Letter from the President

Fellow Shareholders,

I am pleased to present the first quarter report for The Oakmark Family of Funds for the fiscal period ending January 31, 1997. In what was an exceptionally robust quarter, the Standard & Poor's 500 Index was up over 12%. Each of our funds also enjoyed strong increases in net asset value wherein each surpassed its relevant benchmark. We are particularly pleased to see our newest fund, The Oakmark Select Fund, off to such a fine start by appreciating 25% since its launch on November 1, 1996.

This report is accompanied by our new prospectus dated March 1, 1997. The prospectus contains a number of changes designed to improve the Fund Family and make the Funds more attractive to you as shareholders. The changes are summarized as follows:

> 1) We have changed the name of The Oakmark International Emerging Value Fund to The Oakmark International Small Cap Fund. The new name clarifies our intention and practice, since inception, to invest the substantial majority of the Fund's assets in smaller companies. We have also redefined the universe of small cap investments to coincide with the size of companies comprising the Standard &Poor's Small Cap 600 Index.
>
> 2) In order to be consistent across the entire Fund Family, we have lowered the minimum investment for each Fund to $1,000 and eliminated the 2% redemption fees for The Oakmark Small Cap Fund and The Oakmark International Small Cap Fund.
>
> 3) Harris Associates, the Fund's advisor, has voluntarily improved the expense reimbursement agreement so as to lower the expense cap from 2.5% to 1.5% on the domestic funds and 2.0% on the international funds. This is particularly important to the smaller funds which do not enjoy the economies of scale of The Oakmark Fund, which already has an expense ratio below 1.2%; and,
>
> 4) Harris Associates has also agreed to cap the IRA maintenance fees for multifund IRA investments. The maximum maintenance fee charged will be $20 regardless of the number of funds chosen. We hope you will consider The Oakmark Family for your 1996 IRA contributions which are due by April 15, 1997.

Thanks for your support and confidence in us.

Very Truly Yours,

VICTOR A. MORGENSTERN
President

OAKMARK
FAMILY *of* FUNDS

THE OAKMARK FAMILY OF FUNDS

*Summary Information**

Performance for Period Ended January 31, 1997	**The Oakmark Fund**	**The Oakmark Select Fund**	**The Oakmark Small Cap Fund**	**The Oakmark Balanced Fund**	**The Oakmark International Fund**	**The Oakmark Int'l Small Cap Fund**
3 Months	12.7%	25.0%	15.1%	8.6%	8.7%	6.4%
6 Months	21.2%	N/A	28.3%	15.0%	12.9%	10.0%
Performance for 1 Year	19.5%	N/A	49.1%	19.1%	22.5%	15.3%
3 Years	18.9%**	N/A	N/A	N/A	6.5%**	N/A
5 Years	25.4%**	N/A	N/A	N/A	N/A	N/A
Since Inception	30.5%**	25.0%	39.5%**	17.6%**	17.2%**	16.7%**
Value of $10,000 from inception date	$43,112 08/05/91	$12,500 11/01/96	$15,180 11/01/95	$12,255 11/01/95	$19,908 09/30/92	$12,142 11/01/95
Top Five Holdings as of January 31, 1997 *Company and % of Total Net Assets*	First USA, Inc. 8.1% Philip Morris Co. 7.1% Mellon Bank Corp. 6.0% Black & Decker Corp. 4.5% USWest Media Group 4.2%	First USA, Inc. 16.9% Tele- Communications, Liberty Media Class A 15.5% McDonnell Douglas 7.9% US Industries, Inc. 6.3% Dun & Bradstreet Corp. 4.5%	Catellus Dev. Corp. 6.3% US Industries, Inc. 5.8% SPX Corp. 5.6% Ralcorp Holdings, Inc. 4.8% Highlands Insurance Group, Inc. 4.5%	US Industries, Inc. 4.8% First USA, Inc. 4.4% McDonnell Douglas 3.2% Juno Lighting, Inc. 3.1% Premark Intl, Inc. 3.1%	ABVolvo 4.7% Cordiant PLC 4.4% Telefonos de Mexico, S.A. 4.4% Guinness PLC 3.9% National Australia Bank 3.7%	Sanford Limited 4.2% Solution 6 Holdings, Ltd. 3.8% Cordiant PLC 3.1% Steady Safe 3.0% Danieli & Company 2.9%
Top Five Industries as of January 31, 1997 *Industries and % of Total Net Assets*	Food &Beverage 17.7% Other Consumer Goods & Services 13.4% Other Financial 13.1% Broadcasting & Publishing 13.1% Foreign Securities 6.2%	Other Financial 16.9% TV Programming 15.5% Broadcasting & Cable TV 11.4% Publishing 8.5% Other Consumer Goods & Services 8.2%	Other Industrial Goods & Services 14.3% Insurance 13.1% Machinery & Metal Processing 10.0% Broadcasting & Publishing 9.4% Commercial Real Estate 9.2%	Government & Agency Securities 26.9% Other Consumer Goods &Services 20.7% Other Industrial Goods & Services 10.9% Other Financial 7.2% Broadcasting &•Publishing 6.9%	Food 14.1% Tele-communications 12.1% Banks 11.8% Steel 7.2% Transportation 6.1%	Other Industrial Goods &Services 15.0% Other Consumer Goods &Services 10.2% Mining &Building Materials 7.7% Food 6.9% Components 6.6%

*The Oakmark Fund's average annual total returns for the twelve months ended December 31, 1996 and for the period August 5, 1991 (inception) through December 31, 1996 were 16.2% and 29.7%, respectively. The Oakmark Select Fund's total return for November 1, 1996 (inception) through December 31, 1996 was 14.2%. The Oakmark Small Cap Fund's average annual total returns for the twelve months ended December 31, 1996 and for the period November 1, 1995 (inception) through December 31, 1996 were 39.8% and 36.9%, respectively. The Oakmark Balanced Fund's average annual total returns for the twelve months ended December 31, 1996 and for the period November 1, 1995 (inception) through December 31, 1996 were 15.3% and 15.2%, respectively.

The Oakmark International Fund's average annual total returns for the twelve months ended December 31, 1996 and for the period September 30, 1992 (inception) through December 31, 1996 were 28.0% and 16.9%, respectively. The Oakmark International Small Cap Fund's average annual total returns for the twelve months ended December 31, 1996 and for the period November 1, 1995 (inception) through December 31, 1996 were 25.0% and 17.4%, respectively. The Funds' past performances are no guarantee of future results. Share prices and investment returns will vary, so you may have a gain or loss when you sell shares.
**Annualized.

THE OAKMARK FUND

Report from Robert J. Sanborn, Portfolio Manager

Goodbye, First USA

During the past quarter, Banc One and First USA announced an agreement under which Banc One would acquire First USA for stock. This is bittersweet for us because it culminates a spectacular investment for The Oakmark Fund, an investment that comes along rarely in one's career (kudos to our own Steve Reid, who is the manager of The Oakmark Small Cap Fund, for this idea!). First USA has been one of your Fund's largest holdings for years. We started buying the stock at $2.38 per share and have an average cost less than $15 per share; we will be receiving about $50 per share in Banc One stock (based on today's price).

Our investment in First USA illustrates many aspects of our value approach. First, many shareholders have questioned me over the years about how First USA can possibly be a value investment when the stock has gone up so much. My answer has always been that underlying value —believe it or not!—had risen faster. Bank One's offer validates this response.

Second, First USA did not have many of the characteristics generally associated with value. It never sported a low price/earnings ratio. It traded at a large premium to its book value. It had a minuscule dividend yield. So, First USA lacked the three financial characteristics that most investors associate with "value": a low P/E, a low P/Book, and a high yield. Here at Harris Associates, and at all of The Oakmark Funds, we find all three numbers to be essentially meaningless. When one owns a business, the value of that business is the present value of the stream of cash you will take out of the business. This is what represents the yardstick of value to us, and I am sure that is what Banc One considered when it made its bid for First USA.

Third, First USA was a quintessential Oakmark idea. The business was better than generally considered by investors. Generally Accepted Accounting Principles masked the company's true earnings power. Most important, management, led by John Tolleson and Dick Vague, was as good as any we have encountered. Business, valuation, and management are the sacred triad of our investment approach.

This transaction has presented us with an issue. If we were to sell our First USA right now (or our Banc One in the near future), most shareholders would face a very large capital gains tax. While most investors (and the fund rating services such as Morningstar) focus on pretax returns, I think this is a big mistake. Most investors should focus on the after-inflation, after-tax returns of a fund, because that is what you can ultimately spend. On the other hand, it is clear to us that tax-driven investing is almost always a mistake. However, I think it is also a mistake to ignore tax consequences.

We would like to congratulate John, Dick, and everyone at First USA for their accomplishments, and wish them well in all future endeavors.

The Nifty Fifty Redux?

Let us go back in time to when yours truly was a toddler. In the early 1960s, the typical money manager went to the right schools, dined at the right clubs, and wore the right uniform courtesy of Brooks Brothers. They did not care about their performance because their goal was to invest in the same bluechip stocks that all their brethren owned. This typical money manager was in his 60s, and had been tempered by The Great Depression (virtually no one went to Wall Street between 1930 and 1950). Performance did not matter, because these gray souls viewed their task as participating in the long-term growth of America. This was the environment when Warren Buffett's partnership earned much of its outsized returns. He focused on investments generally shunned by his competitors.

Then came the go-go years.

A new generation of money managers reframed the investment process as not merely owning the hundred biggest companies in America, but in owning stocks that "went up." There was no real philosophy except making money. Funds like The Dreyfus Fund and the Fidelity Capital Fund (managed by legendary gunslinger Gerry Tsai) bought growth stocks like Polaroid, IBM, Xerox, and Revlon (the so-called "nifty fifty"). Their purchases attracted other buyers, who continued the cycle. These stocks are bullet-proof and can never go down, was the creed.

In 1969, Buffett, increasingly uneasy with the new religion, decided to liquidate his partnership. He wrote to his partners, " . . . it seems to me that a swelling interest in investment performance has created an increasingly short-term-oriented and (in my opinion) more speculative market." Of course, the next several years witnessed an obliteration of the nifty fifty universe, and the go-go managers became no-go.

Are we in a similar environment? I think so.

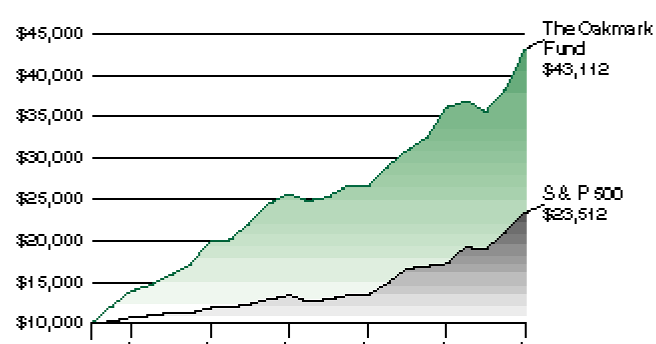
Today's can't-go-down growth stocks are generally technology stocks. The funds which own them—Microsoft, Intel, and Cisco, among others—attract publicity, which attracts hot new money, which goes into the same stocks, and so on. Business analysis, particularly the difficulty of these businesses' sustaining their growth, is forsaken. The managers keep telling themselves that they will have "loads of time to sell before they stop going up" (as I heard a manager recently tell an audience).

This, of course, is not The Oakmark Way, not for The Oakmark Fund or any of our funds. We believe in our discipline and know that it will show the way in the long run. We take great pleasure not owning these stocks.

Robert J. Sanborn
Portfolio Manager
harjs@aol.com
February 4, 1997

OAKMARK
FAMILY *of* FUNDS

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (1/31/97) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



1/31/97 NAV $34.16

Average Annual Total

	Return* Through 1/31/97	
	Total Return Last 3 mos.	From Fund Inception 8/5/91
THE OAKMARK FUND	12.7%	30.5%
Standard &Poor's 500 w/inc Stock Index**	12.0%	16.8%
DowJones Industrial Average w/inc**	13.6%	19.1%
Value Line Composite Index**	8.0%	8.9%

*Total return includes change in share prices and in each case, except the Value Line Index, includes reinvestment of any dividends, interest and capital gain distributions.

**Each of the three indexes or averages is an unmanaged group of stocks whosecomposition is different from the Fund. The S&P 500 is a broad marketweighted average dominated by bluechip stocks. The DowJones 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 performance.

THE OAKMARK FUND

Schedule of Investments—January 31, 1997 (Unaudited)

	Shares Held/ Principal Value	*Market Value*
Common Stocks—92.3%		
Food & Beverage—17.7%		
Philip Morris Companies Inc.	2,670,400	$317,443,800
H.J. Heinz Company	4,007,250	161,291,812
AnheuserBusch Companies Inc.	3,538,200	150,373,500
Nabisco Holdings Corp.	2,422,100	92,645,325
CPC International	843,100	64,813,313
		786,567,750
Retail—0.6%		
Carson Pirie Scott & Co. (a)	1,000,000	$26,750,000
Telecommunications—4.1%		
U.S. West Media Group	9,918,400	$184,730,200
Other Consumer Goods & Services—13.4%		
The Black & Decker Corporation	5,925,000	$198,487,500
Polaroid	3,691,900	162,443,600
American Brands, Inc.	2,435,500	124,210,500
First Brands Corporation	940,400	25,390,800
Whitman Corporation	957,500	22,022,500
Brunswick Corporation	779,700	19,589,962
GC Companies, Inc. (a)	397,000	14,540,125
Juno Lighting Inc.	885,000	13,606,875
Arctic Cat, Inc.	957,500	9,993,906
Justin Industries, Inc.	601,500	6,541,312

		596,827,080
Banks—6.1%		
Mellon Bank Corporation	3,606,550	$269,138,794
Insurance—4.4%		
Torchmark Corporation	1,855,200	$96,006,600
Old Republic International	2,328,620	62,581,663
American Financial Group, Inc.	684,700	24,734,788
Acordia, Inc.	501,300	13,973,737
		197,296,788
Other Financial—13.1%		
First USA, Inc.	7,096,000	$359,235,000
AMBAC Inc.	2,194,900	147,058,300
Fannie Mae	1,464,500	57,847,750
Fund American Enterprises Holdings, Inc.	204,400	20,440,000
		584,581,050
Broadcasting & Publishing—13.1%		
Knight-Ridder, Inc.	4,348,800	$166,885,200
Dun & Bradstreet Corporation	5,750,000	138,000,000
Tele-Communications, Inc. Class A (a)	9,179,179	122,197,820
ACNielsen Corporation	4,764,000	78,010,500
Tele-Communications, Liberty Media Class A	3,657,741	69,497,079
TCI Satellite Entertainment, Inc. Class A (a)	917,917	7,458,076
		582,048,675
Managed Care Services—1.4%		
Foundation Health Corporation (a)	1,813,700	$60,305,525
Medical Products—0.9%		
Sybron Corporation (a)	1,297,800	$40,069,575
Aerospace & Defense—4.9%		
Lockheed Martin Corporation	1,235,000	$113,620,000
McDonnell Douglas Corporation	1,220,000	82,045,000
Logicon, Inc.	654,800	22,672,450
		218,337,450
Building Materials & Construction—0.1%		
USG Corporation (a)	175,000	$6,234,375
Other Industrial Goods & Services—5.3%		
James River Corporation	2,839,100	$91,206,088
Bandag Incorporated, Class A	1,104,100	51,616,675
SPX Corporation	967,900	39,320,938
The Geon Company	971,600	18,217,500
Great Lakes Chemical Corporation	318,700	13,743,937
UCAR International Inc. (a)	303,500	11,381,250
Premark International, Inc.	328,400	7,553,200
Bandag Incorporated	26,300	1,249,250
		234,288,838
Commercial Real Estate—1.0%		
Host Marriott Corporation (a)	2,261,700	$38,448,900
Catellus Development Corporation (a)	585,700	8,053,375
		46,502,275

Foreign Securities—6.2%		
DeBeers Consolidated Mines Ltd. ADR (b)	3,246,000	$101,031,750
YPF Sociedad Anonima (b)	3,276,500	91,332,437
Unilever NV	416,000	68,432,000
EVC International NV	547,700	15,261,083
		276,057,270
Total Common Stocks (Cost: $2,929,801,653)		**4,109,735,645**

ShortTerm Investments—7.4%

Commercial Paper—4.6%		
American Express Credit Corporation, 5.27% due 2/7/1997	$10,000,000	$10,000,000
American Express Credit Corporation, 5.30% due 2/7/1997	10,000,000	10,000,000
Ford Motor Credit Corporation, 5.32% due 2/6/1997	25,000,000	25,000,000
Ford Motor Credit Corporation, 5.31% due 2/10/1997	20,000,000	20,000,000
Ford Motor Credit Corporation, 5.28% due 2/18/1997	25,000,000	25,000,000
Ford Motor Credit Corporation, 5.30% due 2/24/1997	10,000,000	10,000,000
Ford Motor Credit Corporation, 5.30% due 3/3/1997	20,000,000	20,000,000
Ford Motor Credit Corporation, 5.29% due 3/10/1997	10,000,000	10,000,000
Ford Motor Credit Corporation, 5.30% due 3/10/1997	25,000,000	25,000,000
General Electric Capital Corporation, 5.31% due 2/3/1997	50,000,000	50,000,000
Total Commercial Paper		**205,000,000**
Repurchase Agreements—2.8%		
State Street Repurchase Agreement, 5.47% due 2/3/1997 Collateralized by US Treasury Securities	$122,662,000	$122,662,000
Total Repurchase Agreements		**122,662,000**
Total ShortTerm Investments (Cost: $327,662,000)		**327,662,000**
Total Investments (Cost $3,257,463,653)—99.7%		$4,437,397,645
Other assets, less other liabilities—0.3%		14,930,120
		$4,452,327,765
Total Net Assets—100%		
		===========

Notes:

(a) Nonincome producing security.
(b) Represents an American Depositary Receipt.

THE OAKMARK SELECT FUND

Report from Bill Nygren, Portfolio Manager

Wow, what a quarter!

During its first three months of operation, The Oakmark Select Fund increased in value by 25 percent. Two things were very unusual about the quarter. First, the S&P 500 rose 12 percent — placing it in the top 10 percent of quarters for the last 25 years. Second, our value investing approach frequently finds us underperforming short-term advances but in this quarter, acquisitions of two large holdings added greatly to our results. Although it's tempting to take credit for how rapidly some of our holdings achieved full valuations, the truth is that in the short run, random factors influence our results much more than our investment ability. Three cheers for random factors!

Rather than go into a detailed explanation of the last quarter, I'd like to take the advice of the late Satchel Paige, "Don't look back, something might be gaining on you," and use this opportunity to discuss what we see ahead. A recent Lou Harris poll of mutual fund investors found that 41 percent don't expect a 10 percent drop in the market at any time during the next decade and 78 percent don't expect a 20 percent drop. Further, 42 percent of "investors" said they would sell if the market fell 25 percent. We hope that survey didn't include any Oakmark Select Fund investors because not only are those expectations historically unprecedented, but selling after such large declines has been a losing strategy.

If the next decade is consistent with the past century, it will probably include about half-a-dozen times when the market falls by more than 10 percent, and four or so times when it falls by more than 20 percent. We won't be smart enough to sell our stocks ahead of those declines, and in fact, we don't even try. Over long periods, stock performance usually exceeds most other investment alternatives. Owning stocks is like having a winning ticket in a must-be-present-to-win-drawing, but not knowing when the drawing will occur. Trying to time the market is like leaving the room hoping your name won't be called while you are out. We hope that as an Oakmark Select Fund investor, you will not be surprised by market declines, but will be mentally prepared to use them as opportunities to add to your investment.

We do think that a decade is a very fair length of time to judge the ability of a money manager, and I would like to share with you what I would like to see over that period. I would be very pleased if in the year 2007, The Oakmark Select Fund had a ten-year return that placed it among the top 5 percent of equity mutual funds. The funds that now have the best 10 year records have achieved annualized returns of nearly three percentage points above the S&P 500. Our attempt to achieve that level of performance is centered on consistent application of our investment philosophy: buying undervalued stocks with owner-oriented managements. With this approach to stock selection, most of our out-performance should come during periods when the stock market is weak. We aren't likely to make money during those periods, but we hope to lose less than the market. Likewise, since we will rarely own the most popular stocks, it will be unusual for us to be up significantly more than the market when it's up a lot. A nice feature of this performance pattern (the academics call it a beta less than one) is that it improves risk-adjusted returns, and someday people will again look at risk levels!

We currently plan that at most times The Oakmark Select Fund will own 20 or fewer stocks, with about 50 percent of it's assets in its five largest positions. At the end of January, we owned 18 stocks and the five largest accounted for 51 percent of the portfolio. By concentrating in my favorite stocks, I hope to increase the probability of achieving our out-performance goal. The downside is that the short-term results will show more ups and downs. During one week last quarter, negative news hurt two of our holdings. McDonnell Douglas lost an important government contract and Liberty Media was removed from the "buy" recommendations of an influential analyst. For that week, the NAV of

The Oakmark Select Fund fell eleven cents. Had it instead performed exactly as the S&P 500 did, the NAV would have grown by sixteen cents. (Incidentally, our assessment of both events was that the stock market overreacted and we took advantage of the opportunities to add to our positions at more favorable prices.) These larger shortterm swings are part of owning a more concentrated portfolio and shouldn't cause concern when they occur.

Finally, I would like to comment on two of our stocks. In selecting which stocks we own, we not only look for undervalued stocks, we look for those undervalued stocks which management owns personally. Last summer when McDonnell Douglas CEO Harry Stonecipher was in our office, we asked him our standard questions about how he wanted to invest the company's money. We ask these questions to determine whether a CEO will act like a hired manager or like an owner when confronting important strategic decisions. Referring to the many shares of MD stock he owned personally, Harry stated "I've got a lot of reasons to do the right thing!" In December, when confronted with the fact that MD was worth more as a part of Boeing than it was as an independent company, he did do the right thing. During January, the same event happened at First USA. Those of you who have followed The Oakmark Fund are certainly familiar with the exceptional performance this credit card issuer has achieved under its leader, John Tolleson.

Banc One also noticed, and due to overlaps in their business, could justify paying a large premium to own First USA. Congratulations, Harry and John!

In closing, I want to thank our Oakmark employees who made the Fund's launch go so smoothly and our Research Department for finding the investment ideas that make my job so much easier. Most importantly, I want to thank those of you who have entrusted us with your savings. A friend recently told me that his children were depending on The Oakmark Select Fund to help finance their college education. All I can say is, mine are too!

Bill Nygren
Portfolio Manager
bnygren@oakmark.com
February 4, 1997

OAKMARK FAMILY of FUNDS

RESULTS FROM FUND INCEPTION (11/1/96) THROUGH 1/31/97*

1/31/97 NAV $12.50

THE OAKMARK SELECT FUND	25.0%
Standard &Poor's 500 w/inc Stock Index**	12.0%
Standard & Poor's MidCap 400 w/inc Index**	9.7%
Value Line Composite Index**	8.0%

*Total return includes change in share prices and in each case, except for the Value Line Index, included reinvestment of any dividends, interest 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 marketweighted average dominated by bluechip 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 performance.

THE OAKMARK SELECT FUND

Schedule of Investments—January 31, 1997 (Unaudited)

	Shares Held/ Principal Value	*Market Value*
Common Stocks—98.6%		
Other Consumer Goods & Services—8.2%		
Brunswick Corporation	160,900	$ 4,042,612
Polaroid	86,000	3,784,000
		7,826,612
Banks—3.8%		
People's Bank of Bridgeport, Connecticut	109,000	$ 3,624,250
Insurance—4.4%		
PartnerRe Ltd.	117,000	$ 4,153,500
Other Financial—16.9%		
First USA, Inc.	317,000	$ 16,048,125
Broadcasting & Cable TV—11.4%		
U.S. West Media Group	219,000	$ 4,078,875
TCI Satellite Entertainment, Inc. Class A (a)	447,000	3,631,875
Cablevision Systems Corporation (a)	101,000	3,168,875
		10,879,625
TV Programming—15.5%		
Tele-Communications, Liberty Media, Class A (a)	774,500	$ 14,715,500
Publishing—8.5%		
Dun & Bradstreet Corporation	177,000	$ 4,248,000
ACNielsen Corporation	235,700	3,859,588
		8,107,588
Data Storage—2.9%		
Imation Corporation (a)	94,500	$ 2,752,313
Aerospace & Defense—7.9%		
McDonnell Douglas Corporation	112,000	$ 7,532,000
Building Materials & Construction—3.4%		
USG Corporation (a)	91,000	$ 3,241,875
Oil & Natural Gas—3.7%		
Titan Exploration, Inc.	275,000	$ 3,471,875
Other Industrial Goods & Services—5.7%		
Premark International, Inc.	165,000	$ 3,795,000
SPX Corporation	40,000	1,625,000
		5,420,000
Diversified Conglomerates—6.3%		
U.S. Industries, Inc. (a)	176,000	$ 5,962,000
Total Common Stocks (Cost: $82,980,910)		**93,735,263**
Short-Term Investments—8.0%		
Commercial Paper—6.3%		
American Express Credit Corporation, 5.38% due 2/3/1997	$2,000,000	$ 2,000,000
Ford Motor Credit Corporation, 5.35% due 2/4/1997	2,000,000	2,000,000

General Electric Capital Corporation, 5.48% due 2/3/1997	2,000,000	2,000,000
Total Commercial Paper		**6,000,000**
Repurchase Agreements—1.7%		
State Street Repurchase Agreement, 5.47% due 2/3/1997 Collateralized by US Treasury Securities	$1,560,000	$ 1,560,000
Total Repurchase Agreements		**1,560,000**
Total ShortTerm Investments (Cost: $7,560,000)		**7,560,000**
Total Investments (Cost $90,540,910)—106.6%		$ 101,295,263
Other liabilities, less other assets—(6.6%)		(6,267,192)
Total Net Assets—100%		**$95,028,071** ==========

Notes:
(a) Non-income producing security.

THE OAKMARK SMALL CAP FUND

Report from Steven J. Reid, Portfolio Manager

Greetings!!!

Let me offer you a warm welcome from the salt-encrusted streets of Chicago. January 31, 1997 marked the end of the first quarter of the new fiscal year. It was truly a prosperous period for us, the shareholders. During the quarter, The Oakmark Small Cap Fund gained 15.1%. This was significantly better than the relevant market indices, as well as the broader market indices. However, the Fund's performance was dwarfed by the Packers' victory over those amiable Northeasterners in the Super Bowl. I hope we can both repeat our recent triumphs, but the reality is that it will be an uphill climb.

A significant part of this quarter's gain can be attributed to the performance of your Fund's top three holdings (which I highlighted in our annual report): Catellus Development Corp., SPX Corp. and U.S. Industries. During the quarter, these three companies' shares gained an average of 36%. Although these holdings have appreciated significantly, we remain optimistic about their prospects. Other strong contributions to the Fund's results came from catastrophe reinsurer Renaissance Re Holdings Ltd., graphite electrode producer Carbide/Graphite Group Company, and the mutual holding company Peoples Bank of Connecticut. We are off to a strong second quarter so far. The current quarter began with a bang when Kysor Industrial Corp. agreed to be acquired by Scotsman Industries Inc. We will miss our friends at Kysor, but not too much, since Scotsman is also a holding of the Fund. We remain encouraged by the attractive investment opportunities available to us in the small cap universe.

The Small Cap Investment Universe

Many of you have expressed the concern that as the assets of The Oakmark Small Cap Fund grow, the Fund will cease to be a small cap investment vehicle. This will not be the case. A common misconception is that The Oakmark Fund, managed by my colleague Robert Sanborn, was once a small cap fund that migrated to large company investments. This is incorrect. From its inception, The Oakmark Fund owned a variety of different size companies. The Oakmark Small Cap Fund is specifically designed to invest in small cap companies. We have defined our investment universe as those companies whose market capitalization are within the market capitalizations of the S&P Small Cap 600 Index (See the prospectus for further details). The common thread between The Oakmark Fund and The Oakmark Small Cap Fund, as well as the entire Oakmark Fund Family, is our value-oriented investment philosophy.

Another concern that many of you have expressed is that The Oakmark Small Cap Fund's assets may become too great. I share your concern. The fact is that there is a limit to how large the Fund can grow and still be managed effectively. It is my desire to be diversified, but not to the point of over-diversification. The average mutual fund owns shares in approximately 120 companies. I plan on keeping the number of companies your Fund invests in well below that of the average mutual fund. Owning a large number of companies will only dilute the returns of our most attractive investments.

Currently, we have enough attractive opportunities in which to invest the assets of your Fund. Should those opportunities not be available, or asset growth become so rapid that we can't invest the assets in a reasonable and prudent manner, closing the Fund may become a necessity. The Fund's size is an issue that both myself and the trustees of the Fund are sensitive to. At the point where asset size hinders our ability to add value, we will address that issue.

Outlook

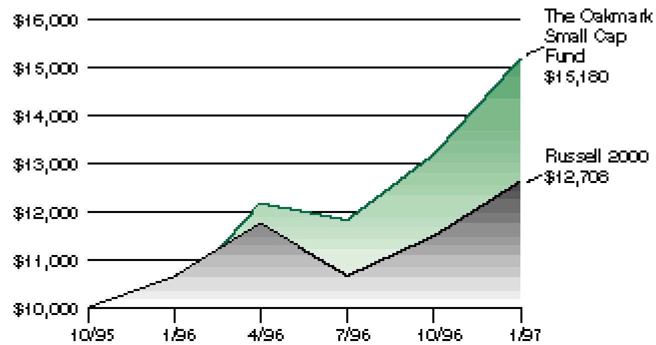
By the next quarterly report winter will have passed and the monsoon season of April will have arrived. As you know, we don't make forecasts of the stock market, interest rates, the economy, etc. Don't take stock in my weather predictions either, it will probably snow in May.

Once again, I would like to thank everyone involved, especially our shareholders, for your support of The Oakmark Small Cap Fund.

Steven J. Reid
Portfolio Manager
sreid@oakmark.com
January 31, 1997

OAKMARK FAMILY of FUNDS

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (1/31/97) AS COMPARED TO THE RUSSELL 2000



1/31/97 NAV $15.18

Average Annual Total Return* Through 1/31/97

	Total Return Last 3 mos.	From Fund Inception 11/1/95
The Oakmark Small Cap Fund	15.1%	39.5%
Lipper Small Co. Growth**	4.6%	17.6%
Russell 2000 w/inc**	9.0%	21.1%
S&P Small Cap 600 w/inc**	8.2%	23.5%

*Total return includes change in share prices and in each case includes reinvestment of any dividends, interest 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 Lipper Small Company Growth 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 a small market capitalization. Past performance is no guarantee of future results.

THE OAKMARK SMALL CAP FUND

Schedule of Investments—January 31, 1997

Shares Held/

	Pricipal Value	Market Value
Common Stocks—94.3%		
Food & Beverage—6.5%		
Ralcorp Holdings, Inc. (a)	902,000	$20,746,000
GoodMark Foods, Inc.	400,000	7,400,000
		28,146,000
Retail—4.6%		
Carson Pirie Scott & Co. (a)	350,000	$9,362,500
Cole National Corporation (a)	325,000	9,262,500
Rex Stores Corporation (a)	200,000	1,625,000
		20,250,000
Other Consumer Goods & Services—5.2%		
First Brands Corporation	325,000	$8,775,000
Scotsman Industries, Inc.	260,100	6,242,400
Triarc Companies, Inc. (a)	400,000	5,250,000
Justin Industries, Inc.	207,400	2,255,475
		22,522,875
Banks—6.1%		
Peoples Bank of Bridgeport Connecticut	418,600	$13,918,450
Harbor Federal Savings Bank	160,000	5,400,000
Northwest Savings Bank	227,500	3,355,625
Pocahontas Federal Savings & Loan Association	140,000	2,537,500
Savings Bank of Finger Lakes	86,500	1,146,125
Fidelity Bancshares, Inc.	5,700	111,150
		26,468,850
Insurance—13.1%		
Highlands Insurance Group, Inc. (a)	848,100	$19,400,288
Renaissance Holdings, Ltd.	500,000	18,750,000
Chartwell Re Corporation	375,000	10,125,000
PXRE Corporation	250,000	6,625,000
Danielson Holding Corporation (a)	192,500	1,949,062
		56,849,350
Other Financial—2.0%		
Duff & Phelps Credit Rating Company	275,000	$7,046,875
First USA Paymentech Inc.	50,000	1,668,750
		8,715,625
Broadcasting & Publishing—9.4%		
Cablevision Systems Corporation (a)	507,500	$15,922,813
TCI Satellite Entertainment, Inc. Class A (a)	1,200,000	9,750,000
Granite Broadcasting Corporation	600,000	6,525,000
Lee Enterprises, Incorporated	184,300	4,238,900
Central Newspapers, Class A	100,000	4,550,000
		40,986,713
Data Storage—1.0%		
Imation Corporation (a)	150,000	$4,368,750
Managed Care Services—1.0%		
Healthcare Services Group, Inc.	355,000	$4,215,625
Aerospace & Defense—1.2%		

Logicon, Inc.	150,000	$5,193,750
Machinery and Metal Processing—10.0%		
The Carbide/Graphite Group	625,000	$13,046,875
Northwest Pipe Company	500,000	9,625,000
Gardner Denver Machinery Incorporated	500,000	8,000,000
Kysor Industrial Corporation	175,800	6,504,600
Matthews International Corporation	188,500	5,348,688
Graco, Inc.	41,200	1,323,550
		43,848,713
Building Materials & Construction—1.5%		
NVR, Inc.	502,400	$6,468,400
Oil & Natural Gas—3.4%		
Titan Exploration, Inc.	1,172,000	$14,796,500
Other Industrial Goods & Services—14.3%		
SPX Corporation	600,000	$24,375,000
MagneTek, Inc. (a)	1,000,000	13,750,000
Premark International, Inc.	425,000	9,775,000
Zurn Industries, Inc.	400,000	9,650,000
Dal-Tile International Inc. (a)	250,000	4,718,750
		62,268,750
Commercial Real Estate—9.2%		
Catellus Development Corporation (a)	2,000,000	$27,500,000
Castle & Cooke, Inc. (a)	560,200	9,103,250
Innkeepers USA Trust	255,000	3,378,750
		39,982,000
Diversified Conglomerates—5.8%		
U.S. Industries, Inc. New (a)	750,000	$25,406,250
Total Equity (Cost: $352,078,755)		**410,488,150**
Corporate Bonds—0.7%		
Harrah's Jazz Bonds, 14.25% due 11/15/2001(b)	$6,700,000	$3,199,250
Total Fixed Income (Cost: $3,304,413)		3,199,250
ShortTerm Investments—6.0%		
Commercial Paper—4.6%		
Ford Motor Credit Corporation, 5.32% due 2/6/1997	$ 2,000,000	$2,000,000
Ford Motor Credit Corporation, 5.28% due 2/18/1997	3,000,000	3,000,000
Ford Motor Credit Corporation, 5.30% due 3/3/1997	10,000,000	10,000,000
Ford Motor Credit Corporation, 5.30% due 3/7/1997	2,000,000	2,000,000
Ford Motor Credit Corporation, 5.29% due 3/10/1997	2,000,000	2,000,000
General Electric Capital Corporation, 5.32% due 2/3/1997	1,000,000	1,000,000
Total Commercial Paper		**20,000,000**
Repurchase Agreements—1.4%		
State Street Repurchase Agreement, 5.47% due 2/3/1997 Collateralized by US Treasury Securities	$ 6,244,000	$6,244,000
Total Repurchase Agreements		**6,244,000**
Total Short-Term Investments (Cost: $26,244,000)		**26,244,000**
Total Investments (Cost $381,623,168)—101.0%		439,931,400
Other liabilities, less other assets—(1.0%)		(4,505,567)
Total Net Assets—100%		**$435,425,833**

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Notes:

(a) Non-income producing security.

(b) This bond is currently in default and the Fund is no longer accruing interest.

THE OAKMARK BALANCED FUND

Report from Clyde S. McGregor, Portfolio Manager

Deals/Acquisitions II

In my last quarterly letter I described how corporate takeovers and mergers inform our equity analysis process. I also noted that "our portfolios do occasionally experience such pleasant surprises." Well, the recently concluded quarter was your Fund's time to be pleasantly surprised. One might have expected that it would be the Fund's smallest companies which would attract offers. Instead McDonnell Douglas and First USA, two of the largest capitalization equity issues in the Fund, were the lucky beneficiaries.

Both merger announcements produced significant increases in the target company's stock price, adding to what had already been strong results in each case. Consistent with our perception that stocks generally are highly valued today, both acquirers will issue stock to make their purchase rather than pay with cash. We believe, however, that both of the combined concerns offer interesting possibilities as investments.

The Boeing/McDonnell Douglas merger looks to be a great match that resolves important issues. Both companies have a manufacturing capacity problem in commercial jets: Boeing has too little, and McDonnell Douglas too much. As well, Boeing will need McDonnell Douglas' help if it is to win the Joint Strike Fighter competition with Lockheed Martin. My father-in-law, formerly a Boeing engineer, had been wondering what we could see that was attractive about McDonnell Douglas. Now he knows. We believe that the combined company will be a powerful competitor in all areas of the aerospace industry.

Banc One/First USA also looks to be a merger with enormous potential. Together they will have the third largest share in credit cards, a business where economies of scale are all-important. Cost savings look to be in the hundreds of millions of dollars. The merger will probably increase Banc One's earnings growth rate while diversifying First USA's vulnerability to trends in consumer lending.

Fire and Ice

The stock market's strength over the last two years has been founded on an unusual combination of low inflation, moderate economic growth, and strong increases in corporate profits. It is unlikely that the economy can maintain this happy medium indefinitely, and economists/strategists continually speculate as to which direction the economy will take when it breaks out. One economist (Ed Hyman of International Strategy and Investment) has described the two possible outcomes as "fire and ice."

Forced to choose between an outlook of fire (accelerating economic growth and inflation) or ice (sluggish to negative growth), I lean towards ice. Indicators of deflation continue to proliferate such as the recent drop in the price of gold, the big sell-off in the Japanese stock market, disappointing US retail sales for Christmas, and the rise in the value of the dollar. It is not our forecast that the current "Goldilocks" economy will change soon, but should it move toward ice, bonds would benefit and corporate profits would be at much greater risk.

Fixed Income Strategy and Tactics

In the first five quarters of the Fund's life I have typically invested 25-30% of the Fund's assets in Treasury And Agency notes and 10-15% in corporate bonds and preferred stocks which are below investment grade. At Harris Associates we believe that this "quality barbell" provides the best value to the Fund in today's environment. We did not always have this point of view, but it has been more than ten years since our portfolios held investment grade corporate debt securities.

In the mid-1980's we began to understand the effect that financial engineering could have on high grade bonds. At that time leveraged buyouts and other forms of corporate restructuring became everyday occurrences. Many transactions were completed at the expense of bondholders who discovered that unexpected corporate events could instantaneously transform their investment grade debt into low grade.

We believe that we reduce the riskiness of our fixed income portfolios by owning corporate bonds and preferred stocks from issuers which have already undertaken restructuring activity. We look for companies which are likely to improve their financial position by issuing new equity. In particular, we seek out companies which have enjoyed significant stock price gains but whose bonds have not been upgraded.

The Fund's holding in Samsonite notes is a fine example of our approach. Samsonite, the luggage company, has had a somewhat tortured history over the last decade. Previously part of a large conglomerate, Samsonite became a separate publicly traded company in 1994. The company had significantly increased its debt load with the purchase of its largest competitor. We looked at the bonds after Samsonite's board had brought in vigorous new management. In 1996 the stock quadrupled, and this has given management the opportunity to sell new shares this month. Next year Samsonite will use a portion of the proceeds from this sale to call 30% of the outstanding notes. The bond rating agencies, however, still call this issue a "B-" credit.

I am pleased that the fixed income market still avails the Fund this kind of opportunity. Through the end of the fiscal quarter the Samsonite bonds have returned over 14% in their less than 9 months in the Fund. Our goal for corporate fixed income securities is to find and own issues which have return potential competitive with the stock market. I believe that the Samsonite notes have met that test.

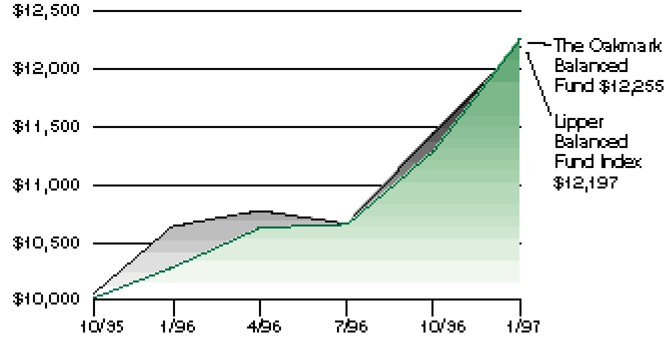
As always, please feel free to Email me with your questions or comments.

Clyde S. McGregor

Clyde S. McGregor
Portfolio Manager
hacsm@aol.com
February 5, 1997

OAKMARK
FAMILY of FUNDS

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK BALANCED FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (1/31/97) AS COMPARED TO THE LIPER BALANCED FUND INDEX



1/31/97 NAV $11.99

Average Annual Total Return*
Through 1/31/97

	Total Return Last 3 mos.	From Fund Inception 11/1/95
The Oakmark Balanced Fund	8.6%	17.6%
Lipper Balanced Fund Index**	6.5%	17.2%
Lehman Govt./Corp. Bond**	0.8%	5.0%
S&P 500 w/inc**	12.0%	30.0%

*Total return includes change in share prices and in each case includes reinvestment of any dividends, interest 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 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.

THE OAKMARK BALANCED FUND

Schedule of Investments— January 31, 1997 (Unaudited)

	Shares Held/ Pricipal Value	***Market Value***
Equity and Equivalents—59.5%		
Food & Beverage—5.2%		
Philip Morris Companies, Inc.	3,900	$ 463,612
H.J. Heinz Company	10,150	408,538
		872,150
Retail—2.4%		
The Kroger Company	8,500	$ 405,875
Other Consumer Goods & Services—18.8%		
Juno Lighting Inc.	33,800	$ 519,675
Armstrong World Industries, Inc.	6,500	461,500
Arctic Cat, Inc.	44,200	461,338
National Presto Industries, Inc.	11,000	440,000
Polaroid Corporation	10,000	440,000
Promus Hotel Corporation	13,400	437,175
The Black & Decker Corporation	12,400	415,400
		3,175,088
Banks—2.9%		
Mellon Bank Corporation	6,700	$ 499,987
Insurance—3.0%		
Old Republic International	19,000	$ 510,625
Other Financial—7.2%		
First USA, Inc.	14,600	$ 739,125
Associates First Capital Corporation	10,000	486,250
		1,225,375
Broadcasting & Publishing—6.9%		
Lee Enterprises, Incorporated	21,400	$ 492,200
Dun & Bradstreet Corporation	20,000	480,000

Cognizant Corporation	6,000	192,750
		1,164,950
Aerospace & Defense—3.2%		
McDonnell Douglas Corporation	8,000	$ 538,000
Other Industrial Goods & Services—7.9%		
U.S. Industries, Inc. (a)	24,000	$ 813,000
Premark International, Inc.	22,500	517,500
		1,330,500
Commercial Real Estate—2.0%		
Catellus Development Corp. Preferred Convertible Ser. A 3.75%	3,631	$ 275,956
Catellus Development Corporation (a)	4,757	65,409
		341,365
Total Equity and Equivalents (cost: $8,040,329)		**10,063,915**

Fixed Income—37.1%

Preferred Stocks—1.5%

Broadcasting & Cable TV—1.5%		
Tele-Communications, Inc. Preferred Junior Class B, 6%	3,900	$ 249,600
Total Preferred Stock (Cost: $257,263)		**249,600**

Corporate Bonds—8.7%

Retail—0.9%		
The Vons Companies, Inc. 9.625% due 4/1/2002	$150,000	$ 156,750
Building Materials & Construction—0.9%		
USG Corporation 9.25% due 9/15/2001 Senior Notes Series B	$150,000	$ 157,875
Utilities—1.0%		
Midland Funding Corp. 11.75% due 7/23/2005	$150,000	$ 168,375
Other Industrial Goods & Services—3.0%		
UCAR Global Enterprise Inc. 12% due 1/15/2005 Senior Subordinate Note	$300,000	$ 344,250
SPX Corp. 11.75% due 6/1/2002	150,000	167,625
		511,875
Aerospace & Automotive—1.0%		
Coltec Industries, Inc. 9.75% due 1/1/2000	$150,000	$ 161,625
Other Consumer Goods & Services—1.9%		
Samsonite Corp.11.125% due 7/15/2005	$300,000	$ 329,625
Total Corporate Bonds (Cost: $1,456,047)		**1,486,125**
Government & Agency Securities—26.9%		
United States Treasury Notes,7.125% due 9/30/1999	$ 1,100,000	$ 1,128,512
United States Treasury Notes,8.5% due 5/15/1997	800,000	807,064
United States Treasury Notes,6.375% due 8/15/2002	700,000	702,611
United States Treasury Notes,6.625% due 7/31/2001	600,000	608,316
United States Treasury Notes,7.875% due 8/15/2001	500,000	531,315
United States Treasury Notes,5.75% due 8/15/2003	500,000	483,310
Federal Home Loan Bank,6.405% due 4/10/2001 Consolidated Bond	300,000	299,970
		4,561,098
Total Government & Agency Securities (Cost: $4,537,334)		**4,561,098**
Total Fixed Income (cost: $6,250,644)		**6,296,823**

Short-Term Investments—2.8%

Repurchase Agreements—2.8%		
State Street Repurchase Agreement, 5.47% due 2/3/1997 Collateralized by US Treasury	$467,000	$467,000

Securities	
Total Repurchase Agreements	**467,000**
Total Short-Term Investments (Cost: $467,000)	**467,000**
Total Investments (Cost: $14,290,973)—99.4%	$16,827,738
Other assets, less other liabilities—0.6%	100,025
Total Net Assets—100%	**$16,927,763**

Notes:
(a) Non income producing security.

THE OAKMARK INTERNATIONAL FUND

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

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Fellow shareholders:

Your Fund gained 8.7% in the first quarter of our new fiscal year, well ahead of the Lipper international average gain of 5.8% and the Morgan Stanley World ex US index loss of -0.5%.

We are happy to report that your Fund was one of the best performing diversified international funds for the 1996 calendar year. The Oakmark International Fund was up 28% in 1996 versus the 11.8% return for the average international fund. This performance ranked fourth out of the 331 international funds tracked by Lipper Analytical Services. Ranked fifth was The Oakmark International Small Cap Fund (*formerly known as The Oakmark Int'l Emerging Value Fund*), with a 1996 return of 25%. We are proud of having two of the top five international funds, especially given the lack of overlap in stocks between the two portfolios.

In general, overseas markets had a better than average year in 1996. Many foreign markets, especially in Europe, have hit or are around new highs. Most importantly, we are still finding new ideas which meet our disciplined criteria.

Best of and Worst of Revisited

Many of you have written or spoken to us about how much you enjoyed David Herro's 1995 quarterly letter entitled "The Best and Worst of ...". So, we have decided to try it again by adding a few new categories to the ones David mentioned in 1995.

Most Promising Markets for the Year Ahead: Many shareholders ask us which will be the best equity markets in the year ahead. As you know, we don't try to predict these things based on macroeconomic forecasts—we spend our time trying to find cheap companies. And of course, just because we are finding value in a particular market does not mean it will necessarily be a good performer in the short term. But one constant to our approach is to give extra scrutiny to markets which have underperformed, searching for stocks which meet our criteria. In developed markets in 1996 the underperformers were Japan, Switzerland, and Austria. In developing markets Thailand, Korea, Chile and India were the laggards last year.

Worst Traffic Congestion: When on the road visiting companies we spend a great deal of time in cars and taxis. Much more time than we would like. As countries become more affluent traffic problems seem to grow at a geometric rate. Our opinion of the worst cities for traffic are: 1) Bangkok, Thailand (watch the motorcycles!!); 2) Seoul, Korea; and 3) Mexico City, Mexico (can you actually drive on the grass?). Coming up fast (slow?) on the outside is the German autobahn, where the huge influx of cross-border traffic from the West, the South, and especially the East is prompting the German government to think long and hard about instituting user fees for these important European arteries.

A corollary to the above category is **Worst Drivers**, with our nominees: the drivers in India where the motto is "honk first, brake second" and Korea where the number of lanes flowing north or south on major streets changes minute-by-minute depending on the aggressiveness of the respective drivers.

Best Subway/Train Systems: A good, reliable train system is a real time saver and a huge help in visiting companies off-the-beaten path. The best: Japan whose system is extraordinarily efficient and very clean. It has amazing coverage and up-to-the-minute service information, but is enormously expensive. Switzerland is second, where its train system is the best and only bargain in the country.

Hong Kong comes in third with special mention to the beloved Star Ferry. Fourth is the European ICE/TGV. These are German and French bullet trains which fly you to your next destination without the hassle of an airport. Fifth is the Paris Metro, which is a wonderful system when the workers are not on strike—efficient, cheap, and good coverage.

Best Place to Buy Knockoffs: First, Chinatown in Kuala Lumpur, Malaysia. Second, the tables nestled amidst the gogo bars in Patpong, Bangkok, Thailand. And third, the incredibly mobile carts that line the sidewalks in Iteowon, Seoul, Korea, but take care not to get trampled—they pack up and go hurtling down the sidewalk at the first whiff of trouble.

Most Popular KnockOffs: Based on personal observation, these are fake ("original copies") Rolex and Breitling watches and brand name casual shirts. For the patient negotiator, the prices can be extraordinarily low.

Best Airports: Efficiency and a place to sit and work are all we ask for in an airport. The best at delivering: 1) Schipol, Amsterdam; 2) Singapore; 3) Kansai Airport, near Osaka, Japan; 4) Hong Kong (landing at night here is one of the world's greatest amusement park rides).

Worst Airports: Unfortunately there are more candidates for this award than the previous. The winners: 1) Kimpo, Seoul, gives you the feeling upon arrival that you are going through a prison orientation complete with armed guards; 2) Taipei, Taiwan, except for the physically fit who don't mind standing during a two hour layover; 3) Narita, Tokyo (unless you are flying JAL); 4) Manila, Philippines (do you really NEED your luggage?); and 5) Heathrow, London.

Most Expensive Cities: 1) Zurich, Switzerland (that five-minute cab ride was HOW much?!); 2) Vienna, Austria; 3) Tokyo, Japan; 4) Buenos Aires, Argentina; 5) Brussels, Belgium (that new EU directive will cost European businesses HOW much?!).

Most Reasonably Priced Cities: 1) Budapest, Hungary; 2) Istanbul, Turkey (stunning, exotic beauty, great food); 3) Mexico City, Mexico (not expensive even before the devaluation); 4) Caracas, Venezuela; 5) Kuala Lumpur, Malaysia (the oversupply of new hotel rooms doesn't hurt).

Best Prediction of 1996: David's—that the Green Bay Packers would win the Super Bowl.

David G. Herro

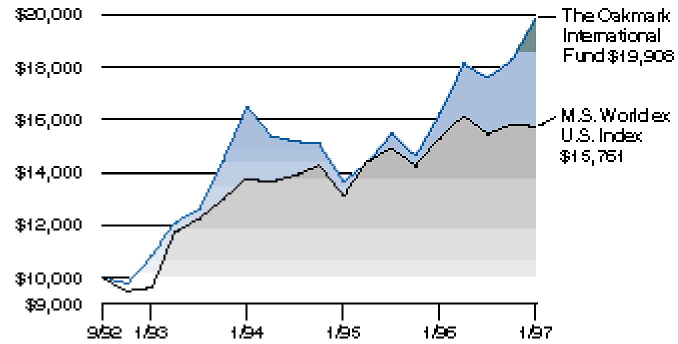
David G. Herro

Michael J. Welsh

Michael J. Welsh
Portfolio Managers
72242.722@compuserv.com
oakix@aol.com
January 31, 1997

OAKMARK FAMILY of FUNDS

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (1/31/97) AS COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



1/31/97 NAV $16.05

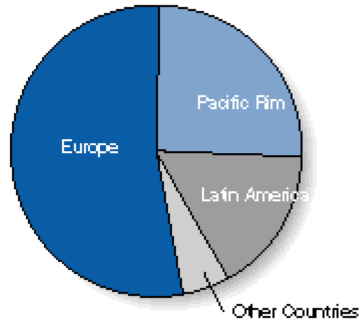
	Average Annual Total Return* Through 1/31/97	
	Total Return Last 3 mos.	**From Inception 9/30/92**
Oakmark International	8.7%	17.2%
Morgan Stanley World ex U.S. w/inc**	-0.5%	11.1%
Morgan Stanley EAFE w/inc**	-1.0%	10.8%
Lipper Analytical International Fund Average**	5.8%	13.3%

*Total return includes change in share prices and in each case includes reinvestment of any dividends, interest 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 Morgan Stanley World ex U.S. Index includes 19 country subindexes. The Morgan Stanley EAFE Free Index refers to Europe, Asia and the Far East and includes 18 country subindexes. The Lipper International Fund Average includes 106 mutual funds that invest in securities whose primary markets are outside the United States. Past performance is no guarantee of future results.

THE OAKMARK INTERNATIONAL FUND

International Diversification—January 31, 1997



	% of Fund Net Assets		% of Fund Net Assets
Europe	***50.0%***	***Pacific Rim***	***23.6%***
Great Britain	16.0%	Hong Kong	6.9%
Sweden	9.9%	Australia	5.7%
France	5.7%	New Zealand	3.4%
Netherlands	4.5%	Indonesia	3.1%
Switzerland	3.8%	Malaysia	2.3%
Portugal	3.2%	Korea	2.2%
Spain	3.0%		
Italy	1.9%		
Finland	1.4%		
Germany	0.6%		
Latin America	***15.1%***	***Other Countries***	***4.8%***
Argentina	6.1%	Israel	4.0%
Mexico	5.3%	Canada	0.8%
Brazil	3.7%		

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—January 31, 1997 (Unaudited)

	Description	*Shares Held/ Pricipal Value*	*Market Value*
Common Stocks—93.5%			
Consumer Nondurables—4.7%			
Yue Yuen Industrial (Holdings) Limited (Hong Kong)	Athletic Footwear Manufacturing	75,828,000	$ 29,356,562
Chargeurs International S.A. (France)	Entertainment & Wool Production Holding Company	516,439	28,222,959
BYC Company (Korea)	Textile Manufacturer	31,230	3,245,754
			60,825,275
Food—14.1%			
Guinness PLC (Great Britain)	Distiller and Brewer	7,245,000	$ 50,555,961
Lion Nathan Limited (New Zealand)	New Zealand Brewer	17,073,200	44,072,761
Parmalat Finanziaria S.p.A.(Italy)	Dairy Products	14,260,000	24,056,556
Pernod-Richard (France)	Manufactures Wines, Spirits & Fruit Juices	407,579	22,797,855
Nestle SA (Switzerland)	Producer of Foods & Drinks	14,000	15,215,035
Lotte Confectionery (Korea)	Confectionary Manufacturer	61,000	8,779,769
Leong Hup Holdings Berhad (Malaysia)	Major Poultry Operation and KFC Operator	7,579,666	8,110,182
Lotte Chilsung Beverage (Korea)	Manufacturer of Soft Drinks, Juices &	44,770	5,149,843

	Sport Drinks		
Daehan Flour Mills Co., Ltd.(Korea)	Food Processing	40,270	2,551,209
			181,289,171
Household Products—2.9%			
Reckitt & Colman PLC (Great Britain)	Household Cleaners and Air Fresheners	3,290,229	$ 37,404,542
Retail—1.7%			
Alpargatas Sociedad Anonima Industrial Y Comercial (Argentina)	Textiles	17,430,294	14,733,018
Giordano Holdings Limited (Hong Kong)	East Asian Clothing Retailer & Manufacturer	10,903,000	6,120,538
Macintosh (Netherlands)	Non-Food Specialty Retailer	66,970	1,377,669
			22,231,225
Telecommunications—12.1%			
Telefonos de Mexico, S.A. de C.V. (Mexico) (b)	Telephone Company	1,490,100	$ 56,065,013
Bezeq (Israel)	Telephone Company	12,254,271	31,907,152
Telefonica (Spain)	Telecommunications	1,000,500	23,478,284
Technology Resources Industries Berhad (Malaysia)	Telecommunications	10,420,000	22,005,229
Asia Satellite Telecom Holdings Corporation (Hong Kong)	Telecommunications	541,500	$ 12,251,438
Call Net Enterprises, Inc. Common (Canada) (a)	Telecommunications	700,000	10,001,484
			155,708,600
Transportation—6.1%			
AB Volvo (Sweden)	Trucks and Automobiles	2,534,600	$ 60,574,377
CIADEA S.A. (Argentina) (a)	Assembler and Distributor of Automobiles	3,414,568	17,590,302
			78,164,679
Oil and Natural Gas—3.6%			
YPF Sociedad Anonima (Argentina) (b)	Oil Exploration, Production and Marketing	1,656,200	$ 46,166,575
Banks—11.8%			
National Australia Bank Limited (Australia)	Largest Australian Bank	3,960,651	$ 47,884,301
Banco Espirito Santo E Comercial de Lisboa, S.A. (Portugal)	Portuguese Bank	2,275,480	41,517,384
Svenska Handelsbanken (Sweden)	Largest Swedish Bank	828,850	21,583,443
Banco Popular Espanol (Spain)	Fourth-largest Spanish Bank	85,093	15,483,184
Compagnie Financiere de Paribas (France)	French Financial Services Group	205,000	14,042,825
Grupo Financiero Bancomer, S.A. De C.V. (GFB) B (Mexico) (a)	Large Mexican Financial Group	26,635,000	9,743,058
Grupo Financiero Bancomer, S.A. De C.V. (GFB) L (Mexico) (a)	Large Mexican Financial Group	6,129,630	2,022,695
			152,276,890
Other Financial—1.0%			
Sedgwick Group plc (Great Britain)	Insurance Broker, Financial Services	6,450,000	$ 13,487,021
Marketing Services—4.4%			
Cordiant PLC (Great Britain) (a)	Advertising Agency Holding Company	34,408,656	$ 57,062,905
Aerospace—5.5%			
Rolls Royce Public Limited Company (Great Britain)	Jet Engines	6,966,479	$ 26,789,857

Hong Kong Aircraft Engineering Company Limited (Hong Kong)	Commercial Aircraft Overhaul and Maintenance	8,360,200	$ 25,785,105
British Aerospace Public Limited Company (Great Britain)	Defense and Civil Aviation	897,445	18,240,810
			70,815,772
Chemicals—4.4%			
EVC International NV (Netherlands)	Western European PVC Manufacturer	1,039,165	$ 28,955,237
Royal Pakhoed N.V. (Netherlands)	Petroleum Products, Chemical Handling	865,348	28,020,792
			56,976,029
Components—0.9%			
Varitronix International Holdings Limited (Hong Kong)	Liquid Crystal Displays	7,177,000	$ 11,438,373
Forestry Products—3.1%			
Asia Pulp & Paper Company Ltd (a) (Indonesia)	Paper & Packaging Products	3,484,300	$ 40,069,450
Machinery and Metal Processing—2.6%			
Saurer Ltd. (Switzerland)	Textile Machinery	70,000	$ 32,962,624
Iochpe-Maxion SA (Brazil)	Agricultural Machinery & Automotive Parts	7,880,000	602,907
			33,565,531
Mining and Building Material—2.6%			
Pioneer International (Australia)	Concrete Products, Aggregates	8,870,923	$ 25,374,494
Keumkang Ltd. (Korea)	Building Materials	170,980	8,519,350
			33,893,844
Other Industrial Goods and Services—3.3%			
Kone Corporation (Finland)	Elevators	161,870	$ 18,587,053
Groupe Legris Industries (France)	Europe's Leading Crane Manufacturer	195,097	8,655,277
Buderus AG (Germany)	German Industrial Manufacturing	15,450	7,253,699
Lamex Holdings Limited (Hong Kong)	Hong Kong's Largest Office Furniture Supplier	14,040,000	4,303,136
Tomkins plc (Great Britain)	Industrial Management Company	700,000	3,146,130
			41,945,295
Steel—7.2%			
Usiminas (Brazil)	Steel Production	41,063,700,000	$ 46,734,701
Avesta Sheffield (Sweden)	Stainless Steel	3,575,000	36,793,046
Svenskt Stal AB, Series A (Sweden)	Steel	531,400	8,588,965
Tung-Ho Steel Enterprise (Taiwan) (a)	Taiwanese Manufacturer of Corp. Steel Bars and HBeams	34,000	372,582
			92,489,294
Diversified Conglomerates—1.5%			
Koor Industries Limited ADR (Israel)	Israeli Holding Company	933,600	$ 18,438,600
Koor Industries Limited (Israel)	Israeli Holding Company	5,660	547,416
			18,986,016
Total Common Stocks (Cost: $1,074,747,599)			**1,204,796,487**

Short-Term Investments—3.5%

Commercial Paper—3.4%		
Ford Motor Credit Corp., 5.32% due 2/6/97	14,000,000	$ 14,000,000
Ford Motor Credit Corp., 5.31% due 2/10/97	10,000,000	10,000,000

Ford Motor Credit Corp., 5.30% due 2/24/97	5,000,000	5,000,000
Ford Motor Credit Corp., 5.30% due 3/3/97	10,000,000	10,000,000
General Electric Capital Corporation, 5.32% due 2/3/97	5,000,000	5,000,000
Total Commercial Paper		**44,000,000**
Repurchase Agreements—0.1%		
State Street Repurchase Agreement, 5.47% due 2/3/97	1,192,000	$ 1,192,000
Collateralized by US Treasury Securities		
Total Repurchase Agreements		**1,192,000**
Total ShortTerm Investments (Cost: $45,192,000)		**45,192,000**
Total Investments—97.0% **(Cost: $1,119,939,599)**		$ 1,249,988,487
Foreign currencies—2.3% **(Cost: $29,025,436)**		28,958,651
Other assets, less other liabilities (c)—0.7%		9,401,506
Total Net Assets—100%		**$1,288,348,644** ===========

Notes: (a) Nonincome producing security.

(b) Represents an American Depositary Receipt.

(c) Includes portfolio and transaction hedges.

THE OAKMARK INT'L SMALL CAP FUND

Report from David Herro and Adam Schor, Portfolio Managers

Fellow Shareholders:

We are happy to report once again a satisfactory return of 6.42% for the quarter ending 1/31/97. More importantly, our annualized return since inception (11/1/95) through January 31, 1997 of 16.7% ranks this Fund as one of the top-performing international funds in the Lipper international universe.

A Name Change:

We start the new year with a new name for this Fund. As of this report, we have changed the name to The Oakmark International Small Cap Fund.

When we launched the Fund, we selected “Emerging Value,” hoping to evoke images of companies that were emerging into first tier investments. Either they were small companies on the brink of growth or they were large firms but were growing as their host countries grew. We thought Emerging Value captured the idea of buying dynamic companies before they were fully understood and exposed and while they were improperly priced. We also liked the name better than Small Value or New Value or Soon-To-Be-Valuable-When-Finally-Discovered Fund.

The Fund’s name also reflects an obvious point—investing is our forte, not marketing. We are much better at managing funds than naming them. (What’s an Oakmark anyway?)

When you hear thundering hooves, think horses. Investors who saw the word “emerging” thought that it was an emerging markets fund. In fact, our exposure to emerging markets has hovered around 50% and has never been greater than 55% of our assets. Most of our companies in the portfolio were and still are small cap companies, even those in emerging markets. If you take away Telmex, YPF and Asia Pulp and Paper, the remaining 40 or so other names in our Fund are less than $500 million in market capitalization.

Ever since Mexico jilted them, investors’ relationship with emerging markets has been rocky. We thought many investors shied away from this fund because they thought it was an emerging markets fund. So with our marketing department, we chose a clearer name. We explained that the Fund was an international small cap fund and not an emerging market fund. Suddenly, the creatives took over. The new name would be the Oakmark International Small Cap Fund. So let it be written, so let it be done.

The name change more clearly defines the investment universe of the Fund. We will continue to apply the same disciplined value-oriented investment philosophy and process. We are happy with our leading performance and hope our shareholders are too.

The change offers the opportunity to explain the differences between this fund and The Oakmark International Fund. We started The International Small Cap Fund to take advantage of a tremendous oversight in the market. As we traveled the world looking for companies for the $1.2 billion Oakmark International Fund, we saw a layer of small cap stocks that were overlooked and undervalued. Many of these firms were too small to build into a meaningful position in the large fund. But their values remained. So we saw — and still see today — an opportunity for a fund specifically geared to invest in smaller companies.

That’s what we have today and finally it is clearly labeled. The International Small Cap Fund offers investors the opportunity to invest in companies that we think are among the most compelling values around. Because the companies are smaller and less liquid than the names in the other international fund, they will be more volatile. But we hope that our patience is rewarded with returns. So far, it has gone well. But long-term investors must look ahead—and that's exactly where we see the best value.

Latin America on the rebound...

Speaking of long-term investing brings us to this story. Two years ago, our trading desk received a call from a large global brokerage firm. They had an important U.S. client selling Latin American stocks. When asked which ones and at what price, the response was, "all of them and make a bid!"

Now, after a rebound in the markets and economies of Latin America, we have seen that patience pays. For this fund, Mexican food company Grupo Herdez, the Argentine textile/shoe company Alpargatas, and the Brazilian utility Cemig have produced great returns.

Business conditions in Latin America continue to look favorable, and we expect continued strong performance from our investments. What a difference a few years makes!

...And it's smooth sailing in Asia ex-Japan

We still see excellent opportunity investing in Asia, including Hong Kong, where we are about four months away from reunification with China (a.k.a. The Big Event). Hong Kong is showing increasing confidence in its economy after June 30. HK company Yip's Hang Cheung has extensive exposure in China as a manufacturer and marketer of paints, solvents and lubricants. Indonesia-based Steady Safe has a strong transportation franchise in that country in taxis, buses and soon, rail. And New Zealand fish company Sanford has valuable fish quotas and access to some of the world's most fertile fishing grounds.

One exception to the rosy Asian picture is Japan. We still see a lot of macro problems. Furthermore, many corporate managers are unaware — or unconcerned — that they are employed by shareholders and that they should act to benefit those shareholders. We have found a few solid companies, however. One recent purchase is video game software developer Enix. Enix makes games for Nintendo and, soon, will make them for Sony. It is one of the few companies in Japan that seems to be run for its owners.

The Oakmark International Small Cap Fund heads into 1997 as we entered 1996, with confidence that the market is mispricing a lot of good, small companies. We haven't changed the way we manage the Fund and we certainly haven't changed our outlook. We have retained a disciplined, longterm focus. As the unfortunate sellers in Latin America have discovered over the last two years, that's the best way to invest.

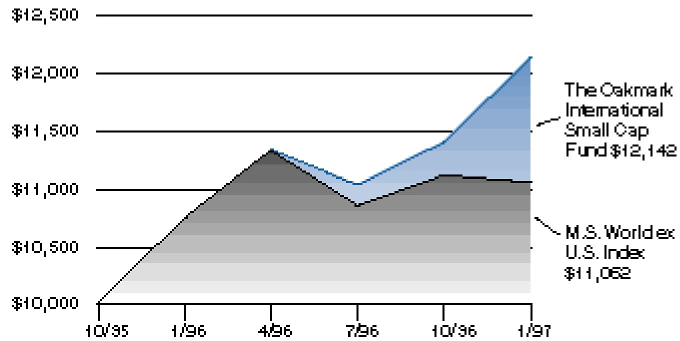
David Herro

Adam Schor
Portfolio Managers
72242.772@compuserve.com
oakix@aol.com
February 5, 1997

OAKMARK
FAMILY of FUNDS

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL

SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (1/31/97) AS COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



1/31/97 NAV $11.69

Average Annual Total Return* Through 1/31/97

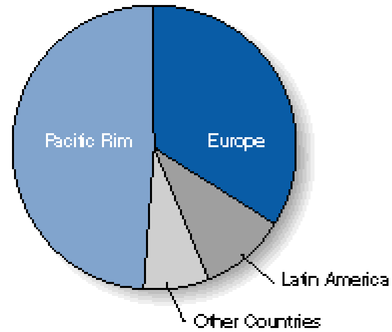
	Total Return Last 3 Months	From Fund Inception 11/1/95
The Oakmark Int'l Small Cap Fund	6.4%	16.7%
Morgan Stanley World ex U.S. w/inc**	-0.5%	8.4%
Lipper Analytical International Fund Average**	5.8%	15.0%
Micropal Int'l Small Co Fund Index	4.4%	14.4%

* Total return includes change in share prices and in each case includes reinvestment of any dividends, interest 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 Morgan Stanley World ex U.S. Index includes 19 country subindexes. The Lipper International Fund Average includes 106 mutual funds that invest in securities whose primary markets are outside the United States. The Micropal Int'l Small Co Fund Index sector average is an unweighted index comprised of all funds within the International Small Company Fund sector. Past performance is no guarantee of future results.**

THE OAKMARK INT'L SMALL CAP FUND

International Diversification—January 31, 1997



	% of Fund Net Assets		% of Fund Net Assets
Europe	*32.5%*	*Pacific Rim*	*46.3%*
Ireland	6.8%	New Zealand	9.0%
Great Britain	6.0%	Australia	8.9%
France	3.9%	Hong Kong	8.2%
Germany	3.8%	Indonesia	8.2%
Netherlands	3.2%	Korea	6.4%
Italy	2.9%	Japan	4.1%
Spain	2.7%	Singapore	1.5%
Sweden	2.5%		
Hungary	0.6%		
Austria	0.1%		
Latin America	*9.3%*	*Other Countries*	*7.0%*
Mexico	5.6%	Israel	5.3%
Argentina	3.7%	Canada	1.3%
		India	0.4%

THE OAKMARK INT'L SMALL CAP FUND

Schedule of Investments— January 31, 1997 (Unaudited)

	Description	*Shares Held/ Principal Value*	*Market Value*
Common Stocks—95.1%			
Consumer NonDurables—5.4%			
Designer Textiles (NZ) Limited (New Zealand)	Manufactures Knit Fabrics	2,500,000	$ 1,462,793
PT Polysindo EKA Perkasa (Indonesia)	Integrated Textile Manufacturer	2,652,000	1,366,723
			2,829,516
Food—6.9%			
Grupo Herdez, SA de CV (Mexico)	Manufacturer and Distributor of Bottled and Canned Food	4,024,000	$ 1,482,269
Taittanger (France)	Producer of Wine & Spirits	2,720	898,869
Daehan Flour Mills Co., Ltd. (Korea)	Food Processing	6,500	411,792
Chosun Brewery (Korea)	Korean Brewer	14,410	398,149
Soproni Sorgy AR RT (Hungary)	Hungarian Brewer	13,155	341,396
DB Group Ltd. (New Zealand)	Producer of Beer, Wine, & Liquor	67,800	47,605
			3,580,080
Household Products—6.6%			
WMF (Germany)	Tableware and Kitchenware	9,300	$ 1,523,659

Enix Corporation (Japan)	Entertainment Software	61,800	1,315,056
N.V. Koninklijke Sphinx Gustavsberg (Netherlands)	Bathroom Products	54,159	586,538
			3,425,253
Retail—1.7%			
Alpargatas Sociedad Anonima Industrial Y Comercial (Argentina)	Textiles and Footwear	1,035,000	$ 874,837
Other Consumer Goods & Services—10.2%			
PT Steady Safe (Indonesia)	Transportation	1,214,500	$ 1,571,135
Vardon PLC (United Kingdom)	Leisure	915,000	1,502,764
Fyffes (Ireland)	Distributor of Fresh Fruit, Flowers and Produce in Europe	678,133	1,263,602
Innovative International Holdings (Hong Kong)	Auto Parts & Equipment	1,200,000	491,676
CeWe Color Holding AG (Germany)	Photo Equipment & Supplies	1,900	440,213
			5,269,390
Telecommunications—5.1%			
Telefonos de Mexico, S.A. de C.V. (Mexico) (b)	Telephone Company	38,050	$ 1,431,631
Tadiran Ltd. (Israel) (a)	Telecommunication Equipment	45,484	1,214,653
			2,646,284
Oil and Natural Gas—2.0%			
YPF Sociedad Anonima (Argentina) (b)	Exploration, Production and Marketing	37,000	$ 1,031,375
Banks—2.1%			
Anglo Irish Bank Corporation plc (Ireland)	Irish Bank	860,000	$ 1,095,716
Other Financial—2.9%			
JCG Holdings Ltd. (Hong Kong)	Investment Holding Company	1,684,000	$ 1,499,497
HIH Winterhur (Australia)	Insurance and Reinsurance Broker	9,243	21,856
			1,521,353
Computer Systems—3.8%			
Solution 6 Holdings Limited (Australia)	Design Computer Systems/ Consultants	2,267,153	$ 1,988,731
Marketing Services—3.1%			
Cordiant PLC (United Kingdom) (a)	Global Advertising Agency	970,000	$ 1,608,636
Broadcasting & Publishing—4.4%			
Woong Jin Publishing Co. (Korea)	Publisher	23,736	$ 1,413,184
Moffat Communications Limited (Canada)	Owner and Operator of Television Stations and Cable Systems	45,500	658,539
Zee Telefilms, B Shares (India)	Broadcasting and TV	85,900	206,663
			2,278,386
Chemicals—2.1%			
EVC International NV (Netherlands)	Western European PVC Manufacturer	39,600	$ 1,103,412
Components—6.6%			
Tower Semiconductor Limited (Israel)	Semiconductors	138,400	$ 1,522,400
Barlo Group PLC (Ireland)	Manufacturer of Radiators and Industrial Plastics	1,605,000	1,150,263
Pentex Schweizer Circuits Limited (Singapore)	Manufacturer and Marketer of Printed Circuit Boards	546,000	775,678
			3,448,341
Forestry Products—2.5%			
Asia Pulp & Paper Company Ltd (Indonesia) (a)	Paper & Packaging Products	114,000	$ 1,311,000
Machinery and Metal Processing—2.4%			
Steel & Tube Holdings Ltd.(New Zealand)	Produces and Distributes Steel	150,500	$ 953,122

Groupe FivesLille (France)	Builder of Heavy Machinery	3,125	269,919
			1,223,041
Mining and Building Materials—7.7%			
Parbury Limited (Australia)	Manufactures Building Products	2,451,446	$ 1,477,225
Groupo Uralita (Spain)	Manufacturers of Building Products and Chemicals	153,100	1,414,982
Asia Cement Manufacturing Co. (Korea)	Cement Manufacturer	36,150	1,086,590
			3,978,797
Other Industrial Goods and Services—15.0%			
Sanford Limited (New Zealand)	Owns and Manages Fisheries	1,030,040	$ 2,198,062
BT Industries AB (Sweden)	Fork Lifts & Transportation Equipment	68,000	1,324,529
Yip's Hang Cheung (Holdings) Limited (Hong Kong)	Paint Company	10,090,000	1,184,914
Wattyl (Australia)	Paint Company	279,091	1,149,574
TechTronic Industries Company Limited (Hong Kong)	Manufactures Electric Hand Tools	7,640,000	1,104,246
Fukuda Denshi Co., Ltd. (Japan)	Medical Products Manufacturer and Distributor	42,000	807,126
VAE Eisenbahnsysteme AG (Austria)	Manufactures Rail-Related Products	400	39,950
			7,808,401
Production Equipment—4.6%			
Danieli & Company (Italy)	Steel Mini-Mills Equipment	360,300	$ 1,525,718
The NSC Group (France)	Wool Textile Manufacturer	7,860	862,500
			2,388,218
Total Common Stocks (Cost: $46,949,074)			**49,410,767**
Short-Term Investments—5.2%			
Commercial Paper—2.9%			
General Electric Capital Corporation, 5.31% due 2/3/1997		1,500,000	1,500,000
Total Commercial Paper			**1,500,000**
Repurchase Agreements—2.3%			
State Street Repurchase Agreement, 5.47% due 2/3/1997		1,185,000	$ 1,185,000
Collaterized by US Treasury Securities			
Total Repurchase Agreements			**1,185,000**
Total ShortTerm Investments (Cost:$2,685,000)			**2,685,000**
Total Investments (Cost:$49,634,074)—100.3%			$ 52,095,767
Foreign currencies (Cost:$688,361.26)—1.3%			679,551
Other liabilities, less other assets(c)—(1.6%)			(841,723)
Total Net Assets—100%			**$51,933,595**

Notes:
(a) Nonincome producing security.
(b) Represents an American Depositary Receipt.
(c) Includes transaction hedges.

THE OAKMARK FAMILY OF FUNDS

Trustees and Officers

Officers
Victor A. Morgenstern—*President*
Robert J. Sanborn—*Executive Vice President*
David G. Herro—*Vice President*
Clyde S. McGregor—*Vice President*
William C. Nygren—*Vice President*
Steven J. Reid—*Vice President*
Adam Schor—*Assistant Vice President*
Michael J. Welsh—*Assistant Vice President*
Donald Terao—*Treasurer*
Anita M. Nagler—*Secretary*
Ann W. Regan—*Vice President— Shareholder Operations and Assistant Secretary*
Kristi L. Rowsell—*Assistant Treasurer*

Other Information
Transfer Agent
State Street Bank and Trust Company
Attention: The Oakmark Family of Funds
P.O. Box 8510
Boston, Massachusetts 022668510

Investment Adviser
Harris Associates L.P.
Two North LaSalle Street, Suite 500
Chicago, Illinois 60602

Legal Counsel
Bell, Boyd & Lloyd
Chicago, Illinois

Independent Public Accountants
Arthur Andersen LLP
Chicago, Illinois

FOR MORE INFORMATION
Please call 1-800-OAKMARK (1-800-625-6275)

24-hour NAV hotline

To obtain the current net asset value per share of a Fund,
please call 1-800-GROWOAK (1-800-476-9625)