



Harbor Monthly Market Recap

July 2021

As part of our commitment to excellent due diligence, Harbor takes an active approach to evaluating the market landscape against our expectations and our manager performance results. In the monthly market recap, we share our observations across asset classes and factors.

Equities

During the month of July, growth once again resumed its outperformance relative to value. The Russell 3000® Growth Index returned 2.8% compared to 0.5% for the Russell 3000® Value Index over the same period. Growth continues to be the best performing area of the market. Looking more closely at the Russell 1000® Growth Index, Utilities, Health Care, and Financials led the way while Energy, down nearly 9%, was the main detractor.

The trend of large cap outperforming small cap in June continued into July. The Russell 1000® Index outperformed the Russell 2000® Index considerably during the month. This was mainly due to a selloff in small caps of 3.6% while large caps returned a positive 2.1% during July.

Unlike the previous month, domestic markets outperformed international and emerging markets. US markets, as measured by the S&P 500, returned 2.4% for the month compared to EAFE and Emerging Markets returns of 0.4% and -6.7% respectively. Year to date, domestic markets have significantly outpaced both international and emerging markets. As measured by the S&P 500 Index, domestic markets are up 18%, while international markets are up 9.7% and emerging markets are roughly flat returning 0.2% over the period.

Within emerging markets (EM), growth and large caps were the significant underperformers. Large cap EM sold off 7.2%, while small cap EM gave back 1.3% for the month. Growth underperformed value by close to 400 bps during the month, selling off 8.6%. China was the worst performing country within the emerging markets returning a negative 13.8%.

Global markets, as measured by the MSCI ACWI, were roughly flat returning 0.7%. Digging deeper into global markets, growth significantly outperformed value returning 1.4% compared to -0.1% for value.

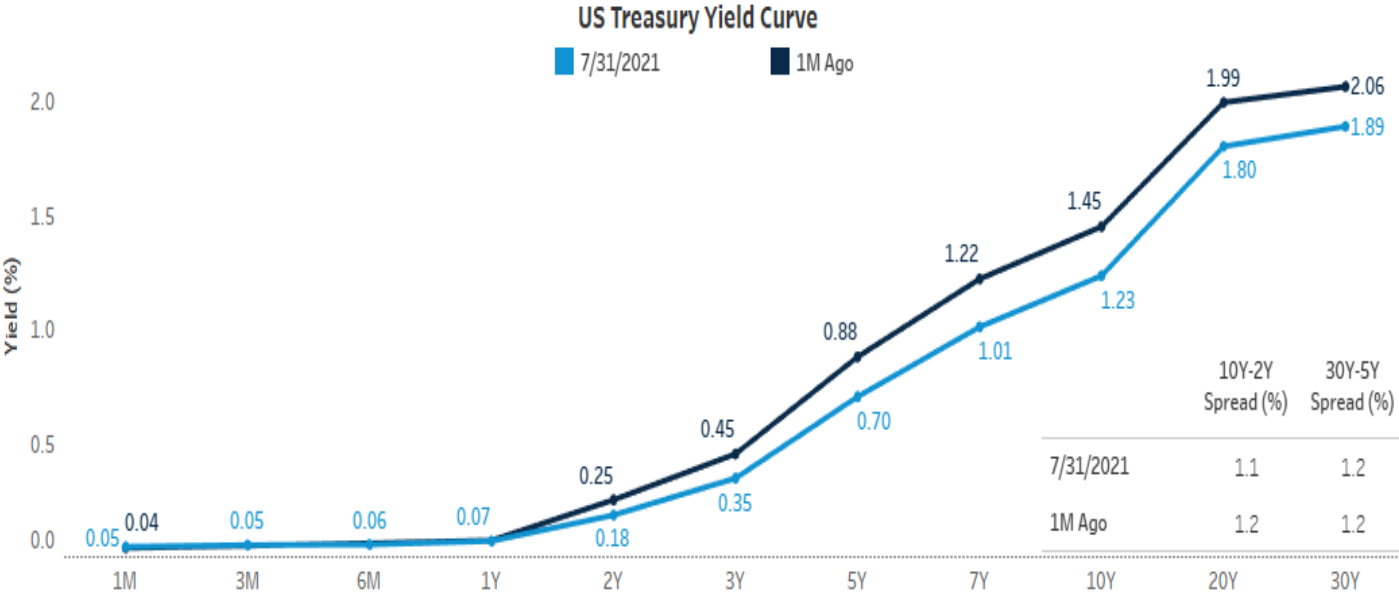
Looking through a factor lens, stocks with high momentum, high profitability, and more expensive stocks were the top performers. Stocks with higher liquidity, higher dividend yield, and higher volatility underperformed. This was consistent outside the U.S. as well, except in EM where higher yielding stocks held up better.



Fixed Income

Concerns over slowing growth and the spread of the delta variant led U.S. Government bonds to rally in July 2021. Treasury rates fell from two years out, with the yield on the 10-year U.S. Treasury note falling from 1.45% to 1.23% and on the 30-year bond dropping from 2.06% to 1.89% (Figure 1). The Bloomberg Barclays U.S. Treasury Bond Index gained 1.36% for the month.

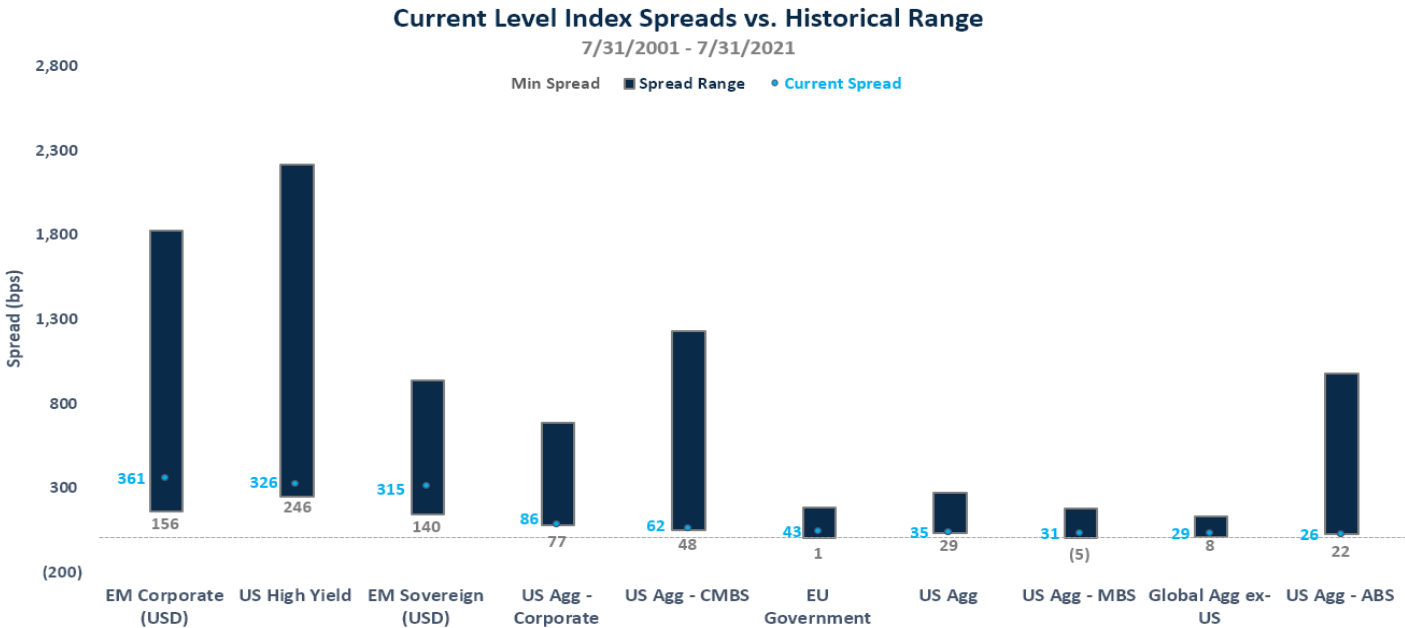
Figure 1



Source: Factset

U.S. Investment grade corporate bonds also continued their winning ways, helped by solid fundamentals and declining interest rates. The Bloomberg Barclays U.S. Corporate Bond Index returned 1.37% in July, led by the performance of REITs, Commercial and Consumer Finance, and Autos. Given the strong run since March 2020, the index’s spread, 86 bps, is near historical tights (Figure 2).

Figure 2



Source: Factset



Legal Notices & Disclosures

The information provided in this presentation should not be considered as a recommendation to purchase or sell a particular security. The weightings, holdings, industries, sectors, and countries mentioned may change at any time and may not represent current or future investments.

© [2021] Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Past performance is no guarantee of future results.

The information shown relates to the past. Past performance is not a guide to the future. The value of an investment can go down as well as up. Investing involves risks including loss of principal.

The Russell 3000[®] Growth Index is an unmanaged index generally representative of the broad growth segment of the U.S. equity universe. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The Russell 3000[®] Value Index is an unmanaged index generally representative of the broad value segment of the U.S. equity value universe. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The Russell 1000[®] Index is an unmanaged index generally representative of the large-cap segment of the U.S. equity universe. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The Russell 2000[®] Index is an unmanaged index generally representative of the small-cap segment of the U.S. equity universe. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The S&P 500 Index is an unmanaged index generally representative of the U.S. market for large capitalization equities. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The MSCI All Country World Index (ND) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The MSCI EAFE Index is an unmanaged index generally representative of major overseas stock markets. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The Bloomberg Barclays US Aggregate Bond Index is an unmanaged index of investment-grade fixed-rate debt issues with maturities of at least one year. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The Bloomberg Barclays US Treasury Index is an unmanaged index of U.S. dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The Bloomberg Barclays US Corporate Bond Index is an unmanaged index of the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The ICE BofA US Non-Distressed High Yield Index is a subset of the ICE BofA US High Yield Index (H0A0) including all securities with an option-adjusted spread less than 1,000 basis points. The ICE BofAML US High Yield Index (H0A0) is an unmanaged index that tracks the performance of below investment grade U.S. Dollar-denominated corporate bonds publicly issued in the U.S. domestic market. All bonds are U.S. Dollar-denominated and rated Split BBB and below. These unmanaged indices do not reflect fees and expenses and are not available for direct investment.

The ICE BofA US Convertible Ex Mandatory Index is broadly representative of the U.S. convertible securities market, consisting of publicly traded issues, denominated in U.S. Dollars, of all credit qualities, and excluding mandatory (equity-linked) convertibles. This unmanaged index does not reflect fees and expenses and is not available for direct investment.



Legal Notices & Disclosures

Investing entails risks and there can be no assurance that any investment will achieve profits or avoid incurring losses.

Harbor Capital Advisors, Inc.