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

YOUR WEEKLY GUIDE

10.06.25

THE CURRENT

Q3 Update

Harbor Capital

Harbor

KRISTOF GLEICH, CFA
President, CIO

Currently …

The government shuts down…..

First things first: The Congressional Budget Office (CBO) estimates that up to 750,000 people could be furloughed during this shutdown. With all the headlines, it is easy to forget that there are real people, families, and households all affected by this uncertainty….

Economically speaking, we do not expect there to be major macro implications from the shutdown; however, if this mess continues into late October, we'll likely revise that view. For those on Wall Street, the biggest impact is the delay of data measuring said economy, with the first Friday of the month eerily quiet with the absence of any nonfarm payroll data.

We've updated our scenario analysis….

Back in April, when we first began to produce *The Current*, one of the most popular pages has been our scenario analysis around how to think about the different investment implications depending on where tariffs landed. The questions surrounding tariffs are now largely known (not withstanding various court challenges), and tariffs are no longer the main driver of risk, nor have they been for a while.

Instead, we've updated our scenarios to treat the economy as if it were a patient, assessing the health of the patient, what is currently being administered to the patient, and what side effects (risks) could arise. We view the current economy as if it were a patient being administered growth hormones, and then we lay out the risks, or side effects, in increasing order of severity on page 3.

And our positioning……

We've also made a change to our tactical asset allocation. Please join us for the webinar to discuss our updates with Spenser Lerner and me this Monday for 30 minutes at 12:00pm ET.

Source: Harbor Capital Advisors. As of 09/30/2025.

Scenario-Based Investing:
Our Framework for Asset Allocation

Key Takeaways

1. In 3Q25, equity markets surged again, while a range of asset classes delivered strong performance as well. After another generally bullish quarter, what could lie ahead?

2. The expected government shutdown is here. What impacts could this disruption have on markets for 4Q25 and beyond?

3. Our new scenarios are out, ranging from a benign status quo to a momentum crash sparked by an AI meltdown, all of which could have potential implications across asset classes, regions, styles, and sectors.

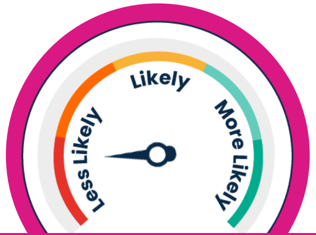
Let's Talk

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

info@harborcapital.com

Your Economy, how's the patient?

Thinking ahead & diversifying could help prepare for the best- and worst-case outcomes.



Scenario	Growth Hormones	Headache & Mild Nausea	Toxic Poisoning	Cardiac Arrest
Description	Current Pro-Growth Policies prevail	Growth Slows & Tariffs Bite	Major Fed Politization, Loss of Central Bank independence	AI Trend unexpectedly slows
Tariff Impact	Moderate	More Significant	Depends	Depends
Economy	Accelerates into 2026 and runs hot	Elevated recession risk	Very hot, then crashes?	Momentum crash; investment slows
Mandate Risk	Inflation	Stagflation	Inflation mandate takes back seat, Debt management takes front seat	Growth underpinning markets wanes
Rate Cuts through 2026	2	7	10	6+?
Yield Curve				
	Preference			
Asset Class	Equities	Commodities	Commodities	Core Bonds / Duration
Regional	U.S.	International	Emerging Markets	International
Styles	Risk On: Value + Growth	Defensive	Growth	Defensive
Size	Small Cap	Large Cap	Large Cap	Small Cap
Sectors	Financials, Tech	Staples, Healthcare	Tech, Comm Services	Staples, Healthcare

Contents

WEEK IN REVIEW

Harbor

Weekly Snapshot

Global equities ended the month modestly higher, driven by strength in technology and Chinese markets. Gold extended its rally, while oil prices declined and the dollar weakened against major currencies.

Global Equities (USD)	Prior Week	MTD	YTD	1 Year	3 Year (AR)
MSCI ACWI	0.8%	3.6%	18.4%	17.3%	23.1%
MSCI EAFE	1.1%	1.9%	25.1%	15.0%	21.7%
MSCI EM	1.6%	7.2%	27.5%	17.3%	18.2%

Country Equities	Prior Week	MTD	YTD	1 Year	3 Year (AR)
US - S&P 500	0.7%	3.6%	14.8%	17.6%	24.9%
US - NASDAQ	0.7%	5.5%	18.1%	23.9%	32.1%
US - Russell 2000	0.1%	3.1%	10.4%	10.8%	15.2%
Japan - Nikkei 225 JPY	-0.3%	5.9%	14.7%	20.8%	22.4%
EU - Stoxx 600 EUR	0.7%	1.5%	12.6%	9.6%	15.9%
UK - FTSE 100 GBP	0.7%	1.8%	17.7%	17.5%	14.8%
France - CAC 40 EUR	0.3%	2.5%	7.0%	3.4%	14.6%
Germany - DAX 30 EUR	0.6%	-0.1%	19.9%	23.6%	25.4%
China - MSCI China HKD	3.1%	9.5%	41.9%	31.0%	19.1%
India - MSCI India INR	0.0%	1.1%	1.6%	-8.0%	13.5%

Fixed Income (USD)	Prior Week	MTD	YTD	1 Year	3 Year (AR)
US Agg	0.2%	1.1%	6.1%	2.9%	4.9%
US Treasury	0.2%	0.8%	5.4%	2.1%	3.6%
US Muni	0.1%	2.3%	2.6%	1.4%	4.7%
Global Treasury ex US	0.8%	0.3%	9.7%	1.0%	5.6%
Global IG	0.4%	1.2%	9.5%	5.1%	8.5%
Global High Yield	0.0%	0.7%	9.6%	9.2%	13.8%
EM Debt (USD)	-0.1%	1.1%	8.5%	6.9%	10.4%

Commodities (USD, % chg)	Level	Prior Week	MTD	YTD	1 Year	3 Year (AR)
Quantix Commodity (TR)	-	-0.8%	3.4%	17.0%	18.7%	13.8%
Oil (WTI, USD / Barrel)	62.4	-5.1%	-2.6%	-13.0%	-8.5%	-7.8%
Gold (USD / Troy Ounce)	3,859.0	2.6%	11.9%	47.0%	46.5%	32.5%

Foreign Exchange (vs USD %)	Level	Prior Week	MTD	YTD	1 Year	3 Year
USD - DXY Index	97.8	-0.4%	0.0%	-9.9%	-3.0%	-12.8%
Euro	1.2	0.3%	0.4%	13.3%	5.4%	19.7%
British Pound	1.3	0.3%	-0.4%	7.4%	0.5%	20.4%
Japanese Yen	147.9	1.1%	-0.6%	6.3%	-2.9%	-2.1%

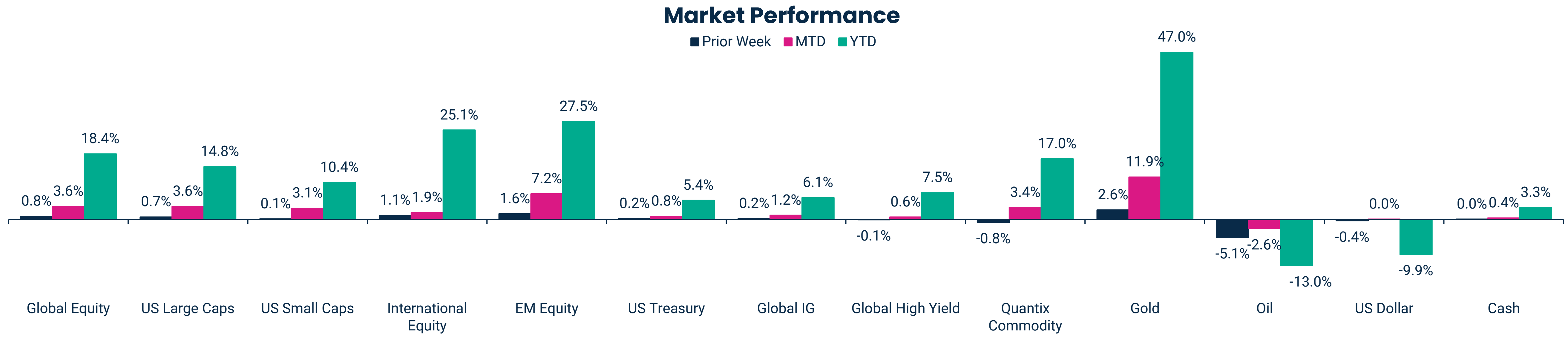
Key Rates (bps chg)	Level	Prior Week	MTD	YTD	1 Year	3 Year
SOFR	4.24%	8	-10	-25	-72	126
2Y US Treasury Rate	3.61%	-3	-1	-63	-3	-67
10Y US Treasury Rate	4.15%	-3	-8	-42	37	32
10Y German Bund	2.71%	-3	-1	35	59	61
10Y UK Gilt	4.70%	-5	-2	13	70	61
10Y Japanese Bond	1.64%	0	5	56	79	140
30Y US Treasury Rate	4.73%	-2	-20	-5	61	95
30Y US Fixed Rate Mortgage	6.36%	2	-26	-92	-32	-70

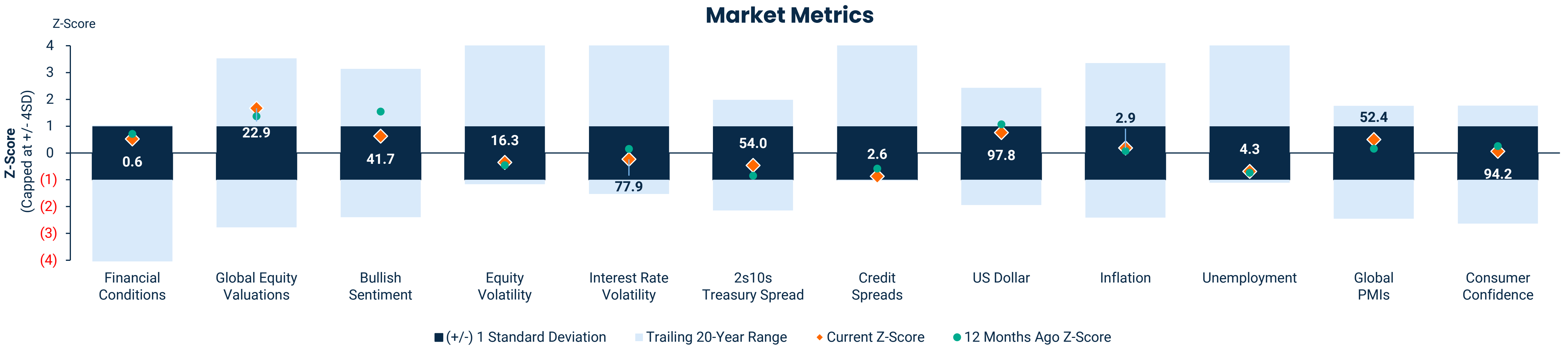
Spreads	Level	Prior Week	MTD	YTD	1 Year	3 Year
Global IG Corporate	0.78%	0	-5	-11	-22	-102
Global High Yield	3.07%	6	0	-21	-56	-344
EM Debt (USD)	1.99%	7	0	-21	-48	-206

Data as of 09/30/2025. Source: Bloomberg. **The performance quoted represents past performance which is no guarantee of future results.** Please see Important Information for indices used.

Market Review

Emerging markets led global gains amid improved risk sentiment and supportive financial conditions. Gold continued to climb, while oil prices fell and credit spreads held near historic tights.





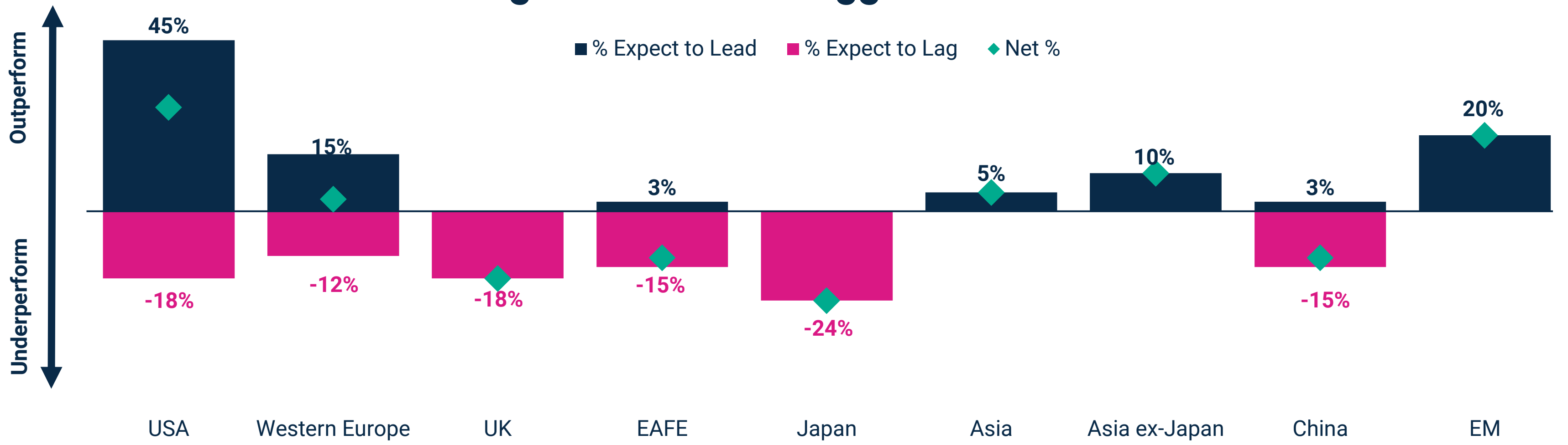
Data as of 09/30/2025. Source: Bloomberg. **The performance quoted represents past performance which is no guarantee of future results.**

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.

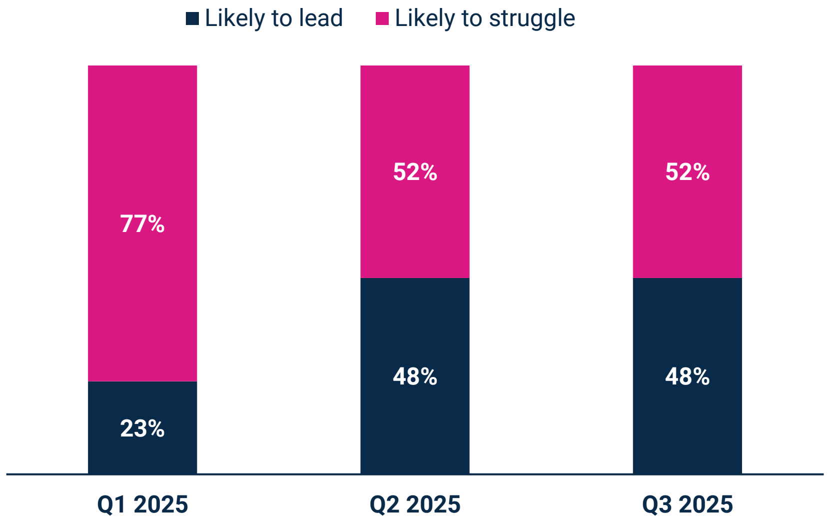
Harbor Consensus

Our investment partners overwhelmingly expect the U.S. to lead – namely, sectors related to the AI theme - followed by Emerging Markets. However, the next beneficiaries of the AI theme continue to be uncertain.

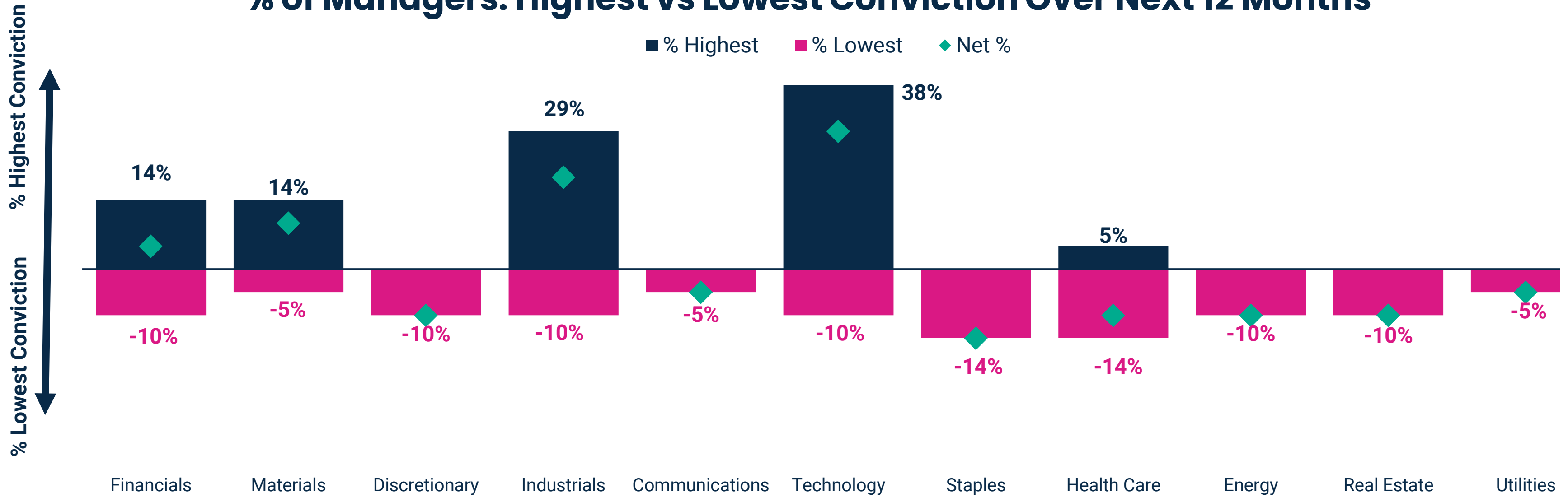
Global Region Performance Expectations: % of Managers: Leaders vs Laggers Over Next 12 Months



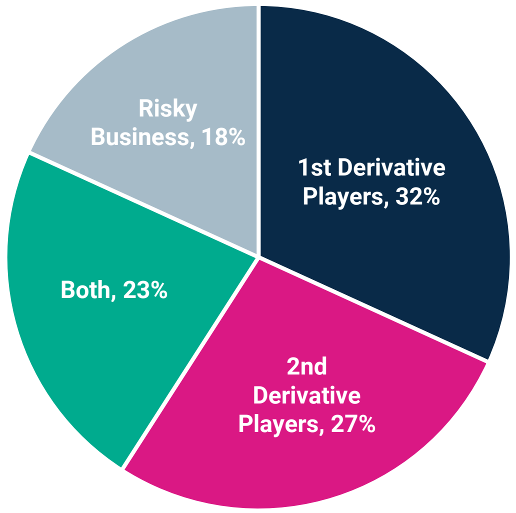
Is the AI Trade Likely to Lead or Struggle?



Sector Performance Expectations: % of Managers: Highest vs Lowest Conviction Over Next 12 Months



Going Forward, Who's Winning the AI Race?

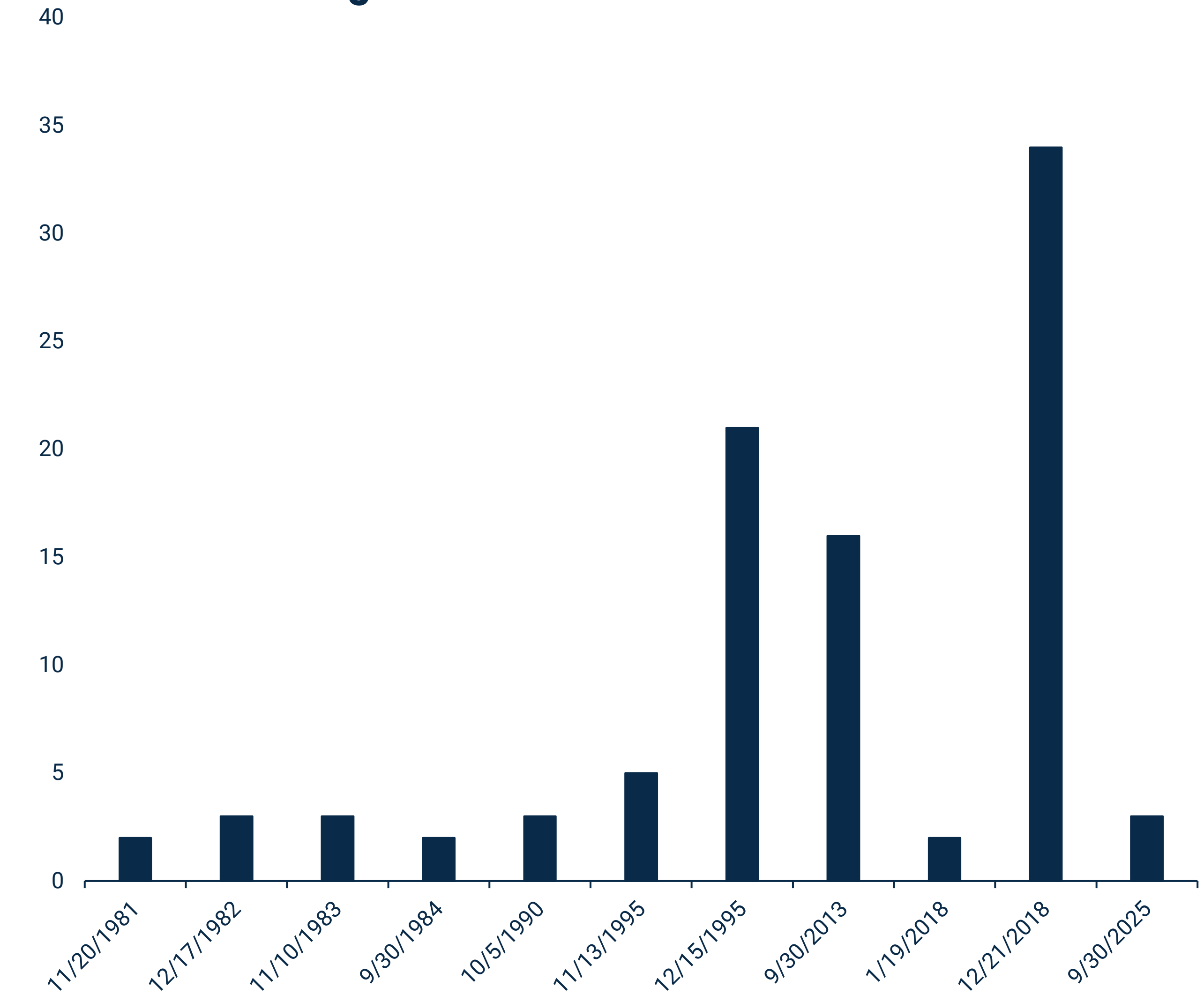


The Harbor Consensus is an investment partner survey with respondents consisting of subadvisors, affiliates with the group trust, and other investment groups that work with Harbor Capital who were invited to participate in the survey. The above were Harbor created polls conducted as part of the Q3 2025 Harbor Consensus.

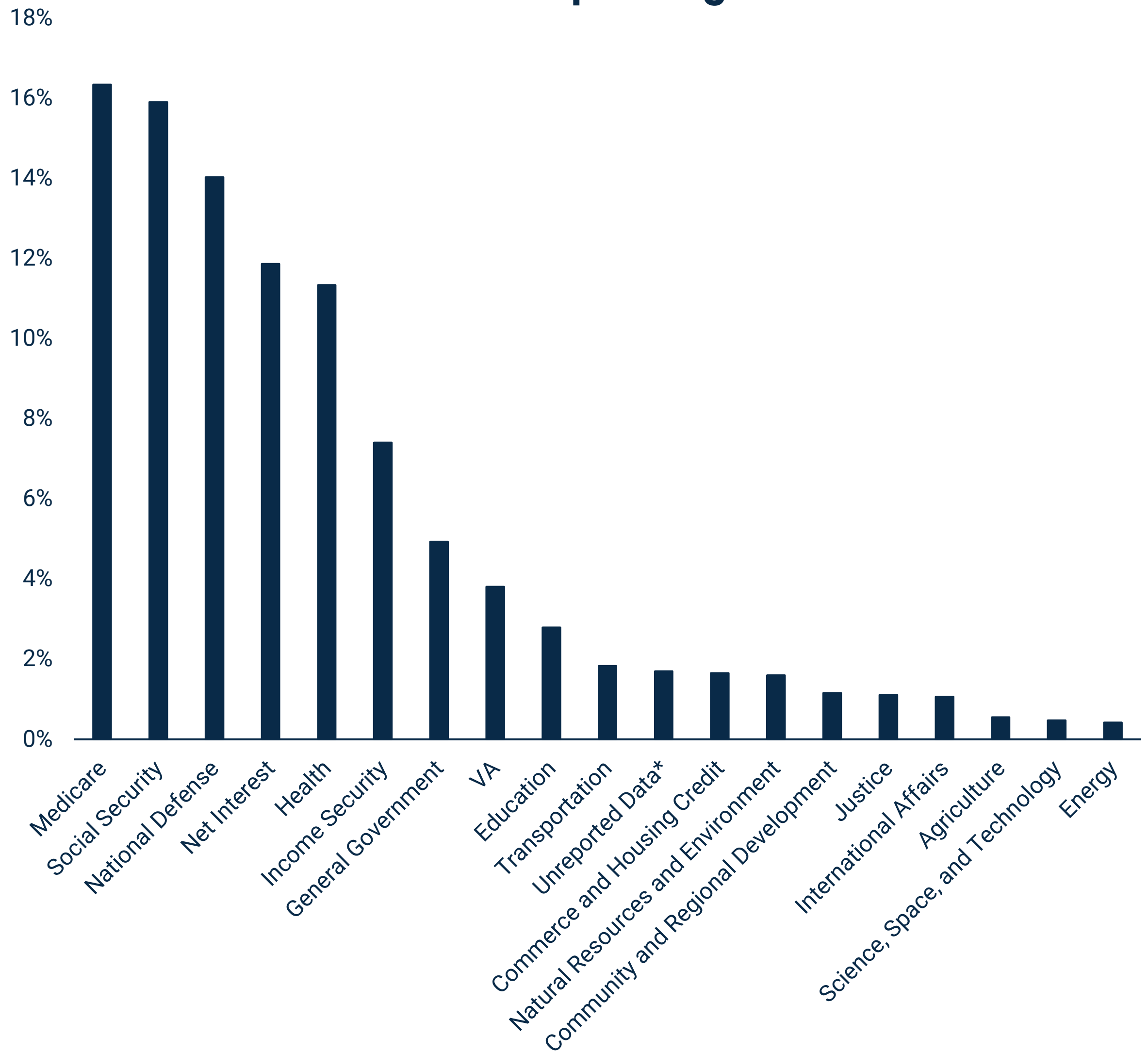
Shutdown Theater

Fleeting impact unless the President pursues mass firings or it lasts until November.

Length of Government Shutdowns



Government Spending FY '24

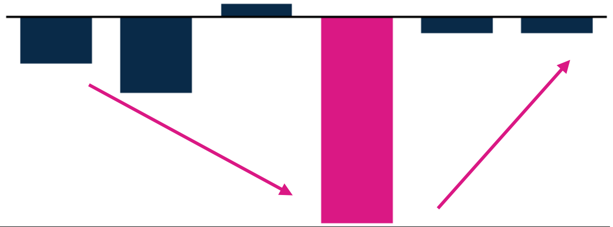
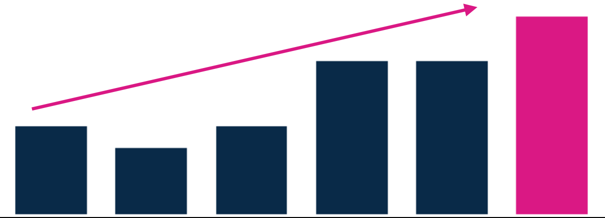
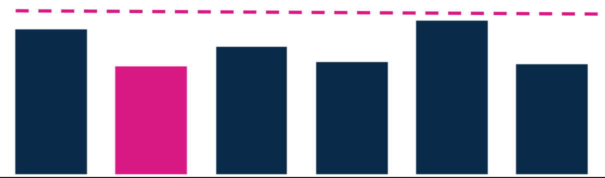
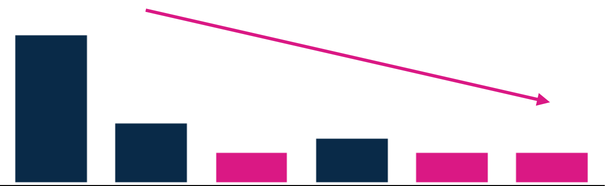


Data as of 10/03/2025. Source: Congressional Research Service, U.S. Treasury Department. **Performance data shown represents past performance and is no guarantee of future results.**

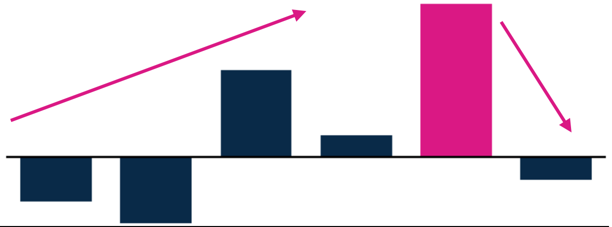
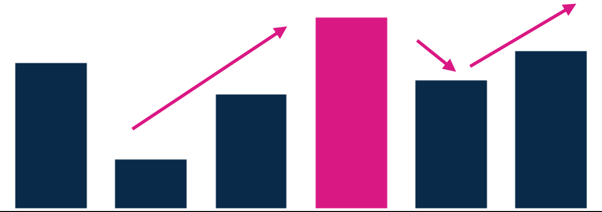
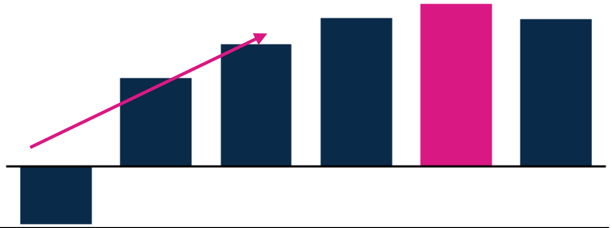
Something for Everyone

Doves and hawks have plenty to talk about!

For the Doves:

Metric	Value	6-Month Trend
NonFarm Payroll Revisions	-21	
Headline CPI (YoY)	2.9	
Manufacturing PMI	49.1	
Services PMI	50	
Home Builders Index	32	

For the Hawks:

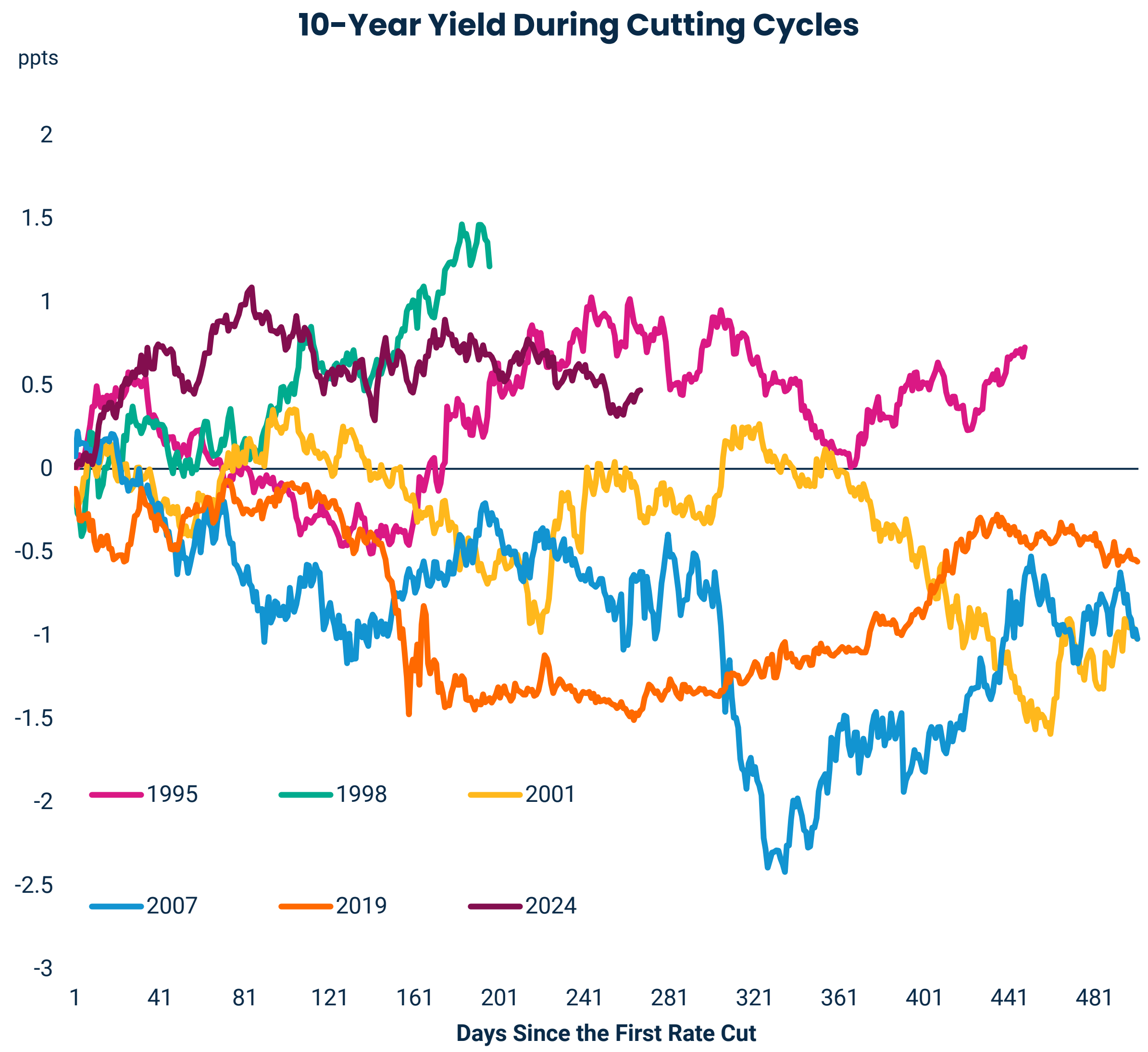
Metric	Value	6-Month Trend
Producer Price Index Final Demand (MoM)	-0.1	
Super Core CPI (YoY)	3.2	
Weekly Economic Index (Fed. Bank of Dallas)	2.4	
Financial Conditions	0.67	
Unemployment Rate	4.3	

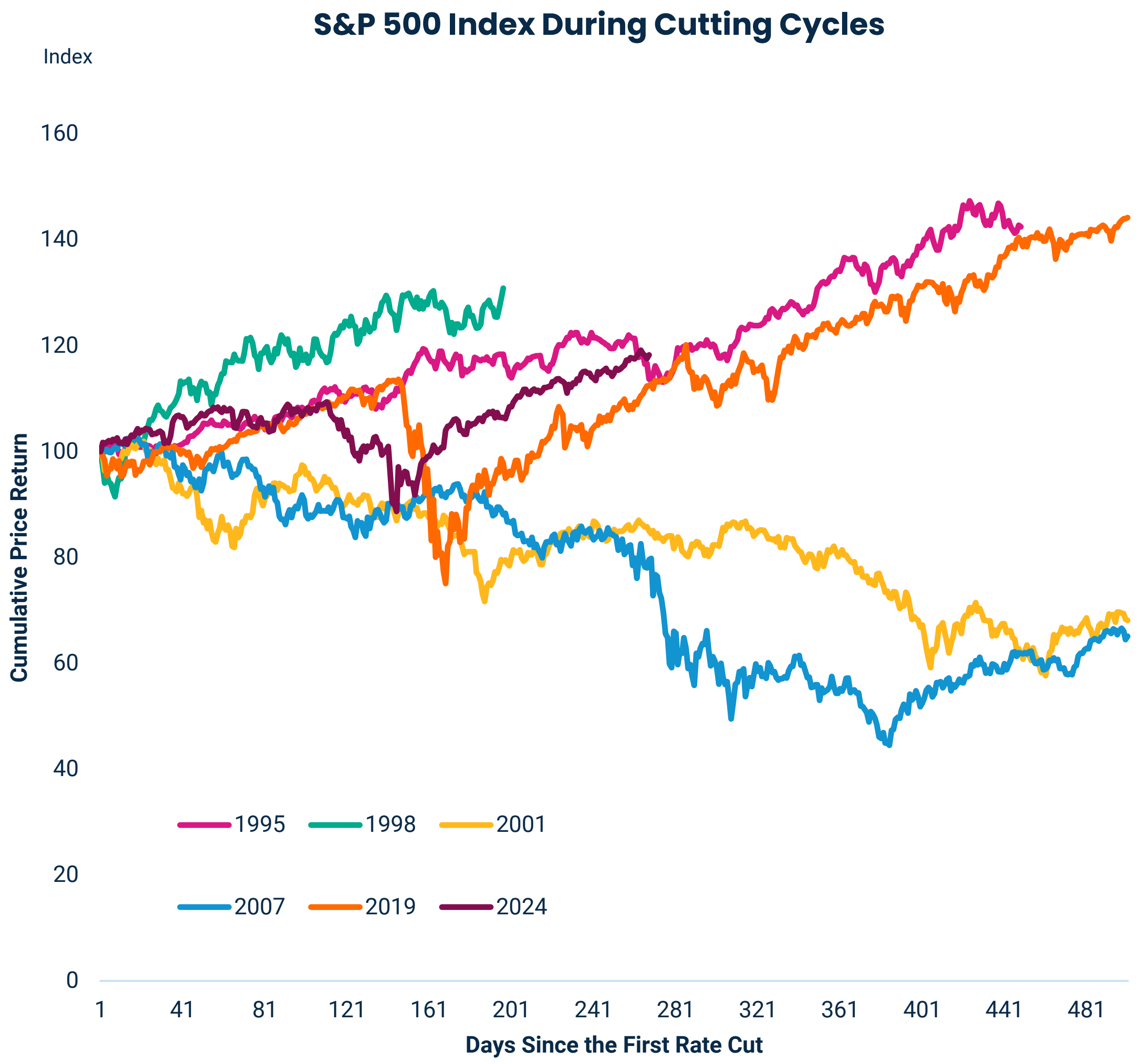
*Note: Pink bar represents the minimum or maximum (dependent on the series) over the 6-month trend period.

Data as of 09/30/2025. Source: Bloomberg. **The performance quoted represents past performance which is no guarantee of future results.**

So Far, So Good

Rate cycle following the soft-landing playbook.



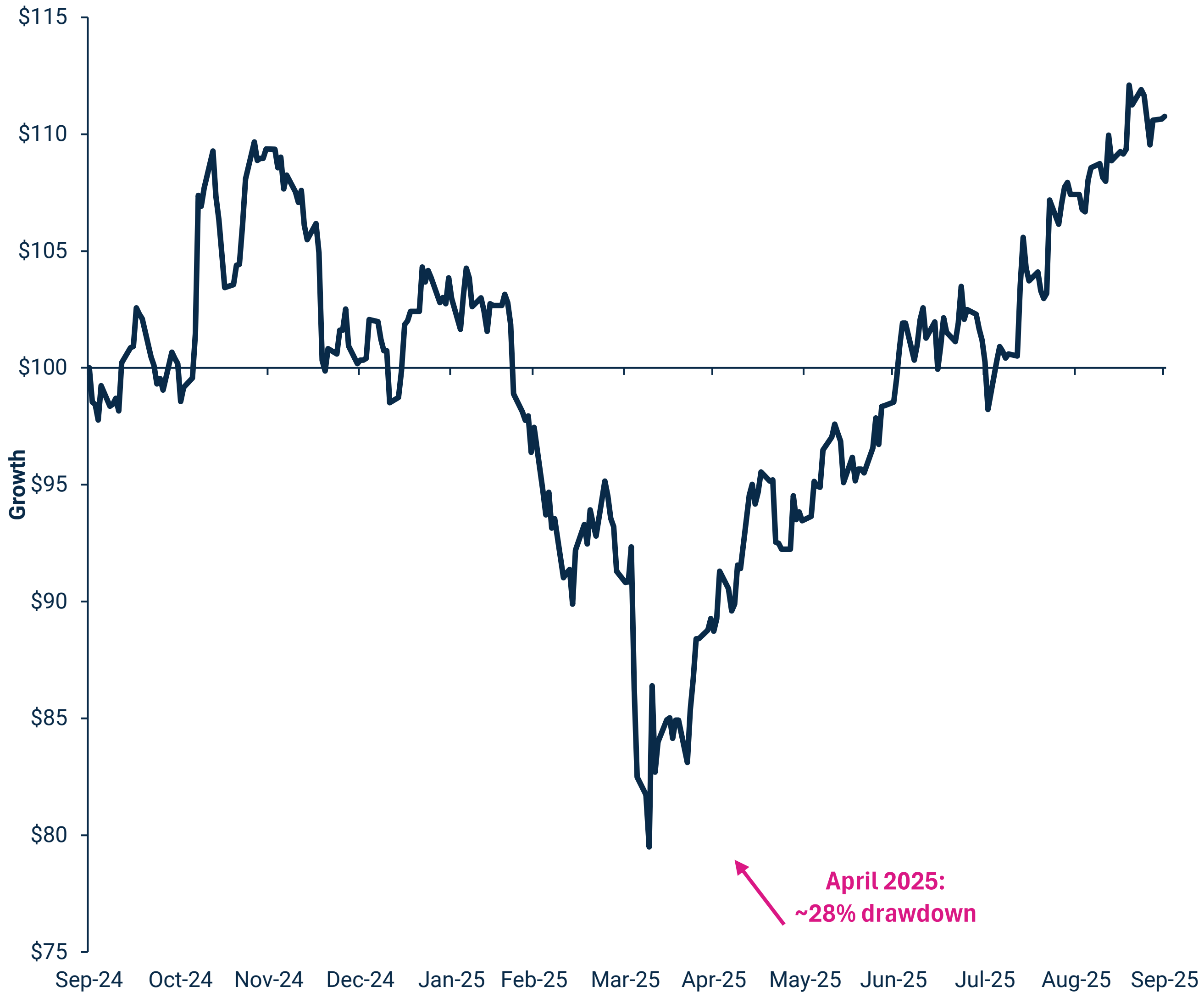


Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Small Caps Leading the Charge?

Rate cut expectations have pushed the Russell 2000 higher.

Russell 2000 Investment Growth



Rate Cut Expectations

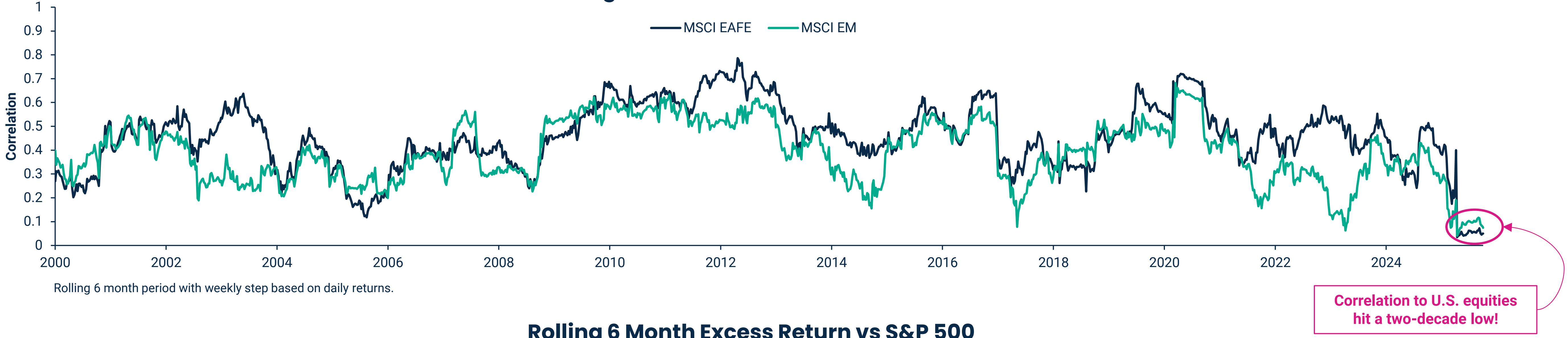
Meeting	Implied Rate Change (bps)	WTD Change (bps)	MTD Change (bps)
October 29, 2025	-24.2	13.2	-5.3
December 10, 2025	-43.6	13.7	-10.9
January 28, 2026	-53.2	14.7	-12.6
March 18, 2026	-63.2	16.4	-10.9
April 29, 2026	-69.4	17.2	-9.3
June 17, 2026	-83	16.9	-7.1
July 29, 2026	-90.2	17.2	-4.6
September 16, 2026	-98	18.2	-1.6
October 28, 2026	-101.9	18.7	1.2
December 9, 2026	-106.1	20.9	7.5
January 27, 2027	-107.7	22.4	13.2

Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Diversification When You Need It Most

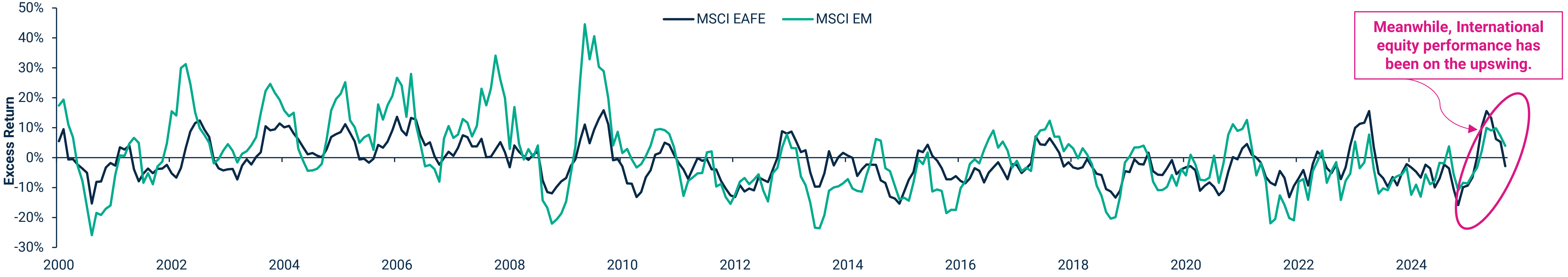
Correlations between U.S. and International equities have reached a two-decade low – with the biggest shift coming between U.S. and International Developed equities.

Rolling 6 Month Correlation vs S&P 500



Rolling 6 month period with weekly step based on daily returns.

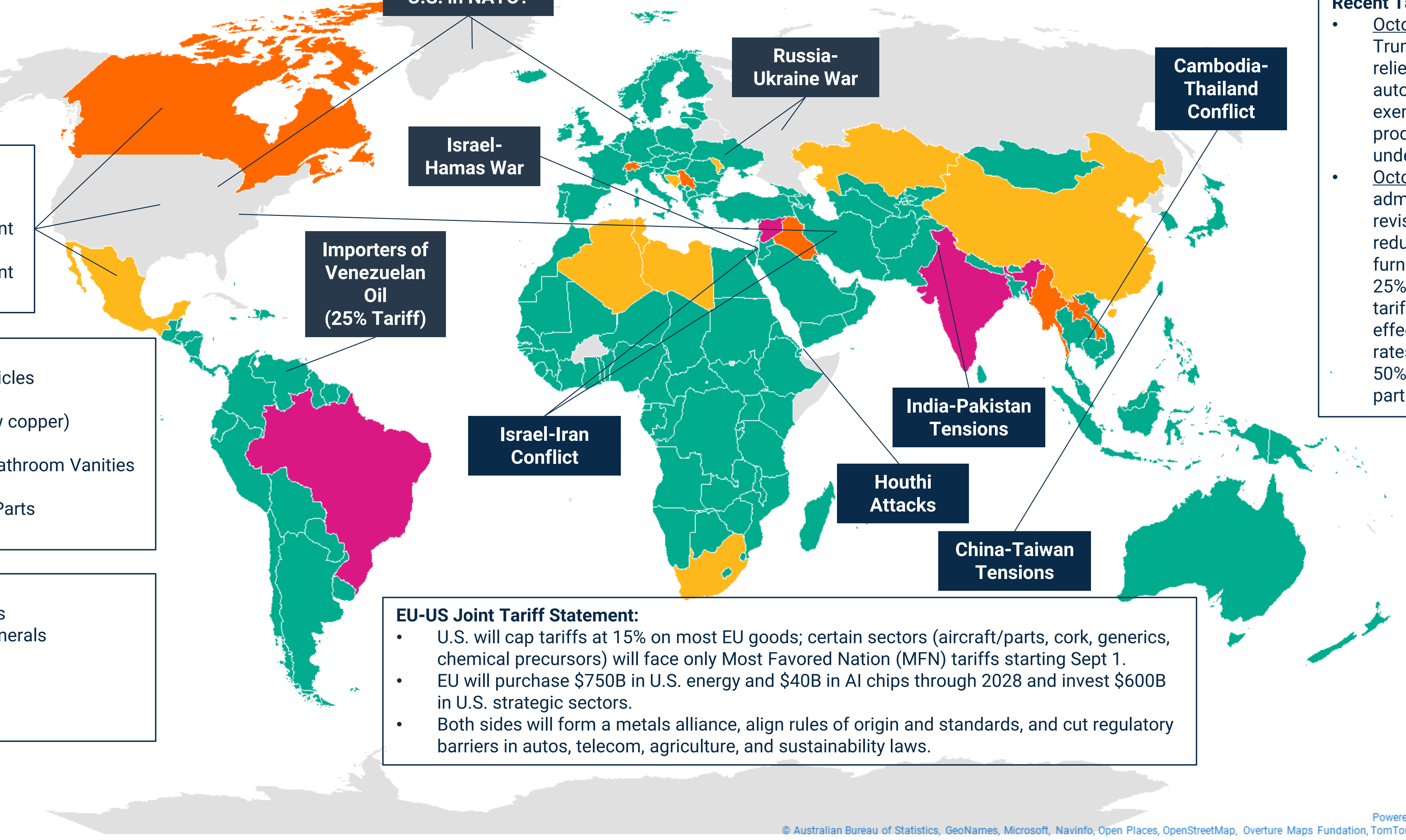
Rolling 6 Month Excess Return vs S&P 500



Rolling 6 month period with monthly step based on monthly returns.

Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

A World in Flux



Recent Tariff Developments:

- October 3 – President Trump considered tariff relief for U.S.-based automakers, extending exemptions for domestic production and engines under review.
- October 4 – The administration finalized revised Section 232 tariffs, reducing earlier rates on furniture and cabinets to 25% and adding new 10% tariffs on lumber/timber, effective October 14. These rates are set to rise to 30–50% on January 1, 2026, if partner negotiations fail.

"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
- 50% – Copper (excludes raw copper)
- 100% – Pharmaceuticals
- 25% – Kitchen Cabinets & Bathroom Vanities
- 25% - Upholstered Furniture
- 25% - Heavy-Duty Trucks & Parts
- 10% – Lumber/Timber

Proposed Section 232 Tariffs:

- 200-300% – Semiconductors
- TBD – Processed critical minerals
- TBD – Medical Equipment
- TBD – PPE
- TBD – Robotics
- TBD – Industrial Machinery

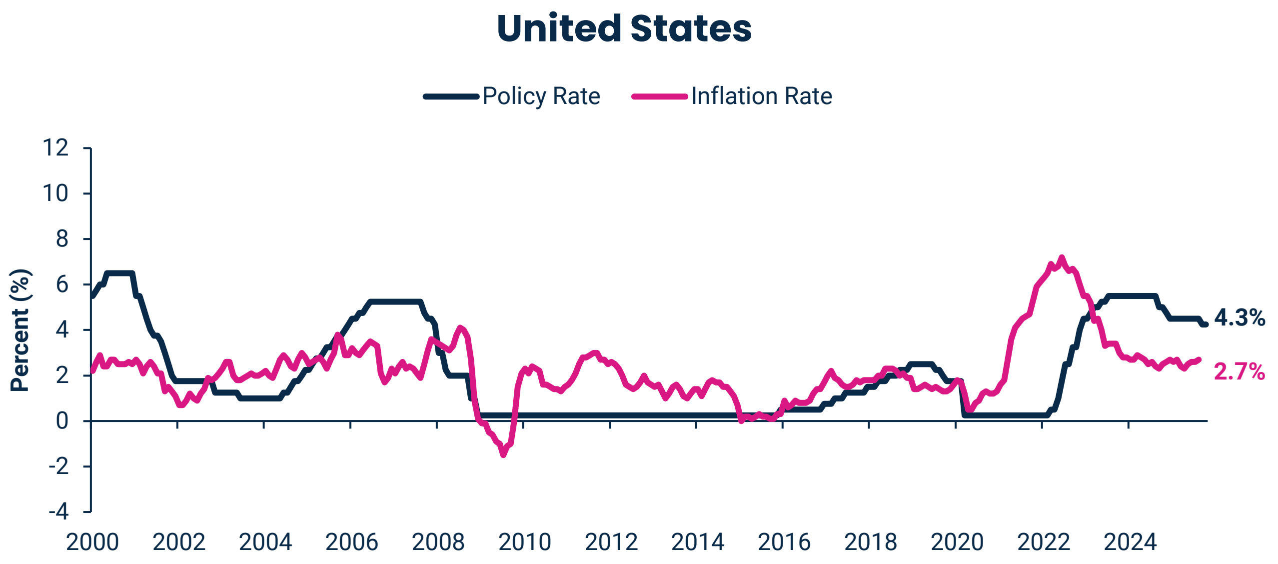
EU-US Joint Tariff Statement:

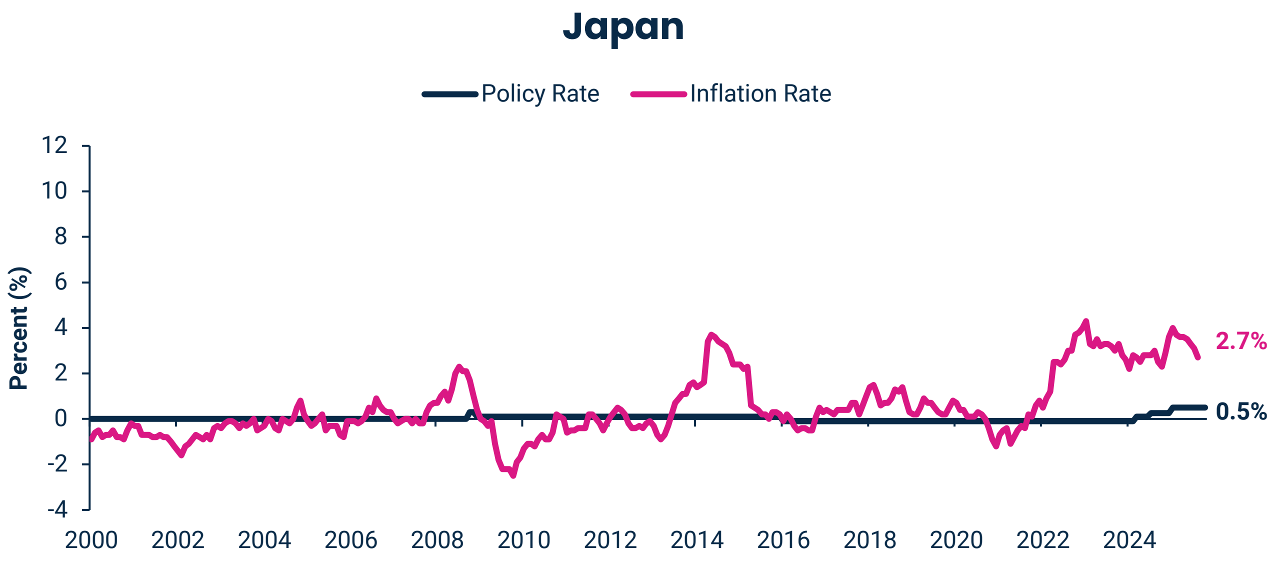
- U.S. will cap tariffs at 15% on most EU goods; certain sectors (aircraft/parts, cork, generics, chemical precursors) will face only Most Favored Nation (MFN) tariffs starting Sept 1.
- EU will purchase $750B in U.S. energy and $40B in AI chips through 2028 and invest $600B in U.S. strategic sectors.
- Both sides will form a metals alliance, align rules of origin and standards, and cut regulatory barriers in autos, telecom, agriculture, and sustainability laws.

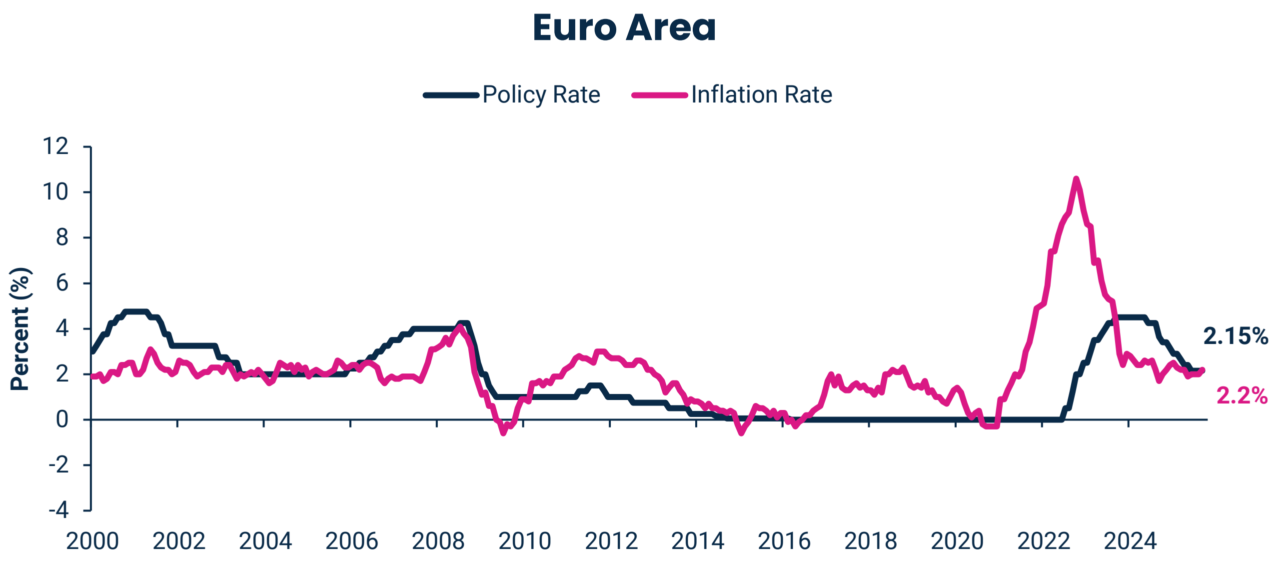
Data as of 10/4/2025. Sources: Bloomberg, The White House, International Trade Administration – Department of Commerce, United States of America. Section 232 of the Trade Expansion Act allows the President to adjust imports on certain goods through the use of tariffs, should they be deemed a threat to national security. **Performance data shown represents past performance and is no guarantee of future results.**

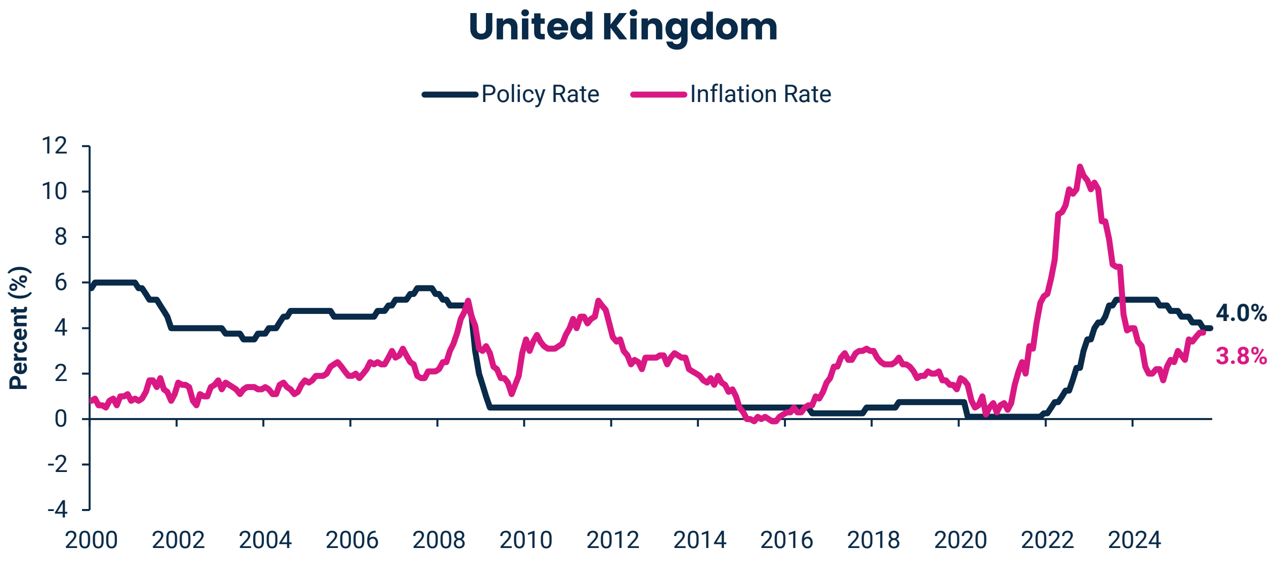
Global Monetary Policy

The U.S. Fed cut interest rates in September after almost a year hiatus. Markets imply a further sequence of cuts through 2026 until the federal funds rate settles around 3 percent.





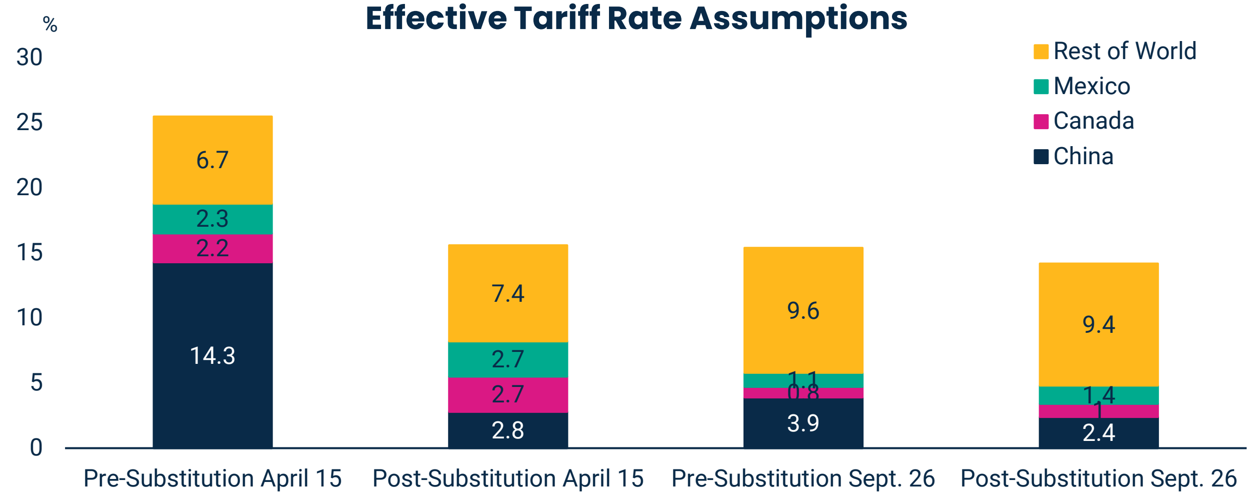


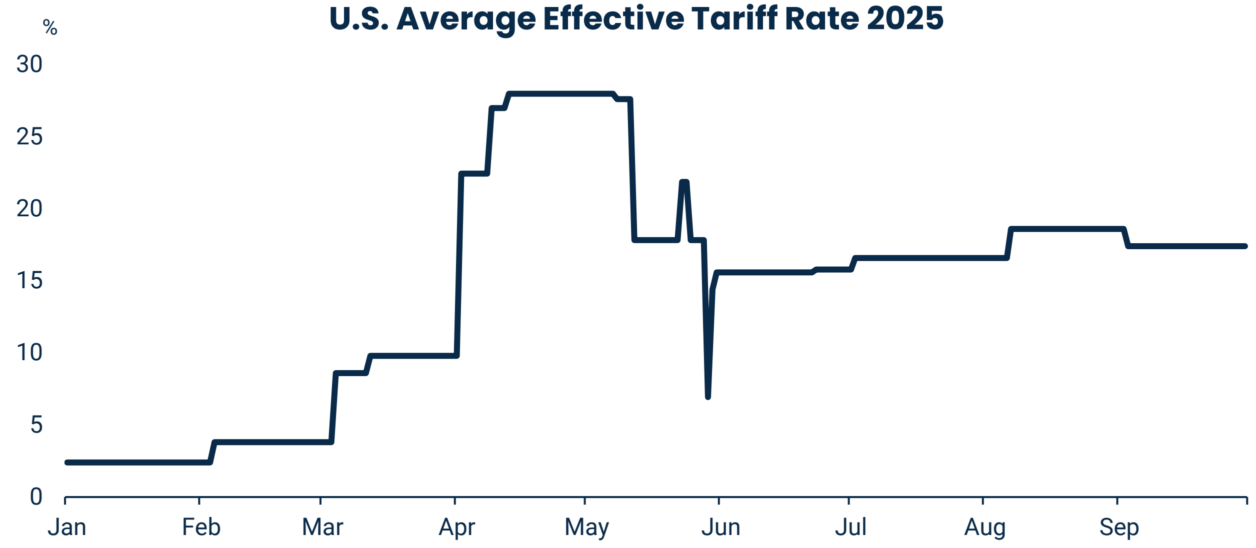


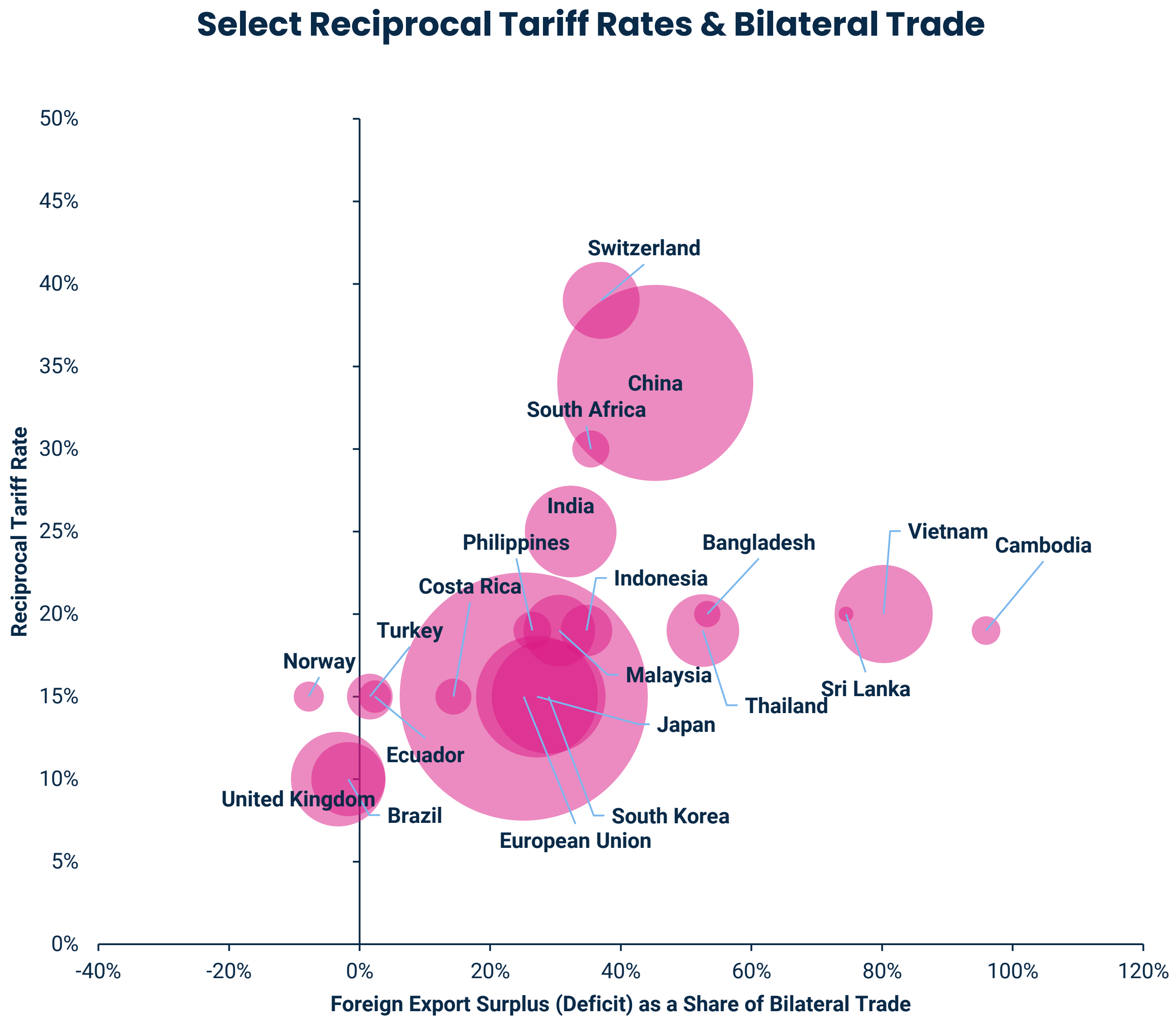
Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Where We Were, Where We Are

The journey from April's policy announcement to today's measured impact







Size of bubble represents total bilateral trade.

Data as of 09/30/2025. Source: Bloomberg, Bloomberg Economics (2024 trade composition from US Census Bureau), White House, Yale Budget Lab. **Performance data shown represents past performance and is no guarantee of future results.**

The Week Ahead

	Monday October 6, 2025	Tuesday October 7, 2025	Wednesday October 8, 2025	Thursday October 9, 2025	Friday October 10, 2025
Economic Releases		Trade Balance	MBA Mortgage Applications	Initial & Continuing Claims	University of Michigan Sentiment
		Consumer Credit	FOMC Meeting Minutes	Wholesale Inventories	Federal Budget Balance
Earnings	Constellation Brands	McCormick & Co.		Delta Airlines	
				PepsiCo	
				Levi Strauss & Co	

Data as of 09/30/2025. Source: Bloomberg.

MULTI-ASSET SOLUTIONS TEAM INSIGHTS

Harbor

SPENSER LERNER, CFA
Head of Multi-Asset Solutions

Macro Investment Outlook

Key Takeaways:

- **The Fed's new easing cycle, combined with AI-driven optimism,** seems to mirror the 1998–1999 backdrop when rate cuts fueled the internet boom and a market melt-up.
- Unlike the dot-com companies, **today's AI leaders have strong earnings and balance sheets**, though risks of an inflation resurgence or a slowdown in AI trends could drive a sharp momentum reversal.
- **EM growth has beaten expectations despite tariffs,** supported by China's stimulus and strong Asian tech exports tied to AI.
- **A weaker USD has eased financing conditions and driven EM FX gains,** reinforcing upgraded EM growth forecasts of ~4.0% for 2025 and 2026.
- **S&P 500 Q3 EPS growth appears set to beat expectations again** due to conservative analyst forecasts following the tariff saga earlier this year, with EPS growth likely around 10%+, led by Tech and Financials.

Late 1990s Redux?

In many ways, today's market backdrop echoes the late 1990s. Back then, the Asian financial crisis and the collapse of Long-Term Capital Management in 1998 rattled markets and triggered a cutting-cycle response from the Federal Reserve. The Fed cut rates three times in the fall of 1998, injecting liquidity and restoring confidence in markets. That easing, intended as a backstop, instead became additional fuel for one of the most powerful speculative episodes in history, as capital flooded into internet and technology stocks. The rally carried markets higher into 1999 and 2000 before culminating in the dot-com bubble peak.

Fast forward to today, and it's hard to ignore that history might be rhyming with some prevailing dynamics. Markets collapsed earlier this year under the weight of tariff policy uncertainty. Since then, and with the addition of tightening immigration policy, payroll growth has softened considerably and has convinced the Fed to embark on another rate-cutting cycle. The combination of the AI revolution driving EPS growth and buoying sentiment, along with a new Fed rate-cutting cycle, rhymes with what we saw in 1998 and 1999. Just as the internet was the transformative technology of the late 1990s, AI now sits at the center of earnings growth, flows, capex, and investor sentiment.

The key takeaway is that in our view, liquidity and narrative are combining once again in a way that could drive a melt-up in equities over the next 12+ months. The difference, of course, is that many of today's leading AI companies have real earnings power and strong balance sheets, unlike the unproven dot-com companies of 2000. While we do not believe we are currently in an AI bubble, and that valuations appear to be discounting present state fundamentals for the Magnificent 7 in particular, the risk of renewed inflation in 2026–2027 leading to a change in Fed behavior, or a slowdown in AI trends could lead to a significant momentum drawdown. For investors, the analogy is a reminder: Fed easing can extend the cycle and supercharge thematic booms, but it can also set the stage for sharper reversals when the music stops playing.

For illustrative purposes only.

As of 10/03/2025. Source: Harbor Capital Advisors. Refer to Important Information section for more information on the Business Cycle Regime and indicators.

SPENSER LERNER, CFA
Head of Multi-Asset Solutions

Macro Investment Outlook

For illustrative purposes only.

Emerging Markets: Resilience Amid Headwinds

Growth activity in emerging markets has been much stronger than most had expected in the wake of higher U.S. tariffs implemented earlier this year. Growth across EM has held up remarkably well, particularly in Asia, where China's stimulus-driven stabilization efforts are starting to show traction. Stimulus measures over the past two years are now evident in both credit growth and money supply growth, while a rise in 10-year yields and copper prices signals a shift away from deflation fears. Further, Asian EMs are benefitting from strong technology exports related to the AI infrastructure investment cycle, as well as lower oil prices. Meanwhile, activity in Latin America and Central & Eastern Europe, Middle East and Africa (CEEMEA) has moderated but still surprised to the upside, prompting a broad upgrade in EM growth forecasts recently. Looking ahead, consensus now expects EM growth to reach 4.0% in 2026 — stronger than projections made following April's tariff shock.

The resilience of EM growth reflects not only domestic policy support but also easier global financial conditions. A weaker U.S. dollar — down roughly 10% year-to-date on a trade-weighted basis — has eased external financing constraints and fueled EM currency appreciation. This FX strength is now filtering through into disinflationary tailwinds. As a result, EM central banks have the ability to keep policy conditions relatively supportive. With EM FX and equities rallying year-to-date and the Fed beginning another cutting cycle, we see continued momentum for EM from here.

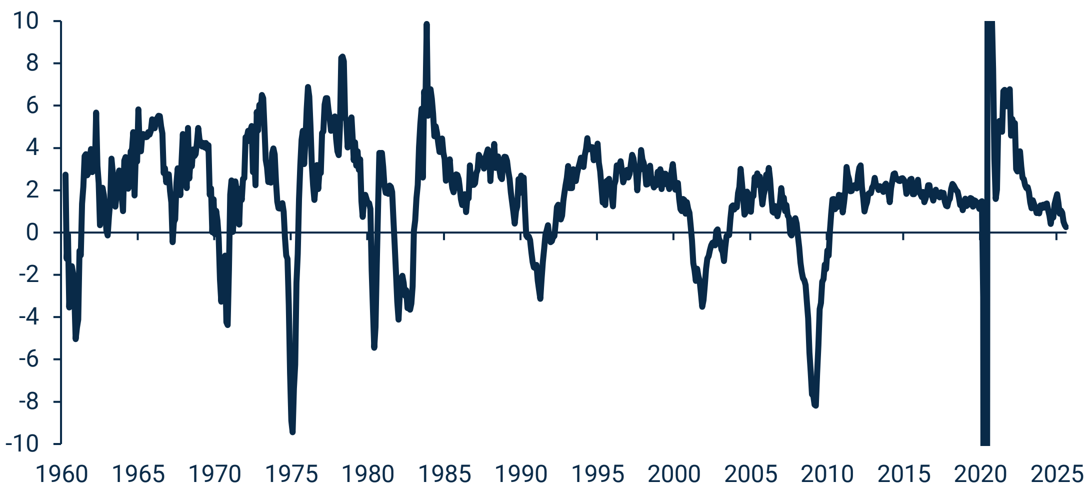
The Setup for Q3 S&P 500 Earnings Looks Good

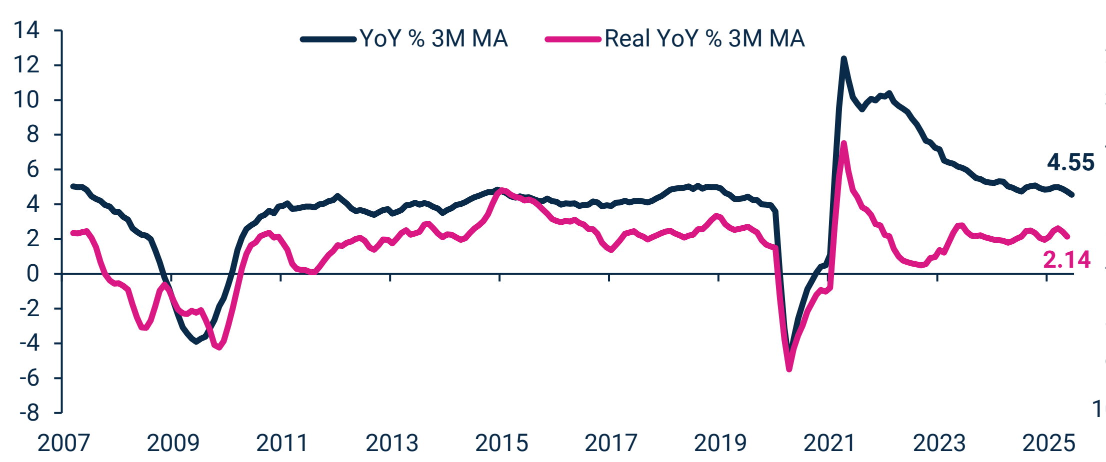
U.S. corporate earnings remain a standout globally. We think EPS growth is likely to accelerate in the third quarter following the ~9.5% year-over-year growth in Q2. The macro backdrop appears constructive: U.S. GDP growth is tracking above 3% for the quarter and dollar weakness should act as a modest tailwind to international earnings. We believe that the Technology+ sectors will again drive the bulk of earnings growth for the quarter, while Financials should support earnings growth as well. Tariffs remain a modest drag, though the overall headwind has been significantly less than feared. Interestingly, after cutting forecasts around the tariff scare earlier this year, analysts' bottom-up estimates have been slow to recover and now look conservative. We expect earnings to beat consensus again and see a backdrop of continued earnings strength as a key driver of equity performance into 2026.

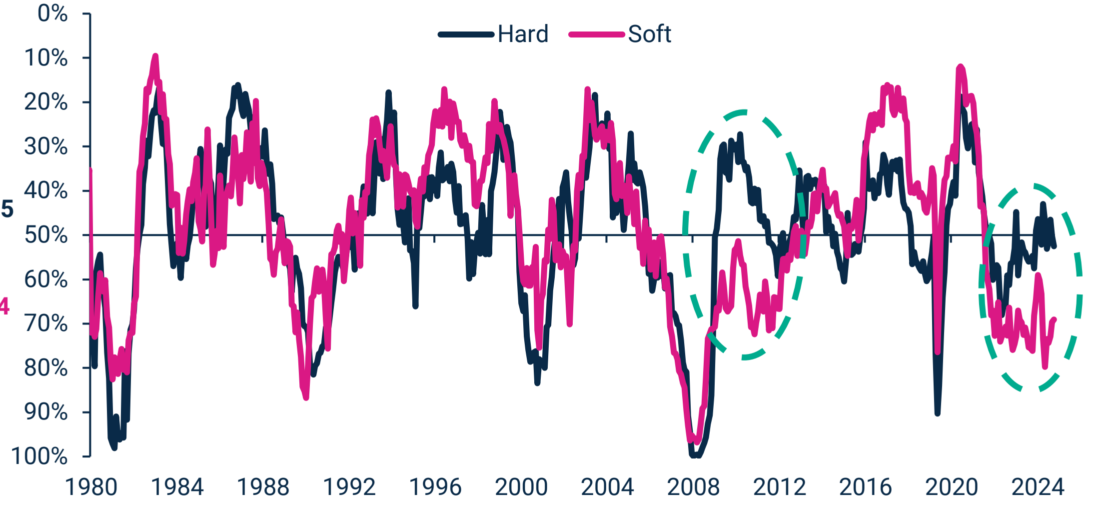
As of 10/03/2025. Source: Harbor Capital Advisors. Refer to Important Information section for more information on the Business Cycle Regime and indicators.

Business Cycle: Growth Conditions (G)

We believe leading indicators of growth are recovering, though still weak. Manufacturing data is improving albeit weak in level terms, while consumer data is still soft but modestly improving.



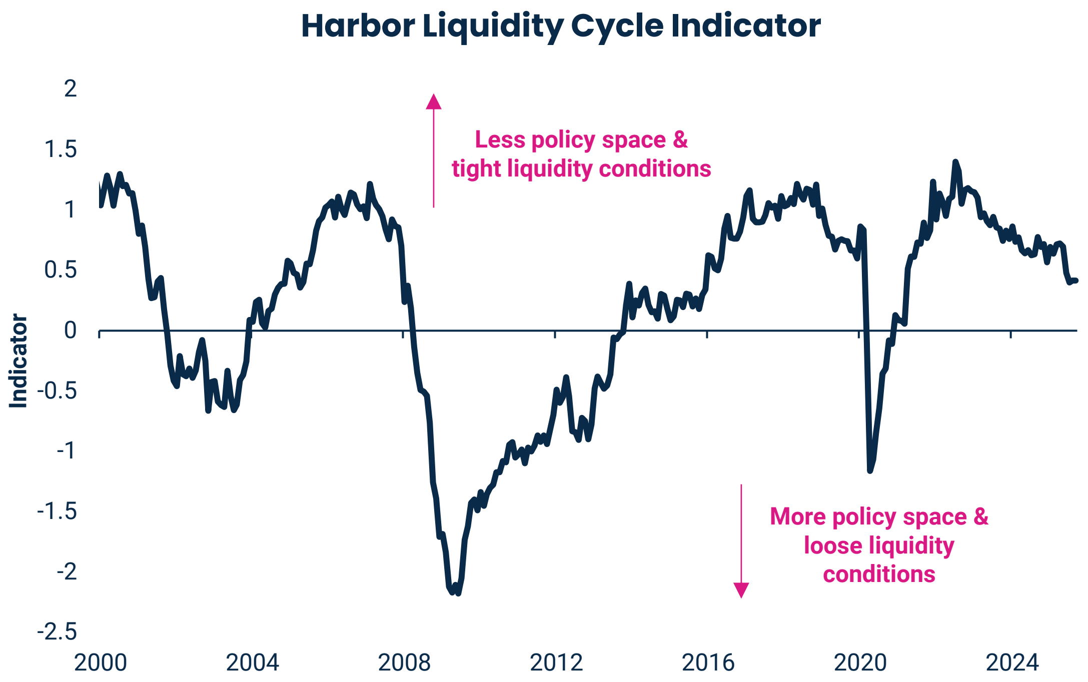


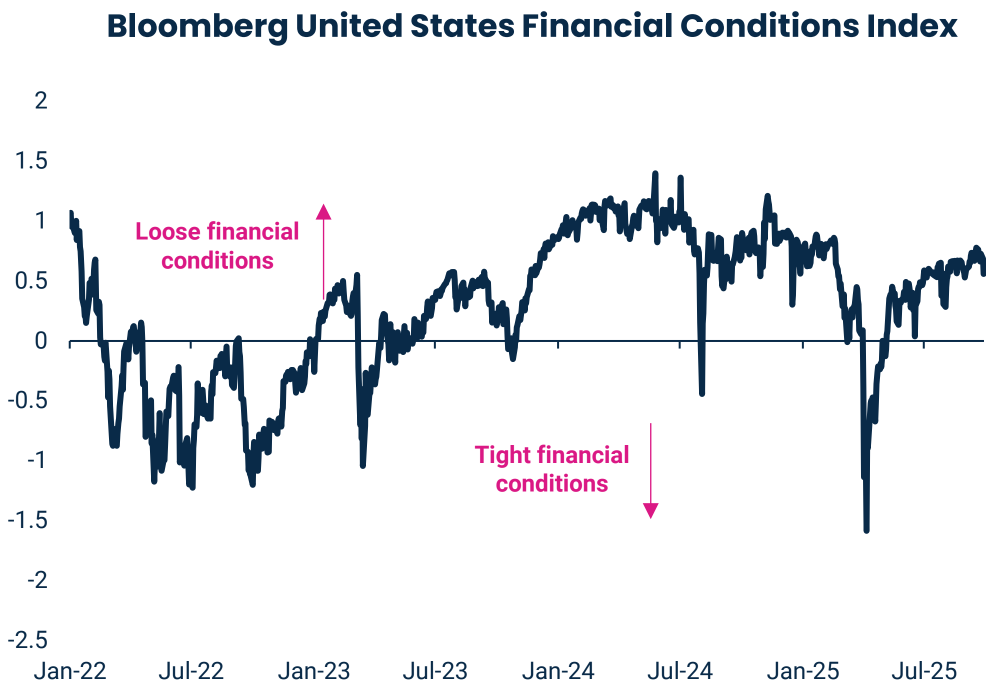


For hypothetical and illustrative purposes only. Sources: Harbor Multi-Asset Solutions Team, Bloomberg L.P., Conference Board, Yale Budget Lab. Data as of 09/30/2025. Refer to Important Information section for more information on the Business Cycle Regime and indicators. **Performance data shown represents past performance and is no guarantee of future results.**

Business Cycle: Liquidity Conditions (L)

Fundamental drivers of liquidity suggest policy space has improved and should allow for a cutting cycle. Lending conditions are beginning to turn up, while financial conditions remain supportive of growth.



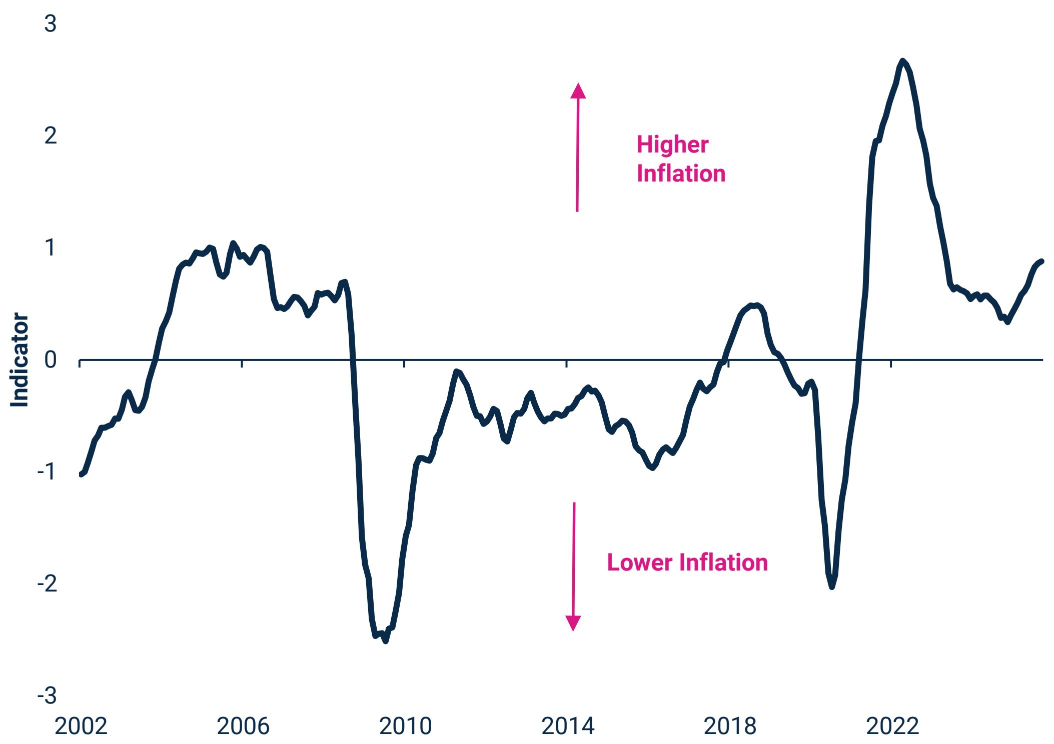


For hypothetical and illustrative purposes only. Sources: Harbor Multi-Asset Solutions Team, Bloomberg L.P. Data as of 09/30/2025.
Refer to Important Information section for more information on the Business Cycle Regime and indicators.
Bloomberg United States Financial Conditions Index - tracks the overall 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.

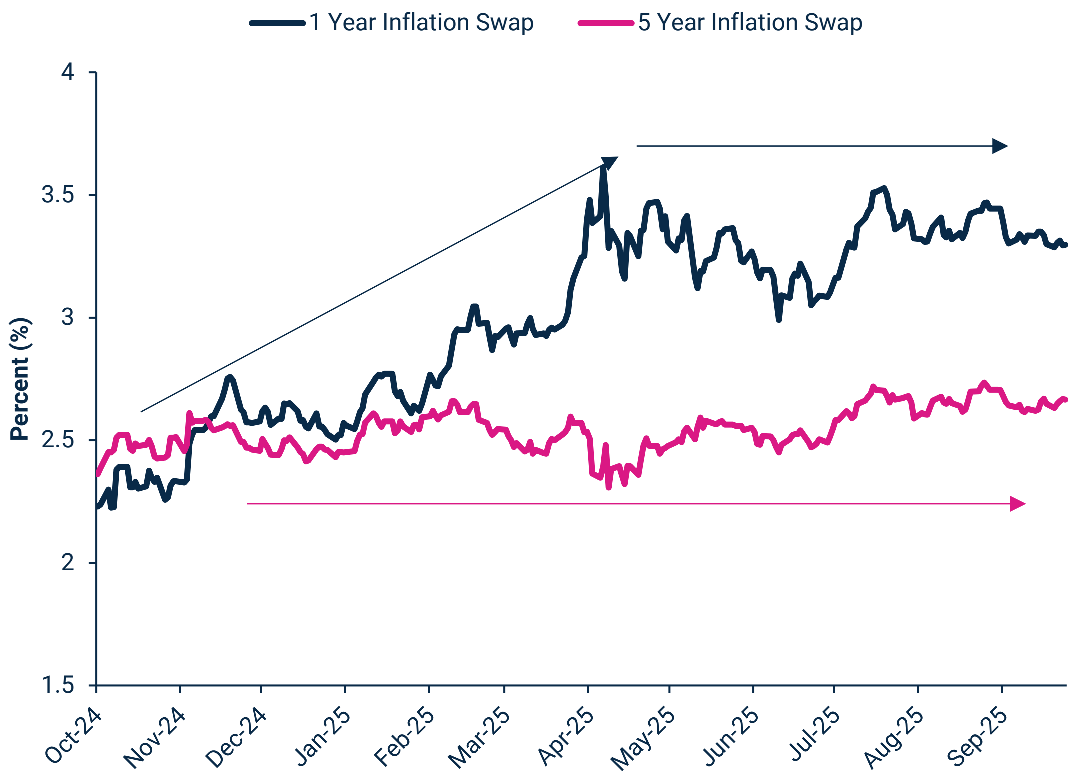
Business Cycle: Inflation Conditions (I)

Underlying inflation drivers point to a possibly alarming reacceleration in inflation.

Harbor Inflation Indicator



Inflation Swaps

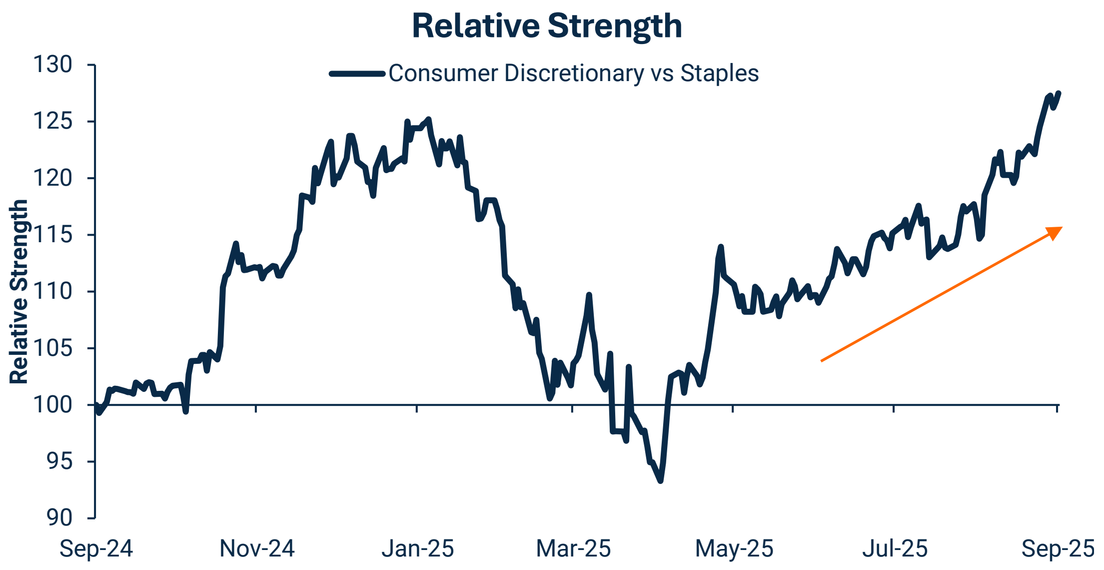


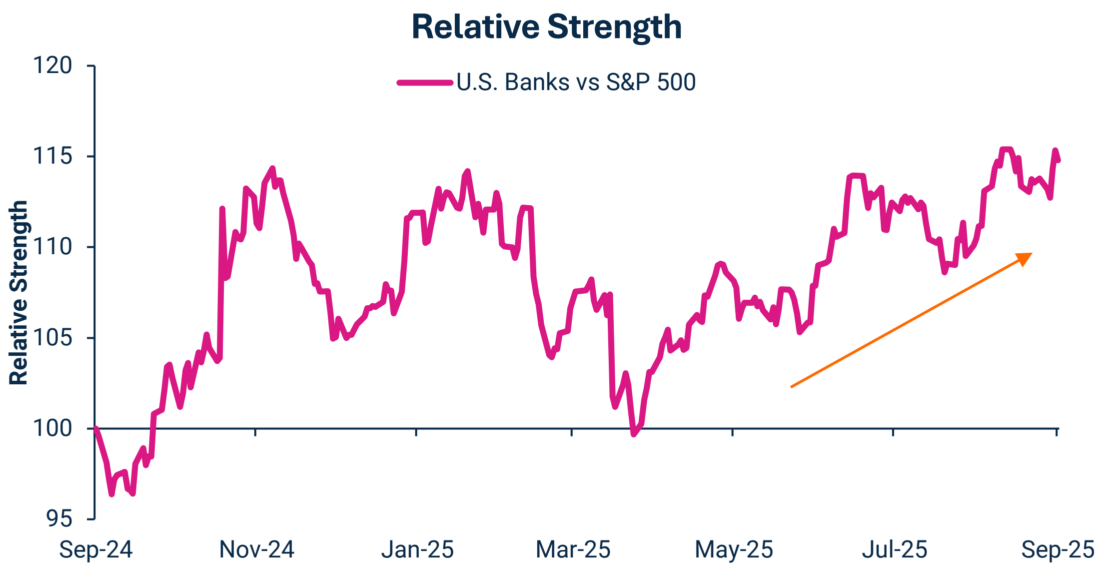
For hypothetical and illustrative purposes only. Sources: Harbor Multi-Asset Solutions Team, Bloomberg L.P. Data as of 09/30/2025. Refer to Important Information section for more information on the Business Cycle Regime and indicators.

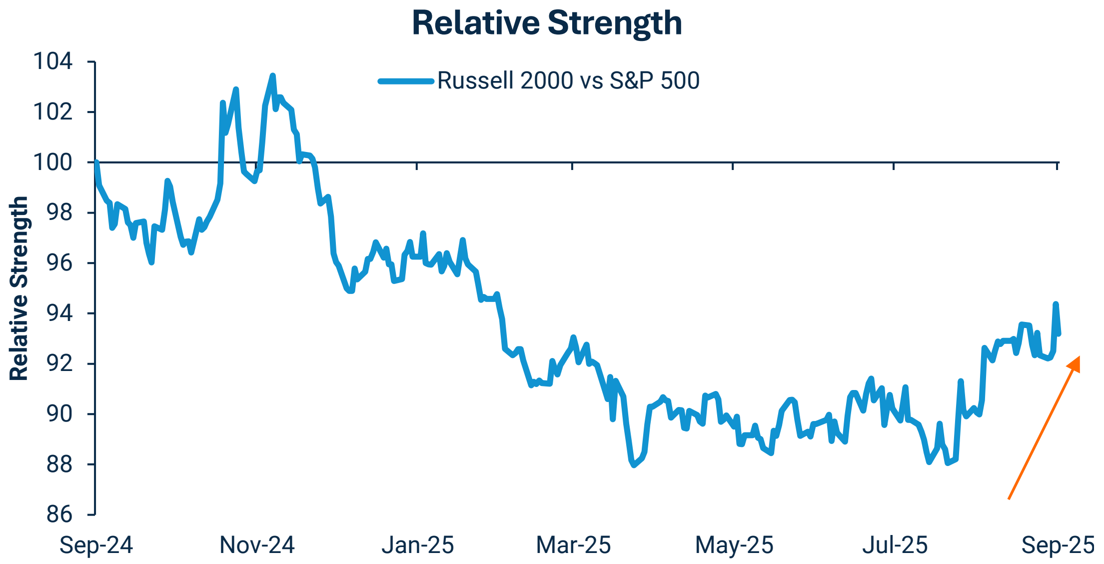
Performance data shown represents past performance and is no guarantee of future results.

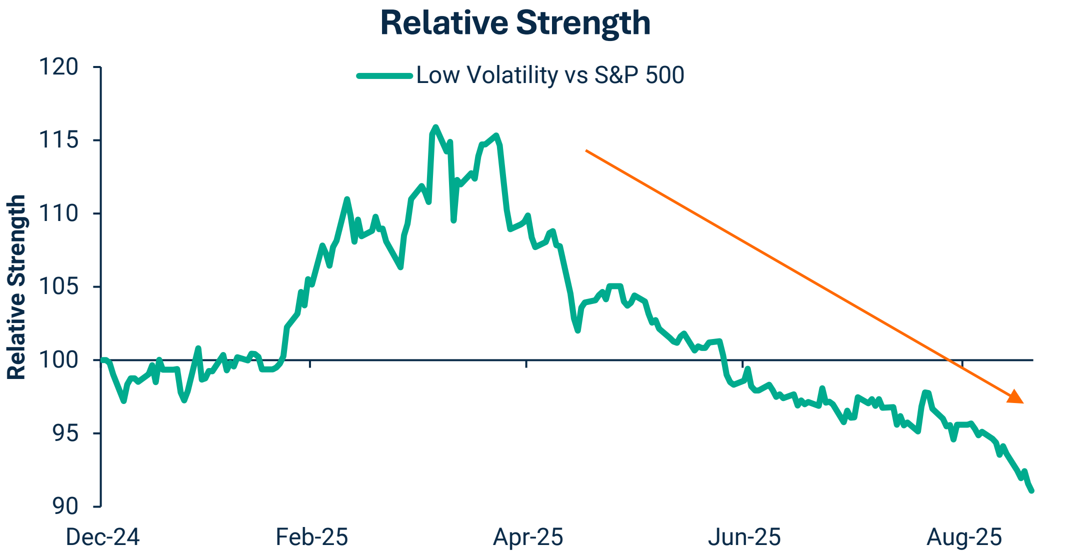
Market Sentiment

Overall market sentiment remains neutral, though importantly not overly euphoric. Our indicator currently leans neutral.





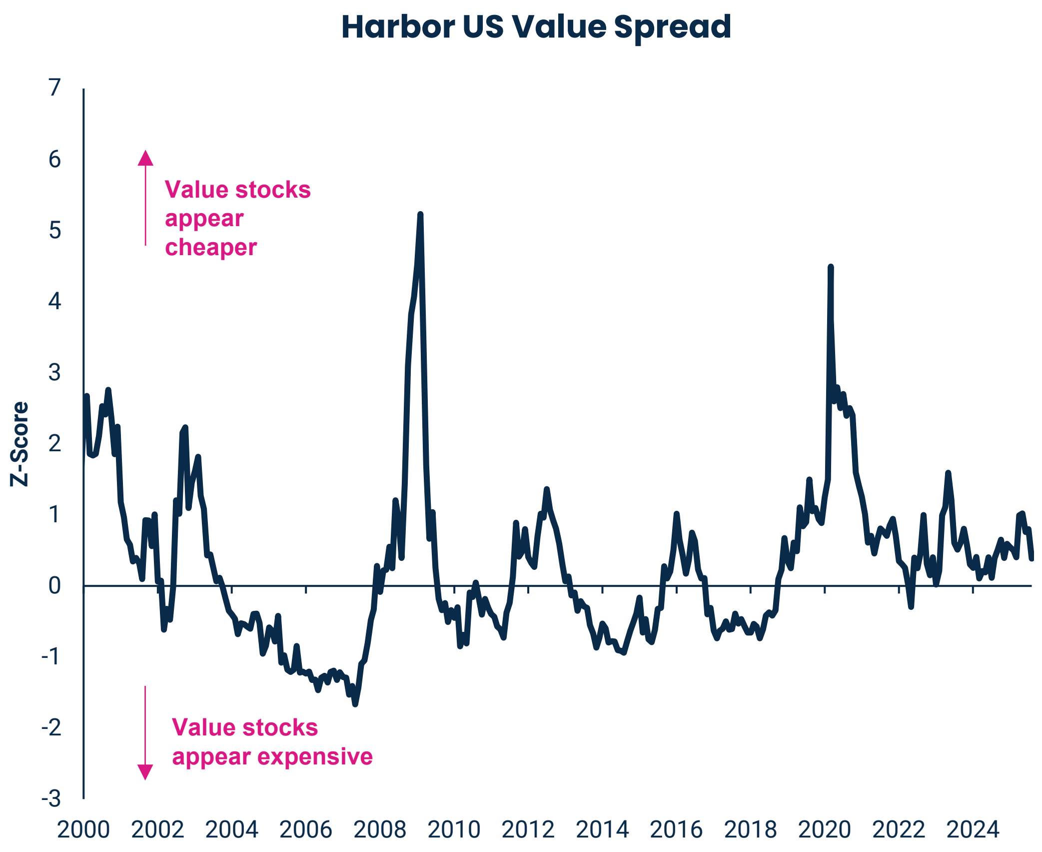


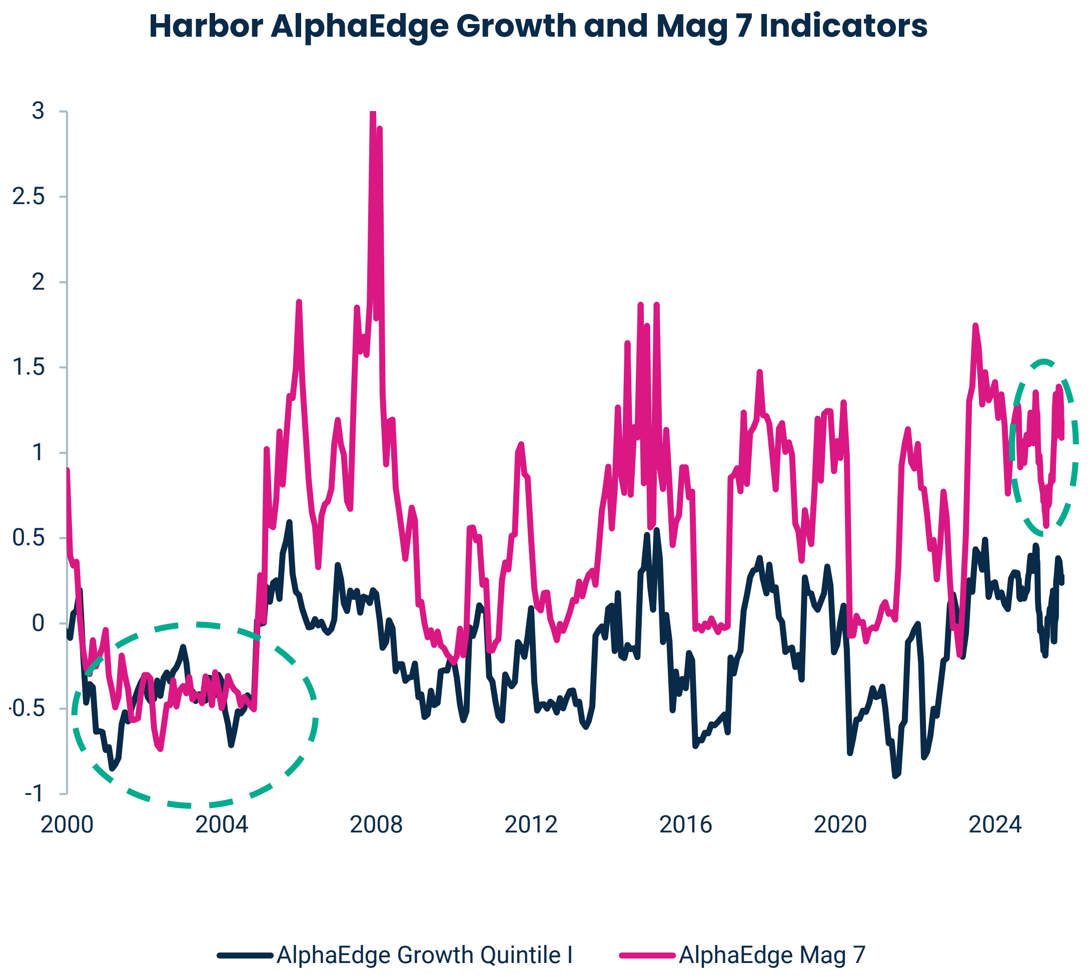


For hypothetical and illustrative purposes only. Source: Harbor Multi-Asset Solutions Team. Data as of 09/30/2025. Refer to Important Information section for more information on the Business Cycle Regime and indicators. **Performance data shown represents past performance and is no guarantee of future results.**

Systematic Signals

Value spreads remain close to average, suggesting average returns to value stocks. Mag 7 and growth stocks continue to look much more attractive vs. during the Tech bubble.





For hypothetical and illustrative purposes only. Source: Harbor Multi-Asset Solutions Team. Data as of 09/30/2025.

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

- ✓ Leading indicators of growth are recovering, though still weak.
- ✓ We believe the probability of moving into a risk-off regime have fallen back to 10%.
- ✓ Lending conditions are beginning to turn up, and financial conditions remain supportive of growth.
- ✓ Underlying inflation drivers point to a possible alarming reacceleration in inflation.

Harbor Multi-Asset Solutions Asset Class Matrix

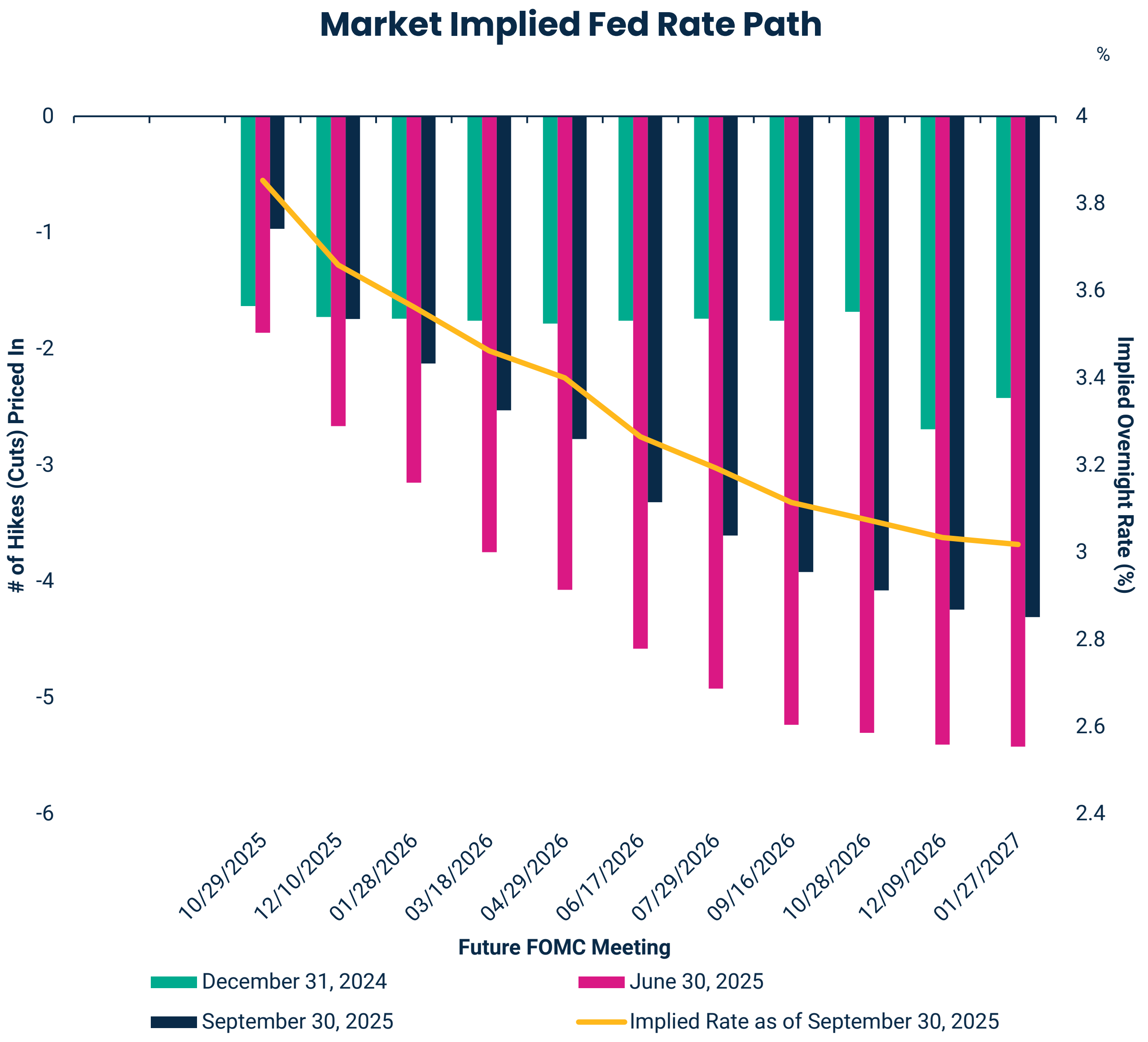
Macro	Business Cycle Regime	Expansion	Slowdown	**Late Cycle Expansion**	Late Cycle Slowdown	Contraction
Macro	Market Sentiment	Risk On	**Neutral**	Risk Off		
Macro	Equities	Underweight	Neutral	**Overweight**		
Macro	Fixed Income	**Underweight**	Neutral	Overweight		
Macro	Credit	Underweight	**Neutral**	Overweight		
Macro	Tactical Equity Oversold Signal	Oversold	**Neutral**			
Macro	Tactical Duration Signal	**Short Duration**	Neutral	Long Duration		
Style	Small Caps	Underweight	Neutral	**Overweight**		
Style	Growth	Underweight	**Neutral**	Overweight		
Style	Value	Underweight	**Neutral**	Overweight		
Style	Low Vol	**Underweight**	Neutral	Overweight		
Style	High Beta	Underweight	**Neutral**	Overweight		
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		

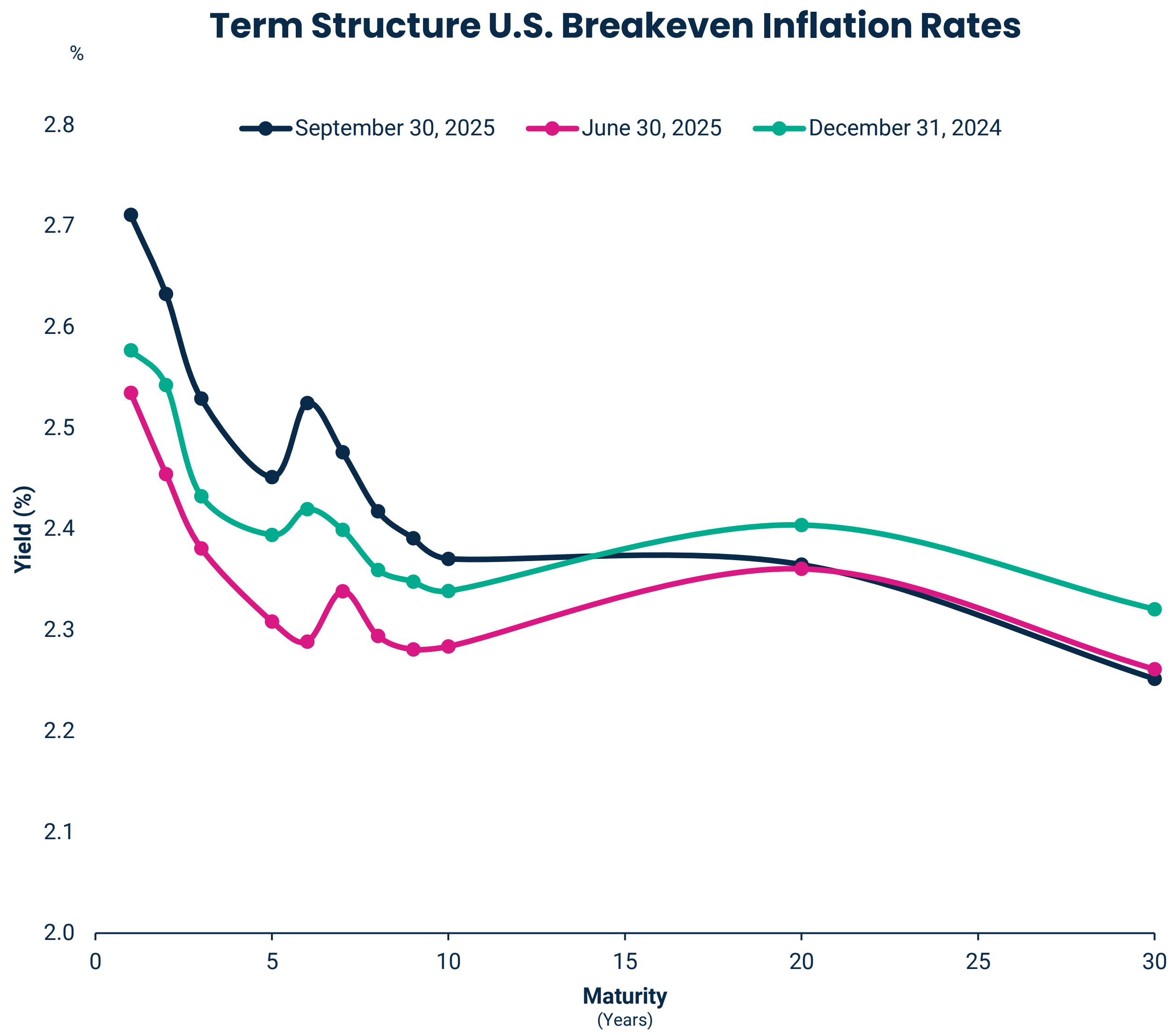
For hypothetical and illustrative purposes only. This information should not be considered as a recommendation to purchase or sell a particular security.
Refer to Important Information section for more information on the Business Cycle Regime and indicators.
Source: Harbor Multi-Asset Solutions Team. Data as of 09/30/2025.

MACRO BACKDROP

Market Pricing

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



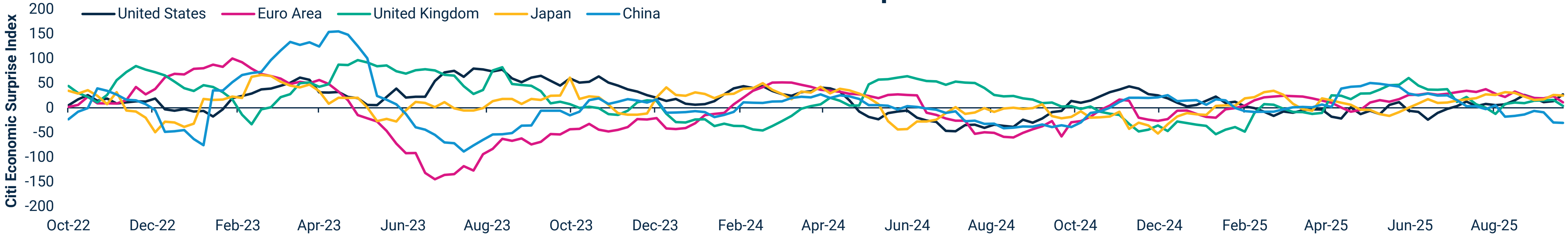


Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

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

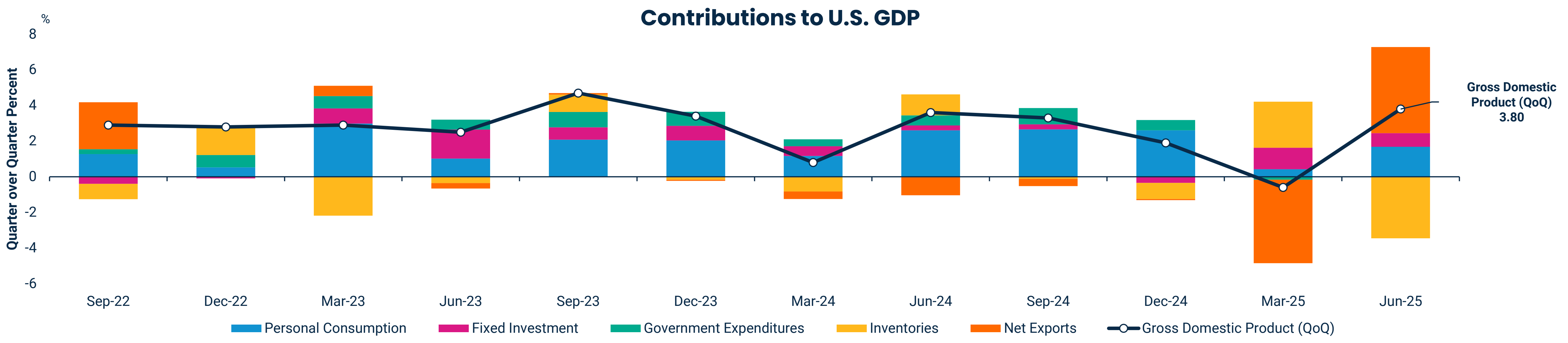
Region		Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Americas	US	51.3	54.5	54.8	54.3	54.6	54	54.1	54.9	55.4	52.7	51.6	53.5	50.6	53	52.9	55.1	54.6	53.9
	Canada*	49.4	49.3	49.3	47.8	49.5	50.4	51.1	52	52.2	51.6	47.8	46.3	45.3	46.1	45.6	46.1	48.3	47.7
	Mexico*	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	49.1	50.2	49.6
	Brazil	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	46.6	46	46
Europe	UK	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	51.5	53.5	50.1
	Germany	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	50.6	50.5	52
	France	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	48.6	49.8	48.1
	Italy	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	51.5	51.7	51.7
	Spain	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	54.7	53.7	53.8
	Greece*	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	51.7	54.5	52
	Poland*	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	45.9	46.6	48
Asia	Japan	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	51.6	52	51.3
	China	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	50.8	51.9	52.5
	Australia	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	53.8	55.5	52.4
	India	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	61.1	63.2	61.9

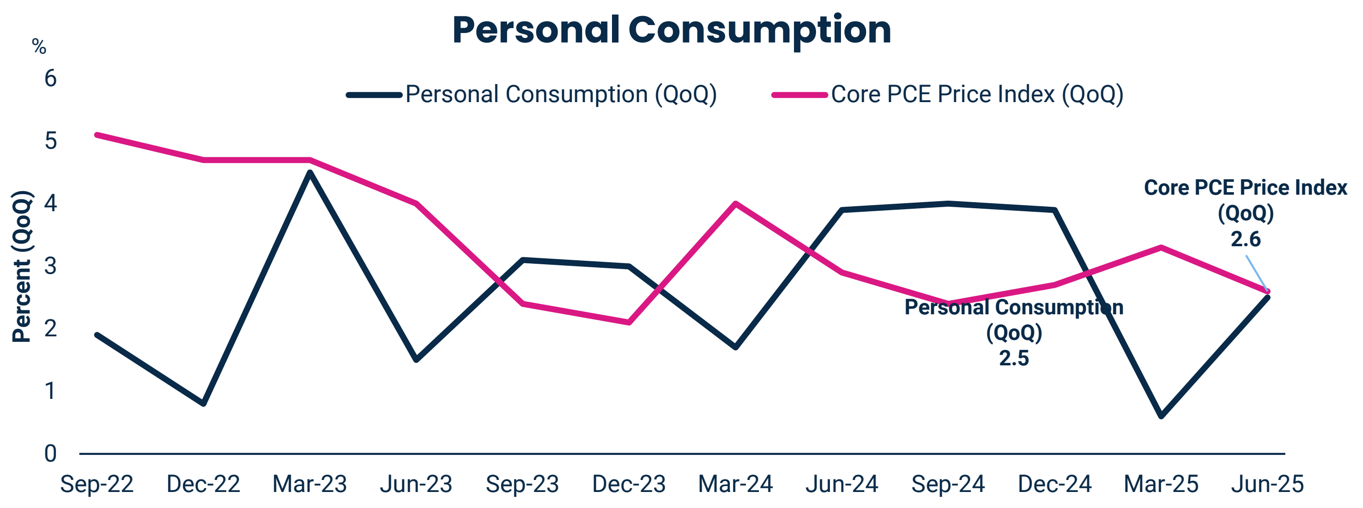
*Manufacturing PMI in place of composite due to availability.

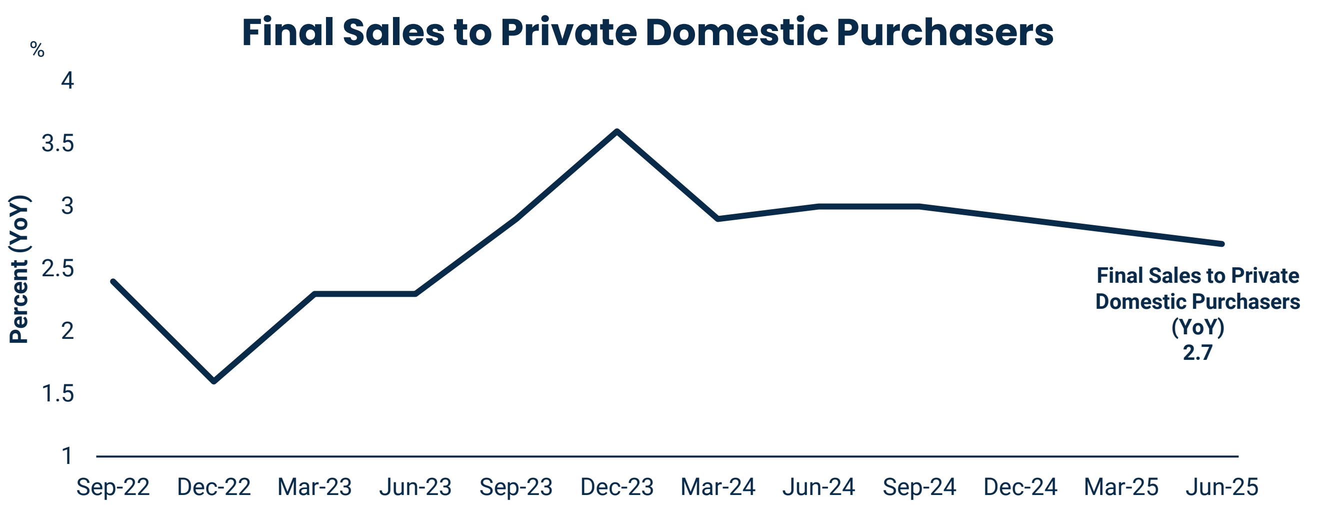
Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Gross Domestic Product

U.S. GDP was revised upward to 3.8% on an annualized basis in the second quarter.



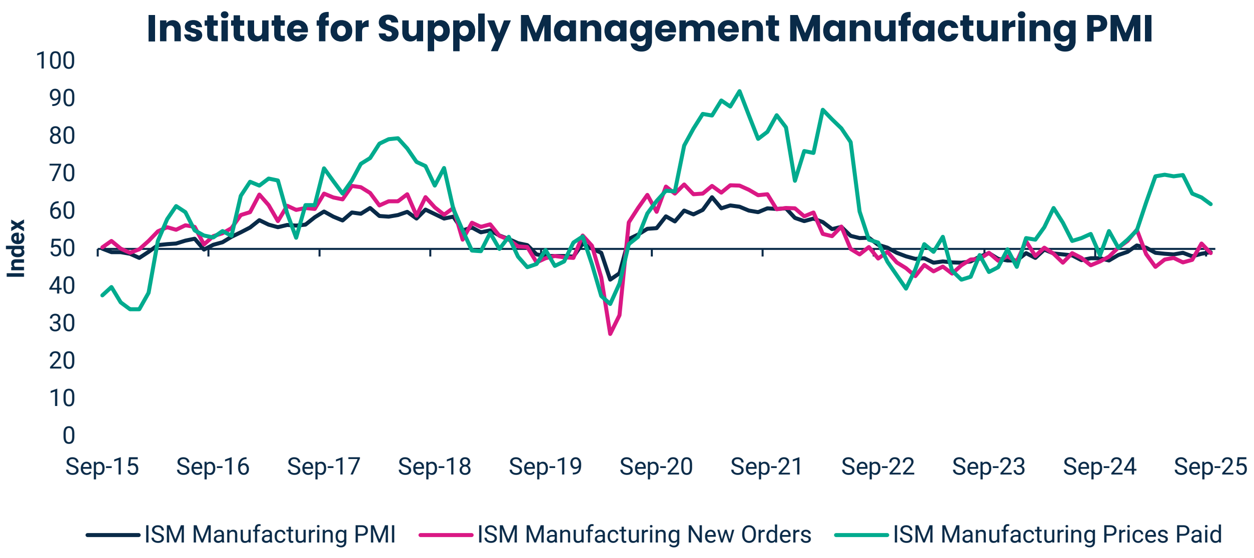


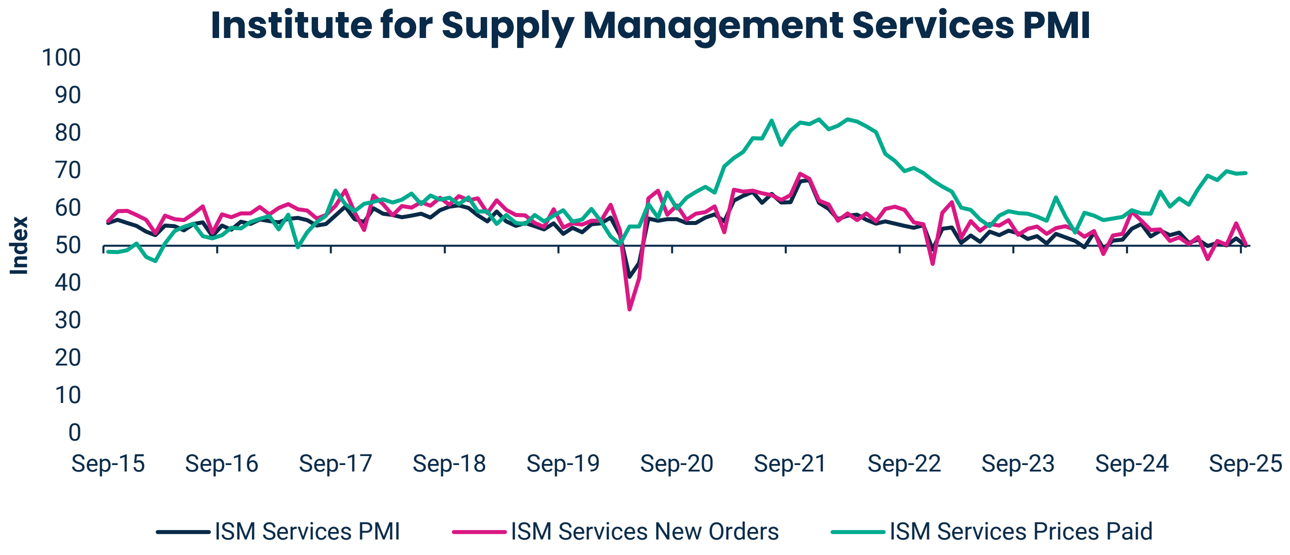


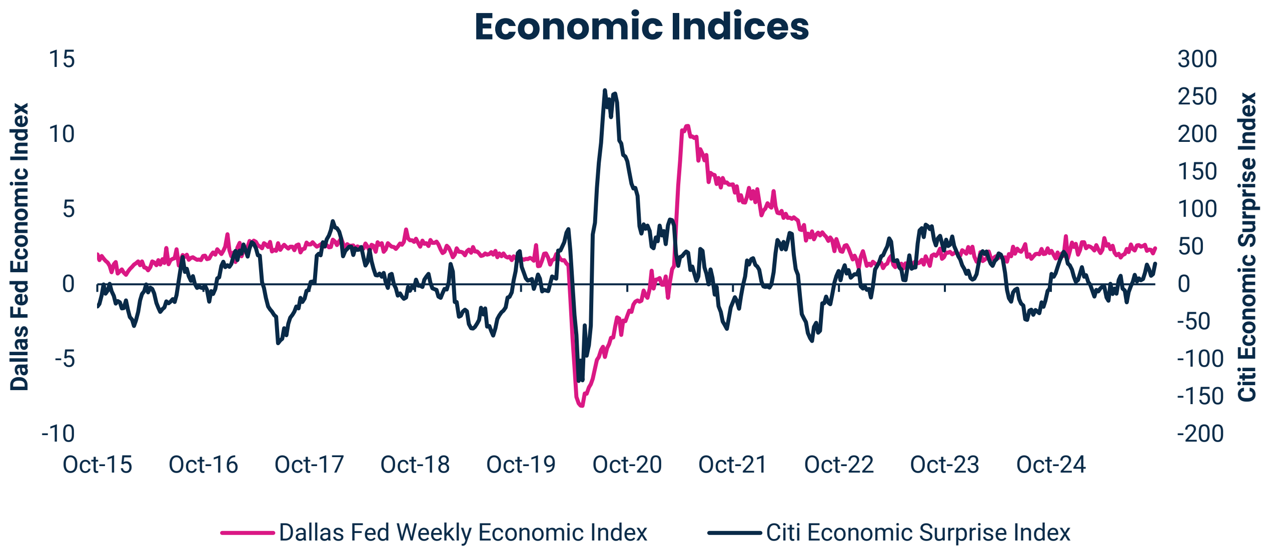
Data as of 06/30/2025. Source: Bloomberg.

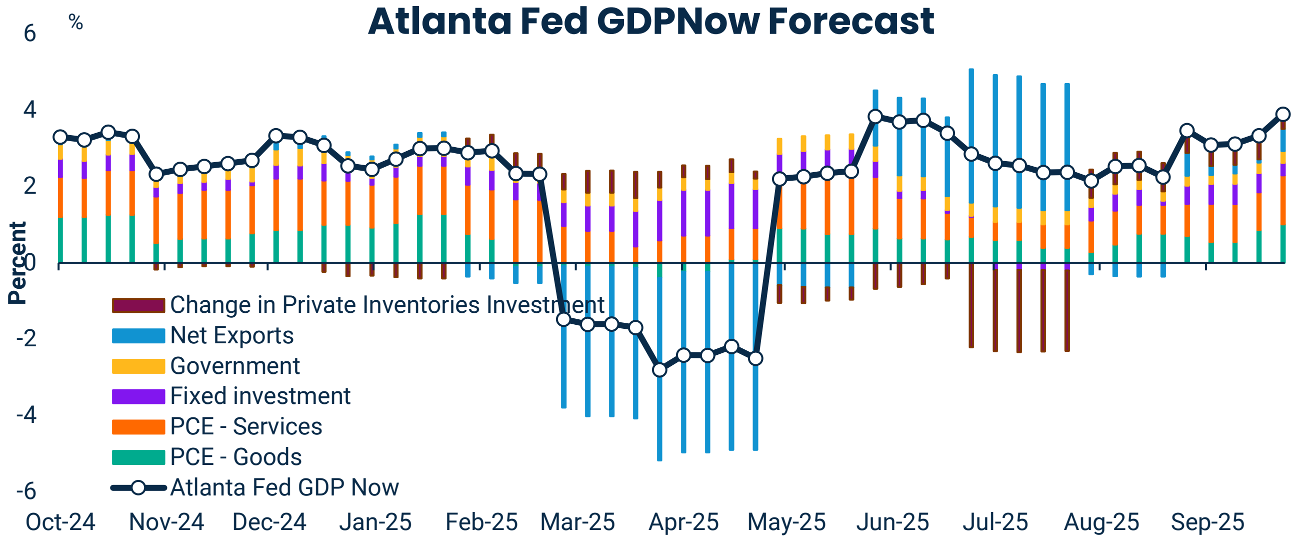
Economic Momentum

Economic growth has cooled but remains better than many feared.







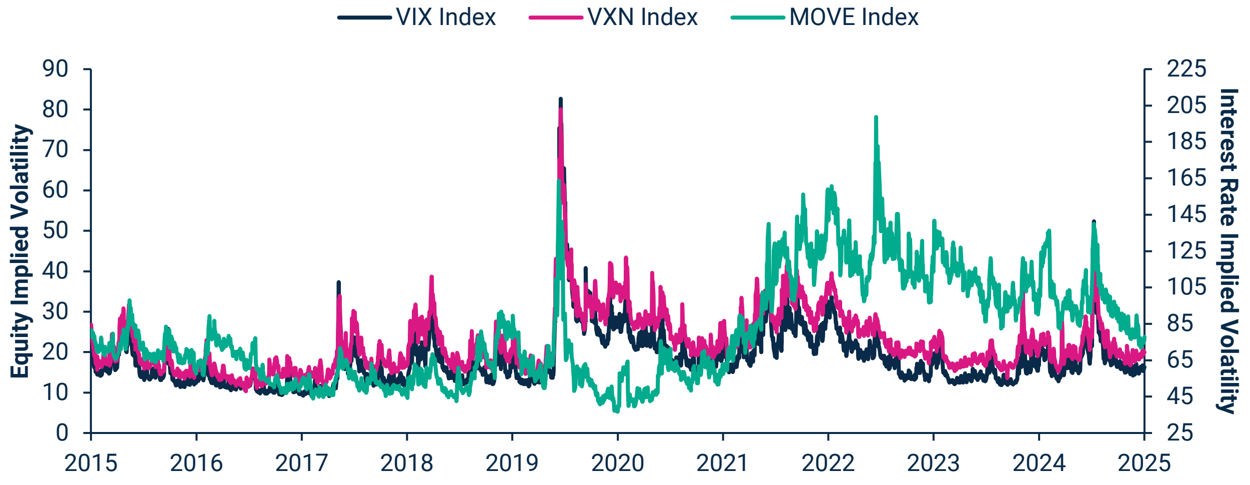


Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Consumer Sentiment

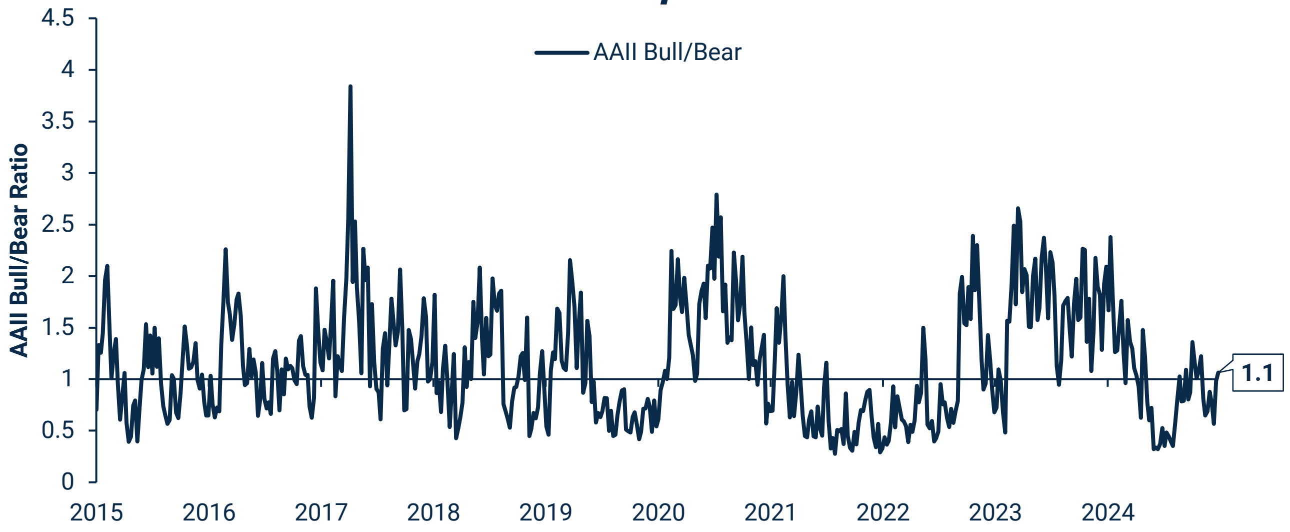
Tariff uncertainty has kept implied volatility elevated.

Implied Volatility

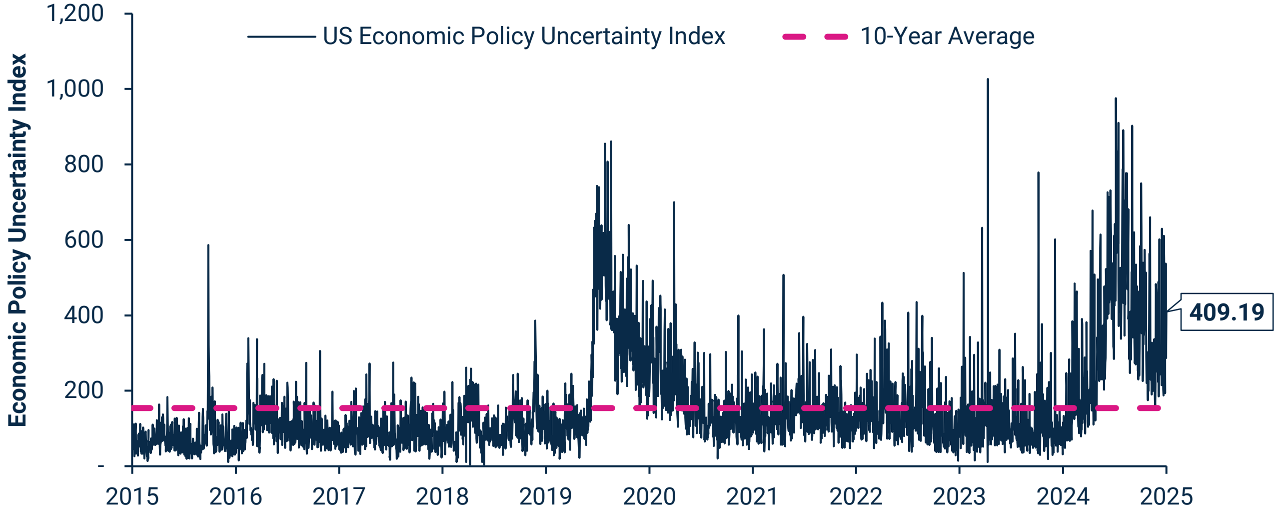


Left-hand side: VIX and VXN; Right-hand side: MOVE Index

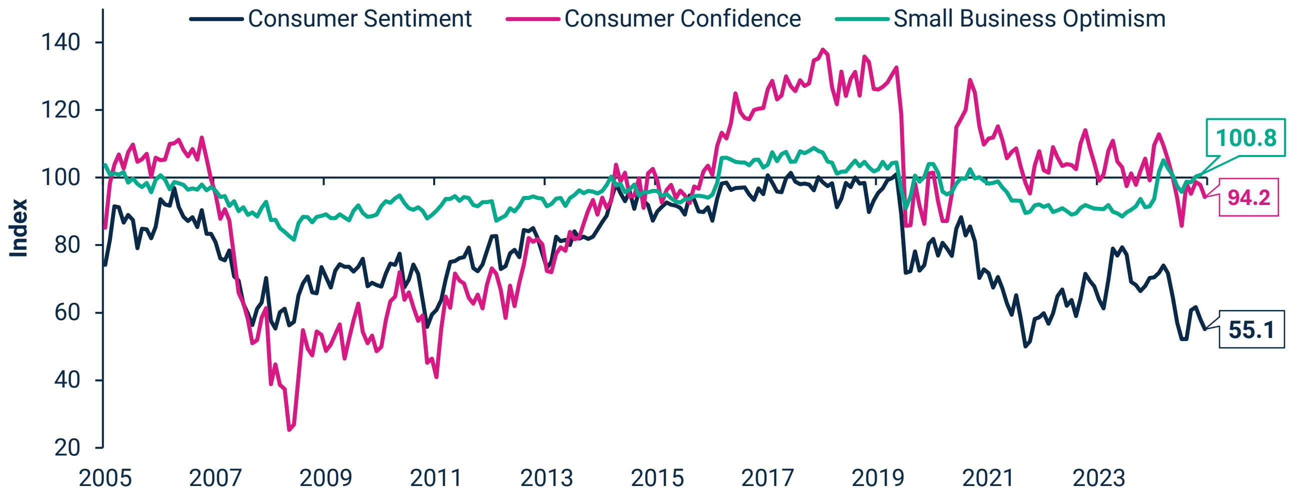
AAII Bull/Bear



U.S. Economic Policy Uncertainty



Surveys

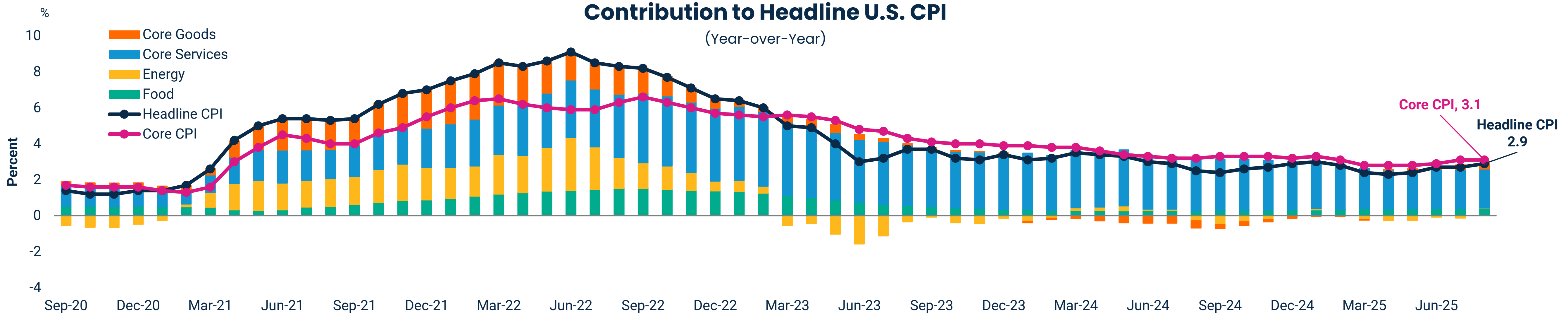


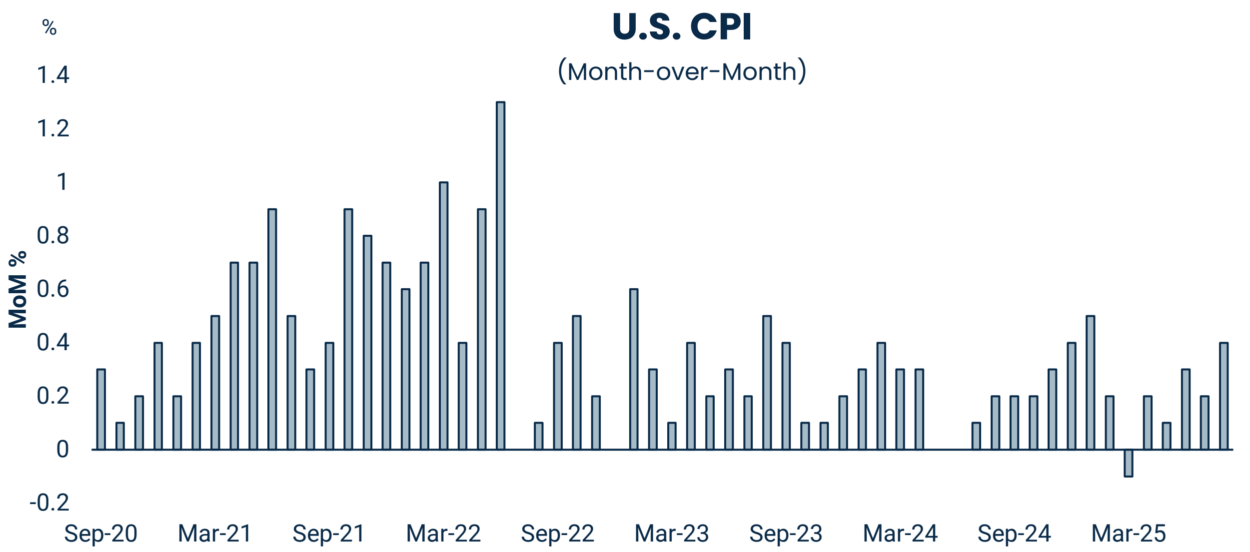
Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

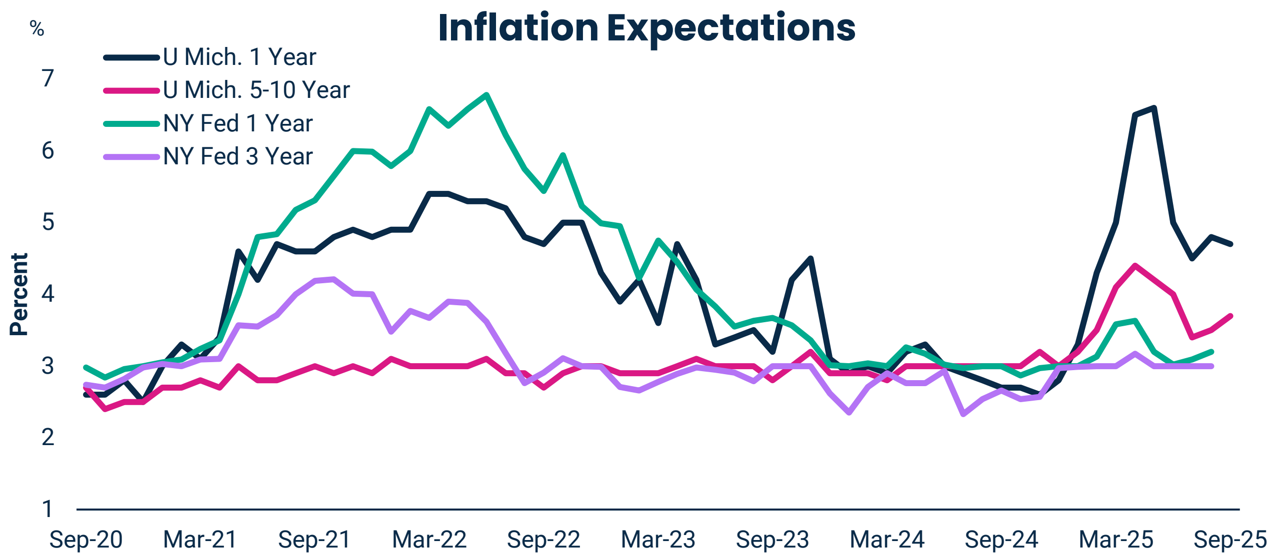
AAII = American Association of Individual Investors

Inflation

Headline and core CPI for August met expectations, which likely helped set the stage for a rate cut at the September Fed meeting.







Data as of 08/31/2025. Source: Bloomberg.

Inflation Heatmap

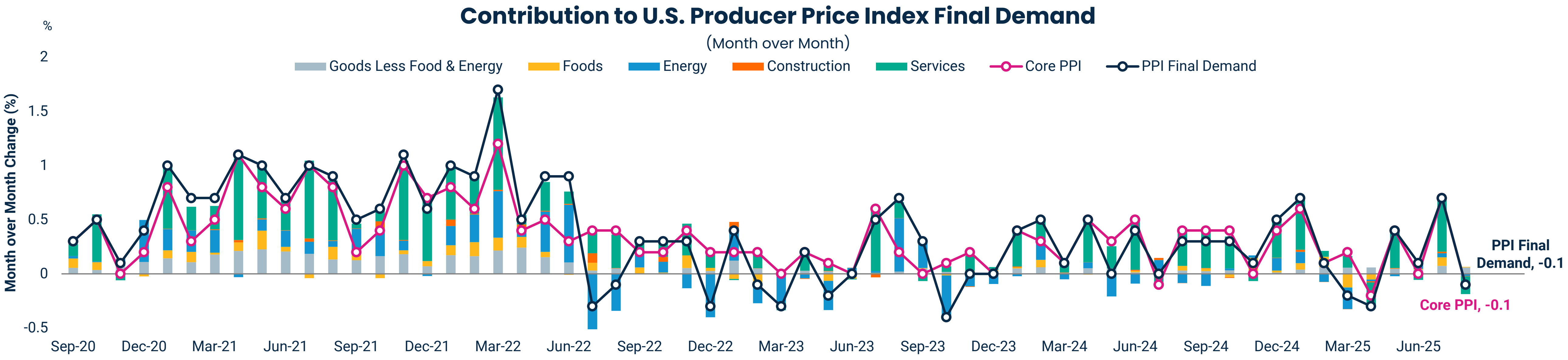
U.S. CPI Basket

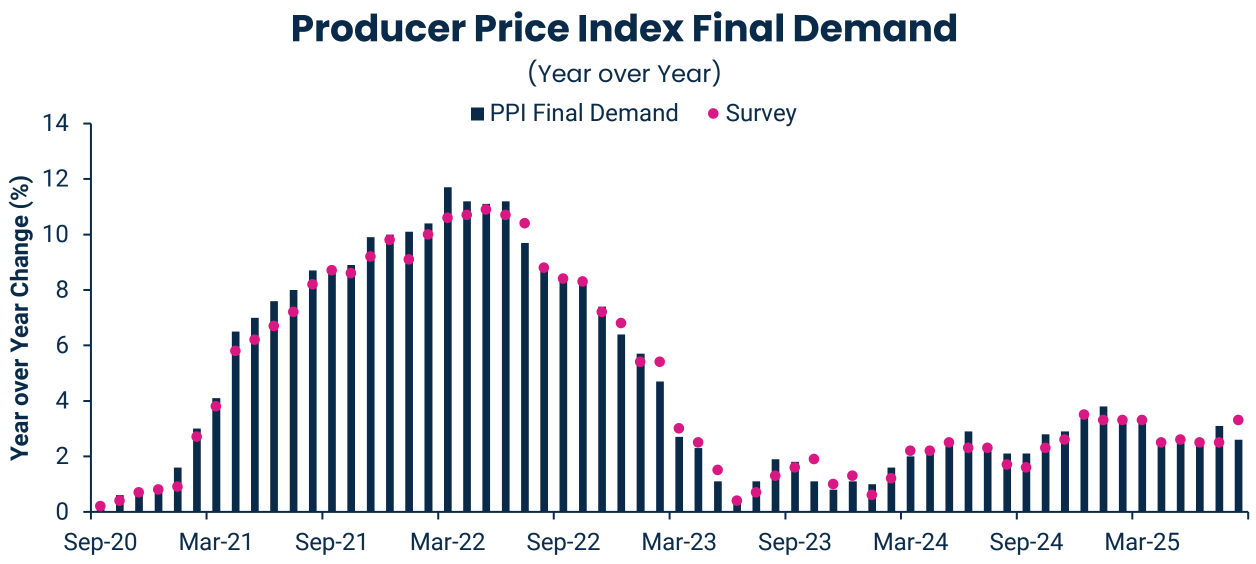
Components	Weights	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Total	**100.0%**	**3.5%**	**3.4%**	**3.3%**	**3.0%**	**2.9%**	**2.5%**	**2.4%**	**2.6%**	**2.7%**	**2.9%**	**3.0%**	**2.8%**	**2.4%**	**2.3%**	**2.4%**	**2.7%**	**2.7%**	**2.9%**
Food	**13.6%**	**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%**	**3.0%**	**2.9%**	**3.2%**
Cereals & Bakery Products	1.1%	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%	0.9%	1.0%	1.1%
Meats, Poultry, Fish, & Eggs	1.6%	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%	5.8%	5.3%	5.6%
Dairy & Related	0.7%	-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%	0.9%	1.5%	1.3%
Fruits & Vegetables	1.3%	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%	0.8%	0.3%	1.9%
Nonalcoholic Beverages	0.9%	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%	4.4%	3.6%	4.6%
Other Food at Home	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%	1.3%	1.2%	1.5%
Food Away from Home	5.7%	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%	3.8%	3.9%	3.9%
Energy	**6.4%**	**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%**	**-0.6%**	**-1.3%**	**0.4%**
Energy Commodities	3.2%	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%	-7.9%	-8.9%	-6.2%
Energy Services	3.3%	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%	7.6%	7.3%	7.8%
Commodities ex Food & Energy	**19.3%**	**-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%**	**0.6%**	**1.1%**	**1.5%**
Household Furnishing & Supplies	3.4%	-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%	1.7%	2.4%	2.8%
Apparel	2.5%	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%	-0.5%	-0.1%	0.3%
Transportation	7.3%	-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%	1.2%	1.9%	2.5%
Medical Care	1.5%	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%	0.2%	0.1%	0.0%
Recreation	1.8%	-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%	-0.8%	-0.1%	0.1%
Education & Communication	0.7%	-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%	-3.3%	-4.3%	-3.9%
Alcoholic Beverages	0.8%	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%	1.4%	1.4%	1.9%
Other Goods	1.3%	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%	3.0%	3.0%	3.2%
Services ex Energy	**60.6%**	**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%**	**3.6%**	**3.6%**	**3.6%**
Shelter	35.4%	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%	3.8%	3.7%	3.6%
Water, Sewer, and Trash	1.1%	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%	5.4%	5.3%	5.3%
Medical Care	6.8%	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%	3.4%	4.3%	4.2%
Transportation	6.3%	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%	3.1%	3.5%	3.7%
Recreation	3.5%	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%	3.8%	3.9%	3.7%
Education & Communication	4.9%	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%	1.1%	1.1%	1.0%
Other Services	2.7%																		

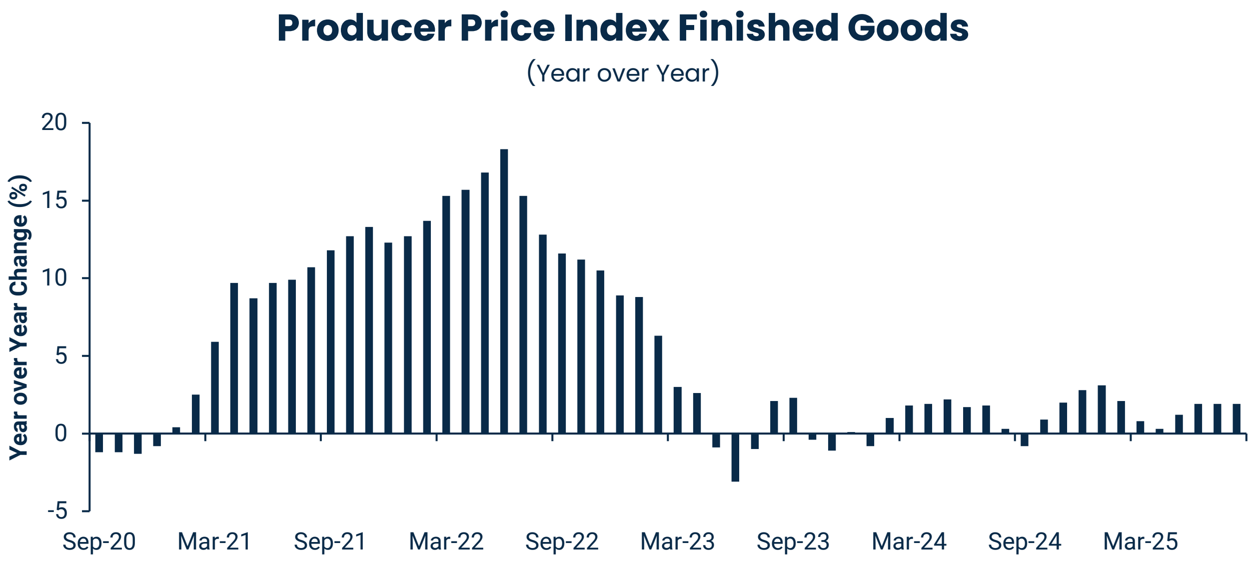
Data as of 08/31/2025. Source: Bloomberg.

Producer Prices

Wholesale inflation unexpectedly declined in August, down -.1% from a month earlier. August's decline was the first in four months, suggesting companies refrained from large price increases despite higher costs from tariffs.



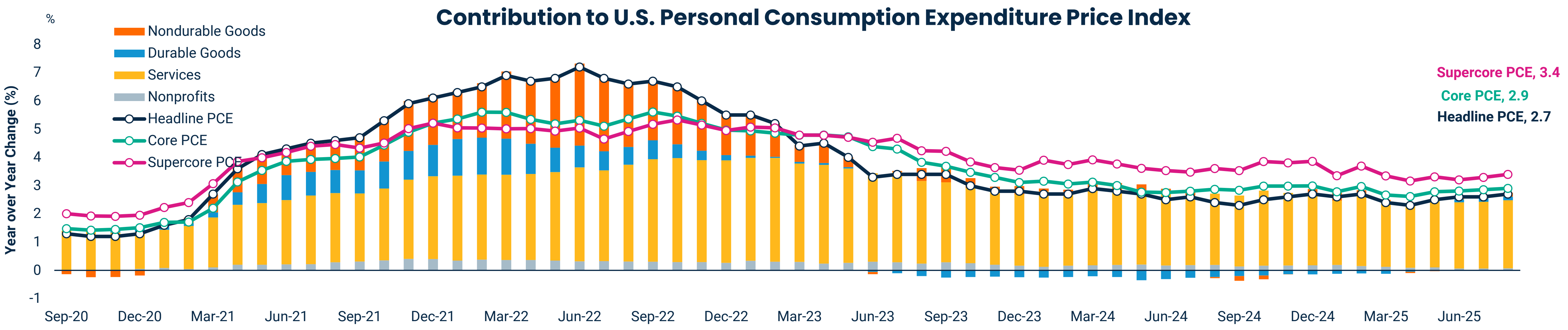


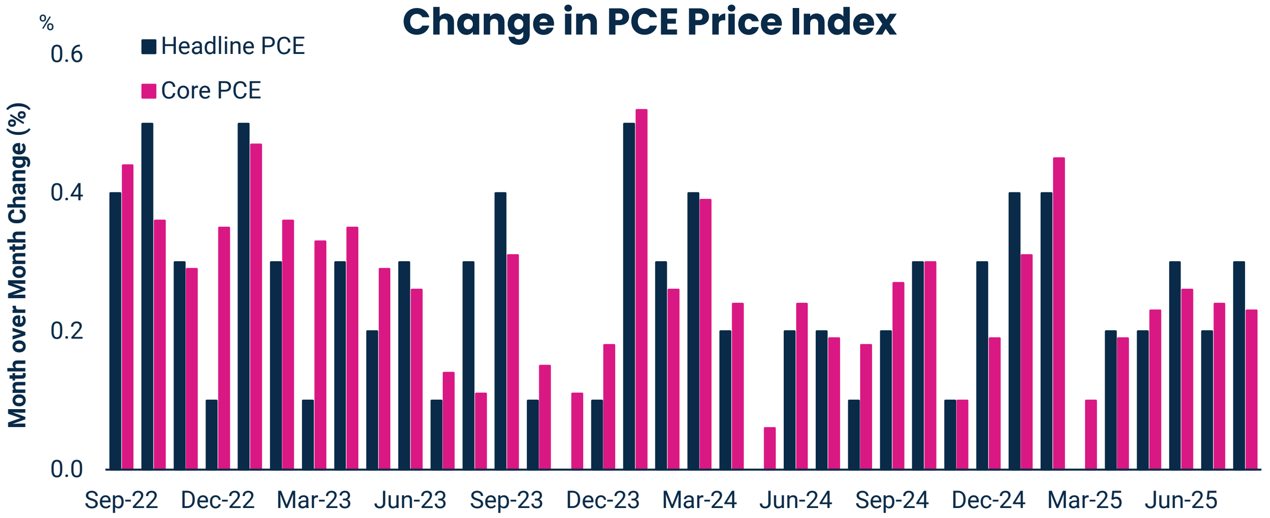


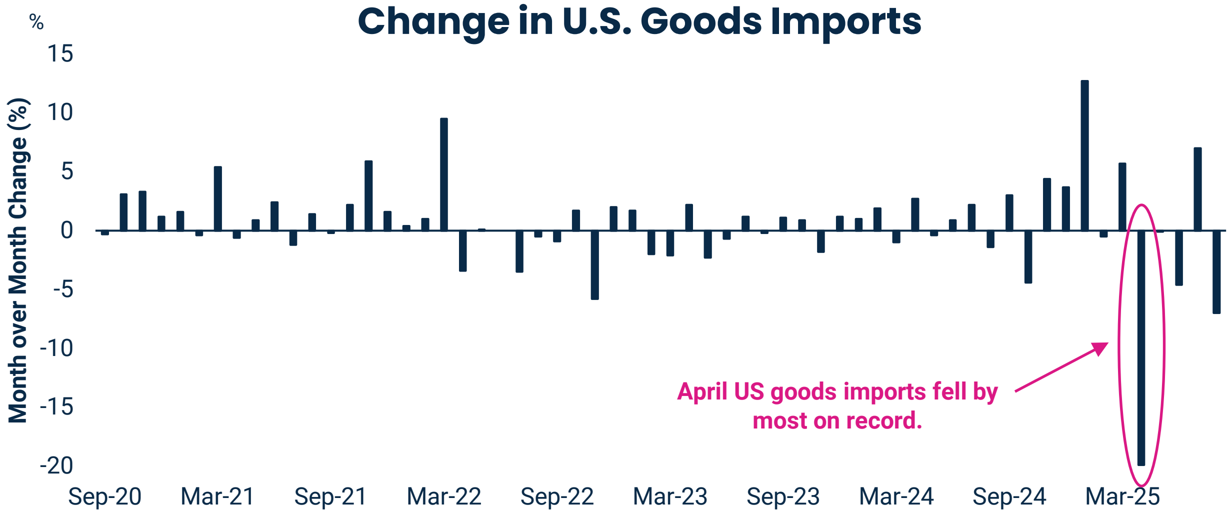
Data as of 08/31/2025. Source: Bloomberg.

U.S. Personal Consumption

The Fed's preferred price gauge increased at a 2.7% annualized pace in August. Core PCE remained elevated at 2.9%.



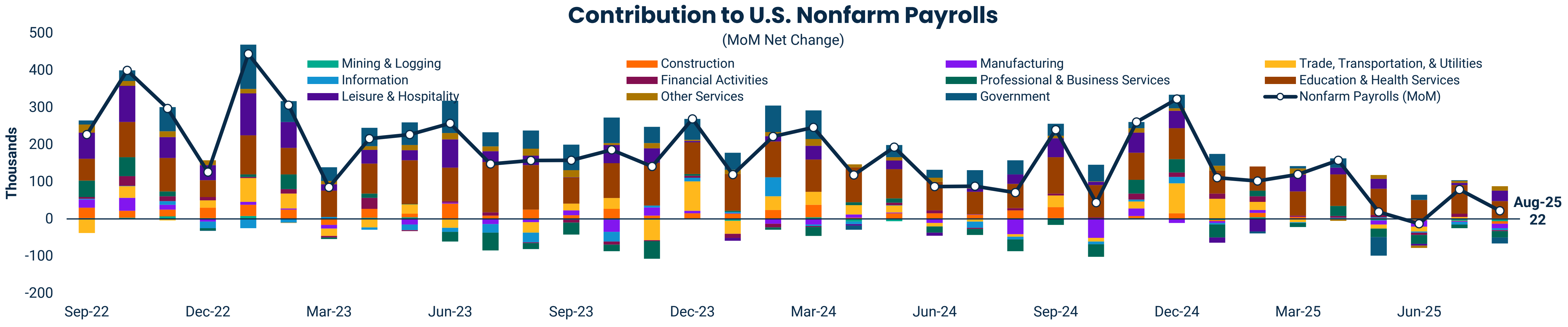


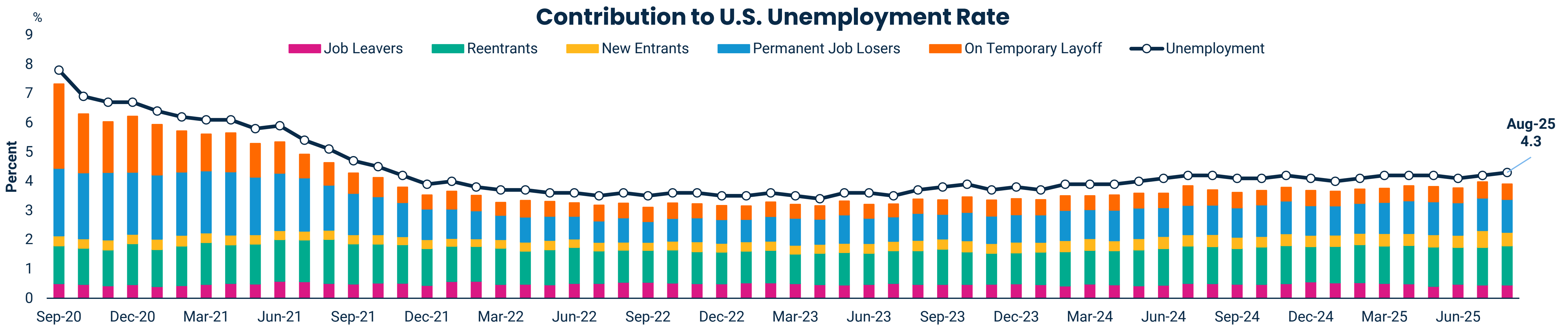


Data as of 08/31/2025. Source: Bloomberg.

Labor

A weak August nonfarm payrolls gain of only 22k jobs likely helped cement the case for the Fed rate cut in September. The unemployment rate also increased to its highest since 2021 at 4.3%.

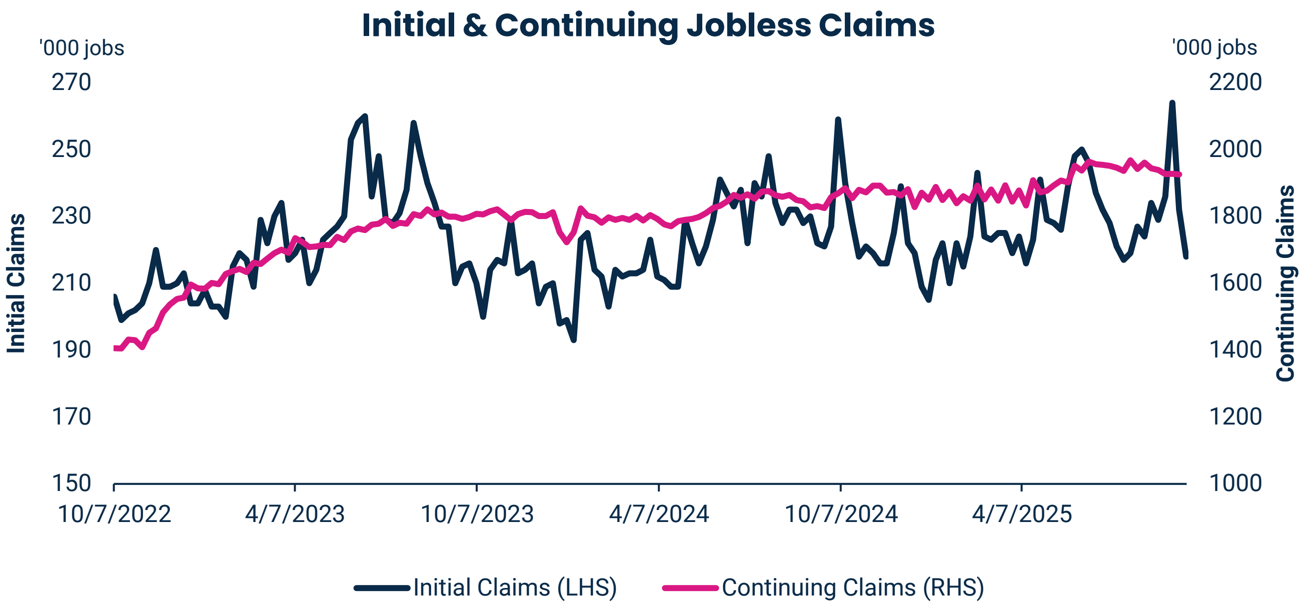


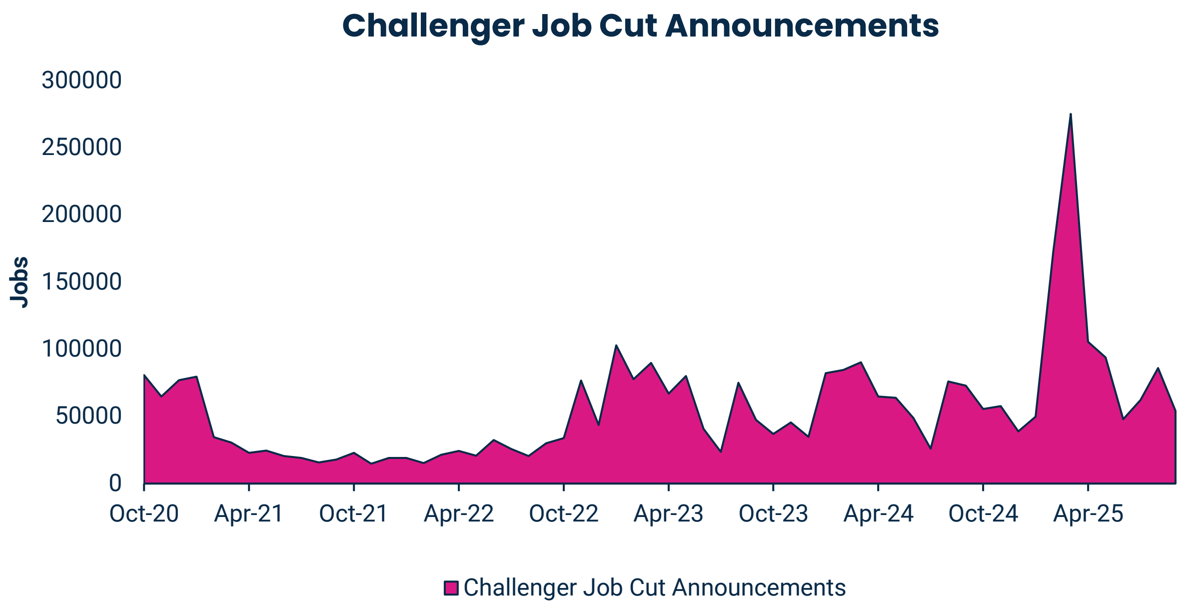


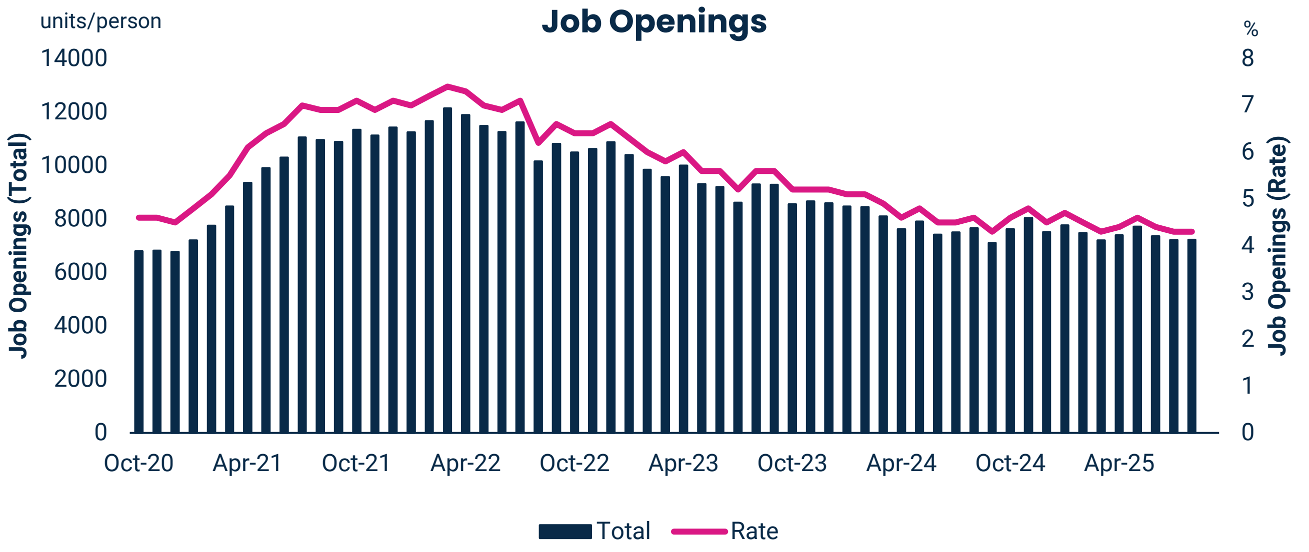
Data as of 08/31/2025. Source: Bloomberg.

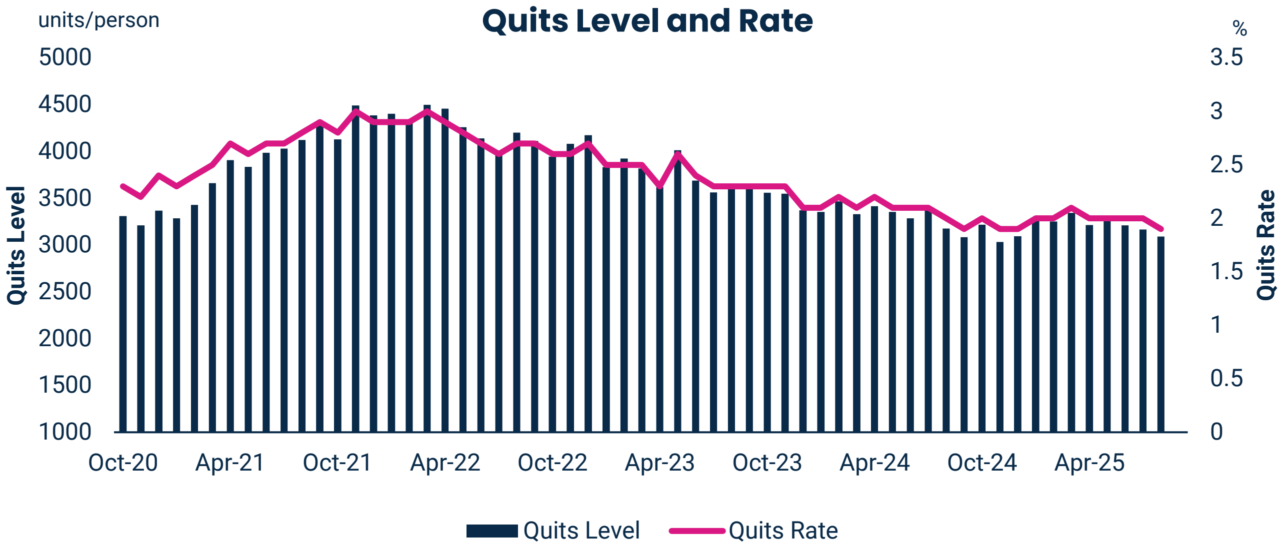
Labor

Initial jobless claims spiked recently, as continuing claims remained steadily elevated. This suggests that workers face ongoing struggles in finding new jobs.



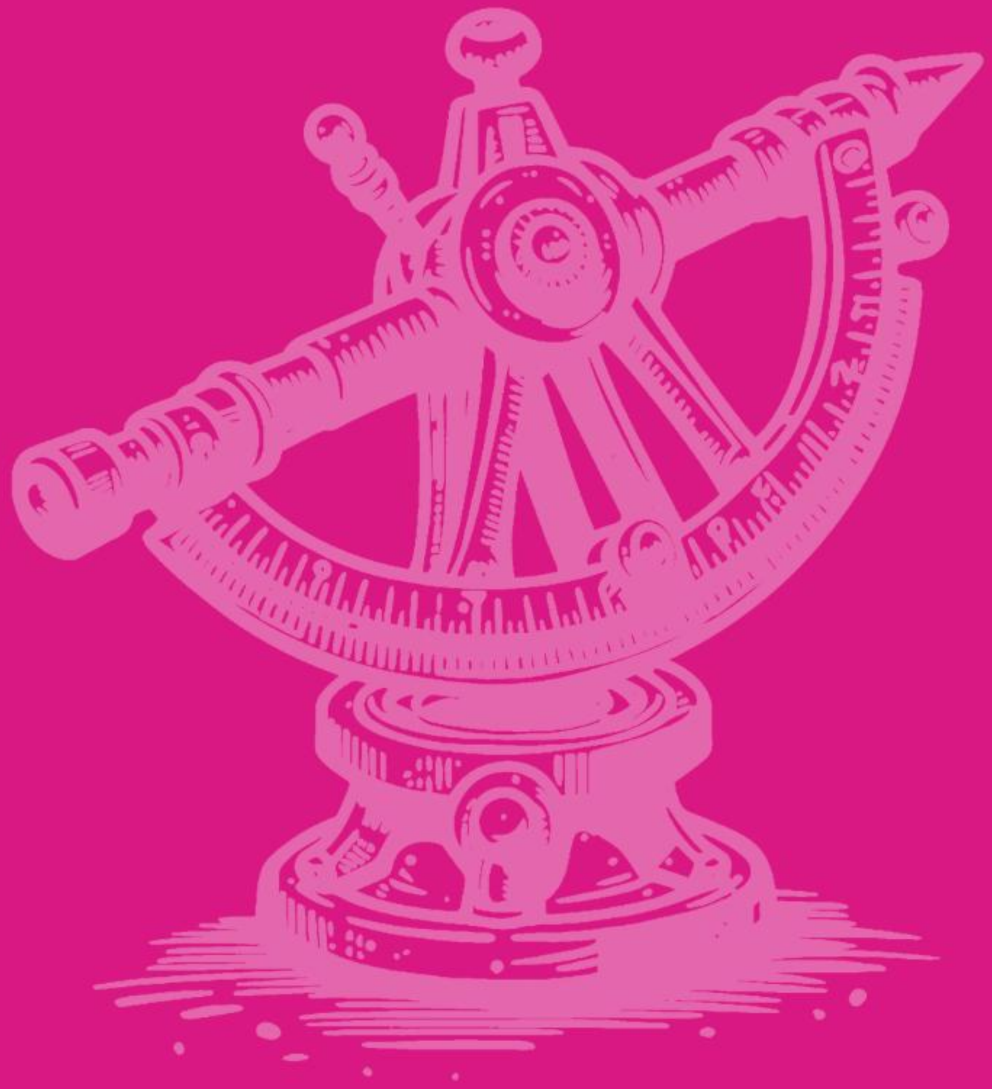






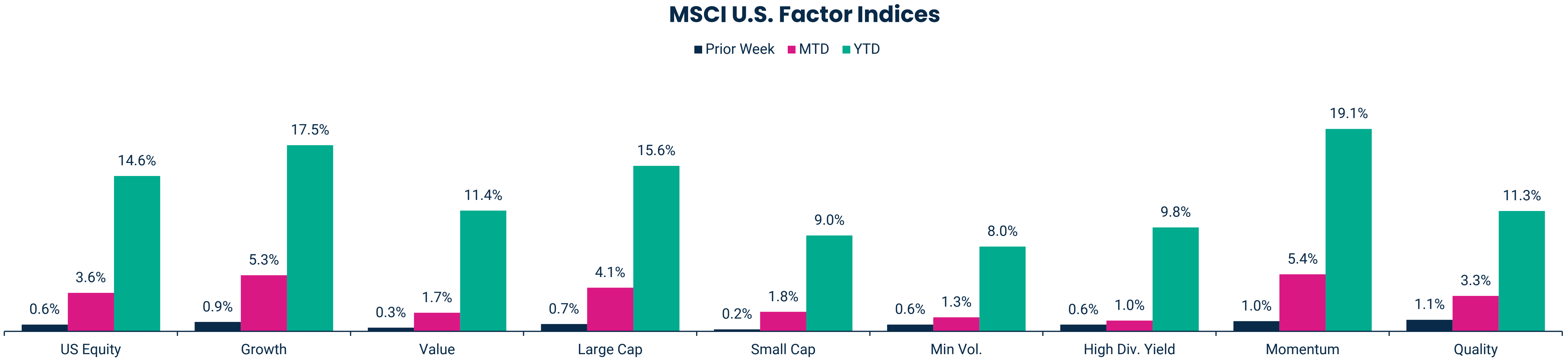
Data as of 09/30/2025. Source: Bloomberg.

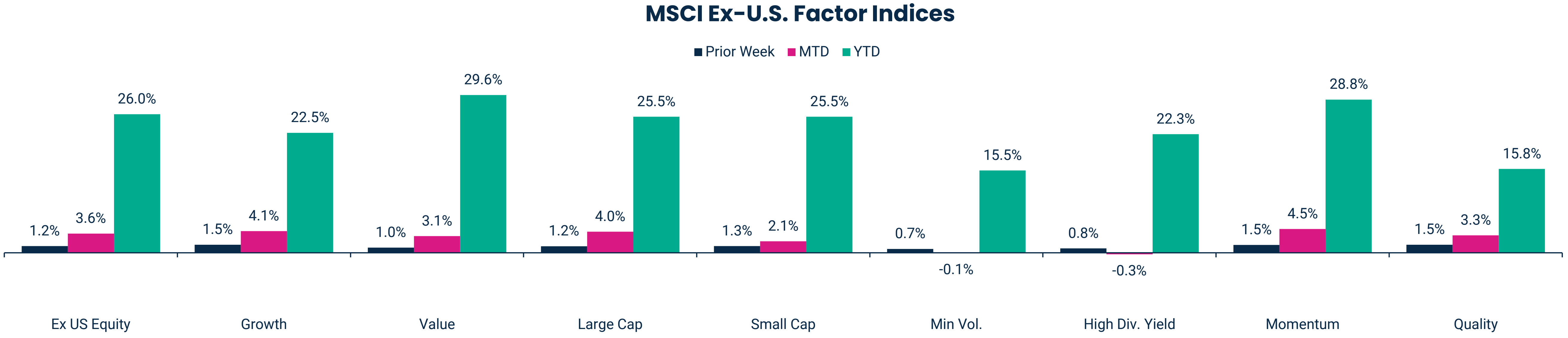
EQUITIES



Equity Style Returns

Growth and momentum factors led performance across both U.S. and international markets, while defensive and yield-oriented styles lagged.

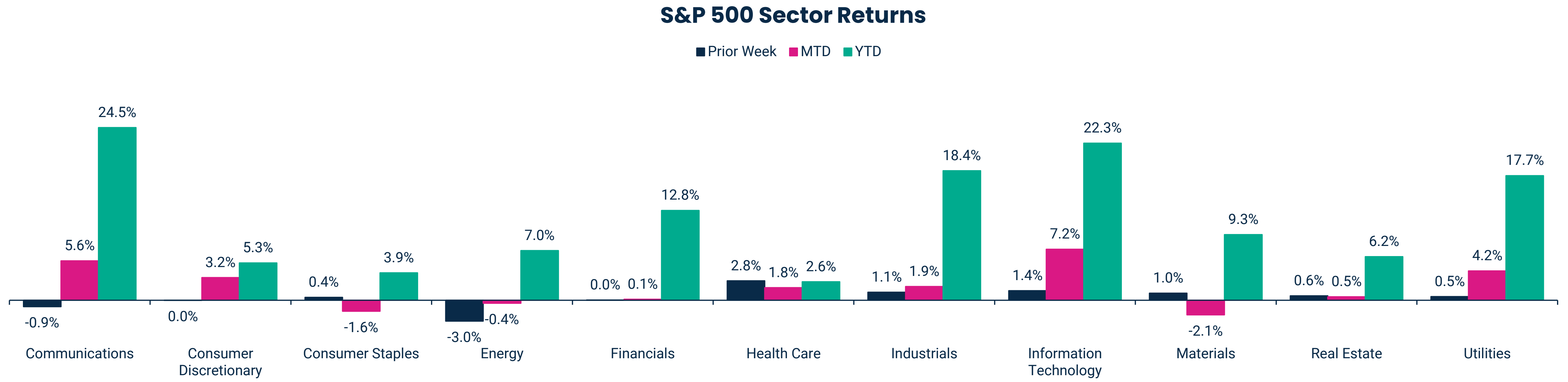


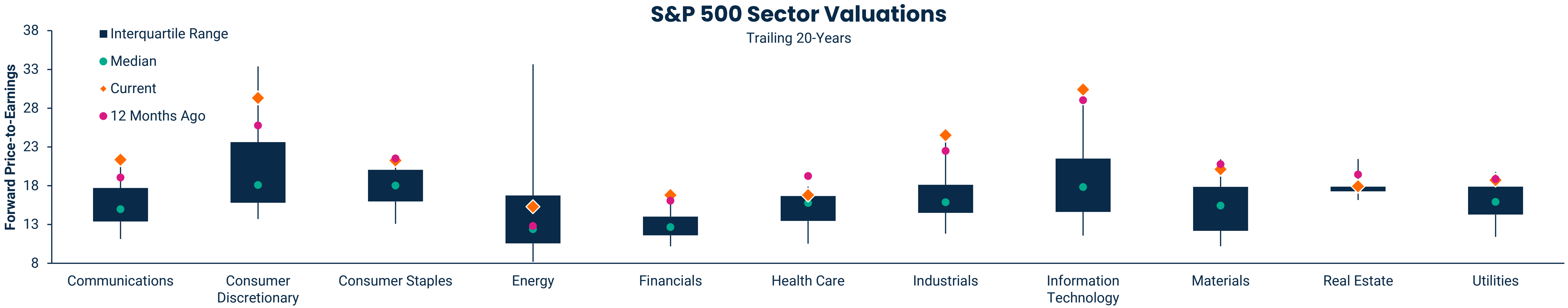


Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

Sector Performance & Valuations

Health Care led sector gains alongside Technology, Industrials, and Materials, while Energy and Communications declined. Defensive areas such as Utilities and Staples posted modest advances.



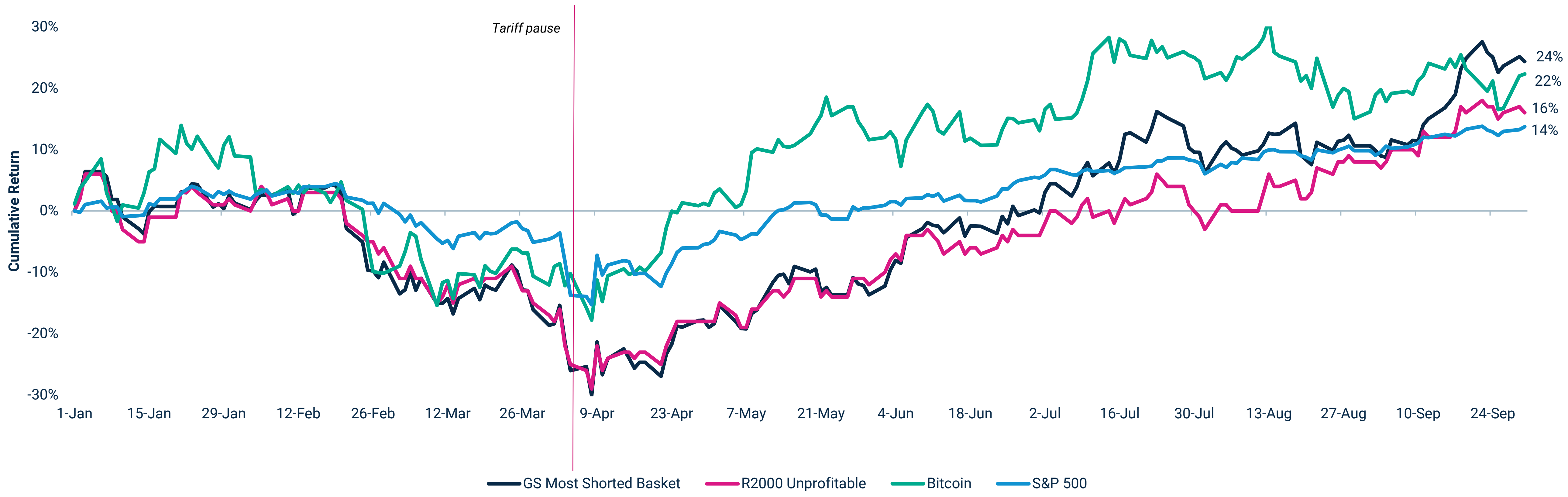


Data as of 09/30/2025. Source: Bloomberg, FactSet. **Performance data shown represents past performance and is no guarantee of future results.**

Market Review

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

Select Higher-Risk Asset Performance vs. the Market

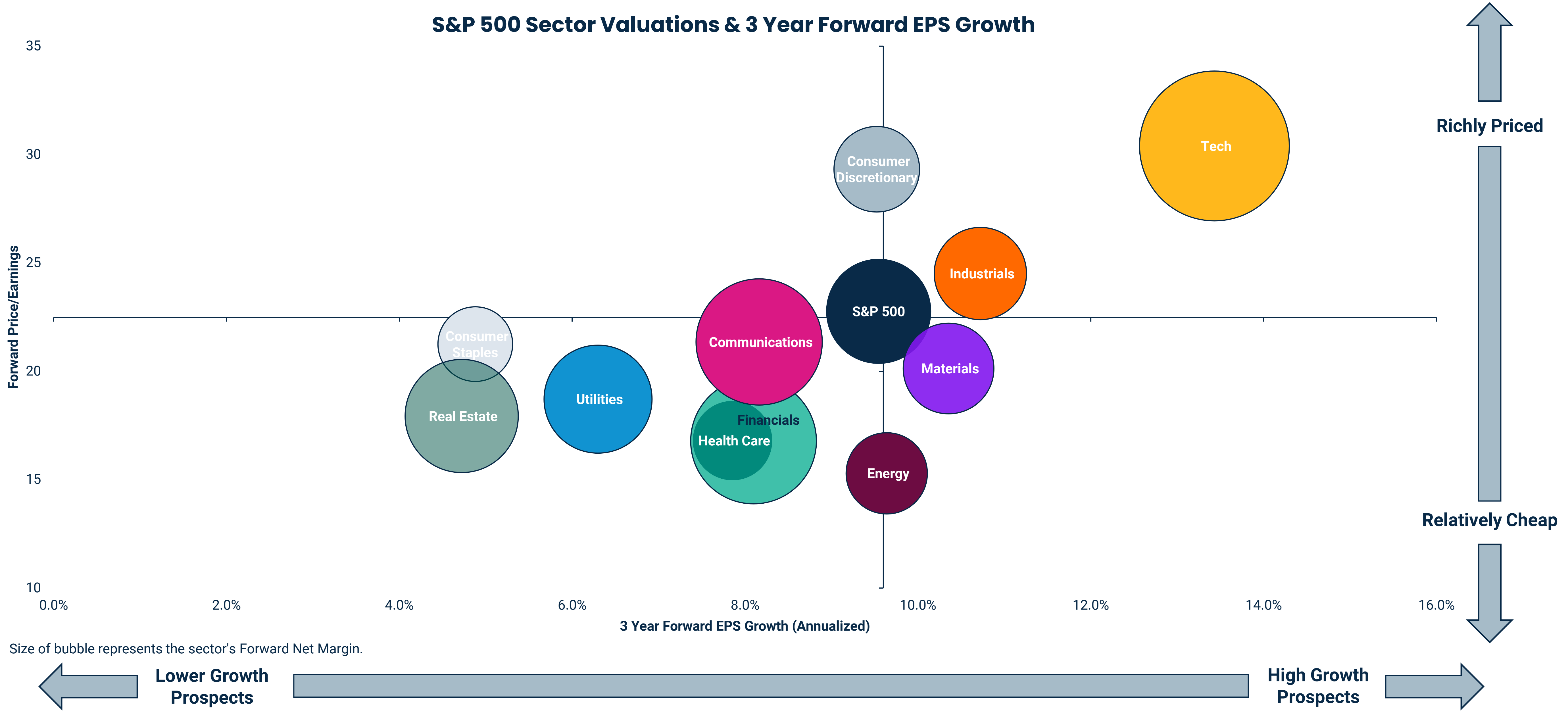


	1/1/25 – 4/8/25	4/8/25 - Current	YTD
GS Most Shorted Basket	-30%	78%	24%
R2000 Unprofitable	-29%	63%	16%
Bitcoin	-18%	49%	22%
S&P 500	-15%	34%	14%

Data as of 09/30/2025. 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).

Sector Fundamentals

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

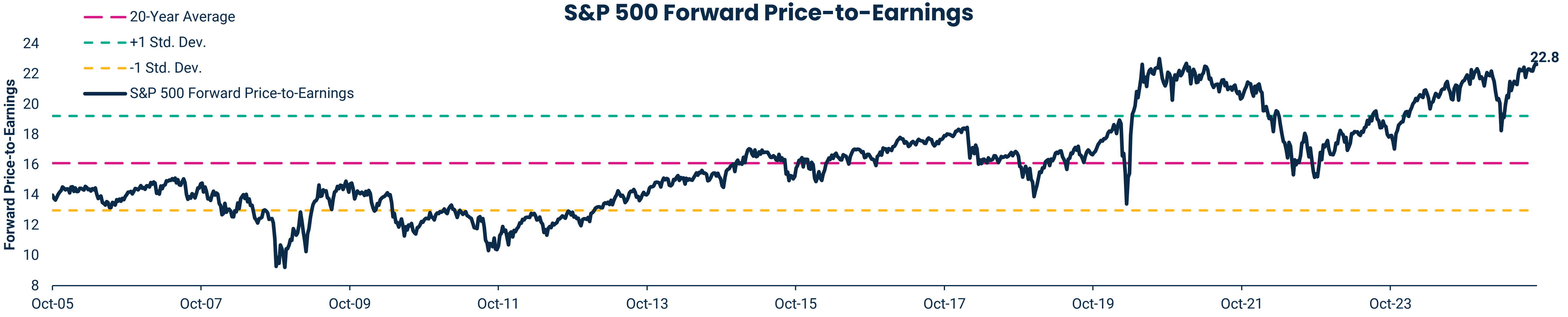


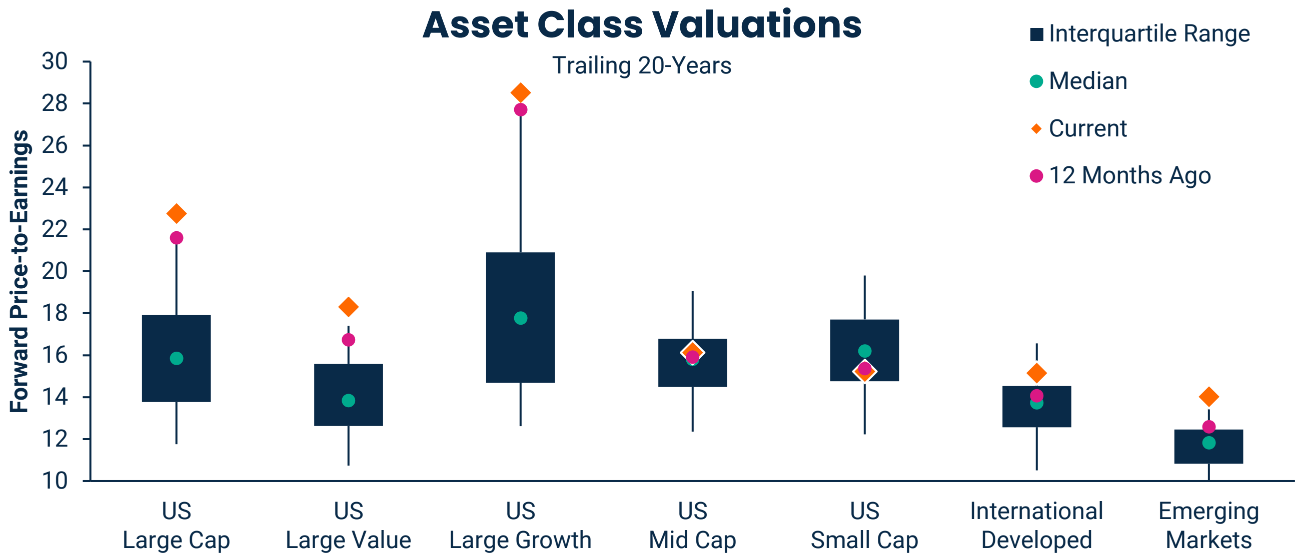
Size of bubble represents the sector's Forward Net Margin.

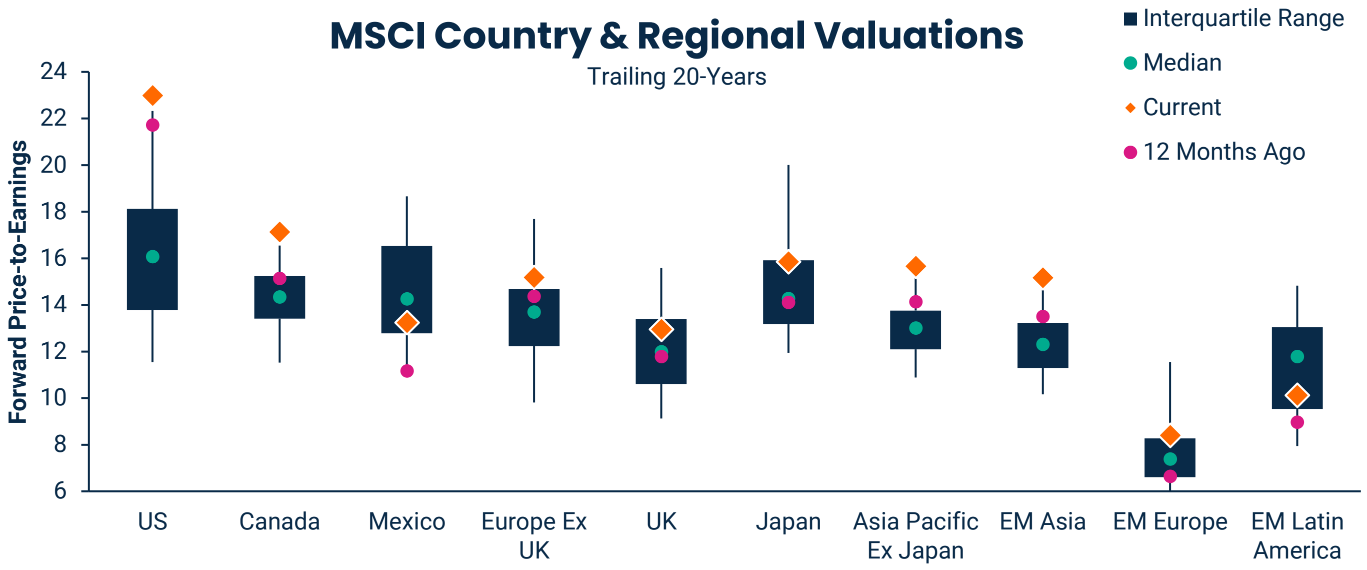
Data as of 09/30/2025. Source: FactSet. **Performance data shown represents past performance and is no guarantee of future results.**

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.



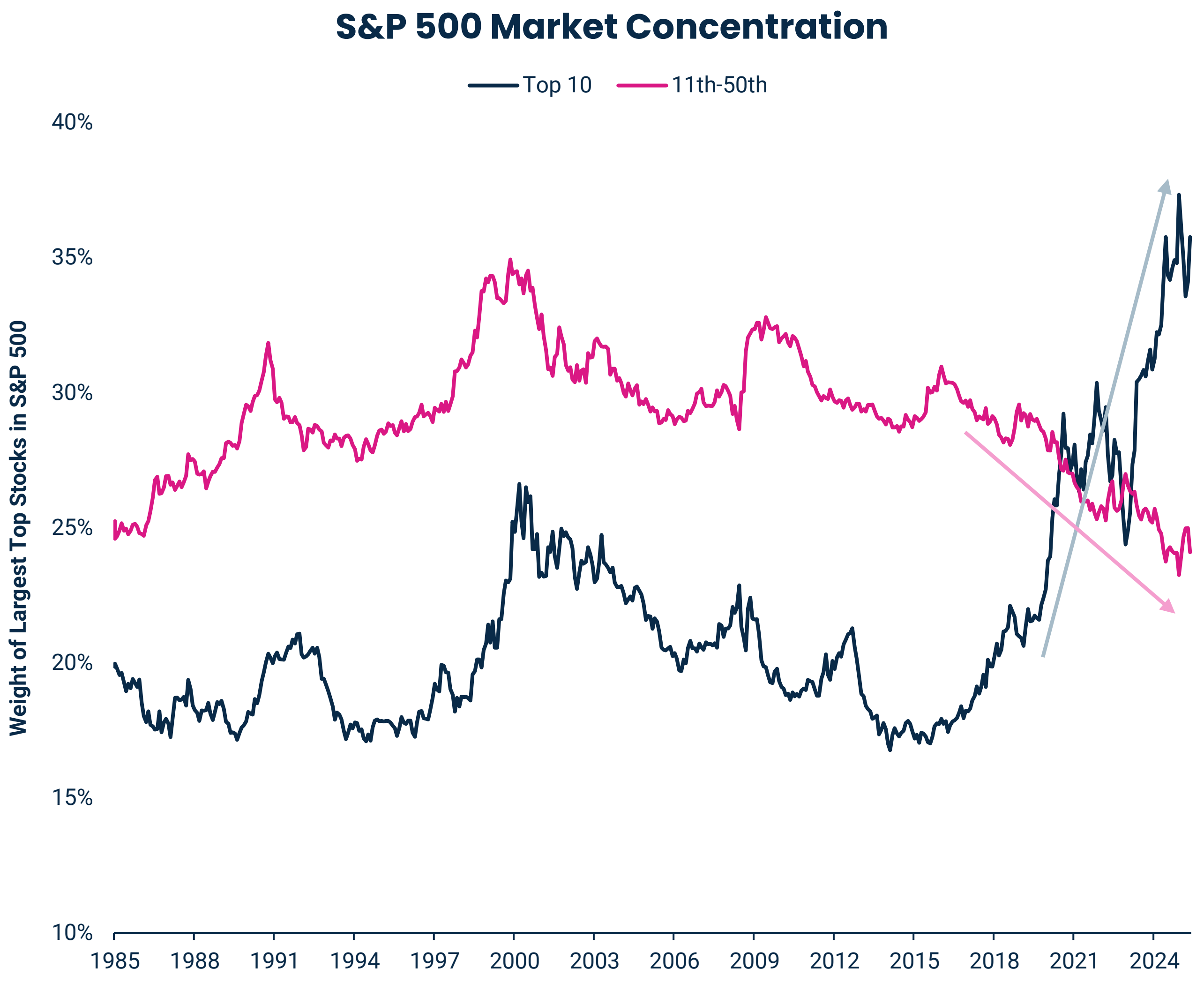




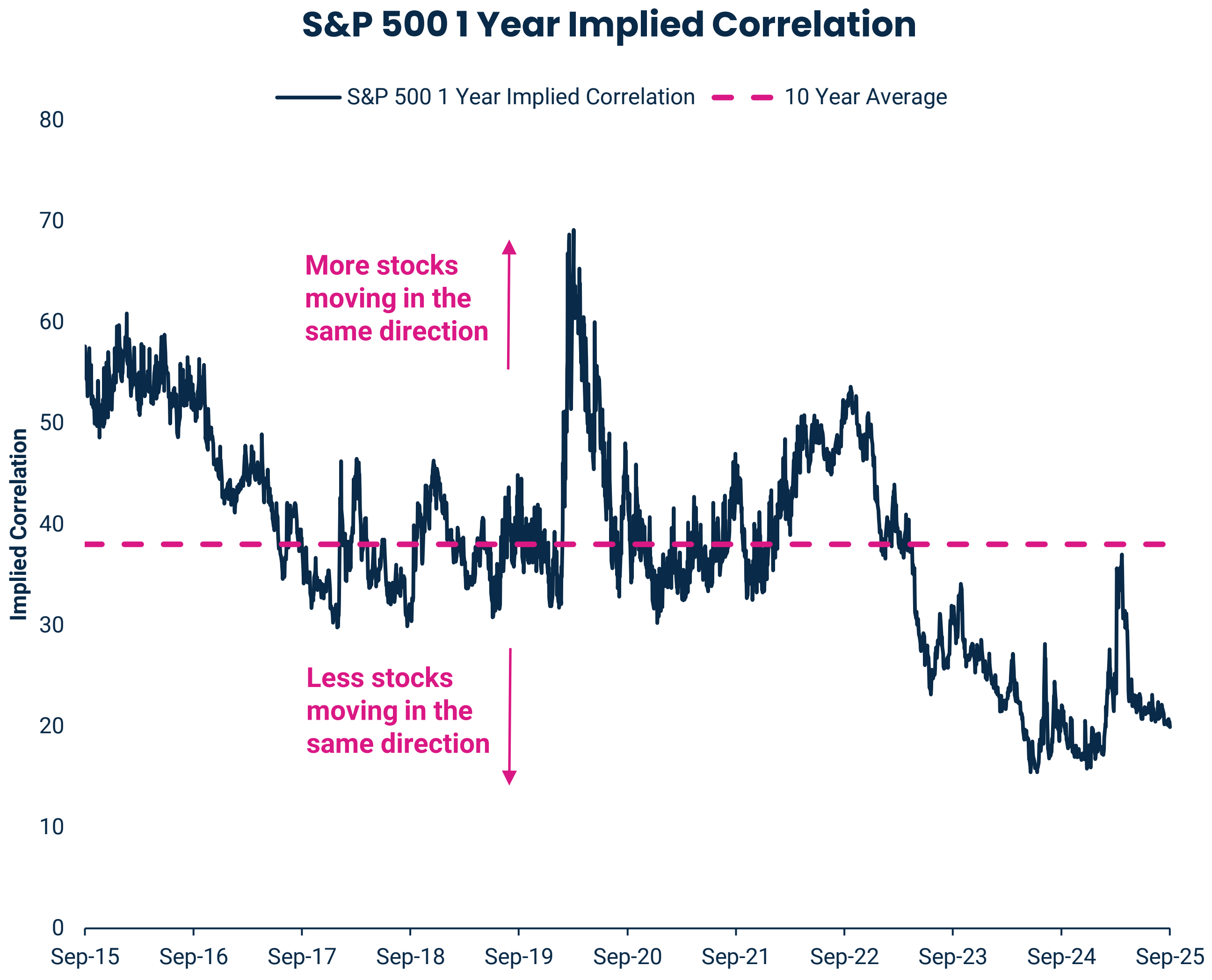
Data as of 09/30/2025. Source: FactSet. 12-Month Forward P/E reflect the FactSet Market Aggregate consensus estimate (mean) of sell-side analyst estimates. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

Index Concentration

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



Monthly data as of 5/31/2025.



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 09/30/2025. Source: FactSet, Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

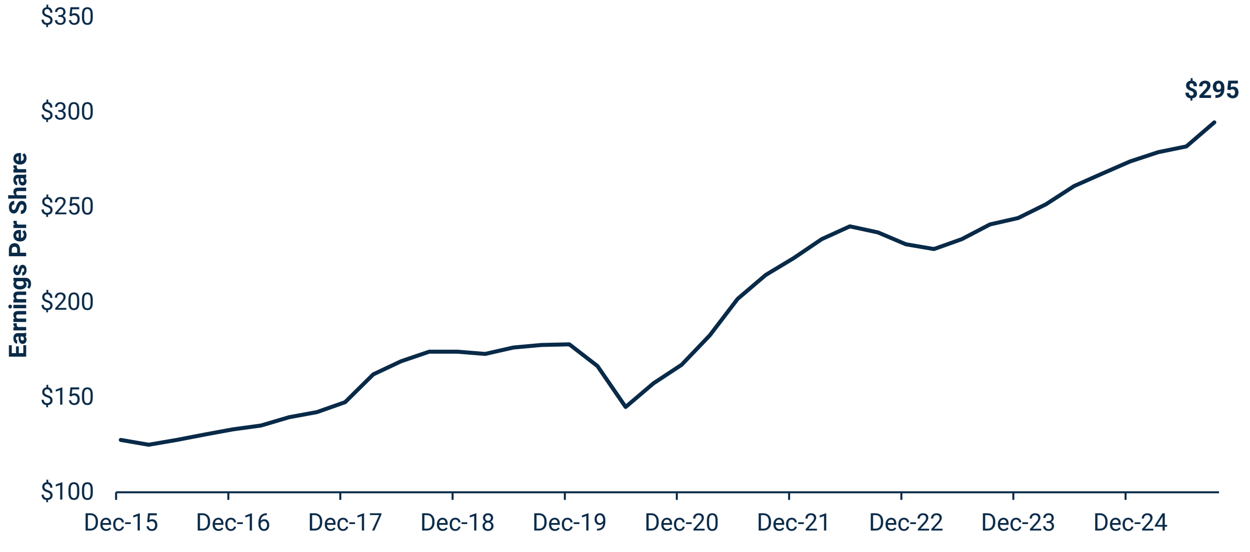
Earnings

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

12 M FWD EPS Estimate

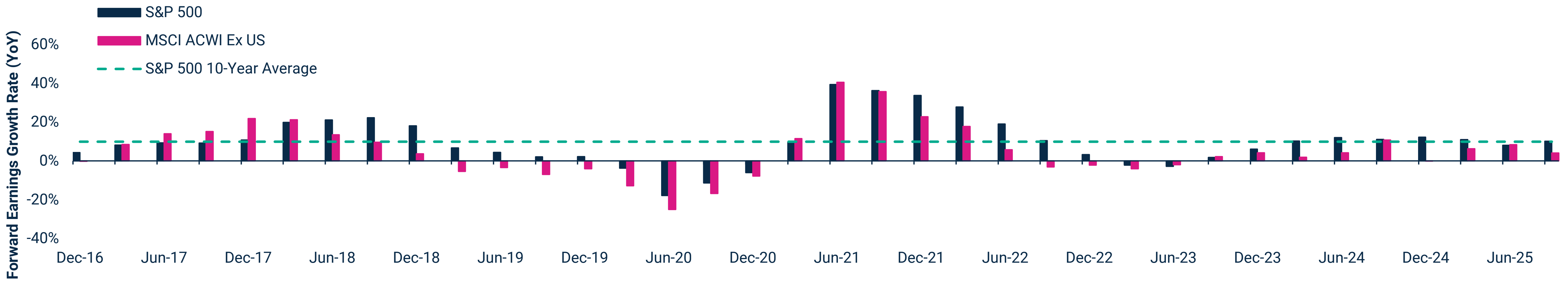
12 M FWD P/E		Bearish Earnings Growth			Typical Earnings Growth			Bullish Earnings Growth		
		250	260	270	280	290	300	310	320	330
Bearish Market Multiple	14	3500	3640	3780	3920	4060	4200			
	15	3750	3900	4050	4200	4350	4500			
	16	4000	4160	4320	4480	4640	4800			
Typical Market Multiple	17	4250	4420	4590	4760	4930	5100	5270	5440	5610
	18	4500	4680	4860	5040	5220	5400	5580	5760	5940
	19	4750	4940	5130	5320	5510	5700	5890	6080	6270
	20	5000	5200	5400	5600	5800	6000	6200	6400	6600
	21	5250	5460	5670	5880	6090	6300	6510	6720	6930
Bull Market Multiple	22				6160	6380	6600	6820	7040	7260
	23				6440	6670	6900	7130	7360	7590
	24				6720	6960	7200	7440	7680	7920

S&P 500 Forward Earnings



Quarterly 12-month forward earnings per share.

Forward Earnings Growth Rate (YoY %)



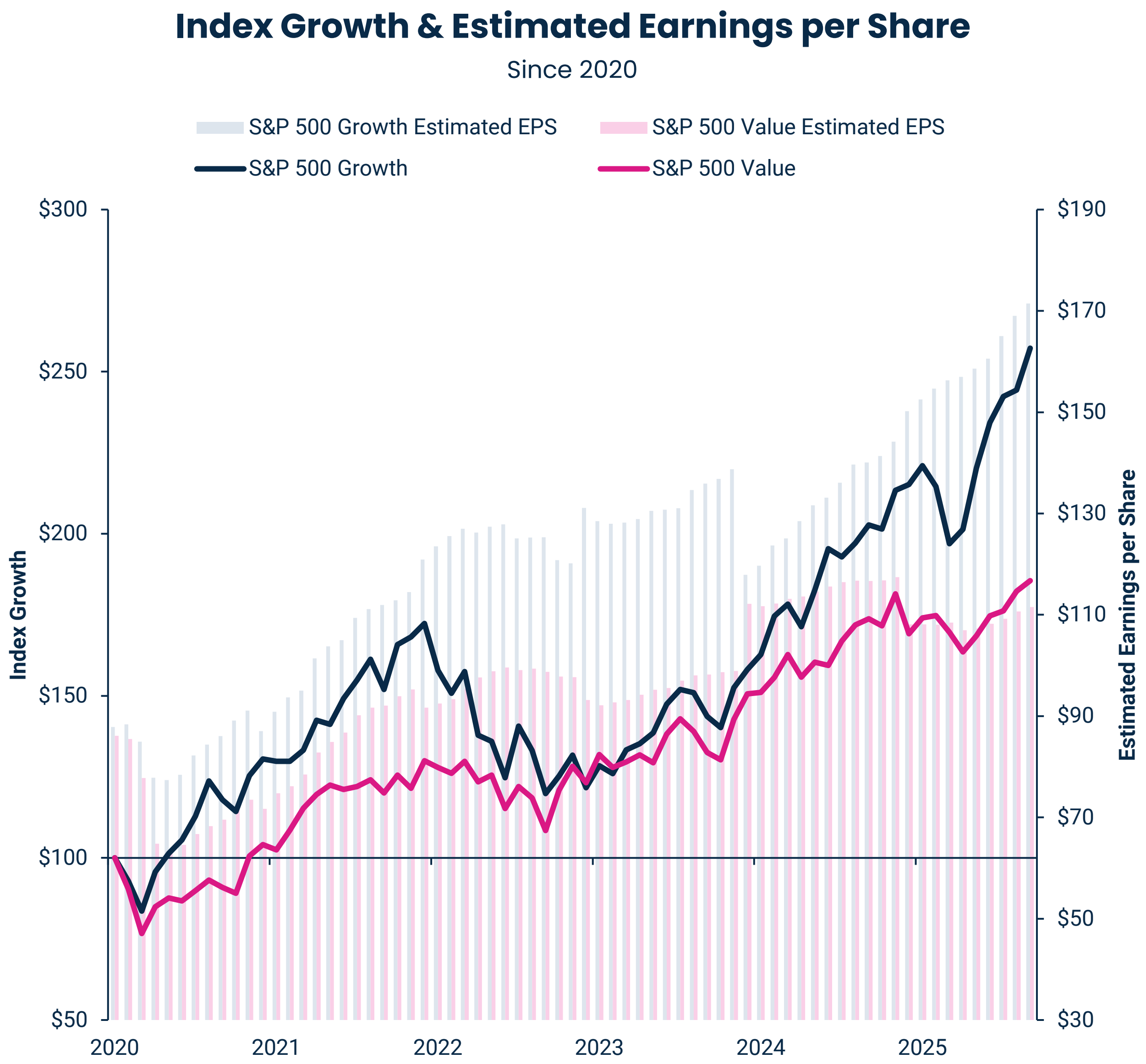
Quarterly 12 month forward projected earnings growth.

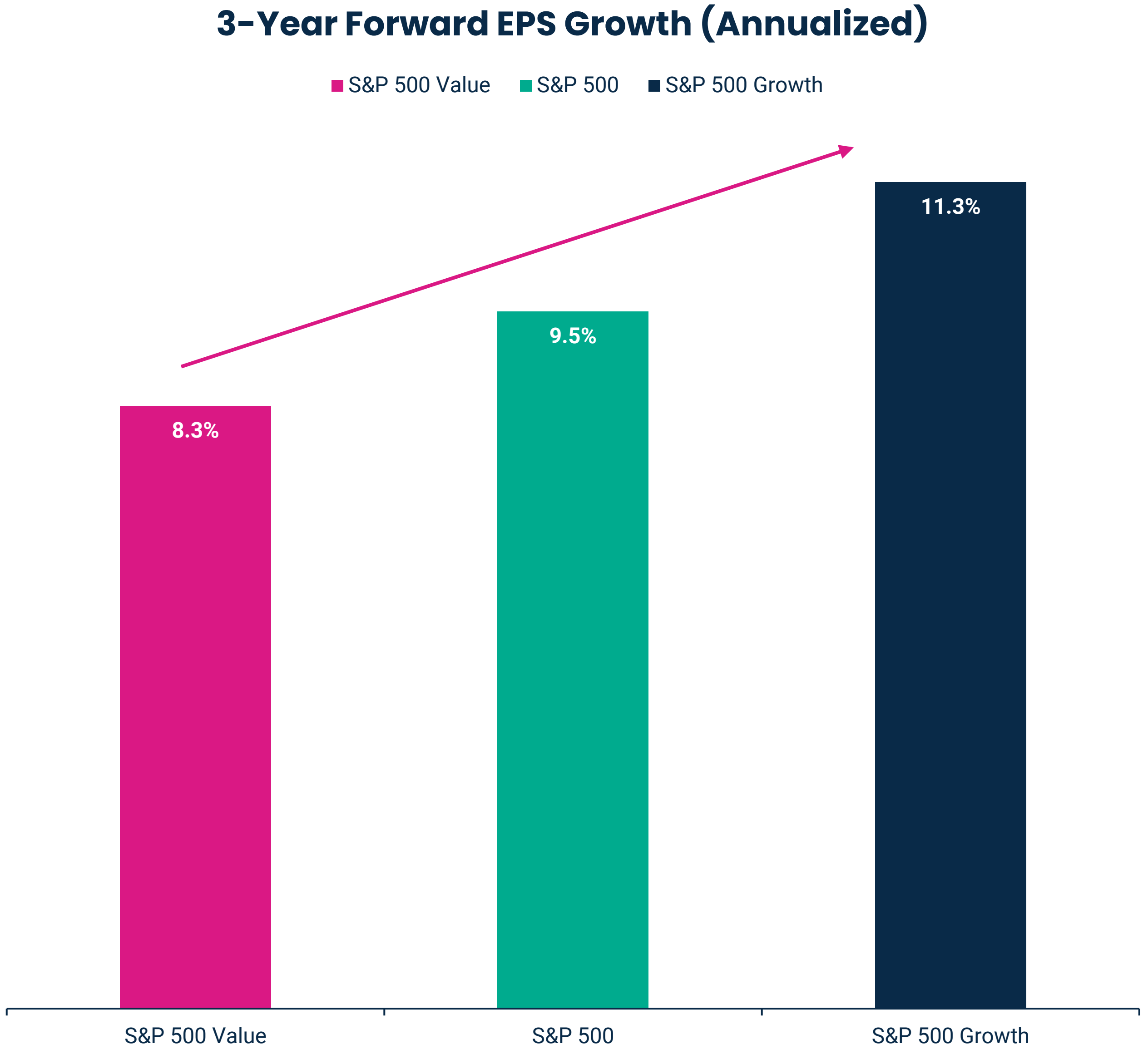
Data as of 09/30/2025. Source: FactSet. **Performance data shown represents past performance and is no guarantee of future results.**

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

Index Growth Tracks Earnings

Over time, index performance tends to track earnings growth.

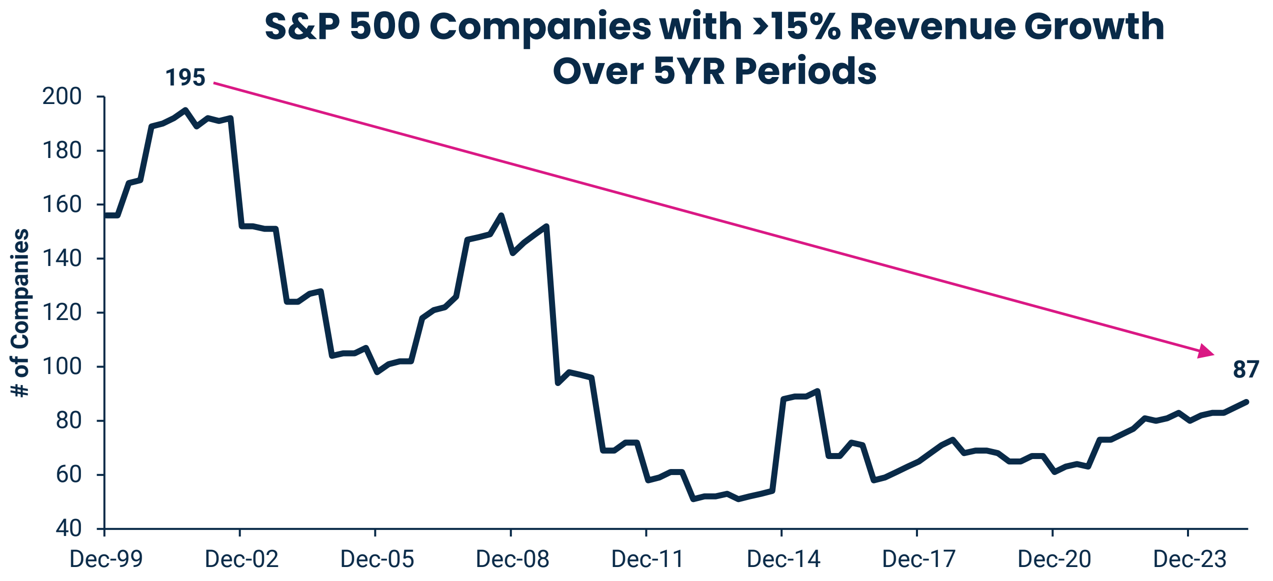




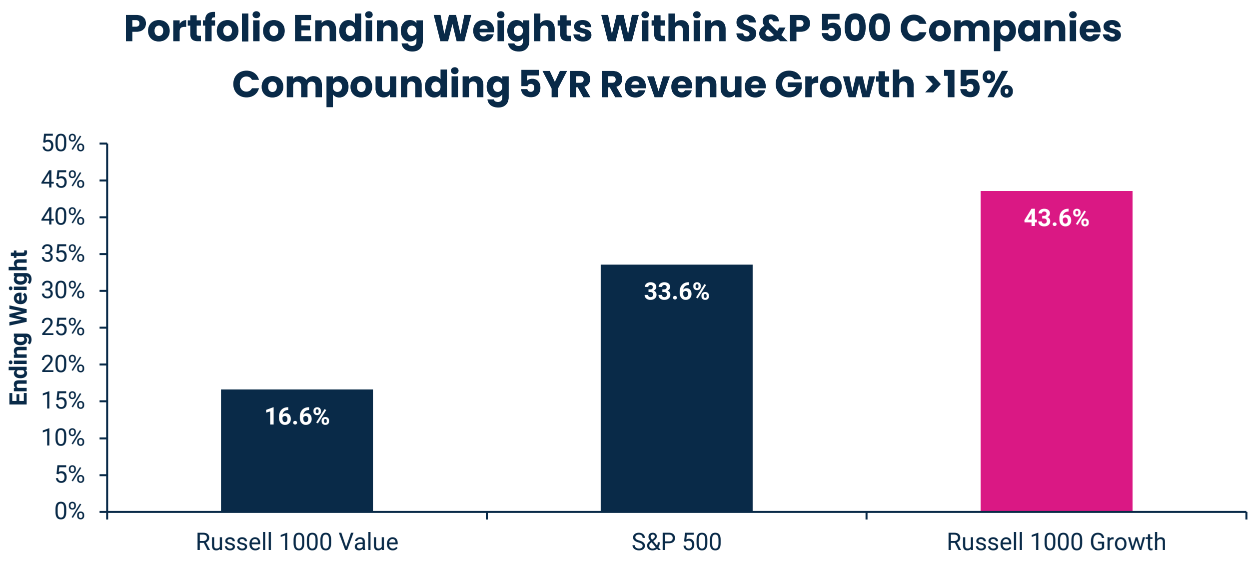
Data as of 09/30/2025. Source: FactSet, Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Estimated Earnings per Share reflect the FactSet Market Aggregate consensus estimate (mean) of sell-side analyst estimates. Index performance is represented by the S&P 500 Growth and S&P 500 Value total return indices.

Earnings Scarcity

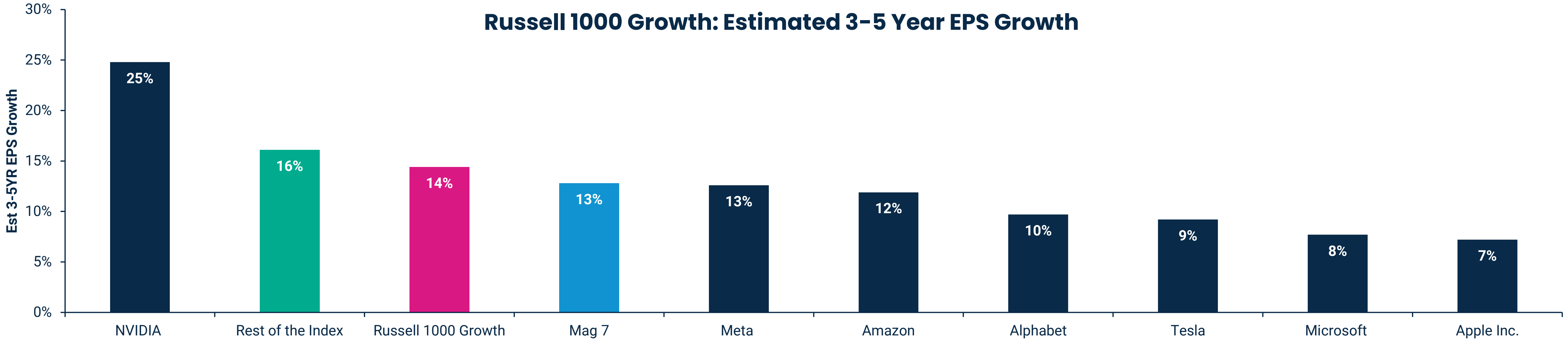
Scarcity in earnings has created value for growth leaders; that leadership may be broadening out to the wider growth market.



Quarterly data as of 3/31/2025.



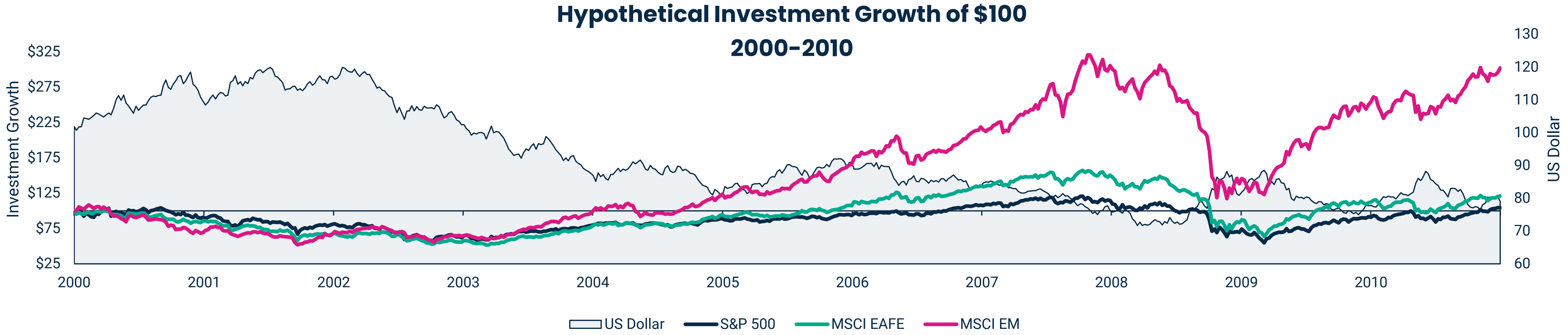
Quarterly data as of 3/31/2025.

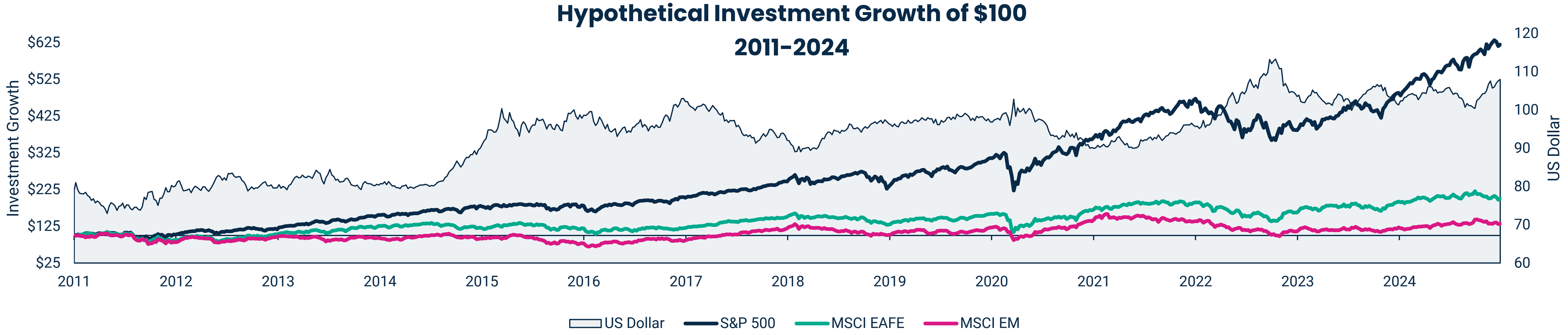


Data as of 06/30/2025 unless noted. Source: FactSet. **Performance data shown represents past performance and is no guarantee of future results.**

U.S. Dollar as a Catalyst

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



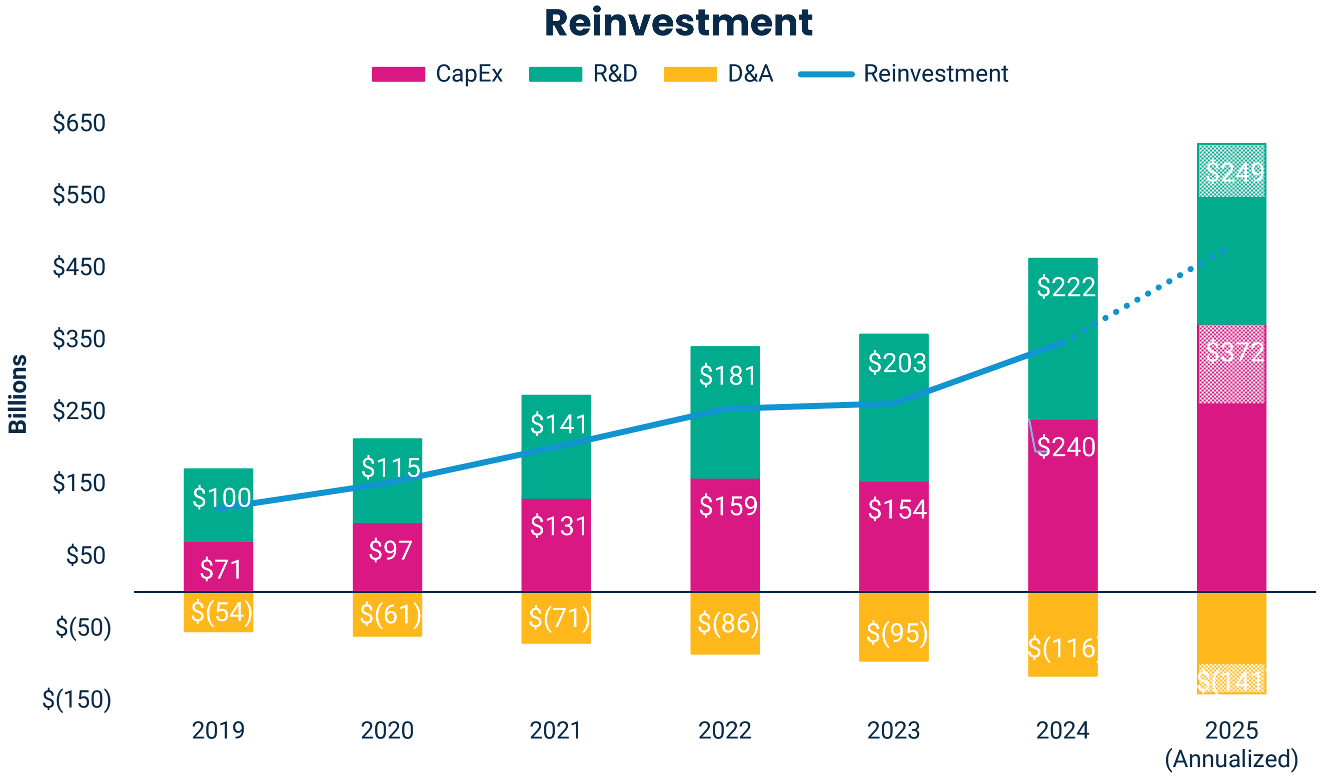


Data as of 09/30/2025. Source: Bloomberg. **Hypothetical for illustrative purposes only.** The Hypothetical growth chart assumes an initial investment of $100 and the reinvestment of all dividends and interest over the period shown. The growth depicted does not represent the performance of any specific 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.

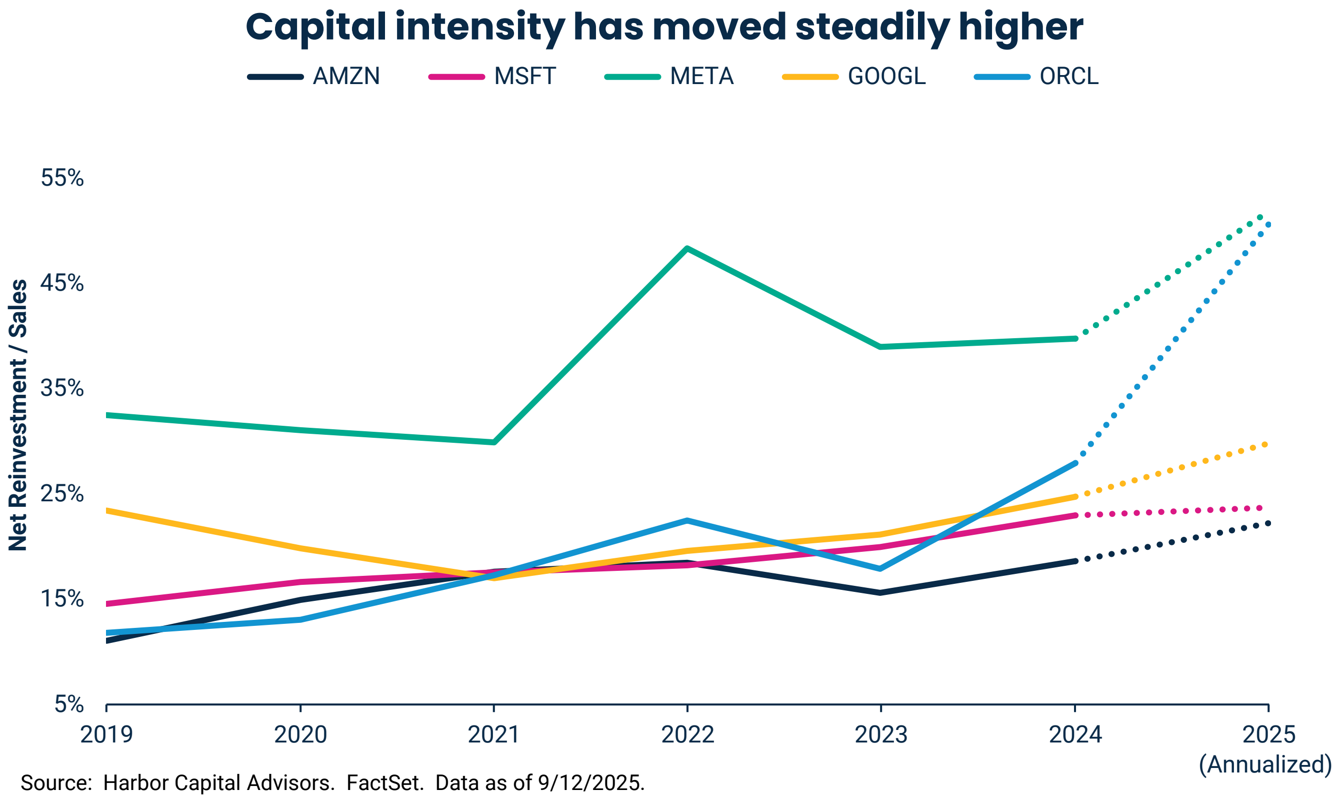
Key Trends – AI Infrastructure Spending

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. Year to date, this group spent ~$600bn on capital expenditures and R&D combined, with net reinvestment now representing ~35% of sales for the group.



Source: Harbor Capital Advisors. FactSet. 9/12/2025.



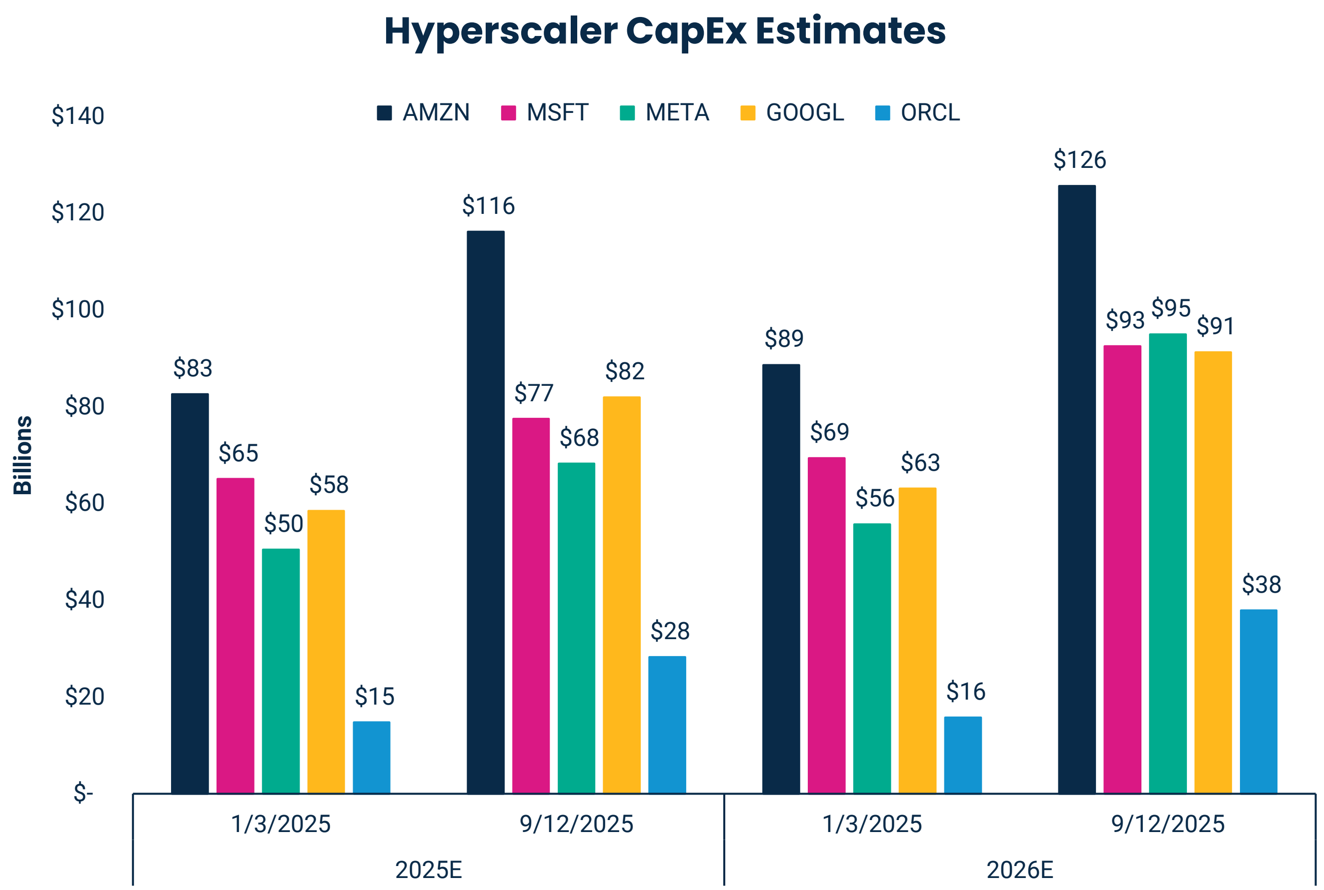
Source: Harbor Capital Advisors. FactSet. Data as of 9/12/2025.

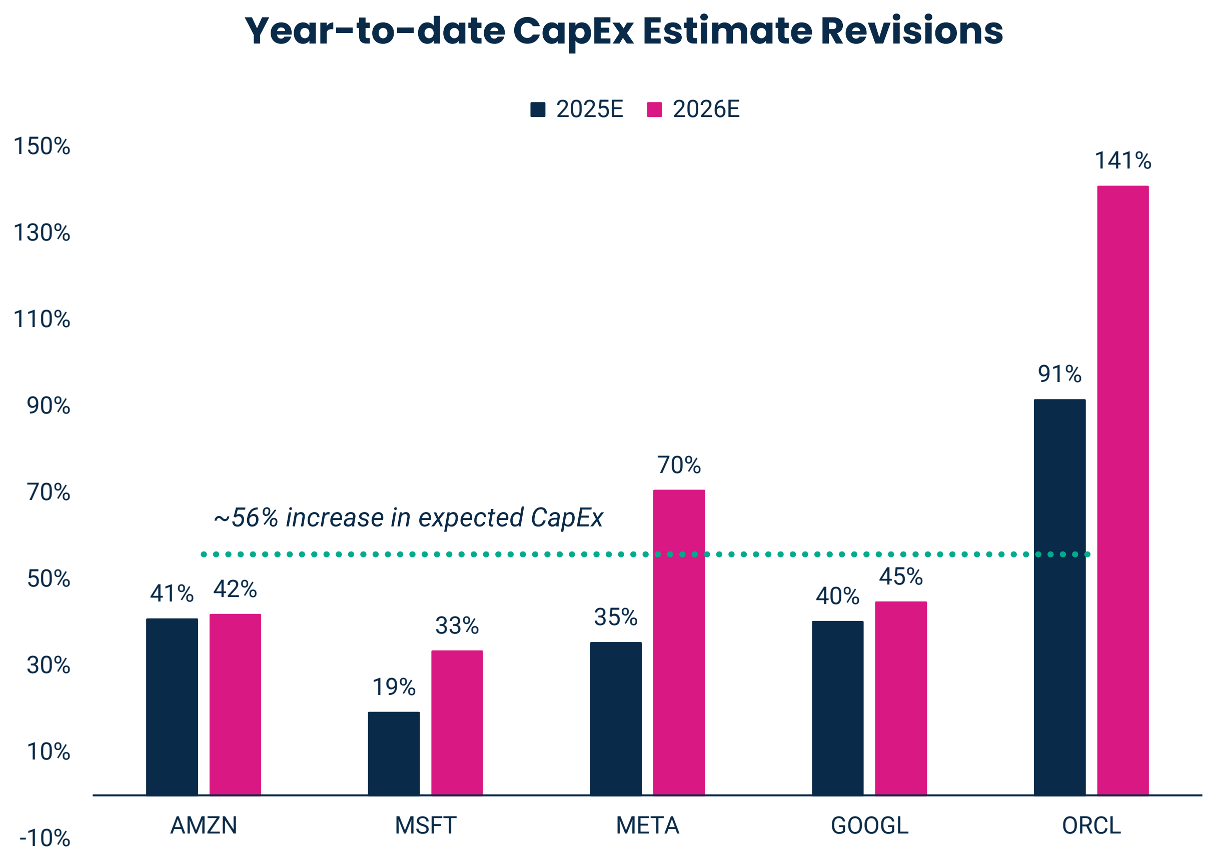
Source: Harbor Capital Advisors, FactSet. Data as of 09/30/2025.

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. Now, halfway through the year, these estimates were increased materially and now stand at approximately $370bn and $440bn, respectively.





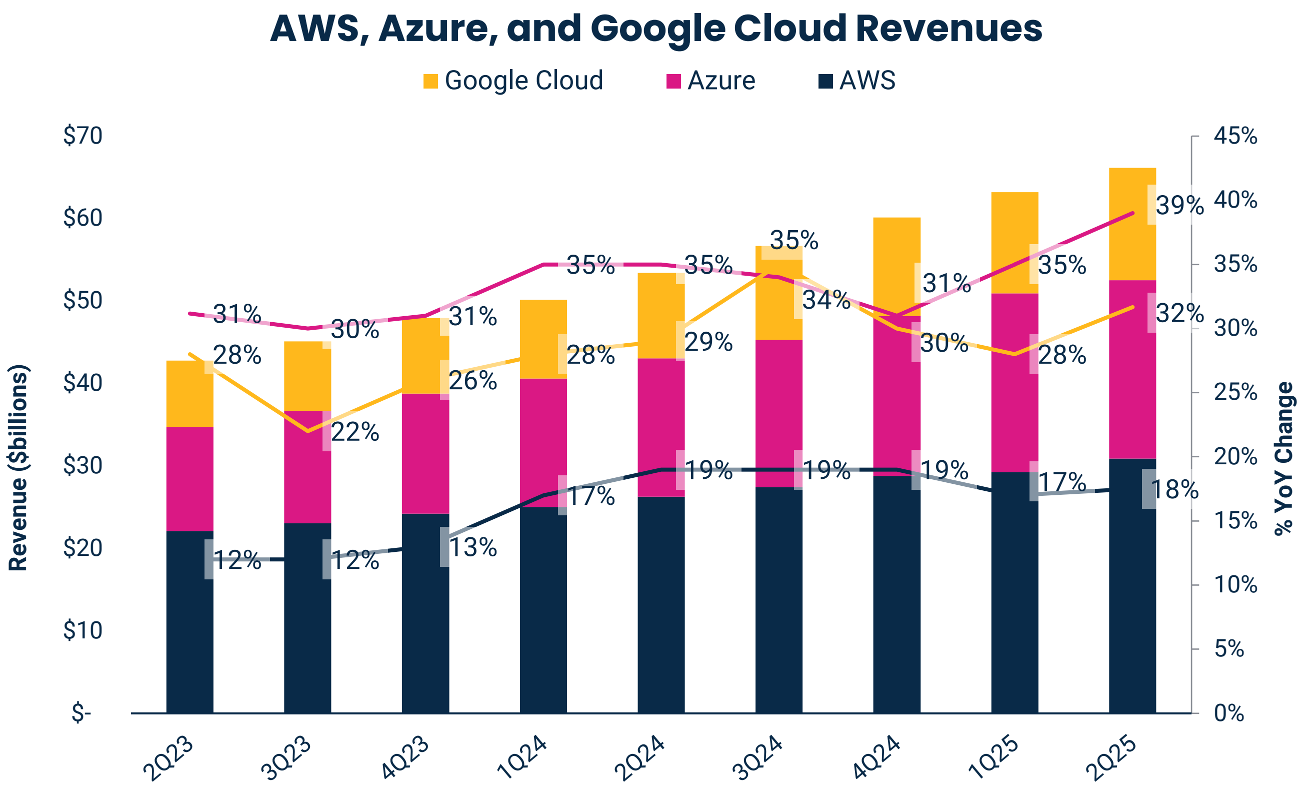
Source: Harbor Capital Advisors, FactSet. Data as of 09/30/2025.

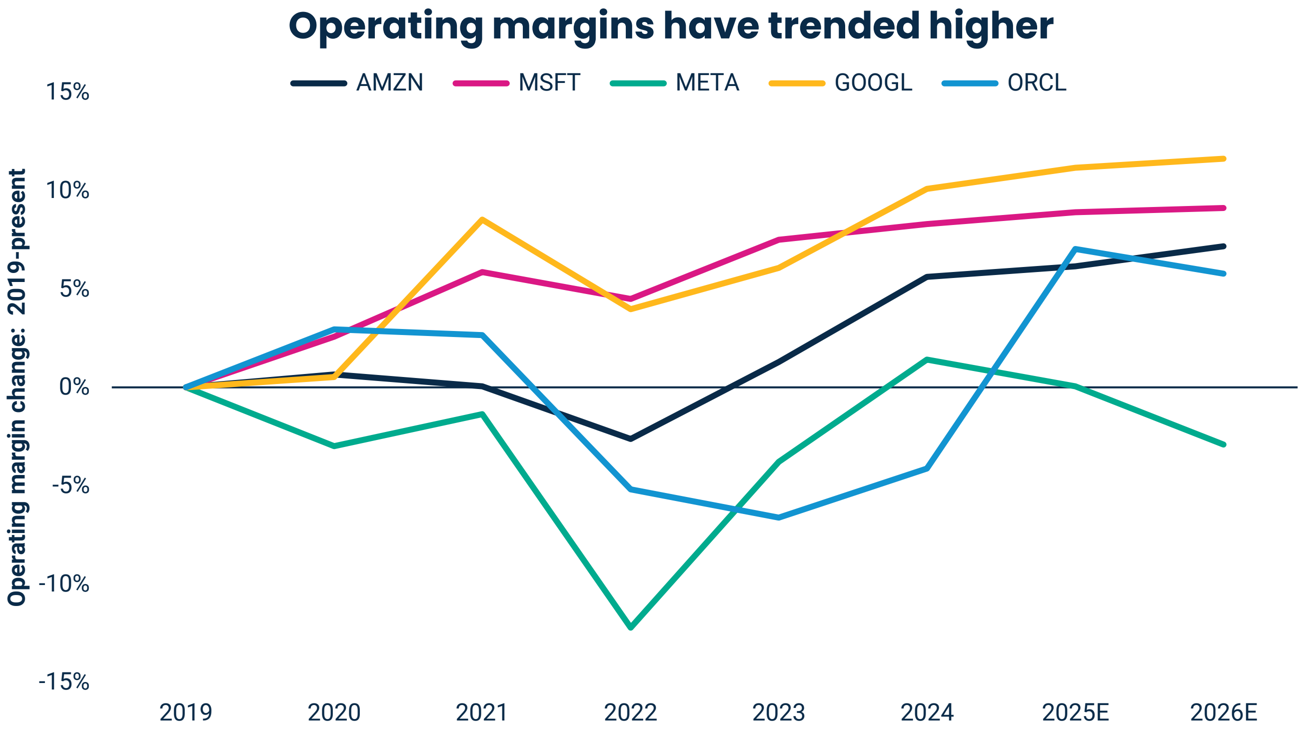
Key Trends – AI Infrastructure Spending

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.



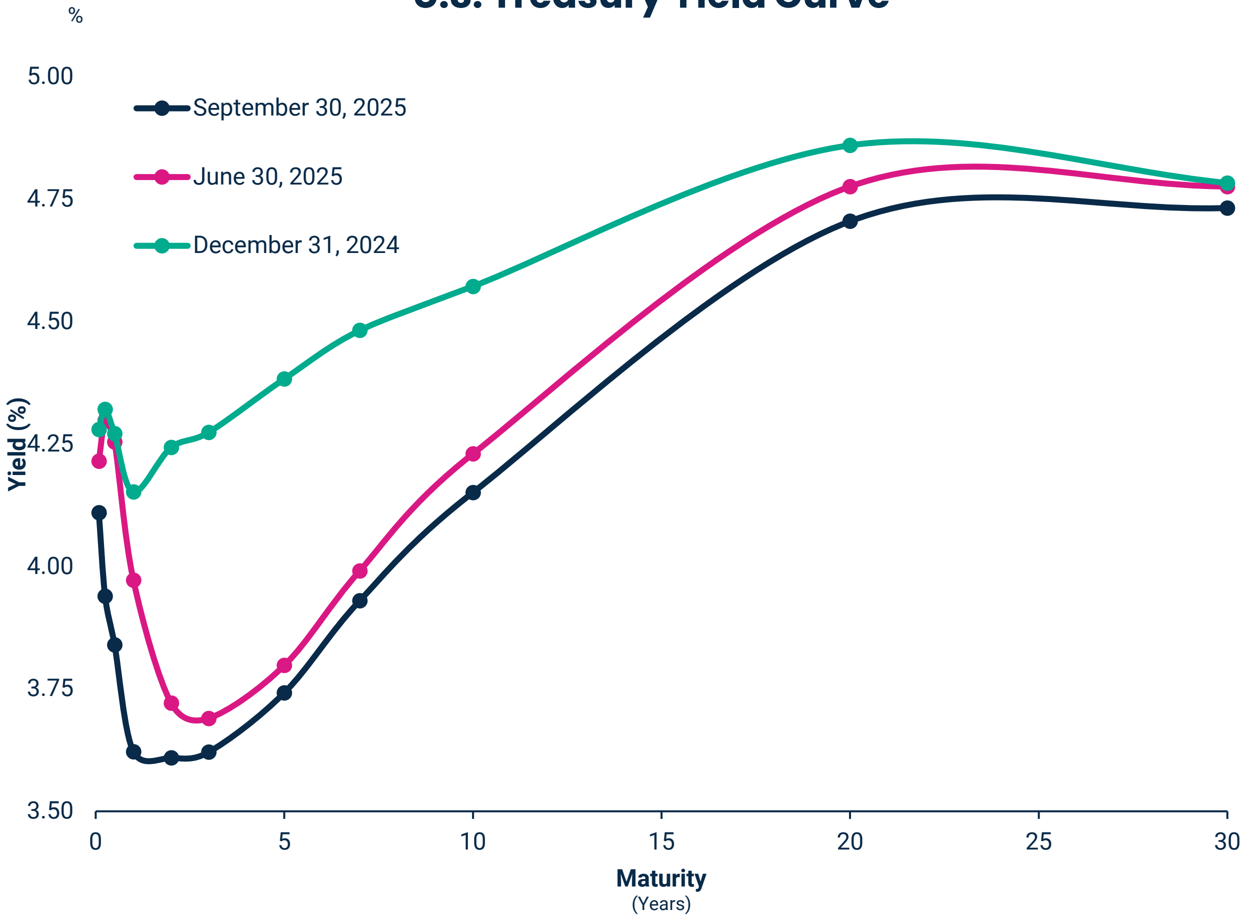


Source: Harbor Capital Advisors, UBS, FactSet. Data as of 09/30/2025.

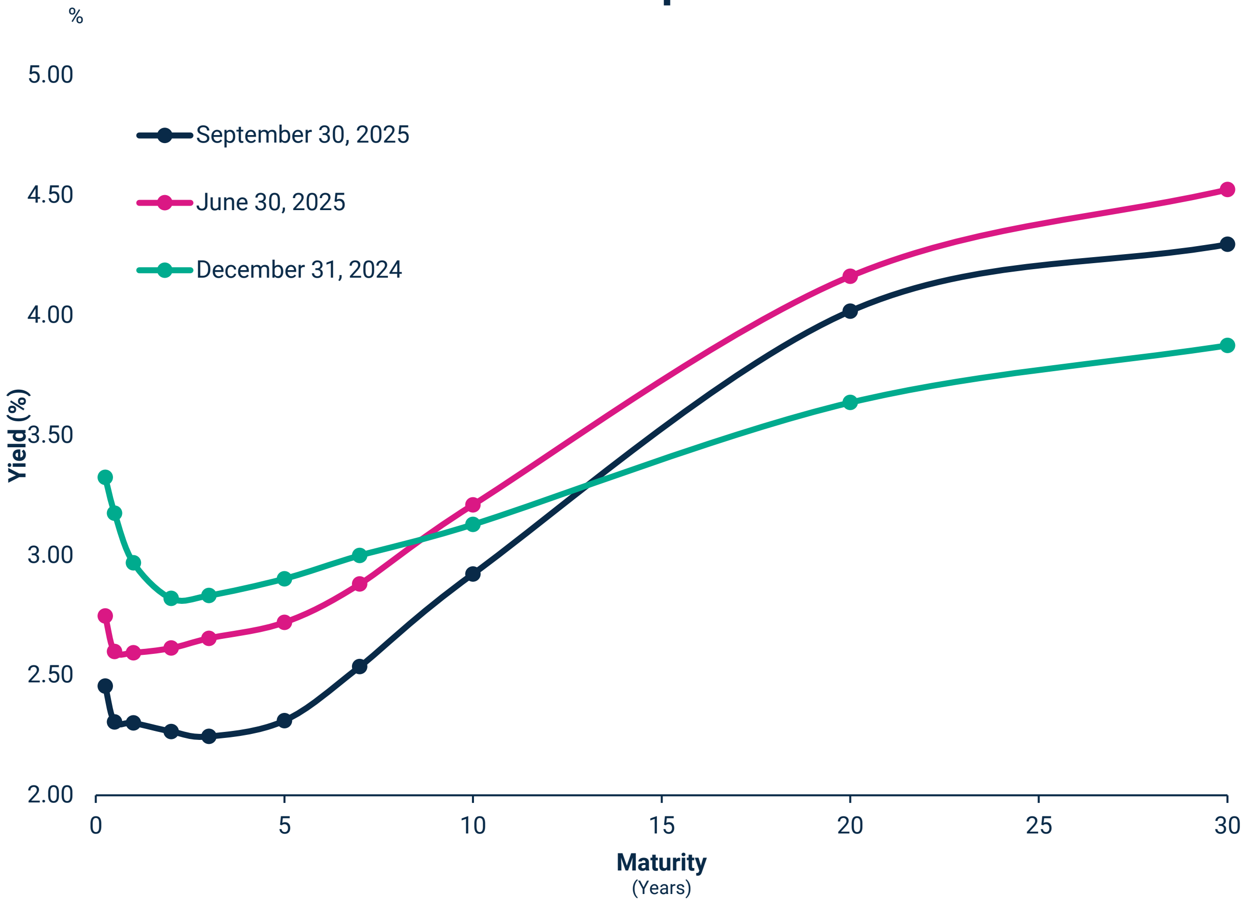
FIXED INCOME

Harbor

U.S. Yield Curves



Nominal Yield	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	20 Year	30 Year
September 30, 2025	4.11	3.94	3.84	3.62	3.61	3.62	3.74	3.93	4.15	4.71	4.73
June 30, 2025	4.22	4.30	4.25	3.97	3.72	3.69	3.80	3.99	4.23	4.78	4.78
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



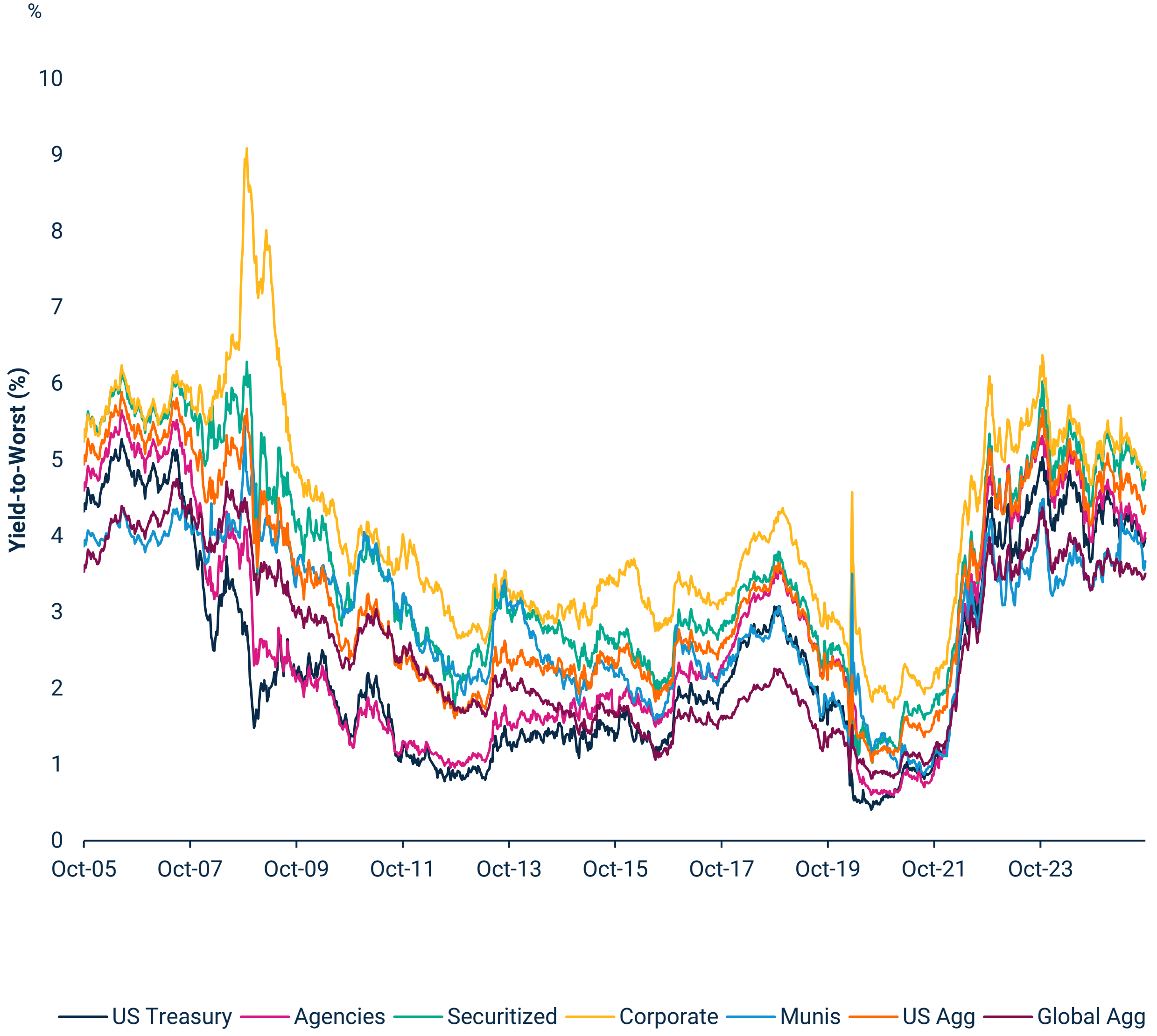
Nominal Yield	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	20 Year	30 Year
September 30, 2025	2.46	2.31	2.30	2.27	2.25	2.31	2.54	2.92	4.02	4.30
June 30, 2025	2.75	2.60	2.59	2.61	2.65	2.72	2.88	3.21	4.16	4.52
December 31, 2024	3.32	3.18	2.97	2.82	2.83	2.90	3.00	3.13	3.64	3.87

Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**

Investment Grade Bonds

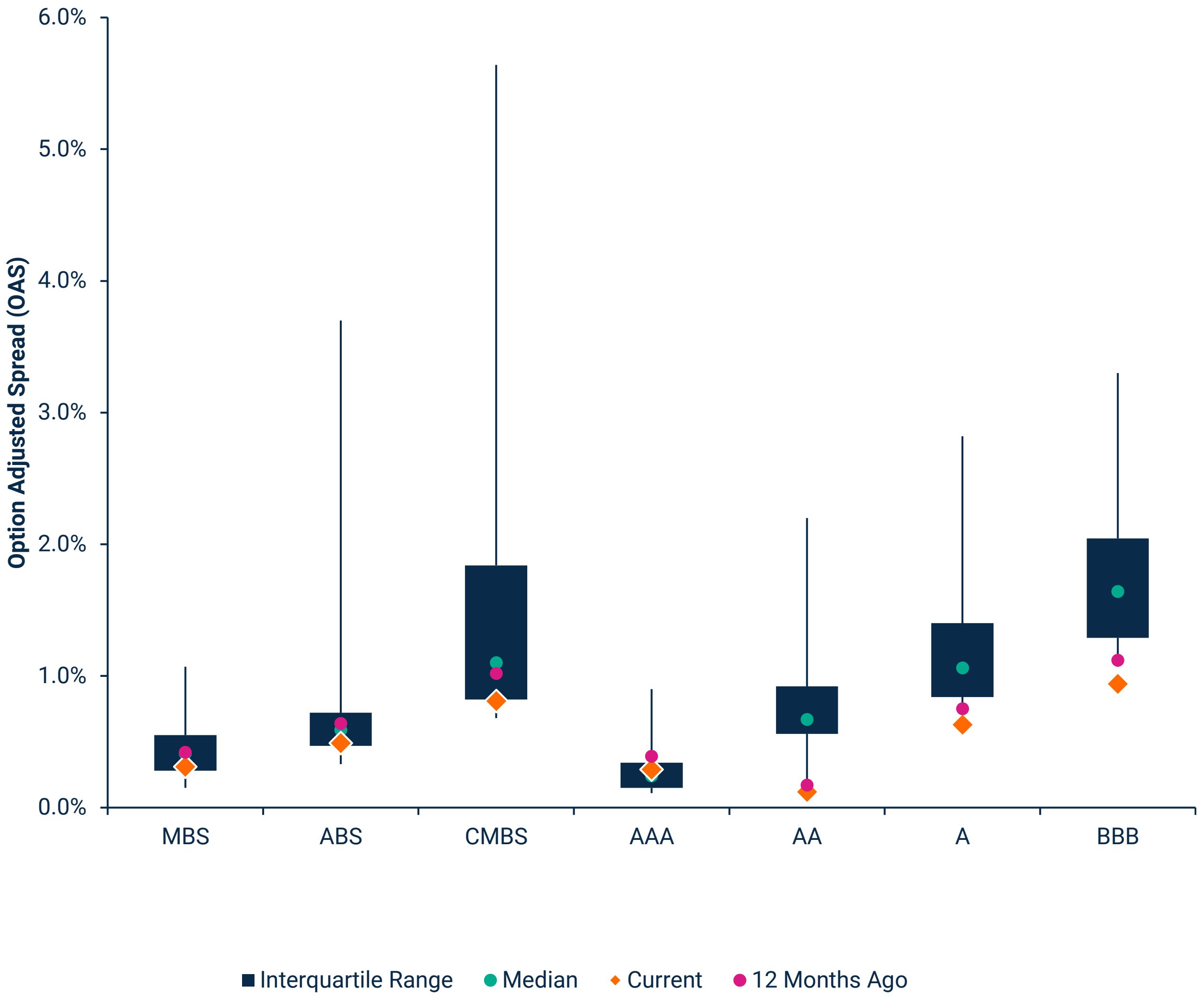
Despite significant noise in bond markets about tariff-related volatility, credit spreads have remained extremely tight across asset types and credit quality. Spreads for most sectors remain near or at cycle lows.

Yields



Credit Spreads

Trailing 20-Years

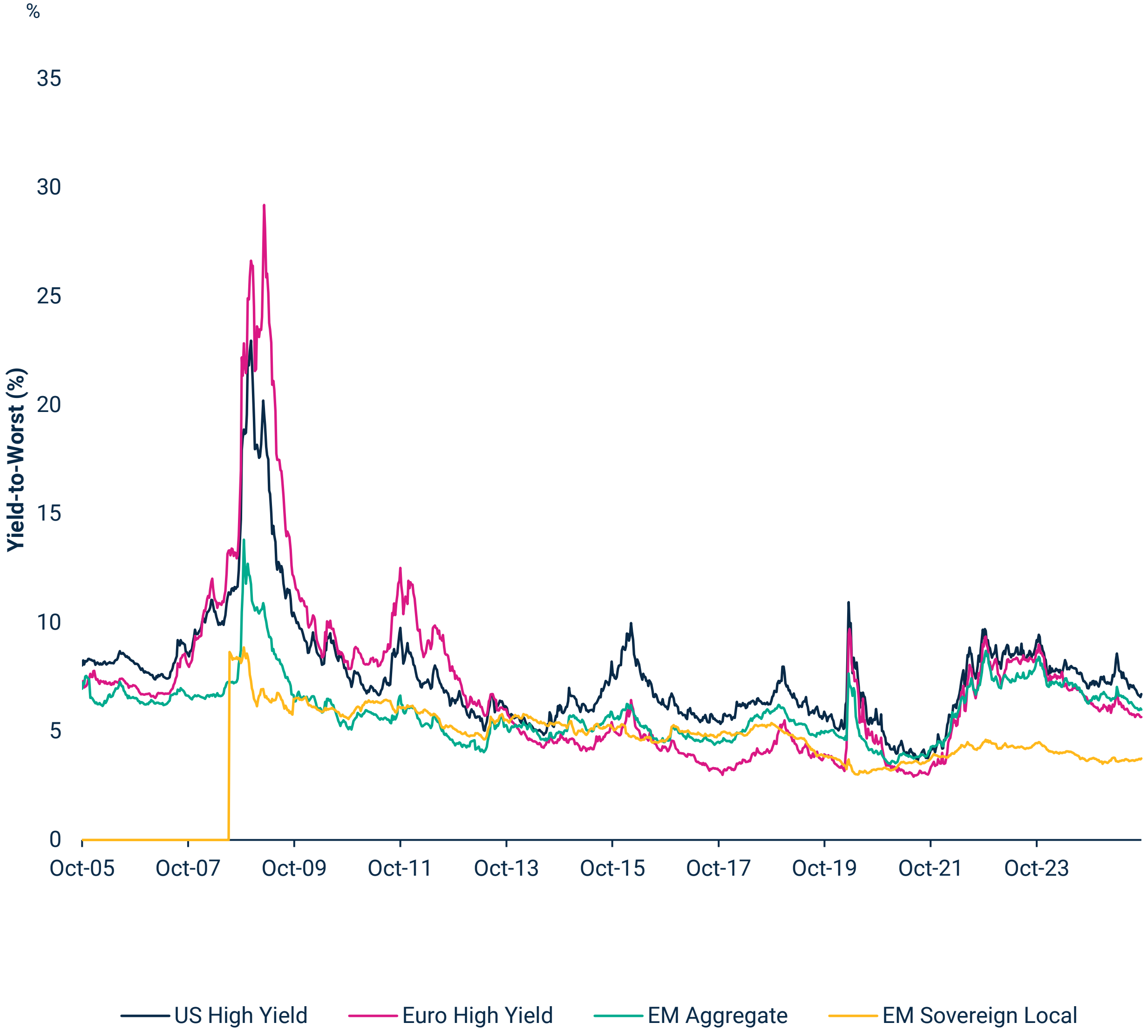


Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

High-Yield Bonds & Emerging Market Debt

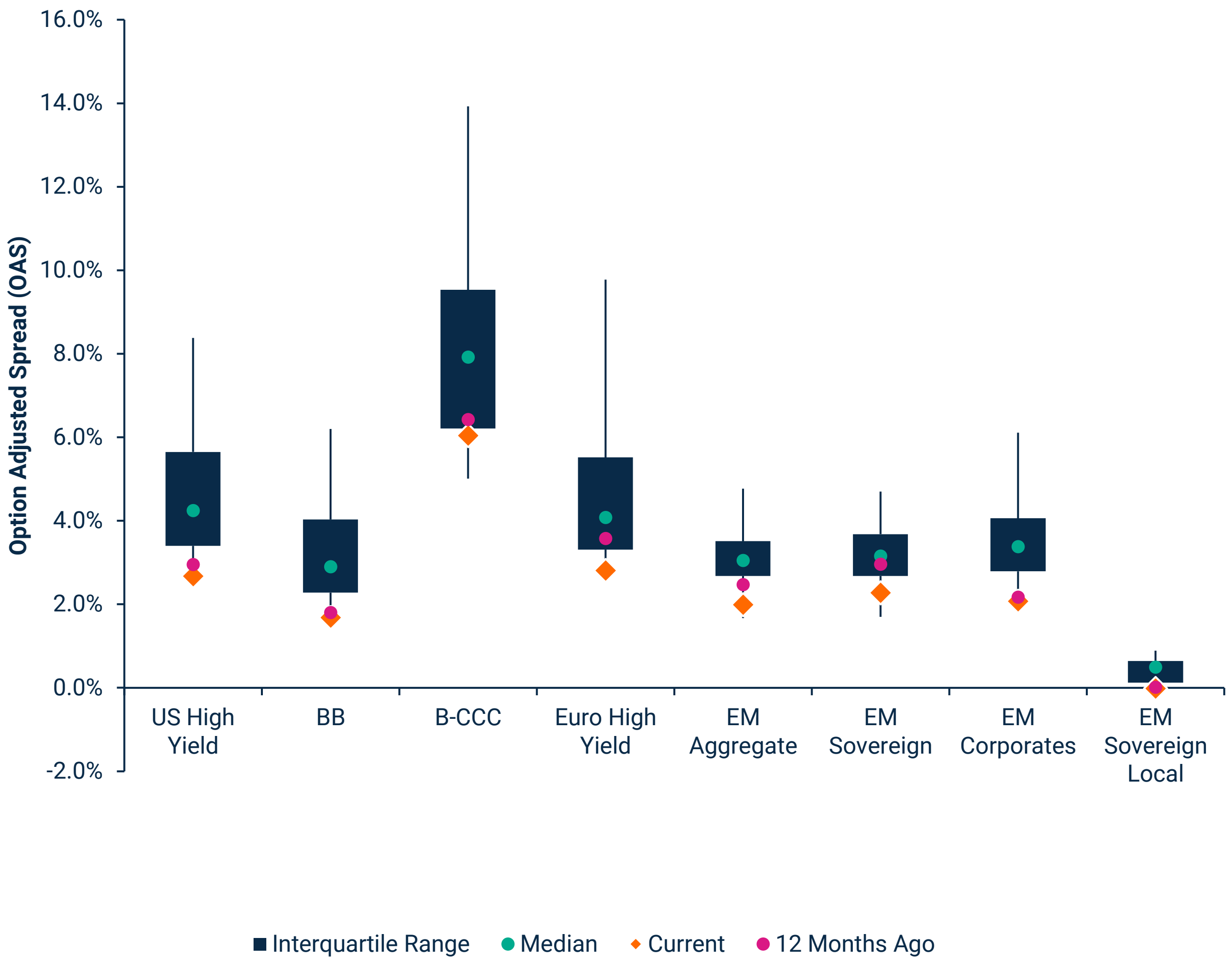
Yields have risen on many of the higher-yielding areas of the bond market, though credit spreads remain range-bound and not suggestive of broad market turmoil.

Yields



Credit Spreads

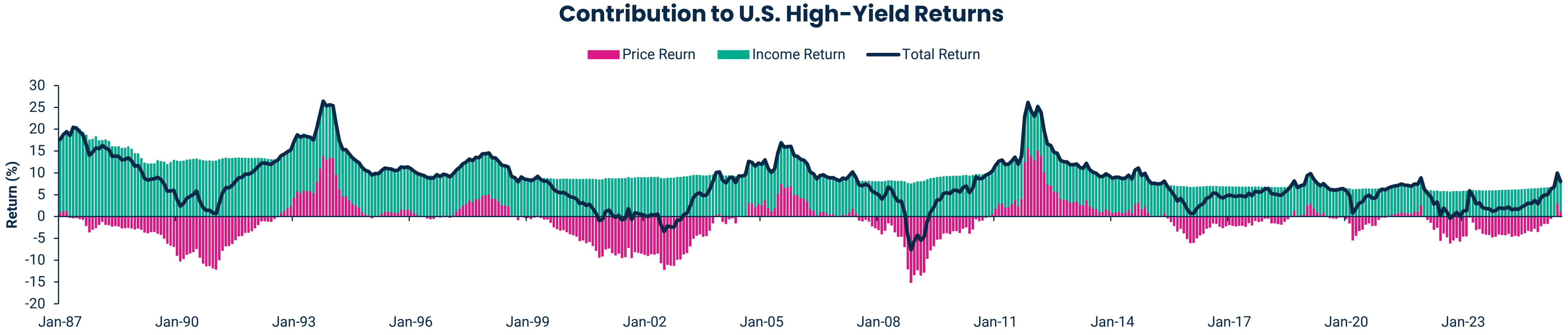
Trailing 20-Years

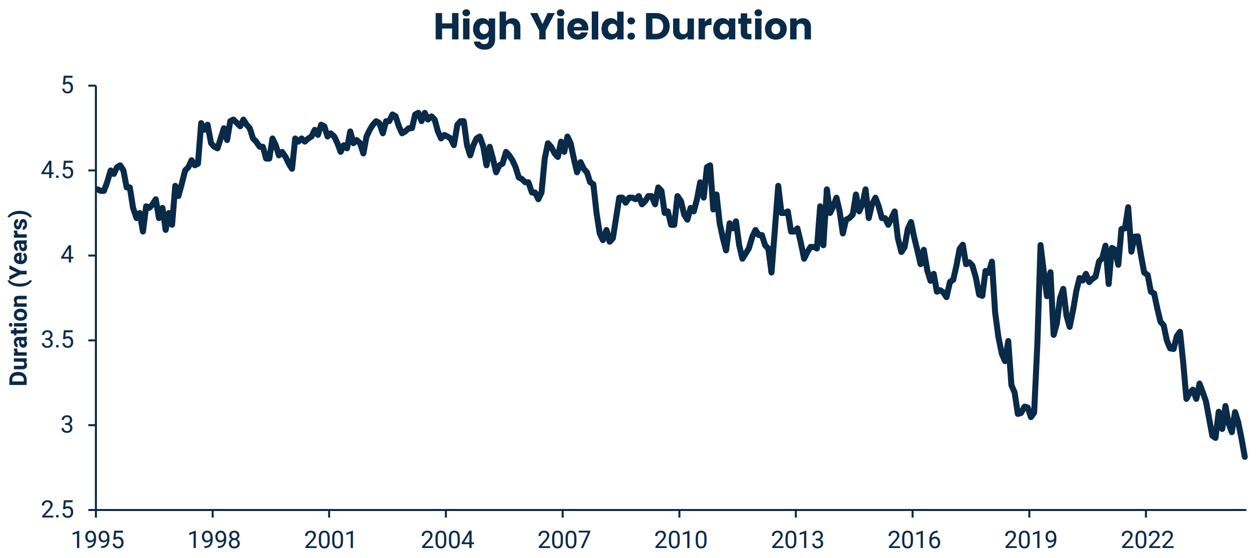


Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

High Yield

High-yield returns have predominantly been driven by income; however, price risk has been a headwind at times. With yields near recent highs and duration risk more limited, the asset class may prove more compelling.

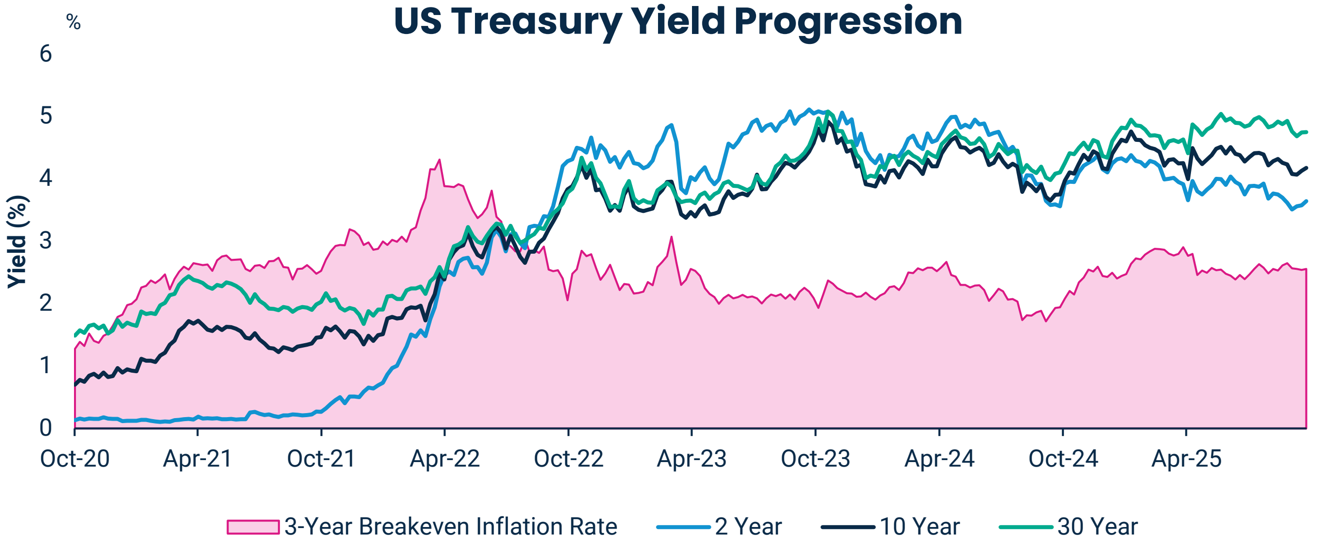


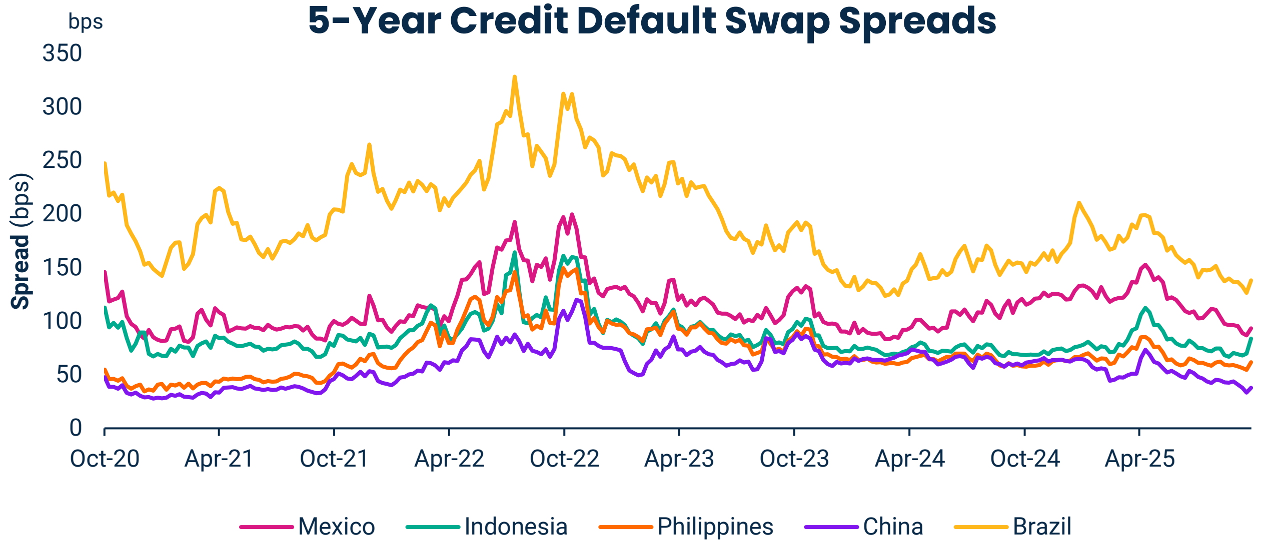


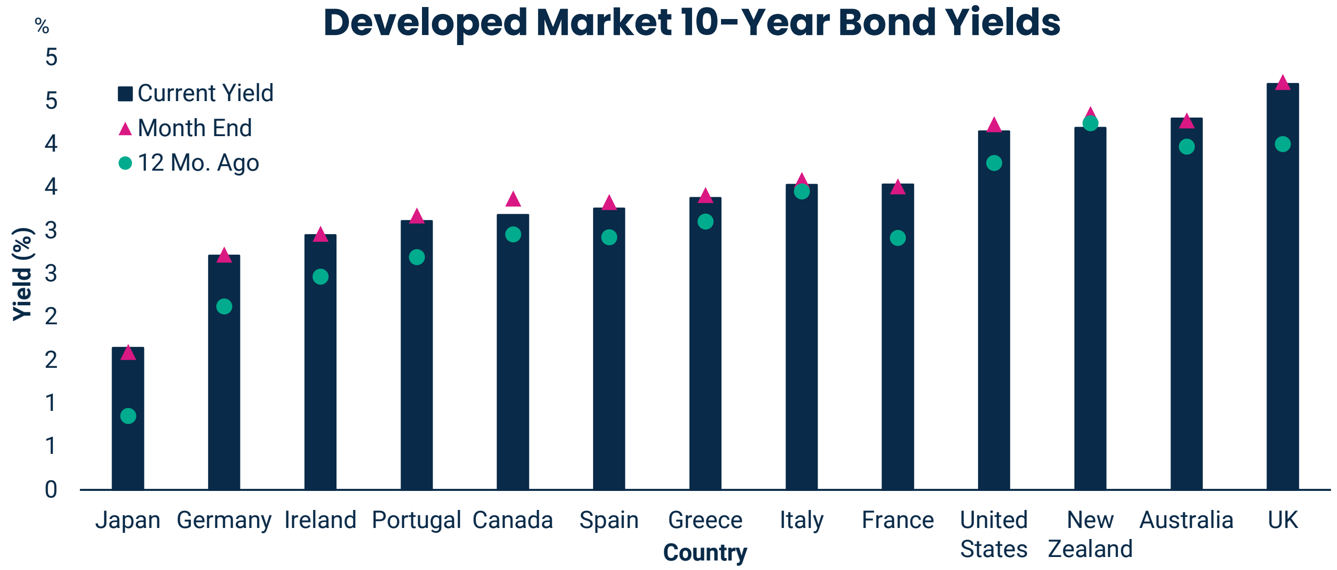
Data as of 07/31/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

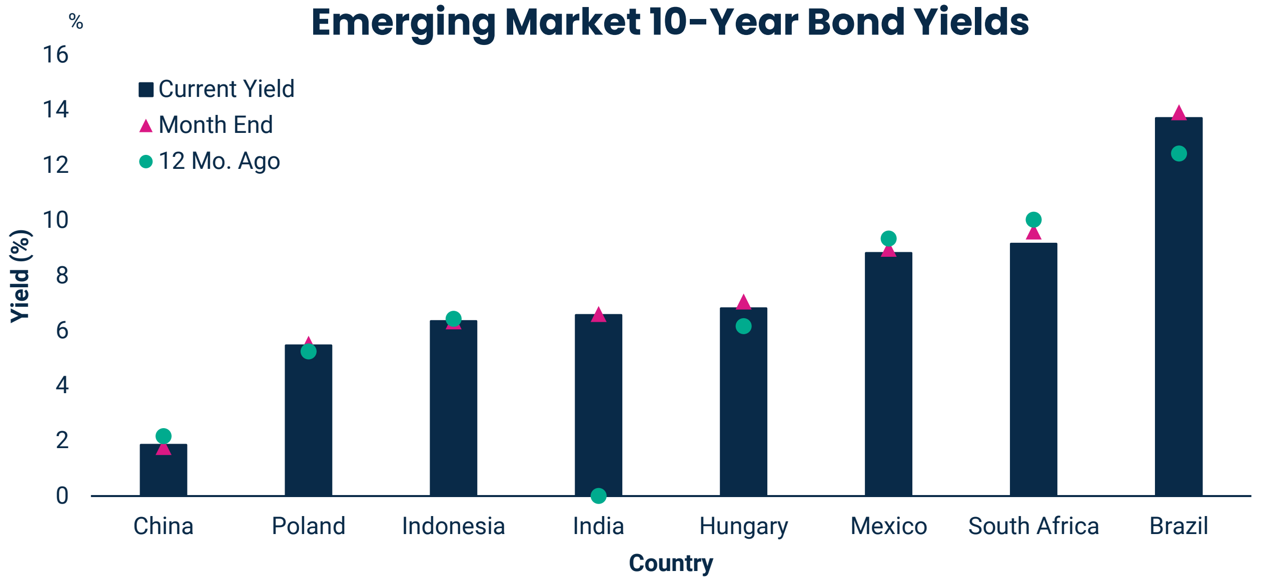
Government Bond Market

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



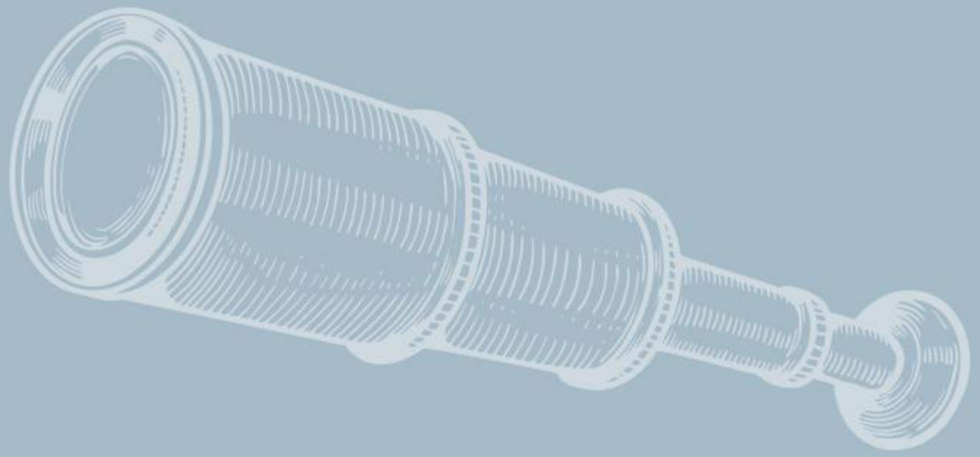






Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.**
The credit default swaps are represented by each sovereign country for their respective 5YR contracts.

ALTERNATIVES

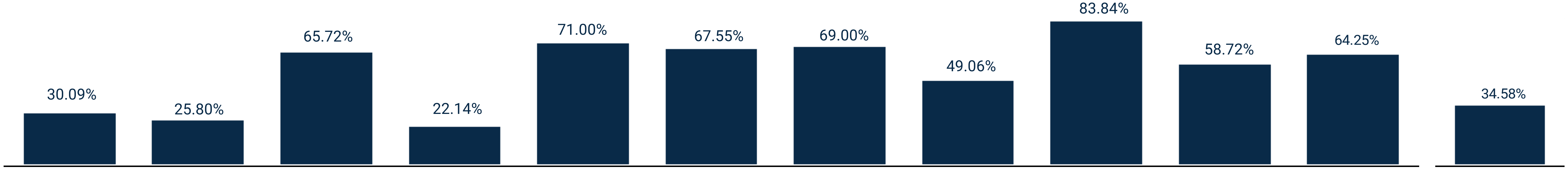


Harbor

Commodity Performance Quilt

Underlying commodities exhibit high dispersion year-to-year.

Yearly Performance Dispersion

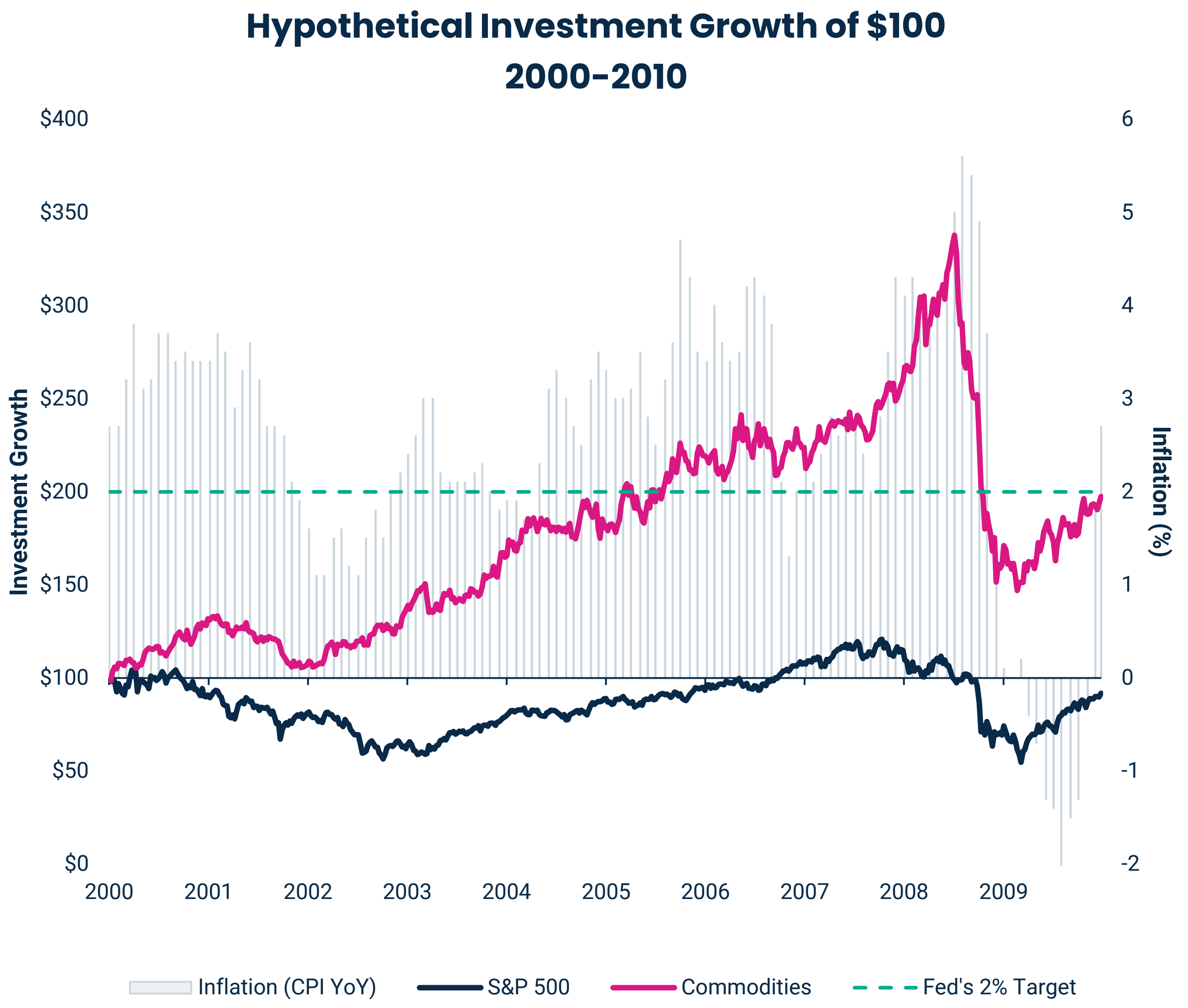


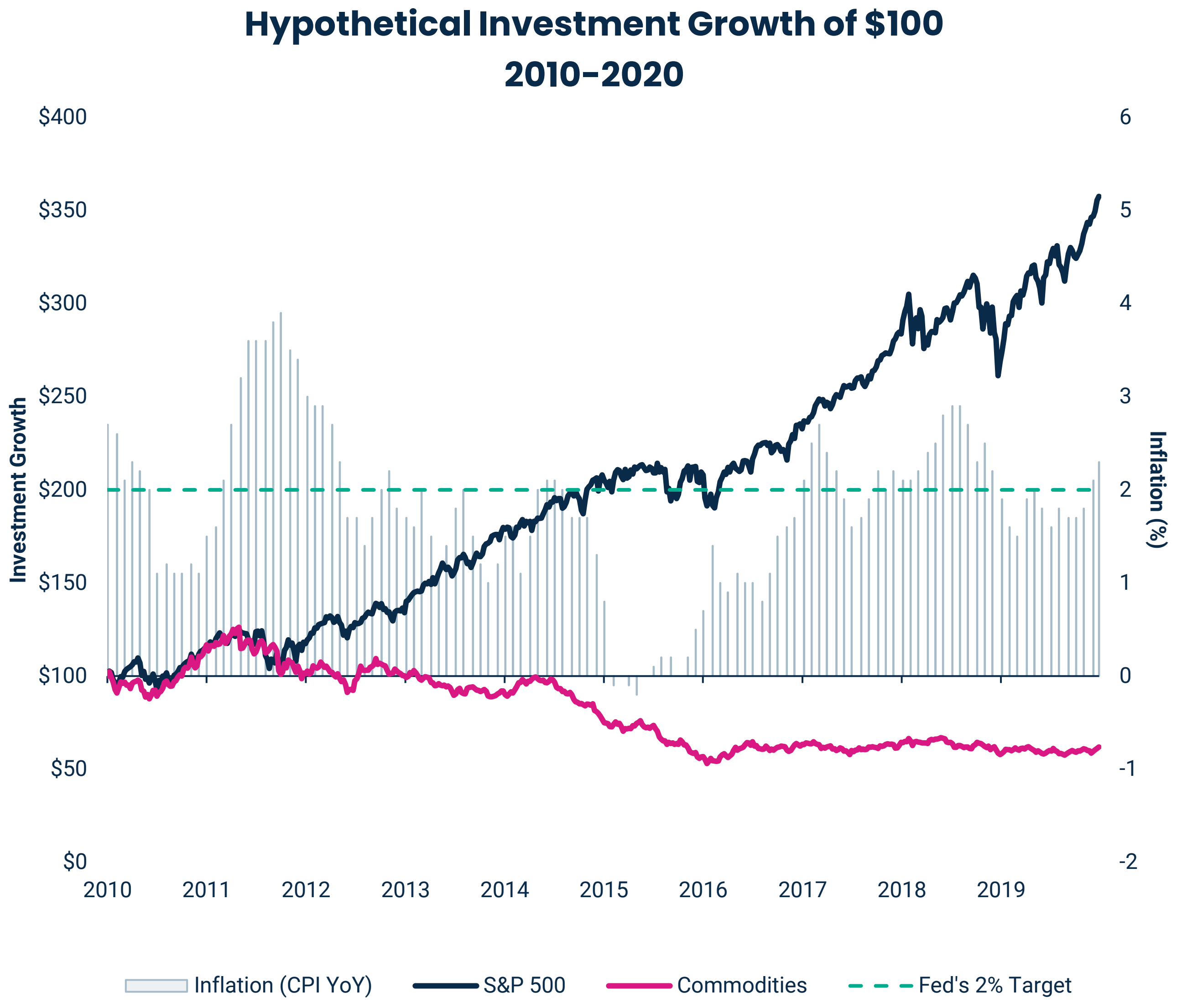
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 (YTD)	Annualized
Softs -9.85%	Industrial Metals 19.92%	Industrial Metals 29.35%	Natural Gas -0.12%	Petroleum 33.76%	Precious Metals 25.6%	Petroleum 62.89%	Petroleum 45.58%	Softs 18.53%	Softs 32.49%	Precious Metals 47.87%	Precious Metals 10.32%
Precious 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 24.18%	Softs 4.97%
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%	Commodities (BCOM) 9.38%	Industrial Metals 3.67%
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%	Industrial Metals 8.34%	Petroleum 2.63%
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%	Softs 6.56%	Commodities (BCOM) 2.03%
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%	Petroleum 1.75%	Livestock -0.14%
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%	Grains -8.46%	Grains -3.02%
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%	Natural Gas -16.38%	Natural Gas -24.26%

Data as of 09/30/2025. 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.



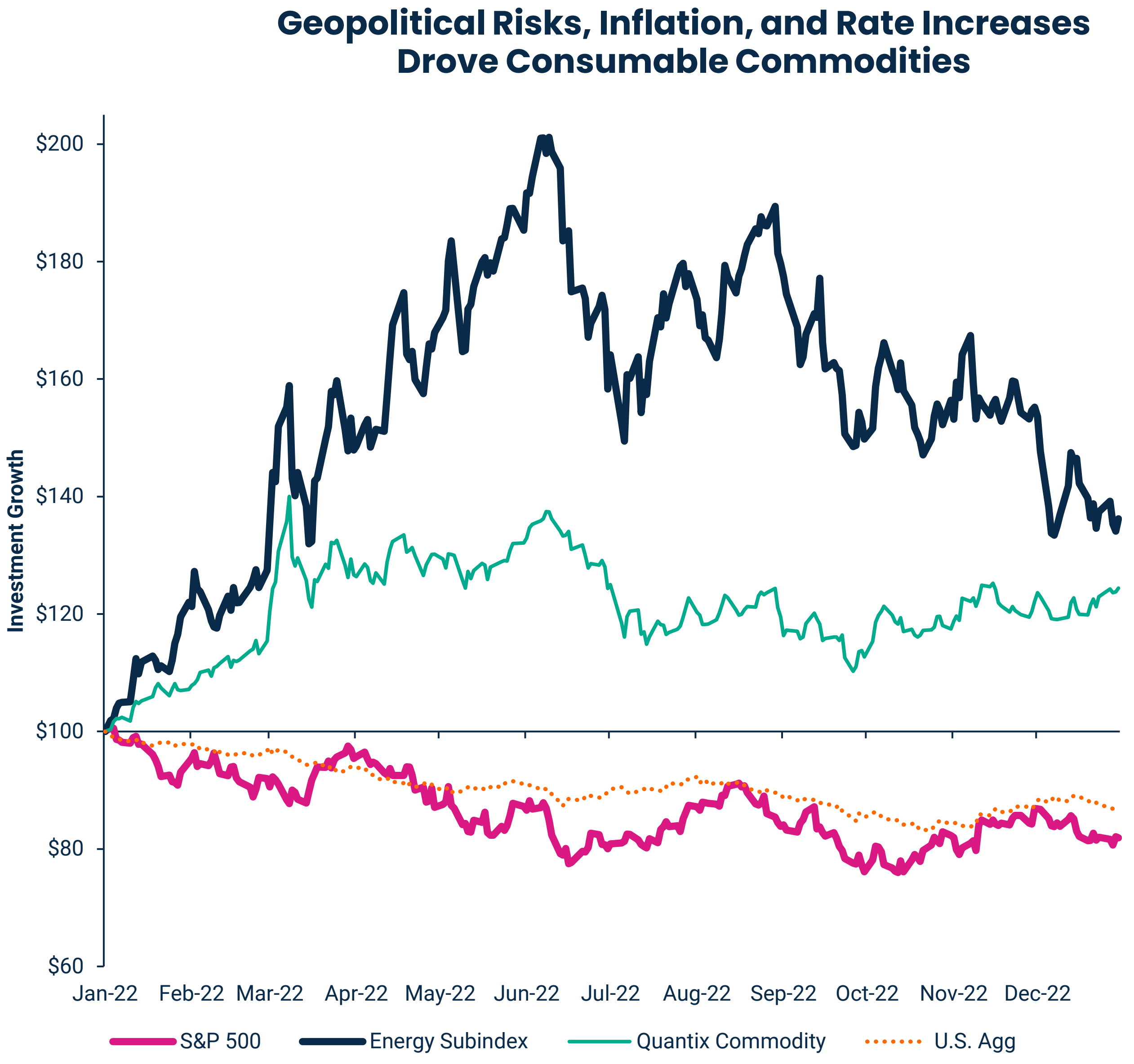


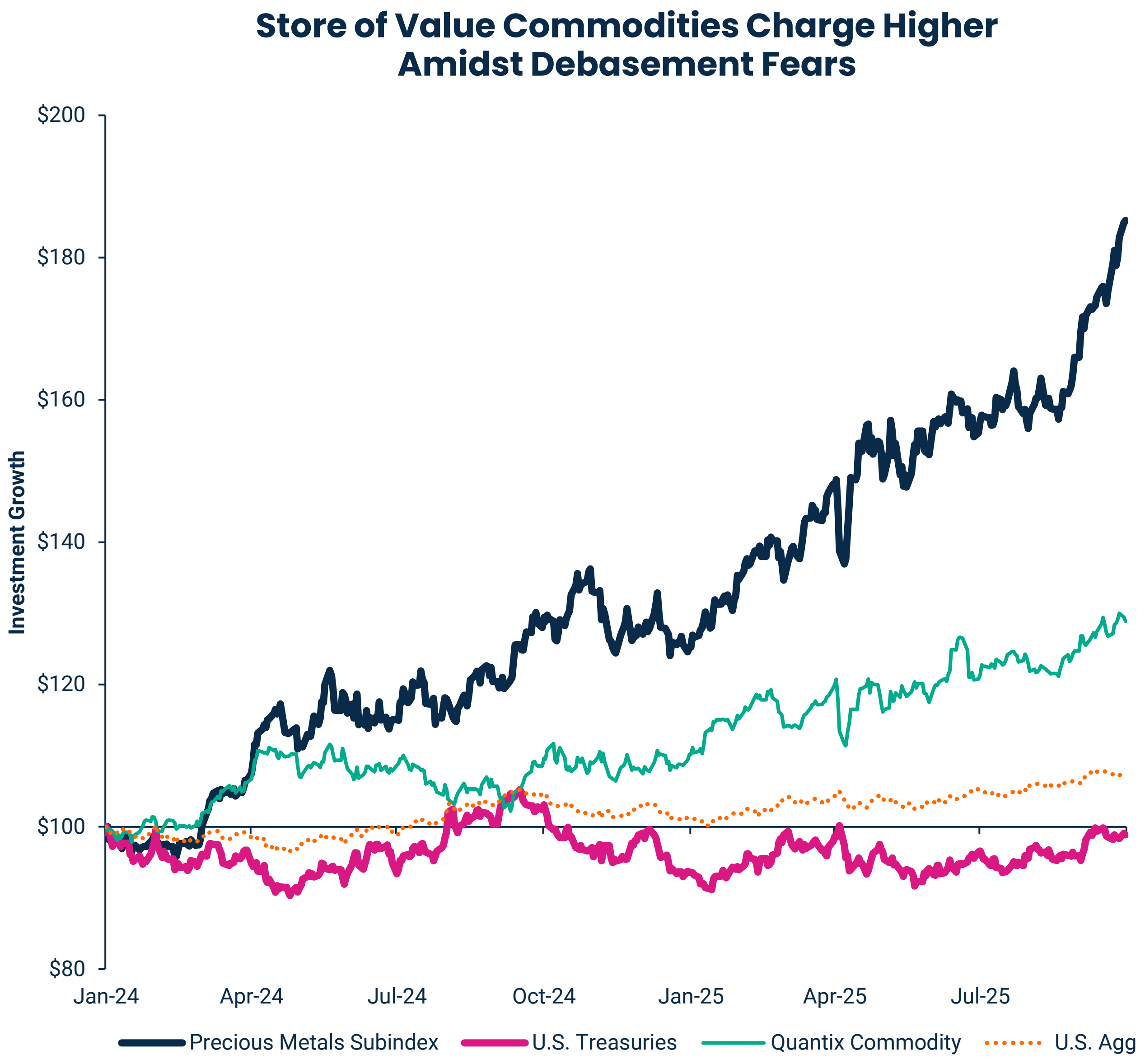
Data as of 09/30/2025. Source: Bloomberg. **Hypothetical for illustrative purposes only.**

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.

A New Era of Market Shocks

Different forms of commodities have historically acted as reliable hedges.

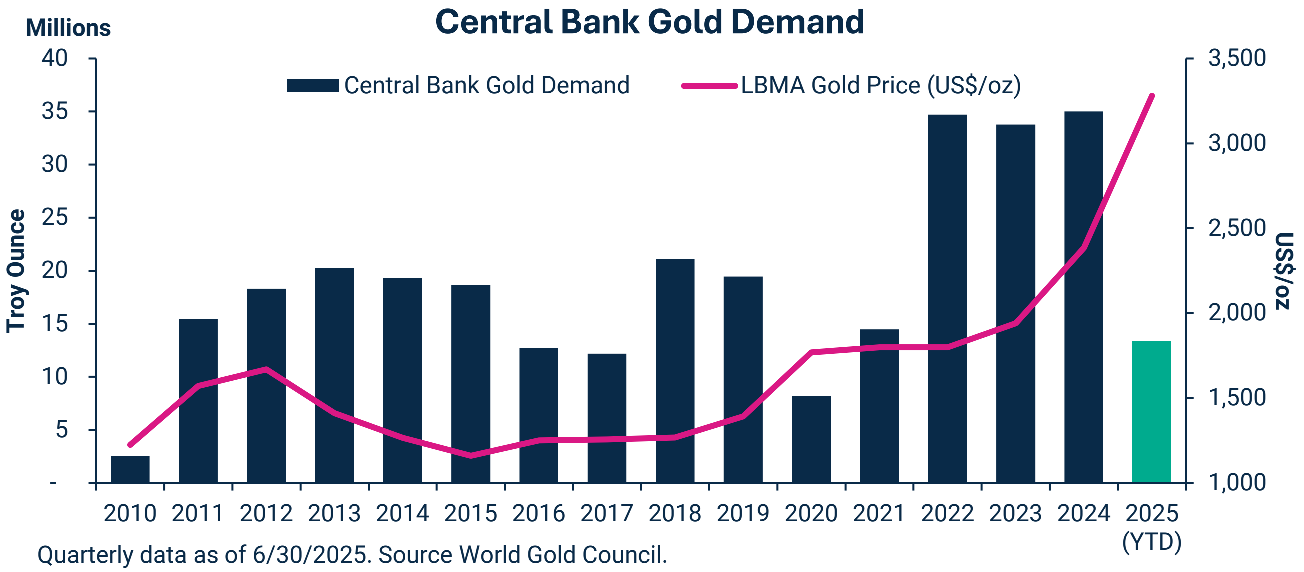




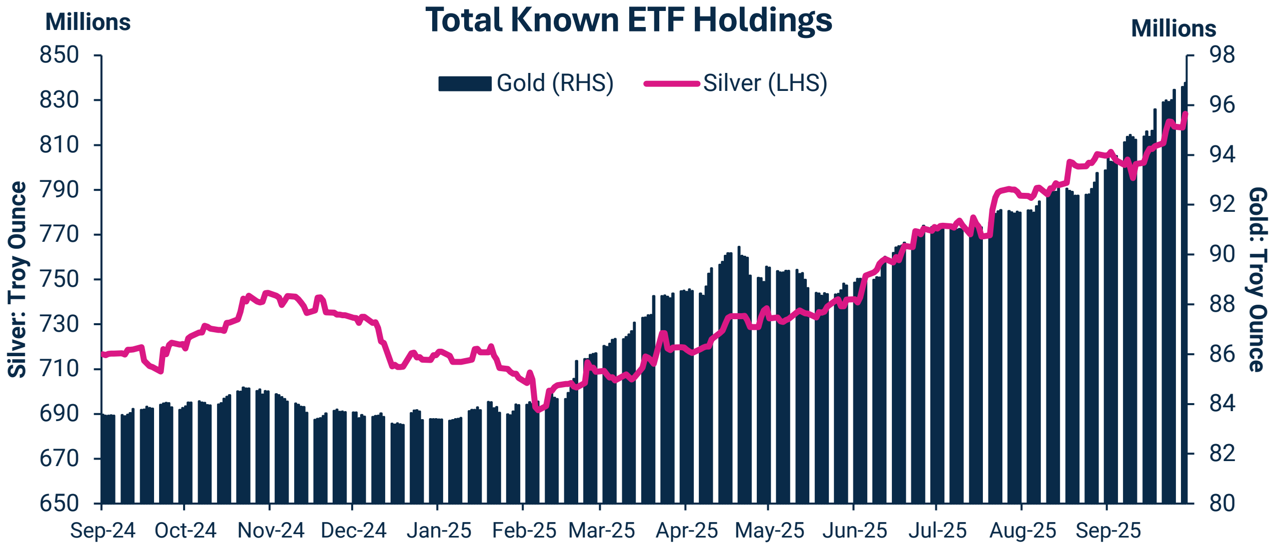
Data as of 09/30/2025. Source: Bloomberg. **Hypothetical for illustrative purposes only.** The Hypothetical growth chart assumes an initial investment of $100 and the reinvestment of all dividends and interest over the period shown. The growth depicted does not represent the performance of any specific 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.

Rising Demand + Finite Supply = Shiny Opportunity

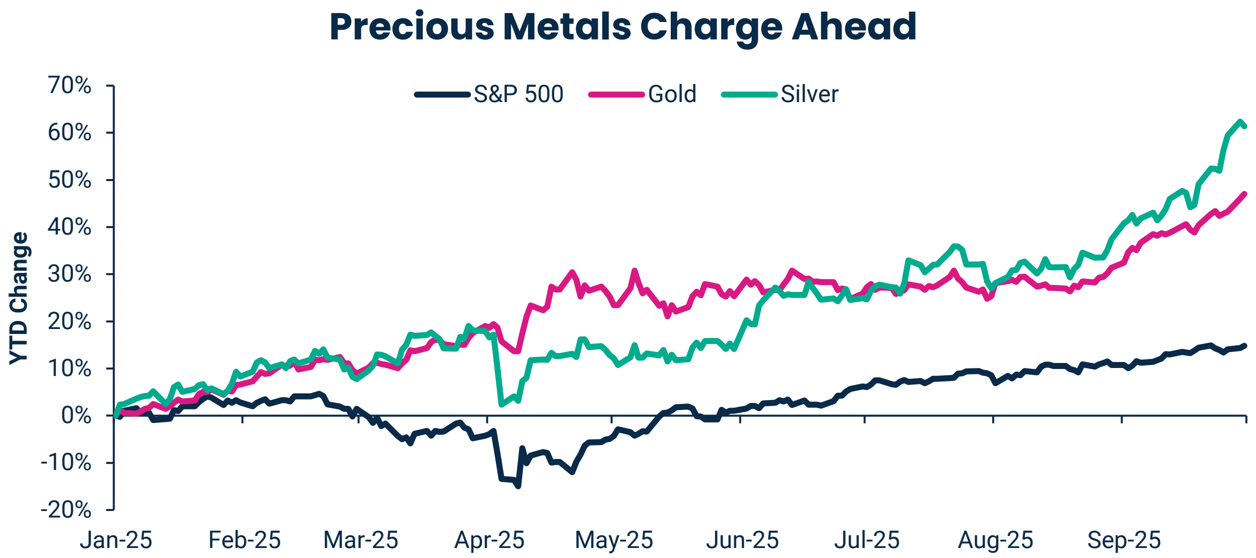
Gold demand has increased from central banks, institutional, and retail buyers alike with potential to grow further.



Quarterly data as of 6/30/2025. Source World Gold Council.



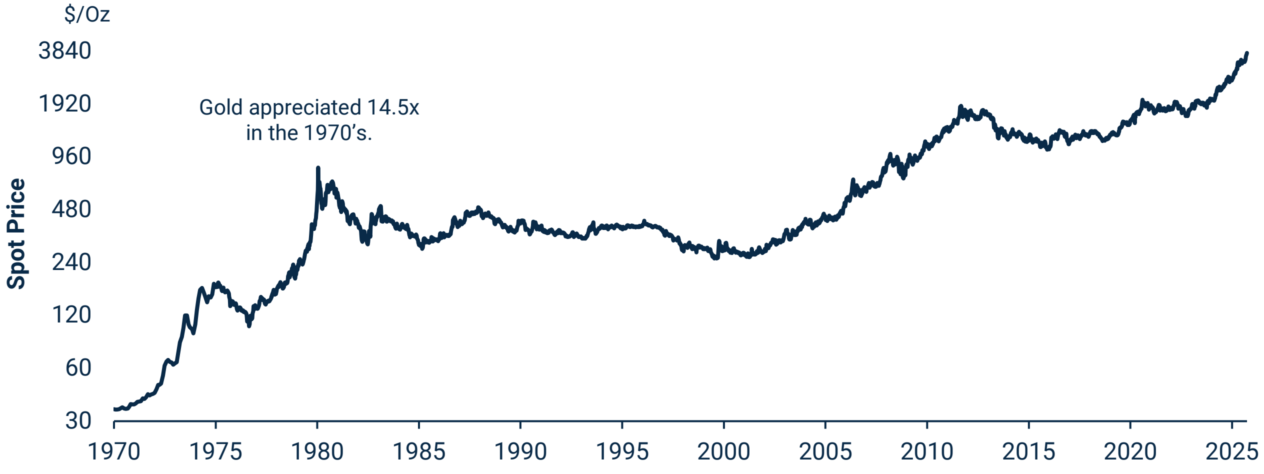
Data as of 8/31/2025. Source: Bloomberg, World Gold Council.



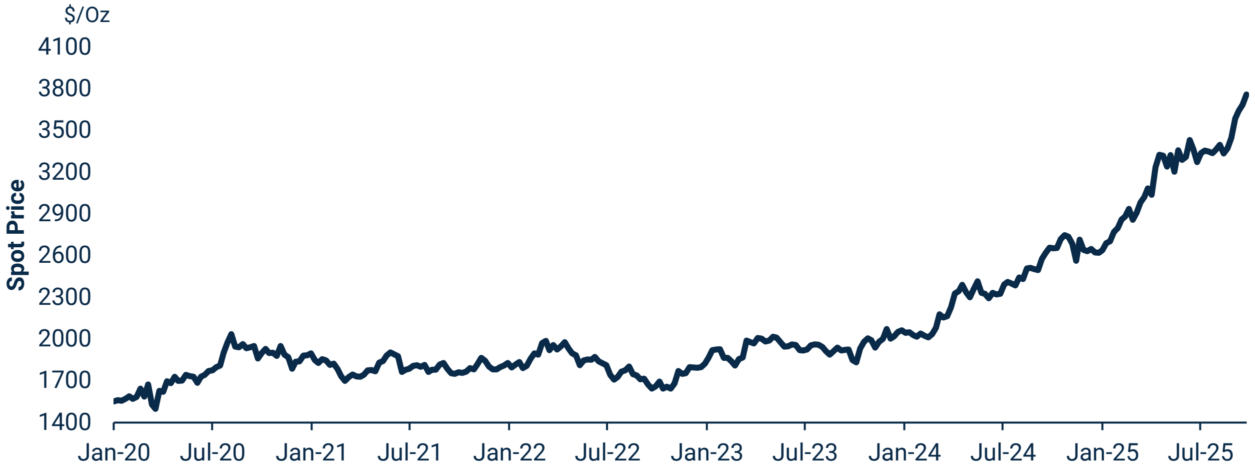
Gold Appears to Have No Borders

Risk-free rate concerns powering gold's rise.

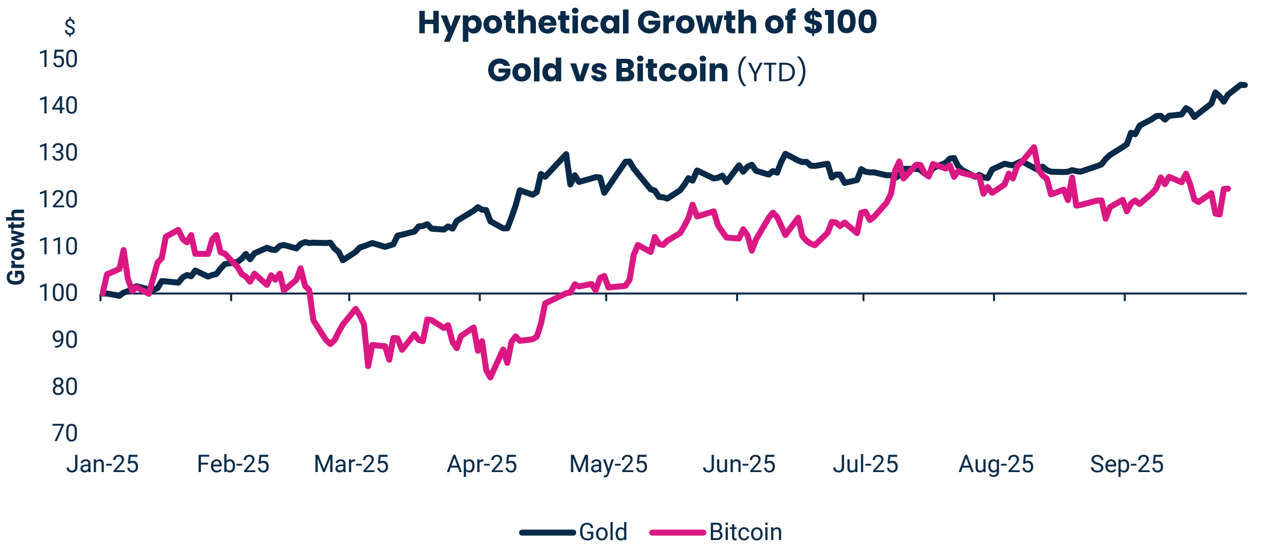
Spot Gold since 1970 – Log Scale



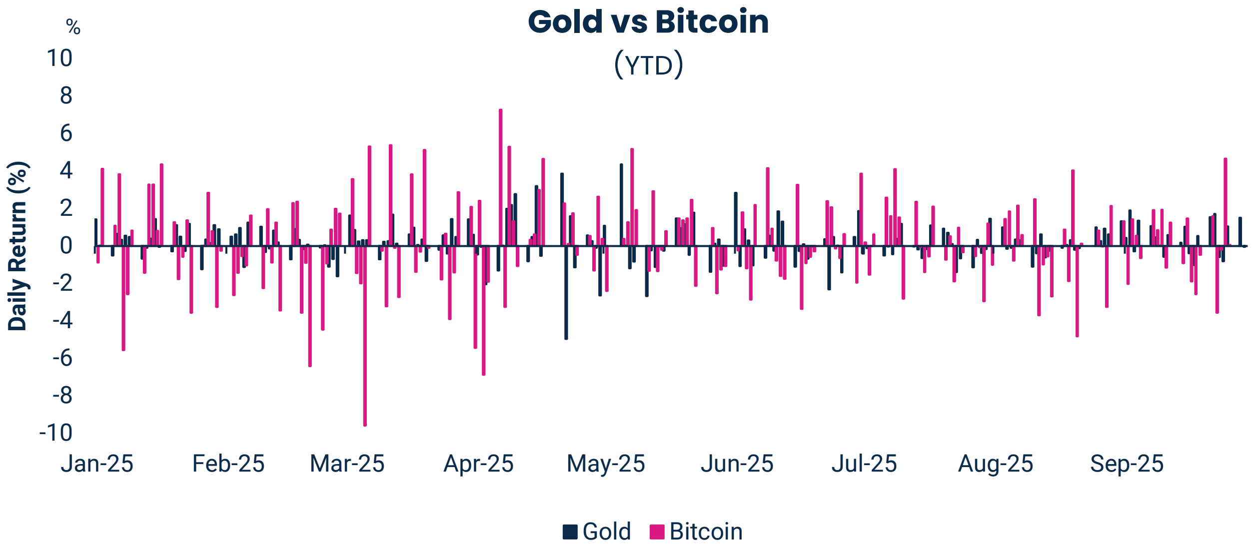
Spot Gold since 2020



Gold appears to be proving a better diversifier YTD.



Daily fluctuations – the journey matters.

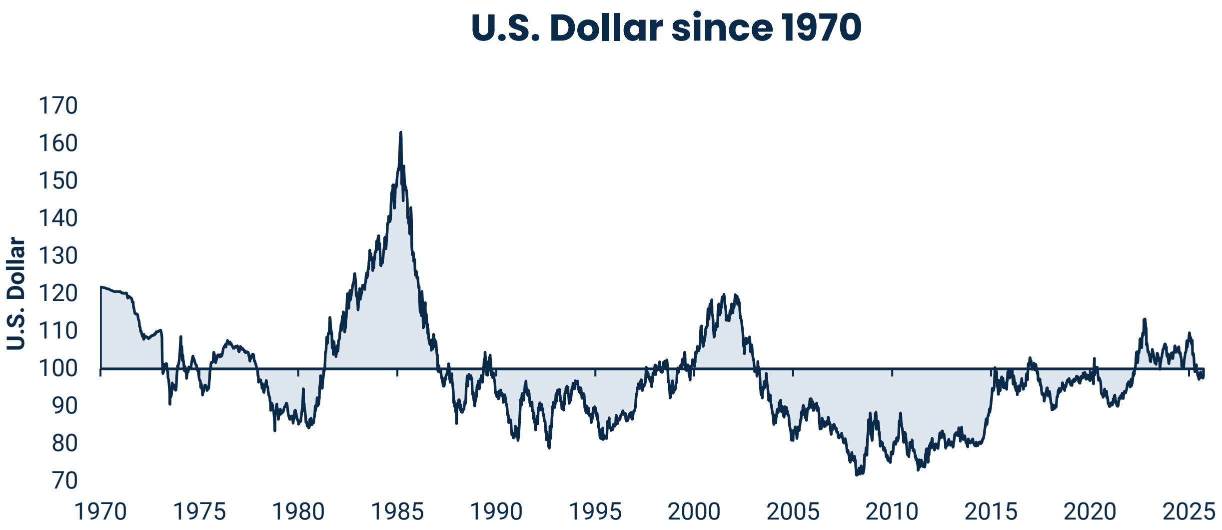


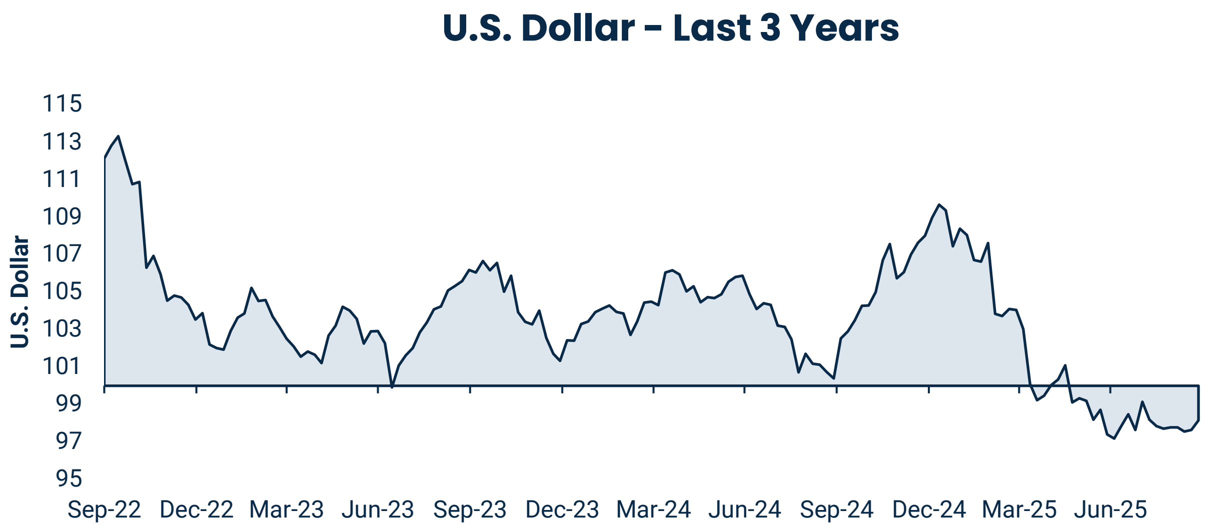
Data as of 09/30/2025. Source: Bloomberg. Spot Gold = Spot Gold Exchange Rate [XAU Currency]. Gold = LBMA Gold Price (PM) - (Total Return index). Bitcoin = Bloomberg Bitcoin Index (Total Return index)

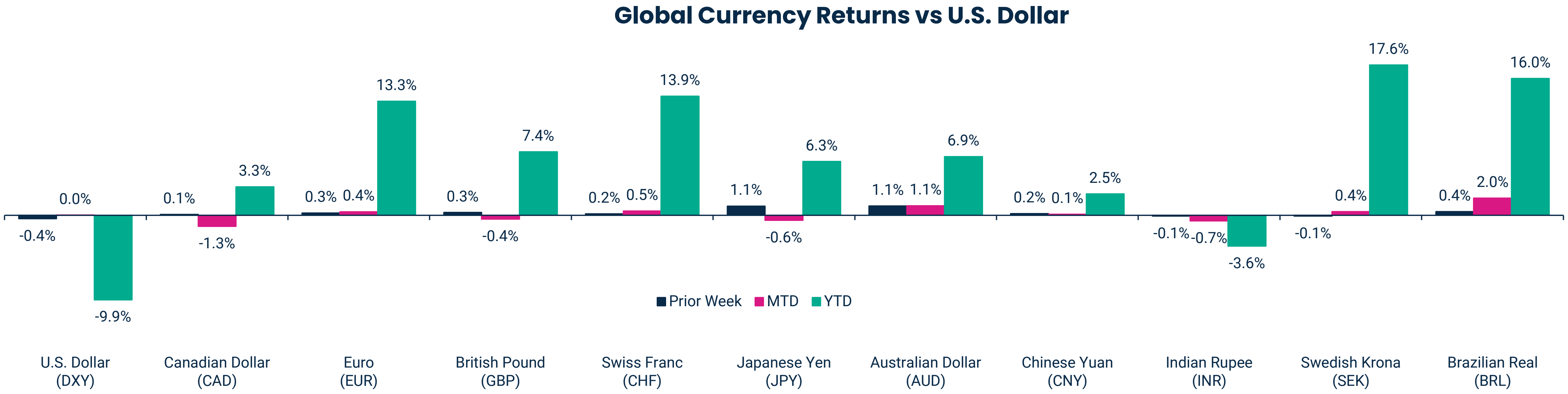
Hypothetical for illustrative purposes only. Performance data shown represents past performance and is no guarantee of future results. The Hypothetical growth chart assumes an initial investment of $100 and the reinvestment of all dividends and interest over the period shown. The growth depicted does 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?







Data as of 09/30/2025. Source: Bloomberg. **Performance data shown represents past performance and is no guarantee of future results.** Please see Important Information for indices used.

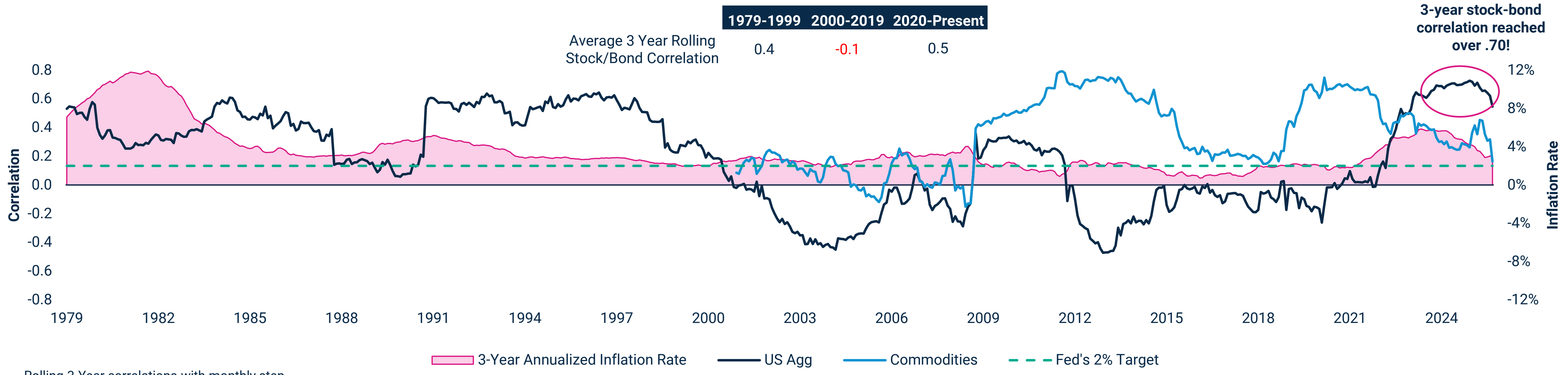
PORTFOLIO CONSTRUCTION CONSIDERATIONS

Stock-Bond Correlation

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

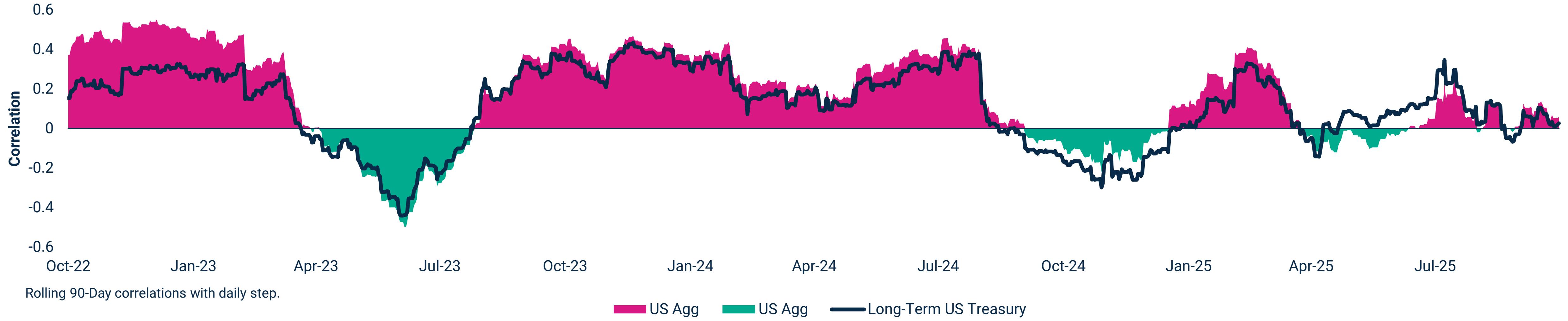
Rolling 3-Year Correlation to S&P 500

Average 3 Year Rolling Stock/Bond Correlation	1979-1999	2000-2019	2020-Present
	0.4	-0.1	0.5



Rolling 3-Year correlations with monthly step.

Rolling 90-Day Correlation to S&P 500

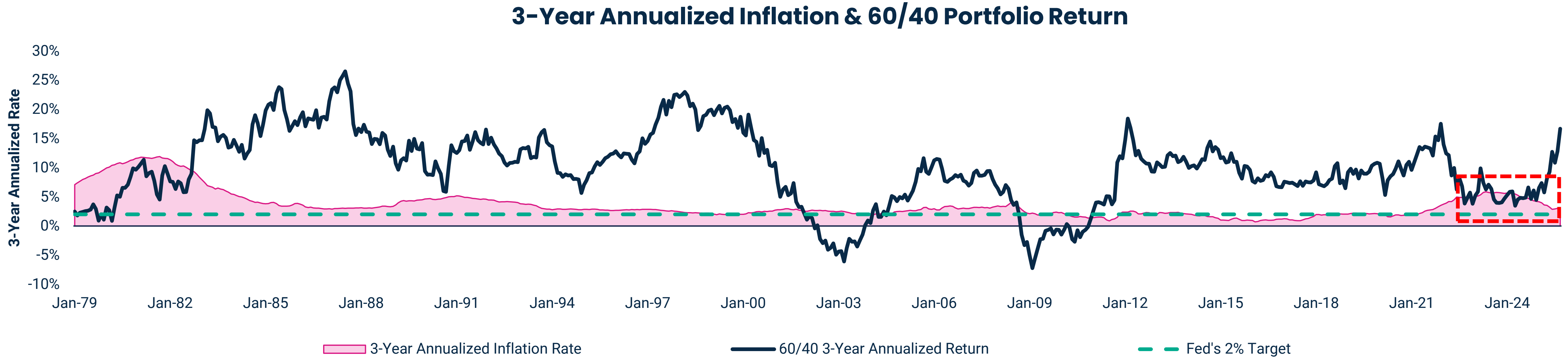


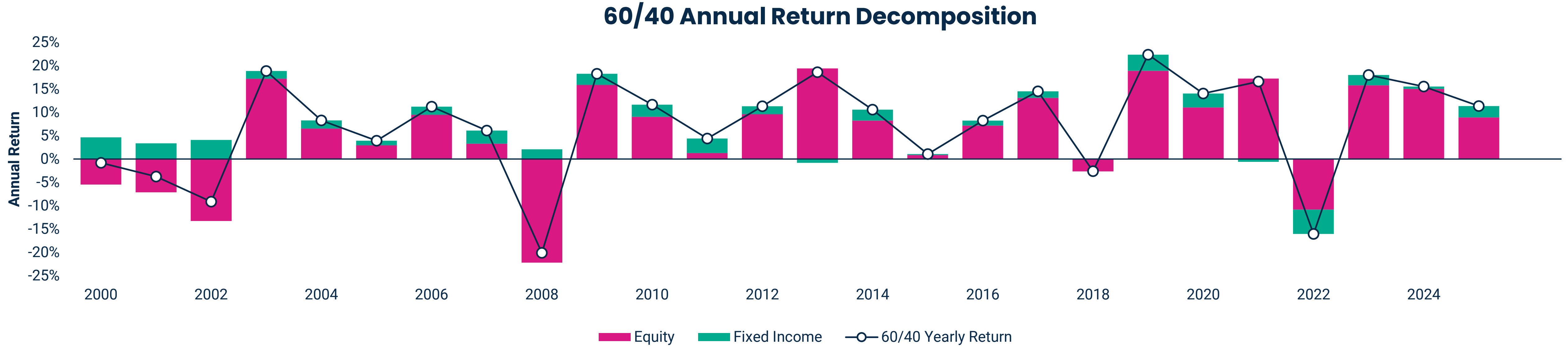
Rolling 90-Day correlations with daily step.

Data as of 09/30/2025. 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 had struggled to keep up with inflation in recent years.





Data as of 09/30/2025. 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.

LET'S TALK

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 6/30/25

"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)

$66.45B
Assets Under Management

28 ETFs

50+ Years
As an industry leader in manager research

16 Mutual Funds

35+ Years
Since we launched our first fund

3 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 (QCI)	Quantix Commodity Index TR
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

This material is intended solely for educational purposes, and should not be construed as investment advice, a recommendation, or an offer or solicitation to purchase or sell any securities. The opinions expressed are as of the date(s) indicated and are subject to change without notice. Reliance upon information in this material is at the sole discretion of the reader. Investing involves risks, including the risk of loss. This information is not intended to be complete or exhaustive and no representations or warranties, either express or implied, are made regarding the accuracy or completeness of the information contained herein. This material may contain estimates and forward-looking statements, which may include forecasts, and do not represent a guarantee of future performance. Past performance does not guarantee future results. Investors should consult with a financial professional before making any investment decisions.