Subadvisers for those specific investment strategies. On an on-going basis, the Investment Committee is responsible for overseeing the evaluation and monitoring of those investment strategies and outsourced solutions, selecting, retaining and replacing Subadvisers, overseeing the investment performance of products offered by Harbor Capital, and identifying, overseeing and monitoring investment-related risk.

In the case of strategies offered through a Fund or ETF, the Investment Committee is responsible for making hiring, replacement, modification, and/or liquidation recommendations to the Fund's or ETF's Board of Trustees, as applicable. These evaluations and reviews are based on information prepared by our Investments Team and other information the Investment Committee believes is relevant. The Investment Committee does not provide investment advice regarding security purchase and sale decisions.

The Investment Committee is comprised of Harbor Capital's Chief Investment Officer and President (committee chair), Head of Product, Chief Executive Officer and Head of Legal and Compliance. The Investment Committee typically meets monthly but may meet more or less frequently as circumstances warrant. Other Harbor Capital employees may also participate in Investment Committee meetings, as necessary.

### **Subadviser Reports**

We require each Subadviser to a Fund, ETF, CIT or a portion of the assets of the Group Trust to submit periodic compliance reports so that we may determine whether each is being managed in accordance with applicable investment policies and restrictions. We analyze these reports and perform other due diligence to determine the level of compliance of each Fund, ETF, CIT and the Group Trust with its policies and restrictions.



## Our Reports to Harbor Funds and Harbor ETF Trust

We report quarterly to Harbor Funds' and Harbor ETF Trust's Board of Trustees in writing and during meetings on the performance of each Fund and ETF based upon our monthly reviews. We also report quarterly to the applicable Board of Trustees as to each Fund's and ETF's compliance with applicable laws and regulations, including the Funds' and ETFs' codes of ethics.

## Our Reports to Harbor Trust Company

We report quarterly to Harbor Trust Company's Board of Directors in writing and during meetings on the performance of each CIT based on our monthly reviews. Harbor Trust Company maintains exclusive management of the CITs, and the Investment Committee of Harbor Trust Company will also monitor and oversee each CIT's investment process on an ongoing basis.

## Our Reports to the Group Trust

We report quarterly in writing to and meet at least annually with the plan fiduciaries or investment committees of the pension plans that invest in the Group Trust.

## CLIENT REFERRALS & OTHER COMPENSATION

Harbor Capital has no arrangement with any person or entity to solicit advisory clients for Harbor Capital and does not compensate any person for client referrals.

## CUSTODY

We do not act as custodian for any client account. We do not have or seek to have physical possession of any client's cash or assets held in any client's account.

## INVESTMENT DISCRETION

We have discretionary authority to manage the assets of each of our clients. This authority is established in the investment advisory agreements with our clients. We may utilize Subadvisers as described above at "Advisory Business" and "Methods of Analysis, Investment Strategies and Risk of Loss."

## VOTING CLIENT SECURITIES

In certain instances, Harbor Capital retains proxy voting authority over client securities and in others, delegates proxy voting responsibilities to Subadvisers. Harbor Capital has adopted Proxy Voting Policies designed to ensure the proxy voting process is conducted in the best interests of our clients in all instances where Harbor Capital retains or delegates proxy voting authority.

When granted full discretion to vote proxies on behalf of a client for assets that Harbor Capital has allocated to a Subadviser, Harbor Capital generally delegates proxy voting responsibility to such Subadviser with respect to the assets allocated by Harbor Capital to that Subadviser. It is Harbor Capital's policy to only delegate proxy voting authority to a Subadviser that Harbor Capital reasonably believes will be able to exercise that proxy voting authority in the best interests of Harbor Capital's clients. Harbor Capital has adopted Proxy Voting Policies designed to ensure the proxy voting process is conducted in the best interests of our clients when delegated proxy voting authority.

Before we delegate proxy voting responsibility to a Subadviser, our Legal and Compliance Team reviews the Subadviser's proxy voting policies (including their specific proxy voting guidelines) to determine if they are reasonably designed to ensure that Subadviser can administer the proxy voting process and vote proxies in the best interests of our clients. We review material amendments to the proxy voting policies of each Subadviser to confirm that those policies continue to meet that standard.



In each instance where Harbor Capital has retained proxy voting authority, Harbor Capital is obligated to vote proxies in a manner consistent with its fiduciary duty to act in the best interests of shareholders. Harbor Capital will normally vote or administer the voting of ballots in accordance with Harbor Capital's proxy voting guidelines. In order to facilitate the proxy voting process with respect to assets for which Harbor Capital retains proxy voting responsibilities, Harbor Capital has engaged a proxy advisory firm to provide research, analysis and voting recommendations consistent with Harbor Capital's proxy voting guidelines. We do not permit clients to direct Harbor Capital's votes.

### **Conflicts**

Where Harbor Capital delegates proxy voting responsibility to its Subadvisers, each Subadviser votes proxies and assesses and resolves conflicts of interest in accordance with its own proxy voting policies. Harbor Capital reviews each Subadviser's proxy voting policies and procedures, including provisions relating to the manner in which the Subadviser addresses conflicts.

Subadvisers may come to different voting decisions on the same or similar proposals. As long as each Subadviser is acting in the best interests of our clients when making their proxy voting decisions, we believe that our clients will benefit from each Subadviser applying their own analysis to the proxy voting decision.

Where Harbor Capital retains proxy voting responsibilities, we have the obligation to assess the extent, if any, to which there may be a material conflict between the interests of an account on the one hand and Harbor Capital and its affiliates, directors, officers, employees (and other similar persons) on the other hand. If we determine that a conflict may exist, we will resolve the conflict in accordance with our proxy voting procedures and promptly report the matter and its resolution to Harbor Capital's Chief Compliance Officer. Harbor Capital is authorized to resolve any such conflict in a manner that is in the best interests of its clients.

### **Fund of Funds Arrangements**

Certain client assets, including the Target Retirement Funds, are or may be invested in other Funds or ETFs. Proxy voting for these assets is performed at the underlying fund level. If an underlying Fund or ETF submits a matter to a vote of its shareholders, votes for and against such matters on behalf of the client, including the Target Retirement Funds, will be cast in the same proportion as the votes of the other shareholders in the underlying Funds or ETFs. This is known as "echo voting" and is designed to avoid any potential conflict of interest.

### **Our Clients May Request Information**

Our clients may request a copy of our Proxy Voting Policy or information regarding specific votes cast on their behalf by contacting Legal & Compliance at Harbor Capital Advisors, Inc., 111 South Wacker Drive, 34th Floor, Chicago, IL 60606.

### **FINANCIAL INFORMATION**

Not applicable.