

The Oakmark Fund

The Oakmark
Select Fund

The Oakmark Small
Cap Fund

The Oakmark Equity
and Income Fund

The Oakmark
Global Fund

The Oakmark
International Fund

The Oakmark
International Small
Cap Fund

THIRD QUARTER REPORT

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THE OAKMARK FAMILY OF FUNDS

2001 Third Quarter Report

Letter from the President	1
Summary Information	2
The Oakmark Fund	
Letter from the Portfolio Managers	4
Schedule of Investments	6
The Oakmark Select Fund	
Letter from the Portfolio Managers	9
Schedule of Investments	12
The Oakmark Small Cap Fund	
Letter from the Portfolio Managers	14
Schedule of Investments	17
The Oakmark Equity and Income Fund	
Letter from the Portfolio Managers	20
Schedule of Investments	23
The Oakmark Global Fund	
Letter from the Portfolio Managers	27
Global Diversification Chart	30
Schedule of Investments	31
The Oakmark International Fund	
Letter from the Portfolio Managers	35
International Diversification Chart	38
Schedule of Investments	39
The Oakmark International Small Cap Fund	
Letter from the Portfolio Managers	44
International Diversification Chart	47
Schedule of Investments	48
Trustees and Officers	57

For More Information

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

Web Site and 24-Hour Net Asset Value Hotline

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

To Comment on Shareholder Services

E-mail us at ServiceComments@oakmark.com.

Dear Fellow Shareholders,

Value investors continued to benefit in the first half of the year 2001. Traditional companies led the way as technology and telecom stocks suffered from earnings problems. Our managers have strong confidence in their current portfolios, and we believe the market has only partially corrected the imbalances that were caused by the tech bubble.

Finding Value In Tech?

During our conversations with reporters and clients, we are often asked if we are buying tech stocks. Our activity in this area is still muted, but we do have some exposure. Our holdings share several characteristics: market leadership, strong balance sheets, experienced management, and cyclical (not secular) problems. We believe these companies offer attractive reward opportunities.

Even after the sharp decline in tech stock prices over the past year, the market continues to place a significant valuation discount on more traditional companies compared to tech stocks. Thus, our portfolios continue to be significantly underweighted in the tech sector. And while other value managers may be increasing cash positions because they say they are finding fewer opportunities, our investment team continues to uncover many growing companies at attractive valuations.

The Value of Independent Research

Recently, two issues have surfaced which underscore the importance of our unique research effort. First, sell-side Wall Street analysts have come under fire because of concerns about conflicts of interest with investment banking clients. Second, the SEC recently introduced Regulation FD, which ensures that all investors receive company information in a timely and fair basis.

We support timely and accurate disclosure to all investors—these are vital attributes of our capital markets. Moreover, we typically do not rely on Wall Street analysts nor the company “guidance” that flourished before Reg FD, so we are not affected by these issues. Our experienced, independent research effort represents an important strength of our investment process, and this acts as an important competitive advantage in this environment.

Dispassionate Evaluation of Holdings

Our managers have made investment mistakes—all managers do. We believe one of the key ingredients of long-term investment success is the ability to admit a mistake, take the loss and move on to a more attractively priced, more promising idea. But many investors find it psychologically difficult to admit a mistake: when a stock or fund is down, many will wait for it to rise rather than consider better investment opportunities. This trait can often lead to the long-term erosion of capital. We try to overcome the tendency to hold on too long by constantly asking ourselves the following question: if we didn't own the stock, would we buy it today?



Oakmark Fund's 10-year anniversary

We are pleased to celebrate a significant event: the 10-year anniversary for The Oakmark Fund. Its start on August 5, 1991, marked the beginning of our family of funds—now seven funds in all—each designed to address a unique objective yet managed with a consistent investment process. The Oakmark Fund, like many value investments, has successfully weathered difficult periods when value was out of favor. As value investors, we recognize that patience is a virtue and believe that, over the long term, patient investors are rewarded. We generally hold the companies in which we invest for three to five years, a time horizon that we'd encourage our shareholders to consider as well.

Top Performers

While we are pleased with recent returns, long-term performance is also important to us and our shareholders. Perhaps the volatility we've all lived through over the past several years has reaffirmed a lesson: the market is unpredictable, and thus, one must invest with full consideration given to the *risk* and reward potential of investment positions.

Thank you for your support and continued investment.

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

Robert M. Levy
President and CEO

July 5, 2001

THE OAKMARK FAMILY OF FUNDS

Summary Information

<i>Performance for Period Ended June 30, 2001¹</i>	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<i>3 Months*</i>	9.25%	9.26%	19.10%
<i>6 Months*</i>	17.31%	21.02%	25.27%
<i>1 Year</i>	40.42%	47.45%	33.23%
<i>Average Annual Total Return for:</i>			
<i>3 Year</i>	4.41%	20.55%	1.21%
<i>5 Year</i>	11.84%	N/A	11.21%
<i>Since inception</i>	20.96%	31.49%	14.19%
<i>Value of \$10,000 from inception date</i>	\$65,927 (8/5/91)	\$35,865 (11/1/96)	\$21,218 (11/1/95)
<i>Top Five Holdings as of June 30, 2001²</i>	Washington Mutual, Inc. 3.8%	Washington Mutual, Inc. 15.1%	ITT Educational Services, Inc. 5.8%
<i>Company and % of Total Net Assets</i>	Fortune Brands Inc. 3.2%	Toys 'Я' Us, Inc. 6.6%	Catellus Development Corporation 5.3%
	J.C. Penney Company, Inc. 2.8%	H&R Block, Inc. 6.2%	Checkpoint Systems, Inc. 4.4%
	H&R Block, Inc. 2.8%	AT&T Corporation 4.7%	The PMI Group, Inc. 4.1%
	The Kroger Company 2.8%	Mattel, Inc. 4.2%	MSC Software Corporation 3.9%
<i>Top Five Industries as of June 30, 2001</i>	Retail 11.9%	Retail 17.7%	Bank & Thrifts 9.4%
<i>Industries and % of Total Net Assets</i>	Other Consumer Goods and Services 9.6%	Bank & Thrifts 15.1%	Real Estate 7.2%
	Computer Services 5.6%	Other Consumer Goods and Services 10.4%	Food & Beverage 6.6%
	Bank & Thrifts 5.3%	Information Services 9.2%	Educational Services 5.8%
	Telecommunications 5.2%	Telecommunications 7.7%	Computer Software 4.8%

*Not annualized

The Oakmark Equity and Income Fund		The Oakmark Global Fund		The Oakmark International Fund		The Oakmark International Small Cap Fund	
8.06%		15.76%		9.99%		3.58%	
12.53%		14.94%		0.39%		6.92%	
29.43%		28.02%		5.68%		1.60%	
14.40%		N/A		13.26%		16.82%	
17.22%		N/A		9.87%		6.40%	
17.08%		15.98% ²³		13.13%		8.38%	
\$24,445 (11/1/95)		\$13,289 (8/4/99)		\$29,437 (9/30/92)		\$15,777 (11/1/95)	
Burlington Resources Inc.	3.0%	Novell, Inc.	6.3%	Enodis plc	4.8%	Jarvis Hotels plc	4.3%
St. Mary Land & Exploration Company	2.9%	Somerfield plc	4.3%	Somerfield plc	4.6%	Ducati Motor Holding S.p.A.	3.4%
Chiron Corporation	2.9%	Valassis Communications, Inc.	4.2%	Metso Oyj	4.3%	GFI Industries SA	3.2%
Office Depot, Inc.	2.8%	Learning Tree International, Inc.	4.1%	Diageo plc	3.9%	Fletcher Building Ltd.	3.2%
C.R. Bard, Inc.	2.7%	Equifax Inc.	3.9%	Hunter Douglas N.V.	3.9%	Hite Brewery Co., Ltd.	2.8%
U.S. Government Notes	25.1%	Information Services	11.4%	Bank & Thrifts	11.2%	Retail	11.1%
Oil & Natural Gas	10.0%	Computer Software	9.9%	Other Industrial Goods & Services	10.9%	Food & Beverage	9.0%
Medical Products	6.7%	Diversified Conglomerates	7.8%	Food & Beverage	10.6%	Diversified Conglomerates	8.0%
Information Services	6.5%	Retail	7.5%	Publishing	7.3%	Building Materials and Construction	5.0%
Retail	5.4%	Food & Beverage	7.0%	Chemicals	4.8%	Publishing	5.0%

THE OAKMARK FUND

Report from Bill Nygren and Kevin Grant, Portfolio Managers



The Oakmark Fund gained 9% for the quarter ended June 30, increasing the nine-month fiscal-year-to-date return to 32%. Those returns compare very favorably to the S&P 500's less than 6% increase last quarter and its nine-month loss of 14%.

Our performance last quarter was aided by large increases in: JC Penney, +65%, where investors gained confidence that new CEO Allen Questrom will succeed in turning around this large retailer; Xerox, +60%, where both operating results and asset sales reached targets which quieted concerns of a liquidity squeeze; and Cendant, +34%, where CEO Henry Silverman demonstrated an ability to make synergistic acquisitions that increase per-share earnings.

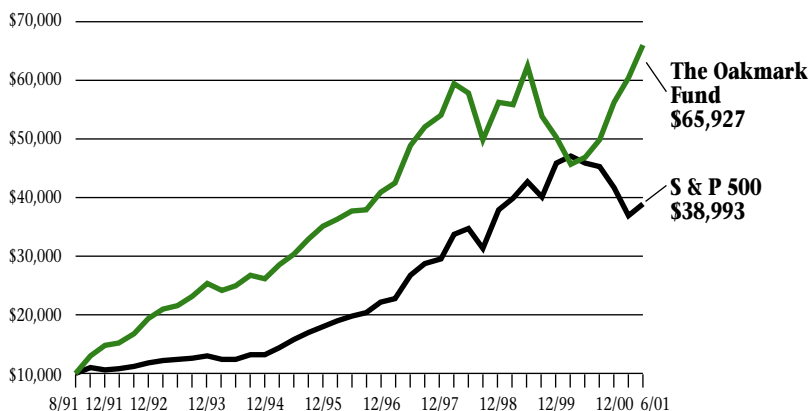
As we enter a new quarter, our portfolio continues to be significantly underweighted in technology stocks. We said in our last quarterly report that we felt most technology businesses were worth less than their stock prices. Despite their declining earnings outlook, technology companies actually out-performed non-technology companies during the last quarter. As a result, we believe their overvaluation has increased and we continue to believe that our best opportunity is to buy growing companies outside of the tech sector.

We primarily compare our portfolio to the S&P 500 Index which is currently priced at just over 20 times next year's expected cash earnings. The stocks we have been adding to the portfolio are generally growing faster than the S&P 500, yet are priced at a lower multiple of expected cash earnings. Here are brief descriptions of our new holdings:

Guidant (GDT—36)

Guidant is a leading manufacturer of medical devices primarily for cardiovascular diseases. Guidant stock peaked at \$72 last year and has declined largely due to new product

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (6/30/01) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX³



6/30/01 NAV⁴ \$35.18

Average Annual Total Return¹
Through 6/30/01
From Fund Inception
8/5/91

	Total Return Last 3 months*	Average Annual Total Return ¹ Through 6/30/01 From Fund Inception 8/5/91
The Oakmark Fund	9.25%	20.96%
Standard & Poor's 500 Stock Index w/inc	5.85%	14.72%
Dow Jones Industrial Average w/inc ⁵	6.71%	15.97%
Lipper Large Cap Value Fund Index ⁶	4.45%	13.85%

*Not annualized.

introductions from competitors. The medical device industry has historically experienced strong secular growth combined with product cycles — companies introducing new products gain market share. Guidant has numerous new products in testing and will likely be the beneficiary of market share gains as these products are introduced in the coming years. Selling at less than 17 times estimated 2002 cash earnings, Guidant is not only selling at a large discount to its peers, but also at a discount to the S&P 500.

Note: On July 10, an FDA advisory panel voted against approving Guidant's new device for treating congestive heart failure. The stock has declined further to \$28. That decline is triple the amount we believe Guidant's business value has declined. As you would expect, we have significantly increased our position.

Hughes Electronics (GMH—21)

Through its DirecTV subsidiary, Hughes Electronics is the largest provider of satellite TV service. Just last month, DirecTV announced they had reached the 10 million subscriber milestone. Hughes stock peaked last March at \$47 and has declined along with the technology sector as the excitement over satellite-delivered Internet access has declined. The per-subscriber economics of satellite TV are very similar to cable TV, leading us to conclude that the per-subscriber values ought to be similar. Hughes stock is now selling at about half the per-subscriber price of the large cable stocks.

Kraft Foods (KFT—31)

In our opinion, Kraft Foods is, quite simply, the best packaged foods company. The strength of its brands, its scale advantages, and its highly talented management team are unmatched by the competition. For that reason, when Kraft was brought public at a valuation similar to other food stocks, we saw an investment opportunity. Even better, the stock declined from its initial offering price, allowing us the opportunity to purchase the majority of our shares below \$30. We expect Kraft to continue growing earnings-per-share at a double-digit rate and believe the stock is undervalued selling at 15 times our estimate of next year's cash earnings.

Waste Management (WMI—31)

Waste Management is the largest waste disposal company in the United States. Its stock price peaked in 1999 at \$60. We started getting interested in this stock in the summer of 1999, after the price fell to \$30 in response to an earnings shortfall. Although the stock met our price criteria, we could not get comfortable with either their management or computer systems. With its new CEO, Maurice Myers, and much improved management information systems, Waste Management now meets our qualitative criteria. Despite the stock price increase over the last year, the stock is just back to the level it declined to in the

Highlights

- Performance last quarter was aided by large increases in JC Penney +65%, Xerox +60%, and Cendant +34%.
- Despite their declining earnings outlook technology companies out-performed non-technology companies over the last quarter. However, we believe their overvaluation has increased and continue to find our best opportunities outside of the tech sector.
- Several names were added to the portfolio including Guidant, Hughes Electronics, Kraft, Waste Management, and US Bancorp.

summer of 1999. To us, selling at 16 times next year's cash earnings estimates, Waste Management looks inexpensive.

US Bancorp (USB—23)

"New" US Bancorp, one of the largest banks in the US, was formed in February, when "old" US Bancorp merged with Firstar. USB stock has declined from a high of \$35 two years ago, despite showing continued growth in earnings. We believe that USB's large exposure to highly stable fee-based revenue (like merchant processing, investment management fees, and trust services) should result in USB being priced at a premium to most banks. Currently, however, USB is priced at a discount, selling at just 10 times next year's cash earnings estimate.

Values like these make us confident that our portfolio remains very attractive. Thank you for your continuing support.



William C. Nygren, CFA

Portfolio Manager
bnygren@oakmark.com



Kevin G. Grant, CFA

Portfolio Manager
kgrant@oakmark.com

July 6, 2001

THE OAKMARK FUND

Schedule of Investments—June 30, 2001 (Unaudited)

	Shares Held	Market Value
Common Stocks—94.1%		
Food & Beverage—4.9%		
H.J. Heinz Company	1,710,000	\$ 69,921,900
Sara Lee Corporation	2,857,400	54,119,156
Kraft Foods Inc. (a)	865,700	26,836,700
		<u>150,877,756</u>
Retail—11.9%		
J.C. Penney Company, Inc.	3,305,700	\$ 87,138,252
The Kroger Co. (a)	3,450,000	86,250,000
Toys 'R' Us, Inc. (a)	3,000,000	74,250,000
Tricon Global Restaurants, Inc. (a)	1,450,000	63,655,000
CVS Corporation	1,430,000	55,198,000
		<u>366,491,252</u>
Household Products—4.9%		
Newell Rubbermaid Inc.	2,050,000	\$ 51,455,000
The Clorox Company	1,440,200	48,750,770
The Dial Corporation	2,052,900	29,253,825
Energizer Holdings, Inc. (a)	959,400	22,018,230
		<u>151,477,825</u>
Household Appliances—1.1%		
Maytag Corporation	1,126,500	\$ 32,961,390
Office Equipment—1.9%		
Xerox Corporation	6,175,000	\$ 59,094,750
Hardware—3.4%		
The Black & Decker Corporation	1,522,200	\$ 60,066,012
The Stanley Works	1,072,600	44,920,488
		<u>104,986,500</u>
Other Consumer Goods & Services—9.6%		
Fortune Brands, Inc.	2,573,000	\$ 98,700,280
H&R Block, Inc.	1,340,300	86,516,365
Mattel, Inc.	3,227,800	61,069,976
Cendant Corporation (a)	2,595,100	50,604,450
		<u>296,891,071</u>
Bank & Thrifts—5.3%		
Washington Mutual, Inc.	3,150,000	\$ 118,282,500
U.S. Bancorp	2,000,000	45,580,000
		<u>163,862,500</u>
Insurance—1.6%		
MGIC Investment Corporation	700,000	\$ 50,848,000
Hotels & Motels—1.2%		
Starwood Hotels & Resorts Worldwide, Inc.	990,000	\$ 36,907,200
Information Services—4.1%		
Equifax Inc.	1,720,500	\$ 63,107,940
Moody's Corporation	1,489,400	\$ 49,894,900
The Dun & Bradstreet Corporation (a)	517,800	14,601,960
		<u>127,604,800</u>

THE OAKMARK FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

	Shares Held	Market Value
Common Stocks—94.1% (cont.)		
Computer Services—5.6%		
Electronic Data Systems Corporation	1,086,500	\$ 67,906,250
First Data Corporation	1,040,000	66,820,000
SunGard Data Systems Inc. (a)	1,281,600	<u>38,460,816</u>
		173,187,066
Semiconductors—0.7%		
Teradyne, Inc. (a)	655,000	\$ 21,680,500
Telecommunications—5.2%		
AT&T Corp.	3,084,200	\$ 67,852,400
Sprint Corporation	2,756,000	58,868,160
Citizens Communications Company (a)	2,708,900	<u>32,588,067</u>
		159,308,627
Telecommunications Equipment—2.8%		
General Motors Corporation, Class H (Hughes Electronics Corporation)	2,200,000	\$ 44,550,000
Motorola, Inc.	2,575,000	<u>42,642,000</u>
		87,192,000
TV Programming—1.9%		
AT&T Corp. - Liberty Media Group, Class A (a)	3,450,000	\$ 60,340,500
Publishing—3.1%		
Knight-Ridder, Inc.	1,066,000	\$ 63,213,800
Gannett Co., Inc.	484,500	<u>31,928,550</u>
		95,142,350
Pharmaceuticals—1.4%		
Chiron Corporation (a)	824,000	\$ 42,913,920
Medical Products—2.4%		
Guidant Corporation (a)	1,380,500	\$ 49,698,000
Apogent Technologies Inc. (a)	1,011,700	<u>24,887,820</u>
		74,585,820
Automobiles—2.0%		
Ford Motor Company	2,500,000	\$ 61,375,000
Aerospace & Defense—1.2%		
The B.F. Goodrich Company	970,000	\$ 36,840,600
Waste Disposal—0.9%		
Waste Management, Inc.	930,000	\$ 28,662,600
Instruments—1.4%		
Rockwell International Corporation	1,101,800	\$ 42,000,616
Machinery & Industrial Processing—2.6%		
Cooper Industries, Inc.	1,029,400	\$ 40,753,946
Eaton Corporation	552,900	<u>38,758,290</u>
		79,512,236

THE OAKMARK FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Common Stocks—94.1% (cont.)		
Building Materials & Construction—1.8%		
Masco Corporation	2,233,000	\$ 55,735,680
Utilities—2.0%		
TXU Corp.	1,315,000	\$ 63,369,850
Oil & Natural Gas—3.6%		
Burlington Resources Inc.	1,500,000	\$ 59,925,000
Conoco Inc., Class A	1,800,000	50,760,000
		<u>110,685,000</u>
Diversified Conglomerates—1.8%		
Textron, Inc.	1,000,000	\$ 55,040,000
Recreation & Entertainment—3.8%		
Brunswick Corporation	2,576,700	\$ 61,918,101
Carnival Corporation	1,000,000	30,700,000
Park Place Entertainment Corporation (a)	2,100,000	25,410,000
		<u>118,028,101</u>
Total Common Stocks (Cost: \$2,310,620,236)		2,907,603,510
Short Term Investments—6.0%		
U.S. Government Bills—1.3%		
United States Treasury Bills, 3.69% - 4.77% due 7/26/2001 - 11/15/2001	\$40,000,000	\$ 39,667,030
Total U.S. Government Bills (Cost: \$39,662,033)		39,667,030
Commercial Paper—3.2%		
Citicorp, 3.77% due 7/5/2001	\$20,000,000	\$ 20,000,000
American Express Credit Corporation, 3.83% due 7/9/2001	10,000,000	10,000,000
Ford Motor Credit Corp., 3.78% due 7/3/2001	20,000,000	20,000,000
General Electric Capital Corporation, 4.08% due 7/2/2001	50,000,000	50,000,000
		<u>100,000,000</u>
Total Commercial Paper (Cost: \$100,000,000)		100,000,000
Repurchase Agreements—1.5%		
State Street Repurchase Agreement , 3.85% due 7/2/2001	\$46,685,000	\$ 46,685,000
Total Repurchase Agreements (Cost: \$46,685,000)		46,685,000
Total Short Term Investments (Cost: \$186,347,033)		186,352,030
Total Investments (Cost \$2,496,967,269)—100.1%		\$3,093,955,540
Other Liabilities In Excess Of Other Assets—(0.1)%		<u>(3,659,522)</u>
Total Net Assets—100%		<u>\$3,090,296,018</u>

(a) Non-income producing security.

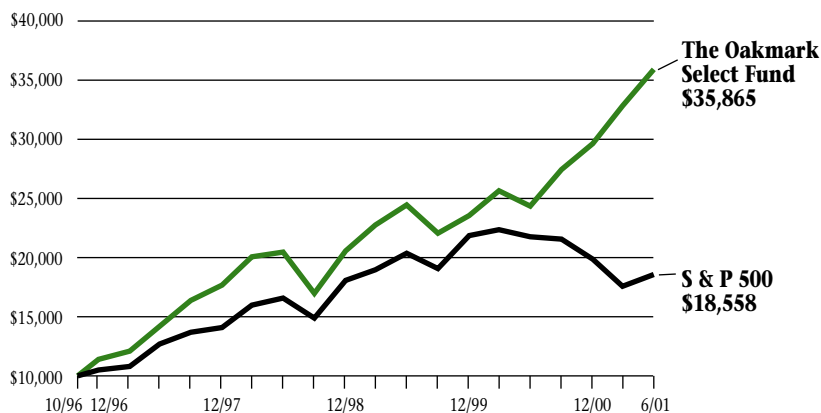
THE OAKMARK SELECT FUND

Report from Bill Nygren and Henry Berghoef, Portfolio Managers



The Oakmark Select Fund gained 9% last quarter, increasing the gain for the nine-month fiscal-year-to-date to 31%. The return for the quarter exceeded the 6% return on the S&P 500 but trailed the 13% return of the S&P Midcap 400 Index. Technology stocks led the Midcap Index, and we have very little exposure to that sector. We continue to believe that most technology stocks are overvalued, so our portfolio is invested elsewhere, consistent with our goal of owning undervalued stocks.

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (6/30/01) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX³



6/30/01 NAV⁴ \$26.20

	Total Return Last 3 months*	Average Annual Total Return ¹ Through 6/30/01 From Fund Inception 11/1/96
The Oakmark Select Fund	9.26%	31.49%
Standard & Poor's 500 Stock Index w/inc	5.85%	14.17%
Standard & Poor's MidCap 400 Index w/inc ⁷	13.16%	19.18%
Lipper Mid Cap Value Fund Index ⁸	10.43%	11.74%

*Not annualized.

Our best performing stock for the quarter was H&R Block, up nearly 30%. In an environment where many companies reported disappointing earnings, H&R Block showed strong earnings gains. Management's increased focus on the tax preparation business and intelligent reinvestment of excess cashflow bolstered confidence that annual earnings-per-share growth can be 15% for many years to come. Even with the stock price gain, H&R Block still sells at just two-thirds of the S&P 500 multiple of expected year ahead cash earnings. That discount seems unwarranted for a low-risk company that is growing faster than the market.

Some of our value-investing peers have been holding more cash in their portfolios claiming they can no longer find attractively priced stocks. Our largest holdings — Washington Mutual, Toys 'R' Us, H&R Block — are industry leaders that will likely achieve above average growth, while selling at 10-15 times expected cash earnings. Compare that to the S&P 500, which sells at over 20 times. We believe our holdings represent outstanding values relative to the market, as well as relative to either cash or bond alternatives. It continues to be a great time to be a stock picker!

Washington Mutual

As portfolio managers, we are frequently given credit that really belongs to our analysts. And with a large holding that has performed as well as Washington Mutual, we're reminded of a comment from former New York Mets manager Casey Stengel, "Managing is getting paid for home-runs someone else hits." In the case of Washington Mutual, that "someone else" is our analyst and Oakmark Small Cap Fund manager, Jim Benson. In 1998, Jim identified this under-appreciated savings and loan company that was growing more rapidly than almost any other large financial service provider, was run by a CEO who had most of his family's wealth invested in the stock, and yet sold at a P/E²⁴ near the low end of both the industry and the overall stock market. After a difficult stock performance year in 1999, Washington Mutual has truly emerged as a homerun. Thanks, Jim! In fact, after the stock more than doubled last year, our most frequent shareholder e-mail has gone something like this: "Congratulations on being so right on Washington Mutual. Since it's up so much, why don't you claim victory and reduce the size of our holding?"

As a reminder, there are three qualities we look for in any stock we consider purchasing:

1. A stock price that is below 60% of the price we estimate an acquirer who pays in cash would pay to own the entire business today.
2. An expected annual growth rate in per-share value that, when added to the dividend yield, exceeds 10% per year.
3. A successful management with economic incentive to behave like owners.

When a stock meets all three criteria, we purchase it and wait patiently for the market price to increase to 90% of our value estimate. Then, we sell it. In The Oakmark Select Fund, we have often been willing to take very large position sizes — 15% of the portfolio — for our favorite ideas. These large positions are reserved not necessarily for the stocks with the largest return *potential*, but rather for those stocks we believe have the best *probability* of achieving a large return. Why, in our judgement, does Washington Mutual still deserve to account for 15% of our assets?

1. Price — Washington Mutual is priced at less than 10 times our estimate of next year's cash earnings — less than half the S&P 500 multiple and less than

Highlights

- We continue to believe that most technology stocks are overvalued, so our portfolio is invested elsewhere, consistent with our goal of owning undervalued stocks.
- Best performing stock for the quarter was H&R Block, up nearly 30%. Even with the price gain it still sells at just two-thirds of the S&P 500 multiple of expected year-ahead cash earnings.
- Washington Mutual remains our largest holding. It has a relatively low-risk business model, is being managed for the benefit of its shareholders, and is likely to continue growing at a rate significantly above most other companies.

two-thirds the multiple accorded other leading financial service companies. Acquisitions of inferior companies in the financial sector have occurred at multiples in the teens.

2. Value growth — Washington Mutual's existing markets have above-average population growth, and Washington Mutual has consistently gained market share and increased its number of accounts per customer. In addition, Washington Mutual has used its industry leading low-cost structure to make acquisitions that add to both current earnings and growth opportunities. Washington Mutual's recently announced acquisition of Dime Savings Bank fits that mold: it adds a few pennies to next year's expected cash earnings and creates many new growth opportunities along the East Coast.
3. Management — CEO Kerry Killenger continues to have most of his personal wealth invested in Washington Mutual stock. Killenger's track record is impressive. Over the last decade of his tenure, earnings-per-share have grown at a compound rate of 17%, and the stock has returned 26% per year.

When we consider the risk of being wrong in our assessment of Washington Mutual, we conclude the probability is much less than with other stocks. Washington Mutual has targeted the middle-market customer, who is much less sensitive to stock market declines or economic slow-downs than the upper income customer that most

financial institutions prefer. Also, loans on owner-occupied, middle-market homes that account for so much of Washington Mutual's asset base are not nearly as risky as the consumer and corporate loans at most financial service companies. We conclude that Washington Mutual has a relatively low-risk business model, is being managed for the benefit of its shareholders, and is likely to continue growing at a rate significantly above most other companies. Best of all, despite the business success and the strong stock performance, this company is still priced at a bargain level. So, when shareholders ask why we are still taking the risk of having such a big position in Washington Mutual, it's because this stock still has a much better risk-return tradeoff than anything else we have found.

Fund Closing


Perhaps the most significant event last quarter was our decision to close The Oakmark Select Fund to new investors. Just five years ago, when we launched the Fund, skeptics argued we could never attract enough assets to make it worthwhile. In May, with Fund assets approaching \$4 billion, we felt it was appropriate to stop accepting money from new shareholders. (Investments into existing accounts will still be accepted.) By constraining inflows, the Fund can continue investing in both midcap and large cap companies with the highly concentrated approach we have used since the Fund opened in 1996. Once, when

accepting an award, Yogi Berra said, "I want to thank everyone who made this day necessary." We want to thank you, our shareholders, for making the Fund closing necessary by trusting us to continue taking good care of your assets.



William C. Nygren, CFA

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Henry R. Berghoef, CFA

Portfolio Manager
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July 6, 2001

THE OAKMARK SELECT FUND

Schedule of Investments—June 30, 2001 (Unaudited)

	Shares Held	Market Value
Common Stocks—91.9%		
Apparel—3.1%		
Liz Claiborne, Inc.	2,523,200	\$ 127,295,440
Retail—17.6%		
Toys 'Я' Us, Inc. (a)	11,023,500	\$ 272,831,625
The Kroger Co. (a)	6,800,000	170,000,000
Tricon Global Restaurants, Inc. (a)	3,515,400	154,326,060
Office Depot, Inc. (a)	12,546,000	130,227,480
		<u>727,385,165</u>
Household Products—3.1%		
Energizer Holdings, Inc. (a)	5,489,500	\$ 125,984,025
Other Consumer Goods & Services—10.4%		
H&R Block, Inc.	3,969,400	\$ 256,224,770
Mattel, Inc.	9,165,000	173,401,800
		<u>429,626,570</u>
Bank & Thrifts—15.1%		
Washington Mutual, Inc.	16,619,700	\$ 624,069,735
Information Services—9.2%		
Moody's Corporation	4,143,600	\$ 138,810,600
The Dun & Bradstreet Corporation (a)	4,547,500	128,239,500
Ceridian Corporation	5,834,500	111,847,365
		<u>378,897,465</u>
Computer Services—7.6%		
Electronic Data Systems Corporation	2,755,900	\$ 172,243,750
First Data Corporation	2,210,200	142,005,350
		<u>314,249,100</u>
Computer Software—3.2%		
The Reynolds and Reynolds Company, Class A	5,979,700	\$ 131,254,415
Telecommunications—8.4%		
AT&T Corp.	8,804,000	\$ 193,688,000
Sprint Corporation	7,209,000	153,984,240
		<u>347,672,240</u>
Publishing—3.8%		
Knight-Ridder, Inc.	2,606,500	\$ 154,565,450
Pharmaceuticals—3.6%		
Chiron Corporation (a)	2,867,400	\$ 149,334,192

THE OAKMARK SELECT FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Common Stocks—91.9% (cont.)		
Automotive—2.7%		
Visteon Corporation	5,984,400	\$ 109,993,272
Oil & Natural Gas—4.1%		
Burlington Resources Inc.	4,225,000	\$ 168,788,750
Total Common Stocks (Cost: \$2,845,432,540)		3,789,115,819
Common Stocks Sold Short—(0.7%)		
Telecommunications—(0.7%)		
AT&T Wireless Group	(1,646,400)	\$ (26,918,640)
Total Common Stocks Sold Short (Proceeds: \$(33,279,975))		(26,918,640)
Short Term Investments—7.3%		
U.S. Government Bills—1.0%		
United States Treasury Bills, 4.59% - 4.77% due 7/26/2001 - 9/6/2001	\$40,457,000	\$ 40,255,734
Total U.S. Government Bills (Cost: \$40,222,278)		40,255,734
Commercial Paper—4.1%		
Citicorp, 3.77% due 7/6/2001	\$20,000,000	\$ 20,000,000
American Express Credit Corporation, 3.83% due 7/5/2001 - 7/9/2001	40,000,000	40,000,000
Ford Motor Credit Corp., 3.78% - 3.83% due 7/2/2001 - 7/3/2001	40,000,000	40,000,000
General Electric Capital Corporation, 4.08% due 7/2/2001	70,000,000	70,000,000
Total Commercial Paper (Cost: \$170,000,000)		170,000,000
Repurchase Agreements—2.2%		
State Street Repurchase Agreement, 3.85% due 7/2/2001	\$89,773,000	\$ 89,773,000
Total Repurchase Agreements (Cost: \$89,773,000)		89,773,000
Total Short Term Investments (Cost: \$299,995,278)		300,028,734
Total Investments (Cost \$3,112,147,843)—98.5%		\$ 4,062,225,913
Other Assets In Excess Of Other Liabilities—1.5%		60,086,599
Total Net Assets—100%		\$4,122,312,512

(a) Non-income producing security.

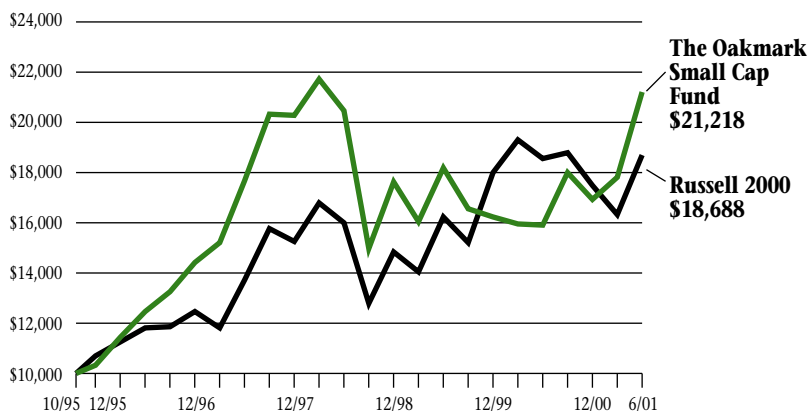
THE OAKMARK SMALL CAP FUND

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



We are pleased to report that your Fund had a gain of 19% for the just ended quarter which was the best quarterly performance in the Fund's five and one-half year history. The second quarter of calendar 2001 witnessed generally rising stock prices as investors seemed more hopeful that the Federal Reserve's interest rate reductions will keep the country out of recession. The Russell 2000 small cap index rose 14% for the just ended quarter and at the mid-year mark this index of small company stocks was up 7%. Thus far in 2001, your Fund has recorded a 25% gain which places the Fund 18% ahead of the Russell 2000 and 31% ahead of the S&P 500 Index. Our focus on identifying undervalued businesses continues to be the key to our success. We have a terrific group of analysts whose constant attention to sound fundamental equity analysis provides us with excellent investment ideas.

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/01) AS COMPARED TO THE RUSSELL 2000 INDEX⁹



6/30/01 NAV⁴ \$17.15

	Total Return Last 3 months*	Average Annual Total Return ¹ Through 6/30/01 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	19.10%	14.19%
Lipper Small Cap Value Fund Index ¹⁰	12.72%	13.60%
Russell 2000 w/inc	14.41%	11.66%
S&P Small Cap 600 w/inc. ¹¹	13.70%	14.19%

*Not annualized.

Preparing For Uncertain Times

Despite the interest rate reductions and the recently enacted tax cuts, economic growth remains anemic. During the past few quarters we have actively migrated the investments within the portfolio toward companies that have an above average probability of thriving during sluggish economic times. If you were to view the Fund's portfolio as a single entity you would notice that we have been upgrading the portfolio's financial dynamics. We have been buying stocks in companies that have strong balance sheets, good levels of cash flow per dollar invested, growth potential over time and bright managements that are committed to enhancing shareholder value. Our goal is to own companies that are well positioned to benefit when economic growth resumes, and also to

own those firms that can handle a period of economic contraction. By positioning your Fund's investments in this fashion, we hope to realize above average investment returns regardless of the economic environment.

Portfolio Additions and Deletions

The Fund's portfolio stayed at forty-six stocks during the second calendar quarter, yet our turnover increased as we bought five new stocks and sold five stocks. We sold M&F Worldwide after the company made an acquisition that we thought was not in the best interest of shareholders. We also sold Sames Corp., Sensient Technologies (formerly Universal Foods), Stoneridge Inc. and U.S. Industries due to deteriorating financial strength. We added positions in Heidrick & Struggles, Oratec Interventions, Silverstream Software, St. Mary Land & Exploration and Sybron Dental Specialties.

The common theme of our five new purchases is balance sheet strength. Heidrick & Struggles, Oratec and Silverstream all have a substantial amount of "net cash" on the balance sheet (Note: "Net cash" is calculated by subtracting all short-term and long-term debt from a company's cash plus marketable securities balances). St. Mary Land is an asset rich oil & gas producer with minimal debt. Sybron, on the other hand, is the one company that we bought that has a sizable amount of debt, but their dental supply business is a high cash flow business that has historically weathered recessions very well. By buying these types of companies we believe we will be well positioned to ride out any near-term economic fluctuations.

Highlights

- The Fund's gain of 19% for the just-ended quarter was the best quarterly performance in the Fund's 512-year history. We believe that the rebound in small cap value stocks that began in 2000 will, with some increased volatility, persist for an extended period of time.
- Our goal is to own companies that are well positioned to benefit when economic growth resumes, and also to own those firms that can handle a period of economic contraction.
- Common theme of our five new purchases is balance sheet strength. These include: Heidrick & Struggles, Oratec Interventions, Silverstream Software, St. Mary Land & Exploration, and Sybron Dental Specialties.

Cash is King

Heidrick & Struggles and Oratec Interventions are two new Fund holdings that we would like to review. Heidrick is a leading executive recruitment firm whose earnings growth has been disrupted by the economic slowdown. This earnings slowdown caused Heidrick's stock to plummet from over \$70 to its current price of about \$21. While we anticipate Heidrick's earnings will be under pressure for at least a few quarters, what attracted us to the stock was its well known brand name, its variable cost structure (commissions on successful placements make up a significant portion of the payroll) and its strong balance sheet. As of the end of the first quarter of 2001, Heidrick had over \$9.00 in net cash per share, thus at current prices we are paying about \$12 per share for Heidrick's business. At the current stock price, less net cash, we believe we are buying Heidrick's operating business at less than ten times normalized earnings. We believe this valuation level is very attractive.

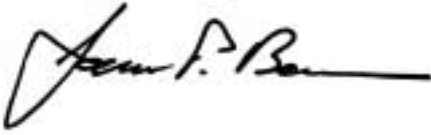
Oratec Interventions produces minimally invasive surgical products for use in arthroscopic and spinal surgeries. Oratec is another company with an excellent balance sheet (over \$2.00 in net cash per share) combined with innovative products. Oratec's most interesting product, SpineCATH, is a minimally invasive system for treating degenerative disc disease. Although still a relatively new treatment option for patients suffering from degenerative discs, over the past two years over 30,000 patients have availed themselves of this procedure that uses a self-navigating intra-disc catheter which treats degenerative disc disease by heating the disc. About 70% of the people treated experience a statistically significant improvement in back pain with the attendant elimination or reduction in usage of pain killing drugs.

The catalyst that we expect to accelerate Oratec's growth should be the willingness of insurers to reimburse patients for the procedure. Thus far, Oratec's treatment has been categorized as a "new" treatment and most insurance plans will not reimburse patients for a new treatment. However, the needed two-year follow-up data in various peer review journals should be out later this year and at that time the company will be in an excellent position to push for acceptance and coverage for the SpineCATH treatment. Given the company's low stock price and excellent balance sheet, we believe that we have an opportunity to share in the potential rewards of this technology without undue financial risk.

Outlook

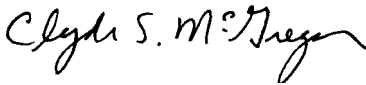
As the aforementioned companies illustrate, there continue to be small cap stocks selling at compelling valuations. Thus, we continue to expect that the rebound in small cap value stocks that began in 2000 will, with some increased volatility, persist for an extended period of time.

Once again we would like to thank you, our shareholders, for your support of The Oakmark Small Cap Fund.



James P. Benson, CFA

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Clyde S. McGregor, CFA

Portfolio Manager
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July 5, 2001

THE OAKMARK SMALL CAP FUND

Schedule of Investments—June 30, 2001 (Unaudited)

	Shares Held	Market Value
Common Stocks—89.4%		
Food & Beverage—6.6%		
Ralcorp Holdings, Inc.	579,000	\$ 10,850,460
Del Monte Foods Company (a)	995,400	<u>8,341,452</u>
		19,191,912
Apparel—1.4%		
R.G. Barry Corporation (a)	907,000	\$ 4,172,200
Retail—2.9%		
ShopKo Stores, Inc. (a)	918,800	\$ 6,688,864
Ugly Duckling Corporation (a)	370,000	<u>1,616,900</u>
		8,305,764
Other Consumer Goods & Services—4.0%		
Department 56, Inc. (a)	642,500	\$ 4,915,125
American Greetings Corporation, Class A	300,000	3,300,000
Central Parking Corporation	175,000	<u>3,272,500</u>
		11,487,625
Bank & Thrifts—9.4%		
BankAtlantic Bancorp, Inc., Class A	1,100,000	\$ 9,559,000
People's Bank of Bridgeport, Connecticut	325,000	7,650,500
Golden State Bancorp Inc. (a)	190,000	5,852,000
PennFed Financial Services, Inc.	177,000	<u>3,955,950</u>
		27,017,450
Insurance—4.1%		
The PMI Group, Inc.	165,000	\$ 11,823,900
Other Financial—2.8%		
NCO Group, Inc. (a)	260,000	\$ 8,041,800
Hotels & Motels—3.5%		
Prime Hospitality Corp. (a)	850,000	\$ 10,072,500
Human Resources—2.6%		
Heidrick & Struggles International, Inc. (a)	307,000	\$ 6,186,050
Spherion Corporation (a)	150,000	<u>1,342,500</u>
		7,528,550
Educational Services—5.8%		
ITT Educational Services, Inc. (a)	374,600	\$ 16,857,000
Data Storage—1.1%		
Imation Corp. (a)	125,000	\$ 3,150,000
Computer Equipment—1.5%		
Infocus Corporation (a)	250,000	\$ 4,187,500

THE OAKMARK SMALL CAP FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

	Shares Held	Market Value
Common Stocks—89.4% (cont.)		
Computer Services—3.7%		
CIBER, Inc. (a)	1,013,700	\$ 9,630,150
Micron Electronics, Inc. (a)	698,000	1,130,760
		<u>10,760,910</u>
Computer Software—4.8%		
MSC.Software Corp. (a)	600,000	\$ 11,250,000
SilverStream Software, Inc. (a)	253,000	1,783,650
Symantec Corporation (a)	20,000	865,400
		<u>13,899,050</u>
Security Systems—4.4%		
Checkpoint Systems, Inc. (a)	713,200	\$ 12,694,960
Pharmaceuticals—2.6%		
Elan Corporation plc (a)(b)	125,000	\$ 7,625,000
Medical Research—1.6%		
Covance Inc. (a)	200,000	\$ 4,530,000
Medical Products—4.5%		
CONMED Corporation (a)	215,000	\$ 5,611,500
Sybron Dental Specialties, Inc. (a)	200,000	4,098,000
Hanger Orthopedic Group, Inc. (a)	937,600	2,390,880
ORATEC Interventions, Inc. (a)	110,100	963,375
		<u>13,063,755</u>
Automotive—0.6%		
Standard Motor Products, Inc.	139,500	\$ 1,855,350
Automobile Rentals—1.8%		
Dollar Thrifty Automotive Group, Inc. (a)	219,400	\$ 5,265,600
Transportation Services—2.9%		
Teekay Shipping Corporation (c)	195,000	\$ 7,803,900
Frontline Limited (b)	40,000	684,000
		<u>8,487,900</u>
Instruments—1.2%		
IDEXX Laboratories, Inc. (a)	109,400	\$ 3,373,896
Machinery & Industrial Processing—1.8%		
Columbus McKinnon Corporation	525,000	\$ 5,223,750
Chemicals—1.8%		
H.B. Fuller Company	70,000	\$ 3,496,500
Georgia Gulf Corporation	100,000	1,550,000
		<u>5,046,500</u>

THE OAKMARK SMALL CAP FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Common Stocks—89.4% (cont.)		
Oil & Natural Gas—3.1%		
St. Mary Land & Exploration Company	250,000	\$ 5,315,000
Berry Petroleum Company, Class A	250,000	3,625,000
		<u>8,940,000</u>
Other Industrial Goods & Services—1.7%		
Intergrated Electrical Services, Inc. (a)	360,000	\$ 3,510,000
Gardner Denver Inc. (a)	65,000	1,335,750
		<u>4,845,750</u>
Real Estate—7.2%		
Catellus Development Corporation (a)	875,000	\$ 15,268,750
Trammell Crow Company (a)	500,000	5,525,000
		<u>20,793,750</u>
Total Common Stocks (Cost: \$217,709,545)		258,242,372
Short Term Investments—10.6%		
Commercial Paper—7.6%		
American Express Credit Corporation, 3.90% due 7/6/2001	8,000,000	\$ 8,000,000
Ford Motor Credit Corp., 3.78% due 7/3/2001	6,000,000	6,000,000
General Electric Capital Corporation, 4.08% due 7/2/2001	8,000,000	8,000,000
Total Commercial Paper (Cost: \$22,000,000)		22,000,000
Repurchase Agreements—3.0%		
State Street Repurchase Agreement, 3.85% due 7/2/2001	8,581,000	\$ 8,581,000
Total Repurchase Agreements (Cost: \$8,581,000)		8,581,000
Total Short Term Investments (Cost: \$30,581,000)		30,581,000
Call Options Written—(0.2%)		
Equity Options—(0.2%)		
Computer Software—0.0%		
Symantec Corporation, July 55 Calls	(20,000)	\$ (1,000)
Pharmaceuticals—(0.2%)		
Elan Corporation plc, July 60 Calls	(125,000)	\$ (437,500)
Medical Research—0.0%		
Covance Inc., August 20 Calls	(45,000)	\$ (99,000)
Total Call Options Written (Premiums Received: \$(575,929))		(537,500)
Total Investments (Cost \$247,714,616)—99.8%		\$288,285,872
Other Assets In Excess Of Other Liabilities—0.2%		575,074
Total Net Assets—100%		\$288,860,946

(a) Non-income producing security.

(b) Represents American Depository Receipt

(c) Represents foreign domiciled corporation.

THE OAKMARK EQUITY AND INCOME FUND

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

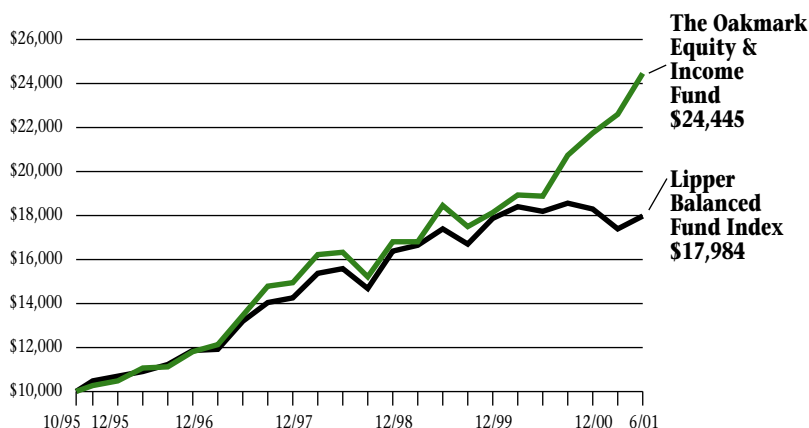


“If all economists were laid end to end, they would not reach a conclusion.” George Bernard Shaw

Our Results

The Oakmark Equity and Income Fund increased 8% for the quarter ended June 30, bringing the calendar-year gain to 13%. For both the quarter and the calendar year, the Fund continued to outperform both the market averages and our primary benchmark, the Lipper Balanced Fund Index, which has lost 2% for the year. While we continue to be pleased with both our relative and absolute performance this year, we remain extremely vigilant to avoid complacency. This year there have been a number of value traps to avoid, such as assuming that a security now selling for 20% of what it was selling for twelve months ago represents compelling business value. A focus on intrinsic business value rather than market price assists us in both avoiding the traps and seizing the opportunities when presented. Our goal remains to compound your (and our) investment in the Fund through achieving consistent above-average real rates of return over the long-term, while undertaking considerably less risk than the market as a whole. This focus on understanding the relationship that exists between risk and return has stood us in good stead in the past, and we expect it to continue to do so in the future.

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/01) AS COMPARED TO THE LIPPER BALANCED FUND INDEX¹²



6/30/01 NAV⁴ \$17.96

Average Annual Total Return¹
Through 6/30/01

	Total Return From Fund Inception	
	Last 3 months*	11/1/95
The Oakmark Equity & Income Fund	8.06%	17.08%
Lipper Balanced Fund Index	3.51%	10.91%
Lehman Govt./Corp. Bond ¹³	0.30%	6.71%
S&P 500 w/inc. ³	5.85%	15.85%

*Not annualized.

Indexing and Closet Indexing

There has been a great deal of commentary about the debacle of both dot.com issues and technology stocks in general. Little has been said about the growth of assets under management utilizing indexing strategies. Likewise ignored is the fact that growth in assets under management at many of the huge mutual

fund complexes has effectively made some of the mega-sized (\$25B on up) mutual funds, regardless of espoused style, closet index funds. A couple of different phenomena have played out here. Indexing was originally intended as a style of investment management giving an investor a diversified slice of a particular market such as the S&P 500 at lower transaction, tax, and investment management costs. As a result of a period of outperformance relative to active managers, indexing attracted so much in the way of new asset flows that performance of the S&P500 index began to be driven by the investment of those asset flows into the equities that composed the index. Children will recognize this as a variation on musical chairs—adults have been a little slower off the mark. At a certain point as the flows begin to slow, so does the performance, which causes the flows to stop and even reverse. After all, investors have made it quite clear that they are always looking backwards, chasing performance, causing fund flows to gravitate to that area now outperforming the index.

A by-product of indexing has been closet indexing, a corollary of which is sometimes called capitalization creep. The preconditions for closet indexing are usually found in linking the compensation of investment managers to how much they outperform a relevant index. As the night follows the day it becomes almost a certainty that the composition of the portfolio will take on a remarkable likeness to the index. A tremendous amount of time is then spent on trying to add value RELATIVE TO THE INDEX while concurrently minimizing deviations from that index. You will observe that not much time in this process is spent on whether an idea may be compelling in terms of intrinsic value, only on gaming the index. Closet indexing is a result of the same fund flows attracted into indexing. To avoid significant under performance, especially if you are a \$25B megafund, the fund manager is forced into larger and larger capitalization stocks without regard to valuation. As bottom-up fundamental investors who invest when and where we find value, we are able to avoid these pitfalls. Put another way, if we make an investment error, it is not going to be because we were gaming a benchmark index.

As 2001 has progressed, opportunities for value investors have continued to present themselves, albeit of a slightly different character than before. The opportunities to overpay for mediocre or declining businesses (categorized by some as “cigar-butt” businesses) have increased as new moneys have been attracted to the “value” category. This reflects a market that lacks discrimination and presents

Highlights

- The Fund increased 8% for the quarter, with a calendar-year gain of 13%. It also continued to outperform the primary benchmark, the Lipper Balanced Fund Index, which was down 2% for the year.
- As 2001 progressed, opportunities for value investors continued to present themselves. Two examples are C.R. Bard (BCR) and Valassis Communications (VCI).
- Two stocks in the portfolio had takeover announcements: Nova Corporation, one of our larger positions is to be acquired by U.S. Bancorp for \$31 a share in stock, and C.R. Bard is to be acquired by Tyco for \$60 a share in stock.

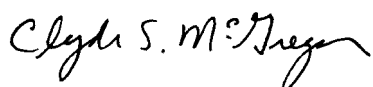
better than average to very good businesses selling at discounts to intrinsic business value. Two examples of such investments initiated during the quarter are our investments in both C.R. Bard (BCR) and Valassis Communications (VCI).

Our Research Process—Value Affirmation

It is nice when outside confirmation of our investment process is provided by a takeover bid for one of our portfolio investments. This quarter saw two such bids. Nova Corporation, one of our larger positions where our average cost was under \$18 a share, is to be acquired by U.S. Bancorp for \$31 a share in stock. C.R. Bard, an investment we had initiated this quarter at an average cost of \$44.50 is to be acquired by Tyco for \$60 a share in stock. In both instances, attractive businesses were available and ignored in the marketplace notwithstanding good and improving fundamentals. In the case of Bard, improving product lines and a management perhaps looking to cash out served as catalysts in attracting a buyer. Clearly, both value investors in the public equity marketplace and value investors running companies are looking to exploit the gap between market price and intrinsic business value.

We reiterate our commitment to seeking out investments with a considerable margin of safety supported by a real rather than illusory valuation gap. This letter is being written in a climate of continued interest rate cuts by the Federal Reserve and a growing concern about the domestic

and global economies. Nonetheless we are heartened by the opportunities we see for those with investment time-horizons beyond the next day, week, month, quarter, or year. We believe that assessing business value over the long-term, rather than worrying about macro-economic issues over which we have no control, will always be the best use of our time. We thank you for your continued support of the Fund and we look forward to reporting to you, our partners, at the end of the next quarter.



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Edward A. Studzinski, CFA

Portfolio Manager
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July 9, 2001

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2001 (Unaudited)

	Shares Held	Market Value
Equity and Equivalents—61.6%		
Food & Beverage—4.9%		
UST Inc.	320,000	\$ 9,235,200
General Mills, Inc.	195,000	8,537,100
		<u>17,772,300</u>
Retail—5.3%		
Office Depot, Inc. (a)	980,000	\$ 10,172,400
J.C. Penney Company, Inc.	350,000	9,226,000
		<u>19,398,400</u>
Household Products—0.5%		
Energizer Holdings, Inc. (a)	80,000	\$ 1,836,000
Other Consumer Goods & Services—1.0%		
H&R Block, Inc.	56,000	\$ 3,614,800
Bank & Thrifts—0.3%		
Washington Mutual, Inc.	25,500	\$ 957,525
Insurance—1.2%		
The PMI Group, Inc.	60,000	\$ 4,299,600
Other Financial—2.6%		
GATX Corporation	235,000	\$ 9,423,500
Marketing Services—1.5%		
Harte-Hanks Incorporated	225,000	\$ 5,571,000
Information Services—6.5%		
Ceridian Corporation	505,000	\$ 9,680,850
NOVA Corporation (a)	300,000	9,435,000
Equifax Inc.	125,000	4,585,000
		<u>23,700,850</u>
Computer Services—0.3%		
SunGard Data Systems Inc. (a)	30,000	\$ 900,300
Electronic Data Systems Corporation	5,000	312,500
		<u>1,212,800</u>
Computer Software—1.6%		
The Reynolds and Reynolds Company, Class A	260,000	\$ 5,707,000
Telecommunications—2.7%		
Telephone and Data Systems, Inc.	90,000	\$ 9,787,500
TV Programming—0.8%		
AT&T Corp. - Liberty Media Group, Class A (a)	170,000	\$ 2,973,300
Printing—1.0%		
Valassis Communications, Inc. (a)	100,000	\$ 3,580,000

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

	Shares Held	Market Value
Equity and Equivalents—61.6% (cont.)		
Pharmaceuticals—4.1%		
Chiron Corporation (a)	200,000	\$ 10,416,000
Abbott Laboratories	93,000	4,464,930
		<u>14,880,930</u>
Medical Products—6.7%		
C. R. Bard, Inc.	175,000	\$ 9,966,250
Apogent Technologies Inc. (a)	200,000	4,920,000
Sybron Dental Specialties, Inc. (a)	236,666	4,849,286
Edwards Lifesciences Corporation (a)	175,000	4,613,000
		<u>24,348,536</u>
Transportation Services—0.7%		
Florida East Coast Industries, Inc.	58,500	\$ 2,065,050
Nordic American Tanker Shipping Limited	32,500	558,350
		<u>2,623,400</u>
Aerospace & Defense—0.1%		
Rockwell Collins	15,000	\$ 352,650
Agricultural Equipment—0.6%		
Alamo Group Inc.	141,900	\$ 2,022,075
Instruments—2.6%		
Rockwell International Corporation	250,000	\$ 9,530,000
Oil & Natural Gas—10.0%		
Burlington Resources Inc.	270,000	\$ 10,786,500
St. Mary Land & Exploration Company	500,000	10,630,000
Conoco Inc.	350,000	9,870,000
XTO Energy, Inc.	200,000	2,870,000
Berry Petroleum Company	142,000	2,059,000
		<u>36,215,500</u>
Real Estate—2.4%		
Catellus Development Corporation (a)	490,728	\$ 8,563,204
Diversified Conglomerates—4.2%		
Textron, Inc.	155,000	\$ 8,531,200
Viad Corp.	260,000	6,864,000
		<u>15,395,200</u>
Total Equity and Equivalents (Cost: \$198,290,941)		223,766,070

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Fixed Income—27.7%		
Preferred Stock—0.9%		
Bank & Thrifts—0.6%		
BBC Capital Trust I, Preferred, 9.50%	47,000	\$ 1,132,700
Pennfed Capital Trust, Preferred, 8.90%	27,500	715,000
Fidelity Capital Trust I, Preferred, 8.375%	43,500	430,650
		2,278,350
Telecommunications—0.1%		
MediaOne Finance Trust III, Preferred, 9.04%	20,000	\$ 507,000
Real Estate—0.2%		
Host Marriott Corporation, Preferred Class B, 10.00%	21,000	\$ 548,100
Total Preferred Stock (Cost: \$3,211,923)		3,333,450
Corporate Bonds—0.6%		
Retail—0.1%		
Ugly Duckling Corporation, 12.00% due 10/15/2003, Subordinated Debenture	650,000	\$ 520,000
Office Equipment—0.1%		
Xerox Capital Europe Plc, 5.75% due 5/15/2002	500,000	\$ 469,920
Building Materials & Construction—0.2%		
Juno Lighting, Inc., 11.875% due 7/1/2009, Senior Subordinated Note	750,000	\$ 720,000
Utilities—0.2%		
Midland Funding Corporation, 11.75% due 7/23/2005	500,000	\$ 548,750
Total Corporate Bonds (Cost: \$2,250,093)		2,258,670

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

	Par Value	Market Value
Government and Agency Securities—26.2%		
U.S. Government Notes—25.1%		
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	\$20,092,500	\$ 20,337,388
United States Treasury Notes, 3.50% due 1/15/2011, Inflation Indexed	15,241,950	15,299,107
United States Treasury Notes, 10.75% due 8/15/2005	10,000,000	12,126,200
United States Treasury Notes, 11.875% due 11/15/2003	10,000,000	11,640,480
United States Treasury Notes, 7.00% due 7/15/2006	10,000,000	10,849,360
United States Treasury Notes, 7.25% due 8/15/2004	5,000,000	5,369,110
United States Treasury Notes, 6.125% due 8/15/2007	5,000,000	5,249,525
United States Treasury Notes, 5.25% due 8/15/2003	5,000,000	5,089,760
United States Treasury Notes, 5.25% due 5/15/2004	5,000,000	5,087,890
		<u>91,048,820</u>
U.S. Government Agencies—1.1%		
Federal Home Loan Bank, 6.75% due 5/1/2002	\$ 2,000,000	\$ 2,045,410
Federal Home Loan Bank, 6.50% due 10/19/2001	1,000,000	1,008,246
Federal Home Loan Mortgage Corporation, 7.00% due 2/23/2016	1,000,000	979,494
		<u>4,033,150</u>
Total Government and Agency Securities (Cost: \$94,919,706)		95,081,970
Total Fixed Income (Cost: \$100,381,722)		100,674,090
Short Term Investments—10.4%		
Commercial Paper—7.5%		
American Express Credit Corporation, 3.83% due 7/9/200	\$ 6,000,000	\$ 6,000,000
Ford Motor Credit Corp., 3.78% - 3.83% due 7/2/2001 - 7/3/2001	11,000,000	11,000,000
General Electric Capital Corporation, 4.08% due 7/2/2001	10,000,000	10,000,000
		<u>27,000,000</u>
Total Commercial Paper (Cost: \$27,000,000)		27,000,000
Repurchase Agreements—2.9%		
State Street Repurchase Agreement, 3.85% due 7/2/2001	\$10,648,000	\$ 10,648,000
Total Repurchase Agreements (Cost: \$10,648,000)		10,648,000
Total Short Term Investments (Cost: \$37,648,000)		37,648,000
Total Investments (Cost \$336,320,663)—99.7%		\$ 362,088,160
Other Assets In Excess Of Other Liabilities—0.3%		<u>1,215,979</u>
Total Net Assets—100%		\$ 363,304,139

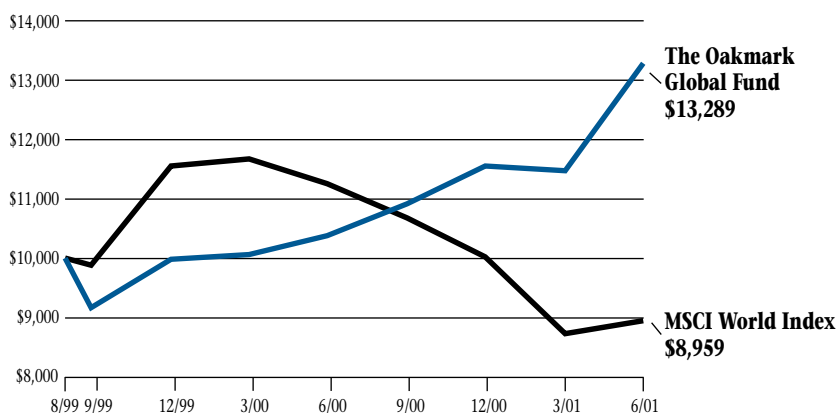
(a) Non-income producing security.

THE OAKMARK GLOBAL FUND

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



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (6/30/01) AS COMPARED TO THE MSCI WORLD INDEX¹⁴



6/30/01 NAV⁴ \$13.00

	Total Return Last 3 months*	Average Annual Total Return ¹ Through 6/30/01 From Fund Inception 8/4/99
The Oakmark Global Fund	15.76%	15.98% ²³
MSCI World Index w/inc.	2.52%	-5.57%
Lipper Global Fund Index ¹⁵	3.22%	0.52%

*Not annualized.

Fellow Shareholders,

The Oakmark Global Fund increased 16% for the three-month period ending June 30, 2001. As with last quarter's results, we are pleased with these results especially when compared to the increase of 3% for both the MSCI World Index and the Lipper Global Fund Index.

For the twelve-month period ending June 30, 2001, The Oakmark Global Fund returned 28% compared to declines of 20% and 17% for the MSCI World Index and the Lipper Global Fund Index respectively. The 28% gain for the twelve-month period ending June 30, 2001, places The Oakmark Global Fund as the #1 performing global fund out of 260 funds according to Lipper Inc. and in the top 1% of funds classified by Morningstar as World Stock funds.¹⁶

Concentration Benefits

One of the primary drivers of The Oakmark Global Fund's strong investment performance is our concentrated investment philosophy. We define concentrated investing as placing a large portion of the Fund's assets in our best ideas and limiting our holdings to position sizes that can have a meaningful impact on the overall portfolio. When our current fiscal year began last October, The Oakmark Global Fund's four largest positions comprised 24% of the total assets in the fund. The top four positions were Nova Corporation: 6.9% of assets, ITT Educational: 6% of assets, Reynolds & Reynolds: 5.5% of assets, and Somerfield PLC: 5.2% of assets. Given their large weighting in the fund, we thought we would review how these positions have performed since the current fiscal year began.

Nova Corporation – Since September 30, 2000, Nova Corporation's stock price has appreciated 84%. In July of 2000, Nova Corporation experienced problems in one of their acquired merchant portfolios, which caused a significant decline in the company's stock price. After reviewing the situation, we felt the problems Nova was experiencing were temporary and viewed the stock price decline as an opportunity to make Nova the Fund's largest position. On May 7, 2001, Nova Corporation agreed to be acquired by US Bancorp for \$31 per share or an 81% premium to the September 30, 2000 closing stock price.

ITT Educational Services – Since September 30, 2000, ITT Educational's stock price has appreciated 66%. In the fall of 2000, ITT Educational faced two issues: 1) The company changed its core curriculum to be more Information Technology oriented, which caused enrollment erosion in their old programs of study (Core Electronics and Computer Aided Design). 2) The Office of Inspector General (OIG) began an investigation into ITT's compensation practices for student recruiters. After extensive research, we concluded that ITT's new curriculum was exceptional and that the erosion in the older programs of study was a temporary issue while the company worked to add more Information Technology content to the older core programs. In addition, we found ITT's compensation practices to be in line with industry standards and felt the OIG investigation would not have a material impact on the company. Since September 30, 2000, both of ITT's issues have been resolved favorably and the stock price has responded accordingly.

Reynolds & Reynolds – Since September 30, 2000, Reynolds & Reynolds' stock price has appreciated 10.4%. In April of 2000, Reynolds decided to sell their slower growth forms business and focus exclusively on their computer services division. Given that REY was the dominant player in providing computer-based dealer management systems to automotive dealers, which have high recurring revenues and 19% operating margins, we felt that investors would begin to place a much higher valuation on the company. However, the economic slowdown has

dampened Reynolds' growth prospects temporarily, causing investors to react more slowly than we had originally estimated in revaluing the business. We continue to like Reynolds' business and future prospects and the company remains one of the largest positions in the Fund.

Highlights

- The Fund increased 16% for the quarter, compared to a return of 3% for both the MSCI World Index and the Lipper Global Fund Index.
- A primary driver of the Fund's strong performance is our concentrated philosophy—allowing our best ideas to have a significant impact on performance. Top holdings include Nova Corporation, ITT Educational, Reynolds & Reynolds, and Somerfield PLC.
- We believe we have some of the highest quality research analysts in the industry who continue to find attractive ideas.

Somerfield PLC – Since September 30, 2000, Somerfield's stock price has appreciated 58% in U.S. dollars. In April of 2000, John Von Spreckelsen and his team took over the management of the Somerfield. John's team quickly implemented basic retailing standards and stabilized Somerfield's market share, restored its financial health and brought the company back to profitability. Over the next few years, we expect John and his team to revitalize the store base and push Somerfield closer to industry-wide levels of profitability, and we expect the share price to continue to follow these improvements upward.

As you can see from the performance of our largest holdings over the past nine months, we believe we have some of the highest quality research analysts in the industry

who continue to find these attractive ideas. It is important to note that the level of concentration in the Fund will vary depending upon the investment opportunities available. However, we always strive to have a large portion of the Fund's assets concentrated in the best ideas we see around the world. While we experienced solid performance over the past quarter and year, we continue to find many attractive investment ideas which we will highlight in the next quarterly letter.

Thank you for your continued confidence and support.



Michael J. Welsh, CFA, CPA

Portfolio Manager
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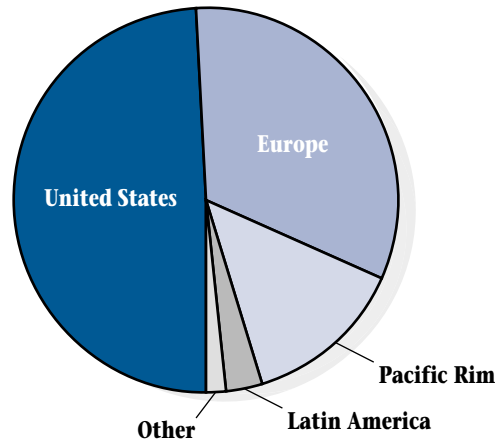
Gregory L. Jackson

Portfolio Manager
gjackson@oakmark.com

July 10, 2001

THE OAKMARK GLOBAL FUND

Global Diversification—June 30, 2001



	<u>% of Fund Net Assets</u>
 United States	47.5%
 Europe	31.6%
Great Britain	14.7%
* Italy	4.5%
* France	4.1%
* Netherlands	2.8%
* Finland	2.7%
Switzerland	2.4%
* Germany	0.4%

	<u>% of Fund Net Assets</u>
 Pacific Rim	13.0%
Korea	5.0%
Japan	4.8%
Australia	3.2%
 Latin America	3.1%
Mexico	1.9%
Panama	1.2%
 Other	1.5%
Israel	1.5%

* Euro currency countries comprise 14.5% of the Fund.

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2001 (Unaudited)

Description	Shares Held	Market Value
Common Stocks—96.7%		
Food & Beverage—7.0%		
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	130,000 \$ 1,427,101
Hite Brewery Co., Ltd. (Korea)	Brewer	35,500 1,198,347
Lotte Chilsung Beverage Company (Korea)	Soft Drinks, Juices, & Sport Drinks Manufacturer	6,700 <u>984,006</u>
		3,609,454
Apparel—0.7%		
Fila Holding S.p.A. (Italy), (a)(b)	Athletic Footwear & Apparel	91,900 \$ 344,625
Retail—7.5%		
Somerfield plc (Great Britain)	Food Retailer	1,198,000 2,210,158
ShopKo Stores, Inc. (United States), (a)	Specialty Discount Retailer	166,800 1,214,304
House of Fraser Plc (Great Britain)	Department Store	320,000 <u>432,629</u>
		3,857,091
Home Furnishings—2.8%		
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	52,300 \$ 1,467,046
Other Consumer Goods & Services—1.6%		
Royal Doulton plc (Great Britain), (a)	Tableware & Giftware	1,340,000 \$ 802,027
Bank & Thrifts—1.2%		
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	17,300 \$ 636,121
Other Financial—1.9%		
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	228,000 \$ 996,392
Hotels & Motels—1.8%		
Jarvis Hotels plc (Great Britain)	Hotel Operator	565,000 \$ 942,892

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—96.7% (cont.)		
Human Resources—2.2%		
Heidrick & Struggles International, Inc. (United States), (a)	57,000	\$ 1,148,550
Educational Services—6.3%		
Learning Tree International, Inc. (United States), (a)	92,000	2,109,560
ITT Educational Services, Inc. (United States), (a)	25,000	1,125,000
		<u>3,234,560</u>
Marketing Services—0.7%		
Arbitron Inc. (United States)	15,300	\$ 368,730
Information Services—11.4%		
Equifax Inc. (United States)	55,000	2,017,400
Ceridian Corporation (United States)	105,000	2,012,850
NOVA Corporation (United States), (a)	60,000	1,887,000
		<u>5,917,250</u>
Computer Equipment—2.5%		
Infocus Corporation (United States), (a)	78,000	\$ 1,306,500
Computer Services—2.9%		
Meitec Corporation (Japan)	45,100	\$ 1,508,035
Computer Software—9.9%		
Novell, Inc. (United States), (a)	625,000	\$ 3,262,500
The Reynolds and Reynolds Company, Class A (United States)	85,000	1,865,750
		<u>5,128,250</u>

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—96.7% (cont.)		
Computer Systems—2.0%		
Lectra Systemes (France), (a)	Manufacturing Process Systems 268,000	\$ 1,056,092
Telecommunications—2.0%		
CenturyTel, Inc. (United States)	Telecommunications 35,000	\$ 1,060,500
Broadcasting & Cable TV—1.9%		
Grupo Televisa S.A. (Mexico), (a)(b)	Television Production & Broadcasting 24,700	\$ 988,247
Printing—4.2%		
Valassis Communications, Inc. (United States), (a)	Product Promotions Printer 60,000	\$ 2,148,000
Medical Products—2.0%		
Edwards Lifesciences Corporation (United States), (a)	Respiratory Products 40,000	\$ 1,054,400
Automobiles—3.9%		
Ducati Motor Holding S.p.A. (Italy), (a)	Motorcycle Manufacturer 1,328,000	\$ 1,991,981
Instruments—1.5%		
Orbotech, Ltd. (Israel), (a)	Optical Inspection Systems 21,300	\$ 767,865
Machinery & Industrial Processing—2.7%		
Metso Oyj (Finland)	Paper & Pulp Machinery 124,000	\$ 1,376,597
Chemicals—2.4%		
Givaudan (Switzerland), (a)	Fragrance & Flavor Compound Manufacturer 4,500	\$ 1,248,678
Production Equipment—0.4%		
Krones AG (Germany)	Production Machinery Manufacturer 5,250	\$ 185,973

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—96.7% (cont.)		
Other Industrial Goods & Services—5.5%		
Enodis plc (Great Britain)	Food Processing Equipment 906,700	\$ 1,806,821
GFI Industries SA (France)	Industrial Fastener Manufacturer 42,800	1,056,570
		<u>2,863,391</u>
Diversified Conglomerates—7.8%		
Viad Corp. (United States)	Payment Services & Convention Organizer 75,000	\$ 1,980,000
Pacific Dunlop Limited (Australia)	Diversified Manufacture 3,850,000	1,649,502
Tae Young Corporation (Korea)	Heavy Construction 16,900	409,342
		<u>4,038,844</u>
Total Common Stocks (Cost: \$44,950,469)		50,048,091
Short Term Investments—3.6%		
Commercial Paper—1.9%		
General Electric Capital Corporation, 4.08% due 7/2/2001	\$1,000,000	\$ 1,000,000
Total Commercial Paper (Cost: \$1,000,000)		1,000,000
Repurchase Agreements—1.7%		
State Street Repurchase Agreement, 3.85% due 7/2/2001	869,000	869,000
Total Repurchase Agreements (Cost: \$869,000)		869,000
Total Short Term Investments (Cost: \$1,869,000)		1,869,000
Total Investments (Cost \$46,819,469)—100.3%		\$ 51,917,091
Foreign Currencies (Proceeds \$4,846)—(0.0)%		\$ 4,826
Other Liabilities In Excess Of Other Assets—(0.3)% (c)		<u>(180,492)</u>
Total Net Assets—100%		\$ 51,741,425

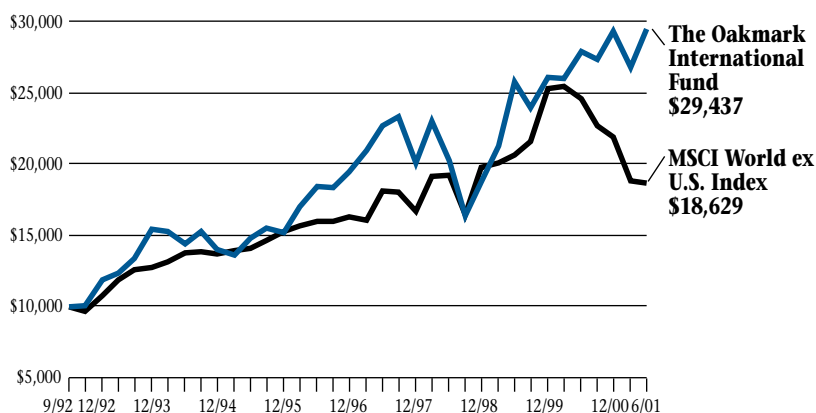
- (a) Non-income producing security.
 (b) Represents an American Depository Receipt.
 (c) Includes portfolio hedges.

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 (6/30/01) COMPARED TO THE MSCI WORLD EX U.S. INDEX¹⁷



6/30/01 NAV⁴ \$15.52

	Average Annual Total Return ¹	
	Total Return Last 3 months*	Through 6/30/01 From Fund Inception 9/30/92
The Oakmark International Fund	9.99%	13.13%
MSCI World ex U.S. Index w/inc.	-1.04%	7.37%
MSCI EAFE Index w/inc. ¹⁸	-1.32%	7.18%
Lipper International Fund Index ¹⁹	0.59%	9.05%

*Not annualized.

Fellow Shareholders,

Your fund achieved an outstanding 10% return in the 2nd calendar quarter of this year. This compares very favorably with the MSCI World ex U.S. Index, which lost 1% and the Lipper International Fund Index, which was up 1%.

Since its inception almost 9 years ago, your fund has achieved an annual rate of return of 13%. This compares to a 7% return for MSCI World ex U.S. Index and a 9% return for the Lipper International Fund Index. Since inception, the Fund's 13% return put it in the top 5% of all international funds in the Lipper Universe ranking 4th of 89 funds.²⁰

Patience and Discipline Do Pay Off!

The results you have just read about are derived from what we think are our two strongest attributes as managers: our very sound value investment philosophy and the disciplined execution of that same philosophy. A clear example of this is embodied in our investment in **Somerfield plc**, the UK based grocery store chain. We have been involved in this company twice over the last 4 years. The first time we bought it at a low price, and sold it at a healthy profit less than 2 years later as the share hit its sell price.

We started to repurchase the shares on price weakness at around 200p after management disappointed the market with a poorly executed acquisition. The stock continued to plummet as a result of problems related to this acquisition. When the dust finally settled in April of 2000, the market was valuing the company at just 50p. Even though the market hated the business, we were firmly convinced, given the company's

competitive advantages, financial strength and new, proven management, that the underlying value of Somerfield was worth several multiples of its 50p price. While the “street” in London was talking bankruptcy, we saw firm financial footing based on the low debt levels and the intrinsic value of the company’s owned real estate. We also recognized the natural advantage of their urban locations as well as the strength of the new management team, which had a long track record of retail success. As a result of the unrealistic market price, we substantially increased our holdings making it one of your fund’s largest positions.

Over the last year, Somerfield’s share price has risen over 145%! In this last quarter alone, almost two percentage points of return to the Fund are attributable to this stock. More importantly, the company is growing business value again, is turning around the division that caused the original troubles and has maintained its pristine balance sheet. And, like clockwork, the “street” now loves the stock. The same sell-side analyst who said the company was going under just over one year ago, presently says it worth over 200p. Now we actually agree with him!

This illustrates the strength of our independent thinking and the adherence to our value philosophy. **These elements are the source of our success.** Certainly, every stock we own does not always give us the excitement of Somerfield, but we hope this example has provided insight into how we think and behave as investors.

And Here is One That Has Not Worked So Well

For a long time, we have held shares in the Italian athletic footwear and apparel maker, **Fila**. We originally bought the company when it was first floated, more than doubled our money and sold as the shares hit fair value. At that point we should have moved on. However, on rising market share and sales momentum, the stock soared from the \$30’s (where we sold it) to over \$120 dollars! We thought the stock was grossly overpriced until it fell back into the low \$40’s. The company’s sales and profits were much higher than before, but growth had slowed. We began to rebuild a position, although we later realized we overestimated the quality of the management and underestimated the weakness of the brand in the USA.

The operating situation of Fila got worse before finally stabilizing. Management was replaced with more astute people and sales continued to grow outside of the USA.

Highlights

- The Fund increased 10% in the 2nd quarter, which compares favorably with the MSCI World ex U.S. Index, which lost 1%, and the Lipper International Fund Index, which was up 1%.
- A clear example of our disciplined adherence to our value philosophy is Somerfield plc, the UK based grocery store chain, which has risen over 145% over the past year.
- Foreign currencies, the Euro and a number in emerging markets, are substantially under priced. Though investment decisions are not predicated on currency movement, we believe owning these currencies at attractive prices will enhance return.

These factors as well as the financial security of a major Italian company being the majority shareholder, let us to believe the company had bottomed. However, the hidden mistakes of the old management kept surfacing. Sadly, costs grew as fast as revenues in the glory years and when revenues dropped, costs did not. This presented the new management with problems that distracted them from brand building. Excess warehouse space, the ludicrous Grant Hill endorsement contract, and poorly managed foreign subsidiaries represented assets that were not carrying their weight.

The vast value destruction caused by previous management, much of which appeared in the form of delayed “landmines,” has taken its toll. Today, we still think the company has merits, especially since much has been done to repair the mistakes of the past. Fila had the biggest negative impact for the quarter costing the Fund almost one-half percent.

Today, the Fila brand is gaining strength, albeit slowly, and is more visible in the US. Fila is a major global brand that has unique attributes tied to its Italian heritage. Fila remains undervalued but is, unfortunately, worth only a fraction of our original appraisal. The lessons learned from this investment were painful but we hope to put them to good use in our research process in the future.

Looking Ahead

We continue to find many companies across countries and industries that fit our strict investment criteria. We also believe foreign currencies such as the Euro and some of those in emerging markets are substantially under priced. Though our investment decisions are not predicated on currency movements, we believe that owning some of these currencies at these prices will enhance return going forward. Finally, we thank our loyal shareholders that continue to place their trust and hard earned savings with us. We will continue to work hard to deliver strong results.



David G. Herro, CFA

Portfolio Manger
dherro@compuserve.com



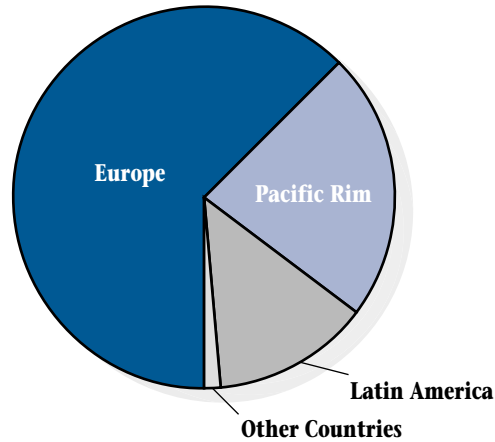
Michael J. Welsh, CFA, CPA

Portfolio Manager
102521.2142@compuserve.com

July 11, 2001

THE OAKMARK INTERNATIONAL FUND

International Diversification—June 30, 2001



	% of Fund Net Assets		% of Fund Net Assets
 Europe	59.9%	 Pacific Rim	21.8%
Great Britain	21.4%	Japan	6.4%
* Netherlands	7.4%	Korea	6.1%
* Finland	7.0%	Australia	4.2%
* France	6.7%	Singapore	2.6%
Sweden	6.5%	Hong Kong	2.5%
* Italy	3.5%	 Latin America	12.6%
Switzerland	3.1%	Mexico	4.8%
* Ireland	2.3%	Brazil	3.3%
* Greece	1.5%	Panama	2.3%
* Austria	0.5%	Argentina	2.2%
		 Other	1.4%
		Israel	1.4%

* Euro currency countries comprise 28.9% of the Fund.

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2001 (Unaudited)

Description	Shares Held	Market Value
Common Stocks—95.7%		
Food & Beverage—10.6%		
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	3,104,000 \$ 34,074,775
Fomento Economico Mexicano, S.A. de C.V. (Mexico), (b)	Soft Drink & Beer Manufacturer	531,600 22,757,796
Quilmes Industrial S.A. (Argentina), (b)	Brewer	935,600 19,647,600
Lotte Chilsung Beverage Company (Korea)	Soft Drinks, Juices, & Sport Drinks Manufacturer	93,000 13,658,593
Lotte Confectionery Co., Ltd. (Korea)	Confection Manufacturer	20,670 <u>2,797,324</u>
		92,936,088
Apparel—3.1%		
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	32,491,000 \$ 17,079,041
Fila Holding S.p.A. (Italy), (a)(b)	Athletic Footwear & Apparel	2,716,800 <u>10,188,000</u>
		27,267,041
Retail—4.6%		
Somerfield plc (Great Britain)	Food Retailer	22,130,000 \$ 40,827,038
Household Products—1.2%		
Reckitt Benckiser plc (Great Britain)	Household Cleaners & Air Fresheners	417,200 \$ 6,016,438
Kimberly-Clark de Mexico, S.A. de C.V., Class A (Mexico), (a)	Hygiene Products Manufacturer	1,182,000 3,499,660
Societe BIC SA (France)	Basic Consumer Products Manufacturer	28,500 <u>1,038,549</u>
		10,554,647
Home Furnishings—3.9%		
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	1,206,984 \$ 33,856,608
Other Consumer Goods & Services—1.0%		
Shimano Inc. (Japan)	Bicycle Components Manufacturer	598,000 \$ 8,813,439

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—95.7% (cont.)		
Bank & Thrifts—11.2%		
Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Commercial Banking	863,500 \$ 21,976,075
Banca Popolare di Verona (Italy)	Commercial Banking	2,195,000 20,796,501
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	555,100 20,411,027
BNP Paribas SA (France)	Commercial Banking	153,000 13,329,028
Kookmin Bank (Korea)	Commercial Banking	430,000 5,769,704
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking	888,968 5,610,940
Svenska Handelsbanken AB (Sweden)	Commercial Banking	362,700 5,187,147
Bank of Ireland (Ireland)	Commercial Banking	453,000 4,453,563
National Australia Bank Limited (Australia)	Commercial Banking	65,000 <u>1,162,088</u>
		98,696,073
Other Financial—2.9%		
Daiwa Securities Group Inc. (Japan)	Stock Broker	2,424,000 \$ 25,365,408
Hotels & Motels—2.0%		
Mandarin Oriental International Limited (Singapore)	Hotel Management	33,134,400 \$ 17,561,232
Human Resources—1.4%		
Michael Page International plc (Great Britain), (a)	Recruitment Consultancy Services	5,123,000 \$ 10,100,609
Vedior NV (Netherlands)	Temporary Staffing	284,000 <u>2,575,230</u>
		12,675,839
Marketing Services—0.7%		
Cordiant Communications Group plc (Great Britain)	Advertising and Media Services	2,469,000 \$ 6,171,839
Computer Services—2.5%		
Meitec Corporation (Japan)	Software Engineering Services	667,200 \$ 22,309,550

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held	Market Value	
Common Stocks—95.7% (cont.)			
Telecommunications—3.1%			
Panafon Hellenic Telecom S.A. (Greece)	Mobile Telecommunications	2,365,000	\$ 12,826,999
Telemig Celular Participacoes S.A. (Brazil), (a)	Mobile Telecommunications	2,293,200,000	7,261,054
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	45,370	<u>6,680,781</u>
			26,768,834
Broadcasting & Cable TV—1.3%			
Grupo Televisa S.A. (Mexico), (a)(b)	Television Production & Broadcasting	283,500	\$ 11,342,835
Publishing—7.3%			
John Fairfax Holdings Limited (Australia)	Newspaper Publisher	9,874,500	\$ 20,397,781
Wolters Kluwer NV (Netherlands)	Reference Material Publisher	634,000	17,058,739
Independent News & Media PLC (Ireland)	Newspaper Publisher	7,674,400	15,283,620
N.V. Holdingmaatschappij De Telegraaf (Netherlands)	Newspaper Publisher	652,100	<u>11,605,061</u>
			64,345,201
Medical Products—2.8%			
Gambro AB, Class A (Sweden)	Manufacturer of Dialysis Products	4,000,000	\$ 24,464,269
Automotive—4.2%			
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer	632,000	\$ 20,014,932
Autoliv, Inc (Sweden)	Automotive Safety Systems Manufacturer	789,200	13,573,108
Dongah Tire Industry Company (Korea)	Innertube Manufacturer	166,290	<u>3,561,074</u>
			37,149,114
Aerospace—2.5%			
Rolls-Royce plc (Great Britain)	Aviation & Marine Power	7,142,702	\$ 22,029,357

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

	Description	Shares Held	Market Value
Common Stocks—95.7% (cont.)			
Airport Maintenance—1.0%			
	Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a)(b)	242,000	\$ 4,525,400
	Flughafen Wien AG (Austria)	125,522	4,068,790
			<u>8,594,190</u>
Instruments—1.4%			
	Orbotech, Ltd. (Israel), (a)	336,000	\$ 12,112,800
Machinery & Industrial Processing—4.3%			
	Metso Oyj (Finland)	3,402,100	\$ 37,768,724
Building Materials & Construction—2.4%			
	Kumkang Korea Chemical Co., Ltd. (Korea)	377,840	\$ 21,470,493
Components—2.5%			
	IMI plc (Great Britain)	4,624,000	\$ 14,586,833
	Morgan Crucible Company plc (Great Britain)	1,556,000	7,012,207
			<u>21,599,040</u>
Chemicals—4.8%			
	Givaudan (Switzerland), (a)	98,050	\$ 27,207,306
	Nufarm Limited (Australia)	10,127,815	15,161,307
			<u>\$ 42,368,613</u>
Other Industrial Goods & Services—10.9%			
	Enodis plc (Great Britain)	21,270,000	42,385,674
	Chargeurs SA (France)	350,067	24,623,127
	Kone Corporation, Class B (Finland)	351,160	24,253,622
	FKI plc (Great Britain)	1,236,315	4,761,915
			<u>96,024,338</u>
Steel—1.6%			
	SSAB Svenskt Stal AB, Series A (Sweden)	1,575,920	\$ 13,624,251

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—95.7% (cont.)		
Diversified Conglomerates—0.5%		
First Pacific Company Limited (Hong Kong) Diversified Operations	21,587,752	\$ 4,677,466
Total Common Stocks (Cost: \$849,473,514)		841,374,327
Short Term Investments—4.3%		
Commercial Paper—2.8%		
Ford Motor Credit Corp., 3.78% - 3.83% due 7/2/2001 - 7/3/2001	15,000,000	\$ 15,000,000
General Electric Capital Corporation, 4.08% due 7/2/2001	10,000,000	<u>10,000,000</u>
Total Commercial Paper (Cost: \$25,000,000)		25,000,000
Repurchase Agreements—1.5%		
State Street Repurchase Agreement, 3.85% due 7/2/2001	12,915,000	12,915,000
Total Repurchase Agreements (Cost: \$12,915,000)		\$ 12,915,000
Total Short Term Investments (Cost: \$37,915,000)		37,915,000
Total Investments (Cost \$ 887,388,514)—100.0%		\$ 879,289,327
Foreign Currencies (Proceeds \$ 333,129)—0.0%		\$ 332,631
Other Liabilities In Excess Of Other Assets—(0.0)% (d)		<u>(288,289)</u>
Total Net Assets—100%		\$ <u>879,333,669</u>

- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) Represents a Global Depository Receipt.
- (d) Includes portfolio hedges.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

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



Fellow Shareholders:

The recent quarter ending June 30, 2001, was another positive one for the Oakmark International Small Cap Fund. The portfolio gained 4% compared to a return of less than and 1% in the Lipper International Small Cap Average and a 1% decline in the MSCI World ex U.S. index.

For the first six months of 2001 your fund has returned 7% compared to a loss in the Lipper International Small Cap Average of 13% and a decline in the MSCI World ex U.S. index of 15%. The Fund's positive performance is especially heartening given the difficulties in overseas markets so far this year. It is in times like these that disciplined value investors pause to give thanks and then continue poking around for gems among the debris.

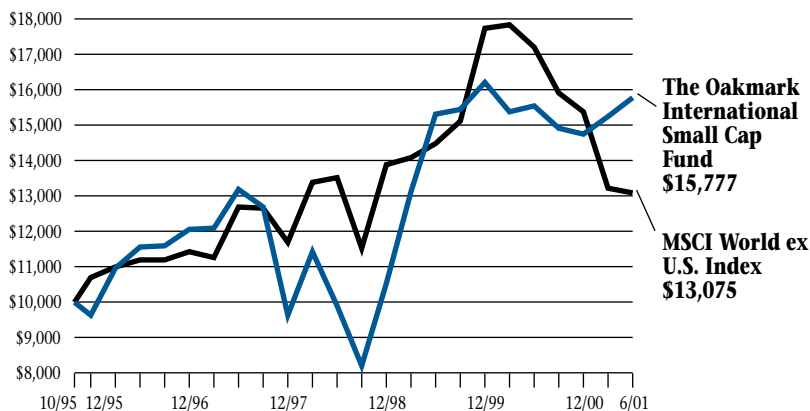
Portfolio Performance

The strength of your Fund's performance this year is due to stock selection. Geographically, the parts of the world where the out-performance has been most pronounced are the United Kingdom, Hong Kong, and Singapore.

In the United Kingdom, the market is down approximately 13% while our investments are up 10%. Two outstanding performers include House of Fraser and Jarvis Hotels, which returned 56% and 16%, respectively. We still see tremendous upside in Jarvis Hotels, so much so that it is the largest position in the Fund. Management is proactively taking action, both strategic and financial, to close the gap between the current share price and business value.

In Hong Kong, stocks are down on average around 15%. Your Fund's

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/01) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX¹⁷



6/30/01 NAV⁴ \$11.28

	Total Return Last 3 months*	Average Annual Total Return ¹ Through 6/30/01 From Fund Inception 11/1/95
The Oakmark International Small Cap Fund	3.58%	8.38%
MSCI World ex U.S. Index w/inc.	-1.04%	4.84%
Lipper International Small Cap Fund Average ²¹	0.28%	11.45%
Micropal Equity International Small Cap Index ²²	-0.42%	10.17%

*Not annualized.

investments have substantially outperformed the index returning over 20% so far in 2001. Kingmaker Footware and Jusco Stores are the two standouts, with six month total returns of 40% and 117%. Our investment in Jusco Stores is a wonderful example of the virtue of patience. As the company steadily built business value over the past three years, the share price languished. Of course, it is our job as analysts to pay more attention to the former than the latter. In May, the share price shot up 70% in the two days after the company announced annual results and a massive increase in the dividend, both of which reflected the fine work management had quietly been doing. Jusco, even after this share price move, still trades for 8 times our estimate of current earnings and yields over 8%.

Our investments in Singapore returned over 20% in the last six months, compared with a ugly 20% drop in the local market. Dairy Farm International and Delgro Corporation have both been terrific. Dairy Farm has appreciated 50% from our average cost, while Delgro has returned over 20% so far this year.

Currency Impact of the Strong US Dollar

One of the reasons investment returns in overseas markets have lagged those achieved at home in recent years is the continued strength of the US Dollar (“USD”). In the first six months of this year your Fund lost approximately 6% on foreign currency.

The USD has been on a bull run since the dark nadir of the first quarter of 1995. Long time shareholders of The Oakmark International Fund will recall that at that time we thought the USD was very undervalued relative to the currencies of the rest of the developed world. You may remember all of the trend-extrapolating pundits warning that the USD was in a permanent bear market, that it was losing its reserve currency status, that it was going to parity with the Deutsche mark, etcetera, etcetera. Our belief in the under-valuation of the USD was so strong at that time that we hedged nearly 80% of our European currency exposure.

Highlights

- The Fund’s performance this year is heartening given the difficulties in overseas markets. For the first six months of 2001 it returned 7% compared to a loss in the Lipper International Small Cap Average of 8% and a decline in the MSCI World ex U.S. index of 15%.
- Geographically, out-performance has been most pronounced in the United Kingdom, Hong Kong, and Singapore.
- Overseas markets have lagged in recent years because of the continued strength of the US Dollar—currently at a 28-year high on a trade-weighted basis. We believe that over the intermediate term a portion of Fund returns will come from holding our investment’s underlying foreign currencies.

That was then; this is now. The USD has now been appreciating for over six years, with the Deutsche mark losing nearly 40% of its value over that time. The value of the Euro since its inception has been flimsy at best. Currently, the USD is at a 28-year high on a trade-weighted basis. Foreign investors cannot get enough of the mighty greenback, with portfolio and direct investment continuing to push its value higher. At the same time, there are some worrisome economic signals, most important of which appears to be the dramatic slowdown of productivity growth. While currencies are completely unpredictable in the short-term, in the end they do reflect economic fundamentals.

In this environment we are even more excited about investing your money in overseas opportunities. We believe there is a good chance that, over the medium term, part of your future return from the Fund will come from holding the underlying foreign currencies in which these investments are denominated.

Opportunity Ahead

Even with the Fund's strong recent performance, we remain extremely optimistic about investment prospects going forward. International small cap investing is starting to return to investor's radar screens as an asset class that not only can provide strong diversification to US-based investors but, more importantly, can provide strong absolute investment returns.



David G. Herro, CFA

Portfolio Manger
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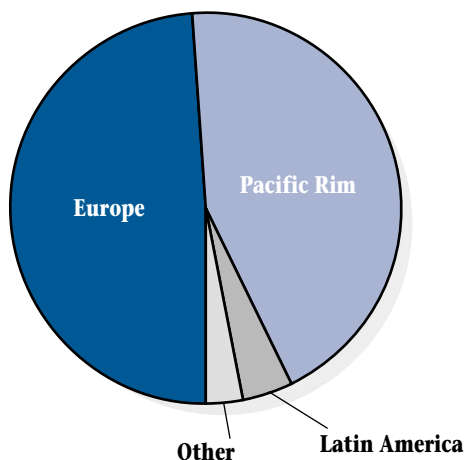
Michael J. Welsh, CFA, CPA

Portfolio Manager
102521.2142@compuserve.com

July 11, 2001

THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—June 30, 2001



	% of Fund Net Assets		% of Fund Net Assets
 Europe	46.5%	 Pacific Rim	41.6%
Great Britain	14.2%	Japan	9.7%
* France	8.9%	Hong Kong	8.5%
* Italy	7.6%	Korea	6.2%
* Germany	2.9%	Singapore	5.1%
* Finland	2.4%	New Zealand	4.8%
* Netherlands	2.0%	Australia	2.8%
* Ireland	1.9%	Thailand	2.3%
Denmark	1.7%	Philippines	2.2%
* Belgium	1.6%	 Latin America	4.2%
Switzerland	1.6%	Mexico	3.7%
Sweden	1.1%	Brazil	0.5%
Spain	0.6%	 Other	2.8%
		Bermuda	2.8%

* Euro currency countries comprise 27.3% of the Fund.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2001 (Unaudited)

	Description	Shares Held	Market Value
Common Stocks—95.1%			
Food & Beverage—9.0%			
Hite Brewery Co., Ltd. (Korea)	Brewer	93,400	\$ 3,152,833
Mikuni Coca-Cola Bottling Co., Ltd. (Japan)	Soft Drink Manufacturer	219,000	2,432,163
Alaska Milk Corporation (Philippines)	Milk Producer	49,394,000	1,959,743
Grupo Continental, S.A. (Mexico)	Soft Drink Manufacturer	1,237,000	1,796,416
Baron De Ley, S.A. (Spain), (a)	Wines & Spirits Manufacturer	31,750	<u>613,469</u>
			9,954,624
Apparel—1.9%			
Kingmaker Footwear Holdings Limited (Hong Kong)	Athletic Footwear Manufacturer	9,570,000	\$ 2,098,092
Retail—11.1%			
Dairy Farm International Holdings Limited (Singapore)	Supermarket Chain	2,502,000	\$ 1,751,400
House of Fraser Plc (Great Britain)	Department Store	1,180,000	1,595,322
Carpetright plc (Great Britain)	Carpet Retailer	189,000	1,563,741
Dickson Concepts (International) Limited (Hong Kong)	Jewelry Wholesaler & Retailer	4,345,000	1,448,371
Denny's Japan Co., Ltd. (Japan)	Restaurant Chain	88,000	1,432,443
York-Benimaru Co., Ltd. (Japan)	Supermarket Chain	53,100	1,319,942
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores	5,486,000	1,097,228
MFI Furniture Group plc (Great Britain)	Household Furniture Retailer	658,000	1,081,877
Harvey Nichols plc (Great Britain)	High Fashion Clothing Retailer	356,400	<u>1,033,952</u>
			12,324,276

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—95.1% (cont.)		
Home Furnishings—2.0%		
Industrie Natuzzi S.p.A. (Italy), (b)	Home Furniture Manufacturer 163,200	\$ 2,261,952
Office Equipment—2.6%		
Neopost SA (France), (a)	Mailroom Equipment Supplier 114,300	\$ 2,930,121
Other Consumer Goods & Services—3.4%		
Royal Doulton plc (Great Britain), (a)	Tableware & Giftware 4,387,000	\$ 2,625,740
Il Shin Spinning Company (Korea)	Fabric & Yarn Manufacturer 44,550	<u>1,162,993</u>
		3,788,733
Insurance—3.8%		
Hannover Rueckversicherungs-AG (Germany)	Reinsurance Servies 27,800	\$ 2,164,375
IPC Holdings, Ltd. (Bermuda)	Reinsurance Provider 87,700	<u>2,102,169</u>
		4,266,544
Other Financial—4.6%		
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker 713,000	\$ 3,115,909
JCG Holdings Ltd. (Hong Kong)	Consumer Finance 3,321,000	<u>1,979,878</u>
		5,095,787
Hotels & Motels—4.3%		
Jarvis Hotels plc (Great Britain)	Hotel Operator 2,836,000	\$ 4,732,817
Human Resources—3.6%		
United Services Group NV (Netherlands)	Temporary Staffing Services 127,300	\$ 2,195,365
Creyf's NV (Belgium)	Temporary Staffing Services 95,000	<u>1,811,424</u>
		4,006,789
Marketing Services—2.2%		
Asatsu-DK Inc. (Japan)	Advertising Services Provider 119,000	\$ 2,414,161
Computer Systems—1.7%		
Lectra Systemes (France), (a)	Manufacturing Process Systems 475,400	\$ 1,873,381

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—95.1% (cont.)		
Telecommunications—0.5%		
Telemig Celular Participacoes S.A. (Brazil), (a)	Mobile Telecommunications 190,000,000	\$ 601,605
Broadcasting & Cable TV—0.5%		
ABS-CBN Broadcasting Corporation (Philippines)	Television & Broadcasting Operator 685,000	\$ 522,651
Publishing—5.0%		
Matchon Public Company Limited, Foreign Shares (Thailand)	Newspaper Publisher 2,039,500	\$ 2,546,558
Edipresse S.A. (Switzerland)	Newspaper & Magazine Publisher 5,660	1,824,180
VLT AB, Class B (Sweden)	Newspaper Publisher 153,450	1,185,487
		<u>5,556,225</u>
Printing—1.2%		
Hung Hing Printing Group Limited (Hong Kong)	Printing Company 3,373,000	\$ 1,318,963
Automobiles—3.4%		
Ducati Motor Holding S.p.A. (Italy), (a)	Motorcycle Manufacturer 2,545,000	\$ 3,817,464
Transportation Services—3.3%		
Mainfreight Limited (New Zealand)	Logistics Services 3,993,551	\$ 1,811,027
DelGro Corporation Limited (Singapore)	Bus, Taxi, & Car Leasing 1,126,000	1,792,207
		<u>3,603,234</u>
Airport Maintenance—3.9%		
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a)(b)	Airport Operator 124,900	\$ 2,335,630
Kobenhavns Lufthavne A/S (Copenhagen Airports A/S) (Denmark)	Airport Management & Operations 24,800	1,933,531
		<u>4,269,161</u>

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—95.1% (cont.)		
Instruments—2.1%		
Halma plc (Great Britain)	Detection Systems Producer	521,000 \$ 1,148,279
Rotork plc (Great Britain)	Industrial Controls & Instruments Supplier	182,000 916,310
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	11,200 284,743
		<u>2,349,332</u>
Machinery & Industrial Processing—1.3%		
ASM Pacific Technology Limited (Hong Kong)	Semiconductor Machinery	815,000 \$ 1,468,083
Building Materials & Construction—5.0%		
Fletcher Building Limited (New Zealand)	Building Materials Manufacturer	3,652,000 \$ 3,504,506
Grafton Group plc (Ireland)	Building Materials Distributor	723,000 2,077,074
		<u>5,581,580</u>
Chemicals—2.1%		
Kemira Oyj (Finland)	Chemicals	459,400 \$ 2,335,910
Production Equipment—4.4%		
Interpump Group Spa (Italy)	Pump and Piston Manufacturer	700,500 \$ 2,392,363
NSC Groupe (France)	Textile Equipment Manufacturer	17,466 1,423,170
Krones AG (Germany)	Production Machinery Manufacturer	29,300 1,037,906
		<u>4,853,439</u>
Other Industrial Goods & Services—4.2%		
GFI Industries SA (France)	Industrial Fastener Manufacturer	145,800 \$ 3,599,249
Coats Viyella plc (Great Britain)	Textile Manufacturer	1,460,000 1,074,322
		<u>4,673,571</u>

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2001 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—95.1% (cont.)		
Diversified Conglomerates—8.0%		
Pacific Dunlop Limited (Australia)	Diversified Manufacturer 7,299,626	\$ 3,127,466
Haw Par Corporation Ltd. (Singapore)	Healthcare & Leisure Products 903,000	2,150,944
Jardine Strategic Holdings Limited (Bermuda)	Diversified Operations 340,700	974,402
Tae Young Corporation (Korea)	Heavy Construction 106,600	2,582,007
		8,834,819
Total Common Stocks (Cost: \$110,332,177)		105,533,314
Short Term Investments—4.8%		
Commercial Paper—3.6%		
Ford Motor Credit Corp., 3.83% due 7/2/2001	\$ 2,000,000	\$ 2,000,000
General Electric Capital Corporation, 4.08% due 7/2/2001	2,000,000	2,000,000
Total Commercial Paper (Cost: \$4,000,000)		4,000,000
Repurchase Agreements—1.2%		
State Street Repurchase Agreement, 3.85% due 7/2/2001	\$ 1,301,000	\$ 1,301,000
Total Repurchase Agreements (Cost: \$1,301,000)		1,301,000
Total Short Term Investments (Cost: \$5,301,000)		5,301,000
Total Investments (Cost \$115,633,177)—99.9%		\$ 110,834,314
Foreign Currencies (Proceeds \$25,730)—0.0%		\$25,713
Other Assets In Excess Of Other Liabilities—0.1% (c)		71,359
Total Net Assets—100%		\$ 110,931,386

- (a) Non-income producing security.
 (b) Represents an American Depository Receipt.
 (c) Includes portfolio hedges.

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 or call 1-800-OAKMARK. Please read the prospectus carefully before investing.

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

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

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

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

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

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

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

¹ Total return includes change in share prices and in each case includes reinvestment of any dividends and capital gain distributions.

The performance information for The Oakmark Select Fund, The Oakmark Small Cap 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 less than 90 days. The purpose of this redemption fee is to deter market timers.

² Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.

³ The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies.

⁴ NAV stands for Net Asset Value. NAV is the dollar value of a single mutual fund share, based on the value of the underlying assets of the fund minus its liabilities divided by the number of shares outstanding.

⁵ The Dow Jones Industrial Average is an unmanaged index that includes only 30 big companies.

⁶ The Lipper Large Cap Value Fund Index measures the performance of the thirty largest U.S. large-cap value funds tracked by Lipper.

⁷ 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.

⁸ The Lipper Mid Cap Value Fund Index measures the performance of the thirty largest U.S. mid-cap value funds tracked by Lipper.

⁹ The Russell 2000 Index is an unmanaged, market-weighted index, with dividends reinvested, of 2,000 small companies, formed by taking the largest 3,000 small companies and eliminating the largest 1,000 of those companies.

¹⁰ The Lipper Small Cap Fund Index measures the performance of the thirty largest U.S. small-cap value funds tracked by Lipper.

- 11 The S&P Small Cap 600 Index measures the performance of selected U.S. stocks with small market capitalizations.
- 12 The Lipper Balanced Fund Index measures the performance of the thirty largest U.S. balanced funds tracked by Lipper.
- 13 The Lehman Govt./Corp. Bond Index is an unmanaged index that includes the Lehman Government and Lehman Corporate indices.
- 14 The MSCI World Index is made up of 20 country sub-indexes, including the stock exchanges of the U.S., Europe, Canada, Australia and New Zealand and the Far East. This index is unmanaged and investors cannot actually make investments in this index.
- 15 The Lipper Global Fund Index is an unmanaged index that includes 30 mutual funds that invest in securities throughout the world.
- 16 Lipper, Inc. is an independent monitor of mutual fund performance. The Oakmark Global Fund ranked #7 of 237 funds in the global funds category since inception (8/4/99) as of 6/30/01. Morningstar is an independent monitor of mutual fund performance. There were 228 funds in the World Stock category for the 1-year period ending 6/30/01. Morningstar does not provide a Morningstar Rating for a Fund that is less than three years old (Fund inception 8/4/99).
- 17 The MSCI World Ex U.S. Index is an unmanaged index made up of 19 country sub-indexes, excluding the U.S.
- 18 The MSCI EAFE Index is the Morgan Stanley Europe, Australia, and Far East Index, which is an unmanaged, market-value weighted index designed to measure the overall condition of overseas markets.
- 19 The Lipper International Fund Index is an unmanaged index that includes 30 mutual funds that invest in securities whose primary markets are outside the U.S.
- 20 Lipper, Inc. is an independent monitor of mutual fund performance. The Oakmark International Fund ranked #6 of 716, #31 of 325 and #4 of 89 funds in the international funds category for the one and five year periods and since inception, respectively as of 6/30/01.
- 21 The Lipper International Small Cap Average includes 76 mutual funds that invest in securities whose primary markets are outside the U.S.
- 22 The Micropal Equity International Small Cap Index is an unmanaged, unweighted index comprised of all funds within the international small company fund sector.
- 23 During the period since inception (8/4/99), IPOs contributed an annualized 3.54% to the performance of The Oakmark Global Fund. As the IPO environment changes and the total net assets of the Fund grow, the impact of IPOs on performance is expected to diminish. "IPO" stands for Initial Public Offering, which is the first sale of stock by a company to the public.
- 24 The Price-Earnings Ratio ("P/E") is the most common measure of how expensive a stock is.





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