Beneath the Surface: What's Driving the Economy + Markets

YOUR WEEKLY GUIDE

07.14.25

THE CURRENT

Harbor Capital

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JAKE SCHURMEIER
Portfolio Manager, Multi-Asset Solutions Team

Currently …

New letters telling the same story

The 90-day tariff deadline came and went with a new August 1 deadline. This one, we're assured, is the final one. Alongside the postponement, several countries received revised reciprocal tariff rates that looked quite like those announced as part of "Liberation Day" on April 2. However, it's not a sequel without a few new twists, including 50% rates on both copper (for national security purposes) and Brazil (to support the previous president Jair Bolsonaro). Using equity markets as a guide, the shock value of tariffs is diminishing. Whether that's because of the postponements, the potential illegality of using IEEPA as the basis for tariffs, or complacency, the risk around tariffs is skewed to the downside if the August 1 deadline proves firm.

Although the recovery in sentiment since "Liberation Day" took the S&P 500 Index back to all-time highs, a look below the topline index reveals a significant shift towards riskier parts of the market as well. Small cap, crypto, high short interest, and more volatile stocks have all outperformed to start the second half suggesting that sentiment may be transitioning from cautious optimism towards exuberance.

That exuberance could wane if the June CPI shows signs of tariff-driven inflation. So far, evidence of tariffs are difficult to find in consumer prices as companies and exporters absorb some of the costs. That willingness of companies to absorb the cost of tariffs will be a key point of focus as Q2 earnings season kicks off later this week.

Finally, not to be outdone by the rally in riskier parts of the market, the tech sector and the AI theme remain top of mind as Nvidia became a $4 trillion company last week. The milestone underscores the remarkable growth rates of some of the largest U.S. companies, a strong counterpoint to concerns about exuberance taking hold of the market.

Source: Harbor Capital Advisors. As of 07/11/2025.

Scenario-Based Investing:
Our Framework for Asset Allocation

Key Takeaways

1. Touch base on tariffs: a 50% tariff on copper and Brazil and an extension for some countries until August 1. We cut through the noise to get to the **investment implications**.
2. With June Fed minutes showing a division on the implication of tariffs, expectations for inflation, **and the number of rate cuts this year**, what can investors expect ahead of next week's CPI reading and the Fed meeting in late July?
3. **There's been a rally in high-risk assets**. Will it last?

Let's Talk

Timely insights + real support for advisors — everything you need to turn market noise into meaningful conversations.

info@harborcapital.com

Your Scenario-Based Guide to Investing

Diversification could help prepare for the best- and worst-case outcomes.

Scenario	No Bargain	Moderate Bargain	Grand Bargain
Odds of Happening	5%	65%	30%
Asset Class Preference	Treasuries/Gold	Equities/Credit	Equities
Regional Preference	International	U.S.	U.S.
Styles	Defensive	Growth	Value
Size	Large Cap	Large Cap	Small Cap
Sectors	Consumer Staples, Utilities	Tech, Comm Services	Consumer Discretionary, Financials
Scenarios Explained			
Real Growth	≤ 0%	1.0%	2%+
Core Inflation	3.5%	3.5%	3%
Avg. Effective Tariff	20%+	15%	≤10%
Fed Rate Cuts	7	2	0

Source: Harbor Multi-Asset Solutions Team. As of June 2025.

This material may contain forward-looking information, including forecast and projections. There is no guarantee that any of these views will come to pass.

Your Scenario-Based Guide to Investing

While different tariff levels warrant different allocations, gold may be appropriate across environments.

Overweight | Neutral | Underweight

Unconstrained vs. 60/40	No Bargain	Moderate Bargain	Grand Bargain	Rationale
Portfolio Risk (Beta, Relative Vol)	Underweight	Overweight	Overweight	No bargain significantly increases recession risks and is likely a direct assault on profit margins; risk historically responds favorably to lower tariff rates
Portfolio Duration	Overweight	Neutral	Underweight	Although rates may struggle to fall at first due to higher inflation from tariffs, ultimately they could fall in a recession and the Fed will likely cut
Equities (ACWI)	Underweight	Overweight	Overweight	We think a 10% reduction in the effective tariff rate could be worth +7-10% in stocks from current levels
U.S. Large Cap	Underweight	Overweight	Overweight	U.S. stocks have fallen the most and we believe could recover the most if tariffs are negotiated down
US SMID Cap	Underweight	Neutral	Overweight	Small caps appear less appealing in a moderate bargain scenario as growth could still slow this year and reduce EPS growth for the group
International	Neutral	Overweight	Overweight	International stocks may look better in worse tariff scenarios, particularly EAFE, as the hit to growth in the U.S. appears to be greater than Europe and Japan
Equity Styles				
Value	Underweight	Neutral	Overweight	Given the cyclical nature of value stocks, we think they would be preferred only in a grand bargain scenario
Growth	Underweight	Overweight	Overweight	Growth stocks could likely benefit from reduced tariffs and be less impacted from slowing growth in a moderate bargain scenario
Quality	Neutral	Overweight	Neutral	Moderate bargain scenarios could still lead to a growth slowdown this year which supports quality
Low Vol	Overweight	Neutral	Underweight	Low vol likely moves with recession risks; any reduction in tariffs likely results in reduced recession odds and a give-back in low vol outperformance
Fixed Income (Barc Agg)	Overweight	Neutral	Underweight	Core bonds likely benefit from slowing growth, but upside could be limited from stagflation which arrests the Fed from cutting proactively
Treasury	Overweight	Overweight	Underweight	Treasuries may once again a good hedge to equities as growth risk is front and center moving forward, even if inflation rises this year
IG	Neutral	Overweight	Underweight	Investment grade could benefit from longer duration but still has some credit risk; we would wait until the dust settles
MBS	Overweight	Neutral	Underweight	Mortgage Backed Securities (MBS) seem unlikely to benefit if tariffs are negotiated down, but still benefit in worse states of the world
Credit (Non Agg)	Underweight	Overweight	Neutral	Credit spreads could tighten if tariffs come down, but duration could act as a headwind; prefer equities for more upside in good outcomes
HY Bonds	Underweight	Overweight	Overweight	Prefer U.S. HY bonds in lower tariff outcomes
EMD	Underweight	Underweight	Overweight	Many Emerging Market countries may still struggle if tariffs are lowered but remain elevated such as the moderate bargain scenario
Loans	Underweight	Neutral	Overweight	Loans may be a better play on grand bargain due to low duration
Commodities	Neutral	Neutral	Overweight	Exposure to gold and precious metals seem to support commodities in higher tariff states of the world as USD reserve diversification likely increases
Precious Metals	Overweight	Overweight	Overweight	Precious metals, and particularly gold, could work in different outcomes as the damage has been done and USD reserve diversification likely continues
Ind Metals, Agg, Energy	Underweight	Neutral	Overweight	Consumable commodities may fall in a high tariff/recessionary scenario and could work if growth expectations improve
Cash (T-Bills)	Overweight	Neutral	Underweight	Cash could be helpful during growth scares as investors may consider putting money to work and buy attractive assets that are oversold

[1] Overall "equity styles" cannot be o/w or u/w, only individual equity styles

For hypothetical illustrative purposes only. This information should not be considered as a recommendation to purchase or sell a particular security.

Source: Harbor Multi-Asset Solutions Team. As of June 2025.

Contents

WEEK IN REVIEW

Harbor

Weekly Snapshot

Stocks came off all-time highs as U.S. equities and bonds were slightly down for the week. The U.S. dollar strengthened as trade concerns reentered the headlines.

Global Equities (USD)	Prior Week	MTD	YTD	1 Year	3 Year (AR)
MSCI ACWI	-0.3%	0.6%	10.7%	13.6%	17.3%
MSCI EAFE	-0.2%	-0.2%	19.2%	13.1%	16.2%
MSCI EM	-0.2%	0.7%	16.1%	11.7%	10.6%

Country Equities	Prior Week	MTD	YTD	1 Year	3 Year (AR)
US - S&P 500	-0.3%	0.9%	7.2%	13.6%	19.3%
US - NASDAQ	-0.4%	0.5%	8.9%	13.6%	25.3%
US - Russell 2000	-0.6%	2.8%	0.9%	6.6%	10.5%
Japan - Nikkei 225 JPY	-0.6%	-2.3%	0.3%	-4.4%	16.1%
EU - Stoxx 600 EUR	1.1%	1.1%	10.0%	8.2%	12.6%
UK - FTSE 100 GBP	1.3%	2.1%	11.8%	12.8%	11.6%
France - CAC 40 EUR	1.7%	2.1%	6.1%	2.7%	12.7%
Germany - DAX 30 EUR	2.0%	1.4%	21.8%	30.9%	23.6%
China - MSCI China HKD	0.9%	0.6%	19.3%	32.3%	4.4%
India - MSCI India INR	-1.3%	-1.5%	4.6%	0.2%	17.0%

Fixed Income (USD)	Prior Week	MTD	YTD	1 Year	3 Year (AR)
US Agg	-0.4%	-0.8%	3.2%	3.9%	2.2%
US Treasury	-0.3%	-0.9%	2.9%	3.2%	1.2%
US Muni	0.1%	0.1%	-0.3%	0.7%	2.1%
Global Treasury ex US	-1.5%	-1.3%	9.1%	8.1%	2.7%
Global IG	-0.7%	-0.7%	6.7%	7.0%	5.3%
Global High Yield	-0.3%	0.0%	6.9%	11.7%	11.8%
EM Debt (USD)	-0.2%	0.0%	4.9%	8.1%	7.8%

Commodities (USD, % chg)	Level	Prior Week	MTD	YTD	1 Year	3 Year (AR)
Bloomberg Commodity (TR)	103.8	0.5%	1.9%	7.5%	7.8%	0.9%
Oil (WTI, USD / Barrel)	68.5	2.2%	5.1%	-4.6%	-17.2%	-13.0%
Gold (USD / Troy Ounce)	3,355.6	0.6%	1.6%	27.9%	38.9%	24.6%

Foreign Exchange (vs USD %)	Level	Prior Week	MTD	YTD	1 Year	3 Year
USD - DXY Index	97.9	0.7%	1.0%	-9.8%	-6.3%	-9.4%
Euro	1.2	-0.8%	-0.8%	12.9%	7.6%	16.4%
British Pound	1.3	-1.2%	-1.7%	7.8%	4.5%	13.5%
Japanese Yen	147.4	-2.0%	-2.3%	6.6%	7.7%	-6.8%

Key Rates (bps chg)	Level	Prior Week	MTD	YTD	1 Year	3 Year
SOFR	4.31%	-4	-14	-18	-103	278
2Y US Treasury Rate	3.89%	0	17	-36	-63	81
10Y US Treasury Rate	4.41%	6	18	-16	20	142
10Y German Bund	2.72%	12	12	36	26	148
10Y UK Gilt	4.62%	7	13	6	55	245
10Y Japanese Bond	1.51%	8	9	43	43	128
30Y US Treasury Rate	4.95%	9	17	17	53	177
30Y US Fixed Rate Mortgage	6.74%	-1	-6	-54	-46	102

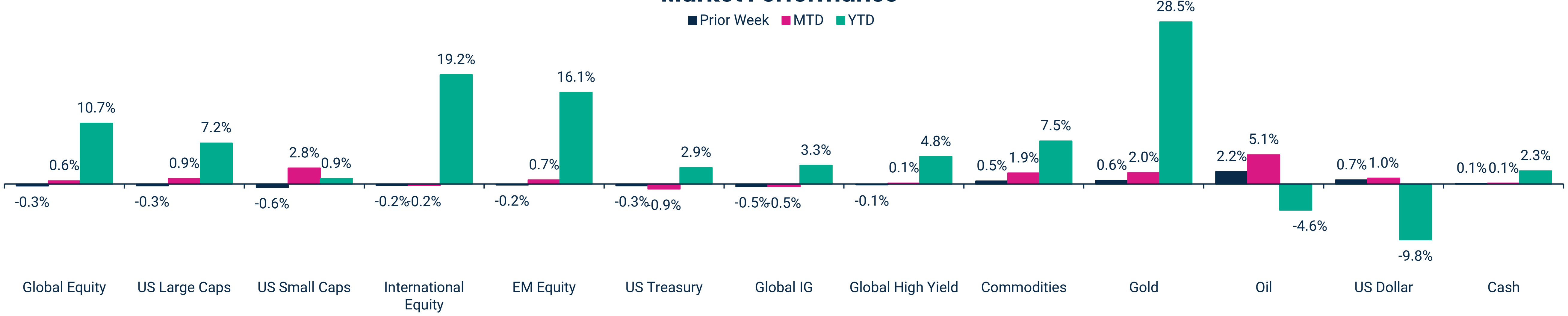
Spreads	Level	Prior Week	MTD	YTD	1 Year	3 Year
Global IG Corporate	0.84%	1	-5	-5	-15	-85
Global High Yield	3.16%	5	-15	-12	-66	-336
EM Debt (USD)	2.02%	-2	-18	-18	-59	-212

Data as of 07/11/2025. Source: Bloomberg. **The performance quoted represents past performance which is no guarantee of future results.** Please see Important Information for indices used.

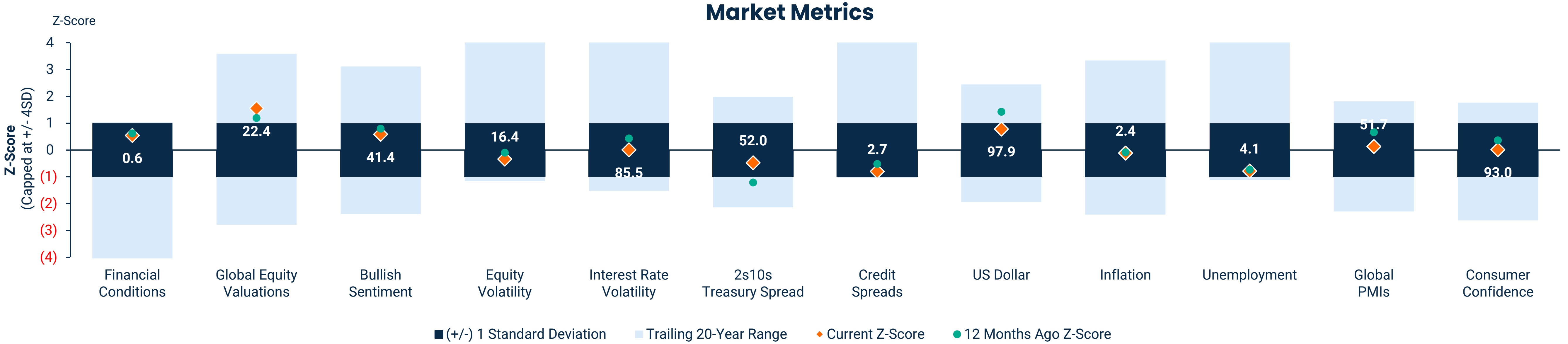
Market Review

Most assets traded range bound for the week as negative trade headlines and tariff threats endangered the market's advance. Moving forward, investors will closely be watching earnings season.

Market Performance



Market Metrics

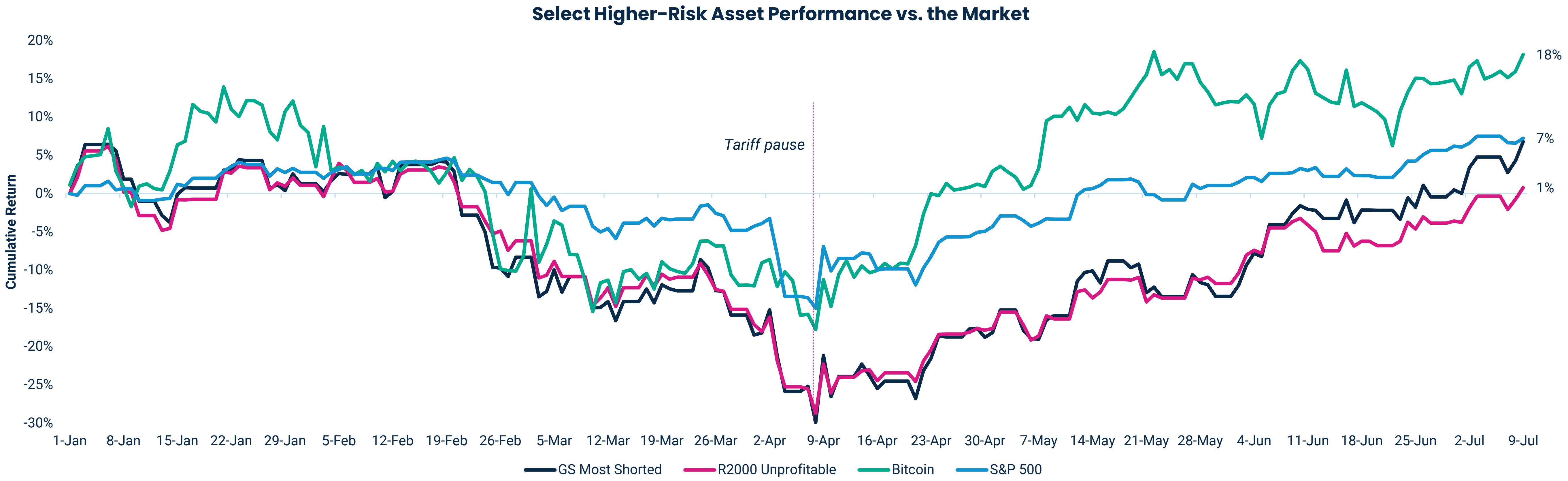


Data as of 07/11/2025. Source: Bloomberg. **The performance quoted represents past performance which is no guarantee of future results.**

A z-score is a way to measure how far from the mean a data value is using a standardized scale. Please see Important Information for indices used.

Market Review

High-risk assets staged a material rally following the April tariff pause.



	1/1/25 – 4/7/25	4/8/25 - Current	YTD
GS Most Shorted Basket	-30%	52%	7%
R2000 Unprofitable	-29%	41%	1%
Bitcoin	-18%	44%	18%
S&P 500	-15%	26%	7%

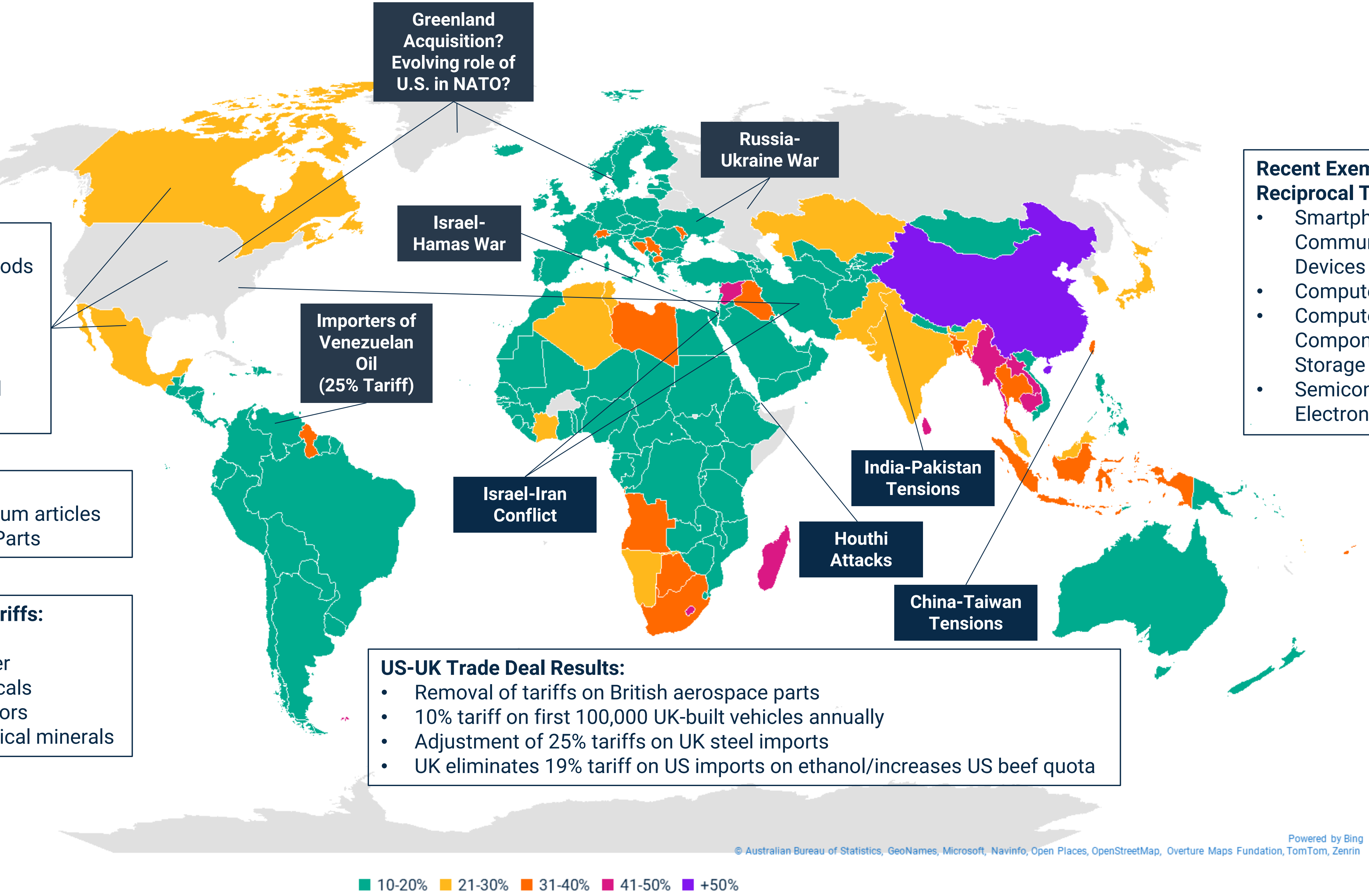
Data as of 07/13/2025. Source: Harbor Capital Advisors. Bloomberg L.P. FactSet. **Performance data shown represents past performance and is no guarantee of future results.** Goldman Sachs (GS) most-shorted basket contains the 50 highest short interest names in the Russell 3000; names have a market cap greater than $1 billion. We define unprofitable as companies that meet the following profitability criteria: 1) median trailing 12-month operating margin over the prior 12 quarters greater than or equal to 1% and 2) aggregate operating margin over the prior 12 quarters greater than or equal to 1%. Bitcoin = Bloomberg Bitcoin Index (Total Return index).

A World in Flux

"USMCA 2.0" Tariffs:
- USMCA compliant goods remain tariff-exempt
- 25% – Non-USMCA compliant goods
- 10% – Non-USMCA compliant energy and potash

Section 232 Tariffs:
- 50% – Steel & Aluminum articles
- 25% – Autos & Auto Parts

Proposed Section 232 Tariffs:
- 50% – Copper
- 25% – Lumber/Timber
- 200% – Pharmaceuticals
- +25% – Semiconductors
- TBD – Processed critical minerals



US-UK Trade Deal Results:
- Removal of tariffs on British aerospace parts
- 10% tariff on first 100,000 UK-built vehicles annually
- Adjustment of 25% tariffs on UK steel imports
- UK eliminates 19% tariff on US imports on ethanol/increases US beef quota

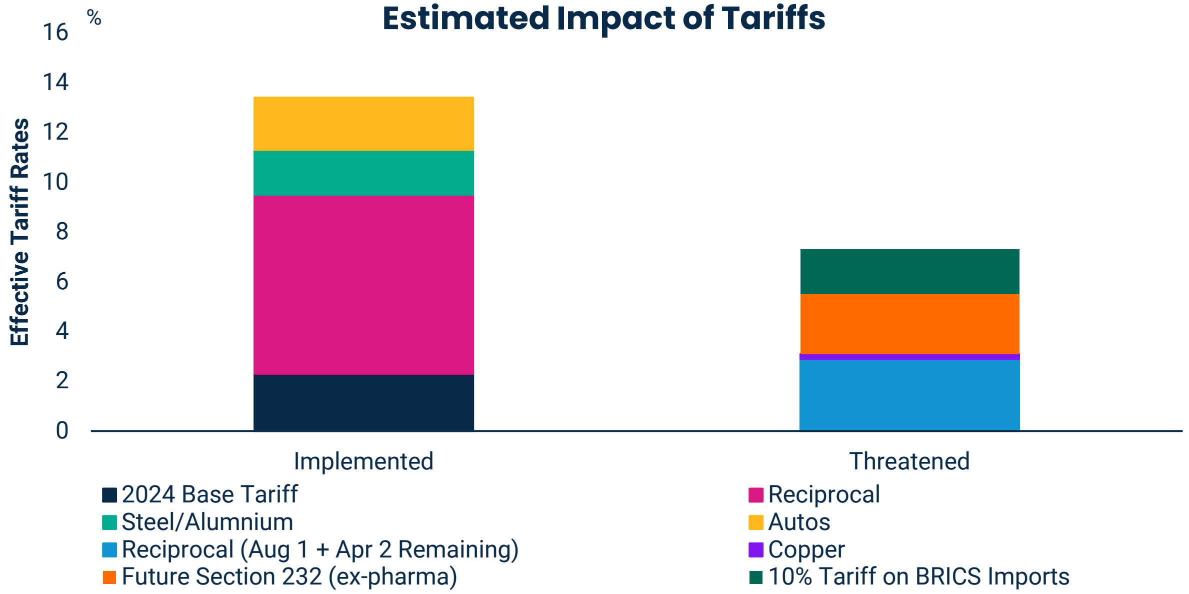
Recent Exemptions from Reciprocal Tariffs:
- Smartphones/ Communication Devices
- Computers/Laptops
- Computer Components and Storage Devices
- Semiconductors and Electronics

Data as of 07/11/2025. Sources: Bloomberg, The White House, International Trade Administration – Department of Commerce, United States of America. Section 232 of the Trade Expansion Act allows the President to adjust imports on certain goods through the use of tariffs, should they be deemed a threat to national security. **Performance data shown represents past performance and is no guarantee of future results.**

With Delay Comes Higher Threat for Tariffs

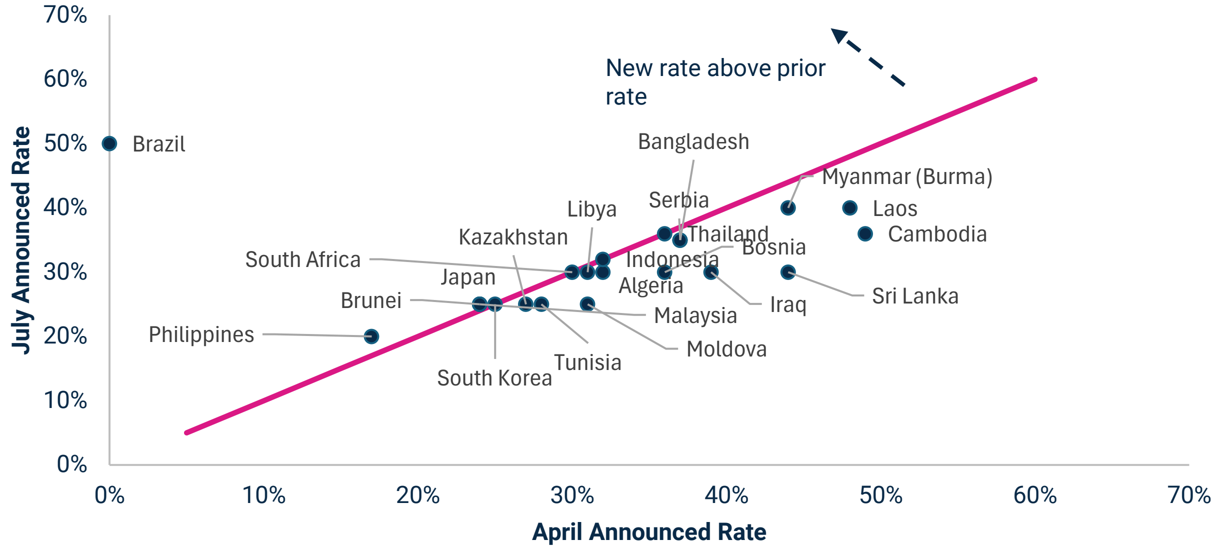
The 90-day pause gave way to an August 1 deadline. While the novelty of tariffs is wearing off in the equity market, the recent copper shock shows the power of sector-specific announcements.

Estimated Impact of Tariffs

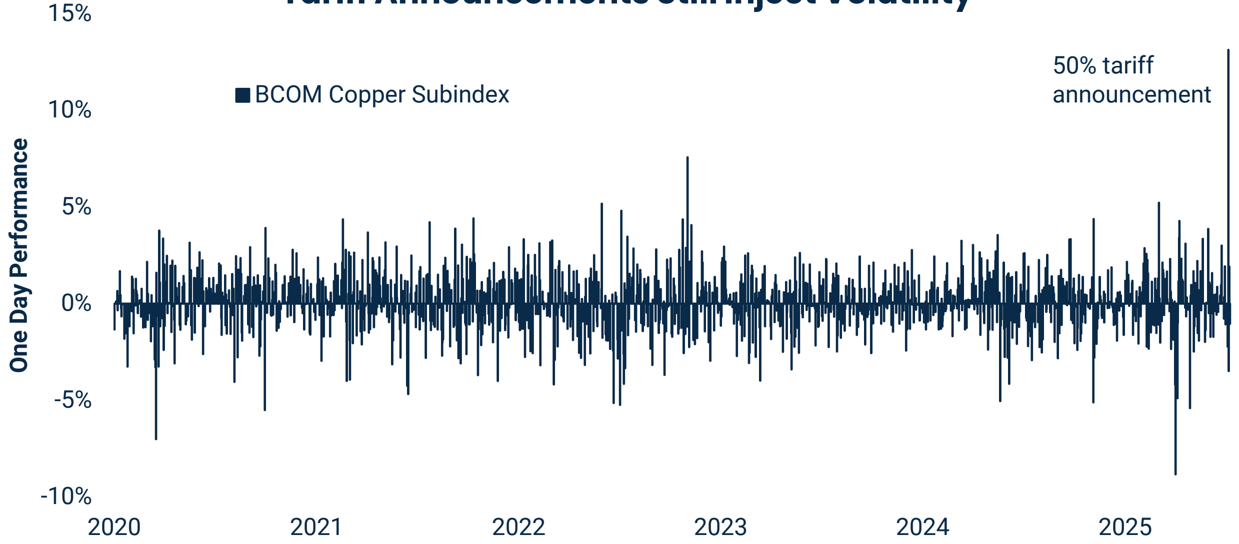


Source: JPM US Market Intelligence

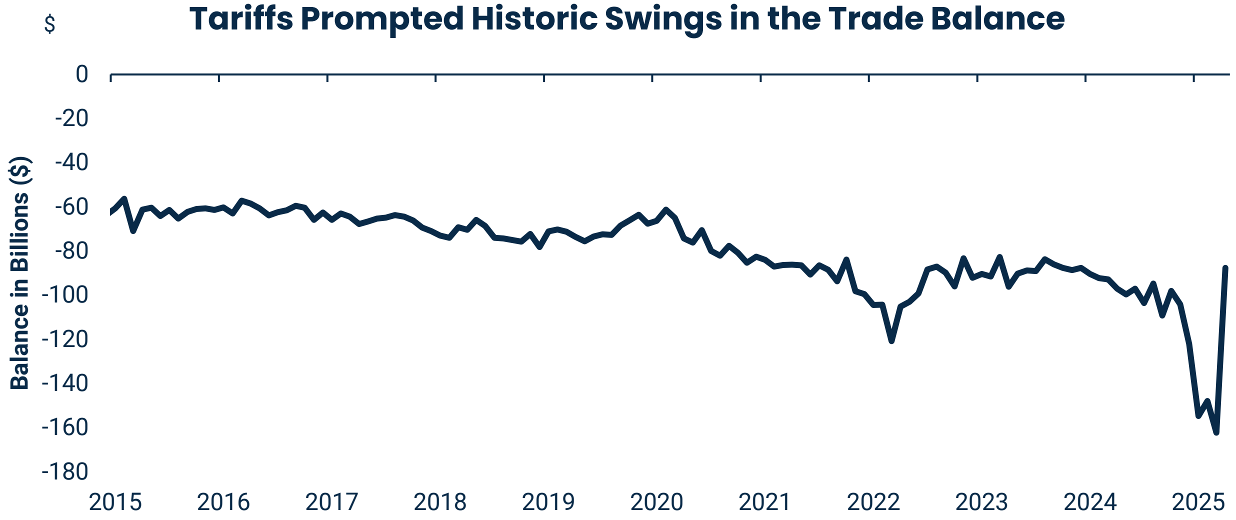
New Rate Similar to the Old Rate



Tariff Announcements Still Inject Volatility



Tariffs Prompted Historic Swings in the Trade Balance

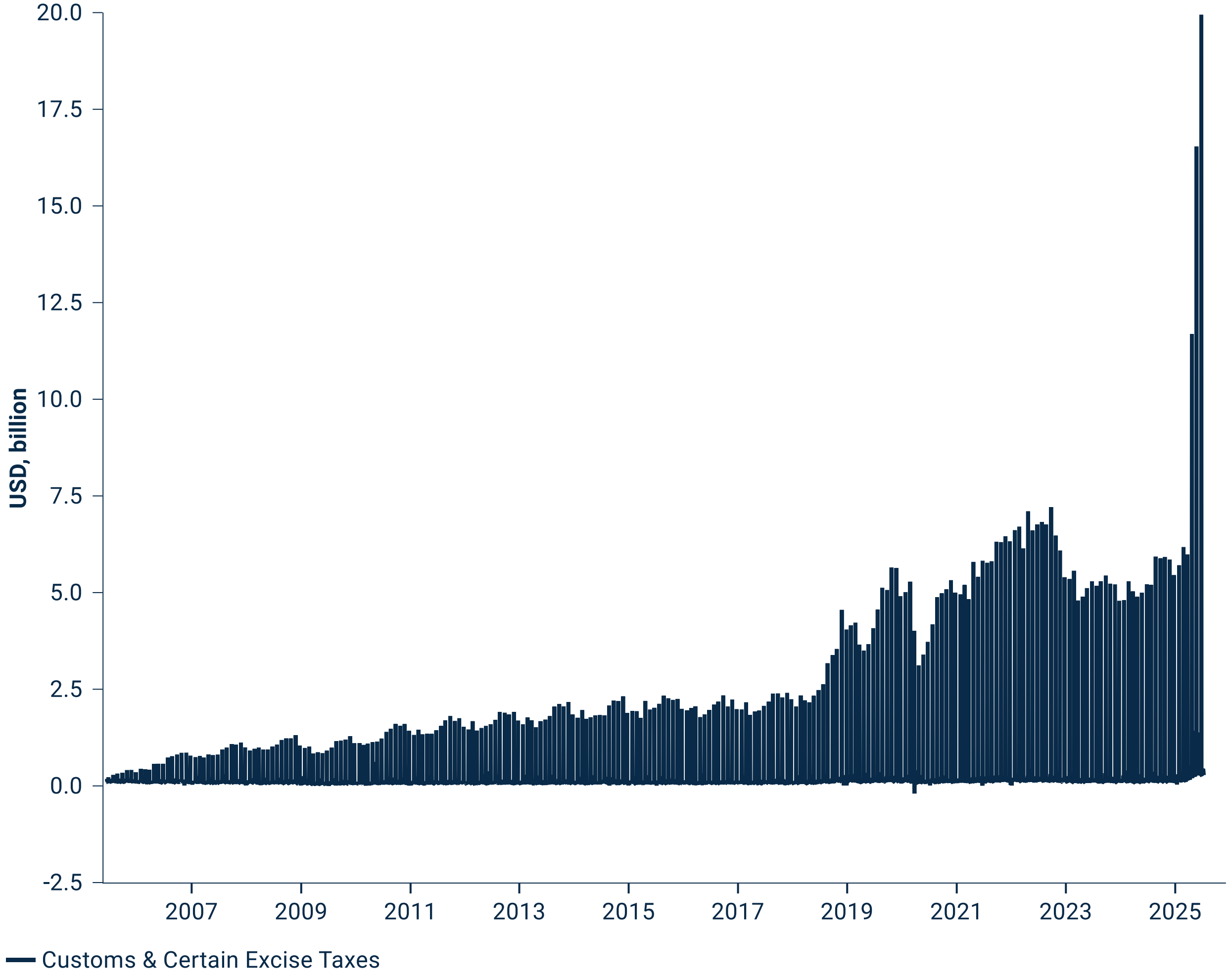


Data as of 07/11/2025. Source: Bloomberg, Bloomberg Economics (2024 trade composition from US Census Bureau), White House. **Performance data shown represents past performance and is no guarantee of future results.**

Tariff Headlines Cause Pain for U.S. Dollar

Tariff Collections

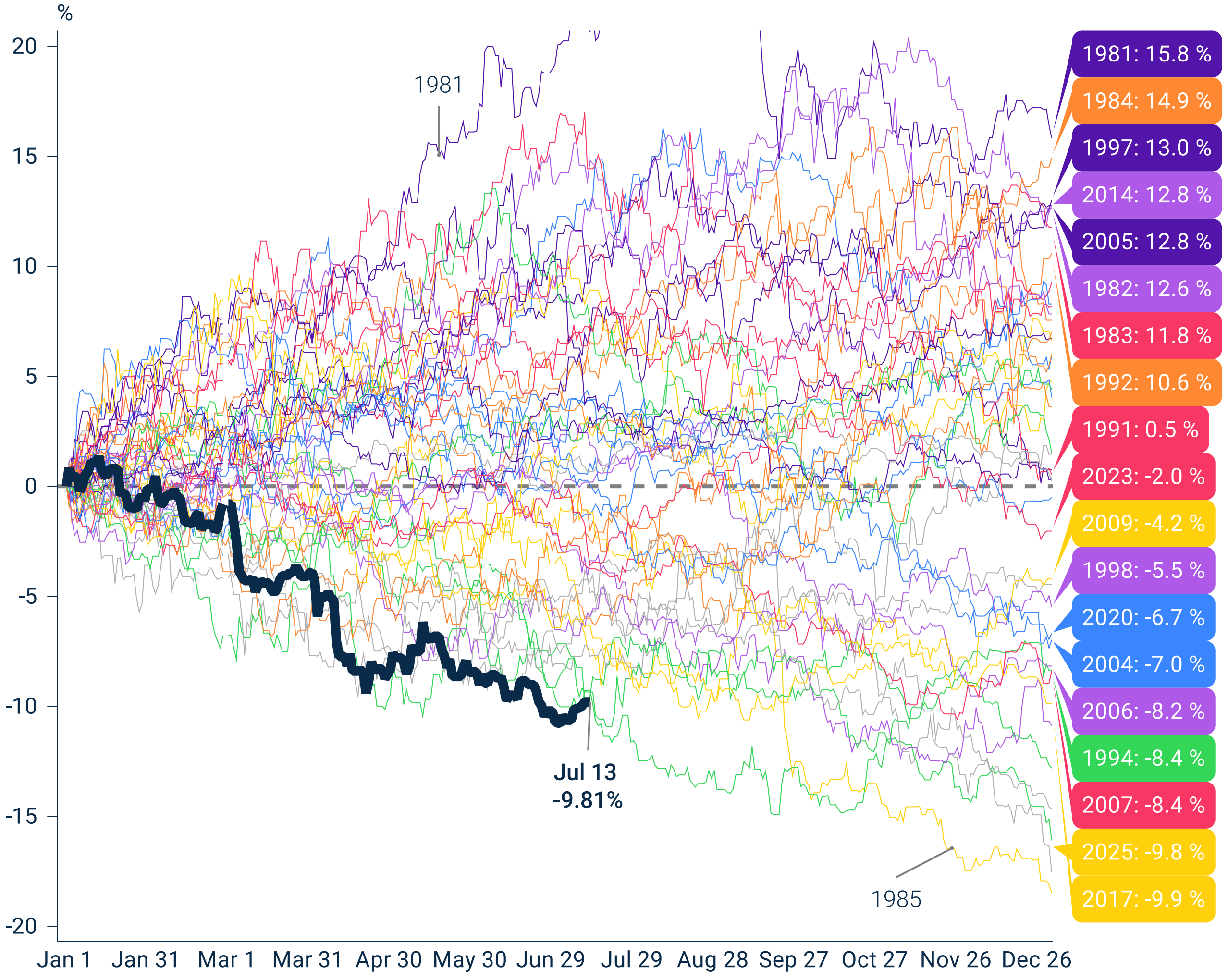
DHS Customs and Certain Excise Taxes



Data as of 7/10/2025. Source: Macrobond.

US Dollar

Weakest YTD trend since 1980s

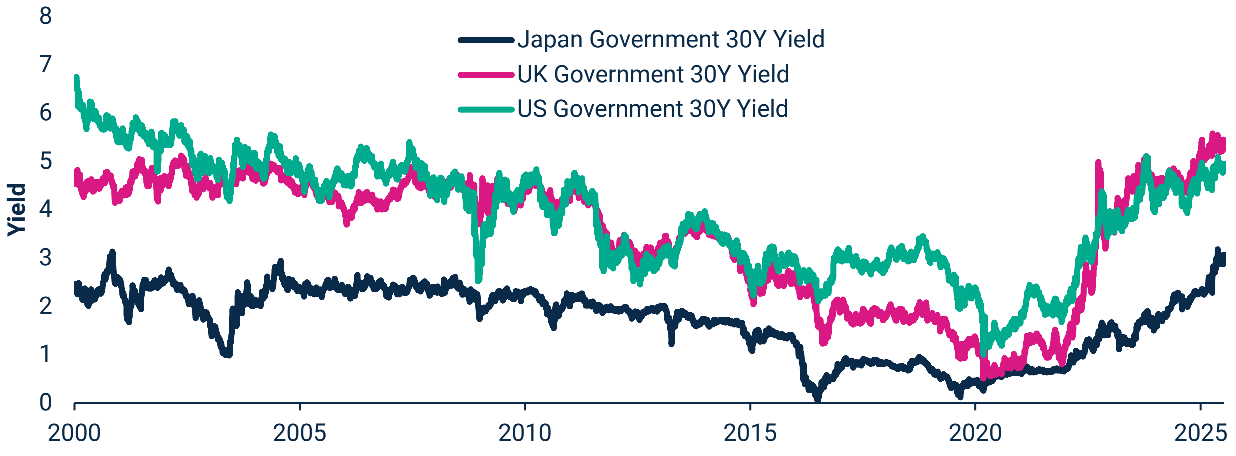


Data as of 7/11/2025. Source Intercontinental Exchange (ICE), Macrobond.

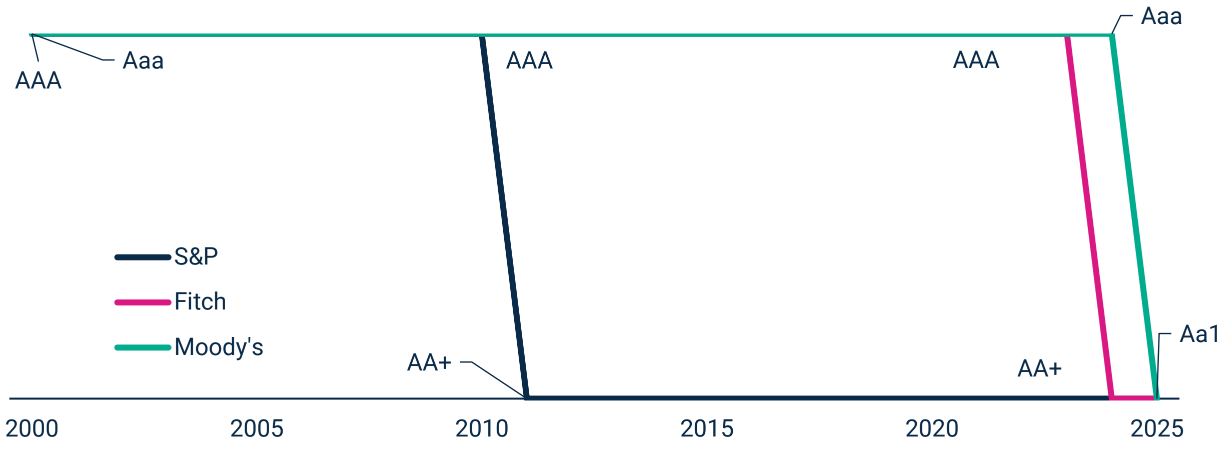
Cracks in the Crown: The Rising Cost of U.S. Sovereign Debt

From AAA to Aa1: As yields climb and ratings fall, is confidence in U.S. credit eroding?

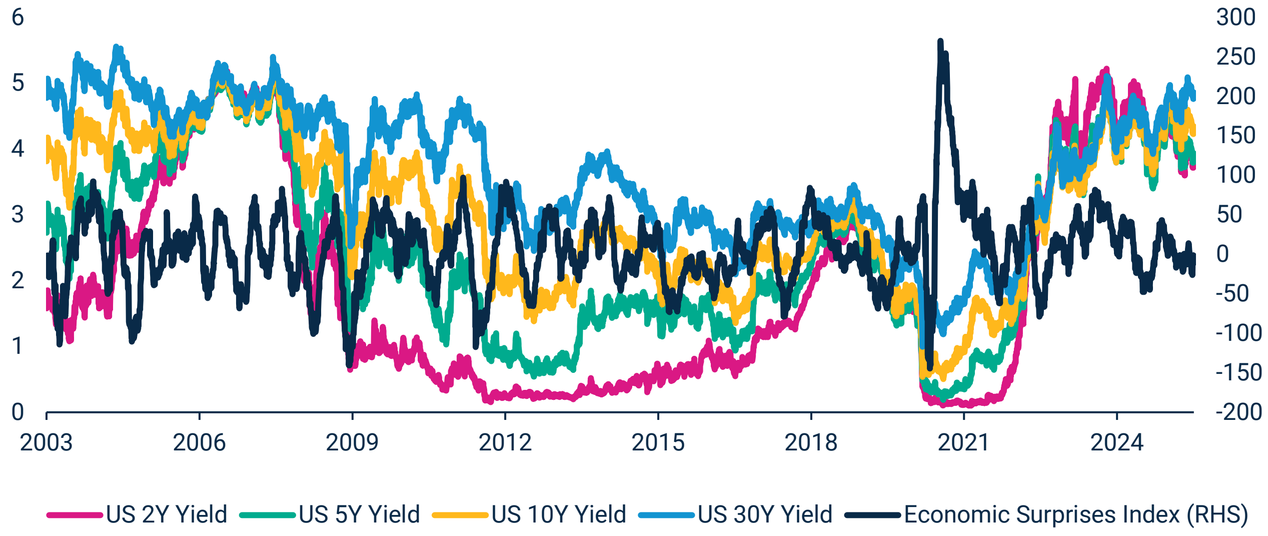
Progression of the 30Y Government Yield



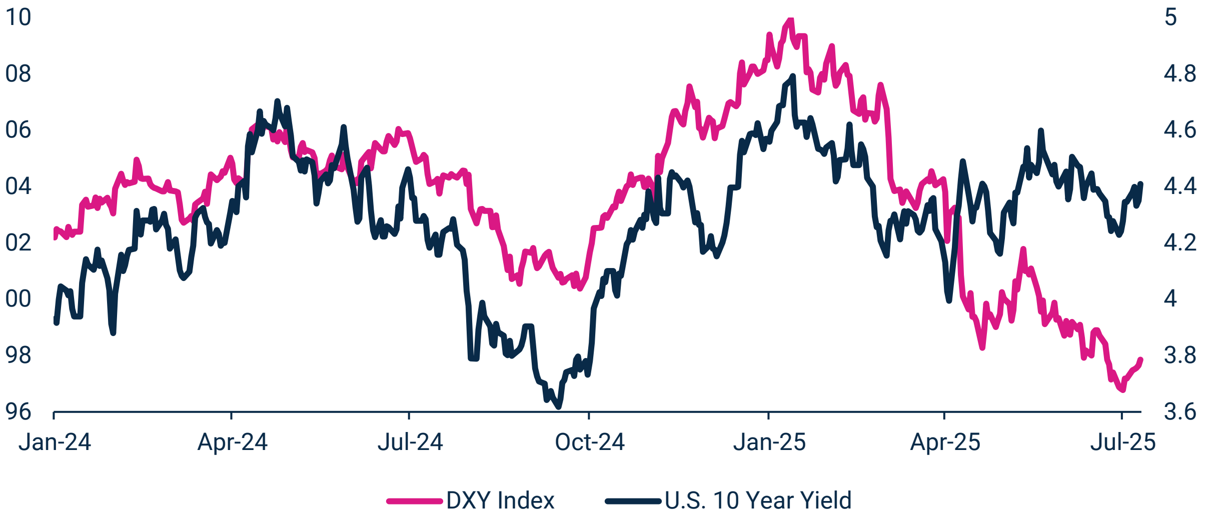
United States Sovereign Debt Credit Rating



US Rates vs Economic Surprises



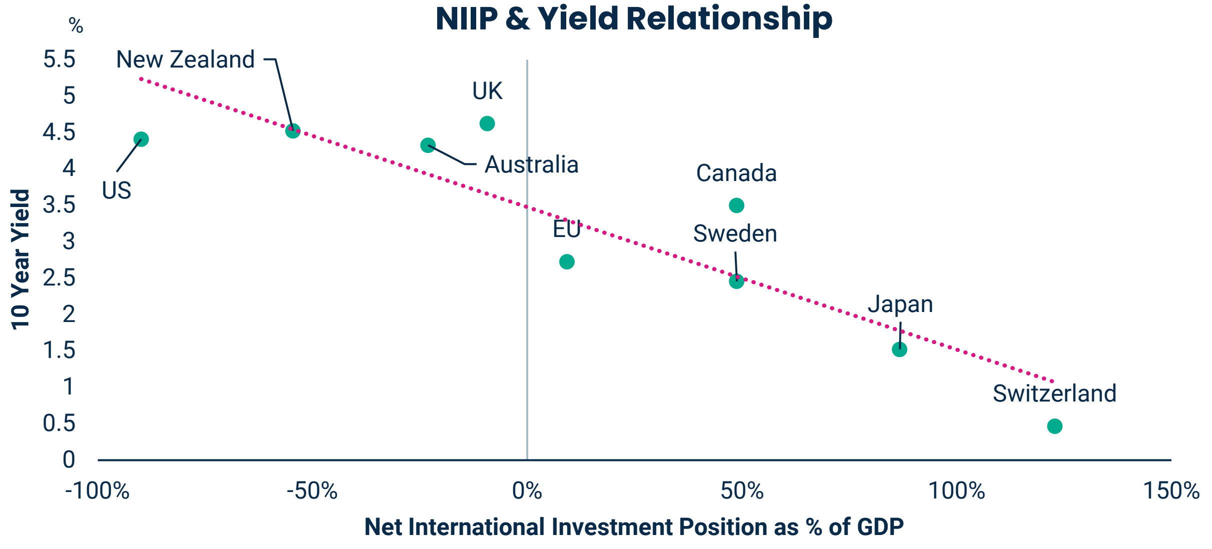
The Dollar Dislocation

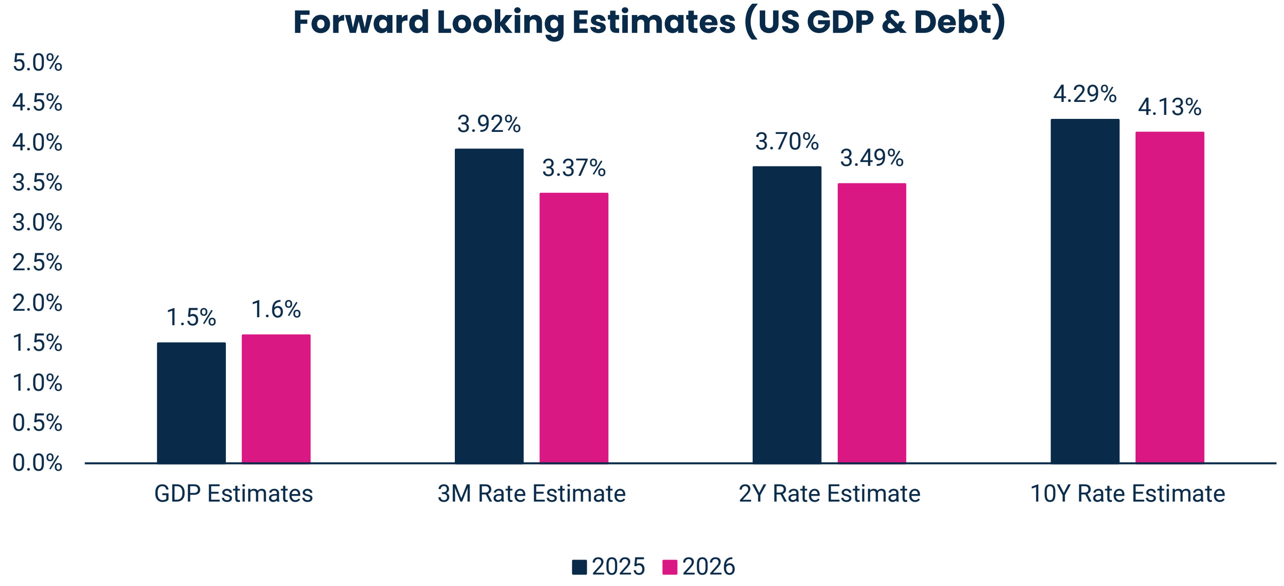


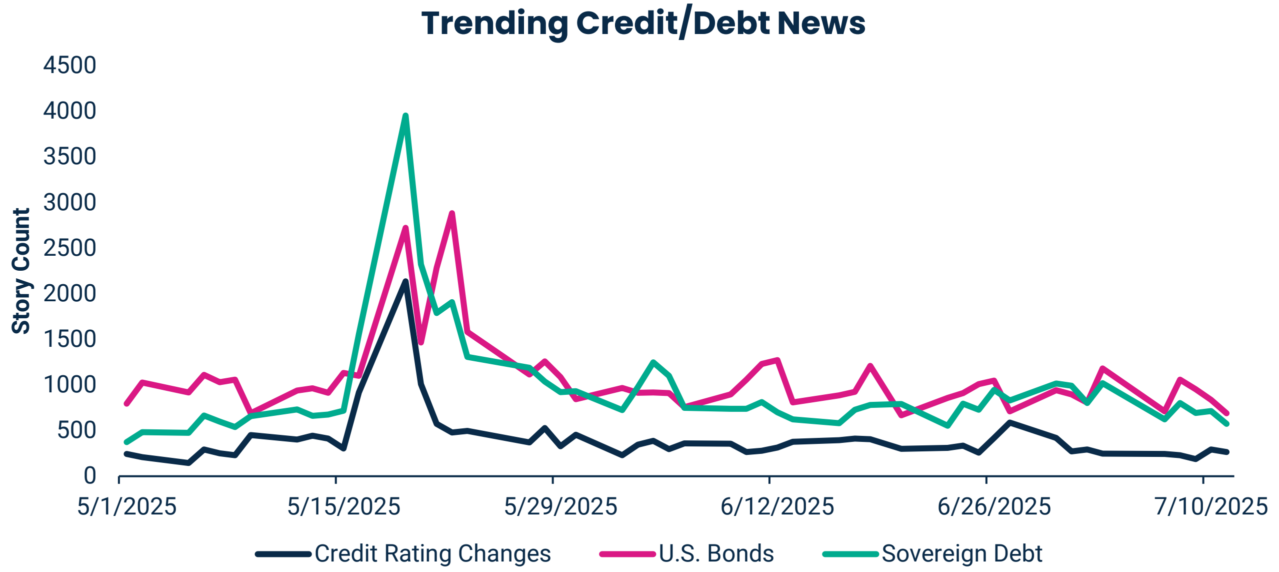
Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

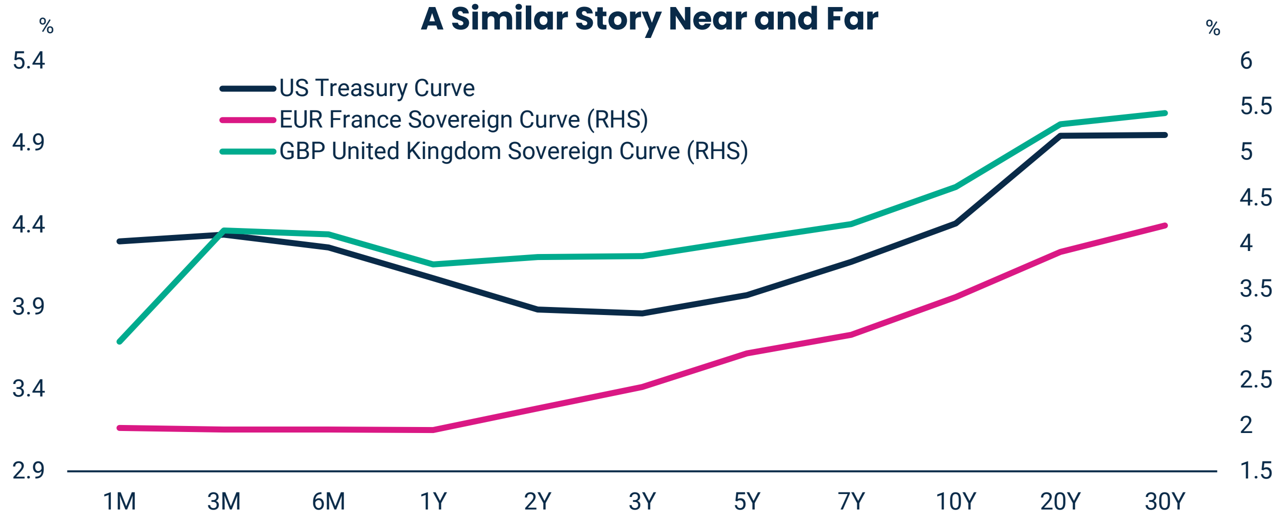
Cracks in the Crown: The Rising Cost of U.S. Sovereign Debt

From AAA to Aa1: As yields climb and ratings fall, is confidence in U.S. credit eroding?







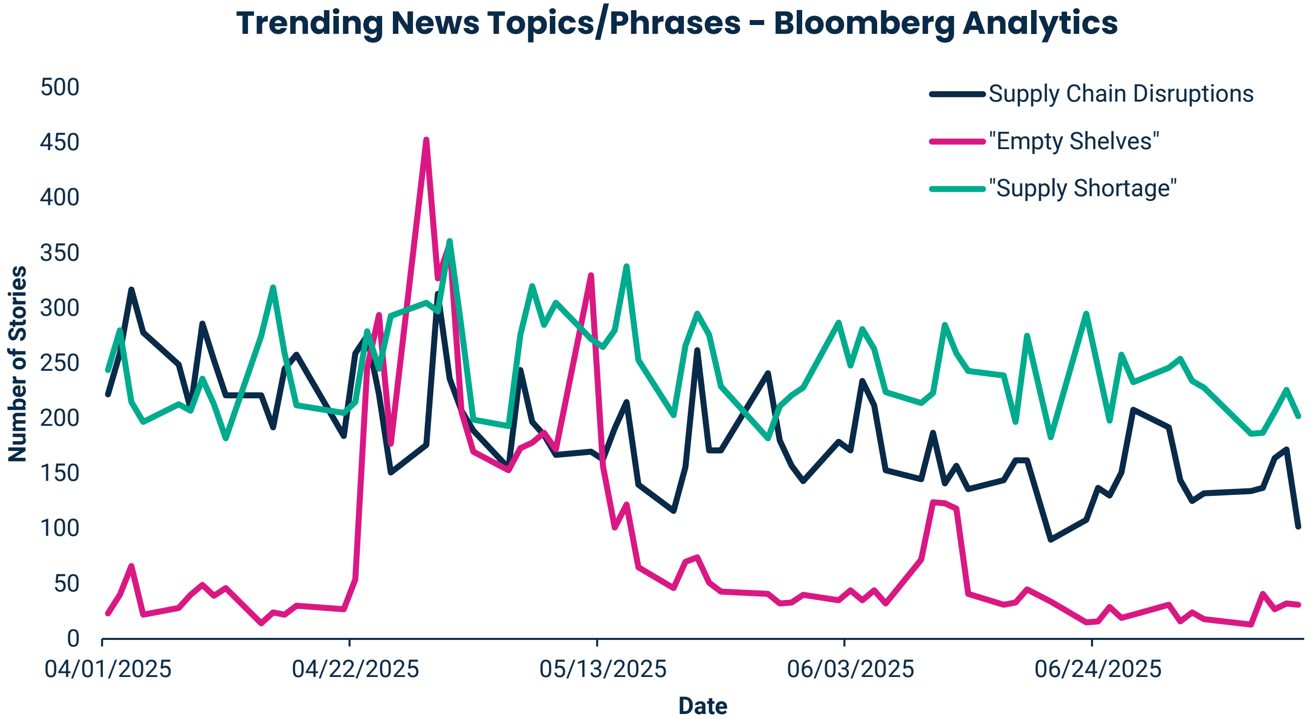


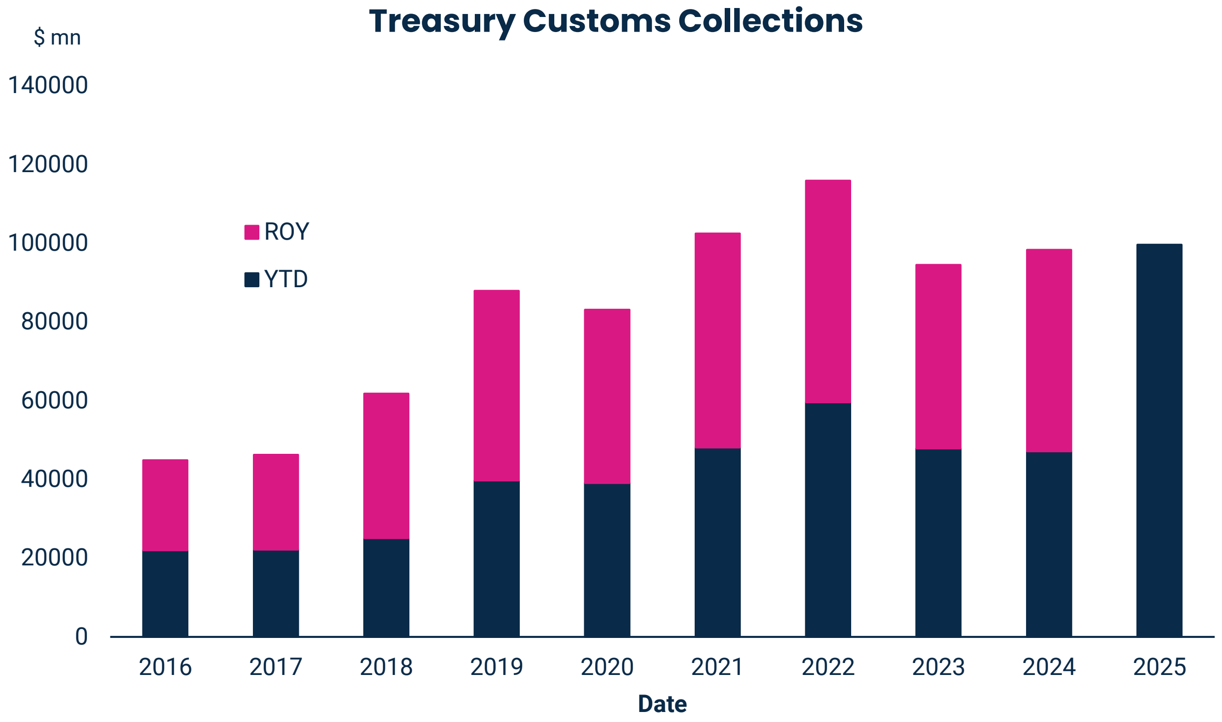
Data as of 07/11/2025. Source: Bloomberg, Deutsche Bank. **Performance data shown represents past performance and is no guarantee of future results.**

If Tariffs are Here to Stay, Where May the Effects Be Most Evident?

Import Volumes

July 13 – July 19 (Week 29)			July 20 – July 26 (Week 30)			July 27 – August 2 (Week 31)		
128,720 TEU			120,072 TEU			78,025 TEU		
Scheduled Vessels: 21			Scheduled Vessels: 23			Scheduled Vessels: 18		
Change from previous week	↑	8.68%	Change from previous week	↓	6.72%	Change from previous week	↓	35.02%
Change from previous year	↑	20.33%	Change from previous year	↑	5.62%	Change from previous year	↓	42.47%





Data as of 07/11/2025. Sources: Bloomberg, FiscalData.Treasury.gov, The Port of Los Angeles – Port Optimizer. ROY = Rest of Year. **Performance data shown represents past performance and is no guarantee of future results.**

Fiscal Stimulus is in the Eye of the Beholder

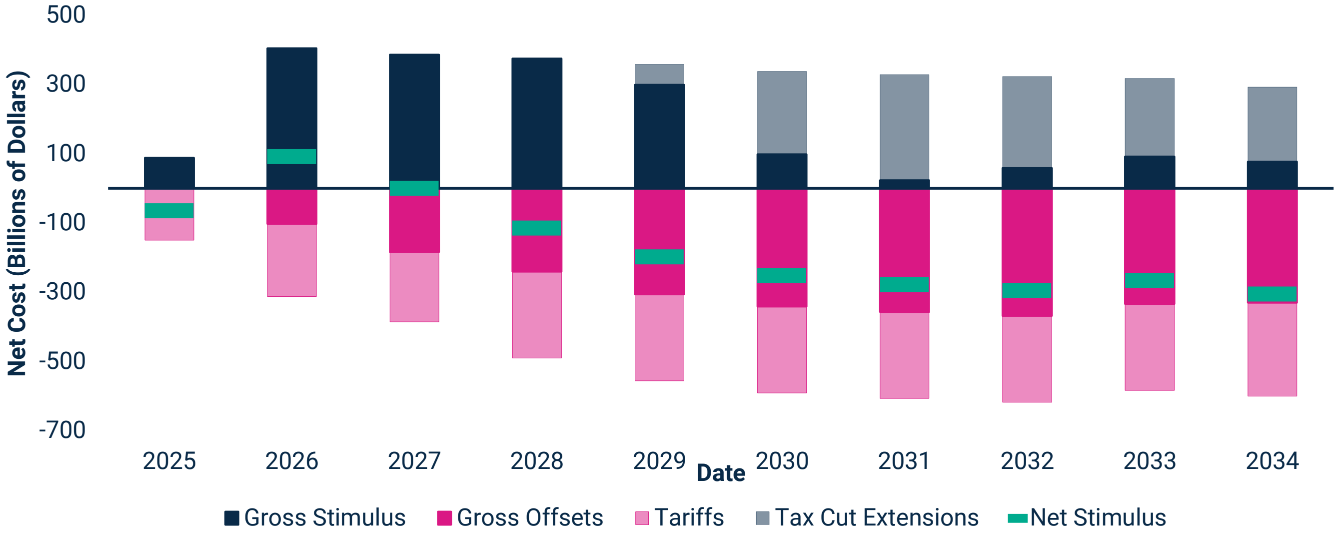
Under current law, the Tax Cut and Jobs Act (TCJA) vanishes – under current policy, it lives on, reshaping the bill's price tag and stimulative effects.

House Reconciliation Bill vs. Current Policy

Estimates	2025	2026	2025-29	2025-34
Gross Stimulus (Tax Cuts + Incremental Spending + Tax Cut Extensions)	$88B	$404B	$1.6T	$3.2T
Gross Offsets (IRA Rollback + Other Tax Offsets + Spending Cuts)	$(3)B	$(104)B	$(0.8)T	$(2.6)T
Net Stimulus	**$85B**	**$300B**	**$0.8T**	**$0.6T**
Fully Extended One Big Beautiful Bill (OBBB) and Current Tariff Parameters				
Tariffs	$(150)B	$(210)B	$(1.1)T	$(2.3)T
Net Stimulus*	*$(65)B*	*$90B*	*$(0.3)T*	*$(1.7)T*

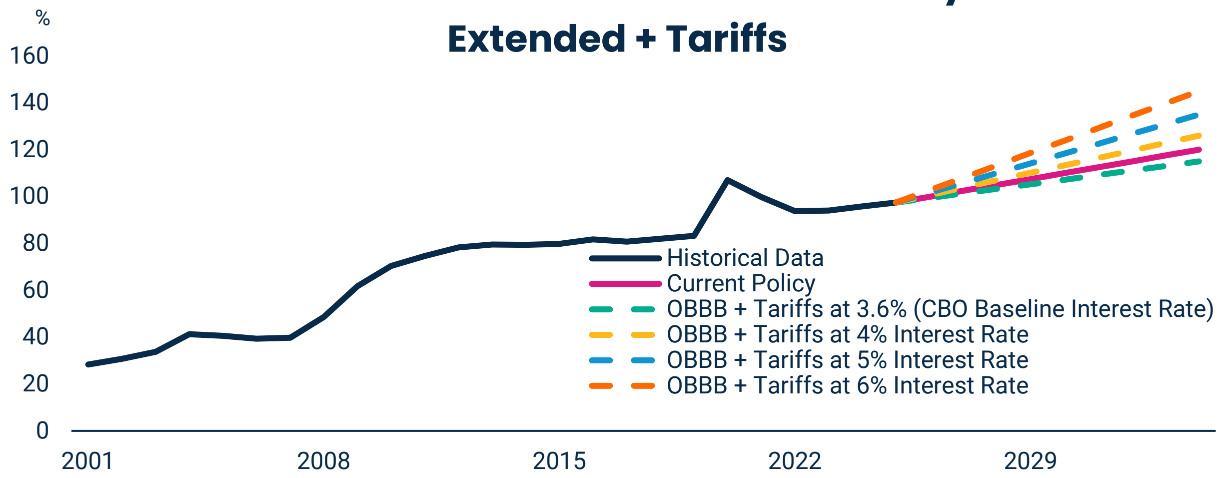
Source: Wolfe DC Policy, Yale Budget Lab

Fiscal Impulse: Extension of OBBB + Tariffs



Source: Wolfe DC Policy, Yale Budget Lab

Debt Outlook as % of GDP: OBBB Fully Extended + Tariffs



Estimated Budgetary Effects of OBBB | Congressional Budget Office

Estimates	2025	2026	2025-29	2025-34
Revenues	$89B	$482B	$2.1T	$3.7T
Outlays	$(197)B	$3B	$(.4)T	$(1.3)T
Net Deficit Increase/(Decrease)	**$(108)B**	**$485B**	**$1.7T**	**$2.4T**

Source: Congressional Budget Office (CBO)

Data as of June 2025. Source: Wolfe Research, Wolfe DC, Committee for a Responsible Federal Budget (CRFB), The Joint Committee on Taxation, Congressional Budget Office (CBO), Bloomberg. Gross stimulus and gross offsets are the change in government spending and revenue relative to current policy from the proposed law based on the released draft sections of the reconciliation bill under negotiation. Net stimulus is the estimated change in government spending relative to current policy. The cost, savings, and net deficit scores are based on the changes in the proposed bill relative to current law. Current policy is a reference to laws as of the end of the 2024 tax year. Current law includes changes to current policy based on the expiration of provisions. **The performance quoted represents past performance which is no guarantee of future results.**

The Week Ahead

	Monday July 14, 2025	Tuesday July 15, 2025	Wednesday July 16, 2025	Thursday July 17, 2025	Friday July 18, 2025
Economic Releases		CPI	PPI	Retail Sales	Housing Starts & Building Permits
		US Empire Manufacturing Survey	US Industrial Production	Import & Export Price Indices	University Michigan Surveys
			Fed Beige Book	Initial & Continuing Claims	
Earnings	Bank of America	JP Morgan Chase & Co.	Johnson & Johnson	Taiwan Semiconductor	American Express
	Barnes & Noble	Wells Fargo	ASML Holding	Netflix	HDFC Bank
		BlackRock	Morgan Stanley	GE Aerospace	3M Company

Data as of 07/11/2025. Source: Bloomberg.

MULTI-ASSET SOLUTIONS TEAM INSIGHTS

Harbor

SPENSER LERNER, CFA
Head of Multi-Asset Solutions

Macro Investment Outlook

<u>**Key Takeaways:**</u>

- **Tariffs have had minimal inflationary impact to this point,** with Core PCE rising modestly to 2.7% so far; front-loaded imports, shipping lags, and foreign exporters absorbing some costs are delaying effects.
- **Pass-through to U.S. consumers is lower than expected,** with businesses citing that they plan to pass through around 50% of tariff costs rather than the previously assumed 75–100%, reducing the inflation spike and spreading it out over time.
- **Inflation expectations remain anchored,** with market pricing suggesting long-term PCE inflation around 2.1–2.2%, in line with the Fed's 2% target, and NY Fed surveys showing a return to pre-tariff inflation expectations.
- **A moderate rise in inflation is still expected,** with Core PCE projected to end the year near 3.0-3.3%, though this more drawn-out (less likely to disrupt inflation expectations). A lower peak makes a Fed rate-cutting cycle more likely in the second half of the year.
- **Markets are signaling a reflationary backdrop,** with cyclicals outperforming, yields rising, the yield curve steepening, and inflation swaps increasing — driven more by optimism than by tariff fears.
- **Investors are looking ahead to 2026,** pricing in a positive fiscal impulse (via the OBBB), Fed easing, pro-business policy shifts, and potential deregulation — all supporting future growth and credit creation.

Where's the inflation?

Investors have begun to rightfully question just how inflationary tariffs actually are as we are now three months past "Liberation Day" with very little sign of tariff effects on U.S. inflation. Seasonally adjusted monthly Core PCE rose just 0.14% in April and 0.18% in May, with little evidence of an alarming rise in goods prices. We will find out next week if consumer prices responded in June with the CPI release on 7/15; consensus is calling for a 0.3% rise as economists expect tariffs to begin lifting goods prices. It looks like the illusive effects of tariffs thus far may be the result of a few things: 1) It takes on average about four weeks to ship goods globally, which means the first tariffed goods following "Liberation Day" on average would have been received at U.S. ports in early May; 2) Front loading of imports ahead of Liberation Day have delayed increases in consumer prices; 3) We are seeing some price absorption from foreign exporters (e.g. China export prices to the U.S. have fallen mid-single digits in recent months, and Japan auto export prices to the U.S. have fallen north of 20% since April); and 4) Business surveys suggest an intention of passing through closer to 50% of tariff rates to end-consumers rather than the originally assumed 75%-100% by most economists earlier in the year. Therefore, it would seem that the inflation hit from tariffs will be less acute, the rise in prices will take longer to unfold, peak inflation will be less onerous, and the pass-through to end-consumers will be less punitive than original estimates. The conclusion from this is that we still expect inflation to rise somewhat this summer with the peak impulse arriving in the coming months, and YOY Core PCE inflation ending the year somewhere in the high 2's to low 3's range (much lower than earlier fears). Core PCE YOY is currently running at 2.7% and expected to slow to around 2.3% by year end absent any tariff effects. Core CPI has been running at an annualized rate of 1.8% over the last four months as underlying inflation has come down in recent months. Further, five-year breakevens are pricing in inflation of 2.5% for CPI over the next five years and five-year inflation swaps are pricing in 2.65% for CPI inflation. As CPI runs about 0.4% above PCE, that suggests markets are pricing PCE inflation of around 2.1% to 2.2% over the next five years, essentially in-line with

As of July 11, 2025. Source: Harbor Capital Advisors. Refer to Important Information section for more information on the Business Cycle Regime and indicators.

For illustrative purposes only.

SPENSER LERNER, CFA
Head of Multi-Asset Solutions

Macro Investment Outlook

Where's the inflation? (con't)

the Fed's 2.0% target. Additionally, the NY Fed inflation expectations survey has returned to pre-tariff levels and points to anchored inflation expectations. We therefore believe it is too early to call an "all clear" on tariffs. Instead, we believe a slower and more drawn-out rise (rather than an acute shock) and a lower peak will likely keep inflation expectation anchored. If expectations remain anchored as they currently appear to be, inflation rises from 2.7% currently to closer to ~3.0% by the end of the year (give or take), and it is clear that services and rent inflation are at levels consistent with 2.0%, then it is likely the Fed can restart its cutting cycle in the second half of this year.

Reading the tape

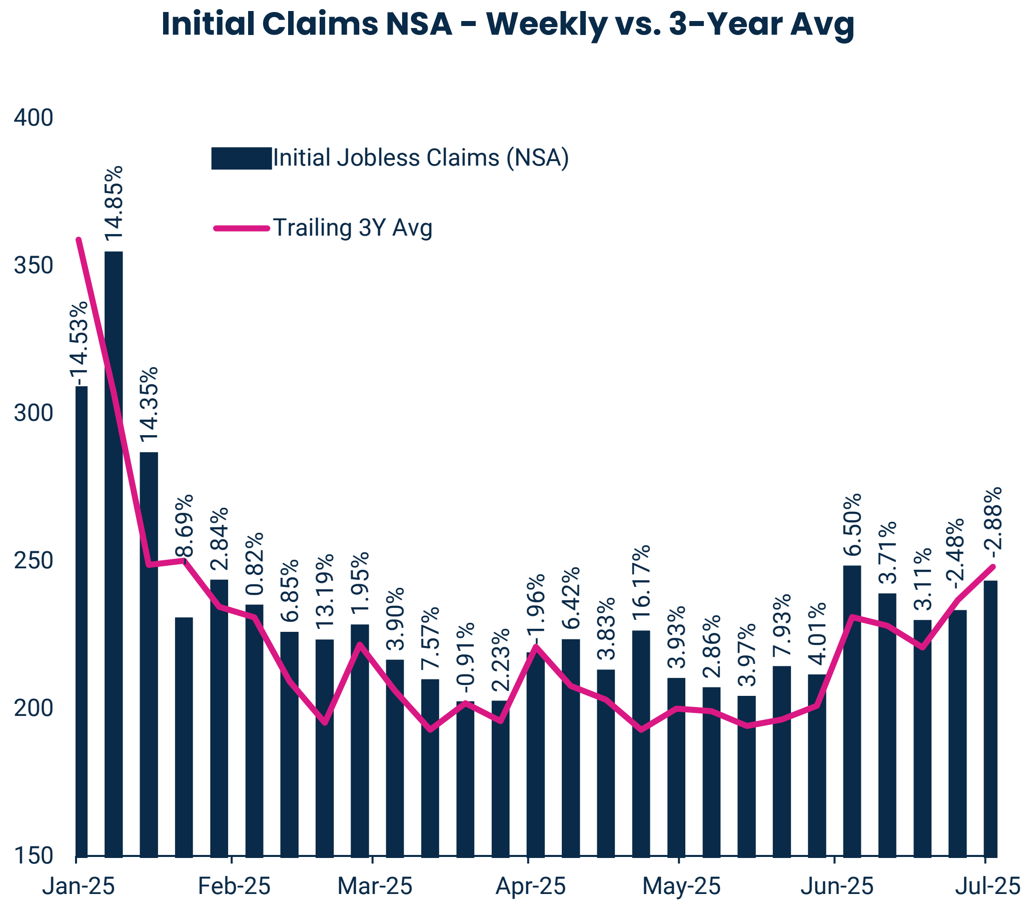
We have seen a bit of a reflationary signature across markets over the last two weeks. Cyclicals have led with transports (+3.7%), materials (+3.4%), banks (+3.0%) and small caps (+3.1%) rising and outpacing large caps (+0.9%), while long bonds have fallen as yields have risen (TLT -2.8%), and despite rising yields and a rising USD (DXY +1.0%), gold has still risen (+1.5%), and both stock and bond volatility has fallen (VIX down -4.2% and MOVE down -9.6%). Along with the increase in yields, the curve has bear steepened and 5-year inflation swaps have risen 15bps. Markets have been pricing an improving growth backdrop and rising inflation. Rising inflation swaps over the last two weeks are not being driven by tariffs as it is occurring alongside risk-on behavior within equities, in particular small caps have led, and the curve has steepened. These dynamics do not occur in stagflationary environments. But why has the market recently been pricing a reflationary backdrop? As we have said for several months now, we believe markets are looking through the near-term non-recessionary growth slowdown and inflationary impact from tariffs and pricing a very strong backdrop for 2026. In our view, the OBBB is going to drive a positive fiscal impulse of around 0.5% in 2026 and 2027 along with continued deficit spending north of 6.0%, the Fed is likely to begin cutting again later this year, and Chair Powell is likely to be replaced by an ultra-dove in May of next year, per President Trump's comments. We may also see the beginning of a capital expenditure cycle formulate in 2026 as the OBBB creates tax incentives for business spending such as immediate expensing of R&D and accelerated depreciation, dovish net treasury net financing as Treasury Secretary Powell has suggested a desire to decrease coupon issuance, and deregulating of the financial sector via easier bank stress tests, appointing free market-oriented individuals in positions on consequence (such as Paul Atkins at the SEC), and a likely reduction in SLR requirements for banks by year-end. All of this may lead to improved credit creation next year. Since markets are forward looking, they're pricing this very positive dynamic right now.

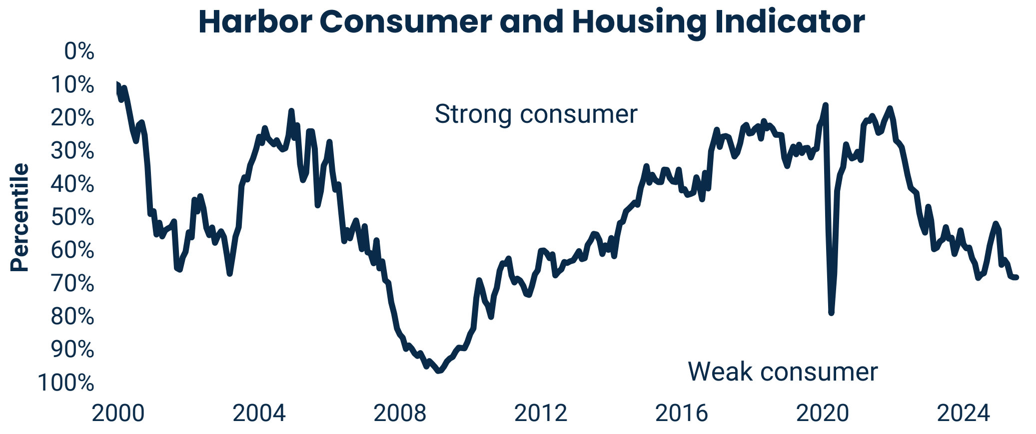
For illustrative purposes only.

As of July 11, 2025. Source: Harbor Capital Advisors. Refer to Important Information section for more information on the Business Cycle Regime and indicators.

Business Cycle: Growth Conditions (G)

Leading indicators are stabilizing after the shock to sentiment in April from tariff announcements. Further, seasonally-adjusted claims have risen into the summer for the last few years given seasonal adjustment issues following the spike in claims into the summer in 2020. We therefore look at non-seasonally adjusted claims vs. their 3-year average which currently shows a modest rise that is not suggestive of cracks in the labor market. In our view, growth seems fine for now.

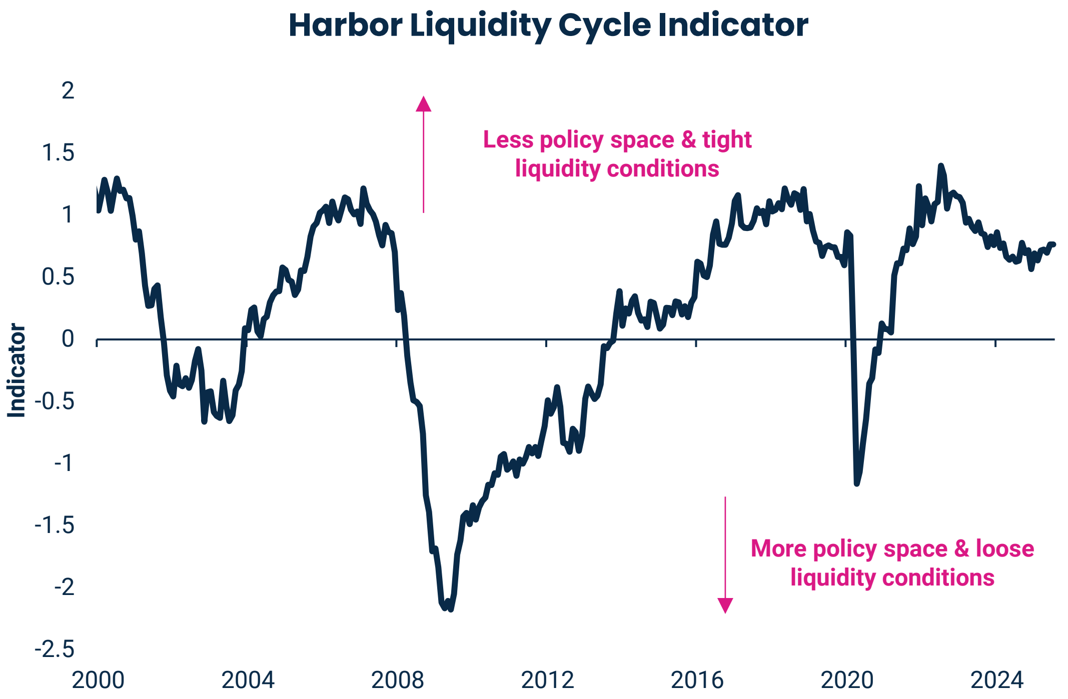


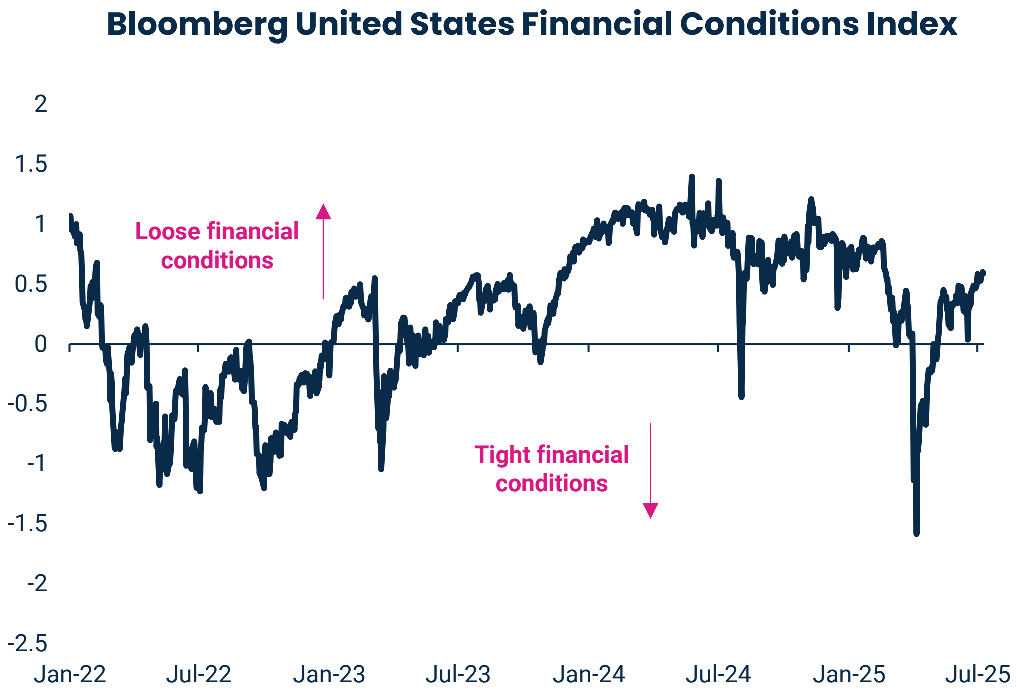


For hypothetical and illustrative purposes only. Sources: Harbor Multi-Asset Solutions Team, Bloomberg L.P., Conference Board, Yale Budget Lab. Data as of 07/11/2025. Refer to Important Information section for more information on the Business Cycle Regime and indicators. **Performance data shown represents past performance and is no guarantee of future results.**

Business Cycle: Liquidity Conditions (L)

The fundamental drivers of liquidity suggest some policy space for a modest cutting cycle. As long as the Fed does not hike the policy rate in response to the proposed tax bill (even if rate cuts are pushed out), we view this as market friendly.





For hypothetical and illustrative purposes only. Sources: Harbor Multi-Asset Solutions Team, Bloomberg L.P. Data as of July 11, 2025.

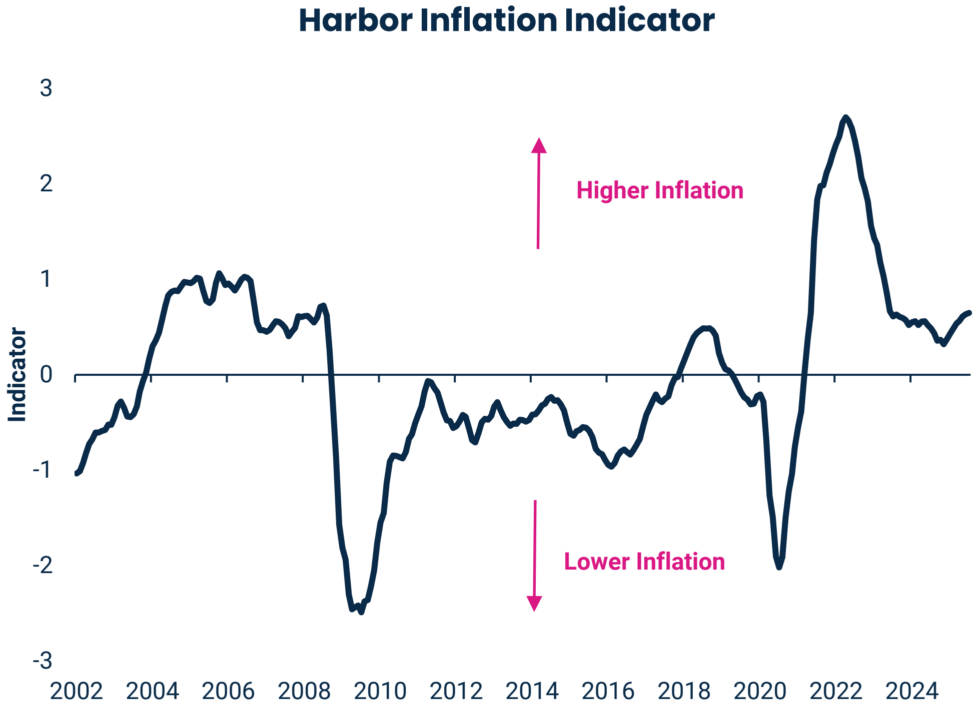
Refer to Important Information section for more information on the Business Cycle Regime and indicators.

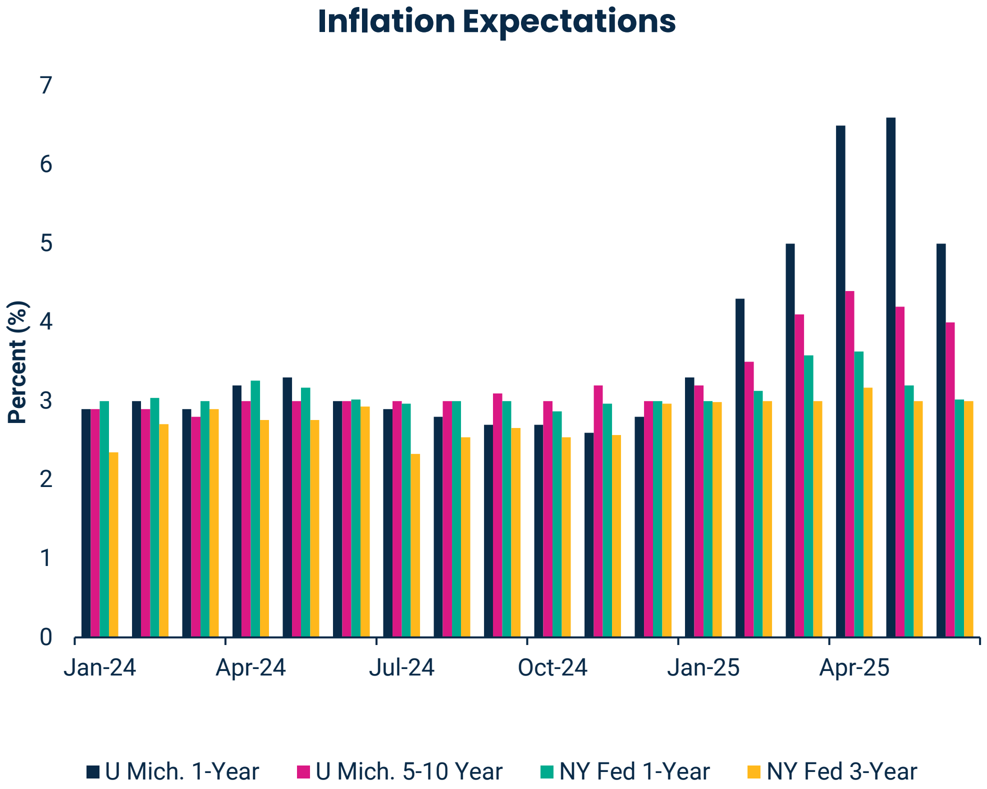
Bloomberg United States Financial Conditions Index - tracks the overall level of financial stress in the US money, bond, and equity markets to help assess the availability and cost of credit. (Positive = accommodative ; negative = tighter).

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

Business Cycle: Inflation Conditions (I)

As tariffs translate to rising prices, stable rates of inflation are making way for a risk of reacceleration. Data suggests consumer inflation expectations for the year ahead have more than doubled since the beginning of 2025.



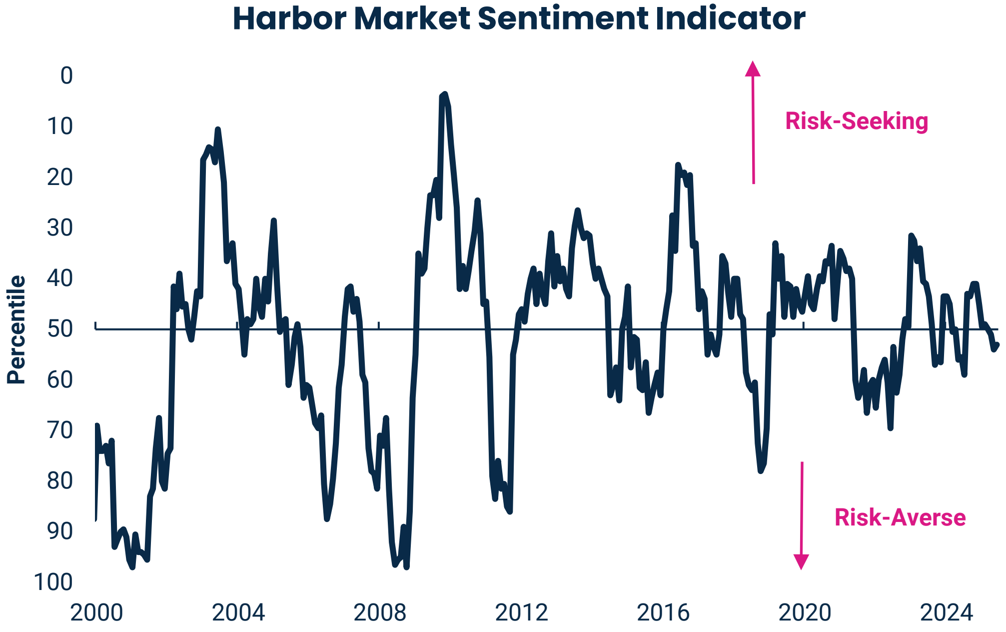


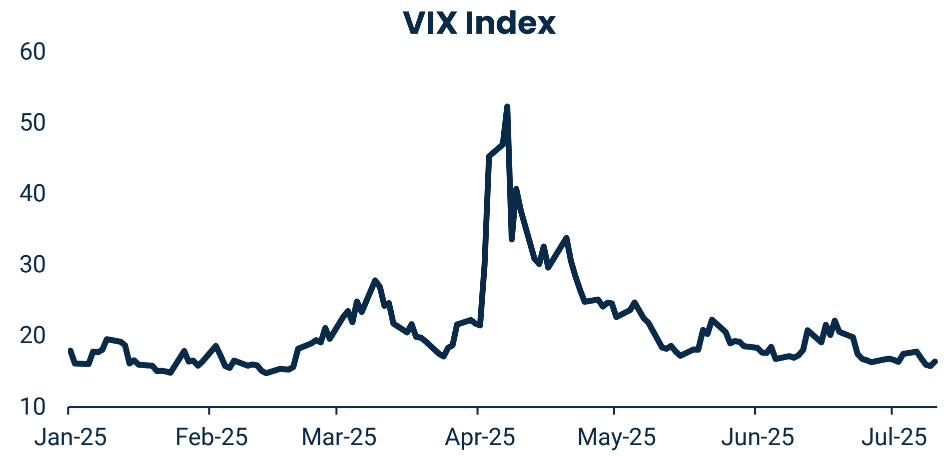
For hypothetical and illustrative purposes only. Sources: Harbor Multi-Asset Solutions Team, Bloomberg L.P., BLS, Federal Reserve Bank of Atlanta, Indeed. Data as of July 11, 2025. Refer to Important Information section for more information on the Business Cycle Regime and indicators.

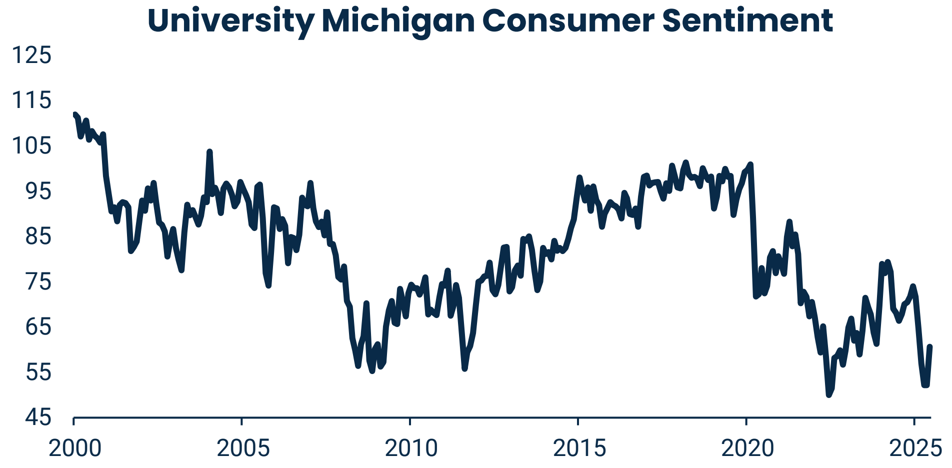
Performance data shown represents past performance and is no guarantee of future results.

Market Sentiment

Overall market sentiment remains mixed, with uncertainty around tariffs, inflation trends, and Federal Reserve policy. Our indicator currently leans neutral.







For hypothetical and illustrative purposes only. Source: Harbor Multi-Asset Solutions Team. Data as of July 11, 2025.
Refer to Important Information section for more information on the Business Cycle Regime and indicators.
Performance data shown represents past performance and is no guarantee of future results.

Asset Class Views

- ✓ Growth momentum appears to be improving, although consumer and housing data show continued softening. Manufacturing data is showing some signs of improvement.
- ✓ We believe the probability of moving into a risk-off regime remains fairly low at around 20%.
- ✓ Our lending composite appears to be bottoming.
- ✓ Financial conditions have returned to pre-tariff levels. We believe this should support growth in the coming quarters.

Harbor Multi-Asset Solutions Asset Class Matrix

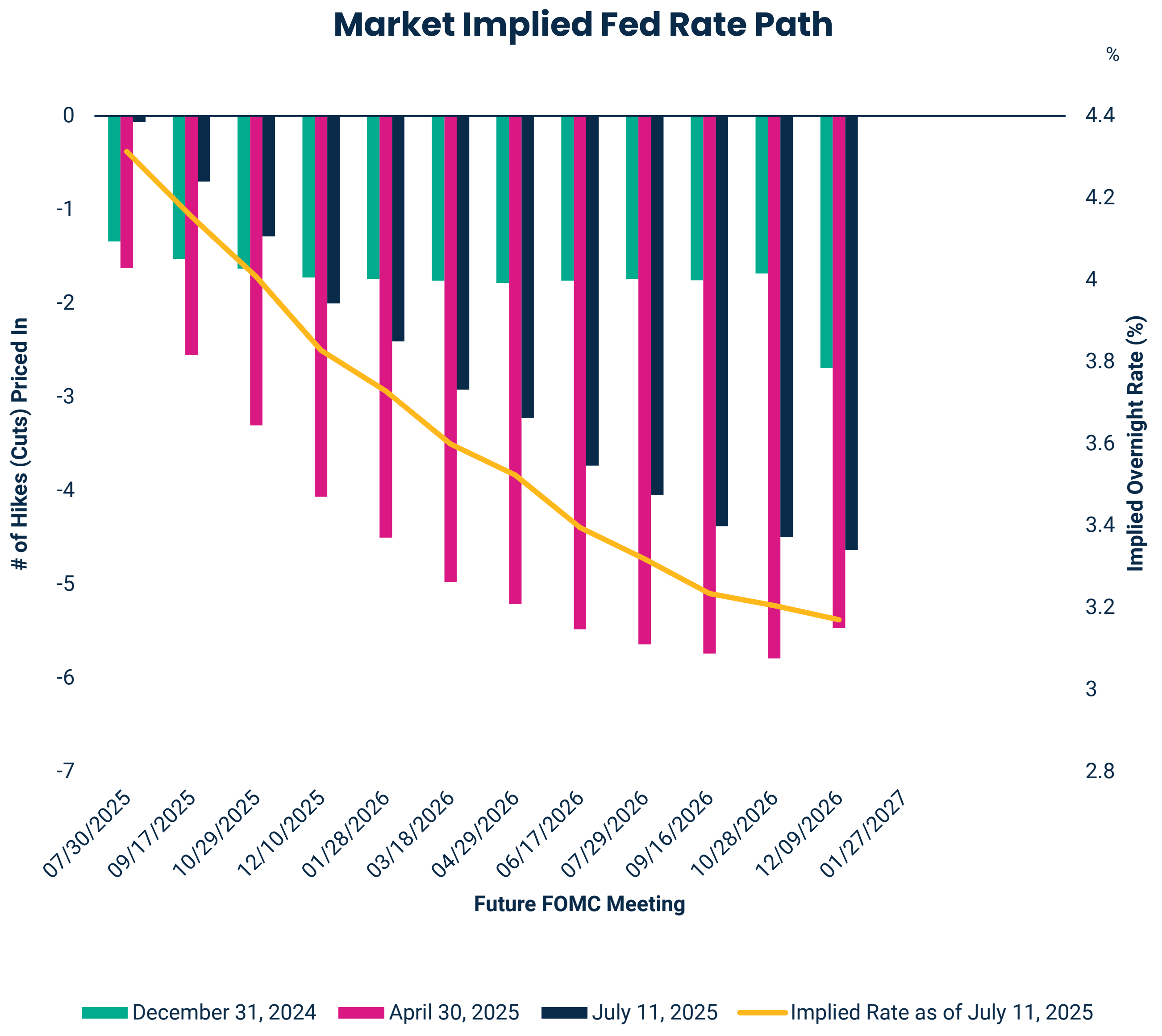
Macro	Business Cycle Regime	Expansion	Slowdown	**Late Cycle Expansion**	Late Cycle Slowdown	Contraction
Macro	Market Sentiment	Risk On		**Neutral**	Risk Off	
Macro	Equities	Underweight		Neutral	**Overweight**	
Macro	Fixed Income	**Underweight**		Neutral	Overweight	
Macro	Credit	Underweight		**Neutral**	Overweight	
Macro	Tactical Equity Oversold Signal	Oversold		**Neutral**		
Macro	Tactical Duration Signal	Short Duration		**Neutral**	Long Duration	
Style	Small Caps vs. Large Caps	Small		**Neutral**	Large	
Style	Growth vs. Value	Growth		**Neutral**	Value	
Style	Low Vol vs. High Beta	Low Vol		**Neutral**	High Beta	
Region	US Large Cap	Underweight		**Neutral**	Overweight	
Region	EAFE	Underweight		Neutral	**Overweight**	
Region	Emerging Markets	Underweight		**Neutral**	Overweight	
Commodities	Gold	Underweight		Neutral	**Overweight**	
Commodities	Consumables	Underweight		**Neutral**	Overweight	

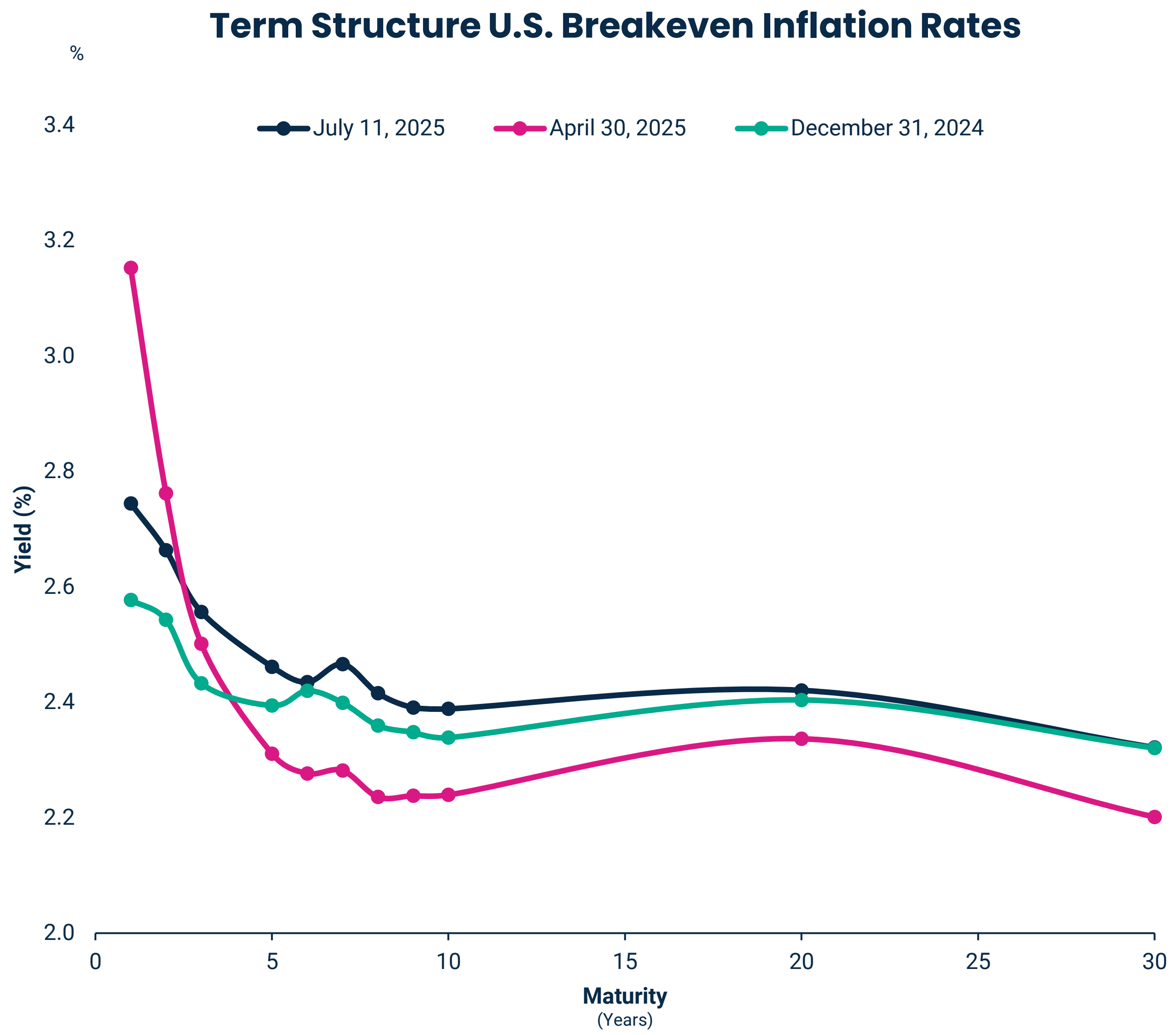
For hypothetical and illustrative purposes only. This information should not be considered as a recommendation to purchase or sell a particular security.
Refer to Important Information section for more information on the Business Cycle Regime and indicators.
Source: Harbor Multi-Asset Solutions Team. Data as of July 11, 2025.

MACRO BACKDROP

Market Pricing

Long-term inflation expectations remain relatively stable and anchored, potentially giving clearance to the Fed to lower short-term rates.



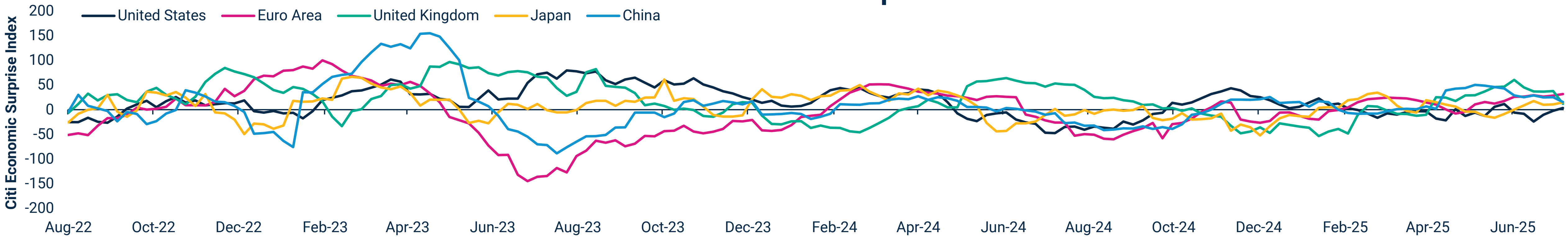


Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Global Activity

Economic data remained mixed across regions as investors continue to closely monitor the state of the economy.

Economic Surprise Indices



Global Composite PMIs

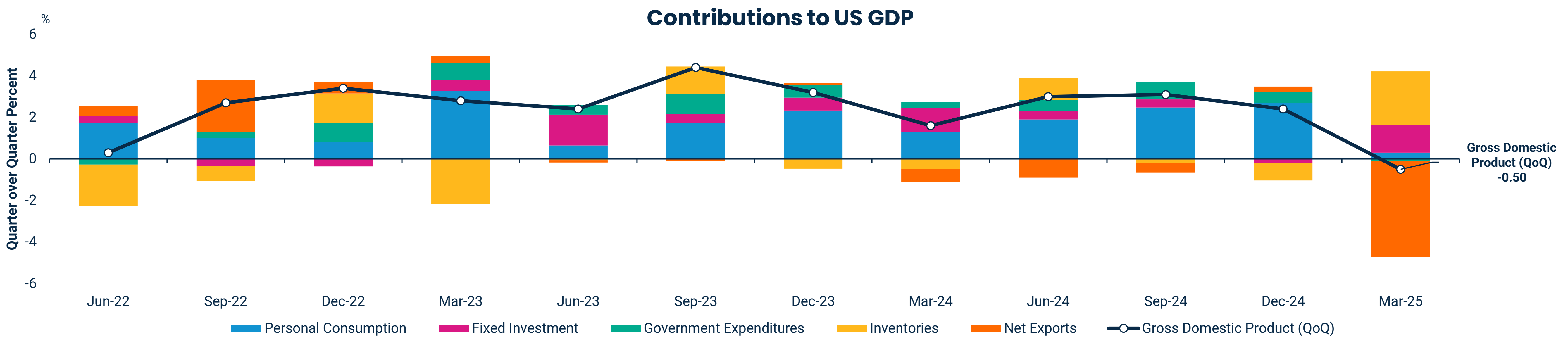
Region		Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Americas	US	52	52.5	52.1	51.3	54.5	54.8	54.3	54.6	54	54.1	54.9	55.4	52.7	51.6	53.5	50.6	53	52.9
	Canada*	48.3	49.7	49.8	49.4	49.3	49.3	47.8	49.5	50.4	51.1	52	52.2	51.6	47.8	46.3	45.3	46.1	45.6
	Mexico*	50.2	52.3	52.2	51	51.2	51.1	49.6	48.5	47.3	48.4	49.9	49.8	49.1	47.6	46.5	44.8	46.7	46.3
	Brazil	53.2	55.1	55.1	54.8	54	54.1	56	52.9	55.2	55.9	53.5	51.5	48.2	51.2	52.6	49.4	49.1	48.7
Europe	UK	52.9	53	52.8	54.1	53	52.3	52.8	53.8	52.6	51.8	50.5	50.4	50.6	50.5	51.5	48.5	50.3	52
	Germany	47	46.3	47.7	50.6	52.4	50.4	49.1	48.4	47.5	48.6	47.2	48	50.5	50.4	51.3	50.1	48.5	50.4
	France	44.6	48.1	48.3	50.5	48.9	48.8	49.1	53.1	48.6	48.1	45.9	47.5	47.6	45.1	48	47.8	49.3	49.2
	Italy	50.7	51.1	53.5	52.6	52.3	51.3	50.3	50.8	49.7	51	47.7	49.7	49.7	51.9	50.5	52.1	52.5	51.1
	Spain	51.5	53.9	55.3	55.7	56.6	55.8	53.4	53.5	56.3	55.2	53.2	56.8	54	55.1	54	52.5	51.4	52.1
	Greece*	54.7	55.7	56.9	55.2	54.9	54	53.2	52.9	50.3	51.2	50.9	53.2	52.8	52.6	55	53.2	53.2	53.1
	Poland*	47.1	47.9	48	45.9	45	45	47.3	47.8	48.6	49.2	48.9	48.2	48.8	50.6	50.7	50.2	47.1	44.8
Asia	Japan	51.5	50.6	51.7	52.3	52.6	49.7	52.5	52.9	52	49.6	50.1	50.5	51.1	52	48.9	51.2	50.2	51.5
	China	52.5	52.5	52.7	52.8	54.1	52.8	51.2	51.2	50.3	51.9	52.3	51.4	51.1	51.5	51.8	51.1	49.6	51.3
	Australia	49	52.1	53.3	53	52.1	50.7	49.9	51.7	49.6	50.2	50.2	50.2	51.1	50.6	51.6	51	50.5	51.6
	India	61.2	60.6	61.8	61.5	60.5	60.9	60.7	60.7	58.3	59.1	58.6	59.2	57.7	58.8	59.5	59.7	59.3	61

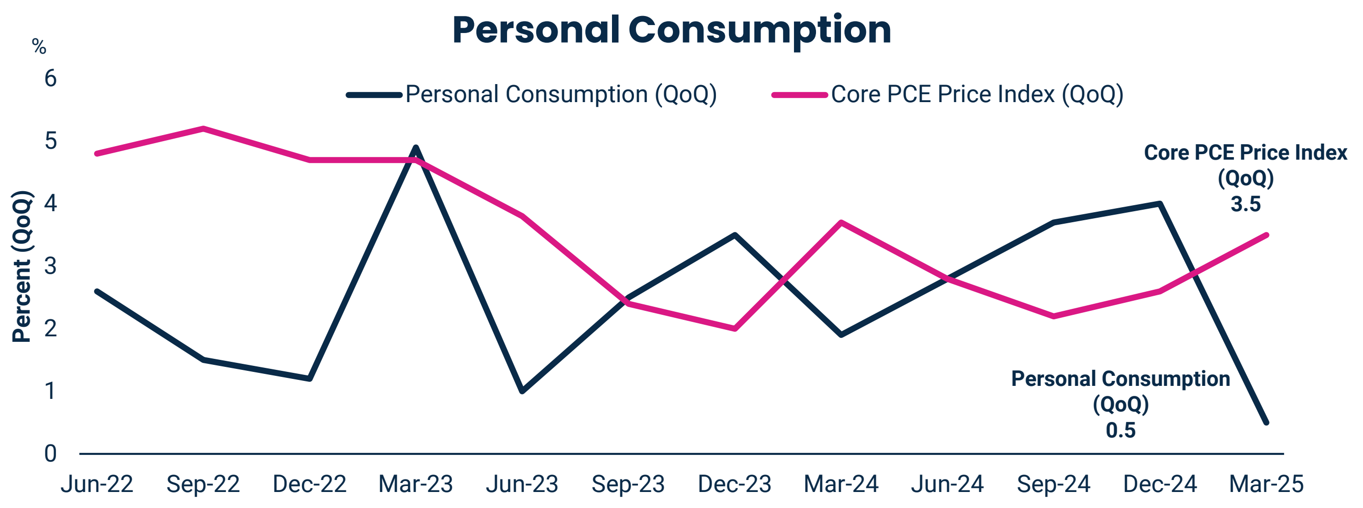
*Manufacturing PMI in place of composite due to availability.

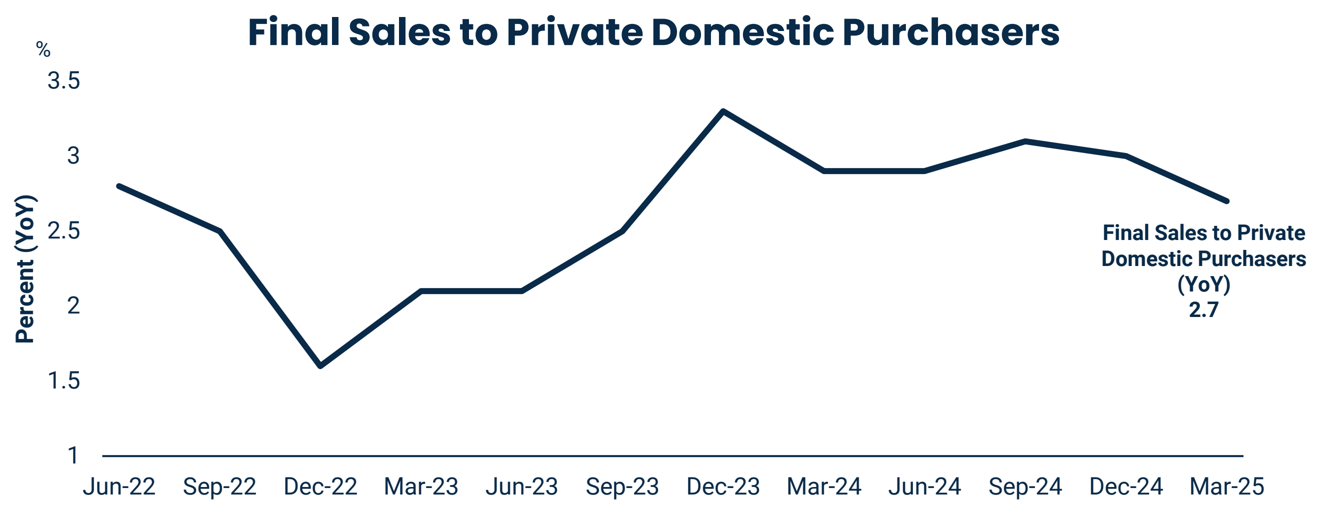
Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Gross Domestic Product

U.S. GDP declined 0.5% on an annualized basis in the first quarter, the first contraction since Q1 2022.



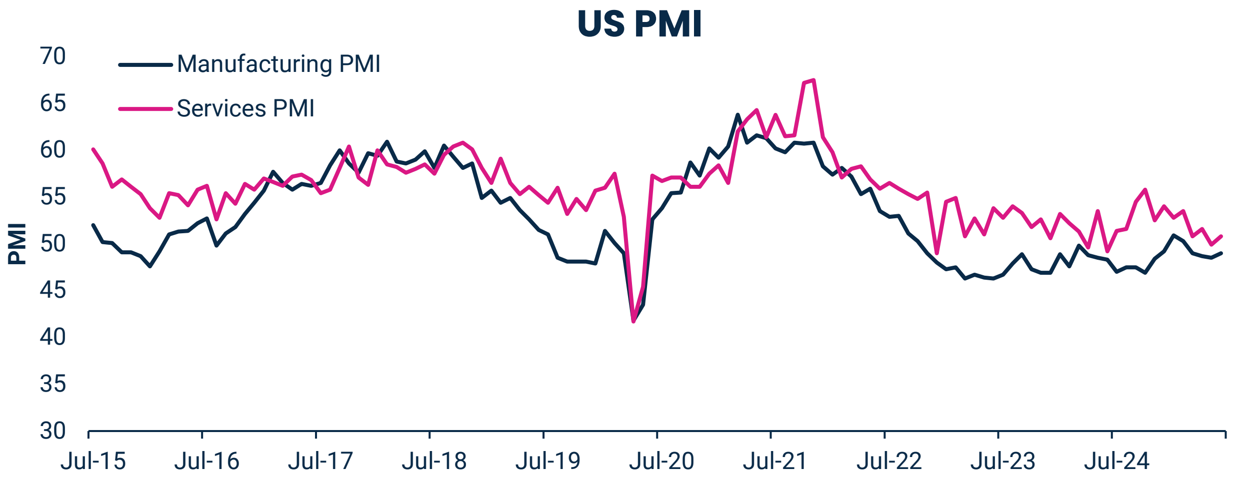


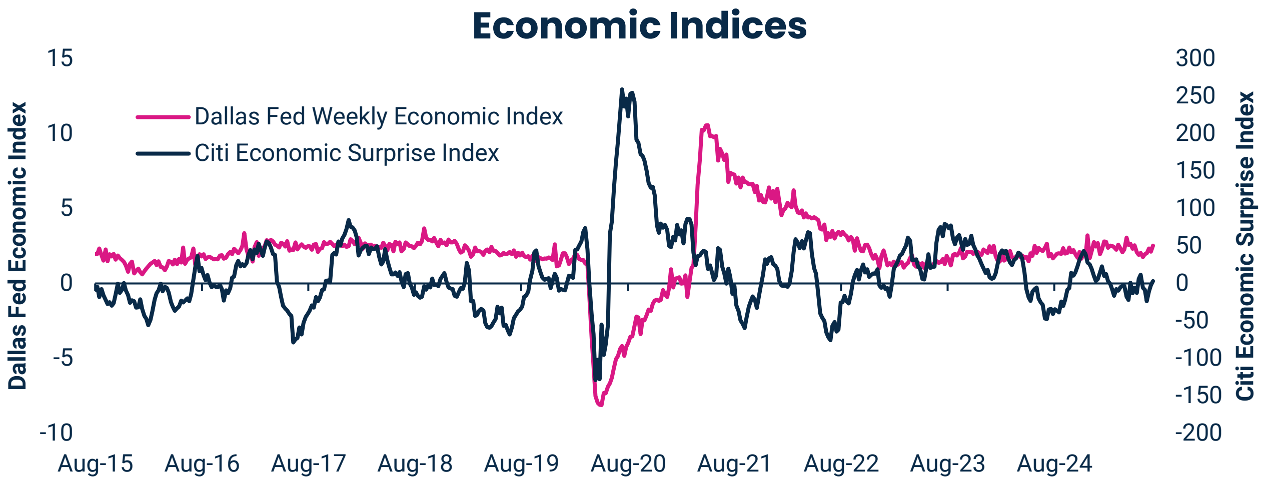


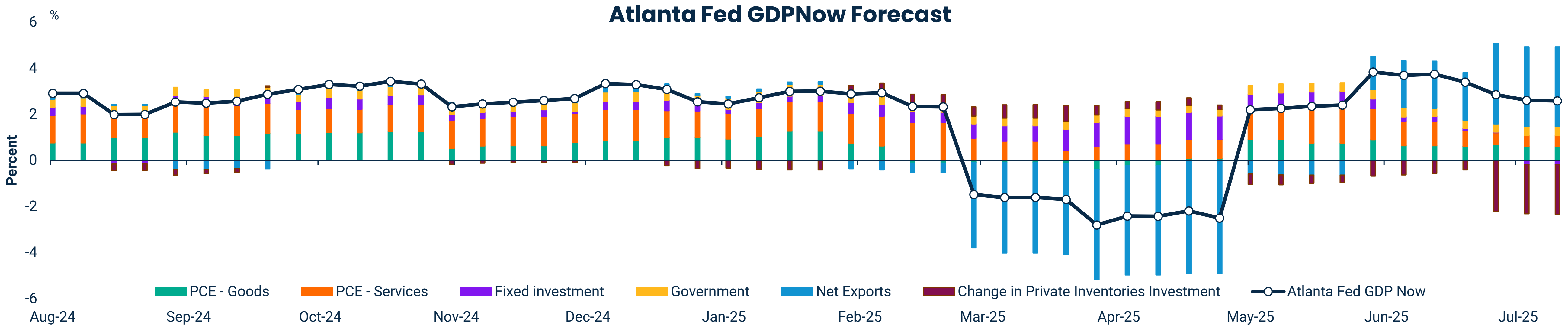
Data as of 03/31/2025. Source: Bloomberg.

Economic Momentum

U.S. manufacturing and services PMI data for May both came in below expectations, while current estimates for GDP remain high as measured by the Atlanta Fed GDPNow Forecast.

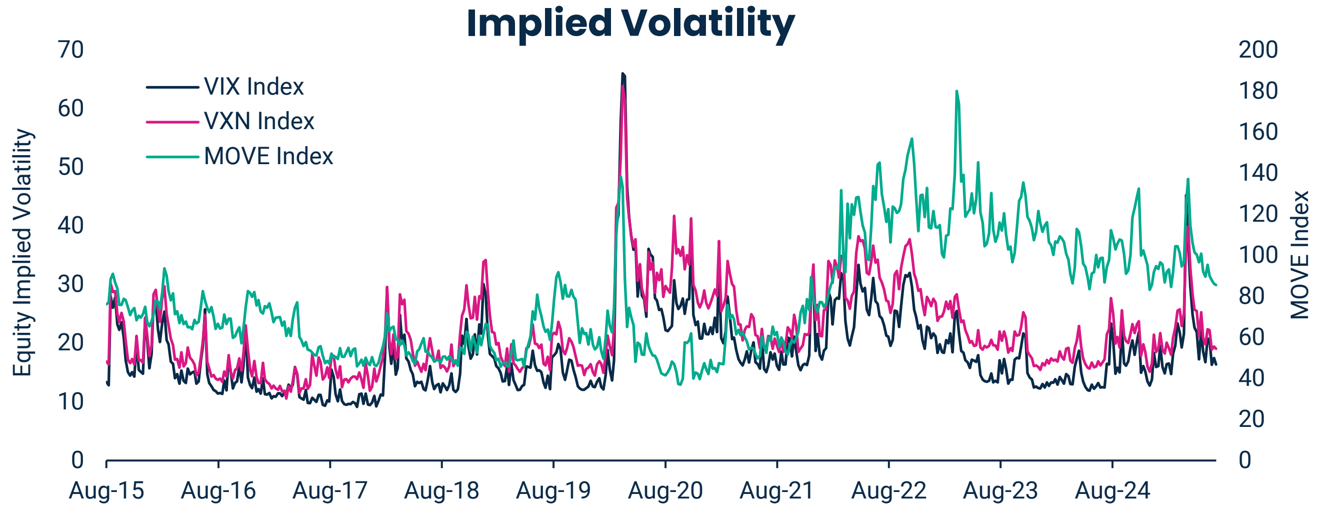




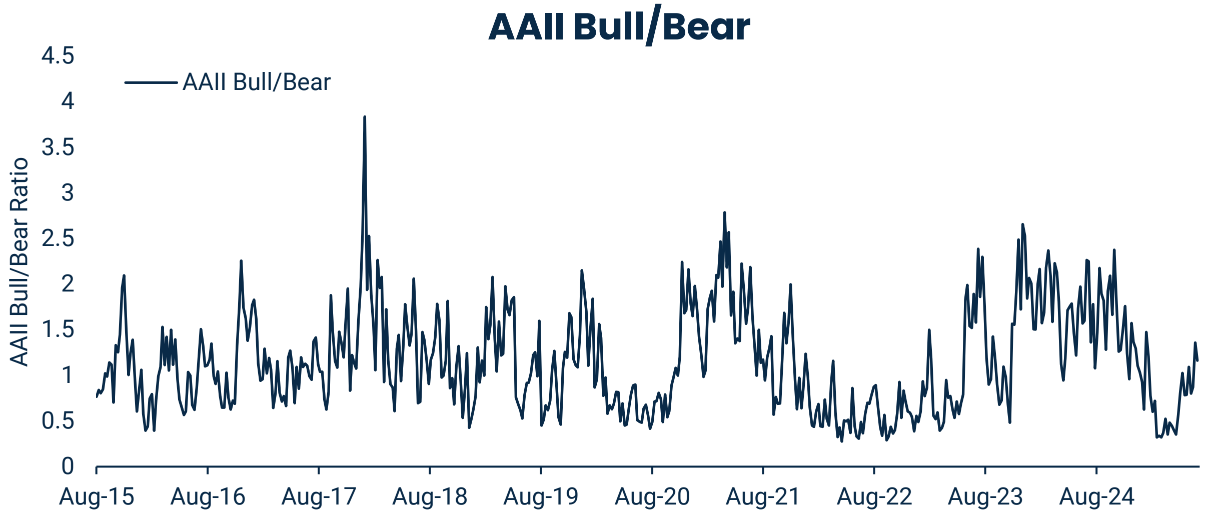


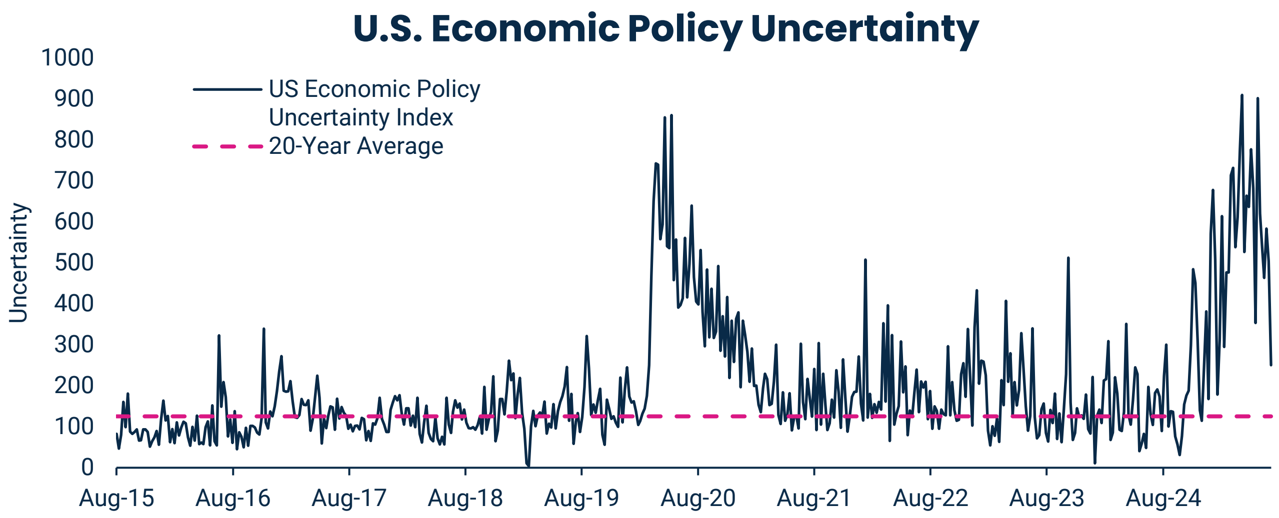
Consumer Sentiment

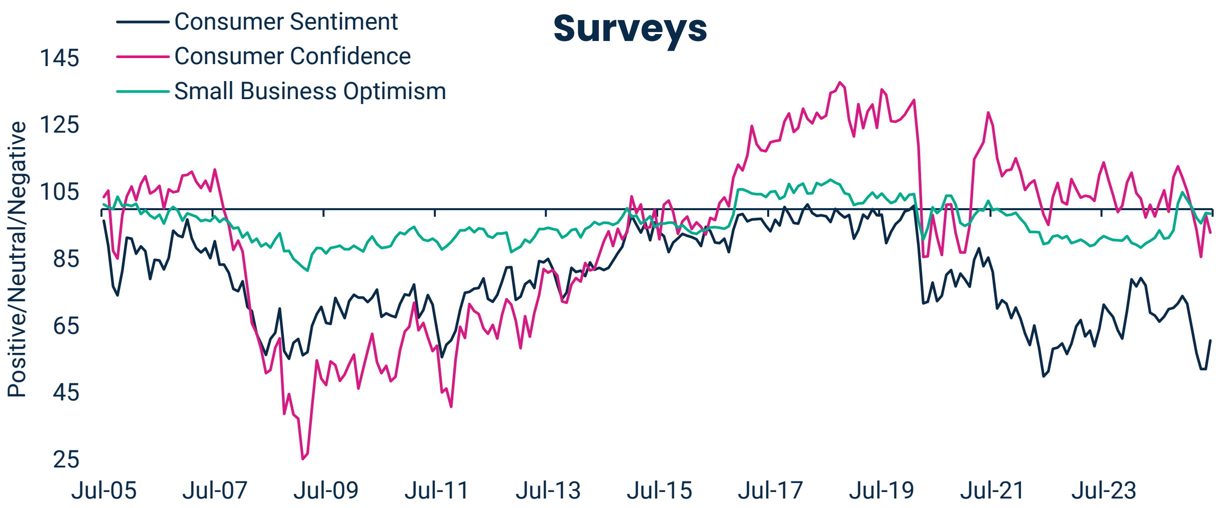
Fresh tariff uncertainty has kept implied volatility elevated.



Left-hand side: VIX and VXN; Right-hand side: MOVE Index





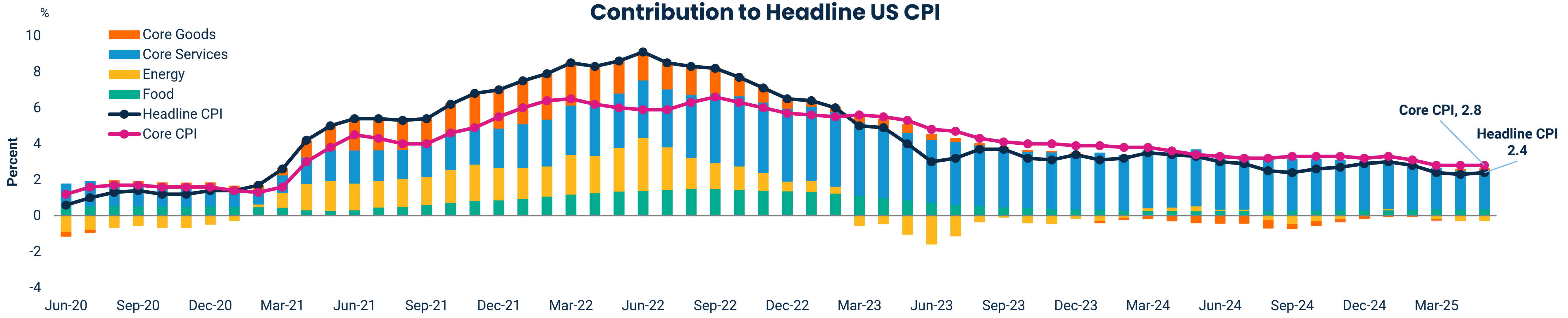


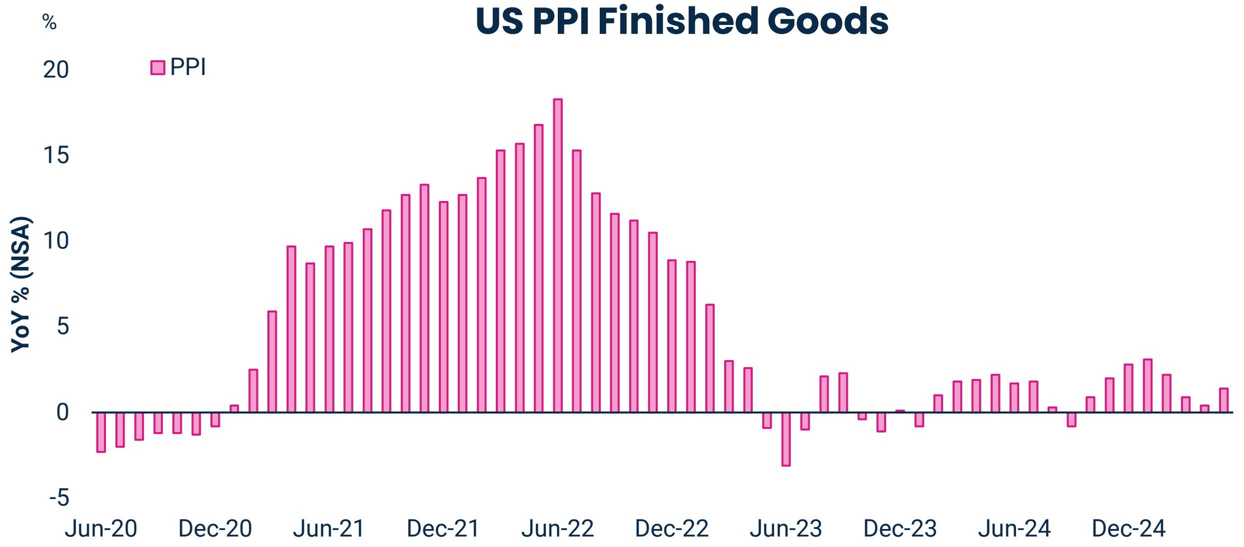
Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

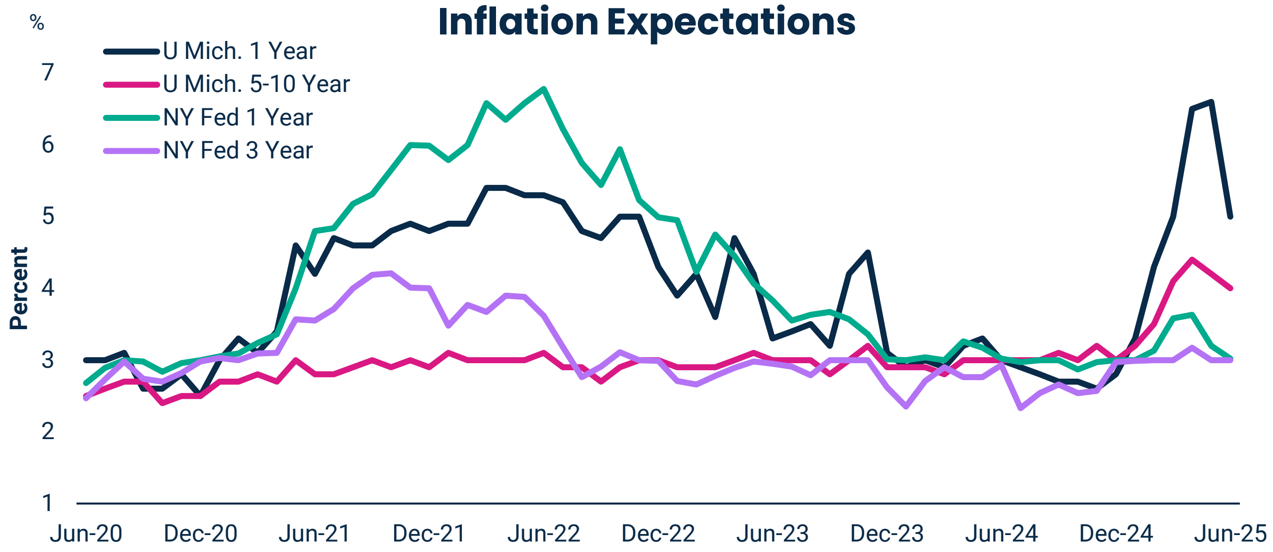
AAII = American Association of Individual Investors

Inflation

Inflation continues to moderate, and expectations for future price increases have come off recent highs.







Data as of 05/31/2025. Source: Bloomberg.

Inflation Heatmap

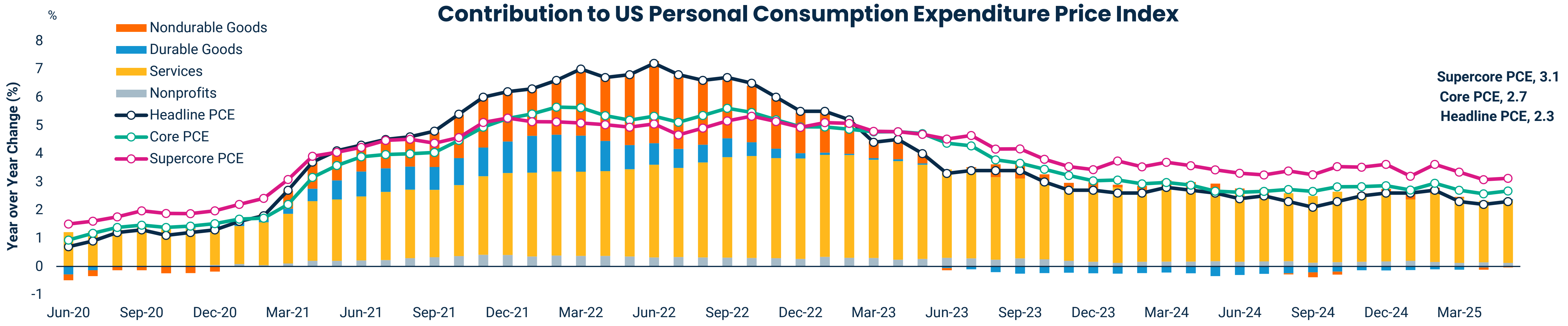
U.S. CPI Basket

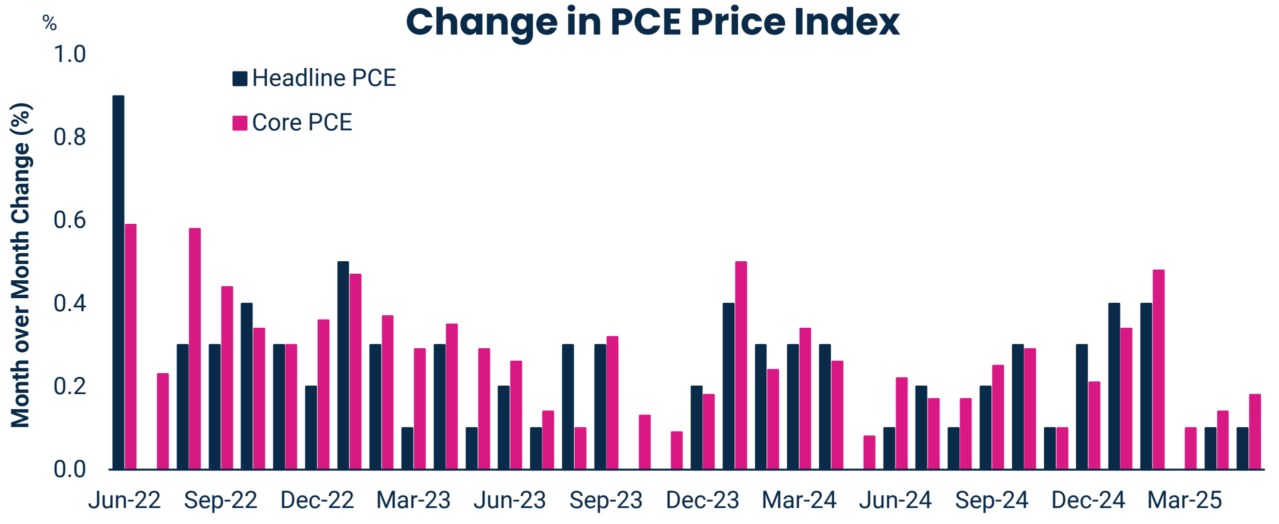
Components	Weights	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Total	**100.0%**	**3.4%**	**3.1%**	**3.2%**	**3.5%**	**3.4%**	**3.3%**	**3.0%**	**2.9%**	**2.5%**	**2.4%**	**2.6%**	**2.7%**	**2.9%**	**3.0%**	**2.8%**	**2.4%**	**2.3%**	**2.4%**
Food	**13.6%**	**2.7%**	**2.6%**	**2.2%**	**2.2%**	**2.2%**	**2.2%**	**2.2%**	**2.2%**	**2.1%**	**2.3%**	**2.1%**	**2.4%**	**2.5%**	**2.5%**	**2.6%**	**3.0%**	**2.7%**	**2.9%**
Cereals & Bakery Products	1.1%	2.5%	1.5%	1.7%	0.2%	0.6%	0.7%	0.5%	0.1%	-0.3%	0.2%	0.9%	-0.5%	0.7%	0.4%	0.3%	1.1%	0.0%	1.0%
Meats, Poultry, Fish, & Eggs	1.6%	-0.1%	-0.8%	-0.4%	1.4%	1.1%	2.4%	2.8%	3.1%	3.2%	3.9%	2.0%	3.8%	4.0%	5.8%	7.3%	7.8%	6.8%	6.1%
Dairy & Related	0.7%	-1.3%	-1.1%	-1.8%	-1.9%	-1.3%	-1.0%	-0.1%	-0.2%	0.4%	0.5%	1.3%	1.2%	1.3%	1.2%	0.8%	2.2%	1.6%	1.7%
Fruits & Vegetables	1.3%	0.3%	1.0%	0.7%	2.1%	1.9%	0.7%	-0.4%	-0.2%	-0.2%	0.7%	0.9%	1.0%	0.9%	0.2%	-0.3%	-0.7%	-0.8%	-0.4%
Nonalcoholic Beverages	0.9%	2.7%	3.4%	2.3%	2.3%	2.3%	1.3%	1.5%	1.8%	1.3%	1.3%	1.8%	2.8%	2.3%	2.2%	2.1%	2.4%	3.2%	3.1%
Other Food at Home	2.3%	2.8%	2.6%	2.3%	1.4%	1.4%	1.0%	1.6%	0.9%	0.3%	0.4%	0.4%	0.7%	0.8%	0.8%	0.1%	1.0%	0.7%	1.4%
Food Away from Home	5.6%	5.2%	5.1%	4.5%	4.2%	4.1%	4.0%	4.1%	4.1%	4.0%	3.9%	3.8%	3.6%	3.6%	3.4%	3.7%	3.8%	3.9%	3.8%
Energy	**6.4%**	**-1.9%**	**-4.2%**	**-1.8%**	**1.8%**	**2.4%**	**3.6%**	**1.0%**	**1.0%**	**-4.1%**	**-6.8%**	**-4.8%**	**-3.1%**	**-0.3%**	**0.8%**	**-0.3%**	**-3.2%**	**-3.5%**	**-3.1%**
Energy Commodities	3.2%	-2.7%	-6.4%	-4.1%	0.5%	0.8%	2.2%	-2.2%	-2.1%	-10.3%	-15.2%	-12.4%	-8.5%	-3.6%	-0.5%	-3.2%	-9.5%	-11.5%	-11.6%
Energy Services	3.2%	-0.9%	-2.0%	0.4%	3.0%	3.5%	4.7%	4.3%	4.2%	3.1%	3.4%	4.0%	2.8%	3.3%	2.5%	3.2%	4.2%	6.3%	6.8%
Commodities ex Food & Energy	**19.3%**	**0.1%**	**-0.3%**	**-0.3%**	**-0.6%**	**-1.1%**	**-1.7%**	**-1.8%**	**-1.7%**	**-1.6%**	**-1.1%**	**-1.2%**	**-0.7%**	**-0.7%**	**-0.1%**	**0.0%**	**0.0%**	**0.2%**	**0.3%**
Household Furnishing & Supplies	3.4%	-0.9%	-1.3%	-2.3%	-2.8%	-2.8%	-2.5%	-2.5%	-2.3%	-2.6%	-2.2%	-2.1%	-1.0%	-0.8%	-0.9%	-0.4%	-0.3%	0.3%	0.6%
Apparel	2.5%	1.2%	0.1%	0.0%	0.4%	1.3%	0.8%	0.6%	0.1%	0.2%	1.8%	0.3%	1.2%	1.3%	0.5%	0.5%	0.3%	-0.7%	-0.9%
Transportation	7.2%	-0.1%	-0.9%	-0.2%	-0.4%	-2.2%	-3.8%	-4.2%	-4.2%	-3.7%	-2.7%	-2.2%	-1.9%	-1.8%	0.3%	0.2%	0.3%	0.8%	1.0%
Medical Care	1.5%	4.7%	3.0%	2.9%	2.5%	2.5%	3.1%	3.1%	2.8%	2.0%	1.6%	1.0%	0.4%	0.5%	2.3%	2.3%	1.0%	1.0%	0.3%
Recreation	1.8%	-1.2%	-0.6%	-1.2%	-1.9%	-2.2%	-2.3%	-1.6%	-1.1%	-0.9%	-1.5%	-1.7%	-1.5%	-1.5%	-1.9%	-2.4%	-2.3%	-1.9%	-1.3%
Education & Communication	0.7%	-7.2%	-6.5%	-5.6%	-6.2%	-6.0%	-7.3%	-7.7%	-6.3%	-6.0%	-7.0%	-6.7%	-5.3%	-6.1%	-6.6%	-6.9%	-5.7%	-5.3%	-3.8%
Alcoholic Beverages	0.8%	2.5%	2.3%	2.4%	2.4%	2.0%	1.7%	1.8%	1.9%	1.9%	1.5%	1.6%	1.8%	1.4%	1.4%	1.7%	1.9%	1.8%	1.5%
Other Goods	1.3%	4.5%	4.4%	4.3%	3.9%	3.6%	3.5%	3.5%	3.2%	3.2%	3.0%	2.4%	2.6%	2.7%	2.6%	2.7%	2.8%	3.2%	2.9%
Services ex Energy	**60.6%**	**5.3%**	**5.4%**	**5.2%**	**5.4%**	**5.3%**	**5.2%**	**5.0%**	**4.9%**	**4.9%**	**4.8%**	**4.8%**	**4.6%**	**4.5%**	**4.3%**	**4.1%**	**3.7%**	**3.6%**	**3.5%**
Shelter	35.4%	6.2%	6.1%	5.8%	5.6%	5.5%	5.4%	5.1%	5.0%	5.2%	4.9%	4.9%	4.8%	4.6%	4.4%	4.2%	4.0%	4.0%	3.9%
Water, Sewer, and Trash	1.1%	5.2%	5.5%	5.3%	5.3%	5.3%	4.8%	4.6%	4.5%	4.2%	4.8%	5.0%	5.2%	5.2%	4.4%	4.9%	4.9%	4.9%	5.2%
Medical Care	6.7%	-0.5%	0.6%	1.1%	2.1%	2.7%	3.0%	3.3%	3.3%	3.3%	3.6%	3.8%	3.7%	3.3%	2.7%	3.0%	3.0%	3.1%	3.0%
Transportation	6.3%	9.6%	9.7%	10.1%	10.7%	11.1%	10.2%	9.2%	8.8%	8.0%	8.7%	8.2%	7.1%	7.5%	8.3%	6.1%	3.1%	2.4%	2.5%
Recreation	3.5%	5.6%	5.3%	4.5%	4.6%	4.2%	4.0%	3.4%	3.1%	3.2%	2.2%	2.8%	3.5%	2.7%	3.8%	4.3%	4.3%	3.6%	3.7%
Education & Communication	4.9%	1.3%	1.3%	1.5%	1.4%	1.6%	2.0%	2.3%	2.2%	2.3%	2.3%	2.1%	1.8%	1.8%	1.7%	1.6%	1.6%	1.2%	1.0%
Other Services	2.7%																		

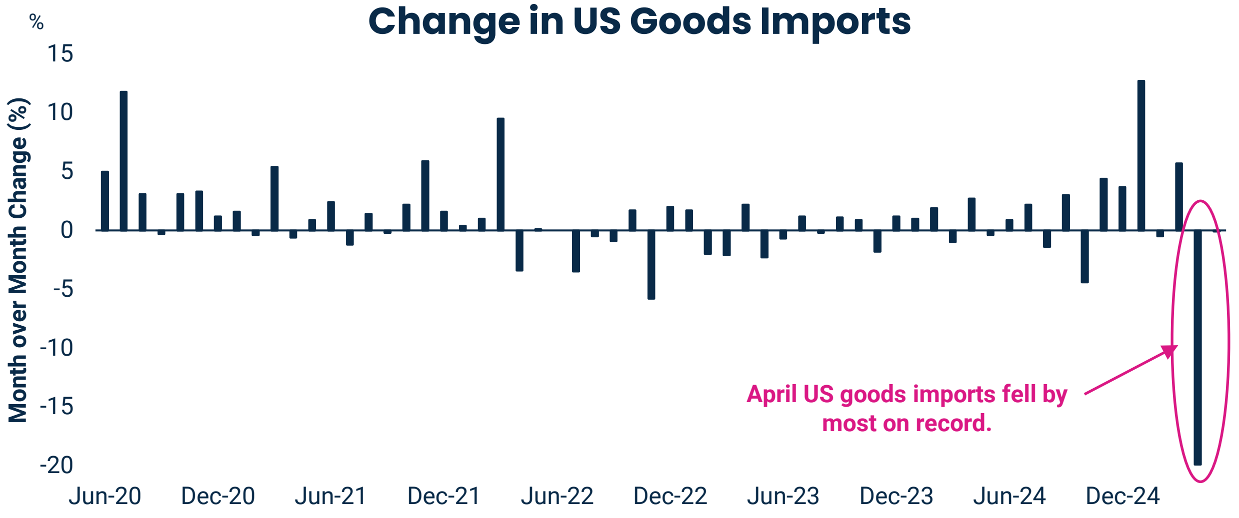
Data as of 05/31/2025. Source: Bloomberg.

U.S. Personal Consumption

The Fed's preferred price gauge remained tame in May.



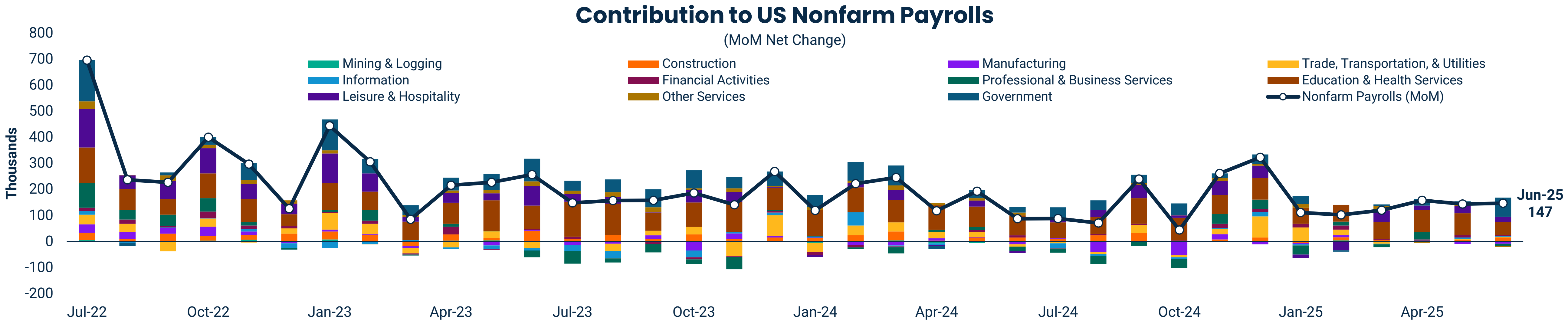


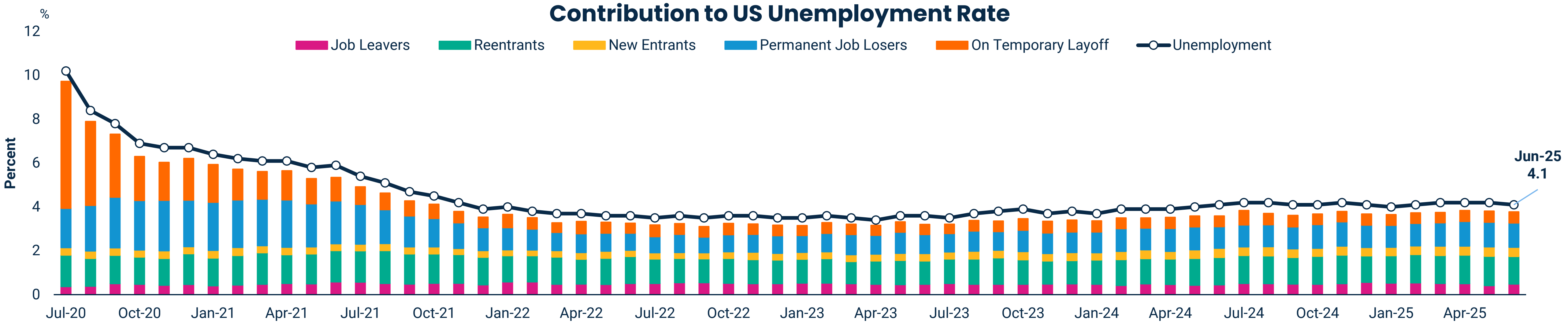


Data as of 5/31/2025. Source: Bloomberg.

Labor

Nonfarm payrolls increased 139,000 in May, while unemployment remained steady at 4.2%. The figures helped alleviate concerns for imminent economic slowdown.

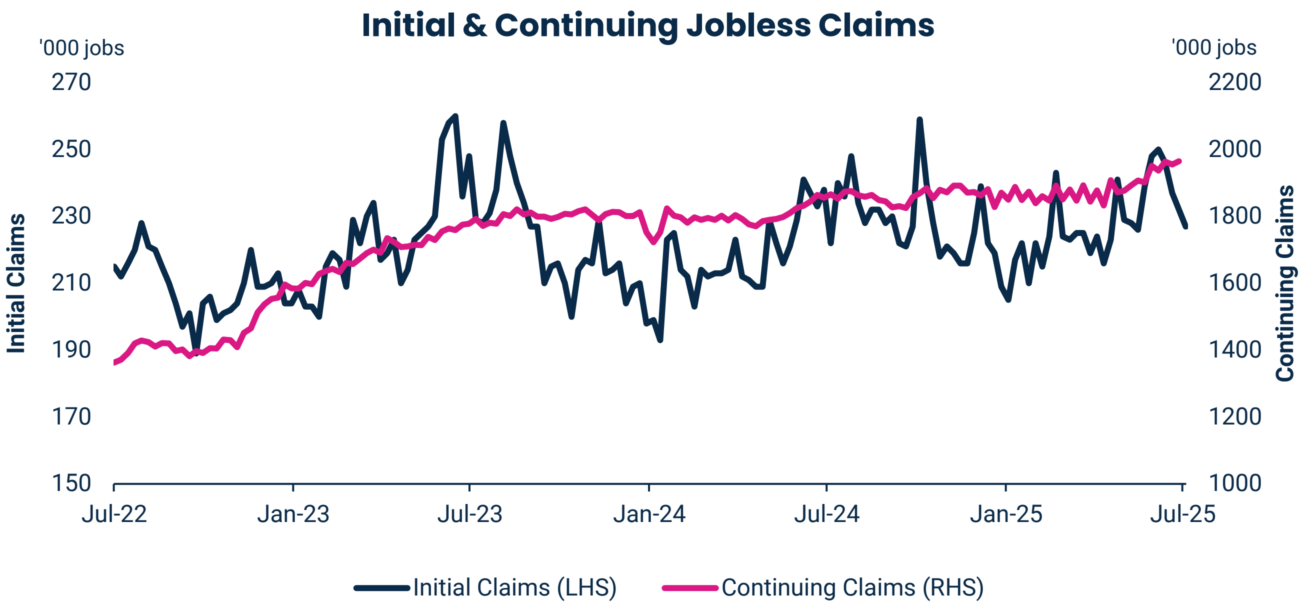


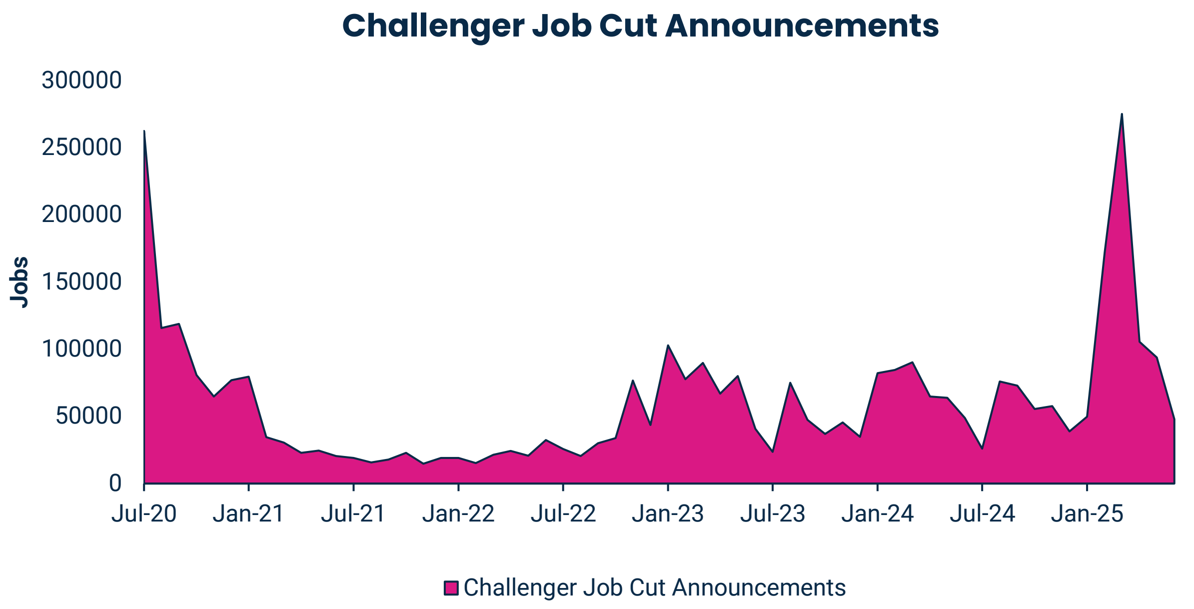


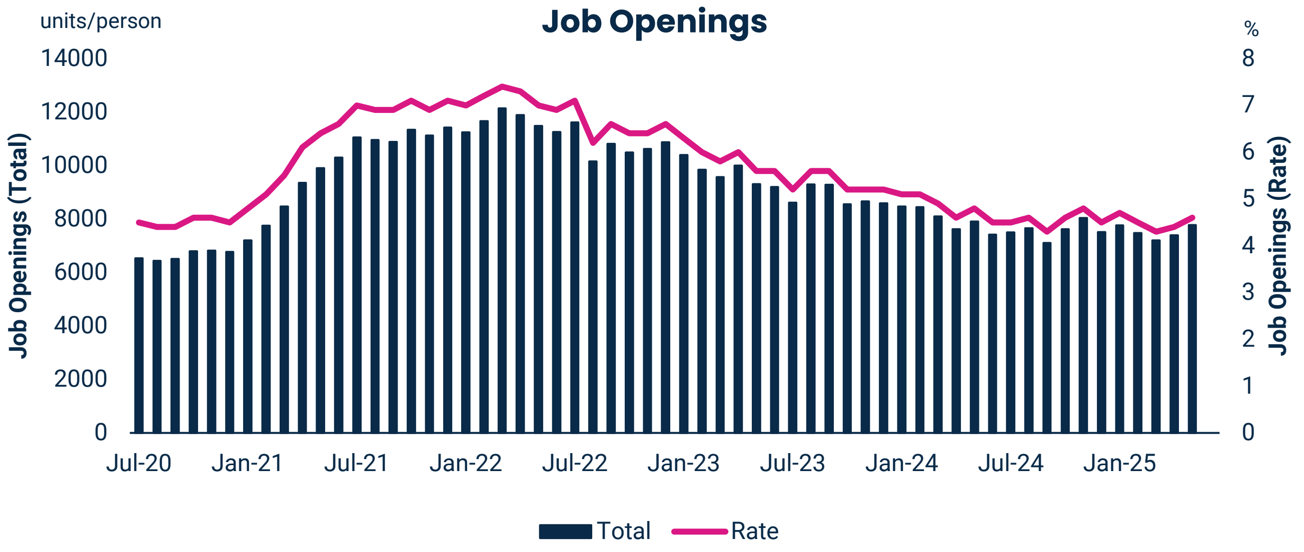
Data as of 06/30/2025. Source: Bloomberg.

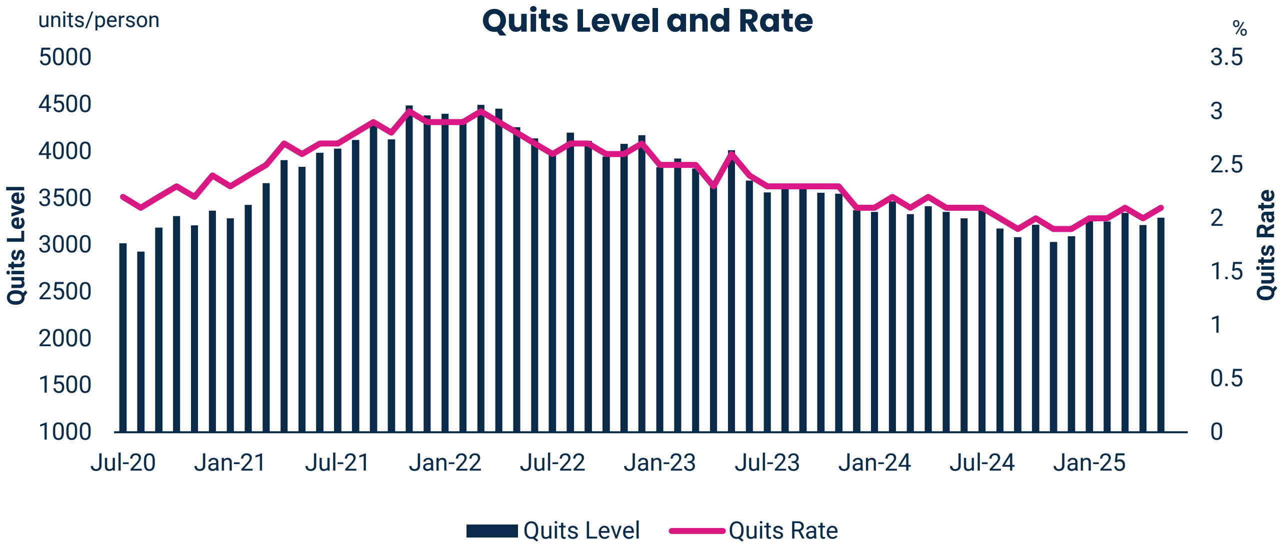
Labor

Jobless claims have come off recent highs. However, continuing claims remain elevated, suggesting it is taking workers longer to find new jobs.



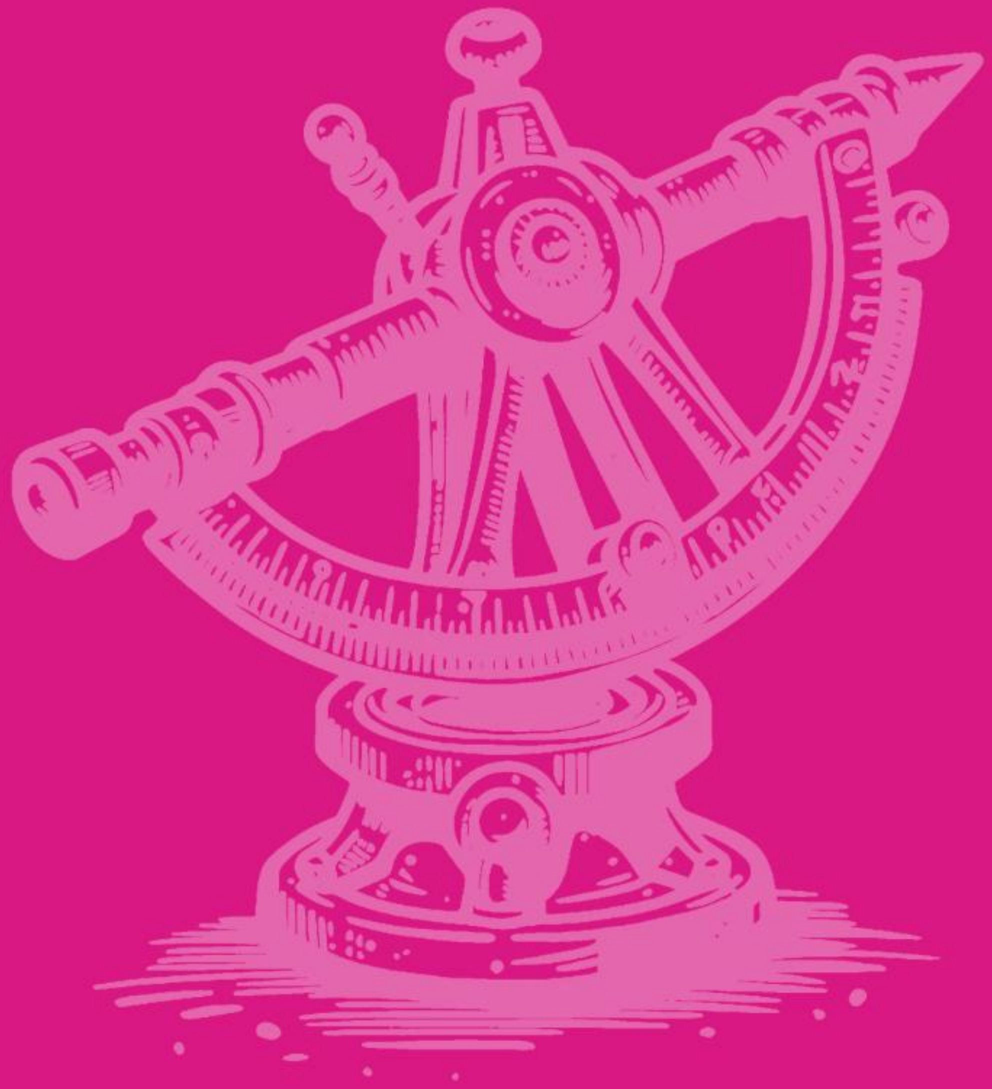






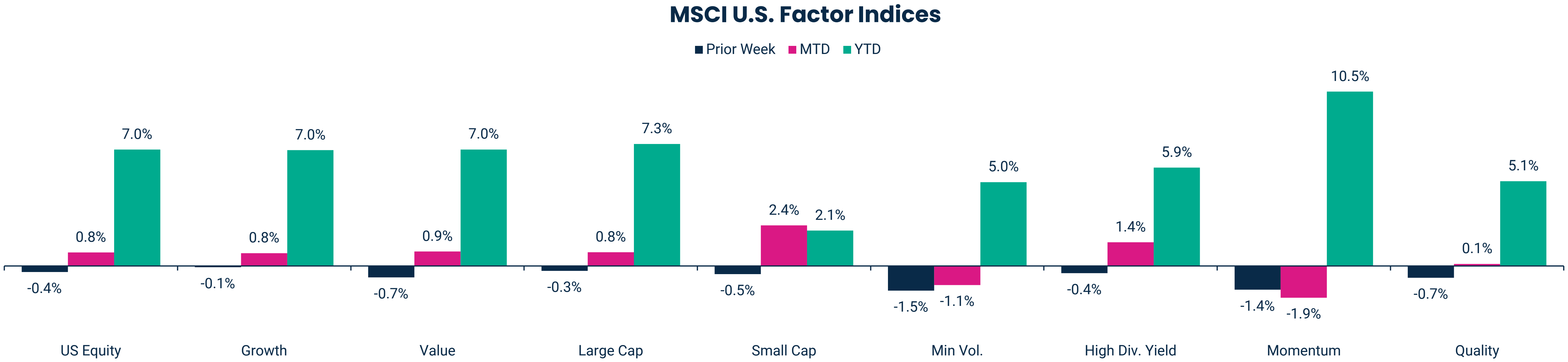
Data as of 07/11/2025. Source: Bloomberg.

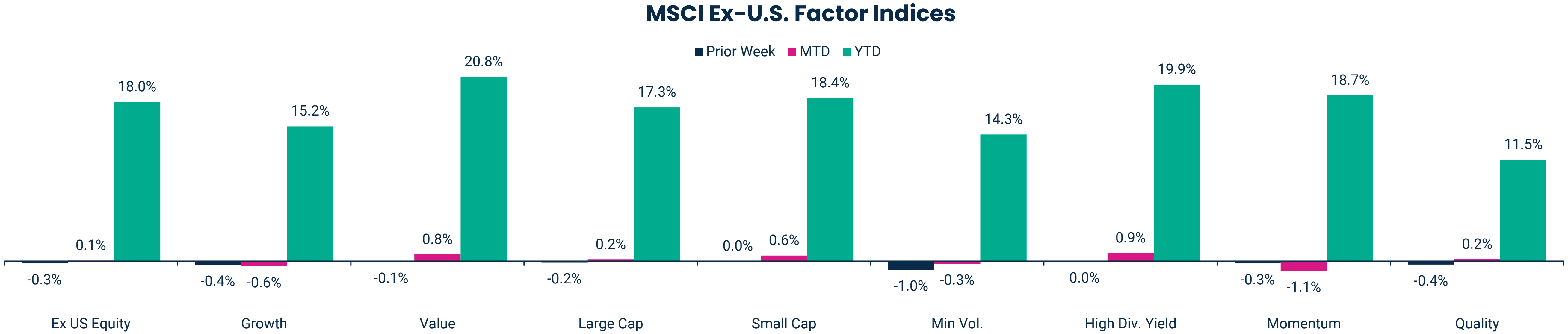
EQUITIES



Equity Style Returns

Performance was muted for the week, with International assets slightly outperforming.

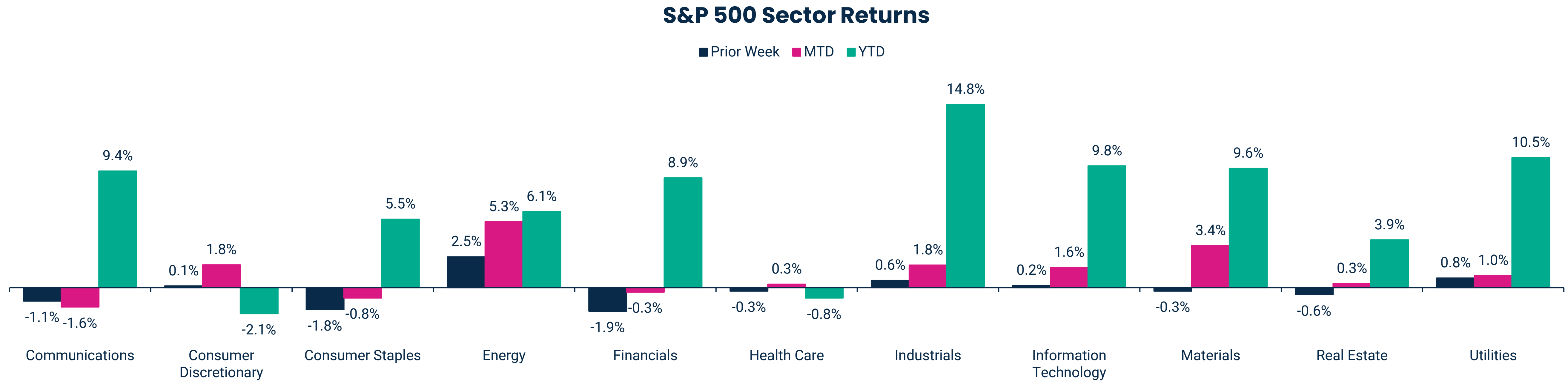


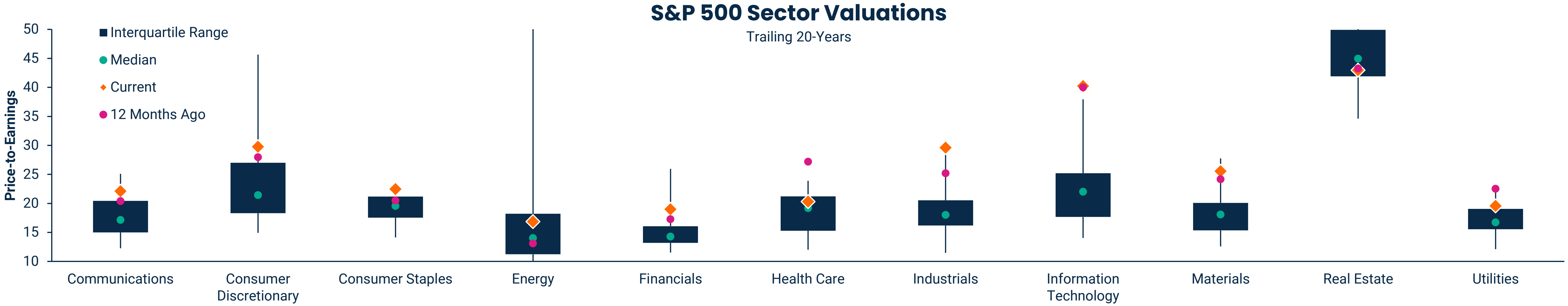


Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

Sector Performance & Valuations

Sector returns were mixed for the week, though Energy delivered the largest positive return.

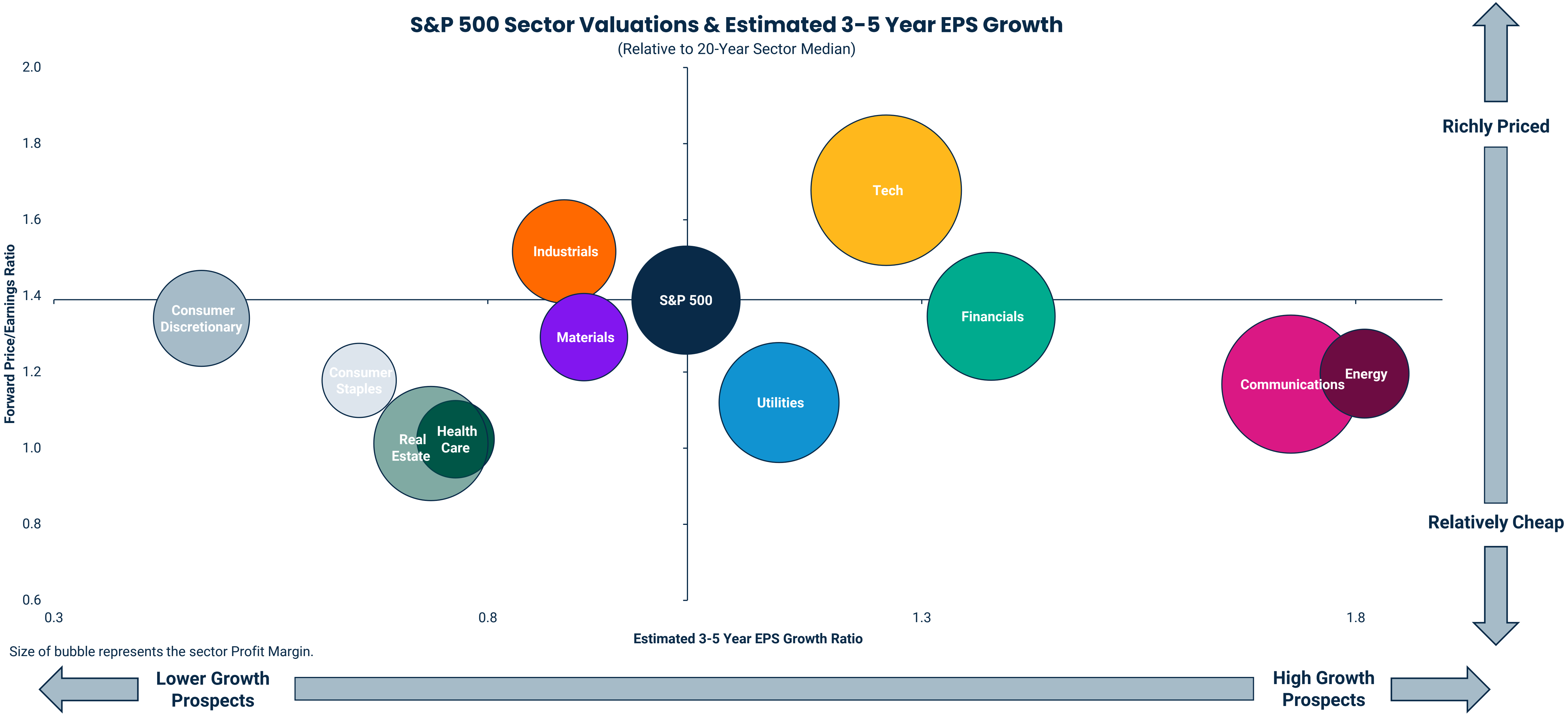




Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Sector Fundamentals

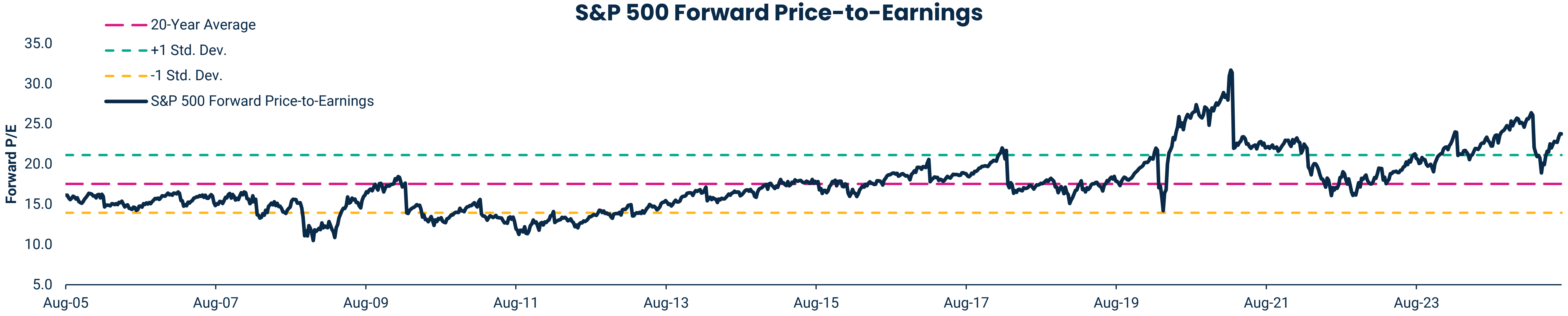
Sector dispersion comes in all shapes and sizes. An emphasis on earnings growth and profitability in a richly valued market is imperative.

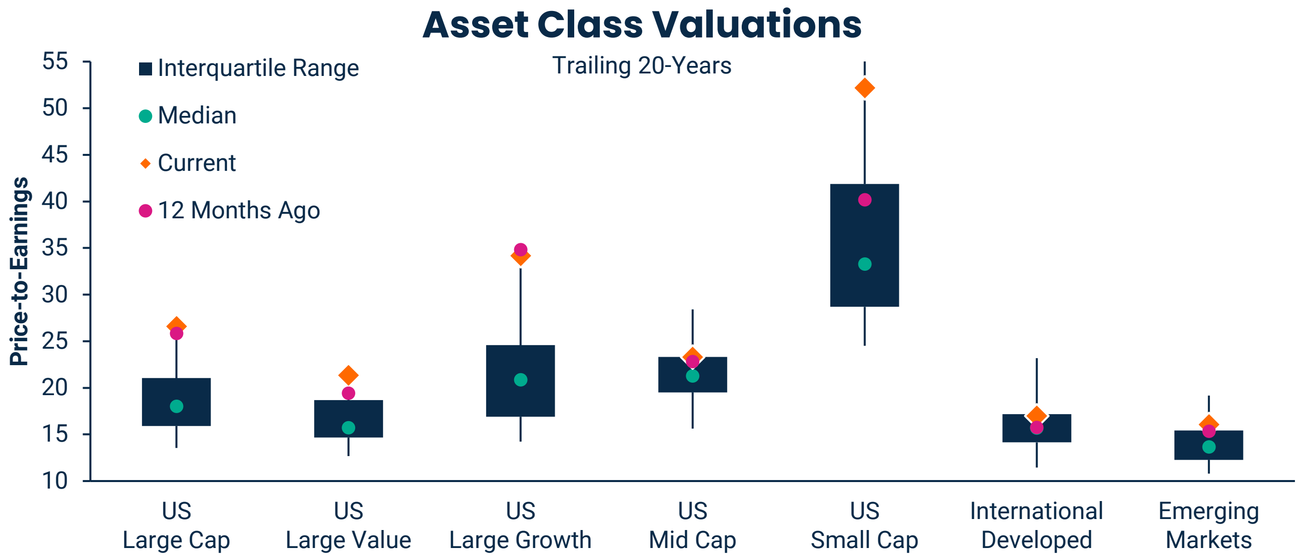


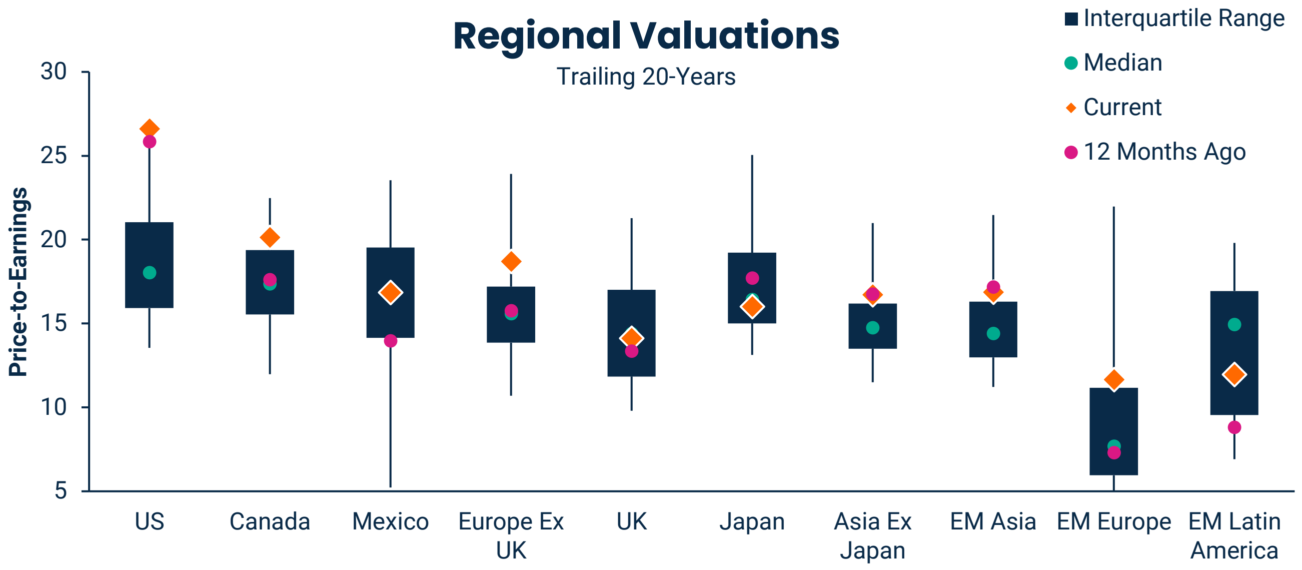
Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Global Valuations

U.S. valuations remain richly priced versus non-U.S. peers, specifically U.S. small caps which have struggled to consistently produce positive earnings.





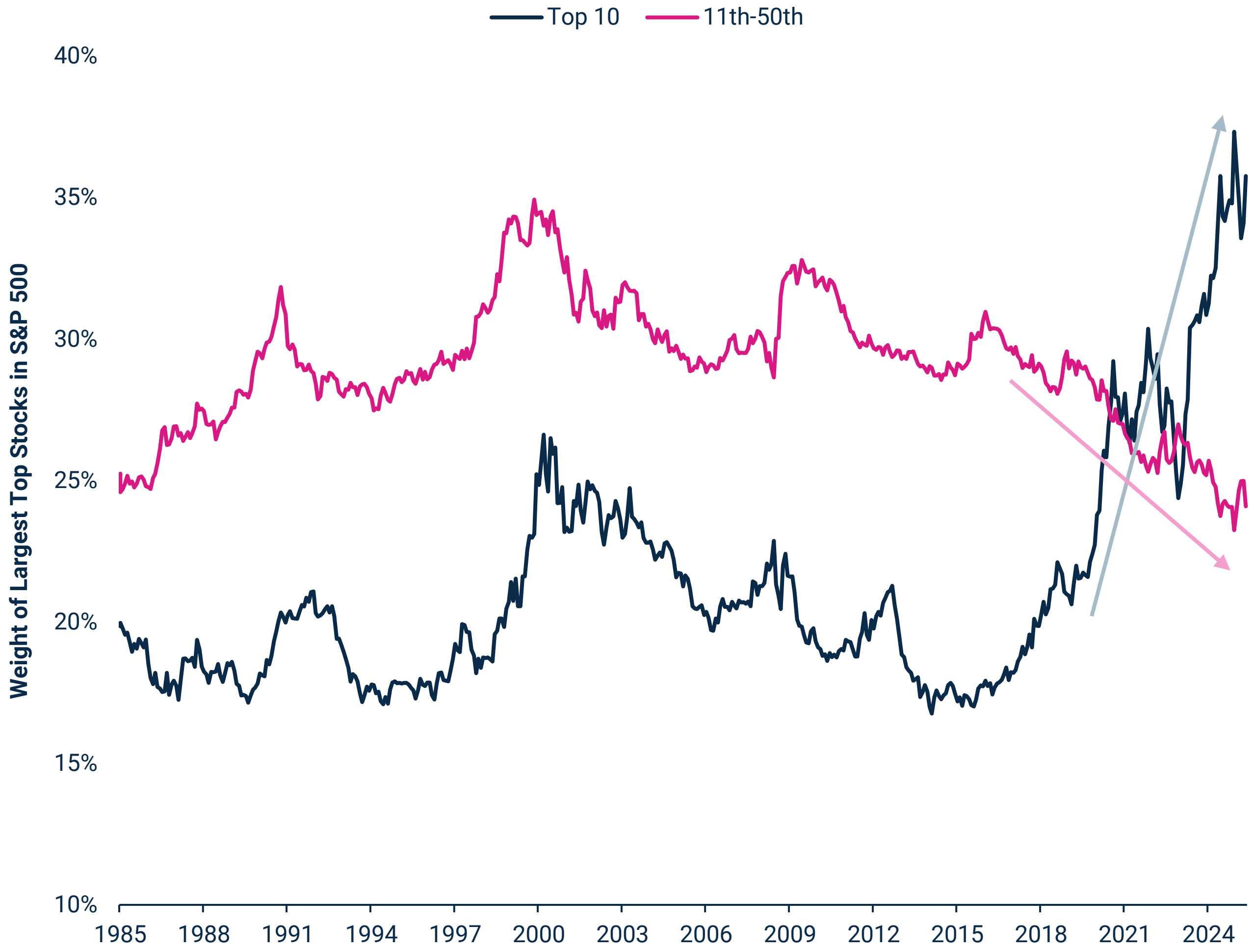


Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

Index Concentration

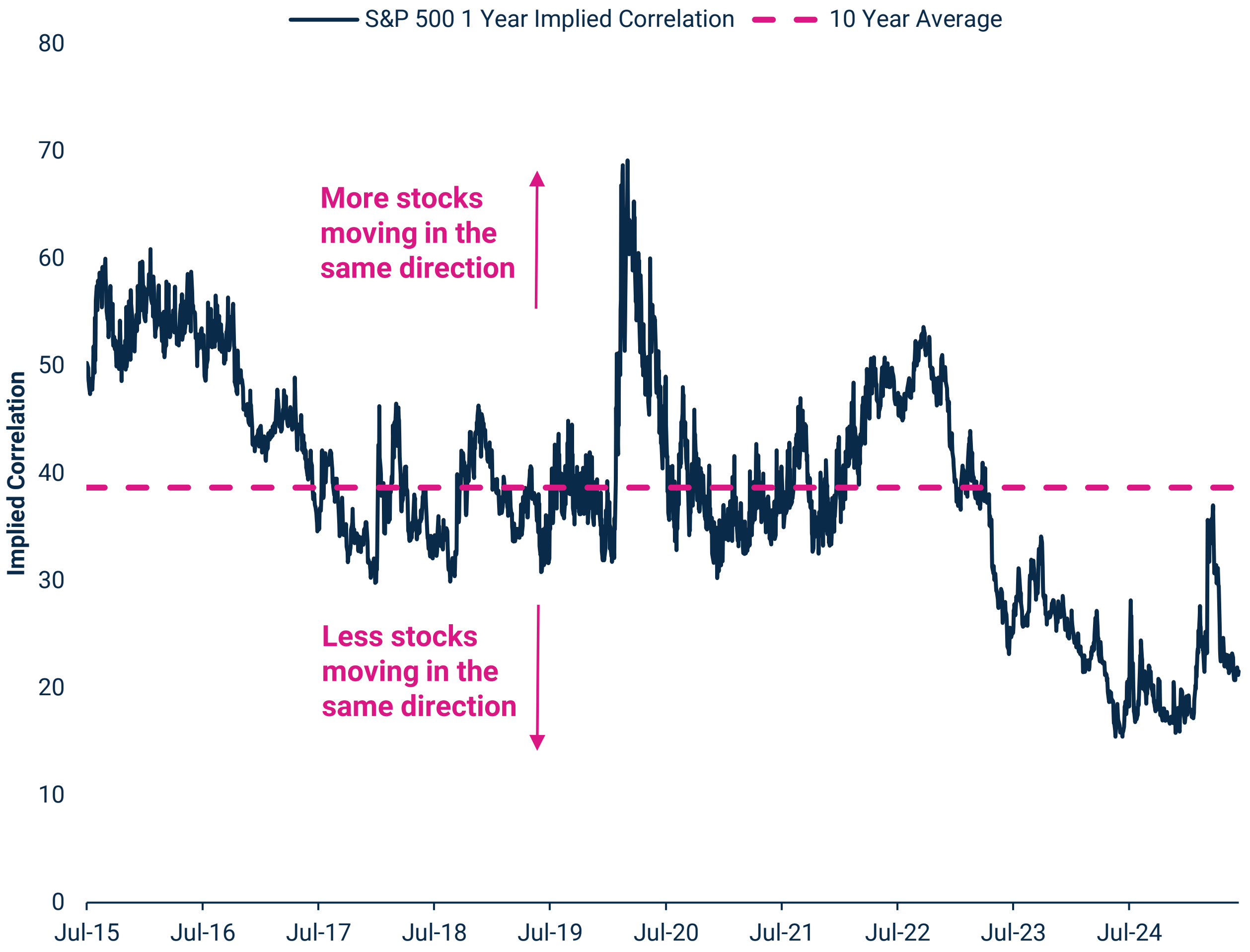
Market concentration continues to be near multi-decade highs, while implied correlations have trended in the opposite direction.

S&P 500 Market Concentration



Monthly data as of 5/31/2025.

S&P 500 1 Year Implied Correlation



S&P 500 1-Year implied correlation is a CBOE financial benchmark that provides instantaneous market estimates of expected correlation using implied volatilities of the S&P 500 and top 50 component options.

Data as of 07/11/2025. Source: FactSet, Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

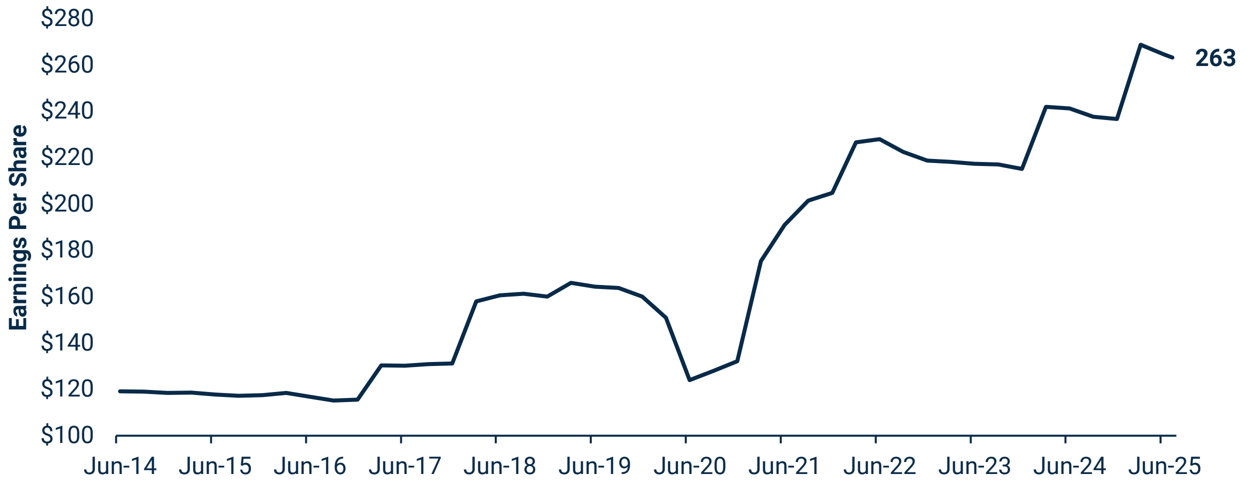
Earnings

S&P 500 12-Month Forward P/E vs Forward Earnings per Share

12 M FWD EPS Estimate

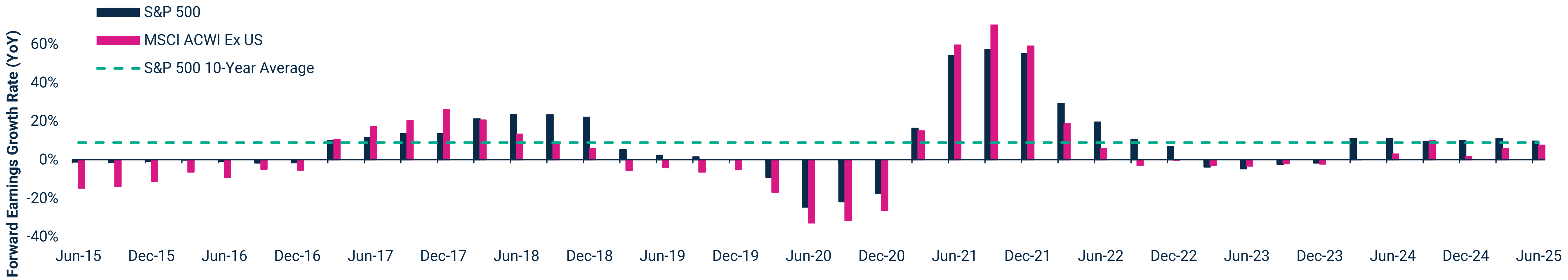
		Bearish Earnings Growth			Typical Earnings Growth			Bullish Earnings Growth		
	12 M FWD P/E	220	230	240	250	260	270	280	290	300
Bearish Market Multiple	14	3080	3220	3360	3500	3640	3780			
	15	3300	3450	3600	3750	3900	4050			
	16	3520	3680	3840	4000	4160	4320			
Typical Market Multiple	17	3740	3910	4080	4250	4420	4590	4760	4930	5100
	18	3960	4140	4320	4500	4680	4860	5040	5220	5400
	19	4180	4370	4560	4750	4940	5130	5320	5510	5700
	20	4400	4600	4800	5000	5200	5400	5600	5800	6000
	21	4620	4830	5040	5250	5460	5670	5880	6090	6300
Bull Market Multiple	22				5500	5720	5940	6160	6380	6600
	23				5750	5980	6210	6440	6670	6900
	24				6000	6240	6480	6720	6960	7200

S&P 500 Forward Earnings



Quarterly 12-month forward earnings per share.

Forward Earnings Growth Rate (YoY %)



Quarterly 12 month forward projected earnings growth.

Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

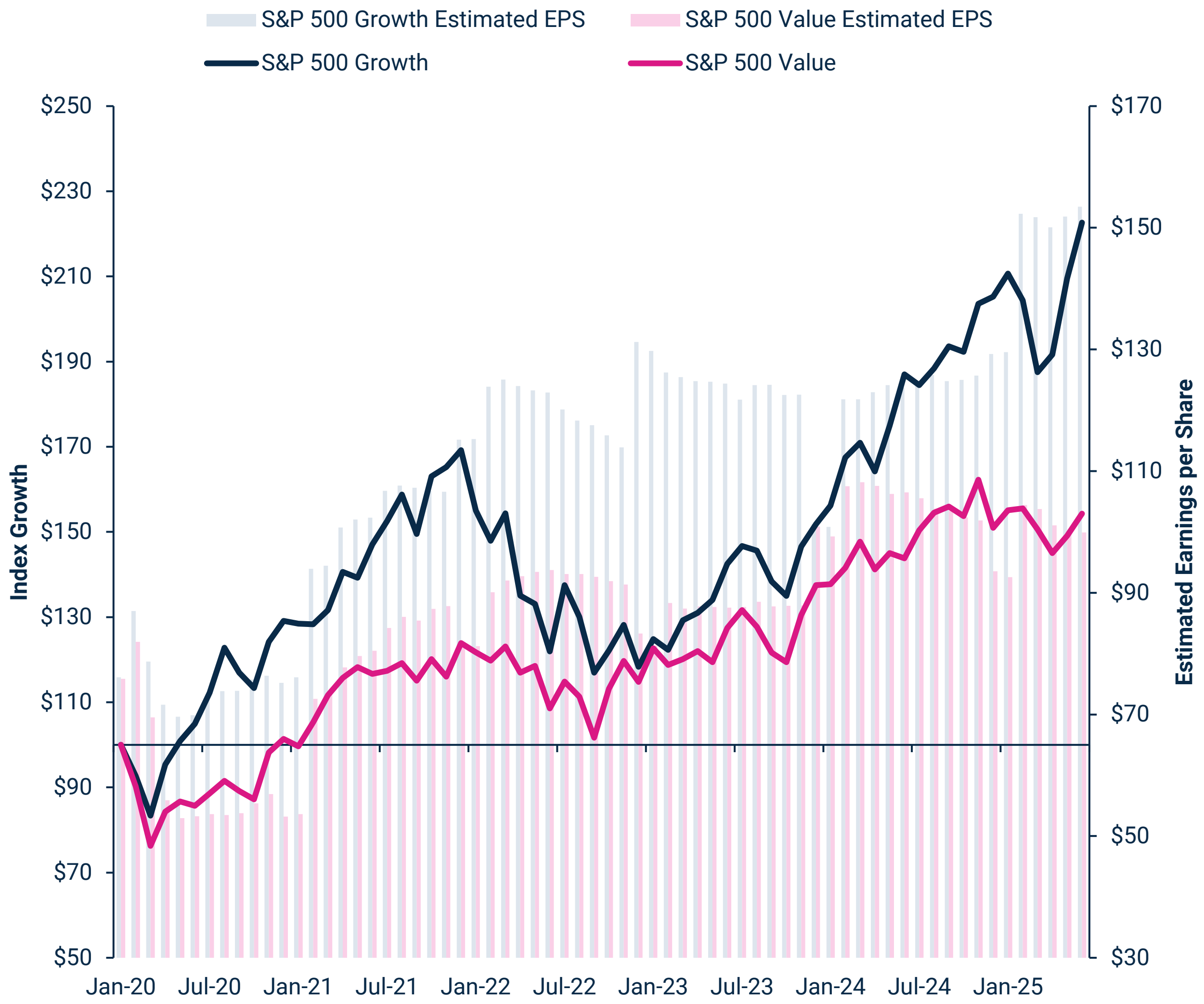
12-Month Forward P/E and Forward Earnings per Share reflect the Bloomberg consensus estimate (mean) of sell-side analyst estimates.

Index Growth Tracks Earnings

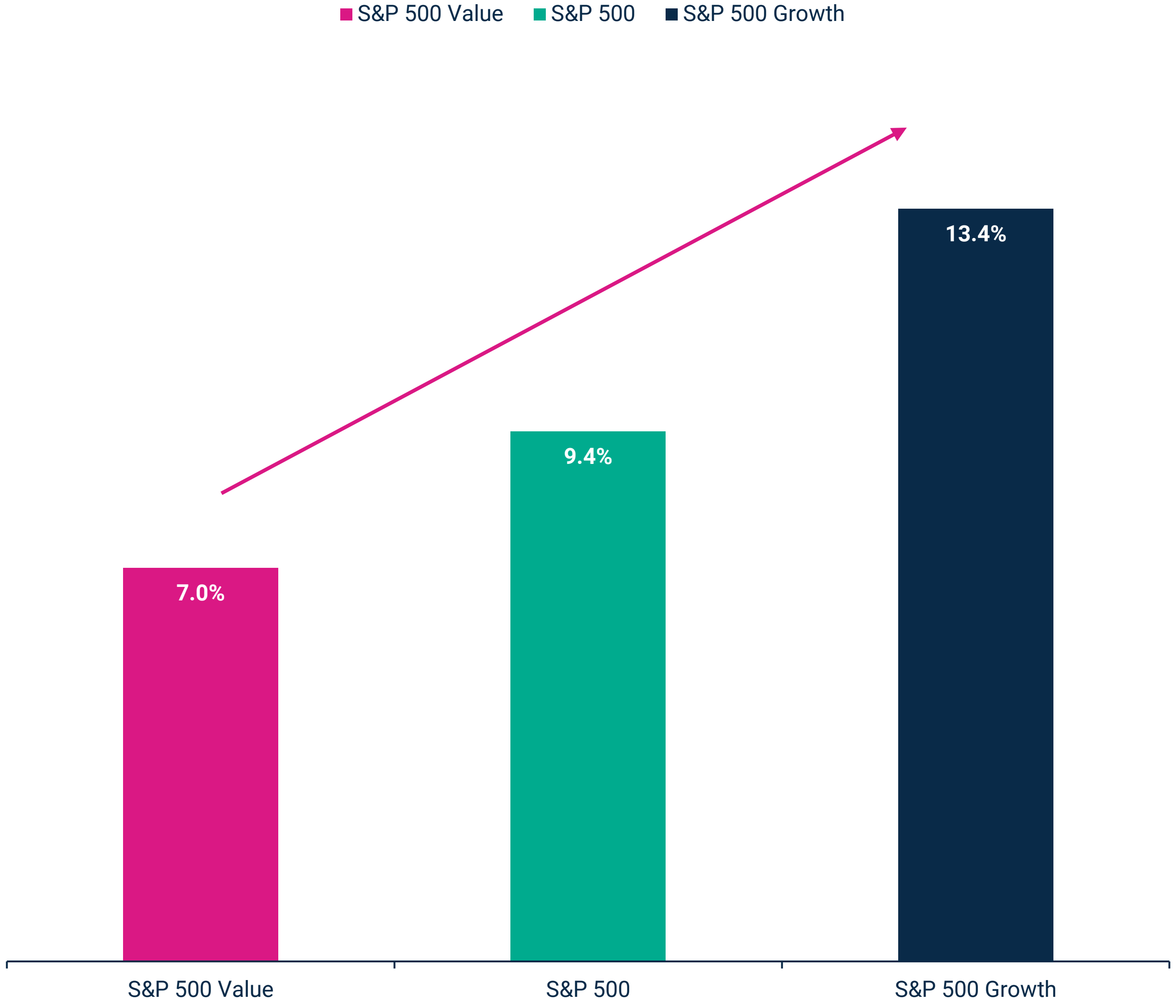
Over time, index performance tends to track earnings growth.

Index Growth & Estimated Earnings per Share

Since 2020



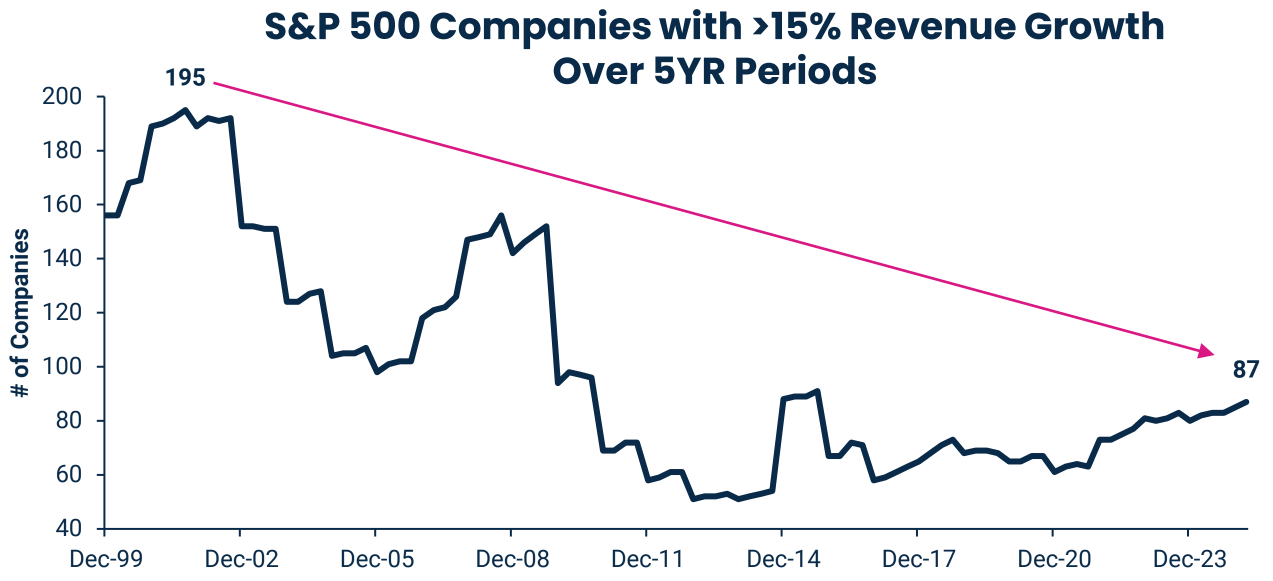
Estimated Long-Term Earnings Growth



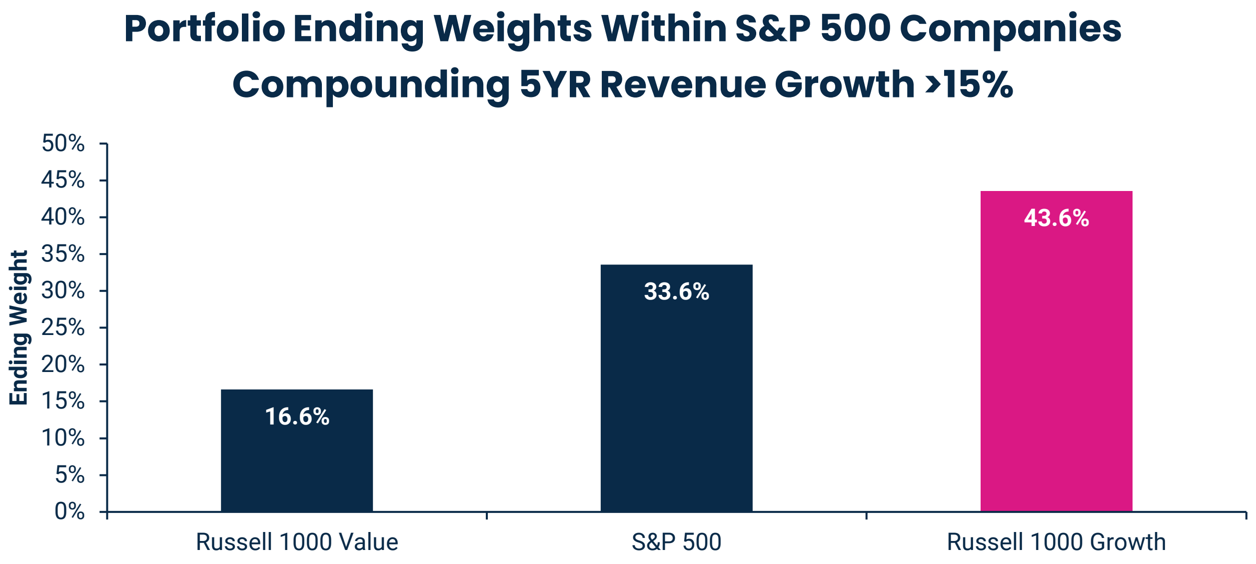
Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Estimated Earnings per Share and Estimated Long-Term Earnings Growth reflect the Bloomberg consensus estimate (mean) of sell-side analyst estimates. Index performance is represented by the S&P 500 Growth and S&P 500 Value price return indices.

Earnings Scarcity

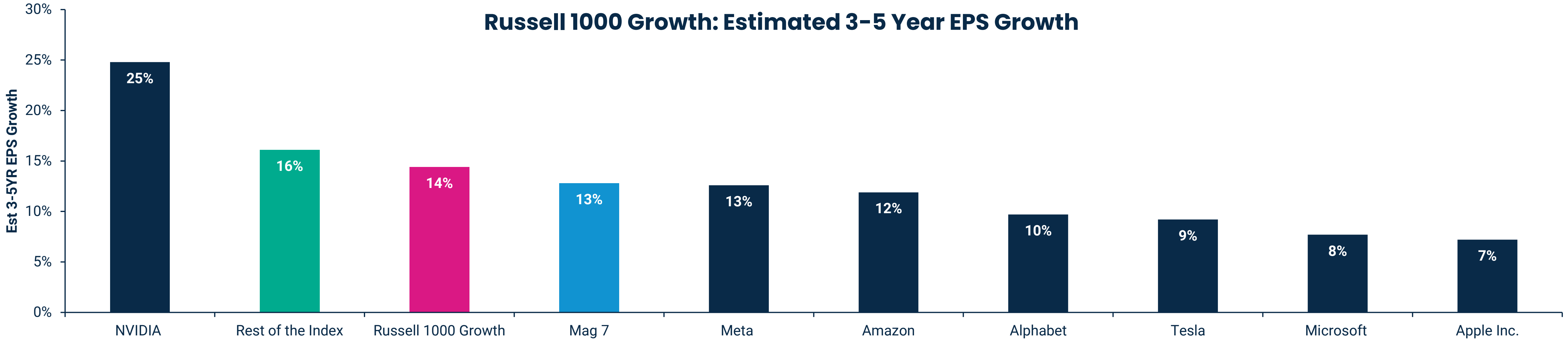
Scarcity in earnings has created value for growth leaders; that leadership may be broadening out to the wider growth market.



Quarterly data as of 3/31/2025.



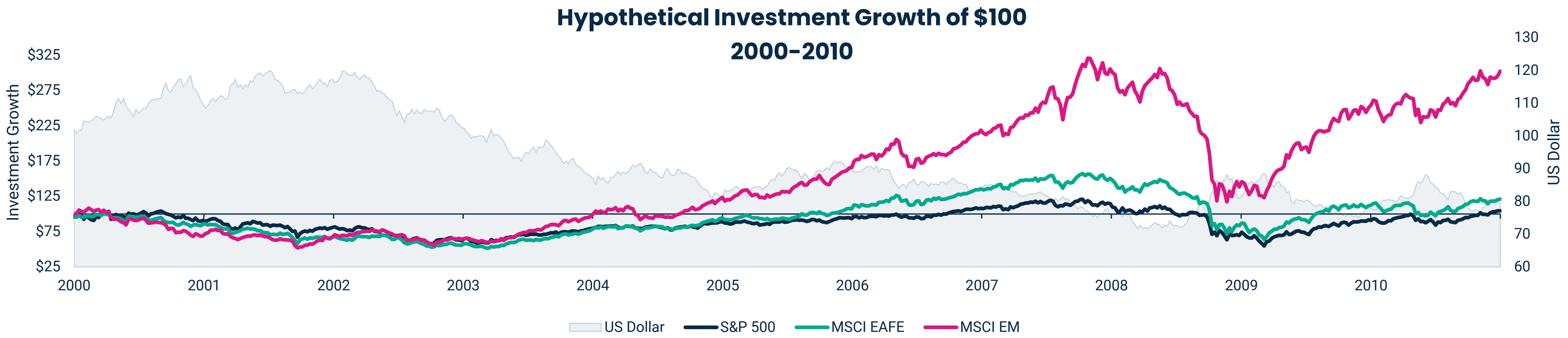
Quarterly data as of 3/31/2025.

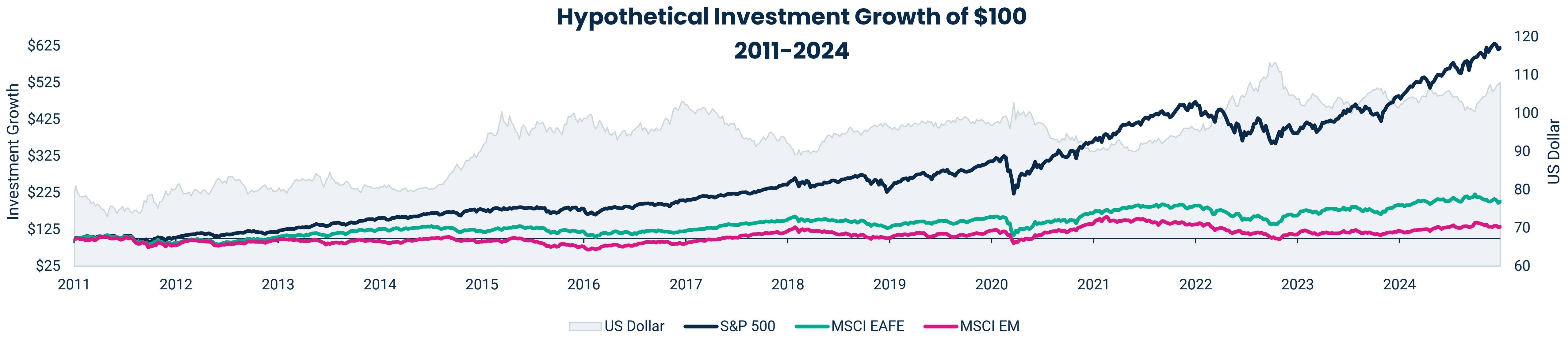


Data as of 06/30/2025 unless noted. Source: FactSet. **Performance data shown represents past performance and is no guarantee of future results.**

U.S. Dollar as a Catalyst

International Developed and Emerging Market equities have outperformed historically when the U.S. dollar has fallen.



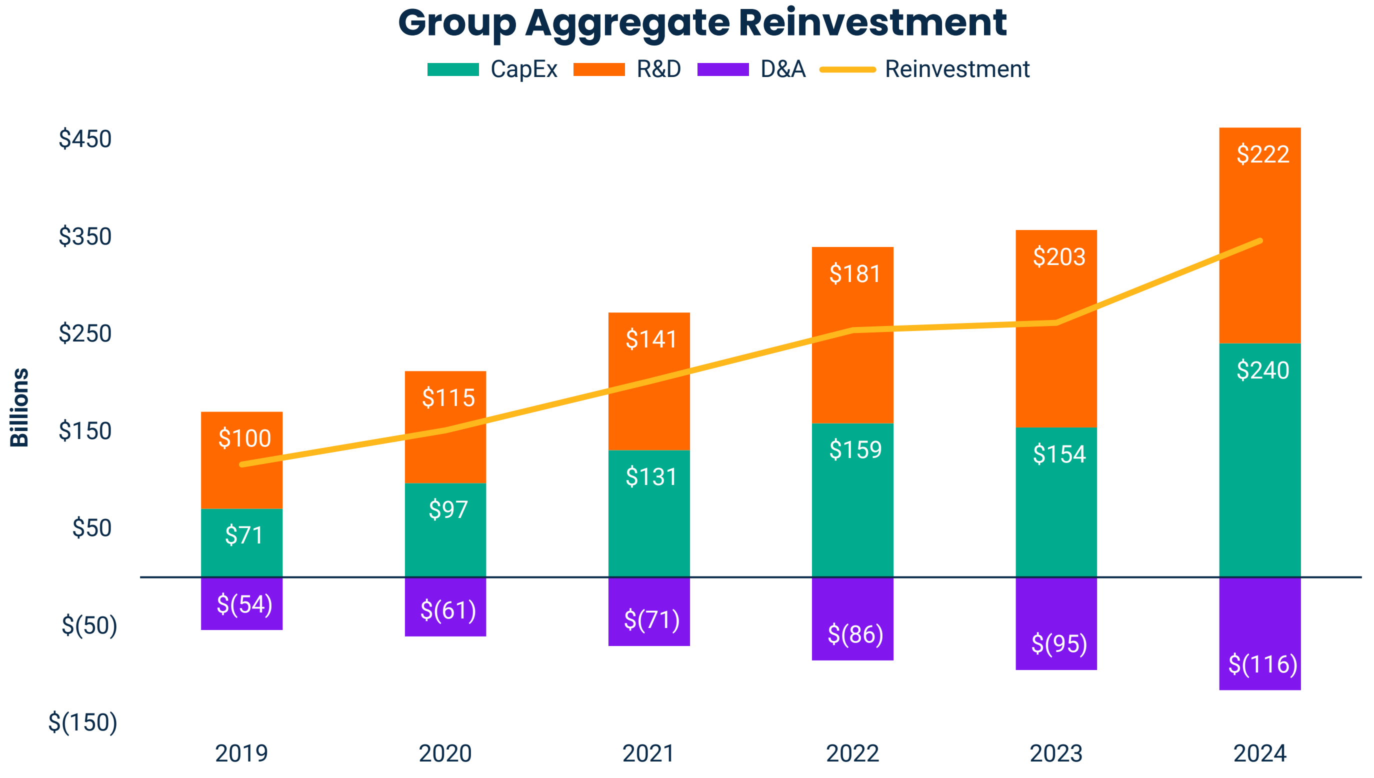


Data as of 07/11/2025. Source: Bloomberg. **Hypothetical for illustrative purposes only.** The Hypothetical growth chart assumes an initial investment of $100 and the reinvestment of all dividends and interest over the period shown. The growth depicted does not represent the performance of any specific investment or portfolio and does not account for taxes, fees, or other expenses that may reduce returns. **Past performance is not indicative of future results.** Actual investment results will vary.

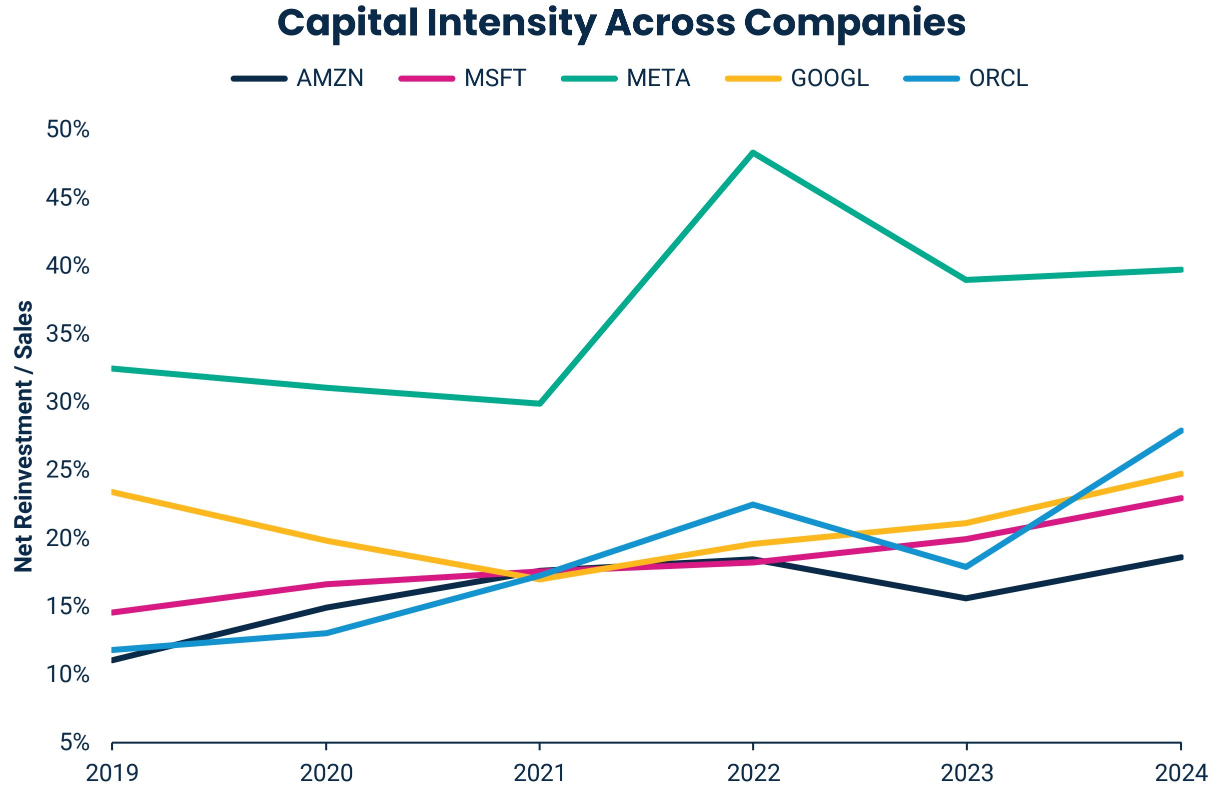
Key Trends – AI Infrastructure Spending

Reinvestment trends highlight significant demand for infrastructure…

- Since the public release of ChatGPT at the end of 2022, it's hard to go a day without hearing something about AI. The largest tech companies have been racing to continuously improve foundational model performance and launch AI products and services to their customers.
- This dynamic has resulted in significant demand for AI infrastructure – from networking equipment and compute to power systems and physical space.
- We highlight this demand by showing total reinvestment for a group of select companies focused on building or deploying AI technology. In 2024 alone, this group spent ~$460bn between capital expenditures and R&D, with net reinvestment now representing nearly 25% of sales for the group.



Source: Harbor Capital Advisors. FactSet. 6/30/2025. Amazon, Microsoft, Meta, Alphabet, and Oracle are included.



Source: Harbor Capital Advisors. FactSet. Data as of 6/30/2025.

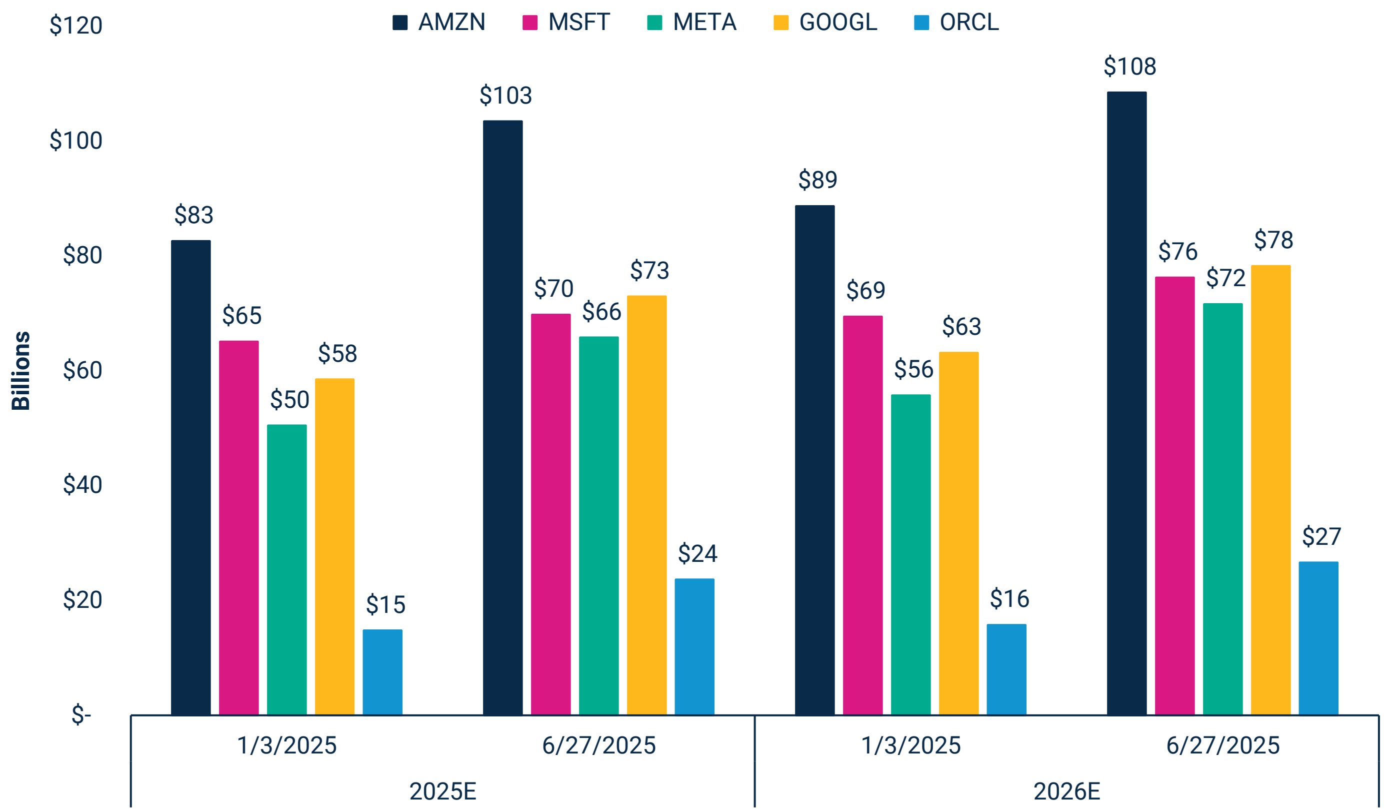
Source: Harbor Capital Advisors, FactSet. Data as of 6/30/2025.

Key Trends – AI Infrastructure Spending

… with no signs of slowing demand in sight.

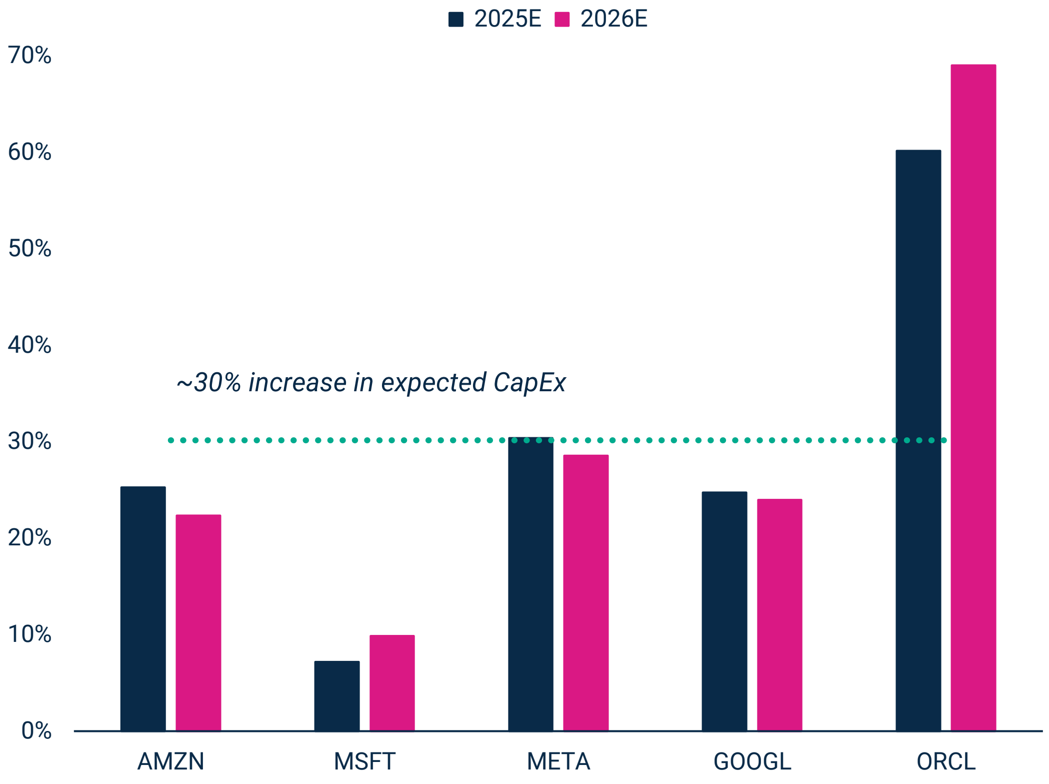
Estimates for infrastructure demand have moved higher throughout the year. At the beginning of this year, total capex was expected to be $270bn in 2025 and $290bn in 2026. Following first quarter results from the large tech companies, these estimates were taken up materially and now stand at approximately $340bn and $360bn, respectively.

Hyperscaler CapEx Estimates



Source: Harbor Capital Advisors. FactSet. Data as of 7/2/2025.

Year-to-date CapEx Estimate Revisions



Source: Harbor Capital Advisors. FactSet. Data as of 7/2/2025.

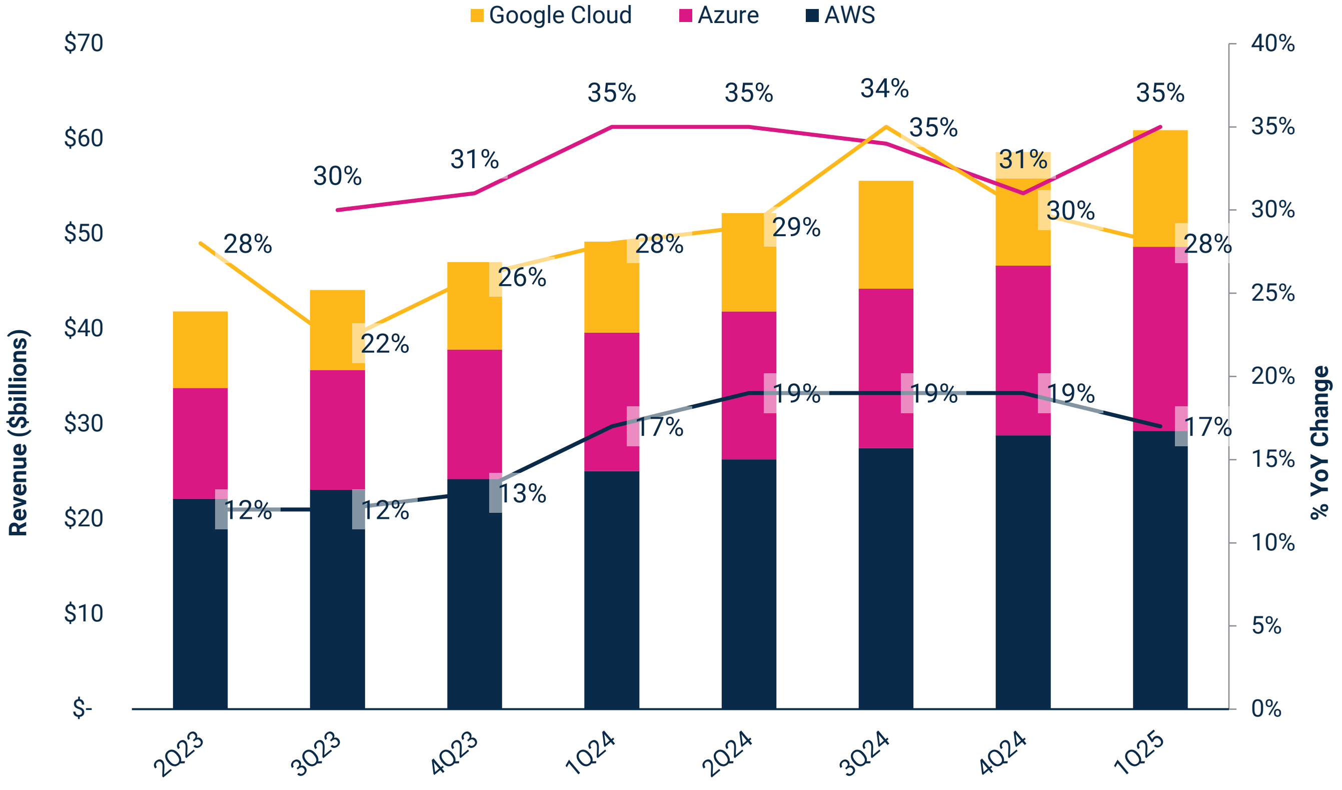
Source: Harbor Capital Advisors, FactSet. Data as of 7/2/2025.

Key Trends – AI Infrastructure Spending

Are we seeing return on investment?

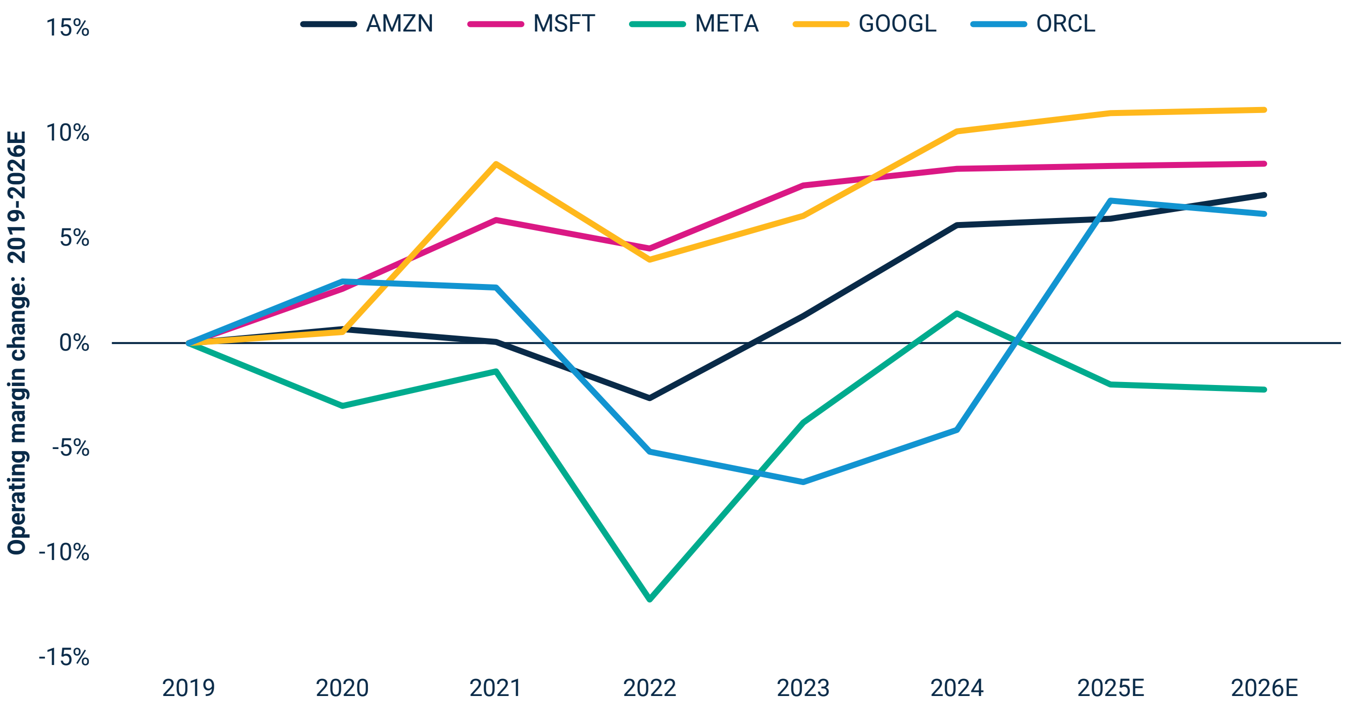
- At this point, we are multiple years into the AI infrastructure investment cycle. Investors have generally been willing to give companies a pass as it relates to quantifying returns on said fixed investment as it's unrealistic to expect immediate payoff from AI models and products (some of which are only just being released to the public), and operating margin trends have been strong.
- We expect the question of returns on infrastructure investment to become a growing concern for investors as time progresses and spend grows. We are beginning to see *some* companies comment on this topic directly or point towards the "fungibility" of compute as means to justify spend.

AWS, Azure, and Google Cloud Revenue Trends



Source: Harbor Capital Advisors. UBS Investment Bank. Data as of 05/04/2025.

Operating Margins Moved Higher



Source: Harbor Capital Advisors. FactSet. Data as of 07/02/2025.

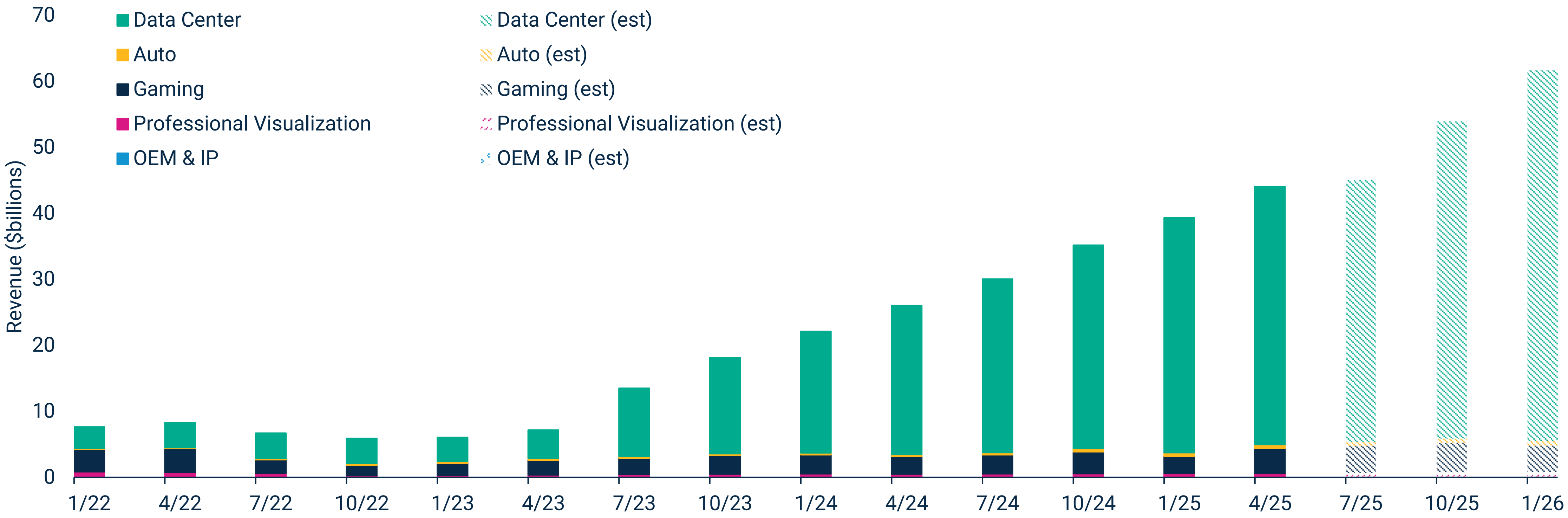
Source: Harbor Capital Advisors, FactSet. Data as of 07/02/2025

Key Trends – AI Infrastructure Spending

Nvidia: (arguably) the largest beneficiary.

- Below we break down total revenues for Nvidia, one of the largest beneficiaries of the AI arms race. Having seen the magnitude of investment by technology firms, it is no surprise that revenue – especially within the data center segment – has seen a step-function move higher.
- Recent changes to compute export restrictions were a headwind in the April quarter and are also expected to weigh on the July quarter, disrupting a trend of mid/high double digit *sequential* revenue growth in Nvidia's data center business.

NVDA Quarterly Revenue by Segment



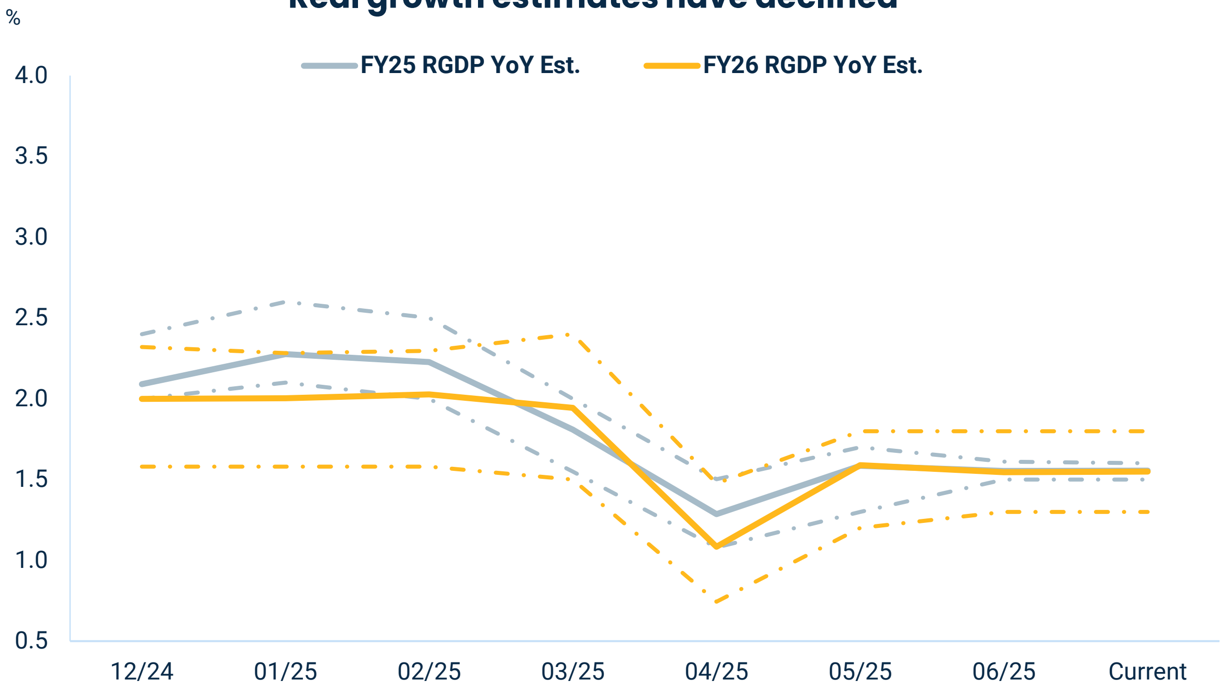
Source: Data as of 5/28/2025. Harbor Capital Advisors. UBS Investment Bank.

Deep Dive: U.S. Small Cap Equities

Expectations for real growth have declined, while expectations for inflation remain sticky

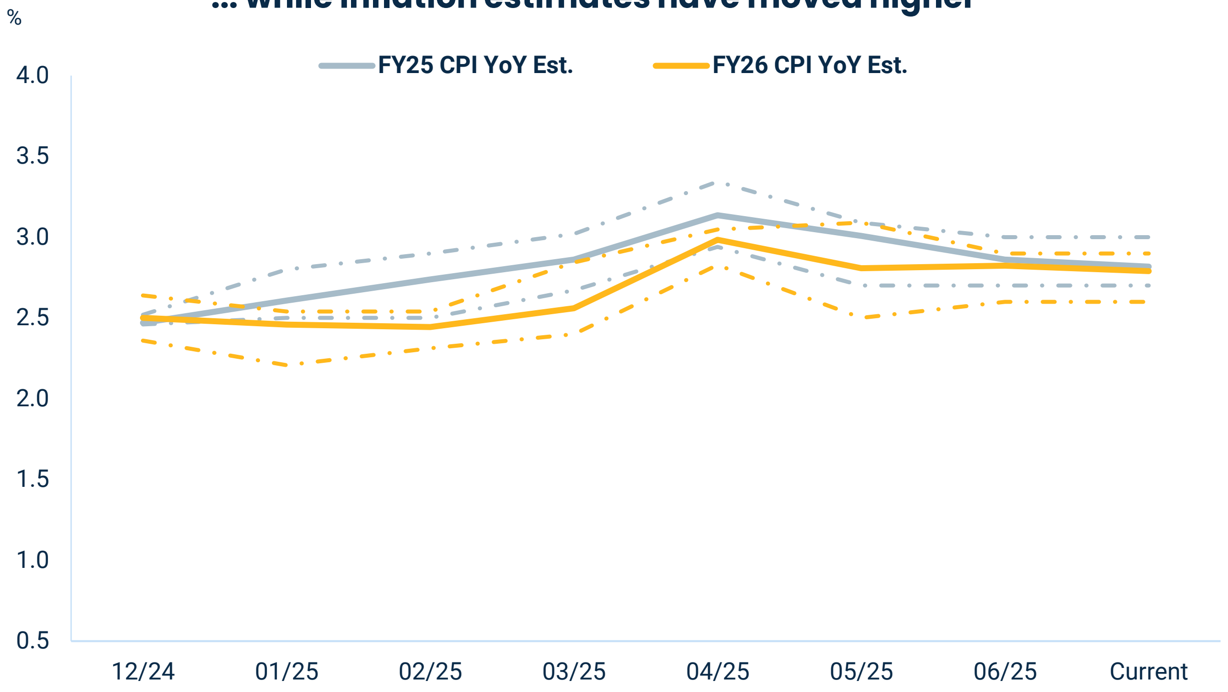
- Over the course of this year, economists have revised down expectations for real growth and revised up expectations for inflation.
- The macroeconomic backdrop is critical for U.S. small cap companies in our view, given they have less exposure to today's secular tailwinds relative to large-cap peers that might benefit incrementally more.

Real growth estimates have declined



Source: Harbor Capital Advisors. Bloomberg Finance L.P. Selected estimates from the following: Bank of America, J.P. Morgan, Morgan Stanley, UBS, Goldman, Barclays, Deutsche Bank, Jefferies, RBC, Citigroup, Wells Fargo

... while inflation estimates have moved higher



Source: Harbor Capital Advisors. Bloomberg Finance L.P. Selected estimates from the following: Bank of America, J.P. Morgan, Morgan Stanley, UBS, Goldman, Barclays, Deutsche Bank, Jefferies, RBC, Citigroup, Wells Fargo

Source: Harbor Capital Advisors, Bloomberg L.P. Data as of 7/13/2025.

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Deep Dive: U.S. Small Cap Equities

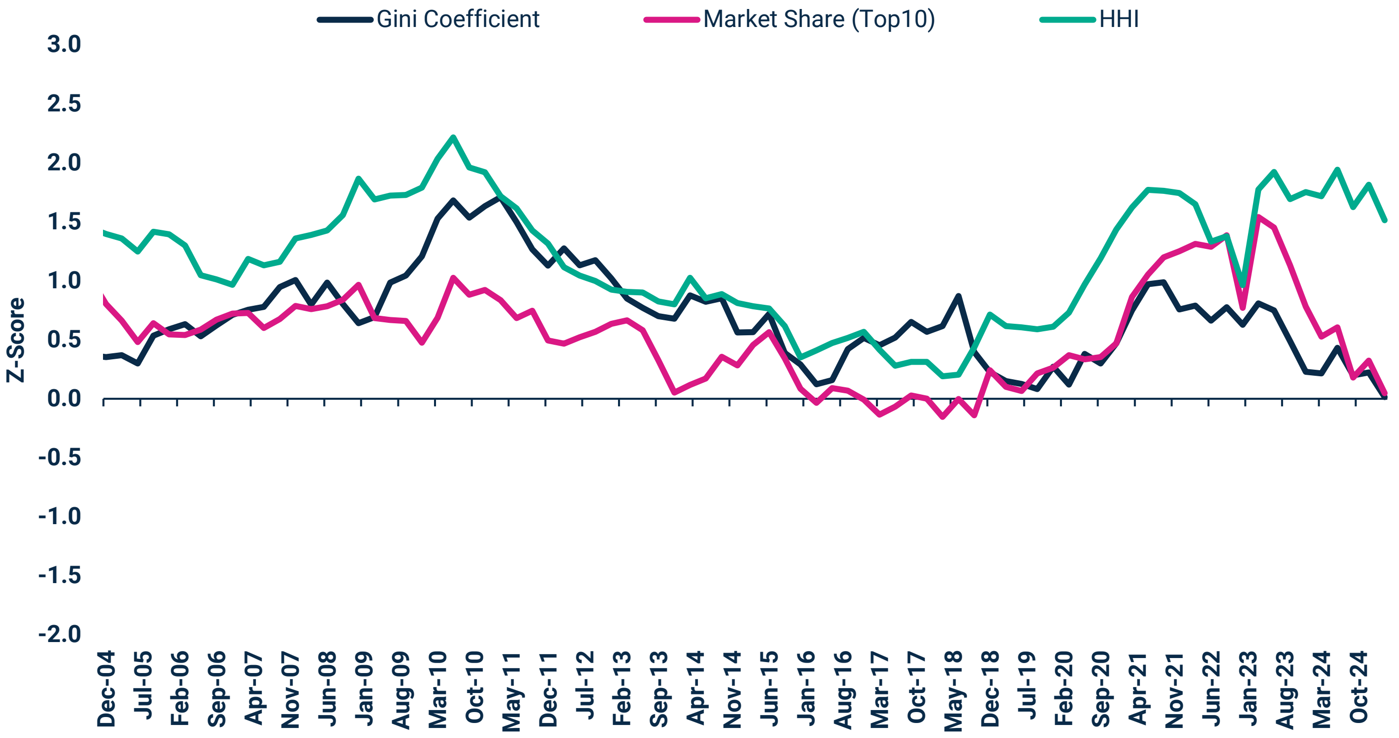
A secular trend of industry concentration

- We believe it is important to recognize that over the past few decades we have generally seen larger firms take share from smaller firms and become an incrementally larger share of aggregate output.
- Without direct tailwinds from today's secular themes – such as the proliferation of AI, the cloud transition, autonomous vehicles, etc. – smaller companies are more reliant on aggregate macroeconomic momentum than larger firms.

Small Business Share of Real GDP by Industry

	2000	2005	2010	2014
Accommodation and Food Services	1%	-6%	-5%	-5%
Administrative and Support Services	-2%	-5%	-7%	-8%
Arts Entertainment and Recreation	-2%	-6%	-7%	-11%
Construction	-2%	-5%	-3%	-6%
Educational Services	0%	-2%	-4%	-6%
Finance and Insurance	0%	3%	5%	-1%
Health Care and Social Assistance	0%	0%	-2%	-5%
Information	-5%	-6%	-7%	-9%
Management of Businesses	-1%	7%	11%	17%
Manufacturing and Mining	0%	-2%	-2%	-2%
Other Services	0%	-2%	-2%	-1%
Professional and Scientific Services	-7%	-7%	-11%	-13%
Real Estate and Rental and Leasing	-1%	-5%	0%	1%
Transportation and Warehousing	-1%	-2%	-5%	-5%
Utilities	1%	3%	2%	4%
Wholesale and Retail Trade	-2%	-7%	-11%	-11%
Grand Total	**-1%**	**-2%**	**-4%**	**-4%**

Measures of Market Concentration



Source: Harbor Capital Advisors. FactSet. S&P 1500 used as market index.

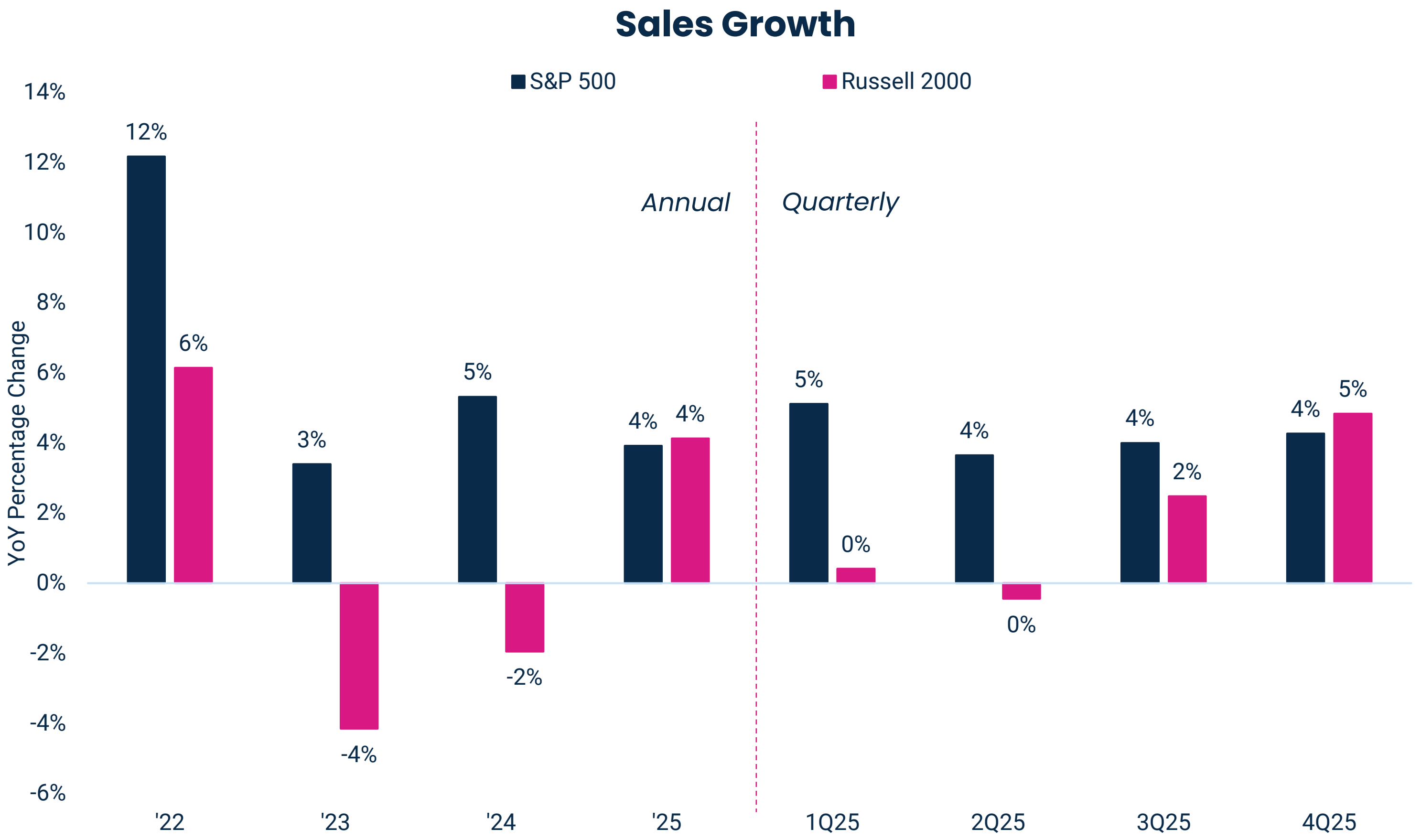
Data as of 06/06/2025. Source: Harbor Capital Advisors, FactSet. U.S. Small Business Administration, Office of Advocacy. (2018, December). Small Business GDP: 1998-2014.

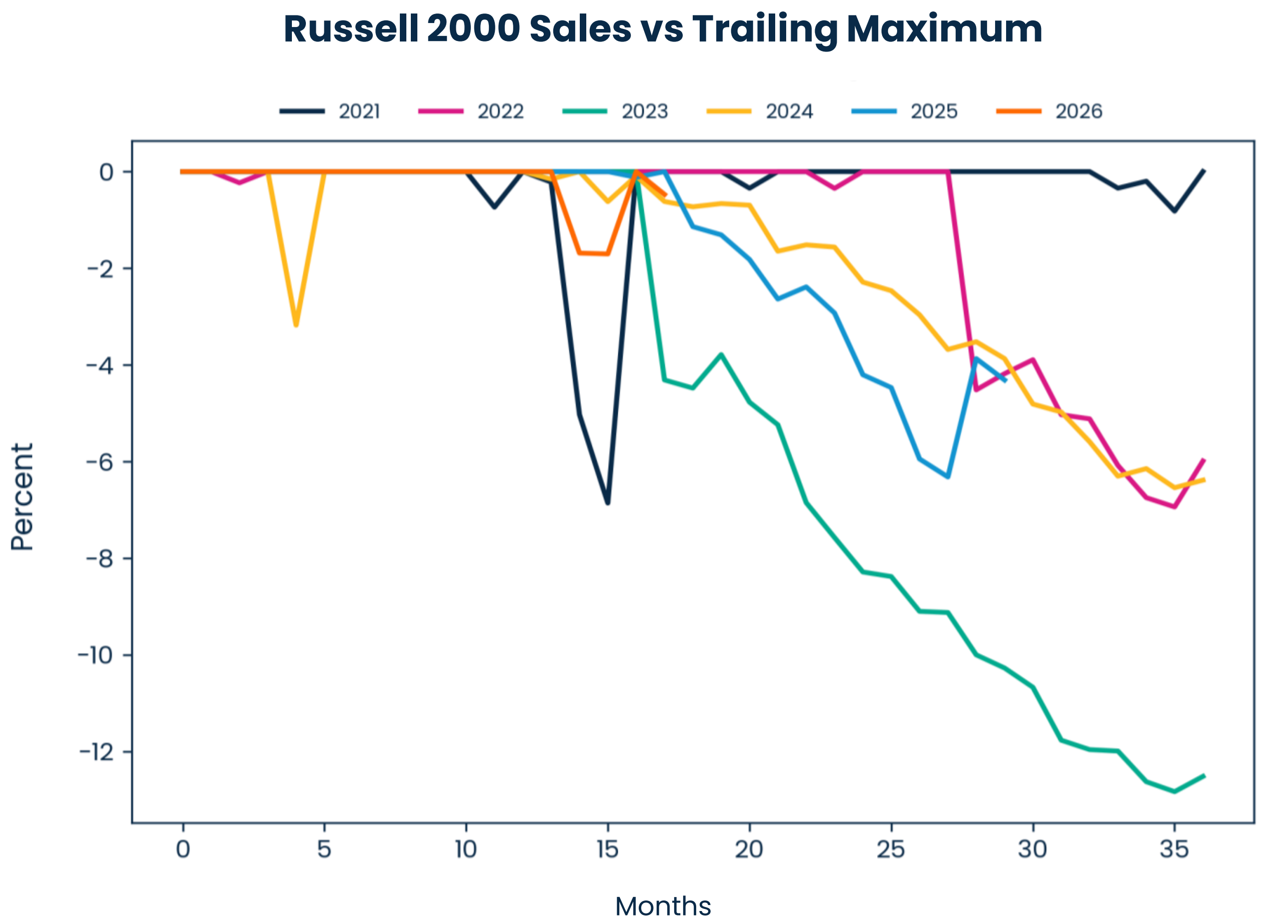
4442281

Deep Dive: U.S. Small Cap Equities

Expected sales growth for small cap companies

- After two consecutive years of negative year-over-year sales growth, small cap companies are expected to grow sales ~4%, in line with large cap companies.
- The combination of a lack of secular tailwinds, as well as weakening expectations for the overall economy, drove headwinds and downward revisions to top-line results for small cap companies over said period. Should economic growth surprise to the upside, we would expect small-cap revisions to follow.





Data as of 7/9/2025. Source: Harbor Capital Advisors, FactSet.

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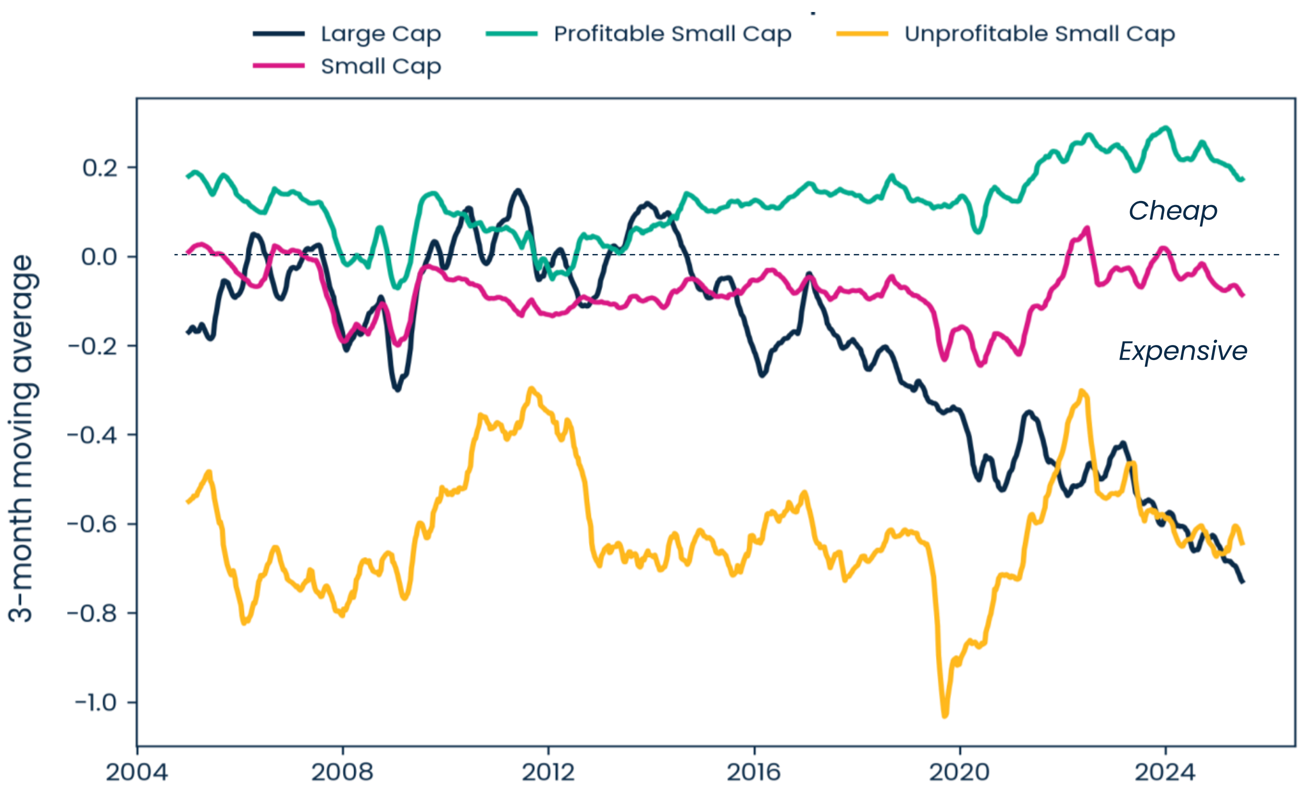
Deep Dive: U.S. Small Cap Equities

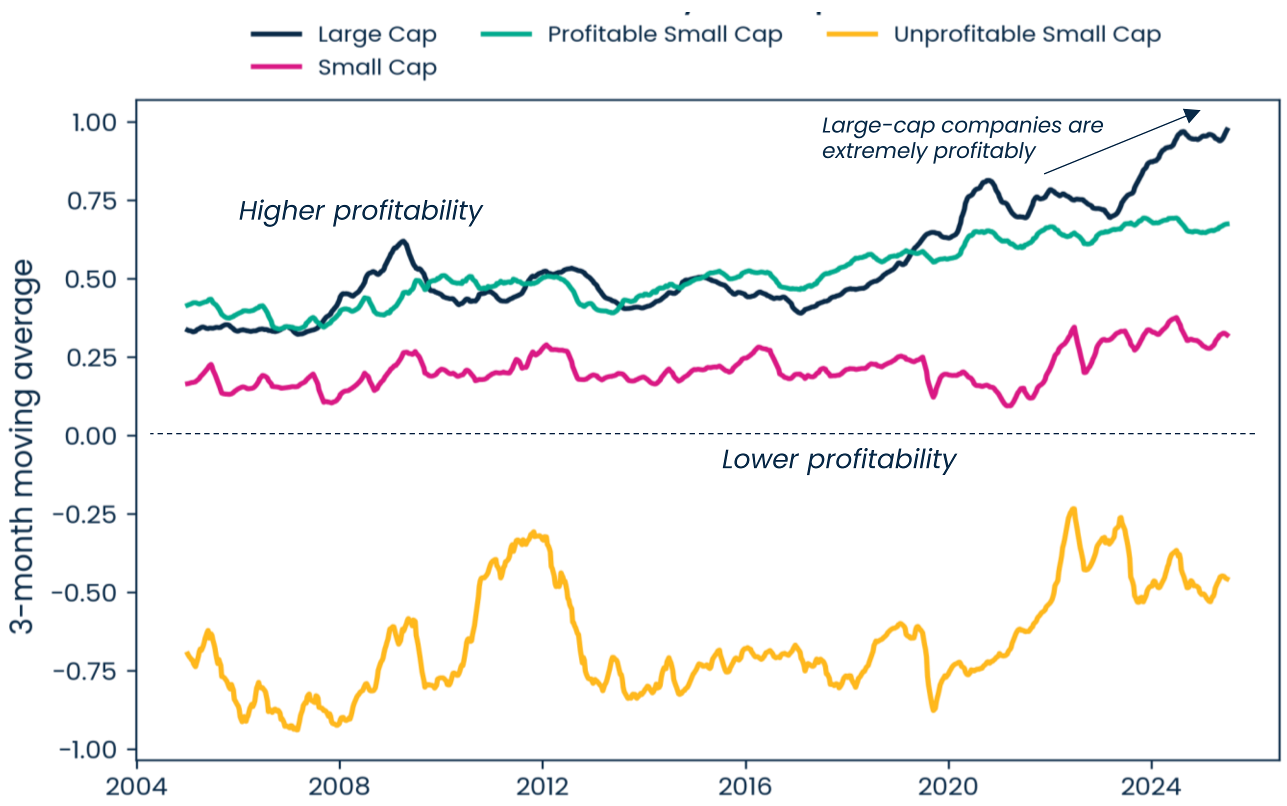
… however, an interesting case remains for higher quality small cap companies

- One way that we like to slice the U.S. universe is by segmenting small cap companies into those that are profitable and those that are unprofitable.
- The reason for this is that a significant portion of the universe is historically unprofitable – nearly 40%. Slicing out the profitable part of the universe allows for a better comparison relative to large-caps, in our view, as fundamentals are not diluted by lower quality small-cap companies.
- As you can see below, small-cap in aggregate looks attractive across our composite of valuation measures; however, the MOST attractive part of the market is those companies that are profitable.

Valuation Composite



Profitability Composite



Data as of 6/30/2025. Source: Harbor Capital Advisors, FactSet. We define unprofitable as companies that meet the following profitability criteria: 1) median trailing 12-month operating margin over the prior 12 quarters greater than or equal to 1% and 2) aggregate operating margin over the prior 12 quarters greater than or equal to 1%.

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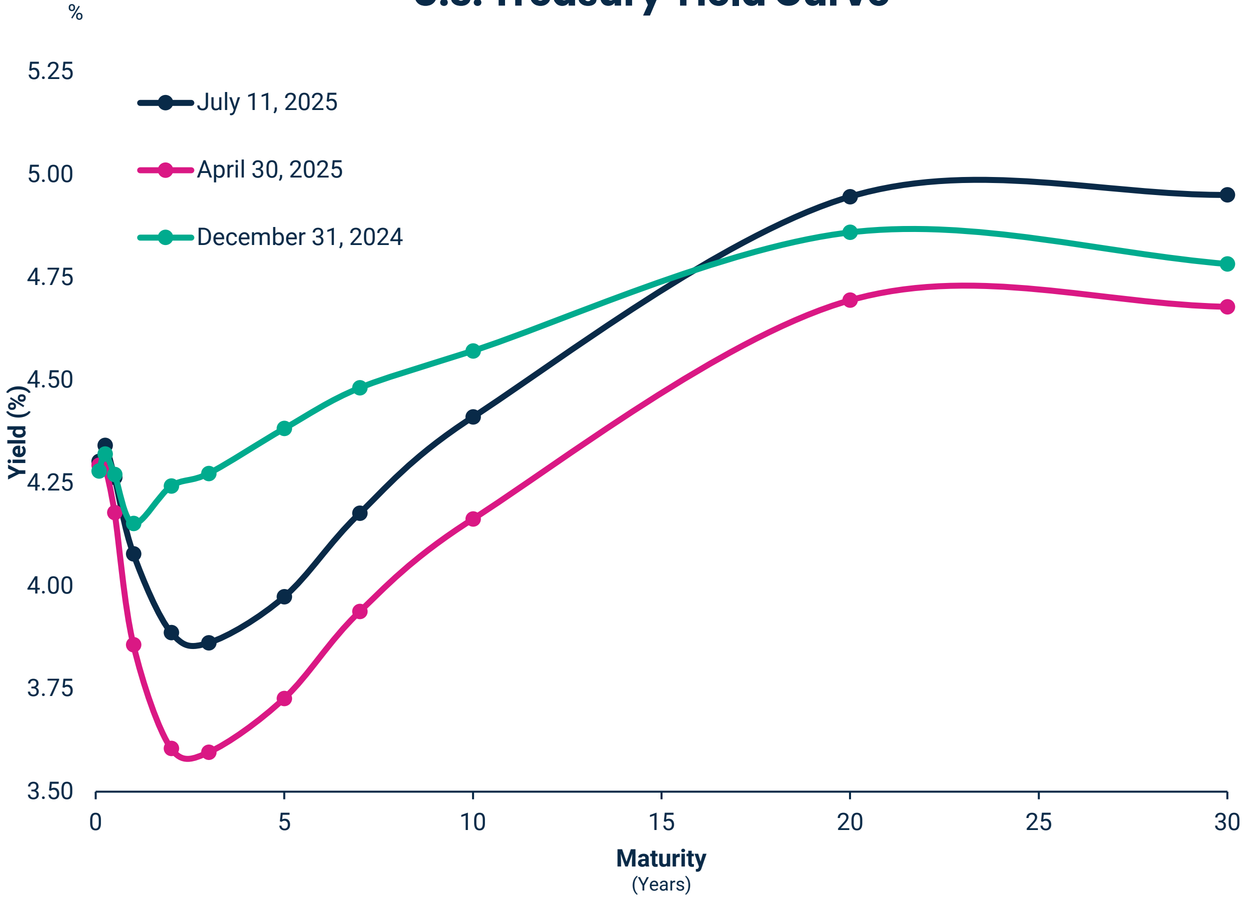
FIXED INCOME

Harbor

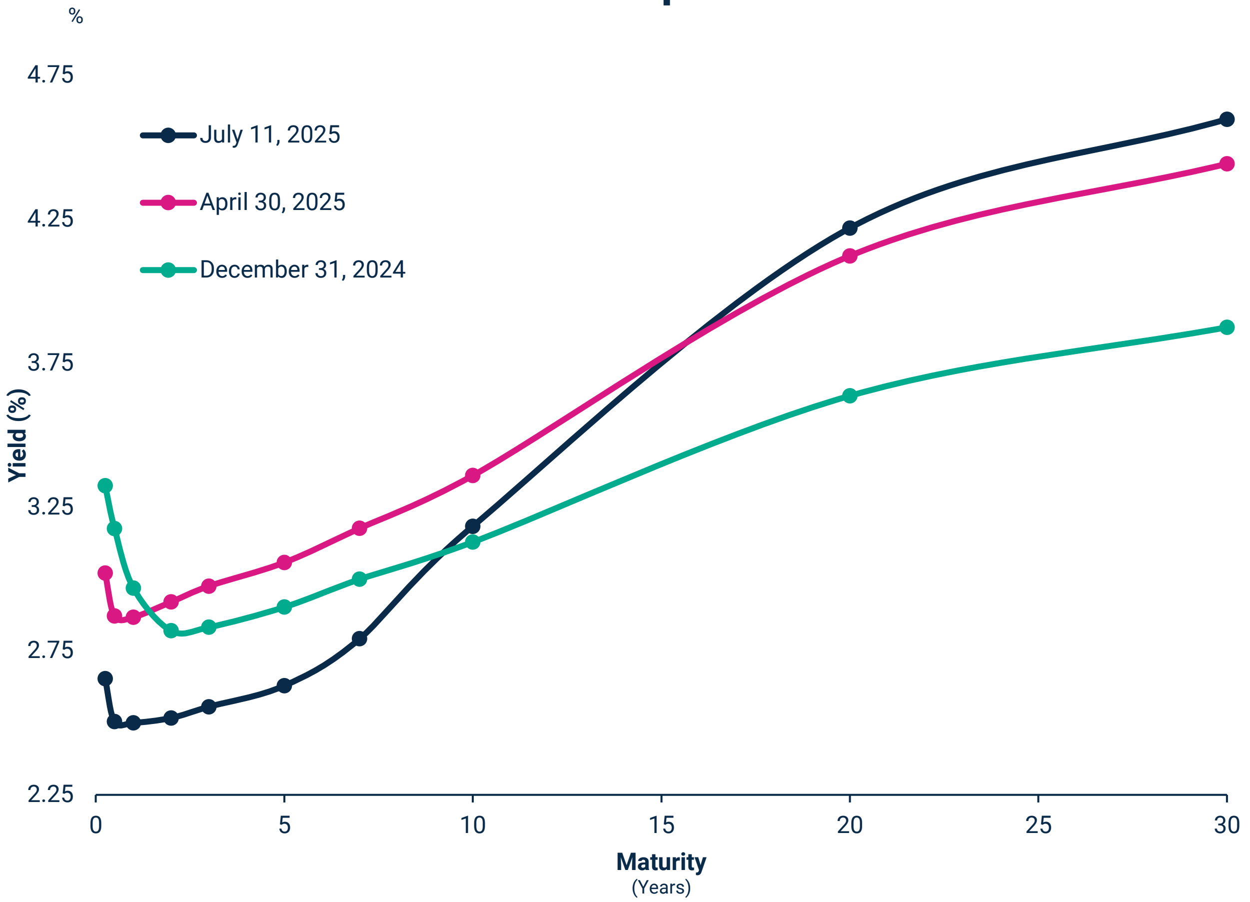
U.S. Yield Curves

U.S. Treasury Yield Curve



Nominal Yield	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	20 Year	30 Year
July 11, 2025	4.30	4.34	4.26	4.08	3.89	3.86	3.97	4.18	4.41	4.95	4.95
April 30, 2025	4.29	4.29	4.18	3.86	3.61	3.60	3.73	3.94	4.16	4.70	4.68
December 31, 2024	4.28	4.32	4.27	4.15	4.24	4.27	4.38	4.48	4.57	4.86	4.78

U.S. Municipal Yield Curve



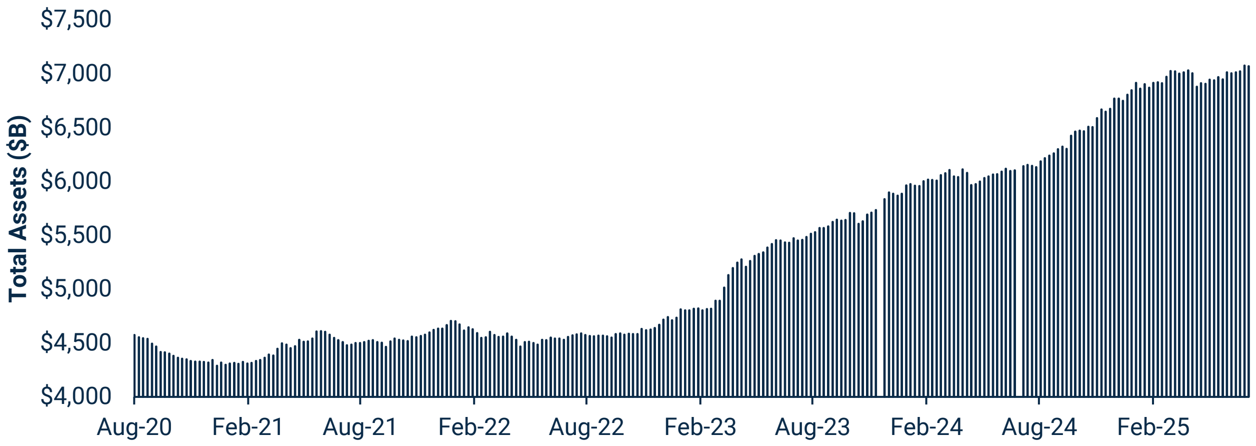
Nominal Yield	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	20 Year	30 Year
July 11, 2025	2.65	2.50	2.50	2.52	2.56	2.63	2.79	3.18	4.22	4.60
April 30, 2025	3.02	2.87	2.87	2.92	2.98	3.06	3.18	3.36	4.12	4.44
December 31, 2024	3.32	3.18	2.97	2.82	2.83	2.90	3.00	3.13	3.64	3.87

Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

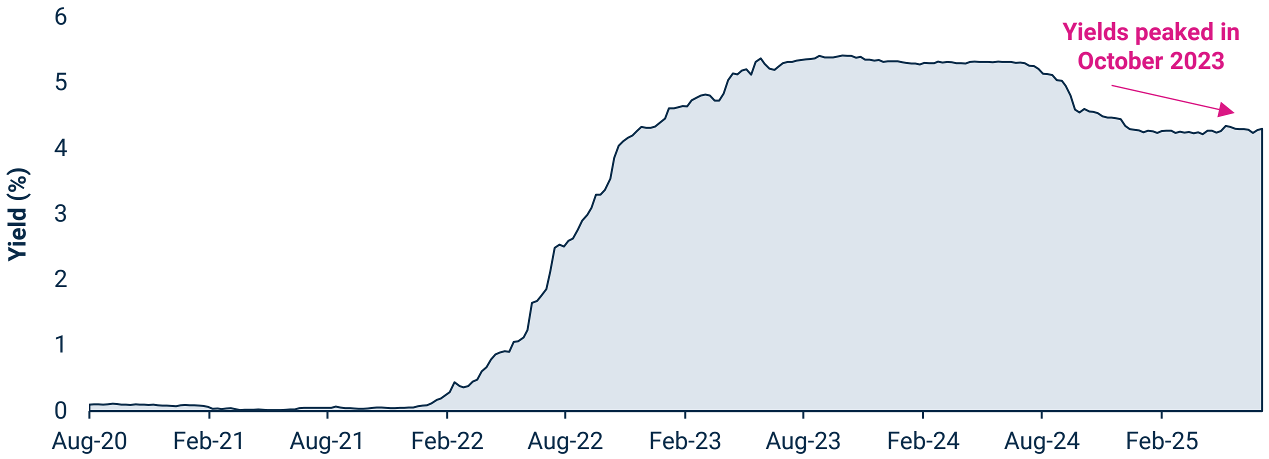
Records Amount of Cash on the Sidelines

Total money market fund assets sit near $7 trillion.

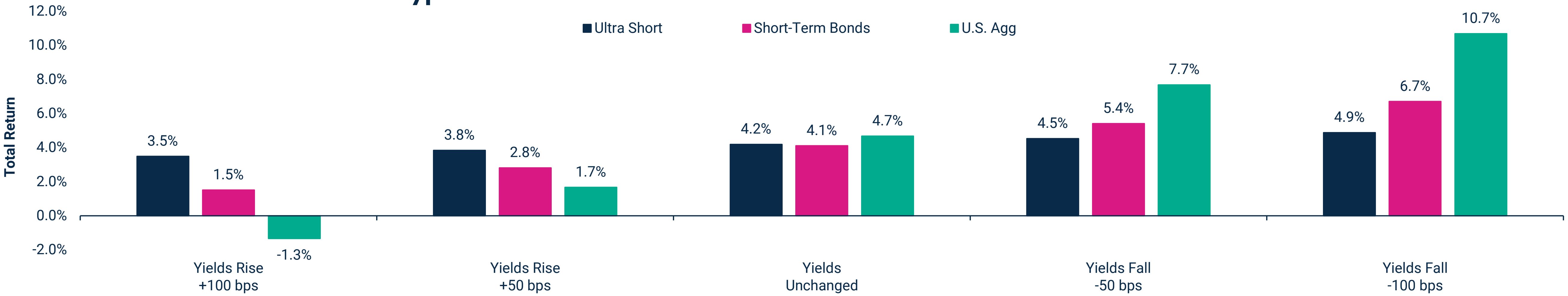
Total Assets in Money Market Funds



Money Market Yield



Hypothetical Fixed Income Returns in Different Interest Rate Scenarios

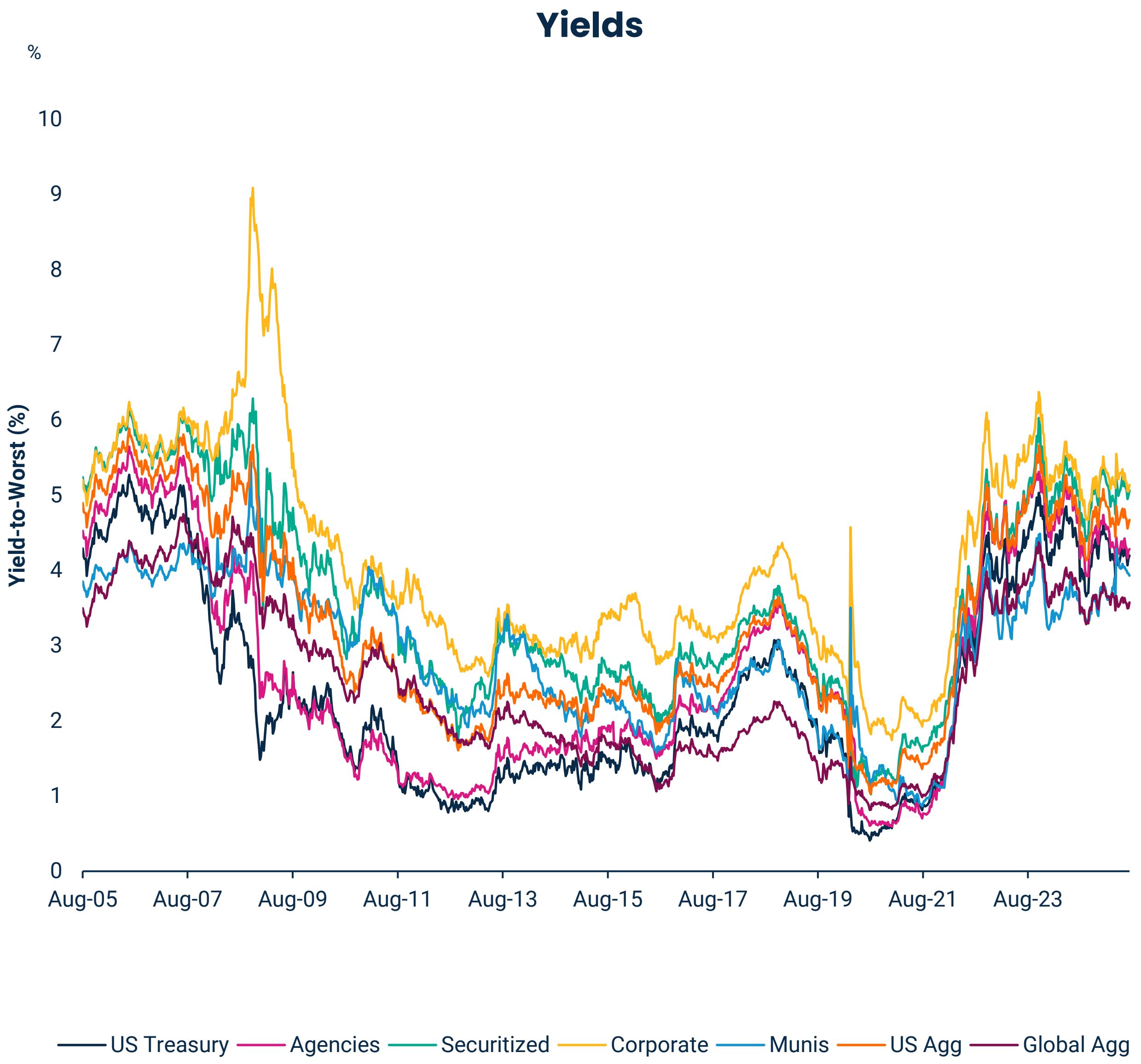


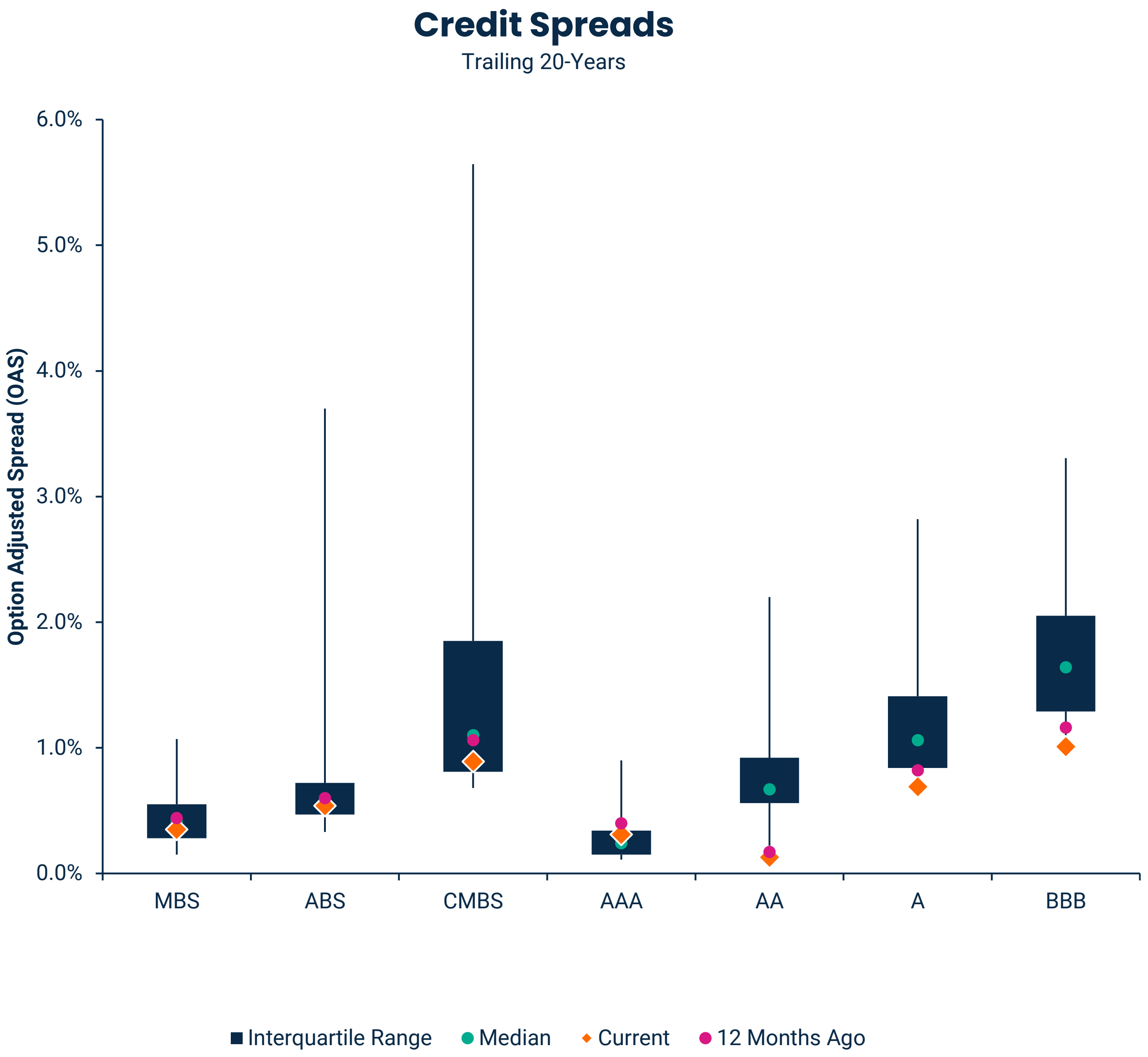
Hypothetical 12 month total returns. Assumes a parallel shift in the yield curve.

Data as of 07/11/2025. Source: Bloomberg.

Investment Grade Bonds

Despite significant noise in bond markets about tariff-related volatility, credit spreads have remained relatively tight across asset types and credit quality, suggesting bonds may be maintaining their safe-haven status.



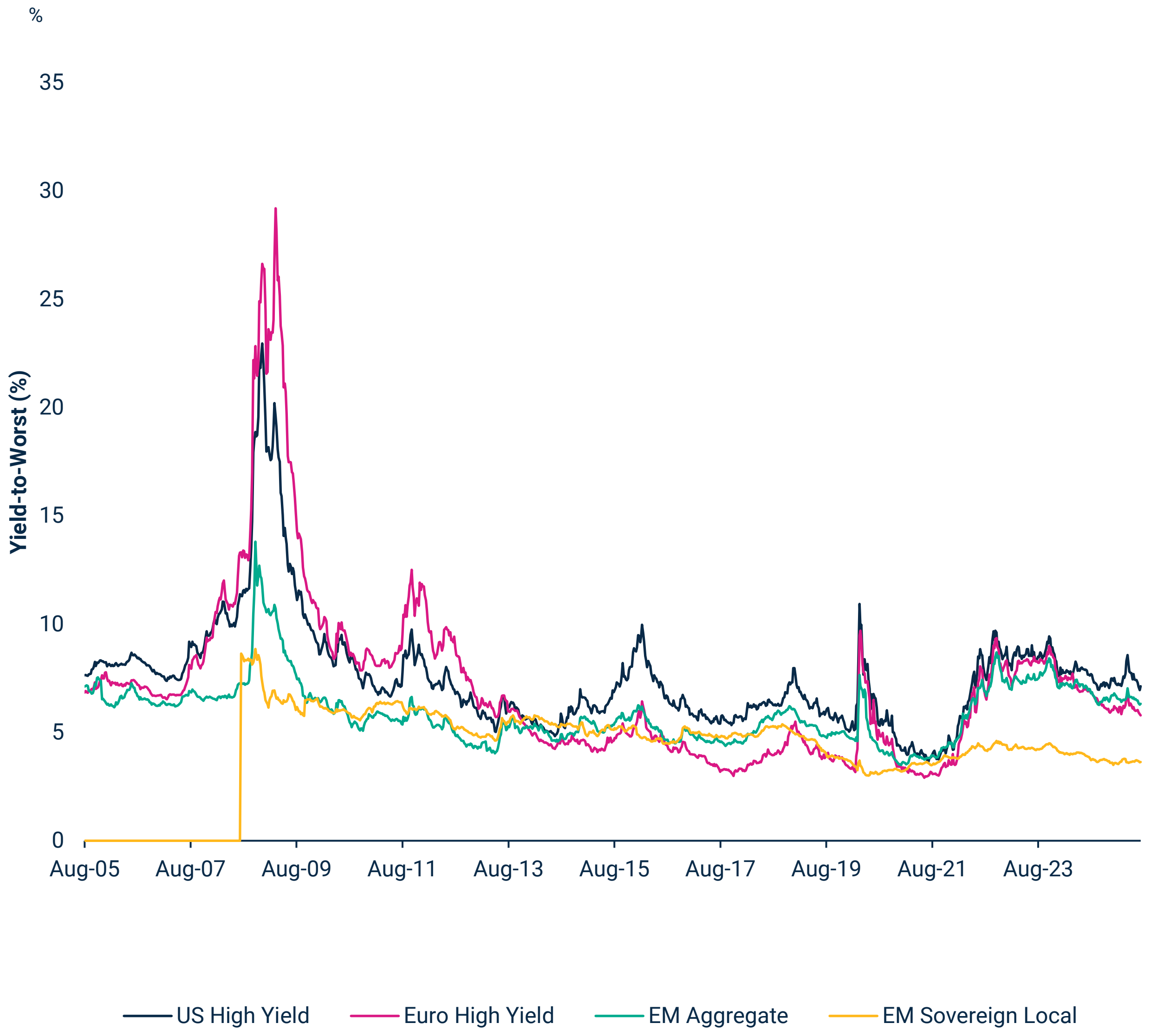


Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

High-Yield Bonds & Emerging Market Debt

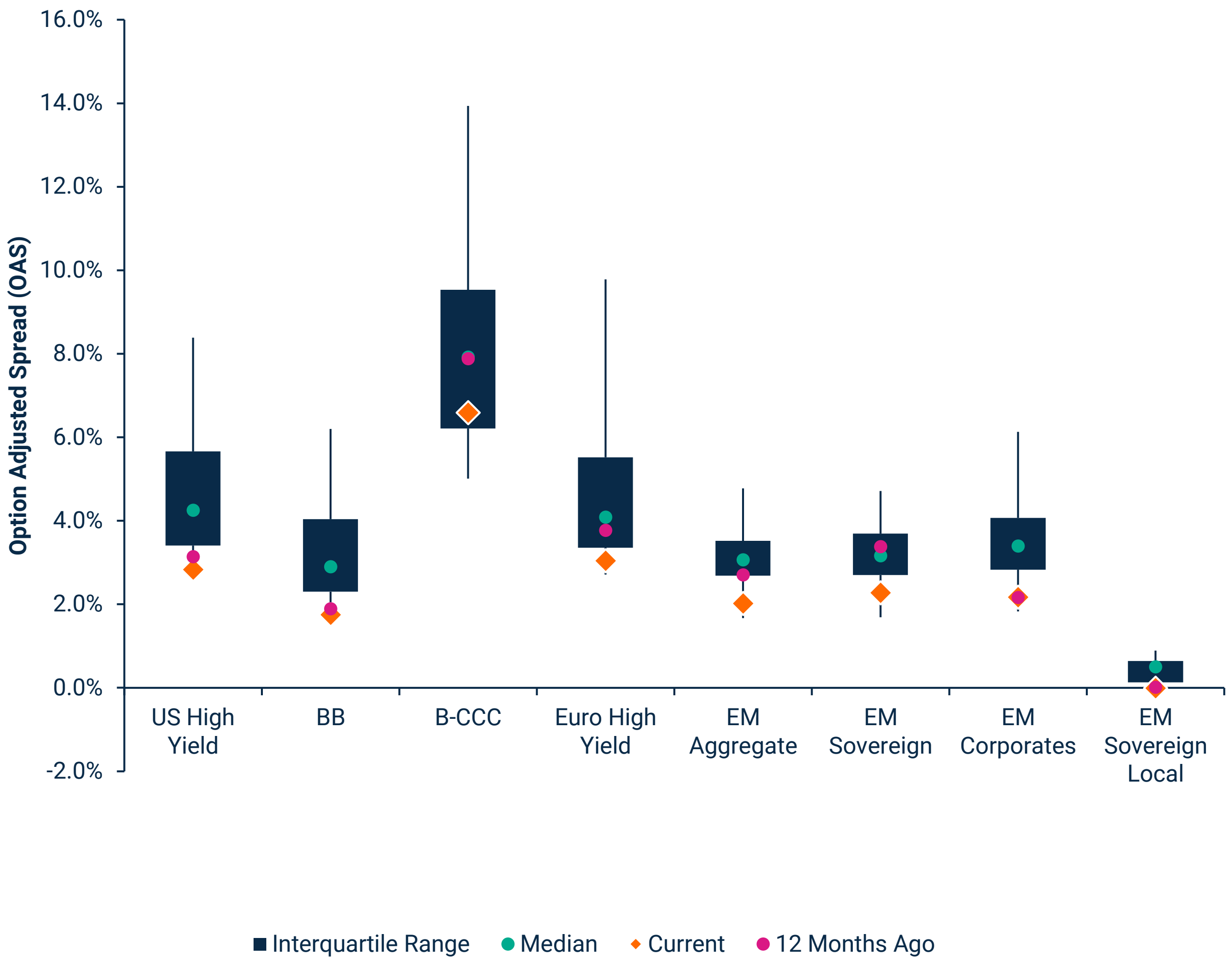
Yields have risen on many of the higher-yielding areas of the bond market, though credit spreads remain fairly range-bound and not suggestive of broad market turmoil.

Yields



Credit Spreads

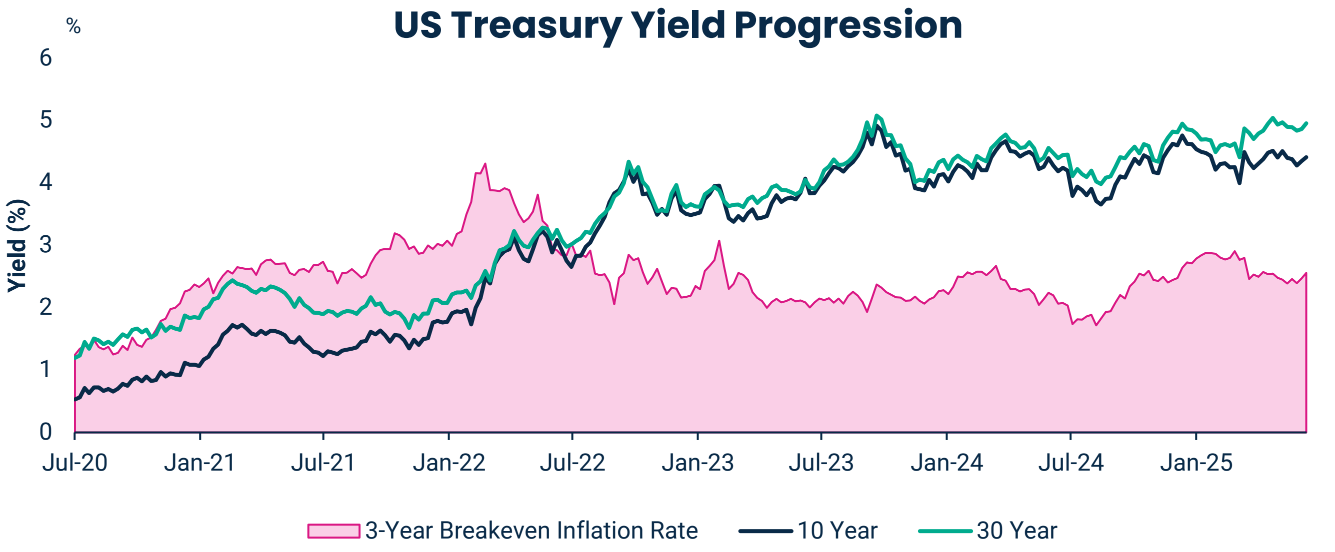
Trailing 20-Years

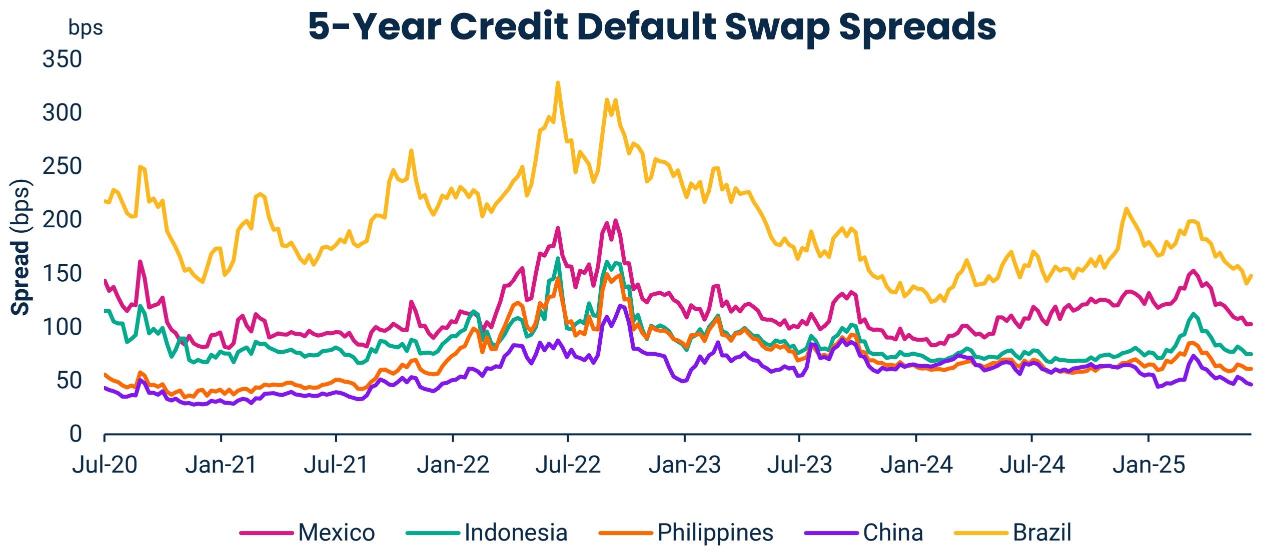


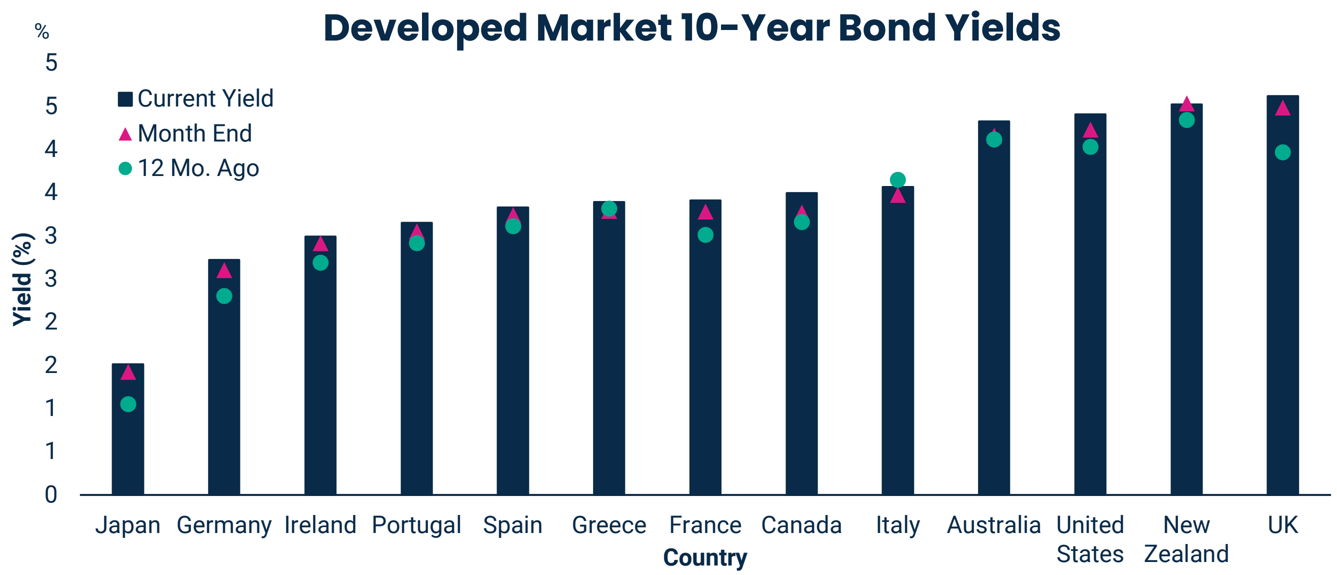
Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

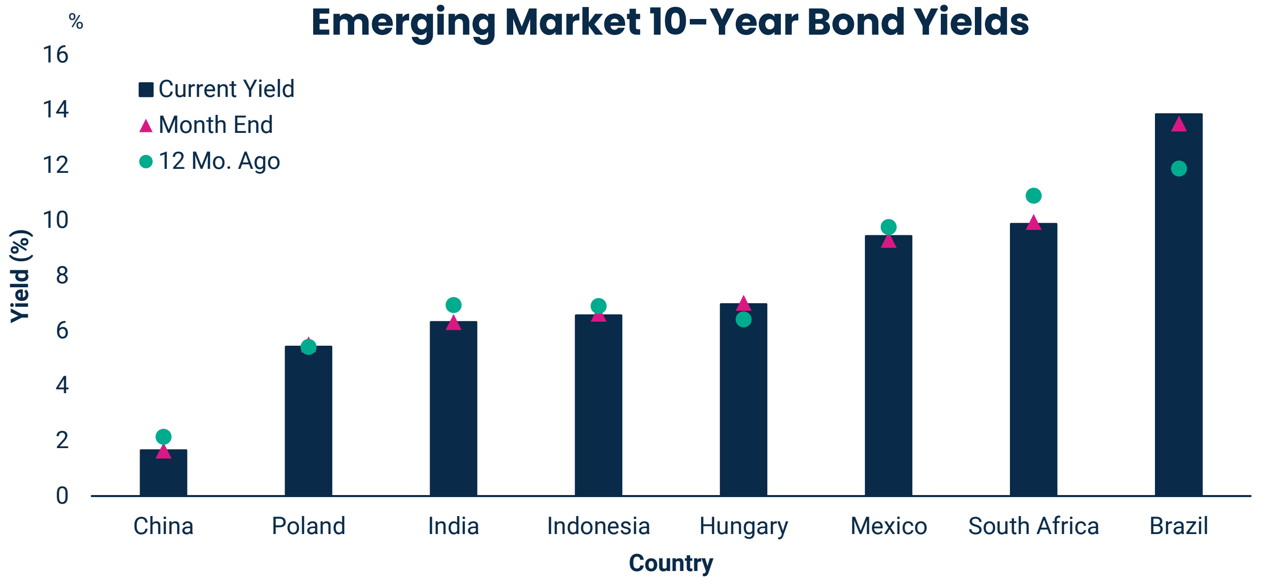
Government Bond Market

The recent rise in Treasury yields continues to be top of mind, while the CDS spread rise of impacted tariffed countries has been moderating.



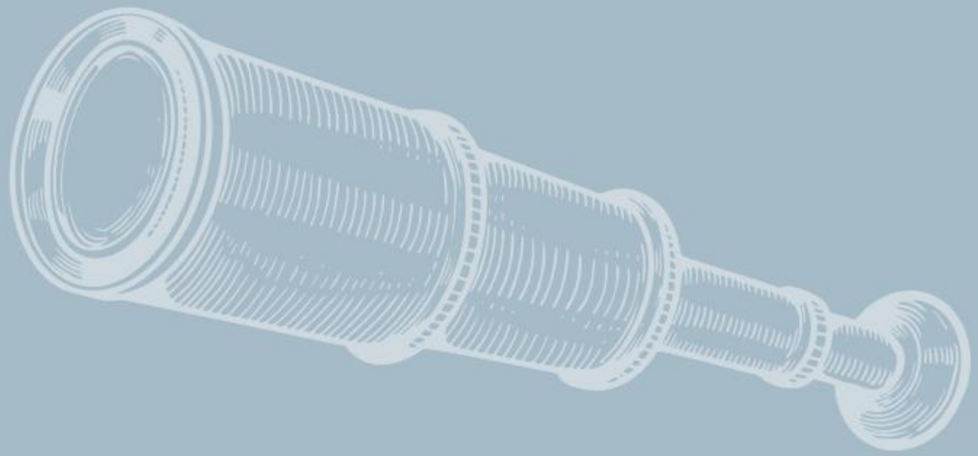






Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**
The credit default swaps are represented by each sovereign country for their respective 5YR contracts.

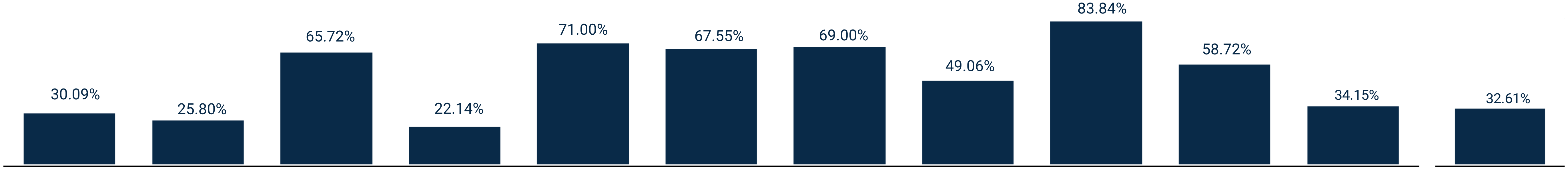
ALTERNATIVES



Commodity Performance Quilt

Underlying commodities exhibit high dispersion year-to-year.

Yearly Performance Dispersion

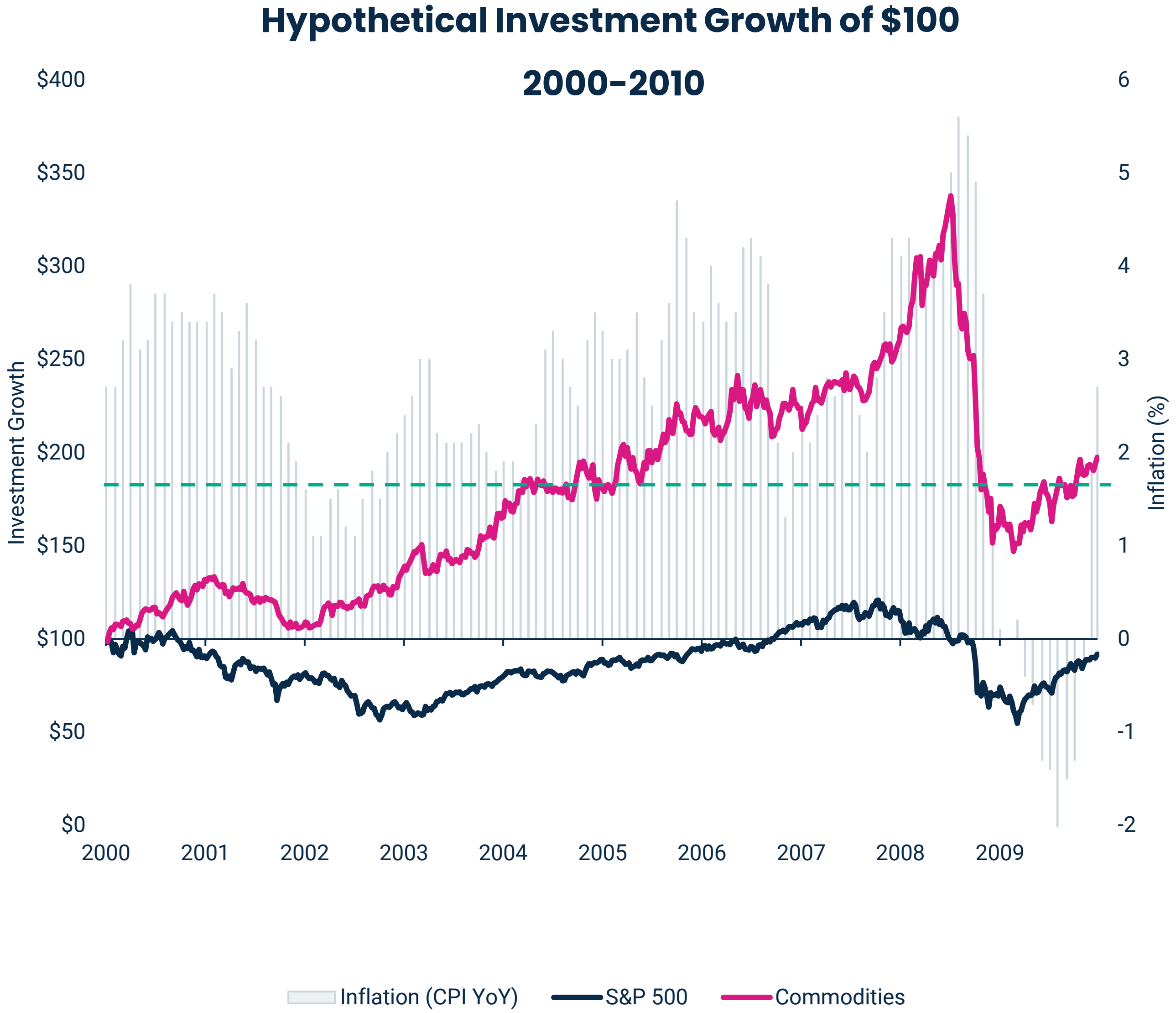


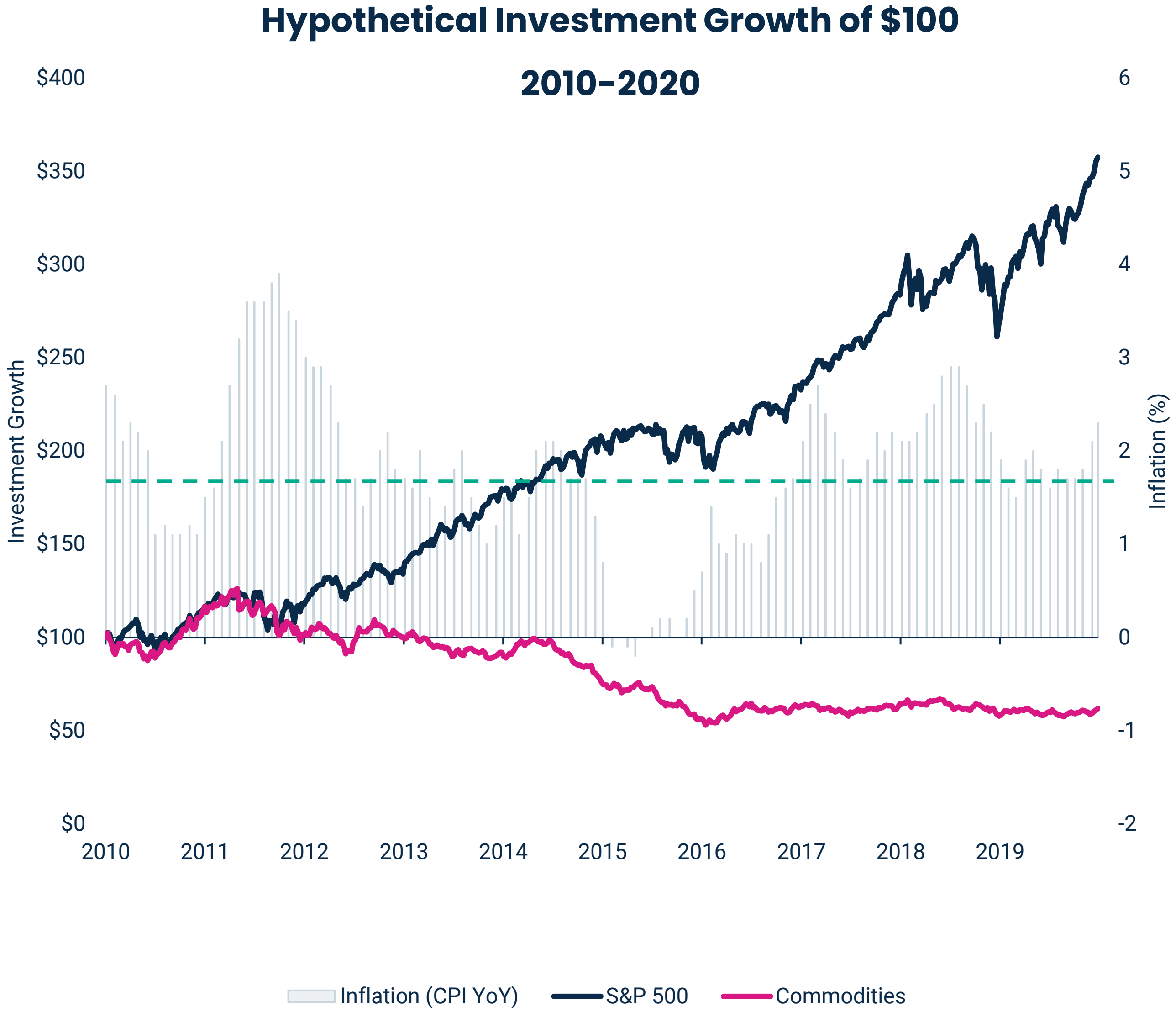
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 (YTD)	Annualized
Softs -9.85%	Industrial Metals 19.92%	Industrial Metals 29.35%	Natural Gas -0.12%	Petroleum 33.76%	Precious Metals 25.6%	Petroleum 62.89%	Petroleum 45.58%	Softs 18.53%	Softs 32.49%	Precious Metals 28.02%	Precious Metals 9.06%
Precious Metals -11.45%	Petroleum 17.2%	Precious Metals 10.94%	Livestock -1.71%	Precious Metals 17.02%	Grains 19.32%	Softs 43.97%	Natural Gas 19.44%	Precious Metals 9.64%	Precious Metals 25.26%	Livestock 15.46%	Industrial Metals 4.12%
Livestock -18.83%	Softs 13.16%	Petroleum 9.58%	Precious Metals -4.57%	Commodities (BCOM) 7.69%	Industrial Metals 16.33%	Industrial Metals 30.34%	Grains 18%	Petroleum -0.09%	Livestock 20.23%	Industrial Metals 12.52%	Softs 3.94%
Grains -19.42%	Commodities (BCOM) 11.77%	Livestock 6.36%	Grains -5.5%	Industrial Metals 6.98%	Softs 2.91%	Natural Gas 28.03%	Commodities (BCOM) 16.09%	Livestock -1.92%	Petroleum 9.35%	Commodities (BCOM) 7.54%	Petroleum 2.88%
Commodities (BCOM) -24.66%	Natural Gas 10.33%	Commodities (BCOM) 1.7%	Commodities (BCOM) -11.25%	Softs 4.26%	Commodities (BCOM) -3.12%	Commodities (BCOM) 27.11%	Livestock 7.44%	Commodities (BCOM) -7.91%	Commodities (BCOM) 5.38%	Petroleum 3.74%	Commodities (BCOM) 1.91%
Industrial Metals -26.88%	Precious Metals 9.5%	Grains -11.31%	Petroleum -19.22%	Grains -1.12%	Livestock -23.42%	Grains 20.95%	Precious Metals 0.12%	Industrial Metals -9.15%	Industrial Metals 3.54%	Natural Gas -1.73%	Livestock -0.83%
Petroleum -39.42%	Livestock -5.63%	Softs -14.8%	Industrial Metals -19.48%	Livestock -5.99%	Petroleum -40.3%	Livestock 8.62%	Industrial Metals -2.4%	Grains -13.01%	Grains -15.68%	Softs -5.03%	Grains -2.85%
Natural Gas -39.94%	Grains -5.88%	Natural Gas -36.37%	Softs -22.26%	Natural Gas -37.24%	Natural Gas -41.95%	Precious Metals -6.11%	Softs -3.48%	Natural Gas -65.31%	Natural Gas -26.23%	Grains -6.13%	Natural Gas -23.55%

Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

A Tale of Two Decades

High inflation has historically stoked commodity performance.





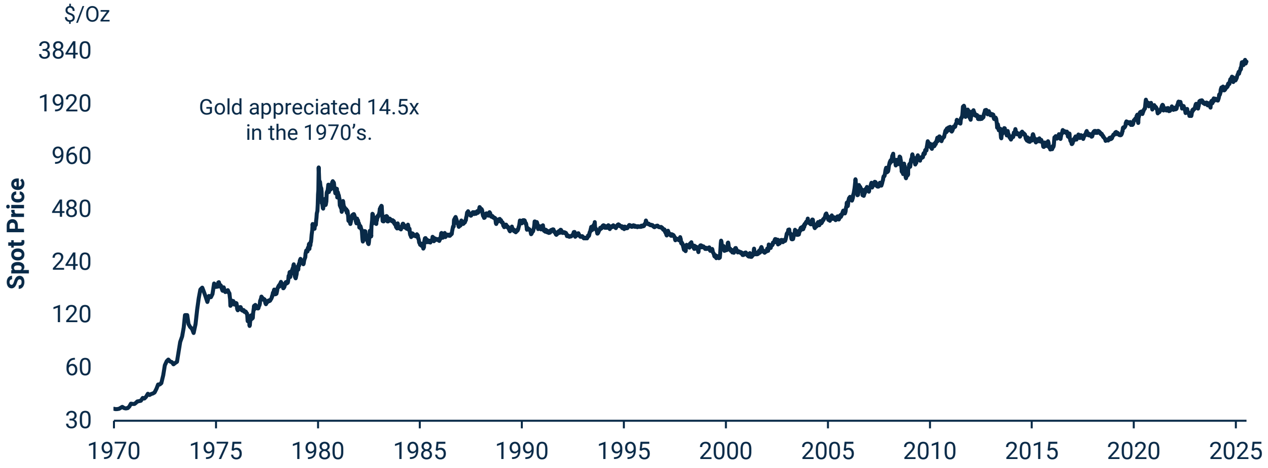
Data as of 07/11/2025. Source: Bloomberg. **Hypothetical for illustrative purposes only.**

Commodities = Bloomberg Commodity Index TR. S&P 500 = S&P 500 TR. Inflation (CPI YoY) = US CPI Urban Consumers YoY. The Hypothetical growth chart assumes an initial investment of $100 and the reinvestment of all dividends and interest over the period shown. The growth depicted does not represent the performance of any specific investment or portfolio and does not account for taxes, fees, or other expenses that may reduce returns. **Past performance is not indicative of future results.** Actual investment results will vary.

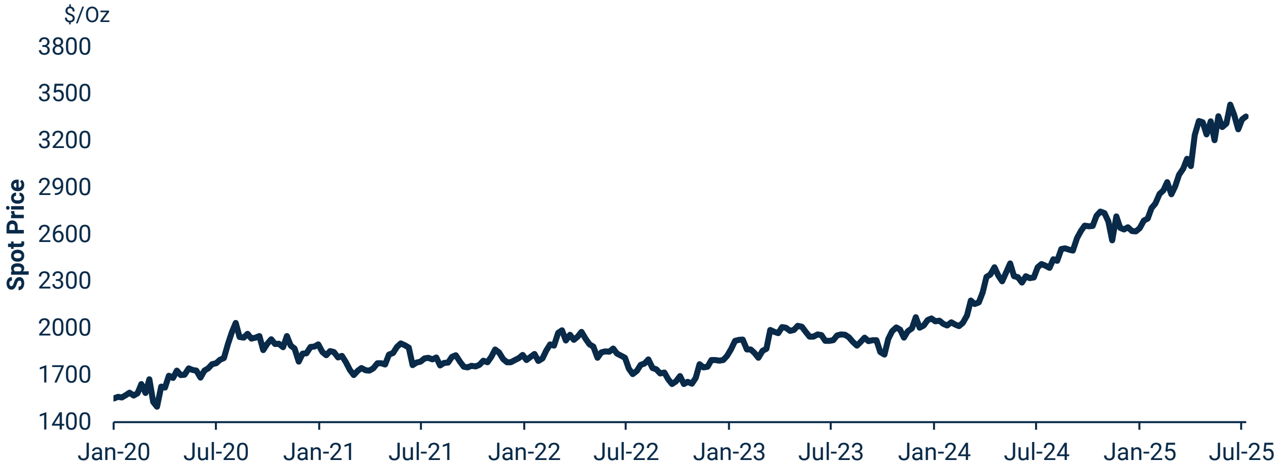
Gold Appears to Have No Borders

Risk-free rate concerns powering gold's rise.

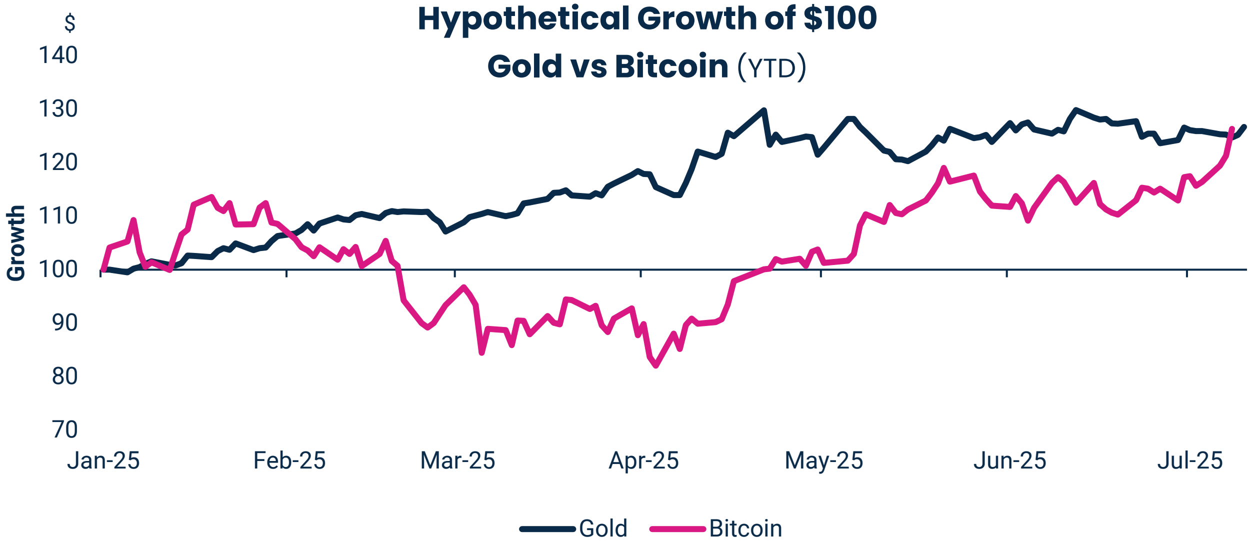
Spot Gold since 1970 – Log Scale



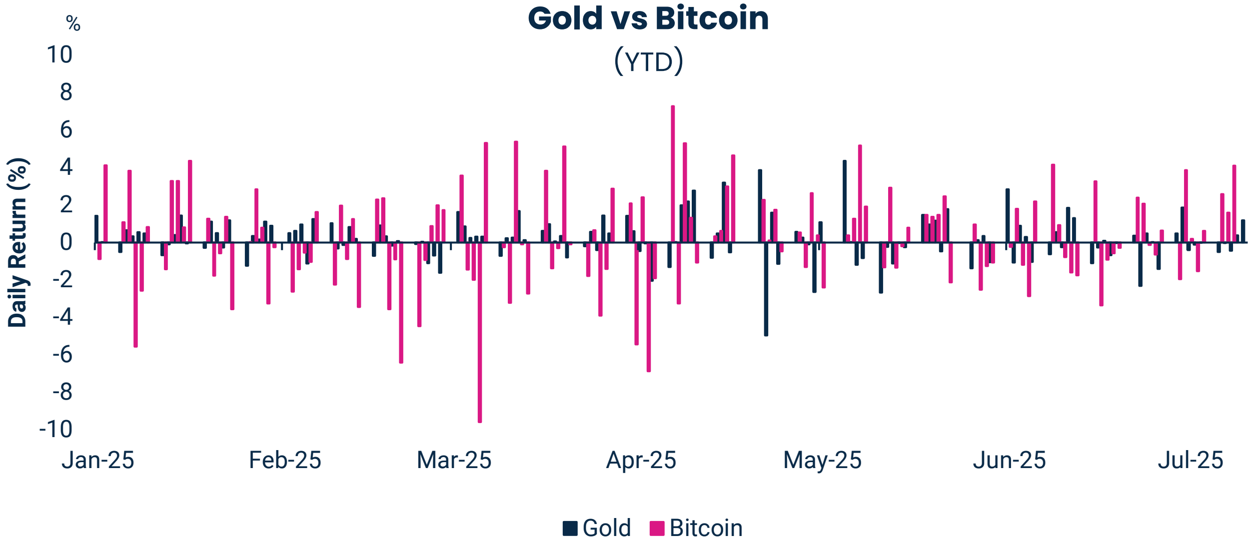
Spot Gold since 2020



Gold appears to be proving a better diversifier YTD.



Daily fluctuations – the journey matters.

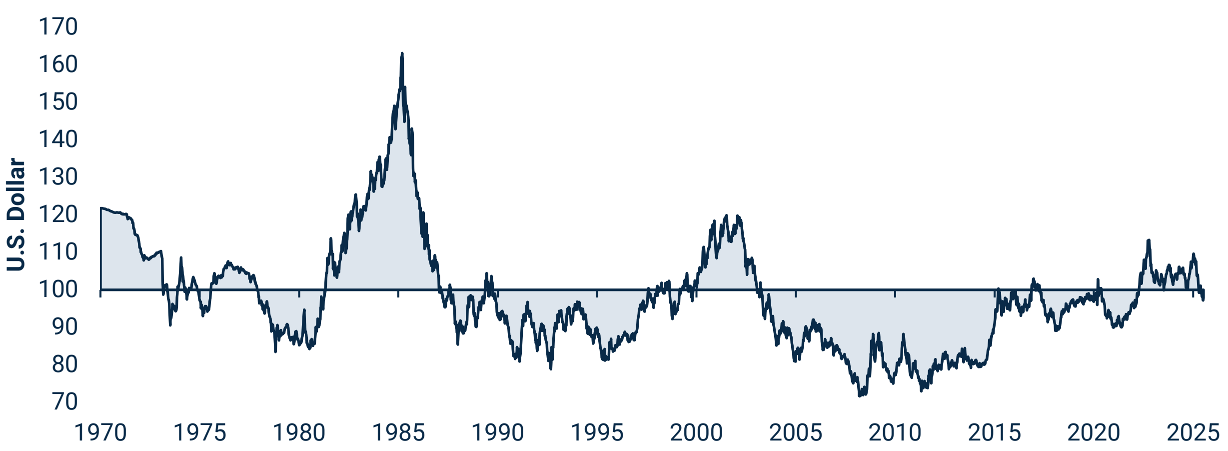


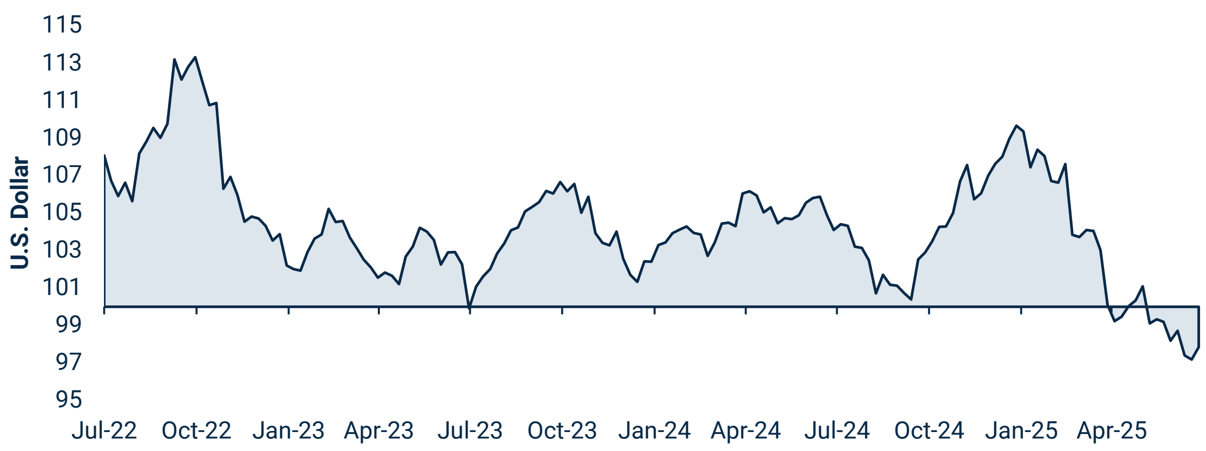
Data as of 07/11/2025. Source: Bloomberg. Spot Gold = Spot Gold Exchange Rate [XAU Currency]. Gold = LBMA Gold Price (PM) - (Total Return index). Bitcoin = Bloomberg Bitcoin Index (Total Return index)

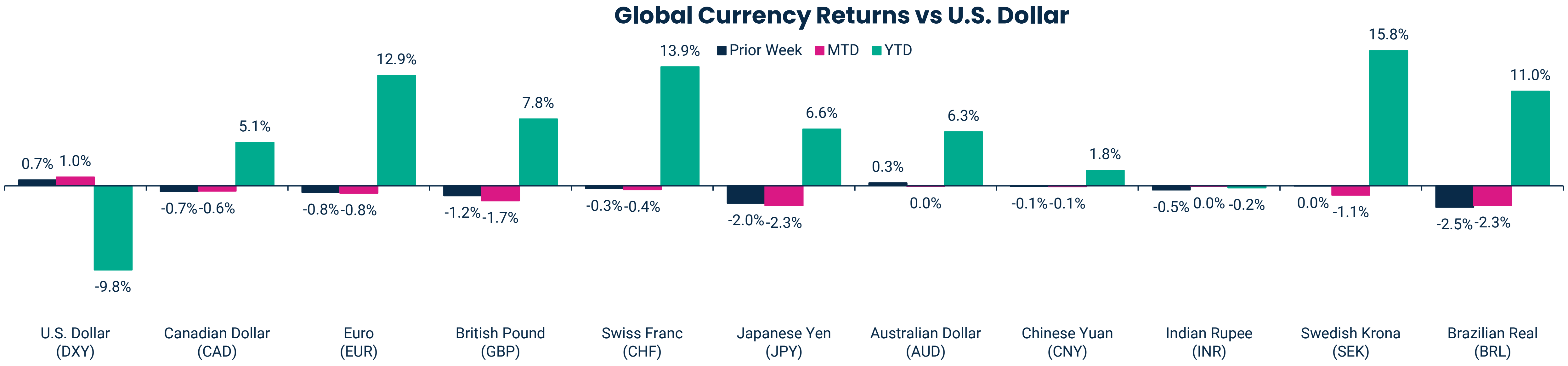
Hypothetical for illustrative purposes only. Performance data shown represents past performance and is no guarantee of future results. The Hypothetical growth chart assumes an initial investment of $100 and the reinvestment of all dividends and interest over the period shown. The growth depicted does not represent the performance of any specific investment or portfolio and does not account for taxes, fees, or other expenses that may reduce returns. **Past performance is not indicative of future results.** Actual investment results will vary.

Global Currencies

Have we passed peak dollar dominance?





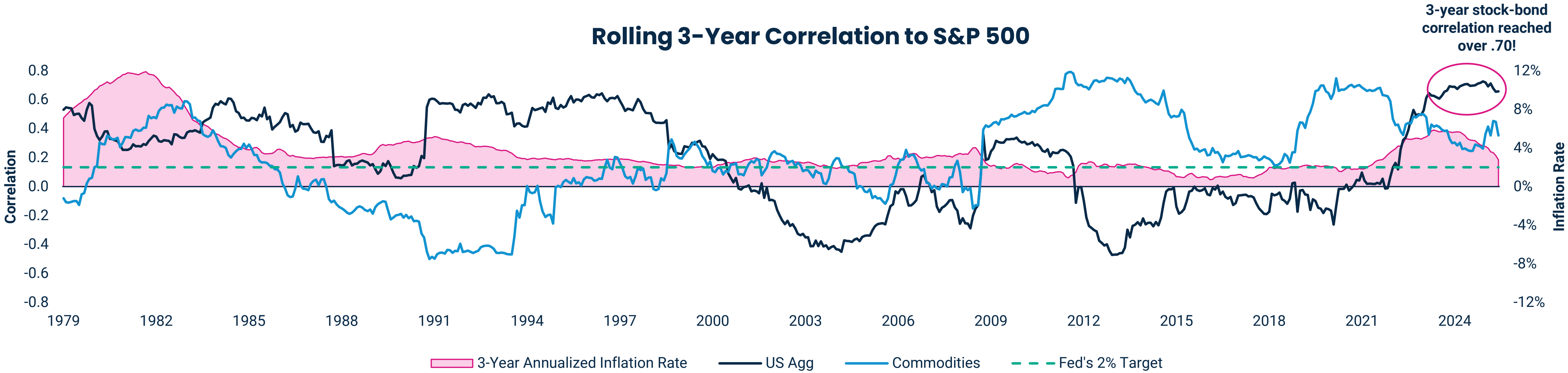


PORTFOLIO CONSTRUCTION CONSIDERATIONS

Stock-Bond Correlation

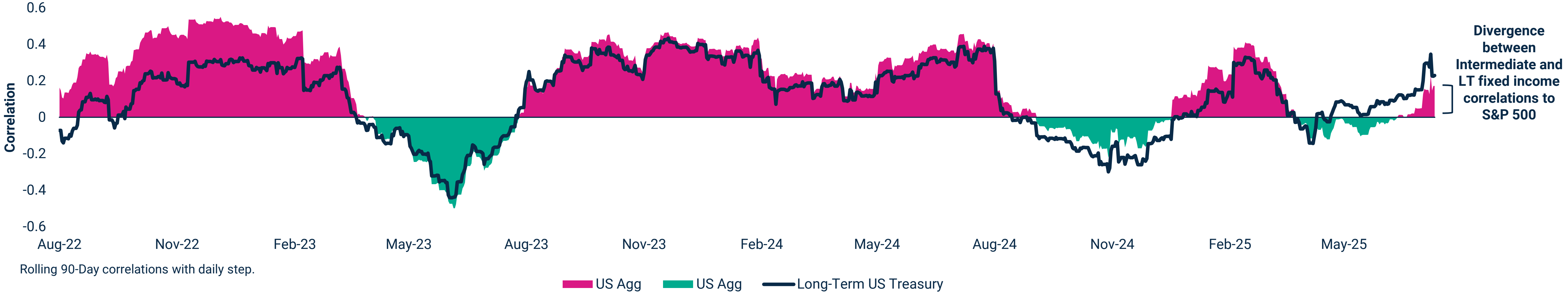
Investors may no longer be able to rely on low correlations between stocks and bonds.

Rolling 3-Year Correlation to S&P 500



Rolling 3-Year correlations with monthly step.

Rolling 90-Day Correlation to S&P 500



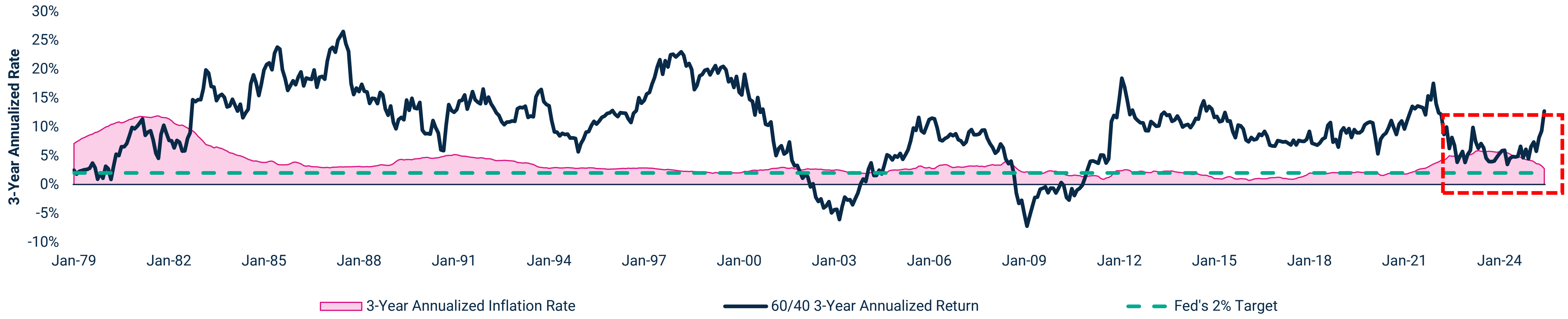
Rolling 90-Day correlations with daily step.

Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

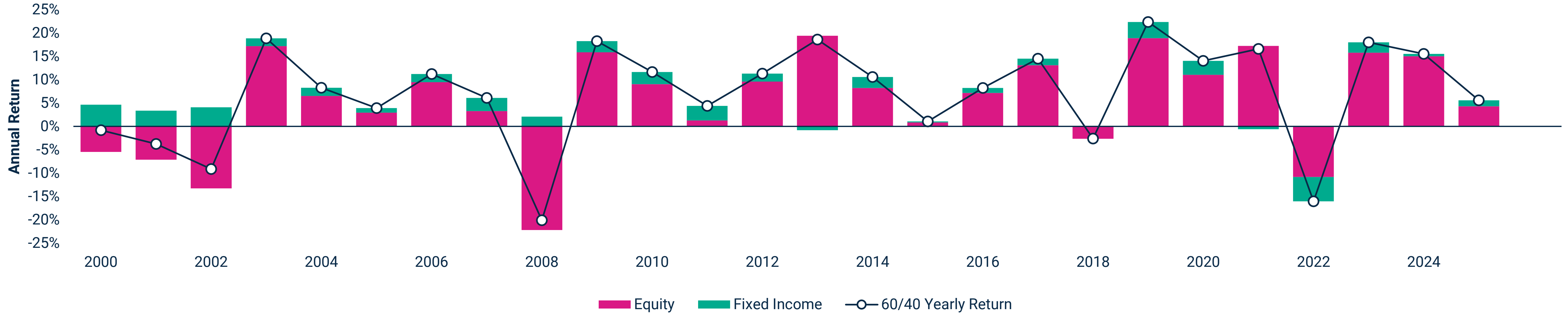
60/40 Portfolio

The nominal returns of a 60/40 have struggled to keep up with inflation in recent years.

3-Year Annualized Inflation & 60/40 Portfolio Return



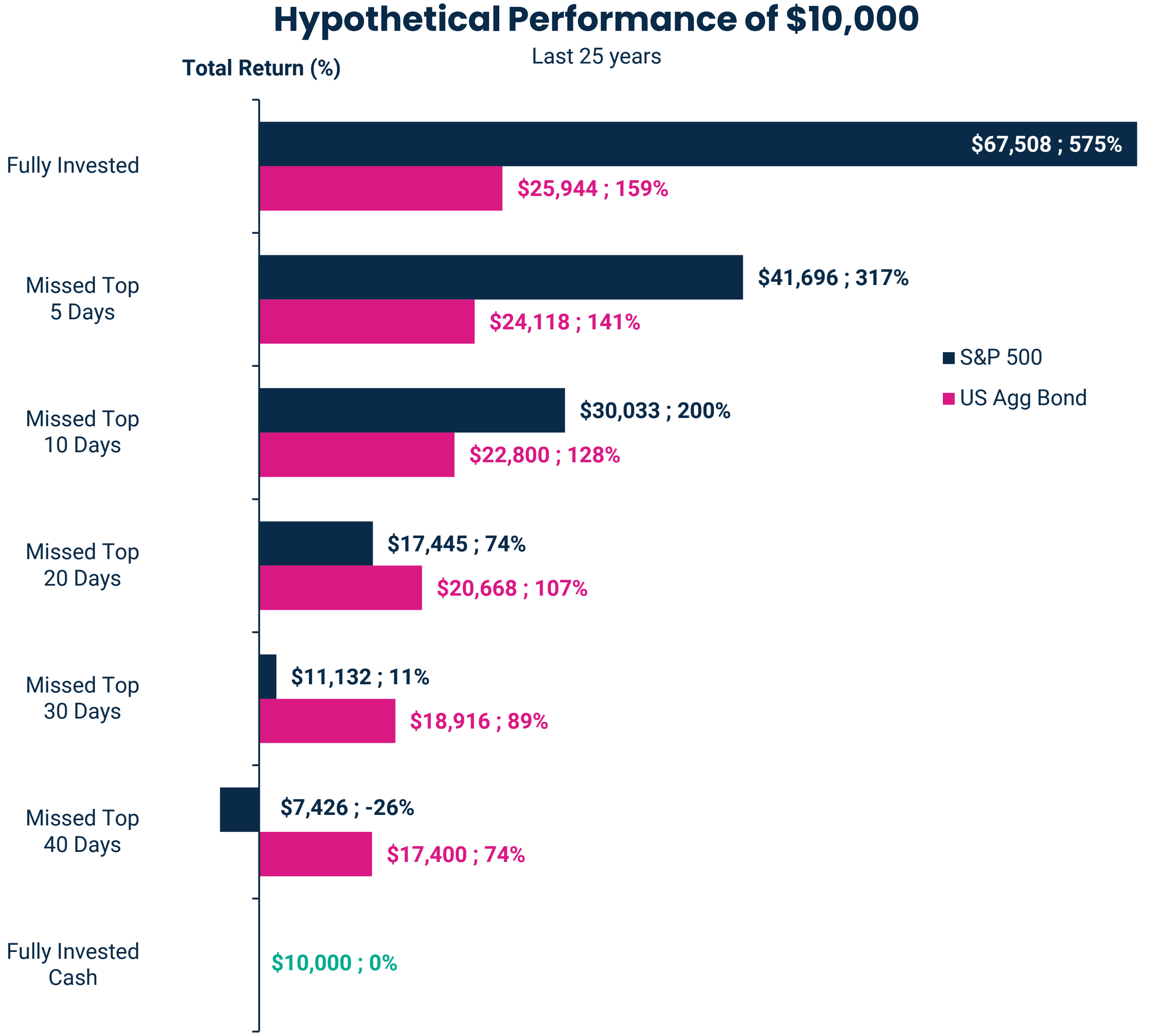
60/40 Annual Return Decomposition

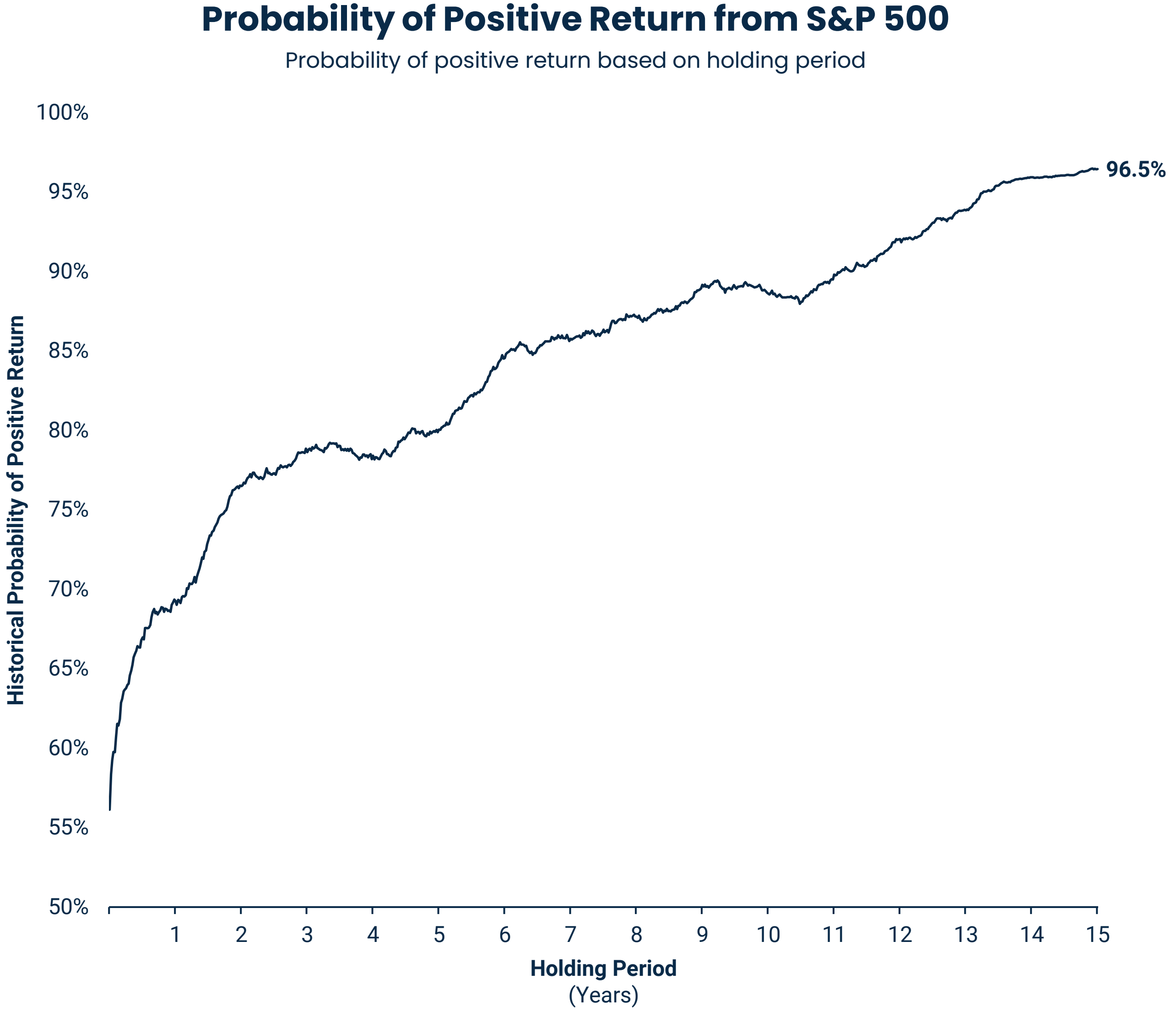


Data as of 07/11/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** 60/40 portfolio represents: 60% S&P 500 and 40% Bloomberg US Agg Bond TR Index.

Time in the Market

In our view, being invested in the markets is like owning the casino, being out of the markets is like betting against the house.





S&P 500 represented by the S&P 500 PR Index. Returns based on weekly returns since inception.

Data as of 07/11/2025. Source: Bloomberg. **Hypothetical for illustrative purposes only. Performance data shown represents past performance and is no guarantee of future results.** The Hypothetical growth chart assumes an initial investment of $10,000 and the reinvestment of all dividends and interest over the period shown. The growth depicted does not represent the performance of any specific investment or portfolio and does not account for taxes, fees, or other expenses that may reduce returns. **Past performance is not indicative of future results.** Actual investment results will vary.

LET'S TALK

Portfolio Construction Services For Institutional Investors

Real outcomes start with a conversation—about your clients, your business, and where you want to go.
From there, we'll work with you to shape a strategy customized for your needs.

Asset Allocation Model Reviews	Portfolio Construction Analyses	Blended & Direct Product Comparisons
• We'll evaluate your asset allocation models' design, risk profile, and exposures • We'll identify opportunities for refining your solution given your constraints/preferences and our market outlook	• We'll examine asset class exposures, with attention toward fees, style consistency, and common risks • We'll identify opportunities for refining your solution given your constraints/preferences and our market outlook	• We'll identify opportunities to combine, or even substitute, products that have the potential to provide attractive risk-adjusted experiences or complement desired exposures in your portfolio

Portfolio construction services are offered by Harbor Capital Advisors, Inc. and are subject to the terms of a contractual agreement between Harbor Capital Advisors and the client.

Your Investment Support Team

KRISTOF GLEICH, CFA
President, CIO

> **Advisors should expect more from their asset manager partners. How can we help you achieve your goals?**

Kristof joined Harbor in 2018, overseeing the Investment, Distribution, and Executive Office functions, while supporting the firm's strategic growth. Prior to Harbor, he was a managing director and global head of manager selection at JP Morgan Chase & Co.

in/kristof-gleich/

SPENSER LERNER, CFA
Head of Multi-Asset Solutions

> **Understanding how the business cycle influences portfolio construction can be a distinct competitive advantage that we want advisors to harness for themselves and their clients. Are you ready?**

Spenser leads our Multi-Asset Solutions Team. Prior to that, he led Systematic Manager Research and conducted Multi-Asset Investment Research and Quantitative Investment Research in the Private Bank at JP Morgan Asset Management.

Let's Talk

Timely insights + real support — everything you need to turn market noise into meaningful conversations.

info@harborcapital.com

Harbor

As of 3/31/25

"Harbor's seasoned researchers look to provide early access to what they consider promising investors and to partner with these boutiques to provide vehicle-agnostic distribution."

- Chris Tate, Morningstar, Above Average Parent Rating (June 2024)

$58.79B
Assets Under Management

20 ETFs

50+ Years
As an industry leader in manager research

16 Mutual Funds

35+ Years
Since we launched our first fund

2 CITs

Important Information - Indices

Fixed Income Indices

US Treasury	Bloomberg US Treasury Total Return Unhedged USD
Agencies	Bloomberg US Agencies Total Return Unhedged USD
Securitized	Bloomberg U.S. Securitized: MBS/ABS/CMBS and Covered TR Index Value Unh
Corporate	Bloomberg US Corporate Total Return Value Unhedged USD
Munis (US Muni)	Bloomberg Municipal Bond Index Total Return Index Value Unhedged USD
US Agg	Bloomberg US Agg Total Return Value Unhedged USD
Global Agg	Bloomberg Global-Aggregate Total Return Index Value Unhedged USD
MBS	Bloomberg US MBS Index Total Return Value Unhedged USD
ABS	Bloomberg US Agg ABS Total Return Value Unhedged USD
CMBS	Bloomberg CMBS Investment Grade Total Return Index Value Unhedged USD
AAA	Bloomberg US Agg Aaa Total Return Value Unhedged USD
AA	Bloomberg US Agg Aa Total Return Value Unhedged USD
A	Bloomberg US Agg A Total Return Value Unhedged USD
BBB	Bloomberg US Agg Baa Total Return Value Unhedged USD
Global IG (Corporate)	Bloomberg Global Aggregate Corporate Total Return Index Hedged USD
Global Treasury ex US	Bloomberg Global Treasury ex-U.S. Capped TR Index Value Unhedged USD
Global High Yield	Bloomberg Global High Yield Total Return Index Value Hedged USD
Cash	Bloomberg Fed Funds Total Return Index
Long-Term US Treasury	Bloomberg Long-Term U.S. Treasury Total Return
US High Yield	Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD
BB	Bloomberg Ba US High Yield TR Index Value Unhedged USD
B-CCC	Bloomberg US Corporate B - Ca Capped Index TR Index Unhedged USD
Euro High Yield	Bloomberg Pan-European High Yield Total Return Index Value Unhedged USD
EM Aggregate (EM Debt)	Bloomberg EM USD Aggregate Total Return Index Value Unhedged
EM Sovereign	Bloomberg Emerging Markets Sovereign TR Index Value Unhedged USD
EM Corporates	Bloomberg: EM USD Aggregate: Corporate
EM Sovereign Local	Bloomberg EM Local Currency Government TR Index Unhedged USD

Equity Indices

Global Equity	MSCI ACWI Net Total Return USD Index
US Large Caps / US Equity	S&P 500 Total Return Index
US Large Value	S&P 500 Value
US Large Growth	S&P 500 Growth
US Small Caps	Russell 2000 Total Return Index
International Developed (Equity)	MSCI EAFE Net Total Return USD Index
Emerging Markets (EM Equity)	MSCI Emerging Markets Net Total Return USD Index
Commodities	Bloomberg Commodity Index Total Return
Gold	LBMA Gold Price PM USD
Oil	Generic 1st Crude Oil, WTI
US Dollar	US Dollar Index Spot Rate
Canada	MSCI Canada Net Total Return USD Index
Mexico	MSCI Mexico Net Total Return USD Index
Europe Ex UK	MSCI Europe Ex UK Net Total Return USD Index
UK	MSCI UK Net Total Return USD Index
Japan	MSCI Japan Net Total Return USD Index
Asia Ex Japan	MSCI AC Asia ex Japan Net Total Return USD Index
EM Asia	MSCI Emerging Asia Net Total Return USD Index
EM Europe	MSCI Emerging Markets Europe Net Total Return USD Index
EM Latin America	MSCI Emerging Latin America Net Total Return USD Index
Communications	S&P 500 Communication Services Sector Total Return Index
Consumer Discretionary	S&P 500 Consumer Discretionary Sector Total Return Index
Consumer Staples	S&P 500 ConsSt Sector Total Return Index
Energy	S&P 500 Energy Sector Total Return Index
Financials	S&P 500 Fincl Sector Total Return Index
Health Care	S&P 500 Health Care Sector Total Return Index
Industrials	S&P 500 Indust Sector Total Return Index
Information Technology	S&P 500 InfTec Sector Total Return Index
Materials	S&P 500 Materials Sector Total Return Index
Real Estate	S&P 500 Real Estate Sector GICS Level 1 Total Return Index
Utilities	S&P 500 Utility Sector Total Return Index

Important Information - Indices

MSCI Factor Indices	Index
US Equity	MSCI USA Net Total Return USD Index
Growth	MSCI USA Growth Net Total Return USD Index
Value	MSCI USA Value Net Total Return USD Index
Large Cap	MSCI USA Large Cap Net Total Return USD Index
Small Cap	MSCI USA Small Cap Net Total Return USD Index
Min Vol.	MSCI USA Minimum Volatility Net Total Return Index
High Div. Yield	MSCI USA High Dividend Yield Net Total Return USD Index
Momentum	MSCI USA Momentum USD Net Total Return Total Return Index
Quality	MSCI USA Quality Net Total Return USD Index
Ex US Equity	MSCI ACWI ex USA Net Total Return USD Index
Growth	MSCI ACWI ex USA Growth Net Total Return USD Index
Value	MSCI ACWI EX USA Value Net Total Return USD Index
Large Cap	MSCI ACWI ex USA Large Cap Net Total Return USD Index
Small Cap	MSCI ACWI ex USA Small Cap Net Total Return USD Index
Min Vol.	MSCI ACWI ex USA Minimum Volatility Optimized In USD Net Total Return USD Index
High Div. Yield	MSCI ACWI ex USA High Dividend Yield Net Total Return USD Index
Momentum	MSCI ACWI ex USA MOMENTUM USD -US DOLLAR NETR
Quality	MSCI ACWI ex USA QUALITY Net Total Return Total Return in USD Index

Commodity Indices	Index
Commodities (BCOM)	Bloomberg Commodity Index TR
Grains	Bloomberg Grains Subindex TR
Softs	Bloomberg Softs Subindex TR
Livestock	Bloomberg Livestock Subindex TR
Industrial Metals	Bloomberg Industrial Metals Subindex TR
Precious Metals	Bloomberg Precious Metals Subindex TR
Petroleum	Bloomberg Petroleum Subindex TR
Natural Gas	Bloomberg Natural Gas Subindex TR
Grains	Bloomberg Grains Subindex TR
Softs	Bloomberg Softs Subindex TR
Livestock	Bloomberg Livestock Subindex TR

Currencies	Index
Canadian Dollar (CAD)	CADUSD Spot Exchange Rate - Price of 1 CAD in USD
Euro (EUR)	EURUSD Spot Exchange Rate - Price of 1 EUR in USD
British Pound (GBP)	GBPUSD Spot Exchange Rate - Price of 1 GBP in USD
Swiss Franc (CHF)	CHFUSD Spot Exchange Rate - Price of 1 CHF in USD
Japanese Yen (JPY)	JPYUSD Spot Exchange Rate - Price of 1 JPY in USD
Australian Dollar (AUD)	AUDUSD Spot Exchange Rate - Price of 1 AUD in USD
Chinese Yuan (CNY)	CNYUSD Spot Exchange Rate - Price of 1 CNY in USD
Indian Rupee (INR)	INRUSD Spot Exchange Rate - Price of 1 INR in USD
Swedish Krona (SEK)	SEKUSD Spot Exchange Rate - Price of 1 SEK in USD
Brazilian Real (BRL)	BRLUSD Spot Exchange Rate - Price of 1 BRL in USD

Important Information

Business Cycle Regime & Indicators:

The **Harbor Business Cycle Regime** measurement is a proprietary model developed by Harbor to assess the current market environment. The model leverages inputs from the Harbor Business Cycle Indicator, Harbor Liquidity Cycle Indicator, a recession probability model, and various gauges of market internals. Growth can be thought of as representing underlying economic momentum, Liquidity can be thought of as representing broad financial conditions and the availability of credit, and Inflation represents the general increases in prices and services over time. This framework provides a comprehensive approach to evaluating economic and market dynamics. The **Harbor Business Cycle Regime** measurement is a proprietary model developed by Harbor to assess the current market environment. It categorizes market conditions into five distinct regimes: Regime 1: Expansion, Regime 2: Slowdown, Regime 3: Late cycle expansion, Regime 4: Late cycle – slowdown, Regime 5: Contraction. The business cycle is determined using the Harbor Business Cycle Indicator, Harbor Liquidity Cycle Indicator, a recession probability model, and various gauges of market internals. A limiting factor for our modeling approach is if these relationships change, our models may be inaccurate in terms of categorizing the investment regime.

Part of the Harbor Business Cycle Regime, the **Harbor Growth Indicator**, is a proprietary Indicator used to measure the prevailing conditions that we believe drive economic growth. The indicator utilizes a set of indicators from our U.S. Business Cycle Indicator. The U.S. Business Cycle Indicator utilizes a set of leading United States economic indicators such as PMIs, home building permits, freight activity, financial market data like corporate credit spreads, and sentiment surveys that are standardized and then aggregated into a singular composite score. A higher value implies the expectation for greater growth within the U.S. economy, where a lower value correlates with lower economic growth. The Business Cycle Indicator and its subcomponents assume that the historical relationship between the selected leading indicators and future economic growth remains stable.

Part of the Harbor Business Cycle Regime, the **Harbor Liquidity Cycle indicator (LCI)** is a proprietary Indicator used to measure the prevailing conditions that we believe drive the Central Bank's reaction function. The Indicator utilizes a set of indicators such as the unemployment rate, PMIs, and Treasury yields that are standardized and then aggregated into a singular composite score. A higher (lower) z-score score implies a lower (higher) level of available policy space. The Liquidity Cycle Indicator assumes that the historical relationship between the selected indicators and future liquidity conditions remain stable. A limiting factor for our modeling approach is if these relationships change, our models may be inaccurate in terms of measuring the conditions that drive liquidity. A z-score quantifies the number of standard deviations a data point is from the mean, providing a standardized measure of relative performance or risk.

Part of the Harbor Business Cycle Regime, the **Harbor Bank Lending Indicator** is a proprietary Indicator used by the Multi-Asset Solutions Team to measure bank lending conditions. The indicator uses a set of surveys and lending data that are standardized and then aggregated into a singular composite score. A higher (lower) z-score implies a higher (lower) level of bank lending. Sources: Bloomberg, Federal Reserve. The Harbor Lending Indicator assumes that the historical relationship between the selected indicators and lending remain stable. A z-score quantifies the number of standard deviations a data point is from the mean, providing a standardized measure of relative performance or risk.

Part of the Harbor Business Cycle Regime, the **Harbor Inflation Indicator** is a proprietary Indicator used by the Multi-Asset Solutions Team to measure the prevailing conditions that we believe drive realized inflation. The Indicator utilizes a set of indicators such as wages, commodity prices, labor demand, and inflation data that are standardized and then aggregated into a singular composite score. A higher (lower) score implies a higher (lower) level of realized inflation. A z-score quantifies the number of standard deviations a data point is from the mean, providing a standardized measure of relative performance or risk.

Part of Harbor's Business Cycle Regime, the **Harbor Market Sentiment Indicator** is a proprietary Indicator used by the Multi-Asset Solutions Team to measure the prevailing conditions that we believe explain market sentiment. Lower (higher) percentiles imply less (more) risk aversion in markets. The input variables are predominantly market price variables that reflect price momentum across various styles and sectors within equities, credit, fixed income and commodities markets. A limiting factor for our modeling approach is if these relationships change, our models may be inaccurate in terms of measuring the conditions that drive market sentiment.

Part of Harbor's Business Cycle Regime, the **Harbor Risk Sentiment Indicator** is a proprietary indicator used by the Multi-Asset Solutions Team to measure market risk sentiment over a short horizon. The input variables include survey measures, options prices, and market prices to assess high frequency changes in risk appetite. Higher (lower)z-scores imply overbought (oversold) market prices. A limiting factor for our modeling approach is if these relationships change, our models may be inaccurate in terms of measuring the conditions that drive market risk sentiment. A z-score quantifies the number of standard deviations a data point is from the mean, providing a standardized measure of relative performance or risk.

Part of the Harbor Business Cycle Regime, the Harbor Business Cycle Indicator is a proprietary Indicator used by the Multi-Asset Solutions Team to measure growth momentum by country/region. **The U.S. Industrial and Manufacturing Indicator** is a subcomponent of the Harbor Business Cycle Indicator. The Indicator utilizes a set of leading United States economic indicators such as PMIs, freight activity, and sentiment surveys that are standardized and then aggregated into a singular composite score. A lower (higher) percentile implies a higher (lower) level of activity in the industrial and manufacturing sector of the U.S. economy. The Business Cycle Indicator and its subcomponents assume that the historical relationship between the selected leading indicators and future economic growth remains stable.

Important Information

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