

# Harbor Human Capital Factor US Large Cap ETF

Ticker: **HAPI** | September 2023



## Why Culture Matters

It is often said that people are a company's most important asset, yet tangible measures of corporate culture and employee well-being are not captured on a balance sheet. Utilizing the latest behavioral economic research, Irrational Capital has uncovered what they believe to be a direct link between company culture and resulting company equity performance – **The Human Capital Factor**.

The Human Capital Factor is built on the premise that 'doing the right thing pays'. More specifically, companies that treat employees well, across a range of characteristics, cultivate a more motivated and aligned workforce that potentially deliver improved stakeholder outcomes.

Derived from Irrational Capital's proprietary research and survey data along with other publicly available sources, the Human Capital Factor is a distinctive investment factor measuring corporate culture and its connection to future equity performance.

HAPI offers exposure to larger capitalization companies with strong Human Capital Factor scores while constraining sectors to enhance overall diversification benefits.

## Portfolio Implementation Ideas:

- A core large cap U.S. equity holding enhanced by the Human Capital Factor
- A portfolio diversifier; an offering uncorrelated to other investment styles
- A socially conscious strategy accessing companies with strong corporate cultures

Ticker Symbol	HAPI
Cusip	41151J877
Total Expense Ratio	0.36%
Inception Date	10/12/2022
Listing Date	10/13/2022
Index Provider	Canadian Imperial Bank of Commerce (CIBC)
Benchmark	CIBC Human Capital Index
Initial Offering Price	\$20.00
Active/Passive	Active
Listed Exchange	NYSE
Lead Market Maker	Virtu
Index Rebalance Frequency	Annually

## ETF Structure

- **Cost Effective:** HAPI is a cost-efficient way to gain access to a diversified, socially conscious, and leading-edge strategy focused on human capital.
- **Liquid:** The ETF vehicle can be traded throughout the day, which provides intra-day liquidity for shareholders.
- **Tax-efficient:** Due to the in-kind exchange of shares, the ETF vehicle may allow for greater tax efficiency and reduced costs.
- **Transparent:** The availability of daily holdings may allow investors to make more informed investment decisions.



## HAPI Overview

The **Harbor Human Capital Factor US Large Cap ETF (HAPI)** seeks to provide investment results that correspond, before fees and expenses, to the performance of the CIBC Human Capital Index (the “Index”).

The Fund employs an indexing investment approach designed to track the performance of the Index. The Fund invests at least 80% of its total assets in securities that are included in the Index.

The Index consists of a modified market capitalization-weighted portfolio of equity securities of approximately 150 U.S. companies identified by Irrational Capital LLC (“Irrational Capital”) as those it believes to possess strong corporate culture based on its proprietary scoring methodology. The Index was developed by the Canadian Imperial Bank of Commerce (CIBC, the “Index Provider”).

Irrational Capital calculates Human Capital Factor scores based on a proprietary, rules-based scoring methodology it developed by leveraging its research in behavioral science, data science, and human capital. The scoring methodology seeks to quantitatively measure the contribution of a company’s corporate culture to its financial performance.

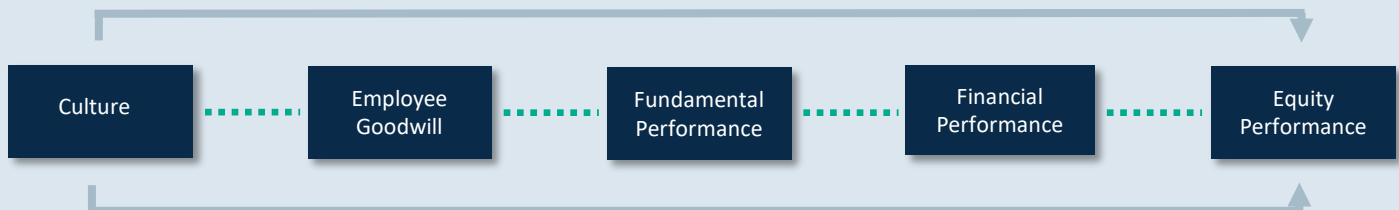


**Dan Ariely**  
Behavioral Economist, Co-Founder,  
Irrational Capital

*“Of all the investments companies make, creating a strong corporate culture is one of the best ways to create value. This is why employee behavior and motivation can be such an important element of stock market performance.”*

## Irrational Capital’s Differentiated Approach

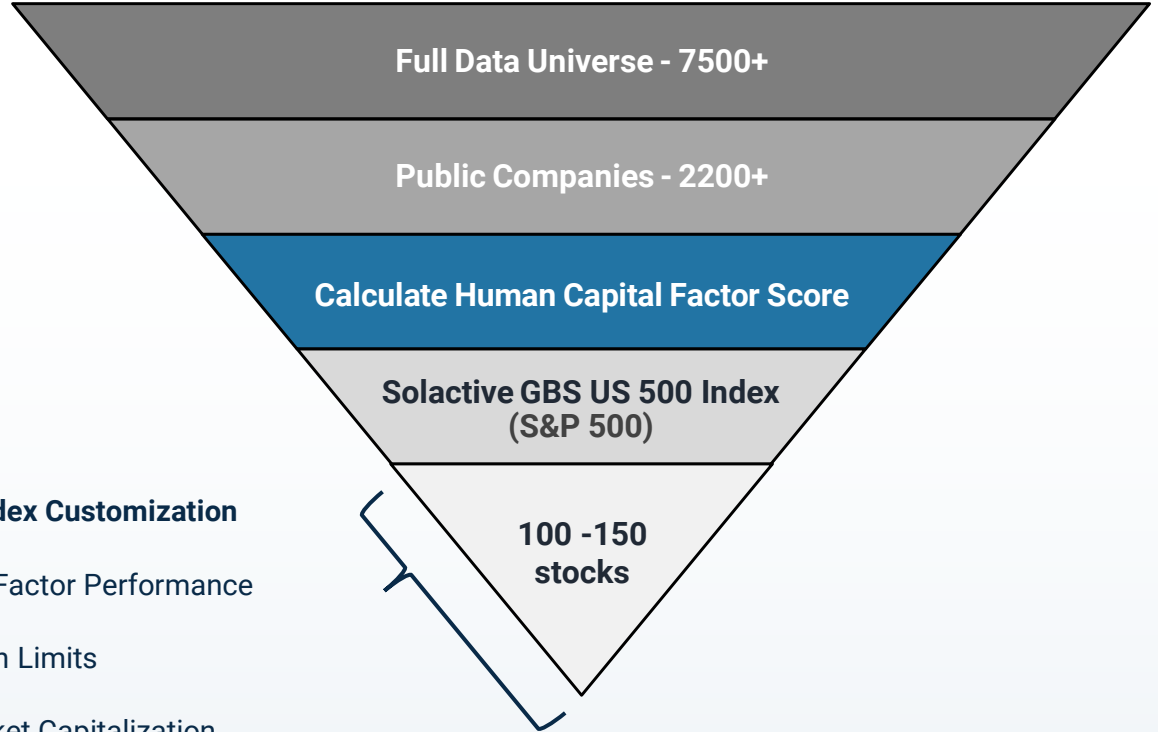
Current investment strategies that focus on social characteristics tend to evaluate companies based on easily measurable (and publicly available) inputs and disclosures. Irrational Capital believes that evaluating the strength of corporate culture requires deeper insight into intangible factors that are not yet captured in broadly available disclosure data. Instead, their approach focuses on what companies are really doing as measured through actual employee surveys and millions of data points. Through proprietary research, surveys and public data, the Human Capital Factor measures the impact of intrinsic and extrinsic motivation on business fundamentals which, in turn, can impact equity performance.



Source: Irrational Capital, September 2022



## HAPI Portfolio Construction



### CIBC Human Capital Index Customization

- Top Human Capital Factor Performance
- Sector Concentration Limits
- \$11B Minimum Market Capitalization
- Factor Exposure Test
- Market Capitalization Weighted with Annual Rebalance
- Minimum liquidity requirements

Source: Irrational Capital, September 2022

**For more information**, please visit [www.harborcapital.com/etfs](http://www.harborcapital.com/etfs) or call (866) 313-5549.



## **All investments involve risk including the possible loss of principal.**

There is no guarantee that the investment objective of the Fund will be achieved. Stock markets are volatile and equity values can decline significantly in response to adverse issuer, political, regulatory, market and economic conditions. The Fund may not exactly track the performance of the Index with perfect accuracy at all times. Tracking error may occur because of pricing differences, timing and costs incurred by the fund or during times of heightened market volatility. The Fund relies on the Index provider's methodology in assessing whether a company may be considered a corporate culture leader. There is no guarantee that the construction methodology will accurately assess a company to include or exclude it from the index which could have an adverse effect on the Fund's returns. The Fund's assets may be concentrated in a particular sector or industries to the extent the Index is concentrated and is subject to the risk that economic, political, or other market conditions that have a negative effect on that sector or industry will negatively impact the value of the Fund.

Companies in the information technology sector can be significantly affected by short product cycles, obsolescence of existing technology, impairment or loss of intellectual property rights, falling prices and profits, competition from new market entrants, government regulation and other factors.

Diversification does not assure a profit or protect against loss in a declining market.

ETFs are subject to capital gains tax and taxation of dividend income. However, ETFs are structured in such a manner that taxes are generally minimized for the holder of the ETF. An ETF manager accommodates investment inflows and outflows by creating or redeeming "creation units," which are baskets of assets. As a result, the investor usually is not exposed to capital gains on any individual security in the underlying portfolio. However, capital gains tax may be incurred by the investor after the ETF is sold.

Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. The ETF is new and has limited operating history to judge.

Shares are bought and sold at market price not net asset value (NAV). Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times.

The **Solactive GBS United States 500 Index** intends to track the performance of the largest 500 companies in the United States stock market and is based on the Solactive Global Benchmark Series (GBS). The constituents are selected based on company market capitalization and weighted by free-float market capitalization.

The indices listed are unmanaged and do not reflect fees and expenses and are not available for direct investment.

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

**Foreside Fund Services, LLC is the Distributor of the Harbor Human Capital Factor US Large Cap ETF.**

CIBC is a third-party index provider to the Harbor Human Capital Factor US Large Cap ETF.