

The Oakmark Fund

The Oakmark  
Select 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, 2005



OAKMARK

# THE OAKMARK FUNDS

## 2005 Semi-Annual Report

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### **FORWARD-LOOKING STATEMENT DISCLOSURE**

One of our most important responsibilities as mutual fund managers is to communicate with shareholders in an open and direct manner. Some of our comments in our letters to shareholders are based on current management expectations and are considered "forward-looking statements". Actual future results, however, may prove to be different from our expectations. You can identify forward-looking statements by words such as "estimate", "may", "will", "expect", "believe", "plan" and other similar terms. We cannot promise future returns. Our opinions are a reflection of our best judgment at the time this report is compiled, and we disclaim any obligation to update or alter forward-looking statements as a result of new information, future events, or otherwise.

## President's Letter

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### Dear Fellow Shareholders,

World stock markets produced mixed results in the first quarter, with most of the broad market indexes showing small single-digit declines. Our Funds also produced mixed returns for the quarter, with some gains and some losses. At the same time, however, every one of our Funds performed in line with or better than their benchmark indexes.

As several of our Fund managers highlight in their letters this quarter, worldwide corporate profit growth continues at a robust pace, extending the multi-year world economic expansion. While market levels are higher over the past two years, we believe that economic growth has kept valuations at reasonable levels for disciplined long-term investors.

### Trading and Soft Dollar Practices

At The Oakmark Funds, we have always been mindful of how to best serve our shareholders—and how to do so fairly. We have recently given a significant amount of thought and attention to our trading practices, as the equity trading and execution landscape has changed tremendously over the past few years. The traditional institutional stock brokerage arrangement—where trade execution is bundled with research and other services into one commission charge—is beginning to unravel under the pressure of market forces. These trends have caused us to reassess our approach to the use of “soft dollar” commissions to pay for third-party research and services.

Our soft dollar practices have always been well within the scope of SEC-sanctioned practices, which explicitly permit the use of brokerage commissions to pay for such services. We believe that we have been small users of third-party research and services compared to most mutual fund managers, and we don't believe that our use of soft dollars has increased trading costs. However, as the brokerage industry moves toward unbundling trading from research and other services, we are less confident that this will be true in the future.

For this reason, we have discontinued the use of soft dollars to pay for third-party research and services, effective April 1. In the future, the cost of these services will be paid entirely by the Funds' adviser, Harris Associates L.P. Our primary trading focus, as always, will be to obtain best execution for our shareholders and you can be assured that we will continue to monitor industry developments.

### Personal Investment in the Funds

One of the key components of our investment process at The Oakmark Funds has been to invest in companies where management interests are closely aligned with ours. We find that this alignment is most frequently and most



effectively created by significant management stock ownership. When management has a meaningful sum invested alongside other shareholders, the focus on performance and shareholder value is intensified.

We believe that this same approach is also wise for mutual fund investors. Significant ownership of fund shares—not just by portfolio managers, but by all levels of employees at the fund and its adviser (including analysts, senior management, trustees and others)—reinforces a higher standard of integrity, focus, and commitment to maximizing long-term returns.

At The Oakmark Funds, a commitment to the share ownership is an integral part of our business philosophy. We encourage employee ownership of the Funds and are committed to reporting on our ownership on a regular basis. **In this regard, we are pleased to announce that as of December 31, 2004, the employees of the Funds' adviser, Harris Associates L.P., and the Funds' officers and trustees have over \$180 million invested in The Oakmark Funds. This compares to an investment of \$145 million in December 2003, when we last reported holdings.** This increase represents a combination of price appreciation and additional purchases.

Thank you for your continued investment and confidence in The Oakmark Funds. We welcome your comments and questions. You can reach us via e-mail at [ContactOakmark@oakmark.com](mailto:ContactOakmark@oakmark.com).

A handwritten signature in dark ink, appearing to read "John R. Raitt". The signature is fluid and cursive.

**John R. Raitt**  
**President of The Oakmark Funds**  
**President and CEO of Harris Associates L.P.**

# THE OAKMARK FUNDS

## Summary Information

<i>Performance for Period Ended March 31, 2005<sup>1</sup></i>	<b>The Oakmark Fund—Class I (OAKMX)</b>	<b>The Oakmark Select Fund—Class I (OAKLX)</b>	<b>The Oakmark Equity and Income Fund—Class I (OAKBX)</b>
<i>3 Months*</i>	-2.20%	0.12%	-0.64%
<i>1 Year</i>	7.72%	7.24%	5.26%
<i>Average Annual Total Return for:</i>			
<i>3 Year</i>	4.00%	6.55%	8.26%
<i>5 Year</i>	11.22%	12.54%	12.35%
<i>10 Year</i>	10.56%	N/A	N/A
<i>Since inception</i>	16.21% (8/5/91)	19.98% (11/1/96)	13.83% (11/1/95)
<i>Top Five Equity Holdings as of March 31, 2005<sup>2</sup></i>	Washington Mutual, Inc. 2.8%	Washington Mutual, Inc. 14.6%	Burlington Resources Inc. 4.1%
	McDonald's Corporation 2.6%	Yum! Brands, Inc. 8.0%	XTO Energy, Inc. 3.8%
	Yum! Brands, Inc. 2.5%	H&R Block, Inc. 7.0%	Nestle SA 2.8%
	The Walt Disney Company 2.5%	First Data Corporation 5.2%	Diageo plc 2.7%
	Viacom Inc., Class B 2.4%	Time Warner Inc. 4.8%	EchoStar Communications Corporation, Class A 2.6%
<i>Sector Allocation as of March 31, 2005</i>	Consumer Discretionary 43.9%	Consumer Discretionary 41.4%	U.S. Government Securities 31.2%
	Financials 15.4%	Financials 24.1%	Consumer Discretionary 13.2%
	Consumer Staples 12.3%	Industrials 12.2%	Energy 12.3%
	Industrials 10.0%	Information Technology 10.3%	Industrials 10.6%
	Health Care 7.7%	Health Care 7.3%	Consumer Staples 10.0%
	Information Technology 6.5%	Energy 4.7%	Health Care 7.6%
	Energy 4.2%		Financials 7.0%
			Foreign Government Securities 5.0%
			Information Technology 2.6%
			Materials 0.5%

The performance data quoted represents past performance. The above performance information for the Funds does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data call 1-800-OAKMARK.

\* Not annualized

The Oakmark Global Fund—Class I (OAKGX)		The Oakmark International Fund—Class I (OAKIX)		The Oakmark International Small Cap Fund—Class I (OAKEX)	
0.60%		2.13%		5.44%	
11.97%		17.39%		27.62%	
15.22%		11.29%		21.27%	
18.53%		10.44%		16.32%	
N/A		12.16%		N/A	
16.33% (8/4/99)		12.32% (9/30/92)		13.43% (11/1/95)	
Diageo plc	4.7%	GlaxoSmithKline plc	3.5%	Saurer AG	3.6%
Nestle SA	4.0%	Bayerische Motoren		Neopost SA	3.3%
Euronext NV	3.9%	Werke (BMW) AG	3.4%	Julius Baer	
Bank of Ireland	3.9%	Euronext NV	3.4%	Holding Ltd.	3.1%
Burlington		Diageo plc	3.2%	Interpump	
Resources Inc.	3.8%	Bank of Ireland	3.1%	Group S.p.A	3.1%
				Carpetright plc	2.9%
Consumer		Financials	26.3%	Industrials	29.6%
Discretionary	18.7%	Consumer		Information	
Health Care	17.3%	Discretionary	18.8%	Technology	19.9%
Financials	16.4%	Consumer Staples	17.8%	Consumer	
Consumer Staples	15.6%	Health Care	11.5%	Discretionary	15.7%
Information		Materials	8.9%	Financials	11.2%
Technology	10.2%	Industrials	8.8%	Consumer Staples	9.2%
Industrials	9.5%	Telecommunication		Materials	7.5%
Materials	6.5%	Services	4.5%	Health Care	5.3%
Energy	3.9%	Energy	2.0%	Telecommunication	
Telecommunication		Information		Services	1.6%
Services	1.9%	Technology	1.4%		

## FUND EXPENSES

A shareholder of each Fund incurs two types of costs: (1) transaction costs, such as redemption fees, and (2) ongoing costs, including investment advisory fees, transfer agent fees, and other fund expenses. The examples below are intended to help shareholders understand the ongoing cost (in dollars) of investing in each Fund and to compare these costs with the ongoing costs of investing in other funds.

### Actual Expenses

The following table provides information about actual account values and actual fund expenses for Class I of each Fund. The table shows the expenses a Class I shareholder would have paid on a \$1,000 investment in each Fund from October 1, 2004 to March 31, 2005 as well as how much a \$1,000 investment would be worth at the close of the period, assuming actual fund returns and expenses. A Class I shareholder can estimate expenses incurred for the period by dividing the account value at March 31, 2005 by \$1,000 and multiplying the result by the number in the Expenses Paid During Period row as shown below.

Certain accounts invested for 90 days or less may be charged a 2% redemption fee. Please consult the Funds' prospectus at [www.oakmark.com](http://www.oakmark.com) for more information.

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
<i>Beginning Account Value</i>	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
<i>Ending Account Value</i>	\$1,060.50	\$1,078.20	\$1,044.40	\$1,136.70	\$1,154.70	\$1,195.80
<i>Expenses Paid During Period*</i>	\$ 5.29	\$ 5.18	\$ 4.64	\$ 6.50	\$ 6.12	\$ 7.83
<i>Annualized Expense Ratio</i>	1.03%	1.00%	0.91%	1.22%	1.14%	1.43%

\* Expenses are equal to each Fund's annualized expense ratio for Class I, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year divided by 365 (to reflect the one-half year period).

### Hypothetical Example for Comparison Purposes

The following table provides information about hypothetical account values and hypothetical expenses for Class I of each Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which are not the Funds' actual returns. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses shareholders paid for the period. Shareholders may use this information to compare the ongoing costs of investing in a Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as redemption fees. Therefore, the third line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
<i>Beginning Account Value</i>	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
<i>Ending Account Value</i>	\$1,019.80	\$1,019.95	\$1,020.39	\$1,018.85	\$1,019.25	\$1,017.80
<i>Expenses Paid During Period*</i>	\$ 5.19	\$ 5.04	\$ 4.58	\$ 6.14	\$ 5.74	\$ 7.19
<i>Annualized Expense Ratio</i>	1.03%	1.00%	0.91%	1.22%	1.14%	1.43%

\* Expenses are equal to each Fund's annualized expense ratio for Class I, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year divided by 365 (to reflect the one-half year period).

## THE OAKMARK AND OAKMARK SELECT FUNDS

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At Oakmark, we are long-term investors. We attempt to identify growing businesses that are managed to benefit their shareholders. We will purchase stock in those businesses only when priced substantially below our estimate of intrinsic value. After purchase, we patiently wait for the gap between stock price and intrinsic value to close.



Since March marked Kevin's and my five-year anniversary for managing The Oakmark Fund, I'm shortening this report so that we can dedicate more space to a five-year review of that Fund. We will return to our usual format next quarter.

A number of shareholders have recently asked for an explanation of why our recent performance has lagged behind other value funds. From the

market bottom over two years ago, both The Oakmark Fund and The Oakmark Select Fund have increased in line with the S&P 500<sup>3</sup>. Since both Funds showed solid gains from 2000 to 2003 while the S&P 500 dropped sharply, we were quite pleased that we fully participated in the gains when the market recovered. But other funds increased more. I think our biggest mistake was underestimating the magnitude of the recovery in corporate profits. This can be seen using The Oakmark Fund's purchase of Anheuser-Busch as an example. Two years ago, Kevin and I wrote, "We own this great company—now selling below seventeen times next year's earnings—at about a market multiple." Since then, Anheuser-Busch stock is down slightly. Earnings have grown almost as much as we expected, and it now sells at fifteen times next year's earnings. The problem is that because the S&P earnings growth has matched its 50% increase in price, the market P/E<sup>4</sup> ratio has not gone up. So, despite significantly underperforming the market, Anheuser-Busch still sells at about a market multiple. Had we correctly anticipated the magnitude of the corporate profits rebound, we would have realized that the price we paid for Anheuser-Busch was really a significant P/E premium. In hindsight, we actually bought Anheuser-Busch at fifteen times expected 2006 earnings when the S&P was trading at eleven times now expected 2006 earnings. Value managers that bought the lowest P/E stocks in 2003 benefited from having much more exposure to the economic recovery than we did. So, what does that mean for today? If corporate profits continue growing at far above average rates, other funds probably will go up more than we will. We primarily own businesses, such as Anheuser-Busch, that we believe are

superior, yet are priced as if they were average. If, as we expect, corporate earnings growth slows to the 5-6% per year we feel is sustainable, then not only should our companies' earnings growth start looking better in comparison, but we would expect to see their P/E multiples expand to beyond the market average.

The story last quarter about my son's stock picking contest generated more shareholder e-mail than anything we've ever written! As a recap, despite lengthy discussions of the virtues of value investing, he constructed a highly concentrated phantom portfolio that was heavy in TASER International, a momentum investor favorite that had more than quadrupled in 2004. I commented that I wasn't sure if I hoped he'd win the contest or learn a lesson. Well, he learned a few things! TASER was the focus of several negative news stories, and the stock lost 43% of its value during January. My favorite comment was "Dad, you know what the problem is with buying a stock just because it's been going up? After it falls, you don't really have a reason to keep holding it." Hopefully, that's something he never forgets. As for the contest winner—a future Warren Buffett? Unlikely. Turns out some computer whizzes figured out how to trick the website into accepting additional capital and treating it as investment gains. Another reminder that when the numbers look too good to be true, they probably are!

Best wishes,

A handwritten signature in black ink that reads "Bill Nygren". The signature is fluid and cursive, with a long horizontal stroke at the end.

**William C. Nygren, CFA**  
**Portfolio Manager**

[bnyngren@oakmark.com](mailto:bnyngren@oakmark.com)

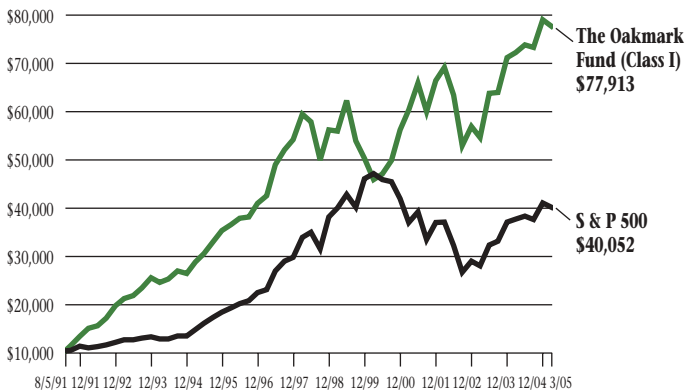


# THE OAKMARK FUND

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 (3/31/05) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>3</sup>



### Average Annual Total Returns (as of 3/31/05)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (8/5/91)
<b>Oakmark Fund (Class I)</b>	<b>-2.20%</b>	<b>7.72%</b>	<b>11.22%</b>	<b>10.56%</b>	<b>16.21%</b>
S&P 500	-2.15%	6.69%	-3.16%	10.79%	10.69%
Dow Jones Average <sup>5</sup>	-1.59%	4.05%	1.31%	11.92%	12.03%
Lipper Large Cap Value Index <sup>6</sup>	-0.83%	8.45%	1.23%	10.33%	10.51%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit [www.oakmark.com](http://www.oakmark.com).

\* Not annualized

In a weak, but relatively uneventful quarter, The Oakmark Fund matched the S&P 500 loss of 2%. On the negative side, Sun Microsystems lost a quarter of its value. We continue to believe that Sun's strong cash position and active R&D program make owning the stock worthwhile. On the plus side, two holdings announced they were being acquired—Toys R Us and Sungard Data Systems. We believe the increase in merger and acquisition activity is a positive statement about our portfolio and the market's attractiveness.

It's hard to believe that five years have already passed since March of 2000 when we wrote our first letter as managers of The Oakmark Fund. In 1991 when The Oakmark Fund was created, the goal was to have the Oakmark name become synonymous with value investing. By March of 2000 that goal had largely been met. But, be careful what you wish for! We were presented the challenge of taking over a fund whose name implied value investing just when the financial media was proclaiming that value investing was dead! Our assets had fallen sharply not due to investment results, but because most of our shareholders had redeemed. They wanted to increase their investment in those same technology stocks that Oakmark stubbornly termed grossly overvalued.

Friends questioned our sanity by asking why in the world we would accept this responsibility. Our answer—that we so strongly believed we inherited an outstanding portfolio of stocks that we were both significantly increasing our personal investment in the Fund—confirmed how out-of-sync we were with the new paradigm. Instead of writing the letter people wanted to see—highlighting everything we expected to change—we wrote a letter extolling the virtues of our five largest holdings, all of which we inherited—Fortune Brands, Washington Mutual, Dun and Bradstreet, Brunswick Corporation, and AC Nielson. (That shareholder letter, along with all the others since 1997, is available on our website by clicking on "literature" then "fund reports.") Anyone who hoped the new managers would shift to an investment approach more in step with the times was quickly disappointed. The Fund's long-term approach was intact, in fact, two of those top five names are still in the portfolio today—Washington Mutual and Fortune Brands. We have written frequently about how well Washington Mutual has performed as a stock, and just as importantly, as a business, so we will use this as an opportunity to highlight Fortune Brands.

In March of 2000, Fortune Brands was Oakmark's largest holding, accounting for over 4% of our portfolio. Fortune is a diversified manufacturer of branded products sold primarily to consumers.

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Familiar brands include Moen faucets, Jim Beam spirits, and Titleist golf balls. Fortune is an example of the kind of stock that missed out on the “irrationally exuberant” market of the late 1990’s. At that time, the market (as measured by the S&P 500) sold at twenty-six times expected earnings and had a dividend yield of about 1%. At \$25 per share, Fortune commanded a price of only nine times earnings and had a dividend yield of nearly 4%. Over the next five years, Fortune’s EPS<sup>7</sup> grew at nearly a 14% compound annual rate. We believe this resulted from good organic growth as well as from intelligent use of the large amount of cash generated by these businesses. That cash was used to repurchase over 10% of the outstanding shares and to make acquisitions that strengthened Fortune’s home products division. Further, Fortune management engineered an amazing turnaround of their underperforming office products division. Management explored selling that division, but decided to keep it when purchase offers were judged to be inadequate. Analysts uniformly chastised management for their refusal to sell. In the ensuing four years, about \$500 million was extracted from the office products division (which may have equaled the rejected offers), and it was used for acquisitions and share repurchase. Further, better expense management led to operating margins more than doubling. In March of this year, Fortune announced a plan to merge their office products division with General Binding to create the largest branded office products supplier. Management’s decision to fix rather than sell that division added about \$8 of value per Fortune share. Fortune stock now sells at \$81 and at sixteen times our estimated earnings. It has more than tripled in price in a five-year period when the market declined. Though we can’t claim Fortune is still as cheap as it was, since business value has also sharply increased, we continue to believe Fortune is undervalued. Most interesting, you probably haven’t read much about Norm Wesley. Norm is Fortune’s CEO. Somehow when the financial media names top CEOs, they never find Norm. The media may not have noticed the job he has done, but his shareholders sure have. Thanks, Norm!

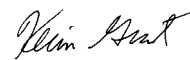
We wish we could tell you that our portfolio today is still populated with Fortunes—grossly undervalued companies that have failed to attract investor attention. Most stocks that were priced like Fortune have increased significantly over the past five years while the stocks that were overvalued have significantly declined. In 2000, many large cap growth stocks sold at fifty times earnings while many typical companies sold at single digit P/Es<sup>4</sup>. In 2000 our portfolio, with an average P/E of eleven, was well positioned for a narrowing of the range of P/E multiples. We are most pleased that our shareholders who believed in us in 2000 have enjoyed the returns from that strategy.

Today, most stocks are priced at P/E multiples close to the S&P 500 multiple of seventeen times expected earnings. In fact, the range of P/E’s has narrowed so much that we believe the better values today are generally the superior businesses where the market isn’t demanding significant P/E premiums. The opportunity in 2000 was to identify the best prices; today, we think more of the opportunities are in identifying the best businesses. On the plus side, compared to our first day on the job five years ago, we think the market is now much more reasonably priced, its P/E is about two-thirds of its 2000 level. Offsetting that, valuations across industries and market capitalizations appear much more rational, meaning it will be harder for stock pickers to add as much value over the next five years. We believe that an appropriately valued market, a portfolio of companies that are expected to grow faster than average, and a return to historically typical quality spreads are likely to produce long-term returns that are at least satisfactory.

Best wishes,



**William C. Nygren, CFA**  
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**Kevin G. Grant, CFA**  
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# THE OAKMARK FUND

## Schedule of Investments—March 31, 2005 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—91.5%</b>		
<b>Apparel Retail—4.3%</b>		
The Gap, Inc.	7,066,700	\$ 154,336,728
Limited Brands	6,000,047	145,801,142
		<u>300,137,870</u>
<b>Broadcasting &amp; Cable TV—8.2%</b>		
Liberty Media Corporation, Class A (a)	16,199,400	\$ 167,987,778
Comcast Corporation, Special Class A (a)	4,725,000	157,815,000
The DIRECTV Group, Inc. (a)	9,700,000	139,874,000
EchoStar Communications Corporation, Class A	3,675,000	107,493,750
		<u>573,170,528</u>
<b>Department Stores—2.0%</b>		
Kohl's Corporation (a)	2,650,500	\$ 136,845,315
<b>Home Improvement Retail—2.1%</b>		
The Home Depot, Inc.	3,781,500	\$ 144,604,560
<b>Homebuilding—1.6%</b>		
Pulte Homes, Inc.	1,500,000	\$ 110,445,000
<b>Household Appliances—1.9%</b>		
The Black & Decker Corporation	1,722,200	\$ 136,036,578
<b>Housewares &amp; Specialties—2.0%</b>		
Fortune Brands, Inc.	1,745,600	\$ 140,747,728
<b>Leisure Products—1.2%</b>		
Mattel, Inc.	3,874,300	\$ 82,716,305
<b>Motorcycle Manufacturers—1.9%</b>		
Harley-Davidson, Inc.	2,262,500	\$ 130,682,000
<b>Movies &amp; Entertainment—7.2%</b>		
The Walt Disney Company	5,950,000	\$ 170,943,500
Viacom Inc., Class B	4,879,490	169,952,637
Time Warner Inc. (a)	8,997,700	157,909,635
		<u>498,805,772</u>
<b>Publishing—2.8%</b>		
Gannett Co., Inc.	1,684,500	\$ 133,210,260
Knight-Ridder, Inc.	916,000	61,601,000
		<u>194,811,260</u>
<b>Restaurants—5.1%</b>		
McDonald's Corporation	5,700,000	\$ 177,498,000
Yum! Brands, Inc.	3,374,000	174,806,940
		<u>352,304,940</u>

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Common Stocks—91.5% (cont.)</b>		
<b>Brewers—2.1%</b>		
Anheuser-Busch Companies, Inc.	3,050,000	\$ 144,539,500
<b>Distillers &amp; Vintners—1.8%</b>		
Diageo plc (b)	2,221,000	\$ 126,374,900
<b>Hypermarkets &amp; Super Centers—2.1%</b>		
Wal-Mart Stores, Inc.	2,900,000	\$ 145,319,000
<b>Packaged Foods &amp; Meats—4.2%</b>		
General Mills, Inc.	2,506,000	\$ 123,169,900
Kraft Foods Inc., Class A	2,645,000	87,417,250
H.J. Heinz Company	2,310,000	85,100,400
		<u>295,687,550</u>
<b>Soft Drinks—1.0%</b>		
Coca-Cola Enterprises, Inc.	3,500,000	\$ 71,820,000
<b>Integrated Oil &amp; Gas—2.1%</b>		
ConocoPhillips	1,335,335	\$ 144,002,526
<b>Oil &amp; Gas Exploration &amp; Production—1.8%</b>		
Burlington Resources Inc.	2,442,200	\$ 122,280,954
<b>Asset Management &amp; Custody Banks—1.1%</b>		
The Bank of New York Company, Inc.	2,700,000	\$ 78,435,000
<b>Diversified Banks—1.8%</b>		
U.S. Bancorp	4,400,000	\$ 126,808,000
<b>Life &amp; Health Insurance—1.5%</b>		
AFLAC Incorporated	2,767,000	\$ 103,098,420
<b>Other Diversified Financial Services—3.8%</b>		
Citigroup Inc.	3,200,000	\$ 143,808,000
JP Morgan Chase & Co.	3,600,000	124,560,000
		<u>268,368,000</u>
<b>Thrifts &amp; Mortgage Finance—5.9%</b>		
Washington Mutual, Inc.	4,887,300	\$ 193,048,350
Fannie Mae	2,095,000	114,072,750
MGIC Investment Corporation	1,640,600	101,175,802
		<u>408,296,902</u>
<b>Health Care Distributors—1.0%</b>		
AmerisourceBergen Corp	1,200,000	\$ 68,748,000
<b>Health Care Equipment—2.1%</b>		
Baxter International Inc.	4,300,000	\$ 146,114,000

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—91.5% (cont.)</b>		
<b>Pharmaceuticals—3.9%</b>		
Abbott Laboratories	3,087,300	\$ 143,929,926
Bristol-Myers Squibb Company	5,150,000	131,119,000
		275,048,926
<b>Aerospace &amp; Defense—3.3%</b>		
Raytheon Company	3,000,000	\$ 116,100,000
Honeywell International, Inc.	3,050,000	113,490,500
		229,590,500
<b>Building Products—2.2%</b>		
Masco Corporation	4,433,600	\$ 153,712,912
<b>Diversified Commercial Services—2.2%</b>		
H&R Block, Inc. (c)	3,029,300	\$ 153,221,994
<b>Environmental Services—1.4%</b>		
Waste Management, Inc.	3,474,300	\$ 100,233,555
<b>Computer Hardware—1.4%</b>		
Sun Microsystems, Inc. (a)	24,370,000	\$ 98,454,800
<b>Data Processing &amp; Outsourced Services—3.2%</b>		
First Data Corporation	3,615,000	\$ 142,105,650
Automatic Data Processing, Inc.	1,800,000	80,910,000
		223,015,650
<b>Office Electronics—1.3%</b>		
Xerox Corporation (a)	5,972,400	\$ 90,481,860
<b>Total Common Stocks (Cost: \$4,982,389,142)</b>		<b>6,374,960,805</b>
<b>Short Term Investments—7.0%</b>		
<b>U.S. Government Bills—5.5%</b>		
United States Treasury Bills, 2.215% - 2.73% due 4/7/2005 - 6/30/2005	\$385,000,000	\$ 383,559,814
<b>Total U.S. Government Bills (Cost: \$383,571,153)</b>		<b>383,559,814</b>
<b>Repurchase Agreements—1.5%</b>		
IBT Repurchase Agreement, 2.50% dated 3/31/2005 due 4/1/2005, repurchase price \$103,507,188 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$108,675,000	\$103,500,000	\$ 103,500,000

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—7.0% (cont.)</b>		
<b>Repurchase Agreements—1.5% (cont.)</b>		
IBT Repurchase Agreement, 2.02% dated 3/31/2005 due 4/1/2005, repurchase price \$2,230,293 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,341,676	\$ 2,230,168	<u>\$ 2,230,168</u>
<b>Total Repurchase Agreements (Cost: \$105,730,168)</b>		<b>105,730,168</b>
<b>Total Short Term Investments (Cost: \$489,301,321)</b>		<b>489,289,982</b>
Total Investments (Cost \$5,471,690,463)—98.5%		\$ 6,864,250,787
Other Assets In Excess Of Other Liabilities—1.5%		<u>106,544,085</u>
<b>Total Net Assets—100%</b>		<b><u><u>\$6,970,794,872</u></u></b>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

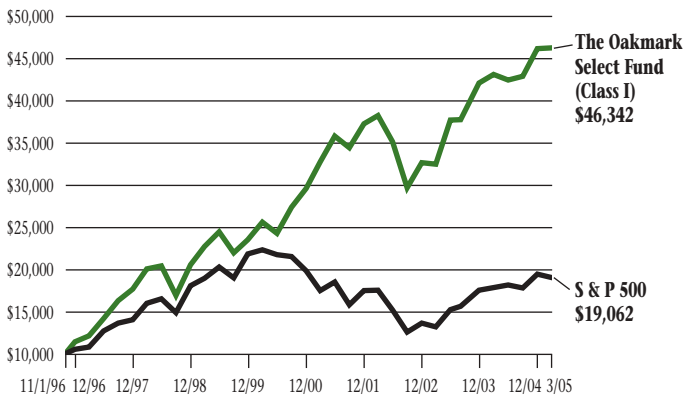
(c) See footnote number five in the Notes to the Financial Statements regarding investments in affiliated issuers.

# 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 (3/31/05) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>3</sup>**



**Average Annual Total Returns**  
(as of 3/31/05)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/96)
<b>Oakmark Select Fund (Class I)</b>	<b>0.12%</b>	<b>7.24%</b>	<b>12.54%</b>	<b>19.98%</b>
S&P 500	-2.15%	6.69%	-3.16%	7.96%
S&P MidCap 400 <sup>8</sup>	-0.40%	10.43%	6.87%	13.95%
Lipper Mid Cap Value Index <sup>9</sup>	-0.22%	12.96%	9.92%	10.90%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit [www.oakmark.com](http://www.oakmark.com).

\* Not annualized

The Oakmark Select Fund was flat for the quarter. This compared favorably to the 2% loss for the S&P 500. Strong performance by YUM Brands, Toys R Us, Burlington Resources, and Office Depot, each of which increased by over 10%, was the primary reason our return exceeded the market return. YUM Brands (Taco Bell, Pizza Hut, KFC), our second largest holding, is benefiting from KFC's dominant position in China. Last year, 15% of YUM's income came from China. Since 1998, China income has been growing at over 30% per year compounded. Looking forward, the percentage of YUM income earned in China should continue to increase. Despite the strong performance of YUM stock, we don't believe it has yet become fully valued.

During the quarter, we purchased shares in JP Morgan and Viacom. Viacom is a leading provider of cable television programming (MTV, Nickelodeon, Comedy Central, VH1, BET, Showtime, Movie Channel). In addition, Viacom owns Paramount, the CBS network, and the Infinity radio network. Viacom stock has performed poorly for several years as investors have focused on disappointing radio results. We believe most of the value is in the cable television networks, and they have been performing very well. We sold our positions in Office Depot and Toys R Us. Five years ago, we started buying Toys R Us at just over \$10 per share. We thought new management would succeed at turning around the toy stores. We were wrong. Fortunately, the value of real estate under the toy stores, combined with the value of their highly successful Babies R Us stores, was enough to justify the acquisition of the company for nearly \$27 per share. The success of our investment in Toys R Us, despite our inaccurate assessment of their primary business, demonstrates the importance of our focus on risk. When we first bought Toys R Us we said that even if the turnaround failed, the value of the assets should significantly exceed our entry price. Had the turnaround succeeded, we would have made more money, but we only wish that all our "mistakes" had such a profitable outcome.

Best wishes,

**William C. Nygren, CFA**  
Portfolio Manager  
[bnygren@oakmark.com](mailto:bnygren@oakmark.com)

**Henry R. Berghoef, CFA**  
Portfolio Manager  
[berghoef@oakmark.com](mailto:berghoef@oakmark.com)

# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2005 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—90.8%</b>		
<b>Apparel Retail—7.5%</b>		
Limited Brands	9,480,981	\$ 230,387,838
The Gap, Inc.	10,060,000	<u>219,710,400</u>
		450,098,238
<b>Broadcasting &amp; Cable TV—3.7%</b>		
Liberty Media Corporation, Class A (a)	21,000,000	\$ 217,770,000
<b>Leisure Products—3.5%</b>		
Mattel, Inc.	9,670,900	\$ 206,473,715
<b>Movies &amp; Entertainment—8.7%</b>		
Time Warner Inc. (a)	16,240,000	\$ 285,012,000
Viacom Inc., Class B	6,650,000	<u>231,619,500</u>
		516,631,500
<b>Publishing—2.9%</b>		
Knight-Ridder, Inc.	2,606,500	\$ 175,287,125
<b>Restaurants—11.4%</b>		
Yum! Brands, Inc.	9,207,000	\$ 477,014,670
McDonald's Corporation	6,500,000	<u>202,410,000</u>
		679,424,670
<b>Oil &amp; Gas Exploration &amp; Production—4.3%</b>		
Burlington Resources Inc.	5,103,600	\$ 255,537,252
<b>Asset Management &amp; Custody Banks—1.1%</b>		
Janus Capital Group, Inc.	4,823,300	\$ 67,285,035
<b>Other Diversified Financial Services—2.3%</b>		
JP Morgan Chase & Co.	4,000,000	\$ 138,400,000
<b>Specialized Finance—3.8%</b>		
Moody's Corporation	2,823,600	\$ 228,316,296
<b>Thrifts &amp; Mortgage Finance—14.6%</b>		
Washington Mutual, Inc.	22,117,400	\$ 873,637,300
<b>Health Care Services—3.4%</b>		
IMS Health Incorporated	8,303,441	\$ 202,520,926
<b>Pharmaceuticals—3.2%</b>		
Bristol-Myers Squibb Company	7,490,200	\$ 190,700,492
<b>Diversified Commercial Services—11.0%</b>		
H&R Block, Inc. (b)	8,259,800	\$ 417,780,684
The Dun & Bradstreet Corporation (a)(b)	3,934,900	<u>241,799,605</u>
		659,580,289



# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—90.8% (cont.)</b>		
<b>Data Processing &amp; Outsourced Services—5.1%</b>		
First Data Corporation	7,815,400	\$ 307,223,374
<b>Office Electronics—4.3%</b>		
Xerox Corporation (a)	16,746,400	\$ 253,707,960
<b>Total Common Stocks (Cost: \$3,550,762,422)</b>		<b>5,422,594,172</b>
<b>Short Term Investments—9.1%</b>		
<b>U.S. Government Bills—6.7%</b>		
United States Treasury Bills, 2.295% - 2.755% due 4/7/2005 - 6/16/2005	\$400,000,000	\$ 398,863,160
<b>Total U.S. Government Bills (Cost: \$398,881,719)</b>		<b>398,863,160</b>
<b>Repurchase Agreements—2.4%</b>		
IBT Repurchase Agreement, 2.50% dated 3/31/2005 due 4/1/2005, repurchase price \$141,509,826 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$148,575,000	\$141,500,000	\$ 141,500,000
IBT Repurchase Agreement, 2.02% dated 3/31/2005 due 4/1/2005, repurchase price \$2,162,042 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,270,017	2,161,921	<u>2,161,921</u>
<b>Total Repurchase Agreements (Cost: \$143,661,921)</b>		<b>143,661,921</b>
<b>Total Short Term Investments (Cost: \$542,543,640)</b>		<b>542,525,081</b>
Total Investments (Cost \$4,093,306,062)—99.9%		\$5,965,119,253
Other Assets In Excess Of Other Liabilities—0.1%		<u>5,559,498</u>
<b>Total Net Assets—100%</b>		<b><u><u>\$5,970,678,751</u></u></b>

(a) Non-income producing security.

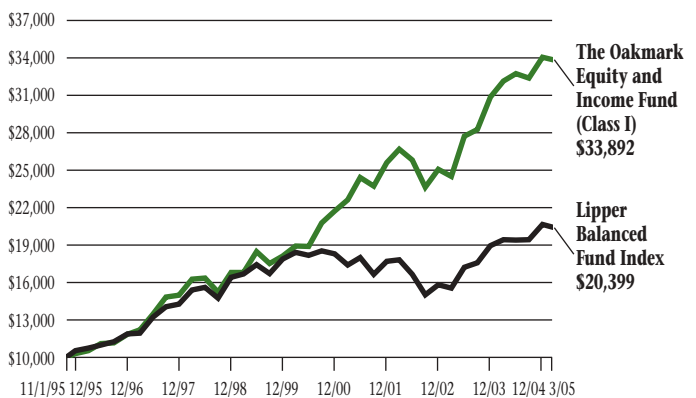
(b) See footnote number five in the Notes to the Financial Statements regarding investments in affiliated issuers.

# THE OAKMARK EQUITY AND INCOME FUND

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



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/05) AS COMPARED TO THE LIPPER BALANCED FUND INDEX<sup>10</sup>



### Average Annual Total Returns

(as of 3/31/05)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
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<b>Oakmark Equity &amp; Income Fund (Class I)</b>	<b>-0.64%</b>	<b>5.26%</b>	<b>12.35%</b>	<b>13.83%</b>
Lipper Balanced Fund Index	-1.27%	5.10%	2.09%	7.86%
S&P 500 <sup>3</sup>	-2.15%	6.69%	-3.16%	9.57%
Lehman Govt./Corp. Bond <sup>11</sup>	-0.67%	0.40%	7.28%	6.57%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit [www.oakmark.com](http://www.oakmark.com).

\* Not annualized

## Results

Positive returns were hard to generate in the latest quarter, and your Fund, regrettably, proved no exception in this regard. Oakmark Equity and Income lost 0.6% in the quarter, modestly besting the 1.3% decline that the Fund's standard of comparison, the Lipper Balanced Fund Index, registered. This is the Fund's ninth loss quarter in its 37-quarter history, and every one of them, regardless of the market conditions or the size of the loss, has disappointed your management team. We are not naïve enough to expect that the Fund's path will always be upward. Nor do we believe that a calendar quarter is a particularly meaningful measurement period. Nonetheless, we know that beating the comparable indices is at best an entertaining abstraction while earning positive returns can improve our shareholders' lives.

The Fund's record over longer time periods is more satisfactory. March saw the five-year anniversary of the all-time highs in stock market indices, such as the S&P 500 and the NASDAQ composite<sup>12</sup>. Owning either index for the past five years would have been a painful experience. While the recent quarter for the Fund was not inspiring, we are pleased to be able to report that your Fund has returned 87% (13% annualized) since the peak of the NASDAQ on March 10, 2000.

In the late 1990s we often wrote about the extreme valuation divergences that were then manifest. Since that time, markets have worked toward convergence, and we now perceive valuations to be relatively homogenized, which—for value investors like us—makes the current market somewhat less hospitable. Nevertheless, we continue to find interesting opportunities across most industries and capitalization ranges. Given the Fund's current conservative asset allocation, we have the wherewithal to take advantage of the opportunities that the market will present to us.

## An Active Quarter

Securities markets were generally dull and dreary locales in the quarter with index prices confined to fairly tight ranges. Inside the stock market, however, the component parts were far more interesting. High prices for fuels benefited our six holdings in the energy sector. Media stocks languished despite an improving advertising marketplace, and our two satellite television companies (EchoStar and DIRECTV) experienced meaningful declines in price. Rising interest rates and increasing regulatory activity placed downward pressure on the prices of our financial industry holdings.

Our trading activity was unusually high in the quarter and focused on the portfolio's fixed income side. As fixed income investors, we face two risks: credit (default) risk and interest rate risk. Over the past six months we have concluded that bond prices did not fairly compensate investors for either risk, and we have worked to limit the

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Fund's exposures. Our first step was to reduce credit risk. We accomplished this with the elimination of seven of the Fund's high yield debt positions. We next addressed interest rate risk by slashing portfolio duration from 4.1 years to 2.4 years. Our only aggressive action was to rebuild the allocation to sovereign (foreign government issued) debt. Many assume that our occasional forays into the sovereign debt markets are based on a forecast for the trading value of the dollar, but we do not make such a forecast. Rather, we use sovereign debt to diversify the portfolio and enhance income at times when the relative valuations across the international debt markets seem attractive.

Turning to the equity market we initiated three positions and divested six. One purchase, Jupiter Telecommunications, is quite unusual for the Fund—a foreign initial public offering. Jupiter is a 10-year-old Japanese cable television operator that was founded as a joint venture between Sumitomo and Liberty Media. We perceive an opportunity for cable penetration of Japanese households to increase from levels well below that found in other developed nations. Unfortunately, it would seem that other investors share this thesis, and heavy demand for the IPO shares limited our ability to establish a position in the Fund. We also initiated holdings in Encana, a Canadian exploration and production company, and Scripps, a diversified media company.

Our six divestitures included three successful holdings (First Data, Fox Entertainment Group, and Stanley Works), two disappointments (CoolBrands and Delphi) and one neutral outcome (RenaissanceRe Holdings). Fox, a relatively recent purchase, received a takeover offer from parent company News Corp. Having only built a modest position in the company, we elected to sell. Neither CoolBrands nor RenaissanceRe materially affected Fund results. Delphi, however, was the biggest detractor from the Fund's return in the quarter.

Spun off from General Motors in 1999, Delphi is the world's largest auto parts company. We based our investing thesis for the company's shares on technology, labor, management, and dividend yield. We also believed that GM, Delphi's largest customer, would experience improving sales as it introduced many new or updated models. Instead, GM's market share declined precipitously. At the same time Delphi also reported problems with its accounting for rebates in 1999 and 2000, resulting in the resignation of its chief financial officer. The CEO expressed his intention to retire. The Board cut the dividend. History teaches us that we should sell whenever our conceptual foundation for an investment idea erodes meaningfully. Having lost management and dividend yield as reasons to own Delphi, we exited the position.

Choicepoint is another holding that has generated considerable feedback from Fund shareholders during the quarter. Choicepoint is a multi-faceted database company, but its primary business is providing data and analysis to

insurance companies to help in their underwriting and pricing of policies. A relatively unimportant unit of the company maintained a public records database, which, as the name suggests, gathered, organized, and resold data derived from filings individuals make with government agencies. In February management announced that a crime ring posing as a legitimate business had purchased data from Choicepoint's public records database for the purpose of engaging in identity theft. Management has subsequently curtailed this division's activities. The stock has reacted negatively to this news but, as of this writing, still trades above our purchase price. We will be monitoring this situation carefully.

As the quarter ended we learned of yet another accounting investigation of one of our holdings, financial guaranty insurer MBIA. The company's basic business is to use its AAA-rated balance sheet to support the debt of lower-rated municipalities as well as certain asset-backed issues. Given recent developments in the insurance industry, it is not surprising that regulators would seek more information from MBIA. So, why would we continue to hold our position given an accounting investigation? The key reasons are valuation and management followed by our belief that this is a business that needs to exist. Again, this is a situation that bears careful monitoring.

### **Distinguishing Characteristics**

The bulk of this letter has been quite tactical and focused on individual portfolio decisions. We will close with a brief review of the characteristics that we think differentiate Oakmark Equity and Income from other balanced funds.

The first point of differentiation for any of our Funds derives from our firm's value investing philosophy. While our value orientation both informs and circumscribes our activities, we reject other types of limitations, and it is this rejection that gives the Fund its idiosyncratic nature. We will consider stocks of widely varying market capitalizations and bonds of any quality. We own international securities, both debt and equity. While we like dividends, we do not limit the Fund to dividend payers. We are not averse to concentration. And, as is true for all of The Oakmark Funds, we invest a large portion of our own net worth in the Fund.

As always, we welcome your e-mailed questions and comments.

**Clyde S. McGregor, CFA**  
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**Edward A. Studzinski, CFA**  
Portfolio Manager  
estudzinski@oakmark.com

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2005 (Unaudited)

Name	Shares Held	Market Value
<b>Equity and Equivalents—57.3%</b>		
<b>Common Stocks—57.3%</b>		
<b>Apparel Retail—2.0%</b>		
The TJX Companies, Inc.	7,240,000	\$ 178,321,200
<b>Broadcasting &amp; Cable TV—4.1%</b>		
EchoStar Communications Corporation, Class A	7,800,000	\$ 228,150,000
The DIRECTV Group, Inc. (a)	8,026,722	115,745,331
The E.W. Scripps Company, Class A	300,000	14,625,000
		<u>358,520,331</u>
<b>Movies &amp; Entertainment—2.6%</b>		
Viacom Inc., Class B	6,500,000	\$ 226,395,000
<b>Publishing—0.5%</b>		
Tribune Company	1,000,000	\$ 39,870,000
<b>Restaurants—2.0%</b>		
Darden Restaurants, Inc.	2,850,000	\$ 87,438,000
McDonald's Corporation	2,750,000	85,635,000
		<u>173,073,000</u>
<b>Specialty Stores—0.0%</b>		
Office Depot, Inc. (a)	185,000	\$ 4,103,300
<b>Distillers &amp; Vintners—2.6%</b>		
Diageo plc (b)	4,100,000	\$ 233,290,000
<b>Hypermarkets &amp; Super Centers—1.6%</b>		
Costco Wholesale Corporation	3,200,000	\$ 141,376,000
<b>Packaged Foods &amp; Meats—3.8%</b>		
Nestle SA (b)	3,600,000	\$ 246,218,400
Dean Foods Company (a)	2,500,000	85,750,000
		<u>331,968,400</u>
<b>Tobacco—1.2%</b>		
UST Inc.	2,000,000	\$ 103,400,000
<b>Integrated Oil &amp; Gas—1.2%</b>		
ConocoPhillips	1,000,000	\$ 107,840,000
<b>Oil &amp; Gas Exploration &amp; Production—10.1%</b>		
Burlington Resources Inc.	7,150,000	\$ 358,000,500
XTO Energy, Inc.	10,265,888	337,131,762
St. Mary Land & Exploration Company (c)	1,450,000	72,572,500
EnCana Corp. (d)	1,000,000	70,420,000
Cabot Oil & Gas Corporation	950,000	52,392,500
		<u>890,517,262</u>

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Equity and Equivalents—57.3% (cont.)</b>		
<b>Other Diversified Financial Services—1.7%</b>		
Citigroup Inc.	3,400,000	\$ 152,796,000
<b>Property &amp; Casualty Insurance—3.6%</b>		
SAFECO Corporation	4,000,000	\$ 194,840,000
MBIA Inc.	1,500,000	78,420,000
The Progressive Corporation	500,000	45,880,000
		<u>319,140,000</u>
<b>Real Estate Investment Trusts—1.1%</b>		
Plum Creek Timber Company, Inc.	2,657,044	\$ 94,856,471
<b>Biotechnology—2.0%</b>		
MedImmune, Inc. (a)	6,000,000	\$ 142,860,000
Techne Corporation (a)	750,000	30,135,000
		<u>172,995,000</u>
<b>Health Care Equipment—2.3%</b>		
Hospira, Inc. (a)	3,750,000	\$ 121,012,500
Varian Inc. (a)	1,649,400	62,495,766
CONMED Corporation (a)	570,100	17,171,412
		<u>200,679,678</u>
<b>Health Care Services—2.4%</b>		
Caremark Rx, Inc. (a)	5,250,000	\$ 208,845,000
<b>Pharmaceuticals—0.1%</b>		
Abbott Laboratories	250,000	\$ 11,655,000
<b>Aerospace &amp; Defense—7.1%</b>		
General Dynamics Corporation	2,060,300	\$ 220,555,115
Raytheon Company	3,599,700	139,308,390
Rockwell Collins, Inc.	2,632,000	125,256,880
Alliant Techsystems, Inc. (a)	1,000,000	71,450,000
Honeywell International, Inc.	1,889,500	70,308,295
		<u>626,878,680</u>
<b>Commercial Printing—1.8%</b>		
R.R. Donnelley & Sons Company	4,909,500	\$ 155,238,390
<b>Diversified Commercial Services—0.9%</b>		
ChoicePoint Inc. (a)	1,500,000	\$ 60,165,000
Watson Wyatt & Company Holdings	600,000	16,320,000
		<u>76,485,000</u>
<b>Application Software—1.0%</b>		
Mentor Graphics Corporation (a)(c)	3,640,000	\$ 49,868,000
The Reynolds and Reynolds Company, Class A	1,482,100	40,105,626
		<u>89,973,626</u>

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Equity and Equivalents—57.3% (cont.)</b>		
<b>Computer Storage &amp; Peripherals—0.5%</b>		
Imation Corp.	1,215,000	\$ 42,221,250
<b>Data Processing &amp; Outsourced Services—0.9%</b>		
Ceridian Corporation (a)	4,800,000	\$ 81,840,000
<b>Internet Software &amp; Services—0.0%</b>		
Jupiter Telecommunications Co., Ltd. (a)(d)	1,300	\$ 1,036,992
<b>Paper Products—0.2%</b>		
Schweitzer-Mauduit International, Inc.	650,400	\$ 21,820,920
<b>Total Common Stocks (Cost: \$3,940,814,162)</b>		<b>5,045,136,500</b>
<b>Total Equity And Equivalents (Cost: \$3,940,814,162)</b>		<b>5,045,136,500</b>
 <b>Fixed Income—34.9%</b>		
<b>Corporate Bonds—1.5%</b>		
<b>Broadcasting &amp; Cable TV—0.4%</b>		
Cablevision Systems New York Group, 144A, 8.00% due 4/15/2012 (e)	\$ 20,000,000	\$ 20,550,000
Liberty Media Corporation, 8.25% due 2/1/2030, Debenture	12,900,000	13,081,000
		33,631,000
<b>Movies &amp; Entertainment—0.6%</b>		
Time Warner Inc., 5.625% due 5/1/2005	\$ 50,000,000	\$ 50,076,500
<b>Publishing—0.1%</b>		
PRIMEDIA Inc., 8.00% due 5/15/2013	\$ 10,000,000	\$ 10,200,000
<b>Health Care Distributors—0.2%</b>		
Omnicare, Inc., 6.125% due 6/1/2013	\$ 20,000,000	\$ 19,450,000
<b>Paper Packaging—0.2%</b>		
Sealed Air Corporation, 144A, 5.625% due 7/15/2013 (e)	\$ 20,000,000	\$ 20,228,840
<b>Multi-Utilities &amp; Unregulated Power—0.0%</b>		
Midland Funding Corporation, 11.75% due 7/23/2005	\$ 172,075	\$ 175,509
<b>Total Corporate Bonds (Cost: \$132,916,288)</b>		<b>133,761,849</b>
 <b>Government and Agency Securities—33.4%</b>		
<b>Canadian Government Bonds—4.1%</b>		
Canada Government, 3.25% due 12/1/2006	CAD 250,000,000	\$ 207,078,768
Canada Government, 3.00% due 12/1/2005	CAD 125,000,000	103,499,070

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Fixed Income—34.9% (cont.)</b>		
<b>Government and Agency Securities—33.4% (cont.)</b>		
<b>Canadian Government Bonds—4.1% (cont.)</b>		
Canada Government, 3.00% due 6/1/2007	CAD 50,000,000	\$ 41,108,125
Province of Alberta, 7.25% due 10/28/2005	CAD 10,000,000	8,463,527
		360,149,490
<b>Danish Government Bonds—0.2%</b>		
Kingdom of Denmark, 3.00% due 11/15/2006	DKK 100,000,000	\$ 17,544,864
<b>Norwegian Government Bonds—0.2%</b>		
Norway Government, 6.75% due 1/15/2007	NOK 100,000,000	\$ 16,895,628
<b>Swedish Government Bonds—0.1%</b>		
Kingdom of Sweden, 3.50% due 4/20/2006	SEK 100,000,000	\$ 14,333,993
<b>U.S. Government Notes—25.4%</b>		
United States Treasury Notes, 3.375% due 2/28/2007	\$500,000,000	\$ 496,347,500
United States Treasury Notes, 3.00% due 12/31/2006	500,000,000	493,652,500
United States Treasury Notes, 3.00% due 11/15/2007	500,000,000	489,140,500
United States Treasury Notes, 3.375% due 11/15/2008	500,000,000	488,789,000
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	256,358,280	269,126,460
		2,237,055,960
<b>U.S. Government Agencies—3.4%</b>		
Federal Home Loan Bank, 5.00% due 12/20/2011	\$ 34,555,000	\$ 34,403,822
Federal Home Loan Mortgage Corporation, 2.75% due 9/8/2009	32,490,000	32,369,397
Fannie Mae, 3.125% due 9/21/2007	29,560,000	29,515,453
Fannie Mae, 3.625% due 12/28/2009	24,435,000	24,124,602
Federal Home Loan Bank, 2.50% due 4/20/2009	20,000,000	19,842,620
Fannie Mae, 2.60% due 4/28/2009	15,000,000	14,882,025
Fannie Mae, 4.25% due 2/19/2010	12,888,000	12,664,896
Fannie Mae, 3.125% due 11/30/2009	12,697,000	12,592,669
Fannie Mae, 3.50% due 2/8/2010	10,315,000	10,274,524
Federal Home Loan Mortgage Corporation, 3.625% due 3/24/2008	10,000,000	9,993,630
Federal Home Loan Mortgage Corporation, 2.00% due 4/27/2007	10,000,000	9,991,490
Federal Home Loan Mortgage Corporation, 3.00% due 8/17/2009	10,000,000	9,986,110
Federal Home Loan Mortgage Corporation, 2.375% due 9/27/2007	10,000,000	9,924,850
Federal Home Loan Mortgage Corporation, 3.00% due 11/17/2006	10,000,000	9,859,260
Fannie Mae, 3.00% due 10/6/2009	10,000,000	9,822,530

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Fixed Income—34.9% (cont.)</b>		
<b>Government and Agency Securities—33.4% (cont.)</b>		
<b>U.S. Government Agencies—3.4% (cont.)</b>		
Fannie Mae, 3.375% due 3/3/2008	\$ 9,300,000	\$ 9,244,907
Fannie Mae, 3.50% due 10/14/2010	7,550,000	7,457,558
Federal Home Loan Bank, 3.00% due 8/17/2007	7,500,000	7,452,607
Federal Home Loan Bank, 3.00% due 12/30/2009	5,000,000	5,049,590
Federal Home Loan Bank, 4.52% due 8/26/2009	4,825,000	4,808,455
Fannie Mae, 5.125% due 5/4/2012	4,013,000	4,005,544
Federal Home Loan Bank, 2.25% due 2/22/2007	4,000,000	3,980,668
Fannie Mae, 3.75% due 6/23/2009	2,820,000	2,805,748
Federal Home Loan Bank, 2.40% due 3/9/2009	2,000,000	1,977,680
		297,030,635
<b>Total Government and Agency Securities (Cost: \$2,945,918,975)</b>		<b>2,943,010,570</b>
<b>Total Fixed Income (Cost: \$3,078,835,263)</b>		<b>3,076,772,419</b>
 <b>Short Term Investments—7.2%</b>		
<b>U.S. Government Bills—4.0%</b>		
United States Treasury Bills, 2.52% - 2.72% due 4/14/2005 - 6/9/2005	\$350,000,000	\$ 348,960,363
<b>Total U.S. Government Bills (Cost: \$348,941,889)</b>		<b>348,960,363</b>
<b>Repurchase Agreements—3.2%</b>		
IBT Repurchase Agreement, 2.50% dated 3/31/2005 due 4/1/2005, repurchase price \$280,019,444 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$294,000,000	\$280,000,000	\$ 280,000,000
IBT Repurchase Agreement, 2.02% dated 3/31/2005 due 4/1/2005, repurchase price \$562,768 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$590,874	562,736	562,736
<b>Total Repurchase Agreements (Cost: \$280,562,736)</b>		<b>280,562,736</b>
<b>Total Short Term Investments (Cost: \$629,504,625)</b>		<b>629,523,099</b>
Total Investments (Cost \$7,649,154,050)—99.4%		\$ 8,751,432,018
Other Assets In Excess Of Other Liabilities—0.6%		56,183,222
<b>Total Net Assets—100%</b>		<b>\$8,807,615,240</b>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.



# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

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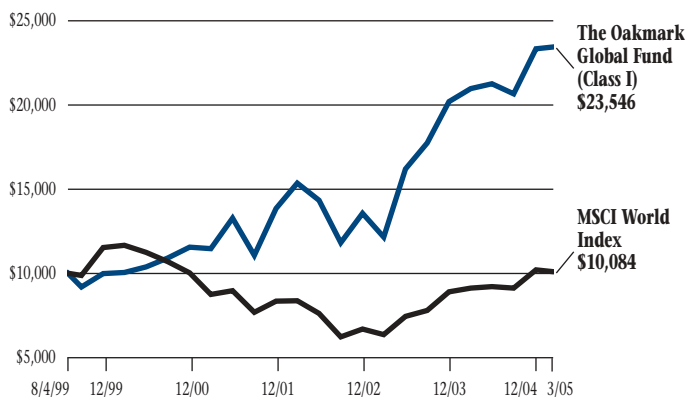
- (c) See footnote number five in the Notes to the Financial Statements regarding investments in affiliated issuers.
- (d) Represents a foreign domiciled corporation.
- (e) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.  
Key to abbreviations:  
CAD: Canadian Dollar  
DKK: Danish Krone  
NOK: Norwegian Krone  
SEK: Swedish Krona

# THE OAKMARK GLOBAL FUND

Report from Clyde S. McGregor and Michael J. Welsh, Portfolio Managers



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (3/31/05) AS COMPARED TO THE MSCI WORLD INDEX<sup>13</sup>



### Average Annual Total Returns (as of 3/31/05)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (8/4/99)
<b>Oakmark Global Fund (Class I)</b>	<b>0.60%</b>	<b>11.97%</b>	<b>18.53%</b>	<b>16.33%</b>
MSCI World	-1.10%	10.56%	-2.86%	0.15%
Lipper Global Fund Index <sup>14</sup>	-0.88%	9.19%	-2.15%	2.40%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit [www.oakmark.com](http://www.oakmark.com).

\* Not annualized

### Fellow Shareholders,

The Oakmark Global Fund gained 1% for the three-month period ending March 31, 2005, compared with the 1% declines for the MSCI World Index and the Lipper Global Fund Index.

Over the past five years, The Oakmark Global Fund has returned 19% annualized, compared to a 3% loss for the MSCI World Index and a 2% decline for the Lipper Global Fund Index.

### Portfolio Changes

The only significant new investment for the Fund during the quarter was Viacom, the U.S. media content giant with leading assets in each of its sectors. Viacom has seen its stock price erode over the past few years despite the company's strong cash flow and improving capital allocation. We believe cable networks (MTV, Nickelodeon, etc.) are the company's most valuable asset, while television (CBS, UPN) and entertainment (Paramount) appear to be on an upswing. It is the difficult operating conditions in the Infinity radio unit that has most concerned the market. While it may be generating the majority of the negative headlines and contributing to the share price decline it's important to note that we think Infinity accounts for less than 20% of Viacom's overall enterprise value. Given the overall quality of Viacom's assets combined with a management team—and ownership base—that is actively trying to boost the share price, we believe that Viacom's long-term investors will be rewarded.

The market's general pessimism toward media stocks has given us the opportunity over the past few quarters to continue to add to existing positions at attractive prices. Media companies now comprise roughly 12% of our portfolio. Along with Viacom, the Fund also owns stakes in Grupo Televisa (dominates Mexican media and Spanish-language programming), Vivendi Universal (ownership in NBC-Universal; Universal Music is #1 worldwide), Liberty Media (Discovery Channel, QVC, and Starz cable networks), Time Warner (HBO, Time, CNN, Turner Broadcasting), and Tribune Corp (Chicago Tribune and LA Times newspapers, WGN Television and the Chicago Cubs—oops, never mind the last one!).

Clearly, we believe that at current share prices media is one sector where we can find great value opportunities worldwide.

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## Bottom-Up Investing

We often say The Oakmark Global Fund is built stock-by-stock from the bottom-up. What does this mean? It means we focus on individual investment opportunities and don't make top-down, macroeconomic decisions in investing your money. We don't make "calls" on markets—for example, bearish on Japan and bullish on the U.S. or bearish on technology and bullish on steel. We make investment decisions based on the merits of individual businesses and do so only after thorough, independent due diligence. We want to remain agnostic regarding the size or location of a company and focus solely on constructing a portfolio of the most attractive risk-return opportunities. Geographic or industry weightings in the Fund are strictly a fall-out of stock selection.

When it comes to broad macroeconomic issues, we've often found that consensus views on particular countries or industries—bullish or bearish—lead to share price imperfections. For example, if everybody loves China, one may do well to tread with extra care: what is one actually buying, and at what price? Similarly, if everybody is bearish on European economies, as they are today, then investors may be ignoring some interesting opportunities.

We certainly believe that last statement to be true. Companies like Nestle and Diageo—both big positions in the Fund—are trading at significant discounts to similar companies elsewhere. This is due in part to investors' pessimism about the economic outlook for their home markets, discounting the fact that these are global businesses with profit centers all over the world. In addition

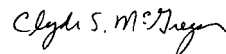
the strong Euro and British Pound are also masking the true earnings power of these companies.

We understand that Europe still has some problems; high unemployment, barriers to business efficiency, and aging population are all matters of concern. We see some positive signs of reform, such as recent labor concessions in France and Germany, as well as talk of corporate tax cuts. But most importantly one factor that is often lost in all this bearishness is **price**. In the cases of Nestle and Diageo, we think these negatives are more than fully reflected in their current share prices.

In constructing The Oakmark Global Fund 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 like owners. As long as we remain focused on the long-term worth of a business—and maintain a disciplined approach to the price we are willing to pay—we believe we can find attractive opportunities despite a negative operating environment.

## Looking Forward

We will continue to manage the portfolio using the same value discipline described above. We remain excited about the value and quality of the names in the Fund. Thank you for your continued confidence and support.



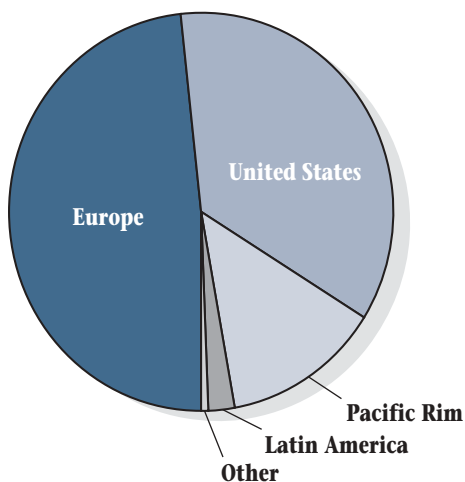
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**Michael J. Welsh, CFA, CPA**  
Portfolio Manager  
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# THE OAKMARK GLOBAL FUND

Global Diversification—March 31, 2005 (Unaudited)



	<b>% of Fund Equity Market Value</b>
<b>Europe</b>	<b>48.3%</b>
Switzerland	13.0%
Great Britain	12.4%
* Netherlands	6.8%
* France	6.4%
* Ireland	4.0%
* Germany	3.1%
* Italy	2.6%
<b>United States</b>	<b>35.6%</b>

	<b>% of Fund Equity Market Value</b>
<b>Pacific Rim</b>	<b>13.3%</b>
Japan	7.3%
Australia	3.3%
Korea	2.7%
<b>Latin America</b>	<b>2.2%</b>
Mexico	2.2%
<b>Other</b>	<b>0.6%</b>
Israel	0.6%

\* Euro currency countries comprise 22.9% of the Fund.

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—97.3%</b>			
<b>Apparel Retail—2.2%</b>			
The TJX Companies, Inc. (United States)	Discount Apparel & Home Fashion Retailer	1,501,000	\$ 36,969,630
<b>Apparel, Accessories &amp; Luxury Goods—1.4%</b>			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	1,947,600	\$ 23,143,532
<b>Broadcasting &amp; Cable TV—2.8%</b>			
Liberty Media Corporation, Class A (United States) (a)	Broadcast Services & Programming	2,356,000	\$ 24,431,720
Grupo Televisa S.A. (Mexico) (b)	Television Production & Broadcasting	378,000	<u>22,226,400</u>
			46,658,120
<b>Household Appliances—2.8%</b>			
Snap-on Incorporated (United States)	Tool & Equipment Manufacturer	1,431,000	\$ 45,491,490
<b>Motorcycle Manufacturers—0.2%</b>			
Ducati Motor Holding S.p.A. (Italy) (a)	Motorcycle Manufacturer	1,790,000	\$ 2,489,476
<b>Movies &amp; Entertainment—6.4%</b>			
Viacom Inc., Class B (United States)	Worldwide Entertainment & Publishing Company	1,380,000	\$ 48,065,400
Vivendi Universal SA (France) (a)	Music, Games, Television, Film, & Telecommunications	1,430,500	43,813,389
Time Warner Inc. (United States) (a)	Filmed Entertainment & Television Networks	833,000	<u>14,619,150</u>
			106,497,939
<b>Publishing—2.4%</b>			
Tribune Company (United States)	Publishing & Broadcast Services	1,003,000	\$ 39,989,610
<b>Distillers &amp; Vintners—4.7%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	5,517,500	\$ 77,779,033

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—97.3% (cont.)</b>			
<b>Household Products—3.0%</b>			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	593,000	\$ 50,267,549
<b>Packaged Foods &amp; Meats—6.6%</b>			
Nestle SA (Switzerland)	Food & Beverage Manufacturer	238,500	\$ 65,247,555
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	4,383,000	43,937,792
			<u>109,185,347</u>
<b>Soft Drinks—0.8%</b>			
Lotte Chilsung Beverage Co., Ltd. (Korea) (c)	Soft Drinks, Juices & Sports Drinks Manufacturer	13,430	\$ 13,278,211
<b>Oil &amp; Gas Exploration &amp; Production—3.8%</b>			
Burlington Resources Inc. (United States)	Oil & Natural Gas Exploration & Production	1,260,000	\$ 63,088,200
<b>Asset Management &amp; Custody Banks—2.7%</b>			
Julius Baer Holding Ltd. (Switzerland)	Asset Management	129,300	\$ 44,831,278
<b>Diversified Banks—7.1%</b>			
Bank of Ireland (Ireland) Australia and New Zealand Banking Group Limited (Australia)	Commercial Bank	4,029,000	\$ 63,658,476
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	2,260,000	35,994,767
		863,600	<u>16,132,146</u>
			<u>115,785,389</u>
<b>Diversified Capital Markets—0.5%</b>			
Credit Suisse Group (Switzerland)	Investment Services & Insurance	190,700	\$ 8,186,294
<b>Investment Banking &amp; Brokerage—0.8%</b>			
Daiwa Securities Group Inc. (Japan)	Stock Broker	2,062,000	\$ 13,581,863
<b>Specialized Finance—3.9%</b>			
Euronext NV (Netherlands) (c)	Stock Exchange	1,814,000	\$ 64,540,882

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—97.3% (cont.)</b>			
<b>Thriffs &amp; Mortgage Finance—1.0%</b>			
Washington Mutual, Inc. (United States)	Thrift	415,000	\$ 16,392,500
<b>Health Care Distributors—2.1%</b>			
Cardinal Health, Inc. (United States)	Wholesale Drug Distributor	607,500	\$ 33,898,500
<b>Health Care Services—2.6%</b>			
Laboratory Corporation of America Holdings (United States) (a)	Medical Laboratory & Testing Services	892,000	\$ 42,994,400
<b>Health Care Supplies—1.0%</b>			
Ansell Limited (Australia)	Protective Rubber & Plastics Products	2,265,966	\$ 17,222,284
<b>Pharmaceuticals—11.2%</b>			
Takeda Pharmaceutical Company Limited (Japan)	Pharmaceuticals & Food Supplements	1,281,000	\$ 61,071,139
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	2,614,200	59,921,266
Novartis AG (Switzerland)	Pharmaceuticals	670,000	31,253,971
Santen Pharmaceutical Co., Ltd. (Japan)	Pharmaceuticals	781,000	16,758,875
Sanofi-Aventis (France)	Pharmaceuticals	187,185	15,782,420
			<u>184,787,671</u>
<b>Aerospace &amp; Defense—0.8%</b>			
Alliant Techsystems, Inc. (United States) (a)	Propulsion Systems & Munitions	179,087	\$ 12,795,766
<b>Airport Services—0.8%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)(c)	Airport Operator	463,000	\$ 12,987,150
<b>Diversified Commercial Services—4.1%</b>			
Equifax Inc. (United States)	Credit Reporting & Collection	1,367,000	\$ 41,953,230
Meitec Corporation (Japan) (c)	Software Engineering Services	760,000	<u>26,518,636</u>
			68,471,866

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—97.3% (cont.)</b>			
<b>Employment Services—1.1%</b>			
Michael Page International plc (Great Britain) (c)	Recruitment Consultancy Services	4,815,400	\$ 17,652,876
<b>Environmental Services—2.1%</b>			
Waste Management, Inc. (United States)	Waste Management Services	1,175,000	\$ 33,898,750
<b>Office Services &amp; Supplies—0.4%</b>			
United Stationers Inc. (United States) (a)	Business Products Distributor	150,000	\$ 6,787,500
<b>Data Processing &amp; Outsourced Services—6.8%</b>			
eFunds Corporation (United States) (a)	Electronic Debit Payment Services	2,237,100	\$ 49,932,072
First Data Corporation (United States)	Data Processing & Management	1,004,750	39,496,723
Ceridian Corporation (United States) (a)	Data Management Services	1,348,000	22,983,400
			<u>112,412,195</u>
<b>Electronic Equipment Manufacturers—0.5%</b>			
Orbotech, Ltd. (Israel) (a)(c)	Optical Inspection Systems	412,700	\$ 9,038,130
<b>Office Electronics—2.6%</b>			
Neopost SA (France)	Mailroom Equipment Supplier	494,750	\$ 42,836,850
<b>Diversified Chemicals—2.7%</b>			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	992,300	\$ 45,298,895
<b>Specialty Chemicals—3.6%</b>			
Lonza Group AG, Registered Shares (Switzerland) (c)	Industrial Organic Chemicals	710,400	\$ 43,472,062
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	25,300	16,243,438
			<u>59,715,500</u>
<b>Wireless Telecommunication Services—1.8%</b>			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	181,000	\$ 30,418,673
<b>Total Common Stocks (Cost: \$1,238,542,076)</b>			<b>1,609,373,349</b>



# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Par Value	Market Value
<b>Short Term Investments—2.5%</b>			
<b>Repurchase Agreements—2.5%</b>			
	IBT Repurchase Agreement, 2.50% dated 3/31/2005 due 4/1/2005, repurchase price \$39,002,708 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$40,950,000	\$39,000,000	\$ 39,000,000
	IBT Repurchase Agreement, 2.02% dated 3/31/2005 due 4/1/2005, repurchase price \$1,662,028 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$1,745,032	1,661,935	<u>1,661,935</u>
	<b>Total Repurchase Agreements (Cost: \$40,661,935)</b>		<b>40,661,935</b>
	<b>Total Short Term Investments (Cost: \$40,661,935)</b>		<b>40,661,935</b>
	Total Investments (Cost \$1,279,204,011)—99.8%		\$ 1,650,035,284
	Other Assets In Excess Of Other Liabilities—0.2%		<u>3,267,760</u>
	<b>Total Net Assets—100%</b>		<b><u>\$1,653,303,044</u></b>

- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) See footnote number five in the Notes to the Financial Statements regarding investments in affiliated issuers.

## THE OAKMARK INTERNATIONAL AND OAKMARK INTERNATIONAL SMALL CAP FUNDS

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### Fellow Shareholders,

Your Funds have achieved a satisfactory performance for the quarter ending March 31st with The Oakmark International Fund achieving a return of 2% and The Oakmark International Small Cap Fund returning 5%. This compares favorably with the MSCI World ex U.S. Index<sup>15</sup>. More importantly, since the Funds' inception, they have strongly

outperformed the MSCI World ex U.S. Index.

With little imbalance in the global macroeconomic system and subsiding political fears, foreign equity markets, in local market terms, started the year positively. Additionally, a strong global economy and good profitability also helped create an attractive equity environment. We continue to believe that the international equity markets represent good value, as signified by acceptable—and rising—profitability levels and attractive valuations.

### Look out below!

One potential problem may be a deflation of the commodity bubble. Whether it is metals or energy, prices have risen to record levels. Due to the forces of supply and demand, producers are willing to take advantage of this by looking to increase output. Meanwhile, panicked Chinese industrial companies from steel to shipping are also aggressively adding “supply” by ramping up capacity. Though I am optimistic about the Chinese economy, in the short to medium term some companies in these industries likely will be clobbered by falling prices just as their new capacity comes on stream. Though this would be damaging for steel and other commodity producers, in all likelihood, it would be good for the consumers of these products.

### Corporate Governance, cont'd

Lately a couple of our holdings have attracted attention in the media because of corporate governance issues. First, Deutsche Boerse (DB), the German based owner of the German stock exchange, and Euronext, its counterpart in other major European exchanges, have expressed interest

in acquiring The London Stock Exchange (LSE). Both deals would represent major transactions for either purchaser. This quarter, DB made a bid for the LSE. However, DB management announced that they would not seek shareholder approval for the purchase, as no formal rule required them to do so. This upset a number of major shareholders, including ourselves, forcing DB to table its bid. I believe, in most cases, that the owners of corporations should have to approve major business-changing deals, and we will continue to watch closely the LSE situation. In the case of Euronext, the other potential bidder, they must, by law, receive approval from their owners.

Another company, Nestle, has attracted global attention, as their Board of Directors desires to combine the CEO role with that of Chairman. Though we are extremely pleased with the improving operational management at Nestle, this governance move flies against commonly accepted international corporate governance principles that call for a separation of these two positions. Geneva-based Ethos Foundation and ISS have come out forcefully against this move and I have publicly supported that position. I feel strongly that in order to protect owners' interests, strong, independent corporate boards need to be led by strong, independent chairmen. Though we do not feel it is our role to meddle in the details of how companies are managed, it is our role to help ensure that the board members (who are elected by shareholders) act in the best interests of the shareholders. We are pleased that Nestle's management has recognized the importance of “separation” and has agreed to make this departure from principle temporary.

A very important part of our investment philosophy is to invest with management teams that “think, and (more importantly) act, like owners”. We will continue to monitor the corporate governance practices of our holdings as well as those of potential investments.

A handwritten signature in black ink, appearing to read 'David G. Herro'.

**David G. Herro, CFA**  
**Portfolio Manager**

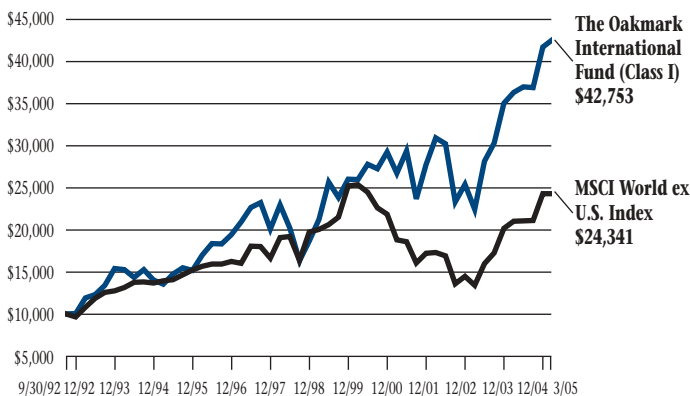
dherro@oakmark.com

# THE OAKMARK INTERNATIONAL FUND

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



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (3/31/05) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>15</sup>



### Average Annual Total Returns (as of 3/31/05)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (9/30/92)
<b>Oakmark International Fund (Class I)</b>	<b>2.13%</b>	<b>17.39%</b>	<b>10.44%</b>	<b>12.16%</b>	<b>12.32%</b>
MSCI World ex U.S.	0.07%	15.56%	-0.86%	5.74%	7.37%
MSCI EAFE <sup>16</sup>	-0.17%	15.06%	-1.15%	5.40%	7.14%
Lipper International Fund Index <sup>17</sup>	-0.05%	12.90%	-1.02%	7.46%	8.37%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit [www.oakmark.com](http://www.oakmark.com).

\* Not annualized

The Oakmark International Fund gained 2% for the quarter, compared to the MSCI World ex U.S. Index, which was basically unchanged. Over the past five years, your Fund has gained 10% annualized relative to the 1% annualized decline of the MSCI World ex U.S. Index.

### Portfolio Composition

During the quarter we sold our position in John Fairfax Holdings in Australia as it hit its sell price, and we added three significant new positions, all in Japan. Historically, it has been very difficult for us to find many companies in Japan that meet our investment criteria. But that has not deterred us from continuing to aggressively search. Remember that for a business to be interesting to us it needs to be both undervalued and managed in a shareholder-oriented way. We believe we have found both criteria in these three new positions.

Honda Motor Corporation is familiar to most of you, with quality-for-money models like the Accord, Civic, and the Odyssey. We believe it to be one of the best managed companies in the automotive industry, producing more than three million cars and ten million motorcycles annually with excellent (and consistent) profitability. As well as being strong operationally, Honda's management team has also distinguished itself as sound capital allocators, expanding capacity with discipline and regularly returning excess cash to shareholders. Dividends and share repurchases have steadily increased in recent years, and management has committed to a significant annual payout ratio.

Rohm Corp is a company we've monitored for a number of years, and we have admired its market position and economic performance. It is a global leader in integrated chips and electronic components with a terrific record of profitability and return on capital. With the share price down we finally have an opportunity to buy Rohm at a significant discount to our estimate of intrinsic value.

Another new position for the Fund is consumer products company Uni-Charm, the Japanese leader in baby diapers and hygiene products. Management has consistently improved profit margins and returns in the business, while maintaining strong market shares for its products. Management has behaved in a very shareholder-oriented way, buying back over 10% of shares outstanding and maintaining a high dividend payout ratio.

### Looking Forward

Honda, Rohm, and Uni-Charm are representative of the opportunities we are currently finding. We remain optimistic about potential price appreciation, given the quality of the holdings and the attractive valuation of the portfolio. Thank you for your continued confidence.

*David G. Herro*

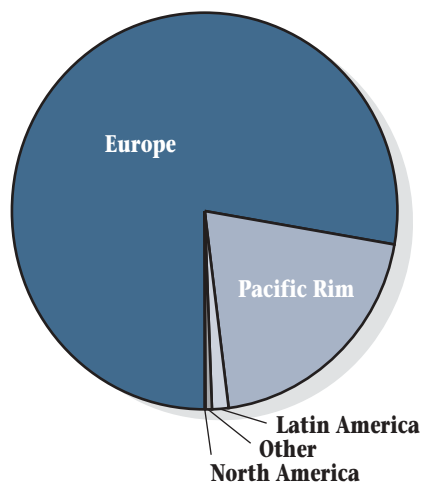
*Michael J. Welsh*

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# THE OAKMARK INTERNATIONAL FUND

International Diversification—March 31, 2005 (Unaudited)



	% of Fund Equity Market Value	
<b>Europe</b>	<b>77.7%</b>	
Great Britain	25.5%	
Switzerland	15.6%	
* France	10.8%	
* Germany	9.0%	
* Netherlands	8.2%	
* Italy	3.8%	
* Ireland	3.3%	
* Finland	1.5%	

	% of Fund Equity Market Value	
<b>Pacific Rim</b>	<b>20.3%</b>	
Japan	9.8%	
Korea	6.0%	
Australia	2.3%	
Singapore	1.4%	
Hong Kong	0.8%	
<b>Latin America</b>	<b>1.4%</b>	
Mexico	1.4%	
<b>Other</b>	<b>0.5%</b>	
Israel	0.5%	
<b>North America</b>	<b>0.1%</b>	
Canada	0.1%	

\* Euro currency countries comprise 36.6% of the Fund.

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.9%</b>			
<b>Advertising—3.8%</b>			
Publicis Groupe (France)	Advertising & Media Services	3,746,200	\$ 114,981,487
Aegis Group plc (Great Britain)	Media Services	43,844,900	84,508,546
			<u>199,490,033</u>
<b>Apparel Retail—0.8%</b>			
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	61,424,300	\$ 41,739,968
<b>Apparel, Accessories &amp; Luxury Goods—1.7%</b>			
Swatch Group AG, Bearer Shares (Switzerland)	Watch Manufacturer	660,100	\$ 90,720,983
Swatch Group AG, Registered Shares (Switzerland)	Watch Manufacturer	24,700	687,602
			<u>91,408,585</u>
<b>Automobile Manufacturers—5.0%</b>			
Bayerische Motoren Werke (BMW) AG (Germany)	Luxury Automobile Manufacturer	3,985,500	\$ 181,061,494
Honda Motor Co., Ltd. (Japan)	Automobile & Motorcycle Manufacturer	1,705,400	85,441,041
			<u>266,502,535</u>
<b>Broadcasting &amp; Cable TV—2.0%</b>			
Grupo Televisa S.A. (Mexico) (b)	Television Production & Broadcasting	1,171,200	\$ 68,866,559
British Sky Broadcasting Group plc (Great Britain)	Television Production & Broadcasting	3,497,700	38,367,734
			<u>107,234,293</u>
<b>Movies &amp; Entertainment—1.6%</b>			
Vivendi Universal SA (France) (a)	Music, Games, Television, Film, & Telecommunications	2,789,300	\$ 85,430,749
<b>Specialty Stores—2.1%</b>			
Signet Group plc (Great Britain)	Jewelry Retailer	54,248,500	\$ 110,198,979

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.9% (cont.)</b>			
<b>Textiles—0.6%</b>			
Chargeurs SA (France) (c)	Wool, Textile Production & Trading	790,182	\$ 33,900,835
<b>Tires &amp; Rubber—0.2%</b>			
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer	186,876	\$ 12,280,520
<b>Brewers—1.8%</b>			
Heineken Holding NV, Class A (Netherlands)	Brewer	2,525,000	\$ 77,990,318
Heineken NV (Netherlands)	Brewer	497,500	<u>17,236,430</u>
			95,226,748
<b>Distillers &amp; Vintners—4.0%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	12,023,000	\$ 169,485,694
Pernod-Ricard SA (France)	Manufactures Wines, Spirits, & Fruit Juices	299,000	<u>41,739,011</u>
			211,224,705
<b>Household Products—2.5%</b>			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	1,228,200	\$ 104,112,316
Uni-Charm Corporation (Japan)	Toiletry Product Manufacturer	581,000	<u>26,072,771</u>
			130,185,087
<b>Packaged Foods &amp; Meats—5.7%</b>			
Nestle SA (Switzerland)	Food & Beverage Manufacturer	575,100	\$ 157,332,783
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	14,165,200	<u>142,000,368</u>
			299,333,151
<b>Personal Products—1.5%</b>			
L'Oreal SA (France)	Health & Beauty Aid Manufacturer	1,008,800	\$ 80,741,590
<b>Soft Drinks—1.6%</b>			
Lotte Chilsung Beverage Co., Ltd. (Korea) (c)	Soft Drinks, Juices & Sports Drinks Manufacturer	83,400	\$ 82,457,396
<b>Integrated Oil &amp; Gas—1.8%</b>			
BP p.l.c. (Great Britain)	Oil & Natural Gas Exploration & Production	6,294,100	\$ 65,236,649

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.9% (cont.)</b>			
<b>Integrated Oil &amp; Gas—1.8% (cont.)</b>			
Total SA (France)	Oil & Natural Gas Exploration & Production	126,000	\$ 29,478,339
			<u>94,714,988</u>
<b>Oil &amp; Gas Exploration &amp; Production—0.1%</b>			
EnCana Corp. (Canada)	Oil & Natural Gas Exploration & Production	54,400	\$ 3,843,202
<b>Diversified Banks—15.7%</b>			
Bank of Ireland (Ireland)	Commercial Bank	10,462,900	\$ 165,314,537
Australia and New Zealand Banking Group Limited (Australia)	Commercial Bank	7,348,800	117,043,515
Lloyds TSB Group plc (Great Britain)	Commercial Bank	12,347,600	111,530,030
Kookmin Bank (Korea)	Commercial Banking	1,955,068	87,137,429
BNP Paribas SA (France)	Commercial Banking	1,156,000	81,884,795
UniCredito Italiano S.p.A. (Italy)	Banking Services	12,956,700	75,975,272
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking	8,395,368	73,215,419
Sanpaolo IMI S.p.A. (Italy)	Banking Services	3,933,600	61,585,212
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	2,938,400	<u>54,889,646</u>
			828,575,855
<b>Diversified Capital Markets—2.0%</b>			
Credit Suisse Group (Switzerland)	Investment Services & Insurance	2,408,600	\$ 103,395,427
<b>Investment Banking &amp; Brokerage—0.9%</b>			
Daiwa Securities Group Inc. (Japan)	Stock Broker	7,549,000	\$ 49,723,320
<b>Reinsurance—0.3%</b>			
Hannover Rueckversicherung AG (Germany)	Reinsurance	390,800	\$ 15,454,396
<b>Specialized Finance—6.3%</b>			
Euronext NV (Netherlands) (c)	Stock Exchange	5,012,500	\$ 178,341,329
Deutsche Boerse AG (Germany)	Electronic Trading Systems	2,030,500	<u>152,646,289</u>
			330,987,618

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.9% (cont.)</b>			
<b>Health Care Equipment—1.3%</b>			
Olympus Corporation (Japan)	Optical Equipment Manufacturer	2,824,000	\$ 65,867,425
<b>Pharmaceuticals—9.8%</b>			
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	8,029,300	\$ 184,043,235
Takeda Pharmaceutical Company Limited (Japan)	Pharmaceuticals & Food Supplements	2,816,200	134,261,156
Novartis AG (Switzerland)	Pharmaceuticals	2,758,000	128,654,406
Sanofi-Aventis (France)	Pharmaceuticals	788,508	66,482,703
			<u>513,441,500</u>
<b>Diversified Commercial Services—1.9%</b>			
Meitec Corporation (Japan) (c)	Software Engineering Services	2,483,800	\$ 86,667,090
Rentokil Initial plc (Great Britain)	Global Business Services	3,400,000	<u>10,408,192</u>
			97,075,282
<b>Employment Services—1.8%</b>			
Michael Page International plc (Great Britain) (c)	Recruitment Consultancy Services	25,698,900	\$ 94,210,137
<b>Industrial Conglomerates—0.0%</b>			
Haw Par Corporation Limited (Singapore)	Healthcare & Leisure Products	58,338	\$ 185,486
<b>Industrial Machinery—2.8%</b>			
Metso Corporation (Finland)	Paper & Pulp Machinery	4,147,200	\$ 74,287,935
Enodis plc (Great Britain) (a)(c)	Food Processing Equipment	33,585,320	<u>71,080,240</u>
			145,368,175
<b>Marine Ports &amp; Services—2.1%</b>			
Associated British Ports Holdings plc (Great Britain)	Port Operator	12,131,399	\$ 110,150,292
<b>Electronic Equipment Manufacturers—0.5%</b>			
Orbotech, Ltd. (Israel) (a)(c)	Optical Inspection Systems	1,237,700	\$ 27,105,630



# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—95.9% (cont.)</b>			
<b>Semiconductors—0.9%</b>			
Rohm Company Limited (Japan)	Integrated Circuits & Semi-Conductor Devices Manufacturer	464,200	\$ 44,824,089
<b>Diversified Chemicals—2.7%</b>			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	3,107,200	\$ 141,844,932
<b>Fertilizers &amp; Agricultural Chemicals—1.6%</b>			
Syngenta AG (Switzerland) (a)	Crop Protection Products	805,100	\$ 84,063,693
<b>Specialty Chemicals—4.2%</b>			
Lonza Group AG, Registered Shares (Switzerland) (c)	Industrial Organic Chemicals	2,057,300	\$ 125,893,964
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	151,100	<u>97,011,202</u>
			222,905,166
<b>Wireless Telecommunication Services—4.3%</b>			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	787,400	\$ 132,329,631
Vodafone Group Plc (Great Britain)	Mobile Telecommunications	30,110,800	79,942,917
Vodafone Group Plc (Great Britain) (b)	Mobile Telecommunications	606,000	<u>16,095,360</u>
			228,367,908
<b>Total Common Stocks (Cost: \$3,729,447,362)</b>			<b>5,049,459,695</b>
<b>Short Term Investments—4.1%</b>			
<b>U.S. Government Bills—0.9%</b>			
United States Treasury Bills, 2.52% - 2.655% due 4/14/2005 - 4/21/2005		\$ 45,000,000	\$ 44,944,925
<b>Total U.S. Government Bills (Cost: \$44,944,925)</b>			<b>44,944,925</b>

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Par Value	Market Value
<b>Short Term Investments—4.1% (cont.)</b>			
<b>Repurchase Agreements—3.2%</b>			
	IBT Repurchase Agreement, 2.50% dated 3/31/2005 due 4/1/2005, repurchase price \$171,011,875 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$179,550,000	\$ 171,000,000	\$ 171,000,000
	IBT Repurchase Agreement, 2.02% dated 3/31/2005 due 4/1/2005, repurchase price \$364,814 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$383,033	364,793	<u>364,793</u>
	<b>Total Repurchase Agreements (Cost: \$171,364,793)</b>		<b>171,364,793</b>
	<b>Total Short Term Investments (Cost: \$216,309,718)</b>		<b>216,309,718</b>
	Total Investments (Cost \$3,945,757,080)—100.0%		\$ 5,265,769,413
	Foreign Currencies (Cost \$203,741)—0.0%		\$ 204,352
	Other Liabilities In Excess Of Other Assets—0.0%		<u>(505,264)</u>
	<b>Total Net Assets—100%</b>		<b><u>\$5,265,468,501</u></b>

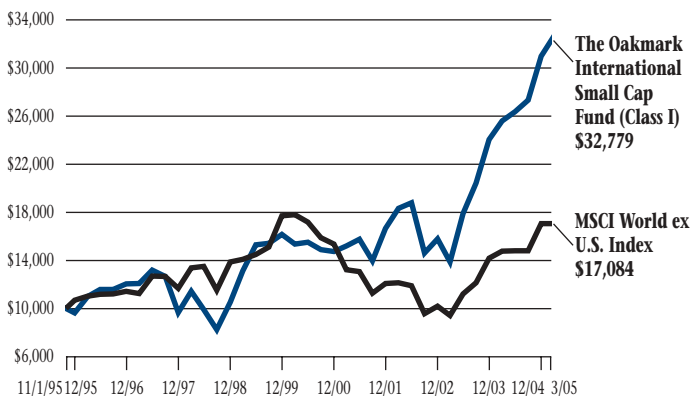
- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) See footnote number five in the Notes to the Financial Statements regarding investments in affiliated issuers.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

Report from David G. Herro and Chad M. Clark, Portfolio Managers



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/05) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>15</sup>



### Average Annual Total Returns

	(as of 3/31/05)		
Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)

<b>Oakmark International Small Cap Fund (Class I)</b>	<b>5.44%</b>	<b>27.62%</b>	<b>16.32%</b>	<b>13.43%</b>
MSCI World ex U.S.	0.07%	15.56%	-0.86%	5.85%
Lipper International Small Cap Average <sup>18</sup>	2.99%	18.24%	7.17%	11.45%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit [www.oakmark.com](http://www.oakmark.com).

\* Not annualized

The Oakmark International Small Cap Fund gained 5% for the quarter, outperforming our benchmark indices. More importantly, however, for the past twelve months and past three years your Fund is up 28% and 21% respectively, soundly outpacing the relevant benchmarks.

Strong performers for the quarter were our Turkish holding company, Dogan Holding, and our financial services companies, Julius Baer and Ichiyoshi Securities. In addition to solid operating performance within its media arm, Dogan Yayin, Dogan Holding benefited from increased merger and acquisition (M&A) activity in the Turkish banking sector (as it owns 62% of one of the medium-sized banks in Turkey) and general market optimism following the European Union's positive recommendation on Turkish membership. With increased scrutiny on corporate governance issues, we were quite happy to see Julius Baer adjust its shareholding structure during the quarter, lowering the family's voting interest to a level on par with its equity stake. We believe this positive move in governance, coupled with strong operating performance, propelled the stock in the quarter. Ichiyoshi, like many in our portfolio, continues to churn out outstanding operating performance with a management dedicated to building per share value over time.

The most significant detractor from quarterly performance was British carpet retailer Carpetright plc. The UK housing market has slowed dramatically following five interest rate increases since late 2003. As a result, Carpetright reported subdued demand during its most recent quarter. We remain convinced that despite some potential cyclicity, this company will continue to deliver high returns and free cash flow, with a management team wholly focused on deploying that free cash flow in a value-accretive manner. We added to our position during the past quarter.

### Portfolio Composition

We had a very robust quarter of new idea generation, adding seven names to our approved list. Meaningful positions were established in UK retailers JJB Sports and Matalan; Wincor Nixdorf, a German-based banking hardware and software provider; and Mabuchi Motors, a Japanese manufacturer of small electric motors. Your Fund continued to add to positions in securities whose prices declined in the quarter, including Lotte Confectionery, Interpump, and Carpetright. Following the flurry of bid activity we reported in last quarter's commentary, M&A interest was more muted in the small cap arena in the quarter. As always, we believe your Fund invests in high quality companies with shareholder-oriented management teams that trade at a large discount to intrinsic value. We are indifferent as to whether value realization is achieved via a buyout offer or whether it comes from the market recognizing a business' inherent value.

We continue to like the quality and price attractiveness of the portfolio. Thank you for your continued confidence.

*David G. Herro*

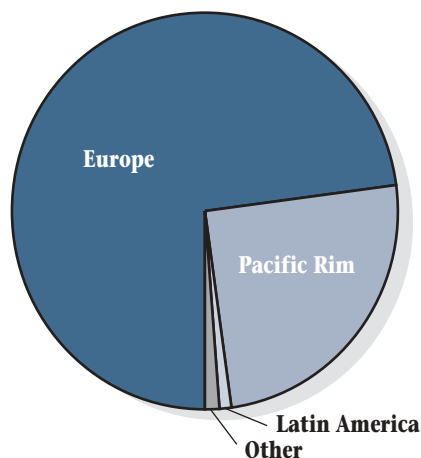
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*Chad M. Clark*

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# THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—March 31, 2005 (Unaudited)



	<b>% of Fund Equity Market Value</b>
<b>Europe</b>	<b>72.9%</b>
Switzerland	16.8%
Great Britain	16.1%
* France	10.3%
* Italy	8.0%
* Germany	6.4%
* Spain	4.4%
Denmark	4.1%
* Finland	2.8%
Turkey	1.9%
Sweden	1.7%
* Greece	0.4%

	<b>% of Fund Equity Market Value</b>
<b>Pacific Rim</b>	<b>24.9%</b>
Japan	11.2%
Korea	5.6%
Australia	4.0%
New Zealand	1.7%
Hong Kong	1.6%
Philippines	0.4%
Thailand	0.4%
<b>Latin America</b>	<b>1.0%</b>
Mexico	1.0%
<b>Other</b>	<b>1.2%</b>
Israel	1.2%

\* Euro currency countries comprise 32.3% of the Fund.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2005 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—94.0%</b>			
<b>Advertising—2.5%</b>			
Asatsu-DK, Inc. (Japan)	Advertising Services Provider	459,700	\$ 14,710,743
G2R Inc. (Korea)	Advertising & Marketing Services	415,440	8,063,823
			<u>22,774,566</u>
<b>Apparel Retail—3.8%</b>			
JJB Sports plc (Great Britain)	Sportswear & Sports Equipment Retailer	4,850,400	\$ 19,247,673
Matalan plc (Great Britain)	Clothing Retailer	3,596,200	16,020,531
			<u>35,268,204</u>
<b>Apparel, Accessories &amp; Luxury Goods—2.0%</b>			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	1,536,400	\$ 18,257,200
<b>Broadcasting &amp; Cable TV—0.0%</b>			
Media Prima Berhad (Malaysia) (a)	Film Producer & Sports Promoter	984,000	\$ 375,474
<b>Home Improvement Retail—2.9%</b>			
Carpetright plc (Great Britain)	Carpet Retailer	1,439,800	\$ 26,989,523
<b>Motorcycle Manufacturers—0.5%</b>			
Ducati Motor Holding S.p.A. (Italy) (a)	Motorcycle Manufacturer	3,015,650	\$ 4,194,072
<b>Photographic Products—1.4%</b>			
Vitec Group plc (Great Britain)	Photo Equipment & Supplies	2,008,907	\$ 12,849,904
<b>Publishing—1.9%</b>			
Tamedia AG (Switzerland) (a)	TV Broadcasting & Publishing	143,661	\$ 14,171,542
Matichon Public Company Limited, Foreign Shares (Thailand) (b)	Newspaper Publisher	2,039,500	3,545,143
			<u>17,716,685</u>
<b>Agricultural Products—2.1%</b>			
Geest plc (Great Britain)	Fresh Produce Distributor	1,562,400	\$ 19,367,673

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—94.0% (cont.)</b>			
<b>Brewers—3.5%</b>			
Davide Campari - Milano S.p.A. (Italy)	Soft Drinks, Wines, & Spirits Producer	284,900	\$ 19,745,035
Kook Soon Dang Brewery Co., Ltd. (Korea)	Wine & Spirits Manufacturer	843,176	<u>13,217,353</u>
			32,962,388
<b>Distillers &amp; Vintners—1.8%</b>			
Baron de Ley, S.A. (Spain) (a)	Wines & Spirits Manufacturer	337,037	\$ 16,574,108
<b>Packaged Foods &amp; Meats—1.3%</b>			
Robert Wiseman Dairies plc (Great Britain)	Milk Processor & Distributor	944,000	\$ 4,807,421
Alaska Milk Corporation (Philippines) (b)	Milk Producer	56,360,000	3,805,329
Lotte Confectionery Co., Ltd. (Korea)	Candy & Snacks Manufacturer	4,884	<u>3,316,800</u>
			11,929,550
<b>Asset Management &amp; Custody Banks—3.1%</b>			
Julius Baer Holding Ltd. (Switzerland)	Asset Management	83,800	\$ 29,055,384
<b>Diversified Banks—1.8%</b>			
Jyske Bank-Registered (Denmark) (a)	Commercial Banking	444,800	\$ 16,618,238
<b>Multi-Sector Holdings—2.2%</b>			
Pargesa Holding AG (Switzerland)	Diversified Operations	5,254	\$ 19,984,702
<b>Other Diversified Financial Services—1.7%</b>			
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	1,495,700	\$ 15,740,538
<b>Regional Banks—1.5%</b>			
Pusan Bank (Korea)	Commercial Banking	1,033,500	\$ 8,166,427
Daegu Bank (Korea)	Commercial Banking	739,400	<u>5,442,856</u>
			13,609,283
<b>Specialized Finance—0.3%</b>			
Athens Stock Exchange S.A. (Greece) (a)	Exchange Services	293,000	\$ 3,235,657

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—94.0% (cont.)</b>			
<b>Health Care Supplies—2.5%</b>			
Ansell Limited (Australia)	Protective Rubber & Plastics Products	1,733,684	\$ 13,176,720
Coloplast A/S, Class B (Denmark)	Healthcare Products & Services Provider	203,000	10,559,765
			<u>23,736,485</u>
<b>Pharmaceuticals—2.5%</b>			
Santen Pharmaceutical Co., Ltd. (Japan)	Pharmaceuticals	1,077,000	\$ 23,110,510
<b>Air Freight &amp; Logistics—1.6%</b>			
Mainfreight Limited (New Zealand) (b)	Logistics Services	7,816,058	\$ 14,738,018
<b>Airport Services—2.0%</b>			
Kobenhavns Lufthavne A/S (Copenhagen Airports A/S - CPH) (Denmark)	Airport Management & Operations	38,300	\$ 9,135,309
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)(c)	Airport Operator	315,000	8,835,750
			<u>17,971,059</u>
<b>Construction &amp; Engineering—1.2%</b>			
Tae Young Corp. (Korea)	Heavy Construction	284,070	\$ 11,446,555
<b>Construction &amp; Farm Machinery &amp; Heavy Trucks—0.2%</b>			
Vossloh AG (Germany)	Railroad Equipment Manufacturer	29,000	\$ 1,478,726
<b>Diversified Commercial Services—2.7%</b>			
Prosegur, Compania de Seguridad SA (Spain)	Security & Transportation Services	1,052,300	\$ 22,504,988
Konami Sports Corporation (Japan)	Fitness Centers	149,400	2,667,832
			<u>25,172,820</u>
<b>Electrical Components &amp; Equipment—3.0%</b>			
Pfeiffer Vacuum Technology AG (Germany)	Vacuum Pump Manufacturer	423,840	\$ 21,479,984
Carbone Lorraine SA (France) (a)	Electrical Systems Manufacturer	120,545	6,812,256
			<u>28,292,240</u>

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—94.0% (cont.)</b>			
<b>Employment Services—0.8%</b>			
DIS Deutscher Industrie Service AG (Germany)	Recruitment Consultancy Services	173,800	\$ 7,377,621
<b>Industrial Conglomerates—1.8%</b>			
Dogan Sirketler Grubu Holdings A.S. (Turkey) (a)	Diversified Holding Company	6,258,511	\$ 16,288,324
<b>Industrial Machinery—13.2%</b>			
Saurer AG (Switzerland) (a)	Textile Equipment Manufacturer	502,653	\$ 32,986,340
Interpump Group S.p.A. (Italy) (b)	Pump & Piston Manufacturer	5,326,600	28,299,794
Schindler Holding AG (Switzerland)	Elevator & Escalator Manufacturer	64,200	24,419,829
Alfa Laval AB (Sweden)	Filtration & Separation Equipment	807,500	13,245,192
LISI (France)	Industrial Fastener Manufacturer	148,244	10,731,380
Kone Oyj, Class B (Finland) (a)	Elevators	113,100	8,791,276
Halma plc (Great Britain)	Electronic Instrument Producer	719,700	2,189,570
Munters AB (Sweden)	Cooling & Moisture Control Systems	77,400	2,079,468
NSC Groupe (France)	Textile Equipment Manufacturer	12,316	1,095,886
			<u>123,838,735</u>
<b>Office Services &amp; Supplies—0.6%</b>			
Societe BIC SA (France)	Consumer & Office Supplies	101,800	\$ 5,775,367
Domino Printing Sciences plc (Great Britain)	Printing Equipment	70,000	341,932
			<u>6,117,299</u>
<b>Computer Storage &amp; Peripherals—1.3%</b>			
Lectra (France)	Manufacturing Process Systems	1,813,100	\$ 11,773,748
<b>Data Processing &amp; Outsourced Services—2.3%</b>			
Baycorp Advantage Limited (Australia)	Credit Reference Services	9,342,300	\$ 21,647,978
<b>Electronic Equipment Manufacturers—6.2%</b>			
Wincor Nixdorf AG (Germany) (a)	Banking Machine Manufacturer	222,300	\$ 17,720,250
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	627,000	15,847,378



# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—94.0% (cont.)</b>			
<b>Electronic Equipment Manufacturers—6.2% (cont.)</b>			
Mabuchi Motor Co., Ltd. (Japan)	Digital Camera Motors Manufacturer	221,000	\$ 13,278,351
Orbotech, Ltd. (Israel) (a)(b)	Optical Inspection Systems	499,300	10,934,670
			<u>57,780,649</u>
<b>Home Entertainment Software—1.7%</b>			
Square Enix Co., Ltd. (Japan)	Entertainment Software	508,100	\$ 15,595,923
<b>IT Consulting &amp; Other Services—4.2%</b>			
Morse plc (Great Britain) (b)	Business & Technology Solutions	10,548,500	\$ 21,427,946
Alten (France) (a)	Systems Consulting & Engineering	443,281	10,916,615
Sopra Group (France)	Computer Engineering	111,930	6,202,087
			<u>38,546,648</u>
<b>Office Electronics—3.3%</b>			
Neopost SA (France)	Mailroom Equipment Supplier	349,174	\$ 30,232,470
<b>Industrial Gases—1.4%</b>			
Taiyo Ink Mfg. Co., Ltd. (Japan)	Manufacturer of Resist Inks	348,100	\$ 13,347,866
<b>Specialty Chemicals—5.7%</b>			
Gurit-Heberlein AG (Switzerland) (b)	Chemical Producer	36,075	\$ 26,916,015
Croda International plc (Great Britain)	Chemical Producer	2,573,600	18,127,590
Financiere Marc de Lacharriere SA (Fimalac) (France)	Chemical Storage & Diversified Operations	150,232	7,047,033
Financiere Marc de Lacharriere SA (Fimalac), Warrants (France) (a)	Chemical Storage & Diversified Operations	31,866	177,603
			<u>52,268,241</u>
<b>Alternative Carriers—1.5%</b>			
Asia Satellite Telecommunications Holdings Limited (Hong Kong)	Satellite Operator	7,305,000	\$ 13,955,407
<b>Total Common Stocks (Cost: \$602,359,514)</b>			<b>872,220,471</b>

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2005 (Unaudited) cont.

Name	Description	Par Value	Market Value
<b>Fixed Income—0.8%</b>			
<b>Preferred Stocks—0.8%</b>			
<b>Industrial Conglomerates—0.8%</b>			
Rheinmetall AG, Preferred, 0.00%	Automotive Pump Manufacturer	146,600	\$ 7,790,639
<b>Total Preferred Stocks (Cost: \$8,200,975)</b>			<b>7,790,639</b>
<b>Total Fixed Income (Cost: \$8,200,975)</b>			<b>7,790,639</b>
<b>Short Term Investments—4.3%</b>			
<b>U.S. Government Bills—2.2%</b>			
United States Treasury Bills, 2.635% - 2.64% due 4/14/2005 - 4/28/2005		\$20,000,000	\$ 19,970,684
<b>Total U.S. Government Bills (Cost: \$19,970,684)</b>			<b>19,970,684</b>
<b>Repurchase Agreements—2.1%</b>			
IBT Repurchase Agreement, 2.50% dated 3/31/2005 due 4/1/2005, repurchase price \$18,001,250 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$18,900,000		\$18,000,000	\$ 18,000,000
IBT Repurchase Agreement, 2.02% dated 3/31/2005 due 4/1/2005, repurchase price \$1,583,870 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$1,662,970		1,583,781	<u>1,583,781</u>
<b>Total Repurchase Agreements (Cost: \$19,583,781)</b>			<b>19,583,781</b>
<b>Total Short Term Investments (Cost: \$39,554,465)</b>			<b>39,554,465</b>
Total Investments (Cost \$650,114,954)—99.1%			\$ 919,565,575
Foreign Currencies (Cost \$101,721)—0.0%			\$ 101,726
Other Assets In Excess Of Other Liabilities—0.9%			<u>8,571,321</u>
<b>Total Net Assets—100%</b>			<b><u>\$928,238,622</u></b>

(a) Non-income producing security.

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

(c) Represents an American Depository Receipt.



# OAKMARK

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# THE OAKMARK FUNDS

## Statements of Assets and Liabilities—March 31, 2005 (Unaudited)

		The Oakmark Fund	The Oakmark Select Fund
<b>Assets</b>			
Investments in unaffiliated securities, at value	(a)	\$ 6,711,028,793	\$ 5,305,538,964
Investments in affiliated securities, at value	(b)	153,221,994	659,580,289
Cash		0	0
Foreign currency, at value	(c)	0	0
Receivable for:			
Securities sold		113,828,102	0
Fund shares sold		10,630,428	14,377,320
Dividends and interest		9,246,482	4,993,159
Forward foreign currency contracts		0	0
Tax reclaim		0	0
Total receivables		133,705,012	19,370,479
Other assets		103,296	90,971
Total assets		<u>\$ 6,998,059,095</u>	<u>\$ 5,984,580,703</u>
<b>Liabilities and Net Assets</b>			
Payable for:			
Securities purchased		\$ 18,961,200	\$ 5,121,639
Fund shares redeemed		5,204,320	6,405,768
Due to Adviser		169,831	151,270
Due to transfer agent		227,820	103,497
Trustees fees		28,910	25,459
Deferred trustee compensation		846,776	754,393
Forward currency exchange contracts		0	0
Foreign tax expense		0	0
Other		1,825,366	1,339,926
Total liabilities		<u>27,264,223</u>	<u>13,901,952</u>
Net assets applicable to fund shares outstanding		<u>\$ 6,970,794,872</u>	<u>\$ 5,970,678,751</u>
<b>Analysis of Net Assets</b>			
Paid in capital		\$ 5,683,001,286	\$ 3,840,870,253
Accumulated undistributed net realized gain (loss) of investments, forward contracts, options, short sales and foreign currency exchange transactions		(136,360,093)	250,018,114
Net unrealized appreciation (depreciation) of investments and foreign currencies		1,392,560,324	1,871,813,191
Net unrealized appreciation (depreciation)—other		0	0
Accumulated undistributed net investment income (loss)		31,593,355	7,977,193
Net assets applicable to Fund shares outstanding		<u>\$ 6,970,794,872</u>	<u>\$ 5,970,678,751</u>
<b>Price of Shares</b>			
Net asset value per share: Class I		<u>\$ 40.85</u>	<u>\$ 33.39</u>
Class I—Net assets		\$ 6,904,921,300	\$ 5,874,392,572
Class I—Shares outstanding (Unlimited shares authorized)		169,043,919	175,952,739
Net asset value per share: Class II		<u>\$ 40.65</u>	<u>\$ 33.23</u>
Class II—Net assets		\$ 65,873,572	\$ 96,286,179
Class II—Shares outstanding (Unlimited shares authorized)		1,620,496	2,897,691
(a) Identified cost of investments in unaffiliated securities		\$ 5,393,003,291	\$ 3,862,525,879
(b) Identified cost of investments in affiliated securities		78,687,172	230,780,183
(c) Identified cost of foreign currency		0	0

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 8,678,859,518 72,572,500 0 0	\$ 1,475,534,487 174,500,797 0 0	\$ 4,566,112,792 699,656,621 97 204,352	\$ 809,898,660 109,666,915 0 101,726
46,705,188 12,725,885 36,800,035 0 10,000	0 3,928,435 4,175,538 0 713,836	756,348 11,637,610 19,687,183 0 2,671,285	6,635,694 1,710,686 2,862,958 710,521 709,059
96,241,108 116,328	8,817,809 63,019	34,752,426 144,979	12,628,918 48,896
<u>\$ 8,847,789,454</u>	<u>\$ 1,658,916,112</u>	<u>\$ 5,300,871,267</u>	<u>\$ 932,345,115</u>
\$ 29,498,061 6,929,367 173,367 155,329 32,682 504,183 0 0 2,881,225 40,174,214	\$ 1,804,154 383,501 42,990 37,344 15,474 309,324 2,474,939 0 545,342 5,613,068	\$ 18,097,089 8,321,338 131,125 88,817 23,781 519,172 6,399,028 0 1,822,416 35,402,766	\$ 3,020,427 288,281 29,190 18,855 13,819 311,495 0 121,001 303,425 4,106,493
<u>\$ 8,807,615,240</u>	<u>\$ 1,653,303,044</u>	<u>\$ 5,265,468,501</u>	<u>\$ 928,238,622</u>
\$ 7,656,702,318  21,118,225 1,102,277,968 129,165 27,387,564	\$ 1,272,447,756  12,582,922 368,357,068 36,111 (120,813)	\$ 3,851,862,360  99,846,455 1,313,652,488 10,723 96,475	\$ 600,401,572  57,889,450 270,049,228 37,431 (139,059)
<u>\$ 8,807,615,240</u>	<u>\$ 1,653,303,044</u>	<u>\$ 5,265,468,501</u>	<u>\$ 928,238,622</u>
\$ 23.35 \$ 8,187,947,315 350,598,213	\$ 21.94 \$ 1,612,808,759 73,505,816	\$ 21.58 \$ 4,919,886,277 227,972,703	\$ 21.12 \$ 927,626,247 43,931,937
\$ 23.27 \$ 619,667,925 26,625,343	\$ 21.71 \$ 40,494,285 1,865,052	\$ 21.47 \$ 345,582,224 16,098,905	\$ 21.10 \$ 612,375 29,022
\$ 7,566,754,908 82,399,142 0	\$ 1,143,023,346 136,180,665 0	\$ 3,496,998,430 448,758,650 203,741	\$ 550,703,171 99,411,783 101,721

See accompanying notes to financial statements.

# THE OAKMARK FUNDS

## Statements of Operations—Period Ended March 31, 2005 (Unaudited)

	The Oakmark Fund	The Oakmark Select Fund
<b>Investment Income:</b>		
Dividends from unaffiliated securities	\$ 63,861,643	\$ 51,484,168
Dividends from affiliated securities	1,332,892	3,664,452
Interest Income	6,321,936	4,759,108
Securities lending income	0	0
Other income	42,113	26,809
Foreign taxes withheld	(248,907)	0
Total investment income	71,309,677	59,934,537
<b>Expenses:</b>		
Investment advisory fee	29,813,473	24,389,760
Transfer and dividend disbursing agent fees	1,537,622	771,131
Other shareholder servicing fees	2,887,149	2,192,109
Service Fee—Class II	77,468	125,185
Reports to shareholders	908,740	594,819
Custody and accounting fees	369,385	294,850
Registration and blue sky expenses	59,927	0
Trustee fees	93,053	82,441
Deferred trustee compensation	72,636	65,007
Legal fees	74,671	65,858
Audit fees	32,089	28,153
Other	191,305	146,742
Total expenses	36,117,518	28,756,055
Expense offset arrangements	0	0
Net expenses	36,117,518	28,756,055
<b>Net Investment Income:</b>	35,192,159	31,178,482
<b>Net realized and unrealized gain (loss) on investments and foreign currency transactions:</b>		
Net realized gain on unaffiliated securities	101,069,170	142,311,659
Net realized gain on affiliated securities	30,752,892	129,874,070
Net realized gain on options written	0	0
Net realized gain (loss) on foreign currency transactions	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	228,832,371	123,368,921
Net change in appreciation (depreciation)—other	0	0
Net change in deferred foreign taxes	0	0
Net realized and unrealized gain on investments and foreign currency transactions:	360,654,433	395,554,650
Net increase in net assets resulting from operations	\$ 395,846,592	\$ 426,733,132

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 34,341,914	\$ 9,554,679	\$ 36,050,654	\$ 5,953,867
72,500	262,693	928,566	992,904
56,332,659	390,234	1,901,848	412,004
0	10,365	74,850	0
23,581	255	0	0
(474,804)	(458,577)	(1,770,157)	(663,287)
<u>90,295,850</u>	<u>9,759,649</u>	<u>37,185,761</u>	<u>6,695,488</u>
30,908,138	7,538,210	22,328,496	4,955,885
1,020,885	256,847	580,755	121,674
4,807,665	663,273	2,090,511	306,484
697,613	39,199	377,823	330
875,557	165,681	430,652	69,302
492,732	421,102	1,774,900	378,674
63,581	36,993	42,563	23,382
104,925	49,573	75,729	44,322
82,092	38,612	58,852	34,399
85,601	39,500	60,477	35,165
36,390	17,160	26,902	15,145
221,717	76,510	145,907	62,365
<u>39,396,896</u>	<u>9,342,660</u>	<u>27,993,567</u>	<u>6,047,127</u>
(44)	0	0	(32)
<u>39,396,852</u>	<u>9,342,660</u>	<u>27,993,567</u>	<u>6,047,095</u>
50,898,998	416,989	9,192,194	648,393
36,779,736	16,133,897	103,399,641	60,718,801
0	0	3,144,562	9,939,868
521,987	0	0	0
380,150	277,783	(582,606)	(224,902)
273,998,375	169,997,749	560,527,887	75,575,974
2,493	(40,815)	(285,180)	674
0	0	0	118,372
<u>311,682,741</u>	<u>186,368,614</u>	<u>666,204,304</u>	<u>146,128,787</u>
<u>\$ 362,581,739</u>	<u>\$ 186,785,603</u>	<u>\$ 675,396,498</u>	<u>\$ 146,777,180</u>

# THE OAKMARK FUNDS

## Statements of Changes in Net Assets (Unaudited)

	The Oakmark Fund	
	Period Ended March 31, 2005	Year Ended September 30, 2004
<b>From Operations:</b>		
Net investment income	\$ 35,192,159	\$ 27,165,278
Net realized gain on investments	131,822,062	64,812,715
Net change in unrealized appreciation (depreciation) of investments	<u>228,832,371</u>	<u>636,919,637</u>
<b>Net increase in net assets from operations</b>	<b>395,846,592</b>	<b>728,897,630</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(29,017,833)	(20,505,874)
Net investment income—Class II	<u>(112,443)</u>	<u>(37,100)</u>
<b>Total distributions to shareholders</b>	<b>(29,130,276)</b>	<b>(20,542,974)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	824,079,800	1,919,971,722
Proceeds from shares sold—Class II	18,718,634	36,194,109
Reinvestment of distributions—Class I	26,428,707	18,843,547
Reinvestment of distributions—Class II	63,924	8,676
Payments for shares redeemed, net of fees—Class I	(783,387,446)	(939,233,385)
Payments for shares redeemed, net of fees—Class II	(7,901,058)	(9,099,878)
Redemption fees—Class I	<u>181,271</u>	<u>340,142</u>
<b>Net increase in net assets from Fund share transactions</b>	<b><u>78,183,832</u></b>	<b><u>1,027,024,933</u></b>
<b>Total increase in net assets</b>	<b>444,900,148</b>	<b>1,735,379,589</b>
<b>Net assets:</b>		
Beginning of period	<u>6,525,894,724</u>	<u>4,790,515,135</u>
End of period	<b><u>\$ 6,970,794,872</u></b>	<b><u>\$ 6,525,894,724</u></b>
Undistributed net investment income	<u>\$ 31,593,355</u>	<u>\$ 25,531,472</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	20,284,940	50,926,355
Shares issued in reinvestment of dividends	648,876	534,720
Less shares redeemed	<u>(19,246,564)</u>	<u>(24,984,586)</u>
<b>Net increase in shares outstanding</b>	<b><u>1,687,252</u></b>	<b><u>26,476,489</u></b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	465,734	968,163
Shares issued in reinvestment of dividends	1,576	247
Less shares redeemed	<u>(195,349)</u>	<u>(247,309)</u>
<b>Net increase in shares outstanding</b>	<b><u>271,961</u></b>	<b><u>721,101</u></b>



## The Oakmark Select Fund

	Period Ended March 31, 2005	Year Ended September 30, 2004
<b>From Operations:</b>		
Net investment income	\$ 31,178,482	\$ 28,041,071
Net realized gain on investments	272,185,729	156,155,071
Net change in unrealized appreciation (depreciation) of investments	<u>123,368,921</u>	<u>511,522,774</u>
<b>Net increase in net assets from operations</b>	<b>426,733,132</b>	<b>695,718,916</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(41,681,441)	(18,710,631)
Net investment income—Class II	<u>(456,984)</u>	<u>(118,882)</u>
<b>Total distributions to shareholders</b>	<b>(42,138,425)</b>	<b>(18,829,513)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	555,038,286	807,786,818
Proceeds from shares sold—Class II	13,368,800	33,570,613
Reinvestment of distributions—Class I	39,145,869	17,456,336
Reinvestment of distributions—Class II	205,309	58,212
Payments for shares redeemed, net of fees—Class I	(560,635,094)	(1,019,983,750)
Payments for shares redeemed, net of fees—Class II	(22,121,245)	(40,937,360)
Redemption fees—Class I	<u>49,030</u>	<u>105,547</u>
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b>25,050,955</b>	<b>(201,943,584)</b>
<b>Total increase in net assets</b>	<b>409,645,662</b>	<b>474,945,819</b>
<b>Net assets:</b>		
Beginning of period	<u>5,561,033,089</u>	<u>5,086,087,270</u>
End of period	<u>\$ 5,970,678,751</u>	<u>\$ 5,561,033,089</u>
Undistributed net investment income	<u>\$ 7,977,193</u>	<u>\$ 18,937,136</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	16,855,171	26,433,387
Shares issued in reinvestment of dividends	1,205,230	595,510
Less shares redeemed	<u>(17,204,975)</u>	<u>(33,158,816)</u>
<b>Net increase (decrease) in shares outstanding</b>	<b>855,426</b>	<b>(6,129,919)</b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	410,524	1,102,241
Shares issued in reinvestment of dividends	6,346	1,944
Less shares redeemed	<u>(680,656)</u>	<u>(1,342,449)</u>
<b>Net decrease in shares outstanding</b>	<b>(263,786)</b>	<b>(238,264)</b>

# THE OAKMARK FUNDS

## Statements of Changes in Net Assets (Unaudited)

	The Oakmark Equity and Income Fund	
	Period Ended March 31, 2005	Year Ended September 30, 2004
<b>From Operations:</b>		
Net investment income	\$ 50,898,998	\$ 50,126,070
Net realized gain on investments	37,301,723	269,099,021
Net realized gain on foreign currency transactions	380,150	227,056
Net change in unrealized appreciation (depreciation) of investments	273,998,375	416,194,976
Net change in unrealized appreciation (depreciation)—other	2,493	39,804
<b>Net increase in net assets from operations</b>	<u>362,581,739</u>	<u>735,686,927</u>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(67,147,518)	(30,409,117)
Net investment income—Class II	(3,563,528)	(1,530,815)
Net realized gain—Class I	(196,511,764)	0
Net realized gain—Class II	(13,715,030)	0
<b>Total distributions to shareholders</b>	<u>(280,937,840)</u>	<u>(31,939,932)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	957,091,284	3,583,813,621
Proceeds from shares sold—Class II	192,981,547	277,231,468
Reinvestment of distributions—Class I	254,487,513	29,355,530
Reinvestment of distributions—Class II	7,740,318	514,106
Payments for shares redeemed, net of fees—Class I	(677,964,087)	(836,471,290)
Payments for shares redeemed, net of fees—Class II	(65,023,751)	(86,816,396)
Redemption fees—Class I	100,835	534,637
<b>Net increase in net assets from Fund share transactions</b>	<u>669,413,659</u>	<u>2,968,161,676</u>
<b>Total increase in net assets</b>	751,057,558	3,671,908,671
<b>Net assets:</b>		
Beginning of period	<u>8,056,557,682</u>	<u>4,384,649,011</u>
End of period	<u>\$ 8,807,615,240</u>	<u>\$ 8,056,557,682</u>
Undistributed net investment income	<u>\$ 27,387,564</u>	<u>\$ 47,199,612</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	40,880,970	159,855,520
Shares issued in reinvestment of dividends	10,997,731	1,399,884
Less shares redeemed	(28,975,723)	(37,388,817)
<b>Net increase in shares outstanding</b>	<u>22,902,978</u>	<u>123,866,587</u>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	8,293,857	12,464,461
Shares issued in reinvestment of dividends	335,369	24,563
Less shares redeemed	(2,790,764)	(3,887,834)
<b>Net increase in shares outstanding</b>	<u>5,838,462</u>	<u>8,601,190</u>

## The Oakmark Global Fund

	Period Ended March 31, 2005	Year Ended September 30, 2004
<b>From Operations:</b>		
Net investment income	\$ 416,989	\$ 5,884,687
Net realized gain on investments	16,133,897	23,552,579
Net realized gain (loss) on foreign currency transactions	277,783	(199,643)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	169,997,749	116,594,459
Net change in unrealized appreciation (depreciation)—other	<u>(40,815)</u>	<u>102,037</u>
<b>Net increase in net assets from operations</b>	<b>186,785,603</b>	<b>145,934,119</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(7,092,335)	(54,303)
Net investment income—Class II	(103,658)	0
Net realized gain—Class I	(25,218,974)	(2,851,872)
Net realized gain—Class II	<u>(520,696)</u>	<u>(25,574)</u>
<b>Total distributions to shareholders</b>	<b>(32,935,663)</b>	<b>(2,931,749)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	214,988,192	782,660,249
Proceeds from shares sold—Class II	14,218,092	21,752,122
Reinvestment of distributions—Class I	30,609,171	2,804,200
Reinvestment of distributions—Class II	557,171	20,731
Payments for shares redeemed, net of fees—Class I	(119,943,833)	(296,067,961)
Payments for shares redeemed, net of fees—Class II	(2,033,031)	(4,061,520)
Redemption fees—Class I	<u>35,702</u>	<u>314,014</u>
<b>Net increase in net assets from Fund share transactions</b>	<b>138,431,464</b>	<b>507,421,835</b>
<b>Total increase in net assets</b>	<b>292,281,404</b>	<b>650,424,205</b>
<b>Net assets:</b>		
Beginning of period	<u>1,361,021,640</u>	<u>710,597,435</u>
End of period	<u>\$ 1,653,303,044</u>	<u>\$ 1,361,021,640</u>
Undistributed net investment income (loss)	<u>\$ (1,516,685)</u>	<u>\$ 5,262,319</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	9,976,807	41,298,499
Shares issued in reinvestment of dividends	1,443,149	155,616
Less shares redeemed	<u>(5,628,945)</u>	<u>(15,250,479)</u>
<b>Net increase in shares outstanding</b>	<b>5,791,011</b>	<b>26,203,636</b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	668,325	1,131,427
Shares issued in reinvestment of dividends	26,519	1,160
Less shares redeemed	<u>(95,320)</u>	<u>(211,953)</u>
<b>Net increase in shares outstanding</b>	<b>599,524</b>	<b>920,634</b>

# THE OAKMARK FUNDS

## Statements of Changes in Net Assets (Unaudited)

	The Oakmark International Fund	
	Period Ended March 31, 2005	Year Ended September 30, 2004
<b>From Operations:</b>		
Net investment income	\$ 9,192,194	\$ 53,715,892
Net realized gain on investments	106,544,203	217,536,088
Net realized loss on foreign currency transactions	(582,606)	(603,088)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	560,527,887	401,911,292
Net change in unrealized appreciation (depreciation)—other	(285,180)	168,158
<b>Net increase in net assets from operations</b>	<u>675,396,498</u>	<u>672,728,342</u>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(57,688,522)	(20,084,750)
Net investment income—Class II	(3,146,570)	(570,848)
Net realized gain—Class I	(11,785,113)	0
Net realized gain—Class II	(790,281)	0
<b>Total distributions to shareholders</b>	<u>(73,410,486)</u>	<u>(20,655,598)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	633,583,884	1,465,810,386
Proceeds from shares sold—Class II	93,801,017	183,258,922
Reinvestment of distributions—Class I	63,036,515	18,162,578
Reinvestment of distributions—Class II	2,198,011	279,537
Payments for shares redeemed, net of fees—Class I	(378,117,072)	(744,490,290)
Payments for shares redeemed, net of fees—Class II	(47,319,848)	(79,196,627)
Redemption fees—Class I	189,684	367,912
<b>Net increase in net assets from Fund share transactions</b>	<u>367,372,191</u>	<u>844,192,418</u>
<b>Total increase in net assets</b>	969,358,203	1,496,265,162
<b>Net assets:</b>		
Beginning of period	4,296,110,298	2,799,845,136
End of period	<u>\$ 5,265,468,501</u>	<u>\$ 4,296,110,298</u>
Undistributed net investment income	<u>\$ 96,475</u>	<u>\$ 51,739,373</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	30,377,910	81,784,418
Shares issued in reinvestment of dividends	3,074,952	1,091,501
Less shares redeemed	(18,177,494)	(40,952,323)
<b>Net increase in shares outstanding</b>	<u>15,275,368</u>	<u>41,923,596</u>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	4,498,321	10,166,362
Shares issued in reinvestment of dividends	107,693	16,860
Less shares redeemed	(2,252,825)	(4,345,978)
<b>Net increase in shares outstanding</b>	<u>2,353,189</u>	<u>5,837,244</u>

## The Oakmark International Small Cap Fund

	Period Ended March 31, 2005	Year Ended September 30, 2004
<b>From Operations:</b>		
Net investment income	\$ 648,393	\$ 4,554,775
Net realized gain on investments	70,658,669	43,497,450
Net realized loss on foreign currency transactions	(224,902)	(41,546)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	75,575,974	124,228,709
Net change in unrealized appreciation (depreciation)—other	674	(23,302)
Net change in deferred foreign taxes	<u>118,372</u>	<u>0</u>
<b>Net increase in net assets from operations</b>	<b>146,777,180</b>	<b>172,216,086</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(11,222,306)	(4,209,195)
Net investment income—Class II	(6,999)	(2,982)
Net realized gain—Class I	(15,538,999)	0
Net realized gain—Class II	<u>(10,001)</u>	<u>0</u>
<b>Total distributions to shareholders</b>	<b>(26,778,305)</b>	<b>(4,212,177)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	113,706,918	188,831,597
Proceeds from shares sold—Class II	87,470	54,188
Reinvestment of distributions—Class I	24,846,478	3,863,970
Reinvestment of distributions—Class II	10,284	1,508
Payments for shares redeemed, net of fees—Class I	(64,988,413)	(104,507,785)
Payments for shares redeemed, net of fees—Class II	(26,244)	(171,984)
Redemption fees—Class I	<u>19,429</u>	<u>263,993</u>
<b>Net increase in net assets from Fund share transactions</b>	<b>73,655,922</b>	<b>88,335,487</b>
<b>Total increase in net assets</b>	<b>193,654,797</b>	<b>256,339,396</b>
<b>Net assets:</b>		
Beginning of period	<u>734,583,825</u>	<u>478,244,429</u>
End of period	<b>\$ 928,238,622</b>	<b>\$ 734,583,825</b>
Undistributed net investment income (loss)	<u>\$ (6,761,596)</u>	<u>\$ 3,819,316</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	5,657,445	11,434,258
Shares issued in reinvestment of dividends	1,298,823	260,200
Less shares redeemed	<u>(3,218,601)</u>	<u>(6,274,556)</u>
<b>Net increase in shares outstanding</b>	<b>3,737,667</b>	<b>5,419,902</b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	4,448	3,350
Shares issued in reinvestment of dividends	537	102
Less shares redeemed	<u>(1,252)</u>	<u>(10,276)</u>
<b>Net increase (decrease) in shares outstanding</b>	<b>3,733</b>	<b>(6,824)</b>

### 1. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of The Oakmark Fund ("Oakmark"), The Oakmark Select Fund ("Select"), 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 Harris Associates Investment Trust (the "Trust"), a Massachusetts business trust, which is registered as an investment company under the Investment Company Act of 1940. These policies are in conformity with accounting principles generally accepted in the United States of America ("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. These unaudited financial statements reflect all adjustments, which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. All such adjustments are of a normal, recurring nature.

#### 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 0.25% of average net assets of Class II Shares of the Funds. This service fee is paid to an administrator for performing the services associated with the administration of such retirement plans.

Income, realized and unrealized capital gains and losses and 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.

#### Redemption fees—

Each Fund imposes a short-term trading fee on redemptions of Class I Shares held for 90 days or less to offset two types of costs to the Fund caused by short-term trading: portfolio transaction and market impact costs associated with erratic redemption activity and administrative costs associated with processing redemptions. The fee is 2% of the redemption value and is deducted from the redemption proceeds and retained by the Fund. The "first-in, first-out" (FIFO) method is used to determine the holding period.

#### Security valuation—

Securities traded on securities exchanges and over-the-counter securities are valued at the last sales price on the day of valuation, or lacking

any reported sales that day, at the most recent bid quotation. Securities traded on the NASDAQ National Market are valued at the NASDAQ Official Closing Price ("NOCP"), or lacking an NOCP, at the most recent bid quotation on the NASDAQ National Market. Debt obligations and money market instruments maturing in more than 60 days from the date of purchase are valued at the latest bid quotation. Debt obligations and money market instruments maturing in less than 61 days from the date of purchase are valued on an amortized cost basis which approximates market value. Options are valued at the last reported sale price on the day of valuation, or lacking any reported sales that day, at the mean of the most recent bid and ask quotations. Securities traded in foreign markets are valued using prices reported by local foreign markets. Securities for which quotations are not readily available, or securities which may have been affected by a significant event after the price was determined, and other assets are valued at a fair value as determined by or under the direction of pricing committees established by the Board of Trustees. The Funds' net asset values are determined at the time of the close of the New York Stock Exchange. The pricing committees will evaluate movements in the U.S. markets after the close of foreign markets and may adjust security prices to reflect changes in reaction to U.S. markets as determined by a third party model. At March 31, 2005, the Funds held no securities for which quotations were not readily available, and no securities which may have been affected by a significant event prior to the computation of NAV.

#### 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 net asset value is determined. 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 and net realized loss from securities.

Net realized gains or losses 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 and the U.S. dollar equivalent of the amounts actually received or paid, and the realized gains or losses resulting from portfolio and transaction hedges. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities, other than investments in securities at the period ending March 31, 2005, resulting from changes in exchange rates.

# THE OAKMARK FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

For the period ended March 31, 2005, net unrealized appreciation (depreciation)—other included the following components:

	Equity and Income	Global	International	Int'l Small Cap
Unrealized appreciation (depreciation) on interest, dividends and dividend reclaims receivable	\$129,165	\$39,621	\$94,648	\$41,566
Unrealized appreciation (depreciation) on open securities purchases and sales	0	(3,510)	(83,925)	(4,135)
Net Unrealized appreciation (depreciation)—Other	<u>\$129,165</u>	<u>\$36,111</u>	<u>\$10,723</u>	<u>\$37,431</u>

### Forward foreign currency contracts—

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. At March 31, 2005, Global, International and Int'l Small Cap held the following outstanding forward foreign currency contracts:

### The Oakmark Global Fund

	Contract Amount	Settlement Date	Valuation at 03/31/05	Unrealized Appreciation/ Depreciation
<i>Foreign Currency Sold:</i>				
British Pound Sterling	47,900,000	July 2005	\$ 90,078,193	\$(3,393,563)
Swiss Franc	73,000,000	November 2005	62,044,978	918,624
			<u>\$152,123,171</u>	<u>\$(2,474,939)</u>

### The Oakmark International Fund

	Contract Amount	Settlement Date	Valuation at 03/31/05	Unrealized Appreciation/ Depreciation
<i>Foreign Currency Sold:</i>				
British Pound Sterling	142,000,000	July 2005	\$ 267,056,999	\$(11,045,199)
British Pound Sterling	140,000,000	July 2005	263,276,556	(9,918,556)
British Pound Sterling	65,000,000	November 2005	121,707,235	(1,795,235)
British Pound Sterling	64,500,000	December 2005	120,744,206	1,831,594
British Pound Sterling	42,600,000	December 2005	79,743,400	1,631,120
Swiss Franc	302,000,000	November 2005	256,679,225	3,800,334
Swiss Franc	174,000,000	November 2005	147,900,642	2,553,314
Swiss Franc	129,400,000	November 2005	110,037,398	2,906,654
Swiss Franc	88,700,000	December 2005	75,524,143	3,636,946
			<u>\$1,442,669,804</u>	<u>\$(6,399,028)</u>

### The Oakmark International Small Cap Fund

	Contract Amount	Settlement Date	Valuation at 03/31/05	Unrealized Appreciation/ Depreciation
<i>Foreign Currency Sold:</i>				
British Pound Sterling	11,200,000	July 2005	\$ 21,063,651	\$(871,172)
British Pound Sterling	11,400,000	July 2005	21,438,234	(807,654)
British Pound Sterling	4,700,000	November 2005	8,800,369	(129,809)
British Pound Sterling	4,600,000	December 2005	8,611,215	130,625
British Pound Sterling	1,100,000	December 2005	2,059,102	42,118
Swiss Franc	53,500,000	November 2005	45,471,320	673,238
Swiss Franc	30,800,000	November 2005	26,180,114	451,966
Swiss Franc	23,700,000	November 2005	20,153,681	532,362
Swiss Franc	16,800,000	December 2005	14,304,460	688,847
			<u>\$168,082,146</u>	<u>\$710,521</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 an accrual basis. Bond discount is accreted and premium is amortized over the expected life of each applicable security. Withholding taxes on foreign dividends have been provided for in accordance with the Funds' understanding of the applicable country's tax rules and rates. Corporate gains taxes on the appreciation of certain foreign securities have been accrued

## Notes to Financial Statements—(Unaudited) (cont.)

for in accordance with the Funds' understanding of the applicable country's tax rules and rates, and are recorded as Deferred Foreign Tax Expense on the Statements of Operations. Net realized gains and losses on investments are determined by the specific identification method.

### Distributions to shareholders—

Income, dividends and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. Tax and book differences are primarily related to foreign currency transactions, deferral of losses on wash sales, and character of capital loss carryforwards. The Funds also utilize, when appropriate, earnings and profits distributed to shareholders on redemption of shares as a part of the dividends paid deduction for income tax purposes.

### Short sales—

Each Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which the Fund sold the security short, or loss, unlimited in size, will be recognized upon the termination of a short sale. For the period ending March 31, 2005, the Funds had no short sales.

### Accounting for options—

When a 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 that expire 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. Options written by the Funds do not give rise to counterparty credit risk, as they obligate the Funds, not their counterparties, to perform.

When a Fund purchases an option, the premium paid by the Fund is recorded as an asset and is subsequently adjusted to the current market value of the option purchased. Purchasing call options tends to increase the Fund's exposure to the underlying instrument. Purchasing put options tends to decrease the Fund's exposure to the underlying instrument. Premiums paid for purchasing options which expire are treated as realized losses. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid

or offset against the proceeds on the underlying security to determine the realized gain or loss. The risks associated with purchasing put and call options are potential loss of the premium paid and the failure of the counterparty to honor their portion of the contract.

At March 31, 2005, the Funds had no outstanding options.

### Committed line of credit—

The Funds have an unsecured committed line of credit with Investors Bank & Trust Company ("IBT") in the amount of \$450 million. Borrowings under that arrangement bear interest at 0.45% above the Federal Funds Effective Rate. There were no borrowings during the period ended March 31, 2005.

### Repurchase agreements—

Each Fund, through its custodian, receives delivery of the underlying securities collateralizing repurchase agreements. It is each Fund's policy that the market value of the collateral be at least equal to 105% of the repurchase price, including interest. The Fund's adviser is responsible for determining that the value of the collateral is at all times at least equal to 105% of the repurchase price, including interest. Repurchase agreements could involve certain risks in the event of default or insolvency of the counterparty including possible delays or restrictions upon a Fund's ability to dispose of the underlying securities.

### Expense offset arrangement—

IBT serves as custodian of the Funds. IBT's fee may be reduced by credits which are an earnings allowance calculated on the average daily cash balances each Fund maintains with IBT. Credit balances used to reduce the Funds' custodian fees, if any, are reported as a reduction of total expenses in the Statements of Operations.

### Security lending—

Each Fund except Oakmark Fund may lend its portfolio securities to broker-dealers and banks. Any such loan must be continuously secured by collateral in cash or cash equivalents maintained on a current basis in an amount at least equal to the fair value of the securities loaned by the Fund. Collateral is marked to market and monitored daily. The Fund would continue to receive the equivalent of the interest or dividends paid by the issuer on the securities loaned, and would also receive an additional return that may be in the form of a fixed fee or a percentage of the earnings on the collateral. The Fund would have the right to call the loan and obtain the securities loaned at any time, and the counterparty shall return the securities within five business days or less. In the event of bankruptcy or other default of the borrower, the Fund could experience delays in liquidating the loan collateral or recovering the loaned securities and incur expenses related to enforcing its rights. In addition, there could be a decline in the value of the collateral or in the fair value of the securities loaned while the Fund seeks to enforce its rights thereto and the Fund could experience subnormal levels of income or lack of access to income during that period.

At March 31, 2005, the Fund had no securities on loan.



# THE OAKMARK FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

### Restricted securities—

The following investments, the sales of which are restricted to qualified institutional buyers, have been valued according to the security valuation procedures for debt obligations and money market instruments (as stated in the Security valuation section) since their acquisition dates. There are no unrestricted securities with the same maturity dates and yields for these issuers. These securities are priced using market quotations and are not expressed as a discount to the carrying value of a comparable unrestricted security.

Quantity	Security Name	Acquisition Date	Carrying Value	Cost	Market Value	Percentage of TNA
10,000,000	Cablevision Systems New York Group, 144A, 8.00% due 4/15/2012	3/31/2004	102.75	100.25	\$10,275,000	0.12%
10,000,000	Cablevision Systems New York Group, 144A, 8.00% due 4/15/2012	4/1/2004	102.75	100.25	10,275,000	0.12%
					20,550,000	0.24%
3,000,000	Sealed Air Corporation, 144A, 5.625% due 7/15/2023	6/27/2003	101.1442	100.68	3,034,326	0.03%
5,000,000	Sealed Air Corporation, 144A, 5.625% due 7/15/2023	8/20/2003	101.1442	96.41	5,057,210	0.06%
300,000	Sealed Air Corporation, 144A, 5.625% due 7/15/2023	8/21/2003	101.1442	96.79	303,433	0.00%
11,700,000	Sealed Air Corporation, 144A, 5.625% due 7/15/2023	4/6/2004	101.1442	103.31	11,833,871	0.13%
					20,228,840	0.22%
					Aggregate Totals:	\$40,778,840 0.46%

## 2. TRANSACTIONS WITH AFFILIATES

Each Fund has an investment advisory agreement with Harris Associates L.P. ("the Adviser"). For management services and facilities furnished, the Funds pay the Adviser monthly fees. Each fee is calculated on the total net assets as determined at the end of each preceding calendar month. Annual fee rates are as follows:

Fund	Advisory Fees	Fund	Advisory Fees
Oakmark	1.00% up to \$2 billion; 0.90% on the next \$1 billion; 0.80% on the next \$2 billion; 0.75% on the next \$2.5 billion; 0.70% on the next \$2.5 billion; and 0.65% over 10 billion	Equity and Income	0.75% up to \$5 billion; 0.70% on the next \$2.5 billion; 0.675% on the next \$2.5 billion; 0.65% on the next \$2.5 billion; and 0.60% over \$12.5 billion
Select	1.00% up to \$1 billion; 0.95% on the next \$500 million; 0.90% on the next \$500 million; 0.85% on the next \$500 million; 0.80% on the next \$2.5 billion; 0.75% on the next \$5 billion; and 0.725% over 10 billion	Global	1.00% up to \$2 billion; 0.95% on the next \$2 billion; and 0.90% over \$4 billion
		International	1.00% up to \$2 billion; 0.95% on the next \$1 billion; 0.85% on the next \$2 billion; 0.825% on the next \$2.5 billion; and 0.815% over \$7.5 billion;
		Int'l Small Cap	1.25% up to \$500 million; 1.10% on the next \$1 billion; and 1.05% over \$1.5 billion;

# THE OAKMARK FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

The Adviser undertakes to reimburse each Fund Class to the extent, but only to the extent, that its annualized expenses (excluding taxes, interest, all commissions and other normal charges incident to the purchase and sale of portfolio securities, and extraordinary charges such as litigation costs, but including fees paid to the Adviser) exceed the percent set forth below of average daily net assets of the Fund Class through January 31, 2006.

<u>Fund</u>	<u>Class I</u>	<u>Class II</u>
Oakmark	1.50%	1.75%
Select	1.50	1.75
Equity & Income	1.00	1.25
Global	1.75	2.00
International	2.00	2.25
Int'l Small Cap	2.00	2.25

For the period ended March 31, 2005, the Funds incurred brokerage commissions, including commissions paid to an affiliate of the Adviser, as follows:

<u>Fund</u>	<u>Total Commissions</u>	<u>Commissions Paid to Affiliates</u>
Oakmark	\$1,260,862	\$144,892
Select	2,997,048	59,518
Equity and Income	3,529,889	38,562
Global	453,496	0
International	2,267,961	0
Int'l Small Cap	760,654	0

IXIS Asset Management Services Co., an affiliate of the Adviser, provides transfer agent services to the Funds. The fees are based on the number of open accounts and the reimbursement of out-of-pocket expenses. For the period ended March 31, 2005, the Funds incurred the following transfer agent expenses:

<u>Fund</u>	<u>Transfer Agent Fees</u>
Oakmark	\$1,537,622
Select	771,131
Equity and Income	1,020,885
Global	256,847
International	580,755
Int'l Small Cap	121,674

The Adviser has entered into agreements financial intermediaries to provide recordkeeping, processing, shareholder communications and other services to the Funds. These services would be provided by the Funds if the shares were held in accounts registered directly with the Funds' transfer agent. Accordingly, the Funds pay a portion of these fees pursuant to a separate agreement with the Adviser. These fees are reflected as other shareholder servicing fees in the Statements of Operations.

The non-interested Trustees of the Trust may participate in the Trust's Deferred Compensation Plan for Independent Trustees. Participants in the plan may elect to defer all or a portion of their compensation. Amounts deferred are retained by the Trust and represent an unfunded obligation of the Trust. The value of amounts deferred for a participant is determined by reference to the change in value of Class I shares of one or more of the Funds or a money market fund as specified by the participant. Benefits under the plan are payable upon retirement. The interested trustees are not compensated by the Funds.

# THE OAKMARK FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

### 3. FEDERAL INCOME TAXES

It is the policy of each Fund to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net taxable income, including any net realized gains on investments, to its shareholders. Therefore, no federal income tax provision is required.

Fund	Cost of Investments for Federal Income Tax Purposes	Gross Unrealized Appreciation	Gross Unrealized (Depreciation)	Net Unrealized Appreciation (Depreciation)
Oakmark	\$5,477,926,909	\$1,457,373,014	\$(71,049,136)	\$1,386,323,878
Select	4,102,540,994	1,877,653,477	(15,075,218)	1,862,578,259
Equity and Income	7,647,420,627	1,183,059,146	(79,047,755)	1,104,011,391
Global	1,281,533,680	375,427,425	(6,925,821)	368,501,604
International	3,951,769,244	1,319,250,039	(5,249,870)	1,314,000,169
Int'l Small Cap	660,478,538	264,167,520	(5,080,483)	259,087,037

As of March 31, 2005, the net capital loss carryovers noted below are available to offset future realized capital gains and thereby reduce future taxable gains distributions.

Fund	2009	2010	2011	2012	Total
Oakmark	\$31,111,848	\$2,634,325	\$27,893,934	\$68,483,540	\$130,123,647

For the period ended March 31, 2005, estimates of the components of distributable earnings on a tax basis are disclosed below. Interim tax calculations performed before the end of the fiscal year are not necessarily indicative of the year-end tax position of a Fund, nor are they indicative of distribution requirements. Undistributed income, gains, and losses can increase or decrease as each Fund conducts its operations.

Fund	Undistributed Ordinary Income	Undistributed Long- Term Gain	Total Distributable Earnings
Oakmark	\$32,425,065	\$ 0	\$ 32,425,065
Select	8,674,057	259,253,045	267,927,102
Equity and Income	38,762,611	8,687,115	47,449,726
Global	0	16,929,922	16,929,922
International	630,472	106,333,471	106,963,943
Int'l Small Cap	5,413,799	62,759,705	68,173,504

During the period ended March 31, 2005, the tax character of distributions paid was as follows:

Fund	Distributions Paid from Ordinary Income	Distributions Paid from Long-Term Capital Gain
Oakmark	\$29,130,276	\$ 0
Select	42,138,425	0
Equity and Income	70,711,046	210,226,794
Global	7,195,993	25,739,670
International	60,835,092	12,575,394
Int'l Small Cap	11,229,305	15,549,000

# THE OAKMARK FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

### 4. INVESTMENT TRANSACTIONS

For the period ended March 31, 2005, transactions in investment securities (excluding short term and U.S. Government securities) were as follows (in thousands):

	Oakmark	Select	Equity & Income	Global	International	Int'l Small Cap
Purchases	\$568,648	\$838,184	\$1,980,228	\$198,382	\$616,871	\$189,237
Proceeds from sales	592,904	921,213	1,789,007	106,195	347,764	156,233

Purchases at cost and proceeds from sales of long-term U.S. Government securities for the period ended March 31, 2005 were \$3,473,744 and \$3,463,176 respectively for Equity and Income.

Transactions in written options during the period ended March 31, 2005, were as follows:

	Equity and Income	
	Number of Contracts	Premiums Received
Options outstanding at September 30, 2004	13,000	\$ 948,977
Options expired	(6,500)	(521,987)
Options exercised	(6,500)	(426,990)
Options outstanding at March 31, 2005	0	\$ 0

### 5. INVESTMENTS IN AFFILIATED ISSUERS

An affiliated issuer, as defined under the Investment Company Act of 1940, is one in which the Trust's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of each Fund's investments in securities of these issuers for the period ended March 31, 2005, is set forth below:

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

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2005
H&R Block, Inc.	3,029,300	\$0	\$ 0	\$1,332,892	\$153,221,994
Toys 'Я' Us, Inc.**†	0	0	74,230,258	0	0
TOTALS		<u>\$0</u>	<u>\$74,230,258</u>	<u>\$1,332,892</u>	<u>\$153,221,994</u>

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

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2005
H&R Block, Inc.	8,259,800	\$0	\$ 9,870,355	\$3,664,452	\$417,780,684
The Dun & Bradstreet Corporation†	3,934,900	0	0	0	241,799,605
Toys 'Я' Us, Inc.**†	0	0	275,921,973	0	0
TOTALS		<u>\$0</u>	<u>\$285,792,328</u>	<u>\$3,664,452</u>	<u>\$659,580,289</u>

#### Summary of Transactions with Affiliated Companies The Oakmark Equity and Income Fund

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2005
Mentor Graphics Corporation†	*	\$0	\$0	\$ 0	\$ *
St. Mary Land & Exploration Company***	1,450,000	0	0	72,500	72,572,500
TOTALS		<u>\$0</u>	<u>\$0</u>	<u>\$72,500</u>	<u>\$72,572,500</u>

# THE OAKMARK FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

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

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2005
Euronext NV	1,814,000	\$0	\$0	\$ 0	\$ 64,540,882
Grupo Aeroportuario del Sureste S.A. de C.V.	*	0	0	0	*
Lonza Group AG, Registered Shares	710,400	0	0	0	43,472,062
Lotte Chilsung Beverage Co., Ltd.	13,430	0	0	25,790	13,278,211
Meitec Corporation	760,000	0	0	236,903	26,518,636
Michael Page International plc	4,815,400	0	0	0	17,652,876
Orbotech, Ltd.†	412,700	0	0	0	9,038,130
TOTALS		<u>\$0</u>	<u>\$0</u>	<u>\$262,693</u>	<u>\$174,500,797</u>

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

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2005
Chargeurs SA	790,182	\$ 0	\$ 0	\$ 0	\$ 33,900,835
Enodis plc †	33,585,320	0	0	0	71,080,240
Euronext NV	5,012,500	2,015,107	0	0	178,341,329
Grupo Aeroportuario del Sureste S.A. de C.V.**	0	0	6,338,193	0	0
Lonza Group AG, Registered Shares	2,057,300	0	12,853,083	0	125,893,964
Lotte Chilsung Beverage Co., Ltd.	83,400	0	0	160,154	82,457,396
Meitec Corporation	2,483,800	14,989,812	0	768,412	86,667,090
Michael Page International plc	25,698,900	6,582,097	0	0	94,210,137
Orbotech, Ltd.†	1,237,700	0	0	0	27,105,630
TOTALS		<u>\$23,587,016</u>	<u>\$19,191,276</u>	<u>\$928,566</u>	<u>\$699,656,621</u>

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

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2005
Alaska Milk Corporation	56,360,000	\$ 363,857	\$ 0	\$143,138	\$ 3,805,329
Grupo Aeroportuario del Sureste S.A. de C.V.	*	0	27,035,150	0	*
Gurit-Heberlein AG	36,075	0	0	0	26,916,015
Interpump Group S.p.A.	5,326,600	8,215,797	0	0	28,299,794
Mainfreight Limited	7,816,058	0	2,011,738	223,957	14,738,018
Matchon Public Company Limited, Foreign Shares	2,039,500	0	0	0	3,545,143
Morse	10,548,500	2,144,859	0	625,809	21,427,946
Orbotech, Ltd.†	499,300	10,371,360	0	0	10,934,670
Royal Doulton plc**	0	0	5,020,783	0	0
TOTALS		<u>\$21,095,873</u>	<u>\$34,067,671</u>	<u>\$992,904</u>	<u>\$109,666,915</u>

\* Due to transactions during the period, the company is no longer an affiliated security.

\*\* Position in issuer liquidated during the 6 months.

\*\*\* Due to a decrease in shares outstanding, the company became an affiliated issuer.

† Non-income producing security.

# THE OAKMARK FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 38.68	\$ 33.85	\$ 28.08	\$ 32.01	\$ 26.95	\$ 34.37
Income From Investment Operations:						
Net Investment Income	0.20	0.16	0.13	0.12	0.07	0.49
Net Gains (Losses) on Investments (both realized and unrealized)	<u>2.14</u>	<u>4.81</u>	<u>5.75</u>	<u>(3.85)</u>	<u>5.38</u>	<u>(2.91)</u>
Total From Investment Operations:	2.34	4.97	5.88	(3.73)	5.45	(2.42)
Less Distributions:						
Dividends (from net investment income)	(0.17)	(0.14)	(0.11)	(0.20)	(0.39)	(0.26)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(4.74)</u>
Total Distributions	<u>(0.17)</u>	<u>(0.14)</u>	<u>(0.11)</u>	<u>(0.20)</u>	<u>(0.39)</u>	<u>(5.00)</u>
Redemption Fee Per Share	0.00(a)	0.00(a)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 40.85</u>	<u>\$ 38.68</u>	<u>\$ 33.85</u>	<u>\$ 28.08</u>	<u>\$ 32.01</u>	<u>\$ 26.95</u>
Total Return	6.05%	14.73%	20.99%	(11.77)%	20.42%	(7.55)%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$6,904.9	\$6,474.0	\$4,769.4	\$3,300.9	\$3,109.1	\$2,038.7
Ratio of Expenses to Average Net Assets	1.03%*	1.05%	1.14%	1.17%	1.15%	1.21%
Ratio of Net Investment Income to Average Net Assets	1.01%*	0.47%	0.48%	0.38%	0.73%	1.42%
Portfolio Turnover Rate	9%	19%	21%	44%	57%	50%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	April 5, 2001 through September 30, 2001 (b)
Net Asset Value, Beginning of Period	\$38.45	\$33.68	\$28.04	\$ 31.97	\$32.09
Income From Investment Operations:					
Net Investment Income	0.15	0.04(c)	0.05	0.16	0.05
Net Gains (Losses) on Investments (both realized and unrealized)	<u>2.12</u>	<u>4.78</u>	<u>5.69</u>	<u>(3.92)</u>	<u>(0.17)</u>
Total From Investment Operations:	2.27	4.82	5.74	(3.76)	(0.12)
Less Distributions:					
Dividends (from net investment income)	(0.07)	(0.05)	(0.10)	(0.17)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Distributions	<u>(0.07)</u>	<u>(0.05)</u>	<u>(0.10)</u>	<u>(0.17)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$40.65</u>	<u>\$38.45</u>	<u>\$33.68</u>	<u>\$ 28.04</u>	<u>\$31.97</u>
Total Return	5.91%	14.32%	20.52%	(11.85)%	(0.37)%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$ 65.9	\$ 51.9	\$ 21.1	\$ 7.7	\$ 0.1
Ratio of Expenses to Average Net Assets	1.26%*	1.40%	1.53%	1.44%	1.32%*
Ratio of Net Investment Income to Average Net Assets	0.79%*	0.11%	0.06%	0.35%	0.46%*
Portfolio Turnover Rate	9%	19%	21%	44%	57%

\* Data has been annualized.

(a) Amount rounds to less than \$0.01

(b) The date on which Class II shares were first sold to the public was April 5, 2001.

(c) Computed using average shares outstanding throughout the period.

# THE OAKMARK SELECT FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 31.20	\$ 27.55	\$ 21.67	\$ 25.20	\$ 21.45	\$ 20.92
Income From Investment Operations:						
Net Investment Income	0.18	0.15(a)	0.05	0.02	0.03	0.13
Net Gains (Losses) on Investments (both realized and unrealized)	<u>2.25</u>	<u>3.60</u>	<u>5.85</u>	<u>(3.50)</u>	<u>5.17</u>	<u>4.32</u>
Total From Investment Operations:	2.43	3.75	5.90	(3.48)	5.20	4.45
Less Distributions:						
Dividends (from net investment income)	(0.24)	(0.10)	(0.02)	(0.05)	(0.09)	(0.20)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(1.36)</u>	<u>(3.72)</u>
Total Distributions	<u>(0.24)</u>	<u>(0.10)</u>	<u>(0.02)</u>	<u>(0.05)</u>	<u>(1.45)</u>	<u>(3.92)</u>
Redemption Fee Per Share	0.00(b)	0.00(b)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 33.39</u>	<u>\$ 31.20</u>	<u>\$ 27.55</u>	<u>\$ 21.67</u>	<u>\$ 25.20</u>	<u>\$ 21.45</u>
Total Return	7.82%	13.64%	27.25%	(13.85)%	25.75%	24.53%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$5,874.4	\$5,463.0	\$4,993.0	\$3,717.6	\$4,161.4	\$1,772.0
Ratio of Expenses to Average Net Assets	1.00%*	1.00%	1.02%	1.07%	1.08%	1.17%
Ratio of Net Investment Income to Average Net Assets	1.10%*	0.50%	0.23%	0.09%	0.26%	0.76%
Portfolio Turnover Rate	16%	14%	20%	32%	21%	69%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	December 31, 1999 through September 30, 2000 (c)
Net Asset Value, Beginning of Period	\$31.00	\$27.37	\$21.56	\$ 25.10	\$21.40	\$18.42
Income From Investment Operations:						
Net Investment Income (Loss)	0.14	0.09(a)	0.00(b)	(0.04)	0.00(b)	0.10
Net Gains (Losses) on Investments (both realized and unrealized)	<u>2.24</u>	<u>3.58</u>	<u>5.81</u>	<u>(3.50)</u>	<u>5.10</u>	<u>2.88</u>
Total From Investment Operations:	2.38	3.67	5.81	(3.54)	5.10	2.98
Less Distributions:						
Dividends (from net investment income)	(0.15)	(0.04)	0.00	0.00	(0.06)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(1.34)</u>	<u>0.00</u>
Total Distributions	<u>(0.15)</u>	<u>(0.04)</u>	<u>0.00</u>	<u>0.00</u>	<u>(1.40)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$33.23</u>	<u>\$31.00</u>	<u>\$27.37</u>	<u>\$ 21.56</u>	<u>\$25.10</u>	<u>\$21.40</u>
Total Return	7.68%	13.40%	26.95%	(14.10)%	25.28%	16.18%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$ 96.3	\$ 98.0	\$ 93.1	\$ 64.4	\$ 35.4	\$ 6.8
Ratio of Expenses to Average Net Assets	1.26%*	1.21%	1.29%	1.36%	1.40%	1.41%*
Ratio of Net Investment Income (Loss) to Average Net Assets	0.85%*	0.29%	(0.04)%	(0.19)%	(0.08)%	0.59%*
Portfolio Turnover Rate	16%	14%	20%	32%	21%	69%

\* Data has been annualized.

(a) Computed using average shares outstanding throughout the period.

(b) Amount rounds to less than \$0.01 per share.

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

# THE OAKMARK EQUITY AND INCOME FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 23.12	\$ 20.30	\$ 17.18	\$ 17.45	\$16.50	\$15.68
Income From Investment Operations:						
Net Investment Income	0.14	0.15	0.17	0.33(a)	0.08	0.35
Net Gains (Losses) on Investments (both realized and unrealized)	<u>0.88</u>	<u>2.81</u>	<u>3.19</u>	<u>(0.40)</u>	<u>2.11</u>	<u>2.28</u>
Total From Investment Operations:	1.02	2.96	3.36	(0.07)	2.19	2.63
Less Distributions:						
Dividends (from net investment income)	(0.20)	(0.14)	(0.24)	(0.16)	(0.24)	(0.45)
Distributions (from capital gains)	<u>(0.59)</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.04)</u>	<u>(1.00)</u>	<u>(1.36)</u>
Total Distributions	<u>(0.79)</u>	<u>(0.14)</u>	<u>(0.24)</u>	<u>(0.20)</u>	<u>(1.24)</u>	<u>(1.81)</u>
Redemption Fee Per Share	0.00(b)	0.00(b)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 23.35</u>	<u>\$ 23.12</u>	<u>\$ 20.30</u>	<u>\$ 17.18</u>	<u>\$17.45</u>	<u>\$16.50</u>
Total Return	4.44%	14.64%	19.75%	(0.47)%	14.40%	18.51%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$8,187.9	\$7,577.9	\$4,138.0	\$2,241.9	\$620.1	\$ 54.5
Ratio of Expenses to Average Net Assets	0.91%*	0.92%	0.93%	0.96%	0.98%	1.24%
Ratio of Net Investment Income to Average Net Assets	1.21%*	0.78%	1.07%	1.71%	2.07%	3.04%
Portfolio Turnover Rate	66%	72%	48%	73%	124%	87%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	July 13, 2000 through September 30, 2000 (c)
Net Asset Value, Beginning of Period	\$23.03	\$20.24	\$17.15	\$17.40	\$16.49	\$15.51
Income From Investment Operations:						
Net Investment Income	0.10	0.11	0.16	0.30(a)	0.07	0.30
Net Gains (Losses) on Investments (both realized and unrealized)	<u>0.88</u>	<u>2.79</u>	<u>3.15</u>	<u>(0.40)</u>	<u>2.08</u>	<u>0.68</u>
Total From Investment Operations:	0.98	2.90	3.31	(0.10)	2.15	0.98
Less Distributions:						
Dividends (from net investment income)	(0.15)	(0.11)	(0.22)	(0.11)	(0.24)	0.00
Distributions (from capital gains)	<u>(0.59)</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.04)</u>	<u>(1.00)</u>	<u>0.00</u>
Total Distributions	<u>(0.74)</u>	<u>(0.11)</u>	<u>(0.22)</u>	<u>(0.15)</u>	<u>(1.24)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$23.27</u>	<u>\$23.03</u>	<u>\$20.24</u>	<u>\$17.15</u>	<u>\$17.40</u>	<u>\$16.49</u>
Total Return	4.28%	14.36%	19.46%	(0.60)%	14.07%	6.32%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$619.7	\$478.7	\$246.6	\$118.7	\$ 3.3	\$ 0.4
Ratio of Expenses to Average Net Assets	1.15%*	1.17%	1.17%	1.20%	1.23%	1.32%*
Ratio of Net Investment Income to Average Net Assets	0.96%*	0.53%	0.84%	1.50%	1.95%	2.59%*
Portfolio Turnover Rate	66%	72%	48%	73%	124%	87%

\* Data has been annualized.

(a) Computed using average shares outstanding throughout the period.

(b) Amount rounds to less than \$0.01 per share.

(c) The date on which Class II shares were first sold to the public was July 13, 2000.



# THE OAKMARK GLOBAL FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 19.73	\$ 16.98	\$11.30	\$10.83	\$10.91	\$ 9.18
Income From Investment Operations:						
Net Investment Income	0.00(a)	0.09	0.01	0.00(a)(b)	0.03	0.11
Net Gains (Losses) on Investments (both realized and unrealized)	<u>2.68</u>	<u>2.71</u>	<u>5.67</u>	<u>0.76(c)</u>	<u>0.12</u>	<u>1.63</u>
Total From Investment Operations:	2.68	2.80	5.68	0.76	0.15	1.74
Less Distributions:						
Dividends (from net investment income)	(0.10)	0.00(a)	0.00	0.00	(0.17)	(0.01)
Distributions (from capital gains)	<u>(0.37)</u>	<u>(0.05)</u>	<u>0.00</u>	<u>(0.29)</u>	<u>(0.06)</u>	<u>0.00</u>
Total Distributions	(0.47)	(0.05)	0.00	(0.29)	(0.23)	(0.01)
Redemption Fee Per Share	0.00(a)	0.00(a)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 21.94</u>	<u>\$ 19.73</u>	<u>\$16.98</u>	<u>\$11.30</u>	<u>\$10.83</u>	<u>\$10.91</u>
Total Return	13.67%	16.54%	50.27%	6.84%	1.37%	18.97%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$1,612.8	\$1,336.3	\$704.8	\$175.6	\$ 48.2	\$ 27.2
Ratio of Expenses to Average Net Assets	1.22%*	1.26%	1.28%	1.55%	1.75%(e)	1.75%(e)
Ratio of Net Investment Income (Loss) to Average Net Assets	0.06%*	0.47%	0.00%(d)	(0.01)%	0.00(e)	0.54%(e)
Portfolio Turnover Rate	7%	16%	42%	86%	114%	147%

\* Data has been annualized.

(a) Amount rounds to less than \$0.01 per share.

(b) Computed using average shares outstanding throughout the period.

(c) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain/loss for the period due to the timing of purchases and redemptions of Fund shares in relation to the fluctuating net asset value per share of the class.

(d) Amount rounds to less than 0.01%.

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

	September 30, 2001	September 30, 2000
Ratio of Expenses to Average Net Assets	1.80%	1.96%
Ratio of Net Income (Loss) to Average Net Assets	(0.05)%	0.34%

# THE OAKMARK GLOBAL FUND

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	October 10, 2001 through September 30, 2002 (a)
Net Asset Value, Beginning of Period	\$19.53	\$ 16.84	\$11.24	\$11.25
Income From Investment Operations:				
Net Investment Income (Loss)	(0.01)	0.05	0.02	(0.03)
Net Gains (Losses) on Investments (both realized and unrealized)	<u>2.63</u>	<u>2.69</u>	<u>5.58</u>	<u>0.31(b)</u>
Total From Investment Operations:	2.62	2.74	5.60	0.28
Less Distributions:				
Dividends (from net investment income)	(0.07)	0.00	0.00	0.00
Distributions (from capital gains)	<u>(0.37)</u>	<u>(0.05)</u>	<u>0.00</u>	<u>(0.29)</u>
Total Distributions	(0.44)	(0.05)	0.00	(0.29)
Net Asset Value, End of Period	<u>\$21.71</u>	<u>\$19.53</u>	<u>\$16.84</u>	<u>\$11.24</u>
Total Return	13.50%	16.32%	49.82%	2.31%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$ 40.5	\$ 24.7	\$ 5.8	\$ 0.6
Ratio of Expenses to Average Net Assets	1.46%*	1.50%	1.46%	1.86%*
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.15)%*	0.37%	(0.01)%	(0.26)%*
Portfolio Turnover Rate	7%	16%	42%	86%

\* Data has been annualized.

(a) The date on which Class II shares were first offered for sale to the public was October 10, 2001.

(b) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain/loss for the period due to the timing of purchases and redemptions of Fund shares in relation to the fluctuating net asset value per share of the class.

# THE OAKMARK INTERNATIONAL FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 18.98	\$ 15.67	\$ 12.17	\$ 12.51	\$ 15.40	\$13.95
Income From Investment Operations:						
Net Investment Income	0.04	0.24	0.11	0.14	0.20	1.02
Net Gains (Losses) on Investments (both realized and unrealized)	<u>2.88</u>	<u>3.18</u>	<u>3.52</u>	<u>(0.31)</u>	<u>(2.07)</u>	<u>0.92</u>
Total From Investment Operations:	2.92	3.42	3.63	(0.17)	(1.87)	1.94
Less Distributions:						
Dividends (from net investment income)	(0.27)	(0.11)	(0.13)	(0.17)	(0.51)	(0.49)
Distributions (from capital gains)	<u>(0.05)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.51)</u>	<u>0.00</u>
Total Distributions	<u>(0.32)</u>	<u>(0.11)</u>	<u>(0.13)</u>	<u>(0.17)</u>	<u>(1.02)</u>	<u>(0.49)</u>
Redemption Fee Per Share	0.00(a)	0.00(a)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 21.58</u>	<u>\$ 18.98</u>	<u>\$ 15.67</u>	<u>\$ 12.17</u>	<u>\$ 12.51</u>	<u>\$15.40</u>
Total Return	15.47%	21.92%	29.97%	(1.53)%	(13.10)%	14.27%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$4,919.9	\$4,036.9	\$2,676.6	\$1,393.8	\$ 738.5	\$782.4
Ratio of Expenses to Average Net Assets	1.14%*	1.20%	1.25%	1.31%	1.30%	1.30%
Ratio of Net Investment Income to Average Net Assets	0.39%*	1.40%	1.03%	1.34%	1.40%	1.87%
Portfolio Turnover Rate	7%	21%	34%	24%	58%	64%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	November 4, 1999 through September 30, 2000 (b)
Net Asset Value, Beginning of Period	\$18.86	\$15.58	\$12.13	\$12.47	\$ 15.37	\$14.36
Income From Investment Operations:						
Net Investment Income	0.02	0.18	0.08	0.15	0.17	0.96
Net Gains (Losses) on Investments (both realized and unrealized)	<u>2.86</u>	<u>3.16</u>	<u>3.48</u>	<u>(0.37)</u>	<u>(2.10)</u>	<u>0.54</u>
Total From Investment Operations:	2.88	3.34	3.56	(0.22)	(1.93)	1.50
Less Distributions:						
Dividends (from net investment income)	(0.22)	(0.06)	(0.11)	(0.12)	(0.49)	(0.49)
Distributions (from capital gains)	<u>(0.05)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.48)</u>	<u>0.00</u>
Total Distributions	<u>(0.27)</u>	<u>(0.06)</u>	<u>(0.11)</u>	<u>(0.12)</u>	<u>(0.97)</u>	<u>(0.49)</u>
Net Asset Value, End of Period	<u>\$21.47</u>	<u>\$18.86</u>	<u>\$15.58</u>	<u>\$12.13</u>	<u>\$ 12.47</u>	<u>\$15.37</u>
Total Return	15.35%	21.52%	29.52%	(1.76)%	(13.44)%	10.79%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$345.6	\$259.2	\$123.2	\$ 48.5	\$ 1.9	\$ 0.1
Ratio of Expenses to Average Net Assets	1.39%*	1.53%	1.67%	1.58%	1.64%	1.50%*
Ratio of Net Investment Income to Average Net Assets	0.16%*	1.18%	0.69%	1.33%	0.62%	1.98%*
Portfolio Turnover Rate	7%	21%	34%	24%	58%	64%

\* Data has been annualized.

(a) Amount rounds to less than \$0.01 per share.

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

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$18.26	\$13.74	\$10.17	\$10.00	\$11.51	\$12.64
Income From Investment Operations:						
Net Investment Income	0.02	0.11	0.11	0.11	0.13	0.23
Net Gains (Losses) on Investments (both realized and unrealized)	<u>3.49</u>	<u>4.52</u>	<u>3.82</u>	<u>0.36(a)</u>	<u>(0.81)</u>	<u>(0.66)</u>
Total From Investment Operations:	3.51	4.63	3.93	0.47	(0.68)	(0.43)
Less Distributions:						
Dividends (from net investment income)	(0.27)	(0.12)	(0.09)	(0.16)	(0.34)	(0.11)
Distributions (from capital gains)	<u>(0.38)</u>	<u>0.00</u>	<u>(0.27)</u>	<u>(0.14)</u>	<u>(0.49)</u>	<u>(0.59)</u>
Total Distributions	<u>(0.65)</u>	<u>(0.12)</u>	<u>(0.36)</u>	<u>(0.30)</u>	<u>(0.83)</u>	<u>(0.70)</u>
Redemption Fee Per Share	0.00(d)	0.01	—	—	—	—
Net Asset Value, End of Period	<u>\$21.12</u>	<u>\$18.26</u>	<u>\$13.74</u>	<u>\$10.17</u>	<u>\$10.00</u>	<u>\$11.51</u>
Total Return	19.58%	33.94%	39.78%	4.68%	(6.18)%	(3.44)%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$927.6	\$734.1	\$477.8	\$357.7	\$118.9	\$ 90.3
Ratio of Expenses to Average Net Assets	1.43%*	1.49%	1.57%	1.64%	1.74%	1.77%
Ratio of Net Investment Income to Average Net Assets	0.15%*	0.72%	0.99%	1.28%	1.83%	1.99%
Portfolio Turnover Rate	19%	29%	30%	42%	49%	40%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2005 (Unaudited)	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	January 8, 2001 through September 30, 2001 (b)
Net Asset Value, Beginning of Period	\$18.25	\$13.69	\$10.14	\$ 9.97	\$10.73
Income From Investment Operations:					
Net Investment Income	0.01	0.13	0.08	0.13(c)	0.15
Net Gains (Losses) on Investments (both realized and unrealized)	<u>3.48</u>	<u>4.52</u>	<u>3.81</u>	<u>0.30(a)</u>	<u>(0.91)</u>
Total From Investment Operations:	3.49	4.65	3.89	0.43	(0.76)
Less Distributions:					
Dividends (from net investment income)	(0.26)	(0.09)	(0.07)	(0.12)	0.00
Distributions (from capital gains)	<u>(0.38)</u>	<u>0.00</u>	<u>(0.27)</u>	<u>(0.14)</u>	<u>0.00</u>
Total Distributions	<u>(0.64)</u>	<u>(0.09)</u>	<u>(0.34)</u>	<u>(0.26)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$21.10</u>	<u>\$18.25</u>	<u>\$13.69</u>	<u>\$10.14</u>	<u>\$ 9.97</u>
Total Return	19.49%	34.11%	39.39%	4.25%	(7.08)%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$ 0.6	\$ 0.5	\$ 0.4	\$ 0.3	\$ 0.0
Ratio of Expenses to Average Net Assets	1.51%*	1.39%	1.81%	1.87%	1.97%*
Ratio of Net Investment Income to Average Net Assets	0.09%*	0.75%	0.72%	1.06%	1.76%*
Portfolio Turnover Rate	19%	29%	30%	42%	49%

\* Data has been annualized.

(a) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain/loss for the period due to the timing of purchases and redemption of Fund shares in relation to the fluctuating net asset value per share of the class.

(b) The date on which Class II shares were first sold to the public was January 8, 2001.

(c) Computed using average shares outstanding throughout the period.

(d) Amount rounds to less than \$0.01.

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.

The performance data quoted represents past performance. The above performance for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data call 1-800-OAKMARK.

The performance information for Class I shares of The Oakmark Fund, The Oakmark Select Fund, The Oakmark Equity & Income Fund, The Oakmark Global Fund, The Oakmark International Fund and The Oakmark International Small Cap Fund does not reflect the imposition of a 2% redemption fee on shares held by an investor for 90 days or less. The purpose of this redemption fee is to deter market timers.

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

**The Oakmark Select Fund is open to existing shareholders and investors who purchase directly from Oakmark.**

**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 returns more volatile than a more diversified fund.**

**The Oakmark Equity and Income Fund closed to certain new investors as of 5/7/04.**

**Equity and Income invests in medium- and lower-quality debt securities that have higher yield potential but present greater investment and credit risk than higher-quality securities, which may result in greater share price volatility. An economic downturn could severely disrupt the market in medium or lower grade debt securities and adversely affect the value of outstanding bonds and the ability of the issuers to repay principal and interest.**

**The Oakmark Global Fund and The Oakmark International Fund closed to certain new investors as of 12/15/03.**

**The Oakmark International Small Cap Fund closed to new investors as of 5/10/02.**

**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.**

1. Total return includes change in share prices and in each case includes reinvestment of any dividends and capital gain distributions.
2. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.

3. The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies. This index is unmanaged and investors cannot actually make investments in this index.
4. The Price-Earnings Ratio ("P/E") is the most common measure of the expensiveness of a stock.
5. The Dow Jones Industrial Average is an unmanaged index that includes only 30 big companies. This index is unmanaged and investors cannot actually make investments in this index.
6. The Lipper Large Cap Value Fund Index is an equally weighted index of the largest 30 funds within the large cap value funds investment objective as defined by Lipper Inc. The index is adjusted for the reinvestment of capital gains and income dividends. This index is unmanaged and investors cannot actually make investments in this index.
7. EPS refers to Earnings Per Share and is calculated by dividing total earnings by the number of shares outstanding.
8. 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. This index is unmanaged and investors cannot actually make investments in this index.
9. The Lipper Mid Cap Value Fund Index measures the performance of the 30 largest U.S. mid-cap value funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.
10. The Lipper Balanced Fund Index measures the performance of the 30 largest U.S. balanced funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.
11. Lehman Brothers Government/Corporate Bond Index is a benchmark index made up of the Lehman Brothers Government and Corporate Bond indexes, including U.S. government Treasury and agency securities as well as corporate and Yankee bonds. This index is unmanaged and investors cannot actually make investments in this index.
12. The NASDAQ Composite Index is a market value weighted index of all common stocks listed on NASDAQ. This index is unmanaged and investors cannot actually make investments in this index.
13. The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of December 2003 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. This index is unmanaged and investors cannot actually make investments in this index.
14. The Lipper Global Fund Index measures the performance of the 30 largest mutual funds that invest in securities throughout the world. This index is unmanaged and investors cannot actually make investments in this index.
15. The MSCI World Index ex U.S. is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of April 2002 the MSCI World Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. This index is unmanaged and investors cannot actually make investments in this index.
16. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of December 2003 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. This index is unmanaged and investors cannot actually make investments in this index.
17. The Lipper International Fund Index reflects the net asset value weighted total return of the 30 largest international equity funds. This index is unmanaged and investors cannot actually make investments in this index.
18. The Lipper International Small Cap Average includes 100 mutual funds that invest in securities whose primary markets are outside of the U.S. This index is unmanaged and investors cannot actually make investments in this index.

## DISCLOSURE REGARDING THE BOARD OF TRUSTEES' APPROVAL OF THE INVESTMENT ADVISORY CONTRACT FOR EACH OF THE OAKMARK FUNDS

Members of the board of trustees of The Oakmark Funds (the "Board"), over seventy-five percent of whom are not affiliated with the Funds' adviser ("Independent Trustees"), and the Board's committee on management contracts (the "Committee"), which is comprised solely of Independent Trustees, met numerous times over the course of nine months to consider each Fund's investment advisory contract. At each of those meetings, the Committee was advised by, and met in executive session with, independent legal counsel. The Committee and the other Independent Trustees received and reviewed a substantial amount of information provided by the Funds' adviser (the "Adviser") and third parties in response to the Committee's requests. Based on its evaluation of that information and other information, the Board, including a majority of the Independent Trustees, at a meeting held on October 28, 2004, approved continuation of the investment advisory agreement for each Fund for a period through October 31, 2005.

In considering the contracts and reaching its conclusions, the Board reviewed and analyzed various factors that it determined were relevant, including each of the factors described below.

### 1. Nature, Extent and Quality of Services

The Board's analysis of the nature, extent and quality of the Adviser's services to the Funds took into account the knowledge gained from the Board's regular meetings with management throughout the prior year. In addition, the Board reviewed the Adviser's resources and key personnel involved in providing investment management services to the Funds, including the time that investment personnel devote to each Fund and the breadth and quality of their in-house research. The Board also considered the Adviser's performance of other services for each Fund, such as selecting broker-dealers for executing portfolio transactions, serving as the Fund's administrator, monitoring adherence to the Fund's investment restrictions, producing shareholder reports, providing support services for the Board and Board committees and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature, extent and quality of the services provided by the Adviser to each Fund were appropriate and that each Fund was likely to continue to benefit from services provided under its contract with the Adviser.

### 2. Investment Performance of the Adviser and the Fund

In considering the performance of each Fund and the Adviser, the Board reviewed information provided by Lipper Inc. ("Lipper"), an independent data service provider. Lipper was commissioned by the Board to prepare a study comparing each Fund's performance and expenses with those of the Fund's peers and of the Lipper universe of similar funds. A representative from Lipper attended a meeting of the Committee to present the information and respond to questions from the Committee members. Regarding Fund performance, Lipper ranked four of the six Oakmark Funds in the top quintile versus their respective peers for total return for the one-, three- and five-year periods ended March 31, 2004, as applicable. Of the two remaining Funds, the Select Fund was in the top quintile for each of the periods except the one-year period, and the Oakmark Fund was at or above the middle quintile for each period except the one-year period. The Board considered the Adviser's representation that the relative performance of those two Funds reflected the Adviser's strict "value" investment philosophy, which also was responsible for the Funds' stronger relative long-term performance. In addition to comparing each Fund's performance to that of its peers, the Board also considered the performance of other funds advised or sub-advised by the Adviser. After considering all of the information, the Board concluded that, although past performance cannot be a guarantee of future performance, the Funds and their shareholders were benefiting from the Adviser's investment management of each Fund.

### 3. Costs of Services Provided and Profits Realized by the Adviser

The Board examined the fee and expense information for each Fund as compared to that of other comparable funds and noted that the information provided by Lipper indicated that the Adviser's management fees, as a percentage of average net assets, varied from the second to the fifth quintile of management fees (the first quintile reflecting the lowest fees) within a group of mutual funds of similar size, character and investment strategy. The Board also evaluated the expense ratios for comparable funds and determined that five of the six Funds' expense ratios were at or near the median and the Oakmark Fund was in the fifth quintile of

expense ratios. Although the management fees and expense ratio of the Oakmark Fund were somewhat higher than the median figures for its peer group, the Board noted that the Fund's management fee as a percentage of average net assets and its total expense ratio were at their lowest points since the inception of the Fund in 1991.

The Board also reviewed the Adviser's management fees for its institutional separate accounts and for its subadvised funds (funds for which the Adviser provides portfolio management services only). In most instances sub-advisory and institutional separate account fees are lower than each Fund's management fee. However, the Board noted that the Adviser performs significant additional services for the Funds that it does not provide to those other clients, including administrative services, oversight of the Funds' other service providers, trustee support, risk management, regulatory compliance and numerous other services. In addition, the Board reviewed Lipper's report on the mutual fund industry's subadvisory arrangements. That report compared the fees paid for subadvisory portfolio management services to the total management fees paid by mutual fund shareholders to an adviser.

The Board also considered the Adviser's costs in serving as the Fund's investment adviser and manager, including costs associated with the personnel and systems necessary to manage the Funds. Finally, the Board considered the pre-tax profits realized by the Adviser and its affiliates from their relationship with each Fund, as well as the financial condition of the Adviser.

The Board concluded that the management fee, as well as the total expenses paid by each Fund to the Adviser and its affiliates, were reasonable in light of the services provided and the performance of each Fund achieved by the Adviser over various time periods, and that the other expenses of each Fund were also reasonable.

#### **4. Economies of Scale and Fee Levels Reflecting Those Economies**

The Board considered the extent to which each Fund's management fee reflected economies of scale for the benefit of Fund shareholders. The Board reviewed each Fund's advisory arrangement, which includes breakpoints that decrease the management fee rate as the Fund's assets increase. In October 2003, in view of the increasing assets of Equity and Income Fund and Global Fund and the resulting economies of scale, the Board negotiated breakpoints to the advisory contracts for those Funds. In 2004, the Independent Trustees negotiated additional breakpoints to the advisory contracts for Oakmark Fund, Select Fund, Equity and Income Fund, International Fund and International Small Cap Fund. Based on its review and negotiations, the Board concluded that each Fund's management fee structure allowed shareholders to benefit from economies of scale as Fund assets increase.

#### **5. Benefits Derived from the Relationship with the Funds**

The Board also considered benefits that accrue to the Adviser and its affiliates from their relationship with the Funds. The Board recognized that two affiliates of the Adviser serve the Funds as transfer agent and distributor and that the transfer agent receives compensation from the Funds for its services to the Funds. The Board considered that those services have been provided to the Funds pursuant to written agreements with the affiliates and that the Board evaluated and approved each agreement annually or biennially. The Board also considered the Adviser's use of commissions paid by the Funds on their portfolio brokerage transactions to obtain research products and services benefiting the Funds and/or other clients of the Adviser. The Board concluded that the Adviser's use of "soft" commission dollars to obtain research products and services were consistent with regulatory requirements and benefited the Funds.

The Board also considered the brokerage commissions paid by the Funds to Harris Associates Securities L.P., the Adviser's affiliated broker-dealer. The Board concluded, based on its quarterly review of affiliated brokerage and on additional information it received from the Adviser, that the Adviser's use of an affiliated broker to execute portfolio transactions for the Funds was appropriate and consistent with the procedures for affiliated brokerage adopted by the Board and consistent with regulatory requirements.

After full consideration of the above factors as well as other factors, the Board, including a majority of the Independent Trustees, concluded that approval of each Fund's agreement was in the best interest of the Fund and its shareholders.



# THE OAKMARK FUNDS

## Investment Philosophy

All Oakmark managers follow a consistent investment philosophy—to invest in companies they believe are trading at a substantial discount to underlying business value. Critical to this philosophy is to invest with management teams who are committed to maximizing the company’s business value.

## Three key tenets of our investment philosophy:

- 1 Buy businesses trading at a significant discount to our estimate of true business value.
- 2 Invest in companies expected to grow shareholder value over time.
- 3 Invest with management teams who think and act as owners.

## Investment Process

We seek to identify undervalued companies through an intensive, in-house research process. This process is not based on macro-economic factors, such as the performance of the economy or the direction of interest rates. Nor is it based on technical factors, such as the performance of the stock market itself. And, while some value managers might use only one summary statistic—such as price-earnings ratio—our investment professionals take a more in-depth approach using a range of valuation measures appropriate for a specific company or industry.

From the universe of thousands of equity securities, our team generates investment ideas through a variety of methods. If a security appears attractive, detailed quantitative and qualitative research follows. This careful process of identifying undervalued stocks results in an “approved list.”

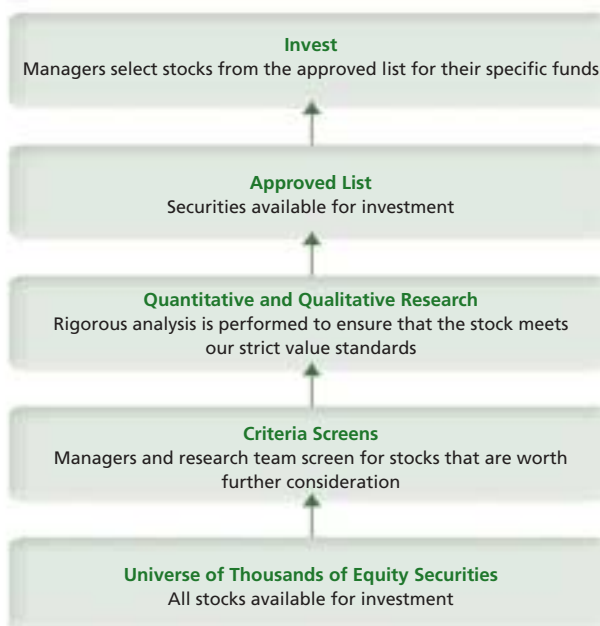
**The Result:** a unified effort aimed at identifying the best values in the marketplace. From the list of approved stocks, each fund manager constructs a relatively focused portfolio, built on a stock-by-stock basis from the bottom up.

## Who Should Invest

Any investor who is seeking a disciplined value manager for the purposes of growing and diversifying a portfolio should consider one of The Oakmark Funds, keeping in mind that all equity investments should be considered long-term investments. As value investors, we recognize that patience is a virtue and believe that, over the long term, investors are rewarded for their patience. We generally hold the companies in which we invest for three to five years, a time horizon that we encourage our shareholders to consider as well.

## How to Use Value Funds in an Overall Portfolio

Investment styles tend to move in cycles. One style may be in favor for a few years while the other is out of favor, and vice versa. Diversifying the stock portion of your portfolio may help reduce overall volatility—and potentially provide more consistent returns over time.



## Bottom-Up Investment Process

## The Oakmark Glossary

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**Book value** – A company's common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred stock, and intangible assets such as goodwill. A company's book value often differs substantially from economic value, especially in industries such as media.

**Business value/Intrinsic value** – The perceived or estimated actual value of a security, as opposed to its current market price or book value. Business value can be evaluated based on what a knowledgeable buyer would pay for a business if the company were sold in its entirety.

**Growth investing** – Investors who look for companies based on whether the stock of a company is growing earnings and/or revenue faster than the industry as a whole or the overall market. Growth investors generally expect high rates of growth to persist, and the stock, in turn, to deliver returns exceeding the market's. A growth mutual fund is generally one that emphasizes stocks believed to offer above-average growth prospects, with little to no emphasis on the stock's current price.

**M & A (Mergers & Acquisitions)** – Merger: the combining of two or more entities into one, through a purchase acquisition or a pooling of interests. Acquisition: can also be called a takeover, and is defined as acquiring control of a corporation, called a target, by stock purchase or exchange, either hostile or friendly.

**Market capitalization (market cap or cap)** – The market price of an entire company on any given day, calculated by multiplying the number of shares outstanding by the price per share.

**Momentum investing** – Approach to investing based on the belief that stock price trends are likely to continue. Momentum investors tend to buy stocks that have been outperforming the market and to sell those stocks when their relative performance deteriorates. Momentum investors do not consider a company's underlying value or fundamentals in their investment decisions.

**Multiple** – A ratio used to measure a stock's valuation, usually greater than 1. Sometimes used to mean price/earnings ratio.

**P/B or Price-to-Book Ratio** – A stock's capitalization divided by its book value. The value is the same whether the calculation is done for the whole company or on a per-share basis.

**P/E or Price-to-Earnings Ratio** – The most common measure of a stock's valuation. It is equal to a stock's capitalization divided by its after-tax earnings over a 12-month period. The value is the same whether the calculation is done for the whole company or on a per-share basis. Equivalently, the cost an investor in a given stock must pay per dollar of current annual earnings. Also called earnings multiple.

**Share repurchase** – Program through which a corporation buys back its own shares in the open market, typically an indication that the corporation's management believes the stock price is undervalued.

**Value investing** – Investors who utilize valuation measures such as business value (including growth rate), price/earnings ratio, price/book ratio, and yield to gauge the attractiveness of a company. Managers who employ a value investment style believe that the true, underlying value of a company is not reflected in its current share price, and, over time, the price has potential to increase as the market recognizes the overall value of the business. Value stocks sell at relatively low prices in relation to their underlying business value, earnings, or book value.

Stocks become undervalued for a variety of reasons, including an overall market decline, or when a specific industry falls into disfavor and investors view all companies in that industry in the same light. Consequently, an individual company's stock price may fall, even though it may be only temporarily affected by the industry's problems and its underlying value has remained unchanged.

**"x times earnings" ("12 times earnings")** – Another way to express a stock's price-to-earnings (P/E) ratio. A stock with a P/E ratio of 12 sells at 12 times earnings.

# THE OAKMARK FUNDS

## *Trustees and Officers*

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### *Trustees*

Gary N. Wilner, M.D.—*Chairman*  
Michael J. Friduss  
Thomas H. Hayden  
Christine M. Maki  
John R. Raitt  
Allan J. Reich  
Marv R. Rotter  
Burton W. Ruder  
Peter S. Voss

### *Officers*

John R. Raitt—*President*  
Robert M. Levy—*Executive Vice President*  
Henry R. Berghoef—*Vice President*  
Kevin G. Grant—*Vice President*  
David G. Herro—*Vice President*  
Clyde S. McGregor—*Vice President*  
William C. Nygren—*Vice President*  
Vineeta D. Raketich—*Vice President*  
Janet L. Reali—*Vice President and Secretary*  
Ann W. Regan—*Vice President and Assistant Secretary*  
Edward A. Studzinski—*Vice President*  
Michael J. Welsh—*Vice President*  
Kristi L. Rowsell—*Treasurer*  
John J. Kane—*Assistant Treasurer*

### *Other Information*

#### *Investment Adviser*

Harris Associates L.P.  
Two North LaSalle Street  
Chicago, Illinois 60602-3790

#### *Transfer Agent*

IXIS Asset Management Services, Inc.  
Boston, Massachusetts

#### *Legal Counsel*

Bell, Boyd & Lloyd LLC  
Chicago, Illinois

#### *Independent Registered Public*

#### *Accounting Firm*

Deloitte & Touche LLP  
Chicago, Illinois

#### *For More Information*

Please call 1-800-OAKMARK  
(1-800-625-6275)  
or 617-449-6274

#### *Website*

[www.oakmark.com](http://www.oakmark.com)

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

The Funds will file its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. The Funds’ Forms N-Q’s are available on the SEC’s website at [www.sec.gov](http://www.sec.gov). The Funds’ Forms N-Q may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC, and that information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures the Funds use to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling toll-free 1-800-625-6275; on the Funds’ website at [www.oakmark.com](http://www.oakmark.com); and on the Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov).

This report is submitted for the general information of the shareholders of the Funds. The report is not authorized for distribution to prospective investors in the Funds unless it is accompanied or preceded by a currently effective prospectus of the Funds.

No sales charge to the shareholder or to the new investor is made in offering the shares of the Funds, however, a shareholder may incur a 2% redemption fee on an exchange or redemption of Class I shares held for 90 days or less from any Fund.



OAKMARK

1-800-OAKMARK  
[www.oakmark.com](http://www.oakmark.com)

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