The Oakmark Fund

The Oakmark Select Fund

The Oakmark Equity and Income Fund

The Oakmark Global Fund

The Oakmark International Fund

The Oakmark International Small Cap Fund

FIRST QUARTER REPORT

DECEMBER 31, 2005

OAKMARK

Advised by Harris Associates L.P.

THE OAKMARK FUNDS

2006 First Quarter Report

FORWARD-LOOKING STATEMENT DISCLOSURE

Dear Fellow Shareholders,

Most of the broad domestic and international stock indexes rose by small amounts in the fourth quarter. While all of our Funds achieved positive results, our performance relative to overall market results was mixed. For the full year 2005, international markets produced excellent double-digit returns, while domestic markets posted much lower returns. Most of our Funds produced full year 2005 results above or in line with their respective benchmarks. Unfortunately, The Oakmark Fund was the one Fund that did not meet our goal of producing positive results for shareholders—as it had a small loss for the year.

Buying Stocks at a Discount to Value

At Oakmark, our investment philosophy focuses on identifying growing businesses that are run by management teams intent on increasing shareholder value. Our goal is to buy the stocks of these companies only when they are priced at substantial discounts to our estimate of intrinsic value. The cornerstone of this process is estimating the intrinsic value (or private market value) of companies in which we might invest. If our analysts' estimates of value are correct, the toughest part of our job is done.

As we look back over the past year and consider our current portfolio positions, we are encouraged by three positive developments related to the valuation of our holdings. First, worldwide acquisition activity has picked up significantly, and acquisition prices have generally confirmed our estimates of intrinsic value. Private market value—the price that an informed buyer is willing to pay to own and control all of a company—is an important input into our estimates of value. Acquisitions in several industries—including energy, newspapers, cable TV, and consumer products—have validated our business value estimates.

Second, earnings and cash flow growth for the companies that we own have generally been strong, and as a result, we believe intrinsic value has grown significantly over the past year for a great number of our holdings. In the U.S., in particular, intrinsic values of our holdings have grown at a faster rate than the increase in market prices. While we believe that both our international and domestic portfolios offer attractive valuations, our U.S. portfolio holdings, as a group, sell at a larger discount to value than a year ago.

Third, many of our holdings' management teams have large existing and/or recently implemented share repurchase authorizations. When a company with an undervalued stock makes large repurchases of its shares, two good things happen to our holdings: 1) per share intrinsic value of the company rises (yet again!) and 2) the repurchases provide a lift for a holding's share price, which often helps close the gap between market price and intrinsic value.

Personal Investment in the Funds

At Oakmark, we believe that share ownership helps to align the interests of management with shareholders. When management has a meaningful stake invested alongside other shareholders, the focus on performance and shareholder value is intensified. We believe this is true for the companies that we invest in, as well as for the mutual funds that we manage. Significant ownership of Fund shares—not just by Fund portfolio managers, but by all levels of employees at the Fund and its adviser (including analysts, senior management, trustees and others)—communicates a higher standard of integrity, focus, and commitment.

We have made a practice of encouraging ownership of The Oakmark Funds and have made a custom of reporting to shareholders annually on the level of Fund ownership. **In this regard, we are pleased to announce that as of December 31, 2005, the employees of the Funds' adviser, Harris Associates L.P., the Funds' officers and trustees and their families have over $200 million invested in The Oakmark Funds. This compares to an investment of $180 million in December 2004, the last date for which we reported holdings.** This increase represents a combination of price appreciation and additional purchases.

For those particularly interested in portfolio manager holdings, all of our Fund managers own at least $1 million of the Fund that they manage. As required under recent SEC rules, we will provide more details on portfolio manager holdings when we release our year-end filings later this month.

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

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

THE OAKMARK FUNDS

Summary Information

Performance for Period Ended December 31, 2005[1]	The Oakmark Fund—Class I (OAKMX)	The Oakmark Select Fund—Class I (OAKLX)	The Oakmark Equity and Income Fund—Class I (OAKBX)
*3 Months**	1.16%	4.56%	0.44%
1 Year	-1.31%	4.84%	8.60%
Average Annual Total Return for:			
3 Year	11.38%	14.06%	13.87%
5 Year	6.94%	10.37%	11.27%
10 Year	8.39%	N/A	13.72%
Since inception	15.39% (8/5/91)	18.81% (11/1/96)	13.75% (11/1/95)
Top Five Equity Holdings as of December 31, 2005[2] *Company and % of Total Net Assets*	Washington Mutual, Inc. 3.4% McDonald's Corporation 2.9% Yum! Brands, Inc. 2.5% Viacom Inc., Class B 2.4% H&R Block, Inc. 2.4%	Washington Mutual, Inc. 15.5% Yum! Brands, Inc. 6.9% H&R Block, Inc. 6.5% First Data Corporation 5.4% Time Warner Inc. 4.6%	XTO Energy, Inc. 4.6% Burlington Resources Inc. 4.3% Nestle SA 2.9% Caremark Rx, Inc. 2.7% General Dynamics Corporation 2.4%
Sector Allocation as of December 31, 2005 *Sector and % of Market Value*	Consumer Discretionary 44.8% Financials 15.6% Consumer Staples 12.6% Information Technology 10.5% Industrials 7.2% Health Care 5.9% Energy 3.4%	Consumer Discretionary 47.9% Financials 24.4% Information Technology 10.2% Health Care 8.1% Energy 4.8% Industrials 4.6%	U.S. Government Securities 29.6% Energy 14.0% Consumer Staples 11.3% Consumer Discretionary 11.1% Industrials 10.5% Health Care 6.9% Financials 6.8% Foreign Government Securities 6.7% Information Technology 2.7% Materials 0.4%

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

* Not annualized

The Oakmark Global Fund—Class I (OAKGX)	The Oakmark International Fund—Class I (OAKIX)	The Oakmark International Small Cap Fund—Class I (OAKEX)
3.29%	2.52%	6.58%
13.23%	14.12%	21.26%
24.95%	23.33%	33.57%
18.05%	10.25%	20.63%
N/A	12.14%	14.62%
16.43% (8/4/99)	12.53% (9/30/92)	13.94% (11/1/95)
Burlington Resources Inc. 5.4% Diageo plc 4.0% Nestle SA 3.8% Julius Baer Holding Ltd., Class B 3.7% Takeda Pharmaceutical Company Limited 3.4%	GlaxoSmithKline plc 3.5% Bayerische Motoren Werke (BMW) AG 3.1% Diageo plc 3.0% SK Telecom Co., Ltd. 2.9% Bank of Ireland 2.8%	Carpetright plc 4.1% Julius Baer Holding Ltd., Class B 4.0% Matalan PLC 3.8% Benfield Group Plc 3.6% JJB Sports plc 3.5%
Consumer Discretionary 23.6% Financials 13.6% Health Care 13.0% Consumer Staples 12.6% Information Technology 12.2% Industrials 10.2% Energy 5.4% Telecommunication Services 4.8% Materials 4.6%	Financials 24.5% Consumer Discretionary 21.5% Consumer Staples 18.3% Health Care 9.8% Materials 7.8% Telecommunication Services 7.4% Industrials 6.6% Information Technology 2.5% Energy 1.6%	Consumer Discretionary 25.2% Industrials 23.3% Financials 17.3% Information Technology 17.0% Materials 6.5% Consumer Staples 4.6% Health Care 4.4% Telecommunication Services 1.7%

THE OAKMARK AND OAKMARK SELECT FUNDS

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

I'm pleased to say that our new fiscal year is off to a good start, with positive returns for both Funds, as compared to our somewhat disappointing 2005 year. We continue to be optimistic due to the low returns of competing investments, primarily bonds, and because of P/E[3] levels that appear reasonable relative to historic norms. We also believe that the risk level in our portfolios is somewhat below our typical levels. Normally, value funds like ours tend to own many stocks that need to alter their fundamental performance dramatically in order to justify higher stock prices. Today, many of our holdings are in businesses that have performed very well over long periods, but whose historical price premiums have narrowed considerably. We usually think that stock prices are too high for businesses that have been experiencing above average growth, but we are now very pleased with the increasing opportunity to own above average businesses at average prices.

Our biggest news in the quarter was that we filed a 13-D with the SEC for our holding in Knight Ridder, which—as publisher of 31 daily newspapers—is one of the largest newspaper companies in the U.S. A 13-D indicates to the public and the company that we no longer intend to remain passive investors. In our filing, we included the letter we sent to Knight Ridder's Board of Directors in which we urged the Board to consider selling the company. Given our performance last year, some e-mailers asked why we weren't sending out more of those letters! Though the question itself is only rhetorical, I think the answer of how we relate to managements of our holdings is an important one.

One would like to believe that any investor would view their right to participate in proxy voting as an important tool for maximizing his or her investment return. But, that isn't always the case. The business section of *The New York Times* first edition of 2006 had a banner headline, "The Big Winner, Again, is 'Scandalot.'" The article summarized an unfortunately lengthy list of 2005 corporate scandals. Another article in the same paper, "Maybe the Stock Pickers Have Gone Fishing," showed that forty years ago about 80% of trading was done by "stock-pickers," but today nearly that same percentage is accounted for by passive traders—such as indexers. The tie between these two stories may not be obvious, but as fewer shareholders think of themselves as owners, fewer have any interest in corporate governance. An important check on management is being lost, and it is creating an environment that allows some managements to engage in value-destroying behavior.

As long-term investors, we highly value the voting right that comes with stock ownership. Though voting is important, it is certainly not the only way we ensure that management is representing our interest. Our initial attempt to align managements' interests with ours occurs during our research process. Long before we decide to purchase a stock, our analysts review management's incentives to assess whether or not actions that maximize a manager's wealth also maximize the wealth of the shareholders. It is nearly a sure bet that any individual will act in his or her own economic self-interest, so we want management's interest to be the same as ours. We like to see incentive plans tied to variables that we think are tightly linked to business value, and therefore stock prices. For example, we prefer a bonus structure based on EPS[4] growth to one based on Net Income growth because the latter structure is more likely to encourage growth that is detrimental to per-share value. We also look closely at what managements have said. We like to see corporate goals that emphasize maximizing the long-term, per-share value of the company. Such language is, to us, far preferable to language that stresses the importance of various "stakeholders." While it is certainly important to consider stakeholders such as employees and customers, we want their interests to be considered only in the context of maximizing long-term, per-share business value. We also look at what managements have done. We like to see evidence of a willingness to make value-maximizing decisions, particularly when those decisions don't make the manager's job bigger. Examples include repurchasing stock, selling a division, or even selling the whole company. Only when we believe that a management team is likely to act in our interest will we make an investment.

After we make our investment we continue communicating with company management. We read their statements, listen to their conference calls, attend their speeches, talk to them on the phone and meet with them in groups and privately. Our goal is to make sure that, as we expected, they are acting in our interest.

Should we see red flags that make us question that belief, our first step is to have a private discussion with them, and hopefully they can explain their actions. I vividly remember a meeting with the CEO of one of our previous holdings, First USA. We wanted them to reduce their marketing spending, and instead use that money to repurchase their undervalued stock. The CEO respectfully listened to our criticism. Then he explained that based on how we valued the business, his marketing spending was creating value of three times its cost, whereas share repurchase would only create value of two times its cost. He was right, we were wrong, and our confidence in First USA's management was restored.

Sometimes, however, the CEO can't satisfy our concerns, and we end the private discussion convinced that our goals aren't aligned. When that happens, our first step is to evaluate how undervalued the stock is relative to other stocks we could invest in. If that undervaluation is similar to companies with better management, then we will usually sell the stock and reinvest the proceeds. But when the stock looks significantly more attractive than other investments, we will take further steps. When talking privately with a manager doesn't produce our desired result, our next step is to express our concerns privately to the Board of Directors. Only when that fails will we take the step of expressing our opposition to management publicly, as we did last quarter with Knight Ridder.

Looking beyond the issue of management, the Knight Ridder process may produce helpful information about business values, which could be important for deciding the price at which we would sell other holdings. We now consider many media companies to be attractive based on prices paid in acquisitions of similar businesses. Knight Ridder isn't the only investment we have in print media. We also have an interest in Time Warner's magazine division, and The Oakmark Fund holds another newspaper company, Gannett. The response to Knight Ridder will, we believe, be an important statement about the value of traditional print media. Investment banking firms asked for indications of interest from anyone that might want to purchase all or part of Knight Ridder. Effectively, it appears that Knight Ridder is being auctioned to the highest bidder. For that reason, we think that the Knight Ridder results can be extrapolated to others in the industry.

When shareholders began publicly criticizing Knight Ridder's strategic direction, the stock price was $53. Most analysts and financial reporters were skeptical that Knight Ridder stock would be worth much more than that. If acquisition offers are not forthcoming, or are priced inadequately relative to the stock price, we will need to revisit the valuations of our other print media holdings. If as we expect, bidding is robust, and consistent with past newspaper acquisitions, we would consider that as strong supporting evidence for our belief that many print media companies are undervalued. We shall soon find out who is right.

Best wishes,

Bill Nygren

William C. Nygren, CFA
Portfolio Manager
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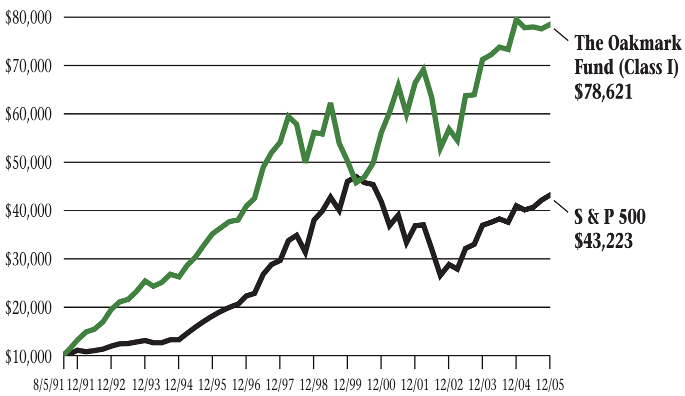
THE OAKMARK FUND

Report from Bill Nygren and Kevin Grant, Portfolio Managers

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (12/31/05) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX[5]



Average Annual Total Returns
(as of 12/31/05)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (8/5/91)
Oakmark Fund (Class I)	**1.16%**	**-1.31%**	**6.94%**	**8.39%**	**15.39%**
S&P 500	2.09%	4.91%	0.54%	9.07%	10.70%
Dow Jones Average[6]	2.06%	1.72%	2.01%	9.76%	11.71%
Lipper Large Cap Value Index[7]	1.87%	6.26%	2.26%	8.79%	10.48%

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

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

* Not annualized

For the quarter The Oakmark Fund increased in value by 1% which slightly trailed the S&P 500's 2% increase. For the calendar year, the Fund had a disappointing 1% loss.

Our financial stocks were the quarter's best performers, with JP Morgan and Washington Mutual having higher returns than any other Fund holdings. U.S. Bancorp, Bank of New York and Citigroup also achieved above average gains. Another strong performer, Burlington Resources, announced it was being acquired. Unfortunately, it was being acquired by another of our holdings, ConocoPhillips, which resulted in ConocoPhillips becoming our worst performer. Although investor reaction suggests that Conoco is overpaying, we don't think so. We see Burlington as a good strategic fit, and believe that the merged company will achieve significant cost savings.

During the quarter we eliminated two positions: Automatic Data Processing and Waste Management. Both stocks were multi-year holdings and both were profitable. However, both failed to achieve the growth in business value that we had originally projected. These sales actually demonstrate the margin of safety inherent in our approach. Because we purchased both stocks at such low prices, we were able to exit both positions profitably, despite their disappointing growth. No additions were made to the portfolio during the past quarter.

As we said in our last report, we believe stocks will likely deliver higher long-term returns than other categories of investments. The average stock now sells at about 15 times expected forward earnings. One has to go back to 1995 to find a year that began with a lower P/E[3] ratio. Looking back over longer time periods, a price of 15 times earnings appears much more typical than it does high. We believe that starting the year at a valuation level that is historically average or even somewhat lower than average lessens the probability of a market decline and increases the probability of achieving reasonably good returns. Further, we continue to believe that most of our holdings are in better-than-average businesses that have typically commanded significant P/E premiums, but currently are priced very near the average P/E level. We believe our portfolio is well positioned to benefit from a return to more typical quality spreads.

Best wishes,

Bill Nygren   Kevin Grant

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Kevin G. Grant, CFA
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Schedule of Investments—December 31, 2005 (Unaudited)

Name	Shares Held	Market Value
Common Stocks—94.4%		
Apparel Retail—4.0%		
The Gap, Inc.	7,066,700	$ 124,656,588
Limited Brands	5,528,047	123,551,850
		248,208,438
Broadcasting & Cable TV—7.7%		
Liberty Media Corporation, Class A (a)	16,199,400	$ 127,489,278
The DIRECTV Group, Inc. (a)	8,400,000	118,608,000
Comcast Corporation, Special Class A (a)	4,325,000	111,109,250
EchoStar Communications Corporation, Class A (a)	3,275,000	88,981,750
Discovery Holding Company, Class A (a)	1,569,940	23,784,591
		469,972,869
Department Stores—2.0%		
Kohl's Corporation (a)	2,500,000	$ 121,500,000
Home Improvement Retail—2.4%		
The Home Depot, Inc.	3,581,500	$ 144,979,120
Homebuilding—1.9%		
Pulte Homes, Inc.	2,900,000	$ 114,144,000
Household Appliances—2.0%		
The Black & Decker Corporation	1,450,000	$ 126,092,000
Housewares & Specialties—2.0%		
Fortune Brands, Inc.	1,600,000	$ 124,832,000
Leisure Products—1.0%		
Mattel, Inc.	3,874,300	$ 61,291,426
Motorcycle Manufacturers—2.1%		
Harley-Davidson, Inc.	2,500,000	$ 128,725,000
Movies & Entertainment—7.0%		
Viacom, Inc., Class B (a)	4,579,490	$ 149,291,374
Time Warner, Inc.	8,297,700	144,711,888
The Walt Disney Company	5,650,000	135,430,500
		429,433,762
Publishing—2.5%		
Gannett Co., Inc.	1,534,500	$ 92,944,665
Knight-Ridder, Inc.	916,000	57,982,800
		150,927,465
Restaurants—5.3%		
McDonald's Corporation	5,200,000	$ 175,344,000
Yum! Brands, Inc.	3,274,000	153,485,120
		328,829,120

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

Name	Shares Held		Market Value
Common Stocks—94.4% (cont.)			
Specialized Consumer Services—2.4%			
H&R Block, Inc.	5,958,600	$	146,283,630
Brewers—3.5%			
Anheuser-Busch Companies, Inc.	3,000,000	$	128,880,000
InBev NV (b)	2,000,000		87,067,683
			215,947,683
Distillers & Vintners—1.9%			
Diageo plc (c)	2,021,000	$	117,824,300
Hypermarkets & Super Centers—2.2%			
Wal-Mart Stores, Inc.	2,850,000	$	133,380,000
Packaged Foods & Meats—3.2%			
General Mills, Inc.	2,406,000	$	118,663,920
H.J. Heinz Company	2,310,000		77,893,200
			196,557,120
Soft Drinks—1.1%			
Coca-Cola Enterprises, Inc.	3,500,000	$	67,095,000
Integrated Oil & Gas—1.6%			
ConocoPhillips	1,670,670	$	97,199,581
Oil & Gas Exploration & Production—1.6%			
Burlington Resources, Inc.	1,142,200	$	98,457,640
Asset Management & Custody Banks—1.3%			
The Bank of New York Company, Inc.	2,500,000	$	79,625,000
Diversified Banks—2.0%			
U.S. Bancorp	4,100,000	$	122,549,000
Life & Health Insurance—1.9%			
AFLAC Incorporated	2,467,000	$	114,518,140
Other Diversified Financial Services—4.4%			
Citigroup, Inc.	2,850,000	$	138,310,500
JP Morgan Chase & Co.	3,400,000		134,946,000
			273,256,500
Thrifts & Mortgage Finance—5.1%			
Washington Mutual, Inc.	4,737,300	$	206,072,550
MGIC Investment Corporation	1,590,600		104,693,292
			310,765,842
Health Care Equipment—2.0%			
Baxter International, Inc.	3,200,000	$	120,480,000

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

Name	Shares Held/ Par Value	Market Value
Common Stocks—94.4% (cont.)		
Pharmaceuticals—3.6%		
Bristol-Myers Squibb Company	4,850,000	$ 111,453,000
Abbott Laboratories	2,787,300	109,903,239
		221,356,239
Aerospace & Defense—3.5%		
Raytheon Company	3,000,000	$ 120,450,000
Honeywell International, Inc.	2,550,000	94,987,500
		215,437,500
Building Products—2.1%		
Masco Corporation	4,333,600	$ 130,831,384
Industrial Conglomerates—1.2%		
Tyco International Ltd.	2,558,000	$ 73,823,880
Computer Hardware—3.4%		
Hewlett-Packard Company	3,875,000	$ 110,941,250
Sun Microsystems, Inc. (a)	23,370,000	97,920,300
		208,861,550
Data Processing & Outsourced Services—2.3%		
First Data Corporation	3,250,000	$ 139,782,500
Office Electronics—1.4%		
Xerox Corporation (a)	5,972,400	$ 87,495,660
Semiconductors—2.8%		
Texas Instruments Incorporated	3,000,000	$ 96,210,000
Intel Corp.	3,000,000	74,880,000
		171,090,000
Total Common Stocks (Cost: $4,513,698,410)		**5,791,553,349**
Short Term Investments—5.6%		
U.S. Government Agencies—1.6%		
Federal Home Loan Bank, 4.02% due 1/4/2006	$ 50,000,000	$ 49,977,667
Federal Home Loan Mortgage Corporation, 4.17% due 1/10/2006	50,000,000	49,942,083
Total U.S. Government Agencies (Cost: $99,919,750)		**99,919,750**

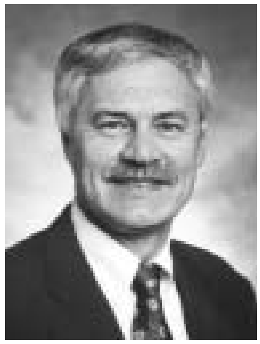
Schedule of Investments—December 31, 2005 (Unaudited) cont.

Name	Par Value	Market Value
Short Term Investments—5.6% (cont.)		
Repurchase Agreements—4.0%		
IBT Repurchase Agreement, 3.55% dated 12/30/2005 due 1/3/2006, repurchase price of $240,594,864, collateralized by Government National Mortgage Association bonds, with a rate of 4.00%, with maturities from 10/20/2032 - 2/20/2033, and with a market value plus accrued interest of $37,653,395, Small Business Administration Bonds, with rates of 6.125% - 7.60%, with maturities from 1/25/2017 - 11/25/2030, and with an aggregate market value plus accrued interest of $214,871,605	$240,500,000	$ 240,500,000
IBT Repurchase Agreement, 3.02% dated 12/30/2005 due 1/3/2006, repurchase price $1,712,359, collateralized by a Small Business Administration Bond, with a rate of 7.375%, with a maturity date of 1/25/2016, and with a market value plus accrued interest of $1,797,373	1,711,784	1,711,784
Total Repurchase Agreements (Cost: $242,211,784)		**242,211,784**
Total Short Term Investments (Cost: $342,131,534)		**342,131,534**
Total Investments (Cost $4,855,829,944)—100.0%		$ 6,133,684,883
Other Assets In Excess Of Other Liabilities—0.0%		1,267,505
Total Net Assets—100%		**$6,134,952,388**

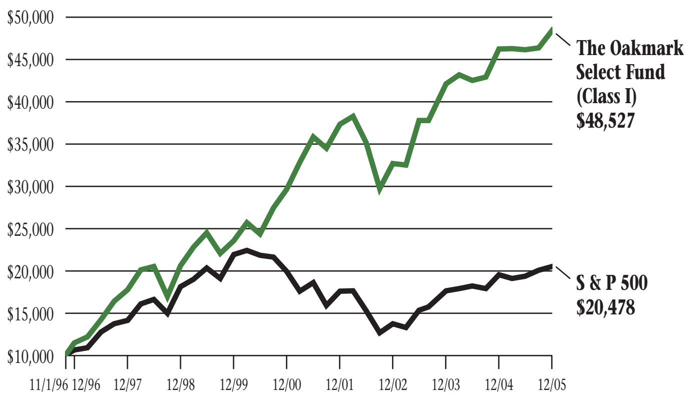
(a) Non-income producing security.
(b) Represents a foreign domiciled corporation.
(c) Represents an American Depository Receipt.

THE OAKMARK SELECT FUND

Report from Bill Nygren and Henry Berghoef, Portfolio Managers



THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (12/31/05) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX[5]



Average Annual Total Returns

(as of 12/31/05)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/96)
Oakmark Select Fund (Class I)	**4.56%**	**4.84%**	**10.37%**	**18.81%**
S&P 500	2.09%	4.91%	0.54%	8.13%
S&P MidCap 400[8]	3.34%	12.56%	8.60%	14.25%
Lipper Mid Cap Value Index[9]	1.92%	8.76%	10.50%	11.01%

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

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* Not annualized

The Oakmark Select Fund gained 5% during the quarter and again achieved an all-time high NAV[10]. This quarter's return was good not only in absolute terms, but it also compared favorably to the S&P 500's gain of 2%. For the full calendar year, a rabbit came out of the hat! After nine months of flat performance, on the last trading day of the year, your Fund caught up with the S&P 500 with a full year increase of 5%. (And, for any skeptics: no, we didn't make any trades on the final trading day!)

We intentionally said that "a rabbit came out of the hat" rather than "we pulled a rabbit from the hat" because we did nothing differently than we'd done throughout the year. No new stocks were added to the portfolio, and no positions were eliminated. As we have often said, we believe our approach will create good long-term results; however, consistent adherence to the discipline can create inconsistent short-term results.

The portfolio's quarterly gain was broad-based: eight of our twenty stocks increased in price by more than five percent, and none of our stocks fell by that amount. The biggest gainer was Moody's, which increased by 20%. We've effectively held Moody's since the Fund's inception in 1996. One of Oakmark Select's initial holdings was Dun & Bradstreet, which spun-off Moody's in 2000. Independence has been good for Moody's. Since the spin-off, the stock has increased by more than 350%. Though that increase was driven largely by very strong earnings growth, we now believe the stock is nearly appropriately valued and have therefore reduced our position. Our financial stocks were also strong performers during the quarter, with JP Morgan up 18% and Washington Mutual up 12%. With the end of rising short-term rates perhaps in sight, investors again focused on this sector's attractive valuations. We continue to like the fundamentals for retail banks, as well as the sector's low valuations and high dividend yields. There is much speculation about consolidation opportunities in retail banking—including speculation that Washington Mutual could be an attractive acquisition target. For us, though an acquisition at full value would be welcome news for any of our holdings, our focus remains on the per-share business value that we see continuing to grow.

Best wishes,

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Schedule of Investments—December 31, 2005 (Unaudited)

Name	Shares Held	Market Value
Common Stocks—91.6%		
Apparel Retail—6.4%		
Limited Brands	9,580,981	$ 214,134,925
The Gap, Inc.	10,519,500	185,563,980
		399,698,905
Broadcasting & Cable TV—5.9%		
Liberty Media Corporation, Class A (a)	30,785,700	$ 242,283,459
Discovery Holding Company, Class A (a)	8,376,900	126,910,035
		369,193,494
Leisure Products—2.5%		
Mattel, Inc.	9,670,900	$ 152,993,638
Movies & Entertainment—8.4%		
Time Warner, Inc.	16,240,000	$ 283,225,600
Viacom, Inc., Class B (a)	7,350,000	239,610,000
		522,835,600
Publishing—2.7%		
Knight-Ridder, Inc.	2,606,500	$ 164,991,450
Restaurants—11.4%		
Yum! Brands, Inc.	9,207,000	$ 431,624,160
McDonald’s Corporation	8,300,000	279,876,000
		711,500,160
Specialized Consumer Services—6.5%		
H&R Block, Inc.	16,519,600	$ 405,556,180
Oil & Gas Exploration & Production—4.5%		
Burlington Resources, Inc.	3,203,600	$ 276,150,320
Other Diversified Financial Services—4.3%		
JP Morgan Chase & Co.	6,750,000	$ 267,907,500
Specialized Finance—2.5%		
Moody’s Corporation	2,559,200	$ 157,186,064
Thrifts & Mortgage Finance—15.5%		
Washington Mutual, Inc.	22,217,400	$ 966,456,900
Health Care Services—3.3%		
IMS Health Incorporated	8,303,441	$ 206,921,750
Pharmaceuticals—4.1%		
Bristol-Myers Squibb Company	10,990,200	$ 252,554,796
Diversified Commercial and Professional Services—4.2%		
The Dun & Bradstreet Corporation (a)	3,934,900	$ 263,480,904

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

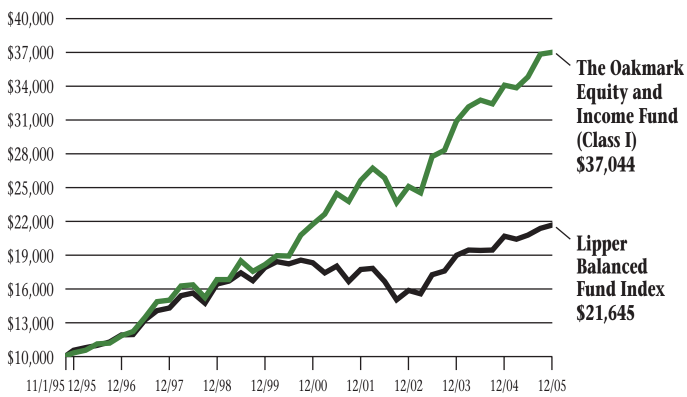
Name	Shares Held/ Par Value	Market Value
Common Stocks—91.6% (cont.)		
Data Processing & Outsourced Services—5.4%		
First Data Corporation	7,815,400	$ 336,140,354
Office Electronics—4.0%		
Xerox Corporation (a)	16,746,400	$ 245,334,760
Total Common Stocks (Cost: $3,839,532,646)		**5,698,902,775**
Short Term Investments—8.9%		
U.S. Government Agencies—4.0%		
Fannie Mae, 4.16% due 1/19/2006	$ 75,000,000	$ 74,835,333
Federal Home Loan Bank, 4.02% due 1/4/2006	50,000,000	49,977,667
Federal Home Loan Mortgage Corporation, 4.17% - 4.20% due 1/10/2006 - 1/30/2006	125,000,000	124,679,583
Total U.S. Government Agencies (Cost: $249,492,583)		**249,492,583**
Repurchase Agreements—4.9%		
IBT Repurchase Agreement, 3.55% dated 12/30/2005 due 1/3/2006, repurchase price $305,120,306, collaterized by a Government National Mortgage Association Bond, with a rate of 4.500%, with a maturity of 8/20/2032, and with an aggregate market value plus accrued interest of $11,230,056, Small Business Administration Bonds, with rates of 6.125% - 7.625%, with maturities from 9/25/2016 - 8/25/2030, and with an aggregate market value plus accrued interest of $309,019,944	$305,000,000	$ 305,000,000
IBT Repurchase Agreement, 3.02% dated 12/30/2005 due 1/3/2006, repurchase price $973,480, collaterized by a Small Business Administration Bond, with a rate of 6.375%, with a maturity date of 12/25/2026, and with a market value plus accrued interest of $1,021,810	973,153	973,153
Total Repurchase Agreements (Cost: $305,973,153)		**305,973,153**
Total Short Term Investments (Cost: $555,465,736)		**555,465,736**
Total Investments (Cost $4,394,998,382)—100.5%		$ 6,254,368,511
Other Liabilities In Excess Of Other Assets—(0.5)%		(32,431,869)
Total Net Assets—100%		**$6,221,936,642**

(a) Non-income producing security.

THE OAKMARK EQUITY AND INCOME FUND

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

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (12/31/05) AS COMPARED TO THE LIPPER BALANCED FUND INDEX[11]



Average Annual Total Returns

(as of 12/31/05)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (11/1/95)
Oakmark Equity & Income Fund (Class I)	**0.44%**	**8.60%**	**11.27%**	**13.72%**	**13.75%**
Lipper Balanced Fund Index	1.71%	5.20%	3.51%	7.57%	7.89%
S&P 500[5]	2.09%	4.91%	0.54%	9.07%	9.53%
Lehman Govt./ Corp. Bond[12]	0.60%	2.37%	6.11%	6.17%	6.36%

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

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

* Not annualized

"People are always blaming their circumstances for what they are. I don't believe in circumstances. The people who get on in this world are the people who get up and look for the circumstances they want, and, if they can't find them, make them."

George Bernard Shaw

Our Results

The Oakmark Equity and Income Fund remained unchanged for the quarter ended December 31, bringing the calendar year gain to 9%. For the calendar year 2005, the Fund outperformed the S&P 500, which gained 5%, and our primary benchmark, the Lipper Balanced Fund Index, which also gained 5% for the year. We are pleased with this period of absolute positive returns. As we have said, it is absolute positive returns that preserve and grow your capital. Absolute positive returns also allow you, our investors, to withstand this period of nascent inflation, a period which otherwise could have eroded your purchasing power. We are particularly aware of the importance of this issue for those shareholders who live on a fixed income. Looking back over the past five-year and ten-year periods, we have grown and compounded the capital of our long-term investors (ourselves included) at an 11% and 14% rate annualized respectively. We continue to dedicate ourselves to generating absolute positive returns.

That said, 2006 has the potential to be something of a difficult year. The inventory of unsold homes in the U.S. is increasing (finally), which has created a pause in the almost constant increase in domestic real estate prices over the past several years. In and of itself, this pause would not be bad, but to the extent that the consumer has relied on an increasing home price to finance the pace of consumer spending, this could have troubling consequences. Additionally, political risk seems to be returning to the global marketplace. For example, within the past twenty-four hours (as of the writing of this letter), Russia shut off and then reopened the flow of natural gas in its pipeline running through Ukraine into Western Europe. Russia is concerned that Ukraine is diverting gas from the pipeline for its own needs on an expired contract, at below market rates, and in volumes above what was originally contracted. We mention such macro events only because we are aware of them peripherally, as we continue to identify undervalued securities for our portfolio. If nothing else, we look for events that cause increased market volatility, for they often provide us with the opportunity to enter an attractive situation at a good price.

The Portfolio Revisited

On one level, recent portfolio activity could be described as incremental. At the end of the prior quarter, 61.1% of the Fund was invested in Equity and Equivalents. At the end of the current quarter, 60.5% of the Fund was invested in Equity and Equivalents. Positions in Imation, Live Nation (a spin-out from Clear Channel Corporation), and Techne were eliminated as they approached their sell targets. We also eliminated our position in Viacom before its corporate restructuring, for tax reasons. We initiated positions in Smithfield Foods and in News Corporation (through an investment in its Class B common stock).

On another level, we were gratified that Burlington Resources, which at the end of the past quarter was the single largest equity position in the Fund, was the subject of a takeover offer from ConocoPhillips. Proposed to close in the first half of 2006, the deal was valued at approximately $92 per share of Burlington Resources, half of which will be paid in cash and half of which will be paid in ConocoPhillips common stock.

Energy, Act II, Scene I

We spend a lot of time thinking about the Fund's energy investments. As readers of these commentaries know, we often explain our thinking to you. As value investors, we are particularly aware of the importance of regression to the mean, especially as it pertains to commodity businesses. However, as we have explained before, we believe that the dynamics of the natural gas industry in North America are very different from that of global energy markets. Accordingly, we have concentrated our investments in companies with major exposure to natural gas reserves in the politically stable areas of Canada and the United States. We have bought these companies at a discount to our estimates of the liquidation value of their energy reserves, which if accurate means we are paying nothing for their operating companies (both infrastructure and people). We continue to think that our other investments in this area are below their asset value, particularly given what we view as a paradigm shift in the natural gas markets.

Rather than natural gas prices returning to the mean or lower in the foreseeable future, the current environment of constrained supply and increasing global demand seems poised to continue. For example, as a result of the Gulf hurricanes, ten per cent of our domestic natural gas supply from the Gulf was interrupted. As much as half or 5% of that production may never be reinstated. In addition, the supply from a pipeline in Canada's MacKenzie Delta, which was supposed to provide a major new source of natural gas to the U.S., will likely be diverted by Canada for its own needs. Finally, the great hope for solving the U.S.'s supply issues—that stranded natural gas resources from around the world could supply the U.S. with a stream of liquefied natural gas—has lessened. It seems increasingly likely that the U.S., for the foreseeable future, will compete with other countries for that resource. Competitors for natural gas resources, such as Great Britain, are seeing access to its own supplies of natural gas from the North Sea in doubt, as those North Sea fields' production has peaked, leaving the UK with a choice of rebuilding many of its aging nuclear facilities or seeking alternative access to natural gas. Thus, we think it is unlikely that the price of natural gas will settle back as quickly or to as low of a price as we saw a few years ago. These developments will add uncertainty to an already dynamic marketplace in which LNG cargoes destined for the U.S. market will be diverted in mid-ocean, to the highest net bidder.

Other Asset Classes

Our investments in fixed income have not changed much over the past quarter. The duration of the bond portfolio shortened a bit, reflecting the Federal Reserve's continued increases of short-term rates, which have allowed us to both increase income while capturing tax losses. At this time, the yield curve has slightly inverted, meaning that the two-year rate is equal to or slightly higher than the five-year Treasury rate. While some claim that the yield curve's inversion portends a slowing economy, we would only like to comment that, because short-term rates are higher than intermediate rates, we can increase the Fund's income with a lesser degree of interest rate risk. We suspect the consequences of the yield curve's inversion are greater for spread investors, who borrow short to lend long.

Our investments in the high yield area have remained at a *de minimis* level. Quite frankly, much of the corporate bond market generally seems to be weighted towards lower quality issues, some of which are even approaching junk status. While some analysts argue that the Federal Reserve is on the job and has signaled the end of rising rates, we wonder exactly what the Fed has control of, other than the ability to print money. Foreign investors now have more say over credit conditions in this country than the Federal Reserve, to the extent that more than two-thirds of new issues appear to be absorbed by those foreign investors. Whether this will result in a benign future for capital markets both domestically and globally remains to be seen.

Musings

At this time of the year, one sees much investment commentary that resembles the "but for….." analysis. We borrow this phrasing from a comment Warren Buffett made many years ago before his holding company purchased General Reinsurance. The underwriters at General Reinsurance were apparently fond of telling senior management that, "But for this or that storm, the underwriting results would have been superior." The point of this tale is that our primary job as Fund managers is to make every effort to assess the potential range of the outcomes of an investment, always evaluating the worst-case scenario. Obviously, we prefer *not* to be in the position of needing to explain negative outcomes and worst-case scenarios. However, we have long maintained that our purpose is to inform you, our investors, partners, and readers. Part of that information involves preparing you for a range of outcomes, but that does not mean that our investment goals ever change. We always strive for an absolute positive return for our shareholders. We continue to invest as we have in the past, searching for businesses that sell at a comfortable discount to our estimate of intrinsic value. We remain grateful to you, our shareholders and partners, for your patience and confidence in entrusting us with your capital.

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Schedule of Investments—December 31, 2005 (Unaudited)

Name	Shares Held		Market Value
Equity and Equivalents—60.5%			
Common Stocks—60.5%			
Apparel Retail—1.7%			
The TJX Companies, Inc.	7,240,000	$	168,185,200
Broadcasting & Cable TV—4.9%			
EchoStar Communications Corporation, Class A (a)	8,250,000	$	224,152,500
The E.W. Scripps Company, Class A	3,013,800		144,722,676
The DIRECTV Group, Inc. (a)	8,026,722		113,337,315
Clear Channel Communications, Inc.	300,000		9,435,000
			491,647,491
Homebuilding—0.1%			
Pulte Homes, Inc.	200,000	$	7,872,000
Leisure Products—0.4%			
Brunswick Corp.	1,000,000	$	40,660,000
Movies & Entertainment—1.0%			
News Corporation, Class B	6,200,000	$	102,982,000
Publishing—1.4%			
The Washington Post Company, Class B	192,200	$	147,033,000
Restaurants—1.0%			
McDonald's Corporation	3,000,000	$	101,160,000
Brewers—0.4%			
InBev NV	1,000,000	$	43,533,841
Distillers & Vintners—2.4%			
Diageo plc (b)	4,100,000	$	239,030,000
Hypermarkets & Super Centers—1.6%			
Costco Wholesale Corporation	3,200,000	$	158,304,000
Packaged Foods & Meats—4.0%			
Nestle SA (b)	3,900,000	$	291,610,800
Smithfield Foods, Inc. (a)	2,100,000		64,260,000
Dean Foods Company (a)	550,000		20,713,000
Sanderson Farms, Inc.	675,000		20,607,750
TreeHouse Foods, Inc. (a)	325,000		6,084,000
			403,275,550
Personal Products—1.3%			
Avon Products, Inc.	4,520,000	$	129,046,000

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

Name	Shares Held		Market Value
Equity and Equivalents—60.5% (cont.)			
Tobacco—1.2%			
UST, Inc.	3,000,000	$	122,490,000
Integrated Oil & Gas—1.1%			
ConocoPhillips	2,000,000	$	116,360,000
Oil & Gas Exploration & Production—12.2%			
XTO Energy, Inc.	10,561,338	$	464,065,192
Burlington Resources, Inc.	5,000,000		431,000,000
EnCana Corp. (c)	5,000,000		225,800,000
St. Mary Land & Exploration Company	2,900,000		106,749,000
Cabot Oil & Gas Corporation	75,000		3,382,500
			1,230,996,692
Investment Banking & Brokerage—1.8%			
Morgan Stanley	3,200,000	$	181,568,000
Property & Casualty Insurance—4.5%			
SAFECO Corporation	4,000,000	$	226,000,000
The Progressive Corporation	1,050,000		122,619,000
MBIA, Inc.	1,850,000		111,296,000
			459,915,000
Real Estate Investment Trusts—0.1%			
Plum Creek Timber Company, Inc.	397,344	$	14,324,251
Biotechnology—2.1%			
MedImmune, Inc. (a)	6,000,000	$	210,120,000
Health Care Equipment—1.8%			
Hospira, Inc. (a)	2,287,700	$	97,867,806
Varian, Inc. (a)	1,649,400		65,629,626
CONMED Corporation (a)	770,100		18,220,566
			181,717,998
Health Care Services—2.7%			
Caremark Rx, Inc. (a)	5,301,300	$	274,554,327
Aerospace & Defense—6.5%			
General Dynamics Corporation	2,166,200	$	247,055,110
Raytheon Company	3,599,700		144,527,955
Alliant Techsystems, Inc. (a)	1,325,000		100,925,250
Rockwell Collins, Inc.	2,105,700		97,851,879
Honeywell International, Inc.	1,889,500		70,383,875
			660,744,069

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

Name	Shares Held/ Par Value		Market Value
Equity and Equivalents—60.5% (cont.)			
Commercial Printing—1.7%			
R.R. Donnelley & Sons Company	4,909,500	$	167,953,995
Human Resource & Employment Services—0.3%			
Watson Wyatt & Company Holdings	1,236,100	$	34,487,190
Industrial Conglomerates—1.5%			
Tyco International Ltd.	5,300,000	$	152,958,000
Application Software—0.5%			
Mentor Graphics Corporation (a)	3,640,000	$	37,637,600
The Reynolds and Reynolds Company, Class A	614,000		17,234,980
			54,872,580
Data Processing & Outsourced Services—1.2%			
Ceridian Corporation (a)	4,800,000	$	119,280,000
Internet Software & Services—0.9%			
Jupiter Telecommunications Co., Ltd. (a)(c)	110,499	$	88,193,010
Paper Products—0.2%			
Schweitzer-Mauduit International, Inc.	700,000	$	17,346,000
Total Common Stocks (Cost: $4,516,948,291)			**6,120,610,194**
Total Equity And Equivalents (Cost: $4,516,948,291)			**6,120,610,194**
Fixed Income—35.0%			
Corporate Bonds—0.3%			
Automobile Manufacturers—0.0%			
Toyota Motor Credit Corp., Series B, (MTN), 4.75% due 4/20/2009	$ 5,000,000	$	4,972,250
Publishing—0.1%			
PRIMEDIA, Inc., 8.00% due 5/15/2013	$ 7,000,000	$	5,923,750
Paper Packaging—0.2%			
Sealed Air Corporation, 144A, 5.625% due 7/15/2013 (d)	$ 20,000,000	$	19,853,120
Total Corporate Bonds (Cost: $32,227,438)			**30,749,120**

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

Name		Par Value		Market Value
Fixed Income—35.0% (cont.)				
Government and Agency Securities—34.7%				
Canadian Government Bonds—6.3%				
Canada Government, 3.25% due 12/1/2006	CAD	250,000,000	$	213,970,746
Canada Government, 3.00% due 6/1/2007	CAD	250,000,000		212,643,579
Canada Government, 2.75% due 12/1/2007	CAD	250,000,000		210,755,001
				637,369,326
Norwegian Government Bonds—0.1%				
Norway Government, 6.75% due 1/15/2007	NOK	50,000,000	$	7,705,015
Swedish Government Bonds—0.1%				
Kingdom of Sweden, 3.50% due 4/20/2006	SEK	50,000,000	$	6,324,676
U.S. Government Notes—20.6%				
United States Treasury Notes, 6.00% due 8/15/2009		$500,000,000	$	526,953,000
United States Treasury Notes, 4.125% due 8/15/2008 (e)		500,000,000		497,246,000
United States Treasury Notes, 4.125% due 8/15/2010		500,000,000		495,078,000
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed		267,768,690		269,735,183
United States Treasury Notes, 4.25% due 10/31/2007 (e)		250,000,000		249,267,500
United States Treasury Notes, 4.25% due 11/30/2007		50,000,000		49,853,500
				2,088,133,183
U.S. Government Agencies—7.6%				
Fannie Mae, 5.25% due 4/15/2007		$ 50,000,000	$	50,292,550
Federal Home Loan Mortgage Corporation, 3.75% due 11/15/2006		50,000,000		49,584,250
Fannie Mae, 3.875% due 5/15/2007		50,000,000		49,415,600
Federal Home Loan Mortgage Corporation, 4.00% due 8/17/2007		50,000,000		49,415,200
Federal Home Loan Bank, 4.125% due 4/18/2008		50,000,000		49,372,950
Federal Home Loan Bank, 3.625% due 6/20/2007		50,000,000		49,211,600
Federal Home Loan Bank, 3.875% due 8/22/2008		50,000,000		48,956,850
Federal Home Loan Bank, 5.00% due 12/20/2011		34,555,000		34,084,292
Fannie Mae, 4.25% due 7/15/2007		25,000,000		24,813,775
Federal Home Loan Bank, 2.875% due 9/15/2006		25,000,000		24,692,575
Federal Home Loan Mortgage Corporation, 3.75% due 4/15/2007		25,000,000		24,685,300
Fannie Mae, 4.25% due 5/15/2009		25,000,000		24,629,450
Federal Home Loan Bank, 2.625% due 10/16/2006		25,000,000		24,602,175
Federal Home Loan Bank, 2.75% due 12/15/2006		25,000,000		24,537,125
Fannie Mae, 3.25% due 11/15/2007		25,000,000		24,338,875
Fannie Mae, 3.625% due 12/28/2009		24,435,000		24,054,449
Federal Home Loan Mortgage Corporation, 3.625% due 3/24/2008		20,000,000		19,929,620

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

Name	Par Value	Market Value
Fixed Income—35.0% (cont.)		
Government and Agency Securities—34.7% (cont.)		
U.S. Government Agencies—7.6% (cont.)		
Federal Home Loan Mortgage Corporation, 5.00% due 10/18/2010	$ 20,000,000	$ 19,921,880
Federal Home Loan Bank, 2.50% due 4/20/2009	20,000,000	19,870,820
Fannie Mae, 2.60% due 4/28/2009	18,800,000	18,675,281
Fannie Mae, 3.50% due 2/8/2010	15,315,000	15,297,541
Fannie Mae, 4.25% due 2/19/2010	12,888,000	12,583,689
Fannie Mae, 3.125% due 11/30/2009	12,697,000	12,573,382
Federal Home Loan Mortgage Corporation, 3.00% due 11/17/2006	10,000,000	9,852,910
Fannie Mae, 3.00% due 10/6/2009	10,000,000	9,828,270
Fannie Mae, 3.375% due 3/3/2008	9,300,000	9,230,743
Fannie Mae, 3.50% due 10/14/2010	7,550,000	7,455,248
Federal Home Loan Bank, 3.00% due 8/17/2007	7,500,000	7,413,728
Fannie Mae, 4.00% due 4/13/2009	5,000,000	4,984,490
Federal Home Loan Bank, 4.30% due 8/16/2010	5,000,000	4,968,035
Federal Home Loan Bank, 4.52% due 8/26/2009	4,825,000	4,755,380
Federal Home Loan Bank, 2.25% due 2/22/2007	4,000,000	3,970,396
Fannie Mae, 5.125% due 5/4/2012	4,013,000	3,968,953
Federal Home Loan Bank, 3.00% due 2/24/2010	3,000,000	2,992,935
Fannie Mae, 3.75% due 6/23/2009	2,820,000	2,804,938
Federal Home Loan Mortgage Corporation, 3.125% due 9/15/2010	2,500,000	2,492,148
Federal Home Loan Bank, 2.40% due 3/9/2009	2,000,000	1,989,466
Federal Home Loan Mortgage Corporation, 3.00% due 1/13/2009	1,000,000	999,545
		773,246,414
Total Government and Agency Securities (Cost: $3,516,858,764)		**3,512,778,614**
Total Fixed Income (Cost: $3,549,086,202)		**3,543,527,734**
Short Term Investments—4.3%		
U.S. Government Agencies—0.5%		
Federal Home Loan Bank, 4.17% due 1/4/2006	$ 50,000,000	$ 49,976,833
Total U.S. Government Agencies (Cost: $49,976,833)		**49,976,833**
Repurchase Agreements—3.8%		
IBT Repurchase Agreement, 3.55% dated 12/30/2005 due 1/3/2006, repurchase price of $383,151,072, collateralized by Small Business Administration Bonds, with rates of 6.375% - 7.825%, with maturities from 8/25/2014 - 4/25/2030, and with an aggregate market value plus accrued interest of $402,150,000	$383,000,000	$ 383,000,000

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

Name	Par Value	Market Value
Short Term Investments—4.3% (cont.)		
Repurchase Agreements—3.8% (cont.)		
IBT Repurchase Agreement, 3.02% dated 12/30/2005 due 1/3/2006, repurchase price of $1,459,275, collateralized by a Small Business Administration Bond, with a rate of 7.575%, with a maturity date of 9/25/2015, and with a market value plus accrued interest of $1,531,724	$ 1,458,785	$ 1,458,785
Total Repurchase Agreements (Cost: $384,458,785)		**384,458,785**
Total Short Term Investments (Cost: $434,435,618)		**434,435,618**
Total Investments (Cost $8,500,470,111)—99.8%		$ 10,098,573,546
Other Assets In Excess Of Other Liabilities—0.2%		19,471,515
Total Net Assets—100%		**$10,118,045,061**

(a) Non-income producing security.
(b) Represents an American Depository Receipt.
(c) Represents a foreign domiciled corporation.
(d) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.
(e) All or a portion of security out on loan.

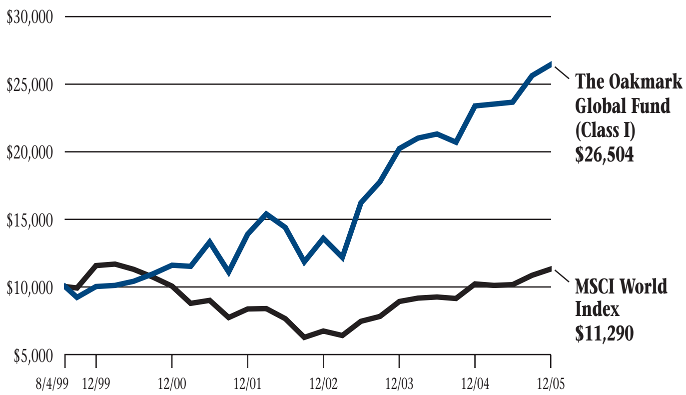
Key to abbreviations:

MTN: Medium Term Note
CAD: Canadian Dollar
NOK: Norwegian Krone
SEK: Swedish Krona

THE OAKMARK GLOBAL FUND

Report from Clyde S. McGregor and Robert A. Taylor, Portfolio Managers

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (12/31/05) AS COMPARED TO THE MSCI WORLD INDEX[13]



Average Annual Total Returns

(as of 12/31/05)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (8/4/99)
Oakmark Global Fund (Class I)	**3.29%**	**13.23%**	**18.05%**	**16.43%**
MSCI World	3.06%	9.48%	2.18%	1.91%
Lipper Global Fund Index[14]	3.97%	11.89%	2.97%	4.22%

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

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

* Not annualized

The Oakmark Global Fund appreciated 3% for the quarter, which was consistent with the MSCI World Index. More importantly, over the past five years, The Oakmark Global Fund has returned 18% annualized, compared to annualized results of 2% for the MSCI World Index and of 3% for the Lipper Global Fund Index.

International markets led the way for 2005 with most major markets up double digits for the year. The holdings in the Fund were no exception. Euronext was the top non-U.S. contributor due to the potential for consolidation among European exchange operators. Julius Baer had a good year after its various share classes were consolidated and after the company announced the merger with UBS's smaller private banks and Global Asset Management. Neopost continued to be a solid contributor due to increasing operating results.

Both 2005 and the calendar fourth quarter were kind to the domestic holdings in the Fund. We are pleased that in a year when most indices of U.S. stocks produced minimal returns, the holdings in the Global Fund carried their weight in the portfolio and returned about 11%. Burlington Resources, the Fund's largest holding, led the way for the year with a 99% return. In December, after what had already been a strong year for the company's stock, Burlington Resources announced that it would be acquired by ConocoPhillips for cash and stock initially valued at approximately $92/share. While we are somewhat sad to say goodbye to a management team that has done such a good job in growing per share value, the acquisition price reflects a fair value for the business. Thanks to Bobby Shackouls, Steve Shapiro and Randy Limbacher of Burlington Resources for their excellent stewardship of the company over the past few years.

Media names continued to struggle in 2005. Tribune, Liberty Media, Viacom, and Time Warner were some of the biggest detractors for the year. Despite this under performance, recent private market transactions seem to confirm our estimates of business value. Viacom will begin trading as two separate companies in order to highlight the value of the CBS network, billboards, and radio businesses versus the cable networks. Shareholder activism at Knight Ridder and Time Warner should also be positives. Finally, after two years of weak share performance but decent underlying results and strong free cash flow generation, we believe that it is likely that the market will soon begin to recognize the value of our media names.

Portfolio Composition

We initiated several new holdings in the quarter. While Discovery Holdings is technically not a new position, having been spun out of our holding in Liberty Media, we chose to increase the commitment in the stock to a meaningful size after we observed significant insider purchases of the stock. We also purchased shares of Brunswick, Dell, Washington Post, and Trinity Mirror after their stocks sank following earnings disappointments. In each instance we evaluated that the earnings reports were irrelevant to the companies' long-term business values. Brunswick, a mid-cap Chicago-area manufacturer, is a fairly typical name for our portfolios. Dell, however, is something entirely different. We believe that investors generally miscast Dell as a technology company, but we view the company as a logistics business that assembles products. Dell's financial characteristics are virtually unparalleled because the company receives payment from its customers well before it must pay its vendors. We are pleased that the market has offered us this opportunity to purchase a superb business at a good price. Trinity Mirror is a leading newspaper franchise in the UK. A relatively new management team is restructuring the business, implementing a performance driven culture, improving the editorial staff, and upgrading the capacity to color. These actions should help offset the temporarily weak advertising market.

One might ask why we would initiate a position in the Washington Post after media stocks have languished in the market (and in our portfolio). The answer is that we see the market's aversion to media companies as our opportunity to gain entry into the rapidly growing education market at a fine price. Washington Post is best known for its namesake newspaper, but it also owns Newsweek, various cable TV and television properties, and Kaplan Education. The unique characteristics of the Washington D.C. market mitigate some of the problems that currently plague other big city newspapers. We assume only modest growth in business value from the remaining media properties. The company's Kaplan unit, however, strikes us as a business ideally positioned to benefit from trends in career education and college preparation. We see the Post as a company with several crown jewels, but it is Kaplan that currently shines brightest.

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

Clyde S. McGregor, CFA
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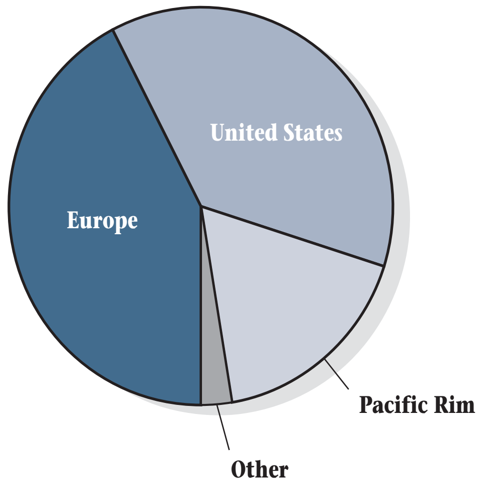
Robert A. Taylor, CFA
Portfolio Manager
rtaylor@oakmark.com

Global Diversification—December 31, 2005 (Unaudited)



	% of Fund Equity Market Value
Europe	***42.4%***
Switzerland	12.8%
Great Britain	10.7%
* Germany	5.3%
* France	4.7%
* Netherlands	4.4%
* Ireland	3.2%
* Italy	1.3%
United States	***37.5%***

	% of Fund Equity Market Value
Pacific Rim	***17.5%***
Japan	11.4%
Korea	3.8%
Australia	2.3%
Other	***2.6%***
Bermuda	2.6%

* Euro currency countries comprise 18.9% of the Fund.

Schedule of Investments—December 31, 2005 (Unaudited)

Name	Description	Shares Held	Market Value
Common Stocks—99.0%			
Apparel Retail—2.2%			
The TJX Companies, Inc. (United States)	Discount Apparel & Home Fashion Retailer	1,900,000	$ 44,137,000
Apparel, Accessories & Luxury Goods—0.4%			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	740,000	$ 8,261,840
Automobile Manufacturers—2.7%			
Bayerische Motoren Werke (BMW) AG (Germany)	Luxury Automobile Manufacturer	1,257,000	$ 55,138,742
Broadcasting & Cable TV—2.2%			
Discovery Holding Company, Class A (United States) (a)	Media Management & Network Services	1,779,335	$ 26,956,925
Liberty Media Corporation, Class A (United States) (a)	Broadcast Services & Programming	2,356,000	18,541,720
			45,498,645
Household Appliances—2.9%			
Snap-on Incorporated (United States)	Tool & Equipment Manufacturer	1,576,000	$ 59,194,560
Leisure Products—1.2%			
Brunswick Corp. (United States)	Leisure & Recreation Products Manufacturer	600,000	$ 24,396,000
Motorcycle Manufacturers—2.6%			
Harley-Davidson, Inc. (United States)	Motorcycle Manufacturer	1,037,000	$ 53,395,130
Movies & Entertainment—6.3%			
Viacom, Inc., Class B (United States) (a)	Worldwide Entertainment & Publishing Company	1,670,000	$ 54,442,000
Vivendi Universal SA (France)	Music, Games, Television, Film, & Telecommunications	1,430,500	44,813,727

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

Name	Description	Shares Held	Market Value
Common Stocks—99.0% (cont.)			
Movies & Entertainment—6.3% (cont.)			
Time Warner, Inc. (United States)	Filmed Entertainment & Television Networks	1,600,000	$ 27,904,000
			127,159,727
Publishing—2.7%			
Trinity Mirror plc (Great Britain)	Newspaper Publishing	2,372,800	$ 23,392,846
The Washington Post Company, Class B (United States)	Newspaper & Magazine Publishing	22,100	16,906,500
Tribune Company (United States)	Publishing & Broadcast Services	484,500	14,660,970
			54,960,316
Distillers & Vintners—4.0%			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	5,517,500	$ 79,979,659
Household Products—2.6%			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	558,000	$ 51,886,988
Packaged Foods & Meats—4.9%			
Nestle SA (Switzerland)	Food & Beverage Manufacturer	257,000	$ 76,865,297
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	2,423,000	22,908,065
			99,773,362
Soft Drinks—1.0%			
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices & Sports Drinks Manufacturer	20,880	$ 20,330,799
Oil & Gas Exploration & Production—5.4%			
Burlington Resources, Inc. (United States)	Oil & Natural Gas Exploration & Production	1,260,000	$ 108,612,000
Asset Management & Custody Banks—3.7%			
Julius Baer Holding AG-B (Switzerland)	Asset Management	1,062,375	$ 75,271,775

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

Name	Description	Shares Held	Market Value
Common Stocks—99.0% (cont.)			
Diversified Banks—6.0%			
Bank of Ireland (Ireland)	Commercial Bank	4,029,000	$ 63,490,491
Australia and New Zealand Banking Group Limited (Australia)	Commercial Bank	2,260,000	39,704,861
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	863,600	17,473,828
			120,669,180
Diversified Capital Markets—0.5%			
Credit Suisse Group (Switzerland)	Investment Services & Insurance	190,700	$ 9,723,668
Investment Banking & Brokerage—1.2%			
Daiwa Securities Group, Inc. (Japan)	Stock Broker	2,062,000	$ 23,383,325
Specialized Finance—2.1%			
Euronext NV (Netherlands)	Stock Exchange	827,000	$ 43,081,573
Health Care Services—2.4%			
Laboratory Corporation of America Holdings (United States) (a)	Medical Laboratory & Testing Services	920,000	$ 49,542,000
Health Care Supplies—0.3%			
Ansell Limited (Australia)	Protective Rubber & Plastics Products	840,966	$ 6,816,641
Pharmaceuticals—10.1%			
Takeda Pharmaceutical Company Limited (Japan)	Pharmaceuticals & Food Supplements	1,281,000	$ 69,319,593
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	2,614,200	66,073,590
Novartis AG (Switzerland)	Pharmaceuticals	899,600	47,273,501
Santen Pharmaceutical Co., Ltd. (Japan)	Pharmaceuticals	781,000	21,595,081
			204,261,765

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

Name	Description	Shares Held		Market Value
Common Stocks—99.0% (cont.)				
Aerospace & Defense—1.0%				
Alliant Techsystems, Inc. (United States) (a)	Propulsion Systems & Munitions	269,087	$	20,496,357
Diversified Commercial and Professional Services—3.1%				
Equifax Inc. (United States)	Credit Reporting & Collection	1,005,600	$	38,232,912
Meitec Corporation (Japan)	Software Engineering Services	760,000		24,624,258
				62,857,170
Environmental & Facilities Services—2.2%				
Waste Management, Inc. (United States)	Waste Management Services	1,500,000	$	45,525,000
Human Resource & Employment Services—1.1%				
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	4,815,400	$	22,369,868
Industrial Conglomerates—2.6%				
Tyco International Ltd. (Bermuda)	Diversified Manufacturing & Services	1,804,000	$	52,063,440
Computer Hardware—2.8%				
Dell Inc. (United States) (a)	Technology Products & Services	1,877,000	$	56,291,230
Data Processing & Outsourced Services—4.5%				
eFunds Corporation (United States) (a)	Electronic Debit Payment Services	2,237,100	$	52,437,624
Ceridian Corporation (United States) (a)	Data Management Services	1,538,000		38,219,300
				90,656,924
Office Electronics—2.5%				
Neopost SA (France)	Mailroom Equipment Supplier	494,750	$	49,613,809
Semiconductors—2.4%				
Rohm Company Limited (Japan)	Integrated Circuits & Semi-Conductor Devices Manufacturer	442,000	$	48,098,897
Diversified Chemicals—2.3%				
Akzo Nobel N.V. (Netherlands)	Chemical Producer	992,300	$	45,994,735

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

Name	Description	Shares Held/ Par Value	Market Value
Common Stocks—99.0% (cont.)			
Specialty Chemicals—2.3%			
Lonza Group AG, Registered Shares (Switzerland)	Industrial Organic Chemicals	408,400	$ 24,988,858
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	32,800	22,228,615
			47,217,473
Wireless Telecommunication Services—4.8%			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	300,000	$ 53,895,782
NTT DoCoMo, Inc. (Japan)	Mobile Telecommunications	26,400	40,305,343
SK Telecom Co., Ltd. (Korea) (b)	Mobile Telecommunications	55,000	1,115,950
			95,317,075
Total Common Stocks (Cost: $1,523,612,954)			**2,001,976,673**
Short Term Investments—0.8%			
Repurchase Agreements—0.8%			
IBT Repurchase Agreement, 3.55% dated 12/30/2005 due 1/3/2006, repurchase price $14,505,719, collateralized by Small Business Administration Bonds, with rates of 6.875% - 7.625%, with maturities from 6/25/2016 - 3/25/2028, and with an aggregate market value plus accrued interest of $15,225,000		$14,500,000	$ 14,500,000
IBT Repurchase Agreement, 3.02% dated 12/30/2005 due 1/3/2006, repurchase price $2,221,087, collateralized by a Small Business Administration Bond, with a rate of 7.375%, with a maturity date of 12/25/2014, and a market value plus accrued interest of $2,331,359		2,220,342	2,220,342
Total Repurchase Agreements (Cost: $16,720,342)			**16,720,342**
Total Short Term Investments (Cost: $16,720,342)			**16,720,342**
Total Investments (Cost $1,540,333,296)—99.8%			$ 2,018,697,015
Other Assets In Excess Of Other Liabilities—0.2%			4,326,016
Total Net Assets—100%			**$2,023,023,031**

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

THE OAKMARK INTERNATIONAL AND OAKMARK INTERNATIONAL SMALL CAP FUNDS

Fellow Shareholders,

2005 was an acceptable year for both The Oakmark International and International Small Cap Funds on an absolute basis. However, our results were mixed when compared with the respective benchmarks. Please see the individual Fund pages for more specific performance information.

From a relative perspective, both Funds were hurt by being significantly underweight in Japan, which is the largest component in the MSCI EAFE Index[15] and was up over 40% in local terms and over 25% in U.S. dollar terms. Both Funds have not historically had high weightings in Japan. However, the International Fund's weighting in Japan rose to its highest level since inception this quarter, though it was still below the index weight because we could not find, en masse, companies that fit our strict value criteria. This is the case despite the country's strong macro improvement as well as our countless research trips to Japan visiting prospective companies. In short, though things are changing slowly for the positive, it is still not easy to find shareholder-oriented management teams in Japan.

On a positive note, despite being underweight in Japan and in the energy/resource sectors, both Funds finished close to their peers and their respective indices. The decision to hedge some of our foreign currency exposure, though unpopular at the end of 2004, proved to be the right decision and contributed to our return for the year. (See below). Stock picking was also strong as many of our top positions significantly outperformed their local markets.

Be Wary of Year-End Predictions

As mentioned, at the end of 2004 the pundits were tripping over themselves predicting further dollar declines and weakness in the foreign markets. Instead, the dollar rallied strongly in 2005 taking foreign markets higher with it. Typically, a weak home currency bolsters local share prices as many mid-sized and large foreign companies have U.S. dollar revenue and/or they compete against U.S. companies. As a result, European stock markets, in local terms (recall that total return equals local market and currency returns), were up over 20% with the DJ STOXX 600 (European) Index[16] up 23.5%. However, the rising dollar had a negative impact on the currency component of total return, ranging from 10-20% depending on the currency. Our Japanese holdings experienced a similar effect, though absolute impact in U.S. dollars was still strong.

We remain optimistic about future investment returns because we still believe there is good value in the global equity markets. Both portfolios trade at around 10 times cash flows and with yields well over 2%. The global economy continues to do well due to burgeoning recoveries in Japan and Europe, which aid corporate profitability.

Lastly, I'd like to announce two additions to the international research team. Pierre Py and Mike Manelli both started in the second half of 2005. Pierre came from Harvard Business School, and Mike joined us from Morgan Stanley.

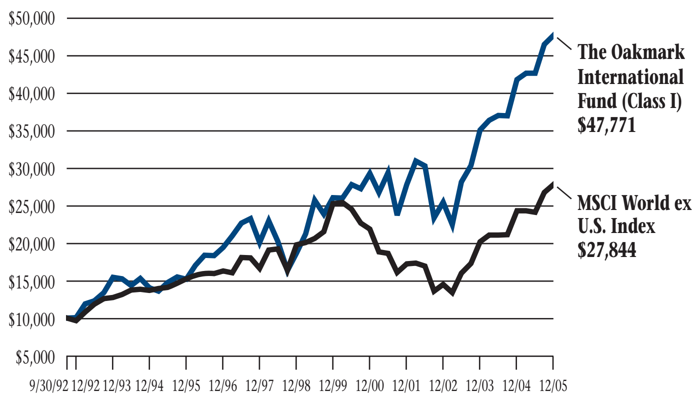
Thanks again for your support in 2005!

David G. Herro, CFA
Portfolio Manager
dherro@oakmark.com

THE OAKMARK INTERNATIONAL FUND

Report from David G. Herro

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (12/31/05) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX[17]



Average Annual Total Returns
(as of 12/31/05)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (9/30/92)
Oakmark International Fund (Class I)	**2.52%**	**14.12%**	**10.25%**	**12.14%**	**12.53%**
MSCI World ex U.S.	3.94%	14.47%	4.92%	6.22%	8.04%
MSCI EAFE[15]	4.08%	13.54%	4.55%	5.84%	7.77%
Lipper International Fund Index[18]	4.75%	15.67%	5.33%	7.74%	9.08%

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

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

* Not annualized

The Oakmark International Fund returned 3% for the quarter versus the MSCI World ex U.S. Index's 4% and the Lipper International Fund Index's 5%. For the year, the International Fund returned 14%, matching the MSCI World ex U.S. Index's 14% and falling just short of the Lipper International Fund Index's 16%. More importantly, since inception, the Fund has returned 13% versus 8% for the MSCI World ex U.S. Index and 9% for the Lipper International Fund Index.

Impact Players

As mentioned in the lead letter, the Fund's relative returns were negatively affected by its underweighting in Japan and natural resource stocks; however many positives still occurred. For example, Daiwa Securities, Japan's second largest brokerage firm, performed strongly and was the fourth largest contributor for the year. Our results in South Korea were mixed. Kookmin Bank strongly outperformed a robust local market, but long-term holding SK Telecom continued to lag. The two largest contributors for the year were the European exchange operators Euronext and Deutsche Boerse. These stocks were the subject of earlier letters, and we continue to hold both companies but at somewhat smaller position sizes as the shares have approached our targets.

Negatives for the year include a number of media/telecom-oriented companies such as UK companies Vodafone and BSkyB. Vodafone was hurt by its weak Japanese subsidiary, and BSkyB, a satellite broadcasting company, suffered from competition fears. We continue to believe both offer exceptional long-term value. Another long-term holding, Chargeurs, a France-based company involved in textiles and thin films, had a weak year of operating performance and was the biggest negative source for 2005.

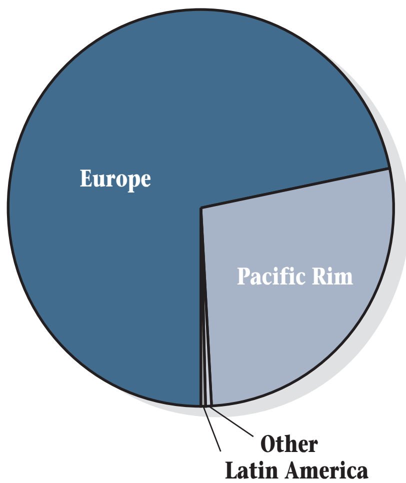
The Year was Quiet

In terms of portfolio activity, it was a subdued year. Though there were a number of new names added, portfolio turnover was relatively low at 17%. The fact that we eliminated few positions in the portfolio reflects our belief that there is still an abundance of value in the international markets, especially in large cap companies. Since the beginning of the year, we added several names from Japan, including Kao, Rohm, Unicharm, Honda, and NTT Docomo. The only geographic area in which we noticeably cut back our holdings was in Latin America. Strong share prices in Mexico have meant less value in the region. In particular, while Televisa has been a good stock pick and performed well over the years, we reduced most of our position as it approached its sell price.

Thanks again to all shareholders for your continued support. We remain optimistic about the future.

David G. Herro, CFA
Portfolio Manager
dherro@oakmark.com

International Diversification—December 31, 2005 (Unaudited)



	% of Fund Equity Market Value
Europe	***71.8%***
Great Britain	25.4%
Switzerland	15.2%
* France	9.4%
* Germany	8.6%
* Netherlands	7.6%
* Ireland	2.9%
* Italy	2.3%
* Spain	0.3%
* Belgium	0.1%

	% of Fund Equity Market Value
Pacific Rim	***27.3%***
Japan	14.1%
Korea	7.6%
Australia	2.2%
Singapore	1.3%
Taiwan	1.2%
Hong Kong	0.9%
Other	***0.5%***
Israel	0.5%
Latin America	***0.4%***
Mexico	0.4%

* Euro currency countries comprise 31.2% of the Fund.

Schedule of Investments—December 31, 2005 (Unaudited)

Name	Description	Shares Held	Market Value
Common Stocks—96.5%			
Advertising—2.2%			
Publicis Groupe (France)	Advertising & Media Services	3,965,400	$ 138,028,159
Apparel Retail—0.9%			
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	94,892,300	$ 53,237,057
Apparel, Accessories & Luxury Goods—2.0%			
Swatch Group AG, Bearer Shares (Switzerland)	Watch Manufacturer	845,300	$ 125,444,064
Swatch Group AG, Registered Shares (Switzerland)	Watch Manufacturer	24,700	747,203
			126,191,267
Automobile Manufacturers—5.0%			
Bayerische Motoren Werke (BMW) AG (Germany)	Luxury Automobile Manufacturer	4,408,500	$ 193,380,384
Honda Motor Co., Ltd. (Japan)	Automobile & Motorcycle Manufacturer	2,025,000	115,591,603
			308,971,987
Broadcasting & Cable TV—3.4%			
British Sky Broadcasting Group plc (Great Britain)	Television Production & Broadcasting	15,912,000	$ 135,928,749
Societe Television Francaise 1 (France)	Television Production & Broadcasting	1,157,000	32,108,819
Grupo Televisa S.A. (Mexico) (b)	Television Production & Broadcasting	294,500	23,707,250
Gestevision Telecinco SA (Spain)	Television Production & Broadcasting	669,500	16,899,394
			208,644,212
Consumer Electronics—0.9%			
Koninklijke (Royal) Philips Electronics N.V. (Netherlands)	Electronics Manufacturer	1,787,000	$ 55,537,615

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

Name	Description	Shares Held	Market Value
Common Stocks—96.5% (cont.)			
Movies & Entertainment—1.4%			
Vivendi Universal SA (France)	Music, Games, Television, Film, & Telecommunications	2,789,300	$ 87,381,285
Publishing—2.2%			
Trinity Mirror plc (Great Britain)	Newspaper Publishing	9,241,000	$ 91,104,723
Johnston Press plc (Great Britain)	Newspaper Publisher	5,792,600	46,393,862
			137,498,585
Specialty Stores—2.4%			
Signet Group plc (Great Britain)	Jewelry Retailer	80,549,000	$ 148,982,726
Textiles—0.3%			
Chargeurs SA (France)	Wool, Textile Production & Trading	790,182	$ 16,839,648
Brewers—1.6%			
Heineken Holding NV (Netherlands)	Brewer	2,594,600	$ 76,243,979
Heineken NV (Netherlands)	Brewer	497,500	15,773,825
InBev NV (Belgium)	Brewer	132,000	5,746,467
			97,764,271
Distillers & Vintners—3.3%			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	12,570,000	$ 182,210,116
Pernod-Ricard SA (France)	Wines, Spirits, & Fruit Juice Manufacturer	157,000	27,398,734
			209,608,850
Household Products—3.4%			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	1,228,200	$ 114,207,165
Uni-Charm Corporation (Japan)	Toiletry Product Manufacturer	1,871,000	84,107,718
KAO Corp. (Japan)	Household & Chemical Products Manufacturer	575,000	15,411,366
			213,726,249
Hypermarkets & Super Centers—0.8%			
Metro AG (Germany)	Food Retailer	978,700	$ 47,276,260

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

Name	Description	Shares Held	Market Value
Common Stocks—96.5% (cont.)			
Packaged Foods & Meats—4.7%			
Nestle SA (Switzerland)	Food & Beverage Manufacturer	575,100	$ 172,004,795
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	12,390,400	117,144,073
			289,148,868
Personal Products—1.3%			
L'Oreal SA (France)	Health & Beauty Aid Manufacturer	1,077,000	$ 80,077,169
Soft Drinks—1.4%			
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices & Sports Drinks Manufacturer	86,800	$ 84,516,923
Tobacco—1.1%			
KT&G Corporation (Korea)	Tobacco Products Manufacturer	1,559,000	$ 69,710,124
Integrated Oil & Gas—1.6%			
BP p.l.c. (Great Britain)	Oil & Natural Gas Exploration & Production	6,294,100	$ 67,033,452
Total SA (France)	Oil & Natural Gas Exploration & Production	126,000	31,655,508
			98,688,960
Diversified Banks—14.8%			
Bank of Ireland (Ireland)	Commercial Bank	10,968,500	$ 172,845,731
Australia and New Zealand Banking Group Limited (Australia)	Commercial Bank	7,348,800	129,107,558
Kookmin Bank (Korea)	Commercial Banking	1,561,500	118,565,509
Lloyds TSB Group plc (Great Britain)	Commercial Bank	12,952,600	108,865,136
BNP Paribas SA (France)	Commercial Banking	1,156,000	93,546,968
UniCredito Italiano S.p.A. (Italy)	Banking Services	11,291,000	77,761,536
Chinatrust Financial Holding Co. (Taiwan)	Commercial Banking	93,805,606	74,298,074
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking	8,395,368	73,707,792
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	2,938,400	59,454,720
			908,153,024

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

Name	Description	Shares Held	Market Value
Common Stocks—96.5% (cont.)			
Diversified Capital Markets—2.1%			
Credit Suisse Group (Switzerland)	Investment Services & Insurance	2,507,000	$ 127,830,289
Investment Banking & Brokerage—1.6%			
Daiwa Securities Group, Inc. (Japan)	Stock Broker	8,995,000	$ 102,004,368
Real Estate Management & Development—0.0%			
United Overseas Land Limited (Singapore)	Real Estate Investor	839,536	$ 1,267,167
Reinsurance—0.4%			
Hannover Rueckversicherung AG (Germany)	Reinsurance	626,400	$ 22,196,875
Specialized Finance—4.8%			
Euronext NV (Netherlands)	Stock Exchange	3,094,600	$ 161,209,473
Deutsche Boerse AG (Germany)	Electronic Trading Systems	1,328,000	136,097,042
			297,306,515
Pharmaceuticals—9.4%			
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	8,470,000	$ 214,078,229
Novartis AG (Switzerland)	Pharmaceuticals	3,089,000	162,325,304
Takeda Pharmaceutical Company Limited (Japan)	Pharmaceuticals & Food Supplements	2,876,800	155,674,165
Sanofi-Aventis (France)	Pharmaceuticals	588,508	51,560,539
			583,638,237
Diversified Commercial and Professional Services—1.3%			
Meitec Corporation (Japan)	Software Engineering Services	2,483,800	$ 80,475,963
Environmental & Facilities Services—0.2%			
Rentokil Initial plc (Great Britain)	Global Business Services	3,400,000	$ 9,564,537
Human Resource & Employment Services—1.8%			
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	23,641,000	$ 109,823,911

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

Name	Description	Shares Held	Market Value
Common Stocks—96.5% (cont.)			
Industrial Machinery—1.2%			
Enodis plc (Great Britain) (a)	Food Processing Equipment	33,585,320	$ 74,831,863
Marine Ports & Services—1.9%			
Associated British Ports Holdings plc (Great Britain)	Port Operator	11,623,000	$ 117,387,982
Electronic Equipment Manufacturers—0.5%			
Orbotech, Ltd. (Israel) (a)	Optical Inspection Systems	1,237,700	$ 29,667,669
Semiconductors—1.9%			
Rohm Company Limited (Japan)	Integrated Circuits & Semi-Conductor Devices Manufacturer	1,095,700	$ 119,235,208
Diversified Chemicals—2.4%			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	3,182,200	$ 147,500,197
Fertilizers & Agricultural Chemicals—1.9%			
Syngenta AG (Switzerland) (a)	Crop Protection Products	932,400	$ 116,017,808
Specialty Chemicals—3.3%			
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	155,700	$ 105,518,151
Lonza Group AG, Registered Shares (Switzerland)	Industrial Organic Chemicals	1,629,000	99,673,973
			205,192,124
Wireless Telecommunication Services—7.1%			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	1,010,500	$ 181,538,958
NTT DoCoMo, Inc. (Japan)	Mobile Telecommunications	110,900	169,312,977
Vodafone Group Plc (Great Britain)	Mobile Telecommunications	36,699,000	79,243,793
Vodafone Group Plc (Great Britain) (b)	Mobile Telecommunications	606,000	13,010,820
SK Telecom Co., Ltd. (Korea) (b)	Mobile Telecommunications	43,500	882,615
			443,989,163
Total Common Stocks (Cost: $4,471,319,216)			**5,967,913,115**

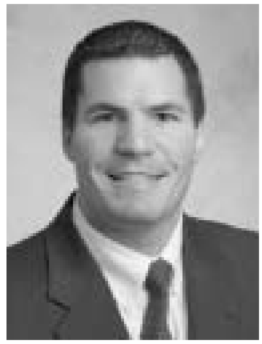
Schedule of Investments—December 31, 2005 (Unaudited) cont.

Name	Par Value	Market Value
Short Term Investments—3.6%		
U.S. Government Agencies—1.0%		
Fannie Mae, 4.15% - 4.16% due 1/12/2006 - 1/19/2006	$ 40,000,000	$ 39,928,422
Federal Home Loan Bank, 4.17% due 1/4/2006	20,000,000	19,990,734
Total U.S. Government Agencies (Cost: $59,919,156)		**59,919,156**
Repurchase Agreements—2.6%		
IBT Repurchase Agreement, 3.55% dated 12/30/2005 due 1/3/2006, repurchase price of $159,062,717, collateralized by Small Business Administration Bonds, with rates of 6.125% - 7.375%, with maturities from 10/25/2017 - 11/25/2030, and with an aggregate market value plus accrued interest of $166,950,000	$159,000,000	$ 159,000,000
IBT Repurchase Agreement, 3.02% dated 12/30/2005 due 1/3/2006, repurchase price $1,220,076, collateralized by a Small Business Administration Bond, with a rate of 6.625%, with a maturity date of 1/25/2027, and with a market value plus accrued interest of $1,280,650	1,219,667	1,219,667
Total Repurchase Agreements (Cost: $160,219,667)		**160,219,667**
Total Short Term Investments (Cost: $220,138,823)		**220,138,823**
Total Investments (Cost $4,691,458,039)—100.1%		$ 6,188,051,938
Foreign Currencies (Cost $3,303,803)—0.0%		$ 3,348,338
Other Liabilities In Excess Of Other Assets—(0.1%)		(7,814,837)
Total Net Assets—100%		**$6,183,585,439**

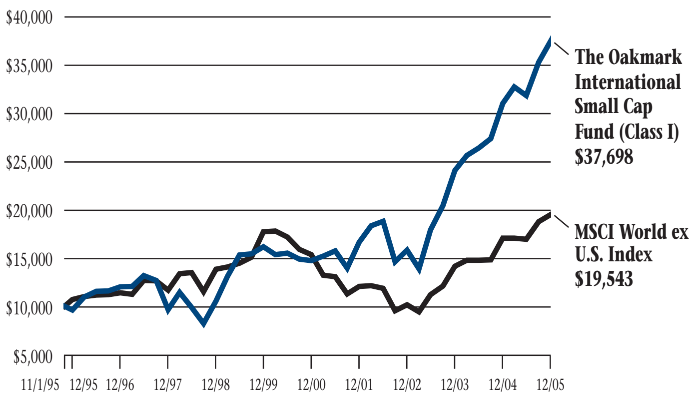
(a) Non-income producing security.
(b) Represents an American Depository Receipt.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

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



THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (12/31/05) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX[17]



Average Annual Total Returns

(as of 12/31/05)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (11/1/95)
Oakmark International Small Cap Fund (Class I)	**6.58%**	**21.26%**	**20.63%**	**14.62%**	**13.94%**
MSCI World ex U.S.	3.94%	14.47%	4.92%	6.22%	6.81%
MSCI World ex U.S. Small Cap[19]	7.31%	25.05%	16.72%	N/A	N/A
Lipper International Small Cap Average[20]	5.05%	18.42%	13.16%	12.69%	11.88%

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

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

* Not annualized

The Oakmark International Small Cap Fund gained 7% for the quarter, outperforming most of our benchmark indices. More importantly, however, for the past twelve months and since inception your Fund is up 21% and 14% respectively, outpacing the MSCI World ex U.S. Index with returns of 14% and 7%. The strong performance in the quarter was primarily driven by stock selection in the UK and Japan, with our average position gaining 11% in the UK and 21% in Japan.

Japan

Ichiyoshi Securities, a small securities company, was the leading contributor to performance after rising nearly 60% in the quarter and almost doubling in the year. Ichiyoshi, like all Japanese brokerage houses, is highly levered to the overall confidence and performance of the local market. With economic fundamentals continuing to improve in Japan, the Nikkei[21] surged ahead almost 19% in the quarter, driving underlying demand for Ichiyoshi's services.

Taiyo Ink, a manufacturer of resist ink for printed circuit boards, was another large contributor to performance. Taiyo surprised the market with a sharp turnaround in first half performance following a weak first quarter result. The company was successful in passing on raw materials inflation, in mitigating pricing pressure and reclaiming lost license revenues. Since the results were released in early October, the shares have increased almost 40%.

United Kingdom

Carpetright, a carpet retailer and a name we discussed in detail in our June 2005 letter, rebounded strongly in the quarter, gaining 22%. As you'll recall, we aggressively added to this position during the course of the year as the shares fell in response to a slowing UK housing new-build and refurbishment market. Carpet retail is cyclical by nature, but this is a company that is tremendously managed, generates strong returns on capital, and throws off massive amounts of free cash flow. The housing slowdown created a temporary opportunity to add to our position at very compelling prices. While the first half results weren't strong, there appeared to be minor demand uplift in the second quarter, and the group confirmed its gross margin would rise for the year despite increased promotional activity. We don't know when the housing recovery will come, but we do believe we own the best positioned, best managed company in the sector to benefit from the upturn.

Halma PLC, a manufacturer of specialty electronic products used to enhance safety (fire and gas detection equipment, door sensors, water leak detection devices) also performed strongly in the quarter, gaining 24%. The new CEO, albeit early in his tenure, has dismantled the walls separating Halma's various businesses, fostering cross-fertilization of technology and solutions and driving new product introduction. The initial sign of success came in the first half report, with organic growth increasing to 6% after an extended period of stagnation. Concurrent with the cultural change, both the resistors and water businesses have demonstrated strong margin recovery off cyclically weak bases. We believe the strong share price performance was driven by the market's initial recognition of the significant underlying changes taking place within this organization.

The share price recovery at Benfield, an independent reinsurance broker, continued in the quarter with the shares increasing almost 14%. Benfield was added to the portfolio in April 2005 as the share price fell in response to additional expenses related to growth initiatives and concerns over the insurance cycle in general. What we saw was a business that generated huge returns and free cash flow, had an owner-oriented management (the CEO owned $100m of stock himself), was less exposed to a turn in the insurance cycle than people expected, and would be a major beneficiary from customer fall-out surfacing from Spitzer's investigation of Aon and Marsh & McLennan. We won't see the true strength of Benfield's model until the insurance brokerage market firms in 2006 and 2007, but we're excited by the market share gains the company has made already this year.

Our hedges had a negligible impact in the quarter, and we enter 2006 unhedged. As such, we believe the U.S. dollar has approached a reasonable value level against other major currencies when measured primarily by purchasing power parity.

Portfolio Composition

We sold both of the Fund's Korean banking positions, Daegu and Pusan, following almost a doubling of each since the summer of 2004. Jason Long, one of our analysts, deserves credit for sifting through the devastated Korean banking sector and finding two stellar small-cap franchises. Each were well capitalized, with leading market shares in their regions, had attractive funding bases and significantly less exposure to the credit card problems plaguing the industry. As the environment stabilized in the past year, credit costs fell markedly. This, coupled with relatively resilient net interest margins and improving expense bases, allowed underlying profitability to expand rapidly. The share prices followed.

In addition to these Korean names, we've also trimmed our holdings in Alten, Carbone Lorraine, Baycorp, Ichiyoshi, Santen, Gurit-Heberlien, and Croda as each has neared our target price.

Meaningful positions were established coincidentally in two Norwegian names, Kongsberg Automotive and Tandberg ASA. Kongsberg is active in faster growing automotive supply niches including seat comfort and automatic gearshifts. Tandberg is one of the two leading providers of videoconferencing equipment.

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

As mentioned in previous letters, we continue to be positively surprised by the quality and quantity of small cap ideas our team continues to find despite the strong performance of the small cap markets over the last three years. Strong idea flow, plus persistent value growth from our existing holdings, has left the price attractiveness of the portfolio in what we believe to be a very good position. We remain excited and thank you for your continued confidence.

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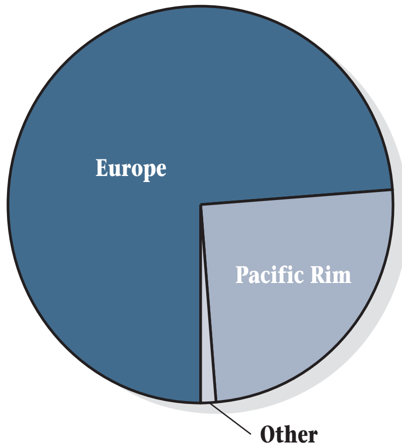
International Diversification—December 31, 2005 (Unaudited)



	% of Fund Equity Market Value
Europe	***73.8%***
Great Britain	28.2%
Switzerland	15.8%
* Germany	7.3%
* France	5.2%
* Spain	4.6%
* Italy	3.9%
Sweden	2.2%
Norway	2.0%
* Finland	1.6%
Turkey	1.5%
Denmark	1.2%
* Greece	0.3%

	% of Fund Equity Market Value
Pacific Rim	***24.9%***
Japan	10.9%
Korea	5.0%
Australia	3.3%
New Zealand	1.9%
Hong Kong	1.6%
Malaysia	1.5%
Philippines	0.4%
Singapore	0.3%
Other	***1.3%***
Israel	1.3%

* Euro currency countries comprise 22.9% of the Fund.

Schedule of Investments—December 31, 2005 (Unaudited)

Name	Description	Shares Held	Market Value
Common Stocks—97.2%			
Advertising—1.2%			
Asatsu-DK, Inc. (Japan)	Advertising Services Provider	400,200	$ 12,729,008
Apparel Retail—7.3%			
Matalan plc (Great Britain)	Clothing Retailer	12,568,000	$ 39,571,687
JJB Sports plc (Great Britain)	Sportswear & Sports Equipment Retailer	12,033,000	36,386,187
			75,957,874
Apparel, Accessories & Luxury Goods—0.8%			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	784,900	$ 8,763,133
Auto Parts & Equipment—1.4%			
Kongsberg Automotive ASA (Norway) (a)	Auto Parts & Equipment Manufacturer	2,087,800	$ 14,919,269
Broadcasting & Cable TV—4.2%			
Sogecable SA (Spain) (a)	Cable Television Services	529,500	$ 21,226,886
Media Prima Berhad (Malaysia) (a)	Film Producer & Sports Promoter	33,237,400	14,950,015
M6 Metropole Television (France)	Television Entertainment Channel Owner & Operator	297,700	8,247,609
			44,424,510
Home Improvement Retail—4.1%			
Carpetright plc (Great Britain)	Carpet Retailer	2,246,000	$ 42,701,126
Photographic Products—1.5%			
Vitec Group plc (Great Britain)	Photo Equipment & Supplies	2,383,907	$ 15,381,117
Publishing—3.9%			
Daekyo Co., Ltd. (Korea)	Educational Information Service Provider	321,900	$ 25,176,893
Tamedia AG (Switzerland)	TV Broadcasting & Publishing	166,004	15,728,689
			40,905,582
Brewers—0.7%			
Kook Soon Dang Brewery Co., Ltd. (Korea)	Wine & Spirits Manufacturer	446,500	$ 7,290,248

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

Name	Description	Shares Held		Market Value
Common Stocks—97.2% (cont.)				
Distillers & Vintners—1.3%				
Baron De Ley, S.A. (Spain) (a)	Beverages, Wines, & Spirits Manufacturer	265,657	$	13,068,497
Packaged Foods & Meats—2.7%				
Lotte Confectionery Co., Ltd. (Korea)	Candy & Snacks Manufacturer	15,334	$	18,202,942
Robert Wiseman Dairies plc (Great Britain)	Milk Processor & Distributor	959,000		4,768,522
Alaska Milk Corporation (Philippines)	Milk Producer	56,360,000		3,613,502
				26,584,966
Asset Management & Custody Banks—6.7%				
Julius Baer Holding AG-B (Switzerland)	Asset Management	591,500	$	41,909,170
MLP AG (Germany)	Asset Management	1,353,700		28,079,534
				69,988,704
Insurance Brokers—3.6%				
Benfield Group Ltd. Common Stock (Great Britain)	Reinsurance Service Provider	5,979,543	$	37,037,170
Multi-Sector Holdings—2.9%				
Pargesa Holding AG, Class B (Switzerland)	Diversified Operations	357,800	$	30,551,872
Other Diversified Financial Services—1.5%				
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	872,300	$	15,611,137
Real Estate Management & Development—1.9%				
Countrywide PLC (Great Britain)	Real Estate Service Provider	2,693,000	$	19,448,869
Specialized Finance—0.3%				
Athens Stock Exchange S.A. (Greece)	Exchange Services	293,000	$	3,108,200

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

Name	Description	Shares Held	Market Value
Common Stocks—97.2% (cont.)			
Health Care Supplies—2.4%			
Coloplast A/S, Class B (Denmark)	Healthcare Products & Services Provider	203,000	$ 12,594,491
Ansell Limited (Australia)	Protective Rubber & Plastics Products	1,507,384	12,218,444
			24,812,935
Pharmaceuticals—1.9%			
Santen Pharmaceutical Co., Ltd. (Japan)	Pharmaceuticals	709,000	$ 19,604,241
Air Freight & Logistics—1.8%			
Mainfreight Limited (New Zealand)	Logistics Services	7,596,017	$ 18,933,718
Commercial Printing—1.2%			
De La Rue Plc (Great Britain)	Commercial Printing	1,566,190	$ 12,597,761
Diversified Commercial and Professional Services—2.2%			
Prosegur, Compania de Seguridad SA (Spain)	Security & Transportation Services	552,800	$ 12,644,700
Intrum Justitia AB (Sweden) (a)	Diversified Financial Services	1,157,443	10,674,292
			23,318,992
Electrical Components & Equipment—1.3%			
Pfeiffer Vacuum Technology AG (Germany)	Vacuum Pump Manufacturer	254,000	$ 13,884,395
Carbone Lorraine SA (France)	Electrical Systems Manufacturer	4,980	227,588
			14,111,983
Industrial Conglomerates—2.9%			
Dogan Sirketler Grubu Holdings A.S. (Turkey) (a)	Diversified Holding Company	4,637,511	$ 15,109,255
Rheinmetall AG (Germany)	Automotive Pump Manufacturer	185,600	11,703,412
Haw Par Corporation Limited (Singapore)	Diversified Operations	1,029,687	3,188,844
			30,001,511

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

Name	Description	Shares Held	Market Value
Common Stocks—97.2% (cont.)			
Industrial Machinery—12.4%			
Halma plc (Great Britain)	Electronic Instrument Producer	10,734,000	$ 34,720,561
Interpump Group S.p.A. (Italy)	Pump & Piston Manufacturer	4,709,000	30,596,810
Schindler Holding AG (Switzerland)	Elevator & Escalator Manufacturer	64,200	25,381,963
Saurer AG (Switzerland) (a)	Textile Equipment Manufacturer	298,853	19,900,790
Alfa Laval AB (Sweden)	Filtration & Separation Equipment	551,900	11,951,452
LISI (France)	Industrial Fastener Manufacturer	127,600	6,949,313
			129,500,889
Office Services & Supplies—0.8%			
Domino Printing Sciences plc (Great Britain)	Printing Equipment	1,809,000	$ 8,061,310
Communication Equipment—0.5%			
Tandberg ASA (Norway)	Develops & Markets Communication Equipment	920,300	$ 5,634,963
Computer Hardware—2.0%			
Wincor Nixdorf AG (Germany)	Banking Machine Manufacturer	194,500	$ 20,579,969
Computer Storage & Peripherals—1.1%			
Lectra (France)	Manufacturing Process Systems	2,186,404	$ 11,752,212
Data Processing & Outsourced Services—2.1%			
Baycorp Advantage Limited (Australia)	Credit Reference Services	8,662,000	$ 21,285,934
Electronic Equipment Manufacturers—5.2%			
Mabuchi Motor Co., Ltd. (Japan)	Digital Camera Motors Manufacturer	466,500	$ 25,916,667
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	559,600	15,900,922
Orbotech, Ltd. (Israel) (a)	Optical Inspection Systems	536,500	12,859,905
			54,677,494

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

Name	Description	Shares Held/ Par Value		Market Value
Common Stocks—97.2% (cont.)				
Home Entertainment Software—1.2%				
Square Enix Co., Ltd. (Japan)	Entertainment Software	447,900	$	12,574,631
IT Consulting & Other Services—2.3%				
Morse plc (Great Britain)	Business & Technology Solutions	12,474,000	$	20,496,344
Alten (France) (a)	Systems Consulting & Engineering	113,316		3,394,260
				23,890,604
Office Electronics—2.1%				
Neopost SA (France)	Mailroom Equipment Supplier	220,700	$	22,131,921
Industrial Gases—2.3%				
Taiyo Ink Mfg. Co., Ltd. (Japan)	Manufacturer of Resist Inks	502,300	$	24,369,432
Specialty Chemicals—3.9%				
Gurit-Heberlein AG (Switzerland)	Chemical Producer	26,700	$	26,415,525
Croda International plc (Great Britain)	Chemical Producer	1,859,600		14,749,855
				41,165,380
Alternative Carriers—1.6%				
Asia Satellite Telecommunications Holdings Limited (Hong Kong)	Satellite Operator	9,383,500	$	16,640,308
Total Common Stocks (Cost: $766,351,991)				**1,014,117,470**
Short Term Investments—2.1%				
Repurchase Agreements—2.1%				
IBT Repurchase Agreement, 3.55% dated 12/30/2005 due 1/3/2006, repurchase price $19,007,494, collateralized by Small Business Administration Bonds, with rates of 6.580% - 7.125%, with maturities from 6/25/2016 - 1/25/2028, and with an aggregate market value plus accrued interest of $19,950,000		$19,000,000	$	19,000,000

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

Name	Par Value	Market Value
Short Term Investments—2.1% (cont.)		
Repurchase Agreements—2.1% (cont.)		
IBT Repurchase Agreement, 3.02% dated 12/30/2005 due 1/3/2006, repurchase price $2,385,487, collateralized by a Small Business Administration Bond, with a rate of 7.375%, with a maturity date of 8/25/2016, and with a market value plus accrued interest of $2,503,921	$ 2,384,687	$ 2,384,687
Total Repurchase Agreements (Cost: $21,384,687)		**21,384,687**
Total Short Term Investments (Cost: $21,384,687)		**21,384,687**
Total Investments (Cost $787,736,678)—99.3%		$ 1,035,502,157
Foreign Currencies (Cost $1,904,466)—0.2%		$ 1,923,951
Other Assets In Excess Of Other Liabilities—0.5%		5,699,179
Total Net Assets—100%		**$1,043,125,287**

(a) Non-income producing security.

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 (including current investment themes, the portfolio managers' research and investment process, and portfolio characteristics) represents the investments of the Funds and the views of the portfolio managers and Harris Associates L.P., the Funds' investment adviser, at the time of this report, and are subject to change without notice.

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

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

The Oakmark Equity and Income Fund closed to certain new investors as of 5/7/04. The Oakmark Global Fund and The Oakmark International Fund closed to certain new investors as of 12/15/03. The Oakmark International Small Cap Fund closed to new investors as of 5/10/02.

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

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

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

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

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

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

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

3. The Price-Earnings Ratio ("P/E") is the most common measure of the expensiveness of a stock.

4. EPS refers to Earnings Per Share and is calculated by dividing total earnings by the number of shares outstanding.

5. The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies. This index is unmanaged and investors cannot actually make investments in this index.

6. The Dow Jones Industrial Average is an unmanaged index that includes only 30 big companies. This index is unmanaged and investors cannot actually make investments in this index.

7. The Lipper Large Cap Value Fund Index is an equally weighted index of the largest 30 funds within the large cap value funds investment objective as defined by Lipper Inc. The index is adjusted for the reinvestment of capital gains and income dividends. This index is unmanaged and investors cannot actually make investments in this index.

8. The S&P MidCap 400 is an unmanaged broad market-weighted index of 400 stocks that are in the next tier down from the S&P 500 and that are chosen for market size, liquidity, and industry group representation. This index is unmanaged and investors cannot actually make investments in this index.

9. The Lipper Mid Cap Value Fund Index measures the performance of the 30 largest U.S. mid-cap value funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.

10. 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.

11. The Lipper Balanced Fund Index measures the performance of the 30 largest U.S. balanced funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.

12. Lehman Brothers Government/Corporate Bond Index is a benchmark index made up of the Lehman Brothers Government and Corporate Bond indexes, including U.S. government Treasury and agency securities as well as corporate and Yankee bonds. This index is unmanaged and investors cannot actually make investments in this index.

13. The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of December 2003 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. This index is unmanaged and investors cannot actually make investments in this index.

14. The Lipper Global Fund Index measures the performance of the 30 largest mutual funds that invest in securities throughout the world. This index is unmanaged and investors cannot actually make investments in this index.

15. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of December 2003 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. This index is unmanaged and investors cannot actually make investments in this index.

16. The Dow Jones STOXX (Price) Index is a broad based capitalization-weighted index of European stocks which duplicates the Dow Jones Global Indexes Europe Index. The equities use free float shares in the index calculation. The index was developed with a base value of 100 as of December 31, 1991. This index is unmanaged and investors cannot actually make investments in this index.

17. The MSCI World ex U.S. Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of April 2002 the MSCI World Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. This index is unmanaged and investors cannot actually make investments in this index.

18. The Lipper International Fund Index reflects the net asset value weighted total return of the 30 largest international equity funds. This index is unmanaged and investors cannot actually make investments in this index.

19. The MSCI World ex U.S. Small Cap Index is the small cap component of the MSCI World ex U.S. Standard Index. Securities selected represent 40% of the small cap asset class in each developed market on a capitalization-weighted basis. This index is unmanaged and investors cannot actually make an investment in this index.

20. The Lipper International Small Cap Average includes 100 mutual funds that invest in securities whose primary markets are outside of the U.S. This index is unmanaged and investors cannot actually make investments in this index.

21. The Japanese Nikkei Index is an index of 225 leading stocks traded on the Tokyo Stock Exchange. This index is unmanaged and investors cannot actually make investments in this index.

THE OAKMARK FUNDS

Investment Philosophy

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

Three key tenets of our investment philosophy:

1 Buy businesses trading at a significant discount to our estimate of true business value.

2 Invest in companies expected to grow shareholder value over time.

3 Invest with management teams who think and act as owners.

Investment Process

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

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

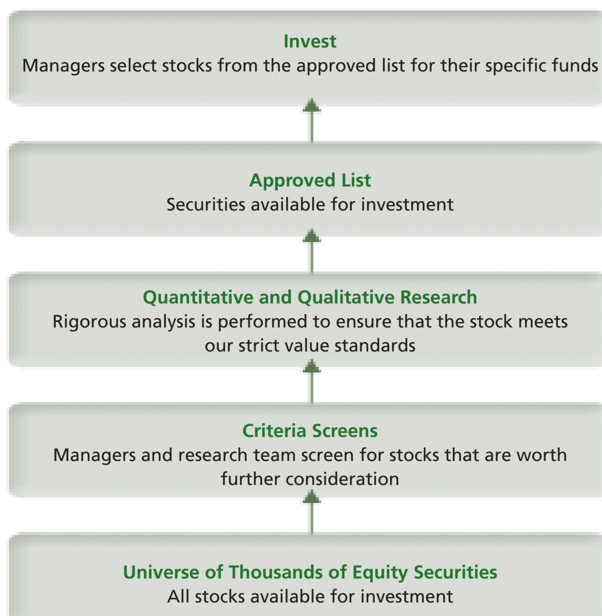
The Result: a unified effort aimed at identifying the best values in the marketplace. From the list of approved stocks, each fund manager constructs a relatively focused portfolio, built on a stock-by-stock basis from the bottom up.

Who Should Invest

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

How to Use Value Funds in an Overall Portfolio

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



Bottom-Up Investment Process

The Oakmark Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

THE OAKMARK FUNDS

Trustees and Officers

Other Information

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Quincy, Massachusetts

Legal Counsel

Bell, Boyd & Lloyd LLC
Chicago, Illinois

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
Chicago, Illinois

For More Information

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or 617-483-3250

Website

www.oakmark.com

To obtain a prospectus, an application or periodic reports, access our web site at www.oakmark.com, or call 1-800-OAKMARK (1-800-625-6275) or (617) 483-3250.

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

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

This report is submitted for the general information of the shareholders of the Funds. The report is not authorized for distribution to prospective investors in the Funds unless it is accompanied or preceded by a currently effective prospectus of the Funds.
No sales charge to the shareholder or to the new investor is made in offering the shares of the Funds, however, a shareholder may incur a 2% redemption fee on an exchange or redemption of Class I shares held for 90 days or less from any Fund.

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