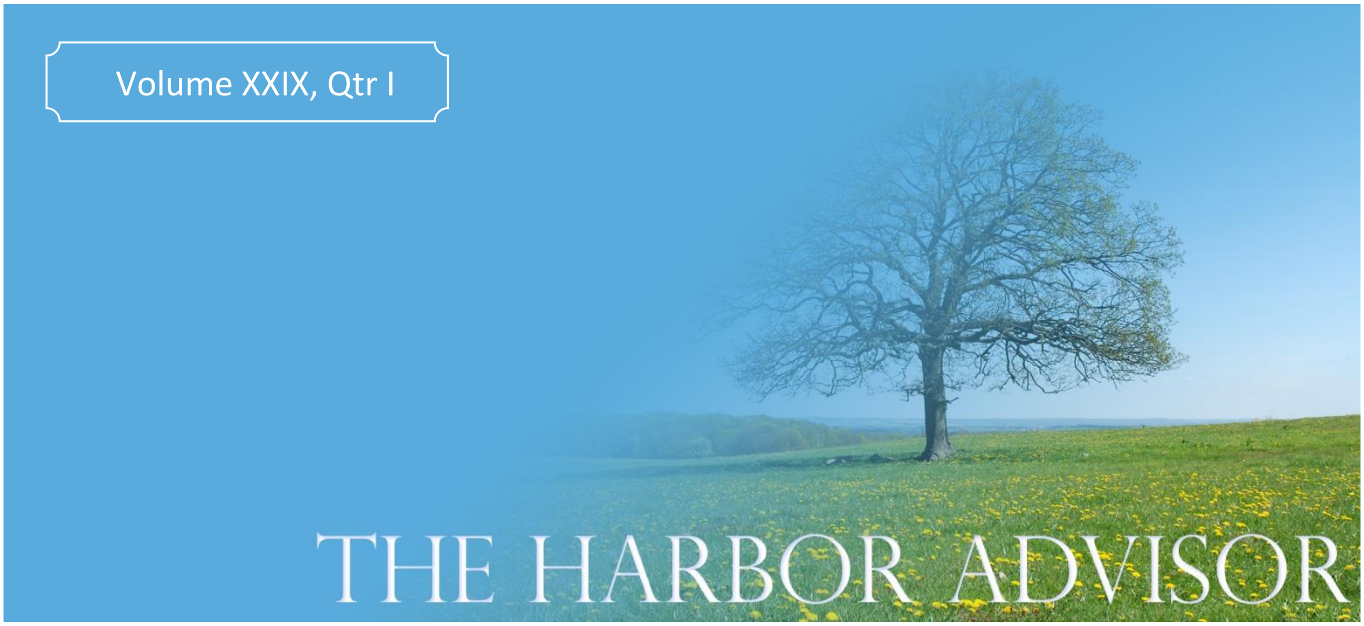

Harbor is 30 years old this year!

On January 1st of 1988 Harbor Financial Group was incorporated in Colorado. Our vision was to create a financial planning firm based on a straightforward service model devoted to our clients' best interests. We were young but had a lot of experience in the field of investment management and financial planning. We knew what we didn't want; conflicts of interest, exorbitant fees, empire building, nor a sales environment. What we did want was a professional organization structured to give excellent, well researched advice to a limited number of clients needing our services.

We started with a great reputation and we intended to keep it that way with every client we served and each decision we made.

What we didn't know was how successful we would be. Hundreds of plans later, buffeted by countless market cycles, inflation, natural disasters, and political turmoil we are consistent in providing advice to our clients. Potential clients noticed too, glad to have an alternative to big banks and brokerage firms and the way they do business. Along the way, we created a wonderful work environment where staff can thrive, learning, contributing and enjoying their professional lives.

To celebrate this year we intend to have a party to thank you for your part in our success. We also think it will be fun to engage in a retrospective 1988 to 2018, what has changed, what hasn't, and what didn't exist- think life without smart phones, the internet and a number of our current staff members! Be on the lookout for a monthly dive into fun and interesting items.

We hope you will help us celebrate- we would not be here without you.

April 12, 2018

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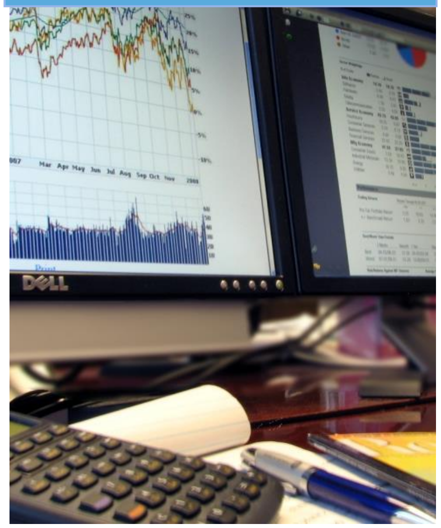
Harbor's 30th Anniversary

[Harbor Is 30 - Elyse's 80s Hair]



Market Recap – 1st Quarter, 2018

The first quarter 2018 took us on a wild ride with most of the movements stemming from inflation risk, concerns over escalating tensions on trade with China and future regulation of the tech industry in the US.

Inflation concerns grew as wage growth gained strength. The Federal Reserve's new chair signaled 3+ rate hikes in the coming year in order to combat possible inflation.

President Trump announced proposed tariffs on steel and aluminum imports and later, a 25% tariff on $60 billion worth of US imports. China then responded with tariffs on $3 billion of Chinese imports from the US.

US based tech firms such as Facebook, Google, Netflix and the like have fallen after the news came out regarding Cambridge Analytica's use of data to impact users' opinions on elections. It remains to be seen what regulation, if any, could affect their future earnings.

The Bloomberg Barclay's Aggregate Bond Index was down 1.46%. The S&P 500 dropped 1.22%, the small-cap Russell 2000 decreased 0.40 % and the foreign stock MSCI EAFE fell 2.20%

"Always bear in mind that your own resolution to succeed is more important than any other one thing."
Abraham Lincoln

Fund Focus: Oakmark International (OANIX)

Oakmark International (OANIX) is one of the newest and most exciting additions to Harbor's portfolio. The fund invests in a diversified group of common shares of non-US stocks. Oakmark's considerable merits start with its experienced team, most notably David Herro, the fund's manager. The team employs its long standing approach of buying companies at steep discounts relative to their fundamentals. The fund has seen a recent spike in value, which includes a heavy stake in financials that has boosted volatility. Oakmark International has surpassed 90% of its foreign large-blend fund competitors on total & risk adjusted returns since October of 2007. The fund has received a five-star, gold rating for both five and ten year returns from Morningstar against 500 other large-blend funds. Oakmark had a total return of 30.00% in 2017 and a strong annualized return of 11.38% over the last 3 years. Harbor has selected Oakmark International to bring exposure to fruitful international markets, while maintaining diversity in Harbor's overall portfolio.

The Velocity of Money

Have you ever heard of the Velocity of Money? Naturally, we think of how fast we spend the money in our bank account. Sometimes it can be fast, sometimes it can be slow. The Velocity of Money takes that concept further and measures how your spending is a multiple of other spending in the economy. Suppose in a year's time, you spend $100 at a bakery. The bakery uses your $100 to buy more flour. Your $100 in purchases results in money circulating in the economy of $200. This is the Velocity of Money; it measures the turnover of the money supply – or how often one dollar is used to buy goods and services. In our example, the turnover would be 2.00.

Economists measure the Velocity of Money because it can be a signal of where the economy is in a business cycle and an indicator of inflation. When the velocity is high, it means that money is moving quickly and consumers are purchasing goods and services, increasing the likelihood of inflation. When the velocity is low, it's an indication that the consumer is saving it or paying off debt. From 1959 through 2007, velocity was measured at an average of 1.86 turnover. This ratio decreased during the recession for several reasons, one being that the Fed lowered interest rates to all-time lows. Low rates and increased capital requirements made it less profitable for banks to lend, resulting in tight credit markets. The lack of lending creates additional headwinds for economic growth. Savers were not incentivized to invest in CDs or Money Markets, instead opting to keep their money in cash. Also, as people lost their jobs, homes and retirement savings, they became too afraid or unable to spend money on anything that was not essential.

We have come a long way since the recession, as we surpass the 9th year of economic expansion. The Fed has been increasing interest rates over the past 2 years, reflecting optimism about the economy. Toward the end of 2017, consumer confidence was booming, in turn increasing demand for goods and services. The Velocity of Money was still low, measured at 1.43 at the end of 2017, but with the positive economic trends, we expect it to increase. Consequently, we expect to see additional evidence of inflation and will keep our portfolios structured to accommodate for that inflation as best as possible.

For more information:

https://www.thebalance.com/velocity-of-money-3306130

https://www.investopedia.com/terms/v/velocity.asp

Risky Business: Part II

In the third quarter of 2017 we dealt with risk tolerance and perception and how they might affect decisions about our portfolios. This brings us to the question of how to quantify risk so as to better position ourselves for comfort and adequate returns. Methods to consider:

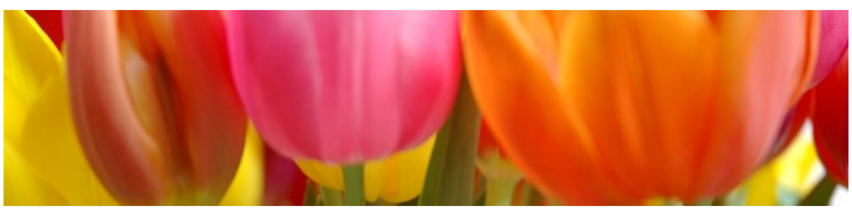
- Analytically: Use measurement tools such as volatility, standard deviation, Sharpe ratios
- Experientially: Experience comes into play here (a new investment or a comfortable one that you have experienced before)
- Real world factors: Information about market cycles, trends, and demographics

There is no safe haven, cash, gold, stocks, bonds and real estate all have risk factors. However, diversification plays a big role in reducing risk. No matter your investment skill it is wise and ultimately the most profitable strategy to spread your investments around.

Another strategy - know yourself and your biases. Prone to confirmation bias (paying attention to information that supports your opinion while ignoring the rest)? Regret or loss aversion (avoid investments that brought a negative outcome in the past)? Disposition bias (labeling an investment a winner or loser)? Hindsight bias (believing that the outcome was completely predictable)? Familiarity (preference for familiar investment versus diversification)? Self-attribution (attributing an investment success to your own actions)?

We see investors fall into these traps more frequently than we would like. The result is a non-productive portfolio; you aren't earning the return that you should with your investment dollars. The best way to reduce risk is to avoid the risks you can and then accept those that you think will pay off enough to reward you. Online risk assessments can be illuminating. Programs like Riskalyze (which we employ) have gotten quite good at getting to a true gauge of risk tolerance. Harbor has developed diversified portfolios to match these tolerances, delivering returns within each of our client's comfort levels.

Often the best strategies to not letting tolerance or perception of risk sideline or sink your portfolio are to get professional advice and prepare to learn and spend time monitoring. An objective outlook on market and investment vagaries is invaluable as is a broad spectrum of information. While no one can be completely impartial, minimizing subjectivity and reducing the pull of our biases can lead to more success in our investing.



What do you mean "before we had iphones"?

As part of Harbor's 30 year celebration we are engaging in a retrospective then and now. What better place to start than with smart phones. Motorola introduced handheld phones in early 1983, however, they looked nothing like those today, nor did they have today's features we now take for granted. You received a whopping 30 minutes of talk time and the phone took 10 hours to charge. Forget affordability, it cost $3,995, ($9,987 in today's dollars). Games, calendars, and clocks didn't appear until 1997. The true game changer for the average, everyday user came in 2007 with the introduction of the Apple iphone.

Did you know?

More people in the world have mobile phones than toilets

So many Facebook photos are uploaded that it takes up to 27% of upstream web traffic

The technology behind smartphones relies on up to 250,000 separate patents

The average person unlocks his or her smartphones 110 times each day

It costs less than $1 a year to keep your cellphone charged up

Nikola Tesla predicted the modern cell phone in 1926

If you are under the age of 35, you don't remember a time when your phone was attached to a wall, didn't have a camera and wasn't connected to the internet.

Living Well/Living Smart

Eliminating Speedbumps with Uber & Lyft

I don't know how we managed before Uber and Lyft. Ridesharing has made our on-demand transportation needs a breeze - Grab your phone, open the app and poof, a car arrives!

Uber services hundreds of cities in many countries, while Lyft operates only in the US. In some cities, you can even reserve a ride in advance.

Tips:

Pickup location - When entering your pick up destination using the Uber or Lyft app, the driver sees a street address and point on the map. Large buildings like museums, apartment buildings, and hotels can be a city block long or more and sometimes the app picks the wrong side of the building. If possible walk to a nearby building that is smaller, this creates a small target with a precise location for your driver to more easily find you.

Be ready – Each service has rules regarding how long drivers must wait before cancelling. Order your ride, watch the progression on the app as they near you and be ready to go.

Communicate – If your pick up location is confusing, call your driver and communicate exactly where you are.

Order correct car type - If you have a lot of luggage or more than 4 passengers, order a larger vehicle. Drivers want to fit everyone and everything into their car safely and they want to be fairly compensated for trips requiring a larger car. It is a time waster if a driver with a regular car arrives and has to cancel because you need a Lyft Plus or Uber XL.

Safety – Even when you have a full car, have everyone get in and out on the sidewalk side.

Ride hailing is a great way to get around, but there are some key pieces to the trip that can cause delays and difficulty. Wouldn't you rather have a few more minutes at your destination instead of on the road?

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https://www.facebook.com/harborfin

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FINANCIAL GROUP, INC.

Images: Lars Sundström, Fleur Suijten

Harbor Happenings

Second Saturday Divorce Workshop Dates

Megan Miller, CFP®, CDFA® (Certified Divorce Financial Analyst), along with other professionals, are hosting divorce workshops for women going through or contemplating divorce. Second Saturday Divorce Workshops were designed to help you take the next step, no matter where you are in the process of untying the knot. Please call us for more information.

- April 14, 2018, 8-12pm, women only
- May 12, 2018, 8-12pm, women only

Welcome Denise

Denise Givens has joined Harbor’s team as our new office manager. She is responsible for overall office management and organization, day-to-day operations, bookkeeping, scheduling and special projects. Look for her at the front desk the next time you stop in!

Welcome Nick

Nick Varto has joined Harbor’s team as a wealth management intern. He is currently pursuing a Bachelor of Science in Business Administration with a dual emphasis in Accounting and Finance from the Leeds School of Business at the University of Colorado. He plans to graduate in May 2019.

Puttin’ On The Leash 2018

Once again Harbor will be a sponsor for the Humane Society of Boulder Valley’s “Puttin’ on the Leash Gala”, Barkingham Palace, to be held on Saturday, April 21. This annual fundraiser for the HSBV benefits the animals in their care and increases awareness of their mission. Check out Harbor’s Facebook page for a chance to win 2 tickets!

Harbor on Facebook

Visit us on Facebook! See the latest happenings at Harbor and get tips and financial information from market experts. https://www.facebook.com/harborfin

Privacy Policy and New ADV Available

A full copy of Harbor’s updated ADV (the form used by investment advisors to register with the SEC) is now available on our website. Please notify us if you would like a hard copy sent to you by mail.

2018 Office Closures

Our office is closed on the following New York Stock Exchange holidays in 2018: May 28, Memorial Day; July 4, Independence Day; September 3, Labor Day; November 22, Thanksgiving Day; November 23, half day; December 25, Christmas.

CELEBRATING
30 YEARS
1988-2018