

The Oakmark Fund

The Oakmark
Select Fund

The Oakmark Small
Cap Fund

The Oakmark Equity
and Income Fund

The Oakmark
Global Fund

The Oakmark
International Fund

The Oakmark
International Small
Cap Fund

THIRD QUARTER REPORT

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Managed by Harris Associates L.P.



THE OAKMARK FAMILY OF FUNDS

2000 Third Quarter Report

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For More Information

Access our web site at www.oakmark.com to obtain a prospectus, an application or periodic reports, or call 1-800-OAKMARK (1-800-625-6275) or (617) 578-1329.

Web Site and 24-Hour Net Asset Value Hotline

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

To Comment on Shareholder Services

E-mail us at ServiceComments@oakmark.com.

Letter from the Chairman and President

Dear Fellow Shareholders,

We are pleased to present the Third-Quarter Report for The Oakmark Family of Funds. Value investors received an increasing amount of attention in the past quarter. There was a significant correction in the market, especially in the NASDAQ, as investors became disenchanted with the technology sector. From its peak on March 10 through June 30 the NASDAQ lost 21.4%, while we saw



positive advances in all of our funds during this same period. We are encouraged by the fact that investors have begun to reconsider so-called “old economy” stocks—an indication that our long-term value style will be rewarded.

During the quarter, some of our stocks experienced takeovers at considerable premiums, and the comparative valuations of many of the other stocks on our buy list remain very attractive. This strengthens our conviction that we have seen a turn in value. We are pleased with the relative performance of each of the Funds in our family. Our

international funds had an especially solid quarter, as our managers used global volatility as an opportunity to pick up great companies at attractive prices. Please see details from the portfolio managers in the letters that follow.

As you may know, we have added Clyde McGregor as portfolio manager to The Oakmark Small Cap Fund. Clyde has been with Harris Associates for close to 20 years, and has expertly guided The Oakmark Equity and Income Fund since its inception in November 1995. We're pleased he can extend his stock-picking expertise to the Small Cap Fund. Steve Reid, who managed the Fund since its inception, has been on an extended leave of absence and has stepped down from management of the Fund.

In mid-June, our parent company, Nvest L. P., entered into an agreement to be acquired by CDC Asset Management, the investment management arm of France's Caisse des Depots Group, a major diversified financial institution. We expect to retain our investment independence and operating autonomy. Thus, this will not affect our investment management activities or the daily operations of the Funds. We believe this new relationship is a very positive development for our parent company and may provide us with additional resources for the distribution of our investment products.

When visiting our web site at **www.oakmark.com**, you'll notice important changes to content and navigation. Investors can look up account balances and transactions in a

secure environment, read portfolio manager commentary and fund updates, and view timely news information and market analysis. In the very near future, sometime in August, you will be able to purchase shares, order duplicate statements and change your address on-line. Going forward, we will continue to take steps toward providing important and timely information through our web site.

We appreciate your continued investment in The Oakmark Family of Funds.

Victor Morgenstern
Chairman

Robert M. Levy
President

July 5, 2000



THE OAKMARK FAMILY OF FUNDS

Summary Information

<i>Performance for Period Ended June 30, 2000</i>	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
3 Months	2.6%	(5.2%)	(0.3%)
6 Months	(6.6%)	3.3%	(1.8%)
1 Year	(24.7%)	(0.6%)	(12.5%)
<i>Average Annual Total Return for:</i>			
3 Year	(1.4%)	19.7%	(3.4%)
5 Year	9.1%	N/A	N/A
Since inception	19.0%	27.4%	10.5%
Value of \$10,000 from inception date	\$46,950 (8/5/91)	\$24,324 (11/1/96)	\$15,926 (11/1/95)
<i>Top Five Holdings as of June 30, 2000</i>	Fortune Brands, Inc. 3.9%	Washington Mutual, Inc. 14.3%	Catellus Development Corporation 6.2%
<i>Company and % of Total Net Assets</i>	Nabisco Holdings Corporation 3.8%	Toys 'Я' Us, Inc. 8.6%	ITT Educational Services, Inc. 6.0%
	Washington Mutual, Inc. 3.7%	The Reynolds & Reynolds Company 7.5%	Ugly Duckling Corporation 5.6%
	Brunswick Corporation 3.3%	USG Corporation 7.2%	Micron Electronics, Inc. 4.7%
	ACNielsen Corporation 3.2%	The Dun & Bradstreet Corporation 5.9%	National Data Corporation 4.6%
<i>Top Five Industries as of June 30, 2000</i>	Other Consumer Goods & Services 17.4%	Banks & Thrifts 14.6%	Real Estate 11.7%
<i>Industries and % of Total Net Assets</i>	Food & Beverage 7.7%	Retail 13.4%	Banks & Thrifts 8.6%
	Information Services 7.6%	Information Services 11.0%	Insurance 7.8%
	Retail 6.2%	Computer Services 8.9%	Food & Beverage 7.0%
	Household Products 6.0%	Computer Software 7.5%	Educational Services 6.0%

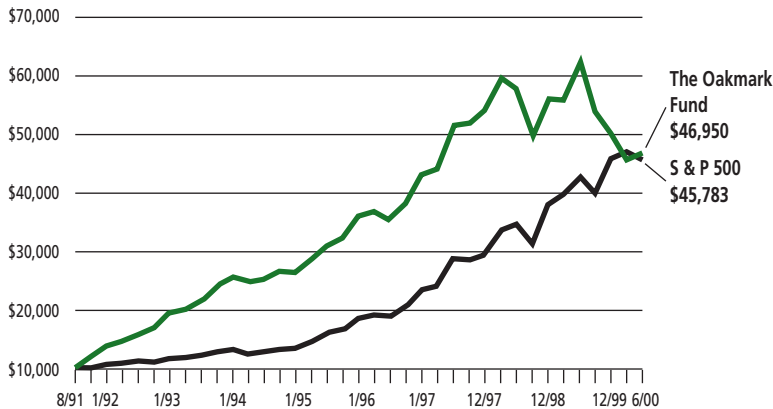
The Oakmark Equity and Income Fund		The Oakmark Global Fund		The Oakmark International Fund		The Oakmark International Small Cap Fund												
(0.2%)		3.2%		7.1%		0.9%												
4.2%		4.0%		6.9%		(4.1%)												
2.3%		N/A		8.3%		1.4%												
12.0%		N/A		7.1%		5.6%												
N/A		N/A		13.5%		N/A												
14.6%		N/A		14.1%		9.9%												
\$18,886 (11/1/95)		\$10,381 (8/4/99)		\$27,856 (9/30/92)		\$15,529 (11/1/95)												
Alamo Group Inc. 4.8%	Ceridian Corporation 5.4%	Diageo plc 4.9%	Fletcher Challenge Building 4.8%	Citizens Communications Company 4.3%	ITT Educational Services, Inc. 5.2%	Somerfield plc 4.6%	GFI Industries SA 4.8%	The Reynolds & Reynolds Company 4.3%	Somerfield plc 5.0%	Hunter Douglas N.V. 4.1%	Hite Brewery 4.7%	JCG Holdings Ltd. 4.7%	Catellus Development Corporation 4.1%	The Reynolds & Reynolds Company 4.9%	Banco Latinoamericano de Exportaciones, S.A. 3.9%	Krones AG 4.7%	Ceridian Corporation 3.8%	House of Fraser Plc 4.5%
U.S. Government Notes 25.7%	Retail Information Services 13.1%	Banks & Thrifts 19.2%	Production Equipment 10.9%	Real Estate 13.8%	Food & Beverage 8.7%	Other Industrial Goods & Services 10.0%	Retail 10.5%	Banks & Thrifts 7.8%	Other Consumer Goods & Services 7.8%	Food & Beverage 9.0%	Household Products 7.3%	Food & Beverage 8.2%	Telecommunications 7.2%	Banks & Thrifts 7.5%	Retail 5.8%	Other Consumer Goods & Services 7.7%	Medical Products 5.7%	Other Financial 7.2%

THE OAKMARK FUND

Report from Bill Nygren and Kevin Grant, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (6/30/00) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



6/30/00 NAV \$25.40

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/00 From Fund Inception 8/5/91
The Oakmark Fund	2.6%	19.0%
Standard & Poor's 500 Stock Index w/inc**	-2.7%	18.6%
Dow Jones Industrial Average w/inc**	-4.0%	17.6%
Value Line Composite Index**	-4.8%	6.1%

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

**Each of the three indexes or averages is an unmanaged group of stocks whose composition is different from the Fund. The S&P 500 is a broad market-weighted average dominated by blue-chip stocks. The Dow Jones Average includes only 30 big companies. The Value Line Index is an unweighted average of more than 1,000 stocks. Past performance is no guarantee of future results.

The Oakmark Fund increased in value by 2.6% for the quarter ended June 30. While we are pleased with that level of absolute gain, it was especially rewarding to achieve it during a quarter when most of the market averages went down. We have been saying for some time that the market would return to a focus on business values and the high level of risk investors assume when stocks are purchased at substantial premiums to underlying value. We believe this process began in March and has a long way to go before stock prices and business values are brought back into alignment. We continue to believe that our stocks will benefit from this shift.

Corporate investors have been responsible for some of the renewed focus on value. During the quarter, your Fund's performance was strongly benefited from takeover activity. In April, Union Pacific Resources (UPR) announced its sale to Anadarko Petroleum. Also in April, Nabisco Holdings' management decided to hold an auction for the company. The \$55 per share bid by Philip Morris was an 88% premium to Nabisco Holdings' February low. Thanks to the managements of both UPR and Nabisco for making the difficult decision that their shareholders would be best served by selling the company. We believe that our portfolio continues to be extremely well positioned to benefit from an ongoing increase in merger and acquisition activity.

What's New

The unusually high volatility the stock market experienced last quarter allowed us to purchase an unusually high number of new stocks. Because of increased popularity of momentum investing, fewer investors now view stock price declines as buying opportunities. The

result of this is that companies reporting disappointing news now drop in price much more than they used to. Most of our new holdings suffered severe price declines in response to news that we felt had little impact on long-term business values. Here's a brief explanation of each of them:

Carnival Cruise Lines (CCL—\$20)

The leader in the cruise ship industry announced that this year's earnings would only increase slightly from 1999 because newly built ships increased industry capacity at a more rapid rate than demand. The stock fell from \$48 in December to \$19 in June, where it was below 10 times next year's earnings estimate.

Cendant (CD—\$14)

This leader in franchise operations such as Ramada Inns, Avis Rental Cars and Century21 saw its growth cut by higher interest rates. In December, this stock traded at \$27 per share following the purchase of a large interest in Cendant by Liberty Media. Last quarter, Liberty's highly regarded chairman, John Malone, joined Cendant's board and personally bought stock. Having fallen to \$12 in June, Cendant was selling at about 10 times next year's earnings.

Chiron (CHIR—\$48)

This biotech leader fell from \$71 in February to \$35 in May after reporting disappointing results from one of its many new drug trials. At this price, Chiron sold at a large discount to its traditional pharmaceutical peers (based on enterprise value divided by pre-R&D cash flow) despite having a much higher growth rate.

Electronic Data Systems (EDS—\$41)

A leader in IT consulting and MIS outsourcing, EDS announced that

second quarter sales would grow more slowly than expected. EDS stock, which traded at \$72 in April, fell to \$39. Based on our estimate of next year, EDS now sells at 14 times earnings, just over half the S&P 500 multiple.

Goodrich (GR—\$34)

As the stock market lost interest in cyclical, this aerospace and chemicals company watched its stock decline from \$43 a year ago to \$28 in April. We applaud management's reaction of putting the chemical business up for sale and committing to use much of the proceeds to repurchase stock. Goodrich currently trades at 9 times expected earnings.

Newell (NWL—\$26)

This manufacturer of a broad range of consumer goods sold at \$48 in May of 1999. After acquiring Rubbermaid and realizing the "Newellization" process would take a few months more than expected, the stock sunk to \$25 in June. Newell currently sells at 10 times our estimate of cash earnings.

Sungard Data Systems (SDS—\$31)

Sungard is a highly successful e-processing company offering investor support systems as well as disaster recovery systems. Despite seeing earnings grow 20% over the last year, Sungard stock fell 25% from its \$41 high in March 1999. Sungard now sells at less than 17 times our earnings estimate for next year, despite expected annual growth of 20%

Xerox (XRX—\$21)

Xerox sold at \$64 last May and fell below \$20 in June. Earnings growth stalled due to difficulties in emerging markets as well as dislocations caused by a realignment of the domestic sales force. At a price below 10 times next year's earnings, we feel the

market is ignoring the strength of Xerox's new printing products as well as the significant profit potential from the transition from black-and-white to color copying and printing.

As we manage the portfolio, we will continue to take advantage of opportunities created by excessive volatility. These wide price swings give us the opportunity to buy positions in stocks we feel are extremely undervalued and reduce positions in stocks we believe are selling closer to their intrinsic value. It's what value investing is all about.

Thank you for your continued support.



William C. Nygren, CFA

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Kevin G. Grant, CFA

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July 6, 2000

THE OAKMARK FUND

Schedule of Investments—June 30, 2000 (Unaudited)

	Shares Held	Market Value
Common Stocks—93.2%		
Food & Beverage—7.7%		
Nabisco Holdings Corporation, Class A	1,522,100	\$ 79,910,250
H.J. Heinz Company	1,125,000	49,218,750
Philip Morris Companies Inc.	1,160,700	<u>30,831,094</u>
		159,960,094
Apparel—3.2%		
Nike, Inc., Class B	984,000	\$ 39,175,500
Jones Apparel Group, Inc. (a)	1,157,000	<u>27,189,500</u>
		66,365,000
Retail—6.2%		
The Kroger Company	2,200,000	\$ 48,537,500
Toys ‘Я’ Us, Inc. (a)	3,000,000	43,687,500
Tricon Global Restaurants, Inc. (a)	1,350,000	<u>38,137,500</u>
		130,362,500
Household Products—6.0%		
Newell Rubbermaid Inc.	1,700,000	\$ 43,775,000
Fort James Corporation	1,400,000	32,375,000
Energizer Holdings, Inc. (a)	1,500,000	27,375,000
The Dial Corporation	2,052,900	<u>21,298,838</u>
		124,823,838
Household Appliances—2.1%		
Maytag Corporation	1,160,400	\$ 42,789,750
Office Equipment—1.6%		
Xerox Corporation	1,650,000	\$ 34,237,500
Hardware—4.5%		
The Black & Decker Corporation	1,672,200	\$ 65,738,363
The Stanley Works	1,224,900	<u>29,091,375</u>
		94,829,738
Other Consumer Goods & Services—17.4%		
Fortune Brands, Inc.	3,515,200	\$ 81,069,300
Brunswick Corporation	4,127,800	68,366,687
Mattel, Inc.	4,964,400	65,468,025
H&R Block, Inc.	1,275,300	41,287,837
Galileo International, Inc.	1,539,500	32,137,063
Cendant Corporation (a)	2,100,000	29,400,000
Ralston Purina Group	1,450,000	28,909,375
American Greetings Corporation, Class A	866,500	<u>16,463,500</u>
		363,101,787

THE OAKMARK FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Shares Held	Market Value
Common Stocks—93.2% (cont.)		
Banks & Thrifts—5.7%		
Washington Mutual, Inc.	2,680,000	\$ 77,385,000
Bank One Corporation	1,550,548	<u>41,186,431</u>
		118,571,431
Insurance—2.5%		
Old Republic International Corporation	1,843,830	\$ 30,423,195
MGIC Investment Corporation	475,000	<u>21,612,500</u>
		52,035,695
Other Financial—2.0%		
SLM Holding Corporation	1,100,000	\$ 41,181,250
Information Services—7.6%		
ACNielsen Corporation (a)	3,053,500	\$ 67,177,000
The Dun & Bradstreet Corporation	2,107,500	60,327,187
Equifax Inc.	1,200,000	<u>31,500,000</u>
		159,004,187
Computer Services—5.4%		
First Data Corporation	850,000	\$ 42,181,250
Electronic Data Systems Corporation	1,000,000	41,250,000
SunGard Data Systems Inc. (a)	940,800	<u>29,164,800</u>
		112,596,050
Telecommunications—1.9%		
Citizens Communications Company	2,350,000	\$ 40,537,500
Publishing—1.8%		
Knight Ridder, Inc.	692,000	\$ 36,805,750
Pharmaceuticals—1.1%		
Chiron Corporation (a)	495,000	\$ 23,512,500
Medical Products—2.1%		
Sybron International Corporation (a)	2,173,600	\$ 43,064,450
Automobiles—2.0%		
DaimlerChrysler AG (b)	800,000	\$ 41,650,000
Aerospace & Defense—2.9%		
Lockheed Martin Corporation	1,300,000	\$ 32,256,250
The B.F. Goodrich Company	820,000	<u>27,931,250</u>
		60,187,500
Machinery & Industrial Processing—4.4%		
Cooper Industries, Inc.	1,798,400	\$ 58,560,400
Eaton Corporation	511,700	<u>34,283,900</u>
		92,844,300

THE OAKMARK FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Common Stocks—93.2% (cont.)		
Building Materials & Construction—1.7%		
Masco Corporation	1,933,000	\$ 34,914,813
Chemicals—0.8%		
The Geon Company	956,600	\$ 17,697,100
Utilities—1.3%		
TXU Corp.	900,000	\$ 26,550,000
Recreation & Entertainment—1.3%		
Carnival Corporation	1,425,000	\$ 27,787,500
Total Common Stocks (Cost: \$1,963,247,573)		1,945,410,233
Short Term Investments—6.4%		
U.S. Government Bills—1.2%		
United States Treasury Bills, 6.10% due 11/24/2000	25,000,000	\$ 24,411,000
Total U.S. Government Bills (Cost: \$24,381,528)		24,411,000
Commercial Paper—3.3%		
American Express Credit Corporation, 6.75% due 7/5/2000	10,000,000	\$ 10,000,000
Ford Motor Credit Corp., 6.72%–6.81% due 7/3/2000–7/6/2000	20,000,000	20,000,000
General Electric Capital Corporation, 6.80% due 7/3/2000	40,000,000	40,000,000
Total Commercial Paper (Cost: \$70,000,000)		70,000,000
Repurchase Agreements—1.9%		
State Street Repurchase Agreement, 6.25% due 7/3/2000	39,164,000	\$ 39,164,000
Total Repurchase Agreements (Cost: \$39,164,000)		39,164,000
Total Short Term Investments (Cost: \$133,545,528)		133,575,000
Total Investments (Cost \$2,096,793,101)—99.6%		\$ 2,078,985,233
Other Assets In Excess Of Other Liabilities—0.4%		7,342,590
Total Net Assets—100%		<u><u>\$2,086,327,823</u></u>

(a) Non-income producing security.

(b) Represents foreign domiciled corporation.

THE OAKMARK SELECT FUND

Report from Bill Nygren and Henry Berghoef, Portfolio Managers



Although some of our stocks were up significantly in the quarter ended June 30, The Oakmark Select Fund fell by 5% compared to 3% losses in both the S&P 500 and the S&P Midcap 400. Our gain of 3% for the calendar year-to-date is superior to most midcap value funds and better than the S&P 500.

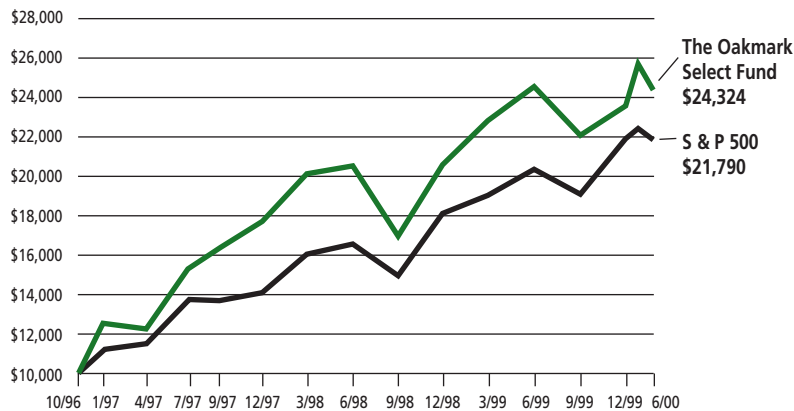
During the quarter we suffered from declines in two big holdings, USG Corp. and Reynolds & Reynolds (REY). USG stock fell from \$42 to \$30 as construction spending slowed and earnings estimates fell from over \$8.00 to over \$7.00. We believe this earnings decline is an expected result of economic slowing and that USG's annual earnings per share will vacillate from \$3 to \$9 based on the economic cycle. At 10 times trough earnings and just over 3 times peak earnings, we believe USG stock is very attractive. USG management apparently agrees. They have repurchased about 2% of their outstanding shares per month this year.

We also believe REY is extremely attractive. During the quarter REY sold its business forms division and plans to use the proceeds for its rapidly growing automotive information business as well as for share repurchase. REY also announced a transaction with GM that will further the company's lead as the dominant Information Technology provider to auto dealers. Both transactions sacrificed a small amount of near-term earnings in exchange for much more rapid earnings growth. We feel they were positive developments, albeit misunderstood by REY's shareholders. Because the immediate result of those transactions is a higher P/E on next year's earnings, shareholders reacted negatively. Our estimate of REY's value is higher than it was last quarter, and we believe the stock is now at a much greater discount to its value.

Share Repurchases

Our stock selection criteria have always included identifying companies where the value grows as time passes. That growth in value comes mostly, but not only, from sales gains. Lately, investors have become so focused on sales growth that other sources of growth seem to be

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (6/30/00) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



6/30/00 NAV \$19.02

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/00 From Fund Inception 11/1/96
The Oakmark Select Fund	-5.2%	27.4%
Standard & Poor's 500 Stock Index w/inc**	-2.7%	23.7%
Standard & Poor's MidCap 400 Index w/inc**	-3.3%	22.2%
Value Line Composite Index**	-4.8%	3.7%

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

**Each of the three indexes or averages is an unmanaged group of stocks whose composition is different from the Fund. The S&P 500 is a broad market-weighted average dominated by blue-chip stocks. The S&P 400 consists of 400 domestic stocks chosen for market size, liquidity, and industry group representation. The Value Line Index is an unweighted average of more than 1,000 stocks. Past performance is no guarantee of future results.

unrewarded by the market. However, we own many companies that have moderate levels of sales growth but generate more cash from their operations than is required to support that growth. Management can return that cash to shareholders as dividends, or they can invest it in new business opportunities, acquisitions of other businesses, debt pay-down, or share repurchases. Because of the tax-inefficiency of dividends, we generally prefer companies that reinvest excess cash. We prefer investment of that excess cash because it creates incremental earnings and thus sustainable earnings per share growth that is significantly higher than sales growth alone. And when their own stock sells at a large discount to business value, we love to see excess cash invested in share repurchase.

While competitive bidding for acquisitions usually forces prices to a fully-valued level, share repurchases can occur at prices far below fair value. Share repurchase also is an investment in the business management understands best as opposed to the uncertainties associated with new business opportunities or acquisitions. Lastly, we take share repurchases as a confirmation that management shares our belief about the undervaluation of their stock. A recent Barron's article cited a decline in corporate share repurchase announcements as an indication that the stock market has become more fully valued. We're pleased to say that our portfolio's holdings are not responsible for that decline. During the most recently reported quarter 14 of our 20 holdings repurchased shares. And six of those repurchased shares at an annual rate of more than 10% of their outstanding shares. We believe that per share growth that comes from shrinking the share count is just as valuable as growth that comes from increasing sales. We commend our managements that have embraced the concept of growing value by shrinking!

Drop the Chalupa!

When a financial magazine asked last quarter for a stock recommendation investors could buy and hold for a decade, our answer was a recent addition to our fund, Tricon Global Restau-

rants (YUM). The writer seemed to expect that, with the luxury of an extended time frame, our choice might be a high-priced, high-growth favorite. One of today's most popular rationales for paying very high P/E multiples is that future growth will compensate for the high purchase price and that as time passes, the "over-pricing" will be eliminated. A problem with that logic is that it is most frequently applied to companies in rapidly changing industries, making a long-term forecast a very fuzzy one.

So, why would we pick a company in an industry that often shows how fickle our taste buds can be? Tricon owns and operates three fast food chains: KFC, Pizza Hut and Taco Bell. As you forecast out a decade, what trend seems more likely to continue than America's, and increasingly the world's, growing appetite for fast food? And as more of our meals are eaten on the run, the demand for food other than hamburgers grows even more rapidly than does the fast food industry. In the non-hamburger category, Tricon owns the three leading chains serving chicken, pizza and Mexican. Those leadership positions have been unchallenged for years and are, in our opinion, quite likely to remain intact. Outside the United States, KFC, Pizza Hut and Taco Bell are all growing extremely rapidly.

Why does a company with such strong fundamentals become a value stock? Tricon was spun-off from Pepsi in 1997 with earnings from operations of \$1.59 per share, and the stock traded in a range of \$28 to \$36. During 1998, operating EPS grew to \$1.79, and Tricon secured exclusive rights for *Star Wars* promotions. The stock hit a high that year of \$51. Last March, after a highly successful launch of Pizza Hut's "Big New Yorker Pizza" and amid growing anticipation of *Star Wars*, Tricon stock peaked at \$74 per share.

Since then Tricon has had some issues: *Star Wars* was a disappointment; KFC's new and successful chicken sandwich cannibalized sales of higher-profit on-the-bone-chicken; after very strong sales from the New Yorker introduc-

tion, Pizza Hut saw sales decline in this year's first quarter; and AmeriServe, the highly-leveraged supplier from which Tricon buys its food, declared bankruptcy. Despite these issues, Tricon's strong international sales and better expense control allowed 1999 operating EPS to grow to \$2.58, and its earnings are expected to exceed \$3.00 this year. Tricon stock, at \$29, down over 60% from its high, now trades at a P/E of about 9 times, barely one-third of the multiple of the S&P 500. We expect the AmeriServe situation to be resolved soon, and we were pleased to see Wal-Mart indicate an interest in acquiring it. AmeriServe's situation should not meaningfully impact Tricon's earnings.

Over the next few years, sales and earnings at Tricon should grow at about 10% per year. As cash flow is used to reduce both debt and outstanding shares, we believe the annual EPS growth rate will be in the teens. Although the 30 times earnings at which Tricon traded in early 1999 seems like an overly optimistic target, we believe the P/E multiple should increase substantially from 9. The market's over-reaction, combined with Tricon's strong growth outlook, makes Tricon a great long term holding and a great addition to our portfolio.

Thank you for your support.



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July 6, 2000

THE OAKMARK SELECT FUND

Schedule of Investments—June 30, 2000 (Unaudited)

	Shares Held	Market Value
Common Stocks—92.0%		
Apparel—4.0%		
Liz Claiborne, Inc.	1,748,600	\$ 61,638,150
Retail—13.4%		
Toys 'Я' Us, Inc. (a)	9,048,500	\$ 131,768,781
Tricon Global Restaurants, Inc. (a)	2,615,400	73,885,050
		205,653,831
Household Products—4.8%		
Energizer Holdings, Inc. (a)	4,041,400	\$ 73,755,550
Other Consumer Goods & Services—4.2%		
Ralston Purina Group	2,130,200	\$ 42,470,863
H&R Block, Inc.	685,000	22,176,875
		64,647,738
Banks & Thrifts—14.6%		
Washington Mutual, Inc.	7,579,800	\$ 218,866,725
People's Bank of Bridgeport, Connecticut	274,400	5,042,100
		223,908,825
Insurance—4.0%		
PartnerRe Ltd. (b)	1,737,300	\$ 61,565,569
Other Financial—1.4%		
MBIA, Inc.	440,800	\$ 21,241,050
Information Services—11.0%		
The Dun & Bradstreet Corporation	3,143,600	\$ 89,985,550
Ceridian Corporation	3,284,500	79,033,281
		169,018,831
Computer Services—8.9%		
Electronic Data Systems Corporation	1,750,000	\$ 72,187,500
First Data Corporation	1,277,200	63,381,050
		135,568,550
Computer Software—7.5%		
The Reynolds and Reynolds Company, Class A	6,279,700	\$ 114,604,525
Telecommunications—0.2%		
Citizens Communications Company	192,000	\$ 3,312,000
Pharmaceuticals—2.1%		
Chiron Corporation (a)	668,900	\$ 31,772,750

THE OAKMARK SELECT FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Common Stocks—92.0% (cont.)		
Machinery & Industrial Processing—4.6%		
Thermo Electron Corporation (a)	3,369,000	\$ 70,959,563
Building Materials & Construction—7.2%		
USG Corporation	3,634,900	\$ 110,410,087
Diversified Conglomerates—4.1%		
U.S. Industries, Inc.	5,141,600	\$ 62,341,900
Total Common Stocks (Cost: \$1,441,253,970)		1,410,398,919
Short Term Investments—8.0%		
U.S. Government Bills—1.3%		
United States Treasury Bills, 6.10% due 11/24/2000	20,000,000	\$ 19,528,800
Total U.S. Government Bills (Cost: \$19,505,222)		19,528,800
Commercial Paper—4.2%		
American Express Credit Corporation, 6.75% due 7/6/2000	10,000,000	\$ 10,000,000
Ford Motor Credit Corp., 6.54%–6.72% due 7/3/2000–7/5/2000	20,000,000	20,000,000
General Electric Capital Corporation, 6.80% due 7/3/2000	35,000,000	35,000,000
Total Commercial Paper (Cost: \$65,000,000)		65,000,000
Repurchase Agreements—2.5%		
State Street Repurchase Agreement, 6.25% due 7/3/2000	38,779,000	\$ 38,779,000
Total Repurchase Agreements (Cost: \$38,779,000)		38,779,000
Total Short Term Investments (Cost: \$123,284,222)		123,307,800
Total Investments (Cost \$1,564,538,192)—100.0%		\$ 1,533,706,719
Other Liabilities In Excess Of Other Assets—(0.0)%		(725,844)
Total Net Assets—100%		<u>\$1,532,980,875</u>

(a) Non-income producing security.

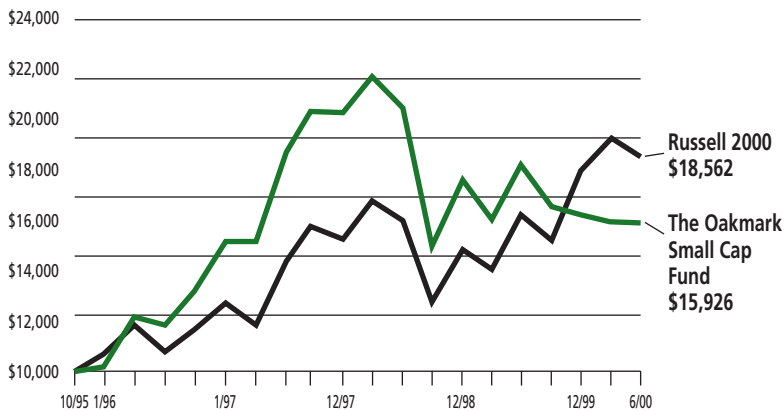
(b) Represents foreign domiciled corporation.

THE OAKMARK SMALL CAP FUND

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



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/00) AS COMPARED TO THE RUSSELL 2000 INDEX



6/30/00 NAV \$13.35

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/00 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	-0.3%	10.5%
Lipper Small Cap Fund Index**	1.3%	10.8%
Russell 2000 w/inc**	-3.8%	14.2%
S&P Small Cap 600 w/inc.**	1.0%	14.9%

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

**Each of the three indexes or averages is an unmanaged group of stocks or funds whose composition is different from the Fund. The Lipper Small Cap Fund Index is comprised of 30 Small Cap Funds. The Russell 2000 Index measures the performance of smaller companies, and represents approximately 10% of the total value of publicly traded companies in the U.S. The S&P 600 Index measures the performance of selected U.S. stocks with small market capitalization. Past performance is no guarantee of future results.

The second calendar quarter of 2000 was a more typical period for stocks as investors began to question the business models of many of the new technology companies that came into existence over the past two years. The dependence by these firms on untested business plans, often inexperienced managements and an overly zealous pursuit of revenue growth despite negative cash generation created an environment that was likely to lead to disappointing investment results for these companies. Our focus on more established enterprises with positive cash flow characteristics aided our investment returns in the second quarter. For the quarter, your Fund was down 0.30% versus the Russell 2000 Index which fell by 3.78%. While pleased by the 3.48% outperformance of the Russell 2000, we continue to work to position your Fund to improve our absolute returns. For much of the balance of this report, we would like to detail for you some of the changes that have been underway at your Fund that we expect will have a positive impact on future results.

Tactical Changes

Over the past two quarters we have intensified our focus on stocks that offer improved liquidity and stocks that suggest near-term catalysts that might help reveal the underlying value of the company in which we are investing. Improving the liquidity of the portfolio should reduce our trading costs which should translate into better investment performance over the long-term. While liquidity in an individual stock can change over time (which makes precise estimates of portfolio liquidity difficult), we would estimate that we have completed the majority of the moves we needed to significantly improve

the portfolio's liquidity. Two examples of low liquidity stocks that we sold are Northwest Savings and Northwest Pipe, where we sold the entire positions. We also trimmed many other stock positions to bring our position size down to a level that is more tradable should we need to sell the position. While we improved the portfolio's liquidity, we did not change the basic focus of this Fund and that is to own positions in attractive value-oriented small cap equities.

Our focus on companies with near-term catalysts is our response to "investment clutter." In today's world there are thousands of domestic small cap companies all trying to capture the attention of investors, but only a subset of this universe will accomplish this goal. We are no longer in a world where we can buy sound small cap companies trading at inexpensive prices and then wait for other investors to discover the company and bid the shares higher. Rather, we believe that we are in an impatient market that will quickly reward those firms that exhibit positive catalysts such as great new products, accretive share repurchases, aggressive cost controls and above expectations earnings growth. We want to be positioned in undervalued equities that exhibit some or all of these traits.

Portfolio Overview

As we begin the third quarter, the Fund's portfolio consists of forty stocks that are trading on a weighted average basis at 9.1 times estimated year 2001 earnings. Despite the low P/E ratio, we have not sacrificed growth as the expected earnings per share growth from 2000 to 2001 for this portfolio is approximately 25%. These two figures translate into a PEG (price/earnings ratio to expected

growth rate) of 0.36 in a market where a ratio of under 1 is considered reasonably good by most investors.

We would like to highlight two stocks your fund owns: ITT Educational Services (ESI) and Micron Electronics (MUEI). Both of these stocks have interesting new developments that we expect to positively impact their share prices over the next few quarters. First, ESI is experiencing robust enrollment growth in their computer and internet-related educational courses. This growth is being somewhat mitigated by lower demand for some of ESI's older educational offerings, but we expect the strong growth in ESI's computer-related courses to begin to overwhelm the softness in the older offerings over the next year. This should result in an upturn in ESI's revenue and profit growth. With this stock trading at a significantly lower multiple to earnings than its peers, we expect ESI to do quite well over the next several quarters.

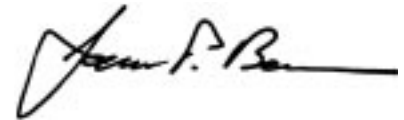
MUEI is an efficient manufacturer of personal computers (slightly more efficient than Dell!) with a memory chip remanufacturing operation and a rapidly growing web hosting business. MUEI's biggest problem in recent periods was lack of demand due to a weak brand position. However, we believe they may have solved the issue of demand generation for their PC business by teaming up with Best Buy and other retailers. MUEI will provide the retailers' customers with made-to-order PC's that are ordered in the store and shipped from MUEI's manufacturing plant a day or two later directly to the customer. This looks like a win-win situation as MUEI realizes increased volume for its manufacturing facilities while the retailers reduce their inventory costs by stock-

ing fewer PC's in their stores. Several additional retailers have signed on with MUEI following a promising start at Best Buy. If this model works well, the upside in MUEI's revenue growth and profitability should be substantial.

Portfolio Manager Change

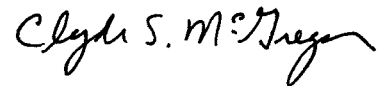
At the end of June, Steve Reid stepped down as portfolio manager of the Fund following an extended leave of absence. We thank him for his valuable contributions and we wish him all the best. Clyde McGregor has joined me to provide the portfolio management team for your Fund. Clyde has successfully managed The Oakmark Equity and Income Fund since its inception in 1995 (a role that he will continue to perform) and he has over two decades of professional investment experience. We look forward to a successful collaboration.

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



James P. Benson, CFA

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Clyde S. McGregor, CFA

Portfolio Manager
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July 3, 2000

THE OAKMARK SMALL CAP FUND

Schedule of Investments—June 30, 2000 (Unaudited)

	Shares Held	Market Value
Common Stocks—93.5%		
Food & Beverage—7.0%		
Ralcorp Holdings, Inc. (a)	465,000	\$ 5,696,250
Del Monte Foods Company (a)	800,000	5,450,000
International Multifoods Corporation	150,000	2,596,875
M & F Worldwide Corp. (a)	300,000	<u>1,687,500</u>
		15,430,625
Retail—5.9%		
Ugly Duckling Corporation (a)	1,750,000	\$ 12,359,375
The Great Atlantic & Pacific Tea Company, Inc.	39,900	<u>663,338</u>
		13,022,713
Hardware—0.9%		
Jore Corporation (a)	376,000	\$ 2,044,500
Other Consumer Goods & Services—5.6%		
Department 56, Inc. (a)	800,000	\$ 8,800,000
Barry (R.G.) Corporation (a)	885,000	<u>3,429,375</u>
		12,229,375
Banks & Thrifts—8.6%		
People's Bank of Bridgeport, Connecticut	400,000	\$ 7,350,000
BankAtlantic Bancorp, Inc., Class A	1,082,500	4,059,375
PennFed Financial Services, Inc.	250,000	3,531,250
Golden State Bancorp Inc. (a)	150,000	2,700,000
Finger Lakes Financial Corp.	175,500	<u>1,250,437</u>
		18,891,062
Insurance—7.8%		
The PMI Group, Inc.	190,000	\$ 9,025,000
The MONY Group Inc. (a)	240,000	<u>8,115,000</u>
		17,140,000
Educational Services—6.0%		
ITT Educational Services, Inc. (a)	750,000	\$ 13,171,875
Information Services—4.6%		
National Data Corporation	435,000	\$ 10,005,000
Data Storage—0.0%		
StorageNetworks, Inc. (a)	700	\$ 63,175
Computer Software—4.3%		
Mentor Graphics Corporation	300,000	\$ 5,962,500
MSC.Software Corp.	200,000	1,862,500
Symantec Corporation (a)	30,000	<u>1,618,125</u>
		9,443,125

THE OAKMARK SMALL CAP FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Shares Held	Market Value
Common Stocks—93.5% (cont.)		
Computer Systems—4.7%		
Micron Electronics, Inc. (a)	825,000	\$ 10,312,500
Security Systems—1.7%		
Checkpoint Systems, Inc. (a)	500,000	\$ 3,750,000
Pharmaceuticals—3.3%		
Dura Pharmaceuticals, Inc. (a)	500,000	\$ 7,187,500
Medical Centers—1.1%		
Veterinary Centers of America, Inc. (a)	180,000	\$ 2,475,000
Medical Research—0.8%		
Covance Inc. (a)	200,000	\$ 1,762,500
Medical Products—2.2%		
Hanger Orthopedic Group, Inc. (a)	1,000,000	\$ 4,937,500
Automotive—2.1%		
Standard Motor Products, Inc.	280,000	\$ 2,380,000
Stoneridge, Inc. (a)	245,000	2,143,750
		<u>4,523,750</u>
Automobile Rentals—1.3%		
Dollar Thrifty Automotive Group, Inc. (a)	151,500	\$ 2,793,281
Transportation Services—3.0%		
Teekay Shipping Corporation (b)	200,000	\$ 6,575,000
Machinery & Industrial Processing—5.9%		
Columbus McKinnon Corporation	495,000	\$ 6,868,125
Sames Corporation	235,000	3,701,250
MagneTek, Inc. (a)	300,000	2,400,000
		<u>12,969,375</u>
Chemicals—3.5%		
Ferro Corporation	210,000	\$ 4,410,000
H.B. Fuller Company	70,000	3,189,375
		<u>7,599,375</u>
Real Estate—11.7%		
Catellus Development Corporation (a)	907,800	\$ 13,617,000
Prime Hospitality Corp. (a)	800,000	7,550,000
Trammell Crow Company (a)	427,700	4,597,775
		<u>25,764,775</u>

THE OAKMARK SMALL CAP FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Common Stocks—93.5% (cont.)		
Diversified Conglomerates—1.5%		
U.S. Industries, Inc.	275,000	\$ 3,334,375
Total Common Stocks (Cost: \$241,680,521)		205,426,381
Call Options Written—(0.1%)		
Equity Options—(0.1%)		
Computer Software—(0.1%)		
Symantec Corporation, July 75 Calls	(30,000)	\$ (11,250)
Mentor Graphics Corporation, July 17.50 Calls	(40,000)	(117,500)
		(128,750)
Computer Systems—0.0%		
Micron Electronics, Inc., July 15 Calls	(27,500)	\$ (1,718)
Total Call Options Written (Cost: \$(237,698))		(130,468)
Short Term Investments—6.0%		
Commercial Paper—3.2%		
General Electric Capital Corporation, 6.80% due 7/3/2000	7,000,000	\$ 7,000,000
Total Commercial Paper (Cost: \$7,000,000)		7,000,000
Repurchase Agreements—2.8%		
State Street Repurchase Agreement, 6.25% due 7/3/2000	6,187,000	\$ 6,187,000
Total Repurchase Agreements (Cost: \$6,187,000)		6,187,000
Total Short Term Investments (Cost: \$13,187,000)		13,187,000
Total Investments (Cost \$254,629,823)—99.4%		\$ 218,482,913
Other Assets In Excess Of Other Liabilities—0.6%		1,307,002
Total Net Assets—100%		<u>\$ 219,789,915</u>

(a) Non-income producing security.

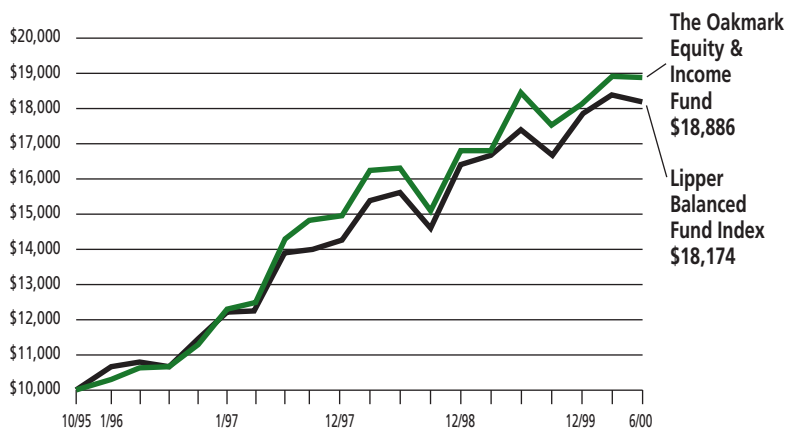
(b) Represents foreign domiciled corporation.

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 (6/30/00) AS COMPARED TO THE LIPPER BALANCED FUND INDEX



6/30/00 NAV \$15.01

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/00 From Fund Inception 11/1/95
The Oakmark Equity & Income Fund	-0.2%	14.6%
Lipper Balanced Fund Index**	-1.2%	13.7%
Lehman Govt./Corp. Bond**	1.5%	5.8%
S&P 500 w/inc.**	-2.7%	23.8%

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

**Each of the three indexes or averages is an unmanaged group of stocks or funds whose composition is different from the Fund. The Lipper Balanced Fund Index Composite is comprised of 30 balanced funds. The Lehman Govt./Corp. Bond Index includes the Lehman Government and Lehman Corporate indices. The S&P 500 is a broad market-weighted average dominated by blue-chip stocks. Past performance is no guarantee of future results.

Quarter Review

The price of the Oakmark Equity and Income Fund was virtually unchanged in the quarter ended June 30, which contrasts with a small loss of -1.2% for the Lipper Balanced Fund Index, our primary standard of comparison. Two equity holdings suffered drastic markdowns late in the quarter, turning an otherwise promising period into one with a dull outcome. We are most pleased with the Fund's fixed income holdings as they provided positive rates of return despite continued upward pressure on interest rates.

Time Periods

But for a particularly bad day on June 30th, we had a pretty good quarter. While this may smack of an apology (like the insurance company that, but for the hurricane that destroyed property it was insuring, would have had a banner underwriting year), it is more by way of leading into a discussion of time periods. What is so magical about the end of a month, end of a quarter, end of a year? Just as corporations (or families) do not wind up their businesses and liquidate at the end of a calendar year (hence the phrase going concern), it should be remembered that investment results should be looked at in the context of the long-term, rather than just interim snapshots. Certainly those snapshots serve as progress reports. However, since the dates on which the snapshots are taken increasingly are subject to market forces other than fundamentals (whether it be the derivative positions of arbitrageurs or major financial institutions), measuring over a rolling long-term period is critical when assessing the true performance of value investors.

One of our more successful investments of 2000 has been the St. Joe Company, the largest private landholder in Florida. Originally a creation of a branch of the DuPont family, St. Joe over time grew to be a collection of a variety of assets, including majority ownership of the Florida East Coast Railway. New management was brought in several years ago in an effort to unlock the inherent value in the company's assets and pristine balance sheet. That management has moved aggressively to exit non-core, capital intensive businesses and focus on the development of St. Joe's land portfolio. To that end, upon receiving IRS approval, St. Joe will spin out tax-free to its shareholders its ownership in the Florida East Coast Railway and become a pure real estate operating company. That company, with more than 1,000,000 acres, will own a substantial portion of the remaining part of coastal Florida that is left open to development, with a cost basis of approximately \$100 per acre. Management expects that it will have few capital needs going forward, and will effectively be in long-term liquidation as it undertakes a major shrinkage of its equity base with its free cash flow. Florida East Coast Railway will operate as an independent company and have the opportunity to optimize not just its transportation assets but also its own real estate and telecommunications business. In both instances, we will have the opportunity to participate with smart, shareholder-oriented managements in an area where the demographics for their businesses are favorable for the foreseeable future.

Sell Discipline

Over our many years as investors, the stock market has changed its characteristics in several respects. Perhaps most noticeable has been the amplification of volatility in the prices of

individual stocks in response to news. This particular trend seems to be a natural outcome of the fact that the institutionally-managed share of invested assets continues to grow, and an ever larger number of institutions employ investing styles that are news-dependent.

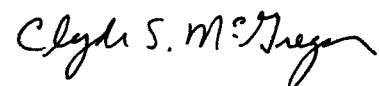
As mentioned in the quarter review section above, our results would have been more pleasant but for two stock blowups late in June. Both Electronic Data Systems (EDS) and Sybron International issued releases to warn investors that their earnings would not meet expectations. The combined effect on the Fund of the price declines in these two issues was more than 1.3%. When situations such as this arise, clients often inquire as to our sell discipline.

Our sell discipline is a logical outcome of our investing process. To buy a security, we must find it to be selling at a significant discount to its intrinsic value, project a satisfactory growth rate for that intrinsic value, and evaluate the management team to be one which treats company shareholders as partners. Obviously, the sell discipline is based on an investment failing to satisfy one or more of these conditions.

We establish buy and sell targets for each company that we approve for purchase based on our understanding of the intrinsic value per share. Next, our analysts devise a list of "reasons to own" which help provide the conceptual framework for holding a security. Stocks are sold when they attain their sell target. In some cases, however, we sell without reaching the sell target when the reasons to own begin to erode away.

Now how does this relate to EDS and Sybron? In both cases the share price has yet to attain our sell target and the respective reasons to own have

not been compromised. In fact, our respect for each management team has only increased with time. Before June, share prices for both companies had risen significantly this year, and we reduced our holdings on the way up. This reflects our perception that risk increases as a stock price closes in on its sell target. With the precipitous and, in our opinion, unwarranted declines in stock price, we have been rebuilding these positions. In both cases we are confident that the disappointment in earnings does not reflect a secular deterioration in the company's prospects. It is our firmly held belief that at some point in the future we will be able to report back to our shareholders concerning the successful conclusion of our ownership of each of these stocks.



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July 3, 2000

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2000 (Unaudited)

	Shares Held	Market Value
Equity and Equivalents—56.2%		
Household Products—2.9%		
Energizer Holdings, Inc. (a)	80,000	\$ 1,460,000
Banks & Thrifts—3.7%		
Washington Mutual, Inc.	64,000	\$ 1,848,000
Other Financial—3.0%		
Heller Financial, Inc.	74,000	\$ 1,517,000
Information Services—3.8%		
Ceridian Corporation	80,000	\$ 1,925,000
Data Storage—0.1%		
StorageNetworks, Inc. (a)	600	\$ 54,150
Computer Services—3.5%		
Electronic Data Systems Corporation	25,000	\$ 1,031,250
First Data Corporation	15,000	744,375
		<u>1,775,625</u>
Computer Software—4.2%		
The Reynolds and Reynolds Company	117,500	\$ 2,144,375
Telecommunications—4.3%		
Citizens Communications Company	125,000	\$ 2,156,250
Medical Products—5.7%		
Sybron International Corporation (a)	89,500	\$ 1,773,219
Edwards Lifesciences Corporation (a)	60,000	1,110,000
		<u>2,883,219</u>
Automotive—2.7%		
Lear Corporation (a)	67,700	\$ 1,354,000
Transportation Services—1.2%		
GATX Corporation	18,500	\$ 629,000
Agricultural Equipment—4.8%		
Alamo Group Inc.	192,350	\$ 2,404,375
Chemicals—0.9%		
The Geon Company	25,000	\$ 462,500

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Equity and Equivalents—56.2% (cont.)		
Real Estate—13.5%		
Catellus Development Corporation (a)	136,728	\$ 2,050,920
The St. Joe Company	55,000	1,650,000
Amlis Residential Properties Trust	67,500	1,590,469
Legacy Hotels Real Estate Investment Trust (b)	250,000	<u>1,494,932</u>
		6,786,321
Total Equity (Cost: \$24,047,908)		27,399,815
Convertible Preferred Stock—1.9%		
Telecommunications—1.9%		
Metromedia International Group, Inc., Convertible Preferred, 7.25%	34,000	\$ 952,000
Total Convertible Preferred Stock (Cost: \$993,260)		952,000
Total Equity and Equivalents (Cost: \$25,041,168)		28,351,815
Fixed Income—38.8%		
Preferred Stock—5.4%		
Banks & Thrifts—4.1%		
BBC Capital Trust I, Preferred, 9.50%	34,000	\$ 597,125
Pennfed Capital Trust, Preferred, 8.90%	27,500	594,687
PennFirst Capital Trust I, Preferred, 8.625%	70,000	511,875
Fidelity Capital Trust I, Preferred, 8.375%	43,500	<u>353,438</u>
		2,057,125
Telecommunications—1.0%		
MediaOne Finance Trust III, Preferred, 9.04%	20,000	\$ 501,250
Real Estate—0.3%		
Host Marriott Corporation, Preferred Class B, 10.00%	6,000	\$ 132,000
Total Preferred Stock (Cost: \$3,270,348)		2,690,375
Corporate Bonds—3.7%		
Retail—1.1%		
Ugly Duckling Corporation, 12.00% due 10/15/2003, Subordinated Debenture	650,000	\$ 573,625

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Par Value	Market Value
Fixed Income—38.8% (cont.)		
Building Materials & Construction—1.5%		
Juno Lighting, Inc., 11.875% due 7/1/2009, Senior Subordinated Note	750,000	\$ 622,500
USG Corporation, 9.25% due 9/15/2001, Senior Notes Series B	150,000	152,625
		<u>775,125</u>
Utilities—1.1%		
Midland Funding Corporation, 11.75% due 7/23/2005	500,000	\$ 532,500
Total Corporate Bonds (Cost: \$1,933,362)		1,881,250
Government and Agency Securities—29.7%		
U.S. Government Notes—25.7%		
United States Treasury Notes, 6.50% due 10/15/2006	3,000,000	\$ 3,031,579
United States Treasury Notes, 6.50% due 2/28/2002	2,000,000	2,000,000
United States Treasury Notes, 6.00% due 8/15/2009	2,000,000	1,983,750
United States Treasury Notes, 5.25% due 8/15/2003	2,000,000	1,939,376
United States Treasury Notes, 5.25% due 5/15/2004	2,000,000	1,929,376
United States Treasury Notes, 9.125% due 5/15/2009	1,000,000	1,088,125
United States Treasury Notes, 7.875% due 8/15/2001	1,000,000	1,014,688
		<u>12,986,894</u>
U.S. Government Agencies—4.0%		
Federal Home Loan Bank, 6.75% due 5/1/2002	2,000,000	\$ 1,994,456
Total Government and Agency Securities (Cost: \$14,950,646)		14,981,350
Total Fixed Income (Cost: \$20,154,356)		19,552,975
Short Term Investments—4.4%		
Commercial Paper—3.0%		
Ford Motor Credit Corp., 6.72% due 7/3/2000	1,500,000	\$ 1,500,000
Total Commercial Paper (Cost: \$1,500,000)		1,500,000
Repurchase Agreements—1.4%		
State Street Repurchase Agreement, 6.25% due 7/3/2000	731,000	\$ 731,000
Total Repurchase Agreements (Cost: \$731,000)		731,000
Total Short Term Investments (Cost: \$2,231,000)		2,231,000
Total Investments (Cost \$47,426,524)—99.4%		\$ 50,135,790
Other Assets In Excess Of Other Liabilities—0.6%		313,354
Total Net Assets—100%		\$ <u>50,449,144</u>

(a) Non-income producing security.

(b) Represents foreign domiciled corporation.

THE OAKMARK GLOBAL FUND

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



Fellow Shareholders,

The Oakmark Global Fund was up 3.2% for the three-month period ending June 30, 2000. This compares to losses of 3.5% for the MSCI World Index and 4.2% for the Lipper Global Fund Index.

The markets around the globe continued their volatile trend which is becoming the normal trading pattern. Investors around the world seem to be moving their money in-and-out of stocks on a minute-by-minute basis, trying to catch the latest and greatest announcement as reported by the various financial news services such as CNBC and CNN. As the information flow for companies has become more accessible, the academicians would argue that stock markets should become more efficient. Nothing could be further from the truth. Stock prices seem to react violently both up and down to earnings announcements (or pre-announcements), Wall Street analyst recommendations, and the press releases that constantly flood the news wires. All of this excess stimulation causes us to sit back and reflect upon the words of great investors who have seen similar fads come and go. In the book *"The Intelligent Investor,"* Benjamin Graham devotes the entire eighth chapter to "The Investor and Market Fluctuations." In that chapter, Benjamin Graham uses an analogy of Mr. Market, which we think is worth sharing.

"Mr. Market"

"Imagine that in some private business you own a small share that cost you \$1,000. One of your partners, named Mr. Market, is very obliging indeed. Everyday he tells you what he thinks your interest is worth and furthermore offers to either buy you out or to sell you an additional interest on that basis. Sometimes his idea of value appears plausible and justified by business developments and prospects as you know them. Often, on the other hand, Mr. Market lets his enthusiasm or his fears run away

RESULTS FROM FUND INCEPTION 8/4/99 THROUGH 6/30/00

6/30/00 NAV \$10.37

	Total Return Last 3 mos.	Total Return* From Fund Inception 8/4/99
The Oakmark Global Fund	3.2%	3.8%
MSCI World Index w/inc.**	-3.5%	12.6%
Lipper Global Fund Index**	-4.2%	22.3%

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

**Each of the three indexes or averages is an unmanaged group of stocks whose composition is different from the Fund. The MSCI World Index includes 22 country sub-indexes. The Lipper Global Fund Index includes 30 mutual funds that invest in securities throughout the world. Past performance is no guarantee of future results.

with him, and the value he proposes seems to you a little short of silly.

If you are a prudent investor or a sensible businessman, will you let Mr. Market's daily communication determine your view of the value of a \$1,000 interest in the enterprise? Only in the case you agree with him, or in case you want to trade with him. You may be happy to sell out to him when he quotes you a ridiculously high price, and equally happy to buy from him when his price is low. But the rest of the time you will be wiser to form your own ideas of the value of your holdings, based upon full reports from the company about its operations and financial position.

The true investor is in that very position when he owns a listed common stock. He can take advantage of the daily market price or leave it alone, as dictated by his own judgement and inclination. Basically, price fluctuations have only one significant meaning for the true investor. They provide him with an opportunity to buy wisely when prices fall sharply and to sell wisely when they advance a great deal. At other times he will do better if he forgets about the stock market and pays attention to his dividend returns and to the operating results of his companies."

As the managers of the Fund, we spend our time focusing upon the operating fundamentals of our companies—for in the end these fundamentals will drive the performance of the fund. However, we pay close attention to the volatile price movements in the market and try to take advantage of Mr. Market when prices seem attractive to us. Therefore, during the quarter we added 5 new names to the portfolio at what we believe are very attractive prices. Below is a brief description of each of the new companies:

First Pacific:

First Pacific is an Asian holding company. The company has a long history of creating and adding value to their holdings. Currently, First Pacific is trading at a substantial discount to its easily calculated and quantifiable net asset value (NAV). First Pacific's stock price hit a high of \$7.18 (Hong Kong Dollar) in July of 1999 and hit a recent low of \$2.18 (Hong Kong Dollar) in May of 2000. We began buying First Pacific in May and believe the company offers a tremendous risk/reward ratio given the large discount between the stock price and the calculated NAV.

H&R Block:

H&R Block is the largest tax preparation service in the United States. During 1999 and early 2000, the management of H&R Block made a series of acquisitions including Olde Brokerage, a mortgage operation, and many financial planning companies. The idea was to expand the H&R Block brand name into other financial services. The stock market had a negative reaction to these various acquisitions and took the stock from a high price of \$59.50 in August of 1999 to a recent low price of \$27 in June of 2000. While H&R Block's diversification moves may not have been the ideal use of the company's resources, we believe the market has grossly overreacted. The company is currently trading for 10x our 2000 earnings per share estimate, which we consider far too low for such a high quality company.

Sybron International:

Sybron Int'l is one of the largest dental supply and laboratory companies in the United States. On June 27, 2000, Sybron announced they would miss the consensus earnings estimate for the second half of 2000 by \$.10 or 7%. The stock market proceeded to take the shares of Sybron down by 43% on the news. We took advantage of this large stock price decline to add this high quality name to the portfolio.

Toys 'R' Us:

See Bill Nygren's excellent review of the merits of owning Toys 'R' Us in the Semi-Annual Report dated March 31, 2000.

Valassis Communications:

Valassis is one of two companies that print and distribute the weekly Free Standing Insert (FSIs) coupon booklets that we receive in weekly U.S. newspapers. Valassis's stock price hit a high of \$46.50 in September 1999 and then proceeded to decline to below \$30 per share due to concerns about higher paper costs and slowing revenue growth. This price decline afforded us the opportunity to add Valassis to the portfolio. Valassis has hedged their paper costs and revenues are again accelerating, which we believe will propel the stock price higher.

These new additions to the portfolio demonstrate our continued focus on buying and holding the most attractive companies at the best prices. We welcome the recent volatility in the stock markets around the world, since it affords us the opportunity to buy good businesses at very attractive prices. As managers of the Fund, we continue to be excited about the portfolio and its future prospects.

Thank you for your continued confidence and support.



Michael J. Welsh, CFA, CPA

Portfolio Manager
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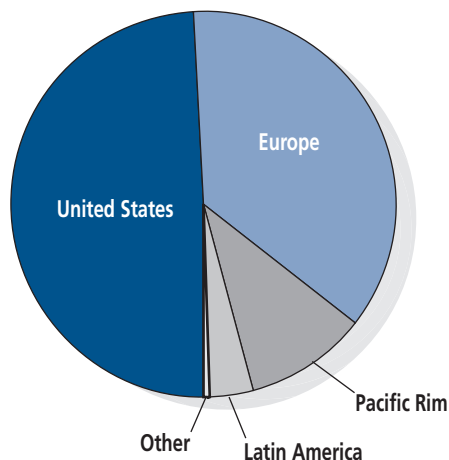
Greg Jackson




Portfolio Manager
gjackson@oakmark.com



June 30, 2000

THE OAKMARK GLOBAL FUND

Global Diversification—June 30, 2000



	<u>% of Fund Net Assets</u>
 United States	46.4%
 Europe	36.3%
Great Britain	19.6%
* France	4.3%
* Germany	4.2%
* Italy	3.9%
* Finland	2.7%
Denmark	1.6%
 Pacific Rim	10.5%
Korea	4.4%
New Zealand	4.3%
Hong Kong	1.8%

	<u>% of Fund Net Assets</u>
 Latin America	4.0%
Panama	2.7%
Brazil	1.3%
 Other	0.1%
Bermuda	0.1%

* Euro currency countries comprise 15.1% of the Fund.

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2000 (Unaudited)

	Description	Shares Held	Market Value
Common Stocks—95.8%			
Food & Beverage—8.7%			
Hite Brewery Company (Korea)	Brewer	27,000	\$ 1,186,520
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	130,000	1,168,416
			<u>2,354,936</u>
Apparel—3.9%			
Fila Holding S.p.A. (Italy), (b)	Athletic Footwear & Apparel	99,000	\$ 1,045,687
Retail—14.4%			
Somerfield plc (Great Britain)	Food Retailer	1,497,000	\$ 1,347,740
House Of Fraser Plc (Great Britain)	Department Store	1,671,300	1,201,201
Toys 'Я' Us, Inc. (United States), (a)	Toy Retailer	50,000	728,125
Ugly Duckling Corporation (United States), (a)	Automobile Retailer & Financier	50,000	353,125
Tricon Global Restaurants, Inc. (United States), (a)	Restaurant Owner & Franchisor	9,000	254,250
			<u>3,884,441</u>
Household Products—1.5%			
The Dial Corporation (United States)	Cleaning Products Manufacturer	38,000	\$ 394,250
Other Consumer Goods & Services—7.8%			
Department 56, Inc. (United States), (a)	Collectibles & Giftware Products	70,000	\$ 770,000
Royal Doulton plc (Great Britain)	Tableware & Giftware	668,700	748,739
H&R Block, Inc. (United States)	Financial Services Provider	18,000	582,750
			<u>2,101,489</u>
Banks & Thrifts—7.5%			
Washington Mutual, Inc. (United States)	Thrift	30,000	\$ 866,250
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	26,300	728,181
Den Danske Bank Group (Denmark)	Commercial Banking	3,700	445,005
			<u>2,039,436</u>

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Description	Shares Held	Market Value
Common Stocks—95.8% (cont.)			
Educational Services—5.2%			
ITT Educational Services, Inc. (United States), (a)	Postsecondary Degree Programs	80,000	\$ 1,405,000
Information Services—13.1%			
Ceridian Corporation (United States)	Data Management Services	60,000	\$ 1,443,750
NOVA Corporation (United States)	Transaction Processing Services	40,000	1,117,500
Equifax Inc. (United States)	Consumer Credit Information	37,000	971,250
			<u>3,532,500</u>
Data Storage—0.2%			
StorageNetworks, Inc. (United States), (a)	Data Storage	600	\$ 54,150
Computer Software—4.9%			
The Reynolds and Reynolds Company (United States)	Information Management Systems	73,000	\$ 1,332,250
Printing—2.4%			
Valassis Communications, Inc. (United States), (a)	Product Promotions Printer	17,000	\$ 648,125
Telecommunications—1.4%			
Telemig Celular Participacoes S.A. (Brazil), (a)	Telecommunications	11,345,000	\$ 358,082
Exfo Electro-Optical Engineering Inc. (Canada), (a)	Fiber Optic Test Equipment	700	30,713
			<u>388,795</u>
Medical Products—4.4%			
Sybron International Corporation (United States), (a)	Dental Supplies & Equipment	35,000	\$ 693,437
Hanger Orthopedic Group, Inc. (United States), (a)	Orthotics & Prosthetics Manufacturer	100,000	493,750
			<u>1,187,187</u>
Machinery & Metal Processing—2.7%			
Metso Oyj (Finland), (a)	Paper & Pulp Machinery	59,600	\$ 716,942

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—95.8% (cont.)		
Mining & Building Materials—4.3%		
Fletcher Challenge Building Materials Manufacturer Building (New Zealand)	1,107,186	\$ 1,173,801
Other Industrial Goods & Services—7.4%		
Tomkins plc (Great Britain) Diversified Engineering	258,932	\$ 840,389
GFI Industries SA (France) Industrial Fastener Manufacturer	26,600	599,069
Chargeurs SA (France) Wool, Textile Production & Trading	9,900	567,092
		<u>2,006,550</u>
Production Equipment—4.2%		
Krones AG (Germany) Production Machinery Manufacturer	38,700	\$ 1,126,881
Diversified Conglomerates—1.8%		
First Pacific Company Ltd. Diversified Operations (Hong Kong)	1,393,000	\$ 473,536
Total Common Stocks (Cost: \$25,406,057)		25,865,956
Fixed Income—1.5%		
Retail—1.5%		
Ugly Duckling Corporation, 11.00% due 4/15/2007	605,000	\$ 423,500
Total Fixed Income (Cost: \$436,404)		423,500
Short Term Investments—1.1%		
Repurchase Agreements—1.1%		
State Street Repurchase Agreement, 6.25% due 7/3/2000	296,000	\$ 296,000
Total Repurchase Agreements (Cost: \$296,000)		296,000
Total Short Term Investments (Cost: \$296,000)		296,000
Total Investments (Cost \$26,138,461)—98.4%		\$ 26,585,456
Foreign Currencies (Proceeds \$13,757)—0.1%		\$ 13,909
Other Assets In Excess Of Other Liabilities—1.5% (c)		408,864
Total Net Assets—100%		\$ 27,008,229

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Includes portfolio and transaction hedges.

THE OAKMARK INTERNATIONAL FUND

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



Fellow Shareholders,

For the second quarter of 2000, your Fund has achieved a return of 7.1%. This compares favorably to the declines of the MSCI World ex-US Index which was down 3.5%, and the Lipper International Fund Index, which was down 4.7%.

We are also happy to report that in the first six months of the year the Fund has returned nearly 7% despite negative returns of -4% for the MSCI EAFE Index and the Lipper International Fund Index over the same period.

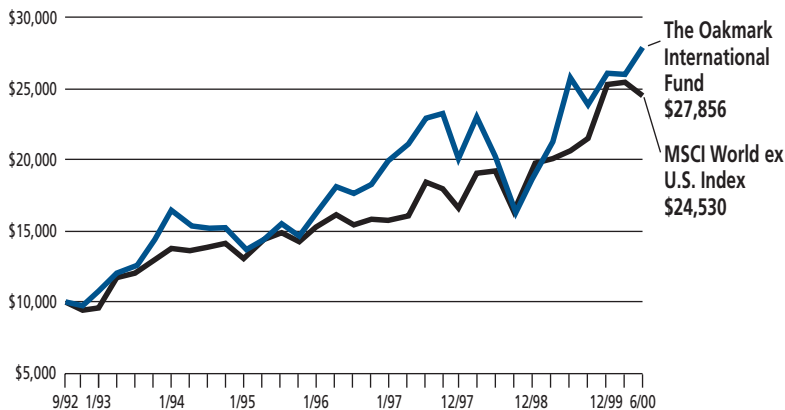
The past quarter, like the two that preceded it, was marked by great volatility in global share prices. Many overseas funds that continue to have substantial technology and telecom weightings have begun to suffer after reaping the benefits of the one-way upward ride in share prices since August, 1999. Another rough quarter like the one just ended and it is even conceivable that U.S. investors may begin to question whether it is such a good idea for their international exposure to have a near 100% correlation to the performance of the U.S. NASDAQ market.

Weightings

Portfolio weightings in The Oakmark International Fund have always been a function of stock selection. If we overweight or underweight a particular country, industry, or market capitalization size, it is a reflection of the attractive opportunities (or lack thereof) we can find among the diverse number of investment opportunities afforded by the markets.

For example, in the early years of the Fund we had the majority of our assets in large capitalization European companies. The consensus negative short-term macroeconomic

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (6/30/00) COMPARED TO THE MSCI WORLD EX U.S. INDEX



6/30/00 NAV \$15.71

	Average Annual Total Return* Through 6/30/00	
	Total Return Last 3 mos.	From Fund Inception 9/30/92
The Oakmark International Fund	7.1%	14.1%
MSCI World ex U.S. Index w/inc.**	-3.5%	12.3%
MSCI EAFE Index w/inc.**	-4.0%	12.0%
Lipper International Fund Index**	-4.7%	13.9%

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

**Each of the three indexes or averages is an unmanaged group of stocks or funds whose composition is different from the Fund. The MSCI World ex U.S. Index includes 21 country sub-indexes. The MSCI EAFE Index refers to Europe, Asia and the Far East and includes 20 country sub-indexes. The Lipper International Fund Index includes 30 mutual funds that invest in securities whose primary markets are outside the United States. Past performance is no guarantee of future results.

outlook as well as the uncertainty of corporate restructuring gains resulted in very cheap share prices, and we were happy to take advantage of the opportunity. Over the past few years, we have found it increasingly difficult to find many good values in large-cap companies because they have traded at significant premiums to their mid-cap and small-cap peers. Our portfolio weighting dwindled substantially in this area.

Fortunately, over the past few quarters, the volatility in share prices, always the friend of long-term investors, has caused this to change a bit. Money has continued to migrate to stocks in a very narrow segment of the market, the so-called "T-M-T" area of Technology, Media and Telecommunications. For example, the absolute dollar amount of European IPOs in the first half of this year was up 70% from the comparable period last year, and exceeded the amount in the United States. Of the 117 billion Euros that were raised, a good chunk represented T-M-T offerings. The money that supported these IPOs and helped propel the

huge leaps in T-M-T share prices came **from** somewhere. As funds drained out of the other industry sectors, prices of some high quality big caps started to become attractive. We are once again taking advantage of the opportunity the market is currently presenting.

Among the big cap names we have added in the Oakmark International Fund over the past two quarters are: Diageo, Reckitt Benckiser, and Glaxo/Smithkline Beecham in the United Kingdom; BNP-Paribas, Aventis, and Michelin in France; Swiss Reinsurance in Switzerland; and, outside of Europe, Canadian Pacific in Canada, and National Australia Bank Down Under. Their commonality? All trade at significant discounts to our calculation of intrinsic value.

These are all companies that we've wanted to own, but only on our terms—at an attractive price. We owned four of these companies in the past, three under different corporate structures: Diageo (Guinness), Reckitt (Reckitt & Colman), BNP (Paribas), and National Australia Bank.

Looking Forward

We are very optimistic about the portfolio going forward. We have a group of very high quality, cash generative businesses, trading at attractive values.

We appreciate your continued support.



David G. Herro, CFA

Portfolio Manager
dherro@cs.com



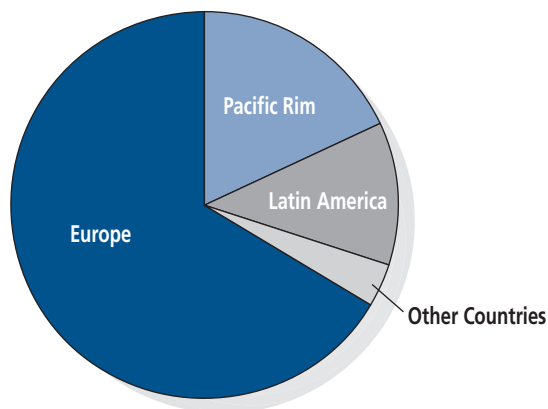
Michael J. Welsh, CFA, CPA





Portfolio Manager
102521.2142@compuserve.com

July 3, 2000

THE OAKMARK INTERNATIONAL FUND

International Diversification—June 30, 2000



	% of Fund Net Assets		% of Fund Net Assets
 Europe	62.3%	 Pacific Rim	17.1%
Great Britain	26.4%	Korea	5.5%
* France	9.3%	Singapore	3.2%
* Finland	6.1%	Australia	3.1%
Denmark	5.7%	Japan	3.0%
* Netherlands	4.1%	Hong Kong	2.3%
* Italy	3.7%	 Other	3.5%
Sweden	2.7%	Canada	3.5%
Switzerland	2.3%		
* Ireland	1.2%		
* Germany	0.5%		
* Austria	0.3%		
 Latin America	11.0%		
Brazil	4.2%		
Panama	3.9%		
Argentina	2.9%		

* Euro currency countries comprise 25.2% of the Fund.

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2000 (Unaudited)

Description	Shares Held	Market Value
Common Stocks—93.9%		
Food & Beverage—9.0%		
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	4,472,000 \$ 40,193,495
Quilmes Industrial SA (Argentina), (b)	Brewer	2,121,000 23,596,125
Lotte Chilsung Beverage Company (Korea)	Soft Drinks, Juices, & Sport Drinks Manufacturer	73,000 5,538,710
Lotte Confectionery Company (Korea)	Confection Manufacturer	37,270 <u>4,311,858</u>
		73,640,188
Apparel—3.5%		
Fila Holding S.p.A. (Italy), (b)	Athletic Footwear & Apparel	2,677,800 \$ 28,284,262
Retail—5.8%		
Somerfield plc (Great Britain)	Food Retailer	41,894,995 \$ 37,717,825
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	6,293,000 <u>9,559,580</u>
		47,277,405
Household Products—7.3%		
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	1,230,285 \$ 33,298,584
Reckitt Benckiser plc (Great Britain)	Household Cleaners & Air Fresheners	2,355,000 <u>26,457,872</u>
		59,756,456
Other Consumer Goods & Services—3.0%		
Citizen Watch Co. (Japan)	Watch and Component Manufacturer	2,245,000 21,666,086
Shimano Inc. (Japan)	Bicycle Parts Manufacturer	120,000 <u>2,883,936</u>
		24,550,022

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Description	Shares Held	Market Value
Common Stocks—93.9% (cont.)			
Banks & Thrifts—19.2%			
	Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	1,157,800 \$ 32,056,587
	Den Danske Bank Group (Denmark)	Commercial Banking	201,500 24,234,554
	Nordic Baltic Holding (NBH) AB (Denmark), (a)	Commercial Banking	3,126,728 22,803,267
	Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Commercial Banking	757,200 21,769,500
	Canadian Imperial Bank of Commerce (Canada)	Commercial Banking	547,300 15,032,260
	Banque Nationale de Paris (France)	Commercial Banking	108,500 10,441,368
	Bank of Ireland (Ireland)	Commercial Banking	1,549,100 9,765,351
	Svenska Handelsbanken AB (Sweden)	Commercial Banking	502,500 7,292,517
	Kookmin Bank (Korea)	Commercial Banking	430,000 5,476,110
	National Australia Bank Limited (Australia)	Commercial Banking	295,000 4,921,898
	United Overseas Bank Ltd., Foreign Shares (Singapore)	Commercial Banking	583,968 <u>3,820,983</u>
			157,614,395
Insurance—2.3%			
	Swiss Re (Switzerland)	Reinsurance Provider	9,300 \$ 18,955,741
Hotels & Motels—2.7%			
	Mandarin Oriental International Limited (Singapore)	Hotel Management	33,134,400 \$ 22,034,376

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—93.9% (cont.)		
Telecommunications—3.1%		
SK Telecom Co., Ltd. (Korea)	39,620	\$ 12,969,485
Telemig Celular Participacoes S.A. (Brazil), (a)	2,297,800,000	7,389,653
Tele Centro Sul Participacoes S.A. (Brazil), (a)	469,200,000	4,760,943
Telesp Participacoes S.A. (Brazil)	48,500,000	529,775
Tele Sudeste Celular Participacoes S.A. (Brazil)	35,700,000	109,073
		<u>25,758,929</u>
Pharmaceuticals—3.0%		
Glaxo Wellcome plc (Great Britain)	455,000	\$ 13,239,092
Aventis S.A. (France)	152,000	<u>11,094,001</u>
		24,333,093
Automotive—4.0%		
Autoliv, Inc (Sweden)	619,500	\$ 15,171,428
Compagnie Generale des Etablissements Michelin (France)	446,000	14,311,017
Dongah Tire Industry Company (Korea)	166,290	<u>3,280,985</u>
		32,763,430
Automobiles—0.2%		
Fiat S.p.A. (Italy)	72,000	\$ 1,868,311
Aerospace—2.6%		
Rolls-Royce plc (Great Britain)	5,988,702	\$ 21,271,878
Airport Maintenance—0.3%		
Flughafen Wien AG (Austria)	70,290	\$ 2,502,379

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

	Description	Shares Held	Market Value
Common Stocks—93.9% (cont.)			
Components—3.7%			
IMI plc (Great Britain)	Components Manufacturer	4,370,000	\$ 18,348,981
Morgan Crucible Company plc (Great Britain)	Crucible & Components Manufacturer	3,683,424	12,122,118
			<u>30,471,099</u>
Chemicals—2.5%			
Nufarm Limited (Australia)	Agricultural & Industrial Chemical Producer	10,381,415	\$ 20,177,967
Oil & Natural Gas—1.8%			
ISIS (France)	Oil Services	208,250	\$ 14,811,819
Machinery & Metal Processing—3.8%			
Metso Oyj (Finland), (a)	Paper and Pulp Machinery	2,572,987	\$ 30,951,040
Mining & Building Materials—1.7%			
Kumkang Korea Chemical Co., Ltd. (Korea)	Building Materials	396,660	\$ 13,784,960
Other Industrial Goods & Services—10.0%			
Tomkins plc (Great Britain)	Diversified Engineering	10,386,685	\$ 33,711,012
Chargeurs SA (France)	Wool, Textile Production & Trading	444,243	25,447,139
Kone Corporation, Class B (Finland)	Elevators	312,790	18,813,107
Buderus AG (Germany)	Industrial Manufacturing	266,820	4,241,307
			<u>82,212,565</u>
Diversified Conglomerates—4.4%			
Canadian Pacific Limited (Canada)	Diversified Operations	517,000	\$ 13,414,054
Enodis plc (Great Britain)	Diversified Operations	2,645,700	12,990,409
First Pacific Company Ltd. (Hong Kong)	Diversified Operations	27,361,868	9,301,386
			<u>35,705,849</u>
Total Common Stocks (Cost: \$803,045,312)			768,726,164

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

Description	Par Value	Market Value
Short Term Investments—5.4%		
Commercial Paper—3.6%		
Ford Motor Credit Corp., 6.54%–6.81% due 7/3/2000–7/6/2000	20,000,000	\$ 20,000,000
General Electric Capital Corporation, 6.80% due 7/3/2000	10,000,000	10,000,000
Total Commercial Paper (Cost: \$30,000,000)		30,000,000
Repurchase Agreements—1.8%		
State Street Repurchase Agreement, 6.25% due 7/3/2000	14,746,000	\$ 14,746,000
Total Repurchase Agreements (Cost: \$14,746,000)		14,746,000
Total Short Term Investments (Cost: \$44,746,000)		44,746,000
Total Investments (Cost \$847,791,312)—99.3%		\$ 813,472,164
Foreign Currencies (Proceeds \$584,193)—0.1%		\$ 586,720
Other Assets In Excess Of Other Liabilities—0.6% (d)		4,872,630
Total Net Assets—100%		\$ 818,931,514

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

THE OAKMARK INTERNATIONAL SMALL CAP FUND

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



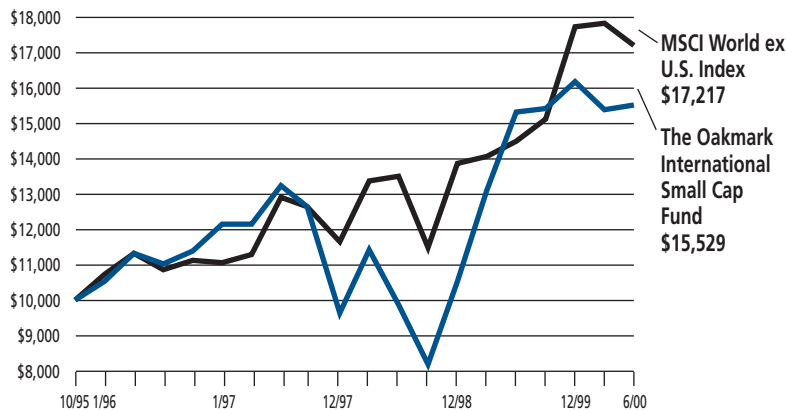
Fellow Shareholders,

The Oakmark International Small Cap Fund achieved an acceptable performance of .9% for the second quarter of 2000. This compares positively with the MSCI World ex-US Index which was up .3% and the Lipper International Small Cap Fund Average which was down 10.6%. From inception, your Fund has returned just under 10% per year. Though this quarter's performance was not exciting, it was steady given the volatility in the global market place. More importantly, we remain extremely enthused with this fund's potential given how it is positioned and the rotation that appears to be happening out of speculative, money-losing tech stock and into companies that earn money and sell at low prices.

The Bubble is Losing Air

Certainly one of the biggest stories of this past calendar quarter is the weakness of the tech sector. No matter how it is analyzed, the truth is reality appears to be returning to the global equity markets. The reality we speak of is very simple: the worth of any asset is determined ultimately, over time, by the wealth that asset generates. In the case of stocks, the wealth of the underlying business is represented by free cash flow. We, as owners of business enterprises, prosper when our claim or share of ownership is enhanced by rising profits in general and free cash flow specifically. Over the last 18 months or so, depending on the specific location, tech, media and telecom stocks ("T-M-T") soared on the prospects for their sectors. In many cases, "prospects" and "profitability" were confused. Though usage of technology and telecommunications is soaring and is transforming how we live, there has been little profitability tied to this revolution.

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/00) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX



6/30/00 NAV \$11.99

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/00 From Fund Inception 11/1/95
The Oakmark International Small Cap Fund	0.9%	9.9%
MSCI World ex U.S. Index w/inc.**	-3.5%	12.3%
Lipper International Small Cap Fund Average**	-10.6%	20.7%
Micropal Equity International Small Cap Index**	-11.5%	20.6%

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

**Each of the three indexes or averages is an unmanaged group of indexes or funds whose composition is different from the Fund. The MSCI World ex U.S. Index includes 21 country sub-indexes. The Lipper International Small Cap Fund Average includes 76 mutual funds that invest in securities whose primary markets are outside the United States. The Micropal Equity International Small Cap Index is an unweighted index comprised of all funds within the international small company fund sector. Past performance is no guarantee of future results.

One question that needs to be asked is: "why is there no profitability tied to this revolution?" The answer is actually quite simple and deals in part with the nature of the revolution itself. The fact is, in many cases there are very few barriers to entry for competitors. Because of the lack of barriers, enhanced by the spread of technology itself, it is almost impossible for companies in this sector to generate and grow the real wealth in the future that shareholders have discounted in the current share prices. In most cases, as soon as they make a profit (if they ever do, that is), the lack of barriers enables other competitors to eat away at any economic profitability that was finally achieved.

Advancing technology has been the most important economic force of our generation. But as investors, it is pure intellectual sloth to assume that any company that is simply involved in T-M-T is valuable. As investors, we need to understand how technological change will enhance profitability for a particular business enterprise. The other irony is that it is the "old economy" companies that seem to be the main tangible beneficiaries so far of this change.

China: Its Economic Evolution Will Impact the World

Since 1978, China's transformation from a command economy to one that is market-oriented has been a story of two steps forward, one step back. Today, the pace is genuinely accelerating. What is particularly notable is the leadership of China's firm embrace of the private sector over the public sector that has been exemplified in deeds as well as words. Jiang Zemin, China's President, recently made it clear to an Asian audience that China's future prosperity lies in its private sector. He even went as far as to tie long-term prosperity and the development of a modern economy to a robust stock market. Add to this the

monetary liberalization that has been slowly occurring, as well as trade liberalization through the new WTO agreement, and it means huge investment opportunity in time.

China has always been an entrepreneurial place. We have interviewed countless Chinese owners/managers of businesses that fled China in the years after 1949 only to become highly successful entrepreneurs. Today, many manage huge businesses that literally were started with just the pennies they had in their pockets. The Chinese culture stresses a strong work ethic and they have an established commercial mentality. It does seem that these qualities are now becoming officially endorsed on the mainland after a 40-year slumber.

Though Oakmark International Small Cap has no direct investments in China yet, we have excellent exposure via companies listed in Hong Kong and the surrounding area. We feel this fund is extremely well-positioned to take advantage of this monumental change. We have an approx. 35% weighting in Asian companies, which are priced low but face high growth. **Hung Hing Printing**, for example, is a Hong Kong-based company that derives almost all of its sales from China. Hung Hing is the leading printing company in the region with blue-chip clients such as Mattel and Hasbro. With sales growing at over 15% annually, it has net cash and trades at under 7 times earnings.

Second Quarter Movers

Hite Brewing, a South Korean beer company we previously wrote about, gave the fund over 2 percentage points of return. The company continues to perform: profitability ratios and sales growth continue to beat all expectations. As a result, our sell target keeps increasing as well...a great situation for long-term shareholders such as our-

selves. On the negative side, **Royal Doulton**, the UK-based gift and tableware maker cost the Fund over 1%. Oddly, the company's performance has done nothing but improve and its new casual line of tableware has had very good success. Though the stock has been weak due to market disinterest, we would look for it to be a major future contributor to returns given its fundamental successes.

In closing, we remain extremely enthused with this Fund's potential. The current market has given us a rare opportunity to buy quality companies in developed markets at very low prices. In addition, restructuring in Europe has meant more management focus on profitability. Economic growth in Europe and recovery in the Pacific Rim and Latin America has provided a great investment climate for our companies. Thanks again for your continued support.



David G. Herro, CFA

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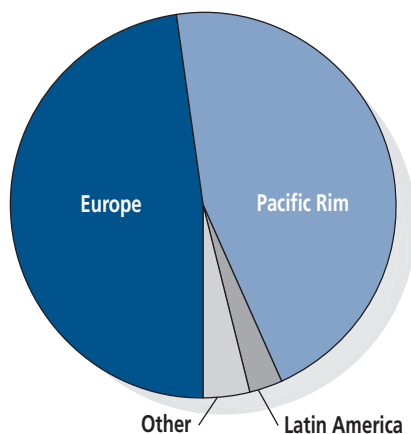
Michael J. Welsh, CFA, CPA

Portfolio Manager
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July 6, 2000

THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—June 30, 2000



	<u>% of Fund Net Assets</u>
 Europe	45.5%
Great Britain	17.5%
*France	13.7%
*Germany	6.6%
*Italy	3.2%
*Portugal	2.2%
*Finland	1.2%
Sweden	1.1%
 Latin America	2.7%
Brazil	1.5%
Mexico	1.2%

	<u>% of Fund Net Assets</u>
 Pacific Rim	43.6%
New Zealand	9.6%
Korea	9.5%
Hong Kong	9.5%
Japan	5.2%
Singapore	4.3%
Thailand	3.2%
Philippines	2.3%
 Other	3.6%
Canada	1.8%
Bermuda	1.8%

* Euro currency countries comprise 26.9% of the Fund.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—95.4%		
Food & Beverage—8.2%		
Hite Brewery Company (Korea)	Brewer 108,631	\$ 4,773,811
Alaska Milk Corporation (Philippines), (a)	Milk Producer 43,432,000	2,309,679
Grupo Continental, S.A. (Mexico), (a)	Soft Drink Manufacturer 1,205,000	<u>1,223,847</u>
		8,307,337
Apparel—1.5%		
Kingmaker Footwear Holdings Limited (Hong Kong)	Athletic Footwear Manufacturer 8,840,000	\$ 1,519,543
Retail—10.5%		
House Of Fraser Plc (Great Britain)	Department Store 5,885,000	\$ 4,229,681
Carpetright plc (Great Britain)	Carpet Retailer 374,000	2,891,745
Denny's Japan Co., Ltd. (Japan)	Restaurant Chain 110,000	2,228,924
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores 6,888,000	759,885
York-Benimaru Co., Ltd. (Japan)	Supermarket Chain 21,000	<u>593,752</u>
		10,703,987
Other Consumer Goods & Services—7.7%		
Royal Doulton plc (Great Britain)	Tableware & Giftware 3,858,332	\$ 4,320,150
Il Shin Spinning Company (Korea)	Fabric & Yarn Manufacturer 65,220	2,608,741
Sanford Limited (New Zealand)	Fisheries 358,334	697,592
Designer Textiles (NZ) Limited (New Zealand)	Knit Fabrics 1,960,000	<u>220,665</u>
		7,847,148
Insurance—2.8%		
Hannover Rueckversicherungs-AG (Germany)	Reinsurance Provider 27,500	\$ 1,995,324
IPC Holdings, Ltd. (Bermuda)	Reinsurance Provider 58,300	<u>816,200</u>
		2,811,524

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—95.4% (cont.)		
Other Financial—7.2%		
JCG Holdings Ltd. (Hong Kong)	Investment Holding Company 9,514,000	\$ 4,759,746
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker 298,000	<u>2,502,408</u>
		7,262,154
Hotels & Motels—4.6%		
Jarvis Hotels plc (Great Britain)	Hotel Operator 2,935,000	\$ 4,707,404
Broadcasting & Cable TV—1.8%		
Regional Cablesystems Inc. (Canada), (a)	Cable Operator 178,000	\$ 1,773,987
Publishing—4.3%		
Matichon Public Company Limited, Foreign Shares (Thailand)	Newspaper Publisher 2,039,500	\$ 3,227,798
VLT AB, Class B (Sweden)	Newspaper Publisher 125,950	<u>1,092,424</u>
		4,320,222
Printing—2.1%		
Hung Hing Printing Group Limited (Hong Kong)	Printing Company 5,498,000	\$ 2,115,836
Telecommunications—2.5%		
Telemig Celular Participacoes S.A. (Brazil), (a)	Telecommunications 475,000,000	\$ 1,527,585
SK Telecom Co., Ltd. (Korea)	Telecommunications 2,960	968,947
Exfo Electro-Optical Engineering Inc. (Canada), (a)	Fiber Optic Test Equipment 1,800	<u>78,975</u>
		2,575,507
Pharmaceuticals—0.8%		
Recordati (Italy)	Pharmaceuticals 95,400	\$ 855,226
Automotive—0.7%		
Dongah Tire Industry Company (Korea)	Tire Manufacturer 34,400	\$ 678,729

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—95.4% (cont.)		
Automobiles—2.4%		
Ducati Motor Holding S.p.A. (Italy), (a)	Motorcycle Manufacturer 955,000	\$ 2,448,019
Transportation Services—4.0%		
Mainfreight Limited (New Zealand)	Logistics Services 4,373,551	\$ 3,487,775
DelGro Corporation Limited (Singapore)	Bus, Taxi, & Car Leasing 209,000	605,096
		4,092,871
Oil & Natural Gas—4.2%		
ISIS (France)	Oil Services 36,677	\$ 2,608,658
Cairn Energy plc (Great Britain), (a)	Oil & Natural Gas Producer 640,000	1,641,411
		4,250,069
Mining & Building Materials—7.0%		
Fletcher Challenge Building (New Zealand)	Building Materials Manufacturer 4,625,951	\$ 4,904,275
Semapa-Sociedade de Investimento e Gestao, SGPS, SA (Portugal)	Cement Manufacturer 137,512	2,193,735
		7,098,010
Other Industrial Goods & Services—6.5%		
GFI Industries SA (France)	Industrial Fastener Manufacturer 216,874	\$ 4,884,302
Vaisala Oyj (Finland)	Atmospheric Observation Equipment 61,400	1,230,991
Yip's Hang Cheung (Holdings) Ltd. (Hong Kong)	Paint & Solvent Manufacturer 7,472,000	460,081
		6,575,374
Production Equipment—10.9%		
Krones AG (Germany)	Production Machinery Manufacturer 162,000	\$ 4,717,175
NSC Groupe (France)	Textile Equipment Manufacturer 34,437	3,715,103
De Dietrich et Compagnie SA (France)	Production Machinery Manufacturer 41,500	2,666,430
		11,098,708
Steel—0.4%		
Steel & Tube Holdings Limited (New Zealand)	Produces and Distributes Steel 704,187	\$ 445,951

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2000 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—95.4% (cont.)		
Diversified Conglomerates—5.3%		
Haw Par Corporation Ltd. (Singapore)	Healthcare and Leisure Products 2,314,000	\$ 3,751,708
Jardine Strategic Holdings Limited (Bermuda)	Diversified Operations 340,700	1,018,693
Tae Young Corporation (Korea)	Heavy Construction 25,260	<u>659,237</u>
		5,429,638
Total Common Stocks (Cost: \$98,508,499)		96,917,244
Short Term Investments—3.5%		
Commercial Paper—2.0%		
General Electric Capital Corporation, 6.80% due 7/3/2000	2,000,000	\$ 2,000,000
Total Commercial Paper (Cost: \$2,000,000)		2,000,000
Repurchase Agreements—1.5%		
State Street Repurchase Agreement, 6.25% due 7/3/2000	1,511,000	\$ 1,511,000
Total Repurchase Agreements (Cost: \$1,511,000)		1,511,000
Total Short Term Investments (Cost: \$3,511,000)		3,511,000
Total Investments (Cost \$102,019,499)—98.9%		\$ 100,428,244
Foreign Currencies (Proceeds \$201,079)—0.2%		\$ 201,643
Other Assets In Excess Of Other Liabilities—0.9% (b)		922,510
Total Net Assets—100%		<u>\$ 101,552,397</u>

(a) Non-income producing security.

(b) Includes portfolio and transaction hedges.



THE OAKMARK FAMILY OF FUNDS

Trustees and Officers

Trustees

Michael J. Friduss
Thomas H. Hayden
Christine M. Maki
Victor A. Morgenstern
Allan J. Reich
Marv Rotter
Burton W. Ruder
Peter S. Voss
Gary Wilner, M.D.

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Ann W. Regan—*Vice President—*
Shareholder Operations and Assistant Secretary
Kristi L. Rowsell—*Treasurer*
John J. Kane—*Assistant Treasurer*

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