



# Harbor Disruptive Innovation Strategy

---

## STANDARD RFI QUESTIONNAIRE

**Harbor Capital Advisors, Inc.** (Adviser)  
111 South Wacker Drive, 34<sup>th</sup> Floor  
Chicago, IL 60606

**Harbor Funds Distributors, Inc.** (Mutual Fund Distributor)  
33 Arch Street, 20<sup>th</sup> Floor  
Boston, MA 02110

**HCA Multi-Asset Solutions Team** (Fund Sponsor)  
111 South Wacker Drive, 34<sup>th</sup> Floor  
Chicago, IL 60606

[harborcapital.com](http://harborcapital.com)

*For Institutional Use Only. Not for Distribution to the Public.*

### BACKGROUND INFORMATION

---

Harbor Capital Advisors, Inc. (“Harbor Capital”) was founded in 1983 to manage the pension and retirement plan assets of our former parent company, Owens-Illinois. In 1986, we introduced Harbor Funds, a family of no-load mutual funds featuring our manager-of-managers business model. In June of 2001, Harbor Capital was acquired by Robeco Groep N.V. (“Robeco”), a financial holding company located in the Netherlands, a wholly-owned subsidiary of Rabobank Nederland (“Rabobank”). On July 1, 2013, ORIX Corporation acquired 90% plus one share of the outstanding shares of Robeco from Rabobank. On October 21, 2016, ORIX Corporation acquired the remaining interest that Rabobank held in Harbor Capital's parent company, Robeco (10% less one share). As a result, Robeco is wholly-owned by ORIX Corporation. Effective January 2018, Robeco's name changed to ORIX Corporation Europe N.V. (“ORIX Europe”). Harbor Capital remains an indirect, wholly-owned subsidiary of ORIX Corporation.

Harbor Funds is a family of subadvised mutual funds that offers access to a lineup of respected institutional investment firms sourced worldwide. Recognizing that no single firm can excel in managing all types of asset classes, Harbor utilizes a “manager-of-managers” approach where we seek to identify experienced portfolio managers with proven track records, who specialize in a particular asset class. These managers are responsible for making the day-to-day investment decisions and effecting the purchase and sale of the securities held by the individual mutual fund portfolios.

Our arrangements with third-party investment teams, combined with our internal philosophy of closely managing costs, allow us to offer a family of funds that we believe delivers long-term value to our shareholders.

## MULTI-MANAGER APPROACH & INVESTMENT TEAM

### MULTI-MANAGER STRUCTURE

---

The Harbor Disruptive Innovation Strategy is sponsored by Harbor Capital. Harbor Capital assumes responsibility of selecting and overseeing underlying managers for the Strategy.

The Strategy employs a multi-manager approach to achieve its investment objective and is allocated across five different active managers with unique investment styles. Each manager has their own unique philosophy and specializations. The Strategy allocates across managers enabling investment in leading edge companies across sectors, capitalization, and regions. The most disruptive themes are often uncovered at the seams.

## HARBOR MULTI-ASSET SOLUTIONS TEAM

---

Biographies for the members of MAST are shown below:

### **Spenser Lerner, CFA**

#### *Head of Multi-Asset Solutions Team*

Spenser Lerner is the Head of the Multi-Asset Solutions Team at Harbor Capital, he joined Harbor Capital in 2020. Prior to joining Harbor, Spenser led a Multi Asset Quantitative Research Team in JP Morgan's managed solutions group. Prior to that role, Spenser led fundamental sector coverage in JP Morgan for real estate and energy sectors contributing to both fundamental and research-based strategies that included long only, long/short, market neutral and option overlaid for U.S. equities. In addition to fundamental equity research, Spenser was responsible for portfolio management, portfolio construction and quantitative investment strategy. Spenser earned a B.S. in Business Administration from Monmouth University and is a CFA® charterholder.

### **Kristof Gleich, CFA**

#### *President & CIO*

Kristof Gleich is the President and CIO of Harbor Capital. He joined Harbor in 2018 and oversees all Investment, Distribution & Marketing and Executive Office functions. He provides insight while helping lead Harbor's strategic growth plan. Prior to joining Harbor, Kristof was a managing director and global head of manager selection at JP Morgan. He earned a B.S. in Physics from University of Bristol. Kristof is a CFA® charterholder and is FINRA Series 7 and 63 licensed.

### **Paul Herbert, CFA, CAIA**

#### *Managing Director*

Paul Herbert is a Managing Director at Harbor Capital. He joined Harbor in 2008 and has a unique role on the Investments Team at the firm. He is a member of the Multi-Assets Solutions Team, and a portfolio manager for the Harbor Target Retirement Funds and the Harbor Capital Group Trust. He is also a research director on the Investment Research Team, which is responsible for the identification, evaluation, and selection of investment managers for the stand-alone and multi-asset strategies on the firm's platform. Prior to joining Harbor, Paul was an associate director of mutual fund analysis for Morningstar, Inc. His responsibilities include serving as co-head of its fixed-income fund analysis efforts and editor of the firm's American Funds Family Newsletter. He earned a B.B.A. in Finance and Business Economics from the University of Notre Dame. Paul is a CFA® charterholder and a CAIA charterholder.

### **Lindsey Houghton**

#### *Managing Director, Portfolio Manager*

Lindsey Houghton joined Harbor Capital in 2021 as a Manager Director and Portfolio Manager within the Multi-Assets Solutions Team. Prior to joining Harbor, he spent 15 years at JP Morgan where he was a portfolio manager on Behavioral Finance Small and Midcap Equity products, managing \$9B in assets under management. Lindsey earned his B.S. with a concentration in Finance from the University of Delaware.

### **Jake Schurmeier**

#### *Portfolio Manager*

Jake Schurmeier joined Harbor Capital in 2021 as a Portfolio Manager within the Multi-Asset Solutions Team. Prior to joining Harbor, Jake spent 6 years with the Federal Reserve Bank of New York as head of treasury market analysis within the bank's market group. Jake also spent a year on secondment at the U.S. Department of the Treasury within the office of debt management where he was a part of the team responsible for all marketable treasury debt. Jake earned his M.B.A. in International Affairs and his B.S. in Political Science from the University of California.

**Justin Menne***Junior Portfolio Manager*

Justin Menne joined Harbor Capital in 2021 as a Junior Portfolio Manager within the Multi-Asset Solutions Team. Prior to joining Harbor, Justin spent four years at JP Morgan, most recently as an associate working in the Endowments & Foundations CIO Group, where he was a member of the investment team and supported the group's CIO in underwriting strategic and tactical asset allocation decisions, manager selection, and overall portfolio risk management. Justin earned a B.S. in Business with degrees in Accounting, Finance and Business Economics, from the Indiana University Kelley School of Business.

**Ryan Hamilton***Portfolio Implementation Manager*

Ryan Hamilton joined Harbor Capital in 2021 as a Portfolio Implementation Manager and is responsible for trading and operations within the Multi-Asset Solutions Team. Prior to joining Harbor, Ryan has 20 years of leading operations and accounting for institutional asset managers, hedge funds, fund administrators, and full-service middle office providers. Ryan earned his B.A. in Economics from Sonoma State University.

**Jim Travnik***Trading & Operations Specialist*

Jim Travnik joined Harbor Capital in 2021 as a Trading and Operations Specialists within the Multi-Asset Solutions Team and is responsible for assisting the investment teams in trading operations and projects. Prior to joining Harbor, Jim spent the past 10 years at Northern Trust across multiple business groups (transfer agency, fund accounting, custody, and middle office) in roles including investment operations, agile delivery, and business architecture. Jim earned his B.A. from Monmouth College.

**DECISION MAKING AUTHORITY**

---

Spenser Lerner and Kristof Gleich have managed the Disruptive Innovation Strategy since inception in September of 2021 and make all final asset allocation and portfolio construction decisions. The portfolio managers are responsible for managing all portfolios in the Strategy to ensure consistency across all vehicles. Spenser and Kristof work closely with other members of Harbor's Multi-Asset Solutions Portfolio Management team, as well as the Investment Research Team and quantitative analysts in the Data Science team to thoroughly research investment ideas and ensure the full investment team's expertise is embedded in portfolio decisions.

**COMPENSATION & RETENTION OF INVESTMENT PROFESSIONALS**

---

Harbor Capital works hard to maintain a workforce of highly motivated and long-term oriented professionals. This is underscored by our low employee turnover and consistent leadership. Compensation structure varies among professionals, although the basic package involves a generous base salary, participation in the Employee Bonus Plan ("EBP"), various other benefits, and, among senior professionals within Harbor, participation in the Senior Management Incentive Program ("SMIP").

**EBP**

All employees at Harbor participate in the EBP. The EBP is an incentive plan based on how well the firm performs against its annual budgeted EBIT (earnings before interest and taxes) margin. Because the EBP evaluates performance against a margin, expressed as a percentage, the plan is only affected modestly by market related increases and decreases in revenue. EBP performance is affected by the control of costs and each employee's contributions to the success of the company.

## SMIP

The SMIP is an incentive plan for senior professionals within Harbor. The SMIP award is based principally on the earnings performance of Harbor Capital against budget and net cash flows of the Harbor Funds compared to budget subjective parameters. For members of Harbor's Multi-Asset Solutions Team, the SMIP is also influenced by the performance of the strategies managed by the team.

In addition to competitive salaries, Harbor Capital offers employees the following benefits:

- Medical and Dental (Harbor contributes ~85% of premium)
- Company paid Vision
- Company paid life insurance and AD&D
- Optional paid life insurance and optional AD&D
- Company paid long and short term disability
- Company paid Employee Assistance Program
- Flexible spending accounts for medical, dependent care and transit
- 401(k) employer matching contribution – dollar for dollar match up to 6% of salary
  - 401(k) employer retirement contribution – 6% of salary and bonuses (regardless of employee deferral)
- Student loan repayment program
- Tuition reimbursement
- Professional certification and continuing education reimbursement
- Fitness benefit
- Generous paid time-off, which includes both vacation and personal days
- Paid parental and maternity leave

Since inception, Harbor Capital has succeeded in attracting and retaining a talented and dedicated team of professionals. We strive to offer an atmosphere that is collegial, intellectually challenging, and open to new ideas. The culture is fast-paced, with great emphasis placed on self-motivation. Many employees who began working in one area of the firm have had the freedom to explore and, in some cases move into positions in other groups. The goal is an open, supportive environment where employees can find personal career growth while striving for excellence in all aspects of our business.

## **SUCCESSION PLANNING**

---

MAST strategies are managed by at least two portfolio managers, limiting the reliance on any single individual. Members of the Portfolio Management Team are regularly cross-trained so multiple individuals can conduct necessary research, update reports and models, etc. MAST also takes a team-based approach for decision making as it relates to asset allocation, further limiting the reliance on any one individual. Finally, while there is no specific succession plan as it relates to Spenser Lerner (Head of MAST), the hiring of Lindsey Houghton as a senior portfolio manager has created a backup resource in the senior ranks of the team.

## OBJECTIVE

---

The Harbor Disruptive Innovation Strategy seeks long-term growth of capital.

## INVESTMENT PHILOSOPHY ON PORTFOLIO CONSTRUCTION & RISK MANAGEMENT

---

*Generate a portfolio that is greater than the sum of the parts.*

The Harbor Multi-Asset Solutions Team is responsible for portfolio management, portfolio construction and risk management of the Disruptive Innovation Strategy. The stock selection process has been outsourced to numerous third-party investment teams which Harbor has identified as outstanding stock pickers in this space. Identifying exceptional third-party investment teams is a core competency of Harbor and they lean on that competitive advantage in identifying which firms to strategically partner with for this Strategy. The underlying investment teams were chosen based on two criteria: 1) exceptional stock picking abilities in the disruptive innovation space based on Harbor's *Alpha Edge* manager research process, and 2) offers a diversification benefit when combined with the other investment team sleeves. This approach generates an overall portfolio that is greater than the sum of the parts.

The Multi-Asset Solutions Team is also responsible for ongoing portfolio construction and risk management with the goal of maximizing diversification benefits between the multiple underlying sleeves, minimizing concentrated factor exposures, and maximizing the idiosyncratic risk content of the portfolio. Harbor believes that by minimizing concentrated factor risks in the portfolio, they can reduce drawdown risk and cyclicity per unit of risk in the Strategy while also enabling the underlying businesses and financial successes of the securities owned to drive portfolio returns. Harbor believes their investment teams have a competitive advantage selecting securities, and the Multi-Asset Solutions Team has a competitive advantage conducting portfolio construction and risk management. Therefore, they allow both groups to concentrate on their respective core competencies.

### **Investment Process**

#### *Step 1: Identifying investment teams*

- This is done through a partnership between the Investment Research Team (manager research) and the Multi-Asset Solutions Team (portfolio management). The Investment Research Team ("IRT") identifies the third-party investment teams that they believe are outstanding, meet the *Alpha Edge* criteria and offer a compelling solution in the disruptive innovation space (whether pre-existing or bespoke for Harbor). The Multi-Asset Solutions Team then ensures that all component parts to the portfolio (each investment team) offers enough diversification/differentiation from the others providing benefits to combining them in a broader multi-manager portfolio. Therefore, each investment team must offer tremendous value on a stand-alone basis as well as in the context of a broader portfolio.

#### *Step 2: Constructing portfolio*

- The Multi-Asset Solutions Team then chooses which investment teams to include in the final portfolio based on building a risk efficient portfolio that minimizes factor concentration and maximizes idiosyncratic risk. In doing so, beta and tracking error are monitored to ensure excessively high or low levels of risk are not reached. This Strategy is benchmark agnostic so elevated risk is acceptable, but it cannot be so elevated as to prevent the idiosyncratic returns of the underlying securities as being the primary driver of returns over time.

- The team accomplishes this by 1) running various optimization scenarios, 2) analyzing cross-sectional risk exposures of each sleeve, 3) and qualitatively reviewing each investment team’s investment process to ensure stylistic diversification. Finally, the team makes a judgement using both qualitative and quantitative inputs on how best to combine and weight the investment team sleeves.

*Step 3: On-going portfolio management and risk management*

- IRT continues to monitor each of the underlying investment teams through their regular process which includes attribution analysis, risk monitoring, and frequent discussions with the portfolio management teams. The Multi-Asset Solutions Team monitors the risk profile of the overall portfolio and the risk characteristics of each sleeve daily to ensure the portfolio is maximizing diversification benefits.

**Investment Universe**

The investment universe consists of global equities, which include local shares.

**Research Process**

The research process is unique and bespoke to each investment team within the Strategy. Harbor therefore provides a review of each investment team’s definition of disruptive innovation, firm description/history, idea generation and research process.

**SELL DISCIPLINE**

---

Each investment team has been selected based on two criteria: 1) exceptional stock picking abilities in the disruptive innovation space based on Harbor’s *Alpha Edge* manager research process, and 2) offers a diversification benefit when combined with the other investment team sleeves. If one or both of these criteria cease to be met, then it will be at the discretion of Harbor’s Multi-Asset Solutions Team and Investment Research Team (manager research) to re-underwrite the investment team and consider terminating the relationship.

For detailed information on each investment team’s research and investment process, please see the section titled “Research Process.”

**BENCHMARK**

---

The S&P 500 Index is the comparative benchmark for the Harbor Disruptive Innovation Strategy.

**INVESTMENT GUIDELINES**

---

The Strategy invests primarily in equity securities, principally common and preferred stocks of all cap companies. Under normal market conditions, the Strategy invests at least 80% of its net assets, plus borrowings for investment purposes, in securities of US domiciled companies.

<b>Investment Guidelines</b>	
# of Holdings	80-130
Security Weights	Maximum of 20%
Foreign Securities	Maximum of 25%
Market Capitalization	The Strategy invests across all capitalization segments
Maximum Cash Allocation	The Strategy seeks to remain fully vested. However, the maximum cash allocation is 20%.

## CAPACITY

---

Harbor's Multi-Asset Solutions Team will closely monitor trading activity and liquidity in partnership with the underlying investment teams in the Harbor Disruptive Innovation Strategy to ensure excess return potential is not being constrained due to the size of assets. At the present time there is no specific capacity limit.

## ENVIRONMENTS OF OUT/UNDER-PERFORMANCE

---

The Strategy will likely experience tailwinds when interest rates remain flat or decline and when broader market earnings growth is in-line with or below longer-term averages.

The Strategy will likely face headwinds when interest rates increase sharply and cause valuations to decline. The Strategy may also face headwinds during risk-off periods when low volatility and defensive securities are preferred to long-term disruptive innovation secular growers. Harbor also anticipates headwinds during growth recoveries, such as those that occur following a recession or growth slowdown, when cyclical equities temporarily experience upward earnings revisions that exceed those of disruptive innovation secular growers.

## TRADING PROCESS

---

Harbor utilizes Cowen Prime Brokerage LLC ("Cowen") as their outsourced trading provider. Cowen will be responsible for executing portfolio security trades seeking to achieve best execution. Cowen has the full suite of global trading capabilities available to determine how best to execute each trade, from "high touch" trades involving brokerage staff to electronic trading using multiple different venues. Cowen will utilize dark pools and block trading when appropriate. Cowen has connectivity to over 150 brokers and direct access to every global exchange. Cowen also has access to algorithmic suites from approximately 10 providers. Each and every broker is evaluated regularly as are the algorithms they use. Transaction cost analysis is used on all orders placed. Due to the breadth of Cowen's outsourced trading business and the number of broker relationships in place, they are well aware of rates across the street and the capabilities of the brokers they use along with those that they currently do not use. Cowen is a highly regulated entity (SEC, FINRA, NFA, FFTC, FCA, and SFC) and as a result has every transaction reported to and reviewed by a regulatory body. Cowen holds each and every broker it executes with to the same high regulatory standard it adheres to.

## COMPETITIVE ADVANTAGES

---

Harbor believes the Disruptive Innovation Strategy leverages three durable competitive advantages:

1. Harbor has been conducting manager research and identifying exceptional investment teams for over 35 years. The Harbor Disruptive Innovation Strategy leverages this core competency to partner with outstanding stock pickers that specialize in the disruptive innovation space.



2. Most portfolio management teams are great at underwriting businesses and picking stocks. What they tend to lack, however, is a robust skill set in portfolio construction and risk management. For the Disruptive Innovation Strategy, Harbor’s Multi-Asset Solutions Team fills the gap by managing portfolio construction and risk management while outsourcing the security selection process to investment teams. This allows for specialization and improved portfolio management. The Multi-Asset Solutions Team focuses on minimizing factor concentration and maximizing idiosyncratic risk in the portfolio so the underlying investment teams’ stock specific alpha can drive returns.
  
3. Often, portfolio managers will dial in their portfolio to ensure it fits within an artificial categorization such as large cap growth or small cap value. If portfolio managers are focusing on fitting within a style box, they’re not focusing on picking the best companies and stocks. The Harbor Disruptive Innovation Strategy’s benchmark agnostic and thematic focus translates into a portfolio that transcends traditional style boxes, categories, and benchmarks. Investment teams in the Strategy can choose securities they believe offer the highest risk adjusted returns without artificial limits based on tracking error or adhering to a certain style box.

## VEHICLE AND SHARE CLASS INFORMATION

---

The Harbor Disruptive Innovation Strategy is currently offered as an active ETF (Ticker: INNO) and a no-load mutual fund in the following share classes:

Share Class	Ticker
Retirement	HNMGX
Institutional	HAMGX
Administrative	HRMGX
Investor	HIMGX

For complete details on fees and expenses, please contact your Harbor representative and/or refer to the Funds’ prospectuses available at [harborcapital.com](http://harborcapital.com).

## DISCLOSURE

---

Responses regarding the Harbor organization have been provided by Harbor Funds Distributors, Inc. Responses relating to the investment team of the Harbor Disruptive Innovation Fund, including the process for making portfolio decisions and effecting the purchase and sale of securities held by the Fund, or any specific operational aspects of the investment team are provided by the investment team to the Fund and, to the best of our knowledge, are accurate.

This information should not be considered as a recommendation to purchase or sell a particular security. The sectors or countries mentioned may change at any time and may not represent current or future investments.

There is no guarantee that the investment objective of the Strategy will be achieved. Stock markets are volatile and equity value can decline significantly in response to adverse issuer, political, regulatory, market and economic conditions.

The views expressed herein are those of Harbor investment professionals at the time the comments were made. They may not be reflective of their current opinions, are subject to change without prior notice, and should not be considered investment advice.

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.

Stocks of mid cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies. Since the Fund may hold foreign securities, it may be subject to greater risks than funds invested only in the U.S. These risks are more severe for securities of issuers in emerging market regions.

**Investors should carefully consider the investment objectives, risks, charges and expenses of a Harbor fund before investing. A summary prospectus or prospectus for this and other information is available at [harborcapital.com](http://harborcapital.com) or by calling 800-422-1050. Read it carefully before investing.**

**Harbor Funds Distributors, Inc. is the Distributor for the Harbor Disruptive Innovation Fund.**

**Foreside Fund Services, LLC is the Distributor of the Harbor Disruptive Innovation ETF.**

*For Institutional Use Only. Not for Distribution to the Public.*