Letter from the Chairman and President...

Dear Fellow Shareholders:

We are pleased to present our third quarter report for the period ending June 30, 1998. It has been a frustrating period, but our focus has not changed. Our investment style is well suited to volatile periods. Our risk aversion and discipline will serve you well as we manage the Funds to meet your long-term goals.

As shareholders and managers of the Oakmark Family of Funds, we view ourselves as your partners. As partners, we share responsibilities. Our job is to manage the funds to help meet your financial goals. We do that by applying to five investment guidelines: buy stocks selling at a significant discount to their underlying business value, invest in companies with owner-oriented management, think independently, do not over diversify and invest efficiently. Your objective as shareholders is to properly allocate your assets among our funds. In simple terms, the longer your time horizon, the greater your equity exposure should be. For those with low risk tolerance, we have two options: The Equity and Income Fund (40% fixed income) and money market funds. Successful partnerships require both parties to "contribute". We are confident that consistent application of our investment guidelines will provide attractive long-term returns. You should allocate your assets in our funds to reflect your personal needs and goals, as we do as shareholders. The combination of these activities should reinforce the strength of our partnership.

As managers of the Funds, we discourage any shareholder from excessive trading or "market-timing." Frequent trading by shareholders undermines the day-to-day management of the Funds, making it difficult for us to invest effectively. Furthermore, market-timing can be costly to the Funds and, ultimately, to you. Recently, we have taken additional steps to prevent market-timing in the Funds with the intent to protect you, our long-term investors.

Last quarter, we mentioned our ongoing focus on investor services. This quarter, we would like to update you on our progress. We now have The Education IRA Kit which includes an application available on our website. You may access this information at www.oakmark.com, or call us at 1-800-625-6275 for further information. Our latest project, which is in process, is developing a system which enables shareholders to access their account information from the Internet. We hope to have this available to shareholders by late summer.

Lastly, many of you have asked us about the year 2000 problem. Our analysts are systematically questioning the management of the companies in our portfolios and are receiving assurances that these companies are properly addressing the problem. From a service perspective, we are pleased to report that Harris Associates (advisor to the Funds) and our significant outside service providers have plans in place to ensure that the Funds *move into the year 2000 free of material disruption.*

Very truly yours,

VICTOR MORGENSTERN
Chairman

ROBERT M. LEVY
President

The Oakmark Family of Funds

Summary Information

Performance for Period Ended June 30, 1998	The Oakmark Fund		The Oakmark Select Fund		The Oakmark Small Cap Fund	
3 Months	-2.7%		1.9%		-5.8%	
6 Months	7.0%		15.6%		0.9%	
1 Year	18.4%		44.3%		15.9%	
Average Annual Total Return for:						
3 Year	24.1%		N/A		N/A	
5 Year	21.9%		N/A		N/A	
Since inception	29.0%		53.8%		30.8%	
Value of $10,000 from inception date	$57,909 (8/5/91)		$20,462 (11/1/96)		$20,467 (11/1/95)	
Top Five Holdings as of June 30, 1998	Mattel, Inc.	6.5%	Cablevision Systems Corporation	11.7%	People's Bank of Bridgeport, CT	8.7%
	Philip Morris				Cablevision	

Company and % of Total Net Assets	Companies, Inc.	6.5%	U.S. Industries, Inc.	10.9%	Systems Corporation	7.1%
	Nike, Inc.	6.4%	USG Corporation	9.4%	U.S. Industries, Inc.	6.5%
	Banc One Corporation	5.8%	Gucci Group	9.3%	Catellus Development Corporation	4.2%
	The Black & Decker Corporation	5.8%	PartnerRe Ltd.	7.9%	RenaissanceRe Holdings Ltd	4.0%
Top Five Industries as of June 30, 1998 *Industries and % of Total Net Assets*	Other Consumer Goods & Services	20.5%	Other Consumer Goods & Services	13.4%	Banks	12.8%
	Food & Beverages	16.5%	Broadcasting & Cable TV	11.7%	Broadcasting & Cable TV	9.8%
	Publishing	10.1%	Diversified Conglomerates	11.0%	Other Industrial Goods & Services	9.4%
	Banks	9.5%	Building Materials & Construction	9.4%	Insurance	9.3%
	Aerospace & Defense	7.7%	Retail	9.3%	Food & Beverage	9.1%

Performance for Period Ended June 30, 1998	The Oakmark Equity and Income Fund	The Oakmark International Fund	The Oakmark Int'l Small Cap Fund
3 Months	0.5%	-11.9%	-13.5%
6 Months	9.2%	0.8%	2.6%
1 Year	21.5%	-10.8%	-25.0%
Average Annual Total Return for:			
3 Year	N/A	11.1%	N/A
5 Year	N/A	10.5%	N/A
Since inception	20.2%	13.1%	-0.4%

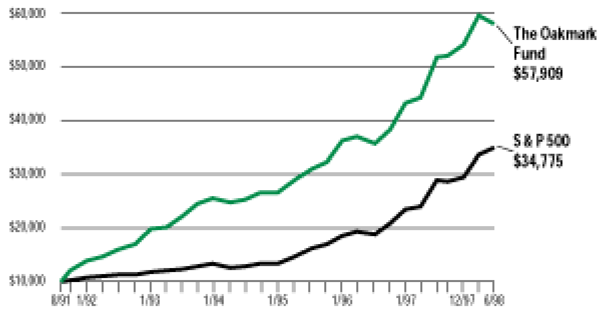
Value of $10,000 from inception date	$16,320 (11/1/95)		$20,253 (9/30/92)		$9,892 (11/1/95)	
Top Five Holdings as of June 30, 1998 *Company and % of Total Net Assets*	Chrysler Corporation	5.2%	Tomkins plc	5.1%	Cordiant Communications Group plc	5.8%
	Catellus Development Corporation	4.2%	Saatchi & Saatchi plc	4.9%	Elevadores Atlas, SA	5.6%
	U.S. Industries, Inc.	3.8%	Quilmes Industrial SA	4.5%	Matthew Clark plc	4.8%
	Tele-Communications, Liberty Media Class A	3.4%	Chargeurs SA	4.4%	Lambert Fenchurch Group plc	4.7%
	H&R Block, Inc.	3.3%	Cordiant Communications Group plc	4.2%	Enix Corporation Group	3.8%
Top Five Industries as of June 30, 1998 *Industries and % of Total Net Assets*	U.S. Government Bonds	28.1%	Other Industrial Goods & Services	13.5%	Other Industrial Goods & Services	12.3%
	Automotive	7.7%	Food & Beverage	11.5%	Retail	10.8%
	Other Consumer Goods & Services	7.4%	Marketing Services	9.1%	Other Financial	10.1%
	Insurance	6.9%	Banks	9.0%	Food & Beverage	9.0%
	Commercial Real Estate	6.4%	Other Consumer Goods & Services	6.6%	Other Consumer Goods & Services	7.1%

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
TRUSTEES & OFFICERS

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 (6/30/98) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



6/30/98 NAV $43.23

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/98 From Fund Inception 8/5/91
The Oakmark Fund	-2.7%	29.0%
Standard & Poor's 500 Stock Index w/inc**	3.3%	19.8%
Dow Jones Industrial Average w/inc**	2.1%	20.0%
Value Line Composite Index**	-4.6%	10.3%

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

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

PORTFOLIO UPDATE

For the quarter ended June 30, 1998, The Oakmark Fund was down 2.7% vs. a 3.3% gain for the Standard & Poor's 500. For the six months ended June 30, 1998, your Fund returned about 7%, not bad in absolute terms but about half the return generated by the S&P 500. This is the Fund's worst relative performance since its inception in 1991.

Many of you probably have questions about this situation—"What is the cause? What are you going to do about it? How should the shareholders evaluate?" I will try to answer these questions.

There are several causes for our relative performance this year. First is our average cash holding of about 10%. Second is a number of large holdings that are down this year—Polaroid (-25%), Nabisco (-22%), Philip Morris (-12%), Boeing (-2%), and Columbia/HCA (-1%). The third cause is a relative lack of big winners; in a market up about eighteen percent, your Fund has only one holding—Black & Decker—up more than 30 percent. Simply, for this six month period, we have held substantial cash in a bull market and our stocks have not kept pace.

This year the market has been what is termed a "momentum" market, in which stocks that have done well continue to do well and companies that disappoint, no matter what the valuation, get hammered. This is an environment that, frankly, does not suit our investment approach. (Nor does it seem to suit other mutual funds that Lipper characterizes as "large-cap value," which are up about ten percent this year). For example, a stock that we own that becomes the market's darling and gets "hot" tends to hit our sell target (generally ninety percent of what we estimate the value of the underlying business to be) long before the stock tops out. A recent example is our cable investments, which were very successful for us; however, they have continued to appreciate far beyond the point where we sold them. I do not regard these as bad sales. Sure, it would be nice to have held on for the higher prices that did materialize. However, in the long run (which is what matters!), our sell discipline is logical and we believe in it, and have no interest whatsoever in trying to out-psyche the market. Zero.

Comparing a quintessential momentum stock to one of our "value" stocks might illustrate the current environment. BMC Software (BMCS—$53) makes and sells computer software for mainframes and has a market capitalization of $12 billion (to put this number in perspective, it is similar to that of Nike). This places the company in the large-cap category. Now, I am sure that this is a fine company with good growth prospects. What are you paying for this growth? Well, BMC sells at 17x revenues and over 25x operating earnings (and the market capitalization per employee is over $9 million!!).

We view these sorts of valuations as troublesome and will not pay them. Almost everything has to go right for a very long time to justify paying these sorts of valuations, a bet we will not make with your money. Many software, Internet, Y2K, and technology stocks sell at these kinds of valuations today. Biotechnology stocks were valued similarly in the early 1990s and I actually wrote what turned out to be a prescient quarterly letter in 1992 about why your Fund eschewed these holdings. Of the 32 biotech companies that were public in 1991, only six trade at higher prices today! This is the sort of poor long- term performance that can result in owning stocks in businesses that have been hot short-term performers. The meal can be tasty, but the heartburn is painful.

Now let's look at one of our holdings, Polaroid (PRD—$36). Polaroid is the instant-photography and imaging company that had been mismanaged for quite a while before Black & Decker executive Gary DiCamillo was appointed CEO a couple of years ago. This is not an awesome business, but it is at least an average one. It has a number of solid cash-cow businesses, a couple of gamier ones (e.g., Russian street photography), and some new ventures that are very promising.

How does the market value PRD? Well, it is valued at less than 1x revenue (!!!!) and only 10x operating earnings (and only $200,000 per employee!), which are understated due to accounting "losses" in the venture area that mask positive value. When PRD pre-announced disappointing second quarter earnings (largely due to an inventory adjustment at their biggest customer, Wal-Mart), the stock got hammered. PRD the stock is down 25 percent this year.

These relative valuations are why we own Polaroid in your Fund and not BMC. BMC may continue to soar in the market, and PRD may flounder until it gets what the Street calls "visibility" (this means that the undervaluation is obvious even to my dog). However, in the long run, I place my (and your) money on Polaroid.

We believe in our philosophy and our execution. It is easy to do so when short-term performance is good. It is crucial to do when short-term performance is weak. Investment professionals tend to lose their focus when things are not going right. Clients and shareholders complain, the media is critical, and many investors begin to doubt their approach. This is a perfect stew for poor decision-making, which leads to lousy long-term performance. We are trying our best to be immune to this malaise.

I know that shareholders want to out-perform ALL the time, every day, month, year. People, let me deliver the bad news: this is an unattainable goal. It is important for all of you to have reasonable expectations and to understand why you own certain investments. At The Oakmark Fund, our goal remains the same as ever: to deliver superior investment returns over the long term without assuming undue risk.

ACADEMIC CORNER

I try to keep you abreast of some of the latest theoretical and academic debates pertaining to investments. The current topic is the appropriate risk premium that should be applied to equities.

One of the bedrock principles of finance is that the greater the risk (generally defined as volatility), the greater the required return. The theory is that stocks are riskier than, say, bonds, and thus must earn a higher return as compensation. Some theoreticians aver that, due to the strong relative performance of stocks in the past few years, the risk premium of stocks —i.e., the excess expected return relative to bonds—is close to zero. In other words, bonds and stocks are priced to yield similar returns going forward. The implication is that stocks, presumably riskier than bonds, are overpriced.

Not so fast, say others. James Glassman of the American Enterprise Institute argues that, based on investing data for the entire century, stocks in the long run are no more risky than bonds. Stocks have been more volatile in the shortrun, but in the long run have not been. He argues that, since stocks in fact are no riskier than bonds, the risk premium should be zero. He argues that this implies that stocks are under-valued relative to bonds. Critics respond that this is typical bull market sort of analysis.

What do I think? Well, the fact is that there exist no tools to forecast accurately what the risk premium will be in the future. Stocks do possess an inherent structural advantage compared to long-term fixed rate bonds. In periods of unexpected inflation, most stocks and bonds suffer, but stocks have the flexibility to cope with inflation. For example, if one buys a 30-year, 5% bond at par and inflation rises to, say, 10%, the bond would likely be priced to yield something north of that, which would of course result in a substantial reduction in the value of the bond. The bond can do nothing.

Equity, representing an ownership piece of a business, is better able to cope with inflation. Yes, the company's costs rise, but then so likely do the company's selling prices. Simplistically, a business is relatively immune from inflation. Given that inflation is always and everywhere a monetary phenomenon (i.e., the printing of too much money) and given that some politicians may find inflating an attractive policy, I do think that stocks' ability to weather inflation better than bonds makes equities a dominant asset class.

Of course, this is only an academic exercise here at The Oakmark Funds. We may find these debates interesting, but when investing your money, we adhere to the one-stock-at-a-time approach that has worked well for us for a long time.

Robert J. Sanborn

ROBERT J. SANBORN
Portfolio Manager
rsanborn@oakmark.com
July 7, 1998

THE OAKMARK *BOOK CLUB*

It's time again for another installment of The Oakmark Book Club, wherein I recommend the books which I have read recently that might be relevant to those of you interested in investing, finance, business, and economics;

Guns, Germs, and Steel: The Fates of Human Societies, *by Jared Diamond (W.W. Norton and Company, 1997)*; a masterful history of human societies on earth for the past 13,000 years, and an illumination of why different societies developed at dissimilar rates; the bottom line: historical processes, not intelligence, explains diversity; the most stimulating book I have read in years;

The Wealth and Poverty of Nations: Why Some are Rich and Some So Poor, *by David S. Landes (W.W. Norton, 1998)*; similar to the above book, but covering a shorter interval —"only" 600 years;

Just Do It: The Nike Spirit in the Corporate World, *by Donald Katz (Adams, 1995)*; an excellent history of Nike, which illuminates the company's unique culture, which has been the key to its phenomenal success; as an aside, I liked Akio Morita, then CEO of Sony, telling Nike CEO Phil Knight in 1989 that the US was on the verge of becoming a hollow industrial power;

Frozen Desire: The Meaning of Money, *by James Buchan (Farar Straus Giroux, 1997)*; a survey of the different forms and views of money across the centuries, especially human beings' psychological attachment to the concept of wealth;

Raging Bulls, Easy Riders: How the Sex, Drugs, and Rock-and-Roll Generation Saved Hollywood, *by Peter Biskind (Schuster, 1998)*; a dishy look at the "Directors' Decade"; lots of fun, and the investment moral: never, ever invest in the movie business;

The Commanding Heights: The Battle Between Government and the Marketplace That is Re-making the Modern World, *by Daniel Yergin and Joseph Stanislaw (Schuster, 1998)*; a handful of intellectuals—among them F.A. Hayek and Milton Friedman—contended for decades that the larger the government relative to an economy, the lower the standard of living; this critique of Keynesian orthodoxy met a collective yawn until the early 1980s; business enterprise has always been a struggle between those who participate in the private sector—investors, workers—and those in the power elite who set the rules and tax the profits and this book is an exhaustive survey of this struggle in the 20th century.

THE OAKMARK FUND

Schedule of Investments—June 30, 1998 (Unaudited)

	Shares Held	*Market Value*
Common Stocks—90.0%		
Food & Beverage—16.5%		
Philip Morris Companies Inc.	14,310,700	$563,483,813
Anheuser-Busch Companies Inc.	9,205,400	434,379,812
H.J. Heinz Company	4,007,250	224,906,906
Nabisco Holdings Corporation	3,572,100	128,818,856
Gallaher Group Plc (b)	3,835,500	83,901,563
		1,435,490,950
Apparel—6.4%		
Nike, Inc., Class B	11,457,100	$557,817,556
Retail—2.4%		
American Stores Company	8,500,000	$205,593,750
Other Consumer Goods & Services—20.5%		
Mattel, Inc.	13,439,400	$568,654,612
The Black & Decker Corporation	8,267,000	504,287,000
H&R Block,Inc.	6,735,000	283,711,875
Polaroid Corporation	4,552,400	161,894,725
Fortune Brands, Inc.	2,746,800	105,580,125
Brunswick Corporation	3,578,800	88,575,300
First Brands Corporation	1,070,400	27,429,000
Juno Lighting, Inc.	1,085,000	25,633,125
GC Companies,		

Inc. (a)	397,000	20,594,375
		1,786,360,137

Banks—9.5%

Banc One Corporation	9,100,548	$507,924,335
Mellon Bank Corporation	4,589,200	319,523,050
		827,447,385

Insurance—1.4%

Old Republic International Corporation	4,122,930	$120,853,386

Other Financial—7.0%

Washington Mutual, Inc.	9,000,000	$390,937,500
Fannie Mae	3,557,500	216,118,125
		607,055,625

Publishing—10.1%

Knight-Ridder, Inc.	6,929,400	$381,550,087
Dun & Bradstreet Corporation	10,491,300	378,998,213
ACNielsen Corporation (a)	4,764,000	120,291,000
		880,839,300

Computer Services—0.4%

Electronic Data Systems Corporation	950,000	$38,000,000

Medical Centers—4.6%

Columbia/HCA Healthcare Corporation	13,601,000	$396,129,125

Medical Products—0.9%

Sybron International

Corporation (a)	3,135,600	$79,173,900

Automotive—0.6%

SPX Corporation (a)	875,200	$56,341,000

Aerospace & Defense—7.7%

Lockheed Martin Corporation	3,625,000	$383,796,875
The Boeing Company	6,442,800	287,107,275
		670,904,150

Mining—1.3%

DeBeers Centenary AG (b)	6,546,000	$114,555,000

Other Industrial Goods & Services—0.7%

Bandag Incorporated, Class A (a)	1,104,100	$38,091,450
The Geon Company	971,600	22,286,075
		60,377,525

Total Common Stocks (Cost: $6,060,265,851)		**7,836,938,789**

	Shares Held/ Principal Value	*Market Value*

Short Term Investments—9.9%

Government and Agency Securities—4.0%

U.S. Government Agencies—2.3%

Federal Farm Credit Bank, 5.46% due 7/1/1998	$200,000,000	$200,000,000

U.S. Government Bills—1.7%

United States Treasury Bills,

4.99%–5.15% due 7/9/1998–11/12/1998	$150,000,000	$149,171,293
Total Government and Agency Securities (Cost: $349,161,059)		**349,171,293**

Commercial Paper—4.4%

American Express Credit Corp., 5.50%–5.52% due 7/6/1998–7/22/1998	$100,000,000	$100,000,000
Ford Motor Credit Corp., 5.50%–5.53% due 7/2/1998–7/16/1998	120,000,000	120,000,000
General Electric Capital Corporation, 5.52%–6.00% due 7/1/1998–7/20/1998	160,000,000	160,000,000
Total Commercial Paper (Cost: $380,000,000)		**380,000,000**

Repurchase Agreements—1.5%

State Street Repurchase Agreement, 5.65% due 7/1/1998	126,676,000	$126,676,000
Total Repurchase Agreements (Cost: $126,676,000)		**126,676,000**
Total Short Term Investments (Cost: $855,837,059)		**855,847,293**
Total Investments (Cost $6,916,102,910)—99.9%		$8,692,786,082
Other Assets In Excess Of Other Liabilities—0.1%		12,146,494

Total Net Assets—100%	**$8,704,932,576**

(a) Non-income producing security.

(b) Represents an American Depositary Receipt.

Third Quarter Report
June 30, 1998

LETTER & SUMMARY INFORMATION

OAKMARK FUND

OAKMARK SELECT FUND

OAKMARK SMALL CAP FUND

OAKMARK EQUITY AND INCOME FUND

OAKMARK INTERNATIONAL FUND

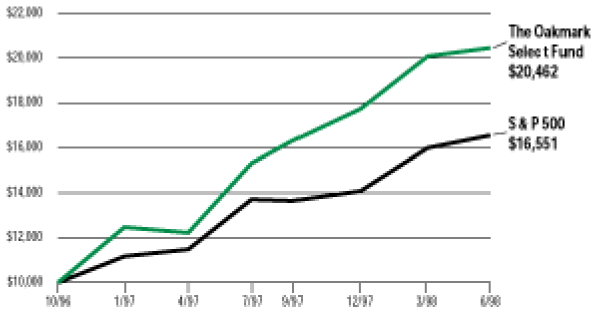
OAKMARK INT'L SMALL CAP FUND

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 (6/30/98) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



6/30/98 NAV $20.25

	Total Return Last 3 mos.	Average Annual Total Return(*) Through 6/30/98 From Fund Inception 11/1/96
The Oakmark Select Fund	1.9%	53.8%
Standard & Poor's 500 Stock Index w/inc**	3.3%	35.4%
Standard & Poor's MidCap 400 Index w/inc**	-2.1%	28.6%
Value Line Composite Index**	-4.6%	19.0%

*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.

For the quarter ended June 30, The Oakmark Select Fund increased in value by 1.9% versus a decline of 2.1% for the S&P 400 Midcap index. The performance award for the quarter goes to the S&P 500, which was up 3.3%, its greatest quarterly outperformance of the Midcap index since S&P started its Midcap index in 1991. Your portfolio benefited from gains in Cablevision, whose undervaluation was highlighted by the price AT&T agreed to pay for TeleCommunications, Inc. and in Gucci where its competitor Prada purchased 10% of the company. For the first nine months of fiscal 1998, your Fund gained 25.2% versus 9.5% for the S&P Midcap and 21.1% for the S&P 500.

ALL INDICES ARE NOT CREATED EQUAL!

Recent press reports have discussed how poorly investment managers are performing this year with fewer than 10% of mutual funds gaining more than the S&P 500. Such a small number have outperformed that you can't even charitably argue that the results are random. Are professional investors suddenly failing en-masse? Of course not. Pretend that as 1997 drew to a close you correctly forecast the "lapse" fund managers would experience in 1998. Knowing how strongly the S&P 500 was likely to perform, you wisely attempted to mimic the index by putting 1/500th of your portfolio into each of the 500 companies that make up the index. At the end of June you compute your performance, trying to suppress the smug laughter. When you see that your performance trailed the S&P 500 by nearly 600 basis points (11.8% versus 17.7%) you become convinced your spreadsheet has bugs. What's going on?

The S&P 500 is a market capitalization weighted index. The greater a company's market capitalization (stock price times number of shares outstanding) the greater that company's stock influences the index. The largest company in the S&P 500, GE, accounts for 3.5% of the index. The smallest 200 companies in total account for only 7%. If we look at stocks termed mega-cap (capitalizations over $25 billion), they account for only 85 of the 500 companies, yet cap-weighted are nearly two-thirds of the index value. So far in 1998, in the stock market, bigger has been better. The average stock has increased a modest amount while the mega-cap stocks have continued to perform strongly. Although the S&P Mid-cap 400 index is also cap-weighted, because its stocks are more similarly sized, the index is not dominated by just a few companies and therefore performs much more like the average stock.

Is it coincidence that most mutual funds underperform when the S&P Midcap underperforms the S&P 500 and vice versa? Not at all. How do managers decide how much of their portfolio to invest in each stock? Most, unlike us, simply equal weight their positions. Except for index funds and closet-indexers, I don't know investors that invest more just because a company is bigger! So most funds aren't weighted as heavily in mega-cap companies as the S&P 500 is. The Oakmark Select Fund invests in a mixture of mid and large cap companies, and at present has no exposure to mega-cap stocks. Further, our position sizes are based on our judgement of how attractively priced each stock is, rather than based on market cap. For those reasons, in the short-run, our results are much more like the Midcap index than the S&P 500. In the long run, the S&P 500 will only continue outperforming if the mega cap companies continue to fundamentally outperform smaller companies. Those big companies have benefited from international growth and from cutting bloated expense structures, but small companies have the benefit of being much more flexible. We don't view big or small companies as having sustainable advantages relative to each other and therefore expect long-term performance to be much more influenced by company-specific fundamentals than company size. As you look for signposts to judge whether or not you are on track toward meeting your long-term goals, comparing to the wrong index can lead to unnecessary concern or excitement. We expect to continue achieving excellent long-term results relative to any index by buying undervalued companies with owner-oriented management.

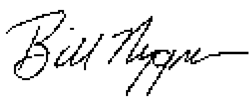
HOTEL ROOMS 25% OFF!

As regular readers of these letters know, we very much like to see our companies use excess capital to repurchase their stock. We view repurchase as confirmation that management shares our view that their stock is undervalued and as an indication that they are more interested in increasing per-share value than in merely getting bigger. Why then would your Fund buy Host Marriott after they announced a large purchase of hotels for which they will pay by issuing equity?

Host Marriott (HMT) is one of the world's largest hotel owners. The majority of their properties are full service Marriott Hotels. If you've traveled recently, you've no doubt seen the no-vacancy signs indicating how strong the hotel business is. Despite the strong hotel market and the strong stock market, HMT fell 25% from $24 last fall to a current price of $18. The main reason for that decline is growth in new hotel construction, especially in low- and mid-priced rooms. The obvious fear is that too many new rooms means the no-vacancy signs disappear. In April, HMT announced the purchase from Blackstone Group (a LBO firm) of $1.8 billion of luxury hotel properties that included Ritz Carltons, Four Seasons and Hyatt Regencies. Like other deals CEO Terry Golden has completed, this acquisition improved the quality of HMT's portfolio, the price was below replacement cost and it was additive to HMT cashflow. What was different this time was that HMT was issuing equity.

When we met with Terry, as you might expect, we wanted to learn why he was issuing equity. We learned that the seller would not do this deal for $1.8 billion in cash. In addition to gaining tax benefits, the seller believed HMT stock was significantly undervalued. We were comfortable (as was Terry) that the per-share business value of HMT was increased by this transaction, and were glad to learn that Blackstone (who knows a great deal about the hotel business) shares our view that HMT stock is attractive. Our expectations for HMT are that capacity additions will not significantly exceed demand growth for upper-end hotel rooms, and that HMT's year-end conversion to a REIT structure will not only save a lot of taxes, but will focus other investors on HMT's undervaluation. Selling at about 7.5x estimated 1999 funds from operations, it may be harder to get a deal on an HMT room than on their stock!

Thank you for your continuing support.



BILL NYGREN
Portfolio Manager
Bnygren@oakmark.com
July 6, 1998

P.S. On July 2 one of your fund's largest holdings, U.S. Industries, reported an earnings decline. The stock fell 22% causing your fund to suffer a one-day drop of 43 cents. We were disappointed with the fundamental results, but feel this decline is an extreme overreaction. I have added to the position.

THE OAKMARK SELECT FUND
Schedule of Investments—June 30, 1998 (Unaudited)

	Shares Held/ Principal Value	*Market Value*
Common Stocks—90.8%		

Retail—9.3%

Gucci Group (b)	2,829,800	$149,979,400

Other Consumer Goods & Services—13.4%

Host Marriott Corporation (a)	3,750,000	$66,796,875
Ralston Purina Group	531,000	62,027,437
Brunswick Corporation	2,394,900	59,273,775
Polaroid Corporation	815,900	29,015,444
		217,113,531

Banks—3.3%

People's Bank of Bridgeport, Connecticut	1,531,000	$53,010,875

Insurance—7.9%

PartnerRe Ltd.	2,506,100	$127,811,100

Broadcasting & Cable TV—11.7%

Cablevision Systems Corporation (a)	2,270,200	$189,561,700

TV Programming—4.9%

Tele-Communications, Liberty Media, Class A (a)	2,053,550	$79,703,409

Publishing—4.9%

Dun & Bradstreet Corporation	1,780,500	$64,320,563
ACNielsen Corporation (a)	602,100	15,203,025
		79,523,588

Computer Services—3.5%

Electronic Data Systems Corporation	1,410,900	$56,436,000

Medical Products—4.6%

Amgen, Inc. (a)	1,135,000	$74,200,625

Aerospace & Defense—3.3%

Lockheed Martin Corporation	505,900	$53,562,163

Building Materials & Construction—9.4%

USG Corporation (a)	2,819,200	$152,589,200

Other Industrial Goods & Services—3.6%

Premark International, Inc.	1,807,200	$58,282,200

Diversified Conglomerates—11.0%

U.S. Industries, Inc.	7,148,000	$176,913,000

Total Common Stocks (Cost: $1,198,777,769)		**1,468,686,791**

Common Stocks Sold Short—0.0%

Publishing—0.0%

R H Donnelley Corporation	(257,300)	$(787,981)
Total Common Stocks Sold Short (Proceeds: $(1,018,874))		**(787,981)**

Short Term Investments—9.2%

U.S. Government Bills—2.4%

United States Treasury Bills, 5.085%–5.28% due 7/16/1998–12/17/1998	40,000,000	$39,443,221
Total U.S. Government Bills (Cost: $39,432,796)		**39,443,221**

Commercial Paper—5.0%

American Express Credit Corp., 5.55%–5.65% due 7/1/1998–7/16/1998	25,000,000	$25,000,000

Ford Motor Credit Corp., 5.53%–5.65% due 7/2/1998–7/7/1998	25,000,000	25,000,000
General Electric Capital Corporation, 6.00% due 7/1/1998	30,000,000	30,000,000
Total Commercial Paper (Cost: $80,000,000)		**80,000,000**
Repurchase Agreements—1.8%		
State Street Repurchase Agreement, 5.65% due 7/1/1998	29,819,000	$29,819,000
Total Repurchase Agreements (Cost: $29,819,000)		**29,819,000**
Total Short Term Investments (Cost: $149,251,796)		**149,262,221**
Total Investments (Cost $1,347,010,691)—100.0%		$1,617,161,031
Other Liabilities In Excess Of Other Assets—(0.0)%		(502,246)
Total Net Assets—100%		**$1,616,658,785**

(a) Non-income producing security.

(b) Represents an American Depositary Receipt.

Third Quarter Report
June 30, 1998

LETTER & SUMMARY INFORMATION

OAKMARK FUND

OAKMARK SELECT FUND

OAKMARK SMALL CAP FUND

OAKMARK EQUITY AND INCOME FUND

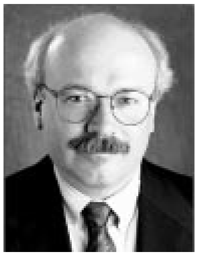
OAKMARK INTERNATIONAL FUND

OAKMARK INT'L SMALL CAP FUND

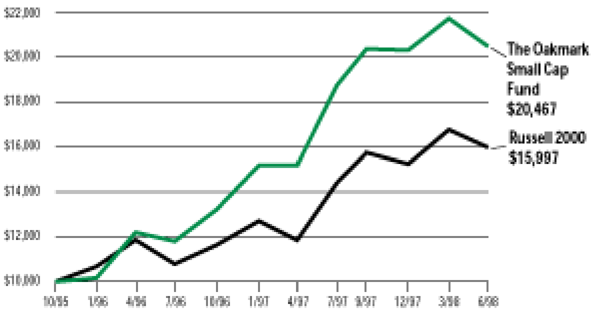
TRUSTEES & OFFICERS

The Oakmark Small Cap Fund

Report from Steven J. Reid, Portfolio Manager



THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/98) AS COMPARED TO THE RUSSELL 2000 INDEX



6/30/98 NAV $19.59

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/98 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	-5.8%	30.8%
Lipper Small Cap Fund Index**	-3.9%	15.4%
Russell 2000 w/inc**	-4.7%	19.3%
S&P Small Cap 600 w/inc**	-4.5%	22.3%

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

**Each of the three indexes or averages is an unmanaged group of stocks whose composition is different from the Fund. The 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 a small market capitalization. Past performance is no guarantee of future results.

The Oakmark Small Cap Fund's third fiscal quarter ended on June 30, 1998. During the quarter, the Fund lost 5.8%. For the nine months of the fiscal year, the Fund gained 0.6%. Although The Oakmark Small Cap Fund has significantly outperformed the relevant indices since its inception, the recent short-term results are a bit of a disappointment. It is important to remember that investing is a marathon, not a sprint. The true measure of the success of our individual investments in the Fund will not be known for years. As always, we will be consistent and not deviate from our disciplined investment philosophy. Over the long term we believe our value-oriented style of investing will produce results that meet your investment objectives.

For several years now large companies have produced investment returns that are significantly better than smaller companies. That trend has continued this year. However, it is worth noting that smaller companies' earnings growth has been greater than larger companies yet their shares sell at lower valuations. The inflow of money into equities has pushed the stocks of large companies to unprecedented levels of valuation. As an example, General Electric Company's (GE—$92.625) market capitalization recently crossed $300 billion. GE is clearly an outstanding company; it is a leader in its businesses and extremely well managed. As a value investor it is hard to accept the stock market's valuation of their shares. Based on consensus estimates, GE sells at a price-earnings ratio in excess of 30 times this year's earnings. In contrast, the shares of our favorite slipper maker (see last quarter's report), R.G. Barry Corporation (RGB—$17), are valued in the marketplace at a price-earnings ratio that is less than 15 times. Although these companies are not directly comparable, I feel much more comfortable owning the shares and products of RGB.

MEA CULPA

Many shareholders have inquired about the precipitous drop in the shares of U.S. Industries (USI—$19). On July 2nd, the share price of USI fell over five dollars. The reason for this was a decline in earnings from two of the Company's non-core businesses. This is a great example of a herd-like overreaction to bad news. The earnings at USI for the current fiscal year have been reduced by $0.20 per share, or roughly 12%, yet the share price dropped 22%. The market, in essence, valued the reduction in earnings at a price-earnings multiple of more than 28 times. Furthermore, the shares of USI are now being valued at a price-earnings ratio of a little more than 12 times. Although disappointed by this event, my experience with this management team is that they will act quickly and decisively to correct the problems facing the Company. Thus I continue to believe that USI remains an undervalued investment opportunity.

A NEW ADDITION TO THE FLEET

During the quarter, Teekay Shipping Corporation (TK—$24) was added to the portfolio. TK is an owner and operator of a large modern fleet of oil tankers. Their size has allowed them to capture a significant share of trade in the Indo-Pacific Basin. Their modern fleet is both very economical to operate and environmentally sound. These factors make them a "first call" by customers, which include many of the well-known international oil companies. These favorable relationships, combined with excellent fleet management, allow TK to operate at utilization rates of up to 85% versus their competitors who operate at rates as low as 50%. This disparity in utilization rates allows TK to earn a superior return on investment. In a recent visit with management we came away impressed by their strategies to enhance and optimize the opportunities in their business. We also take comfort in the fact that insiders own in excess of 50% of the outstanding shares. Most important, the shares of TK are attractively valued at about nine times current fiscal year earnings. At the present time there is very little coverage of TK by Wall Street, which has allowed us to purchase shares at their 12 month low.

OUTLOOK

Although challenged by the current investment environment, your Fund is committed to its investment philosophy. I am encouraged by the operating performance and valuations of our holdings. Investor focus on large companies has helped create opportunities for investment in small companies. That focus has reduced the competition for investment in small companies, which improves our ability to find undervalued investments.

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

Congratulations to the Chicago Bulls on their sixth NBA Championship!!

STEVEN J. REID
Portfolio Manager
sreid@oakmark.com
July 8, 1998

THE OAKMARK SMALL CAP FUND
Schedule of Investments—June 30, 1998 (Unaudited)

	Shares Held	*Market Value*
Common Stocks—92.5%		
Food & Beverage—9.1%		
Ralcorp Holdings, Inc. (a)	2,000,000	$37,750,000
Triarc Companies, Inc. (a)	1,500,000	32,906,250
International Multifoods Corporation	1,000,000	27,500,000
M & F Worldwide Corp. (a)	917,600	9,118,650
		107,274,900
Retail—4.9%		
Cole National Corporation (a)	1,000,000	$40,000,000
Ugly Duckling Corporation (a)	1,750,000	16,953,125
		56,953,125
Other Consumer Goods & Services—7.3%		
Scotsman Industries, Inc.	1,000,000	$27,750,000
First Brands Corporation	1,000,000	25,625,000

Barry (R.G.) Corporation (a)	810,000	13,365,000
Libbey, Inc.	300,000	11,493,750
P.H. Glatfelter Company	500,000	7,906,250
		86,140,000

Banks—12.8%

People's Bank of Bridgeport, Connecticut	2,950,000	$102,143,750
Brookline Bancorp, Inc. (a)	800,000	11,900,000
BankAtlantic Bancorp, Inc., Class A	1,000,001	11,812,512
Northwest Bancorp Inc.	550,000	8,696,875
Niagara Bancorp Inc. (a)	500,000	7,375,000
PennFed Financial Services, Inc.	260,000	4,306,250
Savings Bank of the Finger Lakes	188,000	3,501,500
		149,735,887

Insurance—9.3%

RenaissanceRe Holdings Limited.	1,009,000	$46,729,312
Financial Security Assurance Holdings Ltd.	750,000	44,062,500
Highlands Insurance Group, Inc. (a)	1,000,000	18,500,000
		109,291,812

Other Financial—3.6%

ARM Financial Group, Inc., Class A	1,000,000	$22,125,000
Duff & Phelps Credit Rating Co.	350,000	19,512,500
		41,637,500

Broadcasting & Cable TV—9.8%

Cablevision Systems Corporation (a)	1,000,000	$83,500,000
Ascent Entertainment Group, Inc. (a)	2,000,000	22,250,000
Granite Broadcasting Corporation (a)	800,000	9,500,000

		115,250,000
Publishing—0.7%		
Lee Enterprises, Inc.	250,000	$7,656,250
Telecommunications—1.2%		
ROHN Industries, Inc.	3,000,000	$14,062,500
Automotive—6.4%		
SPX Corporation (a)	600,000	$38,625,000
Stoneridge, Inc. (a)	1,376,500	25,121,125
Standard Motor Products, Inc.	500,000	11,125,000
		74,871,125
Transportation Services—1.1%		
Teekay Shipping Corporation	530,000	$13,283,125
Machinery & Industrial Processing—4.0%		
The Carbide/Graphite Group, Inc. (a)	750,000	$20,859,375
DT Industries, Inc.	600,000	14,550,000
Northwest Pipe Company (a)	500,000	11,750,000
		47,159,375
Oil & Natural Gas—2.3%		
Titan Exploration, Inc. (a)	3,000,000	$26,625,000
Other Industrial Goods & Services—9.4%		
MagneTek, Inc. (a)	2,500,000	$39,375,000
Columbus McKinnon Corporation	1,000,000	26,000,000
Ferro Corporation	1,000,000	25,312,500
Binks Sames Corporation	247,000	10,790,812
H.B. Fuller Company	145,000	8,038,438
Binks Sames Corporation, Restricted Shares	28,000	1,076,460
		110,593,210

Commercial Real Estate—4.1%

Catellus Development Corporation (a)	2,750,000	$48,640,625

Diversified Conglomerates—6.5%

U.S. Industries, Inc.	3,066,400	$75,893,400
Total Common Stocks (Cost: $924,038,518)		**1,085,067,834**

	Principal Value	*Market Value*

Short Term Investments—6.7%

Commercial Paper—4.7%

American Express Credit Corp., 5.56% due 7/6/1998–7/9/1998	$10,000,000	$10,000,000
Ford Motor Credit Corp., 5.53%–5.61% due 7/2/1998–7/6/1998	15,000,000	15,000,000
General Electric Capital Corporation, 5.57%–6.00% due 7/1/1998–7/8/1998	30,000,000	30,000,000
Total Commercial Paper (Cost: $55,000,000)		**55,000,000**

Repurchase Agreements—2.0%

State Street Repurchase Agreement, 5.65% due 7/1/1998	$22,802,000	$22,802,000
Total Repurchase Agreements (Cost: $22,802,000)		**22,802,000**
Total Short Term Investments (Cost: $77,802,000)		**77,802,000**
Total Investments (Cost $1,001,840,518)—99.2%		$1,162,869,834
Other Assets In Excess Of Other		

Liabilities—0.8%	9,860,544
Total Net Assets—100%	**$1,172,730,378**

(a) Non-income producing security.

Third Quarter Report
June 30, 1998

LETTER & SUMMARY INFORMATION

OAKMARK FUND

OAKMARK SELECT FUND

OAKMARK SMALL CAP FUND

OAKMARK EQUITY AND INCOME FUND

OAKMARK INTERNATIONAL FUND

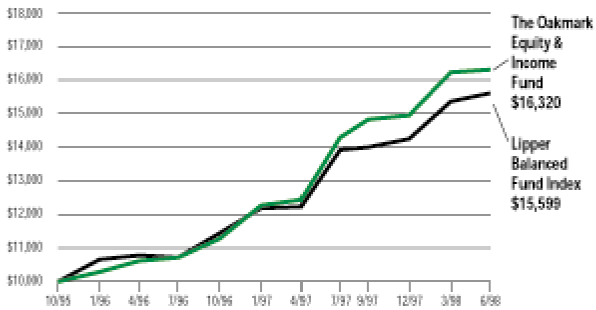
OAKMARK INT'L SMALL CAP FUND

TRUSTEES & OFFICERS

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 (6/30/98) AS COMPARED TO THE LIPPER BALANCED FUND INDEX



6/30/98 NAV $15.03

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/98 From Fund Inception 11/1/95
The Oakmark Equity & Income Fund	0.5%	20.2%
Lipper Balanced Fund Index**	1.5%	18.2%
Lehman Govt./Corp. Bond**	2.6%	7.5%
S&P 500 w/inc**	3.3%	31.0%

*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

Last quarter I wrote that the stocks in The Equity and Income Fund had generated all of the substantial return realized by the Fund between January and March. The June quarter was quite different. Stocks, particularly smaller and mid-cap issues, struggled, leaving it up to the fixed income segment to provide sufficient returns to push the Fund into positive territory. These disparate outcomes are two sides of the same coin. The economic decline in Asia has caused profit shortfalls for many US concerns while at the same time diminishing the probability that the Federal Reserve will increase interest rates. In addition, the strength of the dollar against most foreign currencies reduces reported profits for US companies with international operations while it enhances the attraction of US bond issues to foreign investors. The results in these two quarters once again demonstrate the benefits of diversification across asset classes. The usual 60% equity 40% fixed income mix in The Equity and Income Fund enables investors to capture those benefits.

CHRYSLER

The Fund's holding in the shares of Chrysler Corporation generated the biggest single contribution to the June quarter return. When the May 6th announcement came of Daimler-Benz's agreement with Chrysler for a friendly acquisition, I was surprised to discover that your fund's 4.2% position in the stock was the largest percentage holding of Chrysler by any mutual fund. This was particularly unexpected given that your fund was only 59% invested in stocks at that moment and other firms have mutual funds which invest 100% of their assets in equities from the automotive sector. The size of the holding elicited numerous questions from the media as well as fund investors as to what I saw in Chrysler and why I had taken a concentrated position in the Fund. I devote the remainder of this report to our thought process supporting the Chrysler investment.

When I consider an equity investment for your fund, I examine the issue's valuation, financial condition, and fundamental outlook as well as the orientation of the company's management team. Since the Equity and Income Fund has an income orientation, I also pay attention to the stock's dividend yield. Chrysler is a prototypical example of a stock which excelled in every category.

I first purchased Chrysler stock one year ago. The shares then traded for less than 7 times our estimate for 1998 earnings. The condition of the company's balance sheet was extraordinary: cash exceeded $7 billion against total debt of around $2 billion, the once seriously underfunded pension plans were in surplus, and the company had over $1 billion of reserves set aside for the health costs of retired employees. The stock's dividend yield at the time of the initial purchase was 4.3%, making it the third highest yielding stock in your fund. Management was using the com-pany's financial strength to undertake significant and persistent stock repurchases.

Management had obviously demonstrated expertise in financial administration of the company, but what seemed to be less appreciated was their leadership in technology and labor relations. Some readers may have seen commercials for the Dodge Intrepid, one of Chrysler's "LH" models. The commercials describe how the company used computers alone to design the car without building scale models. What was not shown was how it took the engineers only 4 minutes to make the body of the first production model fit onto the chassis. When Chrysler developed the previous generation of LH cars, it took the engineers several months to fit the body to the chassis. Change of this sort saves costs, improves quality, and makes it possible to keep the product line fresher.

As I write this letter, General Motors has lost most of its production capacity because of a labor action at one critical parts manufacturing facility. Chrysler has kept labor problems to a minimum in the 1990's largely because the company now outsources approximately 70% of the manufacturing process (the comparable number at GM is roughly 30%). While it is true that this outcome was more a product of Chrysler's historic financial weakness rather than brilliant management foresight, the company has used this advantage effectively to become the low cost producer in most of its product segments.

I initiated a normal sized position in Chrysler in the Fund last July. As sometimes happens, I had the opportunity to add to the position at a lower price in January when Wall Street began to fret about the slow introduction of the LH cars. We noticed that factory production of these cars was rising, the new Dodge Durango sport utility vehicle was selling briskly (I own one myself), and the company had new offerings in the pickup truck market. I made the decision to increase the position to 5% at that point and have not added to the holding since then.

I wrote about diversification in the previous quarterly letter, so I will not repeat myself. The Chrysler experience demonstrates why we should emphasize those holdings which most perfectly fulfill our stock selection criteria of valuation, financial strength, and management.

In closing, I would be quite remiss were I not to thank Jim Benson of our research team for bringing this idea to The Fund.

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

CLYDE S. McGREGOR
Portfolio Manager
mcgregor@oakmark.com
July 8, 1998

THE OAKMARK EQUITY AND INCOME FUND
Schedule of Investments—June 30, 1998 (Unaudited)

	Shares Held	*Market Value*
Equity and Equivalents—62.5%		
Office Equipment—2.6%		
Lexmark International Group, Inc., Class A (a)	26,000	$1,586,000
Other Consumer Goods & Services—7.4%		
H&R Block, Inc.	48,000	$2,022,000
Juno Lighting, Inc.	76,300	1,802,587
National Presto Industries, Inc.	17,000	661,938
		4,486,525
Banks—2.2%		

Banc One Corporation	23,674	$1,321,305

Insurance—6.9%

PartnerRe Ltd.	32,500	$1,657,500
Old Republic International Corporation	49,500	1,450,969
Aon Corporation	15,000	1,053,750
		4,162,219

Other Financial—2.5%

Washington Mutual, Inc.	35,000	$1,520,312

TV Programming—3.4%

Tele-Communications, Liberty Media, Class A (a)	52,800	$2,049,300

Publishing—4.4%

Dun & Bradstreet Corporation	45,000	$1,625,625
Lee Enterprises, Inc.	33,900	1,038,187
		2,663,812

Computer Services—3.3%

Electronic Data Systems Corporation	50,000	$2,000,000

Data Storage—3.3%

Imation Corp. (a)	120,200	$1,990,813

Medical Products—1.6%

Sybron International Corporation a	40,000	$1,010,000

Automotive—7.7%

Chrysler Corporation	56,000	$3,157,000
Lear Corporation (a)	15,000	769,687
Borg-Warner Automotive, Inc.	15,000	720,938
		4,647,625

Aerospace & Defense—1.9%

The Boeing Company	25,800	$1,149,713

Mining—2.9%

DeBeers Centenary AG (b)	100,000	$1,750,000

Other Industrial Goods & Services—2.2%

Premark International, Inc.	41,500	$1,338,375

Commercial Real Estate—6.4%

Catellus Development Corporation (a)	142,728	$2,524,501
Amli Residential Properties Trust	65,000	1,393,438
		3,917,939

Diversified Conglomerates—3.8%

U.S. Industries, Inc.	92,250	$2,283,187
Total Equity and Equivalents (Cost: $30,828,605)		**37,877,125**

	Shares Held/ Principal Value	*Market Value*

Fixed Income—35.9%

Preferred Stock—4.9%

Banks—4.2%

BBC Capital Trust 1, Preferred, 9.50%	28,000	$717,500
PennFirst Capital Trust 1, Preferred, 8.625%	70,000	700,000
Pennfed Capital Trust, Preferred, 8.90%	27,500	697,812
RBI Capital Trust I, Preferred, 9.10%	42,500	432,969
		2,548,281

Other Financial—0.7%

Fidelity Capital Trust I, Preferred, 8.375%	43,500	$429,563
Total Preferred Stock (Cost: $2,970,737)		**2,977,844**

Corporate Bonds—2.4%

Aerospace & Automotive—0.3%

Coltec Industries, Inc., 9.75% due 4/1/2000	$150,000	$159,187
Coltec Industries, Inc., 9.75% due 11/1/1999	25,000	26,375
		185,562

Building Materials & Construction—0.3%

USG Corporation, 9.25% due 9/15/2001, Senior Notes Series B	150,000	$162,750

Utilities—0.3%

Midland Funding Corporation, 11.75% due 7/23/2005	150,000	$177,750

Other Industrial Goods & Services—1.5%

Scotsman Industries, Inc., 8.625% due 12/15/2007, Senior Subordinated Note	$565,000	$575,594
UCAR Global Enterprises Inc., 12.00% due 1/15/2005, Senior Subordinated Note	300,000	336,375
		911,969

Total Corporate Bonds (Cost: $1,397,505)		**1,438,031**

Government and Agency Securities—28.6%

U.S. Government Bonds—28.1%

United States Treasury Notes, 7.875% due 11/15/2004	6,000,000	$6,735,780
United States Treasury Notes, 7.50% due 5/15/2002	6,000,000	6,399,900
United States Treasury Notes, 7.125% due 9/30/1999	3,800,000	3,872,542
		17,008,222

U.S. Government Agencies—0.5%

Federal Home Loan Bank,

6.405% due 4/10/2001, Consolidated Bond	300,000	$305,400
Total Government and Agency Securities (Cost: $17,059,955)		**17,313,622**
Total Fixed Income (Cost: $21,428,197)		**21,729,497**

Short Term Investments—4.4%

Commercial Paper—3.3%

American Express Credit Corp., 5.51% due 7/6/1998	$500,000	$500,000
Ford Motor Credit Corp., 5.53%–5.55% due 7/7/1998–7/9/1998	1,000,000	1,000,000
General Electric Capital Corporation, 5.57% due 7/8/1998	500,000	500,000
Total Commercial Paper (Cost: $2,000,000)		**2,000,000**

Repurchase Agreements—1.1%

State Street Repurchase Agreement, 5.65% due 7/1/1998	$644,000	$644,000
Total Repurchase Agreements (Cost: $644,000)		**644,000**
Total Short Term Investments (Cost: $2,644,000)		**2,644,000**
Total Investments (Cost $54,900,802)—102.8%		$62,250,622
Other Liabilities In Excess Of Other Assets—(2.8)%		(1,695,938)
Total Net Assets—100%		**$60,554,684**

(a) Non-income producing security.

(b) Represents an American Depositary Receipt.

Third Quarter Report
June 30, 1998

LETTER & SUMMARY INFORMATION

OAKMARK FUND

OAKMARK SELECT FUND

OAKMARK SMALL CAP FUND

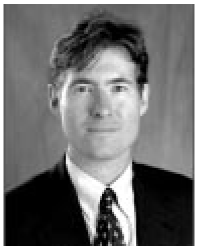
OAKMARK EQUITY AND INCOME FUND

OAKMARK INTERNATIONAL FUND

OAKMARK INT'L SMALL CAP FUND

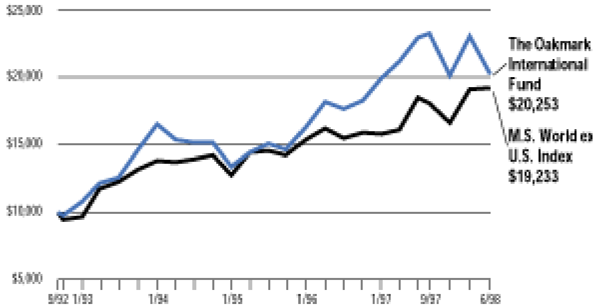
TRUSTEES & OFFICERS

The Oakmark International Fund

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

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (6/30/98) COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



6/30/98 NAV $12.93	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/98 From Fund Inception 9/30/92
The Oakmark International Fund	-11.9%	13.1%
Morgan Stanley World ex U.S. w/inc.**	.8%	12.0%
Morgan Stanley EAFE w/inc**	1.1%	11.9%
Lipper Analytical International Fund Index**	.8%	14.1%

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

**Each of the three indexes or averages is an unmanaged group of stocks whose composition is different from the Fund. The 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:

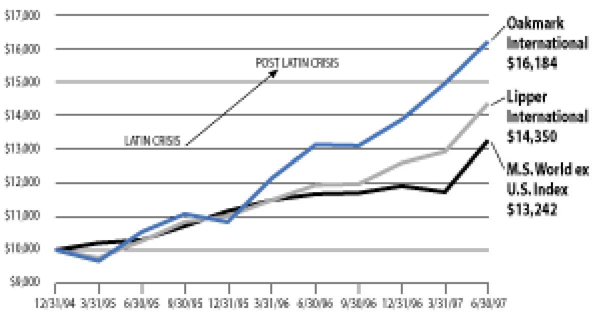
After a strong first calendar quarter, your Fund has declined by 11.9% in the second quarter of 1998. This compares unfavorably with a .8% return for both the MSCI World ex-USA and Lipper International indices. Since your Fund's inception in 1992, it has returned 13.1% versus the MSCI World ex-USA of 12.0% and a Lipper International return of 14.1%.

EMERGING MARKETS SUBMERGE

Our weak 2nd calendar quarter performance is due to our investment exposure to the Pacific Rim and Latin America. As an example, Brazil was down 18%, Hong Kong 26% and Korea 38%. Even innocent Australia was down nearly 5% during this period. These adverse movements hit us hard because we have increased our investment in these depressed markets, unlike some of our peers who liquidated their holdings.

Many of you have asked why we have not fled Asia like most of our competition. The answer, in one word, is **value**. As value investors, we remain convinced that over time, the price of a business converges with the value of a business. History has shown this time and time again. In fact, your Fund went through a similar period from March of 1994 through Spring of 1995. During that time, The International Fund dropped approximately 10%, due mainly to the negative price activity in the emerging markets, Latin America specifically. The Fund behaved similarly to today: we increased our weightings in these regions, focusing on companies which were under priced but financially sound and globally competitive. Our performance from late Spring 1995 to late Spring 1997 was outstanding, allowing the Fund to recapture all its losses and add gains. In calendar year 1996, your Fund, along with The Oakmark International Small Cap Fund was one of the top performing diversified international funds. In fact, The Oakmark International Fund climbed over 50% during that period! See graph below.

OAKMARK INTERNATIONAL: LATIN AMERICAN CRISIS & POST LATIN AMERICAN CRISIS
CUMULATIVE RETURN: $10,000 INVESTMENT



Nevertheless, we believe that performance needs to be viewed in the long-term perspective. Our performance history indicates that the pain we are suffering today should eventually lead to gain in the future. As **value investors** we feel that we are paid to invest our shareholders' money in those stocks which offer the best **long-term** value. Today, those stocks are in companies located in places like Korea, New Zealand, Brazil and Hong Kong (see below). History and the laws of economics strongly suggest that these markets and companies will rebound. When this happens, there will be a rush by our peers (similar to the LatAm situation) to get back into these areas, eventually driving prices wildly higher. We hope to be the prime beneficiaries when these companies/markets are back in vogue.

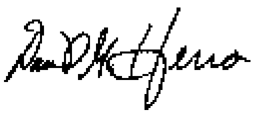
EXAMPLES OF HIGH QUALITY AT A LOW PRICE...

In Brazil, two of our larger holdings are **Usiminas** and **Unibanco**. Usiminas is one of the most efficient producers of steel in the world. Brazil is one of the fastest growing markets for steel. The company is very shareholder friendly (the company recently announced another stock buy back and yields over 10%). At the time of this writing, the company was priced at 3.5x earnings and 2.3x cash flow, levels which we think are completely unjustified and subject to huge potential upside revision. Unibanco is one of Brazil's leading banks. It has made money in good times and bad and is extremely well positioned to benefit from the growth of financial services in Brazil. It sells for under one times adjusted book, returns greater than 15% on its equity, and is a leader in low loan losses and in expense containment. Compare this to banks in Europe that sell at 3-5 times, a much slower growing book value.

In Asia, value is everywhere, even in Japan. Recently we have added two names, **Canon** (cameras, copiers, printers, etc.) and **Citizen** (watches, watch components). Both companies are extremely competitive globally, trade at rock bottom prices, will benefit from a weaker yen and are becoming attentive to shareholder value. In Hong Kong, we own two groups in the hotel business, **Mandarin Oriental** and **Hong Kong and Shanghai Hotel Group (Peninsula)**, which are extremely strong franchises selling at a fraction of the price European or American hotel companies are selling.

WE ARE CONFIDENT!

Yes, there has been volatility in foreign markets. Yes, select markets have crashed. And yes, many have panicked and left certain regions altogether. But, we remain invested in these emerging markets and are convinced that our approach will again yield strong results. This confidence stems from the knowledge we have of our companies, their competitive positions as well as their financial soundness. We also know that in the past, price and value have converged. Finally, we would like to thank our fellow shareholders for your continued support.



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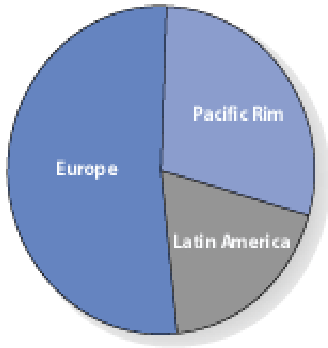
July 7, 1998

THE OAKMARK INTERNATIONAL FUND
International Diversification—June 30, 1998



	% of Fund Net Assets
Europe	***49.5%***
Great Britain	25.8%
France	11.3%
Italy	3.3%
Finland	2.9%
Sweden	2.9%
Netherlands	2.1%
Switzerland	1.2%

	% of Fund Net Assets
Pacific Rim	***27.6%***
Japan	8.0%
Hong Kong	7.1%
Singapore	3.2%
Australia	2.8%
New Zealand	2.8%
Korea	2.4%
Malaysia	1.2%
Thailand	0.1%

	% of Fund Net Assets
Latin America	***18.1%***
Brazil	9.8%
Argentina	4.5%
Panama	3.8%

THE OAKMARK INTERNATIONAL FUND
Schedule of Investments—June 30, 1998 (Unaudited)

	Description	*Shares Held*	*Market Value*
Common Stocks—95.2%			
Consumer Non-Durables—5.4%			
Fila Holding S.p.A. (Italy), (b)	Athletic Footwear Manufacturing	2,454,500	$36,817,500
Citizen Watch Co. (Japan)	Watch Manufacturer and Retailer	2,706,000	22,408,114
BYC Co. Ltd. (Korea)	Textile Manufacturer	33,540	916,060
Yue Yuen Industrial Holdings (Hong Kong)	Athletic Footwear Manufacturing	360,600	644,593
			60,786,267
Food & Beverage—11.5%			

Quilmes Industrial SA (Argentina), (b)	Brewer	5,182,800	$50,532,300
Tate & Lyle PLC (Great Britain)	Sugar Producer & Distributor	4,538,921	36,074,308
Pernod Ricard (France)	Manufactures Wines, Spirits, & Fruit Juices	510,780	35,399,841
Lotte Chilsung Beverage Company (Korea)	Manufacturer of Soft Drinks, Juices, & SportDrinks	123,000	3,672,979
Lotte Confectionery Company (Korea)	Confection Manufacturer	65,270	3,327,677
			129,007,105

Household Products—2.0%

Amway Japan Limited (Japan)	Marketing of Household Products	2,030,900	$21,591,256
Amway Japan Limited (Japan), (b)	Marketing of Household Products	152,400	828,675
			22,419,931

Retail—1.2%

Giordano International Limited (Hong Kong)	East Asian Clothing Retailer & Manufacturer	67,299,000	$13,636,994
York-Benimaru Co., Ltd. (Japan)	Supermarket Chain	15,200	286,917
			13,923,911

Other Consumer Goods & Services—6.6%

Canon, Inc. (Japan)	Office and Video Equipment	1,007,000	$22,940,984
Sankyo Company, Ltd. (Japan)	Pachinko Machine Manufacturer	1,234,800	20,093,295
Mandarin Oriental International Limited (Singapore)	Hotel Management	30,539,000	17,407,230
The Hongkong and Shanghai Hotels, Limited (Hong Kong)	Hotel Operator	28,133,000	14,070,131

			74,511,640

Banks—9.0%

Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Multinational Bank	1,394,100	$42,868,575
Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Major Brazilian Bank	1,128,900	33,302,550
Uniao de Bancos Brasileiros S.A. - units (Brazil)	Major Brazilian Bank	286,362,500	16,935,883
United Overseas Bank Ltd., Foreign Shares (Singapore)	Commercial Banking	2,600,000	8,100,890
			101,207,898

Other Financial—3.7%

Sedgwick Group plc (Great Britain)	Insurance Broker, Financial Services	19,285,000	$41,216,209

Marketing Services—9.1%

Saatchi & Saatchi plc (Great Britain), (a)	Advertising Services	20,007,578	$55,455,043
Cordiant Communications Group plc (Great Britain)	Advertising Services	21,497,578	47,560,219
			103,015,262

Broadcasting & Publishing—2.5%

Europe 1 Communication (France)	Television Production	74,020	$16,895,909
Singapore Press Holdings Ltd. (Singapore)	Newspaper Publisher	1,530,000	10,260,534
Woongjin Publishing Company (Korea)	Publisher	148,410	1,183,605
			28,340,048

Telecommunications—3.5%

Telecomunicacoes Brasileiras S.A. (Brazil)	Telecommunications	290,100,000	$23,076,564
Technology Resources Industries Berhad (Malaysia)	Telecommunications	19,707,000	13,532,908
SK Telecom Co. Ltd. (Korea)	Telecommunications	10,395	3,240,393
			39,849,865

Transportation—2.9%

Volvo AB, Class B (Sweden)	Automobiles and Trucks	1,082,600	$32,236,397

Transportation Services—1.2%

Danzas Holding AG (Switzerland), (a)	Freight Distributor	51,950	$13,996,962

Aerospace—4.9%

Rolls-Royce plc (Great Britain)	Jet Engines	9,068,552	$37,589,421
Hong Kong Aircraft Engineering Company Ltd. (Hong Kong)	Commercial Aircraft Overhaul & Maintenance	11,091,700	17,178,679
			54,768,100

Airlines—1.4%

Qantas Airways Limited (Australia)	International Airline	10,670,000	$16,094,863

Oil & Natural Gas—0.6%

ISIS (France), (a)	Oil Services	57,000	$6,976,860

Chemicals—5.1%

Fernz Corporation Limited (New Zealand)	Agricultural & Industrial Chemical Producer	14,132,500	$31,621,546
European Vinyls Corporation International N.V. (Netherlands)	PVC Manufacturer	1,367,785	23,887,034

Nagase & Co., Ltd. (Japan)	Chemical Wholesaler	532,000	1,946,857
			57,455,437

Components—2.7%

Varitronix International Limited (Hong Kong)	Liquid Crystal Displays	15,374,000	$30,755,937

Machinery & Metal Processing—1.6%

Outokumpu Oyj (Finland)	Metal Producer	731,800	$9,346,019
The Rauma Group (Finland)	Pulp Machinery	429,500	8,815,601
			18,161,620

Mining and Building Materials—2.0%

Pioneer International Limited (Australia)	Concrete Products, Aggregates	6,585,176	$15,737,825
Keumkang Ltd. (Korea)	Building Materials	560,460	4,816,772
Siam City Cement Public Company Limited, Foreign Shares (Thailand)	Cement Producer	2,082,349	1,480,343
Asia Cement Manufacturing Company Ltd. (Korea)	Cement Producer	40,350	$ 191,023
			22,225,963

Other Industrial Goods & Services—13.5%

Tomkins plc (Great Britain)	Industrial Management Company	10,616,228	$ 57,742,170
Chargeurs SA (France)	Wool Production Holding Company	602,387	49,769,639
Charter plc (Great Britain)	Welding Products Manufacturer	1,469,100	15,392,300
Kone Corporation, Class B (Finland)	Elevators	103,870	14,592,076
Groupe Legris			

Industries SA (France)	European Crane Manufacturer	217,815	10,195,949
Dongah Tire Industry Company (Korea), (a)	Tire Manufacturer	156,670	4,221,988
			151,914,122

Steel—3.3%

USIMINAS (Brazil), (a)	Steel Production	7,251,370	$ 36,991,987
Pohang Iron & Steel Company Ltd. (Korea)	Manufactures Steel Products	14,000	395,630
			37,387,617

Diversified Conglomerates—1.5%

Compagnie Generale des Eaux (France)	Industrial Services	38,000	$ 8,114,528
Tae Young Corporation (Korea)	Heavy Construction	633,000	5,347,997
First Pacific Company Ltd. (Hong Kong)	Diversified Operations	6,897,000	2,893,037
Lamex Holdings Ltd. (Hong Kong)	Office Furniture Supplier	14,040,000	543,624
			16,899,186
Total Common Stocks (Cost: $1,248,179,123)			**1,073,151,200**

Description	*Principal Value*	*Market Value*

Short Term Investments—4.8%

Commercial Paper—3.5%

American Express Credit Corp., 5.51% due 7/6/1998–7/7/1998	$10,000,000	$10,000,000
Ford Motor Credit Corp., 5.57% due 7/9/1998–7/10/1998	10,000,000	10,000,000
General Electric Capital Corporation, 5.57%–6.00% due 7/1/1998–7/8/1998	20,000,000	20,000,000

Total Commercial Paper (Cost: $40,000,000)		**40,000,000**
Repurchase Agreements—1.3%		
State Street Repurchase Agreement, 5.65% due 7/1/1998	$14,241,000	$14,241,000
Total Repurchase Agreements (Cost: $14,241,000)		**14,241,000**
Total Short Term Investments (Cost: $54,241,000)		**54,241,000**
Total Investments (Cost $1,302,420,123)—100.0%		$1,127,392,200
Foreign Currencies (Proceeds $2,753,194)—0.2%		2,764,594
Other Liabilities In Excess Of Other Assets—(0.2)% (d)		(2,783,886)
Total Net Assets—100%		**$1,127,372,908**

(a) Non-income producing security.

(b) Represents an American Depositary Receipt.

(c) Represents a Global Depositary Receipt.

(d) Includes portfolio and transaction hedges.

Third Quarter Report
June 30, 1998

LETTER & SUMMARY INFORMATION

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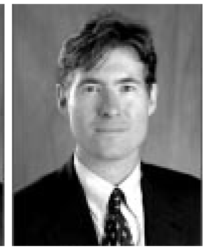
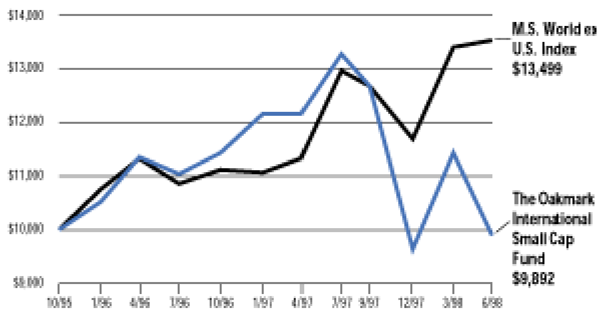
TRUSTEES & OFFICERS

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 (6/30/98) AS COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



6/30/98 NAV $8.30	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	-13.5%	-.4%
Morgan Stanley World ex U.S. w/inc.**	.8%	11.9%
Lipper Analytical International Small Cap Fund Average**	3.3%	13.8%
Micropal International Small Co. Fund Index**	3.6%	13.8%

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

** Each of the three indexes or averages is an unmanaged group of 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 56 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,

Your Fund had a tough 2nd quarter, giving back a lot of the strong gains achieved in the first quarter. For the period ended June 30, 1998, your Fund was down 13.5% versus 3.6% and 3.3% for the Micropal and Lipper international indices respectively. The largest factor impacting your Fund's performance is its 50% exposure to the Pacific Rim, whereas most of our peers invest approximately 15-20% in this region. Though the region has been in crisis since last summer, we believe it offers the greatest investment opportunity anywhere.

WE ARE **VERY** BULLISH ON ASIA...

The "old" news is that starting last summer, currencies and equity markets dramatically dropped across Asia. There were a few major causes of this event. First, most Asian currencies were pegged to the dollar. This resulted in overvalued currencies and current account deficits, thus pressuring the "peg" and eventually causing it to fail. Secondly, "crony capitalism" in the region meant that companies didn't make economic decisions based on economic risk/return analysis. Social and political implications seemed to guide decisions and economics were left out. This was possible because of the closed and opaque nature of the typical Asian economy. The end result was that resources flowed to areas where they were not needed, and those areas that actually needed resources were starved of capital and investment. Though Asia was not totally void of sensibility, bad practice advanced faster than good and today we see the results.

...AS REAL CHANGE **IS** TAKING PLACE.

Having said the above, the "new" news is that Asia is changing faster than anyone would imagine. Economies are opening up and the discipline of the marketplace is replacing "crony capitalism". It is not occurring at the same speed everywhere, but it is noticeable. It is most evident in South Korea. Newly elected President Kim Dae Jung in six months transformed the Korean economy from one of the world's most closed and protected to an open one. As an example, prior to Kim's election, foreign investors had been limited to just a small fraction of a company's ownership. Today a foreign company or individual can make a hostile bid for a Korean company. This is exactly the type of change needed to put Korean business in a "shape-up or ship-out" mode. In the past, in Kim's words, the government protected big business. Today, all protections are being removed and Korean companies are starting to shape-up out of necessity.

Across Asia, "micro-economic reform" is taking place. China and Thailand are moving swiftly in the right direction. Singapore was always, and still is, fine. Malaysia is still debating change and a populist revolution has occurred in Indonesia. Though it's still very early, the new leadership in Jakarta seems to be acting responsibly. Japan remains a stumbling block but it is hard to imagine that they can dodge economic forces forever. The concern of Chinese economic supremacy will ultimately move them.

What this means is that the economies of Asia will be well positioned for longer and more stable post recession growth. The basic positive economic fundamentals that have propelled Asia over the last decade are still in place and are now made more potent with the new reforms. These fundamentals include high government and individual savings rates, very sound intellectual and physical infrastructure, productive work forces, strong families, and the "Asian Intangible"....the ability of people in the greater Asian region to adapt, overcome and improvise. In a few years, this intangible will become more evident to the world than it already is.

WE ARE NOT THE ONLY BULLS!

Although many international portfolio managers seem to have pulled out of Asia, direct investors and businesses looking for bargains are going on a buying binge. From steel to financial services to electronics, Western businesses like Volvo, MetLife, Coca-Cola, GECapital, LSI Logic and Interbrew are spending hundreds of millions of dollars on acquiring Asian companies. It's a sign of the confidence that long-term, "direct" investors have in Asia. We are in complete agreement with their view and, as long-term value investors, feel that patience today will yield lucrative results. We continue to believe that investment success over time is derived from a simple axiom—buying low and selling high. We will continue to do this no matter what the crowd is doing.

Finally, we would like to thank our fellow shareholders for continuing to show confidence in our abilities as stewards to your savings. We will continue to work hard to achieve satisfactory results.

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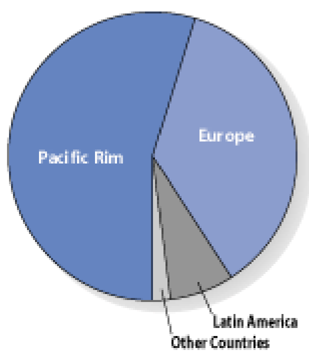
July 7, 1998

THE OAKMARK INTERNATIONAL SMALL CAP FUND
International Diversification—June 30, 1998



	% of Fund Net Assets		% of Fund Net Assets
Pacific Rim	***48.9%***	***Europe***	***34.3%***

Japan	15.0%	Great Britain	23.2%
Australia	7.0%	Germany	3.8%
New Zealand	6.9%	France	3.7%
Hong Kong	6.5%	Netherlands	2.4%
Korea	5.4%	Italy	1.2%
Thailand	3.2%		
Singapore	2.5%		
Philippines	2.4%		
Latin America	***6.9%***	***Other***	***1.9%***
Brazil	6.2%	Canada	1.9%
Panama	0.7%		

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 1998 (Unaudited)

	Description	*Shares Held*	*Market Value*
Common Stocks—92.0%			
Consumer Non-Durables—2.9%			
Royal Doulton plc (Great Britain)	Tableware and Giftware	440,000	$1,608,923
Designer Textiles (NZ) Limited (New Zealand)	Knit Fabrics	2,960,000	385,059
			1,993,982
Food & Beverage—9.0%			
Matthew Clark plc (Great Britain)	Spirits & Drinks	1,054,000	$3,299,745
Alaska Milk Corporation (Philippines), (a)	Milk Producer	36,372,000	1,622,348
Hite Brewery Company (Korea)	Brewer	165,010	853,293
Souza Cruz S/A (Brazil)	Tobacco Products	55,000	408,975
			6,184,361
Household Products—0.5%			

WMF (Germany)	Tableware and Kitchenware	1,753	$315,908

Retail—10.8%

Carpetright plc (Great Britain)	Carpet Retailer	495,000	$2,157,169
Somerfield plc (Great Britain)	Food Retailer	261,000	1,666,903
Daimon (Japan)	Liquor Retailer & Distributor	612,200	1,505,373
Paris Miki Inc. (Japan)	Optical Supplies Retailer	80,600	1,061,493
Giordano International Limited (Hong Kong)	East Asian Clothing Retailer & Manufacturer	3,112,000	630,594
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores	2,996,000	406,014
			7,427,546

Other Consumer Goods & Services—7.1%

Sanford Limited (New Zealand)	Fisheries	1,689,240	$2,575,459
CeWe Color Holding AG (Germany)	Photo Equipment & Supplies	11,150	2,318,473
			4,893,932

Banks—1.0%

Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Multinational Bank	15,300	$470,475
Shinhan Bank (Korea)	Commercial Bank	47,764	158,634
Kookmin Bank (Korea)	Commercial Bank	11,351	42,163
			671,272

Other Financial—10.1%

Lambert Fenchurch	Insurance Broker		

Group plc (Great Britain)		1,871,000	$3,202,109
JCG Holdings Ltd. (Hong Kong)	Investment Holding Company	7,711,000	2,139,733
Ichiyoshi Securities (Japan)	Stock Broker	1,245,000	1,575,721
			6,917,563

Computer Software—5.9%

Enix Corporation (Japan)	Entertainment Software	133,400	$2,604,903
Koei (Japan)	Computer Software	196,000	1,474,217
			4,079,120

Computer Systems—3.8%

Solution 6 Holdings Limited (Australia), (a)	Systems Design & Consulting	4,150,893	$2,576,666

Marketing Services—5.8%

Cordiant Communications Group plc (Great Britain)	Advertising Services	1,808,500	$4,001,039

Broadcasting & Publishing—4.7%

Matichon Public Company Limited, Foreign Shares (Thailand)	Newspaper Publisher	1,969,100	$2,099,751
Woongjin Publishing Company (Korea)	Publisher	134,076	1,069,288
Matichon Public Company Limited (Thailand)	Newspaper Publisher	70,400	66,730
			3,235,769

Telecommunications—0.4%

SK Telecom Co. Ltd. (Korea)	Telecommunications	803	$250,316

Pharmaceutical—1.2%

Recordati (Italy)	Pharmaceuticals	84,500	$798,987

Chemicals—2.4%

European Vinyls Corporation International N.V. (Netherlands)	PVC Manufacturer	93,100	$1,625,901

Machinery & Metal Processing—1.1%

Denyo Co., Ltd. (Japan)	Welding Machines & Power Generators	144,000	$718,594

Mining and Building Materials—3.2%

Parbury Limited (Australia)	Building Products	11,119,712	$2,208,819

Other Industrial Goods & Services—12.3%

Elevadores Atlas, SA (Brazil)	Elevators	229,200	$3,864,425
Nishio Rent All Company (Japan)	Construction Equipment Rental	163,900	1,327,605
Dongah Tire Industry Company (Korea), (a)	Tire Manufacturer	43,900	1,183,030
Yip's Hang Cheung Ltd. (Hong Kong)	Paint & Solvents	23,708,000	1,178,056
Groupe Legris Industries SA (France)	European Crane Manufacturer	17,400	814,496
Lamex Holdings Ltd. (Hong Kong)	Office Furniture Supplier	2,110,000	81,699
			8,449,311

Production Equipment—4.4%

NSC Groupe (France)	Manufacturer of Textile Equipment	11,562	$1,738,402
Skyjack Inc.	Producer of		

(Canada), (a)	Elevating Platforms & Lifts	88,700	1,304,988
			3,043,390

Steel—2.9%

Steel & Tube Holdings Ltd. (New Zealand)	Produces and Distributes Steel	2,615,400	$1,769,201
Pohang Iron & Steel Company Ltd. (Korea)	Manufactures Steel Products	6,580	185,946
			1,955,147

Diversified Conglomerates—2.5%

Haw Par Corporation Ltd. (Singapore)	Healthcare and Leisure Products	1,653,000	$1,736,386
Total Common Stocks (Cost: $82,218,226)			**63,084,009**

Description	*Principal Value*	*Market Value*

Short Term Investments—4.9%

Commercial Paper—2.2%

Description	Principal Value	Market Value
American Express Credit Corporation, 5.51% due 7/6/1998	$500,000	$500,000
General Electric Capital Corporation, 5.57% due 7/7/1998—7/8/1998	1,000,000	1,000,000
Total Commercial Paper (Cost: $1,500,00)		**1,500,000**

Repurchase Agreements—2.7%

Description	Principal Value	Market Value
State Street Repurchase Agreement, 5.65% due 7/1/1998	$1,870,000	$ 1,870,000

Total Repurchase Agreements (Cost: $1,870,000)	**1,870,000**
Total Short Term Investments (Cost: $3,370,000)	**3,370,000**
Total Investments (Cost $85,588,226)—96.9%	$66,454,009
Foreign Currencies (Proceeds $23,911)—0.0%	26,254
Other Assets In Excess Of Other Liabilities—3.1% (c)	2,121,394
Total Net Assets—100%	**$68,601,657**

(a) Non-income producing security.

(b) Represents an American Depositary Receipt.

(c) Includes transaction hedges.

THE OAKMARK FAMILY OF FUNDS

Trustees and Officers

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