

The Oakmark Fund

The Oakmark  
Select Fund

The Oakmark Small  
Cap Fund

The Oakmark Equity  
and Income Fund

The Oakmark  
Global Fund

The Oakmark  
International Fund

The Oakmark  
International Small  
Cap Fund

# SEMI-ANNUAL REPORT

MARCH 31, 2001

Advised by Harris Associates L.P.



# THE OAKMARK FAMILY OF FUNDS

## 2001 Semi-Annual Report

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### For More Information

Access our web site at [www.oakmark.com](http://www.oakmark.com) to obtain a prospectus, an application or periodic reports, or call 1-800-OAKMARK (1-800-625-6275) or (617) 449-6274.

### Web Site and 24-Hour Net Asset Value Hotline

Access our web site at [www.oakmark.com](http://www.oakmark.com) to obtain the current net asset value of a fund, or call 1-800-GROWOAK (1-800-476-9625).

### To Comment on Shareholder Services

E-mail us at [ServiceComments@oakmark.com](mailto:ServiceComments@oakmark.com).

# Doonesbury

BY G.B. TRUDEAU



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Turn the page for a  
First Quarter Update  
from the President



## Dear Fellow Shareholders,

We are pleased that our disciplined investment style continues to reward our shareholders. Investors who remained committed to value outperformed once again in the first quarter, as the market continued to favor reasonably priced companies. The correction that many companies experienced last year—and this year—accentuates our belief that stock price will ultimately reflect underlying business value.

The past quarter has been a robust period for value investors, and we believe this strength is sustainable for the foreseeable future. Valuations continue to be attractive, and the quality of our holdings—and our confidence in them—remains strong.

We have often talked about the depth of our firm's investment talent. The following two paragraphs, which address overall market conditions, include excerpts from a letter written by portfolio manager Ed Loeb, one of our partners:

As of late, it's been hard to avoid hearing that dreaded word: recession. Whether we are in a recession or not, the combination of high stock prices, speculation and overly optimistic forecasts created a froth that inevitably had to correct itself (as difficult as that may be for investors). The U.S. economy is by no means perfect, but an extended downturn is unlikely given the economy's breadth, the self-correcting nature of the stock market and an attentive Federal Reserve Board.

From our perspective, the events of the past year were not surprising. An uncertain atmosphere is the hallmark of any rapid stock market decline. This is precisely when bottom-up, fundamental analysis and a focus on risk can protect portfolios and provide attractive long-term investment returns. We remain committed to our core value philosophy, open-minded to new ideas and opportunistic in this uncertain environment.

Technology companies are becoming of interest to value investors, and we are selectively looking at tech stocks — at the right price and right valuation. A year ago we were investing in companies that employed technology to make their business model better. Now, we are investigating companies that are direct plays on technology. However, while these stocks have fallen significantly from recent highs, we still believe that, as a whole, technology is relatively overvalued.



We are pleased to announce that toward the end of summer 2001, current shareholders and new investors will be able to open new accounts online. Through a secure area of **oakmark.com**, investors can complete an online agreement and account application, and have money electronically transferred from their personal bank account to open a new Oakmark account. We remain dedicated to website enhancements that make investing easier and help keep you informed.

We are excited about the opportunities being presented to us as value investors, and we want to thank you for your continued trust.

A handwritten signature in black ink that reads "Robert M. Levy". The signature is written in a cursive style.

**Robert M. Levy**  
President

April 4, 2001

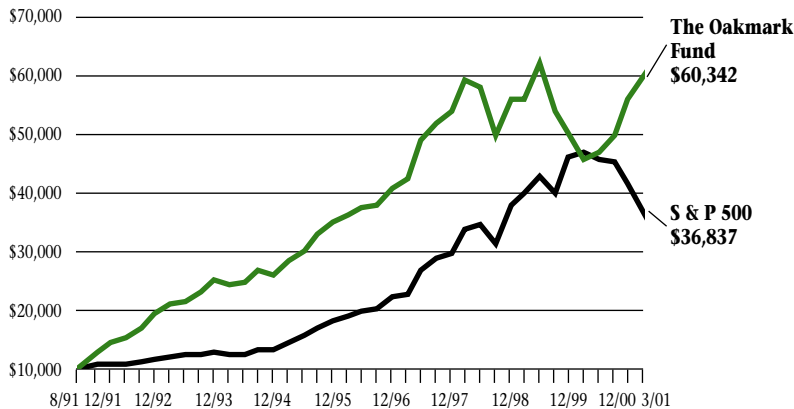


# THE OAKMARK FUND

Report from Bill Nygren and Kevin Grant, Portfolio Managers



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (3/31/01) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>1</sup>



3/31/01 NAV<sup>2</sup> \$32.20

	Total Return Last 3 months*	Average Annual Total Return <sup>3</sup> Through 3/31/01 From Fund Inception 8/5/91
The Oakmark Fund	7.37%	20.45%
Standard & Poor's 500 Stock Index w/inc	-11.86%	14.45%
Dow Jones Industrial Average w/inc <sup>4</sup>	-8.00%	15.63%
Lipper Large Cap Value Fund Index <sup>5</sup>	-7.76%	13.72%

\*Not annualized.

The Oakmark Fund increased 7% for the quarter ended March 31, marking four consecutive quarters during which the Fund increased in value while the S&P 500 declined. Over those four quarters, The Oakmark Fund has increased in value by 32% while the S&P 500 has declined by 22%. Also during the last quarter, The Oakmark Fund achieved a new all-time high price, adjusted for distributions. As other funds report losses of capital, we are especially pleased to report to our loyal shareholders that we reached new high ground. Some people refer to value investing as an ugly way to invest, but as Penn State's football coach, Joe Paterno, said, "I get a kick out of people saying, you're winning ugly. I think you end with the word win."

Over the past year, investors' renewed focus on business value contributed to much of our success. Corporate buyers specifically have continued to buy undervalued companies. Although we never select stocks based on acquisition possibilities, our selection criteria often overlap with merger and acquisition departments' criteria. Like us, they search out undervalued, yet growing, businesses that are led by owner-oriented management. During the last quarter, Nestle agreed to purchase one of our holdings, Ralston Purina, for \$33.50 per share. Prior to that announcement, Ralston stock traded below \$25. Ralston's dominant pet food brands combined with Nestle's size should increase sales while decreasing costs, creating a powerhouse. Congratulations to CEO, Pat McInnis, for finding the right partner to maximize Ralston's value.

Five of Oakmark's fifty holdings were acquired in the last twelve months: Ralston, Union Pacific Resources, Nabisco, Fort James and ACNielsen. Each transaction paid shareholders substantial premiums to pre-acquisition stock prices, thereby contributing significantly to our strong returns. Although a 10% acquisition rate is unusual, we expect acquisitions to continue to benefit the Fund over the long term. When the stock market doesn't care about undervalued companies, corporate buyers exploit the opportunity, and we benefit.

Last quarter, we added seven new holdings to the portfolio — all old-line companies, except for Motorola. We continue to find most technology companies too expensive compared to non-technology stocks. Despite the NASDAQ<sup>6</sup> 100's 66% decline since its peak, the median P/E<sup>7</sup> ratio on those stocks is 50x, still about two-and-a-half times the median P/E ratio of the S&P 500. Here are brief descriptions of our new names:

<i><b>Total Returns</b></i> <i>as of March 31, 2001</i>	
3 Months*	7.37%
6 Months*	21.13%
1 Year	31.85%
*Not annualized	
<i><b>Average Annual Total Returns</b></i> <i>as of March 31, 2001</i>	
3 Year	0.46%
5 Year	10.64%
Since inception	20.45%

**Burlington Resources (BR—45)**  
**Conoco (COC'A—28)**

Typically, we find opportunities when the market overreacts to negative news. However, we believe the stock prices of Burlington Resources and Conoco underreacted to favorable news: higher energy prices. At the end of 1998, a barrel of oil sold for \$18 on the long-

***Highlights***

- The Fund increased 7% for the quarter ended March 31, marking four consecutive quarters during which the Fund increased in value while the S&P 500 declined.
- Our stock selection criteria often overlap with Merger and Acquisition departments' criteria. When the stock market doesn't care about undervalued companies, corporate buyers exploit the opportunity, and we benefit.
- Taxable investors should note that our undistributed realized loss is \$3.95 per share. That practically guarantees no capital gain distribution again this year.

term futures market, and a thousand cubic feet of natural gas sold at just over \$2. Today, the long-term oil price has risen to \$21, and the price of natural gas has doubled. Therefore, the profitability of oil and gas producers, like Burlington Resources and Conoco, is now much higher than a couple of years ago. At the end of 1998, Burlington Resources sold at \$36, and Conoco sold at \$21. Though both stocks have risen, we believe their stock prices still do not reflect their increased business values.

**Clorox (CLX—31)**

Due largely to unexpected costs from Clorox's acquisition of First Brands, its stock has fallen from \$66 in early 1999. We believe Clorox is among the best managed, highest quality consumer product companies, so its current price of just over 16x estimated calendar 2001 cash earnings appears very attractive.

**Motorola (MOT—14)**

As Motorola lost its position as the leading cellular telephone manufacturer, its stock fell from a peak of \$61 last spring. Excluding the still-valuable cellular phone business, we estimate that Motorola's other businesses alone justify its current stock price. Although fear and

embarrassment aren't our favorite motivators, intense shareholder pressure has caused CEO Chris Galvin to become more focused on rebuilding Motorola's value.

<b>Top Five Industries</b> <i>as of March 31, 2001</i>		
<i>Industries and % of Total Net Assets</i>	Retail	11.9%
	Other Consumer Goods and Services	10.4%
	Household Products	5.9%
	Computer Services	5.8%
	Telecommunications	4.4%

### **Park Place Entertainment (PPE—10)**

The world's largest casino company, Park Place Entertainment, was spun-off from Hilton in late 1998. It owns casinos that use the brand names Hilton, Bally's, and Caesar's World. Despite its higher earnings, its stock fell from a high last year of \$15. Park Place currently trades at just over 11x estimated 2001 cash earnings.

<b>Top Five Holdings<sup>25</sup></b> <i>as March 31, 2001</i>		
<i>Company and % of Total Net Assets</i>	Washington Mutual, Inc.	3.8%
	Fortune Brands, Inc.	3.1%
	Toys 'R' Us, Inc.	3.0%
	The Kroger Company	2.9%
	H&R Block, Inc.	2.7%

### **Sprint (FON—22)**

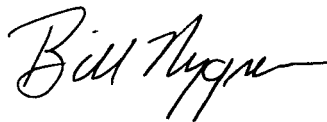
Sprint stock peaked at \$76 in 1999. Their exposure to the declining consumer long distance market has caused disappointing earnings and stock performance. Aside from long distance, Sprint also supplies local service for 8.3 million lines. Local lines have recently sold for \$3,000 to \$4,000 per line. Using the low end of that range, we estimate the value of Sprint's local business alone equals its current stock price.

### **Starwood Hotels & Resorts (HOT—33)**

Starwood owns, manages, and franchises luxury hotels under brands such as Westin, Sheraton, and W. Starwood stock traded as high as \$63 in 1997 and as low as \$18 in 1998. Starwood's ability to increase rates, occupancy, and customer satisfaction is impressive. We also like CEO Barry Sternlicht's management of their hotel portfolio. When hotel buyers have been willing to pay trophy prices for specific Starwood properties, Sternlicht has been willing to part with them. Starwood sells at less than 7x cash flow while sales of luxury hotel properties have frequently occurred at over 10x cash flow.

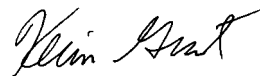
We are proud of the past year's results and believe our portfolio continues to be well-positioned for good absolute, as well as relative, returns. Taxable investors should note that our current undistributed realized loss is \$3.95 per share. That means we are in a very favorable tax position and practically guarantees that like last year, we will have no capital gain distribution this year.

Thank you for your continuing support.



### **William C. Nygren, CFA**

Portfolio Manager  
bnygren@oakmark.com



### **Kevin G. Grant, CFA**

Portfolio Manager  
kgrant@oakmark.com

April 5, 2001

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2001 (Unaudited)

	Shares Held	Market Value
<b>Common Stocks—94.4%</b>		
<b>Food &amp; Beverage—3.8%</b>		
H.J. Heinz Company	1,360,000	\$ 54,672,000
Sara Lee Corporation	1,907,400	41,161,692
		<u>95,833,692</u>
<b>Apparel—2.0%</b>		
Jones Apparel Group, Inc. (a)	1,327,000	\$ 50,160,600
<b>Retail—11.9%</b>		
Toys ‘Я’ Us, Inc. (a)	3,000,000	\$ 75,300,000
The Kroger Co. (a)	2,875,000	74,146,250
J.C. Penney Company, Inc.	3,781,200	60,461,388
Tricon Global Restaurants, Inc. (a)	1,450,000	55,375,500
CVS Corporation	630,000	36,848,700
		<u>302,131,838</u>
<b>Household Products—5.9%</b>		
Newell Rubbermaid Inc.	1,800,000	\$ 47,700,000
Energizer Holdings, Inc. (a)	1,546,400	38,660,000
The Clorox Company	1,210,000	38,054,500
The Dial Corporation	2,052,900	25,661,250
		<u>150,075,750</u>
<b>Household Appliances—1.5%</b>		
Maytag Corporation	1,160,400	\$ 37,422,900
<b>Office Equipment—0.9%</b>		
Xerox Corporation	3,850,000	\$ 23,061,500
<b>Hardware—3.8%</b>		
The Black & Decker Corporation	1,522,200	\$ 55,940,850
The Stanley Works	1,224,900	40,360,455
		<u>96,301,305</u>
<b>Other Consumer Goods &amp; Services—10.4%</b>		
Fortune Brands, Inc.	2,273,000	\$ 78,191,200
H&R Block, Inc.	1,340,300	67,095,418
Cendant Corporation (a)	4,195,100	61,206,509
Mattel, Inc.	3,146,700	55,822,458
		<u>262,315,585</u>
<b>Bank &amp; Thrifts—3.8%</b>		
Washington Mutual, Inc.	1,750,000	\$ 95,812,500
<b>Insurance—1.9%</b>		
MGIC Investment Corporation	700,000	\$ 47,894,000



# THE OAKMARK FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Shares Held	Market Value
<b>Common Stocks—94.4% (cont.)</b>		
<b>Hotels &amp; Motels—1.0%</b>		
Starwood Hotels & Resorts Worldwide, Inc.	726,600	\$ 24,711,666
<b>Information Services—4.4%</b>		
Equifax Inc.	1,520,500	\$ 47,515,625
Moody's Corporation	1,489,400	41,047,864
The Dun & Bradstreet Corporation (a)	953,750	22,470,350
		<u>111,033,839</u>
<b>Computer Services—5.8%</b>		
First Data Corporation	1,040,000	\$ 62,098,400
Electronic Data Systems Corporation	940,000	52,508,400
SunGard Data Systems Inc. (a)	640,800	31,546,584
		<u>146,153,384</u>
<b>Semiconductors—1.1%</b>		
Teradyne, Inc. (a)	850,000	\$ 28,050,000
<b>Telecommunications—4.4%</b>		
AT&T Corp.	3,025,000	\$ 64,432,500
Citizens Communications Company (a)	2,650,000	33,522,500
Sprint Corporation	636,000	13,985,640
		<u>111,940,640</u>
<b>Telecommunications Equipment—1.4%</b>		
Motorola, Inc.	2,400,000	\$ 34,224,000
<b>TV Programming—1.8%</b>		
AT&T Corp. - Liberty Media Group, Class A (a)	3,200,000	\$ 44,800,000
<b>Publishing—3.1%</b>		
Knight-Ridder, Inc.	977,000	\$ 52,474,670
Gannett Co., Inc.	434,500	25,948,340
		<u>78,423,010</u>
<b>Pharmaceuticals—1.4%</b>		
Chiron Corporation (a)	824,000	\$ 36,153,000
<b>Medical Products—0.8%</b>		
Apogent Technologies Inc. (a)	1,011,700	\$ 20,476,808
<b>Automobiles—2.2%</b>		
Ford Motor Company	1,500,000	\$ 42,180,000
DaimlerChrysler AG (b)	300,000	13,374,000
		<u>55,554,000</u>

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
<b>Common Stocks—94.4% (cont.)</b>		
<b>Aerospace &amp; Defense—3.1%</b>		
The B.F. Goodrich Company	1,120,000	\$ 42,974,400
Lockheed Martin Corporation	1,000,000	35,650,000
		<u>78,624,400</u>
<b>Instruments—1.5%</b>		
Rockwell International Corporation	1,067,300	\$ 38,796,355
<b>Machinery &amp; Industrial Processing—2.9%</b>		
Eaton Corporation	602,900	\$ 41,298,650
Cooper Industries, Inc.	929,400	31,088,430
		<u>72,387,080</u>
<b>Building Materials &amp; Construction—1.8%</b>		
Masco Corporation	1,933,000	\$ 46,662,620
<b>Utilities—2.2%</b>		
TXU Corp.	1,315,000	\$ 54,335,800
<b>Oil &amp; Natural Gas—3.3%</b>		
Burlington Resources Inc.	1,150,000	\$ 51,462,500
Conoco Inc., Class A	1,100,000	30,910,000
		<u>82,372,500</u>
<b>Diversified Conglomerates—2.2%</b>		
Textron, Inc.	1,000,000	\$ 56,840,000
<b>Recreation &amp; Entertainment—4.1%</b>		
Brunswick Corporation	3,076,700	\$ 60,395,621
Carnival Corporation	800,000	22,136,000
Park Place Entertainment Corporation (a)	2,100,000	21,525,000
		<u>104,056,621</u>
<b>Total Common Stocks (Cost: \$1,999,806,396)</b>		<b>2,386,605,393</b>
<b>Short Term Investments—5.9%</b>		
<b>U.S. Government Bills—1.5%</b>		
United States Treasury Bills, 4.77% - 6.03% due 5/17/2001- 7/26/2001	\$40,000,000	\$ 39,627,600
<b>Total U.S. Government Bills (Cost: \$39,538,500)</b>		<b>39,627,600</b>
<b>Commercial Paper—2.8%</b>		
American Express Credit Corporation, 4.95% due 4/3/2001	\$20,000,000	\$ 20,000,000
General Electric Capital Corporation, 5.35% due 4/2/2001	50,000,000	50,000,000
		<u>70,000,000</u>
<b>Total Commercial Paper (Cost: \$70,000,000)</b>		<b>70,000,000</b>

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Par Value	Market Value
<b>Short Term Investments—5.9% (cont.)</b>		
<b>Repurchase Agreements—1.6%</b>		
State Street Repurchase Agreement, 5.18% due 4/2/2001	\$40,220,000	\$ 40,220,000
<b>Total Repurchase Agreements (Cost: \$40,220,000)</b>		<b>40,220,000</b>
<b>Total Short Term Investments (Cost: \$149,758,500)</b>		<b>149,847,600</b>
Total Investments (Cost \$2,149,564,896)—100.3% (c)		\$ 2,536,452,993
Other Liabilities In Excess Of Other Assets—(0.3)%		<u>(7,384,741)</u>
<b>Total Net Assets—100%</b>		<b><u><u>\$2,529,068,252</u></u></b>

(a) Non-income producing security.

(b) Represents foreign domiciled corporation.

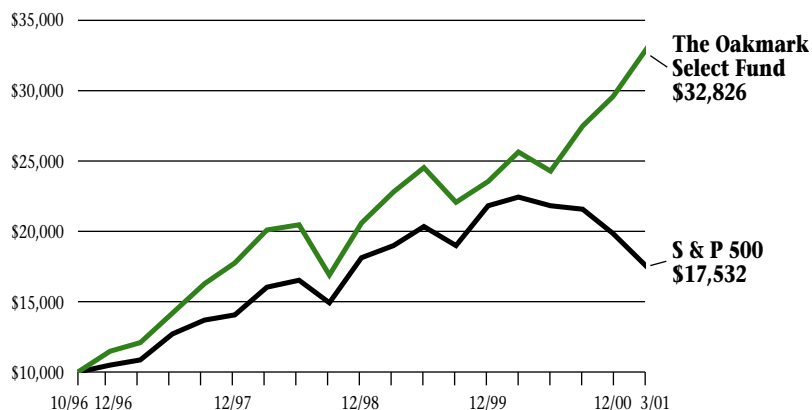
(c) At March 31, 2001, net unrealized appreciation of \$386,888,097, for federal income tax purposes, consisted of gross unrealized appreciation of \$458,277,204 and gross unrealized depreciation of \$71,389,107.

# THE OAKMARK SELECT FUND

Report from Bill Nygren and Henry Berghoef, Portfolio Managers



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (3/31/01) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>1</sup>



3/31/01 NAV<sup>2</sup> \$23.98

	Average Annual Total Return <sup>3</sup> Through 3/31/01	
	Total Return Last 3 months*	From Fund Inception 11/1/96
The Oakmark Select Fund	10.76%	30.88%
Standard & Poor's 500 Stock Index w/inc	-11.86%	13.56%
Standard & Poor's MidCap 400 Index w/inc <sup>8</sup>	-10.77%	17.04%
Lipper Mid Cap Value Fund Index <sup>9</sup>	-3.86%	9.95%

\*Not annualized.

The Oakmark Select Fund gained 11% last quarter and 28% in the last year. These returns are very good in both absolute and relative terms. In fact, for the quarter, the most relevant indices the S&P Mid Cap 400 and the S&P 500 lost 11% and 12% respectively. Our second largest position, Toys 'R' Us, gained 50% this quarter and had the greatest impact on our performance. Excellent Christmas sales in a tough retail environment highlighted their successful remodeling and remerchandising effort. Despite the price gain, we haven't sold a share. We continue to believe Toys 'R' Us is undervalued relative to the earnings that should be achieved when the turnaround is complete. Further, we expect increased investor interest this fall when Toys 'R' Us opens its new flagship store in Times Square. As both shareholders and consumers, we can't wait!

Media reports about the stock market decline in both the quarter and year sound miserable. The *Chicago Tribune's* quarter-end business section headline reads "The Longest Quarter, 3 Months of Misery." Yes, it was tough — last quarter the S&P 500 fell 12% and the NASDAQ<sup>6</sup> fell more than twice that. For the trailing year, the S&P 500 is off over 20% and the NASDAQ is off 60%. But one has to be careful in drawing conclusions from these numbers. Large capitalization stocks are given the highest weightings in these market indices. In 1998 and 1999, large capitalization stocks were the top performers, which caused large gains in the market indices. Over the last year, there has been a reversal — the largest capitalization stocks have been the worst performers. If the

<i>Total Returns<sup>10</sup></i> <i>March 31, 2001</i>	
3 Months*	10.76%
6 Months*	19.66%
1 Year	27.89%
*Not annualized.	
<i>Average Annual Total Returns<sup>10</sup></i> <i>March 31, 2001</i>	
3 Year	17.79%
5 Year	N/A
Since inception	30.88%

S&P 500 stocks were weighted equally instead of by market capitalization, the S&P would have lost only 3% last quarter, and would actually have gained 6% over the last year. Because we don't weight our positions based on their market capitalizations, our performance is more strongly influenced by how the median stock performs than by how the market averages perform. So, we continue to be out-of-sync with this market. A year ago, we talked about incredible values while the media focused on indices at new highs. Now the media is focused on lost fortunes, while we look back at a very good year and current valuations that are just a little less attractive than a year ago. Sometimes, being out of sync isn't so bad!

### **Selling**

In our quarterlies, we normally focus on our buys rather than our sells. Last quarter, we sold more stocks than we bought, so we'd like to focus this report on our sales. We sell stocks for two different reasons. Our preferred reason to sell is when a stock price has reached our sell target, 90% of our estimated business value. Unfortunately, we also need to sell stocks when businesses perform worse than we anticipated. We have two examples of each.

Last quarter, we finished selling Thermo Electron. We started buying Thermo in December 1998 and paid an average price of \$16 per share. During the time we owned

the stock, new CEO Dick Syron did a wonderful job simplifying the corporate structure and improving operating margins. But after gaining 60%, Thermo stock met our sell criteria, so it was sold. We also sold our position in MBIA. In March a year ago, our analyst Ed Studzinski was meeting with CEO Jay Brown at MBIA headquarters when the announcement broke that a competitor, FSA, was being acquired. The meeting convinced Ed that Jay is the type of CEO with whom we want to invest, and he also figured out that if MBIA were acquired in a deal similar to FSA, it would be worth twice its stock price. Our only mistake with MBIA was not buying more. We waited for our shares to go long-term and sold them for a gain of over 70%.

### *Highlights*

- The Fund gained 11% last quarter, outperforming its relevant indices.
- Toys 'R' Us, gained 50% this past quarter and had the greatest impact on our performance. Despite the price gain, however, we haven't sold a share.
- The shareholder letter explains sales of Thermo Electron, MBIA, US Industries, and USG Corp.

Our two other sales were our mistakes. We sold our position in US Industries at a substantial loss. We have high regard for the way CEO David Clark approached his job, managing a portfolio of businesses like an investor — trying to buy low and sell high. However, it now appears that the quality of those business units is well below what we originally thought. Our last sale, USG Corp., was also at a large loss. We continue to admire CEO Bill Foote's excellent management of USG and the strength of their business. However, their losses from asbestos litigation greatly exceeded our estimates. Our midwestern common sense, normally a highly valuable asset, didn't help in the legal analysis.

**Top Five Industries**  
as of March 31, 2001

<i>Industries and % of Total Net Assets</i>	Banks & Thrifts	15.4%
	Retail	15.3%
	Information Services	10.2%
	Other Consumer Goods and Services	9.7%
	Computer Services	8.5%


While we hate selling at a loss, we have learned that often the best thing to do is to take the loss and move on. As Warren Buffett says, "Should you find yourself in a chronically leaking boat, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks."

**Top Five Holdings<sup>25</sup>**  
as of March 31, 2001

<i>Company and % of Total Net Assets</i>	Washington Mutual, Inc.	15.4%
	Toys 'R' Us, Inc.	7.8%
	H&R Block, Inc.	6.1%
	AT&T Corporation	4.8%
	First Data Corporation	4.3%

Finally, we encourage you to be mindful of something sportscaster Beano Cook once said: "You only have to bat 1.000 in two things — flying and heart transplants. Everything else you can go four for five." Fortunately for all of us, in investing, you don't even need four for five!

Thank you for your support.



**William C. Nygren, CFA**

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**Henry R. Berghoef, CFA**

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April 5, 2001

# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2001 (Unaudited)

	Shares Held	Market Value
<b>Common Stocks—91.8%</b>		
<b>Apparel—3.6%</b>		
Liz Claiborne, Inc.	2,373,200	\$ 111,659,060
<b>Retail—15.3%</b>		
Toys 'Я' Us, Inc. (a)	9,598,500	\$ 240,922,350
Tricon Global Restaurants, Inc. (a)	3,215,400	122,796,126
Office Depot, Inc. (a)	12,546,000	<u>109,777,500</u>
		473,495,976
<b>Household Products—3.6%</b>		
Energizer Holdings, Inc. (a)	4,388,800	\$ 109,720,000
<b>Other Consumer Goods &amp; Services—9.7%</b>		
H&R Block, Inc.	3,769,400	\$ 188,696,164
Mattel, Inc.	6,290,000	<u>111,584,600</u>
		300,280,764
<b>Bank &amp; Thrifts—15.4%</b>		
Washington Mutual, Inc.	8,679,800	\$ 475,219,050
<b>Information Services—10.2%</b>		
Moody's Corporation	4,143,600	\$ 114,197,616
Ceridian Corporation	5,834,500	107,938,250
The Dun & Bradstreet Corporation (a)	3,940,700	<u>92,842,892</u>
		314,978,758
<b>Computer Services—8.5%</b>		
First Data Corporation	2,210,200	\$ 131,971,042
Electronic Data Systems Corporation	2,347,400	<u>131,125,764</u>
		263,096,806
<b>Computer Software—3.7%</b>		
The Reynolds and Reynolds Company, Class A (b)	5,979,700	\$ 115,109,225
<b>Telecommunications—6.5%</b>		
AT&T Corp.	6,918,000	\$ 147,353,400
Sprint Corporation	2,500,000	<u>54,975,000</u>
		202,328,400
<b>Publishing—4.3%</b>		
Knight-Ridder, Inc.	2,450,000	\$ 131,589,500
<b>Pharmaceuticals—4.1%</b>		
Chiron Corporation (a)	2,867,400	\$ 125,807,175

# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
<b>Common Stocks—91.8% (cont.)</b>		
<b>Automotive—2.9%</b>		
Visteon Corporation	5,984,400	\$ 90,005,376
<b>Oil &amp; Natural Gas—4.0%</b>		
Burlington Resources Inc.	2,750,000	\$ 123,062,500
<b>Total Common Stocks (Cost: \$2,203,925,848)</b>		<b>2,836,352,590</b>
<b>Common Stocks Sold Short—(1.5%)</b>		
<b>Telecommunications—(1.5%)</b>		
AT&T Wireless Group	(2,500,000)	\$ (47,950,000)
<b>Total Common Stocks Sold Short (Proceeds: \$(49,357,331))</b>		<b>(47,950,000)</b>
<b>Short Term Investments—7.7%</b>		
<b>U.S. Government Bills—1.9%</b>		
United States Treasury Bills, 4.59% - 6.03% due 5/17/2001 - 9/6/2001	\$60,457,000	\$ 59,723,288
<b>Total U.S. Government Bills (Cost: \$59,598,208)</b>		<b>59,723,288</b>
<b>Commercial Paper—3.6%</b>		
American Express Credit Corporation, 4.94% - 5.15% due 4/2/2001 - 4/4/2001	\$50,000,000	\$ 50,000,000
General Electric Capital Corporation, 4.94% - 5.35% due 4/2/2001	60,000,000	<u>60,000,000</u>
<b>Total Commercial Paper (Cost: \$110,000,000)</b>		<b>110,000,000</b>
<b>Repurchase Agreements—2.2%</b>		
State Street Repurchase Agreement, 5.18% due 4/2/2001	\$69,169,000	\$ 69,169,000
<b>Total Repurchase Agreements (Cost: \$69,169,000)</b>		<b>69,169,000</b>
<b>Total Short Term Investments (Cost: \$238,767,208)</b>		<b>238,892,288</b>
Total Investments (Cost \$2,393,335,725)—98.0% (c)		\$ 3,027,294,878
Other Assets In Excess Of Other Liabilities—2.0%		<u>62,064,510</u>
<b>Total Net Assets—100%</b>		<b><u>\$3,089,359,388</u></b>

(a) Non-income producing security.

(b) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.

(c) At March 31, 2001, net unrealized appreciation of \$633,959,153, for federal income tax purposes, consisted of gross unrealized appreciation of \$649,430,630 and gross unrealized depreciation of \$15,471,477.



# THE OAKMARK SMALL CAP FUND

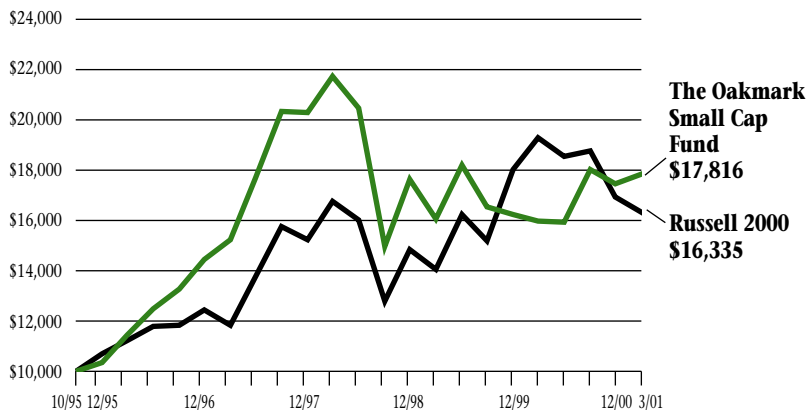
Report from James P. Benson and Clyde S. McGregor, Portfolio Managers



We are pleased to report that your Fund had a gain of 5.2% for the past quarter, thus we outperformed our benchmark index by just under 12%. The first quarter of calendar 2001 was disappointing to many investors as most of the major market indices posted losses for the period. The Russell 2000 small cap index dropped 6.5% for the just ended quarter as profit warnings from numerous companies overwhelmed the interest rate reductions engineered by the Federal Reserve.

The key to our relative success comes, we believe, from our adherence to fundamental analysis of a company's value versus momentum investing, which became very popular about three years ago. Momentum investors tend to focus on recent stock price movements rather than asking the logical question: what is a business worth? Our analysts concentrate their entire effort in estimating a company's private market value and when we find a company that is trading at 60% or less of our estimated valuation we purchase that stock. While our approach to investing does not eliminate owning stocks that sometimes go down, we believe that a diversified portfolio of fundamentally inexpensive stocks should be able to perform well over time for our shareholders.

## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/01) AS COMPARED TO THE RUSSELL 2000 INDEX<sup>11</sup>



3/31/01 NAV<sup>2</sup> \$14.40

	Total Return Last 3 months*	Average Annual Total Return <sup>3</sup> Through 3/31/01 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	5.19%	11.25%
Lipper Small Cap Value Fund Index <sup>12</sup>	2.48%	11.77%
Russell 2000 w/inc	-6.51%	9.48%
S&P Small Cap 600 w/inc. <sup>13</sup>	-6.57%	12.20%

\*Not annualized.

### Small Cap Relative Valuations

Over the past four years we have seen a technology boom, a technology bust, a telecommunications boom, a telecommunications bust, a move by investors to large cap stocks and the ignoring of small cap stocks. Beginning in 1997, a clear divergence in valuations between large cap stocks and small cap stocks began and this valuation gap has not yet begun to meaningfully close. In 1997, both

large and small cap stocks traded at equivalent levels relative to trailing 12-month earnings or revenues: 15x-18x earnings and just under 1.5x revenues. Since 1997, small caps have fallen to about 13x-15x earnings and about 1.3x revenues while large cap valuations expanded to 23x-25x earnings and about 2x sales. Put a different way, small caps used to trade near parity with large caps but now trade at a discount of about 40% to their large cap peers.

We find this wide relative valuation gap interesting since smaller companies typically have several advantages vis-a-vis large companies. Smaller companies have less bureaucracy and thus more focus on customers and they are often more nimble with product introductions. This can result in smaller companies growing at faster rates, yet as a group, these stocks are far cheaper than the larger companies. Additionally, if this valuation gap persists, it would seem likely that many larger companies will turn to smaller companies as acquisition targets since it may be less expensive to buy a successful small company than it would be to develop a new product or service internally. Overall, we view the future of small cap stocks as bright and we believe this sector is one of the best places to invest.

<i>Total Returns<sup>10</sup> as of March 31, 2001</i>	
3 Months*	5.19%
6 Months*	-1.10%
1 Year	11.53%
*Not annualized	
<i>Average Annual Total Returns<sup>10</sup> as of March 31, 2001</i>	
3 Year	-6.40%
5 Year	9.22%
Since inception	11.25%

### Portfolio Changes

During the first calendar quarter of 2001 the Fund's portfolio expanded from forty-three stocks to forty-six stocks. Since the beginning of 2001, we sold National Data and Scott Technologies for solid gains after National Data

achieved our price target and Scott Technologies announced its acquisition by Tyco International. The stocks that we purchased included: Berry Petroleum, Central Parking Corp., IDEXX Laboratories, InFocus Corp., Sensient Technologies and Spherion Corp.

### Highlights

- Your Fund had a gain of 5.2% for the past quarter, outperforming our benchmark index, the Russell 2000 Index, by just under 12%.
- Several years ago, small cap stocks traded near parity with large caps; they now trade at a discount of about 40% to their large cap peers. We find this wide relative valuation gap very compelling, and believe the small cap sector is one of the best places to invest.
- Portfolio changes include the sale of National Data and Scott Technologies for solid gains, and the addition of Berry Petroleum and IDEXX Labs.

### Highlighted Newcomers

Two new stocks that your Fund owns that we would like to discuss are Berry Petroleum and IDEXX Labs. Berry is a California based producer of heavy crude oil. Increases over the past year in crude oil prices have aided Berry's outlook, but the stock plunged late last Fall as the California electrical crisis hit. This impacted Berry since one of the by-products of the company's steam injected oil recovery operations is the production of surplus electricity. This electricity is usually sold to California's public electric utilities and Berry makes a nice profit from its co-generation facilities. However, both large California utilities are now in dire financial condition brought on by buying high priced electricity on the spot market and selling it at much lower regulated prices to consumers. This has led to a stoppage in payments to electric providers

<b>Top Five Industries</b> <i>as of March 31, 2001</i>		
<i>Industries and % of Total Net Assets</i>	Real Estate	12.5%
	Banks & Thrifts	11.2%
	Educational Services	7.9%
	Food & Beverage	7.2%
	Other Consumer Goods and Services	4.8%

such as Berry and in turn Berry has stopped supplying electricity to the utilities.

We viewed the 30% plus sell-off in Berry's shares caused by the utility impasse as an opportunity to acquire a high quality business with good management and undervalued assets. It is hard to imagine a scenario where electrical generation capacity in California is not a good asset. Additionally, we would expect a political solution soon with regard to the unpaid bills of the California public utilities. Therefore, with a timeframe measured in years and not days or months, we believe Berry represents a solid long-term investment for your Fund.

IDEXX Labs principally produces veterinary pharmaceuticals and test kits. This is a high return business and we believe IDEXX has a bright future with over a dozen products in the FDA registration process. Additionally, the company has a debt-free balance sheet and they have consistently been using their excess cash flow to repurchase

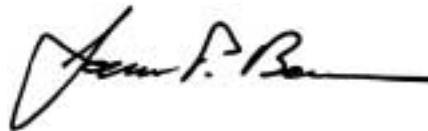
<b>Top Five Holdings<sup>25</sup></b> <i>as of March 31, 2001</i>		
<i>Company and % of Total Net Assets</i>	ITT Educational Services, Inc.	7.9%
	Catellus Development Corporation	6.0%
	The PMI Group, Inc.	4.6%
	Prime Hospitality Corporation	4.0%
	Ralcorp Holdings, Inc.	3.9%

stock. Veterinary medicine is a very attractive business since the customers (i.e. pet owners) pay cash for their veterinary products and services unlike human healthcare where either the government or an insurance company pays the bills. This creates a more market driven environment with less red tape and we believe IDEXX has the potential to thrive in this type of market.

## Outlook

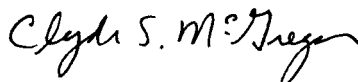
As the above stocks demonstrate, there are numerous small cap stocks that are selling at compelling valuations. Thus, we expect that the rebound in small cap value stocks that began in 2000 will accelerate in 2001 albeit, with some volatility.

Once again we would like to thank you for your support of The Oakmark Small Cap Fund. At current valuations small cap value stocks appear to be an above average sector in which to invest and we will endeavor to achieve good returns on your behalf.



**James P. Benson, CFA**

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**Clyde S. McGregor, CFA**

Portfolio Manager  
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April 4, 2001

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2001 (Unaudited)

	Shares Held	Market Value
<b>Common Stocks—90.1%</b>		
<b>Food &amp; Beverage—7.2%</b>		
Ralcorp Holdings, Inc.	500,000	\$ 8,950,000
Del Monte Foods Company (a)	805,900	6,560,026
M & F Worldwide Corp. (a)	225,000	<u>1,102,500</u>
		16,612,526
<b>Apparel—1.0%</b>		
R.G. Barry Corporation (a)(d)	891,000	\$ 2,227,500
<b>Retail—3.5%</b>		
ShopKo Stores, Inc. (a)	850,000	\$ 6,800,000
Ugly Duckling Corporation (a)	370,000	<u>1,295,000</u>
		8,095,000
<b>Other Consumer Goods &amp; Services—4.8%</b>		
Department 56, Inc. (a)(d)	650,000	\$ 5,785,000
American Greetings Corporation, Class A	300,000	3,180,000
Central Parking Corporation	123,200	<u>2,242,240</u>
		11,207,240
<b>Bank &amp; Thrifts—11.2%</b>		
People's Bank of Bridgeport, Connecticut	325,000	\$ 8,368,750
BankAtlantic Bancorp, Inc., Class A	1,054,100	6,746,240
Golden State Bancorp Inc. (a)	200,000	5,576,000
PennFed Financial Services, Inc.	250,000	<u>5,250,000</u>
		25,940,990
<b>Insurance—4.6%</b>		
The PMI Group, Inc.	165,000	\$ 10,721,700
<b>Other Financial—2.2%</b>		
NCO Group, Inc. (a)	200,000	\$ 5,112,500
<b>Human Resources—0.5%</b>		
Spherion Corporation (a)	150,000	\$ 1,041,000
<b>Educational Services—7.9%</b>		
ITT Educational Services, Inc. (a)	670,000	\$ 18,157,000
<b>Data Storage—1.2%</b>		
Imation Corp. (a)	125,000	\$ 2,803,750
<b>Computer Equipment—1.4%</b>		
Infocus Corporation (a)	200,000	\$ 3,275,000
<b>Computer Services—2.1%</b>		
CIBER, Inc. (a)	1,000,000	\$ 4,880,000

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Shares Held	Market Value
<b>Common Stocks—90.1% (cont.)</b>		
<b>Computer Software—3.1%</b>		
MSC.Software Corp. (a)	600,000	\$ 6,150,000
Symantec Corporation (a)	25,000	<u>1,045,312</u>
		7,195,312
<b>Computer Systems—0.5%</b>		
Micron Electronics, Inc. (a)	650,000	\$ 1,092,000
<b>Security Systems—2.9%</b>		
Checkpoint Systems, Inc. (a)	703,000	\$ 6,643,350
<b>Pharmaceuticals—2.8%</b>		
Elan Corporation plc (a)(b)	125,000	\$ 6,531,250
<b>Medical Research—1.1%</b>		
Covance Inc. (a)	200,000	\$ 2,570,000
<b>Medical Products—2.3%</b>		
CONMED Corporation (a)	215,000	\$ 4,125,313
Hanger Orthopedic Group, Inc. (a)	820,000	<u>1,221,800</u>
		5,347,113
<b>Automotive—1.4%</b>		
Standard Motor Products, Inc.	190,000	\$ 2,014,000
Stoneridge, Inc. (a)	170,000	<u>1,249,500</u>
		3,263,500
<b>Automobile Rentals—2.0%</b>		
Dollar Thrifty Automotive Group, Inc. (a)	219,400	\$ 4,519,640
<b>Transportation Services—4.0%</b>		
Teekay Shipping Corporation (c)	200,000	\$ 8,520,000
Frontline Limited (b)	40,000	<u>717,500</u>
		9,237,500
<b>Instruments—1.0%</b>		
IDEXX Laboratories, Inc. (a)	100,000	\$ 2,193,750
<b>Machinery &amp; Industrial Processing—2.7%</b>		
Columbus McKinnon Corporation	525,000	\$ 4,101,563
Sames Corporation (a)(d)	235,000	<u>2,209,000</u>
		6,310,563

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
<b>Common Stocks—90.1% (cont.)</b>		
<b>Chemicals—3.0%</b>		
H.B. Fuller Company	70,000	\$ 2,948,750
Sensient Technologies Corporation	100,000	2,278,000
Georgia Gulf Corporation	100,000	<u>1,741,000</u>
		6,967,750
<b>Oil &amp; Natural Gas—1.1%</b>		
Berry Petroleum Company, Class A	200,000	\$ 2,600,000
<b>Other Industrial Goods &amp; Services—1.4%</b>		
Intergrated Electrical Services, Inc. (a)	350,000	\$ 1,995,000
Gardner Denver Inc. (a)	65,000	<u>1,274,000</u>
		3,269,000
<b>Real Estate—12.5%</b>		
Catellus Development Corporation (a)	875,000	\$ 13,781,250
Prime Hospitality Corp. (a)	850,000	9,180,000
Trammell Crow Company (a)	500,000	<u>5,950,000</u>
		28,911,250
<b>Diversified Conglomerates—0.7%</b>		
U.S. Industries, Inc.	275,000	\$ 1,606,000
<b>Total Common Stocks (Cost: \$220,236,237)</b>		<b>208,332,184</b>
<b>Short Term Investments—9.9%</b>		
<b>Commercial Paper—6.9%</b>		
American Express Credit Corporation, 4.98% due 4/2/2001	\$6,000,000	\$ 6,000,000
Ford Motor Credit Corp., 4.93% due 4/3/2001	3,000,000	3,000,000
General Electric Capital Corporation, 5.35% due 4/2/2001	7,000,000	<u>7,000,000</u>
<b>Total Commercial Paper (Cost: \$16,000,000)</b>		<b>16,000,000</b>
<b>Repurchase Agreements—3.0%</b>		
State Street Repurchase Agreement, 5.18% due 4/2/2001	\$6,764,000	\$ 6,764,000
<b>Total Repurchase Agreements (Cost: \$6,764,000)</b>		<b>6,764,000</b>
<b>Total Short Term Investments (Cost: \$22,764,000)</b>		<b>22,764,000</b>
<b>Total Investments (Cost \$243,000,237)—100.0% (e)</b>		<b>\$231,096,184</b>
Other Assets In Excess Of Other Liabilities—0.0%		<u>43,564</u>
<b>Total Net Assets—100%</b>		<b><u>\$231,139,748</u></b>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents foreign domiciled corporation.

(d) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.

(e) At March 31, 2001, net unrealized depreciation of \$11,904,053, for federal income tax purposes, consisted of gross unrealized appreciation of \$42,972,060 and gross unrealized depreciation of \$54,876,113.

# THE OAKMARK EQUITY AND INCOME FUND

Report from Clyde S. McGregor and Edward A. Studzinski, Portfolio Managers



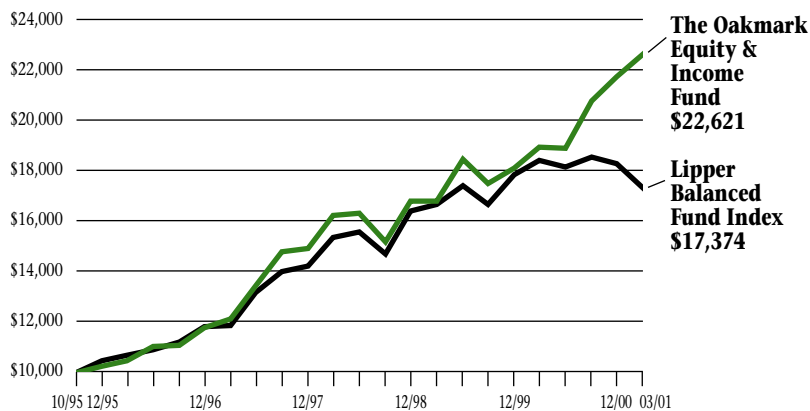
## Quarter and Mid-Year Review

Returns to the Oakmark Equity and Income Fund have been surprisingly consistent over the past six months despite the volatile experience of the market averages. The Fund returned 4.1% in the quarter ended March 31, which compares to a loss of 5.0% for the Lipper Balanced Fund Index. For the six months, the result was a positive 9.0%, again a favorable comparison to the 6.3% which the Lipper lost in the period. While we are happy that the Fund looks good relative to its competitive benchmark, the positive rate of return pleases us more. Our primary goal for Oakmark Equity and Income is to generate positive rates of return in all environments. If we can keep the Fund moving forward most of the time, we know that the relative outcomes will take care of themselves.

## Ignore the Media!

If you have been watching a lot of business television over the last few years, you will certainly answer the following question incorrectly: "In which year did more New York Stock Exchange issues decline in price, 1999 or 2000?" The correct answer was 1999 by a landslide. Two-thirds of NYSE<sup>16</sup> issues lost money in 1999 while only 43% suffered this outcome in 2000. What seems to be a paradox is explained by the fact that in 1999 the issues with the largest market capitalizations excelled while they lagged last year. Measures of market breadth began to improve midway through 2000 even as the market averages were rolling over. As an example of what we mean, on most days when the averages sank in the just-ended quarter, the NYSE reported more stocks hitting new highs than new lows. Two years ago some analysts wrote of a "stealth bear market." Given all of the gloom and doom on the media these days it

## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/01) AS COMPARED TO THE LIPPER BALANCED FUND INDEX<sup>14</sup>



3/31/01 NAV<sup>2</sup> \$16.62

### Average Annual Total Return<sup>3</sup> Through 3/31/01

	Total Return Last 3 months*	From Fund Inception 11/1/95
The Oakmark Equity & Income Fund	4.14%	16.26%
Lipper Balanced Fund Index	-5.01%	10.73%
Lehman Govt./Corp. Bond <sup>15</sup>	3.20%	6.97%
S&P 500 w/inc. <sup>1</sup>	-11.86%	15.42%

\*Not annualized.

is clear that the bull market we are describing is equally stealthy.

In his letter to shareholders in the 2000 annual report for Berkshire Hathaway famed investor Warren Buffett wrote that there are no bargains in the market currently. We are sympathetic to this point of view and believe that the stealth bull market described above explains this outcome. It also explains the higher than typical percentage of cash in the Fund. We do differ from Buffett in one respect. He writes that he is “content with what we own, but far from excited by it.” In the Oakmark Equity and Income Fund we are still reasonably excited by what we own, and reasonably excited is about all one can hope for from two 50-ish portfolio managers.

<i><b>Total Returns</b></i> <i>as of March 31, 2001</i>	
3 Months*	4.14%
6 Months*	8.96%
1 Year	19.54% <sup>6</sup>
*Not annualized.	
<i><b>Average Annual Total Returns</b></i> <i>as of March 31, 2001</i>	
3 Year	11.68%
5 Year	16.58%
Since inception	16.26%

### **TIPS**

No, we are not referring to the next hot stock idea. The most significant new position to enter the Equity and Income Fund portfolio in the quarter was our first ever commitment to Treasury Inflation Protection Securities, often referred to as “TIPS”. While other nations have issued inflation-indexed securities for many years, the US Treasury’s initial foray into this market occurred in 1997. TIPS carry coupons that are lower than traditional Treasury notes of comparable maturity, but these coupons represent real returns because the principal value of the notes is adjusted daily based on the rate of inflation (CPI) which was experienced over the preceding half year. Since the principal grows with inflation, the cash interest we receive from these notes is above and beyond the inflation rate in the US economy and is a “real” return on the Fund’s money.

### ***Highlights***

- The Fund returned 4.1% in the quarter ended March 31, which compares to a loss of 5.0% for the Lipper Balanced Fund Index.
- For the past six months, the Fund returned 9.0% versus –6.3% for the Lipper Index. We are happy that the Fund has performed well versus its peers, but even more pleased at the positive rate of return.
- A significant new position to the Fund’s portfolio is Treasury Inflation Protected Securities, or TIPS. TIPS carry coupons that are lower than traditional Treasury notes, but represent real returns because the principal value of the notes is adjusted daily based on the rate of inflation.

Why buy TIPS rather than traditional Treasury notes? One should favor TIPS if your expectation for CPI inflation is higher than that which is implied in the TIPS price. Subtracting the cash yield on TIPS from the yield on Treasury notes of similar maturity gives a reading on the market’s expectation for consumer prices. When we began to purchase TIPS for the Fund, Treasury notes and TIPS were priced on the assumption that inflation would average 1.7% for the next seven years, a meaningful decline from the 3.4% increase in the CPI in 2000. If inflation were to average more than 1.7% per year over the remaining life of the issue, then the return to the TIPS would exceed that of a similar maturity Treasury note.

In considering the investment in TIPS for the Fund, we are not making a macroeconomic “call.” We do not have an inflation forecast that guides us. Instead, we are merely trying to obtain something for free, a tactic which often helps us in our equity investing. In this case, we have obtained without cost the possibility that inflation merely continues on its historic path. The most negative environment for TIPS was the one which prevailed when the Fed was tightening monetary policy thereby pushing



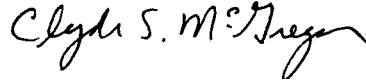
<b>Top Five Industries</b> <i>as of March 31, 2001</i>		
<i>Industries and % of Total Net Assets</i>	U.S. Government Notes	28.1%
	Medical Products	5.6%
	Retail	5.3%
	Computer Software	5.2%
	Information Services	5.0%

yields up and inflation expectations down. We do not expect those conditions to return soon.

In closing, we would like to welcome our new shareholders. You should know that the culture of Harris Associates demands that we managers eat our own cooking and that we make ourselves available to our shareholders who have entrusted us with their hard-earned money. We both have substantial proportions of our net worth invested in this

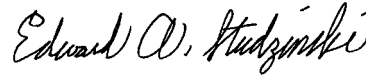
<b>Top Five Equity Holdings<sup>25</sup></b> <i>as of March 31, 2001</i>		
<i>Company and % of Total Net Assets</i>	The PMI Group, Inc.	3.0%
	UST Inc.	3.0%
	J.C.Penney Company, Inc.	3.0%
	The Reynolds and Reynolds Company, Class A	2.9%
	GATX Corporation	2.9%

fund and have additional assets committed to other funds in the Oakmark family. And, we welcome your e-mailed questions or comments at the addresses below.



**Clyde S. McGregor, CFA**

Portfolio Manager  
mcgregor@oakmark.com



**Edward A. Studzinski, CFA**

Portfolio Manager  
estudzinski@oakmark.com

April 4, 2001

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2001 (Unaudited)

	Shares Held	Market Value
<b>Equity and Equivalents—53.9%</b>		
<b>Food &amp; Beverage—3.0%</b>		
UST Inc.	160,300	\$ 4,817,015
<b>Retail—5.0%</b>		
J.C. Penney Company, Inc.	300,000	\$ 4,797,000
Office Depot, Inc. (a)	380,000	<u>3,325,000</u>
		8,122,000
<b>Household Products—1.2%</b>		
Energizer Holdings, Inc. (a)	80,000	\$ 2,000,000
<b>Other Consumer Goods &amp; Services—1.7%</b>		
H&R Block, Inc.	56,000	\$ 2,803,360
<b>Bank &amp; Thrifts—0.6%</b>		
Washington Mutual, Inc.	17,000	\$ 930,750
<b>Insurance—3.0%</b>		
The PMI Group, Inc.	75,000	\$ 4,873,500
<b>Other Financial—2.9%</b>		
GATX Corporation	110,000	\$ 4,670,600
<b>Marketing Services—2.6%</b>		
Harte-Hanks Incorporated	185,000	\$ 4,184,700
<b>Information Services—5.0%</b>		
NOVA Corporation (a)	245,000	\$ 4,517,800
Ceridian Corporation (a)	155,000	2,867,500
Equifax Inc.	25,000	<u>781,250</u>
		8,166,550
<b>Computer Services—1.5%</b>		
Electronic Data Systems Corporation	30,000	\$ 1,675,800
SunGard Data Systems Inc. (a)	15,000	<u>738,450</u>
		2,414,250
<b>Computer Software—5.2%</b>		
The Reynolds and Reynolds Company, Class A	245,000	\$ 4,716,250
Novell, Inc. (a)	750,000	<u>3,750,000</u>
		8,466,250

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Shares Held	Market Value
<b>Equity and Equivalents—53.9% (cont.)</b>		
<b>Telecommunications—2.7%</b>		
Telephone and Data Systems, Inc.	47,500	\$ 4,441,250
<b>TV Programming—0.5%</b>		
AT&T Corp. - Liberty Media Group, Class A (a)	60,000	\$ 840,000
<b>Pharmaceuticals—2.5%</b>		
Chiron Corporation (a)	92,500	\$ 4,058,438
<b>Medical Products—5.6%</b>		
Apogent Technologies Inc. (a)	200,000	\$ 4,048,000
Edwards Lifesciences Corporation (a)	175,000	3,430,000
Sybron Dental Specialties, Inc. (a)	76,666	1,609,986
		<u>9,087,986</u>
<b>Transportation Services—0.4%</b>		
Nordic American Tanker Shipping Limited	32,500	\$ 646,750
<b>Agricultural Equipment—1.3%</b>		
Alamo Group Inc.	141,900	\$ 2,029,170
<b>Instruments—2.3%</b>		
Rockwell International Corporation	100,000	\$ 3,635,000
<b>Real Estate—2.8%</b>		
Catellus Development Corporation (a)	265,728	\$ 4,185,216
The St. Joe Company	17,600	401,456
		<u>4,586,672</u>
<b>Diversified Conglomerates—4.1%</b>		
Viad Corp.	175,000	\$ 4,170,250
Textron, Inc.	42,000	2,387,280
		<u>6,557,530</u>
<b>Total Equity and Equivalents (Cost: \$78,956,882)</b>		<b>87,331,771</b>

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Par Value	Market Value
<b>Fixed Income—33.2%</b>		
<b>Preferred Stock—1.5%</b>		
<b>Bank &amp; Thrifts—1.1%</b>		
Pennfed Capital Trust, Preferred, 8.90%	27,500	\$ 718,437
BBC Capital Trust I, Preferred, 9.50%	30,000	705,000
Fidelity Capital Trust I, Preferred, 8.375%	43,500	424,125
		<u>1,847,562</u>
<b>Telecommunications—0.3%</b>		
MediaOne Finance Trust III, Preferred, 9.04%	20,000	\$ 518,000
<b>Real Estate—0.1%</b>		
Host Marriott Corporation, Preferred Class B, 10.00%	6,000	\$ 152,700
<b>Total Preferred Stock (Cost: \$2,400,072)</b>		<b>2,518,262</b>
<b>Corporate Bonds—1.1%</b>		
<b>Retail—0.3%</b>		
Ugly Duckling Corporation, 12.00% due 10/15/2003, Subordinated Debenture	650,000	\$ 513,500
<b>Building Materials &amp; Construction—0.4%</b>		
Juno Lighting, Inc., 11.875% due 7/1/2009, Senior Subordinated Note	750,000	\$ 690,000
<b>Utilities—0.4%</b>		
Midland Funding Corporation, 11.75% due 7/23/2005	500,000	\$ 558,125
<b>Total Corporate Bonds (Cost: \$1,777,076)</b>		<b>1,761,625</b>
<b>Government and Agency Securities—30.6%</b>		
<b>U.S. Government Notes—28.1%</b>		
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	\$19,885,140	\$ 20,096,420
United States Treasury Notes, 6.125% due 8/15/2007	5,000,000	5,353,515
United States Treasury Notes, 5.25% due 5/15/2004	5,000,000	5,117,480
United States Treasury Notes, 5.25% due 8/15/2003	5,000,000	5,107,545
United States Treasury Notes, 6.50% due 2/28/2002	5,000,000	5,102,380
United States Treasury Notes, 6.375% due 8/15/2002, Stripped Principal Payment	5,000,000	4,719,495
		<u>45,496,835</u>

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Par Value	Market Value
<b>Fixed Income—33.2% (cont.)</b>		
<b>U.S. Government Agencies—2.5%</b>		
Federal Home Loan Bank, 6.75% due 5/1/2002	\$2,000,000	\$ 2,046,460
Federal Home Loan Bank, 6.50% due 10/19/2001	1,000,000	1,009,700
Federal Home Loan Mortgage Corporation, 7.00% due 2/23/2016	1,000,000	998,938
		<u>4,055,098</u>
<b>Total Government and Agency Securities (Cost: \$48,953,951)</b>		<b>49,551,933</b>
<b>Total Fixed Income (Cost: \$53,131,099)</b>		<b>53,831,820</b>
<b>Short Term Investments—13.8%</b>		
<b>Commercial Paper—9.3%</b>		
American Express Credit Corporation, 4.98% - 5.15% due 4/2/2001 - 4/4/2001	\$6,000,000	\$ 6,000,000
Ford Motor Credit Corp., 4.80% due 4/3/2001	2,000,000	2,000,000
General Electric Capital Corporation, 5.35% due 4/2/2001	7,000,000	7,000,000
		<u>15,000,000</u>
<b>Total Commercial Paper (Cost: \$15,000,000)</b>		<b>15,000,000</b>
<b>Repurchase Agreements—4.5%</b>		
State Street Repurchase Agreement, 5.18% due 4/2/2001	\$7,328,000	\$ 7,328,000
<b>Total Repurchase Agreements (Cost: \$7,328,000)</b>		<b>7,328,000</b>
<b>Total Short Term Investments (Cost: \$22,328,000)</b>		<b>22,328,000</b>
Total Investments (Cost \$154,415,981)—100.9% (b)		\$ 163,491,591
Other Liabilities In Excess Of Other Assets—(0.9)%		<u>(1,534,525)</u>
<b>Total Net Assets—100%</b>		<b>\$ <u>161,957,066</u></b>

(a) Non-income producing security.

(b) At March 31, 2001, net unrealized appreciation of \$9,075,609, for federal income tax purposes, consisted of gross unrealized appreciation of \$11,052,368 and gross unrealized depreciation of \$1,976,759.

# THE OAKMARK GLOBAL FUND

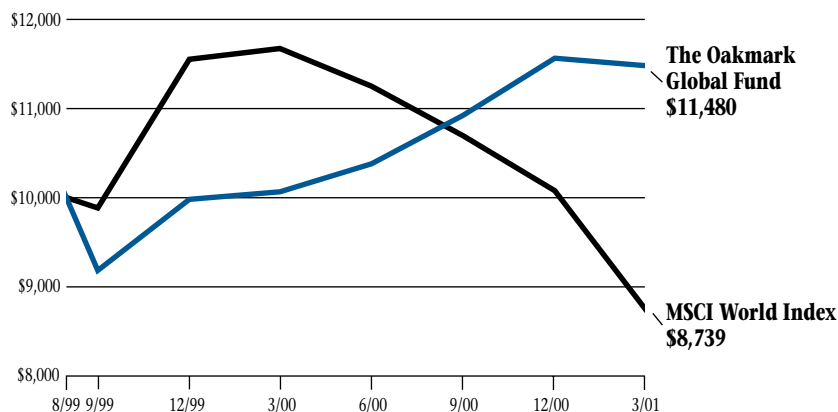
Report from Michael J. Welsh and Gregory L. Jackson, Portfolio Managers



## Fellow Shareholders,

The Oakmark Global Fund declined 0.7% for the three-month period ending March 31, 2001. While we are never satisfied when the Fund is even marginally down, this period the Fund's performance on a relative basis was very strong, as the MSCI World Index and the Lipper Global Fund Index both posted much more substantial losses of 12.9% and 12.3%, respectively.

## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (3/31/01) AS COMPARED TO THE MSCI WORLD INDEX<sup>17</sup>



From inception, the Oakmark Global Fund has achieved annualized returns of 8.6% compared to losses of 7.8% and 1.3% for the MSCI World Index and the Lipper Global Fund Index respectively.

Your Fund has weathered the extreme volatility in global equity markets well. We continue to believe that this volatility is good for long-term value investors as it results in greater gaps between business value and market value. In other words, the opportunity the market is currently providing would not be as abundant if share prices were more stable.

## A Short History Lesson

Your fund was launched in August of 1999, timed almost to the day of the parabolic surge upward of the NASDAQ<sup>6</sup> market. Given our style of investing and 20-20 hindsight, the timing could have been better. It was a period of unparalleled optimism and confidence in the global marketplace. Pundits claimed that the new technology-led paradigm was to transform the global economy. Stock market investors believed high rates of growth were sustainable into perpetuity and earnings and cash flow were unimportant.

There was no stronger reflection of this optimism than the technology filled indices such as the U.S.

3/31/01 NAV<sup>2</sup> \$11.23

	Total Return Last 3 months*	Average Annual Total Return <sup>3</sup> Through 3/31/01 From Fund Inception 8/4/99
The Oakmark Global Fund	-0.71%	8.62% <sup>18</sup>
MSCI World Index w/inc.	-12.85%	-7.76%
Lipper Global Fund Index <sup>19</sup>	-12.34%	-1.30%

\*Not annualized.

<i>Total Returns<sup>10</sup> as of March 31, 2001</i>	
3 Months*	-0.71%
6 Months*	5.11%
1 Year	14.11% <sup>18</sup>
*Not annualized	
<i>Average Annual Total Returns<sup>10</sup> as of March 31, 2001</i>	
3 Year	N/A
5 Year	N/A
Since inception	8.62% <sup>18</sup>

NASDAQ, Europe's EASDAQ, and Korea's KOSDAQ. These "new economy" indices soared to spectacular gains. In Germany, the Neu Market created a new avenue for young companies to access capital. Companies with short histories, limited float, and even more limited profitability sported market valuations in excess of some of the most entrenched and profitable "old economy" companies. Even in Japan, where economic fundamentals remained difficult, this segment of the stock market showed substantial gains. The quintessential Japanese "tech" stock was Hikari Tsushin, a cellular service retailer with a few internet investments which surged to a US\$68 billion market valuation at its peak (it's now worth less than 1% of that number).

No region of the world was immune from the mania. In Europe, given the relative lack of technology companies, investors clamored for any business that could be considered even a close substitute, such as telecommunications and media companies. Suddenly, former government owned telephone companies facing new competition were considered high growth technology companies. As with

other investment fads, the lure of generating huge gains in a short period of time pushed capital into "new economy" stocks, and the receding tide of money left the share prices of many quality businesses at undeserved discounts to value.

### *Highlights*

- Your Fund has weathered the extreme volatility in the global equity markets quite well. From inception Oakmark Global returned 8.6% compared to returns of -7.8% and -1.3% for the MSCI World Index and the Lipper Global Fund Index, respectively.
- For the 12 months ended March 31, 2001, the Fund returned 14.1% versus -25.1% for the MSCI World Index and -23.3% for the Lipper Global Index.
- A year ago, the collective amnesia regarding investment fundamentals started to fade, as share prices of legitimate businesses generating economic returns began to outperform those of over-hyped concepts.

As value investors, we viewed this moment as a tremendous opportunity to invest at bargain prices. Companies with long-term track records of profitable growth, able management, and competitive market positions were available at prices significantly below our view of intrinsic worth. Although troubling economic signs were on the horizon, valuations had completely detached from fundamentals, whether macro or microeconomic.

About a year ago, for a variety of reasons, this all began to change. The collective amnesia toward investment fundamentals started to fade. The share prices of legitimate businesses began to outperform those of over-hyped concepts. This change in sentiment is best shown in the strong investment results of your Fund. For the twelve months ended March 31, 2001, the Oakmark Global Fund was up 14.1%, compared with large declines of 25.1% and 23.3% in the MSCI World Index and in the Lipper Global Fund Index respectively.

### Philosophy and Discipline

For a value philosophy to be successful it must be implemented with discipline. We search for companies that are priced at a substantial discount to their true business value and are run by managers who think and act as owners. We base our investment decisions on our own intensive, independent, fundamental research. The portfolio is focused and is constructed and monitored with strict buy and sell targets and investments are made with a long-term horizon. This disciplined execution of our value philosophy has successfully preserved capital and generated superior investment returns over many market cycles.

We will continue to manage the portfolio using the same value discipline described above. We remain excited about the values in the portfolio and believe that over the long-term it will continue to provide superior investment returns. We thank you for your support.



**Michael J. Welsh, CFA, CPA**

Portfolio Manager  
102521.2142@compuserve.com



**Gregory L. Jackson**

Portfolio Manager  
gjackson@oakmark.com

April 5, 2001

### Top Five Industries as of March 31, 2001

<i>Industries and % of Total Net Assets</i>		
	Information Services	12.4%
	Educational Services	11.8%
	Computer Software	11.1%
	Food & Beverage	8.7%
	Other Consumer Goods and Services	6.1%

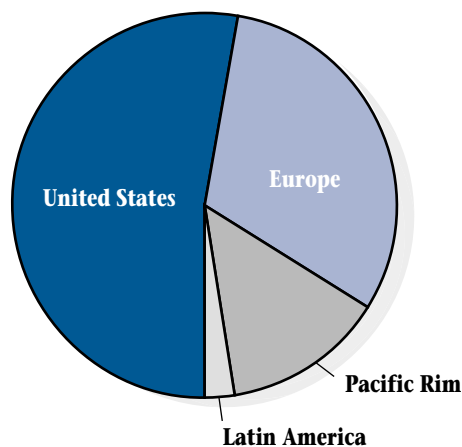
### Top Five Holdings<sup>25</sup> as of March 31, 2001

<i>Company and % of Total Net Assets</i>		
	ITT Educational Services, Inc.	9.5%
	Novell, Inc.	6.7%
	NOVA Corporation	6.2%
	The Reynolds and Reynolds Company, Class A	4.4%
	Somerfield plc	4.2%



# THE OAKMARK GLOBAL FUND

Global Diversification—March 31, 2001



	<b>% of Fund Net Assets</b>
<span style="display: inline-block; width: 15px; height: 15px; background-color: #0056b3; border: 1px solid black; margin-right: 5px;"></span> <b>United States</b>	<b>50.5%</b>
<span style="display: inline-block; width: 15px; height: 15px; background-color: #a6b8d9; border: 1px solid black; margin-right: 5px;"></span> <b>Europe</b>	<b>30.0%</b>
Great Britain	12.6%
* France	4.2%
* Italy	4.0%
* Netherlands	3.1%
* Finland	3.0%
* Germany	1.7%
Switzerland	1.4%

	<b>% of Fund Net Assets</b>
<span style="display: inline-block; width: 15px; height: 15px; background-color: #c0c0c0; border: 1px solid black; margin-right: 5px;"></span> <b>Pacific Rim</b>	<b>12.9%</b>
Korea	6.1%
Japan	3.4%
New Zealand	2.2%
Hong Kong	1.2%
<span style="display: inline-block; width: 15px; height: 15px; background-color: #d9d9d9; border: 1px solid black; margin-right: 5px;"></span> <b>Latin America</b>	<b>2.5%</b>
Panama	2.2%
Brazil	0.3%

\* Euro currency countries comprise 16.0% of the Fund.

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2001 (Unaudited)

Description	Shares Held	Market Value
<b>Common Stocks—94.8%</b>		
<b>Food &amp; Beverage—8.7%</b>		
Hite Brewery Co., Ltd. (Korea)	Brewer 43,000	\$ 1,421,488
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer 130,000	1,303,372
Lotte Chilsung Beverage Company (Korea)	Soft Drinks, Juices, & Sport Drinks Manufacturer 5,000	510,894
		<u>3,235,754</u>
<b>Apparel—1.2%</b>		
Fila Holding S.p.A. (Italy), (a)(b)	Athletic Footwear & Apparel 87,900	\$ 443,895
<b>Retail—5.9%</b>		
Somerfield plc (Great Britain)	Food Retailer 1,198,000	\$ 1,572,576
House of Fraser Plc (Great Britain)	Department Store 585,000	622,630
		<u>2,195,206</u>
<b>Household Products—3.1%</b>		
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer 44,800	\$ 1,166,553
<b>Other Consumer Goods &amp; Services—6.1%</b>		
H&R Block, Inc. (United States)	Financial Services Provider 18,000	901,080
Royal Doulton plc (Great Britain), (a)	Tableware & Giftware 1,110,000	850,608
Cendant Corporation (United States), (a)	Diversified Consumer & Business Services 35,000	510,650
		<u>2,262,338</u>
<b>Bank &amp; Thrifts—2.2%</b>		
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank 26,300	\$ 809,777
<b>Other Financial—1.7%</b>		
GATX Corporation (United States)	Transportation Financial Services 15,000	\$ 636,900
<b>Educational Services—11.8%</b>		
ITT Educational Services, Inc. (United States), (a)	Postsecondary Degree Programs 130,000	\$ 3,523,000

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
<b>Common Stocks—94.8% (cont.)</b>		
<b>Educational Services—11.8% (continued)</b>		
Learning Tree , International, Inc. (United States), (a)	Computer Related Education  42,500	  \$ 880,547 <u>4,403,547</u>
<b>Marketing Services—0.0%</b>		
Arbitron Inc. (United States)	Media & Marketing Research  300	  \$ 6,900
<b>Information Services—12.4%</b>		
NOVA Corporation (United States), (a)	Transaction Processing Services  125,000	  \$ 2,305,000
Ceridian Corporation (United States), (a)	Data Management Services  75,000	  1,387,500
Equifax Inc. (United States)	Consumer Credit Information  30,000	  <u>937,500</u> 4,630,000
<b>Computer Services—3.4%</b>		
Meitec Corporation (Japan)	Software Engineering Services  35,400	  \$ 1,255,019
<b>Computer Software—11.1%</b>		
Novell, Inc. (United States), (a)	Network & Internet Integration Software  500,000	  \$ 2,500,000
The Reynolds and Reynolds Company, Class A (United States)	Information Management Systems  85,000	  <u>1,636,250</u> 4,136,250
<b>Telecommunications—0.3%</b>		
Telemig Celular Participacoes S.A. (Brazil), (a)	Mobile Telecommunications  36,000,000	  \$ 123,623
<b>Printing—3.7%</b>		
Valassis Communications, Inc. (United States), (a)	Product Promotions Printer  47,000	  \$ 1,363,000
<b>Medical Products—2.1%</b>		
Edwards Lifesciences Corporation (United States), (a)	Respiratory Products  40,000	  \$ 784,000

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—94.8% (cont.)</b>		
<b>Automobiles—2.8%</b>		
Ducati Motor Holding S.p.A. (Italy), (a)	Motorcycle Manufacturer 610,000	\$ 1,038,354
<b>Machinery &amp; Industrial Processing—2.9%</b>		
Metso Oyj (Finland)	Paper & Pulp Machinery 124,000	\$ 1,101,736
<b>Building Materials &amp; Construction—2.2%</b>		
Fletcher Building Limited (New Zealand)	Buildings Material Manufacturer 882,186	\$ 818,307
<b>Chemicals—1.4%</b>		
Givaudan (Switzerland), (a)	Fragrance & Flavor Compound Manufacturer 2,100	\$ 530,068
<b>Production Equipment—1.7%</b>		
Krones AG (Germany)	Production Machinery Manufacturer 19,400	\$ 648,515
<b>Other Industrial Goods &amp; Services—5.1%</b>		
GFI Industries SA (France)	Industrial Fastener Manufacturer 31,500	\$ 839,630
Chargeurs SA (France)	Wool, Textile Production & Trading 9,900	720,237
Enodis plc (Great Britain)	Food Processing Equipment 224,700	349,164
		<u>1,909,031</u>
<b>Diversified Conglomerates—5.0%</b>		
Viad Corp. (United States)	Payment Services & Convention Organizer 45,000	\$ 1,072,350
First Pacific Company Limited (Hong Kong)	Diversified Operations 1,795,936	444,376
Tae Young Corporation (Korea)	Heavy Construction 16,900	<u>339,016</u>
		1,855,742
<b>Total Common Stocks (Cost: \$33,170,520)</b>		<b>35,354,515</b>
<b>Fixed Income—1.1%</b>		
<b>Corporate Bonds—1.1%</b>		
<b>Retail—1.1%</b>		
Ugly Duckling Corporation, Subordinated Debenture, 11.00% due 4/15/2007	\$ 555,000	\$ 388,500
<b>Total Corporate Bonds (Cost: \$400,338)</b>		<b>388,500</b>
<b>Total Fixed Income (Cost: \$400,338)</b>		<b>388,500</b>

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description	Par Value	Market Value
<b>Short Term Investments—4.1%</b>		
<b>Repurchase Agreements—4.1%</b>		
State Street Repurchase Agreement, 5.18% due 4/2/2001	\$1,544,000	\$ 1,544,000
<b>Total Repurchase Agreements (Cost: \$1,544,000)</b>		<b>1,544,000</b>
<b>Total Short Term Investments (Cost: \$1,544,000)</b>		<b>1,544,000</b>
Total Investments (Cost \$35,114,858)—100.0% (c)		\$ 37,287,015
Foreign Currencies (Proceeds \$3,038)—(0.0)%		\$ 2,877
Other Liabilities In Excess Of Other Assets—(0.0)% (d)		<u>(8,605)</u>
<b>Total Net Assets—100%</b>		<b><u>\$ 37,281,287</u></b>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) At March 31, 2001, net unrealized appreciation of \$2,171,995, for federal income tax purposes, consisted of gross unrealized appreciation of \$5,040,121 and gross unrealized depreciation of \$2,868,126.

(d) Includes transaction hedges.

# THE OAKMARK INTERNATIONAL FUND

Report from David G. Herro and Michael J. Welsh, Portfolio Managers



## Fellow Shareholders,

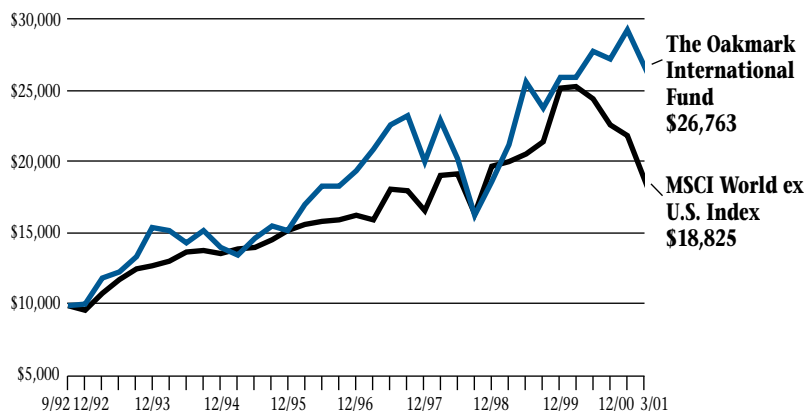
Your Fund declined 8.7% for the quarter ending March 31, 2001 comparing favorably to the MSCI World ex U.S. Index, which was down 14.0% and the Lipper International Fund Index, which was down 13.1%. More importantly, since inception, your Fund has returned an annual average of 12.3%, again comparing very favorably to returns of 7.7% and 9.3% for the MSCI World ex U.S. Index and the Lipper International Fund Index, respectively.

Global equity markets across the globe had a rough time in the first quarter. Fears of economic slowdown in the U.S. and the popping of the global tech bubble have taken their toll on investor confidence. However, we remain enthusiastic about the Fund's prospects.

## Why we are Bullish

The Oakmark International Fund is a value international fund. After a few years of being considered old fashioned and out of date, the markets now appear to be rediscovering investing fundamentals. As you have read on these pages year after year, we believe that a company's worth is solely dependent on the cash flow that its assets generate and how the excess cash is deployed. This type of intuitive thinking was ignored at the end of the 90's as investors sought ways to connect technological innovations with share prices in the stock market. As this occurred, people forgot that the purpose of a business enterprise was to make money and judged an investment opportunity not by its profit potential but by the sexiness of its business and the ascent of its stock chart. Thankfully, this type of thinking has come to a crashing halt. Investors are now

## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (3/31/01) COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>20</sup>



3/31/01 NAV<sup>2</sup> \$14.11

	Total Return Last 3 months*	Average Annual Total Return <sup>3</sup> Through 03/31/01 From Fund Inception 9/30/92
The Oakmark International Fund	-8.73%	12.27%
MSCI World ex U.S. Index w/inc.	-14.03%	7.72%
MSCI EAFE Index w/inc. <sup>21</sup>	-13.73%	7.57%
Lipper International Fund Index <sup>22</sup>	-13.05%	9.25%

\*Not annualized.

<i>Total Returns<sup>10</sup> as of March 31, 2001</i>	
3 Months*	-8.73%
6 Months*	-1.99%
1 Year	2.89%
*Not annualized	
<i>Average Annual Total Returns<sup>10</sup> as of March 31, 2001</i>	
3 Year	5.18%
5 Year	9.47%
Since inception	12.27%

### *Highlights*

- After a few years of being considered old fashioned, the markets now appear to be rediscovering investing fundamentals. Investors forgot that the purpose of a business enterprise was to make money and judged opportunity not by profit potential but by the sexiness of its business. Thankfully, this type of thinking has come to a crashing halt.
- Though fears of economic slowdown in the U.S. and the popping of the global tech bubble have taken their toll on investor confidence, we remain extremely enthusiastic about the Fund's prospects.
- Most major countries are moving at a good pace to institute liberalization policies that will have very favorable consequences for holders of stocks.

going back to basics, which will benefit the Fund as quality, growing, well-managed, undervalued businesses, the type we strive to own, continue to receive investor attention.

The second major factor that causes us to be so bullish is the rate of positive structural change in overseas markets, combined with low stock market prices for attractive businesses. "Structural change" includes but is not limited to policies that are advantageous to owners of capital. Whether it is tax and pension reform in Europe, shareholders rights' legislation in Brazil, a strong, clean corporate governance movement in South Korea or the break-up of cross-company shareholdings in Japan and Germany, the momentum towards better treatment of shareholders is moving in our favor. With the exception of Japan, most major countries are moving at a good pace to institute liberalized policies with anticipated favorable consequences for holders of stocks.

The combination of the return to fundamentals with the opportunities available in the overseas markets, lead us to believe this is an especially good time to be value investors in foreign stocks.

### **And then there is Japan....**

For many years we have under-weighted Japan in the Fund. When this Fund first started in 1992, Japan accounted for over 40% of the MS EAFE index and most of our peers had close to 40% in Japan and we either had a low or zero weighting. Now Japan represents slightly above 20% of the index and we still have difficulty finding

worthwhile companies in which to invest. Though, Japan now represents close to 7% of Fund assets, keep in mind that it is the second largest economy in the world. It is such a large market, we have two analysts, Rob Taylor and N. David Samra, spending a substantial amount of time analyzing Japanese prospects. Yet, we still can't find a lot of stocks to buy. The number one reason for this remains the same: it is **still** incredibly hard to find Japanese companies that are truly run for the benefit of their owners. Such things as maintaining face, refusing to lay off surplus labor, poor capital allocation, bad general expense management, and a general lack of interest in generating proper returns from their assets continue to plague Japanese companies. Because of this, the majority of companies over time destroy value rather than create it. We will pay NO PRICE for companies that behave in this way. We will keep watching closely for signs of change, but until legitimate movement occurs, it's probably a market which will remain underrepresented in the Fund.

<i>Top Five Industries as of March 31, 2001</i>		
<i>Industries and % of Total Net Assets</i>	Other Industrial Goods and Services	11.7%
	Food & Beverage	10.9%
	Banks and Thrifts	10.0%
	Publishing	7.5%
	Household Products	5.4%

<i>Top Five Holdings<sup>25</sup> as of March 31, 2001</i>		
<i>Company and % of Total Net Assets</i>	Somerfield plc	4.8%
	Hunter Douglas N.V.	4.0%
	Diageo plc	4.0%
	Metso Oyj	4.0%
	Enodis plc	3.5%

### **Last Words**

Though, as of this writing, global equity markets are in a bit of turmoil, we are convinced that we have a lot to offer our fellow shareholders. As value investors with strong past performance, we are enthusiastic about our medium and long-term prospects. As markets go through these periods, it is important to do what we do: stay focused on the prospects and the valuation of our underlying investments. As time passes and the storm fades away, one will look back and realize that this was an advantageous time to be putting money to work in foreign markets.



**David G. Herro, CFA**

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**Michael J. Welsh, CFA, CPA**

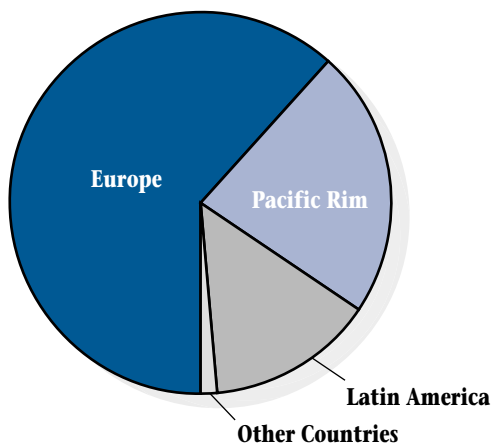
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April 5, 2001



# THE OAKMARK INTERNATIONAL FUND

International Diversification—March 31, 2001



	<b>% of Fund Net Assets</b>		<b>% of Fund Net Assets</b>
 <b>Europe</b>	<b>59.4%</b>	 <b>Pacific Rim</b>	<b>21.8%</b>
Great Britain	21.1%	Japan	6.6%
* France	7.8%	Korea	5.2%
* Netherlands	7.3%	Australia	3.9%
* Finland	6.8%	Singapore	3.1%
Sweden	6.0%	Hong Kong	3.0%
* Italy	3.0%		
Switzerland	2.6%	 <b>Latin America</b>	<b>13.7%</b>
* Ireland	2.6%	Mexico	5.2%
* Greece	0.9%	Brazil	3.6%
* Germany	0.8%	Panama	2.7%
* Austria	0.5%	Argentina	2.2%
		 <b>Other</b>	<b>1.3%</b>
		Canada	1.3%

\* Euro currency countries comprise 29.7% of the Fund.

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2001 (Unaudited)

Description	Shares Held	Market Value	
<b>Common Stocks—96.2%</b>			
<b>Food &amp; Beverage—10.9%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	3,104,000	\$ 31,120,521
Fomento Economico Mexicano, S.A. de C.V. (Mexico), (b)	Soft Drink & Beer Manufacturer	647,400	22,989,174
Quilmes Industrial S.A. (Argentina), (b)	Brewer	1,871,200	17,458,296
Lotte Chilsung Beverage Company (Korea), (d)	Soft Drinks, Juices, & Sport Drinks Manufacturer	93,000	9,502,630
Lotte Confectionery Co., Ltd. (Korea)	Confection Manufacturer	37,270	3,640,195
			<u>84,710,816</u>
<b>Apparel—3.8%</b>			
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	32,888,000	\$ 16,127,666
Fila Holding S.p.A. (Italy), (a)(b)(d)	Athletic Footwear & Apparel	2,636,800	13,315,840
			<u>29,443,506</u>
<b>Retail—4.8%</b>			
Somerfield plc (Great Britain), (d)	Food Retailer	28,617,000	\$ 37,564,605
<b>Household Products—5.4%</b>			
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	1,206,984	\$ 31,428,806
Reckitt Benckiser plc (Great Britain)	Household Cleaners & Air Fresheners	601,200	7,712,593
Kimberly-Clark de Mexico, S.A. de C.V., Class A (Mexico), (a)	Hygiene Products Manufacturer	1,182,000	3,345,988
			<u>42,487,387</u>
<b>Other Consumer Goods &amp; Services—0.7%</b>			
Shimano Inc. (Japan)	Bicycle Components Manufacturer	345,000	\$ 5,279,995
<b>Bank &amp; Thrifts—10.0%</b>			
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	688,100	\$ 21,186,599
Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Commercial Banking	796,000	16,238,400
BNP Paribas SA (France)	Commercial Banking	153,000	12,826,820

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
<b>Common Stocks—96.2% (cont.)</b>		
<b>Banks &amp; Thrifts—10.0% (continued)</b>		
Banca Popolare di Verona (Italy) Commercial Banking	965,700	\$ 9,854,506
Svenska Handelsbanken AB (Sweden) Commercial Banking	362,700	5,189,666
Kookmin Bank (Korea) Commercial Banking	430,000	4,393,689
United Overseas Bank Limited, Foreign Shares (Singapore) Commercial Banking	583,968	4,109,944
Bank of Ireland (Ireland) Commercial Banking	453,000	3,745,939
National Australia Bank Limited (Australia) Commercial Banking	65,000	907,842
		<u>78,453,405</u>
<b>Other Financial—2.9%</b>		
Daiwa Securities Group Inc. (Japan) Stock Broker	2,424,000	\$ 22,922,944
<b>Hotels &amp; Motels—2.5%</b>		
Mandarin Oriental International Limited (Singapore) Hotel Management	33,134,400	\$ 19,880,640
<b>Human Resources—0.7%</b>		
Michael Page International plc (Great Britain), (a) Recruitment Consultancy Services	2,000,000	\$ 5,108,760
<b>Computer Services—3.0%</b>		
Meitec Corporation (Japan) Software Engineering Services	667,200	\$ 23,653,919
<b>Telecommunications—3.1%</b>		
Telemig Celular Participacoes S.A. (Brazil), (a) Mobile Telecommunications	2,293,200,000	\$ 7,874,782
Panafon Hellenic Telecom S.A. (Greece) Mobile Telecommunications	1,231,000	6,627,415
SK Telecom Co., Ltd. (Korea) Mobile Telecommunications	45,370	6,237,949
Brasil Telecom Participacoes S.A. (Brazil), (a) Mobile Telecommunications	469,200,000	<u>3,763,116</u>
		24,503,262

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
<b>Common Stocks—96.2% (cont.)</b>		
<b>Broadcasting &amp; Cable TV—1.2%</b>		
Grupo Televisa S.A. (Mexico), (a)(c)	Television Production & Broadcasting	283,500 \$ 9,471,735
<b>Publishing—7.5%</b>		
John Fairfax Holdings Limited (Australia)	Newspaper Publisher	9,874,500 \$ 17,263,516
Independent News & Media PLC (Ireland)	Newspaper Publisher	7,234,400 16,228,462
Wolters Kluwer NV (Netherlands)	Reference Material Publisher	634,000 15,889,724
N.V. Holdingmaatschappij De Telegraaf (Netherlands)	Newspaper Publisher	595,100 <u>9,318,470</u>
		58,700,172
<b>Medical Products—2.5%</b>		
Gambro AB, Class A (Sweden)	Manufacturer of Dialysis Products	3,066,000 \$ 19,349,906
<b>Automotive—4.2%</b>		
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer	632,000 \$ 20,509,751
Autoliv, Inc (Sweden)	Automotive Safety Systems Manufacturer	611,700 9,341,856
Dongah Tire Industry Company (Korea), (d)	Innertube Manufacturer	166,290 <u>2,998,467</u>
		32,850,074
<b>Aerospace—2.7%</b>		
Rolls-Royce plc (Great Britain)	Aviation & Marine Power	6,814,702 \$ 21,106,397
<b>Airport Maintenance—1.1%</b>		
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a) (b)	Airport Operator	242,000 \$ 4,685,120
Flughafen Wien AG (Austria)	Airport Management & Operations	125,522 <u>4,184,983</u>
		8,870,103
<b>Airlines—0.3%</b>		
SAirGroup (Switzerland)	Airline Operator	19,000 \$ 1,943,524

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
<b>Common Stocks—96.2% (cont.)</b>		
<b>Machinery &amp; Industrial Processing—4.0%</b>		
Metso Oyj (Finland)	Paper & Pulp Machinery	3,480,600 \$ 30,925,031
<b>Building Materials &amp; Construction—1.8%</b>		
Kumkang Korea Chemical Co., Ltd. (Korea)	Building Materials	377,840 \$ 13,909,962
<b>Components—3.2%</b>		
IMI plc (Great Britain)	Components Manufacturer	5,140,000 \$ 18,344,847
Morgan Crucible Company plc (Great Britain)	Crucible & Components Manufacturer	1,556,000 <u>6,237,938</u>
		24,582,785
<b>Chemicals—4.0%</b>		
Givaudan (Switzerland), (a)	Fragrance & Flavor Compound Manufacturer	74,100 \$ 18,703,818
Nufarm Limited (Australia), (d)	Agricultural & Industrial Chemical Producer	10,381,415 <u>12,674,408</u>
		31,378,226
<b>Oil &amp; Natural Gas—0.3%</b>		
ISIS (France)	Oil Services	23,427 \$ 2,128,882
<b>Other Industrial Goods &amp; Services—11.7%</b>		
Enodis plc (Great Britain), (d)	Food Processing Equipment	17,494,500 \$ 27,184,956
Chargeurs SA (France), (d)	Wool, Textile Production & Trading	350,067 25,467,795
Kone Corporation, Class B (Finland)	Elevators	348,310 21,908,197
Tomkins plc (Great Britain)	Diversified Engineering	3,428,341 7,176,109
Buderus AG (Germany)	Industrial Manufacturing	327,820 6,459,786
FKI plc (Great Britain)	Industrial Manufacturing	1,236,315 <u>3,254,513</u>
		91,451,356
<b>Steel—1.6%</b>		
SSAB Svenskt Stal AB, Series A (Sweden)	Steel Producer	1,575,920 \$ 12,754,953

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—96.2% (cont.)</b>		
<b>Diversified Conglomerates—2.3%</b>		
Canadian Pacific Limited (Canada) Diversified Operations	286,700	\$ 10,425,620
First Pacific Company Limited (Hong Kong) Diversified Operations	31,087,934	7,692,221
		<u>18,117,841</u>
<b>Total Common Stocks (Cost: \$829,750,970)</b>		<b>751,550,186</b>
<b>Short Term Investments—3.8%</b>		
<b>Commercial Paper—2.0%</b>		
American Express Credit Corporation, 4.98% due 4/3/2001	\$ 5,000,000	\$ 5,000,000
General Electric Capital Corporation, 5.35% due 4/2/2001	10,000,000	<u>10,000,000</u>
<b>Total Commercial Paper (Cost: \$15,000,000)</b>		<b>15,000,000</b>
<b>Repurchase Agreements—1.8%</b>		
State Street Repurchase Agreement, 5.18% due 4/2/2001	\$14,158,000	\$ 14,158,000
<b>Total Repurchase Agreements (Cost: \$14,158,000)</b>		<b>14,158,000</b>
<b>Total Short Term Investments (Cost: \$29,158,000)</b>		<b>29,158,000</b>
Total Investments (Cost \$858,908,970)—100.0% (e)		\$ 780,708,186
Foreign Currencies (Proceeds \$277,993)—0.0%		\$ 277,679
Other Assets In Excess Of Other Liabilities—0.0% (f)		<u>4,500</u>
<b>Total Net Assets—100%</b>		<b>\$ 780,990,365</b>

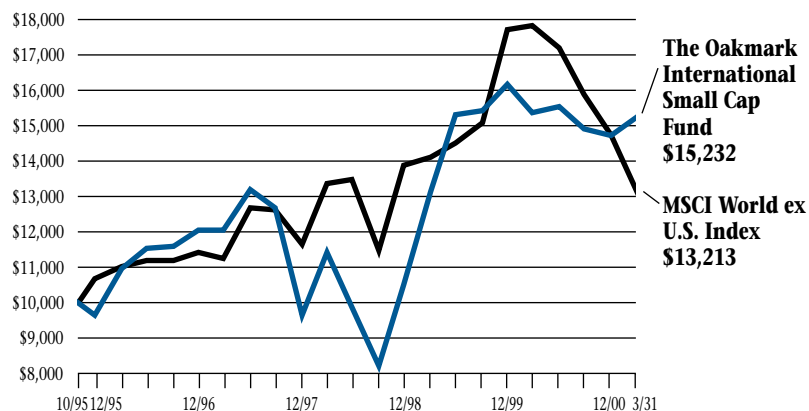
- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) Represents a Global Depository Receipt.
- (d) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.
- (e) At March 31, 2001, net unrealized depreciation of \$78,201,097, for federal income tax purposes, consisted of gross unrealized appreciation of \$80,478,825 and gross unrealized depreciation of \$158,679,922.
- (f) Includes transaction hedges.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

Report from David G. Herro and Michael J. Welsh, Portfolio Managers



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/01) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>20</sup>



3/31/01 NAV<sup>2</sup> \$10.89

	Total Return Last 3 months*	Average Annual Total Return <sup>3</sup> Through 3/31/01 From Fund Inception 11/1/95
The Oakmark International Small Cap Fund	3.22%	8.07%
MSCI World ex U.S. Index w/inc.	-14.03%	5.28%
Lipper International Small Cap Fund Average <sup>23</sup>	-13.74%	11.66%
Micropal Equity International Small Cap Index <sup>24</sup>	-13.92%	10.75%

\*Not annualized.

### Fellow Shareholders,

The Oakmark International Small Cap Fund had an excellent quarter ending March 31, 2001. Your fund returned 3.2% compared to a decline in the Lipper International Small Cap Average of 13.7% and a decline in the MSCI World ex U.S. Index of 14.0%. Since inception, Oakmark International Small Cap has returned 8.1% annually compared to 11.7% and 5.3% average annual returns for the Lipper and Morgan Stanley indices, respectively. We are especially proud of our recent performance given the fact that very few global equity investment vehicles achieved positive results during this period. Given the opportunities we see in the international small cap sector, we remain optimistic about the Fund's prospects.

### Where have all the Billboards Gone?

I usually commute to work via a brisk 20-minute walk to our offices in Chicago's business district known as "The Loop". I remember last summer passing one billboard after another advertising a different dot.com service. Whether it was jobs, travel, personal shopping, or toys, most of these billboards pitched a web site of some dot.com company. Knowing these prime billboards rent for a king's ransom, I often wondered how such fledgling businesses could afford such expensive advertising. I wondered how long it would be before dot.coms gave way to more traditional and economically sound advertisers. Well, my wait is over. Gone are the dot.coms and back are the ads selling television shows and beer.

Of course, this story has deeper meaning than the changing landscape of LaSalle Street in Chicago. Those dot.com companies financed

their advertising by selling shares, not by earning profits. During the height of the tech craze days, these companies wildly peddled their goods in national and local papers, billboards and even on the Super Bowl. Advertising and media companies were the huge beneficiaries of the way these companies burned through the money they continually raised in the stock market.

Outside the US technology companies are generally more scarce and of lower quality, so in some ways the overseas bubble was even more pronounced. Any company with a technology connection, no matter how tenuous, was awarded a rich valuation. While technology shares were besieged with speculator interest, small, well-run, undervalued foreign stocks were shunned. The valuations of these businesses were flattened as assets shifted out of stable, high quality but “boring” companies.

<i>Total Returns<sup>10</sup> as of March 31, 2001</i>	
3 Months*	3.22%
6 Months*	2.18%
1 Year	-1.01%
*Not annualized	
<i>Average Annual Total Returns<sup>10</sup> as of March 31, 2001</i>	
3 Year	10.04%
5 Year	6.78%
Since inception	8.07%

Thankfully, and very beneficially for holders of foreign small companies, this trend is over. We continue to see the return of investor interest in quality foreign small cap companies. As mentioned in a previous quarterly letter about private equity, M & A activity continues to heat up as bottom fishers are trying to make their mark before prices rise too quickly. This quarter, the Fund had one of its larger positions, Anglian Group in the UK, taken over by a private equity group at a hefty premium to the market price. We have since sold the position for a large profit (kudos to analyst Dan O’Keefe!). All of this spells opportunity as international small caps, and value investing, return to favor.

### *Highlights*

- Your Fund returned 3.2% for the quarter versus the Lipper International Small Cap Average’s return of -13.7%, and a return of -14.0% for the MSCI World ex U.S. Index.
- Outside the U.S., in general, technology companies are more scarce and of lower quality, so in some ways the overseas bubble was even worse—causing even higher valuations on any company with a technology connection, no matter how tenuous.
- Merger and acquisition activity continues to heat up as bottom fishers are trying to make their mark before prices rise too quickly.

### **The Land of Investment Opportunity**

It has been a few years since the Asian economic crisis ended. In its wake, there has been one, real star reformer: South Korea. Currently, The Oakmark International Small Cap Fund has close to 8% of its assets there because not only are there plenty of undervalued companies that are soundly managed, but strong change is transforming South Korea into a far more investor friendly place. While we have previously written about this transformation, we felt compelled to highlight it again because of the abundant opportunity.

South Korea is one of the top ten economies of the world. Its work force is highly educated and productive and its fiscal finances are in order. Before the crisis, crony capitalism and “Japanese style” industrial planning were the order of the day. Today, South Korea is starting to transform itself into a transparent, open economy. As an example, when there is a relapse, the likes of Jang Ha Sung spring into action. Professor Jang is South Korea’s leading shareholder rights activist with a devoted following, who has not been shy about hectoring (and enraging) backsliding managements when things are not right. He is an important watchdog for minority shareholders that believe Korea cannot progress until the old-style “chaebol” way of doing business is discredited. We view his



<b>Top Five Industries</b> <i>as of March 31, 2001</i>		
<i>Industries and % of Total Net Assets</i>	Retail	11.9%
	Food & Beverage	9.3%
	Diversified Conglomerates	7.8%
	Airport Maintenance	6.1%
	Building Materials and Construction	5.3%

presence and the fact that he has been somewhat successful as an extremely positive sign.

It will continue to be a battle, and there are still some warts. The government, whose reform effort has generally been outstanding, has had occasional lapses. It recently agreed to invest some pension money in the market in hopes of stopping plunging equity prices and at times has propped up businesses that should have been allowed go under. Hyundai Engineering is the latest, though at least the equity holders, including the founding family, will be wiped out in a debt-for-equity swap. New incidents of management misbehavior continue to appear, but they are no longer greeted with a mere shrug of a shoulder as in the past.

<b>Top Five Holdings<sup>25</sup></b> <i>as of March 31, 2001</i>		
<i>Company and % of Total Net Assets</i>	Jarvis Hotels plc	4.2%
	Ducati Motor Holding S.p.A.	3.7%
	Hite Brewery Co., Ltd.	3.7%
	GFI Industries SA	3.6%
	Royal Doulton plc	3.4%

Prior to the reforms, the lack of transparency in corporate Korea and the influence of overly-powerful family shareholders polluted the investment environment. Today, because of people like President Kim Dae Jung and Professor Jang, the investment environment has vastly improved. Combine this with current compelling equity valuations and we can see great medium and long-term investment potential. If only Japan would follow suit!

### **A Pleasant Future**

With opportunities in places like South Korea and the state of depressed stock prices of foreign small cap companies, we remain hopeful about future prospects. Though global markets are still experiencing turbulence, the many attractions of international small cap investing give us confidence in the Fund's future prospects.



**David G. Herro, CFA**

Portfolio Manager  
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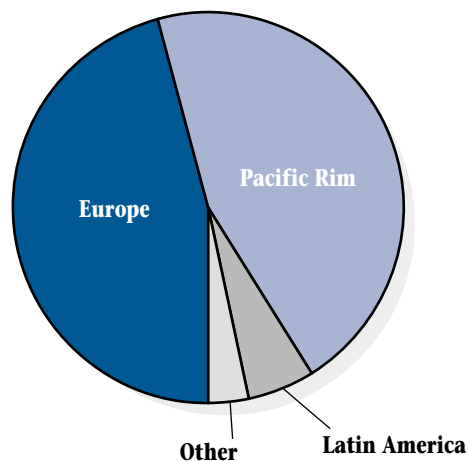
**Michael J. Welsh, CFA, CPA**

Portfolio Manager  
102521.2142@compuserve.com

April 5, 2001

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—March 31, 2001



	<u>% of Fund Net Assets</u>		<u>% of Fund Net Assets</u>
<span style="display: inline-block; width: 15px; height: 15px; background-color: #0056b3; border: 1px solid black; margin-right: 5px;"></span> <b>Europe</b>	<b>43.5%</b>	<span style="display: inline-block; width: 15px; height: 15px; background-color: #a6b8d9; border: 1px solid black; margin-right: 5px;"></span> <b>Pacific Rim</b>	<b>42.9%</b>
Great Britain	15.1%	Japan	9.4%
* France	8.0%	Hong Kong	9.2%
* Italy	5.5%	Korea	7.9%
* Austria	3.1%	New Zealand	5.1%
* Finland	2.7%	Singapore	5.0%
* Ireland	2.1%	Australia	2.7%
* Netherlands	1.8%	Thailand	2.1%
* Belgium	1.6%	Philippines	1.5%
Sweden	1.2%	<span style="display: inline-block; width: 15px; height: 15px; background-color: #808080; border: 1px solid black; margin-right: 5px;"></span> <b>Latin America</b>	<b>5.3%</b>
* Germany	1.0%	Mexico	4.6%
Switzerland	0.9%	Brazil	0.7%
Denmark	0.5%	<span style="display: inline-block; width: 15px; height: 15px; background-color: #d3d3d3; border: 1px solid black; margin-right: 5px;"></span> <b>Other</b>	<b>3.1%</b>
		Bermuda	3.1%

\* Euro currency countries comprise 25.8% of the Fund.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2001 (Unaudited)

Description	Shares Held	Market Value
<b>Common Stocks—94.8%</b>		
<b>Food &amp; Beverage—9.3%</b>		
Hite Brewery Co., Ltd. (Korea)	Brewer 106,600	\$ 3,523,967
Grupo Continental, S.A. (Mexico)	Soft Drink Manufacturer 1,469,000	2,010,292
Mikuni Coca-Cola Bottling Co., Ltd. (Japan)	Soft Drink Manufacturer 192,000	1,934,990
Alaska Milk Corporation (Philippines)	Milk Producer 44,894,000	1,468,517
		<u>8,937,766</u>
<b>Apparel—2.1%</b>		
Kingmaker Footwear Holdings Limited (Hong Kong)	Athletic Footwear Manufacturer 11,000,000	\$ 2,030,756
<b>Retail—11.9%</b>		
House of Fraser Plc (Great Britain)	Department Store 2,272,000	\$ 2,418,146
Carpetright plc (Great Britain)	Carpet Retailer 189,000	1,666,924
Dickson Concepts (International) Limited (Hong Kong)	Jewelry Wholesaler & Retailer 4,233,500	1,465,433
Denny's Japan Co., Ltd. (Japan)	Restaurant Chain 88,000	1,311,026
York-Benimaru Co., Ltd. (Japan)	Supermarket Chain 53,100	1,264,890
MFI Furniture Group plc (Great Britain)	Household Furniture Retailer 658,000	905,755
Harvey Nichols plc (Great Britain)	High Fashion Clothing Retailer 356,400	885,093
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores 6,996,000	843,102
Dairy Farm International Holdings Limited (Singapore)	Supermarket Chain 1,637,100	769,437
		<u>11,529,806</u>

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

	Description	Shares Held	Market Value
<b>Common Stocks—94.8% (cont.)</b>			
<b>Office Equipment—2.5%</b>			
Neopost SA (France), (a)	Mailroom Equipment Supplier	105,600	\$ 2,415,305
<b>Other Consumer Goods &amp; Services—4.9%</b>			
Royal Doulton plc (Great Britain), (a)(c)	Tableware & Giftware	4,287,000	\$ 3,285,188
Il Shin Spinning Company (Korea)	Fabric & Yarn Manufacturer	54,200	<u>1,415,064</u>
			4,700,252
<b>Insurance—2.0%</b>			
IPC Holdings, Ltd. (Bermuda)	Reinsurance Provider	87,700	\$ 1,962,287
<b>Other Financial—4.3%</b>			
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	614,000	\$ 2,455,608
JCG Holdings Ltd. (Hong Kong)	Consumer Finance	3,321,000	<u>1,703,066</u>
			4,158,674
<b>Hotels &amp; Motels—4.2%</b>			
Jarvis Hotels plc (Great Britain)	Hotel Operator	2,684,000	\$ 4,018,352
<b>Human Resources—3.4%</b>			
United Services Group NV (Netherlands)	Temporary Staffing Services	98,300	\$ 1,790,023
Creyf's NV (Belgium)	Temporary Staffing Services	68,000	<u>1,525,400</u>
			3,315,423
<b>Marketing Services—2.2%</b>			
Asatsu-DK Inc. (Japan)	Advertising Services Provider	97,500	\$ 2,159,417
<b>Telecommunications—0.7%</b>			
Telemig Celular Participacoes S.A. (Brazil), (a)	Mobile Telecommunications	190,000,000	\$ 652,454
<b>Broadcasting &amp; Cable TV—0.0%</b>			
ABS-CBN Broadcasting Corporation (Philippines)	Television & Broadcasting Operator	5,000	\$ 4,392

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
<b>Common Stocks—94.8% (cont.)</b>		
<b>Publishing—4.3%</b>		
Matichon Public Company Limited, Foreign Shares (Thailand), (c)	Newspaper Publisher 2,039,500	\$ 2,016,167
VLT AB, Class B (Sweden)	Newspaper Publisher 153,450	1,205,008
Edipresse S.A. (Switzerland)	Newspaper & Magazine Publisher 2,760	<u>887,526</u>
		4,108,701
<b>Printing—1.6%</b>		
Hung Hing Printing Group Limited (Hong Kong)	Printing Company 4,198,000	\$ 1,587,695
<b>Automotive—0.6%</b>		
Dongah Tire Industry Company (Korea)	Innertube Manufacturer 34,400	\$ 620,285
<b>Automobiles—3.7%</b>		
Ducati Motor Holding S.p.A. (Italy), (a)	Motorcycle Manufacturer 2,094,000	\$ 3,564,448
<b>Transportation Services—4.1%</b>		
DelGro Corporation Limited (Singapore)	Bus, Taxi, & Car Leasing 680,000	\$ 2,204,489
Mainfreight Limited (New Zealand), (c)	Logistics Services 3,993,551	<u>1,755,553</u>
		3,960,042
<b>Airport Maintenance—6.1%</b>		
Flughafen Wien AG (Austria)	Airport Management & Operations 89,300	\$ 2,977,319
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a)(b)	Airport Operator 124,900	2,418,064
Kobenhavns Lufthavne A/S (Copnehenagen Airports A/S) (Denmark)	Airport Management & Operations 5,700	<u>483,697</u>
		5,879,080

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description		Shares Held	Market Value
<b>Common Stocks—94.8% (cont.)</b>			
<b>Instruments—1.8%</b>			
Rotork plc (Great Britain)	Industrial Controls & Instruments Supplier	182,000	\$ 848,437
Halma plc (Great Britain)	Detection Systems Producer	335,000	613,264
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	11,200	270,948
			<u>1,732,649</u>
<b>Machinery &amp; Industrial Processing—1.3%</b>			
ASM Pacific Technology Limited (Hong Kong)	Semiconductor Machinery	755,000	\$ 1,268,005
<b>Building Materials &amp; Construction—5.3%</b>			
Fletcher Building Limited (New Zealand)	Buildings Material Manufacturer	3,392,000	3,146,385
Grafton Group plc (Ireland)	Building Materials Distributor	72,300	2,003,473
			<u>5,149,858</u>
<b>Chemicals—2.4%</b>			
Kemira Oyj (Finland)	Chemicals	413,400	\$ 2,309,292
<b>Production Equipment—4.7%</b>			
NSC Groupe (France)	Textile Equipment Manufacturer	19,843	\$ 1,790,974
Interpump Group Spa (Italy)	Pump and Piston Manufacturer	483,000	1,780,311
Krones AG (Germany)	Production Machinery Manufacturer	29,300	979,458
			<u>4,550,743</u>
<b>Other Industrial Goods &amp; Services—3.6%</b>			
GFI Industries SA (France)	Industrial Fastener Manufacturer	131,000	\$ 3,491,794

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2001 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—94.8% (cont.)</b>		
<b>Diversified Conglomerates—7.8%</b>		
Pacific Dunlop Limited (Australia)	Diversified Manufacture 4,176,626	2,569,966
Tae Young Corporation (Korea)	Heavy Construction 106,600	2,138,407
Haw Par Corporation Ltd. (Singapore)	Healthcare & Leisure Products 903,000	1,831,521
Jardine Strategic Holdings Limited (Bermuda)	Diversified Operations 340,700	991,437
		7,531,331
<b>Total Common Stocks (Cost: \$99,502,118)</b>		<b>91,638,807</b>
<b>Short Term Investments—6.2%</b>		
<b>Commercial Paper—3.1%</b>		
General Electric Capital Corporation, 5.35% due 4/2/2001	\$3,000,000	\$ 3,000,000
<b>Total Commercial Paper (Cost: \$3,000,000)</b>		<b>3,000,000</b>
<b>Repurchase Agreements—3.1%</b>		
State Street Repurchase Agreement, 5.18% due 4/2/2001	\$2,999,000	\$ 2,999,000
<b>Total Repurchase Agreements (Cost: \$2,999,000)</b>		<b>2,999,000</b>
<b>Total Short Term Investments (Cost: \$5,999,000)</b>		<b>5,999,000</b>
Total Investments (Cost \$105,501,118)—101.0% (d)		\$ 97,637,807
Foreign Currencies (Proceeds \$17,788)—0.0%		17,756
Other Liabilities In Excess Of Other Assets—(1.0)% (e)		(972,595)
<b>Total Net Assets—100%</b>		<b>\$ 96,682,968</b>

(a) Non-income producing security.

(b) Represents an American Depository Receipt

(c) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.

(d) At March 31, 2001, net unrealized depreciation of \$7,863,342, for federal income tax purposes, consisted of gross unrealized appreciation of \$8,992,152 and gross unrealized depreciation of \$16,855,494.

(e) Includes transaction hedges.

# THE OAKMARK FAMILY OF FUNDS

## Statement of Assets and Liabilities—March 31, 2001

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<b>Assets</b>			
Investments, at value	\$ 2,536,452,993 (cost: 2,149,564,896)	\$ 3,027,294,878 (cost: 2,393,335,725)	\$ 231,096,184 (cost: 243,000,237)
Cash	329	733	91
Foreign currency, at value	0	0	0
Receivable for:			
Securities sold	0	49,357,331	0
Fund shares sold	3,183,526	17,344,066	706,758
Dividends and interest	3,906,294	2,439,216	66,738
Total receivables	7,089,820	69,140,613	773,496
Other Assets	158,764	30,237	19,628
Total assets	<u>\$ 2,543,701,906</u>	<u>\$ 3,096,466,461</u>	<u>\$ 231,889,399</u>
<b>Liabilities and Net Assets</b>			
Payable for:			
Securities purchased	0	5,188,000	311,897
Fund shares redeemed	13,436,832	864,294	196,170
Other	1,196,822	1,054,779	241,584
Total liabilities	14,633,654	7,107,073	749,651
Net assets applicable to fund shares outstanding	<u>\$ 2,529,068,252</u>	<u>\$ 3,089,359,388</u>	<u>\$ 231,139,748</u>
Fund shares outstanding	<u>78,535,599</u>	<u>128,826,996</u>	<u>16,052,790</u>
<b>Price of Shares</b>			
Net Asset Value Per Share—Class I	\$ 32.20	\$ 23.98	\$ 14.40
Net Asset Value Per Share—Class II		\$ 23.93	
<b>Analysis of Net Assets</b>			
Paid in capital	\$ 2,444,680,064	\$ 2,514,658,315	\$ 233,881,901
Accumulated undistributed net realized gain (loss) on sale of investments, forward contracts and foreign currency exchange transactions	(311,896,235)	(63,495,258)	9,161,900
Net unrealized appreciation (depreciation) of investments	386,888,097	633,959,153	(11,904,053)
Net unrealized appreciation (depreciation) of foreign currency portfolio hedges	0	0	0
Net unrealized appreciation (depreciation)—other	0	0	0
Accumulated undistributed net investment income (loss)	9,396,326	4,237,178	0
Net assets applicable to Fund shares outstanding	<u>\$ 2,529,068,252</u>	<u>\$ 3,089,359,388</u>	<u>\$ 231,139,748</u>
<b>Price of Shares</b>			
Net asset value per share: Class I	\$ 32.20	\$ 23.98	\$ 14.40
Class I—Net assets	\$ 2,529,068,252	\$ 3,071,077,878	\$ 231,139,748
Class I—Shares outstanding	78,535,599	128,063,078	16,052,790
Net asset value per share: Class II		\$ 23.93	
Class II—Net assets		\$ 18,281,510	
Class II Shares outstanding		763,918	



The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 163,491,591 (cost: 154,415,981) 527 0  146,857 1,499,969 630,088 <u>2,276,914</u> 1,246 <u>\$ 165,770,278</u>	\$ 37,287,015 (cost: 35,114,858) 6,744 2,877  509,505 134,773 165,111 <u>809,389</u> 10,731 <u>\$ 38,116,756</u>	\$ 780,708,187 (cost: 858,908,970) 10 277,679  5,335,677 2,569,134 5,578,036 <u>13,482,847</u> 73,168 <u>\$ 794,541,891</u>	\$ 97,637,807 (cost: 105,501,118) 66 17,756  239,631 536,042 515,459 <u>1,291,132</u> 4,148 <u>\$ 98,950,909</u>
3,580,205 97,577 <u>135,430</u> <u>3,813,212</u> <u>\$ 161,957,066</u> <u>9,746,837</u>	713,712 9,935 <u>111,822</u> <u>835,469</u> <u>\$ 37,281,287</u> <u>3,319,320</u>	11,625,907 581,051 <u>1,344,568</u> <u>13,551,526</u> <u>\$ 780,990,365</u> <u>55,362,092</u>	2,006,810 24,586 <u>236,545</u> <u>2,267,941</u> <u>\$ 96,682,968</u> <u>8,880,841</u>
\$ 16.62 \$ 16.59	\$ 11.23	\$ 14.11 \$ 14.09	\$ 10.89 \$ 10.88
\$ 149,481,144  2,120,439 9,075,609  0 0 <u>1,279,874</u> <u>\$ 161,957,066</u>	\$ 34,557,334  553,573 2,171,995  0 (1,615) <u>0</u> <u>\$ 37,281,287</u>	\$ 849,740,013  6,413,814 (78,201,097)  0 (134,487) <u>3,172,122</u> <u>\$ 780,990,365</u>	\$ 102,934,939  1,057,339 (7,863,342)  0 (16,820) <u>570,852</u> <u>\$ 96,682,968</u>
\$ 16.62 \$ 161,067,857 9,693,246 \$ 16.59 \$ 889,209 53,591	\$ 11.23 \$ 37,281,287 3,319,320	\$ 14.11 \$ 780,800,105 55,348,590 \$ 14.09 \$ 190,261 13,503	\$ 10.89 \$ 96,652,444 8,878,035 \$ 10.88 \$ 30,524 2,806

# THE OAKMARK FAMILY OF FUNDS

## Statement of Operations—March 31, 2001

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<b>Investment Income:</b>			
Dividends	\$ 16,798,660	\$ 10,973,290	\$ 763,911
Interest Income	5,817,029	5,981,985	410,080
Other Income	405,714	250	0
Foreign taxes withheld	0	0	0
Total investment income	23,021,403	16,955,525	1,173,991
<b>Expenses:</b>			
Investment advisory fee	11,101,319	10,314,809	1,128,445
Transfer and dividend disbursing agent fees	942,655	556,789	138,369
Other shareholder servicing fees	368,380	763,187	51,170
Service Fee—Class II	0	12,017	0
Reports to shareholders	359,500	260,202	50,100
Custody and accounting fees	134,392	138,144	33,704
Registration and blue sky expenses	61,470	259,840	14,957
Trustee fees	92,063	63,886	29,805
Legal fees	18,228	17,681	6,569
Audit fees	12,210	10,177	10,176
Other	115,000	116,204	16,940
Total expenses	13,205,217	12,512,936	1,480,235
Expense reimbursement			0
Expense offset arrangements	(7,114)	(7,609)	(1,072)
Net expenses	13,198,103	12,505,327	1,479,163
Net Investment Income (loss):	9,823,300	4,450,198	(305,172)
<b>Net realized and unrealized gain (loss) on investments and foreign currency transactions:</b>			
Net realized gain (loss) on investments	47,001,766	(62,842,619)	9,261,621
Net realized gain (loss) on foreign currency transactions	0	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	355,524,610	446,744,173	(15,410,934)
Net change in appreciation (depreciation) of forward currency exchange contracts	0	0	0
Net change in appreciation (depreciation)—other	0	0	0
Net realized and unrealized gain (loss) on investments and foreign currency transactions:	402,526,376	383,901,554	(6,149,313)
Net increase (decrease) in net assets resulting from operations	\$ 412,349,676	\$ 388,351,752	\$ (6,454,485)

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 645,087	\$ 314,880	\$ 10,647,143	\$ 1,314,597
1,141,069	69,145	980,406	110,895
1,544	0	0	0
22,297	(37,810)	(1,323,139)	(205,364)
<u>1,809,997</u>	<u>346,215</u>	<u>10,304,410</u>	<u>1,220,128</u>
288,377	148,597	4,001,164	554,521
34,133	23,306	273,918	58,841
16,811	2,506	205,502	18,453
751	0	169	18
10,010	9,100	160,405	18,200
35,674	32,146	436,543	91,970
32,720	30,411	29,695	15,191
23,505	22,665	43,407	24,479
5,144	4,904	10,073	5,154
10,177	12,271	13,253	12,210
9,572	4,193	44,344	9,840
466,874	290,099	5,218,473	808,877
(34,960)	(20,200)		
(43)	(238)	(1,791)	(689)
<u>431,871</u>	<u>269,661</u>	<u>5,216,682</u>	<u>808,188</u>
1,378,126	76,554	5,087,728	411,940
2,086,298	674,807	7,912,605	1,268,875
(518)	85,631	2,746,119	671,822
2,168,174	(161,412)	(33,800,440)	(552,884)
0	(76,462)	(2,048,003)	(289,441)
0	(100)	45,753	8,866
<u>4,253,954</u>	<u>522,464</u>	<u>(25,143,966)</u>	<u>1,107,238</u>
<u>\$ 5,632,080</u>	<u>\$ 599,018</u>	<u>\$ (20,056,238)</u>	<u>\$ 1,519,178</u>

# THE OAKMARK FAMILY OF FUNDS

## Statement of Changes in Net Assets—March 31, 2001

	The Oakmark Fund	
	Period Ended March 31, 2001	Year Ended September 30, 2000
<b>From Operations:</b>		
Net investment income	\$ 9,823,300	\$ 39,618,068
Net realized gain (loss) on sale of investments	47,001,766	(358,898,002)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>355,524,610</u>	<u>(135,635,885)</u>
<b>Net increase (decrease) in net assets from operations</b>	<b>412,349,676</b>	<b>(454,915,819)</b>
<b>Distribution to shareholders from (1):</b>		
Net investment income	(28,565,025)	(32,700,105)
Net realized short-term gain	0	(100,782,239)
Net realized long-term gain	<u>0</u>	<u>(487,248,675)</u>
<b>Total distributions to shareholders</b>	<b>(28,565,025)</b>	<b>(620,731,019)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold	496,942,654	290,642,873
Reinvestment of dividends and capital gain distributions	27,793,631	603,462,527
Payments for shares redeemed, net of fees	<u>(418,181,491)</u>	<u>(2,552,562,124)</u>
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b><u>106,554,794</u></b>	<b><u>(1,658,456,724)</u></b>
<b>Total increase (decrease) in net assets</b>	<b>490,339,445</b>	<b>(2,734,103,562)</b>
<b>Net assets:</b>		
Beginning of period	<u>2,038,728,807</u>	<u>4,772,832,369</u>
End of period	<u>\$ 2,529,068,252</u>	<u>\$ 2,038,728,807</u>
Undistributed net investment income	<u>\$ 9,396,326</u>	<u>\$ 38,561,304</u>
<b>(1) Distributions per share:</b>		
Net investment income	\$ 0.3872	\$ 0.2632
Net realized short-term gain	0	0.8111
Net realized long-term gain	<u>0</u>	<u>3.9217</u>
<b>Total distributions to shareholders</b>	<b><u>\$ 0.3872</u></b>	<b><u>\$ 4.9960</u></b>

## The Oakmark Select Fund

	Period Ended March 31, 2001	Year Ended September 30, 2000
<b>From Operations:</b>		
Net investment income	\$ 4,450,198	\$ 12,054,873
Net realized gain (loss) on sale of investments	(62,842,619)	161,052,611
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>446,744,173</u>	<u>159,978,754</u>
<b>Net increase (decrease) in net assets from operations</b>	<b>388,351,752</b>	<b>333,086,238</b>
<b>Distribution to shareholders from (1):</b>		
Net investment income — Class I	(7,393,194)	(14,709,648)
Net investment income — Class II	(21,607)	0
Net realized short-term gain	(23,966,532)	(8,341,169)
Net realized long-term gain	<u>(93,493,183)</u>	<u>(268,872,301)</u>
<b>Total distributions to shareholders</b>	<b>(124,874,516)</b>	<b>(291,923,118)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	1,085,904,181	628,490,960
Proceeds from shares sold — Class II	11,850,186	7,021,801
Reinvestment of dividends and capital gain distributions	121,465,765	287,179,516
Payments for shares redeemed, net of fees — Class I	(170,421,864)	(823,014,435)
Payments for shares redeemed, net of fees — Class II	<u>(1,652,590)</u>	<u>(1,013,300)</u>
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b><u>1,047,145,678</u></b>	<b><u>98,664,542</u></b>
<b>Total increase (decrease) in net assets</b>	<b>1,310,622,914</b>	<b>139,827,662</b>
<b>Net assets:</b>		
Beginning of period	<u>1,778,736,474</u>	<u>1,638,908,812</u>
End of period	<b><u>\$ 3,089,359,388</u></b>	<b><u>\$ 1,778,736,474</u></b>
Undistributed net investment income	<u>\$ 4,237,178</u>	<u>\$ 8,584,306</u>
<b>(1) Distributions per share — Class I:</b>		
Net investment income	\$ 0.0861	\$ 0.1972
Net realized short-term gain	0.2779	0.1118
Net realized long-term gain	<u>1.0832</u>	<u>3.6040</u>
<b>Total distributions to shareholders</b>	<b><u>\$ 1.4472</u></b>	<b><u>\$ 3.9130</u></b>
<b>Distributions per share — Class II:</b>		
Net investment income	\$ 0.0593	
Net realized short-term gain	0.2667	
Net realized long-term gain	<u>1.0732</u>	
<b>Total distributions to shareholders</b>	<b><u>\$ 1.3992</u></b>	

# THE OAKMARK FAMILY OF FUNDS

## Statement of Changes in Net Assets—March 31, 2001 cont.

	The Oakmark Small Cap Fund	
	Period Ended March 31, 2001	Year Ended September 30, 2000
<b>From Operations:</b>		
Net investment income (loss)	\$ (305,172)	\$ (1,173,696)
Net realized gain (loss) on sale of investments	9,261,621	25,233,378
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>(15,410,934)</u>	<u>(12,748,906)</u>
<b>Net increase (decrease) in net assets from operations</b>	<b>(6,454,485)</b>	<b>11,310,776</b>
<b>Distribution to shareholders from (1):</b>		
Net investment income	0	0
Net realized short-term gain	0	0
Net realized long-term gain	<u>(8,165,107)</u>	<u>0</u>
<b>Total distributions to shareholders</b>	<b>(8,165,107)</b>	<b>0</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold	45,640,929	51,615,294
Reinvestment of dividends and capital gain distributions	8,045,937	0
Payments for shares redeemed, net of fees	<u>(56,631,138)</u>	<u>(251,361,737)</u>
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b>(2,944,272)</b>	<b>(199,746,443)</b>
<b>Total increase (decrease) in net assets</b>	<b>(17,563,864)</b>	<b>(188,435,667)</b>
<b>Net assets:</b>		
Beginning of period	<u>248,703,612</u>	<u>437,139,279</u>
End of period	<u>\$ 231,139,748</u>	<u>\$ 248,703,612</u>
Undistributed net investment income	<u>\$ 0</u>	<u>\$ 0</u>
<b>(1) Distributions per share:</b>		
Net investment income	\$ 0	\$ 0
Net realized short-term gain	0	0
Net realized long-term gain	<u>0.5102</u>	<u>0</u>
<b>Total distributions to shareholders</b>	<b>\$ 0.5102</b>	<b>\$ 0</b>

## The Oakmark Equity and Income Fund

	Period Ended March 31, 2001	Year Ended September 30, 2000
<b>From Operations:</b>		
Net investment income	\$ 1,378,126	\$ 1,666,618
Net realized gain (loss) on sale of investments	2,086,298	4,310,645
Net realized gain (loss) on foreign currency transactions	(518)	(645)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	2,168,174	3,084,969
Net change in unrealized appreciation (depreciation)—other	0	159
<b>Net increase (decrease) in net assets from operations</b>	<b>5,632,080</b>	<b>9,061,746</b>
<b>Distribution to shareholders from (1):</b>		
Net investment income — Class I	(897,529)	(1,718,499)
Net investment income — Class II	(7,433)	0
Net realized short-term gain	0	0
Net realized long-term gain	(3,733,470)	(5,192,802)
<b>Total distributions to shareholders</b>	<b>(4,638,432)</b>	<b>(6,911,301)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	137,311,176	11,520,117
Proceeds from shares sold — Class II	407,339	418,255
Reinvestment of dividends and capital gain distributions	4,457,698	6,650,712
Payments for shares redeemed, net of fees — Class I	(36,133,030)	(26,121,233)
Payments for shares redeemed, net of fees — Class II	(15,602)	(50)
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b>106,027,581</b>	<b>(7,532,199)</b>
<b>Total increase (decrease) in net assets</b>	<b>107,021,229</b>	<b>(5,381,754)</b>
<b>Net assets:</b>		
Beginning of period	54,935,837	60,317,591
End of period	<u>\$161,957,066</u>	<u>\$ 54,935,837</u>
Undistributed net investment income	<u>\$ 1,279,874</u>	<u>\$ 1,007,663</u>
<b>(1) Distributions per share — Class I:</b>		
Net investment income	\$ 0.2427	\$ 0.4509
Net realized short-term gain	0	0
Net realized long-term gain	1.0013	1.3625
<b>Total distributions to shareholders</b>	<b>\$ 1.2440</b>	<b>\$ 1.8134</b>
<b>Distributions per share — Class II:</b>		
Net investment income	\$ 0.2368	
Net realized short-term gain	0	
Net realized long-term gain	0.9967	
<b>Total distributions to shareholders</b>	<b>\$ 1.2335</b>	

# THE OAKMARK FAMILY OF FUNDS

## Statement of Changes in Net Assets—March 31, 2001 cont.

	The Oakmark Global Fund	
	Period Ended March 31, 2001	Year Ended September 30, 2000
<b>From Operations:</b>		
Net investment income	\$ 76,554	\$ 146,742
Net realized gain (loss) on sale of investments	674,807	96,088
Net realized gain (loss) on foreign currency transactions	85,631	132,840
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(161,412)	4,122,450
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	(76,462)	81,181
Net change in unrealized appreciation (depreciation)—other	(100)	(1,568)
<b>Net increase (decrease) in net assets from operations</b>	<b>599,018</b>	<b>4,577,733</b>
<b>Distribution to shareholders from (1):</b>		
Net investment income	(435,138)	(29,834)
Net realized short-term gain	(92,927)	0
Net realized long-term gain	(37,007)	0
<b>Total distributions to shareholders</b>	<b>(565,072)</b>	<b>(29,834)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold	15,749,046	12,896,002
Reinvestment of dividends and capital gain distributions	560,498	28,883
Payments for shares redeemed, net of fees	(6,289,442)	(14,198,899)
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b>10,020,102</b>	<b>(1,274,014)</b>
<b>Total increase (decrease) in net assets</b>	<b>10,054,048</b>	<b>3,273,885</b>
<b>Net assets:</b>		
Beginning of period	27,227,239	23,953,354
End of period	<u>\$37,281,287</u>	<u>\$ 27,227,239</u>
Undistributed net investment income	<u>\$ 0</u>	<u>\$ 280,910</u>
<b>(1) Distributions per share:</b>		
Net investment income	\$ 0.1742	\$ 0.0098
Net realized short-term gain	0.0372	0
Net realized long-term gain	0.0145	0
<b>Total distributions to shareholders</b>	<u>\$ 0.2259</u>	<u>\$ 0.0098</u>



## The Oakmark International Fund

	Period Ended March 31, 2001	Year Ended September 30, 2000
<b>From Operations:</b>		
Net investment income	\$ 5,087,728	\$ 14,664,615
Net realized gain (loss) on sale of investments	7,912,605	60,562,992
Net realized gain (loss) on foreign currency transactions	2,746,119	10,609,055
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(33,800,440)	13,902,115
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	(2,048,003)	2,556,178
Net change in unrealized appreciation (depreciation)—other	<u>45,753</u>	<u>(111,145)</u>
<b>Net increase (decrease) in net assets from operations</b>	<u>(20,056,238)</u>	<u>102,183,810</u>
<b>Distribution to shareholders from (1):</b>		
Net investment income — Class I	(24,851,611)	(27,231,383)
Net investment income — Class II	(3,245)	(1,053)
Net realized short-term gain	(16,422,539)	0
Net realized long-term gain	<u>(8,281,127)</u>	<u>0</u>
<b>Total distributions to shareholders</b>	<u>(49,558,522)</u>	<u>(27,232,436)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	125,885,443	172,133,473
Proceeds from shares sold — Class II	121,312	143,284
Reinvestment of dividends and capital gain distributions	47,893,259	26,258,587
Payments for shares redeemed, net of fees — Class I	(105,790,680)	(302,066,042)
Payments for shares redeemed, net of fees — Class II	<u>(18,175)</u>	<u>(48,697)</u>
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<u>68,091,159</u>	<u>(103,579,395)</u>
<b>Total increase (decrease) in net assets</b>	<u>(1,523,601)</u>	<u>(28,628,021)</u>
<b>Net assets:</b>		
Beginning of period	<u>782,513,966</u>	<u>811,141,987</u>
End of period	<u>\$ 780,990,365</u>	<u>\$ 782,513,966</u>
Undistributed net investment income	<u>\$ 3,172,122</u>	<u>\$ 24,309,333</u>
<b>(1) Distributions per share — Class I:</b>		
Net investment income	\$ 0.5074	\$ 0.4861
Net realized short-term gain	0.3353	0
Net realized long-term gain	<u>0.1690</u>	<u>0</u>
<b>Total distributions to shareholders</b>	<u>\$ 1.0117</u>	<u>\$ 0.4861</u>
<b>Distributions per share — Class II:</b>		
Net investment income	\$ 0.4869	
Net realized short-term gain	0.3217	
Net realized long-term gain	<u>0.1621</u>	
<b>Total distributions to shareholders</b>	<u>\$ 0.9707</u>	

# THE OAKMARK FAMILY OF FUNDS

## Statement of Changes in Net Assets—March 31, 2001 cont.

	The Oakmark International Small Cap Fund	
	Period Ended March 31, 2001	Year Ended September 30, 2000
<b>From Operations:</b>		
Net investment income	\$ 411,940	\$ 2,268,614
Net realized gain (loss) on sale of investments	1,268,875	4,863,798
Net realized gain (loss) on foreign currency transactions	671,822	991,046
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(552,884)	(13,182,275)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	(289,441)	281,817
Net change in unrealized appreciation (depreciation)—other	8,866	(28,709)
<b>Net increase (decrease) in net assets from operations</b>	<b>1,519,178</b>	<b>(4,805,709)</b>
<b>Distribution to shareholders from (1):</b>		
Net investment income	(2,566,081)	(1,252,257)
Net realized short-term gain	0	(3,278,736)
Net realized long-term gain	(3,663,066)	(3,226,904)
<b>Total distributions to shareholders</b>	<b>(6,229,147)</b>	<b>(7,757,897)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	20,628,332	39,669,014
Proceeds from shares sold — Class II	29,972	
Reinvestment of dividends and capital gain distributions	6,071,794	7,637,609
Payments for shares redeemed, net of fees	(15,682,944)	(99,763,438)
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b>11,047,154</b>	<b>(52,456,815)</b>
<b>Total increase (decrease) in net assets</b>	<b>6,337,185</b>	<b>(65,020,421)</b>
<b>Net assets:</b>		
Beginning of period	90,345,783	155,366,203
End of period	<u>\$ 96,682,968</u>	<u>\$ 90,345,782</u>
Undistributed net investment income	<u>\$ 570,852</u>	<u>\$ 2,967,277</u>
<b>(1) Distributions per share:</b>		
Net investment income	\$ 0.3402	\$ 0.1135
Net realized short-term gain	0	0.2972
Net realized long-term gain	0.4853	0.2923
<b>Total distributions to shareholders</b>	<u>\$ 0.8255</u>	<u>\$ 0.7030</u>

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements

### 1. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of The Oakmark Fund ("Oakmark"), The Oakmark Select Fund ("Select"), The Oakmark Small Cap Fund ("Small Cap"), The Oakmark Equity and Income Fund ("Equity and Income"), The Oakmark Global Fund ("Global"), The Oakmark International Fund ("International"), and The Oakmark International Small Cap Fund ("Int'l Small Cap") collectively referred to as "the Funds", each a series of the Harris Associates Investment Trust (a Massachusetts business trust). These policies are in conformity with accounting principles generally accepted in the United States ("GAAP"). The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### Class Disclosure—

Each Fund offers two classes of shares: Class I Shares and Class II Shares. Class I Shares are offered to the general public. Class II Shares are offered to certain retirement plans such as 401(k) and profit sharing plans. Class II Shares pay a service fee at the annual rate of .25% of average net assets of Class II Shares of the Fund. This service fee is paid to an administrator for performing the services associated with the administration of such retirement plans.

Expenses of the Funds that are not directly attributable to a specific class of shares are prorated among the classes based on the relative net assets of each class. Expenses directly attributable to a class of shares are recorded to the specific class. At this time, expenses directly attributable to each class are transfer agent fees, service fees and other shareholder servicing fees.

#### Security valuation—

Investments are stated at market value. Securities traded on securities exchanges and securities traded on the NASDAQ National Market are valued at the last sales price on the day of valuation, or if lacking any reported sales that day, at the most recent bid quotation. Over-the-counter securities not so traded are valued at the most recent bid quotation. Money market instruments having a maturity of 60 days or less from the date of valuation are valued on an amortized cost basis which approximates market value. Securities for which quotations are not readily available are valued at a fair value as determined by the Pricing Committees appointed by the Board of Trustees.

#### Foreign currency translations—

Values of investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the mean of the bid and offer prices of such currencies at the time of valuation. Purchases and sales of investments and dividend and interest income

are converted at the prevailing rate of exchange on the respective dates of such transactions.

The Funds do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized gain or loss from investments.

Net realized gains on foreign currency transactions arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Funds' books, and the U.S. dollar equivalent of the amounts actually received or paid, and the realized gains or losses resulting from the portfolio and transaction hedges.

At March 31, 2001, only the Global, International and Int'l Small Cap Funds had foreign currency transactions. Net unrealized appreciation (depreciation)-other includes the following components:

	Global	International	Int'l Small Cap
Unrealized appreciation (depreciation) on dividends and dividend reclaims receivable	\$(1,844)	\$(133,291)	\$(15,495)
Unrealized appreciation (depreciation) on open securities purchases and sales	0	17,103	9,919
Unrealized appreciation (depreciation) on transaction hedge purchases and sales	25	(29,532)	(13,110)
Unrealized appreciation (depreciation) on tax expense payable	204	11,233	1,866
Net Unrealized Appreciation (Depreciation) - Other	<u>\$(1,615)</u>	<u>\$(134,487)</u>	<u>\$(16,820)</u>

#### Security transactions and investment income—

Security transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date. Interest income and expenses are recorded on the accrual basis.

Fund shares are sold and redeemed on a continuing basis at net asset value. Net asset value per share is determined daily as of the close of regular trading on the New York Stock Exchange on each day the

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (cont.)

Exchange is open for trading by dividing the total value of the Fund's investments and other assets, less liabilities, by the number of Fund shares outstanding.

### Forward foreign currency contracts—

At March 31, 2001, Global, International and Int'l Small Cap had entered into forward foreign currency contracts under which they are obligated to exchange currencies at specified future dates. The Funds'

currency transactions are limited to transaction hedging and portfolio hedging involving either specific transactions or portfolio positions.

The contractual amounts of forward foreign exchange contracts do not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. Risks arise from the possible inability of counter parties to meet the terms of their contracts and from movements in currency values.

The Global Fund had the following outstanding contracts at March 31, 2001:

### Transaction Hedges: Foreign Currency Sales—

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 2001
\$2,901	3,270 Euro Currency	April 2001	\$25
			<u>\$25</u>

The International Fund had the following outstanding contracts at March 31, 2001:

### Transaction Hedges: Foreign Currency Purchases—

US Dollar Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 2001
\$ 996,762	1,127,353 Euro Currency	April 2001	\$ (2,029)
328,471	372,754 Euro Currency	April 2001	(559)
4,527,495	3,150,000 Pound Sterling	April 2001	(57,330)
505,313	352,454 Pound Sterling	April 2001	(5,146)
1,495,003	1,042,759 Pound Sterling	April 2001	(15,224)
1,191,148	12,376,027 Swedish Krona	April 2001	1,320
1,664,986	17,299,204 Swedish Krona	April 2001	1,845
776,177	8,040,419 Swedish Krona	April 2001	(1,459)
222,552	2,305,418 Swedish Krona	April 2001	(418)
			<u>\$(79,000)</u>

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (cont.)

### Transaction Hedges: Foreign Currency Sales—

US Dollar Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 2001
\$ 912,101	1,026,910 Euro Currency	April 2001	\$ 8,729
2,145,922	1,495,416 Pound Sterling	April 2001	23,777
1,672,929	1,166,861 Pound Sterling	April 2001	17,036
567,488	399,950 Pound Sterling	April 2001	(80)
86,705	676,255 Hong Kong Dollar	April 2001	6
			<u>\$49,468</u>

The Int'l Small Cap Fund had the following outstanding contracts at March 31, 2001:

### Transaction Hedges: Foreign Currency Purchases—

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 2001
\$ 496,298	1,002,216 Australian Dollar	April 2001	\$ (6,865)
369,303	637,972 Swiss Franc	April 2001	(1,650)
201,221	140,980 Pound Sterling	April 2001	(1,156)
26,528	206,906 Hong Kong Dollar	April 2001	(2)
345,927	2,698,059 Hong Kong Dollar	April 2001	(24)
8,882	69,279 Hong Kong Dollar	April 2001	0
294,397	36,187,230 Japanese Yen	April 2001	(6,098)
			<u>\$(15,795)</u>

### Transaction Hedges: Foreign Currency Sales—

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 2001
\$ 242,316	168,861 Pound Sterling	April 2001	<u>\$2,685</u>
			<u>\$2,685</u>

## Notes to Financial Statements (cont.)

At March 31, 2001, Global, International and Int'l Small Cap Funds each had sufficient cash and/or securities to cover any commitments under these contracts.

### Federal income taxes, dividends and distributions to shareholders—

No provision is made for Federal income taxes. The Funds elect to be taxed as "regulated investment companies" and make such distributions to their shareholders as to be relieved of all Federal income taxes under provisions of current Federal tax law.

Income dividends and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. To the extent these tax and book differences are permanent in nature, such amounts are reclassified among paid in capital, undistributed net investment income and undistributed net realized gain (loss) on investments. These differences are primarily related to foreign currency transactions, deferral of losses on wash sales, and character of capital loss carryforwards. The Funds also utilize earnings and profits distributed to shareholders on redemption of shares as a part of the dividends paid deduction for income tax purposes.

### Bank Loans—

The Funds have an unsecured line of credit with a syndication of banks. It is a committed line of \$250 million. Borrowings under this arrangement bear interest at .45% above the Federal Funds Effective Rate. As of March 31, 2001, there were no outstanding borrowings.

### Accounting for Options—

When the Fund writes an option, the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current market value of the option written. Premiums received from writing options, which expire unexercised, are recorded by the Fund on the expiration date as realized gains from option transactions. The difference between the premium and the amount paid on effecting a closing purchase transaction including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or a loss. If a put option is exercised, the premium reduces the cost basis of the security or currency purchased by the Fund. In writing an option, the Fund bears the market risk of an unfavorable change in the price of the security or currency underlying the written option. Exercise of an option written by the Fund could result in the Fund selling or buying a security or currency at a price different from the current market value.

During the six-months ended March 31, 2001, Small Cap wrote option contracts.

## 2. TRANSACTIONS WITH AFFILIATES

Each fund has an investment advisory agreement with Harris Associates L.P. (Adviser). For management services and facilities furnished, the Funds pay the Adviser monthly fees at annual rates as follows. Oakmark pays 1% on the first \$2 billion of net assets, .90% on the next \$1 billion of net assets, .80% on the next \$2 billion of net assets, and .75% on the excess of \$5 billion of net assets. Select pays 1% on the first \$1 billion of net assets, .95% on the next \$500 million of net assets, .90% on the next \$500 million of net assets, .85% on the next \$500 million of net assets, .80% on the next \$2.5 million of net assets, and .75% on the excess of \$5 billion of net assets. Small Cap pays 1.00% of net assets. Equity and Income pays .75% of net assets. Global pays 1.00% of net assets. International pays 1% on the first \$2 billion of net assets, .95% on the next \$1 billion of net assets, and .85% on the excess of \$3 billion of net assets. Int'l Small Cap pays 1.25% on the first \$500 million and 1.10% on the excess of \$500 million of net assets. Each fee is calculated on the total net assets as determined at the end of each preceding calendar month. The Adviser has voluntarily agreed to reimburse the Funds to the extent that annual expenses, excluding certain expenses, for Class I shares exceed 1.5% for domestic funds, 2.0% for international funds, 1.75% for the Global Fund and 1.0% for the Equity and Income Fund or, for Class II shares, exceed 1.75% for domestic funds, 2.25% for international funds, 2% for the Global Fund and 1.25% for the Equity & Income Fund.

In connection with the organization of the Funds, expenses of approximately \$3,500 were advanced to Select by the Adviser. These expenses are being amortized on a straight line basis through October, 2001.

During the six months ended March 31, 2001, the Funds incurred brokerage commissions of \$2,450,724, \$2,384,816, \$256,184, \$169,968, \$91,010, \$1,681,904, and \$215,996 of which \$909,864, \$676,789, \$64,132, \$91,473, \$22,842, \$0, and \$0 were paid by Oakmark, Select, Small Cap, Equity and Income, Global, International and Int'l Small Cap, respectively, to an affiliate of the Adviser.

The Funds' Trustees may participate in a Deferred Compensation Plan which may be terminated at any time. The obligations of the Plan are paid solely out of the assets of the Funds.

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (cont.)

### 3. FUND SHARE TRANSACTIONS

Proceeds and payments on Fund shares as shown in the Statement of Changes in Net Assets are in respect of the following number of shares (in thousands):

	Six Months Ended March 31, 2001						
	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Shares sold	15,667	47,646	3,084	8,318	1,344	8,306	1,890
Shares issued in reinvestment of dividends	993	5,908	585	293	53	3,303	588
Less shares redeemed	(13,784)	(7,658)	(4,085)	(2,194)	(573)	(7,061)	(1,450)
Net increase (decrease) in shares outstanding	<u>2,876</u>	<u>45,896</u>	<u>(416)</u>	<u>6,417</u>	<u>824</u>	<u>4,548</u>	<u>1,028</u>

	Twelve Months Ended September 30, 2000						
	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Shares sold	11,007	32,899	3,743	784	1,361	11,609	3,311
Shares issued in reinvestment of dividends	21,629	15,744	0	463	3	1,899	656
Less shares redeemed	(95,833)	(44,043)	(18,761)	(1,763)	(1,477)	(20,847)	(8,406)
Net increase (decrease) in shares outstanding	<u>(63,197)</u>	<u>(4,600)</u>	<u>(15,018)</u>	<u>(516)</u>	<u>(113)</u>	<u>(7,339)</u>	<u>(4,439)</u>

### 4. INVESTMENT TRANSACTIONS

Transactions in investment securities (excluding short term securities) were as follows (in thousands):

	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Purchases	\$720,136	\$1,109,160	\$40,377	\$123,716	\$20,214	\$302,675	\$33,675
Proceeds from sales	\$614,600	\$348,767	\$60,814	\$40,464	\$11,149	\$273,770	\$28,257

Transactions in options written by Small Cap during the six months ended March 31, 2001 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2000	\$ 210	\$ 64,578
Options written	4,250	428,173
Options terminated in closing purchase transactions	(2,000)	(67,502)
Options expired	(2,460)	(425,249)
Options exercised	0	0
Options outstanding at March 31, 2001	<u>\$ 0</u>	<u>\$ 0</u>

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (cont.)

### 5. TRANSACTIONS IN SECURITIES OF AFFILIATED ISSUERS

Affiliated issuers, as defined under the Investment Company Act of 1940, are those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of the Fund's transactions in the securities of these issuers during the six months ended March 31, 2001 is set forth below:

#### Summary of Transactions with Affiliated Companies The Oakmark Select Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2001
The Reynolds and Reynolds Company, Class A	\$ 0	\$ 0	\$ 657,767	\$115,109,225
TOTALS	\$ 0	\$ 0	\$ 657,767	\$115,109,225

#### Summary of Transactions with Affiliated Companies The Oakmark Small Cap Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2001
Department 56	\$ 1,635,914	\$ 60,478	\$ 0	\$ 5,785,000
R.G. Barry Corporation	91,220	0	0	2,227,500
Sames Corporation	0	0	0	2,209,000
TOTALS	\$ 1,727,134	\$ 60,478	\$ 0	\$ 10,221,500

#### Summary of Transactions with Affiliated Companies The Oakmark International Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2001
Chargeurs SA	\$ 0	\$ 4,647,299	\$ 0	\$ 25,467,795
Dongah Tire Industry Company	0	0	130,117	2,998,467
Enodis plc	24,662,985	0	1,325,669	27,184,956
Fila Holding S.P.A.	378,190	0	0	13,315,840
Lotte Chilsung Beverage Company	422,181	0	61,854	9,502,630
Nufarm Limited	0	0	597,528	12,674,408
Somerfield plc	0	13,465,067	0	37,564,605
TOTALS	\$25,463,356	\$18,112,366	\$2,115,168	\$128,708,701

#### Summary of Transactions with Affiliated Companies The Oakmark International Small Cap Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2001
Royal Doulton plc	\$ 444,480	\$ 378,841	\$ 0	\$ 3,285,188
Mainfreight Limited	0	196,511	59,600	1,755,553
Matichon Public Company Limited, Foreign Shares	0	0	0	2,016,167
TOTALS	\$ 444,480	\$ 575,352	\$ 59,600	\$ 7,056,908



# THE OAKMARK FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended	Year Ended	Year Ended	Year Ended	Eleven Months	Year Ended October 31,					Period
	March 31,	September 30,	September 30,	September 30,	Ended	1996	1995	1994	1993	1992	Ended
	2001	2000	1999	1998	September 30,						October 31,
					1997(d)						1991(a)
Net Asset Value, Beginning of Period	\$ 26.95	\$ 34.37	\$ 33.54	\$ 41.21	\$ 32.39	\$ 28.47	\$ 25.21	\$ 24.18	\$ 17.11	\$ 12.10	\$10.00
Income From Investment Operations:											
Net Investment Income (Loss)	0.00	0.48	0.36	0.47	0.36	0.34	0.30	0.27	0.17	(0.03)	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	5.64	(2.91)	2.51	(1.73)	10.67	4.70	4.66	1.76	7.15	5.04	2.11
Total From Investment Operations:	5.64	(2.43)	2.87	(1.26)	11.03	5.04	4.96	2.03	7.32	5.01	2.10
Less Distributions:											
Dividends (from net investment income)	(0.39)	(0.26)	(0.44)	(0.40)	(0.34)	(0.28)	(0.23)	(0.23)	(0.04)	0.00	0.00
Distributions (from capital gains)	0.00	(4.73)	(1.60)	(6.01)	(1.87)	(0.84)	(1.47)	(0.77)	(0.21)	0.00	0.00
Total Distributions	(0.39)	(5.00)	(2.04)	(6.41)	(2.21)	(1.12)	(1.70)	(1.00)	(0.25)	0.00	0.00
Net Asset Value, End of Period	\$ 32.20	\$ 26.95	\$ 34.37	\$ 33.54	\$ 41.21	\$ 32.39	\$ 28.47	\$ 25.21	\$ 24.18	\$ 17.11	\$12.10
Total Return	21.13%	(7.55)%	7.98%	(4.06)%	39.24%*	18.07%	21.55%	8.77%	43.21%	41.40%	87.10%*
Ratios/Supplemental Data:											
Net Assets, End of Period (\$million)	\$2,529.1	\$2,038.7	\$4,772.8	\$6,924.0	\$6,614.9	\$3,933.9	\$2,827.1	\$1,677.3	\$1,107.0	\$114.7	\$ 4.8
Ratio of Expenses to Average Net Assets	1.16%*	1.21%	1.11%	1.08%	1.08%*	1.18%	1.17%	1.22%	1.32%	1.70%	2.50%(b)*
Ratio of Net Investment Income (Loss) to Average Net Assets	0.86%*	1.42%	1.02%	1.22%	1.19%*	1.13%	1.27%	1.19%	0.94%	(0.24)%	(0.66%)(c)*
Portfolio Turnover Rate	29%	50%	13%	43%	17%	24%	18%	29%	18%	34%	0%

\*Data has been annualized.

(a) From August 5, 1991, the date on which Fund shares were first offered for sale to the public.

(b) If the Fund had paid all of its expenses and there had been no reimbursement by the Adviser, this annualized ratio would have been 4.92% for the period.

(c) Computed giving effect to the Adviser's expense limitation undertaking.

(d) A move to a September 30<sup>th</sup> fiscal year end from an October 31<sup>st</sup> fiscal year end resulted in an eleven-month fiscal year in 1997.

# THE OAKMARK SELECT FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2001 Class I	Period Ended March 31, 2001 Class II	Year Ended September 30, 2000 Class I	December 31, 1999 through September 30, 2000 Class II(a)	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(b)
Net Asset Value, Beginning of Period	\$ 21.45	\$21.40	\$ 20.92	\$18.42	\$ 16.76	\$ 16.34	\$ 10.00
Income From Investment Operations:							
Net Investment Income (Loss)	0.02	(0.01)	0.13	0.10	0.19	0.03	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	<u>3.96</u>	<u>3.94</u>	<u>4.32</u>	<u>2.88</u>	<u>4.73</u>	<u>0.56</u>	<u>6.35</u>
Total From Investment Operations:	3.98	3.93	4.45	2.98	4.92	0.59	6.34
Less Distributions:							
Dividends (from net investment income)	(0.09)	(0.06)	(0.20)	0.00	(0.05)	0.00	0.00
Distributions (from capital gains)	<u>(1.36)</u>	<u>(1.34)</u>	<u>(3.72)</u>	<u>0.00</u>	<u>(0.71)</u>	<u>(0.17)</u>	<u>0.00</u>
Total Distributions	(1.45)	(1.40)	(3.91)	0.00	(0.76)	(0.17)	0.00
Net Asset Value, End of Period	<u>\$ 23.98</u>	<u>\$23.93</u>	<u>\$ 21.45</u>	<u>\$21.40</u>	<u>\$ 20.92</u>	<u>\$ 16.76</u>	<u>\$ 16.34</u>
Total Return	19.66%	19.44%	24.53%	21.57%*	30.07%	3.64%	69.16%*
Ratios/Supplemental Data:							
Net Assets, End of Period (\$million)	\$3,071.1	\$18.3	\$1,772.0	\$ 6.8	\$1,638.9	\$1,227.9	\$514.2
Ratio of Expenses to Average Net Assets(a)	1.09%*	1.39%*	1.17%	1.41%*	1.16%	1.22%	1.12%*
Ratio of Net Investment Income (Loss) to Average Net Assets(a)	0.39%*	0.05%*	0.76%	0.59%*	0.98%	0.17%	(0.11)%*
Portfolio Turnover Rate	17%	17%	69%	69%	67%	56%	37%

\*Data has been annualized.

(a) The date which Class II shares were first sold to the public was December 31, 1999.

(b) A move to a September 30<sup>th</sup> fiscal year end from an October 31<sup>st</sup> fiscal year end resulted in an eleven-month fiscal year in 1997.

# THE OAKMARK SMALL CAP FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(b)	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 15.10	\$ 13.88	\$ 12.63	\$ 20.34	\$ 13.19	\$ 10.00
Income From Investment Operations:						
Net Investment Income (Loss)	0.00	0.00	0.14	(0.12)	(0.01)	(0.02)
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.19)</u>	<u>1.22</u>	<u>1.20</u>	<u>(4.73)</u>	<u>7.16</u>	<u>3.21</u>
Total From Investment Operations:	(0.19)	1.22	1.34	(4.85)	7.15	3.19
Less Distributions:						
Dividends (from net investment income)	0.00	0.00	0.00	0.00	0.00	0.00
Distributions (from capital gains)	<u>(0.51)</u>	<u>0.00</u>	<u>(0.09)</u>	<u>(2.86)</u>	<u>0.00</u>	<u>0.00</u>
Total Distributions	(0.51)	0.00	(0.09)	(2.86)	0.00	0.00
Net Asset Value, End of Period	<u>\$ 14.40</u>	<u>\$ 15.10</u>	<u>\$ 13.88</u>	<u>\$ 12.63</u>	<u>\$ 20.34</u>	<u>\$ 13.19</u>
Total Return	(1.10)%	8.79%	10.56%	(26.37)%	59.14%*	31.94%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$231.1	\$248.7	\$437.1	\$618.0	\$1,513.4	\$218.4
Ratio of Expenses to Average Net Assets	1.31%*	1.50%(a)	1.48%	1.45%	1.37%*	1.61%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.13)%*	(0.41)% (a)	(0.44)%	(0.40)%	(0.25)%*	(0.29)%
Portfolio Turnover Rate	19%	28%	68%	34%	27%	23%

\*Data has been annualized.

(a) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Adviser, ratios would have been as follows:

	September 30, 2000
Ratio of Expenses to Average Net Assets	1.59%
Ratio of Net Income (Loss) to Average Net Assets	(0.50)%

(b) A move to a September 30<sup>th</sup> fiscal year end from an October 31<sup>st</sup> fiscal year end resulted in an eleven-month fiscal year in 1997.

# THE OAKMARK EQUITY AND INCOME FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2001 Class I	Period Ended March 31, 2001 Class II	Year Ended September 30, 2000 Class I	July 13, 2000 through September 30, 2000 Class II(a)	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(c)	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 16.50	\$16.49	\$15.68	\$15.51	\$13.99	\$14.49	\$11.29	\$10.00
Income From Investment Operations:								
Net Investment Income (Loss)	0.13	0.07	0.35	0.30	0.39	0.29	0.21	0.10
Net Gains or Losses on Securities (both realized and unrealized)	<u>1.23</u>	<u>1.27</u>	<u>2.28</u>	<u>0.68</u>	<u>1.72</u>	<u>0.04</u>	<u>3.24</u>	<u>1.19</u>
Total From Investment Operations:	1.36	1.34	2.63	0.98	2.11	0.33	3.45	1.29
Less Distributions:								
Dividends (from net investment income)	(0.24)	(0.24)	(0.45)	0.00	(0.21)	(0.24)	(0.12)	0.00
Distributions (from capital gains)	<u>(1.00)</u>	<u>(1.00)</u>	<u>(1.36)</u>	<u>0.00</u>	<u>(0.21)</u>	<u>(0.59)</u>	<u>(0.13)</u>	<u>0.00</u>
Total Distributions	<u>(1.24)</u>	<u>(1.24)</u>	<u>(1.81)</u>	<u>0.00</u>	<u>(0.42)</u>	<u>(0.83)</u>	<u>(0.25)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$ 16.62</u>	<u>\$16.59</u>	<u>\$16.50</u>	<u>\$16.49</u>	<u>\$15.68</u>	<u>\$13.99</u>	<u>\$14.49</u>	<u>\$11.29</u>
Total Return	8.96%	8.76%	18.51%	30.34%*	15.32%	2.57%	34.01%*	12.91%
Ratios/Supplemental Data:								
Net Assets, End of Period (\$million)	\$161.1	\$ 0.9	\$54.5	\$ 0.4	\$60.3	\$57.7	\$33.5	\$13.8
Ratio of Expenses to Average Net Assets	1.00%*(b)	1.25%*(b)	1.25%	1.32%*	1.18%	1.31%	1.50%*(b)	2.50%(b)
Ratio of Net Investment Income (Loss) to Average Net Assets	3.10%*(b)	2.91%*(b)	3.04%	2.59%*	2.65%	2.39%	2.38%*(b)	1.21%(b)
Portfolio Turnover Rate	51%	51%	87%	87%	81%	46%	53%	66%

\*Data has been annualized.

- (a) The date which Class II shares were first sold to the public was July 13, 2000.  
 (b) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Adviser, ratios would have been as follows:

	March 31, 2001 Class I	March 31, 2001 Class II	September 30, 1997	October 31, 1996
Ratio of Expenses to Average Net Assets	1.09%	1.33%	1.70%	2.64%
Ratio of Net Income (Loss) to Average Net Assets	3.02%	2.83%	2.18%	1.08%

- (c) A move to a September 30<sup>th</sup> fiscal year end from an October 31<sup>st</sup> fiscal year end resulted in an eleven-month fiscal year in 1997.

# THE OAKMARK GLOBAL FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999(a)
Net Asset Value, Beginning of Period	\$10.91	\$ 9.18	\$10.00
Income From Investment Operations:			
Net Investment Income (Loss)	0.06	0.11	0.01
Net Gains or Losses on Securities (both realized and unrealized)	<u>0.49</u>	<u>1.63</u>	<u>(0.83)</u>
Total From Investment Operations:	0.55	1.74	(0.82)
Less Distributions:			
Dividends (from net investment income)	(0.17)	(0.01)	0.00
Distributions (from capital gains)	<u>(0.06)</u>	<u>0.00</u>	<u>0.00</u>
Total Distributions	<u>(0.23)</u>	<u>(0.01)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$11.23</u>	<u>\$10.91</u>	<u>\$ 9.18</u>
Total Return	5.11%	18.97%	(51.60)%*
Ratios/Supplemental Data:			
Net Assets, End of Period (\$million)	\$37.3	\$27.2	\$24.0
Ratio of Expenses to Average Net Assets	1.75%*(b)	1.75%(b)	1.75%*(b)
Ratio of Net Investment Income (Loss) to Average Net Assets	0.50%*(b)	0.54%(b)	0.98%*(b)
Portfolio Turnover Rate	37%	147%	7%

\*Data has been annualized

(a) The date which Fund shares were first offered for sale to the public was August 4, 1999.

(b) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Adviser, ratios would have been as follows:

	March 31, 2001	September 30, 2000	September 30, 1999
Ratio of Expenses to Average Net Assets	1.88%	1.96%	2.22%
Ratio of Net Income (Loss) to Average Net Assets	0.37%	0.34%	0.51%

# THE OAKMARK INTERNATIONAL FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2001 Class I	Period Ended March 31, 2001 Class II	Year Ended September 30, 2000 Class I	November 4, 1999 through September 30, 2000 Class II(a)	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(c)	Year Ended October 31,				Period Ended October 31, 1992(b)
								1996	1995	1994	1993	
Net Asset Value, Beginning of Period	\$ 15.40	\$15.37	\$ 13.95	\$14.36	\$ 10.42	\$ 18.77	\$ 14.92	\$ 12.97	\$ 14.50	\$ 14.09	\$ 9.80	\$10.00
Income From Investment Operations:												
Net Investment Income (Loss)	0.09	0.07	1.02	0.96	(0.34)	0.41	0.27	0.09	0.30	0.21	0.06	0.26
Net Gains or Losses on Securities (both realized and unrealized)	(0.37)	(0.38)	0.92	0.53	4.89	(5.32)	3.74	2.90	(0.77)	0.43	4.48	(0.46)
Total From Investment Operations:	(0.28)	(0.31)	1.94	1.50	4.55	(4.91)	4.01	2.99	(0.47)	0.64	4.54	(0.2)
Less Distributions:												
Dividends (from net investment income)	(0.51)	(0.49)	(0.49)	(0.49)	(0.24)	(0.58)	(0.16)	0.00	0.00	(0.08)	(0.25)	0.00
Distributions (from capital gains)	(0.50)	(0.48)	0.00	0.00	(0.78)	(2.86)	0.00	(1.04)	(1.06)	(0.15)	0.00	0.00
Total Distributions	(1.01)	(0.97)	(0.49)	(0.49)	(1.02)	(3.44)	(0.16)	(1.04)	(1.06)	(0.23)	(0.25)	0.00
Net Asset Value, End of Period	\$ 14.11	\$14.09	\$ 15.40	\$15.37	\$ 13.95	\$ 10.42	\$ 18.77	\$ 14.92	\$ 12.97	\$ 14.50	\$ 14.09	\$ 9.80
Total Return	(1.99)%	(2.20)%	14.27%	11.77%*	46.41%	(29.90)%	29.63%*	24.90%	(3.06)%	4.62%	47.49%	(22.81)%*
Ratios/Supplemental Data: %												
Net Assets, End of Period (\$million)	\$780.8	\$ 0.2	\$782.4	\$ 0.1	\$811.1	\$756.1	\$1,647.3	\$1,172.8	\$819.7	\$1,286.0	\$815.4	\$23.5
Ratio of Expenses to Average Net Assets	1.31%*	1.58%*	1.30%	1.50%*	1.29%	1.32%	1.26%*	1.32%	1.40%	1.37%	1.26%	2.04%*
Ratio of Net Investment Income (Loss) to Average Net Assets	1.28%*	1.33%*	1.87%	1.98%*	1.94%	1.95%	2.09%*	1.45%	1.40%	1.44%	1.55%	37.02%*
Portfolio Turnover Rate	36%	36%	64%	64%	54%	43%	61%	42%	26%	55%	21%	0%

\*Data has been annualized.

(a) The date which Class II shares were first sold to the public was November 4, 1999.

(b) The date which Fund shares were first offered for sale to the public was September 30, 1992.

(c) A move to a September 30<sup>th</sup> fiscal year end from an October 31<sup>st</sup> fiscal year end resulted in an eleven-month fiscal year in 1997.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2001 Class I	Period Ended March 31, 2001 Class II(c)	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(b)	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$11.51	\$10.73	\$12.64	\$ 6.89	\$12.20	\$11.41	\$10.00
Income From Investment Operations:							
Net Investment Income (Loss)	0.03	0.07	0.23	0.24	0.18	0.13	0.04
Net Gains or Losses on Securities (both realized and unrealized)	<u>0.18</u>	<u>0.08</u>	<u>(0.66)</u>	<u>5.71</u>	<u>(4.09)</u>	<u>1.10</u>	<u>1.37</u>
Total From Investment Operations:	0.21	0.15	(0.43)	5.95	(3.91)	1.23	1.41
Less Distributions:							
Dividends (from net investment income)	(0.34)	0.00	(0.11)	(0.20)	(0.06)	(0.08)	0.00
Distributions (from capital gains)	<u>(0.49)</u>	<u>0.00</u>	<u>(0.59)</u>	<u>0.00</u>	<u>(1.34)</u>	<u>(0.36)</u>	<u>0.00</u>
Total Distributions	<u>(0.83)</u>	<u>0.00</u>	<u>(0.70)</u>	<u>(0.20)</u>	<u>(1.40)</u>	<u>(0.44)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$10.89</u>	<u>\$10.88</u>	<u>\$11.51</u>	<u>\$ 12.64</u>	<u>\$ 6.89</u>	<u>\$12.20</u>	<u>\$11.41</u>
Total Return	2.18%	1.40%	(3.44)%	88.02%	(35.20)%	12.07%*	14.15%
Ratios/Supplemental Data:							
Net Assets, End of Period (\$million)	\$96.7	\$ 0.0	\$90.3	\$155.4	\$51.8	\$66.0	\$39.8
Ratio of Expenses to Average Net Assets	1.80%*	1.84%*	1.77%	1.79%	1.96%	1.93%*	2.50%(a)
Ratio of Net Investment Income (Loss) to Average Net Assets	0.92%*	1.19%*	1.99%	2.31%	2.17%	1.23%*	0.65%(a)
Portfolio Turnover Rate	33%	33%	40%	126%	69%	63%	27%

\*Data has been annualized.

(a) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Adviser, ratios would have been as follows:

	October 31, 1996
Ratio of Expenses to Average Net Assets	2.65%
Ratio of Net Income (Loss) to Average Net Assets	0.50%

(b) A move to a September 30<sup>th</sup> fiscal year end from an October 31<sup>st</sup> fiscal year end resulted in an eleven-month fiscal year in 1997.

(c) The date which Class II shares were first sold to the public was January 9, 2001.

This material must be preceded or accompanied by a prospectus. To order a prospectus, which explains management fees and expenses and the special risks of investing in the funds, visit [www.oakmark.com](http://www.oakmark.com) or call 1-800-OAKMARK. Please read the prospectus carefully before investing.

The discussion of investments and investment strategy of the funds represents the investments of the funds and the views of fund managers and Harris Associates L.P., the funds' investment adviser, at the time of this article, and are subject to change without notice.

**Past performance is no guarantee of future results.** Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than original cost.

**Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform growth stocks during given periods.**

**Because the Oakmark Select Fund is non-diversified, the performance of each holding will have a greater impact on the Fund's total return, and may make the Fund's return more volatile than a more diversified fund.**

**Investing in foreign securities represents risks which in some way may be greater than in U.S. investments. Those risks include: currency fluctuation; different regulation, accounting standards, trading practices and levels of available information; generally higher transaction costs; and political risks.**

**The stocks of smaller companies often involve more risk than the stocks of larger companies. Stocks of small companies tend to be more volatile and have a smaller public market than stocks of larger companies. Small companies may have a shorter history of operations than larger companies, may not have as great an ability to raise additional capital and may have a less diversified product line, making them more susceptible to market pressure.**

**The Oakmark Equity & Income Fund invests in medium and lower-quality debt securities which have higher yield potential but present greater investment and credit risk than higher-quality securities.**

- <sup>1</sup> The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies.
- <sup>2</sup> NAV stands for Net Asset Value. NAV is the dollar value of a single mutual fund share, based on the value of the underlying assets of the fund minus its liabilities divided by the number of shares outstanding.
- <sup>3</sup> Total return includes change in share prices and in each case includes reinvestment of any dividends and capital gain distributions.
- <sup>4</sup> The Dow Jones Industrial Average is an unmanaged index that includes only 30 big companies.
- <sup>5</sup> The Lipper Large Cap Value Fund Index measures the performance of the thirty largest U.S. large-cap value funds tracked by Lipper.
- <sup>6</sup> The NASDAQ Composite Index is a market value weighted index of all common stocks listed on NASDAQ.
- <sup>7</sup> The Price-Earnings Ratio ("P/E") is the most common measure of how expensive a stock is.
- <sup>8</sup> The S&P MidCap 400 is an unmanaged broad market-weighted index of 400 stocks that are in the next tier down from the S&P 500 and that are chosen for market size, liquidity, and industry group representation.
- <sup>9</sup> The Lipper Mid Cap Value Fund Index measures the performance of the thirty largest U.S. mid-cap value funds tracked by Lipper.
- <sup>10</sup> The performance information for this Fund does not reflect the imposition of a 2% redemption fee on shares held by an investor less than 90 days. The purpose of this redemption fee is to deter market timers.
- <sup>11</sup> The Russell 2000 Index is an unmanaged, market-weighted index, with dividends reinvested, of 2,000 small companies, formed by taking the largest 3,000 small companies and eliminating the largest 1,000 of those companies.
- <sup>12</sup> The Lipper Small Cap Value Fund Index measures the performance of the thirty largest U.S. small-cap value funds tracked by Lipper.



- 13 The S&P Small Cap 600 Index measures the performance of selected U.S. stocks with small market capitalizations.
- 14 The Lipper Balanced Fund Index measures the performance of the thirty largest U.S. balanced funds.
- 15 The Lehman Govt./Corp. Bond Index is an unmanaged index that includes the Lehman Government and Lehman Corporate indices.
- 16 The NYSE refers to the New York Stock Exchange.
- 17 The MSCI World Index is made up of 20 country sub-indexes, including the stock exchanges of the U.S., Europe, Canada, Australia and New Zealand and the Far East. This index is unmanaged and investors cannot actually make investments in this index.
- 18 During the one-year period ended March 31, 2001, IPOs contributed 0.50% to the performance of the Global Fund, and an annualized 5.16% since the Fund's inception (8/4/99). As the IPO environment changes and the total net assets of the Fund grow, the impact of IPOs on performance is expected to diminish. "IPO" stands for Initial Public Offering, which is the first sale of stock by a company to the public.
- 19 The Lipper Global Fund Index is an unmanaged index that includes 30 mutual funds that invest in securities throughout the world.
- 20 The MSCI World Ex U.S. Index is an unmanaged index made up of 19 country sub-indexes, excluding the U.S.
- 21 The MSCI EAFE Index is the Morgan Stanley Europe, Australia, and Far East Index, which is an unmanaged, market-value weighted index designed to measure the overall condition of overseas markets.
- 22 The Lipper International Fund Index measures the performance of the thirty largest mutual funds that invest in securities whose primary markets are outside the U.S.
- 23 The Lipper International Small Cap Average includes 79 mutual funds that invest in securities whose primary markets are outside the U.S.
- 24 The Micropal Equity International Small Cap Index is an unmanaged, unweighted index comprised of all funds within the international small company fund sector.
- 25 Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.



# THE OAKMARK FAMILY OF FUNDS

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