

## Mutual Fund Reports

CATEGORY	
Domestic Equity	
<b>Domestic Taxable Fixed Income</b>	✓
Domestic Tax-Exempt Fixed Income	
Money Market	
International Equity	
International Fixed Income	

STYLE	
High Quality	Short
Medium Quality	<b>Inter-mediate</b> ✓
Low Quality	Long
Style Drift	Moderate
Style Index	Merrill Lynch 5-7 Year Treasury Index

RECENT TRADING DATA	
NAV (2/28/03)	\$11.96
Total Net Assets (Mil.)	\$1,461.62
SEC Yield	NA

MODERN PORTFOLIO THEORY STATISTICS (2/28/03)		
	Fund	Peers
Beta	0.80	0.80
Alpha	0.19	NA
R <sup>2</sup>	0.83	NA
Standard Deviation	3.54	3.48
Sharpe Ratio	1.98	NA

OTHER KEY STATISTICS		
	Fund	Peers
Wtd. Avg. Maturity (years)	NA	7.42
Duration	NA	NA
Average Coupon	NA	NA
Avg. Credit Quality	NA	NA
Portfolio Turnover	293.00%	169.20%
No. of Holdings	500	NA

INVESTMENT MINIMUM	
Initial	\$1,000
IRA	\$500
Subsequent	\$100

FEES & EXPENSES (%)	
Maximum Front End Sales Load	0.00
1st Year Red. Fee	0.00
Management Fee	0.48
12b-1 Fee	NONE
Fund Expense Ratio:	0.56
Peers Expense Ratio:	1.00

### HIGHLIGHTS

- ▶ Since June 2002, Standard & Poor's has ranked Harbor Funds Bond Fund/Instl 4 STARS.
- ▶ Within the broader category of Domestic Taxable Fixed Income funds, Harbor Funds Bond Fund/Instl was upgraded to a rank of 5 STARS from 4 STARS in January 2003.

Harbor Funds Bond Fund/Instl is ranked among 582 Intermediate-Term High Quality funds by S&P's three-year and overall rank of this fund. Funds are ranked on three year Sharpe Ratio. A Star ranking of 5 is assigned to the top 10% that also outperform their benchmark over 3 years. Approximately, the next 20% are ranked 4; 40% are ranked 3; 20% are ranked 2; 10% are ranked 1. For a fund to be ranked higher than 3 Stars, it must also outperform the three-month Treasury bill over 3 years.

### OVERALL S&P RANKING ★★★

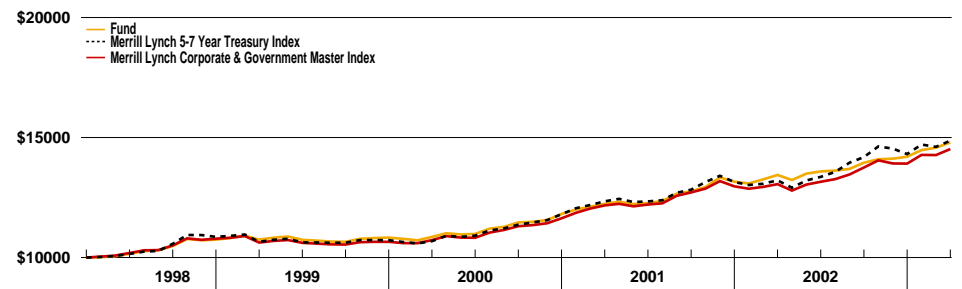
#### Overall Style Ranking

Intermediate-Term High Quality	
1-Year Rank	★★★★
3-Year Rank	★★★★
5-Year Rank	★★★★
10-Year Rank	★★★★★

#### Overall Category Ranking

Domestic Taxable Fixed Inc.	★★★★★
3-Year Risk Rank	Moderate
Initial Investment at 2/28/1998:	\$10,000
Value at 2/28/03 of	
Fund:	\$14,798
Merrill Lynch 5-7 Year Treasury Index:	\$14,868
Merrill Lynch Corporate & Government Master Index:	\$14,520

### Performance of \$10,000 Investment



### TOTAL RETURN OVERVIEW & TAX ANALYSIS (%) (2/28/03)

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
<b>Fund</b>	2.22	10.10	10.87	8.15	7.86	--
<b>Style Peers</b>	1.30	8.42	8.91	6.44	6.26	NM
<b>Merrill Lynch 5-7 Year Treasury Index</b>	1.09	12.49	11.66	8.25	7.44	NM
<b>Merrill Lynch Corporate &amp; Government Master Index</b>	1.71	11.20	10.62	7.74	7.38	NM
<b>Load Adjusted as of 12/31/02</b>	NM	10.63	10.33	7.96	8.06	--
<b>Return After Taxes on Distributions</b>	2.22	7.08	8.09	5.34	4.96	--
<b>Return After Taxes on Distr. &amp; Sale</b>	1.36	6.28	7.40	5.17	4.87	--
<b>Tax-Efficiency Ratio on Distributions</b>	100.00	70.10	72.44	61.97	55.19	--
<b>Tax-Efficiency Ratio on Distr. &amp; Sale</b>	61.40	62.16	65.82	59.74	53.92	--

### TOTAL RETURN RANK (2/28/03)

	1 Yr	3 Yr	5 Yr	10 Yr
<b>Fund Rank in Style</b>	76	20	9	9
<b>Funds in Style</b>	639	582	481	192
<b>Fund Rank in Category</b>	185	74	43	32
<b>Funds in Category</b>	2011	1770	1403	562

CALENDAR YEAR HISTORY

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Feb '03	
11.31	10.28	11.41	11.24	11.37	11.28	10.68	11.23	11.42	11.70	11.96	NAV
12.41	-3.76	19.15	4.94	9.39	9.56	-0.32	11.34	9.03	10.63	2.22	Total Return %
11.06	-3.29	19.04	2.94	9.78	9.53	-2.05	11.91	8.46	10.95	1.71	Total Return % (Category)
74	39	81	69	68	95	47	69	93	93	91	Total Return % Rank (Category)
92	36	91	95	89	95	63	54	94	90	88	Total Return % Rank (Style)
5.34	7.17	6.66	5.91	5.75	6.04	6.16	6.15	--	--	--	SEC Dividend Yield
0.65	0.61	0.78	0.70	0.66	0.64	0.56	0.56	0.54	0.65	--	Dividends
0.50	--	--	--	0.23	0.51	--	0.07	0.27	0.26	--	Capital Gains
172	167	233	288	385	494	618	787	1,006	1,417	1,462	Total Net Assets (Mil. \$)
723	957	1,221	1,403	1,702	1,734	1,874	1,926	1,979	1,999	2,011	Total Funds in Category
227	319	403	439	504	479	505	531	515	610	639	Total Funds in Style

QUARTERLY PERFORMANCE (%)

	1stQ	2ndQ	3rdQ	4thQ	Total
2003	--	--	--	--	--
2002	1.10	2.97	3.47	2.70	10.63
2001	2.69	0.24	4.73	1.13	9.03
2000	2.17	1.74	2.54	4.47	11.34
1999	0.12	-1.13	0.71	-0.02	-0.32
1998	1.50	2.49	4.93	0.38	9.56

MARKET CYCLE PERFORMANCE (%)

Market Type	Dates	Fund	Style Index	Category Index
Bull	1/00-present	38.1	40.4	37.0
Bear	10/98-1/00	-0.5	-3.2	-1.9
Bull	7/96-10/98	26.8	26.7	25.8
Bear	1/96-7/96	-2.3	-2.9	-2.5
Bull	11/94-1/96	20.2	20.3	20.4
Bear	10/93-11/94	-2.7	-4.2	-4.1

PERFORMANCE REVIEW

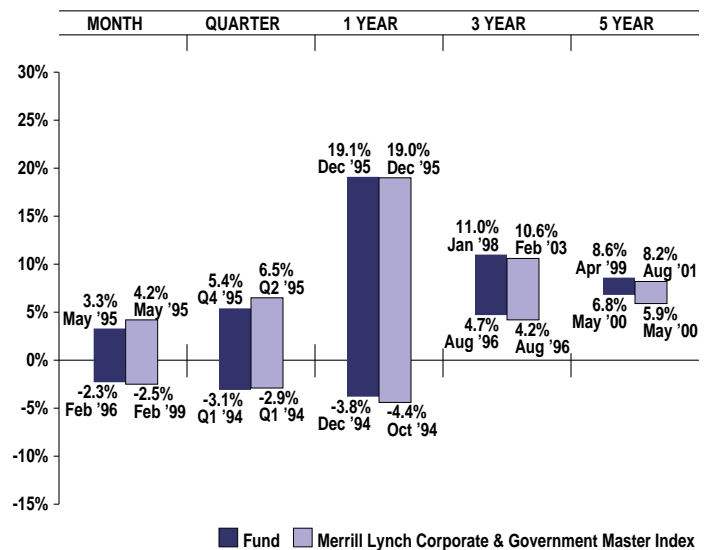
Market Comparison

For the ten-year period ended February 28, 2003, Harbor Funds Bond Fund/Instl had an average annualized total return of 7.9%, versus a total return of 7.4% for the Merrill Lynch Corporate & Government Master Index. On a total return basis, this fund ranked 32 within the entire universe of 562 funds in the Domestic Taxable Fixed Income category. On a one-year total return basis, this fund ranked 185 within the entire universe of 2,011 funds in the Domestic Taxable Fixed Income category. The fund has outperformed the Merrill Lynch Corporate & Government Master Index in 3 of the last 5 years.

Peer Comparison

For the ten-year period ended February 28, 2003, Harbor Funds Bond Fund/Instl had an average annualized total return of 7.9% compared with a total return of 6.3% for all Intermediate-Term High Quality funds. This fund ranked 9 within the entire universe of 192 funds in this peer group. The fund has outperformed its peer group index (Merrill Lynch 5-7 Year Treasury Index) in 2 of the last 5 years.

BEST/WORST HISTORICAL PERFORMANCE DURING PAST 10 YEARS (%)



**Investment Objective**

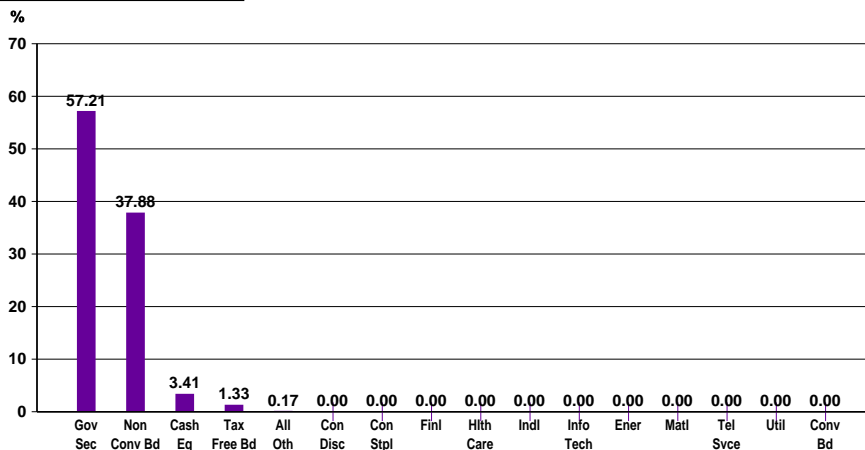
Part of the Harbor Funds family, Harbor Funds Bond Fund/Instl has been managed since December, 1987 by William Gross. Based on an evaluation of certain characteristics of this fund, Standard & Poor's classifies Harbor Funds Bond Fund/Instl as an Intermediate-Term High Quality fund. Intermediate-Term High Quality Funds seek current income and limited volatility of principal by investing in securities issued or guaranteed by the U.S. government (U.S. Treasury issues and GNMA mortgage securities are among the most common). Income from U.S. Treasury securities is exempt from state and local taxes. Their average weighted maturity is typically between three and 10 years.

Asset under management as of January 31, 2003, totaled \$1.5 billion, unchanged from December 31, 2002. As of December 31, 2002, the fund's top holding(s) as a percent of the total portfolio were FNMA Tba Jan 15 Single Fam (7.0%), FNMA Tba Jan 15 Single Fam (4.5%) and United States Treas Bds Dtd 04/15/1 (3.5%). The portfolio breakdown by asset type as of December 31, 2002, was: corporate bonds (37.9%), municipal bonds (1.3%), government bonds (57.2%), cash and equivalents (3.4%) and other (0.2%).

Based on the last thirty-six months, Standard & Poor's has assigned the fund a Ranking of 4 STARS (5 Highest; 1 Lowest). Additionally, an evaluation of the consistency of the fund's investment style indicates that it has exhibited moderate style drift over the past three years.

**PORTFOLIO COMPOSITION**

**Sector Strategy (12/31/02)**



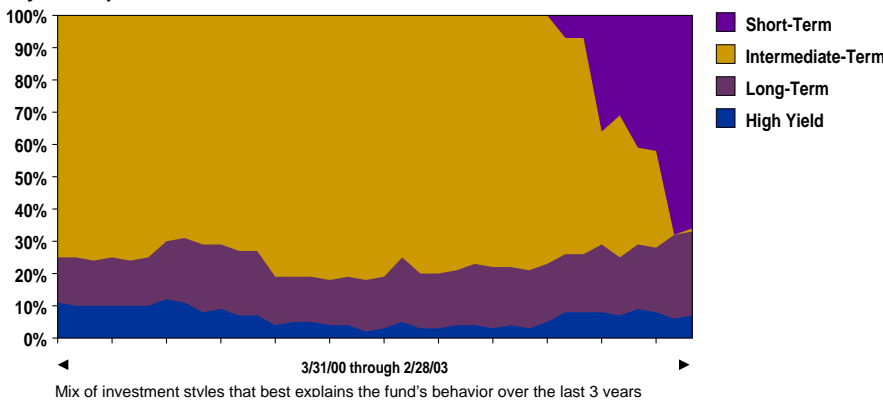
**Top 10 Holdings (12/31/02)**

Top 10 Holdings (12/31/02)	Percentage (%)
FNMA Tba Jan 15 Single Fam	7.01
FNMA Tba Jan 15 Single Fam	4.48
United States Treas Bds Dtd 04/15/1	3.50
United States Treas Bds Dtd 11/15/1	2.25
United States Treas Bds Dtd 05/15/1	2.17
Federal Home Ln Mtg Corp Multiclass	2.05
National Rural Utilis Coop Fin Corp	1.48
FNMA Pool	1.47
PNC Mtg Secs Corp Mtg Passthru Ctf	1.45
United Mexican Sts Medium Term Nts	1.39
<b>Total</b>	<b>27.25</b>

**Asset Type (12/31/02)**

Asset Type (12/31/02)	Percentage (%)
U.S. Corporate Bonds	35.30
U.S. Muni Bonds	1.33
U.S. Government	54.37
U.S. Cash	3.41
U.S. Other	0.17
<b>U.S. Total</b>	<b>94.58</b>
Foreign Corporate Bonds	2.58
Foreign Government	2.84
<b>Foreign Total</b>	<b>5.42</b>

**Style Composition**



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**Alpha:** See **Modern Portfolio Theory Statistics**.  
**Average Credit Quality:** See **Other Key Statistics**.  
**Average Coupon:** See **Other Key Statistics**.  
**Average P/B:** See **Other Key Statistics**.  
**Average P/E:** See **Other Key Statistics**.  
**Av. Market Cap:** See **Other Key Statistics**.  
**Beta:** See **Modern Portfolio Theory Statistics**.

**BEST/WORST PERFORMANCE:** This table shows the best and worst performance of the fund and its respective style benchmark over a Month, Quarter, Year, 3 Years and 5 Years. The benchmark is determined by Standard & Poor's.

**CATEGORY:** This graphical representation shows which of the following six broad categories the fund most closely fits: Domestic Equity, Domestic Taxable Fixed Income, Domestic Tax-Exempt Fixed Income, International Equity, International Fixed Income or Money Market.

**Dividend Yield:** See **Other Key Statistics**.

**Duration:** See **Other Key Statistics**.

**MARKET CYCLE PERFORMANCE:** Performance of a fund relative to its style and its category index (as defined by Standard & Poor's) during bear and bull markets.

A **bear market in stocks** is defined as a 10% decline in the S&P 500 from its 39-week moving average, ending when the market reaches its trough and rises 10% above its 39-week moving average. A **bull market in stocks** is defined as a 10% rise in the S&P 500 from its previous 39-week trough, ending when the market reaches its peak and declines 10% below its 39-week moving average.

A **bear market in bonds** is defined as a 125 basis-point rise in the yield on 10-year Treasuries from its previous trough, and ends when the yield reaches its peak and subsequently declines by 125 basis points. A **bull market in bonds** is defined as a 125 basis-point decline in the 10-year Treasury yield from its previous peak, ending when the yield reaches its trough and subsequently rises by 125 basis points.

**MODERN PORTFOLIO THEORY STATISTICS:** This table shows widely followed performance statistics for the fund and its peers (as defined by Standard & Poor's), based on the latest data available.

**Alpha:** An annualized return measure equal to how much better or worse a fund's performance is relative to an index for funds in the same category, after allowing for differences in risk. It is sometimes used as a measure of the value added by the fund manager. It is calculated using a linear regression over the most recent 36 months of data.

**Beta:** Measurement of a fund's sensitivity to changes in the market, for example, a beta of 2.00 means the fund has moved twice as much as the market whereas a beta of 0.5 would be indicative of a fund that has moved only 50% of any given market move. A beta of 1.00 indicates that a fund has tended to move in tandem with the market.

**R<sup>2</sup>:** Measures the degree to which a fund's behavior is related to its category benchmark. Consider an equity fund with an R<sup>2</sup> of .86 relative to its benchmark index (e.g., S&P 500 Index). One could infer from the R<sup>2</sup> statistic that 86% of the fund's historical behavior was explained by the movements in the benchmark.

**Sharpe Ratio:** A measure of a fund's historical returns adjusted for risk, or volatility. Calculated as:

$$\frac{\text{(Fund Return - Return on 3-Month Treasury Bills)}}{\text{Fund Standard Deviation}}$$

When the fund is a municipal bond fund, the 3-Month Treasury bill return is adjusted to reflect the tax treatment of the municipal bond fund. This measure is used to develop the **S&P Ranking**.

**Standard Deviation:** A historical measure of the variability of a fund's returns. If a fund has a high standard deviation, its returns have been volatile; a low standard deviation indicates returns have been less volatile. All standard deviations shown have been annualized.

**No. of Holdings:** See **Other Key Statistics**.

**OTHER KEY STATISTICS:**

**Avg. Credit Quality:** Fixed income securities of the portfolio are allocated among S&P bond rating categories, then weighted by their relative market value.

**Average Coupon:** Each fixed income security's coupon is weighted by its relative market value.

**Average P/E:** P/E is the price of a stock divided by its earnings per share. Average P/E is the market cap weighted average of all the P/E ratios for all the stocks in the fund.

**Average P/B:** P/B is a ratio of a stock's price to its book value per share. Current market price per share of common stock is divided by the calculated book value per individual equity security. Average P/B is the market cap weighted average.

**Avg. Market Cap.:** The avg. market cap. is calculated per individual equity security within the portfolio (current market price per share of common stock multiplied by total number of shares outstanding) and then weighted by market value.

**Dividend Yield:** A calculation representing the average dividend yield of the fund's underlying holdings. Calculated by taking a weighted average of each holding's annual dividend divided by its current market price.

**Duration:** A measure of the price responsiveness of interest-sensitive assets to changes in the interest rate, as reported by the fund. It is stated in years and measures the proportional change in value of a fixed-income security resulting from a change in interest rates.

**No. of Holdings:** The number of individual securities in the portfolio.

**Portfolio Turnover:** The frequency at which the portfolio is changed during a year, as reported by the fund. Calculated by using the lesser of purchases or sales, divided by average total assets during the year. Increased trading increases transaction costs.

**Portfolio Turnover:** See **Other Key Statistics**.

**R<sup>2</sup>:** See **Modern Portfolio Theory Statistics**.

**RECENT TRADING DATA:**

**SEC Yield:** The SEC Yield, reported by the fund, is based on a 30-day period ending on the last day of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period.

**Total Net Assets:** Total net assets of the fund as of the most recent available data, as reported by the fund.

**Return After Taxes on Distributions:** See **Tax Analysis**.

**Return After Taxes on Distributions and Sale:** See **Tax Analysis**.

**SELECT FUND REPORTS:**

**Select Fund Designations** are awarded to funds that have demonstrated above-average absolute and volatility-adjusted returns relative to funds with the same investment style. This calculation is based on a six-month moving average of three years of absolute and volatility-adjusted performance. The quantitative score is composed of two equally weighted measures of these historical returns relative to the peer group for each of the last three years: (1) a weighted decile of the absolute return rankings and (2) a weighted decile of the volatility-adjusted return rankings (Sharpe Ratio).

The funds are ranked from 0 (worst) to 100 (best). Standard & Poor's will attempt to interview the management of funds that pass the quantitative screen.

To achieve the designation, funds must also exhibit qualitative attributes such as an appropriate level of management skill and experience, consistency of investment processes, and depth of organization. The qualitative factors used by Standard & Poor's in this process are employed only to determine whether a fund should be disqualified from the Select Fund designation. The designation does not address market, credit, or counterparty risks of a fund, nor does it comment on a fund's suitability as a counterparty or obligor.

**SEC Yield:** See **Recent Trading Data**.

**S&P RANKING:** Please note that the Total Return Style Rank, Category Rank and Risk Rank do not take into account sales loads or any other sales charges. A graphical representation of the fund's performance relative to other funds in the same style. The overall S&P Ranking, using Stars, is based on a fund's Sharpe Ratio using the most recent 36 months of operating history. All funds with at least 36 months of operating history are ranked by Sharpe Ratio as follows:

Fund's Rank		S&P Ranking
Top	10%	★★★★★
Next	20%	★★★★
Middle	40%	★★★
Next	20%	★★
Bottom	10%	★

For a fund to be rated higher than 3 Stars, it must also outperform the three-month Treasury bill over 3 years. A Star ranking of 5 is assigned to the top 10% that also outperform their benchmark over 3 years.

A fund's one, three, five and 10-year Style Ranks (e.g., Large Cap Value Ranks) are shown for purposes of comparison. Also shown in the **S&P Ranking** section is the fund's Category Rank, (e.g., Domestic Equity Rank). This is also based on the fund's three-year Sharpe Ratio, but it differs from the overall S&P Ranking and Style Ranking because it compares a fund to its category peers. S&P's Risk Rank (under Category Ranking) is based on the fund's standard deviation, which is calculated using the latest 36 monthly observations. All funds in the category are ranked according to the same rules that are used in the **S&P Ranking**. Thus funds with standard deviations in the top 10% carry a Risk Rank of "High"; the next 20% are "Moderately High"; the middle 40% are "Moderate"; the next 20% are "Moderately Low"; and the lowest 10% carry a Risk Rank of "Low."

**Sharpe Ratio:** See **Modern Portfolio Theory Statistics**.

**Standard Deviation:** See **Modern Portfolio Theory Statistics**.

**STYLE:** This matrix depicts the investment style of the fund as determined by Standard & Poor's. Each fund is classified into one of 42 investment styles based on the fund's historical return pattern. Standard & Poor's uses Returns Based Style Analysis (RBSA), developed by William Sharpe, to relate the fund's pattern of historical returns to a series of benchmarks for classification.

**Style Drift:** Style Drift measures the tendency of a fund to deviate from its specified investment style over time.

**Style Index:** The benchmark index (as defined by Standard & Poor's) that most closely matches the fund's historical performance, based on risk (volatility) and return.

**TAX ANALYSIS:**

**Return After Taxes on Distributions:** An annualized total return that takes into account the effect of taxes upon the reinvestment of distributions and dividends into a fund. All fees and loads are deducted. The highest tax rate applicable at the time and for the type of distribution is used. This return assumes the investor does not liquidate at the end of the measurement period. This is in accordance with SEC documentation (File No. S7-09-00).

**Return After Taxes on Distributions and Sale:** An annualized total return identical to the return after taxes on distributions, except the investor is assumed to sell the holding at the end of the measurement period, incurring any applicable capital gains taxes on the initial investment. The holding periods for both initial investment and subsequent reinvestments are used to determine applicable capital gains rates. This is in accordance with SEC documentation (File No. S7-09-00).

**Tax Efficiency Ratio on Distributions:** Dividing return after taxes on distributions by pre-tax returns derives this statistic. The highest possible score would be 100%, which would imply that a fund had no taxable distributions. It excludes additional gains, taxes, or tax losses incurred upon selling the fund, since it utilizes the return after taxes on distributions in the numerator. Funds with negative returns are reported as NM, or not meaningful.

**Tax Efficiency Ratio on Distributions and Sale:** Dividing return after taxes on distributions and sale by pre-tax returns derives this statistic. It includes additional gains, taxes, or tax losses incurred upon selling the fund, since it utilizes the return after taxes on distributions and sale in the numerator. Funds with negative returns are reported as NM, or not meaningful.

**Total Net Assets:** See **Recent Trading Data**.

**TOTAL RETURN OVERVIEW:** This table shows the year-to-date return and average annualized returns of various periods for both the fund, its peers and benchmark, as defined by Standard & Poor's.

**TOTAL RETURN RANK:** This table shows the fund's relative ranking. The number of funds in the style and category is determined by Standard & Poor's.

**Wtd. Avg. Maturity:** Length of time until the fund's aggregate holdings will mature or be redeemed. It indicates a fixed income fund's sensitivity to interest rate changes. Typically, funds with longer weighted average maturity exhibit greater volatility in response to interest rate changes.

**Yield:** The annual rate of income return of the fund, expressed as a percentage. This measure, reported by the fund, is a weighted average yield of the fund's investment. For bonds and notes, the yield is calculated by dividing the coupon rate by the market price.