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FUND

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SMALL CAP
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Dear Fellow Shareholders:

In my new role as Chairman, I am pleased to share the authorship of this letter with Bob Levy, the recently elected president of The Oakmark Funds. Bob is also the president and CEO of Harris Associates, the investment adviser and management of The Oakmark Family of Funds.

We are pleased to present the annual report for The Oakmark Family of Funds for our new fiscal year-end, September 30, 1997. Our fiscal year-to-date numbers reflect our shortened (11 month) year which resulted from the alignment of our fiscal quarters with the calendar quarters upon which most other funds report.

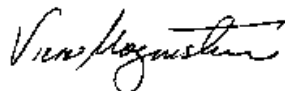
For the 3-month period ended September 30, 1997, our four domestic funds, Oakmark, Equity and Income, Small Cap and Select, enjoyed especially strong returns. During the same period, our two international funds lagged somewhat with a strong divergence in the performance of the Oakmark International large cap holdings (+2.6%) versus the performance of the smaller companies in Oakmark International Small Cap (-3.9%). We suspect that just as the domestic small cap stocks have gained attention when their relative values became compelling, so too will their international counterparts. As long-term value investors, we have learned the advantage of being contrarian at times. We buy value when we identify it, as opposed to when others write about it.

The Oakmark International Fund has just celebrated its fifth birthday and we are pleased and gratified that it has joined its sibling Oakmark Fund in earning a 5-Star (*****) rating by Morningstar.

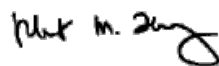
For those of you looking ahead to IRA contributions, it is our intention to offer prototype Roth and Educational IRA accounts under the new 1997 Tax Act.

We appreciate your confidence in investing with us.

Very truly yours,



VICTOR MORGENSTERN
CHAIRMAN



ROBERT M. LEVY
PRESIDENT



The Oakmark Family of Funds

Summary Information

<i>Performance for Period Ended September 30, 1997</i>	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<i>3 Months</i>	6.3%	15.2%	15.2%
<i>6 Months</i>	22.5%	34.6%	33.6%
<i>11 Months (fiscal year)</i>	36.0%	63.4%	54.2%
<i>1 Year</i>	37.1%	N/A	53.5%
<i>Average Annual Total Return for:</i>			
<i>3 Year</i>	24.9%	N/A	N/A
<i>5 Year</i>	25.3%	N/A	N/A
<i>Since inception</i>	30.7%	63.4%*	44.8%
<i>Value of \$10,000 from inception date</i>	\$52,009 (8/5/91)	\$16,340 (11/1/96)	\$20,340 (11/1/95)

*Top Five Holdings
as of September 30, 1997*

<i>Company and % of Total Net Assets</i>	Banc One Corporation	7.0%	Tele-Communications, Liberty Media Class A	14.7%	U.S. Industries, Inc.	6.6%
	Philip Morris Companies, Inc.	6.5%	U. S. Industries, Inc.	14.4%	People's Bank of Bridgeport, CT	6.0%
	Mellon Bank Corporation	6.0%	USG Corporation	8.2%	Catellus Development Corporation	4.6%
	Tele-Communications, Inc., Class A	4.2%	PartnerRe Ltd.	7.2%	RenaissanceRe Holdings Ltd	4.1%
	Columbia/HCA Healthcare Corp.	4.0%	Cablevision Systems Corporation	4.5%	Ralcorp Holdings, Inc.	3.7%

*Top Five Industries
as of September 30, 1997*

<i>Industries and % of Total Net Assets</i>	Other Consumer Goods & Services	17.8%	TV Programming	14.7%	Insurance	13.2%
	Food & Beverage	16.6%	Diversified Conglomerates	14.4%	Other Industrial Goods & Services	12.7%
	Broadcasting & Publishing	14.5%	Other Consumer Goods & Services	11.6%	Other Consumer Goods & Services	8.5%
	Banks	13.0%	Broadcasting & Cable TV	8.9%	Banks	8.3%
	Foreign Securities	5.2%	Building Materials & Construction	8.2%	Broadcasting & Publishing	7.4%

<i>Performance for Period Ended September 30, 1997</i>	The Oakmark Equity and Income Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
<i>3 Months</i>	10.3%	2.6%	-3.9%
<i>6 Months</i>	21.9%	11.1%	4.9%
<i>11 Months (fiscal year)</i>	31.2%	27.2%	11.1%
<i>1 Year</i>	33.3%	26.9%	9.3%
<i>Average Annual Total Return for:</i>			
<i>3 Year</i>	N/A	15.1%	N/A
<i>5 Year</i>	N/A	18.4%	N/A
<i>Since inception</i>	22.7%	18.4%	13.1%
<i>Value of \$10,000 from inception date</i>	\$14,810 (11/1/95)	\$23,283 (9/30/92)	\$12,672 (11/1/95)

<i>Top Five Holdings as of September 30, 1997</i>						
<i>Company and % of Total Net Assets</i>	Chrysler Corporation	3.3%	Tomkins plc	4.9%	Lambert Fenchurch Group plc	5.6%
	PartnerRe Ltd.	3.2%	Quilmes Industrial SA	4.9%	Recordati	4.7%
	U.S. Industries, Inc.	3.2%	Cordiant plc	4.6%	Vardon plc	4.2%
	Tele-Communications, Liberty Media Class A	3.2%	Sedgwick Group plc	4.0%	JCG Holdings Ltd.	3.9%
	Juno Lighting, Inc.	3.1%	AB Volvo	3.8%	Daimon	3.9%

<i>Top Five Industries as of September 30, 1997</i>						
<i>Industries and % of Total Net Assets</i>	U.S. Government Bonds	25.4%	Food & Beverage	21.0%	Other Industrial Goods & Services	13.4%
	Other Consumer Goods & Services	10.4%	Telecommunications	9.6%	Household Products	10.0%
	Broadcasting & Publishing	9.0%	Consumer Non-Durables	8.0%	Other Financial	9.5%
	Banks	8.0%	Banks	7.0%	Other Consumer Goods & Services	9.4%
	Automotive	8.0%	Other Industrial Goods & Services	7.0%	Food & Beverage	8.2%

* Not Annualized

The Oakmark Fund

Report from Robert J. Sanborn, Portfolio Manager

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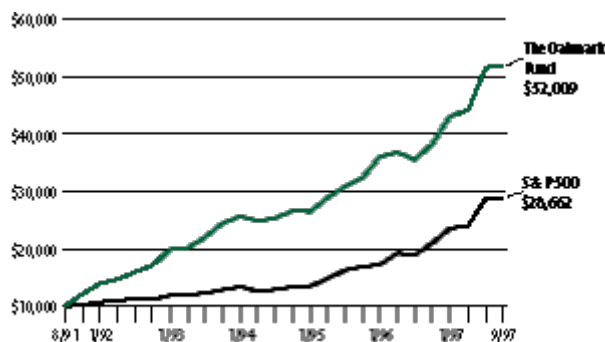
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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (9/30/97) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



9/30/97 NAV \$41.21
 Total Return Last 2 mos.
 Average Annual Total Return* Through 9/30/97 From Fund Inception 8/5/91

Index	Total Return Last 2 mos.	Average Annual Total Return* Through 9/30/97 From Fund Inception 8/5/91
The Oakmark Fund	0.8%	30.7%
Standard & Poor's 500 Stock Index w/inc**	-0.4%	18.7%
Dow Jones Industrial Average w/inc**	-3.1%	20.1%
Value Line Composite Index**	4.8%	11.3%

*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 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 success.

ANNUAL PORTFOLIO UPDATE

A year ago (or, more exactly, eleven months ago), I wrote:

The Oakmark Fund's fiscal year ended October 31, 1996 was eerily reminiscent of our 1995 fiscal year. As Yogi Berra might say, "It's déjà vu all over again." A very similar macroeconomic environment—slow, steady growth; continued low inflation, with the price of gold down again; long-term interest rates down again—provided a good context for equities. As in fiscal 1995, your Fund generated strong absolute returns but lagged behind those of the Standard & Poor's 500.

In reviewing the 1997 fiscal year, I can only say, "Play it again, Yogi." For, yet again, inflation continues to remain subdued, and the price of gold declined again; long-term interest rates declined again, this time from more than 6.7% to less than 6.4%. With the continuation of steady growth and with companies increasingly being run for the benefit of their owners, the context for US equities was (and remains) favorable. Your Fund generated strong positive returns of 36.0%, about a half a percentage point less than the Standard & Poor's 500.

Our patience in our cable investments—Tele-Communications Inc., U.S. West Media Group, and TCI Liberty Media, CI A—was well-rewarded. These stocks were among our best performers, up 71%, 43%, and 74%, respectively. Other standouts among our larger holdings include Mellon (+71%), Brunswick (+50%), and Knight-Ridder (+48%).

Among our worst performers were Black & Decker (-2%), DeBeers (+2%), and Nabisco (+15%). Our largest holding, Philip Morris, slightly outperformed the market despite its ubiquity in the media. 1998 looms as another news-filled year for that company, but through

it all we will continue to keep our eyes on the long term.

In general, your portfolio businesses once again performed at least in line with expectations. I can point to very few disappointments over the year. Part of this is due to the overall strong economy, part is due to your Fund's current preference for high-quality businesses, and part is due to our exceptional research effort. While the "market" is up a lot, I continue to believe that your portfolio represents very solid value. It will probably perform relatively better in a less buoyant overall market, but is a good value in any case.

Our portfolio turnover was low during the past year. We have added one new significant holding, Columbia/HCA Healthcare, the hospital company that remains in the news. As the stock declined dramatically due to revelations about its business practices, we have established a large investment based on our perceptions that the underlying value of the company's assets is worth far more than the stock price, and that top management (in the form of CEO Tom Frist) is very incentivised to maximize long-term value. We sold only one large holding, Torchmark, over the course of the year.

Your Fund—like all of the funds in The Oakmark Family of Funds—remains concentrated. Your twenty largest holdings comprise three-quarters of our equities; our top ten comprise more than 50% of our equities. As fund companies relentlessly attempt to exploit new marketing opportunities, one fad is concentrated investing. Many firms are launching funds not necessarily because they believe in concentrated investing, but because they perceive an opportunity to attract assets. At Harris Associates and The Oakmark Family of Funds, we have had concentrated portfolios in our separate accounts since 1976, and in each of our Funds since inception. It is a core investment value firm-wide.

Contrasting our approach with that of other well-known funds is instructive. For instance, the world's largest mutual fund has over 400 holdings, ten times the number of holdings in your Fund. Its ten largest holdings constitute less than 15% of its assets, whereas The Oakmark Fund's ten largest holdings approach 50% of the Fund. During the tenure of this other fund's prior portfolio manager, annual turnover at that fund reached 155%, meaning the average stock was held for about eight months. The Oakmark Fund's turnover is around 20%, meaning the average stock is typically held for about five years. At The Oakmark Fund, we make our positions large enough to matter, and we use a time horizon that is consistent with the term "investor".

Sometimes I read an article that reminds me that our approach, which seems so logical to all of us, is not the industry norm. A recent article in *The Wall Street Journal* "Heard on the Street" column on McDonald's quoted a large institutional investor as saying he had cut his position in MCD from 2% of his portfolio to 1%, and would not restore it back to 2% until he saw some sign that results are improving. When we read this, we do not know where to begin with critiquing this thought process. First, in our view, this investor is taking MCD from a fairly insignificant position to a very insignificant investment. Why have trivial investments? Second, by the time this company shows improvements, its price will undoubtedly rise.

Many ask me what is the recipe for the success of all the funds in The Oakmark Family of Funds. I think it is fairly simple. First, we have a consistent investment philosophy throughout the entire firm. We all believe in it, and we all speak the same language. Second, we continue to maintain, in a business increasingly resembling the NBA with regard to loyalty, a stable group of investment professionals. Third, we have an investment culture first and foremost. I am biased, but I do not believe there is a better investment firm than Harris Associates, or a better fund family than The Oakmark Family of Funds.

Personally, I want to thank each of you for the support you have shown The Oakmark Fund,

and all our Funds.



ROBERT J. SANBORN

Portfolio Manager
rsanborn@oakmark.com

October 13, 1997

The Oakmark Fund

Schedule of Investments—September 30, 1997

	<i>Shares Held</i>	<i>Market Value</i>
<hr/>		
<i>Common Stocks—88.9%</i>		
<i>Food & Beverage—16.6%</i>		
Philip Morris Companies Inc.	10,260,700	\$ 426,460,344
Anheuser-Busch Companies Inc.	5,495,400	247,979,925
H.J. Heinz Company	4,007,250	185,084,860
Nabisco Holdings Corporation	3,572,100	152,037,506
Gallaher Group Plc (a) (b)	3,835,500	73,593,656
CPC International, Inc.	130,000	12,041,250
M & F Worldwide Corp. (a)	300,000	2,850,000
		<hr/>
		1,100,047,541
<i>Retail—0.6%</i>		
Carson Pirie Scott & Company (a) (c)	1,000,000	\$ 39,437,500
<i>Other Consumer Goods & Services— 17.8%</i>		
Columbia/HCA Healthcare Corporation	9,210,000	\$ 264,787,500
The Black & Decker Corporation (c)	7,034,200	262,023,950
Polaroid Corporation (c)	4,332,000	221,744,250
Brunswick Corporation	3,578,800	126,152,700

Mattel, Inc.	3,303,800	109,438,375
Fortune Brands, Inc.	2,560,500	86,256,844
First Brands Corporation	1,070,400	28,633,200
Whitman Corporation	957,500	26,091,875
Juno Lighting, Incorporated (c)	1,085,000	18,580,625
GC Companies, Inc. (a) (c)	397,000	17,071,000
Arctic Cat, Inc.	957,500	11,011,250
Justin Industries	601,500	8,082,656

1,179,874,225

Banks—13.0%

Banc One Corporation	8,273,226	\$ 461,749,426
Mellon Bank Corporation	7,213,100	394,917,225

856,666,651

Insurance—1.6%

Old Republic International Corporation	2,748,620	\$ 107,196,180
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Other Financial—5.1%

AMBAC, Inc (c)	4,389,800	\$ 178,609,987
Fannie Mae	3,307,500	155,452,500

334,062,487

Broadcasting & Publishing—14.5%

Tele-Communications, Inc., Class A (a)	13,379,179	\$ 274,273,169
Knight-Ridder, Inc. (c)	4,650,000	254,006,250
Dun & Bradstreet Corporation	6,841,300	194,121,888
ACNielsen Corporation (a) (c)	4,764,000	114,336,000
Tele-Communications, Liberty Media, Class A (a)	3,657,741	109,503,621
TCI Satellite Entertainment, Inc., Class A (a)	1,217,917	9,210,497

955,451,425

Telecommunications—3.4%

U.S. West Media Group (a) 10,085,400 \$ 225,030,488

Managed Care Services—1.6%

Foundation Health Systems, Inc. (a) 3,323,510 \$ 106,352,320

Medical Products—1.0%

Sybron International Corporation (a) 1,567,800 \$ 67,317,413

Aerospace & Defense—4.4%

Lockheed Martin Corporation 1,935,000 \$ 206,319,375

The Boeing Company 1,586,000 86,337,875

 292,657,250
Other Industrial Goods & Services—4.1%

Fort James Corporation 2,894,100 \$ 132,585,956

Bandag Incorporated, Class A 1,104,100 56,723,138

SPX Corporation (c) 875,200 51,308,600

The Geon Company 971,600 19,917,800

Premark International, Inc. 328,400 10,508,800

 271,044,294
*Foreign Securities—5.2%*DeBeers Consolidated Mines Limited ADR
(b) 4,071,000 \$ 119,840,063

YPF Sociedad Anonima (b) 3,025,600 111,569,000

Unilever NV (b) 476,000 101,209,500

European Vinyls Corporation International
N.V. 547,700 12,933,678

 345,552,241
Total Common Stocks (Cost: \$3,861,010,117) 5,880,690,015

*Principal
Value Market Value*

Short Term Investments—11.4%

U.S. Government Bills—2.2%

United States Treasury Bills, 5.07%- 5.40% due 10/16/1997 11/29/1998	\$150,000,000	\$ 148,839,664
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Total U.S. Government Bills		148,839,664
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Commercial Paper—8.8%

American Express Credit Corp., 5.49%- 5.58% due 10/1/1997 11/4/1997	\$175,000,000	175,000,000
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Ford Motor Credit Corp., 5.48% 6.15% due 10/1/1997 10/22/1997	175,000,000	175,000,000
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General Electric Capital Corporation, 5.50% 6.38% due 10/1/1997 11/3/1997	230,000,000	230,000,000
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Total Commercial Paper		580,000,000
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Repurchase Agreements—0.4%

State Street Repurchase Agreement, 5.95% due 10/1/97	\$23,456,000	\$ 23,456,000
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Total Repurchase Agreements		23,456,000
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Total Short Term Investments (Cost: \$752,289,548)		752,295,664
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Total Investments (Cost \$ 4,613,299,665)—100.3%(d)		6,632,985,679
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Other liabilities in excess of other assets —(0.3)%		(18,037,051)
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Total Net Assets—100%		\$ 6,614,948,628
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(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) See footnote number six in the Notes to Financial Statements regarding transactions in affiliated issuers.

(d) At September 30, 1997, net unrealized appreciation of \$2,019,686,014, for federal income tax purposes consisted of gross unrealized appreciation of \$2,077,648,280 and gross unrealized depreciation of \$57,962,266.

See accompanying notes to financial statements.

The Oakmark Select Fund

Report from Bill Nygren, Portfolio Manager

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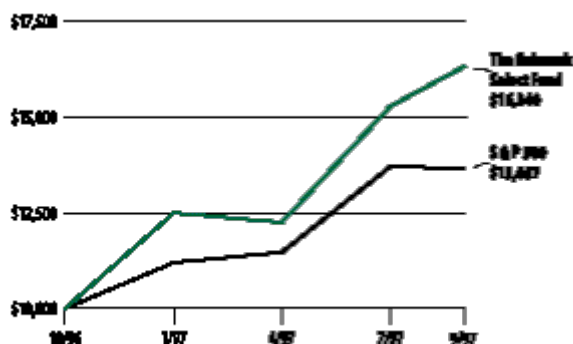
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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (9/30/97) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



9/30/97 NAV \$16.34

	Total Return* Through 9/30/97 From Fund Inception 11/1/96
The Oakmark Select Fund	63.4%
Standard & Poor's 500 Stock Index w/inc**	36.6%
Standard & Poor's MidCap 400 Index w/inc**	38.7%
Value Line Composite Index**	30.8%

	Total Return Last 2 mos.	Total Return* Through 9/30/97 From Fund Inception 11/1/96
The Oakmark Select Fund	6.9%	63.4%
Standard & Poor's 500 Stock Index w/inc**	-0.4%	36.6%
Standard & Poor's MidCap 400 Index w/inc**	5.6%	38.7%
Value Line Composite Index**	4.8%	30.8%

*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 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.

THE OAKMARK SELECT FUND

The Oakmark Select Fund increased in value by 6.9% for our transitional two month quarter ending September 30. That gain was slightly above the S&P Midcap's 5.6% gain, and well ahead of the S&P 500's 0.4% loss. In the last two quarters, your fund has benefited from its large exposure to midcap stocks. Earlier this year, after several years of outperformance by the largest companies, articles began appearing about long-term structural advantages possessed by giants like Coke and Intel. Unfortunately, investors had priced those stocks so high that even their large earnings gains were viewed as disappointing. The stock market usually finds a way to defy conventional wisdom!

For its fiscal year (actually eleven months) The Oakmark Select Fund increased in value by 63.4%. That gain far exceeded gains in the S&P Midcap, 38.7% and the S&P 500, 36.6%. Again, I want to caution against unreasonable expectations. The return on the market indices as well as the amount by which your Fund outperformed those indices are both highly unusual. Although we expect the stock market and The Oakmark Select Fund to provide good long-term returns, it is unlikely that their upward paths will be as straight as we have recently become accustomed.

As you know, we expect The Oakmark Select Fund to typically hold 20 or fewer stocks and to have half the value in its top five positions. As of September 30, your Fund held 16 stocks and the five

largest accounted for 50% of the assets. Additionally, we have told you that the Fund would be a long-term investor. On September 30, only 16% of the fund's assets were invested in stocks the fund did not own on its first day of operation. I believe this shows we are acting consistently with our long-term investment philosophy.

BET AGAINST THE COVER

In August of 1979 with double-digit inflation, double-digit government bond yields and the US economy declining in worldwide significance, *Business Week* ran a cover story proclaiming "The Death of Equities." Over the following eighteen years, as our economy staged a remarkable turnaround, a \$1000 investment in the stock market (reinvesting dividends) increased in value to \$17,000! Like the *Sports Illustrated* jinx, "The Death of Equities" story gave *Business Week* the dubious reputation of being a contrary indicator. It's not really fair to single out *Business Week*. The media reports about what *has* happened and what is *expected* to happen. The stock market moves based on how the actual events differ from market expectations. By the time a news story is deserving of being placed on the cover, a turning point has often been reached.

Last October as we were preparing to launch The Oakmark Select Fund, *Business Week* ran a cover story titled "Cable TV, The Looming Crisis." In 1996, cable stocks had very disappointing returns because investors were expecting large subscriber losses to competing telephone and satellite companies. We disagreed with the consensus and thought intrinsic value would grow as competing providers failed to meet their optimistic projections. We also thought most cable stocks had owner-oriented managements and were selling at large discounts to intrinsic value. As long-term value investors, we look for those situations where negative short-term sentiment creates buying opportunities. For these reasons, The Oakmark Select Fund placed its largest single bet on the cable industry, nearly 25% of your fund was invested in three cable stocks: Liberty Media, Cablevision Systems and US West Media Group.

A year ago, I told my colleagues that in The Oakmark Select Fund's first annual report, I would write about cable stocks and the *Business Week* cover indicator. From November 1, 1996 through September 30, 1997: US West Media was up 43%, Liberty Media was up 74% and Cablevision increased by 102%! The *Business Week* cover indicator came through again!

What do we think about our cable holdings today? Private transactions are occurring at cashflow multiples well above where public stocks are trading and Liberty Media and US West Media are still repurchasing shares. Cablevision just recently exchanged stock for subscribers from industry leader Tele-Communications, Inc. Cablevision stock is trading at \$63, but that transaction only makes sense for Tele-Communications, Inc. if Cablevision stock is worth in excess of \$100 per share. To us, that's a pretty strong vote of confidence by a knowledgeable investor in the same industry. We're sticking with our cable holdings and expect that when we review next year's performance, these stocks will have again added to our returns.

At the close of this short year, I want to say thank you to all of my colleagues who have so greatly contributed to our strong results. Most importantly I want to thank you, our shareholders, for your support and for making this great start possible. As I wrote in the first quarterly, I'll wait to measure the fund's success by using its ten-year record, but so far so good!



BILL NYGREN

Portfolio Manager
bnygren@oakmark.com

October 6, 1997

The Oakmark Select Fund

Schedule of Investments—September 30, 1997

	<i>Shares Held</i>	<i>Market Value</i>
<hr/>		
<i>Common Stocks—92.5%</i>		
<i>Other Consumer Goods & Services—11.6%</i>		
		\$
Polaroid Corporation	418,500	21,421,969
Armstrong World Industries, Inc.	310,000	20,789,375
Brunswick Corporation	496,900	17,515,725
		<hr/>
		59,727,069
 <i>Banks—4.4%</i>		
		\$
People's Bank of Bridgeport, Connecticut	698,500	22,395,656
 <i>Insurance—7.2%</i>		
		\$
PartnerRe Ltd.	862,000	37,119,875
 <i>Other Financial—4.3%</i>		
		\$
Lockheed Martin Corporation	207,600	22,135,350
 <i>Broadcasting & Cable TV—8.9%</i>		
		\$
Cablevision Systems Corporation (a)	371,100	23,286,525
U.S. West Media Group (a)	1,009,000	22,513,313
		<hr/>
		45,799,838

TV Programming—14.7%

Tele-Communications, Liberty Media, Class A (a)	2,532,200	\$ 75,807,737
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Publishing—7.9%

ACNielsen Corporation (a)	851,000	\$ 20,424,000
Dun & Bradstreet Corporation	704,500	19,990,188
		<hr/>
		40,414,188

Building Materials & Construction—8.2%

USG Corporation (a)	881,500	\$ 42,256,906
---------------------	---------	---------------

Oil & Natural Gas—3.8%

Union Texas Petroleum Holdings, Inc.	825,000	\$ 19,387,500
--------------------------------------	---------	---------------

Other Industrial Goods & Services—7.1%

General Signal Corporation	445,000	\$ 19,246,250
Premark International, Inc.	535,000	17,120,000
		<hr/>
		36,366,250

Diversified Conglomerates—14.4%

U.S. Industries, Inc.	2,557,300	\$ 74,161,700
Total Common Stocks (Cost: \$387,896,611)		475,572,069

<i>Principal Value</i>	<i>Market Value</i>
------------------------	---------------------

Short Term Investments—9.4%

U.S. Government Bills—2.3%

United States Treasury Bills, 1.00% -5.12% due 10/9/1997 - 12/11/1997	\$12,000,000	\$ 11,942,999
		<hr/>
Total U.S. Government Bills		11,942,999
 <i>Commercial Paper—5.8%</i>		
Ford Motor Credit Corp., 5.60% 6.15% due 10/1/1997 10/6/1997	\$10,000,000	\$ 10,000,000
American Express Credit Corp., 5.52% - 5.56% due 10/1/1997 10/2/1997	10,000,000	10,000,000
General Electric Capital Corporation, 5.58% 6.38% due 10/1/1997	10,000,000	10,000,000
		<hr/>
Total Commercial Paper		30,000,000
 <i>Repurchase Agreements—1.3%</i>		
State Street Repurchase Agreement, 5.95% due 10/1/1997	\$6,401,000	\$ 6,401,000
		<hr/>
Total Repurchase Agreements		6,401,000
Total Short Term Investments (Cost: \$48,344,290)		48,343,999
Total Investments (Cost \$ 436,240,901)—101.9% (b)		523,916,068
Other liabilities in excess of other assets—(1.9)%		(9,741,496)
		<hr/>
Total Net Assets—100%		\$ 514,174,572
		<hr/> <hr/>

(a) Non-income producing security.

(b) At September 30, 1997, net unrealized appreciation of \$87,675,167 for federal income tax purposes consisted of gross unrealized appreciation of \$87,901,597 and gross unrealized depreciation of \$226,430.

See accompanying notes to financial statements.

The Oakmark Small Cap Fund

Report from Steven J. Reid, Portfolio Manager

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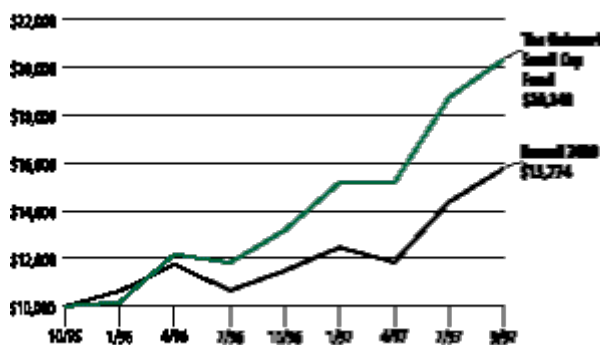
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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (9/30/97) AS COMPARED TO THE RUSSELL 2000 INDEX



9/30/97 NAV \$20.34

Total Return Last 2 mos.

Average Annual Total Return* Through 9/30/97 From Fund Inception 11/1/95

Index	Total Return Last 2 mos.	Average Annual Total Return* Through 9/30/97 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	8.6%	44.8%
Lipper Small Cap Fund Index**	9.0%	21.9%
Russell 2000 w/inc**	9.8%	26.8%
S&P Small Cap 600 w/inc**	9.3%	30.3%

*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 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.

OAKMARK SMALL CAP FUND HAS SMALL YEAR???

September 30, 1997 marked the end of the shortened 1997 fiscal year. The Oakmark Small Cap Fund, as well as the entire Oakmark Family of Funds, changed from an October to a September fiscal year. This aligns your Fund's quarterly reporting periods with most of the industry. In as much as the duration of the fiscal year was a little bit on the "small" side, the events that took place this year were anything but small. For the eleven month fiscal year ended September 30, 1997, The Oakmark Small Cap Fund gained 54.2%, which was large compared to the relevant indices. For the two-month fiscal quarter, your Fund slightly lagged with the relevant indices with a gain of 8.6%, hardly small in absolute terms. 1997 was truly an outstanding year for your Fund and we are happy to be able to share these results with you.

During the latter part of the fiscal year the shares of small companies performed better than the shares of large companies. I have been asked numerous times for an explanation of why this occurred. I have several responses to this. The first is that as patient long-term investors we are focused on the individual values of each of our investments and are much less concerned with overall market trends or events. The second is that the raging equatorial currents

of El Niño washed a little of Alan Greenspan's "irrational exuberance" onto the shores of the small company investment universe. Last, quite honestly, the shares of small companies have lagged those of large companies for so long that it was about time that they finally caught up a little.

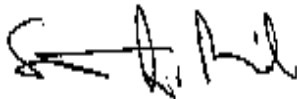
PHILOSOPHY AND PEOPLE

Looking back at the past year I was pleasantly surprised to see how well so many of our investments had done. Nine of your Fund's holdings had appreciated over 100% during the past year. Even more pleasing was that we avoided making any large mistakes. The key to our success lies in a sound investment philosophy, but it is only effective when supported by capable professionals. We are very fortunate to have a truly outstanding group of experienced investment professionals. I want to thank all of them for their contribution to this past year's investment results. Simply put Philosophy + People = Performance (of course, a little good luck does not hurt).

As the new fiscal year begins, we are encouraged by the investment opportunities we see and continue to be able to invest the Fund's assets in a prudent manner. Although the Fund is considerably larger than a year ago, our long-term investment horizon and emphasis on low turnover allows us to manage a larger asset base. We are not uncomfortable with the current asset size or the flow of money in (and out) of the Fund, but will continue to monitor this situation. We are committed to remaining consistent in the implementation of our investment philosophy.

Last year I referred to a major financial periodical that listed their 100 most attractive small company investments. I noted that not one of our holdings in the Fund was a part of that list. I am pleased to see, and take comfort in knowing, that list was published again recently and not one of our holdings was included. We continue to seek out the unknown, undiscovered, and underfollowed investment opportunities.

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

October 10, 1997

The Oakmark Small Cap Fund

Schedule of Investments—September 30, 1997

	<i>Shares Held Market Value</i>	
<hr/>		
<i>Common Stocks—91.9%</i>		
<i>Food & Beverage—6.3%</i>		
Ralcorp Holdings, Inc. (a) (c)	3,000,000	\$ 56,062,500

International Multifoods Corporation (c)	1,032,000	30,637,500
M & F Worldwide Corp. (a)	917,600	8,717,200
		<hr/>
		95,417,200

Retail—4.5%

Cole National Corporation (a) (c)	1,000,000	\$ 41,562,500
Carson Pirie Scott & Company (a)	511,500	20,172,281
Ugly Duckling Corporation (a)	375,000	5,718,750
		<hr/>
		67,453,531

Other Consumer Goods & Services—8.5%

Triarc Companies, Inc. (a) (c)	1,650,500	\$ 33,216,312
Scotsman Industries, Inc. (c)	1,050,000	27,037,500
First Brands Corporation	1,000,000	26,750,000
GC Companies, Inc. (a)	310,000	13,330,000
Standard Motor Products, Inc.	511,400	11,953,975
Barry (R.G.) Corporation (a) (c)	588,700	8,278,594
USA Detergents, Inc. (a)	413,200	5,319,950
Justin Industries	207,400	2,786,938
		<hr/>
		128,673,269

Banks—8.3%

People's Bank of Bridgeport, Connecticut	2,840,000	\$ 91,057,500
BankAtlantic Bancorp, Inc., Class A	926,700	14,363,850
Northwest Savings Bank	295,000	7,559,375
Harbor Federal Savings Bank	100,000	5,600,000
Pocahontas Federal Savings and Loan Association (c)	140,000	4,620,000
Savings Bank of the Finger Lakes (c)	94,000	2,256,000
		<hr/>
		125,456,725

Insurance—13.2%

RenaissanceRe Holdings Limited (c)	1,421,800	\$ 62,470,337
Financial Security Assurance Holdings Ltd.	871,700	40,534,050
PXRE Corporation (c)	1,186,000	37,433,125
Chartwell Re Corporation (c)	900,000	31,950,000
Highlands Insurance Group, Inc. (a) (c)	1,100,000	26,812,500
		<hr/>
		199,200,012

Other Financial—0.6%

Duff & Phelps Credit Rating Company (c)	296,800	\$ 9,497,600
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Broadcasting & Publishing—7.4%

Cablevision Systems Corporation (a)	650,600	\$ 40,825,150
TCI Satellite Entertainment, Inc., Class A (a) (c)	3,800,000	28,737,500
Ascent Entertainment Group, Inc. (a) (c)	1,650,000	18,975,000
Lee Enterprises, Inc.	500,000	14,187,500
Granite Broadcasting Corporation (a)	800,000	9,500,000
		<hr/>
		112,225,150

Telecommunications—0.0%

UNR Industries, Inc.	95,000	\$ 475,000
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Data Storage—2.9%

Imation Corporation (a)	1,641,300	\$ 43,802,194
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Aerospace & Defense—2.5%

Tracor, Inc. (a)	1,236,000	\$ 38,007,000
------------------	-----------	---------------

Machinery & Metal Processing—6.2%

The Carbide/Graphite Group, Inc. (a) (c)	800,000	\$ 27,200,000
Essex International, Inc. (a)	400,000	15,400,000
Atchison Casting Corporation (a) (c)	710,400	15,096,000
Northwest Pipe Company (a) (c)	520,000	14,040,000

Matthews International Corporation, Class A	333,500	13,256,625
DT Industries, Inc.	190,500	6,286,500
Wolverine Tube, Inc. (a)	88,300	2,770,413
		<hr/>
		94,049,538

Building Materials & Construction—2.9%

NVR Inc. (a) (c)	1,000,000	\$ 26,000,000
Dal-Tile International Inc. (a)	881,600	13,224,000
Triangle Pacific Corporation (a)	146,100	5,076,975
		<hr/>
		44,300,975

Oil & Natural Gas—2.4%

Titan Exploration, Inc. (a) (c)	3,000,000	\$ 36,000,000
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Other Industrial Goods & Services—12.7%

MagneTek, Inc. (a) (c)	2,400,000	\$ 53,700,000
SPX Corporation (c)	900,000	52,762,500
Gardner Denver Machinery, Inc. (a) (c)	900,000	30,318,750
Zurn Industries, Inc. (c)	682,000	23,614,250
Columbus McKinnon Corporation (c)	808,400	21,220,500
Binks Sames Corporation (c)	222,000	9,657,000
Binks Sames Corporation, Restricted Shares (c)	28,000	1,071,840
		<hr/>
		192,344,840

Commercial Real Estate—6.9%

Catellus Development Corporation (a)	3,383,000	\$ 70,197,250
Castle & Cooke, Inc. (a) (c)	1,440,000	28,260,000
Wellsford Real Properties Inc. (a)	397,100	6,353,600
		<hr/>
		104,810,850

Diversified Conglomerates—6.6%

U.S. Industries, Inc. 3,432,500 \$ 99,542,500

Total Common Stocks (Cost: \$1,082,594,870) 1,391,256,384

*Principal
Value Market Value*

Fixed Income—0.2%

Corporate Bonds—0.2%

Recreation & Entertainment—0.2%

Harrah's Jazz Bonds, 14.25% due
11/15/2001(b) \$ 6,700,000 \$ 2,604,625

Total Fixed Income (Cost: \$3,304,413) 2,604,625

Short Term Investments—7.8%

U.S. Government Bills—2.0%

United States Treasury Bills, 1.00% 5.34%
due 10/9/1997 3/5/1998 \$30,000,000 \$ 29,728,421

Total U.S. Government Bills 29,728,421

Commercial Paper—5.3%

American Express Credit Corp., 5.52%-
5.56% due 10/1/1997 10/3/1997 \$30,000,000 \$ 30,000,000

Ford Motor Credit Corp., 5.54% 5.60%
due 10/6/1997 10/7/1997 20,000,000 20,000,000

General Electric Capital Corporation,
5.56% 5.67% due 10/1/1997 10/3/1997 30,000,000 30,000,000

Total Commercial Paper 80,000,000

Repurchase Agreements—0.5%

State Street Repurchase Agreement, 5.95% due 10/1/1997	8,212,000	\$ 8,212,000
		<hr/>
Total Repurchase Agreements		8,212,000
Total Short Term Investments (Cost: \$117,940,192)		117,940,421
Total Investments (Cost \$ 1,203,839,475)—99.9% (d)		1,511,801,430
Other assets in excess of other liabilities— 0.1%		1,594,210
		<hr/>
Total Net Assets—100%		\$ 1,513,395,640
		<hr/> <hr/>

(a) Non-income producing security.

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

(c) See footnote number six in the Notes of Financial Statements regarding transactions in affiliated issuers.

(d) At September 30, 1997, net unrealized appreciation of \$307,961,955 for federal income tax purposes consisted of gross unrealized appreciation of \$314,125,673 and gross unrealized depreciation of \$6,163,718.

See accompanying notes to financial statements.

The Oakmark Equity and Income Fund

Report from Clyde S. McGregor, Portfolio Manager

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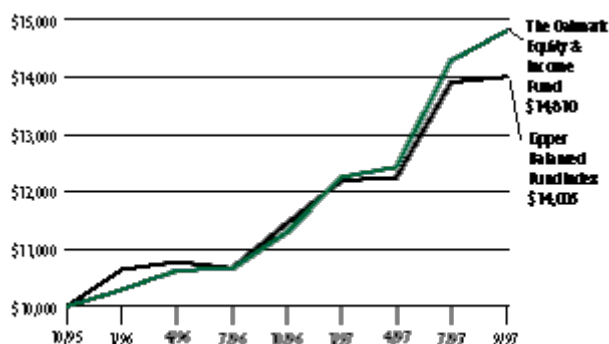
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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (9/30/97) AS COMPARED TO THE LIPPER BALANCED FUND INDEX



9/30/97 NAV \$14.49

Total Return Last 2 mos.	Average Annual Total Return* Through 9/30/97 From Fund Inception 11/1/95
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Index	Total Return Last 2 mos.	Average Annual Total Return* Through 9/30/97 From Fund Inception 11/1/95
The Oakmark Equity & Income Fund	3.7%	22.7%
Lipper Balanced Fund Index**	0.7%	19.2%
Lehman Govt./Corp. Bond**	0.4%	6.5%
S&P 500 w/inc**	-0.4%	31.7%

*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 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.

FISCAL 1997 RESULTS

Welcome to the second annual report for The Oakmark Equity and Income Fund. Our first fiscal year lasted the usual 12 months, but for reasons explained elsewhere, fiscal 1997 ended after only eleven. The return of 31.2% in the period, however, nearly tripled what we had accomplished in 12 months in the first year. I would like to be able to argue that this outcome derived from our putting in 12 months of work into an 11-month year, but the real explanation is that this period has been unusually blessed, particularly for equity investors.

Looking at more conventional measurement periods, your Fund's (and mine—my family is still by far the largest shareholder) return of 25.5% for the nine months ended September 30 places it 3rd among the 351 funds of its type. The 12 month result was 33.3%, ranking 5th in the category. I am quite pleased with this outcome and wish to thank all who have contributed.

FIRMS WHERE MANAGERS SHAVE THEIR HEADS WHEN THE STOCK GOES UP

In early August I was riding in an airplane when I noticed that the gentleman with extremely short hair seated next to me was opening a folder marked "Catellus." Since Catellus is one of your Fund's important holdings (and a quite unusual word), I inquired as to whether he worked for the company. The gentleman turned out to be Ted Antenucci, a vice president of development at Catellus. Catellus is

basically a large pool of real estate assets originally granted to the Santa Fe Railroad in the mid-1800s as part of the effort to develop the American West. We own the stock because of both its undervaluation compared to the company's asset value and our belief that the relatively new management team will put these assets to good use in an improving real estate

environment.

Back to Ted. When Ted discovered that I represented a firm which was one of the largest shareholders of his company, he proceeded to tell me the story of why his haircut made him look as though he had recently enrolled at a military academy. Ted joined Catellus three years ago when the stock was trading for \$6/share. Nelson Rising, newly installed as CEO of Catellus, recruited Ted to join the company, and during this process Nelson repeatedly expressed great confidence in the prospects for Catellus' stock. Ted accepted the job offer but remarked that should the stock ever actually reach \$20/share, he would shave his head. In early July of this year with the stock at \$18.50 Ted received a package in the mail. It turned out to be a deluxe shaving set, a gift from Nelson. In August the stock hit \$20, and Ted, a man of his word, shaved his head.

Now "willingness of managers to shave their heads if their stock goes up" is not one of the criteria which we normally use for stock selection. It probably should be. We like companies with this kind of team spirit, where having fun while doing one's job is important. Catellus has been an excellent holding for your Fund, first in the form of a convertible preferred stock, now as the common. I salute Ted, Nelson, and the rest of the Catellus management team for their success and the corporate culture which has helped to make it possible.

MIGHTY OAKS AWARDS

Last year I shamelessly copied my partner Robert Sanborn of The Oakmark Fund and issued awards to each of the analysts who had produced the single most successful stock and bond ideas for your fund. I will continue that tradition for fiscal 1997, though given its 11-month time frame, I worry that the results are not really comparable.

Before announcing the awards, however, I must digress concerning the Mighty Oaks. Long-time readers may recall that "Mighty Oaks" is the name given to our firm's various athletic teams. This year's softball team had a season which resembles the stock market record of some of our investments. For most of the season the Oaks had a tough time, entering the playoffs with a losing record. In the playoffs, however, the team came together, eventually losing the championship game by one run on a perfect throw to home plate. Many of our stocks have periods like this where they look undistinguished but blossom when it is most important. Hats (Oakmark hats) off to the Oaks for their playoff run.

Now for the awards. Regrettably, I find that both of my award winners are repeaters. Many good ideas contributed to the Fund's results for fiscal 1997, but under the rules I must again recognize two of my fellow fund managers, Steve Reid (Oakmark Small Cap) for First USA/Banc One common stock, and Bill Nygren (Oakmark Select) for Telecommunications preferred stock.

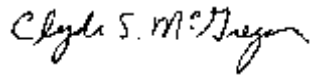
I have previously written concerning Banc One's acquisition of First USA. We continue to hold the Banc One shares which we received in the merger because we perceive the stock to be undervalued. As well, we are quite optimistic concerning the impact of First USA's management on Banc One's all-important consumer banking division.

The common shares of Telecommunications and its offspring (e.g. Liberty Media) have been significant holdings for Harris Associates for many years. Bill Nygren also identified the company's preferred stock as offering above-average opportunity for a high-yield security. During fiscal 1997 investors regained their confidence in Telecommunications' financial stability, with the result that the preferred provided a total return of more than 50% to the Fund.

Since Bill and Steve are repeat winners, I don't know if another Mighty Oaks T-shirt will be

as exciting a prize as it was a year ago. Perhaps softballs autographed by this year's near-champion Mighty Oaks squad?

Thanks for your support in fiscal 1997. Please feel free to e-mail me with your comments, questions, or ideas for quarterly reports.



CLYDE S. MCGREGOR

Portfolio Manager
mcgregor@oakmark.com

October 8, 1997

The Oakmark Equity and Income Fund

Schedule of Investments—September 30, 1997

	<i>Shares Held</i>	<i>Market Value</i>
<hr/>		
<i>Equity and Equivalents—61.6%</i>		
<i>Food & Beverage—2.0%</i>		
Philip Morris Companies Inc.	16,100	\$ 669,156
<i>Office Equipment—2.6%</i>		
Lexmark International Group, Inc., Class A (a)	26,000	858,000
<i>Other Consumer Goods & Services—9.7%</i>		
Juno Lighting, Incorporated	61,300	1,049,762
First Brands Corporation	31,000	829,250
National Presto Industries, Inc.	17,000	715,063
Armstrong World Industries, Inc.	9,600	643,800
		<hr/>
		3,237,875

Banks—5.0%

Banc One Corporation	17,022	\$ 950,040
Mellon Bank Corporation	13,400	733,650
		<hr/>
		1,683,690

Insurance—6.2%

		\$
PartnerRe Ltd.	25,000	1,076,563
Old Republic International Corporation	25,500	994,500
		<hr/>
		2,071,063

Broadcasting & Publishing—9.0%

Tele-Communications, Liberty Media, Class A (a)	35,200	\$ 1,053,800
Dun & Bradstreet Corporation	35,000	993,125
Lee Enterprises, Inc.	33,900	961,912
		<hr/>
		3,008,837

Automotive—8.0%

		\$
Chrysler Corporation	30,000	1,104,375
Borg-Warner Automotive, Inc.	15,000	853,125
Lear Corporation	15,000	738,750
		<hr/>
		2,696,250

Aerospace & Defense—2.3%

The Boeing Company	14,300	\$ 778,456
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Machinery & Metal Processing—3.0%

General Signal Corporation	23,000	\$ 994,750
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Other Industrial Goods & Services—3.0%

		\$
Premark International, Inc.	31,500	1,008,000

Commercial Real Estate—7.0%

		\$
Catellus Development Corporation (a)	48,228	1,000,731
LaSalle Partners, Inc. (a)	20,000	700,000
Equity Office Properties Trust (a)	19,000	644,813
		<hr/>
		2,345,544

Diversified Conglomerates—3.2%

		\$
U.S. Industries, Inc.	36,750	1,065,750
Total Equity and Equivalents (Cost: \$15,285,783)		20,417,371

Convertible Preferred Stock—0.6%

Insurance—0.6%

American Heritage Life Investment Corporation, Preferred, 8.50%	3,000	\$ 186,000
Total Convertible Preferred Stock (Cost: \$150,000)		186,000

Fixed Income—35.5%

Preferred Stock—5.9%

Banks—3.0%

BBC Capital Trust Preferred, 9.50%	21,200	\$ 551,200
RBI Capital Trust Preferred, 9.10%	42,500	440,938
		<hr/>
		992,138

Broadcasting & Cable TV—1.5%

Tele-Communications, Inc., Preferred Junior Class B, 6.00%	5,800	\$ 498,800
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Other Industrial Goods & Services—1.4%

James River Corporation of Virginia, Preferred Series O, 8.25%	20,000	\$ 490,000
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Total Preferred Stock (Cost: \$1,857,125) 1,980,938

*Principal
Value* *Market
Value*

Corporate Bonds—3.3%

Other Consumer Goods & Services—0.7%

Samsonite Corporation, 11.125% due
7/15/2005, Senior Subordinated Notes Series B \$200,000 \$ 229,000

Aerospace & Automotive—0.6%

Coltec Industries, Inc., 9.75% due 4/1/2000 \$150,000 \$ 160,500

Coltec Industries, Inc., 9.75% due 11/1/1999 25,000 26,531

187,031

Building Materials & Construction—0.5%

USG Corporation, 9.25% due 9/15/2001,
Senior Notes Series B \$150,000 \$ 161,625

Utilities—0.5%

Midland Funding Corporation, 11.75% due
7/23/2005 \$150,000 \$ 177,000

Other Industrial Goods & Services—1.0%

UCAR Global Enterprises Inc., 12.00% due
1/15/2005, Senior Subordinated Note \$300,000 \$ 342,750

Total Corporate Bonds (Cost: \$1,053,099) 1,097,406

Government and Agency Securities—26.3%

U.S. Government Bonds—25.4%

United States Treasury Notes, 7.125% due
9/30/1999 \$3,300,000 \$ 3,380,091

United States Treasury Notes, 7.50% due
5/15/2002 2,750,000 2,913,515

United States Treasury Notes, 7.875% due
11/15/2004 2,000,000 2,198,700

		8,492,306
<i>U.S. Government Agencies—0.9%</i>		
Federal Home Loan Bank, 6.405% due 4/10/2001, Consolidated Bond	\$300,000	\$ 302,478
Total Government and Agency Securities (Cost: \$8,672,256)		8,794,784
Total Fixed Income (Cost: \$11,732,480)		12,059,128
<i>Short Term Investments—4.1%</i>		
<i>U.S. Government Bills—0.8%</i>		
United States Treasury Bills, 5.07% due 10/16/1997	\$250,000	\$ 249,472
		<hr/>
Total U.S. Government Bills		249,472
<i>Commercial Paper—2.2%</i>		
American Express Credit Corp., 5.58% due 10/6/1997	\$250,000	\$ 250,000
General Electric Capital Corporation, 5.56%- 5.67% due 10/2/199710/3/1997	500,000	500,000
		<hr/>
Total Commercial Paper		750,000
<i>Repurchase Agreements—1.1%</i>		
State Street Repurchase Agreement, 5.95% due 10/1/1997	\$381,000	\$ 381,000
		<hr/>
Total Repurchase Agreements		381,000
Total Short Term Investments (Cost: \$1,380,472)		1,380,472
		\$
Total Investments (Cost \$ 28,398,735)—101.2% (b)		33,856,971
Other liabilities in excess of other assets—(1.2)%		(394,458)
		<hr/>
Total Net Assets—100%		\$ 33,462,513

(a) Non-income producing security.

(b) At September 30, 1997, net unrealized appreciation of \$5,458,236 for federal income tax purposes consisted of gross unrealized appreciation of \$5,505,006 and gross unrealized depreciation of \$46,770.

See accompanying notes to financial statements.

The Oakmark International Fund

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

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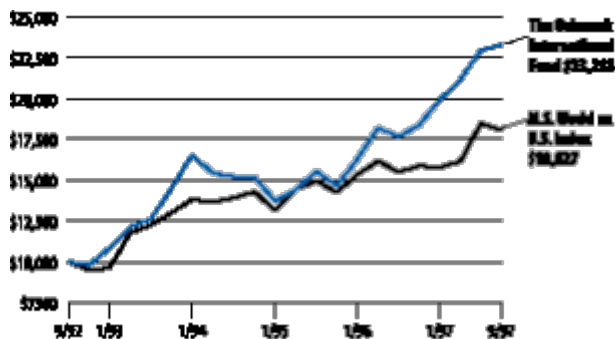
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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (9/30/97) COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



FELLOW SHAREHOLDERS,

We are pleased to be able to present our annual and five-year report with such positive results. First, The Oakmark International Fund has earned a five-year average annual rate of return of 18.4% compared to 14.8% for The Lipper Analytical International Fund Average and 12.5% for The Morgan Stanley World ex U.S. index. This return puts it in the top 10 percent of all diversified international funds. Furthermore, for the eleven-month fiscal year ended September 30, 1997, the fund was up 27.2%, also comparing well to Morgan and Lipper which were up 13.8% and 22.7%, respectively. Finally, Morningstar has rated your fund a 5 star fund, their highest rating given to mutual funds.

HOW WE DID IT...

During the past five years, international investors have been

subjected to all kinds of volatility: devaluations, revaluations, market surges, market crashes, etc, etc. For some, this would make the international market place unattractive. As bona fide long-term investors, however, we view the volatility of the environment as positive. **For it is this volatility which is responsible for giving us long-term investment opportunity!**

As you have heard numerous times, **we are disciplined value investors.** We search for companies that are selling at discounts to their underlying economic value and that have

	Total Return Last 2 mos.	Average Annual Total Return* Through 9/30/97 From Fund Inception 9/30/92
9/30/97 NAV \$18.77		
The Oakmark International Fund	1.4%	18.4%
Morgan Stanley World ex U.S. w/inc**	-2.2%	12.5%
Morgan Stanley EAFE w/inc**	-2.3%	12.3%
Lipper Analytical International Fund Average**	-1.3%	14.8%

*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 Morgan Stanley World ex U.S. Index includes 19 country sub-indexes. The Morgan Stanley EAFE Free Index refers to Europe, Asia and the Far East and includes 18 country sub-indexes. The Lipper International Fund Average includes 30 mutual funds that invest in securities whose primary markets are outside the United States. Past performance is no guarantee of future results.

managements that are proven value builders who are committed to continue adding value. We are successful because we stick to this philosophy through thick and thin. We **do not** believe in "stock of the day", "country of the day" or "currency of the day". We do believe in spending countless hours analyzing what is analyzable: the value of a business. We are also big believers in the quality of our research... if we like an idea, it can easily become 3-5% of our fund. There will be periods during which we will soar and periods in which we will lag, but over time we remain very confident that our approach will continue to yield solid, long-term results.

THE WORLD WE LIVE IN...

Though international equities have under-performed domestic equities recently, we still believe the environment is positive for higher returns in the future. The "owner oriented revolution" that hit the American board room in the 80's and 90's is spreading throughout the globe. This is extremely positive for international investors. In Europe, for example, where the word "profit" was a four letter word, there is a growing belief in the obvious: that companies are owned by shareholders and that they should be managed for the owners' benefit. Simple concept as it is, it took a long time for the industrial titans of Europe to come to this realization. In fact, sadly, their Japanese counterparts are becoming believers at a much slower pace.

NEW LABOUR, NO DANGER?

The clearest example of the nouveau capitalist revolution is what has happened/is happening in the United Kingdom. It was only 20 years ago that most of the major industry in Britain was owned by the government. From steel to airlines to banks to aerospace companies the "British" before their names meant it was owned by the government. Under Prime Minister Thatcher, it all changed and today, as a direct result of the free market reforms instituted over the years, Britain has both the most attractive stock market and economy in Europe. Even though Thatcher's party lost the last election and is now out of government, the new Labour government headed by Tony Blair has abandoned its socialist past and seemingly has embraced the notion that it is the private sector, not the public, that creates societies' wealth. Blair has courageously stood up to some of the dinosaurs in his own party to implement a new, free market type of attitude within the government.

ASIAN UPDATE

Prompted by the recent collapse of share and currency prices, we have spent the last three weeks in Asia meeting with dozens of companies. As part of our usual investigations, we were interested in the various managements' views on the current macroeconomic situation. We came away convinced that although the short-term will continue to be very volatile, there are significant long-term value opportunities in the region.

On the ground, it was apparent to us that the difficulties in the various financial sectors, particularly in Malaysia and Korea, would not significantly adversely impact the long-term prosperity of many of the companies we met with.

Foreign investor sentiment has turned uniformly bearish: Many so-called market experts have recently put a "sell" on the region, after being giddily bullish at much higher prices and valuation levels. Many companies, especially in Hong Kong, are viewing the current situation as an opportunistic time to purchase their own shares.

To reiterate what we say constantly (and even earlier in this letter!), short-term volatility often provides long-term opportunity.

FINALLY, THANKS!

We would like to end by saying "thank you" to our shareholders by entrusting us with your hard-earned money. We will continue to work hard to grow it in a meaningful way and we do believe that current investment values will mean another 5 good years.



DAVID HERRO

Portfolio Manager
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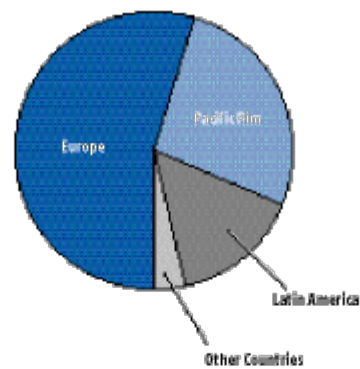
MICHAEL J. WELSH

Co-Portfolio Manager
102521.2142@compuserve.com

October 16, 1997

The Oakmark International Fund

International Diversification—September 30, 1997



	% of Fund Net Assets		% of Fund Net Assets
Europe	51.7%	Pacific Rim	24.9%
Great Britain	23.2%	Hong Kong	8.8%
France	8.3%	New Zealand	5.6%
Sweden	5.9%	Japan	4.0%
Italy	5.8%	Korea	2.2%
Switzerland	4.5%	Australia	1.9%
Netherlands	2.0%	Malaysia	1.9%
Finland	1.3%	Singapore	0.3%
Spain	0.4%	Thailand	0.2%
Germany	0.3%		
Latin America	14.3%	Other Countries	3.2%
Brazil	7.9%	Israel	3.2%
Argentina	4.9%		
Panama	1.3%		
Mexico	0.2%		

The Oakmark International Fund

Schedule of Investments—September 30, 1997

<i>Description</i>		<i>Shares Held</i>	<i>Market Value</i>
Common Stocks—94.1%			
Consumer Non-Durables—8.0%			
Fila Holding S.p.A. (Italy), (b)(e)	Athletic Footwear Manufacturing	1,643,600	\$ 50,848,875
Chargeurs International Sa (France), (a)(e)	Wool Production Holding Company	673,084	44,587,497
Yue Yuen Industrial Holdings (Hong Kong)	Athletic Footwear Manufacturing	12,345,600	31,749,475
BYC Co. Ltd. (Korea),	Textile		

(e)	Manufacturer	37,070	3,686,743
			<hr/>
			130,872,590

Food & Beverage—21.0%

Quilmes Industrial SA (Argentina), (e)	Brewer	5,191,700	\$ 80,471,350
Nestle SA (Switzerland)	Producer of Foods & Drinks	40,900	56,974,285
Guinness plc (Great Britain)	Distiller & Brewer	5,785,000	54,523,990
Tate & Lyle PLC (Great Britain)	Sugar Producer & Distributor	7,610,000	54,054,309
Lion Nathan Limited (New Zealand)	New Zealand Brewer	21,462,700	52,525,290
Pernod Ricard (France)	Manufactures Wines, Spirits, & Fruit Juices	652,579	32,559,376
Lotte Confectionery Company (Korea)	Confection Manufacturer	65,270	9,986,667
Lotte Chilsung Beverage Company (Korea)	Manufacturer of Soft Drinks, Juices, & Sport Drinks	44,770	5,333,257
			<hr/>
			346,428,524

Household Products—2.1%

Amway Japan Limited (Japan)	Marketing of Household Products	1,116,700	\$ 32,019,409
Amway Japan Limited (Japan), (b)	Marketing of Household Products	152,400	2,190,750
			<hr/>
			34,210,159

Retail—1.6%

Giordano International Limited (Hong Kong), (e)	East Asian Clothing Retailer & Manufacturer	41,253,000	\$ 26,656,113
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Other Consumer Goods & Services—2.2%

Sankyo Company Ltd. (Japan)	Pachinko Machine Manufacturer	1,070,800	\$	22,184,471
Heiwa Corp (Japan)	Pachinko Machine Manufacturer	486,000		9,303,555
Mandarin Oriental International Limited (Singapore)	Hotel Management	4,400,000		4,444,000
				35,932,026

Telecommunications—9.6%

Telecom Italia SpA (Italy)	Telecommunications	6,790,000	\$	45,236,508
Bezeq (Israel)	Telephone Company	13,529,271		39,607,678
Technology Resources Industries Berhad (Malaysia)	Telecommunications	26,163,500		31,774,429
Asia Satellite Telecommunications Holdings Ltd. (Hong Kong), (a)	Telecommunications	753,000		21,554,625
Telecomunicacoes Brasileiras S/A (Brazil)	Telecommunications	173,100,000		19,987,358
				158,160,598

Transportation—3.8%

AB Volvo (Sweden)	Automobiles and Trucks	2,207,600	\$	63,282,109
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Transportation Services—1.1%

Danzas Holding AG (Switzerland), (a)	Freight Distributor	82,500	\$	17,612,933
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Banks—7.0%

Compagnie Financière de Paribas (France)	French Financial Services Group	446,000	\$	33,077,967
Uniao de Bancos Brasileiros S.A. (Brazil), (a) (c)	Major Brazilian Bank	855,500		31,332,688
Uniao de Bancos Brasileiros SA (Brazil)	Major Brazilian Bank	583,825,000		20,788,657

Banco Latinoamericano de Exportaciones, S.A. Class E (Panama), (b)	Multinational Bank	461,300		20,643,175
Banco Popular Español SA (Spain)	Large Spanish Bank	109,972		7,072,628
Grupo Financiero Bancomer, S.A. de C.V.-L (Mexico), (a)	Large Mexican Financial Group	6,129,630		3,076,648
				<hr/>
				115,991,763

Other Financial—4.6%

Sedgwick Group plc (Great Britain), (e)	Insurance Broker, Financial Services	32,625,000	\$	65,759,770
Colonial Limited (Australia), (a)	Diversified Financial Services Group	2,791,000		9,212,799
				<hr/>
				74,972,569

Marketing Services—4.6%

Cordiant plc (Great Britain), (e)	Global Advertising Agency	38,585,156	\$	75,906,653
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Broadcasting & Publishing—0.9%

Europe 1 Communication (France)	Media	66,327	\$	14,589,894
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Aerospace—3.8%

Rolls-Royce plc (Great Britain)	Jet Engines	7,744,085	\$	31,967,585
Hong Kong Aircraft Engineering Company Ltd. (Hong Kong), (e)	Commercial Aircraft Overhaul & Maintenance	9,521,000		30,883,574
				<hr/>
				62,851,159

Chemicals—4.4%

Fernz Corporation Ltd. (New Zealand), (e)	Agricultural & Industrial Chemical			
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	Producer	11,611,800	\$	40,171,130
European Vinyls Corporation International N.V. (Netherlands), (e)	PVC Manufacturer	1,395,665		32,957,974
				<hr/>
				73,129,104

Components—1.8%

Varitronix International Limited (Hong Kong), (e)	Liquid Crystal Displays	15,249,000	\$	29,165,831
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Mining & Building Materials—2.6%

Pioneer International (Australia)	Concrete Products, Aggregates	6,585,176	\$	22,439,713
Keumkang Ltd. (Korea), (e)	Building Materials	360,000		16,327,869
Siam City Cement Public Company Limited (Thailand)	Cement Producer	1,006,600		3,604,903
				<hr/>
				42,372,485

Other Industrial Goods & Services—7.0%

Tomkins plc (Great Britain)	Industrial Management Company	14,400,000	\$	81,153,905
Kone Corporation (Finland)	Elevators	161,870		20,956,719
Legris Industries (France)	Crane Manufacturer	195,097		7,925,358
Buderus AG (Germany)	Industrial Manufacturing Firm	9,000		4,584,171
Tae Young Corporation (Korea)	Heavy Construction	20,000		679,781
				<hr/>
				115,299,934

Steel—5.6%

Usiminas (Brazil)	Steel Production	5,363,370	\$	58,600,282
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Avesta Sheffield AB (Sweden)	Stainless Steel	3,575,000		34,159,802
				<hr/>
				92,760,084

Diversified Conglomerates—2.4%

Securicor plc (Great Britain)	Diversified Consumer Services Company	4,274,500	\$	18,610,106
Koor Industries Limited (Israel), (b)	Israeli Holding Company	622,100		12,830,812
Lamex Holdings Ltd. (Hong Kong), (e)	Hong Kong's Largest Office Furniture Supplier	14,040,000		4,808,219
Compagnie Générale des Eaux (France)	Industrial Services	25,000		2,941,350
Koor Industries Limited (Israel)	Israeli Holding Company	5,660		588,217
				<hr/>
				39,778,704

Total Common Stocks (Cost: \$1,395,926,326) 1,549,973,232

Short Term Investments—5.1%

U.S. Government Bills—0.9%

United States Treasury Bills, 5.34% 5.47% due 10/16/1997 10/23/1997		\$15,000,000	\$	14,955,940
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Commercial Paper—3.6%

American Express Credit Corp., 5.48% 5.52% due 10/3/1997 10/9/1997		\$20,000,000	\$	20,000,000
Ford Motor Credit Corp., 5.51% 6.15% due 10/1/1997 10/3/1997		20,000,000		20,000,000
General Electric Capital Corporation, 5.56%- 5.58% due 10/1/1997 10/3/1997		20,000,000		20,000,000
				<hr/>
				60,000,000

Repurchase Agreements—0.6%

State Street Repurchase Agreement, 5.95% due 10/1/1997	\$10,002,000	\$	10,002,000
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Total Short Term Investments (Cost: \$84,957,940)			84,957,940
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Total Investments (Cost \$1,480,884,266)— 99.2% (f)		\$	1,634,931,172
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Foreign Currencies (Proceeds \$1,618,842)— 0.1%			1,622,273
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Other assets in excess of other liabilities— 0.7% (d)			10,794,086
--	--	--	------------

Total Net Assets—100%			\$ 1,647,347,531
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(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents a Global Depository Receipt.

(d) Includes portfolio and transaction hedges.

(e) See footnote number six in the Notes to Financial Statements regarding transactions in affiliated issuers.

(f) At September 30, 1997, net unrealized appreciation of \$154,050,337 for federal income tax purposes consisted of gross unrealized appreciation of \$221,535,239 and gross unrealized depreciation of \$67,484,902.

See accompanying notes to financial statements.

The Oakmark International Small Cap Fund

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

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OAKMARK SELECT FUND

OAKMARK SMALL CAP FUND

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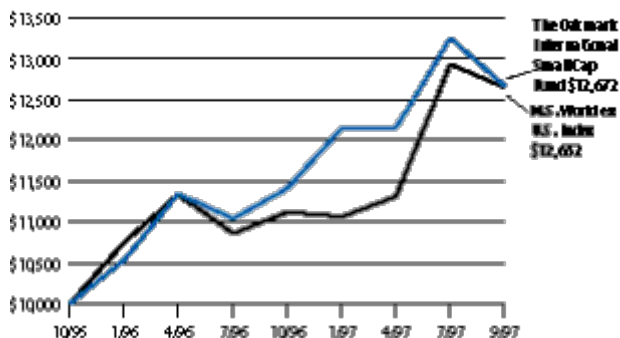
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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (9/30/97) AS COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



	Total Return Last 2 mos.	Average Annual Total Return* Through 9/30/97 From Fund Inception 11/1/95
9/30/97 NAV \$12.20		

The Oakmark International Small Cap Fund	-4.4%	13.1%
Morgan Stanley World ex U.S. w/inc**	-2.2%	13.1%
Lipper Analytical International Fund Average**	-1.3%	18.4%
Micropal International Small Co. Fund Index**	-1.7%	14.2%

*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 Morgan Stanley World ex U.S. Index includes 19 country sub-indexes. The Lipper International Fund Average includes 30 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.

FELLOW SHAREHOLDERS:

Since inception, The Oakmark International Small Cap Fund has achieved an average annual return of 13.1%, compared to 13.1% and 14.2% for the Morgan Stanley World ex US and Micropal Intl Small Co. Fund indices, respectively. For the eleven-month fiscal year ended September 30, 1997, the Fund achieved a return of 11.1%, compared with returns of 13.8% and 13.8% for the Morgan Stanley World ex US and Micropal International Small Cap indices.

SMALL CAPS CONTINUE TO UNDERPERFORM THE BIG GUYS

While The Oakmark International Small Cap Fund has performed in line with similar international small cap funds this year, it has underperformed the Oakmark International Fund and the EAFE index. The primary reason is that share prices

of large capitalization companies have continued to outperform those of small caps around the world. As a result we continue to see tremendous value in this sector.

One stark example of divergent performance is in the Japanese market. The Nikkei 225 index,

the proxy for large cap stocks in Japan, is basically flat in local currency terms over the past five years. In contrast the smaller market indices, the JASDAQ and the OTC, are both down around 30%. Most of this underperformance has taken place over the last twelve months: the Nikkei 225 is down 15% in local terms, while the JASDAQ and OTC indices are down 40%.

We are seeing this divergence as a common pattern around the globe. As value investors with a long-term time horizon we can take advantage of the tremendous opportunities we see in some of these markets.

Our investment process and criteria are the same for The Small Cap Fund as in Oakmark International; it is simply a different investment universe. The vast majority of our holdings in The Oakmark International Small Cap Fund have a market cap below \$500 million). And as we've frequently mentioned, the geographic allocation of the portfolio is simply a function of stock selection, not a top-down macroeconomic "bet". A good illustration of this point is the difference in the portfolio weightings of Japanese companies between Oakmark International with 4.0% of its portfolio in Japanese stocks and Oakmark International Small Cap with 9.5%. We have found more companies which meet our criteria in the small cap area than in the large cap area.

EXCELLENT LONG-TERM OPPORTUNITIES

The size of The Oakmark International Small Cap Fund is significantly smaller than that of The Oakmark International Fund. One of the advantages of the current asset size is the concentration we are able to achieve in our favorite ideas without incurring large trading costs (especially moving the share price when buying and selling). We are convinced that over a reasonable time horizon the prices of these companies will converge with their underlying value. We continue to believe that this fund has great potential to earn excess returns for shareholders.

ASIA WILL BE FINE...

Your fund has been adversely impacted by the instability which hit the Asian markets this summer and fall resulting in weaker Asian currencies and sharply lower share prices. Profligate credit expansion over the past few years helped fuel a property glut which has put tremendous strain on the financial sector of many East Asian markets. Also, the strength of the US dollar hurt the competitiveness of many countries which try to maintain a stable exchange rate.

Finally, some ill-timed comments made by Dr. Mahathir, leader of Malaysia, have shaken the confidence of foreign investors in the region. While these comments are very serious and shocking, his actions to date have been far less reactionary and have demonstrated an understanding of the importance in treating foreign investors properly.

From an investment perspective, many opportunities have surfaced in Asia. Any company that does not have foreign currency debt or foreign costs will be better able to compete and will eventually have higher profits. More reasonably priced currencies will benefit those Asian companies that are net exporters and also will benefit the tourist industry. These industries should then lead Asia to stronger macroeconomic growth. The "grass-roots" of the Asian economies are still strong and no major rehabilitation is needed. We believe that over the medium term there will be a strong recovery which will be reflected in share prices. Don't forget what happened in Latin America!!!

DAVID G. HERRO

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MICHAEL J. WELSH



Co-Portfolio Manager
102521.2142@compuserve.com

October 16, 1997

The Oakmark International Small Cap Fund

International Diversification—September 30, 1997



	% of Fund Net Assets		% of Fund Net Assets
 Pacific Rim	49.2%	 Europe	44.2%
New Zealand	12.1%	Great Britain	13.9%
Japan	9.4%	Italy	7.0%
Hong Kong	8.9%	France	5.5%
Australia	6.8%	Germany	5.1%
Korea	6.1%	Turkey	5.0%
Thailand	2.9%	Ireland	4.3%
Indonesia	1.6%	Netherlands	3.4%
Philippines	1.4%		

The Oakmark International Small Cap Fund

Schedule of Investments—September 30, 1997

<i>Description</i>		<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—93.4%</i>			
<i>Consumer Non-Durables—5.4%</i>			
Designer Textiles (NZ) Limited (New Zealand), (c)	Manufactures Knit Fabrics	2,960,000	\$ 1,498,096
PT Polysindo Eka Perkasa (Indonesia)	Integrated Textile Manufacturer	2,652,000	1,047,903
Altinyildiz Mensucat ve Konfeksiyon Fabrikalari A.S. (Turkey)	Textile Manufacturer	7,482,000	1,019,843
			3,565,842
<i>Food & Beverage—8.2%</i>			
DB Group Ltd. (New Zealand)	Producer of Beer, Wine, & Liquor	1,208,750	\$ 1,897,244
Taittinger (France)	Producer of Wine & Spirits	3,077	1,633,764
Chosun Brewery Company (Korea)	Korean Brewer	52,010	966,306
Alaska Milk Corporation (Philippines), (a)	Milk Producer	18,188,000	917,308
			5,414,622

Household Products—10.0%

Enix Corporation (Japan)	Entertainment Software	124,900	\$	2,484,130
Eczacibasi Yapi Gerecleri Sanayi ve Ticaret A.S. (Turkey), (a)	Ceramic Sanitary Producer	49,749,200		2,255,617
WMF (Germany)	Tableware and Kitchenware	9,561		1,839,747
				<hr/>
				6,579,494

Retail—4.2%

Daimon (Japan)	Liquor Retailer & Distributor	414,000	\$	2,538,825
Somerfield plc (Great Britain)	Food Retailer	77,000		248,946
				<hr/>
				2,787,771

Other Consumer Goods & Services—9.4%

Vardon plc (Great Britain)	Bingo Clubs	1,450,000	\$	2,735,606
Fyffes plc (Ireland)	Distributor of Fresh Fruit, Flowers and Produce in Europe	1,370,024		1,995,578
CeWe Color Holding AG (Germany)	Photo Equipment & Supplies	6,300		1,497,496
Innovative International Holdings Warrants 31 Aug 99 (Hong Kong)	Auto Parts & Equipment	353,000		0
				<hr/>
				6,228,680

Telecommunications—0.1%

Sk Telecom Co. Ltd. (Korea)	Telecommunications	130	\$	61,126
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Pharmaceutical—4.7%

Recordati (Italy)	Pharmaceuticals	386,000	\$	3,083,706
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Banks—0.1%

Kookmin Bank (Korea)	Korean Commercial Bank	6,795	\$	75,747
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Shinhan Bank (Korea)	Korean Commercial Bank	490		4,113
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79,860

Investment Companies—1.6%

Direct Capital Partners Limited (New Zealand)	Investment Fund for Unlisted New Zealand Companies	2,237,000	\$	1,031,856
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Other Financial—9.5%

Lambert Fenchurch Group plc (Great Britain)	Insurance Broker	1,810,000	\$	3,677,468
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JCG Holdings Ltd. (Hong Kong)	Investment Holding Company	3,254,000		2,565,185
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6,242,653

Computer Systems—2.8%

Solution 6 Holdings Ltd. (Australia), (a) (c)	Design Computer Systems/Consultants	3,437,500	\$	1,871,590
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Marketing Services—3.8%

Cordiant plc (Great Britain)	Global Advertising Agency	1,275,000	\$	2,508,244
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Broadcasting & Publishing—5.3%

Matichon Public Company Limited Foreign Shares (Thailand), (c)	Newspaper Publisher	1,409,900	\$	1,835,200
Woong Jin Publishing Company (Korea)	Publisher	32,586		1,584,784
Matichon Public Company Limited (Thailand), (c)	Newspaper Publisher	70,400		87,273
				<hr/>
				3,507,257

Chemicals—3.4%

European Vinyls Corporation International N.V. (Netherlands)	PVC Manufacturer	93,600	\$	2,210,320
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Components—1.3%

Barlo Group plc (Ireland)	Manufacturer of Radiators and Industrial Plastics	1,085,000	\$	869,226
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**Mining & Building Materials—
3.0%**

Asia Cement Manufacturing Company Ltd. (Korea)	Cement Manufacturer	36,150	\$	1,145,738
Parbury Limited (Australia)	Building Products Manufacturer	1,984,032		835,379
				<hr/>
				1,981,117

Other Industrial Goods & Services***—13.4%***

Sanford Ltd. (New Zealand)	Fisheries	1,284,040	\$	2,278,657
Yip's Hang Cheung Ltd. (Hong Kong)	Paint Company	16,140,000		2,169,243
Wattyl Limited (Australia)	Paint Company	355,138		1,808,297
Fukuda Denshi (Japan)	Medical Products Manufacturer and Distributor	81,000		1,208,254
Techtronic Industries Company (Hong Kong)	Manufactures Electric Hand Tools	4,684,000		1,168,276
Irce SpA (Italy)	Wire Manufacturer	37,500		199,432
				<hr/>
				8,832,159

Production Equipment—5.1%

NSC Groupe (France)	Manufacturer of Textile Equipment	14,284	\$	2,012,832
Danieli & Company (Italy)	Steel Mini-Mills Equipment	360,300		1,346,311
				<hr/>
				3,359,143

Steel—2.1%

Steel & Tube Holdings Ltd. (New Zealand)	Produces and Distributes Steel	257,700	\$	622,410
Steel & Tube Holdings LTD. Deferred (New Zealand)	Produces and Distributes Steel	257,700		622,410

Pohang Iron & Steel Company Ltd. (Korea)	Manufactures Steel Products	2,580	158,465
			<hr/>
			1,403,285
Total Common Stocks (Cost: \$62,783,913)			61,617,951

	<i>Principal Value</i>	<i>Market Value</i>
--	------------------------	---------------------

Short Term Investments—7.1%

Commercial Paper—5.3%

American Express Credit Corporation, 5.56% due 10/1/1997	5.58% 10/6/1997	\$1,000,000	\$ 1,000,000
Ford Motor Credit Corp., 5.75% due 10/1/1997	6.15% 10/2/1997	1,000,000	1,000,000
General Electric Capital Corporation, due 10/1/1997	5.58% 6.38% 10/3/1997	1,500,000	1,500,000
			<hr/>
Total Commercial Paper			3,500,000

Repurchase Agreements—1.8%

State Street Repurchase Agreement, due 10/1/1997	5.95%	\$1,177,000	\$ 1,177,000
			<hr/>
Total Repurchase Agreements			1,177,000

Total Short Term Investments (Cost: \$4,677,000)			4,677,000
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Total Investments (Cost \$67,460,913)—100.5% (d)		\$	66,294,951
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Foreign Currencies (Proceeds \$(601,764))—(0.9)%	(603,955)
Other assets in excess of other liabilities—0.4% (b)	281,804
	<hr/>
Total Net Assets—100%	\$ 65,972,800
	<hr/> <hr/>

(a) Non-income producing security.

(b) Includes portfolio and transaction hedges.

(c) See footnote number six in the Notes to Financial Statements regarding transactions in affiliated issuers.

(d) At September 30, 1997, net unrealized depreciation of (\$1,168,153) for federal income tax purposes consisted of gross unrealized appreciation of \$4,684,962 and gross unrealized depreciation of \$5,853,115.

See accompanying notes to financial statements.

The Oakmark Family of Funds

Statement of Assets and Liabilities—September 30, 1997

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	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
Assets			
Investments, at value	\$ 6,632,985,679	\$ 523,916,068	\$ 1,511,801,430
	(cost: \$4,613,299,665)	(cost: \$436,240,901)	(cost: \$1,203,839,475)
Cash	886	91	4,507,199
Foreign currency, at value	0	0	0
Collateral for securities loaned, at value	0	0	120,819,723
Receivable for:			
Forward foreign currency contracts	0	0	0
Securities sold	24,858,028	0	5,695,342
Fund shares sold	19,285,029	8,833,204	8,852,777
Dividends and interest	9,034,583	184,529	698,583
Total receivables	53,177,640	9,017,733	15,246,702
Other assets	24,090	4,026	8,260
Total assets	\$ 6,686,188,295	\$ 532,937,918	\$ 1,652,383,314

Liabilities and Net Assets

Payable for:

Cash overdraft	\$ 0	\$ 0	\$ 0
Securities purchased	60,337,236	17,905,077	15,112,148
Collateral upon return of securities loaned, at value	0	0	120,819,723

Fund shares redeemed	4,725,323	251,084	1,206,105
Due to adviser	4,930,728	338,136	1,335,110
Forward foreign currency contracts	0	0	0
Other	1,246,380	269,049	514,588
	<hr/>	<hr/>	<hr/>
Total liabilities	71,239,667	18,763,346	138,987,674
	<hr/>	<hr/>	<hr/>
Net assets applicable to fund shares outstanding	\$ 6,614,948,628	\$ 514,174,572	\$ 1,513,395,640
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund shares outstanding	160,525,019	31,466,003	74,417,566
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Price of Shares

Net asset value per share	\$ 41.21	\$ 16.34	\$ 20.34
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Analysis of Net Assets

Paid in capital	\$ 4,305,752,545	\$ 421,675,856	\$ 1,161,135,817
Accumulated undistributed net realized gain on sale of investments, forward contracts and foreign currency exchange transactions	239,815,188	5,070,435	46,258,507
Net unrealized appreciation/depreciation of investments	2,019,686,014	87,675,167	307,961,955
Net unrealized appreciation of foreign currency portfolio hedges	0	0	0
Net unrealized appreciation — other	0	0	0
Accumulated undistributed net investment income (loss)	49,694,881	(246,886)	(1,960,639)

Net assets applicable to Fund shares outstanding	\$ 6,614,948,628	\$ 514,174,572	\$ 1,513,395,640
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	The Oakmark Equity and Income Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
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Assets

Investments, at value	\$ 33,856,971	\$ 1,634,931,172	\$ 66,294,951
	(cost: \$28,398,735)	(cost: \$1,480,884,266)	(cost: \$67,460,913)

Cash	630	1,116,846	978
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Foreign currency, at value	0	1,622,273	0
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Collateral for securities loaned, at value	2,835,700	209,792,398	2,600,582
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Receivable for:

Forward foreign currency contracts	0	530,357	1,091
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Securities sold	13,701	3,264,314	1,076,346
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Fund shares sold	220,059	10,427,851	271,466
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Dividends and interest	215,539	5,937,148	268,971
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Total receivables	449,299	20,159,670	1,617,874
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Other assets	4,570	7,260	4,789
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Total assets	\$ 37,147,170	\$ 1,867,629,619	\$ 70,519,174
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Liabilities and Net Assets

Payable for:

Cash overdraft	\$ 0	\$ 0	\$ 603,955
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Securities purchased	782,504	5,919,962	740,826
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Collateral upon return of securities loaned, at value	2,835,700	209,792,398	2,600,582
Fund shares redeemed	0	2,632,699	420,404
Due to adviser	19,021	1,304,768	69,594
Forward foreign currency contracts	0	13,505	3,447
Other	47,432	618,756	107,566
	<hr/>	<hr/>	<hr/>
Total liabilities	3,684,657	220,282,088	4,546,374
	<hr/>	<hr/>	<hr/>
Net assets applicable to fund shares outstanding	\$ 33,462,513	\$ 1,647,347,531	\$ 65,972,800
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund shares outstanding	2,309,368	87,742,360	5,408,654
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Price of Shares

Net asset value per share	\$ 14.49	\$ 18.77	\$ 12.20
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Analysis of Net Assets

Paid in capital	\$ 26,650,896	\$ 1,230,460,601	\$ 60,623,224
Accumulated undistributed net realized gain on sale of investments, forward contracts and foreign currency exchange transactions	904,575	200,912,998	5,992,327
Net unrealized appreciation/depreciation of investments	5,458,236	154,050,337	(1,168,153)
Net unrealized appreciation of foreign currency portfolio hedges	0	530,186	0
Net unrealized appreciation -- other	0	3,400	3,469
Accumulated undistributed net investment income			

(loss)	448,806	61,390,009	521,933
	<hr/>	<hr/>	<hr/>
Net assets applicable to Fund shares outstanding	\$ 33,462,513	\$ 1,647,347,531	\$ 65,972,800
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

The Oakmark Family of Funds

Statement of Operations—September 30, 1997

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	The Oakmark Fund		The Oakmark Select Fund
	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996	Eleven Months Ended September 30, 1997
Investment Income:			
Dividends	\$ 77,106,315	\$ 69,419,537	\$ 1,339,457
Interest Income	29,568,476	15,845,858	807,368
Securities lending income	0	0	24,860
Foreign taxes withheld	(437,022)	(284,360)	0
Total investment income	106,237,769	84,981,035	2,171,685
Expenses:			
Investment advisory fee	43,705,462	36,082,925	1,731,599
Transfer and dividend disbursing agent fees	2,928,155	4,398,544	199,956
Other shareholder servicing fees	1,330,861	726,744	92,245
Custodian and accounting fees	539,126	439,430	52,436
Reports to shareholders	986,143	836,558	32,350
Registration and blue sky expenses	560,527	573,243	246,615
Trustees fees	97,930	69,705	21,354
Legal fees	41,590	46,842	11,888
Audit fees	21,527	17,176	18,988
Amortization of organization cost	0	23,768	649
Other	182,088	213,020	13,185
Total expenses	50,393,409	43,427,955	2,421,265
Expense reimbursement	0	0	0
Expense offset arrangements	(13,986)	(15,263)	(2,694)
Net expenses	50,379,423	43,412,692	2,418,571

Net Investment Income (loss):	55,858,346	41,568,343	(246,886)
Net realized and unrealized gain (loss) on investments and foreign currency transactions:			
Net realized gain on investments	239,442,987	226,166,113	5,070,435
Net realized gain (loss) on foreign currency transactions	(2,673)	(12,777)	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	1,231,138,352	290,431,755	87,675,167
Net change in appreciation of forward currency exchange contracts	0	0	0
Net change in appreciation (depreciation)—other	0	0	0
Net realized and unrealized gain on investments and foreign currency transactions:			
	1,470,578,666	516,585,091	92,745,602
Net increase in net assets resulting from operations			
	\$ 1,526,437,012	\$ 558,153,434	\$ 92,498,716

	The Oakmark Small Cap Fund		The Oakmark Equity and Income Fund	
	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996

Investment Income:				
Dividends	\$ 4,339,208	\$ 930,817	\$ 273,805	\$ 118,500
Interest Income	3,154,500	302,068	488,081	261,357

Securities lending income	129,169	19,400	5,782	3,897
Foreign taxes withheld	0	0	0	0
Total investment income	7,622,877	1,252,285	767,668	383,754
Expenses:				
Investment advisory fee	7,705,828	956,809	140,973	69,005
Transfer and dividend disbursing agent fees	548,450	250,126	53,123	45,412
Other shareholder servicing fees	333,788	23,906	2,999	807
Custodian and accounting fees	125,794	36,616	38,753	23,552
Reports to shareholders	140,375	26,164	5,572	3,694
Registration and blue sky expenses	371,079	181,799	42,393	83,142
Trustees fees	32,359	13,688	21,778	12,749
Legal fees	16,048	10,970	8,595	10,285
Audit fees	16,733	21,034	17,477	20,075
Amortization of organization cost	1,333	1,457	1,333	0
Other	33,819	6,234	3,208	3,975
Total expenses	9,325,606	1,528,803	336,204	272,696
Expense reimbursement	0	0	(39,450)	(14,245)
Expense offset arrangements	(18,290)	(318)	(830)	(225)
Net expenses	9,307,316	1,528,485	295,924	258,226

Net Investment Income (loss):	(1,684,439)	(276,200)	471,744	125,528
<hr/>				
Net realized and unrealized gain (loss) on investments and foreign currency transactions:				
Net realized gain (loss) on investments	46,501,798	(243,291)	904,824	161,939
Net realized gain (loss) on foreign currency transactions	0	0	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	287,859,202	20,102,753	4,554,518	903,718
Net change in appreciation of forward currency exchange contracts	0	0	0	0
Net change in appreciation (depreciation) —other	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Net realized and unrealized gain on investments and foreign currency transactions:	334,361,000	19,859,462	5,459,342	1,065,657
	<hr/>	<hr/>	<hr/>	<hr/>

**Net increase
in net assets
resulting
from
operations**

\$ 332,676,561

\$ 19,583,262

\$ 5,931,086

\$ 1,191,185

**The Oakmark
International Fund**

**Eleven Months Ended
September 30, 1997**

**Year Ended
October 31, 1996**

Investment Income:

Dividends	\$ 42,650,820	\$ 29,460,152
Interest Income	3,977,499	1,708,929
Securities lending income	1,300,955	376,919
Foreign taxes withheld	(3,703,472)	(3,243,211)
Total investment income	44,225,802	28,302,789

Expenses:

Investment advisory fee	13,040,702	10,113,272
Transfer and dividend disbursing agent fees	864,936	1,298,501
Other shareholder servicing fees	582,891	382,248
Custodian and accounting fees	1,482,615	1,306,439
Reports to shareholders	381,555	215,584
Registration and blue sky expenses	100,480	14,675
Trustees fees	42,602	28,936
Legal fees	17,155	19,589
Audit fees	24,851	22,047
Amortization of organization cost	8,394	9,516
Other	36,031	75,039
Total expenses	16,582,212	13,485,846
Expense reimbursement	0	0
Expense offset arrangements	(22,793)	(6,181)

Net expenses	16,559,419	13,479,665
	<hr/>	<hr/>
Net Investment Income:	27,666,383	14,823,124
	<hr/>	<hr/>
Net realized and unrealized gain (loss) on investments and foreign currency transactions:		
Net realized gain on investments	217,090,057	2,806,950
Net realized gain (loss) on foreign currency transactions	17,724,883	(1,017,660)
Net change in unrealized appreciation of investments and foreign currencies	70,717,122	176,382,416
Net change in appreciation of forward currency exchange contracts	3,426,674	5,165,941
Net change in appreciation (depreciation)—other	197,532	(363,425)
	<hr/>	<hr/>
Net realized and unrealized gain on investments and foreign currency transactions:	309,156,268	182,974,222
	<hr/>	<hr/>
Net increase in net assets resulting from operations	\$ 336,822,651	\$ 197,797,346
	<hr/> <hr/>	<hr/> <hr/>

**The Oakmark
International Fund**

**Eleven Months Ended
September 30, 1997** **Year Ended
October 31, 1996**

Investment Income:		
Dividends	\$ 1,640,601	\$ 744,076
Interest Income	162,175	70,932
Securities lending income	25,268	5,649
Foreign taxes withheld	(166,750)	(70,675)
	<hr/>	<hr/>
Total investment income	1,661,294	749,982
	<hr/>	<hr/>

Expenses:

Investment advisory fee	648,148	258,427
Transfer and dividend disbursing agent fees	84,030	93,991
Other shareholder servicing fees	20,211	4,347
Custodian and accounting fees	138,829	103,589
Legal fees	8,973	10,288
Audit fees	21,830	24,187
Trustees fees	22,456	12,970
Registration and blue sky expenses	45,799	112,215
Reports to shareholders	20,333	9,933
Amortization of organization cost	1,333	1,457
Other	4,128	3,297

Total expenses	1,016,070	634,701
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Expense reimbursement	0	(35,441)
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Expense offset arrangements	(824)	(4,379)
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Net expenses	1,015,246	594,881
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Net Investment Income:	646,048	155,101
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Net realized and unrealized gain (loss) on investments and foreign currency transactions:

Net realized gain on investments	6,250,624	1,284,213
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Net realized loss on foreign currency transactions	(232,740)	(24,656)
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Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(1,464,546)	296,393
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Net change in appreciation of forward currency exchange contracts	0	0
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Net change in appreciation (depreciation)—other	5,257	(1,788)
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Net realized and unrealized gain on investments and foreign currency transactions:	4,558,595	1,554,162
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Net increase in net assets resulting from operations

\$ 5,204,643

\$ 1,709,263

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See accompanying notes to financial statements.

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The Oakmark Fund

	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996	Year Ended October 31, 1995
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From Operations:

Net investment income	\$ 55,858,346	\$ 41,568,343	\$ 27,572,923
Net realized gain on sale of investments	239,442,987	226,166,113	87,157,237
Net realized loss on foreign currency transactions	(2,673)	(12,777)	(37,102)
Net change in unrealized appreciation	1,231,138,352	290,431,755	320,305,458
Net increase in net assets from operations	1,526,437,012	558,153,434	434,998,516

Distribution to shareholders from (1):

Net investment income	(41,659,757)	(29,455,748)	(15,107,180)
Net realized short-term gain	(13,947,126)	(4,354,309)	(47,575,398)
Net realized long-term gain	(212,039,549)	(82,805,333)	(48,452,482)
Total distributions to shareholders	(267,646,432)	(116,615,390)	(111,135,060)

From Fund share transactions:

Proceeds from shares sold	2,107,074,877	1,810,842,079	1,384,343,262
Reinvestment of dividends and capital gain distributions	256,384,877	110,976,647	106,504,973

Payments for shares redeemed	(941,237,366)	(1,256,490,130)	(664,894,744)
Net increase in net assets from Fund share transactions	1,422,222,388	665,328,596	825,953,491
Total increase in net assets	2,681,012,968	1,106,866,640	1,149,816,947
Net assets:			
Beginning of period	3,933,935,660	2,827,069,020	1,677,252,073
End of period	\$ 6,614,948,628	\$ 3,933,935,660	\$ 2,827,069,020
Undistributed net investment income	\$ 49,694,881	\$ 35,496,292	\$ 23,383,697
(1): Distributions per share:			
Net investment income	.3441	.2841	.2310
Net realized short-term gain	.1152	.0420	.7277
Net realized long-term gain	1.7514	.7987	.7411
Total distributions to shareholders	\$ 2.2107	\$ 1.1248	\$ 1.6998

The Oakmark
Select Fund

Eleven Months Ended
September 30, 1997

From Operations:

Net investment income (loss)	\$ (246,886)
Net realized gain on sale of investments	5,070,435
Net change in unrealized appreciation	87,675,167
	<hr/>
Net increase in net assets from operations	92,498,716

Distribution to shareholders from:

Net investment income	0
Net realized short-term gain	0
Net realized long-term gain	0
	<hr/>
Total distributions to shareholders	0

From Fund share transactions:

Proceeds from shares sold	571,117,746
Reinvestment of dividends and capital gain distributions	0
Payments for shares redeemed	(149,441,890)
	<hr/>
Net increase in net assets from Fund share transactions	421,675,856

Total increase in net assets 514,174,572

Net assets:

Beginning of period	0
	<hr/>
End of period	\$ 514,174,572

Undistributed net investment loss \$ (246,886)

The Oakmark
Small Cap Fund

Eleven Months Ended
September 30, 1997

Year Ended
October 31, 1996

From Operations:

Net investment loss	\$ (1,684,439)	\$ (276,200)
Net realized gain on sale of investments	46,501,798	(243,291)
Net change in unrealized appreciation	287,859,202	20,102,753
	<hr/>	<hr/>
Net increase in net assets from operations	332,676,561	19,583,262

Distribution to shareholders from:

Net investment income	0	0
Net realized short-term gain	0	0
Net realized long-term gain	0	0
	<hr/>	<hr/>
Total distributions to shareholders	0	0

From Fund share transactions:

Proceeds from shares sold	1,289,718,462	224,762,208
Reinvestment of dividends and capital gain distributions	0	0
Payments for shares redeemed	(327,419,790)	(25,925,063)
	<hr/>	<hr/>
Net increase in net assets from Fund share transactions	962,298,672	198,837,145

Total increase in net assets	1,294,975,233	218,420,407
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Net assets:

Beginning of period	218,420,407	0
	<hr/>	<hr/>
End of period	\$ 1,513,395,640	\$ 218,420,407

Undistributed net investment loss	\$ (1,960,639)	\$ (276,200)
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**The Oakmark
Equity and Income Fund**

Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
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From Operations:

Net investment income	\$ 471,744	\$ 125,528
Net realized gain on sale of investments	904,824	161,939
Net change in unrealized appreciation	4,554,518	903,718
	<hr/>	<hr/>
Net increase in net assets from operations	5,931,086	1,191,185

Distribution to shareholders from:(1)

Net investment income	(148,466)	0
Net realized short-term gain	(162,188)	0
Net realized long-term gain	0	0
	<hr/>	<hr/>
Total distributions to shareholders	(310,654)	0

From Fund share transactions:

Proceeds from shares sold	24,903,007	15,231,573
Reinvestment of dividends and capital gain distributions	288,850	0
Payments for shares redeemed	(11,148,702)	(2,623,832)
	<hr/>	<hr/>
Net increase in net assets from Fund share transactions	14,043,155	12,607,741

Total increase in net assets	19,663,587	13,798,926
Net assets:		
Beginning of period	13,798,926	0
End of period	\$ 33,462,513	\$ 13,798,926
Undistributed net investment income	\$ 448,806	\$ 125,528
(1) Distributions per share:		
Net investment income	.1202	0
Net realized short-term gain	.1311	0
Net realized long-term gain	0	0
Total distributions to shareholders	.2513	0

**The Oakmark
International Fund**

Eleven Months Ended September 30, 1997	Year Ended October 31, 1996	Year Ended October 31, 1995
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From Operations:

Net investment income	\$ 27,666,383	\$ 14,823,124	\$ 13,743,307
Net realized gain on sale of investments	217,090,057	2,806,950	62,822,164
Net realized gain (loss) on foreign currency transactions	17,724,883	(1,017,660)	(26,735,730)
Net change in unrealized appreciation (depreciation)	70,717,122	176,382,416	(120,637,092)
Net change in unrealized appreciation (depreciation) of forward currency			

exchange contracts	3,426,674	5,165,941	17,767,564
Net change in unrealized appreciation (depreciation)—other	197,532	(363,425)	(20,391)
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in net assets from operations	336,822,651	197,797,346	(53,060,178)
<hr/>			
Distribution to shareholders from (1):			
Net investment income	(12,477,945)	0	0
Net realized short-term gain	0	(29,886,815)	(56,722,392)
Net realized long-term gain	0	(32,229,556)	(30,791,949)
	<hr/>	<hr/>	<hr/>
Total distributions to shareholders	(12,477,945)	(62,116,371)	(87,514,341)
<hr/>			
From Fund share transactions:			
Proceeds from shares sold	710,447,882	563,952,538	312,101,705
Reinvestment of dividends and capital gain distributions	11,903,359	57,852,161	81,810,540
Payments for shares redeemed	(572,115,610)	(404,450,022)	(719,598,750)
	<hr/>	<hr/>	<hr/>
Net increase in net assets from Fund share transactions	150,235,631	217,354,677	(325,686,505)
<hr/>			
Total increase (decrease) in net assets	474,580,337	353,035,652	(466,261,024)
Net assets:			
Beginning of period	1,172,767,194	819,731,542	1,285,992,566
	<hr/>	<hr/>	<hr/>
End of period	\$ 1,647,347,531	\$ 1,172,767,194	\$ 819,731,542
	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
Undistributed net investment income	\$ 61,390,009	\$ 46,201,571	\$ 31,378,447
	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>

(1): Distributions per share:

Net investment income	.1617	0	0
Net realized short-term gain	0	.5020	.6863
Net realized long-term gain	0	.5413	.3725
Total distributions to shareholders	\$.1617	\$ 1.0433	\$ 1.0588

**The Oakmark
International
Small Cap Fund**

**Eleven
Months
Ended
September 30,
1997**

**Year
Ended
October
31, 1996**

From Operations:

Net investment income	\$ 646,048	\$ 155,101
Net realized gain on sale of investments	6,250,624	1,284,213
Net realized loss on foreign currency transactions	(232,740)	(24,656)
Net change in unrealized appreciation (depreciation)	(1,464,546)	296,393
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	0	0
Net change in unrealized appreciation (depreciation)—other	5,257	(1,788)
Net increase (decrease) in net assets from operations	5,204,643	1,709,263

Distribution to shareholders from (1):

Net investment income	(279,216)	0
Net realized short-term gain	(1,285,114)	0
Net realized long-term gain	0	0
Total distributions to shareholders	(1,564,330)	0

From Fund share transactions:

Proceeds from shares sold	63,012,100	43,181,467
Reinvestment of dividends and capital gain distributions	1,523,977	0
Payments for shares redeemed	(41,955,631)	(5,138,689)

Net increase in net assets from Fund share transactions	22,580,446	38,042,778
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Total increase in net assets	26,220,759	39,752,041
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Net assets:

Beginning of period	39,752,041	0
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End of period	\$ 65,972,800	\$ 39,752,041
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Undistributed net investment income	\$ 521,933	\$ 155,101
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(1): Distributions per share:

Net investment income	.0777	0
Net realized short-term gain	.3581	0
Net realized long-term gain	0	0

Total distributions to shareholders	\$.4358	\$ 0
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See accompanying notes to financial statements.

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Notes to Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of The Oakmark Fund ("Oakmark"), The Oakmark Select Fund ("Select"), The Oakmark Small Cap Fund ("Small Cap"), The Oakmark Equity and Income Fund ("Equity and Income"), The Oakmark International Fund ("International"), and The Oakmark International Small Cap Fund ("Int'l Small Cap") collectively referred to as "the Funds", each a series of the Harris Associates Investment Trust (a Massachusetts business trust). The International Small Cap Fund was named The Oakmark International Emerging Value Fund prior to March 1, 1997. The Oakmark Equity and Income Fund was named The Oakmark Balanced Fund prior to July 15, 1997. These policies are in conformity with generally accepted accounting principles ("GAAP"). The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Security valuation—

Investments are stated at current value. Securities traded on securities exchanges and securities traded on the NASDAQ National Market are valued at the last sales price on the day of valuation, or if lacking any reported sales that day, at the most recent bid quotation. Over-the-counter securities not so traded are valued at the most recent bid quotation. Money market instruments having a maturity of 60 days or less from the date of valuation are valued on an amortized cost basis which approximates market value. Securities for which quotations are not readily available are valued at a fair value as determined by the Pricing Committee of the Board of Trustees.

Foreign currency translations—

Values of investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the mean of the bid and offer prices of such currencies at the time of valuation. Purchases and sales of investments and dividend and interest income are converted at the prevailing rate of exchange on the respective dates of such transactions.

The Funds do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized gain or loss from investments.

Net realized gains or losses on foreign currency transactions arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Funds' books, and the U.S. dollar equivalent of the amounts actually received or paid, and the realized gains or losses resulting from the portfolio and transaction hedges.

At September 30, 1997, only the International and Int'l Small Cap Funds had foreign currency transactions. "Net unrealized appreciation (depreciation)—other" includes the following

components:

	International	International Small Cap
Unrealized depreciation on dividends and dividend reclaims receivable	\$ (4,642)	\$ (996)
Unrealized appreciation (depreciation) on open securities purchases and sales	19,690	6,723
Unrealized depreciation on transaction hedge purchases and sales	(13,334)	(2,356)
Other—net	1,686	98
	<hr/>	<hr/>
Net Unrealized Appreciation (Depreciation)—Other	\$ 3,400	\$ 3,469
	<hr/> <hr/>	<hr/> <hr/>

Security transactions and investment income—

Security transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date. Interest income and expenses are recorded on the accrual basis.

Fund shares are sold and redeemed on a continuing basis at net asset value. Net asset value per share is determined daily as of the close of regular trading on the New York Stock Exchange on each day the Exchange is open for trading by dividing the total value of the Fund's investments and other assets, less liabilities, by the number of Fund shares outstanding.

Forward foreign currency contracts—

At September 30, 1997, International and Int'l Small Cap had entered into forward foreign currency contracts under which they are obligated to exchange currencies at specified future dates. The Funds' currency transactions are limited to transaction hedging and portfolio hedging involving either specific transactions or portfolio positions.

The contractual amounts of forward foreign exchange contracts do not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. Risks arise from the possible inability of counter parties to meet the terms of their contracts and from movements in currency values.

The International Fund had the following outstanding contracts at September 30, 1997:

Portfolio Hedges:

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation at September 30, 1997
\$30,000,000	18,426,387 Pounds Sterling	October 1997	\$ 316,838
20,000,000	12,383,901 Pounds Sterling	November 1997	58,837
14,997,879	9,217,156 Pounds Sterling	November 1997	135,963

\$ 530,186

Transaction Hedges: Foreign Currency Purchases:

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 1997
\$192,069	279,595 Swiss Franc	October 1997	\$171
1,029,979	124,143,318 Japanese Yen	October 1997	(1,195)
28,285	86,270 Malaysian Ringgit	October 1997	(1,693)
			<hr/> \$(2,717) <hr/> <hr/>

Foreign Currency Sales:

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Depreciation at September 30, 1997
\$ 799,022	1,107,753 Australian Dollar	October 1997	\$ (5,151)
1,594,860	2,203,150 Australian Dollar	October 1997	(4,517)
269,253	372,205 Australian Dollar	October 1997	(949)
			<hr/> \$ (10,617) <hr/> <hr/>

The Int'l Small Cap Fund had the following outstanding transaction hedges on purchases of securities:

Foreign Currency Purchases at September 30, 1997:

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 1997
\$100,994	140,016 Australian Dollar	October 1997	\$651
11,092	15,323 Australian Dollar	October 1997	31
18,010	24,897 Australian Dollar	October 1997	64
9,076	12,622 Australian Dollar	October 1997	86
3,731	5,148 Australian Dollar	October 1997	6
251,514	154,303 Pounds Sterling	October 1997	(2,700)
18,030	139,520 Hong Kong Dollar	October 1997	-

54,596	93,905,875	Italian Lira	October 1997	(195)
9,393	1,132,170	Japanese Yen	October 1997	(11)
34,836	4,209,573	Japanese Yen	October 1997	49
23,965	2,896,680	Japanese Yen	October 1997	40
23,192	2,809,215	Japanese Yen	October 1997	88
19,973	2,419,280	Japanese Yen	October 1997	76
15,814	526,908	Philippine Peso	October 1997	(541)
				\$(2,356)
				\$(2,356)

At September 30, 1997, International and Int'l Small Cap Funds each had sufficient cash and/or securities to cover any commitments under these contracts.

Securities lending—

Each Fund except The Oakmark Fund may lend portfolio securities to broker-dealers and banks.

Security loans are required to be secured at all times by collateral at least equal to the market value of securities loaned. The Funds receive income from lending securities by investing the collateral and continue to earn income on the loaned securities. Security loans are subject to the risk of failure by the borrower to return the loaned securities in which case the Funds could incur a loss. The market values (in thousands) of securities on loan to broker-dealers at September 30, 1997 are shown below.

	Select Small Cap	Equity & Income	International	Int'l Small Cap	
Market Value of Securities Loaned	0	\$115,444	\$2,758	\$200,605	\$1,874
Collateral (Cash and U.S. Treasuries)	0	120,820	2,836	209,792	2,601

Federal income taxes, dividends and distributions to shareholders—

No provision is made for Federal income taxes since the Funds elect to be taxed as "regulated investment companies" and make such distributions to their shareholders as to be relieved of all Federal income taxes under provisions of current Federal tax law.

2. TRANSACTIONS WITH AFFILIATES

Each fund has an investment advisory agreement with Harris Associates L.P. (Adviser). For management services and facilities furnished, the Funds pay the Adviser monthly fees at annual rates as follows. Oakmark pays 1% on the first \$2.5 billion of net assets, .95% on the next \$1.25 billion of net assets, .90% on the next \$1.25 billion of net assets and .85% on the excess of \$5 billion of net assets. International pays 1% on the first \$2.5 billion of net assets, .95% on the next \$2.5 billion of net assets and .90% on the excess of \$5 billion of net assets as determined at the end of each calendar month. Select pays 1% of net assets, Small Cap pays 1.25% of net assets, Equity and Income pays .75% of net assets and Int'l Small Cap pays 1.25% of net assets. Each fee is calculated on the total net assets as determined at the end of each preceding calendar month. The Adviser has voluntarily agreed through Oct. 31, 1998 to

reimburse the Funds to the extent that annual expenses, excluding certain expenses, exceed 1.50% for domestic funds and 2.0% for international funds. For the eleven months ended September 30, 1997 the Adviser has waived \$39,450 of expenses for Equity and Income.

Beginning October 1, 1997, Small Cap will pay 1.25% on the first \$1 billion of net assets, 1.15% on the next \$500 million of net assets, 1.1% on the next \$500 million of net assets, 1.05% on the next \$500 million of net assets and 1.0% on the excess of \$2.5 billion. Select will pay 1% on the first \$1 billion of net assets, .95% on the next \$500 million, .90% on the next \$500 million, .85% on the next \$500 million and .80% on the excess of \$2.5 billion.

In connection with the organization of the Funds, expenses of approximately \$146,500 and \$47,000 were advanced to Oakmark and International, approximately \$7,283 each to Small Cap, Equity and Income and Int'l Small Cap, and \$3,500 to Select by the Adviser. These expenses are being amortized on a straight line basis through October, 2000 for Small Cap, Equity and Income and Int'l Small Cap, and October, 2001 for Select. Oakmark and International have fully amortized all organization expenses. Registration expenses of approximately \$62,282, \$56,751, \$56,811 and \$56,726 were advanced to Select, Small Cap, Equity and Income and Int'l Small Cap, respectively, by the Adviser. Registration expenses have been fully amortized for all funds.

During the eleven months ended September 30, 1997, the Funds incurred brokerage commissions of \$3,094,186, \$750,698, \$1,906,448, \$24,588, \$5,319,725 and \$332,214 of which \$997,845, \$341,805, \$401,345, \$15,611, \$9,732, and \$732 were paid by Oakmark, Select, Small Cap, Equity and Income, International and Int'l Small Cap, respectively, to an affiliate of the Adviser.

3. FUND SHARE TRANSACTIONS

Proceeds and payments on Fund shares as shown in the statement of changes in net assets are in respect of the following number of shares (in thousands):

	Eleven Months Ended September 30, 1997					
	Oakmark	Select	Small Cap	Equity & Income	International	Int'l Small Cap
Shares sold	57,226	42,529	78,065	1,941	41,288	5,229
Shares issued in reinvestment of dividends	7,962	0	0	25	793	135
Less shares redeemed	(26,115)	(11,063)	(20,201)	(880)	(32,946)	(3,438)
Net increase in shares outstanding	39,073	31,466	57,864	1,086	9,135	1,926

Year Ended October 31, 1996

	Oakmark	Small Cap	Equity & Income	International	Int'l Small Cap
Shares sold	59,070	18,656	1,466	39,590	3,943
Shares issued in reinvestment of dividends	3,733	0	0	4,757	0
Less shares redeemed	(40,632)	(2,102)	(244)	(28,966)	(460)
Net increase in shares outstanding	22,171	16,554	1,222	15,381	3,483

4. INVESTMENT TRANSACTIONS

Transactions in investment securities (excluding short term securities) were as follows (in thousands):

	Oakmark	Select	Small Cap	Equity & Income	International	Int'l Small Cap
Purchases	\$1,469,998	\$474,370	\$1,033,683	\$24,488	\$977,409	\$52,411
Proceeds from sales	782,546	91,543	185,180	10,736	828,231	33,879

5. SHORT TERM BORROWINGS

To facilitate portfolio liquidity, the Funds maintain credit arrangements under which they can borrow against portfolio securities for temporary purposes. During the eleven months ended September 30, 1997, bank borrowing activity was as follows:

	Debt Outstanding at End of Period	Weighted Average Interest Rate	Average Debt Outstanding During Period (in thousands)	Maximum Amount Outstanding During Period (in thousands)
Select	\$0	6.217%	\$126	\$10,000
Small Cap	\$0	6.318%	\$198	\$19,000
Equity and Income	\$0	6.215%	\$ 6	\$ 1,000

6. TRANSACTIONS IN SECURITIES OF AFFILIATED ISSUERS

An affiliated issuer, as defined under the Investment Company Act of 1940, is a company in which a Fund holds 5% or more of the voting securities. A summary of the Funds' transactions in the securities of these issuers during the eleven months ended September 30, 1997 is set forth below:

*Summary of Transactions with Affiliated Companies
The Oakmark Fund*

Affiliates	Purchases (Cost)	Sales (Proceeds)	Dividend Income	Market Value September 30, 1997
AC Nielsen Corporation	\$53,012,045	-	-	\$114,336,000
AMBAC, Inc.	-	-	\$1,481,558	178,609,988
The Black & Decker Corporation	102,620,969	-	-	262,023,950
Carson Pirie Scott & Company	-	-	-	39,437,500
GC Companies, Inc.	-	\$3,470,984	-	17,071,000
Juno Lighting, Incorporated	3,150,000	-	315,200	18,580,625
Knight Ridder	12,090,376	-	2,694,520	254,006,250
Polaroid Corporation	61,073,274	-	2,333,100	221,744,250
SPX Corporation	3,529,357	7,846,953	184,830	51,308,600
Totals	235,476,021	11,317,937	7,009,208	1,157,118,163

*Summary of Transactions with Affiliated Companies
The Oakmark Small Cap Fund*

Affiliates	Purchases (Cost)	Sales (Proceeds)	Dividend Income	Market Value September 30, 1997
Ascent Entertainment Group, Inc.	\$19,424,991	-	-	\$18,975,000
Atchison Casting Corporation	11,239,014	-	-	15,096,000
Binks Sames Corporation	9,915,025	-	\$21,890	10,728,840
Castle & Cooke, Inc.	20,176,090	\$82,277	-	28,260,000
The Carbide/Graphite Group, Inc.	11,684,094	1,338,080	-	27,200,000
Chartwell Re Corporation	20,014,224	1,612,626	80,000	31,950,000
Cole National Corporation	32,221,622	2,206,998	-	41,562,500
Columbus McKinnon Corporation	14,353,240	-	112,658	21,220,500
Duff & Phelps Credit Rating Company	1,118,438	-	33,813	9,497,600
Gardner Denver Machinery, Inc.	9,996,693	-	-	30,318,750
Highlands Insurance Group, Inc.	18,094,744	1,631,001	-	26,812,500
International Multifoods Corporation	25,688,035	-	206,400	30,637,500
MagneTek, Inc.	37,698,978	4,508,884	-	53,700,000
NVR Inc.	14,311,318	1,323,089	-	26,000,000
Northwest Pipe Company	5,238,250	-	-	14,040,000
Pocahontas Federal Savings and Loan Assn.	-	-	123,900	4,620,000
PXRE Corporation	32,976,461	-	346,500	37,433,125
Ralcorp Holdings, Inc.	28,831,676	1,529,949	45,100	56,062,500
RenaissanceRe Holdings	45,105,022	17,344	591,825	62,470,337
Barry (R.G.) Corporation	7,448,617	-	-	8,278,594
Savings Bank of the Finger Lakes	114,375	-	27,450	2,256,000

Scotsman Industries, Inc.	27,930,792	386,712	64,618	27,037,500
SPX Corporation	25,821,828	5,209,408	123,500	52,762,500
TCI Satellite Entertainment, Inc.	34,421,429	1,934,316	-	28,737,500
Titan Exploration, Inc.	33,215,790	-	-	36,000,000
Triarc Companies, Inc.	25,298,057	824,097	-	33,216,312
Zurn Industries, Inc.	12,045,748	-	\$196,670	23,614,250
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	524,384,551	22,604,781	1,974,324	758,487,808

Summary of Transactions with Affiliated Companies
The Oakmark International Fund

Affiliates	Purchases (Cost)	Sales (Proceeds)	Dividend Income	Market Value September 30, 1997
Fernz Corporation Ltd.	\$38,924,697	-	\$792,093	\$40,171,130
Varitronix International Limited	13,005,765	-	869,801	29,165,831
Hong Kong Aircraft Engineering Company	6,144,747	-	947,202	30,883,574
Giordano International Limited	17,975,935	\$1,498,722	835,744	26,656,113
Lamex Holdings Ltd.	-	-	63,447	4,808,219
Chargeurs International Sa	17,210,972	-	1,088,845	44,587,497
European Vinyls Corporation Intl. NV	12,063,518	-	1,856,537	32,957,974
Cordiant LPC	18,888,229	4,256,573	677,913	75,906,653
Sedgwick Group PLC	64,593,626	-	1,550,384	65,759,770
Quilmes Industrial SA	61,379,416	2,399,479	908,562	80,471,350
BYC Co. Ltd.	611,730	182,663	27,752	3,686,743
Keumkang Ltd.	11,139,897	-	150,450	16,327,869
Fila Holding S.p.A.	57,218,278	-	116,960	50,848,875
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	319,156,810	8,337,437	9,885,690	502,231,598

Summary of Transactions with Affiliated Companies
The Oakmark International Small Cap Fund

Affiliates	Purchases (Cost)	Sales (Proceeds)	Dividend Income	Market Value September 30, 1997
Designer Textiles (NZ) Limited	\$1,768,118	-	\$112,978	\$1,498,096
Matichon Public Company Limited	2,799,560	-	-	1,835,200
Solution 6 Holdings Ltd.	1,569,845	-	-	1,871,590
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	6,137,523	-	112,978	5,204,886

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For a share outstanding throughout each period

	Eleven Months Ended September 30, 1997	Year Ended October 31,					Period Ended October 31, 1991(a)
		1996	1995	1994	1993	1992	
Net Asset Value, Beginning of Period	\$ 32.39	\$ 28.47	\$ 25.21	\$ 24.18	\$ 17.11	\$ 12.10	\$ 10.00
Income From Investment Operations:							
Net Investment Income (Loss)	0.36	0.34	0.30	0.27	0.17	(0.03)	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	10.67	4.70	4.66	1.76	7.15	5.04	2.11
Total From Investment Operations	11.03	5.04	4.96	2.03	7.32	5.01	2.10
Less Distributions:							
Dividends (from net investment income)	(0.34)	(0.28)	(0.23)	(0.23)	(0.04)	--	--
Distributions (from capital gains)	(1.87)	(0.84)	(1.47)	(0.77)	(0.21)	--	--
Total Distributions	(2.21)	(1.12)	(1.70)	(1.00)	(0.25)	--	--
Net Asset Value, End of Period	\$ 41.21	\$ 32.29	\$ 28.47	\$ 25.21	\$ 24.18	\$ 17.11	\$ 12.10
Total Return	39.24%*	18.07%	21.55%	8.77%	43.21%	41.40%	87.10%*
Ratios/Supplemental Data:							
Net Assets, End of Period (\$ million)	\$ 6,614.9	\$ 3,933.9	\$ 2,827.1	\$ 1,677.3	\$ 1,107.0	\$ 114.7	\$ 4.8
Ratio of Expenses to Average Net Assets	1.08%*	1.18%	1.17%	1.22%	1.32%	1.70%	2.50%(b)*
Ratio of Net Income (Loss) to Average Net Assets	1.19%*	1.13%	1.27%	1.19%	0.94%	(0.24)%	(0.66)(b)*

Portfolio Turnover Rate	17.3%	23.7%	18.0%	29.3%	18.0%	34.0%	0.0%
Average Brokerage Commission Paid	\$0.0537	\$0.0530	n/a	n/a	n/a	n/a	n/a

*Data has been annualized.

(a) From August 5, 1991, the date on which Fund shares were first offered for sale to the public.

(b) If the Fund had paid all of its expenses and there had been no reimbursement by the adviser, the annualized ratio of expenses to average net asset would have been 4.92% and the annualized ratio of net income (loss) to average net assets would have been (3.08%).

The Oakmark Select Fund

Financial Highlights

For a share outstanding throughout the period

	Eleven Months Ended September 30, 1997
Net Asset Value, Beginning of Period	\$ 10.00
Income From Investment Operations:	
Net Investment Income (Loss)	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	6.35
Total From Investment Operations	6.34
Less Distributions:	
Dividends (from net investment income)	0.00
Distributions (from capital gains)	0.00
Total Distributions	0.00
Net Asset Value, End of Period	\$ 16.34
Total Return	69.16%*
Ratios/Supplemental Data:	
Net Assets, End of Period (\$million)	\$ 514.17
Ratio of Expenses to Average Net Assets	1.12%*
Ratio of Net Income (Loss) to Average Net Assets	(0.11%)*
Portfolio Turnover Rate	36.93%
Average Commission Rate Paid	\$.0573

*Data has been annualized.

The Oakmark Small Cap Fund

Financial Highlights

For a share outstanding throughout each period

	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 13.19	\$ 10.00
Income From Investment Operations:		
Net Investment Income (Loss)	(0.01)	(0.02)
Net Gains or Losses on Securities (both realized and unrealized)	7.16	3.21
Total From Investment Operations	7.15	3.19
Less Distributions:		
Dividends (from net investment income)	0.00	0.00
Distributions (from capital gains)	0.00	0.00
Total Distributions	0.00	0.00
Net Asset Value, End of Period	\$ 20.34	\$ 13.19
Total Return	59.14%*	31.94%
Ratios/Supplemental Data:		
Net Assets, End of Period (\$million)	\$ 1,513.4	\$ 218.4
Ratio of Expenses to Average Net Assets	1.37%*	1.61%
Ratio of Net Income (Loss) to Average Net Assets	(0.25%)*	(0.29%)
Portfolio Turnover Rate	26.88%	23.15%
Average Commission Rate Paid	\$0.0482	\$0.0520

*Data has been annualized.

The Oakmark Equity and Income Fund

Financial Highlights

For a share outstanding throughout each period

	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
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Net Asset Value, Beginning of Period	\$11.29	\$10.00
Income From Investment Operations:		
Net Investment Income (Loss)	0.21	0.10
Net Gains or Losses on Securities (both realized and unrealized)	3.24	1.19
	<hr/>	<hr/>
Total From Investment Operations	3.45	1.29
Less Distributions:		
Dividends (from net investment income)	(0.12)	0.00
Distributions (from capital gains)	(0.13)	0.00
	<hr/>	<hr/>
Total Distributions	(0.25)	0.00
	<hr/>	<hr/>
Net Asset Value, End of Period	\$14.49	\$11.29
	<hr/>	<hr/>
Total Return	34.01%*	12.91%
Ratios/Supplemental Data:		
Net Assets, End of Period (\$million)	\$33.46	\$13.8
Ratio of Expenses to Average Net Assets (a)	1.50%*	2.50%
Ratio of Net Income (Loss) to Average Net Assets (a)	2.38%*	1.21%
Portfolio Turnover Rate	52.82%	66.35%
Average Commission Rate Paid	\$0.0554	\$0.0581

*Data has been annualized.

(a) If the fund paid all of its expenses and there had been no expense reimbursement by the investment adviser, for the period ended September 30, 1997 and the year ended October 31, 1996, the ratios of expenses to average net assets would have been 1.70%* and 2.64% respectively, and the ratios of net income to average net assets would have been 2.18%* and 1.08% respectively.

The Oakmark International Fund

Financial Highlights

For a share outstanding throughout each period

	Eleven Months Ended September 30, 1997	Year Ended October 31,				Period Ended October 31, 1992(a)
		1996	1995	1994	1993	
Net Asset Value, Beginning of Period	\$ 14.92	\$ 12.97	\$ 14.50	\$ 14.09	\$ 9.80	\$ 10.00
Income From Investment Operations:						
Net Investment Income (Loss)	0.27	0.09	0.30	0.21	0.06	0.26

Net Gains or Losses on Securities (both realized and unrealized)	3.74	2.90	(0.77)	0.43	4.48	(0.46)
Total From Investment Operations	4.01	2.99	(0.47)	0.64	4.54	(0.20)
Less Distributions:						
Dividends (from net investment income)	(0.16)	0.00	0.00	(0.08)	(0.25)	--
Distributions (from capital gains)	0.00	(1.04)	(1.06)	(0.15)	--	--
Total Distributions	(0.16)	(1.04)	(1.06)	(0.23)	(0.25)	--
Net Asset Value, End of Period	\$ 18.77	\$ 14.92	\$ 12.97	\$ 14.50	\$ 14.09	\$ 9.80
Total Return	29.63%*	24.90%	(3.06)%	4.62%	47.49%	(22.81%)*
Ratios/Supplemental Data:						
Net Assets, End of Period (\$ million)	\$ 1,647.3	\$ 1,172.8	\$ 819.7	\$ 1,286.0	\$ 815.4	\$ 23.5
Ratio of Expenses to Average Net Assets	1.26%*	1.32%	1.40%	1.37%	1.26%	2.04%*
Ratio of Net Income (Loss) to Average Net Assets	2.09%*	1.45%	1.40%	1.44%	1.55%	37.02%*
Portfolio Turnover Rate	61.28%	41.83%	26.49%	55.00%	21.00%	0%
Average Commission Rate Paid	\$0.0052	\$0.0158	n/a	n/a	n/a	n/a

*Data has been annualized.

(a) From September 30, 1992, the date on which Fund shares were first offered for sale to the public.

The Oakmark International Small Cap Fund

Financial Highlights

For a share outstanding throughout each period

	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 11.41	\$ 10.00
Income From Investment Operations:		
Net Investment Income (Loss)	0.13	0.04
Net Gains or Losses on Securities (both realized and		

unrealized)	1.10	1.37
	<hr/>	<hr/>
Total From Investment Operations	1.23	1.41
Less Distributions:		
Dividends (from net investment income)	(0.08)	0.00
Distributions (from capital gains)	(0.36)	0.00
	<hr/>	<hr/>
Total Distributions	(0.44)	0.00
	<hr/>	<hr/>
Net Asset Value, End of Period	\$ 12.20	\$ 11.41
	<hr/> <hr/>	<hr/> <hr/>
Total Return	12.07%*	14.15%
Ratios/Supplemental Data:		
Net Assets, End of Period (\$million)	\$ 65.97	\$ 39.80
Ratio of Expenses to Average Net Assets	1.93%*	2.50%(a)
Ratio of Net Income (Loss) to Average Net Assets	1.23%*	0.65%(a)
Portfolio Turnover Rate	62.63%	27.44%
Average Commission Rate Paid	\$ 0.0025	\$ 0.0036

*Data has been annualized.

(a) If the fund had paid all of its expenses and there had been no expense reimbursement by the investment adviser, the ratio of expenses to average net assets would have been 2.65% and the ratio of net income to average net assets would have been .50%.

See accompanying notes to financial statements.

The Oakmark Family of Funds

Report of Independent Public Accountants

TO THE SHAREHOLDERS AND BOARD OF TRUSTEES OF HARRIS ASSOCIATES INVESTMENT TRUST:

We have audited the accompanying statements of assets and liabilities of The Oakmark Fund, The Oakmark Select Fund, The Oakmark Small Cap Fund, The Oakmark Equity and Income Fund, The Oakmark International Fund, and The Oakmark International Small Cap Fund (each a series of Harris Associates Investment Trust), including the schedules of investments on pages 6-8, 11-12, 15-17, 20-23, 27-30 and 34-37, as of September 30, 1997, and the related statements of operations, statements of changes in net assets and the financial highlights for the periods indicated thereon. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 1997, by correspondence with the custodian and brokers. As to securities purchased but not received, we requested confirmation from brokers, and when replies were not received, we carried out alternative auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of The Oakmark Fund, The Oakmark Select Fund, The Oakmark Small Cap Fund, The Oakmark Equity and Income Fund, The Oakmark International Fund, and The Oakmark International Small Cap Fund of the Harris Associates Investment Trust as of September 30, 1997, the results of their operations, the changes in their net assets, and the financial highlights for the periods indicated thereon in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Chicago, Illinois

October 24, 1997

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TRUSTEES
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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.

Officers

Victor A. Morgenstern—Chairman
Robert M. Levy—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
Michael J. Welsh—Vice President
Donald Terao—Vice President—Finance
Anita M. Nagler—Secretary
Ann W. Regan—Vice President—Shareholder Operations
and Assistant Secretary
Kristi L. Rowsell—Treasurer

OTHER INFORMATION

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Transfer Agent

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Family of Funds
P.O. Box 8510
Boston, Massachusetts 02266-
8510

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)

Website

www.oakmark.com

24-hour NAV hotline

1-800-GROWOAK (1-800-
476-9625)

This report, including the audited financial statements contained herein, is submitted for the general information of the shareholders of the Funds. The report is not authorized for distribution to prospective investors in the Funds unless it is accompanied or preceded by a currently effective prospectus of the Funds. No sales charge to the shareholder or to the new investor is made in offering the shares of the Funds.

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