

**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**

# THIRD QUARTER REPORT

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**OAKMARK**

# THE OAKMARK FUNDS

## 2005 Third Quarter 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 again in the second quarter, with the broad domestic market indices showing small single-digit gains and with international indices declining. Year-to-date, international and domestic indices have declined. Our Funds also produced mixed absolute returns for the quarter and year-to-date; however, most of our Funds have outperformed their benchmarks year-to-date.

Consistent with our bottom-up approach to picking stocks, we view the year-to-date decline in stock prices as an opportunity. Interest rates remain at historically low levels. Corporate profits and cash flow are growing at healthy rates, and corporate balance sheets continue to improve. Business value growth has been strong for most of the companies we follow. Due to lower stock prices and solid value growth, we are able to find a larger number of stocks selling at large discounts to intrinsic value. Consequently, we are more optimistic about our stocks' future returns, particularly relative to bonds.

Importantly, as highlighted in some of this quarter's portfolio manager letters, we have also seen compression in stock valuations that has left many high quality companies priced at the same levels as average companies. As a result, we have been able to upgrade the quality of our holdings at little cost. If we have properly judged the quality of these businesses, we believe their premium valuation should eventually return, and they should outperform market averages.

### Quality Shareholder Communications

Frequent, open, and thoughtful communications with shareholders are important to us when we select companies to invest in. Maintaining the same high quality communications with our shareholders has always been one of the cornerstones of our business philosophy at The Oakmark Funds. We believe that an educated investor, who understands and shares our patient, long-term approach to investing, is a better investor. We constantly focus on how to provide useful and informative communications. In particular, our portfolio managers reflect long and hard about how to make their quarterly report letters topical, insightful, and timely.

We also make every effort to deliver our communications as quickly as possible. We pride ourselves on consistently being among the first mutual fund families to release our quarterly commentary and reports. Unfortunately,



however, the logistics of even the best printing and mailing schedules mean that most of you are receiving your printed Oakmark quarterly report halfway into the next quarter. So much for "timely" commentary...!

There is a solution, however, for those of you interested in receiving information sooner. Our portfolio manager letters and portfolio holdings are usually posted to the "Commentary" section of our website ([www.oakmark.com](http://www.oakmark.com)) by the end of the second week of each quarter, and quarterly reports are typically posted in the "Literature" section by the end of the month. For those of you interested in receiving e-mail notifications of the postings and other Oakmark news, you may use the "Join Our Mailing List" section of our home page. Signing up is easy. Of course, we set high standards for the information that we send, and we do not give anyone else access to your e-mail address.

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 June 30, 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>	0.22%	-0.27%	2.83%
<i>1 Year</i>	5.60%	8.61%	6.24%
<i>Average Annual Total Return for:</i>			
<i>3 Year</i>	7.15%	9.49%	10.45%
<i>5 Year</i>	10.70%	13.69%	13.03%
<i>10 Year</i>	9.92%	N/A	N/A
<i>Since inception</i>	15.92% (8/5/91)	19.31% (11/1/96)	13.78% (11/1/95)
<i>Top Five Equity Holdings as of June 30, 2005<sup>2</sup></i>	Washington Mutual, Inc. 2.9% H&R Block, Inc. 2.6% Yum! Brands, Inc. 2.6% Liberty Media Corporation, Class A 2.4% McDonald's Corporation 2.3%	Washington Mutual, Inc. 15.2% H&R Block, Inc. 8.1% Yum! Brands, Inc. 8.0% First Data Corporation 5.3% Burlington Resources Inc. 4.7%	Burlington Resources Inc. 4.3% XTO Energy, Inc. 3.8% Nestle SA 2.7% EchoStar Communications Corporation, Class A 2.7% Diageo plc 2.7%
<i>Company and % of Total Net Assets</i>			
<i>Sector Allocation as of June 30, 2005</i>	Consumer Discretionary 45.4% Financials 15.9% Consumer Staples 12.0% Information Technology 8.4% Industrials 7.3% Health Care 6.6% Energy 4.4%	Consumer Discretionary 48.8% Financials 24.5% Information Technology 9.9% Health Care 7.2% Energy 5.2% Industrials 4.4%	U.S. Government Securities 32.3% Energy 12.0% Consumer Discretionary 11.1% Consumer Staples 10.2% Industrials 10.1% Financials 8.8% Health Care 7.7% Foreign Government Securities 4.6% Information Technology 2.7% Materials 0.5%
<i>Sector and % of Market Value</i>			

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

\* 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)	
0.64%		-0.05%		-2.65%	
11.13%		15.24%		20.71%	
18.12%		12.11%		19.20%	
17.94%		8.93%		15.48%	
N/A		11.21%		N/A	
15.72% (8/4/99)		12.06% (9/30/92)		12.75% (11/1/95)	
Diageo plc Burlington Resources Inc.	4.8% 4.1%	GlaxoSmithKline plc Bayerische Motoren Werke (BMW) AG	3.6% 3.4%	Carpentright plc Interpump Group S.p.A	4.6% 3.8%
Nestle SA	4.0%	Diageo plc	3.3%	Saurer AG	3.5%
Bank of Ireland	3.8%	SK Telecom Co., Ltd.	3.2%	Matalan PLC	3.0%
Takeda Pharmaceutical Company Limited	3.7%	Bank of Ireland	3.2%	Julius Baer Holding Ltd., Class B	2.8%
Consumer Discretionary	20.4%	Financials	25.8%	Industrials	27.8%
Health Care	15.3%	Consumer Discretionary	20.3%	Consumer Discretionary	20.3%
Financials	14.7%	Consumer Staples	17.3%	Information	
Consumer Staples	14.5%	Health Care	10.5%	Technology	19.1%
Information		Materials	8.0%	Financials	13.7%
Technology	10.9%	Telecommunication		Materials	7.0%
Industrials	10.0%	Services	7.6%	Health Care	5.4%
Telecommunication		Industrials	7.1%	Consumer Staples	5.0%
Services	5.2%	Energy	1.9%	Telecommunication	
Materials	4.7%	Information		Services	1.7%
Energy	4.3%	Technology	1.5%		

## 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.



It's unusual for a book about economics to be described as "eminently readable." It's also unusual, perhaps with cause, for a book about economics to make the *New York Times* bestseller list. But that's exactly what's happened to *Freakonomics*<sup>3</sup> by Steven Levitt and Stephen Dubner. Levitt is the unorthodox economics teacher at the University of Chicago who was named the best American economist under the age of forty. He has little

interest in GDP, the stock market, or currency exchange rates. Instead, he uses economics to explain everyday human behavior. As Levitt says, "When moral posturing is replaced by an honest assessment of the data, the result is often a new, surprising insight. Morality, it could be argued, represents the way that people would like the world to work—whereas economics represents how it actually *does* work." He goes on to list several fundamental ideas that drive his thinking. First, "Incentives are the cornerstone of modern life. And understanding them ... is the key to solving just about any riddle." Second, "The conventional wisdom is often wrong." Levitt uses these and other principles to examine a series of off-the-wall topics such as the accuracy of on-line dating ads.

Conventional wisdom would suggest that wealthy men and attractive, thin, blond women would have above-average response rates. In fact, they do. (Conventional wisdom isn't always wrong!) So, given that they have an incentive to lie, do on-line daters still tell the truth? The percentage claiming to earn over \$200,000 per year is four times the national average. Over 70% claim to possess above-average looks and weigh twenty pounds below the national average. And 28% of on-line daters claim to be blond, far exceeding the percentage of blonds in the U.S. population. When there's incentive to lie, and the data skew strongly in the incentivized direction, Levitt concludes honesty has been abandoned. His analysis of varied topics includes teachers inflating test scores, sumo wrestlers intentionally losing matches, and realtors getting better prices for their own homes than for their clients' homes. He challenges conventional wisdom on issues such as the profit potential in selling illegal drugs and the impact that additional police have on reducing crime. Despite being a fun, quick read—I read most of it during a day of standby jury duty—*Freakonomics* is a book that challenges the reader to be a more disciplined thinker.

Levitt's disciplined thought, analysis of incentives, and willingness to challenge conventional thinking showed parallels to The Oakmark Funds' approach to investing. Implementing our investment philosophy, which is always printed at the top of this report, requires disciplined thought. We need discipline to focus consistently on the long-term. Temptation is strong to let news flow and short-term results drive one's investment choices, but history has shown that abandoning long-term thinking in an attempt to boost short-term results is almost always counter-productive. Discipline is also required to invest only in those companies selling at significant discounts to intrinsic value. Many e-mails from shareholders remind us of the fact that our recent performance would have been better if we had more exposure to such areas as electric utilities or commodity cyclic companies, and they encourage us to buy those stocks now. Clearly these e-mails are driven by a rear-view mirror, or momentum, thought process as opposed to a forward-looking, value approach. I remember one specific letter from six years ago begging us to own just a few technology stocks to help our short-term performance. Staying true to our discipline in 1999—and avoiding investing in any companies we deemed to be fully valued or over-valued—probably had the greatest positive impact on portfolio returns of any decision we've ever made.

### Incentives are the Cornerstone of Modern Life

In *Freakonomics*, Levitt is always examining incentives— incentives to work, to cheat, or to obey the law. In one chapter, he examined the problem of late pickups at a daycare center. The moral pressure to pick up children by the scheduled time was proving inadequate, and late pickups were becoming a business problem for the daycare center. To encourage better promptness, the center introduced a schedule of small fines for tardy pickups. The surprising result was that late pickups increased—a small financial disincentive was inadequate relative to the more significant disincentive of guilt from breaking the implied contract for timely pickups. The solution? The financial penalty needed to be larger—large enough that parents strove to avoid it and that the daycare center could profit from parents being late.

At Oakmark, we dedicate a good part of our analysis to understanding management incentives. Though managements have a moral contract with their public shareholders to maximize long-term business value, we feel more confident when managers also have a strong personal economic incentive to maximize value. A corporate CEO receives numerous streams of value for his

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or her performance: monetary rewards such as salary, bonus, and options, as well as non-monetary rewards such as lifestyle fringe benefits, community status, and fame. We want to make sure that the economic gain a manager receives when business value increases (through stock ownership, bonuses, and options) outweighs the values that accrue simply from longevity or size. It is important to us that, when key decisions are faced, a manager thinks like an owner. And as Levitt says, you can solve almost any riddle once you understand the incentives. For most of our holdings, starting with the largest, Washington Mutual, the CEO's largest personal investment is in his own stock.

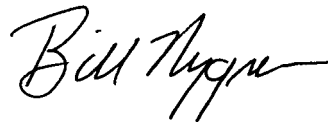
### Challenge Conventional Wisdom

A point that Levitt makes throughout *Freakonomics* is that one should consider the possibility that conventional wisdom is wrong. He points out that the sources for conventional wisdom are often biased and have a vested interest in seeing their view of the world become the consensus. He challenges us to consider the lack of evidence that children who watch more television perform worse in school or that drinking eight glasses of water per day is healthier than drinking eight glasses of other liquids. Applying his skepticism to the markets, one might question the motivation of the financial media telling its viewers and readers that each day's news has life-or-death importance to their investment portfolios. Do pundits honestly believe this, or are they motivated by increased ratings and circulation? Almost by definition, a value investor is frequently investing against the conventional wisdom. Whereas conventional wisdom generally believes that recent trends will continue, value investors often believe they will reverse.

Extrapolating recent performance, it seems that two of today's strongest consensus beliefs are that it isn't worth paying up for quality businesses and that stocks will not

provide adequate returns from current levels. Not surprisingly, we reject both ideas. Typically, higher quality businesses sell at somewhat higher P/E<sup>1</sup> multiples than do lower quality businesses. Five years ago, those premiums became excessively large as high quality, large-cap stocks frequently commanded P/E multiples more than twice that of the market. From that level, those businesses needed exceptional earnings growth just to produce average stock returns. Today, many of those same high-quality companies are priced in-line with the market. Now, average performance by these businesses is all that is required to produce average returns for the stocks. We think most will perform better than that, and if we are right, premium P/E's should return. As for the overall market, trailing five-year returns are still negative, and year-to-date returns on bonds have far exceeded stocks. We started the year thinking stocks were less fully priced than bonds, and there has been no fundamental news that has altered our view. The continued out-performance of bonds only strengthens our conviction that from today, stocks are likely to achieve long-term returns significantly higher than bonds do.

Best wishes,



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

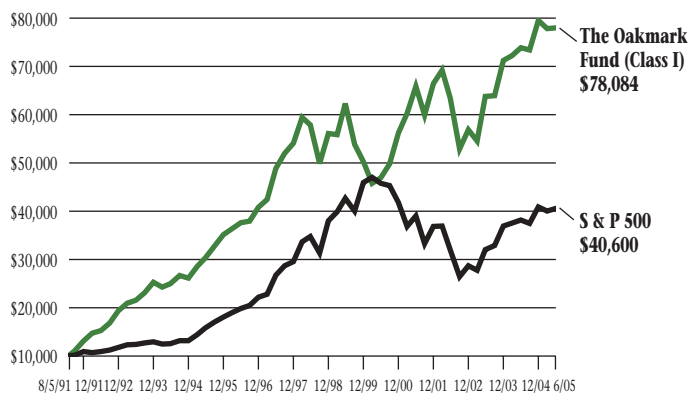
[bnygren@oakmark.com](mailto:bnygren@oakmark.com)

# 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 (6/30/05) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>5</sup>



### Average Annual Total Returns (as of 6/30/05)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (8/5/91)
<b>Oakmark Fund (Class I)</b>	<b>0.22%</b>	<b>5.60%</b>	<b>10.70%</b>	<b>9.92%</b>	<b>15.92%</b>
S&P 500	1.37%	6.32%	-2.37%	9.93%	10.60%
Dow Jones Average <sup>6</sup>	-1.63%	0.86%	1.76%	10.63%	11.65%
Lipper Large Cap Value Index <sup>7</sup>	1.33%	8.75%	1.93%	9.52%	10.42%

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 Fund was flat for the quarter compared to a 1% increase in the S&P 500. Positive performances included H&R Block, Black & Decker, and Aflac, each of which benefited from strong sales and increased earnings. Unfortunately, those positives were offset by declines in Harley Davidson, McDonald's, and Limited Brands, all of which suffered from weaker than expected sales. That's just the kind of market it's been this year – one step forward, one step back.

During the quarter we sold one stock, Amerisource Bergen, and we added two new holdings—both technology stocks. Like many value managers, The Oakmark Fund has had de minimis technology holdings for many years. Unlike many value managers, we don't have a permanent bias against the tech sector. Our concern has simply been valuation levels. We believe industry leaders serving above-average growth markets are attractive businesses if they are likely to remain leaders many years from now. These businesses become stock purchase candidates, regardless of industry, if we don't have to pay a large P/E<sup>7</sup> premium. One such purchase is described below. The other, Texas Instruments, is described on our website ([www.oakmark.com](http://www.oakmark.com)).

### Hewlett-Packard (HPQ—\$24)

Hewlett-Packard is the world's largest manufacturer of computer printers and related supplies as well as the leader in digital printing. Back in 2000, when market leaders commanded extreme multiples, HPQ hit its all-time high price of \$78. Like most technology leaders, HPQ subsequently suffered a large decline in its stock price. By the end of August 2001, HPQ had fallen to a price of \$23. At that time, Hewlett-Packard was a small factor in PCs and realized it should either exit the business or expand. Unfortunately, management chose the wrong path and merged with Compaq Computer. The stock immediately fell another 19%. Since then, the Imaging and Printing Group at Hewlett-Packard has continued to grow, earning 44% more in 2004 than in 2000, and is still the crown jewel of the company. The PC business is still a mess. At the end of March, HPQ named Mark Hurd as its new CEO. Mark has an enviable track record, having turned around NCR Corp. Currently, HPQ stock sells at about a market multiple, the printing business appears to be worth at least the stock price, and cost cutting opportunities appear to be numerous. We don't pretend to know which path will maximize HPQ's value, but we are confident Mark will put them on it.

Best wishes,

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

**Kevin G. Grant, CFA**  
Portfolio Manager  
[kgrant@oakmark.com](mailto:kgrant@oakmark.com)



# THE OAKMARK FUND

## Schedule of Investments—June 30, 2005 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—94.2%</b>		
<b>Apparel Retail—3.9%</b>		
The Gap, Inc.	7,066,700	\$ 139,567,325
Limited Brands	5,728,047	122,694,767
		<u>262,262,092</u>
<b>Broadcasting &amp; Cable TV—8.3%</b>		
Liberty Media Corporation, Class A (a)	16,199,400	\$ 165,071,886
The DIRECTV Group, Inc. (a)	9,700,000	150,350,000
Comcast Corporation, Special Class A (a)	4,725,000	141,513,750
EchoStar Communications Corporation, Class A	3,675,000	110,801,250
		<u>567,736,886</u>
<b>Department Stores—2.3%</b>		
Kohl's Corporation (a)	2,750,500	\$ 153,780,455
<b>Home Improvement Retail—2.2%</b>		
The Home Depot, Inc.	3,781,500	\$ 147,100,350
<b>Homebuilding—1.9%</b>		
Pulte Homes, Inc.	1,500,000	\$ 126,375,000
<b>Household Appliances—2.1%</b>		
The Black & Decker Corporation	1,622,200	\$ 145,754,670
<b>Housewares &amp; Specialties—2.3%</b>		
Fortune Brands, Inc.	1,745,600	\$ 155,009,280
<b>Leisure Products—1.0%</b>		
Mattel, Inc.	3,874,300	\$ 70,899,690
<b>Motorcycle Manufacturers—2.0%</b>		
Harley-Davidson, Inc.	2,762,500	\$ 137,020,000
<b>Movies &amp; Entertainment—6.7%</b>		
Viacom Inc., Class B	4,879,490	\$ 156,241,270
Time Warner Inc. (a)	8,997,700	150,351,567
The Walt Disney Company	5,950,000	149,821,000
		<u>456,413,837</u>
<b>Publishing—2.6%</b>		
Gannett Co., Inc.	1,684,500	\$ 119,818,485
Knight-Ridder, Inc.	916,000	56,187,440
		<u>176,005,925</u>
<b>Restaurants—4.9%</b>		
Yum! Brands, Inc.	3,374,000	\$ 175,717,920
McDonald's Corporation	5,700,000	158,175,000
		<u>333,892,920</u>

# THE OAKMARK FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Common Stocks—94.2% (cont.)</b>		
<b>Specialized Consumer Services—2.6%</b>		
H&R Block, Inc.	3,029,300	\$ 176,759,655
<b>Brewers—2.0%</b>		
Anheuser-Busch Companies, Inc.	3,050,000	\$ 139,537,500
<b>Distillers &amp; Vintners—1.9%</b>		
Diageo plc (b)	2,221,000	\$ 131,705,300
<b>Hypermarkets &amp; Super Centers—2.1%</b>		
Wal-Mart Stores, Inc.	2,900,000	\$ 139,780,000
<b>Packaged Foods &amp; Meats—4.2%</b>		
General Mills, Inc.	2,506,000	\$ 117,255,740
Kraft Foods Inc., Class A	2,645,000	84,137,450
H.J. Heinz Company	2,310,000	81,820,200
		<u>283,213,390</u>
<b>Soft Drinks—1.1%</b>		
Coca-Cola Enterprises, Inc.	3,500,000	\$ 77,035,000
<b>Integrated Oil &amp; Gas—2.2%</b>		
ConocoPhillips	2,570,670	\$ 147,787,818
<b>Oil &amp; Gas Exploration &amp; Production—2.0%</b>		
Burlington Resources Inc.	2,442,200	\$ 134,907,128
<b>Asset Management &amp; Custody Banks—1.1%</b>		
The Bank of New York Company, Inc.	2,700,000	\$ 77,706,000
<b>Diversified Banks—1.9%</b>		
U.S. Bancorp	4,400,000	\$ 128,480,000
<b>Life &amp; Health Insurance—1.8%</b>		
AFLAC Incorporated	2,767,000	\$ 119,755,760
<b>Other Diversified Financial Services—4.0%</b>		
Citigroup Inc.	3,200,000	\$ 147,936,000
JP Morgan Chase & Co.	3,600,000	127,152,000
		<u>275,088,000</u>
<b>Thrifts &amp; Mortgage Finance—6.1%</b>		
Washington Mutual, Inc.	4,887,300	\$ 198,864,237
Fannie Mae	1,895,000	110,668,000
MGIC Investment Corporation	1,640,600	106,999,932
		<u>416,532,169</u>
<b>Health Care Equipment—2.1%</b>		
Baxter International Inc.	3,900,000	\$ 144,690,000

# THE OAKMARK FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—94.2% (cont.)</b>		
<b>Pharmaceuticals—4.1%</b>		
Abbott Laboratories	3,087,300	\$ 151,308,573
Bristol-Myers Squibb Company	5,150,000	128,647,000
		279,955,573
<b>Aerospace &amp; Defense—3.4%</b>		
Raytheon Company	3,000,000	\$ 117,360,000
Honeywell International, Inc.	3,050,000	111,721,500
		229,081,500
<b>Building Products—2.1%</b>		
Masco Corporation	4,433,600	\$ 140,811,136
<b>Environmental &amp; Facilities Services—1.4%</b>		
Waste Management, Inc.	3,474,300	\$ 98,461,662
<b>Computer Hardware—2.7%</b>		
Hewlett-Packard Company	3,875,000	\$ 91,101,250
Sun Microsystems, Inc. (a)	24,370,000	90,900,100
		182,001,350
<b>Data Processing &amp; Outsourced Services—3.2%</b>		
First Data Corporation	3,615,000	\$ 145,106,100
Automatic Data Processing, Inc.	1,800,000	75,546,000
		220,652,100
<b>Office Electronics—1.2%</b>		
Xerox Corporation (a)	5,972,400	\$ 82,359,396
<b>Semiconductors—0.8%</b>		
Texas Instruments Incorporated	2,000,000	\$ 56,140,000
<b>Total Common Stocks (Cost: \$5,026,547,452)</b>		<b>6,414,691,542</b>
<b>Short Term Investments—5.9%</b>		
<b>U.S. Government Bills—2.8%</b>		
United States Treasury Bills, 2.695% - 3.025% due 7/7/2005 - 9/15/2005	\$190,000,000	\$ 189,271,060
<b>Total U.S. Government Bills (Cost: \$189,284,689)</b>		<b>189,271,060</b>
<b>Repurchase Agreements—3.1%</b>		
IBT Repurchase Agreement, 2.80% dated 6/30/2005 due 7/1/2005, repurchase price \$213,016,567 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$223,650,000	\$213,000,000	\$ 213,000,000

# THE OAKMARK FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—5.9% (cont.)</b>		
<b>Repurchase Agreements—3.1% (cont.)</b>		
IBT Repurchase Agreement, 2.01% dated 6/30/2005 due 7/1/2005, repurchase price \$2,547,175 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,674,385	\$ 2,547,033	\$ 2,547,033
<b>Total Repurchase Agreements (Cost: \$215,547,033)</b>		<b>215,547,033</b>
<b>Total Short Term Investments (Cost: \$404,831,722)</b>		<b>404,818,093</b>
Total Investments (Cost \$5,431,379,174)—100.1%		\$ 6,819,509,635
Other Liabilities In Excess Of Other Assets—(0.1)%		(5,604,636)
<b>Total Net Assets—100%</b>		<b><u>\$6,813,904,999</u></b>

(a) Non-income producing security.

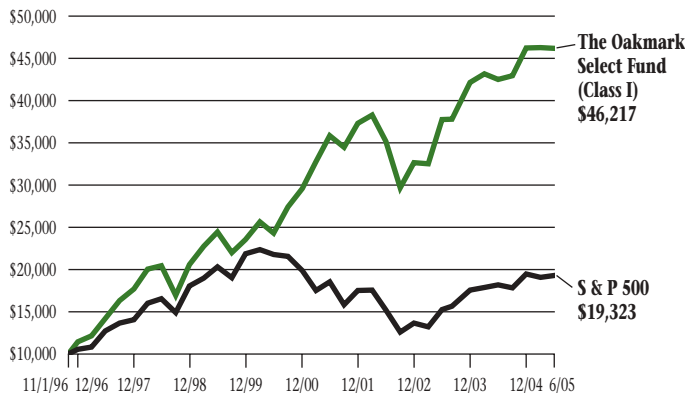
(b) Represents an American Depository Receipt.

# 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 (6/30/05) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>5</sup>**



**Average Annual Total Returns**  
(as of 6/30/05)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/96)
<b>Oakmark Select Fund (Class I)</b>	<b>-0.27%</b>	<b>8.61%</b>	<b>13.69%</b>	<b>19.31%</b>
S&P 500	1.37%	6.32%	-2.37%	7.90%
S&P MidCap 400 <sup>8</sup>	4.26%	14.03%	8.49%	14.07%
Lipper Mid Cap Value Index <sup>9</sup>	2.58%	13.37%	10.95%	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 had another flat quarter. The prior quarter was the first time since the Fund's inception in 1996 that we had a 0% quarter. We hope that streak ends at two!

Limited Brands and Mattel were our biggest losers. Limited Brands continued to report disappointing progress on its attempt to turnaround its Express chain. We believe that the value of Limited's Victoria's Secret and Bath & Body Works chains exceeds the price of Limited stock. Though Express has been disappointing, we believe it is worth more than zero. Mattel also reported disappointing results for their Barbie division. After a very strong Christmas, Barbie sales again declined, increasing the skepticism about long-term growth prospects. On lowered earnings estimates, Mattel sells below fifteen times expected 2005 earnings, a price we believe makes the stock attractive, and also makes it an attractive acquisition candidate.

Offsetting those disappointments was the 16% gain in our second largest holding, H&R Block (HRB). HRB was added to Oakmark Select in 2000 after the stock collapsed when it acquired the brokerage firm Olde Securities. Though the market was correct to penalize HRB for that value-destroying acquisition (which was executed by a former CEO), the stock fell by more than 100% of Olde's cost, which we judged a severe over-reaction. During the time we've owned HRB, it has had extreme reactions to news items—flat tax rumors, increased tax preparer competition, changing mortgage spreads, and so on. A five-year look back helps bring the focus back to business value. Since 2000, both its tax preparation business and its sub prime mortgage business have grown substantially more than we or others anticipated. In fact, HRB operating income has approximately doubled in five years. And importantly, there haven't been any more ill-fated acquisitions. Instead, excess cash has been used primarily to reduce shares outstanding by 20%. Although the stock has more than quadrupled in just over five years, we still find it attractive. HRB is still the dominant market share leader in tax preparation, and the cost structure at its Option One sub prime mortgage business should make it well positioned for further market share gains. Despite our belief that HRB is a superior company, it sells at only fourteen times expected year ahead earnings, about a 10% discount to the average stock.

Best wishes,

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

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Portfolio Manager  
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# THE OAKMARK SELECT FUND

## Schedule of Investments—June 30, 2005 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—91.9%</b>		
<b>Apparel Retail—6.8%</b>		
Limited Brands	9,580,981	\$ 205,224,613
The Gap, Inc.	10,060,000	<u>198,685,000</u>
		403,909,613
<b>Broadcasting &amp; Cable TV—3.9%</b>		
Liberty Media Corporation, Class A (a)	23,000,000	\$ 234,370,000
<b>Leisure Products—3.0%</b>		
Mattel, Inc.	9,670,900	\$ 176,977,470
<b>Movies &amp; Entertainment—8.5%</b>		
Time Warner Inc. (a)	16,240,000	\$ 271,370,400
Viacom Inc., Class B	7,350,000	<u>235,347,000</u>
		506,717,400
<b>Publishing—2.7%</b>		
Knight-Ridder, Inc.	2,606,500	\$ 159,882,710
<b>Restaurants—11.9%</b>		
Yum! Brands, Inc.	9,207,000	\$ 479,500,560
McDonald's Corporation	8,300,000	<u>230,325,000</u>
		709,825,560
<b>Specialized Consumer Services—8.1%</b>		
H&R Block, Inc.	8,259,800	\$ 481,959,330
<b>Oil &amp; Gas Exploration &amp; Production—4.7%</b>		
Burlington Resources Inc.	5,103,600	\$ 281,922,864
<b>Other Diversified Financial Services—3.1%</b>		
JP Morgan Chase & Co.	5,250,000	\$ 185,430,000
<b>Specialized Finance—4.3%</b>		
Moody's Corporation	5,647,200	\$ 253,898,112
<b>Thrifts &amp; Mortgage Finance—15.1%</b>		
Washington Mutual, Inc.	22,217,400	\$ 904,026,006
<b>Health Care Services—3.4%</b>		
IMS Health Incorporated	8,303,441	\$ 205,676,234
<b>Pharmaceuticals—3.1%</b>		
Bristol-Myers Squibb Company	7,490,200	\$ 187,105,196
<b>Diversified Commercial &amp; Professional Services—4.1%</b>		
The Dun & Bradstreet Corporation (a)	3,934,900	\$ 242,586,585
<b>Data Processing &amp; Outsourced Services—5.3%</b>		
First Data Corporation	7,815,400	\$ 313,710,156

# THE OAKMARK SELECT FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—91.9% (cont.)</b>		
<b>Office Electronics—3.9%</b>		
Xerox Corporation (a)	16,746,400	\$ 230,932,856
<b>Total Common Stocks (Cost: \$3,621,387,391)</b>		<b>5,478,930,092</b>
<b>Short Term Investments—8.3%</b>		
<b>U.S. Government Bills—5.0%</b>		
United States Treasury Bills, 2.635% - 2.935% due 7/7/2005 - 9/15/2005	\$300,000,000	\$ 298,997,905
<b>Total U.S. Government Bills (Cost: \$299,021,188)</b>		<b>298,997,905</b>
<b>Repurchase Agreements—3.3%</b>		
IBT Repurchase Agreement, 2.80% dated 6/30/2005 due 7/1/2005, repurchase price \$196,015,244 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$205,800,000	\$196,000,000	\$ 196,000,000
IBT Repurchase Agreement, 2.01% dated 6/30/2005 due 7/1/2005, repurchase price \$2,159,725 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,267,585	2,159,604	<u>2,159,604</u>
<b>Total Repurchase Agreements (Cost: \$198,159,604)</b>		<b>198,159,604</b>
<b>Total Short Term Investments (Cost: \$497,180,792)</b>		<b>497,157,509</b>
Total Investments (Cost \$4,118,568,183)—100.2%		\$ 5,976,087,601
Other Liabilities In Excess Of Other Assets—(0.2)%		<u>(10,213,033)</u>
<b>Total Net Assets—100%</b>		<b><u>\$5,965,874,568</u></b>

(a) Non-income producing security.

# THE OAKMARK EQUITY AND INCOME FUND

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



“Stand upright, speak thy thoughts, declare the truth thou hast, that all may share; be bold, proclaim it everywhere: They only live who dare.”  
Voltaire

## Our Results

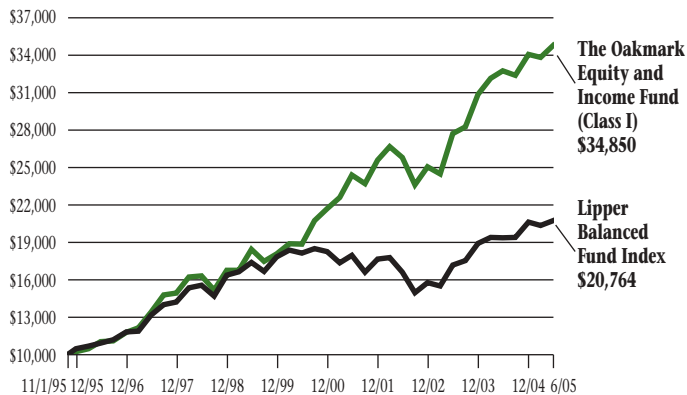
The Oakmark Equity and Income Fund increased 3% for the quarter ended June 30, bringing the calendar year gain to 2%. For the calendar year 2005, the Fund has outperformed the Lipper Balanced Fund Index, which has returned 1% for the year. As this represents another period of absolute positive returns, we are moderately pleased with this result. As we have said many times, it is absolute positive returns that preserve and grow your capital. Looking back over the past three-year and five-year periods, we have grown and compounded the capital of our long-term investors (ourselves included) at a 10% and 13% rate annualized respectively. We continue to dedicate ourselves to keeping those returns consistent and remain vigilant against any sloth or complacency. We are particularly mindful of something Mark Twain once said, “All you need in this life is ignorance and confidence, and then success is rare.” As you may recall, we started 2005 again feeling cautiously pessimistic, without any great convictions, and the year has continued to play out that way, albeit with markets around the world showing a tremendous amount of volatility.

## Oil, Oil, Everywhere!

Two factors primarily contribute to that volatility: the strength of the U.S. dollar and the continued increase in energy prices. We have been somewhat perplexed by the former, but we are willing to chalk it up to concern about the Euro and the European Union, given the rejection by the voters of France and the Netherlands of the draft EU Constitution. With regard to energy prices, we find the increases understandable given the tightening of energy’s supply and demand dynamics. As we have previously discussed, increased demand makes sense to the extent one accepts that developing market countries, such as China and India, continue to demand substantially more oil than generally forecast. Indeed, both of those countries have moved aggressively to secure increased supplies of petroleum to support their economies’ expanding needs. (In the case of China a snowball effect may develop because the Chinese are also seeking to lessen their dependence on coal, with its not-so-hidden environmental costs, and shift consumption to cleaner forms of energy such as oil, natural gas, or liquified natural gas.) The most recent evidence of this aggressiveness is to be found in the bid by a Chinese oil company, CNOOC Ltd., for Union Oil of California.

In terms of energy supply, we agree with those who say that there is plenty of oil left out there;

## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/05) AS COMPARED TO THE LIPPER BALANCED FUND INDEX<sup>10</sup>



### Average Annual Total Returns

(as of 6/30/05)

	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>2.83%</b>	<b>6.24%</b>	<b>13.03%</b>	<b>13.78%</b>
Lipper Balanced Fund Index	1.79%	7.12%	2.70%	7.85%
S&P 500 <sup>5</sup>	1.37%	6.32%	-2.37%	9.46%
Lehman Govt./Corp. Bond <sup>11</sup>	3.44%	7.26%	7.70%	6.77%

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



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Saudi Arabia is supposed to be capable of doubling its current production of about 10 million barrels per day. The issue that is now coming to the forefront is the ability to get oil out of the ground (production rates), due to a number of artificial constraints that impede companies' ability to get petroleum products refined and to the markets.

A half-century ago, M. King Hubbert, a Shell Oil geologist, argued that production rates for oil and natural gas basically follow a bell curve: production rates from new fields rise steadily until the peak (top of the curve) is hit, at which point—with roughly half of the oil or gas in place produced—production rates decline. Therefore, Hubbert predicted that production rates in the U.S. would peak around 1970 and then begin to slide downwards. While new technologies have slowed the rate of decline, Hubbert's predictions were fairly accurate. Applying similar logic, many people are now raising the possibility that the world's production has already peaked, claiming that existing fields face an inexorable decline, which might be slowed but cannot be stopped. The offset of this production decline was supposed to come from Saudi Arabia, with both shut-in discovered production and large tracts of unexplored areas that could hold future gigantic fields. Two somewhat recent books question the promise in Saudi Arabia. *The End of Oil*<sup>12</sup> by Paul Roberts argues that in their attempts to enhance production by injecting water in the Ghawar field—Saudi Arabia's largest oil field—the Saudis unwittingly contaminated that field. The second book, *Twilight in the Desert*<sup>13</sup> by Matthew Simmons, argues that most Saudi production comes from only seven or eight oil fields, all old and all in decline, and again, their best days have passed. He further argues that the Saudis are already using the best recovery technology that money can buy, so not much more can be squeezed out of their fields.

We think that these are interesting arguments, especially given the lack of transparency that surrounds so much of the energy world. That said, our energy investments are focused on companies that have access to natural gas in North America. We believe that natural gas in North America has compelling and more easily supportable supply-demand dynamics than oil. North America is experiencing a dearth of new natural gas discoveries, a lack of new pipelines, and a "not in my backyard" approach to liquified natural gas terminals. The natural gas supply chain in the United States has basically no margin of safety left in it.

Oakmark's investment philosophy has always been to buy companies that are selling at a discount to the underlying values of their assets. In the case of the energy sector, our asset value analysis is centered on the value of oil and gas reserves. In addition to a discounted price, we also require that companies are run by managements that think about their businesses the way we do. That is, they are responsible for a pool of assets. They should recognize—and act—when the right price is reached for purchasing additional assets and when the right price is reached for disposing of their assets. At all times, they should act according to what

is best for their shareholders. Our investment process explicitly seeks to avoid companies—in any sector—that don't meet these criteria. Within the energy sector, in particular, this helps prevent us from investing in those companies that are run by managements with an irrational love of the energy business for its own sake. Our disciplined process has resulted in a short list of what we believe are very attractive energy stocks. If our assumptions about supply and demand dynamics prove correct as well, we could also capture the upside in the commodity's price for free.

### Change at the Margin

In keeping with our belief that sometimes the best thing we can do is nothing, there were not a lot of transactions in the portfolio from a dollar-volume perspective during the quarter. Abbott Laboratories, Darden Restaurants, and Office Depot were eliminated from the portfolio because they reached valuation targets. New positions were initiated in Morgan Stanley, Pulte Homes, Sanderson Farms, and Tree House Foods. Our low turnover indicates that many of our portfolio holdings remain comfortably away from their valuation targets. However, those investments that are creeping close to their valuation targets have allowed us to ease incrementally out of them while we ease incrementally into new positions. We continue to see no abundance of compelling ideas, although a few interesting opportunities arose (but at prices with lesser margins of safety than would interest us). That said, we are comfortable with our holdings, and we continue to believe that we will have the opportunity to deploy capital into one or two truly outstanding investment ideas over a twelve-to-eighteen month period.

### Summertime, when the Reading Is?

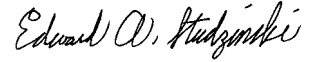
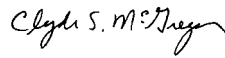
We would like to commend to you a favorite, although not newly published, book titled *Fooled by Randomness - The Hidden Role of Chance in the Markets and Life*<sup>14</sup> by Nassim Taleb. Although not a page-turner, the book is useful for those trying to understand the statistics of the market, especially figures relating to performance. Taleb also puts into context some of the behaviors that can result in subpar investment performance. For example, if you can place a \$1 bet that has 999 chances in a 1000 to make \$1, and 1 chance in a 1000 to lose \$10,000, you arrive at an expected return of a loss of \$9, arrived at by multiplying the probabilities by the related outcomes and then summing. Many young analysts and portfolio managers often get fixated on the fact they would probably make money because the frequency of winning is so great. Wrong. The probability of loss is not what you should be concerned with. The magnitude of the negative outcome, which swamps everything else, makes this a bad situation to bet on. Put another way, investment opportunities do not always involve a normal distribution along a curve. Taleb's point is one with which we wholeheartedly agree and which, interestingly, a frequenter of the racetrack understands intuitively. Yet many people with fancy degrees and titles, who are responsible for other people's money, often do not.

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### Curmudgeons

We are often thought of as the curmudgeons of this investment firm, but it does not bother us that we may be an endangered species. Another famous curmudgeon, George Santayana, once said that “Advertising is the modern substitute for argument; its function is to make the worse appear the better.” Our purpose, we assure you, is not to advertise but to inform you—our investors, partners, and readers—as we should like to be informed ourselves. Our goal continues to be to make an absolute positive return for you (and ourselves) as shareholders. That goal has not changed and will not change. We continue to not do anything different than what we have done in the past—searching for business values in the market place priced at

a discount to intrinsic value, with a margin of safety that we like. We remain grateful to you, our shareholders and partners, for your patience and confidence in entrusting us with your capital to manage.



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# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—June 30, 2005 (Unaudited)

Name	Shares Held	Market Value
<b>Equity and Equivalents—59.6%</b>		
<b>Common Stocks—59.6%</b>		
<b>Apparel Retail—1.9%</b>		
The TJX Companies, Inc.	7,240,000	\$ 176,294,000
<b>Broadcasting &amp; Cable TV—5.0%</b>		
EchoStar Communications Corporation, Class A	8,218,420	\$ 247,785,363
The DIRECTV Group, Inc. (a)	8,026,722	124,414,191
The E.W. Scripps Company, Class A	1,688,500	82,398,800
		<u>454,598,354</u>
<b>Homebuilding—0.1%</b>		
Pulte Homes, Inc.	100,000	\$ 8,425,000
<b>Movies &amp; Entertainment—2.3%</b>		
Viacom Inc., Class B	6,500,000	\$ 208,130,000
<b>Publishing—0.1%</b>		
Tribune Company	200,000	\$ 7,036,000
<b>Restaurants—0.9%</b>		
McDonald's Corporation	3,000,000	\$ 83,250,000
<b>Distillers &amp; Vintners—2.7%</b>		
Diageo plc (b)	4,100,000	\$ 243,130,000
<b>Hypermarkets &amp; Super Centers—1.6%</b>		
Costco Wholesale Corporation	3,200,000	\$ 143,424,000
<b>Packaged Foods &amp; Meats—4.0%</b>		
Nestle SA (b)	3,900,000	\$ 249,522,000
Dean Foods Company (a)	2,500,000	88,100,000
TreeHouse Foods, Inc. (a)	475,000	13,542,250
Sanderson Farms, Inc.	250,000	11,360,000
		<u>362,524,250</u>
<b>Tobacco—1.5%</b>		
UST Inc.	2,950,000	\$ 134,697,000
<b>Integrated Oil &amp; Gas—1.3%</b>		
ConocoPhillips	2,000,000	\$ 114,980,000
<b>Oil &amp; Gas Exploration &amp; Production—10.3%</b>		
Burlington Resources Inc.	7,150,000	\$ 394,966,000
XTO Energy, Inc.	10,265,888	348,937,533
St. Mary Land & Exploration Company	2,900,000	84,042,000

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Equity and Equivalents—59.6% (cont.)</b>		
<b>Oil &amp; Gas Exploration &amp; Production—10.3% (cont.)</b>		
EnCana Corp. (c)	2,000,000	\$ 79,180,000
Cabot Oil & Gas Corporation	792,500	27,499,749
		<u>934,625,282</u>
<b>Investment Banking &amp; Brokerage—0.9%</b>		
Morgan Stanley	1,500,000	\$ 78,705,000
<b>Other Diversified Financial Services—1.7%</b>		
Citigroup Inc.	3,400,000	\$ 157,182,000
<b>Property &amp; Casualty Insurance—4.7%</b>		
SAFECO Corporation	4,000,000	\$ 217,360,000
MBIA Inc.	1,850,000	109,723,500
The Progressive Corporation	1,050,000	103,750,500
		<u>430,834,000</u>
<b>Real Estate Investment Trusts—1.0%</b>		
Plum Creek Timber Company, Inc.	2,657,044	\$ 96,450,697
<b>Biotechnology—2.1%</b>		
MedImmune, Inc. (a)	6,000,000	\$ 160,320,000
Techne Corporation (a)	750,000	34,432,500
		<u>194,752,500</u>
<b>Health Care Equipment—2.5%</b>		
Hospira, Inc. (a)	3,750,000	\$ 146,250,000
Varian Inc. (a)	1,649,400	62,330,826
CONMED Corporation (a)	570,100	17,541,977
		<u>226,122,803</u>
<b>Health Care Services—2.6%</b>		
Caremark Rx, Inc. (a)	5,250,000	\$ 233,730,000
<b>Aerospace &amp; Defense—7.0%</b>		
General Dynamics Corporation	2,060,300	\$ 225,685,262
Raytheon Company	3,599,700	140,820,264
Rockwell Collins, Inc.	2,249,000	107,232,320
Alliant Techsystems, Inc. (a)	1,325,000	93,545,000
Honeywell International, Inc.	1,889,500	69,212,385
		<u>636,495,231</u>
<b>Commercial Printing—1.9%</b>		
R.R. Donnelley & Sons Company	4,909,500	\$ 169,426,845
<b>Diversified Commercial &amp; Professional Services—0.5%</b>		
ChoicePoint Inc. (a)	1,100,000	\$ 44,055,000

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Equity and Equivalents—59.6% (cont.)</b>		
<b>Human Resource &amp; Employment Services—0.3%</b>		
Watson Wyatt & Company Holdings	1,015,600	\$ 26,029,828
<b>Application Software—0.8%</b>		
The Reynolds and Reynolds Company, Class A	1,482,100	\$ 40,061,163
Mentor Graphics Corporation (a)	3,640,000	<u>37,310,000</u>
		77,371,163
<b>Computer Storage &amp; Peripherals—0.5%</b>		
Imation Corp.	1,215,000	\$ 47,129,850
<b>Data Processing &amp; Outsourced Services—1.0%</b>		
Ceridian Corporation (a)	4,800,000	\$ 93,504,000
<b>Internet Software &amp; Services—0.2%</b>		
Jupiter Telecommunications Co., Ltd. (a)(c)	21,300	\$ 18,004,601
<b>Paper Products—0.2%</b>		
Schweitzer-Mauduit International, Inc.	700,000	\$ 21,791,001
<b>Total Common Stocks (Cost: \$4,169,396,405)</b>		<b>5,422,698,405</b>
<b>Total Equity And Equivalents (Cost: \$4,169,396,405)</b>		<b>5,422,698,405</b>
 <b>Fixed Income—36.0%</b>		
<b>Corporate Bonds—0.7%</b>		
<b>Broadcasting &amp; Cable TV—0.2%</b>		
Cablevision Systems Corporation, 8.00% due 4/15/2012	20,000,000	\$ 19,600,000
<b>Publishing—0.1%</b>		
PRIMEDIA Inc., 8.00% due 5/15/2013	10,000,000	\$ 10,025,000
<b>Health Care Distributors—0.2%</b>		
Omnicare, Inc., 6.125% due 6/1/2013	15,000,000	\$ 14,775,000
<b>Paper Packaging—0.2%</b>		
Sealed Air Corporation, 144A, 5.625% due 7/15/2013 (d)	20,000,000	\$ 20,551,600
<b>Multi-Utilities &amp; Unregulated Power—0.0%</b>		
Midland Funding Corporation, 11.75% due 7/23/2005	172,075	\$ 172,589
<b>Total Corporate Bonds (Cost: \$65,508,612)</b>		<b>65,124,189</b>

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Fixed Income—36.0% (cont.)</b>		
<b>Government and Agency Securities—35.3%</b>		
<b>Canadian Government Bonds—3.9%</b>		
Canada Government, 3.25% due 12/1/2006	CAD 250,000,000	\$ 205,385,055
Canada Government, 3.00% due 12/1/2005	CAD 125,000,000	102,200,751
Canada Government, 3.00% due 6/1/2007	CAD 50,000,000	40,892,952
Province of Alberta, 7.25% due 10/28/2005	CAD 10,000,000	8,273,771
		<u>356,752,529</u>
<b>Danish Government Bonds—0.2%</b>		
Kingdom of Denmark, 3.00% due 11/15/2006	DKK 100,000,000	\$ 16,442,932
<b>Norwegian Government Bonds—0.2%</b>		
Norway Government, 6.75% due 1/15/2007	NOK 100,000,000	\$ 16,293,888
<b>Swedish Government Bonds—0.1%</b>		
Kingdom of Sweden, 3.50% due 4/20/2006	SEK 100,000,000	\$ 12,995,392
<b>U.S. Government Notes—27.1%</b>		
United States Treasury Notes, 4.00% due 6/15/2009	500,000,000	\$ 505,390,500
United States Treasury Notes, 3.375% due 2/28/2007	500,000,000	497,812,500
United States Treasury Notes, 3.625% due 1/15/2010	500,000,000	497,636,500
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	261,561,870	269,868,552
United States Treasury Notes, 3.375% due 11/15/2008	250,000,000	247,470,750
United States Treasury Notes, 3.25% due 1/15/2009	250,000,000	246,435,500
United States Treasury Notes, 4.00% due 2/15/2015	200,000,000	200,711,000
		<u>2,465,325,302</u>
<b>U.S. Government Agencies—3.8%</b>		
Federal Home Loan Bank, 5.00% due 12/20/2011	34,555,000	\$ 34,560,356
Federal Home Loan Mortgage Corporation, 2.75% due 9/8/2009	32,490,000	32,446,203
Fannie Mae, 3.10% due 9/6/2007	25,000,000	24,986,550
Fannie Mae, 3.02% due 9/12/2007	25,000,000	24,981,225
Fannie Mae, 3.625% due 12/28/2009	24,435,000	24,372,202
Federal Home Loan Mortgage Corporation, 3.625% due 3/24/2008	20,000,000	20,023,060
Federal Home Loan Bank, 2.50% due 4/20/2009	20,000,000	19,847,640
Fannie Mae, 2.60% due 4/28/2009	18,800,000	18,670,618
Fannie Mae, 3.50% due 2/8/2010	15,315,000	15,312,733
Fannie Mae, 4.25% due 2/19/2010	12,888,000	12,847,764
Fannie Mae, 3.125% due 11/30/2009	12,697,000	12,665,702
Federal Home Loan Mortgage Corporation, 3.00% due 8/17/2009	10,000,000	9,994,050

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Fixed Income—36.0% (cont.)</b>		
<b>Government and Agency Securities—35.3% (cont.)</b>		
<b>U.S. Government Agencies—3.8% (cont.)</b>		
Federal Home Loan Mortgage Corporation, 2.375% due 9/27/2007	10,000,000	\$ 9,974,780
Fannie Mae, 3.00% due 10/6/2009	10,000,000	9,917,580
Federal Home Loan Mortgage Corporation, 3.00% due 11/17/2006	10,000,000	9,893,950
Fannie Mae, 3.375% due 3/3/2008	9,300,000	9,291,649
Fannie Mae, 3.50% due 10/14/2010	7,550,000	7,523,952
Federal Home Loan Bank, 3.00% due 8/17/2007	7,500,000	7,496,138
Federal Home Loan Bank, 3.00% due 12/30/2009	5,000,000	5,051,955
Fannie Mae, 4.00% due 4/13/2009	5,000,000	5,019,975
Federal Home Loan Bank, 4.52% due 8/26/2009	4,825,000	4,828,899
Fannie Mae, 5.125% due 5/4/2012	4,013,000	4,030,717
Federal Home Loan Bank, 2.25% due 2/22/2007	4,000,000	3,992,420
Federal Home Loan Mortgage Corporation, 2.00% due 7/11/2008	3,500,000	3,498,597
Federal Home Loan Bank, 3.00% due 2/24/2010	3,000,000	2,990,202
Fannie Mae, 3.75% due 6/23/2009	2,820,000	2,818,869
Federal Home Loan Mortgage Corporation, 3.125% due 9/15/2010	2,500,000	2,492,375
Federal Home Loan Bank, 2.40% due 3/9/2009	2,000,000	1,985,446
Federal Home Loan Mortgage Corporation, 3.00% due 9/29/2009	1,520,000	1,518,171
Federal Home Loan Mortgage Corporation, 3.00% due 1/13/2009	1,000,000	994,574
		344,028,352
<b>Total Government and Agency Securities (Cost: \$3,198,076,051)</b>		<b>3,211,838,395</b>
<b>Total Fixed Income (Cost: \$3,263,584,663)</b>		<b>3,276,962,584</b>

## Short Term Investments—3.4%

### U.S. Government Bills—1.7%

United States Treasury Bills, 2.635% - 2.78% due 7/7/2005 - 7/21/2005	\$150,000,000	\$ 149,855,633
<b>Total U.S. Government Bills (Cost: \$149,855,458)</b>		<b>149,855,633</b>

### Repurchase Agreements—1.7%

IBT Repurchase Agreement, 2.80% dated 6/30/2005 due 7/1/2005, repurchase price \$155,512,094 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$163,275,000	\$155,500,000	\$ 155,500,000
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# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—3.4% (cont.)</b>		
<b>Repurchase Agreements—1.7% (cont.)</b>		
IBT Repurchase Agreement, 2.01% dated 6/30/2005 due 7/1/2005, repurchase price \$2,218,643 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,329,446	\$ 2,218,520	\$ 2,218,520
<b>Total Repurchase Agreements (Cost: \$157,718,520)</b>		<b>157,718,520</b>
<b>Total Short Term Investments (Cost: \$307,573,978)</b>		<b>307,574,153</b>
Total Investments (Cost \$7,740,555,046)—99.0%		\$ 9,007,235,142
Other Assets In Excess Of Other Liabilities—1.0%		87,643,751
<b>Total Net Assets—100%</b>		<b><u>\$9,094,878,893</u></b>

- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) Represents a foreign domiciled corporation.
- (d) 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

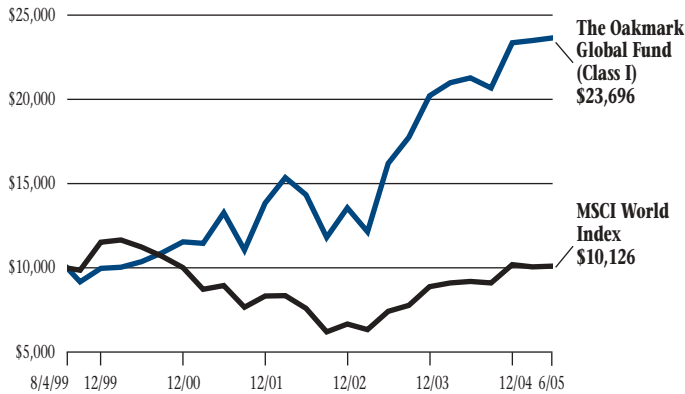


# THE OAKMARK GLOBAL FUND

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 (6/30/05) AS COMPARED TO THE MSCI WORLD INDEX<sup>15</sup>



### Average Annual Total Returns (as of 6/30/05)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (8/4/99)
<b>Oakmark Global Fund (Class I)</b>	<b>0.64%</b>	<b>11.13%</b>	<b>17.94%</b>	<b>15.72%</b>
MSCI World	0.41%	10.05%	-2.09%	0.21%
Lipper Global Fund Index <sup>16</sup>	0.48%	10.39%	-1.22%	2.38%

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 was up slightly for the three-month period ending June 30, 2005, compared with small gains for the MSCI World Index and the Lipper Global Fund Index, respectively.

More importantly, over the past five years, The Oakmark Global Fund has returned 18% annualized, compared to annualized declines of 2% for the MSCI World Index and of 1% for the Lipper Global Fund Index.

### Portfolio Changes

We added three new positions during the quarter: NTT DoCoMo, Rohm Company (both in Japan), and Harley-Davidson Inc. (U.S.).

As mentioned in this quarter's Oakmark International Fund shareholder letter DoCoMo is Japan's largest wireless service provider, with a current market share of 56%. The business has attractive returns, very strong expected free cash flow generation, and good potential to expand comparatively low profit margins.

The share price is trading at close to an all-time low, near the same level as its original listing back in 1998. DoCoMo trades at roughly 8.5x our estimate of current year operating profit, which we think is very attractive for this business. Finally, we are encouraged by management's improving shareholder focus. For example, in 2004 the company returned 90% of net income to shareholders via buybacks and dividends (up from 5% in 2001).

Rohm Company is a global leader in integrated chips and electronic components with a terrific record of profitability and return on invested capital. Two recent developments convinced us that Rohm was compelling enough to add to the portfolio. First, the share price hit a seven-year low, expanding the discount to intrinsic value. Second, management initiated the company's first-ever share repurchase program; this is a crucial consideration given that cash and securities on Rohm's balance sheet represent roughly 40% of the market capitalization.

Harley-Davidson, unlike DoCoMo and Rohm, is a name with which most of you are much more likely to be familiar. It has a consistent record of high unit volume growth coupled with very high returns on capital. What piqued our interest in the company was a one-day share price drop of

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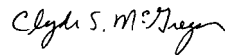
17%, prompted by investors' very short-term concerns about first quarter 2005 earnings. Management has capitalized upon the share price decline to step up their already aggressive share repurchase program, authorizing an additional 20 million shares (approximately 7% of the share capital). We think the market's undue emphasis on the short-term is giving us a very attractive long-term opportunity with Harley.

It is important to note that, with the addition of the two new positions in Japan, the Fund's weighting there has gone from just over 7% to nearly 11% over the past three months. As discussed in last quarter's letter, a geographic weighting is strictly a fall-out of our bottom-up, stock selection process, not a top-down, macroeconomic "call." We are focused on companies, not countries. Shareholders that have been with us for awhile will remember that over the years it has been difficult to find businesses in

Japan that meet both our requirement of substantial discount to business value and a shareholder-oriented management. We believe both DoCoMo and Rohm meet those requirements.

### **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.



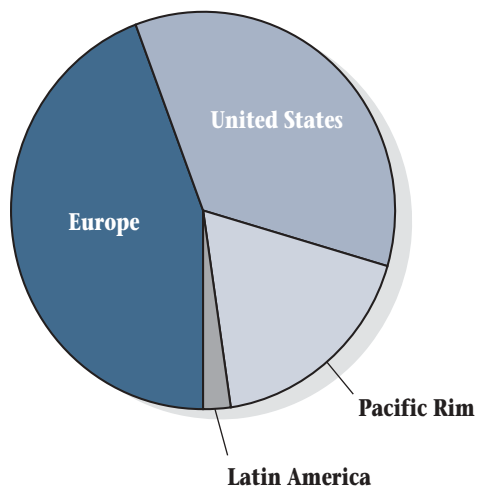
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Portfolio Manager  
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# THE OAKMARK GLOBAL FUND

Global Diversification—June 30, 2005 (Unaudited)



**% of Fund  
Equity Market Value**

	<b><i>Europe</i></b>	<b>44.3%</b>
	Switzerland	12.0%
	Great Britain	11.4%
	* Netherlands	6.2%
	* France	5.4%
	* Ireland	4.0%
	* Germany	3.3%
	* Italy	2.0%

	<b><i>United States</i></b>	<b>35.2%</b>
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**% of Fund  
Equity Market Value**

	<b><i>Pacific Rim</i></b>	<b>18.2%</b>
	Japan	10.9%
	Korea	3.9%
	Australia	3.4%
	<b><i>Latin America</i></b>	<b>2.3%</b>
	Mexico	2.3%

\* Euro currency countries comprise 20.9% of the Fund.

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.4%</b>			
<b>Apparel Retail—2.1%</b>			
The TJX Companies, Inc. (United States)	Discount Apparel & Home Fashion Retailer	1,501,000	\$ 36,549,350
<b>Apparel, Accessories &amp; Luxury Goods—0.9%</b>			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	1,390,000	\$ 15,598,192
<b>Broadcasting &amp; Cable TV—2.8%</b>			
Liberty Media Corporation, Class A (United States) (a)	Broadcast Services & Programming	2,356,000	\$ 24,007,640
Grupo Televisa S.A. (Mexico) (b)	Television Production & Broadcasting	378,000	<u>23,470,020</u>
			47,477,660
<b>Household Appliances—2.9%</b>			
Snap-on Incorporated (United States)	Tool & Equipment Manufacturer	1,431,000	\$ 49,083,300
<b>Motorcycle Manufacturers—2.1%</b>			
Harley-Davidson, Inc. (United States)	Motorcycle Manufacturer	697,000	\$ 34,571,200
Ducati Motor Holding S.p.A. (Italy) (a)	Motorcycle Manufacturer	1,790,000	<u>2,116,347</u>
			36,687,547
<b>Movies &amp; Entertainment—6.5%</b>			
Viacom Inc., Class B (United States)	Worldwide Entertainment & Publishing Company	1,560,000	\$ 49,951,200
Vivendi Universal SA (France)	Music, Games, Television, Film, & Telecommunications	1,430,500	45,112,976
Time Warner Inc. (United States) (a)	Filmed Entertainment & Television Networks	991,000	<u>16,559,610</u>
			111,623,786
<b>Publishing—2.1%</b>			
Tribune Company (United States)	Publishing & Broadcast Services	1,003,000	\$ 35,285,540
<b>Distillers &amp; Vintners—4.8%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	5,517,500	\$ 81,350,268
<b>Household Products—3.1%</b>			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	632,000	\$ 53,208,166

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.4% (cont.)</b>			
<b>Packaged Foods &amp; Meats—5.4%</b>			
Nestle SA (Switzerland)	Food & Beverage Manufacturer	264,000	\$ 67,562,907
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	2,423,000	<u>23,136,488</u>
			90,699,395
<b>Soft Drinks—0.7%</b>			
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices & Sports Drinks Manufacturer	13,430	\$ 11,631,977
<b>Oil &amp; Gas Exploration &amp; Production—4.1%</b>			
Burlington Resources Inc. (United States)	Oil & Natural Gas Exploration & Production	1,260,000	\$ 69,602,400
<b>Asset Management &amp; Custody Banks—2.3%</b>			
Julius Baer Holding AG-B (Switzerland)	Asset Management	646,500	\$ 39,547,146
<b>Diversified Banks—6.9%</b>			
Bank of Ireland (Ireland) Australia and New Zealand Banking Group Limited (Australia)	Commercial Bank	4,029,000	\$ 65,431,818
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	2,260,000	37,424,159
		863,600	<u>14,751,382</u>
			117,607,359
<b>Diversified Capital Markets—0.4%</b>			
Credit Suisse Group (Switzerland)	Investment Services & Insurance	190,700	\$ 7,521,465
<b>Investment Banking &amp; Brokerage—0.7%</b>			
Daiwa Securities Group Inc. (Japan)	Stock Broker	2,062,000	\$ 12,760,776
<b>Specialized Finance—3.6%</b>			
Euronext NV (Netherlands)	Stock Exchange	1,814,000	\$ 61,443,987
<b>Health Care Services—2.6%</b>			
Laboratory Corporation of America Holdings (United States) (a)	Medical Laboratory & Testing Services	892,000	\$ 44,510,800

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.4% (cont.)</b>			
<b>Health Care Supplies—1.0%</b>			
Ansell Limited (Australia)	Protective Rubber & Plastics Products	2,265,966	\$ 17,320,940
<b>Pharmaceuticals—10.9%</b>			
Takeda Pharmaceutical Company Limited (Japan)	Pharmaceuticals & Food Supplements	1,281,000	\$ 63,558,863
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	2,614,200	63,271,914
Novartis AG (Switzerland)	Pharmaceuticals	899,600	42,851,465
Santen Pharmaceutical Co., Ltd. (Japan)	Pharmaceuticals	781,000	17,719,576
			<u>187,401,818</u>
<b>Aerospace &amp; Defense—1.0%</b>			
Alliant Techsystems, Inc. (United States) (a)	Propulsion Systems & Munitions	239,087	\$ 16,879,542
<b>Airport Services—0.9%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)	Airport Operator	463,000	\$ 14,746,550
<b>Diversified Commercial &amp; Professional Services—4.3%</b>			
Equifax Inc. (United States)	Credit Reporting & Collection	1,367,000	\$ 48,815,570
Meitec Corporation (Japan)	Software Engineering Services	760,000	23,379,341
			<u>72,194,911</u>
<b>Environmental &amp; Facilities Services—1.9%</b>			
Waste Management, Inc. (United States)	Waste Management Services	1,175,000	\$ 33,299,500
<b>Human Resource &amp; Employment Services—1.0%</b>			
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	4,815,400	\$ 17,447,681
<b>Office Services &amp; Supplies—0.4%</b>			
United Stationers Inc. (United States) (a)	Business Products Distributor	150,000	\$ 7,365,000
<b>Data Processing &amp; Outsourced Services—6.3%</b>			
First Data Corporation (United States)	Data Processing & Management	1,004,750	\$ 40,330,665

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—95.4% (cont.)</b>			
<b>Data Processing &amp; Outsourced Services—6.3% (cont.)</b>			
eFunds Corporation (United States) (a)	Electronic Debit Payment Services	2,237,100	\$ 40,245,429
Ceridian Corporation (United States) (a)	Data Management Services	1,348,000	<u>26,259,040</u>
			106,835,134
<b>Office Electronics—2.6%</b>			
Neopost SA (France)	Mailroom Equipment Supplier	494,750	\$ 43,557,005
<b>Semiconductors—1.6%</b>			
Rohm Company Limited (Japan)	Integrated Circuits & Semi-Conductor Devices Manufacturer	277,000	\$ 26,737,934
<b>Diversified Chemicals—2.3%</b>			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	992,300	\$ 39,123,102
<b>Specialty Chemicals—2.2%</b>			
Lonza Group AG, Registered Shares (Switzerland)	Industrial Organic Chemicals	408,400	\$ 22,608,341
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	25,300	<u>14,716,303</u>
			37,324,644
<b>Wireless Telecommunication Services—5.0%</b>			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	300,000	\$ 52,779,120
NTT DoCoMo Inc. (Japan)	Mobile Telecommunications	22,140	<u>32,755,616</u>
			85,534,736
<b>Total Common Stocks (Cost: \$1,285,016,704)</b>			<b>1,627,957,611</b>

## Short Term Investments—4.1%

### Repurchase Agreements—4.1%

IBT Repurchase Agreement, 2.80% dated 6/30/2005 due 7/1/2005, repurchase price \$68,505,328 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$71,925,000		\$68,500,000	\$ 68,500,000
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# THE OAKMARK GLOBAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—4.1% (cont.)</b>		
<b>Repurchase Agreements—4.1% (cont.)</b>		
IBT Repurchase Agreement, 2.01% dated 6/30/2005 due 7/1/2005, repurchase price \$1,588,901 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$1,668,253	\$ 1,588,813	\$ 1,588,813
<b>Total Repurchase Agreements (Cost: \$70,088,813)</b>		<b>70,088,813</b>
<b>Total Short Term Investments (Cost: \$70,088,813)</b>		<b>70,088,813</b>
Total Investments (Cost \$1,355,105,517)—99.5%		\$ 1,698,046,424
Foreign Currencies (Cost \$474,226)—0.0%		\$ 472,878
Other Assets In Excess Of Other Liabilities—0.5%		<u>7,629,232</u>
<b>Total Net Assets—100%</b>		<b><u>\$1,706,148,534</u></b>

- (a) Non-income producing security.  
 (b) Represents an American Depository Receipt.



## THE OAKMARK INTERNATIONAL AND OAKMARK INTERNATIONAL SMALL CAP FUNDS

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### **Fellow Shareholders,**

For the quarter ending June 30, 2005, The Oakmark International Fund was flat and The Oakmark International Small Cap Fund had a 3% loss, compared to the MSCI World ex U.S. Index<sup>17</sup> with a 1% loss. More importantly, both Funds have performed very strongly since inception with The

Oakmark International Fund achieving 12% and The Oakmark International Small Cap Fund achieving 13%. This compares very favorably with the MSCI World ex U.S. Index.

### **Whither Europe?**

Much negative news has come from Europe lately, casting doubt on true European economic unification. First—a very important development that has received little attention here—France and Germany prevented liberalization of EU Services, which would have allowed service trades to perform work throughout Europe as long as the trades were approved in their home country. The French and German trade unions feared competition from lower priced service providers from Eastern Europe and slammed the brakes on this important step toward economic unification.

This news seems minor in comparison to the French and Dutch voters' rejection of the new EU Constitution. This rather opaque document seems to have been attacked from both the left and the right, and it is effectively finished.

These setbacks reflect a great deal of soul-searching in Europe. Old Europe, unable to adapt to any type of effective free market reforms, is being smothered by low growth and double-digit unemployment. Little, if any, new capital has been invested in countries like France, Germany, and Italy because private investors sense an uncomfortable business environment that is in dire need of change. Adding fuel to the fire are hostile remarks made towards “capital” by German and French politicians.

Sadly, this situation is preventing economic vibrancy in places in Europe that have not undertaken reform. Against this backdrop, the fall of the Euro is very understandable.

### **Uncertainty Means Value**

Because the economic environment (both macro and micro) in Western Europe is dire, it has caused a fire sale of blue chip share prices. Many firms, though based in Old Europe, have revenues from all over the world, and they can provide excellent value. This is how we, as bottom up, value-oriented investors, can profit from patience. Companies like Nestle, Diageo, and Henkel—despite their struggling “home” continent—represent excellent value because they sell at low prices, earn good returns, and have worldwide revenues. And, on a positive note, maybe a new government in Germany (elections will occur this fall) will brighten real reform prospects in Western Europe.

A handwritten signature in black ink that reads "David G. Herro". The signature is fluid and cursive.

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

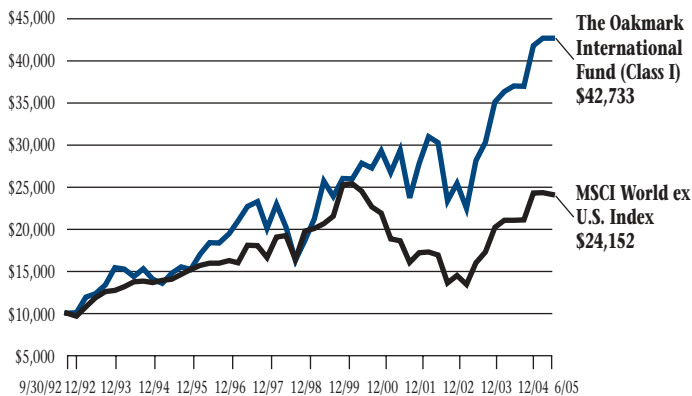
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# THE OAKMARK INTERNATIONAL FUND

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 (6/30/05) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>17</sup>



### Average Annual Total Returns (as of 6/30/05)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (9/30/92)
<b>Oakmark International Fund (Class I)</b>	<b>-0.05%</b>	<b>15.24%</b>	<b>8.93%</b>	<b>11.21%</b>	<b>12.06%</b>
MSCI World ex U.S.	-0.78%	14.55%	-0.34%	5.55%	7.16%
MSCI EAFE <sup>18</sup>	-1.01%	13.65%	-0.58%	5.22%	6.91%
Lipper International Fund Index <sup>19</sup>	-0.60%	13.45%	-0.19%	6.86%	8.15%

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 was basically unchanged for the quarter, compared to a slight decline in the MSCI World ex U.S. Index, which was down 1%. Over the past five years your Fund has gained 9% annualized relative to a flat MSCI World ex U.S. Index.

### Portfolio Composition

During the quarter we eliminated four positions in the Fund: Olympus Corp (Japan), Metso (Finland), Michelin (France), and EnCana (Canada). As each of these stocks approached their respective fair values, they were sold and the proceeds redeployed in companies with more attractive valuations.

We wrote last quarter about three significant new positions in the Fund, all located in Japan. Throughout the quarter we continued to add to those names: Honda Motor Corporation, Rohm Company, and Uni-Charm. This quarter, we added another significant position in Japan that fits our investment criteria, NTT DoCoMo.

DoCoMo is Japan's largest wireless service provider, with a current market share of 56%. The business has attractive returns, very strong expected free cash flow generation, and good potential to expand comparatively low profit margins.

The share price is trading at close to an all-time low, near the same level as at the original listing back in 1998, and down over 80% from its "TMT" (Technology, Media, Telecommunications) bubble high in 2000. DoCoMo trades at roughly 8.5x our estimate of current year operating profit, which we think is very attractive for this business. Finally, we are encouraged by management's improving shareholder focus. For example, in 2004 the Company returned 90% of net income to shareholders via buybacks and dividends (up from 5% in 2001).

Thanks to the addition of DoCoMo and other new opportunities in the past two quarters, your Fund's weighting in Japan has grown to 12 percent of the portfolio. We are pleased to find so many quality Japanese companies that sell at attractive prices and are run by managements who are shareholder-oriented. This is the largest weighting we have had in the country since the inception of the Fund in September 1992.

### Looking Forward

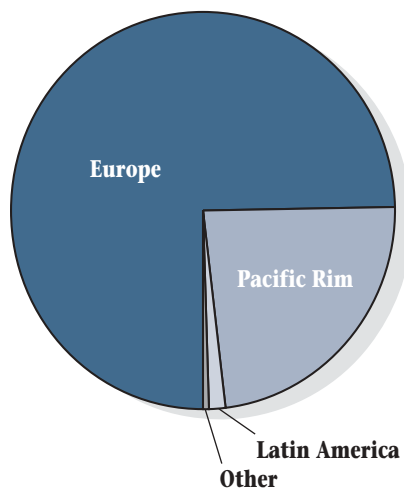
We remain excited about the value and quality of the names in the Fund. Thank you for your continued confidence and support.

**David G. Herro, CFA**  
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# THE OAKMARK INTERNATIONAL FUND

International Diversification—June 30, 2005 (Unaudited)



	<b>% of Fund Equity Market Value</b>
<b>Europe</b>	<b>74.7%</b>
Great Britain	25.5%
Switzerland	15.7%
* France	9.9%
* Germany	8.7%
* Netherlands	8.3%
* Ireland	3.4%
* Italy	3.2%

	<b>% of Fund Equity Market Value</b>
<b>Pacific Rim</b>	<b>23.4%</b>
Japan	12.0%
Korea	6.8%
Australia	2.4%
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%

\* Euro currency countries comprise 33.5% of the Fund.

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—93.6%</b>			
<b>Advertising—3.7%</b>			
Publicis Groupe (France) (b)	Advertising & Media Services	3,965,400	\$ 117,232,945
Aegis Group plc (Great Britain)	Media Services	45,543,900	81,183,937
			<u>198,416,882</u>
<b>Apparel Retail—0.8%</b>			
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	61,424,300	\$ 42,290,715
<b>Apparel, Accessories &amp; Luxury Goods—2.1%</b>			
Swatch Group AG, Bearer Shares (Switzerland)	Watch Manufacturer	823,000	\$ 115,585,378
Swatch Group AG, Registered Shares (Switzerland)	Watch Manufacturer	24,700	706,320
			<u>116,291,698</u>
<b>Automobile Manufacturers—5.1%</b>			
Bayerische Motoren Werke (BMW) AG (Germany)	Luxury Automobile Manufacturer	4,054,500	\$ 185,124,251
Honda Motor Co., Ltd. (Japan)	Automobile & Motorcycle Manufacturer	1,890,300	93,278,674
			<u>278,402,925</u>
<b>Broadcasting &amp; Cable TV—2.3%</b>			
Grupo Televisa S.A. (Mexico) (c)	Television Production & Broadcasting	1,171,200	\$ 72,719,808
British Sky Broadcasting Group plc (Great Britain)	Television Production & Broadcasting	5,291,000	50,000,810
			<u>122,720,618</u>
<b>Consumer Electronics—0.7%</b>			
Koninklijke (Royal) Philips Electronics N.V. (Netherlands)	Electronics Manufacturer	1,412,500	\$ 35,725,141
<b>Movies &amp; Entertainment—1.6%</b>			
Vivendi Universal SA (France)	Music, Games, Television, Film, & Telecommunications	2,789,300	\$ 87,964,785

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—93.6% (cont.)</b>			
<b>Specialty Stores—2.1%</b>			
Signet Group plc (Great Britain)	Jewelry Retailer	59,260,000	\$ 115,453,665
<b>Textiles—0.5%</b>			
Chargeurs SA (France)	Wool, Textile Production & Trading	790,182	\$ 26,774,685
<b>Brewers—1.6%</b>			
Heineken Holding NV (Netherlands)	Brewer	2,594,600	\$ 72,530,655
Heineken NV (Netherlands)	Brewer	497,500	15,376,347
			<u>87,907,002</u>
<b>Distillers &amp; Vintners—3.9%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	12,023,000	\$ 177,267,653
Pernod-Ricard SA (France)	Manufactures Wines, Spirits, & Fruit Juices	199,000	31,788,220
			<u>209,055,873</u>
<b>Household Products—2.9%</b>			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	1,228,200	\$ 103,402,324
Uni-Charm Corporation (Japan)	Toiletry Product Manufacturer	956,000	38,464,231
KAO Corp. (Japan)	Household & Chemical Products Manufacturer	575,000	13,564,502
			<u>155,431,057</u>
<b>Packaged Foods &amp; Meats—4.9%</b>			
Nestle SA (Switzerland)	Food & Beverage Manufacturer	575,100	\$ 147,179,651
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	12,390,400	118,312,151
			<u>265,491,802</u>
<b>Personal Products—1.4%</b>			
L'Oreal SA (France)	Health & Beauty Aid Manufacturer	1,077,000	\$ 77,352,728
<b>Soft Drinks—1.3%</b>			
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices & Sports Drinks Manufacturer	83,400	\$ 72,234,316

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—93.6% (cont.)</b>			
<b>Tobacco—0.1%</b>			
KT&G Corporation (Korea)	Tobacco Products Manufacturer	75,000	\$ 2,936,201
<b>Integrated Oil &amp; Gas—1.8%</b>			
BP p.l.c. (Great Britain)	Oil & Natural Gas Exploration & Production	6,294,100	\$ 65,512,864
Total SA (France)	Oil & Natural Gas Exploration & Production	126,000	<u>29,626,650</u>
			95,139,514
<b>Diversified Banks—15.0%</b>			
Bank of Ireland (Ireland) Australia and New Zealand Banking Group Limited (Australia)	Commercial Bank	10,462,900	\$ 169,919,725
Lloyds TSB Group plc (Great Britain)	Commercial Bank	7,348,800	121,691,443
Kookmin Bank (Korea)	Commercial Banking	12,347,600	104,631,031
BNP Paribas SA (France) (b)	Commercial Banking	2,159,700	98,225,118
UniCredito Italiano S.p.A. (Italy)	Commercial Banking	1,156,000	79,319,524
United Overseas Bank Limited, Foreign Shares (Singapore)	Banking Services	13,556,700	71,659,838
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Banking	8,395,368	70,714,610
Sanpaolo IMI S.p.A. (Italy)	Commercial Bank	2,938,400	50,191,596
	Banking Services	2,947,000	<u>40,392,050</u>
			806,744,935
<b>Diversified Capital Markets—1.9%</b>			
Credit Suisse Group (Switzerland)	Investment Services & Insurance	2,609,000	\$ 102,902,469
<b>Investment Banking &amp; Brokerage—1.3%</b>			
Daiwa Securities Group Inc. (Japan)	Stock Broker	11,198,000	\$ 69,299,305
<b>Real Estate Management &amp; Development—0.0%</b>			
United Overseas Land Limited (Singapore)	Real Estate Investor	839,537	\$ 1,135,418
<b>Reinsurance—0.3%</b>			
Hannover Rueckversicherung AG (Germany)	Reinsurance	390,800	\$ 14,778,957

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—93.6% (cont.)</b>			
<b>Specialized Finance—5.7%</b>			
Euronext NV (Netherlands)	Stock Exchange	5,012,500	\$ 169,783,894
Deutsche Boerse AG (Germany)	Electronic Trading Systems	1,719,000	134,675,246
			<u>304,459,140</u>
<b>Pharmaceuticals—9.9%</b>			
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	8,029,300	\$ 194,334,473
Novartis AG (Switzerland)	Pharmaceuticals	3,028,000	144,235,478
Takeda Pharmaceutical Company Limited (Japan)	Pharmaceuticals & Food Supplements	2,876,800	142,737,032
Sanofi-Aventis (France)	Pharmaceuticals	588,508	48,357,223
			<u>529,664,206</u>
<b>Diversified Commercial &amp; Professional Services—1.4%</b>			
Meitec Corporation (Japan)	Software Engineering Services	2,483,800	\$ 76,407,379
<b>Environmental &amp; Facilities Services—0.2%</b>			
Rentokil Initial plc (Great Britain)	Global Business Services	3,400,000	\$ 9,730,532
<b>Human Resource &amp; Employment Services—1.8%</b>			
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	26,290,000	\$ 95,256,787
<b>Industrial Conglomerates—0.0%</b>			
Haw Par Corporation Limited (Singapore)	Healthcare & Leisure Products	58,338	\$ 178,213
<b>Industrial Machinery—1.3%</b>			
Enodis plc (Great Britain) (a)	Food Processing Equipment	33,585,320	\$ 69,494,156
<b>Marine Ports &amp; Services—2.0%</b>			
Associated British Ports Holdings plc (Great Britain)	Port Operator	12,131,399	\$ 107,145,669

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—93.6% (cont.)</b>			
<b>Electronic Equipment Manufacturers—0.5%</b>			
Orbotech, Ltd. (Israel) (a)	Optical Inspection Systems	1,237,700	\$ 26,598,173
<b>Semiconductors—0.9%</b>			
Rohm Company Limited (Japan)	Integrated Circuits & Semi-Conductor Devices Manufacturer	527,500	\$ 50,917,907
<b>Diversified Chemicals—2.3%</b>			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	3,107,200	\$ 122,506,602
<b>Fertilizers &amp; Agricultural Chemicals—1.7%</b>			
Syngenta AG (Switzerland) (a)	Crop Protection Products	882,300	\$ 90,801,209
<b>Specialty Chemicals—3.4%</b>			
Lonza Group AG, Registered Shares (Switzerland)	Industrial Organic Chemicals	1,797,700	\$ 99,517,665
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	151,100	87,890,649
			<u>187,408,314</u>
<b>Wireless Telecommunication Services—7.2%</b>			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	970,200	\$ 170,687,675
NTT DoCoMo Inc. (Japan)	Mobile Telecommunications	79,180	117,144,971
Vodafone Group Plc (Great Britain)	Mobile Telecommunications	32,142,800	78,314,004
Vodafone Group Plc (Great Britain) (c)	Mobile Telecommunications	606,000	14,737,919
			<u>380,884,569</u>
<b>Total Common Stocks (Cost: \$3,933,215,202)</b>			<b>5,035,903,547</b>
<b>Short Term Investments—4.8%</b>			
<b>U.S. Government Bills—1.0%</b>			
United States Treasury Bills, 2.705%-2.855% due 7/14/2005 - 8/18/2005		\$ 50,000,000	\$ 49,858,900
<b>Total U.S. Government Bills (Cost: \$49,861,399)</b>			<b>49,858,900</b>



# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—4.8% (cont.)</b>		
<b>Repurchase Agreements—3.8%</b>		
IBT Repurchase Agreement, 2.80% dated 6/30/2005 due 7/1/2005, repurchase price \$204,515,906 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$214,725,000	\$204,500,000	\$ 204,500,000
IBT Repurchase Agreement, 2.01% dated 6/30/2005 due 7/1/2005, repurchase price \$2,610,762 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,741,147	2,610,616	<u>2,610,616</u>
<b>Total Repurchase Agreements (Cost: \$207,110,616)</b>		<b>207,110,616</b>
<b>Total Short Term Investments (Cost: \$256,972,015)</b>		<b>256,969,516</b>
Total Investments (Cost \$4,190,187,217)—98.4%		\$ 5,292,873,063
Foreign Currencies (Cost \$1,460,064)—0.0%		\$ 1,455,915
Other Assets In Excess Of Other Liabilities—1.6%		<u>86,008,057</u>
<b>Total Net Assets—100%</b>		<b><u>\$5,380,337,035</u></b>

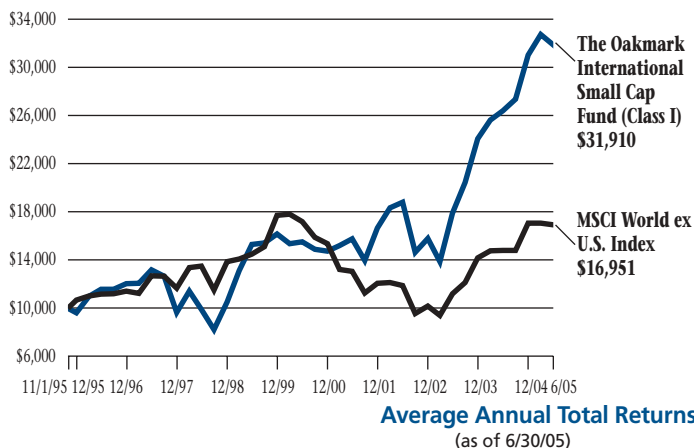
- (a) Non-income producing security.
- (b) All or a portion of security out on loan.
- (c) Represents an American Depository Receipt.

# 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 (6/30/05) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>17</sup>



**Average Annual Total Returns**  
(as of 6/30/05)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
<b>Oakmark International Small Cap Fund (Class I)</b>	<b>-2.65%</b>	<b>20.71%</b>	<b>15.48%</b>	<b>12.75%</b>
MSCI World ex U.S.	-0.78%	14.55%	-0.34%	5.61%
Lipper International Small Cap Average <sup>20</sup>	-0.60%	17.35%	8.28%	11.06%

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
<b>Oakmark International Small Cap Fund (Class I)</b>	<b>-2.65%</b>	<b>20.71%</b>	<b>15.48%</b>	<b>12.75%</b>
MSCI World ex U.S.	-0.78%	14.55%	-0.34%	5.61%
Lipper International Small Cap Average <sup>20</sup>	-0.60%	17.35%	8.28%	11.06%

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.

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\* Not annualized

The Oakmark International Small Cap Fund declined 3% for the quarter, underperforming the MSCI World ex U.S. Index with a 1% decline. More importantly, however, for the past twelve months and the past three years, your Fund is up 21% and 19% respectively, soundly outpacing the MSCI World ex U.S. Index with 15% and 13% respectively.

In our last letter, we highlighted the strong new idea generation we experienced during the quarter. The two UK retailers we added to the portfolio, Matalan and JJB Sports, continued to encounter tough trading conditions on the UK High Street. UK consumer confidence has been shaken by a series of interest rate increases and fear of a tax hike following the upcoming elections. Matalan and JJB have suffered, but they both have strong balance sheets, continue to generate free cash flow, and have maintained market share and competitiveness. With the market extrapolating the current, extraordinarily difficult retail conditions into perpetuity, the gap between the current share price and the intrinsic value of each of these businesses has widened markedly. As a result, we've aggressively added to our positions.

As you would expect, Carpetright, a UK carpet retailer and one of the portfolio's largest positions, wasn't immune to the difficult environment either. As we've noted many times in the past, despite some potential cyclicality, this company should continue to deliver high returns and to generate strong free cash flow. In addition, the management team is wholly focused on deploying that free cash flow in a value-accretive manner. Because of these strong fundamentals, we recently purchased additional shares, making Carpetright the portfolio's largest holding once again.

The star performer in the quarter was Interpump. Early in the quarter, the group announced a financially sound and strategically sensible acquisition of a German manufacturer of high-pressure pumps. Following this purchase, Interpump sold its lower-margin, lower-return cleaning business for a very attractive price. When the dust settled, we were left holding a higher quality portfolio of businesses at a more attractive valuation. And, at the conclusion of all this corporate activity in late April, both the CEO and the Vice Chairman

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increased their personal holdings in the company. We remain very pleased with this management as it is completely focused on building per share value over time. Our hedges performed well in the quarter, with the U.S. Dollar staging a strong recovery. Both the Swiss Franc hedges and the British Pound hedges were positive contributors, with the U.S. Dollar strengthening approximately 7% versus the Swiss Franc and approximately 5% against the British Pound in the quarter.

### **Portfolio Composition**

We had another robust quarter of new idea generation, adding five names to our approved list. Meaningful positions were established in French broadcaster M6, Swedish receivables manager Intrum Justitia, German securities broker MLP, and UK insurance broker Benfield. These replace a group of stocks that hit their target prices and were sold, including Jyske Bank, Copenhagen Airports, Kone, Davide Campari, and Geest.

Geographically, our portfolio weightings remain very similar to last quarter with Europe and the UK representing almost 70% of investments and the majority of the balance, excluding cash, in the Pacific Rim.

Virtually our entire team has been on the road visiting companies during the quarter. Despite the strong performance of the portfolio over the past three years, there is no dearth of small cap ideas. We remain excited about the opportunities outside the portfolio, and we continue to like the quality and price attractiveness of the portfolio itself. Thank you for your continued confidence.



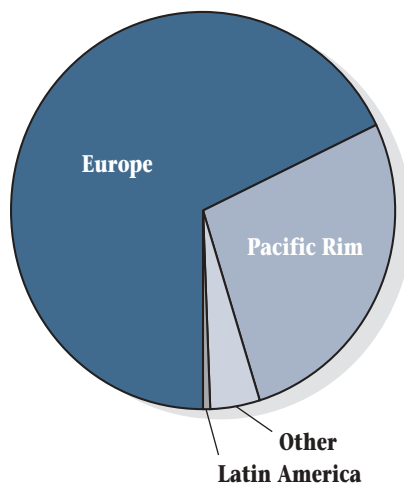
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# THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—June 30, 2005 (Unaudited)



	<b>% of Fund Equity Market Value</b>
<b>Europe</b>	<b>67.9%</b>
Great Britain	19.3%
Switzerland	16.3%
* France	8.1%
* Germany	7.7%
* Italy	5.6%
* Spain	3.1%
Sweden	2.4%
Turkey	1.9%
* Finland	1.8%
Denmark	1.4%
* Greece	0.3%

	<b>% of Fund Equity Market Value</b>
<b>Pacific Rim</b>	<b>27.3%</b>
Japan	12.0%
Korea	6.3%
Australia	4.2%
New Zealand	1.8%
Hong Kong	1.7%
Malaysia	0.5%
Thailand	0.4%
Philippines	0.4%
<b>Other</b>	<b>4.2%</b>
Bermuda	2.8%
Israel	1.4%
<b>Latin America</b>	<b>0.6%</b>
Mexico	0.6%

\* Euro currency countries comprise 26.6% of the Fund.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—June 30, 2005 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—92.8%</b>			
<b>Advertising—2.2%</b>			
Asatsu-DK, Inc. (Japan)	Advertising Services Provider	459,700	\$ 12,814,371
G2R Inc. (Korea)	Advertising & Marketing Services	405,110	7,087,956
			<u>19,902,327</u>
<b>Apparel Retail—5.8%</b>			
Matalan plc (Great Britain)	Clothing Retailer	8,445,000	\$ 26,930,007
JJB Sports plc (Great Britain)	Sportswear & Sports Equipment Retailer	7,870,000	25,307,893
			<u>52,237,900</u>
<b>Apparel, Accessories &amp; Luxury Goods—1.0%</b>			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	784,900	\$ 8,807,929
<b>Broadcasting &amp; Cable TV—1.3%</b>			
M6 Metropole Television (France)	Television Entertainment Channel Owner & Operator	297,700	\$ 7,565,495
Media Prima Berhad (Malaysia) (a)	Film Producer & Sports Promoter	9,891,000	4,294,776
			<u>11,860,271</u>
<b>Home Improvement Retail—4.6%</b>			
Carpetright plc (Great Britain)	Carpet Retailer	2,358,000	\$ 41,145,237
<b>Motorcycle Manufacturers—0.4%</b>			
Ducati Motor Holding S.p.A. (Italy) (a)	Motorcycle Manufacturer	3,015,650	\$ 3,565,453
<b>Photographic Products—1.6%</b>			
Vitec Group plc (Great Britain)	Photo Equipment & Supplies	2,383,907	\$ 14,264,370
<b>Publishing—2.1%</b>			
Tamedia AG (Switzerland)	TV Broadcasting & Publishing	143,661	\$ 13,114,608
Matchon Public Company Limited (Thailand)	Newspaper Publisher	20,395,000	3,504,041
Daekyo Co., Ltd. (Korea)	Educational Information Service Provider	27,660	1,898,366
			<u>18,517,015</u>
<b>Brewers—1.2%</b>			
Kook Soon Dang Brewery Co., Ltd. (Korea)	Wine & Spirits Manufacturer	771,076	\$ 10,397,787

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—92.8% (cont.)</b>			
<b>Distillers &amp; Vintners—1.6%</b>			
Baron de Ley, S.A. (Spain) (a)	Wines & Spirits Manufacturer	305,637	\$ 14,062,329
<b>Packaged Foods &amp; Meats—1.9%</b>			
Lotte Confectionery Co., Ltd. (Korea)	Candy & Snacks Manufacturer	13,914	\$ 9,683,983
Robert Wiseman Dairies plc (Great Britain)	Milk Processor & Distributor	959,000	4,458,336
Alaska Milk Corporation (Philippines)	Milk Producer	56,360,000	<u>3,070,978</u>
			17,213,297
<b>Asset Management &amp; Custody Banks—4.0%</b>			
Julius Baer Holding AG-B (Switzerland)	Asset Management	419,000	\$ 25,630,710
MLP AG (Germany)	Asset Management	569,600	<u>10,649,707</u>
			36,280,417
<b>Insurance Brokers—2.6%</b>			
Benfield Group Ltd. Common Stock (Bermuda)	Reinsurance Service Provider	5,037,000	\$ 23,867,913
<b>Multi-Sector Holdings—1.9%</b>			
Pargesa Holding AG (Switzerland)	Diversified Operations	4,744	\$ 17,363,636
<b>Other Diversified Financial Services—2.1%</b>			
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	2,079,700	\$ 19,324,231
<b>Regional Banks—1.7%</b>			
Pusan Bank (Korea)	Commercial Banking	1,033,500	\$ 9,191,107
Daegu Bank (Korea)	Commercial Banking	739,400	<u>6,332,609</u>
			15,523,716
<b>Specialized Finance—0.2%</b>			
Athens Stock Exchange S.A. (Greece)	Exchange Services	293,000	\$ 2,169,993

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—92.8% (cont.)</b>			
<b>Health Care Supplies—2.8%</b>			
Ansell Limited (Australia)	Protective Rubber & Plastics Products	1,733,684	\$ 13,252,201
Coloplast A/S, Class B (Denmark)	Healthcare Products & Services Provider	203,000	11,786,703
			<u>25,038,904</u>
<b>Pharmaceuticals—2.2%</b>			
Santen Pharmaceutical Co., Ltd. (Japan)	Pharmaceuticals	896,000	\$ 20,328,732
<b>Air Freight &amp; Logistics—1.7%</b>			
Mainfreight Limited (New Zealand)	Logistics Services	7,475,285	\$ 15,081,612
<b>Airport Services—0.5%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)	Airport Operator	149,700	\$ 4,767,945
<b>Construction &amp; Engineering—0.9%</b>			
Tae Young Corp. (Korea)	Heavy Construction	256,370	\$ 8,562,188
<b>Construction &amp; Farm Machinery &amp; Heavy Trucks—0.2%</b>			
Vossloh AG (Germany)	Railroad Equipment Manufacturer	29,000	\$ 1,358,151
<b>Diversified Commercial &amp; Professional Services—2.0%</b>			
Prosegur, Compania de Seguridad SA (Spain)	Security & Transportation Services	552,800	\$ 11,680,232
Intrum Justitia AB (Sweden) (a)	Diversified Financial Services	961,243	6,675,299
			<u>18,355,531</u>
<b>Electrical Components &amp; Equipment—2.4%</b>			
Pfeiffer Vacuum Technology AG (Germany)	Vacuum Pump Manufacturer	355,832	\$ 16,569,876
Carbone Lorraine SA (France)	Electrical Systems Manufacturer	106,245	5,046,466
			<u>21,616,342</u>
<b>Human Resource &amp; Employment Services—0.8%</b>			
DIS Deutscher Industrie Service AG (Germany)	Recruitment Consultancy Services	173,800	\$ 7,424,440

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—92.8% (cont.)</b>			
<b>Industrial Conglomerates—2.7%</b>			
Dogan Sirketler Grubu Holdings A.S. (Turkey) (a)	Diversified Holding Company	6,258,511	\$ 15,805,033
Rheinmetall AG (Germany)	Automotive Pump Manufacturer	185,600	9,348,012
			<u>25,153,045</u>
<b>Industrial Machinery—14.4%</b>			
Interpump Group S.p.A. (Italy)	Pump & Piston Manufacturer	5,326,600	\$ 34,350,654
Saurer AG (Switzerland) (a)	Textile Equipment Manufacturer	502,653	31,375,368
Schindler Holding AG (Switzerland)	Elevator & Escalator Manufacturer	64,200	23,480,474
Halma plc (Great Britain)	Electronic Instrument Producer	6,557,000	17,209,158
Alfa Laval AB (Sweden)	Filtration & Separation Equipment	807,500	11,680,428
LISI (France)	Industrial Fastener Manufacturer	135,813	9,828,375
Munters AB (Sweden)	Cooling & Moisture Control Systems	77,400	1,709,101
			<u>129,633,558</u>
<b>Office Services &amp; Supplies—0.2%</b>			
Domino Printing Sciences plc (Great Britain)	Printing Equipment	300,000	\$ 1,410,806
<b>Computer Hardware—2.1%</b>			
Wincor Nixdorf AG (Germany)	Banking Machine Manufacturer	234,800	\$ 19,182,509
<b>Computer Storage &amp; Peripherals—1.0%</b>			
Lectra (France)	Manufacturing Process Systems	1,813,100	\$ 8,776,492
<b>Data Processing &amp; Outsourced Services—2.4%</b>			
Baycorp Advantage Limited (Australia)	Credit Reference Services	9,412,800	\$ 21,714,299
<b>Electronic Equipment Manufacturers—5.0%</b>			
Mabuchi Motor Co., Ltd. (Japan)	Digital Camera Motors Manufacturer	315,200	\$ 18,169,851
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	627,000	15,440,848
Orbotech, Ltd. (Israel) (a)	Optical Inspection Systems	536,500	11,529,385
			<u>45,140,084</u>



# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—92.8% (cont.)</b>			
<b>Home Entertainment Software—1.5%</b>			
Square Enix Co., Ltd. (Japan)	Entertainment Software	447,900	\$ 13,657,212
<b>IT Consulting &amp; Other Services—3.6%</b>			
Morse plc (Great Britain)	Business & Technology Solutions	12,174,000	\$ 15,266,805
Alten (France) (a)	Systems Consulting & Engineering	443,281	11,254,438
Sopra Group (France)	Computer Engineering	111,930	6,095,344
			<u>32,616,587</u>
<b>Office Electronics—2.2%</b>			
Neopost SA (France)	Mailroom Equipment Supplier	220,700	\$ 19,430,078
<b>Industrial Gases—1.8%</b>			
Taiyo Ink Mfg. Co., Ltd. (Japan)	Manufacturer of Resist Inks	426,100	\$ 16,567,352
<b>Specialty Chemicals—4.6%</b>			
Gurit-Heberlein AG (Switzerland)	Chemical Producer	36,075	\$ 25,557,758
Croda International plc (Great Britain)	Chemical Producer	2,359,600	16,126,857
			<u>41,684,615</u>
<b>Alternative Carriers—1.6%</b>			
Asia Satellite Telecommunications Holdings Limited (Hong Kong)	Satellite Operator	8,291,500	\$ 14,511,859
<b>Total Common Stocks (Cost: \$676,212,809)</b>			<b>838,516,162</b>
<b>Short Term Investments—5.5%</b>			
<b>U.S. Government Bills—1.1%</b>			
United States Treasury Bills, 2.90% due 7/28/2005		\$10,000,000	\$ 9,978,250
<b>Total U.S. Government Bills (Cost: \$9,978,250)</b>			<b>9,978,250</b>

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—June 30, 2005 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—5.5% (cont.)</b>		
<b>Repurchase Agreements—4.4%</b>		
IBT Repurchase Agreement, 2.80% dated 6/30/2005 due 7/1/2005, repurchase price \$38,502,994 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$40,425,000	\$38,500,000	\$ 38,500,000
IBT Repurchase Agreement, 2.01% dated 6/30/2005 due 7/1/2005, repurchase price \$1,768,390 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$1,856,705	1,768,291	<u>1,768,291</u>
<b>Total Repurchase Agreements (Cost: \$40,268,291)</b>		<b>40,268,291</b>
<b>Total Short Term Investments (Cost: \$50,246,541)</b>		<b>50,246,541</b>
Total Investments (Cost \$726,459,350)—98.3%		\$ 888,762,703
Foreign Currencies (Cost \$291,456)—0.0%		\$ 290,274
Other Assets In Excess Of Other Liabilities—1.7%		<u>14,923,568</u>
<b>Total Net Assets—100%</b>		<b><u>\$903,976,545</u></b>

- (a) Non-income producing security.  
 (b) Represents an American Depository Receipt.

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 (including current investment themes, the portfolio managers' research and investment process, and portfolio characteristics) represents the investments of the Funds and the views of the portfolio managers and Harris Associates L.P., the Funds' investment adviser, at the time of this report, 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.**

**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 quoted passages are taken from *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*, written by Steven Levitt and Stephen Dubner and published by HarperCollins Publishers, 2005.
4. The Price-Earnings Ratio ("P/E") is the most common measure of the expensiveness of a stock.

5. 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.
6. 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.
7. 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.
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 End of Oil: On the Edge of a Perilous New World*, written by Paul Roberts and published by Houghton Mifflin, 2004.
13. *Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy*, written by Matthew R. Simmons and published by Wiley, 2005.
14. *Fooled by Randomness: The Hidden Role of Chance in the Markets and in Life*, written by Nassim Taleb and published by W. W. Norton & Company, 2001.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. 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.

# 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.”

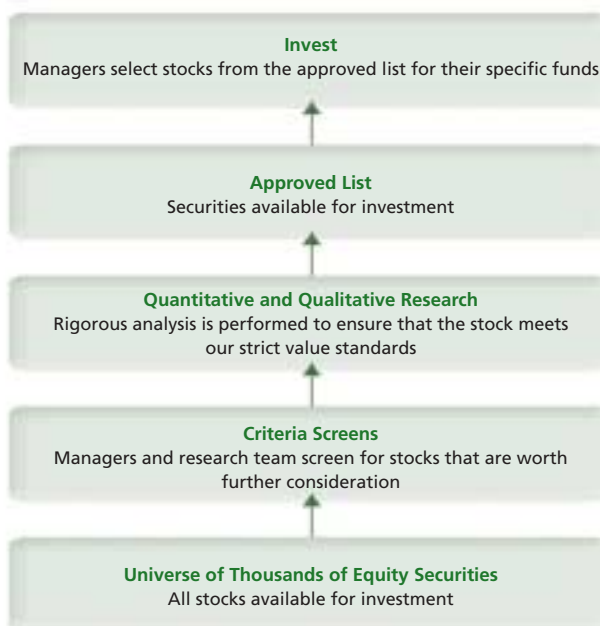
**The Result:** a unified effort aimed at identifying the best values in the marketplace. From the list of approved stocks, each fund manager constructs a relatively focused portfolio, built on a stock-by-stock basis from the bottom up.

## 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*  
Chad M. Clark—*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

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The Oakmark Funds are distributed by Harris Associates Securities L.P., member NASD. Date of first use: August 2005.