Chloe (1s):
Stocks for beginners. Phil Muscatello and Fin Pods are authorized reps of Money Sherpa. The information in this podcast is general in nature and doesn't take into account your personal situation.

Charlie McCain (11s):
Well, I think if you are interested, if you're passionate, I think you will wanna spend more time. You'll be willing to invest more. I think that to me, is the most significant challenge in the broad populace, is getting folks to invest enough, enough and save enough and benefit from compounding that investments bring over time to create a pool for retirement or other huge life events. And so if we can inspire folks to wanna invest, to say, boy, that's really interesting. I'd like to, I'd like to get that exposure. I think that would be a positive.

Phil (51s):
Hi, and welcome back to Stocks for Beginners. I'm Phil Muscatello. What is psychological safety and how is that achieved and how do professional investment managers separate the signal from the noise? It's something that's very opposite at the moment in my view. Joining me today is Charlie McCain, chairman of the board and CEO of Harbor Capital Advisors. Hello Charlie.

Charlie McCain (1m 12s):
Hello, Phil. Nice to be with you. Thank you for allowing me to share some thoughts with your audience.

Phil (1m 17s):
Thank you for coming on. Harbor is a premier multi-manager investment firm offering access to specialized expertise across a range of investment strategies and vehicles dedicated to helping clients achieve investment objectives with an active cost aware investing approach. So Charlie, tell us a bit about your background. How did you get into this game?

Charlie McCain (1m 37s):
I'm amazed when I say that I've now been associated with Harbor Capital Advisors for a little over a quarter century. And I had my start as on the legal side. I was a first year associate at a law firm, and I had the good

fortune of being assigned to Harbor Funds as one of my earliest client relationships. And Harbor Funds back then was a small Toledo, Ohio based firm. And if many of your listeners haven't been through or to Toledo, it's in the industrial heartland of the Midwest. They make cars and powertrain parts in glass bottles. And Harbor was the pension department of the world, one of the world's largest glass bottle companies called Owens, Illinois.

Charlie McCain (2m 21s):
And it managed the pension assets for its employees. And because Harbor is in an industrial center, not necessarily a financial center, they had always done that since the early 1970s by identifying talented investment managers from around the globe asset class specialists and bringing those together to manage the portfolio in a combined way. So when I was first exposed to Harbor, I thought, this is really interesting. This is a different way to go about creating compelling investment outcomes. And so over the years I left the law firm, joined Harbor and progressed and over time had the privilege of taking on the lead role at Harbor that I hold now.

Charlie McCain (3m 4s):
But one of the things that hasn't changed over that quarter plus century is our core focus on identifying talent around the globe.

Phil (3m 13s):
So you started from a legal background, you didn't have training in finance or economics at all?

Charlie McCain (3m 18s):
I was an economics major in college, so good, good question. Oh, okay, good. So I always had a, a feeling that investments securities was interesting, but, but came at it from the legal corporate security side. I, I could never be and was never a litigator where you argue in court that, that that would be a foreign practice for me. Phil,

Phil (3m 39s):
In practice then, pension funds, is that the way that they operate, that they have their pool of money which needs to be managed and they find external managers for that pool? Is that a common thing?

Charlie McCain (3m 51s):
Yes, Phil, I think it is generally a common practice because the companies are not experts in investment management. They're experts in glass bottle manufacturing or whatever else their business is. So they have a team that typically will identify those professionals and and combine them. And that's I think what harbor's done through for Owens Illinois in the past and, and it's very common.

Phil (4m 14s):
So in your view, and obviously you've got a lot of people that you can share your thoughts with within the firm. Yes. What's your view of how 2023 is shaping up?

Charlie McCain (4m 24s):
2023 is certainly starting better from a market's perspective than 2022. 2022 was a very challenging year for just about every asset class equities, fixed income. I think the sole bright spots were commodities, maybe currency managed futures. So all of those are in the black starting this year. And I think that's a reflection of the fact that there's a sense of maybe the world economies can find a soft landing from this balance between bringing down inflation and preserving employment. But that sentiment seems to shift by the week, sometimes by the day based on the data that comes in.

Charlie McCain (5m 5s):
And the most recent data Phil has been that maybe that vision of a soft landing, maybe supplanted again by a hard landing and recession, as in the United States, the job reports continue to be so resilient and robust, which is confounding experts. So for 2023, from my perspective, I think it's going to be a more challenging year, not as challenging as 2022, but challenging given the amount of uncertainty around inflation jobs, recession, the geopolitical challenges with Russia, Ukraine, China, I'm in the camp fill of the interest rates will need to go high enough that there will be likely a, a, a recession, maybe a shorter duration recession later in 2023.

Charlie McCain (5m 59s):
And then we'll have the opportunity to to ease out of that into 2024.

Phil (6m 4s):
It seems to be the way of markets though, that no matter what the Fed says that they are going to continue raising interest rates and they're gonna go higher and higher. Any just slight nuance or slight adjustment of the, the, the terms that they use are taken by the markets as good news and it's not gonna be as bad as everyone thinks.

Charlie McCain (6m 26s):
That's right. I think the, the market's hanging on those words that can inspire confidence and, and, and a run to the positive, but the data continues to be challenging. And so I'm not as optimistic as, as some of the other market parti participants about it being able to achieve that soft landing. I've, I've heard it described as the fed endeavoring to land a 7 47 aircraft on an aircraft carrier in choppy cease It's possible, but really hard, really hard. And it's a challenge because what the Fed is trying to do in slowing the economy means jobs will be lost.

Charlie McCain (7m 7s):
And that's an unfortunate outcome of what the Fed is trying to get here with bringing down inflation. But I think they have to bring down inflation in their view first and foremost.

Phil (7m 17s):
So you've got a lot of experience in markets and your teams spend a lot of time separating the signal from the noise. Do you think there's more noise than ever at the moment, or is it just situation normal?

Charlie McCain (7m 29s):
Boy, I, I would say yes, but I imagine if you asked that in many years, people would say there's more noise this year than was ever, it's harder this year than it ever was. I do believe that there is more noise this year than in past because of the number of different inputs both domestically and abroad that are unpredictable in outcomes. The Russia, Ukraine, that dynamic and the unpredictability of how that will evolve, that's difficult to factor in the inflation challenges in the United States and, and, and how that will play through, that's difficult necessarily to predict. So from separating the signal from the noise, it requires thoughtful patients.

Charlie McCain (8m 12s):
And by that I mean to understand that in the shortest of terms and the nearest of terms, it can be very difficult to appreciate the path forward. But as you have a longer horizon, a medium-term horizon, and longer you can identify the signals that will drive better long-term outcomes. It's a little bit like when you think about a baseball game, they play nine innings and you have the opportunity for one team that's maybe has more experience and more talent to demonstrate over that nine innings that they're going to be a better outcome. But if you only play that game for two winnings, it's really hard for that expertise to shine through.

Charlie McCain (8m 54s):
You have too many variables that can result in unpredictable outcomes. And I think it's important for all of us to invest with that medium and longer term horizon at play when we can. Do

Phil (9m 5s):
You have any examples of any signals emerging from the noise that you can speak to?

Charlie McCain (9m 10s):
Some of the signals that we're focused on and resulted in our delivering investment products that we think can follow those signals through over the medium and long-term. One of those significant ones is around commodity and commodity exposure. By that I mean we are in a long-term period in our view of two things. One, under investment in commodity production and to a societal transformation from high carbon commitment activities to medium and lower carbon commitment activities, which require a shift in the types of commodities we're using. And so that would be a dynamic, we're from a signal perspective, we're seeing trends that in the medium and long-term should hold firm relative to the short-term volatility that we're seeing in commodity prices.

Charlie McCain (10m 3s):
For example,

Phil (10m 8s):

We began the podcast by talking about psychological safety. Are there any safe spaces in investing management?

Charlie McCain (10m 16s):
I would say there are three two, which are very, I think commonly thought of from a psychological safety perspective. One that is more particular to us at Harbor. And the first two would be one, diversification. I think from a safety perspective in investing, whether you're a retail investor or your professional investor, I think the dynamics around ensuring that you have a well diversified portfolio that allows you to take advantage of different trends that can emerge over time and also protect you in the short term for that volatility. The noise that we talked about earlier, that would be one, two is a medium to longer term time horizon for your investment thesis.

Charlie McCain (11m 2s):
That's really important because so many studies that talk about if you react to the short term and step away from the market on certain days can be a handful of days in a year. You can lose and miss the significant appreciation potential that you get by being exposed to the market over multiple years. And so it's, it's particularly hard to time whether you're a professional investor or retail investor. So to have a vision for what you wanna accomplish and then how you believe you can get there is really important. I think that is a safe space because it allows you to be confident in your vision when the short term noise hurts from a portfolio Red ink versus black ink perspective.

Charlie McCain (11m 50s):
The third I would say from our vantage point is, is to be inspired by what you're investing in about how you're going about building your portfolios. If someone's really interested in what they're putting in their portfolio, what they're doing, how it's being constructed, I think that creates a passion for saving more, investing more. That's critically important to building a, a pool that can support your retirement needs home purchase. And so that passion can come through really interesting investment options to supplement your portfolio. And I think that's something that we work really hard to do to make investing interesting as well as value adding.

Phil (12m 36s):

It's great that you mentioned the long term view and that professional managers like your firm and retail investors should actually be looking at this in terms of maximizing returns. It's a great lesson for people just starting out in markets as well, I believe.

Charlie McCain (12m 51s):
Yes. And one of the things that we have a wonderful vantage point given our role as a, as you said, well Phil, a manager of managers where again, we're focused on identifying talent from around the globe asset class specialists and bringing them their strategies to the US market in a cost competitive way and providing very good services. We have exposure to managers around the globe and all of them, or at least the managers we work with would say, if you asked me to bet on what's going to happen in the market by the end of this year, they'd say, well, I'll, I'll give you my thoughts, but I'm no likelier to get that right then.

Charlie McCain (13m 32s):
If you asked Mary Smith on the street in Omaha, Nebraska, she may be more likely to get it right than me. And that's an appreciation for how hard it is in the short term. Even amongst these most professional of investors, their edge, which can be our edge and our investor's edge, is to bet on the medium term and long term to bet on skill to be able to demonstrate a different and, and value adding return outcome over time. And so you're, you're absolutely right, Phil, that's really important from any vantage point.

Phil (14m 5s):
And also taking unorthodox views as well, that nothing is off limits in terms of discussions about possible outcomes for commodities stocks or whatever that there always has to be. I'm, I'm, I'm presuming it's a testing of thesis.

Charlie McCain (14m 19s):
That's a very helpful perspective to have. For example, over the past decade, if you had commodity exposure in your portfolio, you might have said, I've missed out on that portion of my portfolio that otherwise could have been invested in Tesla, Facebook, Amazon, Google, and I lost. But what's hard to know is when the diversification ex e effects become very important in someone's portfolio. So starting last year through the present,

you would've benefited significantly from having a meaningful commodity exposure to balance out your portfolio results.

Charlie McCain (15m 2s):
And so to your point, Phil, it's important to have a range of differing views within the portfolio guided by your long-term horizon. So that can allow you to skew more towards equities and risk assets and maybe less towards fixed income and other income generating dynamics. Or if you are in retirement needing income more today, you'd shift your portfolio. But even there broadly, for example, in 2022, if you had a hundred percent of your portfolio in safe, and I, and I say that in quotes, fixed income securities, unfortunately you would've had a significant loss in your portfolios, A better balance would've given you a better

Phil (15m 47s):
Outcome. Yeah, that's where there was traditionally the idea that fixed income or bo as expressed through bonds, there's always a safe ballast to have in your portfolio. But of course with rising interest rates that didn't play out last year.

Charlie McCain (15m 60s):
That's

Phil (16m 1s):
Right. Harbor Capital, if you can gimme the correct term ETF originators

Charlie McCain (16m 5s):
That's right. In the US we would say sponsors. Yeah. We've traditionally, our start was as a mutual fund sponsor. That's, that's what we had been since 1986, but exchange traded funds have gained significant traction and attention. And so we've been looking to shift our focus to continue to support our mutual fund business, but our new launches are around the E T F structure. And

Phil (16m 30s):
What are the difference between the two structures

Charlie McCain (16m 33s):

At their core? Both mutual funds and ETFs are pooled investment vehicles that combine investors' assets together to acquire a portfolio of securities in a diversified way. The primary difference between the two are mutual funds are bought and sold by the investors directly from the mutual fund company. Once at the end of each day exchange traded funds, ETFs are bought and sold like stocks on an exchange away from the mutual fund company or ETF sponsor. And so they price throughout the day and there's a, a bid and an ask just like there would be for a stock purchase.

Charlie McCain (17m 16s):
That would be the primary difference. Phil,

Phil (17m 18s):
Why do you think ETFs have become so much more popular? I mean, I, I how is that sort of dynamic playing out in the states?

Charlie McCain (17m 25s):
ETFs are growing much more rapidly than mutual funds. I think there is a sense that they are the new technology placing an older technology. Think about it like the move from DVDs to streaming. I think there is a sense that among the younger generations that this is a more current vehicle. I think the ability to trade in real time, that's a value exchange traded funds are primarily fully transparent. So you can see the holdings in real time. Mutual funds traditionally typically release their holdings on a 30 day lag to investors.

Charlie McCain (18m 5s):
So if you are a buyer that really wants to understand what's in the portfolio, you can see that in real time and generally they're slightly less expensive because all of the structure to support what's referred to as a transfer agency around buying and selling the mutual fund shares and holding them directly, that's externalized to the brokers because that's happening outside the mutual fund. So those would be three. And the fourth is there's some tax efficiency and advantageously to taxable investors in the United States to hold ETFs versus mutual funds. So I think those are why they're gained traction here.

Phil (18m 44s):

And ETFs are often or mostly based around indexes or indices. How, how do you, is it your managers that play that role in terms of benchmarking to indices or tracking indices or does Harbor Capital take that role?

Charlie McCain (19m 1s):
Phil, that is a really insightful question and, and I'll, I'll explain to you why

Phil (19m 7s):
This is what I'm here for, to ask the stupid questions. I, I'd just like to hear how markets work and you know, it's, I'm just always fascinated. I mean, yes, I did an actual episode where I found someone who does actually create indices on the, the Singapore Exchange just to hear about the process that's involved.

Charlie McCain (19m 25s):
Wonderful, wonderful. And, and, and this is an insight, and I didn't say stupid Phil, an insightful question and one that we think about a lot in the movement from mutual funds et t ETFs. So bear with me for one moment. In the mutual fund world, when we started back in 1986, it was effectively active management. The really the, the, the passive index products had not yet come to market. They later did. So there's, there's a significant number of mutual funds that are offered in the index structure, as you noted, where they track a truly passive index like an s and p 500 ETFs started later in unlike the mutual fund world, which started as active and then added passive index products, ETFs started as passive index products.

Charlie McCain (20m 11s):
And in the United States have only very recently been adding active exposures, which is where we come in from a harbor perspective. But what's interesting about that history film is because they started as passive. And when I say again passive, it's what it's thought as as traditionally passive. I'm gonna track the s and p 500 index, I'm gonna track the M S C I world index,

Phil (20m 37s):
Which is covering markets all across the planet,

Charlie McCain (20m 39s):

Covering markets all over the world because that started as passive and has moved to active there. In the E T F world, there is is a concept of custom indexes that are between the traditional passive and the traditional fully active where a manager makes his or her stock and bond picks without trying to track an index other than to beat the returns of the index. So when I say custom index, by that I mean an asset manager has a vision of what they want to accomplish and it's generally rules based. And then they use those rules to create an index that follows those rules, a custom index, and then we launch an ETF that tracks that custom index.

Charlie McCain (21m 30s):
And so it's a blended description, Phil, that's why I thought your question was very, very good. So we offer, in our ETFs, we offer traditionally active ETFs. So it is a think of a stock picker who's making a 30 stock portfolio selection from all the stocks around the world. That's one. And we also offer ETFs that track a custom index that I would argue is actively managed because the index is actively constructed and we track that. So those are the, a bit of the nuances in the index ETF roll. So I think maybe the dynamic you referenced in a guest from from Singapore, they may be in that custom index space.

Charlie McCain (22m 16s):
So it's an active construction,

Phil (22m 19s):
So your commodities E T F is based on futures, which is adding another level of complexity. Can you just run us through the process there of how that is constructed?

Charlie McCain (22m 29s):
Sure. We offer two commodity products and, and both of them are custom index products, but actively manage custom index products. So why both of them rely on futures rather than the acquisition of the physical commodity is simply that managers don't want to hold and take delivery of gold, copper, aluminum in the like, and futures gives the investment manager the right to acquire that in physical delivery at a certain point in the future. So we can get substantially similar economic exposure without the challenges of actually taking possession.

Charlie McCain (23m 14s):
So what technically happens, Phil, in a manager that gains exposures through futures is they acquire exposure to a particular commodity through a futures contract. And they do what's called a role. So as that futures contract gets close to maturity, which is you have to either take delivery or if you are the opposite side of the futures contract, make delivery, you roll it so you effectively cancel the prior one and you get a new futures contract hit that will take you through, through another three or six month period and they continue to roll forward the futures giving you economic exposure without the need to have a a, a storage shed in the backyard filled with, you know, a supply of nickel or palladium or something like that.

Phil (24m 1s):
I always find with futures, it's worthwhile thinking about the, the history of commodities and like soft commodities, like agricultural commodities in that a farmer might be producing a crop of Bali and a speculator will come in and say, well look, let me give you some money based on what I expect the this commodity to be worth in the future. Is that a fair enough observation?

Charlie McCain (24m 27s):
I I think that's certainly one part of the market for futures. I think the, the other part is that farmer that you're referencing getting surety of the price that they'd be able to deliver their pork bellies to the market at a month, two months, three months in the future is very helpful for them to plan. Because we talked earlier about the short-term noise. There has been significant volatility in commodity prices, particularly the agricultural based commodity prices in the United States. We're having a challenge with bird flu. And so you're seeing lots of things and, and the effect of that from a agricultural prices in the short term dramatically spike up or down.

Charlie McCain (25m 10s):
And so I think futures helps provide stability.

Phil (25m 14s):
So what is unique about the management style of the, the people looking after the c commodities ETFs?

Charlie McCain (25m 20s):
So what's we think distinctive and why bring a new commodity product to market? We think that there can be a unique return stream and value add as a result of the active exposure that in this case, QuantX commodities. The, the sub-advisor, the manager that we identified brings to the table. And what's unique here is that QuantX will adjust the portfolio based on its views on what's driving inflation in the United States. And they have a view around inflation can be driven broadly by supply and demand imbalances around particular commodities driving prices of this commodities up.

Charlie McCain (26m 9s):
Also, they can be driven by what they refer to as the basement of the US dollar or depreciation of the dollar because commodities are generally quoted in US dollars. So if our dollar depreciates, it will require more dollars to buy the same units of a commodity. And so depending on the environment we're in, our product will shift. So for example, at the end of 2022, there was a vision that we were entering into a debasement or depreciation of a dollar after significant run in, in our value. So the, the portfolio shifted significantly to a higher gold allocation, really doubled our gold allocation to address that exposure.

Charlie McCain (26m 55s):
And that is a different approach than the primary index based commodity products that are available tracking, say the Goldman Sachs commodity index or the Bloomberg Commodity Index, which have a fixed way in which they allocate to commodities no matter what the environment is.

Phil (27m 13s):
Okay. Well let's have a look at some of the other ETFs in the portfolio. There's the scientific exposure ones and the the growers and fixed income. Just give us a brief overview of some of the sectors that are covered.

Charlie McCain (27m 25s):
Sure. We have tried to develop a diversified suite of offering and they do range from income, equity exposure, commodity, and even distinctive social exposures. And so maybe I'll, I'll start there Phil. One of the things that, for example, we talked about earlier, inspiring investors to have

greater interest in what their portfolio does and looks like. We offer a suite of corporate culture products. What do I mean by that? So the thesis behind these ETFs is that the employee satisfaction, goodwill, employee engagement at companies is a key factor that will differentiate strong companies from weaker companies and ultimately will result in companies that will outperform their peers in the marketplace no matter what the industry is tech, financial services, healthcare.

Charlie McCain (28m 26s):
And so this is a suite of companies that relies on a sub-advisor that we identified a rational capital that has a proprietary method for identifying which companies in a quantitative way have stronger human capital engagement, what they refer to as the human capital factor. And so for example, our haps, H A P s corporate culture etf, it tracks the s and p 500 index that is the starting pool of companies and then applies the human capital factor to those 500 and identifies 125 or 150 of those that exhibit the greatest human capital factor scores.

Charlie McCain (29m 9s):
And those are the companies that then comprise the portfolio in our E T F. So it's a broad exposure, but but focused on the s the social component in an e s G framework. And, and we think that's interesting and can inspire folks to want to invest, want to invest indirectly in those companies that are treating their employees better, is what is what the thesis is.

Phil (29m 34s):
So it's interesting that you say that that part of the factor is well apart from the, the companies that are treating their employees well enough to inspire them that people need a reason to invest more than just wanting to make money.

Charlie McCain (29m 48s):
I think so Phil, I think if you are interested, if you're passionate, I think you will wanna spend more time, you'll be willing to invest more. I think that to me is the most significant challenge in the broad populace is getting folks to invest enough, enough and save enough and benefit from compounding that investments bring over time to create a pool for retirement or other huge life events. And so if we can inspire folks to wanna invest to say, boy,

that's really interesting, I'd like to, I'd like to get that exposure. I think that would be a positive.

Charlie McCain (30m 28s):
Or speaking of commodities are renew R E N W E T F, that is our e TF that focuses on the energy transition. Again, that's I think a thematic inspirational way to add a core component of commodities to your portfolio in a way that we can understand why would we do that? What's the future looking like? And and participating in that. I think that can be helpful for folks to wanna invest more. And I, and I'm not talking about invest more with us, Phil, I mean invest more broadly wherever you choose to do that.

Phil (31m 1s):
So why is it important for investors to think outside of their own local stock markets? I mean, everyone sort of thinks about the US market and looks at wanting to own Apple and Google and Amazon and all of those major firms. Why should investors also look at the rest of the world?

Charlie McCain (31m 17s):
I'll answer that in a couple of ways. First, I think from a broad world market cap exposure, the United States is roughly 60% of that overall pool and the rest of the world is 40%. And I think many studies have shown that in the United States, investors are 80 or 90% exposed to the United States and 20 or 10% to non-US investments. So why is that important to balance that? We think better is because you're missing the diversification benefits that come from the unique return streams of companies that are situated in around the world where you have different geographies, different political environment dynamics, you have different economies at different points of their cycle relative to the United States.

Charlie McCain (32m 17s):
And when you think about things over the medium and long term, those provide diversifying outcomes that are hard to achieve just in the United States. Yes, the United States is large enough that it can have an impact broadly on what happens across the world, but not uniquely as well as the fact that there are so many interesting people doing interesting things around the world that to not have direct exposure to those, I think you miss

out. And if you can have a talented investment manager help you select over time those great companies, not all of them will be successful, but enough of them will be to create a nice additional value add to your portfolio.

Charlie McCain (33m 3s):
I think that's why it's important,

Phil (33m 5s):
Phil, and to inspire people, again, like you were saying, that you need to be inspired by your investments And something that I find some people that do get inspired by internationally are luxury brands, which are often represented much more in Europe than the United States.

Charlie McCain (33m 18s):
That's right. There are some dominant brands that are durable, like in the United States, the Apples or the Amazons that are strong long-term compounders. Actually we, we have an ETF that we've launched, which is called international compounders ticker OSCA in its focuses on owning 30 stocks just 30, never more nevertheless from every market around the world except the United States. And the luxury brands are a component of that 30 because they're so powerful around the world.

Charlie McCain (33m 58s):
And so you're absolutely right about that, Phil, there's, there's different exposures based on those different histories that can lead to very good differentiated return streams.

Phil (34m 8s):
Okay. Then Charlie, tell us how listeners can find out more about Harbor Capital and the products on offer and as usual, I'll, I will put links to your website and, and the funds as well in the blog post and the episode notes.

Charlie McCain (34m 22s):
Oh, thank you Phil. You can visit us at harborcapital.com, which is our website. All of our products are offered there and certainly appreciate the time and the opportunity to share some of our background with you.

Phil (34m 36s):
Charlie, thank you very much for coming on. I've really enjoyed this conversation.

Charlie McCain (34m 40s):
Thank you Phil.

Chloe (34m 41s):
Thanks for listening to Stocks for Beginners. If you enjoy listening, please take a moment to rate or review in your podcast player or tell a friend who might want to learn more about investing for their future.

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Holdings are subject to risk and change. Harbor Corporate Culture Leaders ETF (HAPY) – Current Holdings

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The Subadvisor considers certain ESG factors in evaluating company quality which may result in the selection or exclusion of securities for reasons other than performance and the Fund may underperform relative to other funds that do not consider ESG factors.
Holdings are subject to risk and change. Harbor International Compounders ETF (OSEA) – Current Holdings

(RENW) Commodity and Commodity Linked Derivative Risk: The Fund has exposure to commodities through its and/or the Subsidiary's investments in commodity-linked derivative instruments. The Fund's investments in commodity-linked derivative instruments (either directly or through the Subsidiary) and the tracking of an Index comprised of commodity futures may subject the Fund to significantly greater volatility than investments in traditional securities. The Fund is non-diversified and may invest a greater concentrate of its assets in a particular sector of the commodities market (such as metal, gas or emissions products). As a result, the Fund may be more susceptible to risks associated with those sectors. Authorized Participant Concentration/Trading Risk: Only authorized participants ("APs") may engage in creation or redemption transactions directly with the Fund. Energy Transition Risk: The commodities included in the Index may become less representative of energy transition trends over time and the Fund's investments may be significantly impacted by government and corporate policies. Foreign Currency Risk: Because the Index may include futures contracts denominated in foreign currencies, the Fund could be subject to currency risk.
Holdings are subject to risk and change. Harbor Energy Transition Strategy ETF (RENW) – Current Holdings
(HGER) 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. 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.
Commodity Risk: The Fund has exposure to commodities through its and/or the Subsidiary's investments in commodity-linked derivative instruments. Authorized Participant Concentration/Trading Risk: Only authorized participants ("APs") may engage in creation or redemption transactions directly with the Fund. Commodity-Linked Derivatives Risk: The Fund's investments in commodity-linked derivative instruments (either directly or through the Subsidiary) and the tracking of an Index comprised of commodity futures may subject the Fund to significantly greater volatility than investments in traditional securities.
Holdings are subject to risk and change. Harbor Commodity All-Weather Strategy ETF (HGER) – Current Holdings
Diversification does not assure a profit or protect against loss in a declining market.
The Harbor Funds mentioned are not an ESG dedicated Fund. ESG investing is defined as utilizing environmental, social, and governance (ESG) criteria as a set of standards for a company's operations that socially conscious investors use to screen potential investments.
The Quantix Commodity Index (QCITR) is calculated on a total return basis, which combines the returns of the futures contracts with the returns on cash collateral invested in 13-week U.S. Treasury Bills. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Quantix Commodity Index was developed by Quantix Commodities LP and is owned by Quantix Commodities Indices LLC ("Quantix").

The QCITR was created with the objective of being a diversified inflation hedge for investors using commodity futures contracts, traded in the U.S. and the U.K., as part of their core investment. Commodity futures are distinctive in their relationship to inflation and are generally regarded as having the highest positive correlation to inflation of all the major asset classes. The QII is designed to provide a risk management framework to hedge inflation risk appropriately in connection with commodity investing, taking account of the relative inflation sensitivity of each commodity among a defined universe of commodities, the relative cost of holding a rolling, U.S. or U.K.-listed futures position in a given commodity and the relative impact of inflation on each particular commodity.

The Quantix Energy Transition Index (QET) was developed by Quantix with the objective of providing diversified exposure to the building blocks of the accelerating transition from carbon-intensive energy sources to less carbon intensive sources of energy using commodity futures. Commodity futures that provide exposure to the energy transition theme are considered component candidates for inclusion in the Index. Examples of component commodity candidates include copper, aluminum, nickel, zinc, lead, natural gas, silver, palladium, platinum, soybean oil, ethanol, emissions – European Union Allowances (EUA), and emissions – California Carbon Allowances (CCA). The selection of commodities is subject to periodic review by Quantix Commodities Indices (QCI). Under normal conditions, the Index maintains exposure to at least 10 commodities from its eligible universe in the United States (U.S.), Canada, United Kingdom (U.K.) and other European exchanges. Commodity futures from the component candidates are selected for the Index and weighted based on QCI's quantitative methodology. Under normal circumstances, the Index is rebalanced on a monthly basis. The index listed is unmanaged and does not reflect fees and expenses and is not available for direct investment.

Note about tax-efficiency: ETFs are subject to capital gains tax and taxation of dividend income. However, ETFs are structured in such a manner that taxes are generally minimized for the holder of the ETF. An ETF manager accommodates investment inflows and outflows by creating or redeeming "creation units," which are baskets of assets. As a result, the investor usually is not exposed to capital gains on any individual security in the underlying portfolio. However, capital gains tax may be incurred by the investor after the ETF is sold.

Quantix Commodities LP is a third-party subadvisor to the Harbor Commodity All-Weather Strategy ETF and the Harbor Energy Transition Strategy ETF.

Irrational Capital is a third-party index provider to the Harbor Corporate Culture Leaders ETF.

Harbor Capital Advisors, Inc., Quantix Commodities LP, Irrational Capital and Foreside Funds Services, LLC are not affiliated with Phil Muscatello, Fin Pods or Money Sherpa.

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

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