

**Semi-Annual
Report**

March 1, 1998

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FUND

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SELECT
FUND

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SMALL CAP
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Letter from the Chairman and President...

Fellow Shareholders:

We are pleased to present the Semi-Annual Report for The Oakmark Family of Funds. With all of our funds increasing in value, our long-term goal of providing attractive returns continues to be achieved. More important, we remain convinced that our funds singularly and collectively continue to be well-positioned to help our shareholders meet their financial goals.



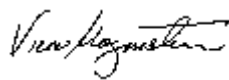
As investors, we feel strongly that our shareholders will be best served by long-term commitments to our funds. We believe that the keys to maintaining your trust and investment in our funds are: investment philosophy, attractive long-term returns and investor service. Through the years, we are confident that our shareholders have benefited from our disciplined investment philosophy and the returns that have been generated. In the investor service area, while our shareholders seem to be pleased, we think it is a good idea to explore some potential changes.

Our focus on this area is not new. In the last year we have strengthened our website, enhanced our automated phone system and streamlined our mailings. Included in this package are two items which may be of interest to you. First, we are introducing "Payroll Deduction" which enables you to invest in The Oakmark Funds directly through your employer. This option allows you to deduct your investment directly from your paycheck. A Payroll Deduction Form is enclosed. The second item enclosed is a brochure for our newly-named automated phone system, "Oak Link." This brochure provides shortcuts through the system for faster, more efficient service.

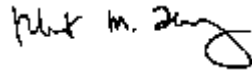
Our progress has been noteworthy, but we are not done. To this end, over the next several months we will be asking a number of you for suggestions about broadening our service. We intend to focus on reporting practices and information flows but we will be open to other ideas. We have a strong service orientation and when the project is completed, it will be even better.

As always, we remain committed to helping you meet your long-term goals. Thanks for your support and confidence in us.

Very truly yours,



VICTOR MORGENSTERN
Chairman



ROBERT M. LEVY
President



The Oakmark Family of Funds

Summary Information

<i>Performance for Period Ended March 31, 1998</i>	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<i>3 Months</i>	10.0%	13.4%	7.1%
<i>6 Months</i>	14.4%	22.9%	6.8%
<i>1 Year</i>	40.2%	65.4%	42.8%
<i>Average Annual Total Return for:</i>			
<i>3 Year</i>	27.7%	N/A	N/A
<i>5 Year</i>	23.2%	N/A	N/A
<i>Since inception</i>	30.7%	63.7%	37.9%
<i>Value of \$10,000 from inception date</i>	\$59,517 (8/5/91)	\$20,078 (11/1/96)	\$21,732 (11/1/95)
<i>Top Five Holdings as of March 31, 1998</i>	Phillip Morris Companies, Inc. 6.7%	U.S. Industries, Inc. 12.6%	People's Bank of Bridgeport, CT 8.0%

<i>Company and % of Total Net Assets</i>	Banc One Corporation	6.5%	Cablevision Systems Corporation	9.8%	Cablevision Systems Corporation	7.7%
	Mattel, Inc.	5.6%	USG Corporation	9.3%	U.S. Industries, Inc.	7.4%
	Nike, Inc.	5.4%	Tele-Communications Liberty Media, Class A	8.8%	RenaissanceRe Holdings Ltd	5.3%
	The Black & Decker Corporation	4.9%	PartnerRe Ltd.	7.8%	Catellus Development Corporation	5.2%
<i>Top Five Industries as of March 31, 1998</i>	Food & Beverage	16.9%	Diversified Conglomerates	12.6%	Other Industrial Goods & Services	15.0%
<i>Industries and % of Total Net Assets</i>	Other Consumer Goods & Services	16.1%	Building Materials & Construction	11.6%	Insurance	12.7%
	Banks	9.7%	Broadcasting & Cable TV	9.8%	Banks	10.6%
	Publishing	8.1%	Other Consumer Goods & Services	9.0%	Broadcasting & Cable TV	9.8%
	Other Financial	8.1%	TV Programming	8.8%	Other Consumer Goods & Services	9.6%

<i>Performance for Period Ended March 31, 1998</i>	The Oakmark Equity and Income Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
<i>3 Months</i>	8.7%	14.4%	18.5%
<i>6 Months</i>	9.6%	-1.2%	-9.8%
<i>1 Year</i>	33.6%	9.7%	-5.4%
<i>Average Annual Total Return for:</i>			

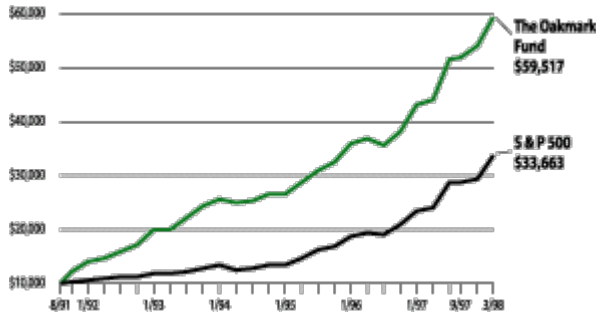
<i>3 Year</i>	N/A		19.2%		N/A	
<i>5 Year</i>	N/A		14.1%		N/A	
<i>Since inception</i>	22.2%		16.3%		5.7%	
<i>Value of \$10,000 from inception date</i>	\$16,233 (11/1/95)		\$22,994 (9/30/92)		\$11,429 (11/1/95)	
<i>Top Five Holdings as of March 31, 1998</i> <i>Company and % of Total Net Assets</i>	U.S. Industries, Inc.	4.7%	Tomkins plc	5.5%	Elevadores Atlas, SA	4.7%
	Catellus Development Corporation	4.6%	Sedgwick Group plc	4.4%	JCG Holdings Ltd.	4.4%
	Chrysler Corporation	4.4%	Quilmes Industrial SA	4.1%	Lambert Fenchurch Group plc	4.4%
	Electronic Data Systems Corp.	3.4%	USIMINAS	4.0%	Cewe Color Holdings AG	4.3%
	Tele-Communications, Liberty Media Class A	3.4%	Lion Nathan Limited	3.9%	Cordiant Communications Group plc	4.3%
<i>Top Five Industries as of March 31, 1998</i> <i>Industries and % of Total Net Assets</i>	U.S. Government Bonds	25.1%	Food & Beverage	18.4%	Other Industrial Goods & Services	10.7%
	Banks	9.3%	Other Industrial Goods & Services	10.3%	Other Financial	10.4%
	Automotive	7.7%	Banks	7.7%	Other Consumer Goods & Services	8.0%
	Insurance	5.7%	Marketing Services	7.0%	Marketing Services	7.4%
	Publishing	5.0%	Consumer Non-Durables	5.5%	Food & Beverage	7.1%

The Oakmark Fund

Report from Robert J. Sanborn, Portfolio Manager



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (3/31/98) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



3/31/98 NAV \$44.43

	Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/98 From Fund Inception 8/5/91
The Oakmark Fund	10.0%	30.7%
Standard & Poor's 500 Stock Index w/inc**	14.0%	20.0%
Dow Jones Industrial Average w/inc**	11.7%	20.4%
Value Line Composite Index**	10.0%	11.5%

The Oakmark Fund	10.0%	30.7%
Standard & Poor's 500 Stock Index w/inc**	14.0%	20.0%
Dow Jones Industrial Average w/inc**	11.7%	20.4%
Value Line Composite Index**	10.0%	11.5%

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

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

PORTFOLIO UPDATE

As we once again reach the mid-point of our fiscal year, it is my custom to review the portfolio and assess how we are doing. The temptation is to copy last year's semi-annual letter—that is how similar the environment is. On an absolute basis, your Fund has returned 10%, a few points behind the returns of the Standard & Poor's 500. While I (and you!) would love to "beat the market" all the time—an impossible goal—my attitude towards the year to date is the same as that of movie mogul Samuel Goldwyn after viewing one of his studio's releases:

"I was very pleasantly disappointed."

These remain the most benign of times in which to own US stocks. During the last six months, long-term interest rates continued their decline, from 6.5 percent at the end of September to under 6.0 percent today. Even the Asian economic crisis has a beneficial impact in dampening any inflationary pressures. As I have written many times, the direction of inflation is the most important determinant of the direction of the prices of financial assets. Earnings continue strong, consumer confidence is at an all-time high, and so on. We're going to the moon, Alice!

The continued appreciation of stock prices in the past year presents us with a problem, however. Our cash level is at twelve percent, our typical holding is closer to our sell target than our buy target, and we are having increasing difficulty finding holdings that meet our criteria. Buyers of entire companies apparently agree, as the dollar percentage of acquisitions done for stock (as opposed to cash) doubled in 1997 over 1996. Corporate chieftains are more comfortable trading one possibly over-valued stock for another.

Over the past six months, we have made some fairly substantial changes to our portfolio. U.S. West Media Group attained our price target (90 percent of our estimate of value) and we have sold it. We have trimmed our other cable holdings, also. Our weighting in this industry has declined from 9.2 percent to less than 2.0 percent over the past six months. I should note that when we were last buying these holdings, psychology towards the group was extremely negative between re-regulation, satellites, and other competitive threats, its future to Wall Street appeared bleak. However, the consensus has done a complete turn and is now extremely positive. While we are not overt contrarians—specifically selling the hot stocks and buying the cold ones—we are closet contrarians, in that positive psychology towards a stock tends to drive it towards our sell target and negative psychology tends to drive a stock towards our buy target.

As an example of the latter, we have increased our investments in Lockheed Martin and Boeing during the first half of the fiscal year, as short-term problems pushed both stocks to attractive valuation levels. Also, I have made large commitments to two franchise businesses, Mattel (now our third-largest holding), and Nike (discussed in last quarter's letter, and our fourth-largest position). While controversial to be sure, I regard both as very good businesses, with strong managements, and at attractive prices for the long term (buckle up for short-term turbulence, though!).

While it is enticing to extrapolate the last few years of huge returns, we need to tell you that it is not possible to sustain them over the long term. With the "easy money" available in stocks, many investors forget about the downside. As value investors, we always focus on the downside. **Your** task is to review your entire portfolio and to assess whether it meets your risk/return parameters. Also, remind yourself that the money you have invested in equity investments such as The Oakmark Fund should: 1) not be needed for at least five years, and 2) can decline by, say, 30 percent at any given time without its affecting your lifestyle. It is far better to do this now than to do it when a decline does occur.

MEDIA POTPOURRI

I have read many articles over the last few months that highlight how we at The Oakmark Funds do things differently from so many of our competitors. Thus, I will summarize a few—without using names so as to protect the innocent—and give a brief response to each.

- Many of you have read about the group of sweet, mature women from small-town Illinois whose investment club seemingly generated huge, market-beating returns. A shrewd marketing campaign made them into a veritable multi-media industry. You, too,

can beat the market using the ladies' tried-and-true methods!! Well, a reporter verifying the group's claims discovered that the actual annual returns of the ladies for the ten years ending 1993 was not 23.4 percent, but a market-trailing 9.1 percent. Once again, the lesson is: if it **seems** too good to be true, it probably is.

To put it into perspective, \$100 invested for the ten years would have generated \$239 for the ladies, \$313 for the Dow, and \$819 if the ladies had actually earned what they claimed. As Agent 86 Maxwell Smart used to say, "Missed it by thaaaaaat much."

- An advertisement in the "New York Times" has the following headline: "X Fund Managers Plan To Manage The Fund For At Least Five Years—Would Invest Own Money In Fund." In the news-article-style ad, one of the partners of X Fund's management company states that reports that he and his partner are looking to sell the company are true, and "...[I]n connection with any possible transaction, as a measure of our confidence in the future prospects of the X Fund, we would invest a significant amount of our own money in the Fund."

Where to begin? In this age of "Preserve Wiggle Room," the key word above is "would." Would???? Does this mean that they "would not" invest in the fund if the company is NOT sold and "do not" currently? Here at The Oakmark Funds, we seek out owner-oriented managements who own their own stock and are motivated to grow its value. In turn, we assume our shareholders expect the same of us. Every fund manager of The Oakmark Funds has a large amount invested in his Fund, and firmwide ownership of our funds is very substantial and has been from day one.

- There was a "Wall Street Journal" article about a "onetime star manager" at a fund company (whose parent is a holding of your Fund!). Apparently, the star's recent performance has been weak and the fund company has, according to a company spokesperson, "taken a number of steps to improve performance." According to the spokesperson, these "steps" included selling some "riskier" stocks and "shifting to stocks with better short-term performance."

The portfolio managers of The Oakmark Funds are not judged on short-term performance. We are not required to buy stocks with "better near-term prospects." We all know that stocks with these prospects are generally priced to reflect these positives. When marketing imperatives trump the investing side, that's a sorry day.

AND A LESSON IN RATIONAL EXPECTATIONS

Do you remember George Carlin's Hippy Dippy Weatherman? He would make the earth-shattering prediction that, say, in Chicago, it would get warm in the summer and then get cold in the winter. Well, duh.

I think of him when I get letters questioning our controversial holdings. Your Fund has several holdings whose problems and challenges tend to earn mention in newspapers and other general interest publications. The letters go like this: "Why do we own Stock Y? Everyone knows Y is having a lot of problems right now. Why don't you buy stocks with better prospects?"

Rational expectations refers to many economic or financial situations in which the outcome depends significantly upon what people EXPECT to happen. As an absurd example, take those TV ads for commodities that go like this: "As we enter the winter heating season, we expect demand for fuel to increase. This should cause heating oil prices to rise. A leveraged bet on this could yield \$100,000 on an initial investment of \$5,000." Now, I assume some people say: Wow, that sounds easy, I'm going to invest everything I've got in that.

Now, back to the hippy-dippy weatherman. When everyone knows something—i.e., it gets cold in the winter—the opportunity for systematic profit potential disappears. In recurrent situations, the future tends to unfold pretty similarly compared to the past, and people adjust their forecasts to this reality. The concept of rational expectations asserts that outcomes do not differ systematically from expectations, and stems from the standard economic assumption that people act in ways that maximize their utility (or, happiness). Rational expectations play a key role in the theory of hyperinflation, efficient markets theory (which holds that stock prices reflect all public information), the permanent income hypothesis (which argues that people base their consumption not only on their income but on their expectations of future income), and in the design of macroeconomic policy.

Now, back to the letters. When general interest publications reveal "problems" at a company, they have long been known in the professional investment community. (Wags often assert that when "Business Week" proclaims a problem, it's time to bet the other way). By the time you have read about them, we have long since factored them into our expectations. It does not mean that we won't ever be wrong, but that our analysis was educated.

Robert J. Sanborn

ROBERT J. SANBORN
 Portfolio Manager
 rsanborn@oakmark.com
 April 3, 1998

THE OAKMARK FUND

Schedule of Investments—March 31, 1998 (Unaudited)

Shares Held Market Value

Common Stocks—88.3%

Food & Beverage—16.9%

Philip Morris Companies Inc.	14,310,700	\$596,577,306
Anheuser-Busch Companies Inc.	9,205,400	426,325,087
H.J. Heinz Company	4,007,250	233,923,219
Nabisco Holdings Corporation	3,572,100	167,442,187
Gallaher Group Plc (a)(b)	3,835,500	82,942,688

1,507,210,487

Apparel—5.4%

Nike, Inc., Class B	10,957,100	\$484,851,675
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Retail—2.2%

American Stores Company	7,491,100	\$194,768,600
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Other Consumer Goods & Services—16.1%

Mattel, Inc.	12,614,400	\$499,845,600
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The Black & Decker Corporation (c)	8,267,000	438,667,687
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Polaroid Corporation (c)	4,552,400	200,305,600
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Brunswick Corporation	3,578,800	124,810,650
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Fortune Brands, Inc.	2,645,500	105,489,312
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First Brands Corporation	1,070,400	26,693,100
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Juno Lighting, Inc. (c)	1,085,000	22,920,625
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GC Companies, Inc. (a)(c)	397,000	20,768,063
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1,439,500,637

Banks—9.7%

Banc One Corporation	9,100,548	\$575,609,661
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Mellon Bank Corporation	4,589,200	291,414,200
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867,023,861

Insurance—1.4%

Old Republic International Corporation	2,748,620	\$121,798,224
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Other Financial—8.1%

Ambac Financial Group, Inc. (c)	4,389,800	\$256,528,938
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Washington Mutual, Inc.	3,300,000	236,671,875
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Fannie Mae	3,557,500	225,011,875
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		718,212,688

Broadcasting & Cable TV—0.5%

Tele-Communications, Inc., Class A (a)	1,450,000	\$45,085,938
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TV Programming—1.3%

Tele-Communications, Liberty Media, Class A (a)	3,411,611	\$117,274,128
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Publishing—8.1%

Dun & Bradstreet Corporation (c)	9,741,300	\$333,030,694
Knight-Ridder, Inc. (c)	4,650,000	259,818,750
ACNielsen Corporation (a)(c)	4,764,000	125,948,250
		<hr/>
		718,797,694

Medical Centers—4.9%

Columbia/HCA Healthcare Corporation	13,601,000	\$438,632,250
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Managed Care Services—0.6%

Foundation Health Systems, Inc. (a)	1,908,000	\$52,589,250
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Medical Products—0.9%

Sybron International Corporation (a)	3,135,600	\$81,917,550
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Automotive—0.5%

Chrysler Corporation	1,178,700	\$48,989,719
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Aerospace & Defense—6.9%

Lockheed Martin Corporation	3,625,000	\$407,812,500
The Boeing Company	3,938,000	205,268,250
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		613,080,750

Other Industrial Goods & Services—1.7%

SPX Corporation (a)(c)	875,200	\$66,788,700
Bandag Incorporated, Class A (a)	1,104,100	58,862,331
The Geon Company	971,600	21,739,550
		<hr/>
		147,390,581

Foreign Securities—3.1%

DeBeers Centenary AG (b)	6,546,000	\$143,602,875
Unilever NV (b)	1,904,000	130,662,000
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		274,264,875

Total Common Stocks (Cost: \$5,479,573,759)		7,871,388,907
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Principal Value Market Value

Short Term Investments—15.9%

Government and Agency Securities—5.6%

U.S. Government Agencies—2.3%

Federal Farm Credit

Bank, 5.46% due 7/1/1998	\$200,000,000	\$199,892,000
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U.S. Government Bills—3.3%

United States Treasury Bills, 4.98% -5.21% due 4/2/1998-8/13/1998	\$300,000,000	\$297,664,714
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Total Government and Agency Securities (Cost: \$497,656,840)		497,556,714
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Commercial Paper—8.7%

American Express Credit Corp., 5.50% -5.54% due 4/3/1998-4/29/1998	\$220,000,000	\$220,000,000
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Ford Motor Credit Corp., 5.49% - 5.54% due 4/2/1998-4/28/1998	260,000,000	260,000,000
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General Electric Capital Corporation, 5.52% -6.02% due 4/1/1998-4/27/1998	300,000,000	300,000,000
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Total Commercial Paper (Cost: \$780,000,000)		780,000,000
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Repurchase Agreements—1.6%

State Street Repurchase Agreement, 5.75% due 4/1/1998	\$140,535,000	\$140,535,000
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Total Repurchase Agreements (Cost: \$140,535,000)		140,535,000
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Total Short Term Investments (Cost: \$1,418,191,840)		1,418,091,714
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Total Investments (Cost

\$6,897,765,599)—104.2% (d)	\$9,289,480,621
Other Liabilities In	
Excess Of Other	
Assets—(4.2)%	(371,088,908)
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Total Net Assets—	
100%	\$8,918,391,713
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(a) Non-income producing security.

(b) Represents an American Depository Receipt.

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

(d) At March 31, 1998, net unrealized appreciation of \$2,391,715,022, for federal income tax purposes consisted of gross unrealized appreciation of \$2,406,539,553 and gross depreciation of \$14,824,531.

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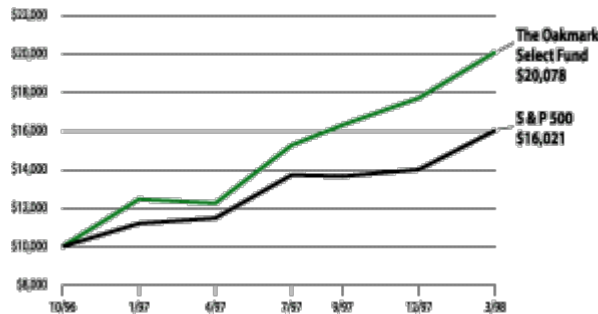
TRUSTEES
& OFFICERS

The Oakmark Select Fund

Report from Bill Nygren, Portfolio Manager



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (3/31/98) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



3/31/98 NAV \$19.87

	Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/98 From Fund Inception 11/1/96
The Oakmark Select Fund	13.4%	63.7%
Standard & Poor's 500 Stock Index w/inc**	14.0%	39.6%
Standard & Poor's MidCap 400 Index w/inc**	11.0%	36.5%
Value Line Composite Index**	10.0%	26.9%

The Oakmark Select Fund

13.4%

63.7%

Standard & Poor's 500 Stock Index w/inc**

14.0%

39.6%

Standard & Poor's MidCap 400 Index w/inc**

11.0%

36.5%

Value Line Composite Index**

10.0%

26.9%

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

**Each of the three indexes or averages is an unmanaged group of stocks 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.

UP, UP AND AWAY

The Oakmark Select Fund increased in value by 13.4% in the quarter ended March 31. That increase nicely exceeded the 11% gain in the S&P 400, the midcap index that compares most closely to our portfolio, but slightly trailed the increase in the S&P 500. Our six-month increase of 22.9% was well above the market, regardless of which index one chooses. Strong gains achieved by cable TV stocks again helped our performance.

Your Fund has now doubled in value since its inception 17 months ago! Although our entire research department is very proud of this record, we are certainly aware that these results have been possible only with the aid of an unbelievably powerful tailwind. In the last 25 years, the market's quarterly return exceeded 10% about once every ten quarters. Over the life of The Oakmark Select Fund, the market return has reached double-digit levels in three out of six quarters, five times the historical frequency. The strength of this market has been truly amazing!

Stocks rallied further last month after Warren Buffett stated his opinion that stocks were not generally overvalued as long as interest rates remained low and businesses continued to earn exceptionally high returns on equity. Investors saw the positive "stocks not overvalued" rather than focusing on the risk of a change in our near-perfect economic environment. As stock prices and, therefore, risk levels keep rising, you need to remember that we are not market timers. We doubt that anyone is very good at predicting market moves, but we *know* we are not. Since we will always find stocks that look inexpensive *relative* to prices paid for similar businesses, the Select Fund will remain fully invested. That means that the Fund's cash levels will almost always be low, a single-digit percentage. It also means that when the market goes down, if the Fund goes down less, we will view that outcome as consistent with our goal of achieving excellent long-term returns.

Since we stay fully invested, it is our shareholders' responsibility to make sure their personal exposure to the stock market is appropriate for their individual situations. Although we do not advocate market timing, it is important to remember that when stock prices go up more than other asset prices do, the percentage of one's net-worth exposed to stocks increases. Something I ask myself after a stock has risen is, "would I buy more if it declined in price by 20%?" If the answer is not a strong yes, I'll usually reduce the position size. I encourage all of our shareholders to review their various investments and make sure the amount invested in the stock market is still appropriate for their circumstances—only then can you take advantage of a market decline by buying more.

KNOW YOUR MANAGER!!

We see ads almost daily for services promising to make us better investors: "Now you can trade like a pro!" "Make money no matter which way the Dow goes!" "Discover tomorrow's winners today!" But the one that really caught my eye this quarter was the following offer for an astrological review of your portfolio. The astrologer claims: *"I have the expertise to give you an astrological evaluation of [your] stocks, and of the market as a whole. When your expertise and mine are brought together, we form a filter that eliminates losers and allows only winning stocks to enter your portfolio."*

These services prey on investors who aren't committed to a sound investment philosophy. When the inevitable periods of poor performance arrive, the services promise a quick-fix. What should concern you about this is that the astrological stock selection service claimed that its subscribers include "well-known fund managers." It is imperative that investors know the investment philosophy of their fund managers. Hot performers come and go, but understanding how managers make decisions creates the confidence to follow a successful, long-term investment approach. Since you will not find us relying on the stars to construct our portfolios, let me share with you our approach.

Like all the funds in The Oakmark Family, The Oakmark Select Fund is a long-term value investor. We have an outstanding team of analysts who search for companies that sell at large discounts to intrinsic value. To us, a company's intrinsic value is the price a knowledgeable buyer would pay to acquire the entire business. Stocks are not just pieces of paper, they are fractional interests in businesses. Next, we look for companies that have values that grow with

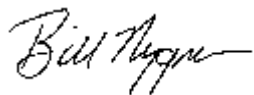
time. That means not only looking for growing sales and operating income, but identifying free cash flow that can be invested in the business, used to pay dividends, repurchase shares, pay down debt and so on. Lastly, we want managements that are owner-oriented. That means that through their economic incentives (share ownership, options, bonuses) we are assured that management's interests align with outside shareholders. When we find these companies, we buy them and patiently wait for their value to be recognized by others. When companies with growing values and owner-oriented managements are available at discounts to their true value, we do not have to predict *when* the market will recognize that value, because the longer it takes, the greater will be our ultimate reward. Over time, we'll make our share of mistakes, but it will not be because of how Jupiter aligned with Mars!

A BENEFICIAL PURCHASE

During the quarter, your Fund added one new position, Beneficial Corporation. Because it was an unusual buy for us, I want to explain it. Beneficial is a consumer-finance company whose stock performance lagged behind its peers. We had been evaluating Beneficial for some time: quite confident of its undervaluation, less certain of management's owner-orientation. In February, Beneficial announced the sale of its Canadian operation at a price that was well above our estimate. The price they received showed us that Beneficial was more undervalued than we realized, but equally important, the willingness to sell off non-core assets to strategic buyers showed management's owner-orientation. Their focus was not on maximizing size, it was on maximizing their value.

Unfortunately for us, almost simultaneously, Beneficial announced they were considering sale of the entire company. Beneficial stock immediately rose in price from \$82 to \$110. Normally, you will not find us buying stocks after a possible sale is announced because the stock price is usually quite close to estimated business value. In this case, however, we felt our valuation of Beneficial had been more thorough than other analysts and felt strongly that Beneficial was worth an absolute minimum of \$120 and was quite possibly worth in excess of \$150. Despite its price increase, Beneficial met all our criteria. We look forward to watching the bids come in and congratulate Beneficial management for realizing that their share price could be maximized only by finding a strategic partner.

Thank you for your continuing support.



BILL NYGREN

Portfolio Manager

bnygren@oakmark.com

April 2, 1998

P.S. On April 7, Household International announced an agreement to purchase Beneficial for stock valued at \$150. (After the announcement, a decline in Household stock decreased the offer to \$144.) Congratulations to our Jim Benson for his outstanding analysis of this company.

THE OAKMARK SELECT FUND

Schedule of Investments—March 31, 1998 (Unaudited)

Common Stocks—91.6%

Other Consumer Goods & Services—9.0%

Ralston Purina Group	581,000	\$61,586,000
Brunswick Corporation	1,034,900	36,092,137
Polaroid Corporation	815,900	35,899,600
		<hr/>
		133,577,737

Banks—3.8%

People's Bank of Bridgeport, Connecticut	1,496,000	\$56,801,250
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Insurance—7.8%

PartnerRe Ltd.	2,356,100	\$115,743,413
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Other Financial—3.5%

Beneficial Corporation	420,000	\$52,211,250
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Broadcasting & Cable TV—9.8%

Cablevision Systems Corporation (a)	2,210,200	\$145,320,650
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TV Programming—8.8%

Tele-Communications, Liberty Media, Class A (a)	3,803,550	\$130,747,031
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Publishing—6.1%

Dun & Bradstreet Corporation	1,570,500	\$53,691,469
ACNielsen Corporation (a)	1,425,100	37,676,081
		<hr/>
		91,367,550

Medical Products—4.5%

Amgen, Inc. (a)	1,110,000	\$67,571,250
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Aerospace & Defense—3.8%

Lockheed Martin Corporation	505,900	\$56,913,750
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Building Materials & Construction—11.6%

USG Corporation (a)(c)	2,540,200	\$137,647,087
Armstrong World Industries, Inc.	404,700	35,031,844
		<hr/>
		172,678,931

Oil & Natural Gas—2.5%

Union Teas Petroleum Holdings, Inc.	1,670,100	\$36,950,963
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Other Industrial Goods & Services—6.1%

Premark International, Inc.	1,538,600	\$50,966,125
General Signal Corporation	836,200	39,092,350
		<hr/>
		90,058,475

Diversified Conglomerates—12.6%

U.S. Industries, Inc. (c)	6,220,000	\$186,988,750
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Foreign Securities—4.4%

Gucci Group (b)	1,380,700	\$65,583,250
		<hr/>

Total Common Stocks (Cost: \$1,088,223,426)		1,402,514,250
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Short Term Investments—6.4%

U.S. Government Bills—2.0%

United States Treasury Bills, 5.01%-5.21% due 4/2/1998-7/16/1998	\$30,000,000	\$29,815,644
Total U.S. Government Bills (Cost: \$29,814,319)		29,815,644

Commercial Paper—3.1%

American Express Credit Corp., 5.53%-5.55% due 4/3/1998-4/7/1998	\$10,000,000	\$10,000,000
Ford Motor Credit Corp., 5.54%-5.57% due 4/2/1998- 4/6/1998	10,000,000	10,000,000
General Electric Capital Corporation, 6.02% due 4/1/1998	25,000,000	25,000,000
Total Commercial Paper (Cost: \$45,000,000)		45,000,000

Repurchase Agreements—1.3%

State Street Repurchase Agreement, 5.75% due 4/1/1998	\$19,467,000	\$19,467,000
Total Repurchase Agreements (Cost: \$19,467,000)		19,467,000

**Total Short Term Investments (Cost:
\$94,281,319)** **94,282,644**

Total Investments (Cost
\$1,182,504,745)—
100.7% (d) \$1,496,796,894
Other Liabilities In
Excess Of Other Assets—

(0.7)%

(9,932,893)

Total Net Assets—100%

\$1,486,864,001

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

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

(d) At March 31, 1998, net unrealized appreciation of \$314,292,149, for federal income tax purposes consisted of gross unrealized appreciation of \$315,843,337 and gross depreciation of \$1,551,188.

The Oakmark Small Cap Fund



Report from Steven J. Reid, Portfolio Manager

LETTER &
SUMMARY
INFORMATION

OAKMARK
FUND

OAKMARK
SELECT
FUND

OAKMARK
SMALL CAP
FUND

OAKMARK
EQUITY AND
INCOME FUND

OAKMARK
INTERNATIONAL
FUND

OAKMARK
INT'L SMALL
CAP FUND

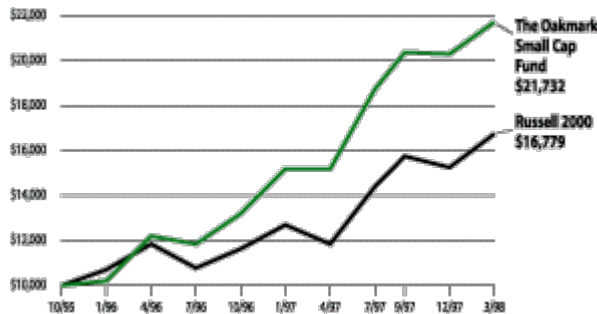
FINANCIAL
STATEMENTS

NOTES TO
FINANCIAL
STATEMENTS

FINANCIAL
HIGHLIGHTS

TRUSTEES
& OFFICERS

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/98) AS COMPARED TO THE RUSSELL 2000 INDEX



3/31/98 NAV \$20.80

	Average Annual Total Return*
	Through 3/31/98
	From Fund Inception
	11/1/95
Total Return Last 3 mos.	

	Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/98 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	7.1%	37.9%
Lipper Small Cap Fund Index**	10.7%	19.0%
Russell 2000 w/inc**	10.1%	23.9%
S&P Small Cap 600 w/inc**	11.1%	27.2%

*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 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.

HALFTIME

The Oakmark Small Cap Fund's second fiscal quarter ended on March 31, 1998. During the quarter the Fund gained 7.1%, closing at an all-time high. For the second quarter the Fund's investment results did not match those of the relevant indices. Although The Oakmark Small Cap Fund has significantly outperformed the relevant indices since its inception, the short-term results are a minor disappointment. I have received numerous inquiries regarding the

Fund's recent relative performance. Quite honestly, a 7% return in three months is a desirable outcome. As investors, we should focus on long-term results, but human nature tends to not let us forget about what happened yesterday, what's happening today, or what might happen tomorrow.

Returns in the small cap universe were dominated by growth stocks as opposed to value stocks during the quarter. A precise definition of a growth stock, as well as a value stock, cannot be "written in stone." Let it suffice that the indices' returns were driven by technology and health care stocks, areas in which your Fund has very little exposure. This lack of exposure is a function of our investment philosophy. We have not found value in these areas. It is worth noting the time line of this quarter's performance was composed of three parts. During January, the Fund declined 4.5%, by the end of February performance was almost break-even, and in March all of the gains were made.

Another concern of many shareholders is what changes are being made in the way the Fund is managed. The answer is none. Our mandate is to be consistent with our investment philosophy and not deviate from it. Over time we believe our value-oriented style of investing will produce the results we seek to meet our investment objectives. We are encouraged by the investment opportunities available in the marketplace.

FIRST HALF HIGHLIGHTS

During the quarter there were several positive events. Zurn Industries Inc. (ZRN) and U.S. Industries Inc. (USI), both holdings of your Fund, agreed to merge in a tax-free exchange of stock. ZRN, a producer of plumbing fixtures and supplies will be combined with USI's well known division, Jacuzzi. While we are certainly pleased by the 50% appreciation of our ZRN shares, the merged businesses are an equally exciting event. We, as well as management, believe that the combined companies will have greater presence in the marketplace and the opportunity to generate increased revenues and income. This combination could best be described as a situation where one plus one does not equal two, but probably at least two and one-half. We are confident that management can truly add value to this situation. Since payment for the purchase will be in the form of USI shares, our ownership of USI will increase.

Another bright spot in the quarter was the 37% gain in the shares of Cablevision Systems Corporation (CVC). This is the second time in the last year that CVC has been one of the top-performing stocks in The Oakmark Small Cap Fund. It was also about one year ago that Wall Street viewed CVC as if it were on the verge of bankruptcy. Since then there have been several transactions confirming the value of cable TV systems and programming. Management has also taken steps that highlight and increase the value of the company.

KUDOS

What do R.G. Barry Corporation, Campbell Soup Company, and Whirlpool Corporation have in common? All three were named Vendor of the Year by Wal-Mart International. Although not a household name, many of R.G. Barry's slipper brand names such as EZ feet, Dearfoams and Angel Treads are widely known by consumers. Our congratulations go out to Barry's management team led by Chairman Gordon Zacks on being named Soft-Lines Vendor of the Year by the largest retailer in the world. Over the past few years Barry has demonstrated significant growth in sales and profits as they expanded into new markets and improved manufacturing efficiency. Despite Barry's success with slippers, the company is relatively unknown by Wall Street. This lack of visibility has allowed us to purchase these shares at a significant discount to the typical valuation that other consumer products companies sell for in the stock market. In addition, Barry has been developing several innovative new thermal

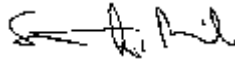
retention products that are designed to keep products at constant temperatures without the need of an external power supply. As an example, the company has developed a pizza container that allows for the home delivery of fresh, hot pizza. Current products in the market only insulate the pizza. Barry's product, because it provides heat, is able to offer a superior delivery system. While not yet widely used we hope over the next year or two to highlight the benefits from Barry's success with these products. At the current valuation of the shares of R.G. Barry we have not paid a premium for these products.

OUTLOOK

Despite the recent El Nino-like volatility of The Oakmark Small Cap Fund, we continue to see very attractive investment opportunities in small cap stocks. There continues to be a broad divergence in valuation between large and small cap stocks with the shares of small companies trading at significant discounts to their larger brethren.

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

Go Bulls!



STEVEN J. REID
Portfolio Manager
sreid@oakmark.com
April 3, 1998

THE OAKMARK SMALL CAP FUND

Schedule of Investments—March 31, 1998 (Unaudited)

Shares Held Market Value

Common Stocks—95.1%

Food & Beverage—6.3%

Ralcorp Holdings, Inc. (a)(b)	2,500,000	\$51,875,000
International Multifoods Corporation (b)	1,000,000	29,937,500
M & F Worldwide Corp. (a)	917,600	8,315,750
		90,128,250

Retail—4.7%

Cole National Corporation (a)(b)	1,250,000	\$48,281,250
Ugly Duckling Corporation (a)(b)	1,750,000	18,921,875
		<hr/>
		67,203,125

Other Consumer Goods & Services—9.6%

Triarc Companies, Inc. (a)(b)	1,600,000	\$42,000,000
Scotsman Industries, Inc. (b)	1,000,000	28,750,000
First Brands Corporation	1,000,000	24,937,500
GC Companies, Inc. (a)	300,000	15,693,750
Barry (R.G.) Corporation (a)(b)	800,000	11,000,000
P.H. Glatfelter Company	420,900	7,602,506
Libbey, Inc.	190,000	7,077,500
		<hr/>
		137,061,256

Banks—10.6%

People's Bank of Bridgeport, Connecticut	3,000,000	\$113,906,250
BankAtlantic Bancorp, Inc., Class A	1,125,001	15,398,451
Northwest Bancorp Inc.	550,000	9,246,875
PennFed Financial Services, Inc.	260,000	4,712,500
Pocahontas Federal Savings and Loan Association (b)	100,000	4,475,000
Savings Bank of the Finger Lakes (b)	188,000	3,666,000
		<hr/>
		151,405,076

Insurance—12.7%

RenaissanceRe Holdings Limited. (b)	1,500,000	\$75,000,000
Financial Security Assurance Holdings Ltd.	900,000	49,162,500
Highlands Insurance Group, Inc. (a)(b)	1,150,000	30,906,250

PRE Corporation (b)	750,000	23,250,000
Chartwell Re Corporation	110,000	3,726,250
		<hr/>
		182,045,000

Other Financial—1.0%

Duff & Phelps Credit Rating Co. (b)	296,800	\$14,951,300
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Broadcasting & Cable TV—9.8%

Cablevision Systems Corporation (a)	1,669,400	\$109,763,050
Ascent Entertainment Group, Inc. (a)(b)	2,000,000	20,625,000
Granite Broadcasting Corporation (a)(b)	800,000	9,250,000
		<hr/>
		139,638,050

Publishing—1.1%

Lee Enterprises, Inc.	450,000	\$15,103,125
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Telecommunications—0.2%

ROHN Industries, Inc.	500,000	\$2,812,500
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Automotive—2.1%

Stoneridge, Inc. (a)(b)	1,500,000	\$30,000,000
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Aerospace & Defense—2.8%

Tracor, Inc. (a)	1,250,000	\$40,078,125
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Machinery & Metal Processing—4.3%

The Carbide/Graphite Group, Inc. (a)(b)	815,000	\$24,450,000
DT Industries, Inc.	472,000	18,113,000
Northwest Pipe Company (a)(b)	600,000	13,050,000
Wolverine Tube, Inc. (a)	140,800	5,649,600
		<hr/>

61,262,600

Oil & Natural Gas—2.0%

Titan Exploration, Inc. (a)(b)	3,000,000	\$24,375,000
Nuevo Energy Company (a)	100,000	3,581,250
		<hr/>
		27,956,250

Other Industrial Goods & Services—15.0%

SP Corporation (a)(b)	700,000	\$53,418,750
MagneTek, Inc. (a)(b)	2,500,000	47,031,250
Ferro Corporation	961,500	28,244,062
Columbus McKinnon Corporation (b)	876,900	24,114,750
Gardner Denver Machinery, Inc. (a)	750,000	22,218,750
Zurn Industries, Inc.	312,500	14,804,688
Binks Sames Corporation (b)	247,000	11,979,500
Standard Motor Products, Inc.	600,000	11,512,500
Binks Sames Corporation, Restricted Shares (b)	28,000	1,195,040
		<hr/>
		214,519,290

Commercial Real Estate—5.5%

Catellus Development Corporation (a)	4,000,000	\$74,250,000
Wellsford Real Properties Inc. (a)	341,500	4,951,750
		<hr/>
		79,201,750

Diversified Conglomerates—7.4%

U.S. Industries, Inc.	3,500,000	\$105,218,750
		<hr/>

**Total Common Stocks (Cost:
\$1,012,013,842)**

1,358,584,447

Short Term Investments—5.2%

U.S. Government Bills—0.7%

United States Treasury Bills, 5.02% due 4/2/1998	\$10,000,000	\$9,998,606
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Total U.S. Government Bills (Cost: \$9,998,606)		9,998,606
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Commercial Paper—3.5%

American Express Credit Corp., 5.52%-5.53% due 4/2/1998-4/9/1998	\$15,000,000	\$15,000,000
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Ford Motor Credit Corp., 5.53%-5.54% due 4/3/1998-4/7/1998	15,000,000	15,000,000
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General Electric Capital Corporation, 6.02% due 4/1/1998	20,000,000	20,000,000
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Total Commercial Paper (Cost: \$50,000,000)		50,000,000
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Repurchase Agreements—1.0%

State Street Repurchase Agreement, 5.75% due 4/1/1998	\$15,244,000	\$15,244,000
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Total Repurchase Agreements (Cost: \$15,244,000)		15,244,000
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Total Short Term Investments (Cost: \$75,242,606)		75,242,606
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Total Investments (Cost \$1,087,256,448)— 100.3% (c)		\$1,433,827,053
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Other Liabilities In Excess Of Other Assets— (0.3)%		(4,865,029)
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Total Net Assets—100%

\$1,428,962,024

(a) Non-income producing security.

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

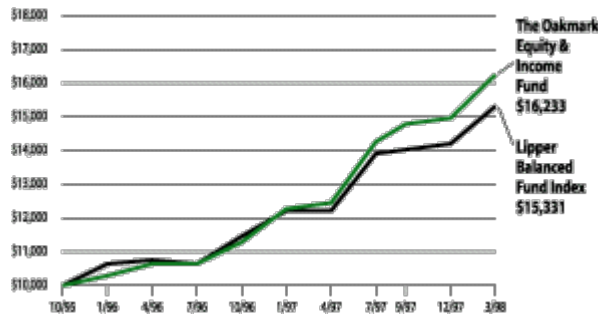
(c) At March 31, 1998, net unrealized appreciation of \$346,570,605, for federal income tax purposes consisted of gross unrealized appreciation of \$360,943,813 and gross depreciation of \$14,373,208.

The Oakmark Equity and Income Fund

Report from Clyde S. McGregor, Portfolio Manager



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/98) AS COMPARED TO THE LIPPER BALANCED FUND INDEX



3/31/98 NAV \$14.95

Average Annual
Total Return*
Through
3/31/98
From Fund
Inception
11/1/95

Investment	Total Return Last 3 mos.	Average Annual Total Return*
The Oakmark Equity & Income Fund	8.7%	22.2%
Lipper Balanced Fund Index**	7.9%	19.3%
Lehman Govt./Corp. Bond**	1.5%	7.2%
S&P 500 w/inc**	14.0%	32.9%

Investment	Total Return Last 3 mos.	Average Annual Total Return*
The Oakmark Equity & Income Fund	8.7%	22.2%
Lipper Balanced Fund Index**	7.9%	19.3%
Lehman Govt./Corp. Bond**	1.5%	7.2%
S&P 500 w/inc**	14.0%	32.9%

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

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

QUARTER UPDATE

I am pleased to report that your Fund earned 8.7% in the January through March quarter. This quarter was the third best in the Fund's history, exceeded only by last year's second and third calendar quarters. Virtually all of this splendid outcome originated in the equity segment of the portfolio. Fixed income prices ended the quarter unchanged, meaning that the segment's

only contribution to return was income. It has been uncommon in the 1990's for stock prices to march ahead without the aid of declining interest rates. In the first quarter, however, it would appear that equity investors regained the confidence that the fourth quarter's Asian market meltdown had shaken while fixed income investors fretted about the strength of the US economy. Highlights in the Fund in the quarter included Liberty Media, Banc One, Borg-Warner Automotive, Juno Lighting, and Old Republic International, all of which returned more than 20%.

DIFFERENCES II

For the last 20 years my position as an investment manager has required me to make presentations to trustees, board members, and every other kind of fiduciary that exists. Recently it became my privilege to sit on the other side of the table as I joined the investment committee of a charitable organization. In March, as part of my duties on that committee, I interviewed the principal manager of US common stocks for the charity. The investing process which the manager articulated for his organization is similar to the one in which I was trained at my first employer. His team divides the investing universe into industry groups, decides which groups should be emphasized, and then selects the most attractive 2 or 3 stocks from each industry. This firm's analysts become specialists in narrowly defined niches, and their job is to determine correctly which stocks will do the best within the area which they cover. The consulting community generally refers to this style as "core."

Our methodology is quite different. We build our portfolios from the bottom up based on finding value on a security by security basis. Our analysts are all generalists who are merely charged with the responsibility of discovering undervaluation. The search for value does not begin with preconceived ideas of which industries might be fertile to exploit. Rather, the search begins with an insight as to how we might look at a business or an industry from a different perspective and thereby gain an edge in terms of valuing the associated securities. If we do not have that insight, if we cannot get our arms around a company and develop a firm understanding of its value, we will not invest in that company no matter how attractive its characteristics.

Our approach often results in industries not being represented in the Fund. Usually technology issues are absent because we are uncomfortable valuing companies in businesses which can be obsolete tomorrow. It can also be the case that our analysis tells us that undervaluation is not to be found in a specific industry. This sometimes leads to questions relating to the issue of diversification.

I believe that diversification is both overrated and misunderstood. The academic community argues that most benefits of diversification are achieved by the time an equity portfolio has 8-10 holdings. As the asset listing on the next four pages depicts, our process develops a portfolio with holdings in a wide variety of industries even though I have not built the portfolio with that intent.

The securities markets exist to provide price information for intangible assets. The market periodically misprices securities. Our tactical mission is to exploit these mistakes wherever and whenever they occur.

QUIET PERIOD

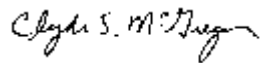
Last year one of your Fund's holdings (General Signal) announced that it would have a "quiet period" while company leadership worked out plans for restructuring. The just completed quarter was a quiet period for your Fund, but in a different manner. The Fund ended the quarter with the same 23 equity issues with which it began the quarter. I added to many of the

holdings as cash came into the Fund, but I did not initiate or eliminate any equity positions.

Many years ago one of our firm's founding partners said to me that in our business sometimes the hardest thing to do is to do nothing. And, in fact, many mutual funds demonstrate this by reporting turnover ratios (measures of how many times in a 12-month period the dollars in the portfolio are "turning over" from one security to another) which exceed one or even two.

In The Oakmark Equity and Income Fund I strive to keep equity turnover low. Low turnover generally implies low capital gains distributions, something which the Fund's taxable investors will appreciate. But perhaps more importantly, I believe that having a long-term investing horizon provides us with an edge. When I invest in a company's stock, I know that our analysis has measured a gap between the price of the shares and their fundamental value. Our analysis, however, is unable to determine when that gap will close. So, when you observe the Fund in a quiet period, understand that this is a normal outcome of our investing process.

As always, please e-mail me with your questions or comments.



CLYDE S. MCGREGOR
Portfolio Manager
mcgregor@oakmark.com
April 3, 1998

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—March 31, 1998 (Unaudited)

Shares Held Market Value

Equity and Equivalents—59.4%

Food & Beverage—1.6%

Philip Morris Companies Inc.	20,000	\$833,750
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Office Equipment—2.2%

Lexmark International Group, Inc., Class A (a)	26,000	\$1,173,250
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Other Consumer Goods & Services—3.8%

Juno Lighting, Inc.	61,300	\$1,294,962
National Presto Industries, Inc.	17,000	732,063

2,027,025

Banks—4.4%

Banc One Corporation	23,674	\$1,497,380
Mellon Bank Corporation	13,400	850,900
		<hr/>
		2,348,280

Insurance—5.7%

PartnerRe Ltd.	32,500	\$1,596,562
Old Republic International Corporation	33,000	1,462,313
		<hr/>
		3,058,875

TV Programming—3.4%

Tele-Communications, Liberty Media, Class A (a)	52,800	\$1,815,000
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Publishing—5.0%

Dun & Bradstreet Corporation	45,000	\$1,538,437
Lee Enterprises, Inc.	33,900	1,137,769
		<hr/>
		2,676,206

Computer Services—3.4%

Electronic Data Systems Corporation	40,000	\$1,835,000
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Data Storage—3.2%

Imation Corp. (a)	92,200	\$1,705,700
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Automotive—7.7%

Chrysler Corporation	56,000	\$2,327,500
Borg-Warner Automotive, Inc.	15,000	961,875
Lear Corporation (a)	15,000	845,625
		<hr/>

4,135,000

Aerospace & Defense—2.5%

The Boeing Company 25,800 \$1,344,825

Machinery & Metal Processing—2.0%

General Signal Corporation 23,000 \$1,075,250

Building Materials & Construction—1.6%

Armstrong World
Industries, Inc. 9,600 \$831,000

Other Industrial Goods & Services—2.0%

Premark International, Inc. 31,500 \$1,043,438

Commercial Real Estate—4.6%

Catellus Development
Corporation (a) 132,728 \$2,463,763

Diversified Conglomerates—4.7%

U.S. Industries, Inc. 84,250 \$2,532,766

Foreign Securities—1.6%

DeBeers Centenary AG (b) 40,000 \$877,500

**Total Equity and Equivalents (Cost:
\$23,467,531)**

31,776,628

Fixed Income—34.5%

Preferred Stock—5.7%

Banks—4.9%

PennFirst Capital Trust 1,

Preferred, 8.625%	70,000	\$726,250
BBC Capital Trust 1, Preferred, 9.50%	28,000	724,500
Pennfed Capital Trust, Preferred, 8.90%	27,500	701,250
RBI Capital Trust I, Preferred, 9.10%	42,500	451,562
		<hr/>
		2,603,562

Other Financial—0.8%

Fidelity Capital Trust I, Preferred, 8.375%	43,500	\$445,875
--	--------	-----------

**Total Preferred Stock (Cost:
\$2,970,738) 3,049,437**

Corporate Bonds—3.1%

Other Consumer Goods & Services—0.4%

Samsonite Corp., 11.125% due 7/15/2005, Senior Subordinated Note Series B	\$200,000	\$231,500
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Aerospace & Automotive—0.4%

Coltec Industries, Inc., 9.75% due 4/1/2000	\$150,000	\$159,375
Coltec Industries, Inc., 9.75% due 11/1/1999	25,000	26,406
		<hr/>
		185,781

Building Materials & Construction—0.3%

USG Corporation, 9.25% due 9/15/2001, Senior Notes Series B	\$150,000	\$162,938
---	-----------	-----------

Utilities—0.3%

Midland Funding Corporation, 11.75% due		
--	--	--

7/23/2005

\$150,000

\$176,438

Other Industrial Goods & Services—1.7%

Scotsman Industries, Inc., 8.625% due 12/15/2007, Senior Subordinated Note	\$565,000	\$574,181
UCAR Global Enterprises Inc., 12.00% due 1/15/2005, Senior Subordinated Note	300,000	336,750
		<hr/>
		910,931

**Total Corporate Bonds (Cost:
\$1,611,530) 1,667,588**

*Government and Agency Securities—25.7%**U.S. Government Bonds—25.1%*

United States Treasury Notes, 7.50% due 5/15/2002	\$5,000,000	\$5,326,650
United States Treasury Notes, 7.875% due 11/15/2004	3,750,000	4,187,550
United States Treasury Notes, 7.125% due 9/30/1999	3,800,000	3,881,548
		<hr/>
		13,395,748

U.S. Government Agencies—0.6%

Federal Home Loan Bank, 6.405% due 4/10/2001, Consolidated Bond	\$300,000	\$304,797
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**Total Government and Agency
Securities (Cost: \$13,502,564) 13,700,545**

**Total Fixed Income (Cost:
\$18,084,832) 18,417,570**

Short Term Investments—7.0%

Commercial Paper—5.6%

American Express Credit Corp., 5.52% due 4/2/1998-4/3/1998	\$1,000,000	\$1,000,000
Ford Motor Credit Corp., 5.54% due 4/6/1998	500,000	500,000
General Electric Capital Corporation, 6.02% due 4/1/1998	1,500,000	1,500,000
		<hr/>
Total Commercial Paper (Cost: \$3,000,000)		3,000,000

Repurchase Agreements—1.4%

State Street Repurchase Agreement, 5.75% due 4/1/1998	\$729,000	\$729,000
		<hr/>
Total Repurchase Agreements (Cost: \$729,000)		729,000

Total Short Term Investments (Cost: \$3,729,000) 3,729,000

Total Investments (Cost \$45,281,363)—100.9% (c)	\$53,923,198
Other Liabilities In Excess Of Other Assets— (0.9)%	(468,113)
	<hr/>

Total Net Assets—100% \$53,455,085

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) At March 31, 1998, net unrealized appreciation of \$8,641,836, for federal income tax purposes consisted of gross unrealized appreciation of \$8,862,701 and gross depreciation of \$220,865.

The Oakmark International Fund



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

LETTER &
SUMMARY
INFORMATION

OAKMARK
FUND

OAKMARK
SELECT
FUND

OAKMARK
SMALL CAP
FUND

OAKMARK
EQUITY AND
INCOME FUND

OAKMARK
INTERNATIONAL
FUND

OAKMARK
INT'L SMALL
CAP FUND

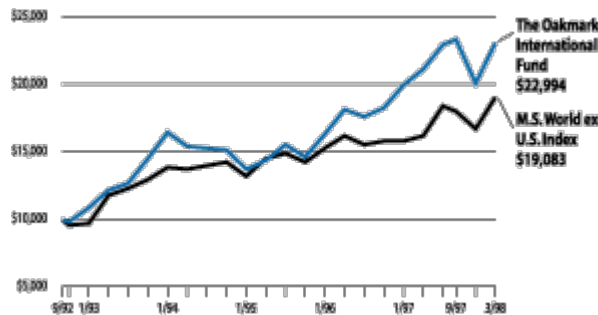
FINANCIAL
STATEMENTS

NOTES TO
FINANCIAL
STATEMENTS

FINANCIAL
HIGHLIGHTS

TRUSTEES
& OFFICERS

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (3/31/98) COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



3/31/98 NAV \$14.68

Average Annual
Total Return*
Through
3/31/98
From Fund
Inception
9/30/92

Total
Return
Last 3
mos.

	Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/98 From Fund Inception 9/30/92
The Oakmark International Fund	14.4%	16.3%
Morgan Stanley World ex U.S. w/inc.**	14.7%	12.5%
Morgan Stanley EAFE w/inc**	14.7%	12.3%
Lipper Analytical International Fund Index**	14.9%	14.6%

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

** Each of the three indexes or averages is an unmanaged group of stocks 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 Index includes 30 mutual funds that invest in securities whose primary markets are outside the United States. Past performance is no guarantee of future results.

FELLOW SHAREHOLDERS:

The quarter ended March 31, 1998 has been one marked by a rebound in international markets. This resulted in a strong gain of 14.4% for your Fund. More important, your Fund

has generated an average annual rate of return of 16.3% since its inception. This compares quite favorably with returns for this same period of 12.3% and 14.6% for the EAFE and Lipper International indices, respectively. It is important to point out that our returns since inception confirm the benefits of maintaining a long-term value approach in overseas markets. Going forward, we continue to believe that the foreign markets are attractively priced and we are extremely comfortable with how your portfolio is positioned in terms of future appreciation potential.

CHINA WILL TAKE ASIA HIGHER

Though the world has been exclusively preoccupied with recent events in greater East Asia, it has missed the historical change that is occurring in China. Progressive reformer Zhu Rongji has now replaced party hardliner Li Peng as Prime Minister. Head of State is still Jiang Zemin. Zhu has been in the government as economic czar and was formerly mayor of Shanghai. He is known for his stands against corruption and bureaucracy as well as his adherence to free market economic policies.

Though he has only recently been elected to his new position, he has entered the scene in dramatic fashion, promising to slice the bureaucracy in half, representing four million jobs. He has also vowed to reform and privatize the state-owned industries that have been holding China back and to implement new plans to stabilize and strengthen the banking system. More positive yet, listening to his economic philosophy, he sounds more like Adam Smith than even some Western leaders.

The importance of sound leadership in China cannot be overestimated. China is a nation of nearly 1.3 billion people and has potential to be one of the world's largest economies. On the microeconomic side, its people have a strong work ethic and entrepreneurial drive. They are educated and have a strong family structure. Unencumbered, there is no telling what they will be able to accomplish in terms of economic advancement. We believe the current government will facilitate rather than impede this advancement.

The strength of China will assist the rest of Asia. Given recent very positive political developments throughout the region, we are convinced that the stage is set for a strong recovery. With the exception of political laggards Indonesia and Japan, Asia is ready to resume growth on a more healthy and sustainable basis.

CURRENCY CONCERNS

One of the biggest areas of concern about China for many Wall Street strategists is the currency. They argue that because much of Asia has devalued, the renminbi and the Hong Kong dollar are next. While a devaluation is possible, we believe it is unlikely and also believe at current prices investors are more than compensated for devaluation risk by the extremely cheap valuations of companies in Hong Kong.

The strength of a nation's currency is ultimately dependent on supply and demand. From the supply side, China's responsible monetary policy (as designed by new Prime Minister Zhu Rongji when he was Finance Minister) is keeping money supply growth at a reasonable rate. On the demand side, China is still running a sizeable trade surplus and is still attracting a great deal of foreign direct investment. While the growth of both have slowed, they are still hugely positive and mean continuing demand for the renminbi. Finally, China has over \$140 billion in foreign reserves, an amount which ranks second in the world behind only Japan.

AND NOW FOR THE STOCKS....

Your Fund is extremely well positioned to take advantage of what we see are improving

conditions in East Asia, especially given the weakness in share prices since the summer of 1997. We are finding very reasonably priced, well-run businesses that will benefit over time from economic events. Examples in our portfolio include: hotel companies Mandarin and **Hong Kong and Shanghai Hotel Corp** (Peninsula), airline and aero engine maintenance company **HAECO**, and pan Asian clothing retailer **Giordano**. Each are leaders in their respective fields, have sound managements and are attractively priced. All are down substantially from their highs. Along with our investments in Malaysia and Korea, we firmly believe these companies in Asia will be strong contributors to the growth in the Fund's net asset value over the next five years.

AND, A WORD ABOUT A BLAST FROM THE PAST

A few years back, there was a change in the board chairman at Saatchi & Saatchi Plc. Though this change caused some initial instability and weakness in the share price, things have dramatically changed for the better over the past few years. First, the holding company was renamed Cordiant Plc. Secondly, new management was put in place that is very focused on building the **value** of the business rather than just the **size**. Then, in December last year, in a move designed to unlock shareholder value, the holding company split into its two major advertising groups, Saatchi & Saatchi Advertising and Bates Worldwide. Bates has kept the name Cordiant while Saatchi & Saatchi was relisted as such. Both have been doing extremely well from a business perspective and their share prices on the stock exchange have reflected the change as well. In fact, Saatchi & Saatchi is up year-to-date a stunning 45%! We feel that the share prices of both (which remain large positions in the Fund) have a long way to go.

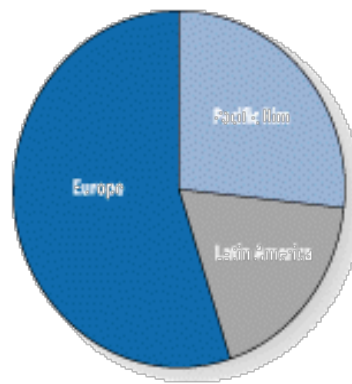


DAVID HERRO
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Co-Portfolio Manager
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April 2, 1998

THE OAKMARK INTERNATIONAL FUND
International Diversification—March 31, 1998



**% of Fund
Net Assets**

**% of Fund
Net Assets**

Europe	52.2%
Great Britain	25.5%
France	8.7%
Italy	5.7%
Switzerland	3.9%
Sweden	3.7%
Netherlands	3.1%
Finland	1.2%
Germany	0.2%
Spain	0.2%

Pacific Rim	25.4%
Hong Kong	6.8%
New Zealand	6.7%
Japan	3.6%
Korea	3.0%
Malaysia	1.9%
Singapore	1.7%
Australia	1.3%
Thailand	0.4%

Latin America	17.4%
Brazil	10.2%
Argentina	4.1%
Panama	3.1%

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—March 31, 1998 (Unaudited)

Description *Shares Held* *Market Value*

Common Stocks—95.0%

Consumer Non-Durables—5.5%

Fila Holding S.p.A. (Italy), (b)(e)	Athletic Footwear Manufacturing	2,294,500	\$53,777,344
Gucci Group (Netherlands), (b)	Luxury Goods	325,000	15,437,500
Yue Yuen Industrial Holdings (Hong Kong)	Athletic Footwear Manufacturing	3,245,600	6,324,664
BYC Co. Ltd. (Korea), (e)	Textile Manufacturer	33,540	1,549,863

77,089,371

Food & Beverage—18.4%

Quilmes Industrial SA (Argentina), (b)(e)	Brewer	5,082,800	\$58,134,525
Lion Nathan Limited (New Zealand)	Brewer	21,462,700	55,283,949
Tate & Lyle PLC (Great Britain)	Sugar Producer & Distributor	5,242,700	45,899,910
Pernod Ricard (France)	Manufactures Wines, Spirits, & Fruit Juices	602,579	40,933,563
Montedison S.p.A. (Italy)	Agro-industrial & Agricultural Services	17,486,000	25,754,202
Nestle SA (Switzerland)	Producer of Foods & Drinks	8,440	16,127,071
Lotte Chilsung Beverage Company (Korea), (e)	Manufacturer of Soft Drinks, Juices, & Sport Drinks	123,000	6,216,606
Lotte Confectionery Company (Korea)	Confection Manufacturer	65,270	5,937,921
Bongrain SA (France)	Dairy Products	8,812	4,493,089
			<hr/> 258,780,836

Household Products—2.1%

Amway Japan Limited (Japan)	Marketing of Household Products	1,866,700	\$28,023,268
Amway Japan Limited (Japan), (b)	Marketing of Household Products	152,400	1,228,725
			<hr/> 29,251,993

Retail—1.2%

Giordano International Limited (Hong Kong), (e)	East Asian Clothing Retailer & Manufacturer	67,299,000	\$17,283,322
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Other Consumer Goods & Services—4.5%

Mandarin Oriental Hotel Management International Limited (Singapore)		29,039,000	\$23,231,200
Sankyo Company, Pachinko Machine Ltd. (Japan)	Manufacturer	1,172,800	21,567,723
The Hongkong and Shanghai Hotels, Limited (Hong Kong)	Hotel Operator	23,233,000	19,039,019
			<hr/>
			63,837,942

Telecommunications—3.8%

Technology Resources Industries Berhad (Malaysia)	Telecommunications	22,810,000	\$25,997,150
Telecomunicacoes Brasileiras S.A. (Brazil)	Telecommunications	223,100,000	23,055,629
SK Telecom Co. Ltd. (Korea)	Telecommunications	10,395	4,045,419
			<hr/>
			53,098,198

Transportation—3.7%

Volvo AB, Class B (Sweden)	Automobiles and Trucks	1,642,600	\$52,284,623
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Transportation Services—2.8%

Danzas Holding AG (Switzerland), (a)	Freight Distributor	149,950	\$38,852,247
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Banks—7.7%

Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)(e)	Multinational Bank	1,148,600	\$43,216,075
Uniao de Bancos Brasileiros S.A.	Major Brazilian Bank		

(Brazil), (c)		1,155,000	41,868,750
Uniao de Bancos Brasileiros S.A.— units (Brazil)	Major Brazilian Bank	291,912,500	21,001,268
Banco Popular Espanol SA (Spain)	Large Spanish Bank	25,972	2,522,389
			<hr/>
			108,608,482

Other Financial—4.4%

Sedgwick Group plc (Great Britain)	Insurance Broker, Financial Services	22,985,000	\$61,370,595
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Marketing Services—7.0%

Saatchi & Saatchi plc (Great Britain), (a)(e)	Advertising Services	20,297,578	\$54,025,212
Cordiant Communications Group plc (Great Britain), (e)	Advertising Services	21,497,578	44,263,911
			<hr/>
			98,289,123

Broadcasting & Publishing—1.6%

Europe 1 Communication (France)	Television Production	74,020	\$19,682,930
Woongjin Publishing Company (Korea), (e)	Publisher	148,410	3,182,511
			<hr/>
			22,865,441

Aerospace—5.1%

Rolls-Royce plc (Great Britain)	Jet Engines	11,218,552	\$52,254,893
Hong Kong Aircraft Engineering Company Ltd. (Hong Kong), (e)	Commercial Aircraft Overhaul & Maintenance	10,208,900	19,762,221

72,017,114

Chemicals—4.8%

Fernz Corporation Agricultural & Limited (New Zealand), (e)	Industrial Chemical Producer	14,044,900	\$38,816,595
European Vinyls Corporation International N.V. (Netherlands), (e)	PVC Manufacturer	1,367,785	28,209,192
			<hr/>
			67,025,787

Components—2.2%

Varitronix International Limited (Hong Kong), (e)	Liquid Crystal Displays	15,538,000	\$31,181,073
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Machinery & Metal Processing—0.2%

The Rauma Group (Finland)	Pulp Machinery	155,000	\$2,871,163
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Mining and Building Materials—2.3%

Pioneer International Limited (Australia)	Concrete Products, Aggregates	6,585,176	\$18,944,708
Keumkang Ltd. (Korea), (e)	Building Materials	470,660	6,898,482
Siam City Cement Public Company Limited (Thailand)	Cement Producer	2,082,349	5,556,459
Asia Cement Manufacturing Company Ltd. (Korea)	Cement Producer	40,350	\$407,870
			<hr/>
			31,807,519

Other Industrial Goods & Services—10.3%

Tomkins plc (Great Britain)	Industrial Management Company	12,595,000	\$76,798,502
Chargeurs SA (France), (e)	Wool Production Holding Company	614,249	39,744,066
Kone Corporation, Class B (Finland)	Elevators	103,870	14,060,362
Groupe Legris Industries SA (France)	European Crane Manufacturer	217,815	9,489,318
Buderus AG (Germany), (a)	Industrial Manufacturing Firm	7,600	3,418,778
Dongah Tire Industry Company (Korea), (a)	Tire Manufacturer	35,000	1,490,975
			<hr/>
			145,002,001

Steel—4.1%

USIMINAS (Brazil), (a)(e)	Steel Production	7,011,370	\$56,732,281
Pohang Iron & Steel Company Ltd. (Korea)	Manufactures Steel Products	14,000	626,715
			<hr/>
			57,358,996

Diversified Conglomerates—3.3%

Securicor plc (Great Britain)	Diversified Consumer Services Company	3,550,500	\$24,249,613
Tae Young Corporation (Korea), (e)	Heavy Construction	560,480	11,978,490
Compagnie Generale des Eaux (France)	Industrial Services	50,000	8,116,176
Lamex Holdings Ltd. (Hong Kong), (e)	Office Furniture Supplier	14,040,000	1,793,774
			<hr/>
			46,138,053

Total Common Stocks (Cost: \$1,275,806,431)

1,335,013,879

*Principal Market Value
Value*

Short Term Investments—4.6%

Commercial Paper—3.6%

American Express Credit Corp., 5.52%–5.53% due 4/13/1998– 4/17/1998	\$20,000,000	\$20,000,000
Ford Motor Credit Corp., 5.53% due 4/3/1998–4/14/1998	10,000,000	10,000,000
General Electric Capital Corporation, 6.02% due 4/1/1998	20,000,000	20,000,000
		<hr/>
		50,000,000

Repurchase Agreements—1.0%

State Street Repurchase Agreement, 5.75% due 4/1/1998	\$14,052,000	\$14,052,000
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**Total Short Term Investments (Cost:
\$64,052,000)**

64,052,000

Total Investments (Cost \$1,339,858,431)—99.6% (f)	\$1,399,065,879
Foreign Currencies (Proceeds \$1,158,033)—0.1%	1,149,513
Other Assets In Excess Of Other Liabilities—0.3% (d)	4,322,769
	<hr/>

Total Net Assets—100%

\$1,404,538,161

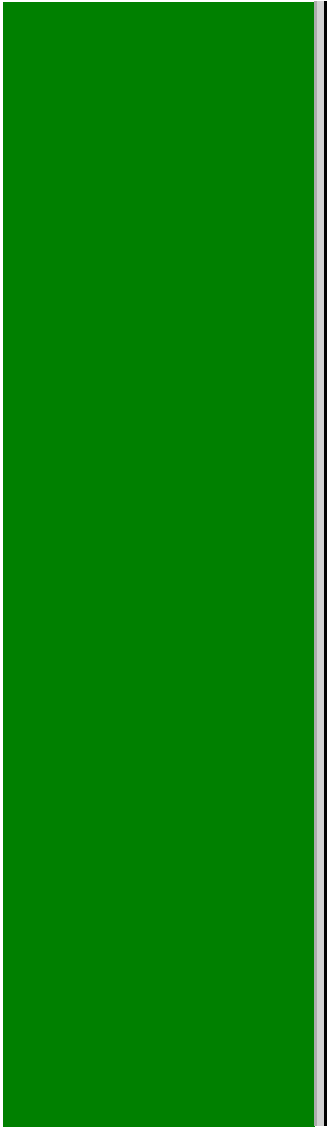
(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents a Global Depository Receipt.

(d) Includes portfolio and transaction hedges.

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



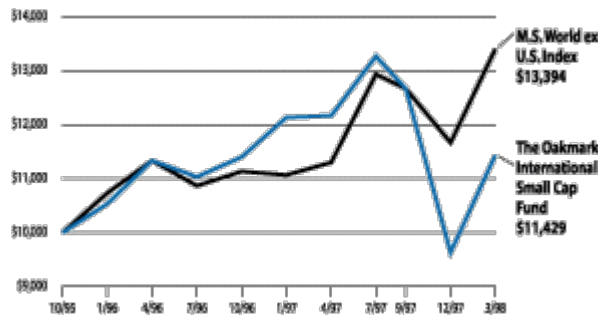
(e) At March 31, 1998, net unrealized depreciation of \$59,198,928, for federal income tax purposes consisted of gross unrealized appreciation of \$217,932,134 and gross depreciation of \$158,733,206.

The Oakmark International Small Cap Fund

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



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/98) AS COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



3/31/98 NAV \$9.59

Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/98 From Fund Inception 11/1/95
18.5%	5.7%

	Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/98 From Fund Inception 11/1/95
The Oakmark International Small Cap Fund	18.5%	5.7%
Morgan Stanley World ex U.S. w/inc.**	14.7%	12.9%
Lipper Analytical International Small Cap Fund Average**	18.0%	14.3%
Micropal International Small Co. Fund Index**	17.2%	13.6%

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

** Each of the three indexes or averages is an unmanaged group of indexes or funds whose composition is different from the Fund. The Morgan Stanley World ex U.S. Index includes 19 country sub-indexes. The Lipper International Small Cap Fund Average includes 48 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:

For the second fiscal quarter ended March 31, 1998, The International Small Cap Fund achieved its best ever quarterly return of 18.5%. This compares favorably with returns of

14.7% for the Morgan Stanley World ex-U.S. index and 17.2% for the Micropal International Small Cap Index.

World equity markets have bounced back strongly from a difficult ending in 1997. European markets have been especially buoyant, though a stronger dollar has trimmed some of the gains for US investors. In addition, the bombed out markets of emerging Asia have started the year strongly. This is especially true of Korea and Thailand, which were both up over 40% in US dollars.

Conversely, the Japanese equity market continues its dramatic underperformance of the rest of the world's developed markets. The equity markets, especially for small capitalization companies, continue to be sold down due to near-universal negative sentiment and to frustration with the paralysis of the country's politicians. While the short term remains uncertain, we believe that Japanese small caps currently are at some of the cheapest valuations in the world.

In summary, although many overseas markets have performed well recently, we still see excellent value opportunities throughout the world, and remain especially excited by the prospects for the companies in your portfolio.

LONG-TERM INVESTING

As you know, we invest the Fund's assets using a disciplined, long-term value approach. One of the many advantages of this approach is the ability to capitalize on the market's fixation with short run factors. Consistently, history has shown that the best investment opportunities arrive when the situation looks the most bleak (or, as John Templeton calls it, "at the point of maximum pessimism"). While many will pay lip service to this concept, very few investors have the discipline to implement it.

In our last quarterly letter we described in great detail the specific company investments which had the biggest impact on the Fund's net asset value for the calendar year 1997. The five stocks with the largest negative impacts were all in Asia and each one experienced huge downward price volatility in the fourth quarter. As prices continued to plunge, we continued to buy as market prices reflected larger and larger discounts to underlying intrinsic value.

Now, three months later, the picture has changed dramatically for 1997's five worst performers. These companies—Woonjin Publishing (Korea), Hite Brewery (Korea), Matichon (Thailand), Daimon (Japan), and JCG Holdings (Hong Kong)—were up an impressive 60% on average for the quarter. And from their fourth quarter lows, their share prices were up nearly 100% on average in US dollar terms.

In times of panic like the fourth quarter of 1997 in Asia, great investment opportunities emerge. As stock pickers, our job is to evaluate all the opportunities markets around the world have to offer, and to invest in those which meet our demanding value criteria. This is exactly the philosophy we used in the fourth quarter when many investors decided they simply wanted out of Asia regardless of price.

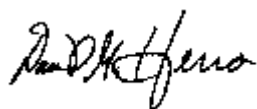
ASIA THREE MONTHS LATER

Make no mistake, neither the flow of negative news nor the short-term volatility in Asia are over. It appears, however, that at least the panic selling in the markets and the currencies has ended. There has even been an increasing trickle of positive news, mainly political in nature. The new leadership in Thailand and Korea have shown very encouraging signs of jettisoning the discredited ways of the past, freeing up their economies and implementing IMF reforms. Developments in China have also been positive, as we detail in this quarter's letter for The

Oakmark International Fund.

Conversely, politicians and the entrenched bureaucracy in Japan seem intent on continuing to play Nero, fiddling while their economy and financial system burn. Their time to dither appears to be running out and the positive changes we are seeing in the corporate sector (closer attention to returns, share buybacks, restructuring) should eventually translate into changes in the way the country is governed. Regardless, even considering pessimistic scenarios, the Fund's investments in Japan trade at significant discounts to underlying business value.

While most Asian markets have snapped back from the lows, we are still very excited about the values we are finding for The Oakmark International Small Cap Fund. Your Fund's investments in the region represent 45% of the total portfolio and are composed of 8.1% in Hong Kong, 7.3% in South Korea, 11.5% in Japan, 13.1% in Australia and New Zealand, 2.7% in Thailand, and 1.9% in the Philippines. These businesses all trade at significant discounts to business value and are run by shareholder-oriented managements.



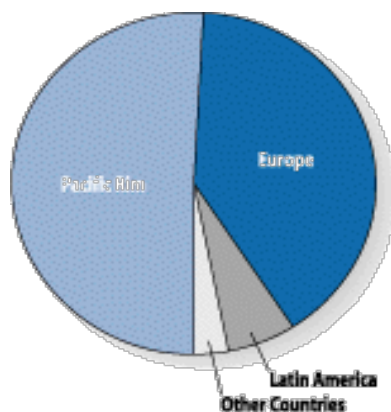
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April 2, 1998

THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—March 31, 1998



% of Fund
Net Assets

% of Fund
Net Assets

Pacific Rim	44.6%
Japan	11.5%
Hong Kong	8.1%
Korea	7.3%
New Zealand	6.9%
Australia	6.2%
Thailand	2.7%
Philippines	1.9%

Latin America	5.4%
Brazil	4.7%
Panama	0.7%

Europe	35.1%
Great Britain	19.2%
Germany	5.6%
Italy	3.1%
France	3.1%
Netherlands	2.8%
Turkey	1.3%

Other	2.6%
Canada	2.6%

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—March 31, 1998 (Unaudited)

<i>Description</i>	<i>Shares Held Market Value</i>	
<i>Common Stocks—87.7%</i>		
<i>Consumer Non-Durables—0.8%</i>		
Designer Textiles (NZ) Limited (New Zealand), (d)	Knit Fabrics	2,960,000 \$736,263
<i>Food & Beverage—7.1%</i>		
Matthew Clark plc (Great Britain)	Spirits & Drinks	984,000 \$3,483,859
Alaska Milk Corporation (Philippines), (a)	Milk Producer	28,587,000 1,639,991
Hite Brewery Company (Korea)	Brewer	110,010 1,008,756
		6,132,606
<i>Household Products—2.6%</i>		
WMF (Germany)	Tableware and Kitchenware	7,032 \$1,121,592
Eczacibasi Yapi Gerecleri Sanayi		

ve Ticaret A.S. (Turkey), (a)	Ceramic Bath Products	55,531,200	1,096,394
			<hr/>
			2,217,986

Retail—6.9%

Somerfield plc (Great Britain)	Food Retailer	341,000	\$2,040,730
Daimon (Japan), (d)	Liquor Retailer & Distributor	577,200	1,646,358
Paris Miki Inc. (Japan)	Optical Supplies Retailer	67,800	961,846
Giordano International Limited (Hong Kong)	East Asian Clothing Retailer & Manufacturer	3,210,000	824,373
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores	2,906,000	555,038
			<hr/>
			6,028,345

Other Consumer Goods & Services—8.0%

CeWe Color Holding AG (Germany)	Photo Equipment & Supplies	14,850	\$3,733,476
Sanford Limited (New Zealand)	Fisheries	1,604,940	2,350,896
Vardon plc (Great Britain)	Bingo Clubs	285,000	889,772
			<hr/>
			6,974,144

Telecommunications—0.4%

SK Telecom Co. Ltd. (Korea)	Telecommunications	803	\$312,503
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Pharmaceutical—3.1%

Recordati (Italy)	Pharmaceuticals	224,500	\$2,715,428
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Banks—1.0%

Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Multinational Bank	15,300	\$575,662
Shinhan Bank (Korea)	Commercial Bank	47,765	249,686
Kookmin Bank (Korea)	Commercial Bank	6,985	52,957
Kookmin Bank Rights (Korea)	Commercial Bank	6,985	4,427
			<hr/>
			882,732

Investment Companies—0.9%

Direct Capital Partners Limited (New Zealand)	Investment Fund for Unlisted New Zealand Companies	2,237,000	\$741,901
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Other Financial—10.4%

JCG Holdings Ltd. (Hong Kong)	Investment Holding Company	7,508,000	\$3,851,474
Lambert Fenchurch Group plc (Great Britain)	Insurance Broker	2,031,000	3,824,878
Ichiyoshi Securities (Japan)	Stock Broker	915,000	1,311,803
			<hr/>
			8,988,155

Computer Software—4.7%

Enix Corporation (Japan)	Entertainment Software	130,200	\$2,853,698
Koei (Japan)	Computer Software	165,500	1,254,682
			<hr/>
			4,108,380

Computer Systems—2.7%

Solution 6

Holdings Limited (Australia), (a)(d)	Systems Design & Consulting	4,050,893	\$2,303,990
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Marketing Services—7.4%

Cordiant Communications Group plc (Great Britain)	Advertising Services	1,808,500	\$3,723,735
Saatchi & Saatchi plc (Great Britain), (a)	Advertising Services	1,022,500	2,721,545
			<hr/>
			6,445,280

Broadcasting & Publishing—5.9%

Woongjin Publishing Company (Korea), (d)	Publisher	130,216	\$2,792,358
Matichon Public Company Limited, Foreign Shares (Thailand), (d)	Newspaper Publisher	1,468,100	2,238,526
Matichon Public Company Limited (Thailand), (d)	Newspaper Publisher	70,400	72,010
			<hr/>
			5,102,894

Chemicals—2.8%

European Vinyls Corporation International N.V. (Netherlands)	PVC Manufacturer	117,100	\$2,415,070
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Machinery & Metal Processing—0.7%

Denyo Co., Ltd. (Japan)	Welding Machines & Power Generators	114,000	\$581,873
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Mining and Building Materials—4.0%

Parbury Limited (Australia), (d)	Building Products	11,019,712	\$3,097,351
Asia Cement Manufacturing Company Ltd. (Korea)	Cement Producer	36,150	365,415
			<hr/>
			3,462,766

Other Industrial Goods & Services—10.7%

Elevadores Atlas, SA (Brazil)	Elevators	279,200	\$4,051,715
Yip's Hang Cheung Ltd. (Hong Kong)	Paint & Solvents	23,218,000	1,558,094
Nishio Rent All Company (Japan)	Construction Equipment Rental	159,200	1,422,015
Dongah Tire Industry Company (Korea), (a)	Tire Manufacturer	29,900	1,273,719
Groupe Legris Industries SA (France)	European Crane Manufacturer	17,400	758,048
Lamex Holdings Ltd. (Hong Kong)	Office Furniture Supplier	2,110,000	269,577
			<hr/>
			9,333,168

Production Equipment—4.8%

Skyjack Inc. (Canada), (a)	Producer of Elevating Platforms & Lifts	118,700	\$2,215,912
NSC Groupe (France)	Manufacturer of Textile Equipment	14,895	1,970,779
			<hr/>
			4,186,691

Steel—2.8%

Steel & Tube

Holdings Ltd. (New Zealand)	Produces and Distributes Steel	2,242,400	\$2,169,102
Pohang Iron & Steel Company Ltd. (Korea)	Manufactures Steel Products	6,580	294,556
			<hr/>
			2,463,658
Total Common Stocks (Cost: \$83,833,573)			76,133,833

Principal Value Market Value

Short Term Investments—9.2%

Commercial Paper—6.9%

American Express Credit Corporation, 5.53%–5.59% due 4/1/1998–4/8/1998	\$2,000,000	\$2,000,000
Ford Motor Credit Corp., 5.55%– 5.57% due 4/3/1998–4/6/1998	1,500,000	1,500,000
General Electric Capital Corporation, 6.02% due 4/1/1998	2,500,000	2,500,000
		<hr/>
		6,000,000

Repurchase Agreements—2.3%

State Street Repurchase Agreement, 5.75% due 4/1/1998	\$2,001,000	\$2,001,000
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Total Short Term Investments (Cost: \$8,001,000) 8,001,000

Total Investments (Cost \$91,834,573) —96.9% (e)		\$84,134,833
Foreign Currencies (Proceeds \$11,921)—0.0%		11,921
Other Assets In Excess Of Other Liabilities—3.1% (c)		2,694,844
		<hr/>

Total Net Assets—100%

\$86,841,598

- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) Includes transaction hedges.
- (d) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.
- (e) At March 31, 1998, net unrealized depreciation of \$7,699,659, for federal income tax purposes consisted of gross unrealized appreciation of \$6,775,502 and gross depreciation of \$14,475,161.

THE OAKMARK FAMILY OF FUNDS

Statement of Assets and Liabilities—March 31, 1998

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& OFFICERS

	THE OAKMARK FUND	THE OAKMARK SELECT FUND	THE OAKMARK SMALL CAP FUND	THE OAKMARK EQUITY AND INCOME FUND	THE OAKMARK INTERNATIONAL FUND	THE OAKMARK INTERNATIONAL SMALL CAP FUND
Assets						
Investments, at value	\$9,289,480,621	\$1,496,796,894	\$1,433,827,053	\$53,923,198	\$1,399,065,879	\$84,134,833
	(cost: \$6,897,765,599)	(cost: \$1,182,504,745)	(cost: \$1,087,256,448)	(cost: \$45,281,363)	(cost: \$1,339,858,431)	(cost: \$91,834,573)
Cash	909	803	695	527	3,904,143	632
Foreign currency, at value	0	0	0	0	1,149,513	12,003
Collateral for securities loaned, at value	0	103,024,970	144,533,644	3,367,985	149,912,019	1,328,000
Receivable for:						
Forward foreign currency contracts	0	0	0	0	177,070	0
Securities sold	19,773,233	0	1,228,978	0	1,739,065	840,463
Fund shares sold	16,606,899	13,245,891	1,557,114	245,748	3,194,865	2,242,296
Dividends and interest	21,443,125	486,690	786,560	380,748	8,294,468	613,293
Total receivables	57,823,257	13,732,521	3,572,652	626,496	13,405,468	3,696,052
Other assets	0	2,540	3,766	3,766	0	3,767
Total assets	<u>\$9,347,304,787</u>	<u>\$1,613,557,788</u>	<u>\$1,581,937,810</u>	<u>\$57,921,972</u>	<u>\$1,567,437,022</u>	<u>\$89,175,287</u>
Liabilities and Net Assets						
Payable for:						
Collateral for securities loaned, at value	\$0	\$103,024,970	\$144,533,644	\$3,367,985	\$149,912,019	\$1,328,000
Securities purchased	411,535,249	21,317,645	3,242,413	971,764	8,567,044	721,276
Fund shares redeemed	8,269,287	747,878	3,319,014	49,183	1,237,053	68,558
Due to adviser	6,459,053	1,057,798	1,420,886	29,602	1,101,882	76,402
Forward foreign currency contracts	0	0	0	0	1,250,165	5,968
Other	2,649,485	545,496	459,829	48,353	830,698	133,485
Total liabilities	428,913,074	126,693,787	152,975,786	4,466,887	162,898,861	2,333,689
Net assets applicable to fund shares outstanding	<u>\$8,918,391,713</u>	<u>\$1,486,864,001</u>	<u>\$1,428,962,024</u>	<u>\$53,455,085</u>	<u>\$1,404,538,161</u>	<u>\$86,841,598</u>
Fund shares outstanding	<u>200,715,978</u>	<u>74,843,827</u>	<u>68,713,861</u>	<u>3,576,587</u>	<u>95,692,819</u>	<u>9,059,700</u>
Price of Shares						
Net asset value per share	<u>\$44.43</u>	<u>\$19.87</u>	<u>\$20.80</u>	<u>\$14.95</u>	<u>\$14.68</u>	<u>\$9.59</u>
Analysis of Net Assets						
Paid in capital	\$5,950,210,580	\$1,163,238,683	\$1,053,623,090	\$44,331,604	\$1,307,485,365	\$93,771,374
Accumulated undistributed net realized gain on sale of investments, forward contracts and foreign currency exchange transactions	544,826,405	8,487,779	33,564,804	114,832	15,096,240	110,463
Net unrealized appreciation/depreciation of investments	2,391,715,022	314,292,149	346,570,605	8,641,836	59,198,928	(7,699,659)
Net unrealized depreciation of foreign currency portfolio hedges	0	0	0	0	(1,041,815)	0
Net unrealized appreciation/depreciation—other	0	0	0	0	(57,810)	7,037
Accumulated undistributed net investment income (loss)	31,639,706	845,390	(4,796,475)	366,813	23,857,253	652,383
Net assets applicable to Fund shares outstanding	<u>\$8,918,391,713</u>	<u>\$1,486,864,001</u>	<u>\$1,428,962,024</u>	<u>\$53,455,085</u>	<u>\$1,404,538,161</u>	<u>\$86,841,598</u>

THE OAKMARK FAMILY OF FUNDS

Statement of Operations—March 31, 1998

	THE OAKMARK FUND	THE OAKMARK SELECT FUND	THE OAKMARK SMALL CAP FUND	THE OAKMARK EQUITY AND INCOME FUND	THE OAKMARK INTERNATIONAL FUND	THE OAKMARK INTERNATIONAL SMALL CAP FUND
Investment Income:						
Dividends	\$62,534,109	\$4,204,811	\$4,819,061	\$331,902	\$15,720,184	1,007,674

Interest Income	25,585,555	2,306,096	2,107,212	442,370	1,472,442	110,067
Securities lending income	0	27,365	203,283	3,059	1,087,514	4,814
Foreign taxes withheld	<u>(1,025,061)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(852,866)</u>	<u>(98,308)</u>
Total investment income	87,094,603	6,538,272	7,129,556	777,331	17,427,274	1,024,247
Expenses:						
Investment advisory fee	33,717,852	4,349,918	8,829,969	147,225	6,775,248	377,130
Transfer and dividend disbursing agent fees	1,903,507	381,831	445,863	39,877	472,479	46,434
Other shareholder servicing fees	1,430,693	284,566	396,980	4,461	297,504	11,466
Reports to shareholders	773,063	78,084	159,128	7,562	188,510	15,159
Custody and accounting fees	409,676	77,842	101,028	23,996	690,517	88,054
Registration and blue sky expenses	347,857	233,976	18,861	18,356	20,156	15,640
Trustees fees	23,028	7,306	9,248	4,707	6,894	4,597
Legal fees	24,443	6,212	8,889	4,602	8,031	5,441
Audit fees	11,783	9,290	9,690	9,590	13,180	12,083
Other	<u>191,351</u>	<u>18,777</u>	<u>33,613</u>	<u>5,005</u>	<u>99,564</u>	<u>10,057</u>
Total expenses	38,833,253	5,447,802	10,013,269	265,381	8,572,083	586,061
Expense offset arrangements	<u>(4,367)</u>	<u>(1,806)</u>	<u>(47,877)</u>	<u>(64)</u>	<u>(72,897)</u>	<u>(279)</u>
Net expenses	<u>38,828,886</u>	<u>5,445,996</u>	<u>9,965,392</u>	<u>265,317</u>	<u>8,499,186</u>	<u>585,782</u>
Net Investment Income (loss):	48,265,717	1,092,276	(2,835,836)	512,014	8,928,088	438,465
Net realized and unrealized gain (loss) on investments and foreign currency transactions:						
Net realized gain on investments	633,222,207	10,299,431	49,515,599	691,349	47,920,883	1,592,506
Net realized loss on foreign currency transactions	(8,898)	0	0	0	(2,651,824)	(106,249)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	372,029,008	226,616,982	38,608,650	3,183,600	(94,851,410)	(6,531,506)
Net change in appreciation (depreciation) of forward currency exchange contracts	0	0	0	0	(1,603,281)	(5,968)
Net change in appreciation (depreciation)—other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(29,929)</u>	<u>9,536</u>
Net realized and unrealized gain (loss) on investments and foreign currency transactions:	<u>1,005,242,317</u>	<u>236,916,413</u>	<u>88,124,249</u>	<u>3,874,949</u>	<u>(51,215,561)</u>	<u>(5,041,681)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$1,053,508,034</u>	<u>\$238,008,689</u>	<u>\$85,288,413</u>	<u>\$4,386,963</u>	<u>\$(42,287,473)</u>	<u>\$(4,603,216)</u>

THE OAKMARK FAMILY OF FUNDS

Statement of Changes in Net Assets—March 31, 1998

THE OAKMARK FUND

Six Months Ended
March 31, 1998

Eleven Months Ended
September 30, 1997

From Operations:

Net investment income	\$ 48,265,717	\$ 55,858,346
Net realized gain on sale of investments	633,222,207	239,442,987
Net realized loss on foreign currency transactions	(8,898)	(2,673)
Net change in unrealized appreciation	372,029,008	1,231,138,352

Net increase in net assets from operations

1,053,508,034

1,526,437,012

Distribution to shareholders from:*

Net investment income	(66,320,892)	(41,659,757)
Net realized short-term gain	(25,210,568)	(13,947,126)
Net realized long-term gain	(302,991,525)	(212,039,549)

Total distributions to shareholders

(394,522,985)

(267,646,432)

From Fund share transactions:

Proceeds from shares sold	1,885,741,953	2,107,074,877
Reinvestment of dividends and capital gain distributions	376,564,699	256,384,877
Payments for shares redeemed	(617,848,616)	(941,237,366)

Net increase in net assets from Fund share transactions	1,644,458,036	1,422,222,388
Total increase in net assets	2,303,443,085	2,681,012,968
Net assets:		
Beginning of period	6,614,948,628	3,933,935,660
End of period	\$ 8,918,391,713	\$ 6,614,948,628
Undistributed net investment income	\$ 31,639,706	\$ 49,694,881
* Distributions per share:		
Net investment income	0.3996	0.3441
Net realized short-term gain	0.1519	0.1152
Net realized long-term gain	1.8256	1.7514
Total distributions to shareholders	\$ 2.3771	\$ 2.2107

THE OAKMARK SELECT FUND

	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997
From Operations:		
Net investment income (loss)	\$ 1,092,276	\$ (246,886)
Net realized gain on sale of investments	10,299,431	5,070,435
Net change in unrealized appreciation	226,616,982	87,675,167
Net increase in net assets from operations	238,008,689	92,498,716
Distribution to shareholders from:*		
Net investment income	0	0
Net realized short-term gain	(6,882,086)	0
Net realized long-term gain	0	0
Total distributions to shareholders	(6,882,086)	0
From Fund share transactions:		
Proceeds from shares sold	960,911,310	571,117,746
Reinvestment of dividends and capital gain distributions	6,562,085	—
Payments for shares redeemed	(225,910,569)	(149,441,890)
Net increase in net assets from Fund share transactions	741,562,826	421,675,856
Total increase in net assets	972,689,429	514,174,572
Net assets:		
Beginning of period	514,174,572	0
End of period	\$ 1,486,864,001	\$ 514,174,572

Undistributed net investment income (loss)	\$ 845,390	\$ (246,886)
* Distributions per share:		
Net investment income	0	0
Net realized short-term gain	0.1678	0
Net realized long-term gain	0	0
Total distributions to shareholders	\$ 0.1678	\$ 0

THE OAKMARK SMALL CAP FUND

	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997
From Operations:		
Net investment loss	\$ (2,835,836)	\$ (1,684,439)
Net realized gain on sale of investments	49,515,599	46,501,798
Net change in unrealized appreciation	38,608,650	287,859,202
Net increase in net assets from operations	85,288,413	332,676,561
Distribution to shareholders from:*		
Net investment income	0	0
Net realized short-term gain	(35,041,338)	0
Net realized long-term gain	(27,167,964)	0
Total distributions to shareholders	(62,209,302)	0
From Fund share transactions:		
Proceeds from shares sold	316,443,701	1,289,718,462
Reinvestment of dividends and capital gain distributions	58,840,098	0
Payments for shares redeemed	(482,796,526)	(327,419,790)
Net increase (decrease) in net assets from Fund share transactions	(107,512,727)	962,298,672
Total increase (decrease) in net assets	(84,433,616)	1,294,975,233
Net assets:		
Beginning of period	1,513,395,640	218,420,407
End of period	\$ 1,428,962,024	\$ 1,513,395,640
Undistributed net investment loss	\$ (4,796,475)	\$ (1,960,639)
* Distributions per share:		
Net investment income	0	0
Net realized short-term gain	0.4738	0
Net realized long-term gain	0.3674	0
Total distributions to shareholders	\$ 0.8412	\$ 0

THE OAKMARK EQUITY AND INCOME FUND

	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997
From Operations:		
Net investment income	\$ 512,014	\$ 471,744
Net realized gain on sale of investments	691,349	904,824
Net change in unrealized appreciation	3,183,600	4,554,518
	4,386,963	5,931,086
Net increase in net assets from operations		
Distribution to shareholders from:*		
Net investment income	(594,007)	(148,466)
Net realized short-term gain	(882,071)	(162,188)
Net realized long-term gain	(599,021)	0
	(2,075,099)	(310,654)
Total distributions to shareholders		
From Fund share transactions:		
Proceeds from shares sold	23,850,818	24,903,007
Reinvestment of dividends and capital gain distributions	1,964,129	288,850
Payments for shares redeemed	(8,134,239)	(11,148,702)
	17,680,708	14,043,155
Net increase in net assets from Fund share transactions		
	19,992,572	19,663,587
Total increase in net assets		
Net assets:		
Beginning of period	33,462,513	13,798,926
End of period	\$ 53,455,085	\$ 33,462,513
Undistributed net investment income	\$ 366,813	\$ 448,806
* Distributions per share:		
Net investment income	0.2359	0.1202
Net realized short-term gain	0.3503	0.1311
Net realized long-term gain	0.2379	0
	\$ 0.8241	\$ 0.2513
Total distributions to shareholders		

THE OAKMARK INTERNATIONAL FUND

	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997
From Operations:		
Net investment income	\$ 8,928,088	\$ 27,666,383
Net realized gain on sale of investments	47,920,883	217,090,057

Net realized gain (loss) on foreign currency transactions	(2,651,824)	17,724,883
Net change in unrealized appreciation (depreciation)	(94,851,410)	70,717,122
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	(1,603,281)	3,426,674
Net change in unrealized appreciation (depreciation)—other	(29,929)	197,532
	<hr/>	<hr/>
Net increase in net assets from operations	(42,287,473)	336,822,651
Distribution to shareholders from:*		
Net investment income	(46,460,844)	(12,477,945)
Net realized short-term gain	(57,985,562)	0
Net realized long-term gain	(173,100,255)	0
	<hr/>	<hr/>
Total distributions to shareholders	(277,546,661)	(12,477,945)
From Fund share transactions:		
Proceeds from shares sold	355,734,693	710,447,882
Reinvestment of dividends and capital gain distributions	263,407,668	11,903,359
Payments for shares redeemed	(542,117,597)	(572,115,610)
	<hr/>	<hr/>
Net increase in net assets from Fund share transactions	77,024,764	150,235,631
	<hr/>	<hr/>
Total increase (decrease) in net assets	(242,809,370)	474,580,337
Net assets:		
Beginning of period	1,647,347,531	1,172,767,194
	<hr/>	<hr/>
End of period	\$ 1,404,538,161	\$ 1,647,347,531
	<hr/>	<hr/>
Undistributed net investment income	\$ 23,857,253	\$ 61,390,009
	<hr/>	<hr/>
* Distributions per share:		
Net investment income	0.5758	0.1617
Net realized short-term gain	0.7186	0
Net realized long-term gain	2.1453	0
	<hr/>	<hr/>
Total distributions to shareholders	\$ 3.4397	\$ 0.1617

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Six Months Ended **Eleven Months Ended**
March 31, 1998 **September 30, 1997**

From Operations:		
Net investment income	\$ 438,465	\$ 646,048
Net realized gain on sale of investments	1,592,506	6,250,624
Net realized loss on foreign currency transactions	(106,249)	(232,740)
Net change in unrealized depreciation	(6,531,506)	(1,464,546)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	(5,968)	0
Net change in unrealized appreciation—other	9,536	5,257
	<hr/>	<hr/>
Net increase in net assets from operations	(4,603,216)	5,204,643

Distribution to shareholders from:*

Net investment income	(308,015)	(279,216)
Net realized short-term gain	(3,477,982)	(1,285,114)
Net realized long-term gain	(3,890,139)	0

Total distributions to shareholders

(7,676,136) (1,564,330)

From Fund share transactions:

Proceeds from shares sold	53,050,486	63,012,100
Reinvestment of dividends and capital gain distributions	7,422,967	1,523,977
Payments for shares redeemed	(27,325,303)	(41,955,631)

Net increase in net assets from Fund share transactions

33,148,150 22,580,446

Total increase in net assets

20,868,798 26,220,759

Net assets:

Beginning of period	65,972,800	39,752,041
End of period	\$ 86,841,598	\$ 65,972,800

Undistributed net investment income

\$ 652,383 \$ 521,933

*** Distributions per share:**

Net investment income	0.0559	0.0777
Net realized short-term gain	.6312	0.3581
Net realized long-term gain	0.7060	0

Total distributions to shareholders

\$ 1.3931 \$ 0.4358

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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). 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. 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 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 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 March 31, 1998, 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 appreciation (depreciation) on dividends and dividend reclaims receivable	\$(60,285)	\$7,851
Unrealized appreciation on open securities purchases and sales	33,755	5,154
Unrealized depreciation on transaction hedge purchases and sales	(31,280)	(5,968)
Net Unrealized Appreciation (Depreciation) - other	<u>\$(57,810)</u>	<u>\$7,037</u>

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 March 31, 1998, International and Int'l Small Cap had entered into forward foreign currency contracts under which it is 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 March 31, 1998:

Portfolio Hedges:

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 1998
\$30,025,500	18,500,000 Pound Sterling	April 1998	\$ (902,886)
37,361,250	22,500,000 Pound Sterling	May 1998	(235,499)
14,980,500	9,000,000 Pound Sterling	May 1998	(56,265)
15,012,000	9,000,000 Pound Sterling	May 1998	(24,112)
15,080,400	9,000,000 Pound Sterling	May 1998	46,875
14,828,880	8,800,000 Pound Sterling	May 1998	130,072
			<hr/>
			\$(1,041,815)
			<hr/> <hr/>

Transaction Hedges: Foreign Currency Purchases:

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Depreciation at March 31, 1998
\$ 35,727	197,788 Finnish Markka	April 1998	\$ (499)
95,419	12,286,165 Japanese Yen	April 1998	(3,198)
192,814	265,312,100 South Korean Won	April 1998	(1,253)

1,201,669	2,126,848	New Zealand Dollar	April 1998	(26,054)
95,926	173,307	New Zealand Dollar	April 1998	(130)
				<u>\$(31,134)</u>

Foreign Currency Sales:

<u>US Dollars Purchased</u>	<u>Foreign Currency Sold</u>	<u>Settlement Date</u>	<u>Unrealized Appreciation (Depreciation) at March 31, 1998</u>
\$ 340,517	203,343 Pound Sterling	April 1998	\$ 122
1,398,401	2,549,775,158 Italian Lira	April 1998	(268)
			<u>\$ (146)</u>

The Int'l Small Cap Fund had the following outstanding transaction hedges:

Foreign Currency Purchases:

<u>US Dollars Sold</u>	<u>Foreign Currency Purchased</u>	<u>Settlement Date</u>	<u>Unrealized Depreciation at March 31, 1998</u>
\$35,227	52,515 Australian Dollar	April 1998	\$ (496)
29,085	43,169 Australian Dollar	April 1998	(535)
2,874	4,328 Australian Dollar	April 1998	(12)
25,614	38,698 Australian Dollar	April 1998	(21)
5,128	9,476 Deutsche Mark	April 1998	(5)
210,443	125,675 Pounds Sterling	April 1998	(63)
6,924	53,634 Hong Kong Dollar	April 1998	(2)
1,914	14,823 Hong Kong Dollar	April 1998	(1)
30,314	3,903,264 Japanese Yen	April 1998	(1,016)
85,639	11,145,888 Japanese Yen	April 1998	(1,977)
25,710	3,423,557 Japanese Yen	April 1998	(13)
172,068	310,872 New Zealand	April 1998	(233)
12,029	453,980 Philippine Peso	April 1998	(82)
24,488	911,444 Philippine Peso	April 1998	(503)
38,917	1,451,210 Philippine Peso	April 1998	(727)

 \$(5,811)

Foreign Currency Sales:

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Depreciation at March 31, 1998
\$217,520	396,606,600 Italian Lira	April 1998	\$(37)
622,787	1,135,558,115 Italian Lira	April 1998	(120)
			\$(157)

At March 31, 1998, 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 March 31, 1998 are shown below.

	Select	Small Cap	Equity & Income	International	Int'l Small Cap
Market Value of Securities Loaned	\$100,074	\$140,279	\$3,253	\$143,433	\$1,254
Collateral (Cash and U.S. Treasuries)	103,025	144,534	3,368	149,912	1,328

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. Select pays 1% on the first \$1 billion and .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 of net assets. Small Cap pays 1.25% on the first \$1 billion of net assets, 1.15% on the next \$500 million, 1.10% on the next \$500 million, 1.05% on the next \$500 million, and 1% on the

excess of \$2.5 billion. 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 January 3, 1999 to reimburse the Funds to the extent that annual expenses, excluding certain expenses, exceed 1.5% for domestic funds and 2.0% for international funds.

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 six months ended March 31, 1998, the Funds incurred brokerage commissions of \$4,183,063, \$905,263, \$813,752, \$23,504, \$2,081,900 and \$244,965 of which \$754,519, \$304,147, \$80,328, \$15,556, \$0, and \$0 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):

	Six Months Ended March 31, 1998					
	Oakmark	Select	Small Cap	Equity & Income	International	Int'l Small Cap
Shares sold	45,359	56,025	16,231	1,703	25,100	5,841
Shares issued in reinvestment of dividends	9,728	410	3,133	149	20,108	786
Less shares redeemed	(14,896)	(13,057)	(25,068)	(584)	(37,257)	(2,976)
Net increase (decrease) in shares outstanding	40,191	43,378	(5,704)	1,268	7,951	3,651

	Eleven Months Ended September 30, 1997					
	Oakmark	Select	Small Cap	Equity & Income	International	Int'l Small Cap
Shares sold	57,274	42,531	78,065	1,941	41,290	5,229
Shares issued in reinvestment of dividends	7,961	0	0	25	793	135
Less shares redeemed	(26,163)	(11,065)	(20,201)	(879)	(32,948)	(3,438)
Net increase in shares outstanding	39,072	31,466	57,864	1,087	9,135	1,926

4. INVESTMENT TRANSACTIONS

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

Int'l

	Oakmark	Select	Small Cap	Equity & Income	International	Small Cap
Purchases	\$2,302,458	\$725,844	\$197,956	\$17,310	\$254,391	\$39,688
Proceeds from sales	1,317,117	35,817	321,357	3,420	422,432	20,230

5. TRANSACTIONS IN SECURITIES OF AFFILIATED ISSUERS

Affiliated issuers, as defined under the Investment Company Act of 1940, are those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of the Fund's transactions in the securities of these issuers during the six months ended March 31, 1998 is set forth below:

Summary of Transactions with Affiliated Companies The Oakmark Fund

Affiliates	Purchase (Cost)	Sales (Proceeds)	Dividend Income	Market Value March 31, 1998
ACNielsen Corporation	—	\$ —	—	\$ 125,948,250
Ambac Financial Group, Inc.	—	—	\$790,164	256,528,938
The Black & Decker Corporation	\$ 46,677,053	—	1,915,080	438,667,687
Dun & Bradstreet Corporation	92,554,603	—	3,335,552	333,030,694
GC Companies, Inc.	—	—	—	20,768,063
Juno Lighting, Inc.	—	—	195,300	22,920,625
Knight Ridder, Inc.	—	—	1,860,000	259,818,750
Polaroid Corporation	11,171,805	—	1,365,720	200,305,600
SPX Corporation	—	—	—	66,788,700
Totals	150,403,461	—	9,461,816	1,724,777,307

Summary of Transactions with Affiliated Companies The Oakmark Select Fund

Affiliates	Purchase (Cost)	Sales (Proceeds)	Dividend Income	Market Value March 31, 1998
USG Corporation	\$81,163,762	—	—	\$137,647,087
US Industries Inc.	99,803,998	—	\$479,440	186,988,750
Totals	180,967,760	—	479,440	324,635,837

Summary of Transactions with Affiliated Companies The Oakmark Small Cap Fund

Affiliates	Purchase (Cost)	Sales (Proceeds)	Dividend Income	Market Value March 31, 1998
Ascent Entertainment Group, Inc.	\$3,794,484	\$6,255,329	—	\$20,625,000
Binks Sames Corporation	1,078,125	—	\$24,700	13,174,540

The Carbide/Graphite Group, Inc.	446,250	—	—	24,450,000
Cole National Corporation	9,549,025	—	—	48,281,250
Columbus McKinnon Corporation	1,859,814	—	113,701	24,114,750
Duff & Phelps Credit Rating Company	—	—	17,808	14,951,300
Granite Broadcasting Corporation	—	—	—	9,250,000
Highlands Insurance Group, Inc.	1,378,000	—	—	30,906,250
International Multifoods Corporation	2,045,420	2,700,261	416,980	29,937,500
MagneTek, Inc.	2,076,960	—	—	47,031,250
Northwest Pipe Company	1,520,000	—	—	13,050,000
Pocahontas Federal Savings and Loan Assn.	—	1,748,504	54,000	4,475,000
PXRE Corporation	—	13,457,697	572,750	23,250,000
Ralcorp Holdings, Inc.	—	8,420,479	—	51,875,000
RenaissanceRe Holdings	9,657,585	6,255,329	812,500	75,000,000
Barry (R.G.) Corporation	2,693,179	—	—	11,000,000
Savings Bank of the Finger Lakes	—	—	18,800	3,666,000
Scotsman Industries, Inc.	—	1,197,045	51,038	28,750,000
SPX Corporation	—	12,897,570	—	53,418,750
Stoneridge, Inc.	29,973,979	—	—	30,000,000
Titan Exploration, Inc.	1,179,168	824,504	—	24,375,000
Triarc Companies, Inc.	1,959,905	3,672,971	—	42,000,000
Ugly Duckling Corporation	15,549,929	—	—	18,921,875
Totals	84,761,823	57,429,689	2,082,277	642,503,465

*Summary of Transactions with Affiliated Companies
The Oakmark International Fund*

Affiliates	Purchase (Cost)	Sales (Proceeds)	Dividend Income	Market Value March 31, 1998
Banco Latinoamericano de Exportaciones, S.A. Class E	\$28,457,211	—	\$849,888	\$43,216,075
BYC Co. Ltd.	—	\$ 329,484	9,894	1,549,863
Chargeurs International Sa	—	3,923,390	—	39,744,066
Cordiant Communications Group plc	6,022,173	—	—	44,263,911
European Vinyls Corporation Intl. N.V.	—	639,518	—	28,209,192
Fernz Corporation Limited	6,460,313	—	735,821	38,816,595
Fila Holding S.p.A.	15,424,202	—	—	53,777,344
Giordano International Limited	8,253,910	—	—	17,283,322
Hong Kong Aircraft Engineering Company Ltd.	1,270,809	—	—	19,762,221
Keumkang Ltd.	1,916,646	—	159,292	6,898,482
Lamex Holdings Ltd.	—	—	181,184	1,793,774
Lotte Chilsung	3,009,525	—	17,504	6,216,606
Quilmes Industrial SA	3,791,703	6,032,846	—	58,134,525
Saatchi & Saatchi plc	—	—	—	54,025,212
Tae Young Corporation	12,839,562	—	88,024	11,978,490
USIMINAS	10,583,452	—	3,460,482	56,732,281
Varitronix International Limited	481,148	—	374,426	31,181,073

Woongjin Publishing Company	2,936,743	—	34,695	3,182,511
Totals	101,447,397	10,925,238	5,911,210	516,765,543

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

Affiliates	Purchase (Cost)	Sales (Proceeds)	Dividend Income	Market Value March 31, 1998
Daimon	\$ 515,519	—	\$30,252	\$1,646,358
Designer Textiles (NZ) Limited	—	—	39,131	736,263
Matichon Public Company Limited	50,018	—	—	2,238,526
Parbury Limited	2,870,863	—	65,550	3,097,351
Solution 6 Holdings Ltd.	368,718	—	—	2,303,990
Woongjin Publishing Company	2,650,542	—	46,998	2,792,358
Totals	6,455,660	—	181,931	12,814,846

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For a share outstanding throughout each period

	Year Ended October 31,							Period Ended October 31, 1991(a)
	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997	1996	1995	1994	1993	1992	
Net Asset Value, Beginning of Period	\$ 41.21	\$ 32.39	\$ 28.47	\$ 25.21	\$ 24.18	\$ 17.11	\$12.10	\$10.00
Income From Investment Operations:								
Net Investment Income (Loss)	0.25	0.36	0.34	0.30	0.27	0.17	(0.03)(d)	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	5.35	10.67	4.70	4.66	1.76	7.15	5.04	2.11
Total From Investment Operations:	5.60	11.03	5.04	4.96	2.03	7.32	5.01	2.10
Less Distributions:								
Dividends (from net investment income)	(0.40)	(0.34)	(0.28)	(0.23)	(0.23)	(0.04)	—	—
Distributions (from capital gains)	(1.98)	(1.87)	(0.84)	(1.47)	(0.77)	(0.21)	—	—
Total Distributions	(2.38)	(2.21)	(1.12)	(1.70)	(1.00)	(0.25)	—	—
Net Asset Value, End of Period	\$ 44.43	\$ 41.21	\$ 32.39	\$ 28.47	\$ 24.18	\$ 17.11	\$12.10	\$12.10
Total Return	14.43%	39.24%*	18.07%	21.55%	8.77%	43.21%	41.40%	87.10%*
Ratios/Supplemental Data:								
Net Assets, End of Period (\$ million)	\$8,918.4	\$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	1.03%	1.08%*	1.18%	1.17%	1.22%	1.32%	1.70%	2.50%(b)*
Ratio of Net Income (Loss) to Average Net Assets	1.29%	1.19%*	1.13%	1.27%	1.19%	0.94%	(0.24)%	(0.66%)(b)*
Portfolio Turnover Rate	19.93%	17.3%	23.7%	18.0%	29.3%	18.0%	34.0%	0.0%
Average Brokerage Commission Paid	\$0.0568	\$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, this annualized ratio would have been 4.92% and the annualized ratio of net income (loss) to average net assets would have been (3.08%).

[See accompanying notes to financial statements.](#)

THE OAKMARK SELECT FUND

Financial Highlights

For a share outstanding throughout each period

	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997
Net Asset Value, Beginning of Period	\$ 16.34	\$10.00
Income From Investment Operations:		
Net Investment Income (Loss)	0.02	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	3.68	6.35
Total From Investment Operations:	3.70	6.34
Less Distributions:		
Dividends (from net investment income)	0.00	0.00
Distributions (from capital gains)	(0.17)	0.00
Total Distributions	(0.17)	0.00
Net Asset Value, End of Period	\$ 19.87	\$16.34
Total Return	22.88%	69.16%*
Ratios/Supplemental Data:		
Net Assets, End of Period (\$million)	\$1,486.86	\$514.17
Ratio of Expenses to Average Net Assets	1.13%	1.12%*
Ratio of Net Income (Loss) to Average Net Assets	0.23%	(0.11)%*
Portfolio Turnover Rate	4.04%	36.93%
Average Commission Rate Paid	\$0.0567	\$0.0573

*Data has been annualized.

[See accompanying notes to financial statements.](#)

THE OAKMARK SMALL CAP FUND

Financial Highlights

For a share outstanding throughout each period

	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 20.34	\$ 13.19	\$10.00
Income From Investment Operations:			
Net Investment Income (Loss)	(0.04)	(0.01)	(0.02)
Net Gains or Losses on Securities (both realized and unrealized)	1.34	7.16	3.21
Total From Investment Operations:	1.30	7.15	3.19
Less Distributions:			
Dividends (from net investment income)	0.00	0.00	0.00
Distributions (from capital gains)	(0.84)	0.00	0.00
Total Distributions	(0.84)	0.00	0.00
Net Asset Value, End of Period	\$ 20.80	\$ 20.34	\$13.19
Total Return	6.84%	59.14%*	31.94%
Ratios/Supplemental Data:			
Net Assets, End of Period (\$ million)	\$1,429.0	\$1,513.4	\$218.4
Ratio of Expenses to Average Net Assets	1.39%	1.37%*	1.61%
Ratio of Net Income (Loss) to Average Net Assets	(0.39)%	(0.25)%*	(0.29)%
Portfolio Turnover Rate	14.51%	26.88%	23.15%
Average Commission Rate Paid	\$0.0523	\$0.0482	\$0.0520

*Data has been annualized.

[See accompanying notes to financial statements.](#)

THE OAKMARK EQUITY AND INCOME FUND

Financial Highlights

For a share outstanding throughout each period

	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$14.49	\$11.29	\$10.00
Income From Investment Operations:			
Net Investment Income	0.15	0.21	0.10
Net Gains or Losses on Securities (both realized and unrealized)	1.14	3.24	1.19
Total From Investment Operations:	1.29	3.45	1.29
Less Distributions:			
Dividends (from net investment income)	(0.24)	(0.12)	0.00
Distributions (from capital gains)	(0.59)	(0.13)	0.00
Total Distributions	(0.83)	(0.25)	0.00
Net Asset Value, End of Period	\$14.95	\$14.49	\$11.29
Total Return	9.61%	34.01%*	12.91%
Ratios/Supplemental Data:			
Net Assets, End of Period (\$ million)	\$53.5	\$33.46	\$13.8
Ratio of Expenses to Average Net Assets	1.29%	1.50%*(a)	2.50%(a)
Ratio of Net Income (Loss) to Average Net Assets	2.48%	2.38%*(a)	1.21%(a)
Portfolio Turnover Rate	8.77%	53.10%	66.35%
Average Commission Rate Paid	\$0.0594	\$0.0554	\$0.0581

*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 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.

[See accompanying notes to financial statements.](#)

THE OAKMARK INTERNATIONAL FUND

Financial Highlights

For a share outstanding throughout each period

Year Ended October 31,

	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997	1996	1995	1994	1993	Period Ended October 31, 1992(a)
Net Asset Value, Beginning of Period	\$18.77	\$ 14.92	\$ 12.97	\$14.50	\$ 14.09	\$ 9.80	\$10.00
Income From Investment Operations							
Net Investment Income	0.13	0.27	0.09	0.30	0.21	0.06	0.26
Net Gains or Losses on Securities (both realized and unrealized)	(0.78)	3.74	2.90	(0.77)	0.43	4.48	(0.46)
Total From Investment Operations:	(0.65)	4.01	2.99	(0.47)	0.64	4.54	(0.2)
Less Distributions							
Dividends (from net investment income)	(0.58)	(0.16)	0.00	0.00	(0.08)	(0.25)	—
Distributions (from capital gains)	(2.86)	0.00	(1.04)	(1.06)	(0.15)	—	—
Total Distributions	(3.44)	(0.16)	(1.04)	(1.06)	(0.23)	(0.25)	—
Net Asset Value, End of Period	\$14.68	\$ 18.77	\$ 14.92	\$12.97	\$ 14.50	\$ 14.09	\$9.80
Total Return	(1.24)%	29.63%*	24.90%	(3.06)%	4.62%	47.49%	(22.81)%*
Ratios/Supplemental Data:							
Net Assets, End of Period (\$ million)	\$86.8	\$1,647.3	\$1,172.8	\$819.7	\$1,286.0	\$815.4	\$23.5
Ratio of Expenses to Average Net Assets	1.26%	1.26%*	1.32%	1.40%	1.37%	1.26%	2.04%*
Ratio of Net Income (Loss) to Average Net Assets	1.31%	2.09%*	1.45%	1.40%	1.44%	1.55%	37.02%*
Portfolio Turnover Rate	19.68%	61%	42%	26%	55%	21%	0%
Average Commission Rate Paid	\$0.0109	\$ 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.

[See accompanying notes to financial statements.](#)

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Financial Highlights

For a share outstanding throughout each period

	Six Months Ended March 31, 1998	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$12.20	\$11.41	\$10.00
Income From Investment Operations:			
Net Investment Income	0.03	0.13	0.04
Net Gains or Losses on Securities (both realized and unrealized)	(1.25)	1.10	1.37
Total From Investment Operations:	(1.22)	1.23	1.41
Less Distributions:			
Dividends (from net investment income)	(0.05)	(0.08)	0.00
Distributions (from capital gains)	(1.34)	(0.36)	0.00
Total Distributions	(1.39)	(0.44)	0.00
Net Asset Value, End of Period	\$9.59	\$12.20	\$11.41
Total Return	(9.81)%	12.07%*	14.15%
Ratios/Supplemental Data:			
Net Assets, End of Period (\$ million)	\$86.84	\$65.97	\$39.8
Ratio of Expenses to Average Net Assets	1.83%	1.93%*	2.50%(a)
Ratio of Net Income (Loss) to Average Net Assets	1.37%	1.23%*	0.65%(a)
Portfolio Turnover Rate	34.35%	62.63%	27.44%
Average Commission Rate Paid	\$0.0032	\$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 advisor, the ratio of expenses to average net assets would have been 2.65% and the ratio of net income (loss) to average net assets would have been .50%.

[See accompanying notes to financial statements.](#)

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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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Legal Counsel

Bell, Boyd & Lloyd
Chicago, Illinois

Independent Public Accountants

Arthur Andersen LLP
Chicago, Illinois

For More Information:

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(1-800-625-6275)

Website

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24-hour NAV hotline

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

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