

Dear Fellow Shareholders:

We are pleased to present the Semi-Annual Report for The Oakmark Family of Funds. In our last several reports, we have highlighted the growing list of attractive securities that have met our valuation criteria. We also noted the increasing confidence and enthusiasm of all our fund managers for the quality and upside potential of the holdings in their portfolios. In this report, several managers' commentaries explain the basis for this confidence by featuring in-depth discussions of some of their significant holdings. Most important, this conviction has translated into tangible results.



Despite the continuation of a momentum driven market, three of our funds had very good quarters. The International Small Cap Fund was up 24.6%, The International Fund was up 13.8% and The Select Fund was up 10.6%. We have not changed our focus to a short-term time horizon. Instead, we continue to adhere to our value investment philosophy. Ultimately, these strong absolute returns result from this disciplined approach to investing.

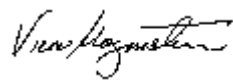
We also want to add a more significant observation about these results. Our value discipline is applied to the management of all Oakmark Funds. We believe it would be very unusual for the performance rebound to affect only half of our fund family. We hope and expect that our other funds are nearing a point where relative and absolute returns will be improving. This outcome will confirm our strong belief that value investing was out of favor cyclically, not secularly.

On another note, we are always looking at new ideas to better serve our shareholders. Just as we research stock ideas thoroughly before we purchase, we explore new servicing ideas in the same fashion. Currently, we are reviewing such services as electronic delivery of quarterly reports, prospectuses, and account statements. We are also exploring the idea of allowing our shareholders to do transactions over the Internet. As always, we base our decisions on what is best for our shareholders. We look forward to continuing to serve your investment needs in the future.

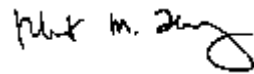
As the year 2000 approaches, our Y2K activities are on schedule and we are still confident that we are well prepared for this event.

Finally, we are pleased to see solid evidence that value investing is "making a

comeback." It is a mistake to assume that the race is over.



VICTOR MORGENSTERN
Chairman



ROBERT M. LEVY
President



The Oakmark Family of Funds

Summary Information

<i>Performance for Period Ended March 31, 1999</i>	The Oakmark Fund		The Oakmark Select Fund		The Oakmark Small Cap Fund	
<i>3 Months</i>	-0.5%		10.6%		-8.8%	
<i>6 Months</i>	12.0%		34.4%		7.3%	
<i>1 Year</i>	-6.1%		13.4%		-26.1%	
<i>Average Annual Total Return for:</i>						
<i>3 Year</i>	15.4%		N/A		11.9%	
<i>5 Year</i>	18.2%		N/A		N/A	
<i>Since inception</i>	25.2%		40.6%		14.9%	
<i>Value of \$10,000 from inception date</i>	\$55,888 (8/5/91)		\$22,766 (11/1/96)		\$16,069 (11/1/95)	
<i>Top Five Holdings as of March 31, 1999</i>					People's Bank of Bridgeport, CT	
<i>Company and %</i>	Nike, Inc., Class B	7.4%	Washington Mutual, Inc.	10.8%		4.0%

<i>of Total Net Assets</i>	Philip Morris Companies Inc.	7.1%	USG Corporation	10.7%	Duff & Phelps Credit Rating Co.	3.8%
	The Black & Decker Corporation	6.6%	U.S. Industries, Inc.	8.7%	Department 56, Inc.	3.8%
	The Dun & Bradstreet Corporation	5.8%	PartnerRe Ltd.	6.3%	H. B. Fuller Company	3.6%
	Mattel, Inc.	5.7%	First Data Corporation	5.7%	Micron Electronics, Inc.	3.6%
<i>Top Five Industries as of March 31, 1999</i>	Other Consumer Goods & Services	18.6%	Banks & Thrifts	14.5%	Other Industrial Goods & Services	14.1%
	Banks & Thrifts	9.9%	Computer Services	12.7%	Food & Beverages	9.9%
	Aerospace & Defense	9.4%	Building Materials & Construction	10.7%	Banks & Thrifts	8.8%
	Food & Beverage	8.8%	Diversified Conglomerates	8.7%	Retail	8.7
	Information Services	8.1%	Insurance	6.3%	Real Estate	7.2
<i>Industries and % of Total Net Assets</i>						

<i>Performance for Period Ended March 31, 1999</i>	The Oakmark Equity and Income Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
<i>3 Months</i>	0.0%	13.8%	24.6%
<i>6 Months</i>	10.5%	30.2%	59.8%
<i>1 Year</i>	3.5%	-7.6%	14.8%
<i>Average Annual Total Return for:</i>			
<i>3 Year</i>	16.9%	7.7%	6.1%
<i>5 Year</i>	N/A	6.9%	N/A

<i>Since inception</i>	16.4%		12.3%		8.3%	
<i>Value of \$10,000 from inception date</i>	\$16,792 (11/1/95)		\$21,258 (9/30/92)		\$13,118 (11/1/95)	
<i>Top Five Holdings as of March 31, 1999</i> <i>Company and % of Total Net Assets</i>	Imation Corp.	4.8%	Cordiant Communications Group plc	6.3%	Haw Par Corporation Limited	4.6%
	First Data Corporation	3.9%	Tomkins plc	5.1%	Solution 6 Holdings Limited	4.5%
	Juno Lighting, Inc.	3.6%	Uniao de Bancas Brasileiros S.A.	4.8%	Royal Doulton plc	4.4%
	Lear Corporation	3.5%	Banco Latinoamericano de Exportaciones, S.A., Class E	4.4%	Carpetright plc	4.4%
	Amlí Residential Properties Trust	3.4%	Chargeurs SA	4.1%	Ichiyoshi Securites	4.0%
<i>Top Five Industries as of March 31, 1999</i> <i>Industries and % of Total Net Assets</i>	U.S. Government Bonds	24.8%	Other Industrial Goods & Services	14.2%	Retail	15.1%
	Computer Services	9.7%	Banks	11.3%	Diversified Conglomerates	9.6%
	Real Estate	9.2%	Marketing Services	10.0%	Other Financial	9.3%
	Banks & Thrifts	7.1%	Consumer Non-Durables	7.2%	Other Industrial Goods & Services	7.5%
	Data Storage	4.8%	Other Consumer Goods & Services	6.4%	Computer Software	6.9%

The Oakmark Fund

Report from Robert J. Sanborn, Portfolio Manager



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OAKMARK
FUND

OAKMARK
SELECT
FUND

OAKMARK
SMALL CAP
FUND

OAKMARK
EQUITY AND
INCOME FUND

OAKMARK
INTERNATIONAL
FUND

OAKMARK
INT'L SMALL
CAP FUND

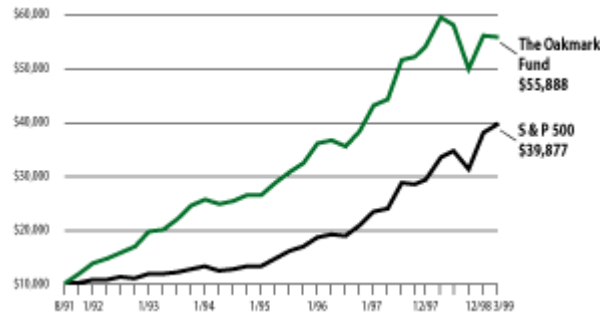
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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (3/31/99) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



3/31/99 NAV \$35.65

Total Return
Last 3 mos.

Average Annual
Total Return*
Through 3/31/99
From Fund
Inception 8/5/91

Investment	Total Return Last 3 mos.	Average Annual Total Return*
The Oakmark Fund	-0.5%	25.2%
Standard & Poor's 500 Stock Index w/inc**	5.0%	19.8%
Dow Jones Industrial Average w/inc**	7.0%	19.5%
Value Line Composite Index**	-6.4%	7.1%

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

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

REDEMPTION SONG

The late great Bob Marley sang, "All I ever had ... redemption song."

I can relate.

When we launched The Oakmark Fund in 1991, we pledged to write meaningful quarterly

letters and to keep you apprised of significant developments at The Oakmark Fund (and, subsequently, all our funds). An item I want to discuss is the high and steady level of redemption activity we have experienced over the past nine months or so. The total assets in The Oakmark Fund have declined from a high of over \$9 billion in April of 1998 to less than \$6 billion today, and the vast majority of that decline is due to redemptions.

I want to discuss this phenomenon, how it affects management of the Fund, and how it affects the overall market.

First, the redemptions we have experienced have required selling a lot of our holdings. In general, cash flows in or out, or even the size of the Fund, have little bearing on where I invest our money. For instance, whether our Fund has \$1 billion or \$10 billion in assets, I would have, say, seven percent invested in Nike and five percent in Eaton. The number of shares and the dollars are merely a residual. While I continue to make "real" trades—be it eliminating a holding, or buying a new one, or altering percentage holdings—in general I have met these redemptions by selling across the board.

Redemptions have affected virtually every fund with a value bias. (Throughout this discussion, be advised that there are no hard and fast rules that make a fund either a "value" or "growth" fund.) According to J.P. Morgan Securities, over 98 percent of new money flowing into equity funds this year has gone to growth funds! It seems that today's mutual fund investor has become very short term in his investment endeavors, and the game seems to be dependent on the assumption that what **will** be good is what **has** been good recently. These cash flows—to the growth guys, away from the value guys—tend to create forced selling pressure on the stocks that the "value" guys own and corresponding pressure on the stocks the "growth" guys own. This tends, of course, to create conditions that allow the growth guys to do well and the value guys to do poorly, which sets off the whole cycle again ... and again ... and again ...

A key question is whether fundamentals and economics are driving these cash flows or if they are mindless. A huge amount of anecdotal evidence leads me to conclude that these flows are generally mindlessly following recent past performance and increasingly bizarre theories are concocted to rationalize them. Wall Street firms, competing for underwritings, have always been creative on this score. One theory is that the Return on Invested Capital (ROIC) is so high at the New Age companies that they deserve their stratospheric valuations. Of course, what really matters is whether it can be sustained. In my experience, excess returns attract new entrants and competitors and tend to be competed away. Another theory is that Internet firms in particular should receive lofty valuations because they require little cash investment to operate. Of course, another way to look at this feature is to focus on the very low barriers to entry facing anyone trying to compete with, say, Amazon.com. (Apparently, there is a 16-year-old in Iowa who has replicated virtually their entire system!)

While I understand how frustrating our performance has been to you, and while I appreciate your patience, I actually view this cash flow phenomenon as a positive. The more investors who invest without regard to fundamentals and the more investors adopt an ever-shorter time frame, the more attractive are the opportunities for The Oakmark Fund. In fact, this is another quarter where I will reiterate that I have never been more confident of our prospective performance, particularly relative to the Standard & Poor's 500.

So, while I am now singing "Redemption Song," I expect to soon be singing another song from the Marley oeuvre: "Riding High."

OAKMARK: A GROWTH FUND?

As I indicated above, the distinction between a value fund and a growth fund tends to be

arbitrary. We have never been the sort of value investors who simply buy those stocks with the lowest price-earnings- or price-book-ratio. We prefer to buy \$1 of economic value for 60 cents. A growth company at a reasonable valuation can be a value to us.

This is a prelude to an assertion I often hear: "The world has changed." Today, this statement is often made by those trying to rationalize the valuations of the market leaders. Many constituents use this argument in an effort to compel me to surrender to the valuations of, say, Internet stocks. As I have written, I will never buy what I believe to be an overvalued stock in the hopes of its becoming even more over-valued.

Nevertheless, while our philosophy and how we frame the investment process never changes and never will, we often change our assessments of value in response to changes in the economic landscape. The most important change in how we view businesses and their valuation versus, say, ten years ago, is how we assess market leaders versus industry also-rans. If we look at our client portfolios of ten years ago, in general they were heavily populated with statistically cheap stocks that were in either horrible businesses or were the third or fourth participant in a given industry.

Now, let's look at The Oakmark Fund's ten largest holdings, which comprise almost 60 percent of the Fund's value. Within their respective industries, eight are dominant competitors (Nike, Philip Morris, Mattel, Black & Decker, Lockheed Martin, Boeing, H&R Block, and Dun & Bradstreet) and the other two (Washington Mutual, Eaton) are strong competitors in their markets. For every stock we own or monitor closely, our analysts assign a rating from 1 (best) to 5 (worst) in assessing the quality of a given company's business. A "1" business would tend to have a strong market share in a decent market, have high barriers to entry, have low technological obsolescence, and provide products and/or services that are differentiated. The average rating assigned to The Oakmark Fund's ten largest holdings is less than 2, meaning that we believe that the average quality of the business structure of our ten largest holdings is above average.

Our analysts also estimate long-term growth rates for every stock. The average long-term earnings growth rate for our ten largest holdings is over 11 percent, slightly above what the market is likely to experience. So, I conclude that the bulk of our Fund, at the current time, is in superior businesses with robust growth rates. Yet, the valuation of these holdings is significantly less than that of the Standard & Poor's 500.

... AND ON A PERSONAL NOTE

This past March, actually on the ides of March, I sent you a letter describing our investment philosophy. This was in response to a lot of e-mails and letters I had received from shareholders that led me to conclude that some of our shareholders were not knowledgeable about our investment philosophy. This concerned me because I believe that shareholders who simply chase returns are bound to be disappointed.

Well, I received an avalanche of letters and e-mails in response to this letter. And, I must admit it has been extremely gratifying that the vast majority of these letters has expressed knowledge and support of our investment approach. Many of you would (rightfully!) move on if we changed our philosophy. Do not worry, we will not.

With the assistance of my colleague Ms. Kathy O'Keefe-Smith, I have tried to respond to all of these communications. I want to thank all who wrote.

Robert J. Senborn

ROBERT SANBORN
Portfolio Manager
rsanborn@oakmark.com
April 7, 1999

THE OAKMARK FUND

Schedule of Investments—March 31, 1999 (Unaudited)

	<i>Shares Held</i>	<i>Market Value</i>
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<i>Common Stocks—95.4%</i>		
<i>Food & Beverage—8.8%</i>		
Philip Morris Companies Inc.	11,610,700	\$408,551,506
Nabisco Holdings Corporation, Class A	2,372,100	98,590,406
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		507,141,912
<i>Apparel—7.4%</i>		
Nike, Inc., Class B	7,307,100	\$421,528,331
<i>Retail—0.2%</i>		
GC Companies, Inc. (a)(b)	397,000	\$12,480,688
<i>Hardware—7.7%</i>		
The Black & Decker Corporation (b)	6,840,000	\$379,192,500
The Stanley Works	2,524,900	64,700,562
		<hr/>
		443,893,062
<i>Other Consumer Goods & Services—18.6%</i>		
Mattel, Inc.	13,214,400	\$328,708,200
H&R Block, Inc. (b)	6,765,500	320,515,562
Fortune Brands, Inc.	4,861,100	188,063,806
Brunswick Corporation (b)	7,280,800	138,790,250
Polaroid Corporation (b)	4,527,400	90,830,963
		<hr/>
		1,066,908,781
<i>Banks & Thrifts—9.9%</i>		
Washington Mutual, Inc.	7,680,000	\$313,920,000
Bank One Corporation	4,600,548	253,317,674
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567,237,674

Insurance—1.3%

Old Republic International Corporation	4,122,930	\$75,243,473
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Publishing—6.0%

Knight Ridder, Inc. (b)	6,266,100	\$313,305,000
R. H. Donnelley Corporation (b)	2,073,260	32,005,951

 345,310,951
Information Services—8.1%

The Dun & Bradstreet Corporation (b)	9,409,200	\$335,202,750
ACNielsen Corporation (a) (b)	4,764,000	129,223,500

 464,426,250
Computer Services—2.1%

First Data Corporation	2,873,200	\$122,829,300
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Medical Centers—4.2%

Columbia/HCA Healthcare Corporation	12,601,000	\$238,631,437
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Medical Products—1.3%

Sybron International Corporation (a)	2,935,600	\$73,390,000
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Automotive—0.5%

SPX Corporation (a)	538,200	\$27,145,463
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Aerospace & Defense—9.4%

Lockheed Martin Corporation	7,250,000	\$273,234,375
The Boeing Company	7,799,400	266,154,525

 539,388,900
Machinery & Industrial Processing—7.9%

Eaton Corporation (b)	4,179,600	\$298,841,400
Cooper Industries, Inc.	3,558,400	151,676,800

 450,518,200
Building Materials & Construction—0.4%

Juno Lighting, Inc. (b)	1,085,000	\$24,344,688
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Other Industrial Goods & Services—1.6%

Parker-Hannifin Corporation	1,297,600	\$44,442,800
Bandag Incorporated, Class A	1,104,100	26,222,375
The Geon Company	971,600	22,103,900

92,769,075

**Total Common Stocks (Cost:
\$5,124,581,785)** **5,473,188,185**

Par Value Market Value

Short Term Investments—4.3%

U.S. Government Bills—1.3%

United States Treasury Bills, 4.37%–4.70% due 4/1/1999– 4/22/1999	\$75,000,000	\$74,862,917
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**Total U.S. Government Bills (Cost:
\$74,862,917)** **74,862,917**

Commercial Paper—1.7%

American Express Credit Corp., 4.82%–4.84% due 4/1/1999–4/5/1999	\$40,000,000	\$40,000,000
Ford Motor Credit Corp., 4.82% due 4/6/1999	20,000,000	20,000,000
General Electric Capital Corporation, 5.00% due 4/1/1999	35,000,000	35,000,000

**Total Commercial Paper (Cost:
\$95,000,000)** **95,000,000**

Repurchase Agreements—1.3%

State Street Repurchase Agreement, 4.88% due 4/1/1999	\$73,725,000	\$73,725,000
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**Total Repurchase Agreements (Cost:
\$73,725,000)** **73,725,000**

**Total Short Term Investments (Cost:
\$243,587,917)** **243,587,917**

Total Investments (Cost \$5,368,169,702)— 99.7% (c)	\$5,716,776,102
Other Assets In Excess Of Other Liabilities —0.3%	19,739,803
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Total Net Assets—100%	\$5,736,515,905
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(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, 1999, net unrealized appreciation of \$348,606,400, for federal income tax purposes consisted of gross unrealized appreciation of \$965,289,295 and gross unrealized depreciation of \$616,682,895.

The Oakmark Select Fund

Report from Bill Nygren, Portfolio Manager



LETTER &
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OAKMARK
SELECT
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OAKMARK
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EQUITY AND
INCOME FUND

OAKMARK
INTERNATIONAL
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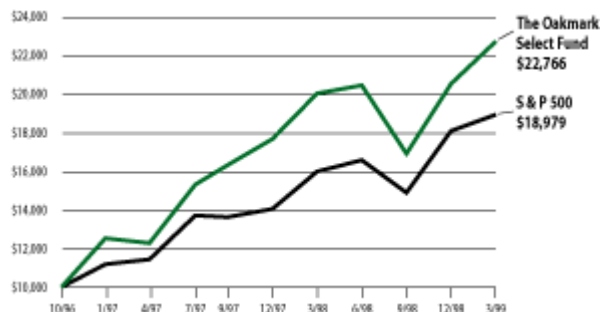
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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (3/31/99) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



3/31/99 NAV \$21.62

Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/99 From Fund Inception 11/1/96
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	Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/99 From Fund Inception 11/1/96
The Oakmark Select Fund	10.6%	40.6%
Standard & Poor's 500 Stock Index w/inc**	5.0%	30.4%
Standard & Poor's MidCap 400 Index w/inc**	-6.4%	20.2%
Value Line Composite Index**	-6.4%	5.8%

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

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

The Oakmark Select Fund increased in value 10.6% during the quarter ended March 31 and 34.4% for the six month fiscal year-to-date. Both the three- and six-month numbers are substantially ahead of the benchmark indices. The largest contributor to the Fund's excellent quarter was Gucci's 66% increase. Gucci became an acquisition target and we reduced our weighting in the company as the stock price climbed in anticipation of a bidding war. Two other strong contributors, Cablevision Systems and Amgen, have been sold because their

stock prices achieved (and then surpassed) our sell targets. At the end of March, the S&P 500 sold at 29 times estimated 1999 earnings, whereas the P/E multiple for The Oakmark Select Fund was 13 times, less than half the market multiple. As I have highlighted in the last two quarterly reports, I find your Fund's current relative valuation extremely compelling.

PORTFOLIO TURNOVER

Different investment styles lead to very different outcomes regarding portfolio turnover. Consider, at two extremes, value and momentum styles. A value approach purchases undervalued stocks, waits for the gap between price and value to close, then sells them. This style generally produces low turnover. However, in those periods when a value style is most successful, turnover will be higher as many stocks appreciate to full value and are sold. At the other extreme is a momentum style that purchases stocks that have been the recent best performers, then waits for loss of momentum (price declines) before the stock is sold. This approach generally leads to rapid turnover. However, in its most successful periods, when yesterday's winners keep going up, there is very little turnover.

I have previously told you that when we purchase a stock, we expect, on average, to hold it three to five years. The important phrase is "on average." We do not manage the Fund to have a certain holding period or turnover ratio. Instead, we buy stocks we believe are selling at 60% of intrinsic value, and we sell them when they exceed 90% of intrinsic value. When stocks achieve our target sell price, we sell regardless of how long we've held them (with the exception of monitoring the benefit of allowing gains to go long term). As long as we stick to our discipline, you should be pleased when you see high turnover because it means the market has more rapidly recognized the undervaluation in our stocks. With that as an introduction, last quarter's portfolio turnover was the highest in your Fund's relatively short history. This is a good thing. The turnover is a direct result of your Fund's stocks increasing in value more than most other stocks did. There are four new stocks in the portfolio this quarter, six since fiscal year end, as well as a new largest holding, Washington Mutual. Please take a few minutes to get reacquainted with your portfolio.

Washington Mutual (symbol: WM, 3/31/99 price was approximately \$41) is the largest savings and loan in the U.S. and arguably the strongest West Coast franchise. Its business is plain vanilla—collecting deposits and writing mortgages on single family homes. As a low-cost provider, WM should benefit as banking moves online. WM sells under 10 times next year's estimated earnings, and we believe that if the stock price does not increase, it will be an attractive acquisition candidate for any East Coast bank seeking a nationwide presence.

Liz Claiborne (LIZ—\$33) is a designer and marketer of moderately priced women's apparel. Down from a high of \$58, LIZ now sells at 10 times our estimate of next year's earnings. LIZ has \$4 per share in cash and no debt. Excess cash is being used to repurchase stock and also to add new apparel brands that will benefit from LIZ's strong distribution and superior cost structure.

Reynolds & Reynolds (REY—\$19) makes, by far, the majority of its income as the leading supplier of computer software to auto dealers. In addition, REY has a forms business where they are leaders in creating electronic access to their product. REY sells at about 11 times our estimate of next year's earnings. As an aside, REY has a joint venture with Microsoft (Carpoin.com) that uses the Internet to facilitate new car purchases. Businesses similar to Carpoint (Autoweb and Autobytel) have recently come public at very large valuations. Since Carpoint has made only a small profit (its competitors are losing money), when you think of REY as selling at 11 times earnings, you are effectively getting Carpoint for free.

ThermoElectron (TMO—\$14) is a collection of many small businesses, mostly in the

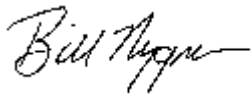
instrumentation industry. Many of these businesses have a publicly traded minority interest. The price of TMO looks inexpensive relative to the value implied by those public interests and, in addition, it sells at only 12 times next year's earnings. Over its forty plus year history, TMO has done an excellent job creating and collecting this widely diversified group of businesses. In June, a new CEO, Dick Syron, will start the process of examining many strategic alternatives with the sole goal of maximizing the business value of TMO.

Times Mirror Corporation (TMC—\$54) publishes newspapers including the *L.A. Times* and *Baltimore Sun*. TMC sells at about 15 times our estimate of next year's earnings and has a new CEO, Mark Willes, who is aggressively cutting costs and repurchasing equity. TMC sells at a cashflow multiple that is about half the multiple that has been paid in recent newspaper acquisitions.

Weatherford International (WFT—\$26) is an international oilfield service provider. WFT stock traded above \$70 in 1997 and troughed in the high teens last quarter (our cost is below \$20). Demand for oil services is obviously dependent on oil prices and WFT stock has benefited from last month's brief rally in oil. We find WFT modestly undervalued if oil prices don't recover further and significantly undervalued if they do.

U.S. Filter (USF—\$31) produces water filtration equipment. Its stock peaked in late 1997 at \$45 per share. We bought it in the low- to mid-\$20s believing "intrinsic value" to be in the high-\$30s. Last month, USF agreed to sell the company for \$31.50 per share. By the time you read this, we should have received our cash. I only wish all of our "mistakes" worked out like USF did.

Values such as these appear extremely compelling to us relative to the Dow at 10,000, or the S&P 500 at nearly 30 times earnings. I hope these brief descriptions help convey our excitement. Thank you for your continued support.



WILLIAM C. NYGREN
Portfolio Manager
bnygren@oakmark.com
April 6, 1999

THE OAKMARK SELECT FUND

Schedule of Investments—March 31, 1999 (Unaudited)

Shares Held Market Value

Common Stocks—93.4%

Apparel—4.4%

Liz Claiborne, Inc.	2,166,600	\$70,685,325
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Retail—4.8%

Gucci Group (b)	960,000	\$77,280,000
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Other Consumer Goods & Services—4.3%

Ralston Purina Group	2,622,600	\$69,990,637
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Banks & Thrifts—14.5%

Washington Mutual, Inc.	4,251,500	\$173,780,062
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People's Bank of Bridgeport, Connecticut	2,034,400	60,523,400
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234,303,462

Insurance—6.3%

PartnerRe Ltd. (c)	2,523,800	\$102,213,900
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Broadcasting & Publishing—3.0%

The Times Mirror Company, Class A	900,000	\$48,656,250
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Information Services—4.6%

The Dun & Bradstreet Corporation	2,068,600	\$73,693,875
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Computer Services—12.7%

First Data Corporation	2,155,000	\$92,126,250
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Electronic Data Systems Corporation	1,360,900	66,258,819
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The Reynolds and Reynolds Company, Class A	2,450,000	46,550,000
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204,935,069

Machinery & Industrial Processing—3.9%

Thermo Electron Corporation (a)	4,693,500	\$63,655,594
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Building Materials & Construction—10.7%

USG Corporation (d)	3,366,400	\$172,948,800
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Oil Field Services & Equipment—4.0%

Weatherford International, Inc. (a)	2,495,800	\$65,202,775
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Other Industrial Goods & Services—3.6%

Premark International, Inc.	1,742,600	\$57,396,888
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Environmental Products & Services—4.3%

United States Filter Corporation (a)	2,282,700	\$69,907,688
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Real Estate—3.6%

Host Marriott Corporation	5,274,863	\$58,682,851
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Diversified Conglomerates—8.7%

U.S. Industries, Inc. (d)	8,564,000	\$140,770,750
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Total Common Stocks (Cost: \$1,433,376,963)		1,510,323,864
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Other Assets—0.3%

Retail—0.3%

Gucci Group Contingencies	1,781,125	\$4,052,059
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Total Other Assets (Cost: \$0)		4,052,059
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Par Value Market Value

Short Term Investments—7.1%

U.S. Government Bills—2.8%

United States Treasury Bills, 4.37%–4.70% due 4/1/1999–4/22/1999	\$45,000,000	\$44,904,479
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Total U.S. Government Bills (Cost: \$44,904,479)		44,904,479
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Commercial Paper—2.8%

American Express Credit Corp., 4.82% due 4/12/1999	\$5,000,000	\$5,000,000
Ford Motor Credit Corp., 4.76%–4.82% due 4/1/1999–4/9/1999	30,000,000	30,000,000
General Electric Capital Corporation, 5.00% due 4/1/1999	10,000,000	10,000,000

Total Commercial Paper (Cost: \$45,000,000)		45,000,000
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Repurchase Agreements—1.5%

State Street Repurchase Agreement, 4.88% due 4/1/1999	\$25,441,000	\$25,441,000
		<hr/>
Total Repurchase Agreements (Cost: \$25,441,000)		\$25,441,000
Total Short Term Investments (Cost: \$115,345,479)		115,345,479
Total Investments (Cost \$1,548,722,442)—100.8% (e)		\$1,629,721,402
Other Liabilities In Excess Of Other Assets—(0.8)%		(13,264,411)
		<hr/>
Total Net Assets—100%		\$1,616,456,991
		<hr/> <hr/>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents foreign domiciled corporation.

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

(e) At March 31, 1999, net unrealized appreciation of \$80,998,960, for federal income tax purposes consisted of gross unrealized appreciation of \$173,131,049 and gross unrealized depreciation of \$92,132,089.

The Oakmark Small Cap Fund



Report from Steven J. Reid, Portfolio Manager

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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/99) AS COMPARED TO THE RUSSELL 2000 INDEX



3/31/99 NAV \$13.47

Total Return
Last 3 mos.

Average Annual
Total Return*
Through 3/31/99
From Fund
Inception 11/1/95

	Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/99 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	-8.8%	14.9%
Lipper Small Cap Fund Index**	-4.7%	8.0%
Russell 2000 w/inc**	-5.4%	10.5%
S&P Small Cap 600 w/inc**	-9.0%	11.4%

*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.

I THOUGHT 1998 WAS ENOUGH!!!

Just when it seemed it was safe to go outside, the door slammed shut. The shares of small cap companies, as well as value investing, remain under pressure. Redemptions from small cap funds have caused the liquidation of the shares of small companies, which results in selling pressure in the market for small cap stocks. According to Lipper, investors redeemed \$1.9

billion and \$3.5 billion from small cap funds in January and February, respectively. At the same time the vast majority of value managers are also lagging the market indices as growth companies, particularly the larger ones, are seeing their shares appreciate. While this may sound like a vicious circle of events, it also creates investment opportunity. I believe that The Oakmark Small Cap Fund's portfolio of stocks is more undervalued now than at anytime in the Fund's existence. As the portfolio manager and one of the Fund's largest individual investors, this has been a frustrating period. For the second fiscal quarter ended March 31, 1999, the Fund declined 8.8%, reducing the fiscal year return to 7.3%. Rather than offer excuses for the Fund's results, I am putting my money where my mouth is. The Oakmark Small Cap Fund represents the majority of my investable assets and I made a significant additional investment in the Fund's shares today!

Believe it or not you can be struck by lightning and not get burned!

In the last quarterly report I highlighted the recent purchase of the shares of Paymentech, Inc. (PTI). At the time of purchase, the shares were trading in the mid-teens. Our rationale for the investment in PTI was that the shares were currently undervalued and that over time the underlying value of PTI would grow. We also believed that consolidation in the credit card processing industry would be a logical business outcome. On March 22, Pam Patsley, President & CEO of Paymentech, and Ric Duques, Chairman & CEO of First Data Corporation (FDC), announced that FDC would acquire the publicly traded shares of PTI for \$25.50 in cash. We wish Pam and Ric success in their new venture and will continue to monitor their efforts. Since the announcement of the merger we have reduced our position in PTI and have redeployed the proceeds into other investments. In this case, a little lightning did not hurt.

OPPORTUNITIES

I know that many of you are tired of being reminded of the opportunities we are seeing in small cap companies. However, you should be made aware of our new holdings and know that we are doing everything we can to create the most attractive portfolio for your hard earned assets. During the quarter, we added seven new companies to the Fund; some are household names, some are not.

Del Monte Foods (DLM): This company is a lot more than creamed corn. New management took over DLM and re-energized the company. We expect to see an increase in operating efficiency as recent capital spending aids future profitability. DLM is the largest producer of packaged fruits and vegetables sold under the Del Monte and Contadina brand names. New marketing, packaging, and promotional efforts should increase sales and profits.

Fruit of the Loom, Inc. (FTL): FTL is the largest, low-cost producer of underwear and basic knit wear. The stock has declined from \$46 five years ago to less than \$11 a share. The shares are trading at about six times this year's earnings and management owns 12% of the outstanding shares. These characteristics made FTL an attractive addition to our portfolio.

Golden State Bancorp, Inc. (GSB): This is one of the few remaining independent bank franchises in California. It was created out of the merger of CalFed, Glenfed, and, the West Coast franchise, First Nationwide. Not only do we think the shares are undervalued, but we are very impressed with management's vision and commitment to building shareholder value.

Michaels Stores, Inc. (MIKE): Michaels is the largest arts and crafts retailer in the country. This is the only company in the arts and crafts industry that has sophisticated point-of-sale systems to manage and control inventory. We expect continued double-digit growth in earnings over the next several years and find the shares to be attractive.

PMI Group, Inc. (PMA): PMA is one of the top providers of mortgage insurance for home buyers that do not meet federal agency financial requirements for conforming mortgages. This is a well-run company that we have known for years. The compelling attraction to PMA is its valuation. The shares trade around stated book value, seven times this year's earnings, and at a healthy discount to liquidating value.

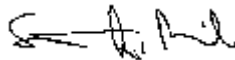
Trammel Crow Co. (TCC): TCC is the largest U.S. property manager. They provide real estate property management, infrastructure management, and brokerage and development services. The company generates very high free cash flow and management owns over 40% of the shares.

UCAR International, Inc. (UCR): This is not a household name or product. UCAR produces graphite electrodes which are essentially the consumable burner tips in electric arc steel furnaces. UCAR has the leading share in a near oligopoly. New management is busy improving the operations and the practices of the previous leadership. We view this as a very cheap stock.

OUTLOOK

Obviously, I don't have a crystal ball to predict the future. Value investing has a history of being in and out of favor, but over the long term it has produced excellent returns. Several pundits have suggested that value investing is dead. I wholeheartedly disagree. The current market is in a very lopsided state with a relatively small number of companies enjoying the irrational exuberance of inflated valuations. Two factors are working in our favor. First, the stocks we own are irrationally cheap and will not remain so over time. Second, there is evidence of consolidation taking place among small companies as we have seen with PTI and First Brands. It is reasonable to expect that consolidation will continue. The Oakmark Small Cap Fund is managed with a forward-looking vision, patience, and adherence to our value-oriented investment philosophy.

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



STEVEN J. REID
Portfolio Manager
sreid@oakmark.com
April 7, 1999

THE OAKMARK SMALL CAP FUND

Schedule of Investments—March 31, 1999 (Unaudited)

*Shares
Held Market Value*

Common Stocks—97.5%

Food & Beverage—9.9%

Del Monte Foods Company (a) 1,000,000 \$13,187,500

Ralcorp Holdings, Inc. (a)	600,000	11,400,000
International Multifoods Corporation	400,000	9,325,000
Triarc Companies, Inc. (a)	500,000	8,718,750
M & F Worldwide Corp. (a)	750,000	5,250,000

47,881,250

Apparel—5.2%

Reebok International Ltd. (a)	1,000,000	\$15,875,000
Fruit of the Loom, Inc., Class A (a)	900,000	9,337,500

25,212,500

Retail—8.7%

Department 56, Inc. (a)	600,000	\$18,262,500
Ugly Duckling Corporation (a)(c)	1,750,000	9,679,687
The Great Atlantic & Pacific Tea Company, Inc.	250,000	7,500,000
Michaels Stores, Inc. (a)	284,400	7,021,125

42,463,312

Other Consumer Goods & Services—4.5%

Libbey, Inc.	300,000	\$9,300,000
Barry (R.G.) Corporation (a)(c)	900,000	7,875,000
Scotsman Industries, Inc.	287,000	4,932,813

22,107,813

Banks & Thrifts—8.8%

People's Bank of Bridgeport, Connecticut	650,000	\$19,337,500
BankAtlantic Bancorp, Inc., Class A	1,000,001	7,062,507
Northwest Bancorp Inc.	600,000	5,550,000
Golden State Bancorp Inc. (a)	200,000	4,450,000
PennFed Financial Services, Inc.	260,000	4,160,000
Finger Lakes Financial Corp. (c)	188,000	2,138,500

42,698,507

Insurance—5.4%

The PMI Group, Inc.	300,000	\$13,912,500
The MONY Group Inc. (a)	500,000	12,437,500

26,350,000

Other Financial—6.1%

Duff & Phelps Credit Rating Co. (c)	350,000	\$18,331,250
ARM Financial Group, Inc., Class A	750,000	11,203,125
		<hr/>
		29,534,375

Broadcasting & Cable TV—3.4%

Ascent Entertainment Group, Inc. (a)(c)	1,500,000	\$16,406,250
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Computer Services—3.6%

Symantec Corporation (a)	1,000,000	\$16,937,500
Paymentech, Inc. (a)	27,300	644,963
		<hr/>
		17,582,463

Computer Systems—5.0%

Micron Electronics, Inc. (a)	1,500,000	\$17,625,000
Sequent Computer Systems, Inc. (a)	750,000	6,796,875
		<hr/>
		24,421,875

Managed Care Services—1.7%

First Health Group Corp. (a)	500,000	\$8,031,250
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Automotive—5.5%

SPX Corporation (a)	250,000	\$12,609,375
Standard Motor Products, Inc.	500,000	10,343,750
Stoneridge, Inc. (a)	268,600	3,726,825
		<hr/>
		26,679,950

Transportation Services—2.5%

Teekay Shipping Corporation (b)	750,000	\$12,375,000
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Machinery & Industrial Processing—2.5%

Northwest Pipe Company (a)(c)	400,000	\$6,600,000
Graco, Inc.	250,000	5,515,625
		<hr/>
		12,115,625

Other Industrial Goods & Services—14.1%

H.B. Fuller Company	300,000	\$17,681,250
Columbus McKinnon Corporation (c)	700,000	14,087,500
MagneTek, Inc. (a)	1,500,000	12,562,500
Ferro Corporation	500,000	12,375,000

Watts Industries, Inc., Class A	500,000	6,781,250
Binks Sames Corporation (c)	250,000	4,625,000
UCAR International, Inc. (a)	11,500	162,437

68,274,937

Real Estate—7.2%

Catellus Development Corporation (a)	1,250,000	\$16,718,750
Prime Hospitality Corp. (a)	1,250,000	12,421,875
Trammell Crow Company (a)	308,000	5,698,000

34,838,625

Diversified Conglomerates—3.4%

U.S. Industries, Inc.	1,000,000	\$16,437,500
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Total Common Stocks (Cost: \$494,221,462) 473,411,232

Par Value Market Value

Short Term Investments—2.3%

Commercial Paper—1.0%

General Electric Capital Corporation, 5.00% due 4/1/1999	\$5,000,000	\$5,000,000
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Total Commercial Paper (Cost: \$5,000,000) 5,000,000

Repurchase Agreements—1.3%

State Street Repurchase Agreement, 4.88% due 4/1/1999	\$6,347,000	\$6,347,000
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Total Repurchase Agreements (Cost: \$6,347,000) 6,347,000

Total Short Term Investments (Cost: \$11,347,000) \$11,347,000

Total Investments (Cost \$505,568,462)—
99.8% (d) 484,758,232

Other Assets In Excess Of Other Liabilities—
0.2% 898,742

Total Net Assets—100% \$485,656,974

(a) Non-income producing security.

(b) Represents foreign domiciled corporation.

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

(d) At March 31, 1999, net unrealized depreciation of \$20,810,230, for federal income tax purposes consisted of gross unrealized appreciation of \$43,456,425 and gross unrealized depreciation of \$64,266,655.

The Oakmark Equity and Income Fund



Report from Clyde S. McGregor, Portfolio Manager

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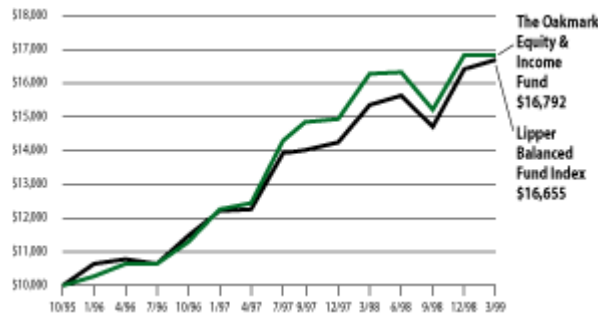
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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/99) AS COMPARED TO THE LIPPER BALANCED FUND INDEX



3/31/99 NAV \$15.03

Total Return
Last 3 mos.

Average Annual
Total Return*
Through 3/31/99
From Fund
Inception
11/1/95

The Oakmark Equity & Income Fund	0.0%	16.4%
Lipper Balanced Fund Index**	1.6%	16.1%
Lehman Govt./Corp. Bond**	-1.2%	7.0%
S&P 500 w/inc**	5.0%	28.5%

*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 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.

UNCHANGED

The quarter ended March 31 produced an odd outcome for The Oakmark Equity and Income Fund: the Fund's price was unchanged over the period. This outcome is probably a good

analogy for our investment approach at Harris Associates. Though the stock market's willingness to place incredible valuations on a few businesses continues to surprise us, we are not shaken (or stirred). We are confident that our reasons for owning the companies in which we have invested for our clients will stand the test of time. Fads are, by definition, short-term in nature and we are secure in our belief that much of the market's current activity is simply a fad.

It is interesting, however, to note the frustration evident at several companies held in the Fund. Juno Lighting was one of my initial purchases. While a profitable investment, the stock price has never seemed to reflect the company's 15% net profit margins and its wonderful balance sheet. In the last week of the quarter, Juno's management announced that the company would offer its shareholders the opportunity to approve a public recapitalization whereby 87% of the stock would be retired at \$25/share. This announcement has produced a solid increase in the price of Juno's stock, but we believe that the price would have been much higher in a different environment for smaller stocks.

As I began to write this letter, one of my partners walked in to tell me a story about one of his clients. The family's magnificent house has been put up for sale at a comparatively modest price. The low price derives from the home's obscure location. Here in Chicago, the same house would sell for many times its current offering price. In real estate, the old maxim is "location, location, location." For at least the last 18 months, the same has held true in the stock market. If one's holdings were concentrated in the mega-cap or Internet "location," all has been heavenly, while other locations have stayed on the bargain table.

I see no reason for this analogy to hold for long. Unlike real estate, capital is mobile and will flow quickly to higher return spaces. Furthermore, businesses are dynamic, creating and destroying value daily. Investment bankers are working overtime to bring capital into the sectors of the market which are "hot" today, thereby ensuring intense competition (and lower returns) for those sectors in the near future. Your Fund is invested in less trendy areas. But be assured that these businesses have managers who are committed to increasing their company's value per share and who perceive their shareholders to be their partners in this effort. History teaches us that investments in these kinds of companies will handsomely reward patient investors.

BONDS MASQUERADING AS STOCKS

For much of our country's economic history, dividends have provided half of the total return from owning common stocks. That percentage has shrunk over the last 15 years, due to the combination of unusually strong price returns to stocks and below average dividend growth. Ibbotson Associates calculates that for the period from 1925 through 1998, dividends contributed 40% of the total return to equities. Were that percentage to hold going into the future, equity investors would be sorely disappointed. With dividend yields for "the market" under 1.5% today, investors obviously expect to make almost all of their return through capital appreciation.

My goal in managing The Equity and Income Fund is to produce as much income as possible without sacrificing total return to artificial and unnecessary restrictions. Unlike other income-oriented funds, Equity and Income will hold stocks that do not currently pay a dividend. In fact, more than 20% of the current equity holdings do not pay a dividend and the most important stock in the Fund's history, Lexmark International, shares that "defect." While the current group of fixed income holdings all have high cash yields, the Fund achieved its highest return in this segment through an Everen Capital issue which began its life as a "payment in kind" security.

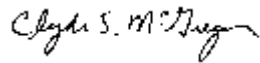
Nevertheless, I am happy to report that the schizophrenic stock market environment has begun to bring forth a good flow of attractive income-oriented ideas. In fact, the addition of several of these "bonds masquerading as stocks" to the equity portfolio has given the Fund its fully invested appearance.

Real estate equities often provide some of the highest income yields, and this holds true today. The highest yielding equities in the Fund are real estate investment trusts, Legacy Hotels and Amli Residential Properties. Amli joined the portfolio in last year's second calendar quarter. I like this REIT because of management's clever use of outside capital to leverage their brand name. In addition, Amli probably has the most persistent pattern of insider buying of any entity we track. We expect regular increases in the dividend from current levels to add to the already substantial income return. Legacy Hotels, a group of Canadian hotel properties, is a more recent addition to the Fund. Selling for less than stated book value with below average leverage and rising earnings, Legacy almost defines opportunity for the income-oriented value investor.

My third and final example comes from the financial services sector. IPC Holdings, along with PartnerRe, comprises the Fund's commitment to the Bermuda-based reinsurance industry. IPC specializes in reinsuring property catastrophe risk, generally the most profitable segment in the reinsurance industry. The stock sells at a discount to its stated book value and its dividend yield with year-end extra distributions should approach 10%.

Several reports ago I asked, "What is a poor income manager to do?" The answer then, as now, is to continue to probe all sectors of the market while not compromising our standards.

Please feel free to e-mail me with your comments, questions, or ideas for quarterly reports.



CLYDE S. MCGREGOR
 Portfolio Manager
 mcgregor@oakmark.com
 April 6, 1999

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—March 31, 1999 (Unaudited)

	<i>Shares Held</i>	<i>Market Value</i>
<i>Equity and Equivalents—61.7%</i>		
<i>Food & Beverage—2.2%</i>		
UST Inc.	50,000	\$1,306,250
<i>Other Consumer Goods & Services—3.6%</i>		
H&R Block, Inc.	33,000	\$1,563,375
National Presto Industries, Inc.	17,000	602,437

		2,165,812
<i>Banks & Thrifts—2.2%</i>		
Bank One Corporation	23,674	\$1,303,550
<i>Insurance—3.2%</i>		
IPC Holdings, Ltd. (b)	50,000	\$993,750
PartnerRe Ltd. (b)	23,000	931,500
		<hr/>
		1,925,250
<i>Other Financial—2.0%</i>		
Heller Financial, Inc.	50,000	\$1,175,000
<i>TV Programming—2.7%</i>		
AT&T Corp.—Liberty Media Group, Class A (a)	30,800	\$1,620,850
<i>Publishing—2.1%</i>		
Lee Enterprises, Inc.	43,900	\$1,273,100
<i>Information Services—3.0%</i>		
The Dun & Bradstreet Corporation	51,500	\$1,834,688
<i>Computer Services—9.7%</i>		
First Data Corporation	55,000	\$2,351,250
Electronic Data Systems Corporation	37,500	1,825,781
The Reynolds and Reynolds Company, Class A	87,500	1,662,500
		<hr/>
		5,839,531
<i>Data Storage—4.8%</i>		
Imation Corp. (a)	175,000	\$2,887,500
<i>Medical Products—3.2%</i>		
Sybron International Corporation (a)	78,000	\$1,950,000
<i>Automotive—3.5%</i>		
Lear Corporation (a)	50,000	\$2,134,375
<i>Transportation Services—1.5%</i>		
Tidewater Inc.	35,000	\$905,625

Building Materials & Construction—3.6%

Juno Lighting, Inc. 96,300 \$2,160,731

Other Industrial Goods & Services—3.1%

Premark International, Inc. 56,500 \$1,860,969

Real Estate—9.2%

Amlı Residential Properties Trust 100,000 \$2,062,500

Catellus Development Corporation
(a) 137,728 1,842,112

Legacy Hotels Real Estate
Investment Trust (b) 350,000 1,634,647

5,539,259

Diversified Conglomerates—2.1%

U.S. Industries, Inc. 78,000 \$1,282,125

**Total Equity and Equivalents (Cost:
\$32,163,788)**

37,164,615

Fixed Income—34.5%

Preferred Stock—5.7%

Banks & Thrifts—4.9%

Pennfed Capital Trust, Preferred,
8.90% 27,500 \$718,437

BBC Capital Trust I, Preferred,
9.50% 28,000 703,500

PennFirst Capital Trust I,
Preferred, 8.625% 70,000 700,000

RBI Capital Trust I, Preferred,
9.10% 42,500 425,000

Fidelity Capital Trust I, Preferred,
8.375% 43,500 418,688

2,965,625

Broadcasting & Cable TV—0.8%

MediaOne Finance Trust III,
Preferred, 9.04% 20,000 \$506,250

Total Preferred Stock (Cost: \$3,470,738)

3,471,875

*Principal
Value* *Market
Value*

Corporate Bonds—3.5%

Retail—1.0%

Ugly Duckling Corporation, 12.00% due 10/15/2003, Subordinated Debenture	\$650,000	\$585,000
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Aerospace & Automotive—0.3%

Coltec Industries, Inc., 9.75% due 4/1/2000	\$150,000	\$159,188
Coltec Industries, Inc., 9.75% due 11/1/1999	25,000	26,500
		<hr/>
		185,688

Building Materials & Construction—0.3%

USG Corporation, 9.25% due 9/15/2001, Senior Notes Series B	\$150,000	\$159,375
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Utilities—0.4%

Midland Funding Corporation, 11.75% due 7/23/2005	\$200,000	\$229,250
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Other Industrial Goods & Services—1.5%

Scotsman Industries, Inc., 8.625% due 12/15/2007, Senior Subordinated Note	\$615,000	\$619,612
UCAR Global Enterprises Inc., 12.00% due 1/15/2005, Senior Subordinated Note	\$300,000	315,750
		<hr/>
		935,362

Total Corporate Bonds (Cost: \$2,001,836) 2,094,675

Government and Agency Securities—25.3%

U.S. Government Bonds—24.8%

United States Treasury Notes, 7.50% due 5/15/2002	\$7,000,000	\$7,466,130
United States Treasury Notes, 7.875% due 11/15/2004	4,750,000	5,336,958
United States Treasury Notes, 6.25% due 2/15/2007	2,000,000	2,105,160
		<hr/>
		14,908,248

U.S. Government Agencies—0.5%

Federal Home Loan Bank, 6.405%

due 4/10/2001, Consolidated Bond \$300,000 \$306,453

**Total Government and Agency Securities
(Cost: \$15,056,019) 15,214,701**

Total Fixed Income (Cost: \$20,528,593) 20,781,251

Short Term Investments—2.9%

Commercial Paper—1.7%

General Electric Capital
Corporation, 5.00% due 4/1/1999 \$1,000,000 \$1,000,000

Total Commercial Paper (Cost: \$1,000,000) 1,000,000

Repurchase Agreements—1.2%

State Street Repurchase
Agreement, 4.88% due 4/1/1999 \$716,000 \$716,000

**Total Repurchase Agreements (Cost:
\$716,000) 716,000**

**Total Short Term Investments (Cost:
\$1,716,000) 1,716,000**

Total Investments (Cost \$54,408,381)—99.1%
(c) \$59,661,866

Other Assets In Excess Of Other Liabilities—
0.9% 550,352

Total Net Assets—100% \$60,212,218

(a) Non-income producing security.

(b) Represents a foreign domiciled corporation.

(c) At March 31, 1999, net unrealized appreciation of \$5,253,568, for federal income tax purposes consisted of gross unrealized appreciation of \$6,715,152 and gross unrealized depreciation of \$1,461,584.

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

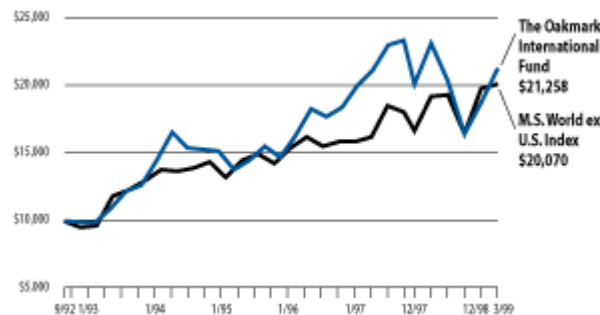
FINANCIAL
STATEMENTS

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 (3/31/99) COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



3/31/99 NAV \$12.41

Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/99 From Fund Inception 9/30/92
13.8%	12.3%
1.6%	11.3%
1.4%	11.3%
1.3%	12.1%

	Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/99 From Fund Inception 9/30/92
The Oakmark International Fund	13.8%	12.3%
Morgan Stanley World ex U.S. w/inc.**	1.6%	11.3%
Morgan Stanley EAFE w/inc**	1.4%	11.3%
Lipper Analytical International Fund Index**	1.3%	12.1%

*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 or funds whose composition is different from the Fund. The Morgan Stanley World ex U.S. Index includes 19 country sub-indexes. The Morgan Stanley EAFE Free Index refers to Europe, Asia and the Far East and includes 18 country sub-indexes. The Lipper International Fund 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 Oakmark International Fund had an outstanding first calendar quarter returning 13.8%.

This compares to our peers and the EAFE index return of just over 1%. The average annual return since inception is 12.3%, which compares favorably to EAFE at 11.3% and our international peers averaging 12.1%.

This quarter's strong return is a continuation of the Fund's rebound in performance that began in September of 1998. From the fall of 1997 to the fall of 1998, the Fund's relatively weak performance was due primarily to our strategy of increasing our investments in areas such as Hong Kong, Singapore, Brazil and Britain. Their markets performed poorly yet provided us with irresistible value. Currently, we are reaping the rewards of our patience and, what is even more exciting, the portfolio still represents excellent value and future opportunity.

"TIMING" DOES NOT PAY!

We have long written in this space why one should adopt the stance of an investor versus that of a trader or market timer. In terms of cash outflow from the Fund, the times of greatest discontent, as measured by shareholders leaving the fund, invariably occurs at the bottom of a cycle. During the Fund's near seven-year history, we have experienced two very weak periods, in 1994 and 1998. Near the end of each period, we experienced substantial cash outflows. Subsequently, in each case, sustained periods of strong performance followed.

The result: some investors pulled out at a low point, made their paper losses real, and ultimately missed the subsequent huge recovery! Because of the abruptness of these cycles, **discipline** is the most important characteristic for true, long-term value investors.

The Fund's recent recovery has been extremely broad-based. In the developed markets, stocks such as UK advertising companies **Saatchi and Saatchi** and **Cordiant Communications Group (Bates Advertising)** have done extremely well, returning 51% and 48% respectively since the beginning of the year. In Brazil, **Unibanco** and all of our telecom stocks have soared. And in Hong Kong, one of our favorite Asian-based companies, retailer **Giordano** was up more than 60% over the last three months! When this stock was trading below HK\$1.00, investors focused on its uncertain short-term prospects while ignoring its liquid balance sheet and its enviable market position, which improved every day as its competitors continued to go bankrupt. After a tremendous run, the shares are currently trading around HK\$2.50, still a big discount to our estimate of business value of HK\$4.00. The fact that Giordano is still significantly undervalued even after this run up gives you an idea of the bargains that were available in Asia over the past two years.

THE TRUTH ABOUT CORPORATE RESTRUCTURING

Today, many pundits are encouraging investors to jump into the continental European markets and, to some degree, Japan, because both areas are supposedly undertaking massive corporate restructuring plans similar to the restructuring plans of U.S. companies in the 80s and 90s. However, proponents of this theme are ignoring some major differences. First, our own corporate revolution occurred because shareholders became more proactive toward underperforming managements and larger concentrations of private pools of money took larger stakes of corporate America. Second, corporate America had the will and the legal ability to truly restructure.

Taking the second point first, a lot of "restructuring" simply means closing plants, laying off people, or selling off non-performing businesses. In the U.S., this is relatively easy to do. Though it seems mean-spirited in the short term, it is an example of what economist Joseph Schumpeter called "creative destruction." In order to move forward, it becomes necessary to tear down the past. Though this can be accomplished in the United Kingdom and in some of the smaller European countries, it is extremely difficult to do in the real economic engines of Europe, such as France, Germany, and Spain. We have seen some exceptions but the fact

remains that there are prohibitive economic and political costs to laying off excess workers. In many cases, investors in "restructuring stories" are underestimating the time and costs involved and are overestimating management's tenacity and ability to implement.

On a more positive note, activist shareholders are starting to appear on occasion. As private pensions and the mutual fund industry take root in Europe, there is more owner pressure building. However, it's still at an early stage. From an investment perspective, true restructuring stories are more the exception than the rule. And, because of the cultural differences, it will not be a rapid transformation in some places.

There have been and will continue to be extremely successful restructurings in Europe and Japan. The Oakmark International Fund has benefited greatly over the past seven years from value being unlocked in Europe by aggressive restructuring, including such standouts as Volvo, Chargeurs, Philips Electronics, and Vivendi. The important difference now is that, typically, much of the potential restructuring is already fully reflected in the share price.

IN THE FUTURE ...

Going forward, we remain extremely bullish about the Fund's prospects. We are excited about the value and quality of our Fund's underlying investments, and are heartened that money is starting to flow into many of the forgotten markets of the Pacific Rim, Latin America and the United Kingdom, where we are heavily invested. As always, we appreciate your continued support.

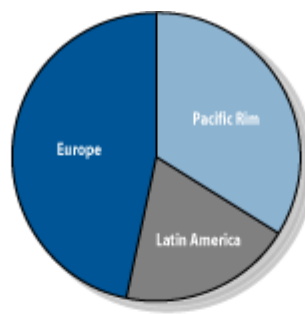


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April 7, 1999

THE OAKMARK INTERNATIONAL FUND
International Diversification—March 31, 1999



	% of Fund Net Assets		% of Fund Net Assets
Europe	44.1%	Pacific Rim	32.0%
Great Britain	21.8%	Japan	8.0%
* France	8.3%	Korea	7.1%
* Finland	6.6%	Singapore	6.9%
* Italy	3.0%	Hong Kong	6.3%
Sweden	1.6%	New Zealand	3.6%
* Netherlands	1.5%	Malaysia	0.1%
Norway	0.8%		
* Germany	0.3%		
Switzerland	0.2%		
Latin America	18.5%		
Brazil	10.0%		
Panama	4.4%		
Argentina	4.1%		

* Euro currency countries comprise 19.7% of the Fund.

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—March 31, 1999 (Unaudited)

Description	Shares Held	Market Value	
<i>Common Stocks—94.6%</i>			
<i>Consumer Non-Durables—7.2%</i>			
Citizen Watch Co. (Japan)	Watch Manufacturer and Retailer	4,216,000	\$29,194,950
Fila Holding S.p.A. (Italy), (b)(e)	Athletic Footwear Manufacturing	2,649,800	21,860,850
The Swatch Group AG (Switzerland)	Watch Manufacturer	2,000	1,273,324
			52,329,124

Food & Beverage—5.4%

Quilmes Industrial Brewer SA (Argentina), (b)		3,130,100	\$29,540,319
Lotte Chilsung Beverage Company (Korea), (e)	Manufacturer of Soft Drinks, Juices, & SportDrinks	123,000	5,212,714
Lotte Confectionery Company (Korea)	Confection Manufacturer	65,270	4,782,211
			<hr/>
			39,535,244

Retail—4.5%

Giordano International Limited (Hong Kong), (e)	East Asian Clothing Retailer & Manufacturer	69,304,000	\$21,463,269
Somerfield plc (Great Britain)	Food Retailer	2,175,000	11,149,128
			<hr/>
			32,612,397

Household Products—0.6%

Hunter Douglas N.V. (Netherlands)	Manufacturer of Window Coverings	141,000	\$4,116,316
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Other Consumer Goods & Services—6.4%

Canon, Inc. (Japan)	Office and Video Equipment	1,097,000	\$27,143,605
Mandarin Oriental International Limited (Singapore)	Hotel Management	30,539,000	19,850,350
			<hr/>
			46,993,955

Banks—11.3%

Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Major Brazilian Bank	1,801,900	\$34,686,575
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)(e)	Multinational Bank	1,235,100	32,112,600
United Overseas Bank Ltd., Foreign Shares (Singapore)	Commercial Banking	2,543,000	15,907,559
			<hr/>

82,706,734

Marketing Services—10.0%

Cordiant Communications Group plc (Great Britain), (e)	Advertising Services	17,982,578	\$46,017,088
Saatchi & Saatchi plc (Great Britain)	Advertising Services	8,007,578	26,793,758
			<hr/>
			72,810,846

Broadcasting & Publishing—5.4%

Europe 1 Communication (France)	Television Production	67,020	\$16,935,149
Singapore Press Holdings Ltd., (Singapore)	Newspaper Publisher	1,316,000	14,634,926
Schibsted ASA (Norway)	Newspaper Publisher	500,100	5,957,426
Woongjin Publishing Company (Korea)	Publisher	102,862	2,041,312
			<hr/>
			39,568,813

Telecommunications—4.8%

Telesp Celular Participacoes S.A. (Brazil)	Telecommunications	1,452,700,000	\$8,207,967
SK Telecom Co. Ltd. (Korea)	Telecommunications	10,706	7,102,432
Telesp Participacoes S.A. (Brazil)	Telecommunications	541,100,000	7,098,979
Tele Sudeste Celular Participacoes S.A. (Brazil)	Telecommunications	1,351,100,000	4,805,662
Embratel Participacoes S.A. (Brazil), (a)	Telecommunications	401,100,000	3,388,886
Tele Centro Sul Participacoes S.A. (Brazil)	Telecommunications	501,100,000	2,337,493
Telemig Celular Participacoes S.A. (Brazil), (a)	Telecommunications	1,372,600,000	1,720,752
Technology Resources	Telecommunications		

Industries Berhad (Malaysia)		1,485,000	515,842
			<hr/>
			35,178,013
<i>Medical Products—1.6%</i>			
Getinge Industrier AB (Sweden)	Medical Instruments Manufacturer	782,000	\$11,521,003
<i>Aerospace—2.1%</i>			
Rolls-Royce plc (Great Britain)	Jet Engines	3,588,552	\$15,237,471
<i>Oil & Natural Gas—1.9%</i>			
ISIS (France), (a)	Oil Services	208,250	\$13,667,830
<i>Chemicals—4.9%</i>			
Fernz Corporation Limited (New Zealand), (e)	Agricultural & Industrial Chemical Producer	8,727,554	\$26,607,215
European Vinyls Corporation International N.V.(Netherlands), (e)	PVC Manufacturer	956,199	6,927,060
Nagase & Co., Ltd. (Japan)	Chemical Wholesaler	579,000	2,371,448
			<hr/>
			35,905,723
<i>Components—2.0%</i>			
Varitronix International Limited (Hong Kong)	Liquid Crystal Displays	9,588,000	\$14,970,617
<i>Machinery & Metal Processing—5.1%</i>			
The Rauma Group (Finland)	Pulp Machinery	2,033,343	\$23,634,422
Outokumpu Oyj (Finland)	Metal Producer	1,295,000	13,372,082
			<hr/>
			37,006,504
<i>Mining and Building Materials—1.8%</i>			
Keumkang Ltd. (Korea), (e)	Building Materials	500,460	\$13,255,868
<i>Other Industrial Goods & Services—14.2%</i>			

Tomkins plc (Great Britain)	Industrial Management Company	10,060,768	\$37,115,495
Chargeurs SA (France), (e)	Wool Production Holding Company	559,438	29,827,225
Charter plc (Great Britain)	Welding Products Manufacturer	2,956,014	17,443,426
Kone Corporation, Class B (Finland)	Elevators	103,870	10,950,164
Dongah Tire Industry Company (Korea), (e)	Tire Manufacturer	166,290	5,841,156
Buderus AG (Germany), (a)	Industrial Manufacturing Firm	7,000	2,263,055

103,440,521

Steel—1.6%

Usinas Siderurgicas de Minas Gerais S.A., Preferred Class A (Brazil), (a)(e)	Steel Production	6,476,370	\$11,064,586
Pohang Iron & Steel Company Ltd. (Korea)	Manufactures Steel Products	14,000	778,158

11,842,744

Diversified Conglomerates—3.8%

Tae Young Corporation (Korea), (e)	Heavy Construction	371,380	\$12,530,670
First Pacific Company Ltd. (Hong Kong)	Diversified Operations	16,448,000	9,869,437
Berisford plc (Great Britain)	Diversified Operations	1,510,700	5,390,244

27,790,351

**Total Common Stocks (Cost:
\$829,995,438)**

690,490,074

Par Value *Market
Value*

Short Term Investments—1.2%

Repurchase Agreements—1.2%

State Street Repurchase Agreement, 4.88% due 4/1/1999	\$8,711,000	\$8,711,000
		8,711,000
Total Repurchase Agreements (Cost: \$8,711,000)		8,711,000
Total Short Term Investments (Cost: \$8,711,000)		8,711,000
Total Investments (Cost \$838,706,438) —95.8% (f)		\$699,201,074
Foreign Currencies (Proceeds \$3,136,478)—0.4%		\$3,152,865
Other Assets In Excess Of Other Liabilities—3.8% (d)		27,645,330
		\$729,999,269
Total Net Assets—100%		\$729,999,269

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents a Global Depository Receipt.

(d) Includes portfolio and transaction hedges.

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

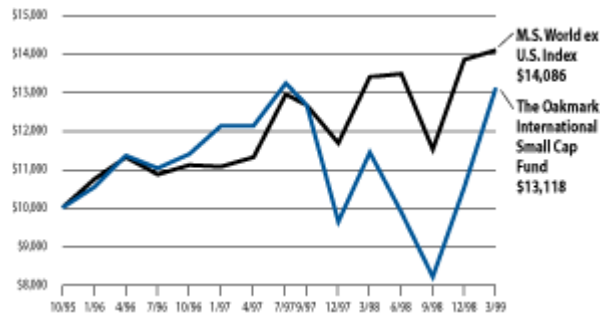
(f) At March 31, 1999, net unrealized depreciation of \$139,488,976, for federal income tax purposes consisted of gross unrealized appreciation of \$76,836,828 and gross unrealized depreciation of \$216,325,804.

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 (3/31/99) AS COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



3/31/99 NAV \$10.74

Total Return Last 3 mos.	Average Annual Total Return* Through 3/31/99 From Fund Inception 11/1/95

The Oakmark International Small Cap Fund	24.6%	8.3%
Morgan Stanley World ex U.S. w/inc.**	1.6%	10.6%
Lipper Analytical International Small Cap Fund Average**	5.0%	10.6%
Micropal International Small Co. Fund Index**	5.3%	10.4%

*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 69 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,

We are pleased to report that The Oakmark International Small Cap Fund has produced a

return of 24.6% for the first quarter of 1999. This compares very favorably to our peers, which on average returned around 3%. The Morgan Stanley Small Cap World ex-US index returned 2.8%. This performance is a continuation of the strong rebound from a weak period, which ended in the third quarter of 1998.

Since the end of the one-year "drought" in September, 1998, your Fund is up over 59%. Though this rate of appreciation is not sustainable, we remain very enthusiastic about the future of this Fund and the underlying value.

DEATH TO DIVERSIFICATION???

On a recent trip to the west coast of the U.S., we met with investment advisors to discuss the great opportunities we are finding for our international funds. While our remarks were well received, the advisors were not eager to invest. Why? Because, we were told, their clients, now are only interested in what has been hot over the last few years—U.S. big cap, growth and technology stocks. We warn our clients against this type of thinking. Remember, past performance is not always a good indicator of future performance.

A rowboat capsizes when all of its passengers lean in the same direction and we have seen the same happen in investment markets. When the majority of investors flee from emerging markets, foreign markets, U.S. small caps and U.S. value stocks, long-term investors should start investigating opportunities. Do not fall into the trap of investing in an asset class because it has performed well in the recent past or because everyone else is doing it.

As shown by our Fund's recent performance, recovery can happen when it is least expected. We are constantly asked about our short-term market outlook, and our answer is always the same: we gauge our optimism about future prospects solely on the values we are finding in the markets. As value investors, we are convinced that price and value converge in the long run, but it is the timing that is often uncertain. Based on the value of companies in the portfolio today, we are extremely optimistic that long-term investors will do well.

"SCARY" EMERGING MARKETS?

Another theme in the investment world today is that it is the riskiness of investing in emerging markets. This line of thinking completely ignores a factor near and dear to our hearts: **PRICE**. In the maximum bullishness of 1993, prices told you that market growth was limitless. In the days of extreme pessimism in 1997-98, share prices implied that markets in Asia and Latin America would never grow again. What do current share prices tell us about expectations? Emerging markets went from "dot.com" euphoria status to shunned pariah in five years. Investors must remember that it is the price you pay for a business that is the biggest determinant of the risk you are taking.

As we have written before, the destruction in the emerging markets over the past two years has produced some extremely positive long-term changes, the most important of which is that these markets are now more open than ever and less controlled by political powers. The extremely attractive long-term demographic trends and growth opportunities are still intact—companies can now take advantage of these opportunities from a more solid, sustainable base. And, best of all, we can still buy these companies at fractions of what they were selling for five years ago!

It is important to note, as we have in the past, that the share prices of many emerging market companies (especially in Asia) deserved the beating they took. Poor underlying businesses, bad balance sheets, and weak management are some of the reasons. It is our job as analysts to find the ones that did not deserve it.

One of your Fund's largest holdings, **Haw Par**, is one such company. It is a holding company that has some leisure businesses but is best known for its analgesic rub, "Tiger Balm" (we encourage you to try it for aches and pains—it works). Its largest asset is a large stake in **United Overseas Bank**, one of Singapore's best run financial institutions (and a holding of The Oakmark International Fund). Though it appreciated in price over the last 6 months, UOB is still considerably cheaper than most European banks and, in our opinion, is a significantly better bank. It was not hoodwinked by BCCI, Russian government debt, Long-Term Capital Management or any of the other disasters du jour that European banks are so famous for collecting. And, even in a period of strong asset deflation, their loan loss experience has been very manageable. Even better for shareholders of International Small Cap, the large appreciation in UOB's share price has really yet to be recognized by the market in terms of Haw Par's share price.

LOOKING FORWARD

Despite the nice price appreciation the Fund has experienced in the past few quarters, we are still very excited about the values that have yet to be recognized. We appreciate your continued support.



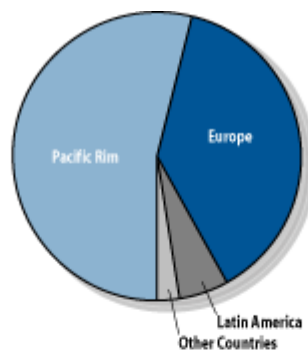
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April 7, 1999

THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—March 31, 1999



	% of Fund Net Assets		% of Fund Net Assets
Pacific Rim	48.8%	Europe	34.4%
Japan	12.8%	Great Britain	24.6%
Hong Kong	9.1%	* France	5.2%
Australia	7.1%	* Germany	2.7%
Korea	6.5%	Switzerland	1.3%
Singapore	4.6%	* Finland	0.4%
New Zealand	4.1%	Poland	0.1%
Thailand	2.4%	* Portugal	0.1%
Philippines	2.2%		
Latin America	4.7%	Other	2.2%
Brazil	3.9%	Canada	2.2%
Panama	0.8%		

* Euro currency countries comprise 8.4% of the Fund.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—March 31, 1999 (Unaudited)

<i>Description</i>	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—90.1%</i>		
<i>Consumer Non-Durables—6.2%</i>		
Royal Doulton plc (Great Britain), (d)	2,940,000	\$4,461,831
TAG Heuer International SA (Switzerland), (b)	154,700	1,295,613
Designer Textiles (NZ) Limited (New		

Zealand), (d)		2,960,000	490,778
Kingmaker Footwear Holdings (Hong Kong)	Athletic Footwear Manufacturer	484,000	58,708
			<hr/>
			6,306,930

Food & Beverage—5.0%

Hite Brewery Company (Korea)	Brewer	157,450	\$2,797,400
Alaska Milk Corporation (Philippines), (a)	Milk Producer	39,557,000	2,245,817
			<hr/>
			5,043,217

Retail—15.1%

Carpetright plc (Great Britain)	Carpet Retailer	770,000	\$4,438,098
House Of Fraser Plc (Great Britain)	Department Store	2,810,000	3,561,344
D.F.S. Furniture Company plc (Great Britain)	Furniture Retailer & Manufacturer	570,000	2,374,283
Dylex Limited (Canada), (a)	Specialty Retail Operator	845,000	2,267,141
Giordano International Limited (Hong Kong)	East Asian Clothing Retailer & Manufacturer	4,312,000	1,335,415
Paris Miki Inc. (Japan)	Optical Supplies Retailer	22,000	743,149
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores	6,412,000	604,008
			<hr/>
			15,323,438

Office Equipment—3.7%

Neopost SA (France), (a)	Mailroom Equipment Supplier	230,000	\$3,705,442
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Other Consumer Goods & Services—5.6%

CDL Hotels International Limited (Hong Kong)	Hotel Operator	6,996,691	\$2,166,857
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CeWe Color Holding AG (Germany)	Photo Equipment & Supplies	10,400	1,956,629
Sanford Limited (New Zealand)	Fisheries	769,840	1,502,884
			<hr/> 5,626,370

Banks—0.8%

Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Multinational Bank	31,000	\$806,000
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Other Financial—9.3%

Ichiyoshi Securities (Japan)	Stock Broker	1,787,000	\$4,029,295
JCG Holdings Ltd. (Hong Kong)	Investment Holding Company	12,463,000	3,538,112
Lambert Fenchurch Group plc (Great Britain)	Insurance Broker	1,696,000	1,875,661
			<hr/> 9,443,068

Computer Software—6.9%

Koei Co., Ltd. (Japan)	Computer Software	291,700	\$3,645,788
Enix Corporation (Japan)	Entertainment Software	87,900	3,325,525
			<hr/> 6,971,313

Computer Systems—4.9%

Solution 6 Holdings Limited (Australia), (a)(d)	Systems Design & Consulting	2,950,893	\$4,584,707
Solution 6 Holdings Limited Rights (Australia), (a)(d)	Systems Design & Consulting	1,475,446	421,044
			<hr/>

5,005,751

Marketing Services—3.1%

Cordiant Communications Group plc (Great Britain)	Advertising Services	1,228,500	\$3,143,709
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Broadcasting & Publishing—4.0%

Matichon Public Company Limited, Foreign Shares (Thailand), (d)	Newspaper Publisher	2,038,900	\$2,402,378
Woongjin Publishing Company (Korea)	Publisher	83,159	1,650,303
Matichon Public Company Limited (Thailand)	Newspaper Publisher	600	707
			<hr/>
			4,053,388

Telecommunications—0.5%

SK Telecom Co. Ltd. (Korea)	Telecommunications	827	\$548,637
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Oil & Natural Gas—0.6%

ISIS (France), (a)	Oil Services	8,900	\$584,124
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Machinery & Metal Processing—1.2%

Denyo Co., Ltd. (Japan)	Welding Machines & Power Generators	184,000	\$1,204,239
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Mining and Building Materials—2.3%

Parbury Limited (Australia), (d)	Building Products	12,517,553	\$2,222,642
Semapa- Sociedade de Investimento e Gestao, SGPS,SA (Portugal)	Cement Manufacturer	5,000	86,878
			<hr/>
			2,309,520

Other Industrial Goods & Services—7.5%

Elevadores Atlas Elevator S.A. (Brazil)	Elevator Manufacturer	378,200	\$3,969,446
Yip's Hang Cheung Ltd. (Hong Kong), (d)	Paint & Solvent Manufacturer	31,502,000	1,544,714
Dongah Tire Industry Company (Korea), (a)	Tire Manufacturer	43,900	1,542,046
Vaisala OY (Finland)	Atmospheric Observation Equipment	5,300	383,952
Polifarb Cieszyn- Wroclaw S.A. (Poland)	Paint & Varnish Manufacturer	100,000	142,678
			7,582,836
<i>Production Equipment—1.7%</i>			
NSC Groupe (France)	Manufacturer of Textile Equipment	11,532	\$978,814
Krones AG (Germany), (a)	Manufacturer of Production Machinery	29,700	767,503
			1,746,317
<i>Steel—2.1%</i>			
Steel & Tube Holdings Ltd. (New Zealand)	Produces and Distributes Steel	2,434,400	\$2,109,303
<i>Diversified Conglomerates—9.6%</i>			
Haw Par Corporation Limited (Singapore)	Healthcare and Leisure Products	3,764,000	\$4,687,286
TT Group PLC (Great Britain)	Diversified Manufacturing	1,200,000	3,419,510
Wassall PLC (Great Britain)	Diversified Consumer Goods	470,000	1,635,246
			9,742,042
Total Common Stocks (Cost: \$88,077,263)			91,255,644

<i>Par Value</i>	<i>Market Value</i>
------------------	-------------------------

Short Term Investments—12.5%

U.S. Government Bills—5.9%

United States Treasury Bills, 4.68%–
4.80% due 4/22/1999 \$6,000,000 \$5,983,480

Total U.S. Government Bills (Cost: \$5,983,480) 5,983,480

Commercial Paper—4.9%

American Express Credit Corporation,
4.82%–4.84% due 4/1/1999–4/5/1999 \$1,500,000 \$1,500,000

Ford Motor Credit Corp., 4.82%–
4.89% due 4/6/1999–4/12/1999 2,500,000 2,500,000

General Electric Capital Corporation,
5.00% due 4/1/1999 1,000,000 1,000,000

Total Commercial Paper (Cost: \$5,000,000) 5,000,000

Repurchase Agreements—1.7%

State Street Repurchase Agreement,
4.88% due 4/1/1999 \$1,703,000 \$1,703,000

**Total Repurchase Agreements (Cost:
\$1,703,000) 1,703,000**

**Total Short Term Investments (Cost:
\$12,686,480) 12,686,480**

Total Investments (Cost \$100,763,743)—102.6%
(e) \$103,942,124

Foreign Currencies (Proceeds \$3,347)—(0.0)% 3,368

Other Liabilities In Excess Of Other Assets—
(2.6)% (c) (2,666,830)

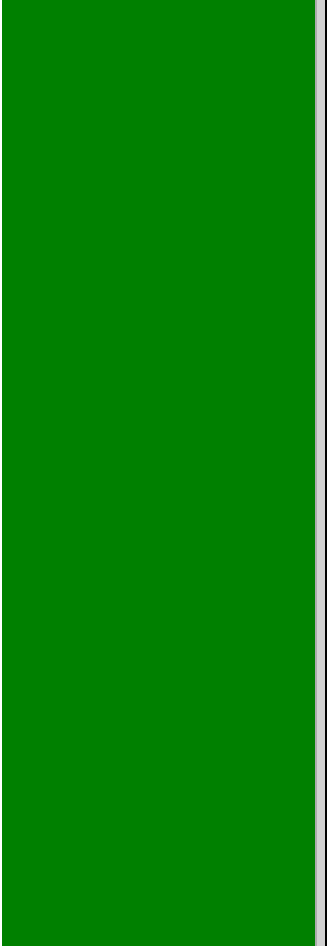
Total Net Assets—100% \$101,278,662

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) 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, 1999, net unrealized appreciation of \$3,178,401, for federal income tax purposes consisted of gross unrealized appreciation of \$15,167,423 and gross unrealized depreciation of \$11,989,022.

The Oakmark Family of Funds

Statement of Assets and Liabilities—March 31, 1999

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OAKMARK
FUND

OAKMARK
SELECT
FUND

OAKMARK
SMALL CAP
FUND

OAKMARK
EQUITY AND
INCOME FUND

OAKMARK
INTERNATIONAL
FUND

OAKMARK
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FINANCIAL
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FINANCIAL
HIGHLIGHTS

TRUSTEES
& OFFICERS

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
Assets			
Investments, at value	\$5,716,776,102	\$1,629,721,402	\$484,758,232
	(cost: 5,368,169,702)	(cost: 1,548,722,442)	(cost: 505,568,462)
Cash	659	651	105
Foreign currency, at value	0	0	0
Receivable for:			
Forward foreign currency contracts	0	0	0
Securities sold	26,560,169	0	3,597,360
Fund shares sold	2,519,119	2,763,418	284,476
Dividends and interest	13,514,355	1,866,764	230,230
Expense reimbursement	0	0	0
Total receivables	42,593,643	4,630,182	4,112,066
Other assets	156,740	30,166	21,729
Total assets	\$5,759,527,144	\$1,634,382,401	\$488,892,132
Liabilities and Net Assets			
Payable for:			
Securities purchased	0	14,109,761	2,405,950
Fund shares redeemed	16,564,437	2,110,873	0.00
Due to adviser	4,765,865	1,248,472	555,725
Forward foreign currency contracts	0	0	0
Other	1,680,937	456,304	273,483
Total liabilities	23,011,239	17,925,410	3,235,158
Net assets applicable to fund shares outstanding	\$5,736,515,905	\$1,616,456,991	\$485,656,974
Fund shares outstanding	160,902,730	74,760,952	36,044,548
Price of Shares			
Net asset value per share	\$35.65	\$21.62	\$13.47
Analysis of Net Assets			
Paid in capital	\$4,580,091,836	\$1,193,414,387	\$504,505,329
Accumulated undistributed net realized gain			

(loss) on sale of investments, forward contracts and foreign currency exchange transactions	785,349,749	333,459,399	9,868,667
Net unrealized appreciation (depreciation) of investments	348,606,400	80,998,960	(20,810,230)
Net unrealized appreciation (depreciation) of foreign currency portfolio hedges	0	0	0
Net unrealized appreciation (depreciation) —other	0	0	0
Accumulated undistributed net investment income (loss)	22,467,920	8,584,245	(7,906,792)
Net assets applicable to Fund shares outstanding	\$5,736,515,905	\$1,616,456,991	\$485,656,974

	The Oakmark Equity and Income Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
Assets			
Investments, at value	\$59,661,949	\$699,201,074	\$103,942,124
	(cost: 54,408,381)	(cost: 838,706,438)	(cost: 100,763,743)
Cash	57	219	82
Foreign currency, at value	0	3,152,865	3,368
Receivable for:			
Forward foreign currency contracts	0	8,315,529	999,808
Securities sold	250,507	22,341,159	261,048
Fund shares sold	7,418	2,028,971	815,310
Dividends and interest	537,647	8,067,611	484,833
Expense reimbursement	0	0	0
Total receivables	795,572	40,753,270	2,560,999
Other assets	3,511	19,661	3,679
Total assets	\$60,461,089	\$743,127,089	\$106,510,252
Liabilities and Net Assets			
Payable for:			
Securities purchased	132,800	7,157,165	4,570,943
Fund shares redeemed	19,896	3,828,193	472,676
Due to adviser	37,144	586,831	78,878
Forward foreign currency contracts	0	57,770	267

Other	59,031	1,497,861	108,826
Total liabilities	248,871	13,127,820	5,231,590
Net assets applicable to fund shares outstanding	\$60,212,218	\$729,999,269	\$101,278,662
Fund shares outstanding	4,005,126	58,801,836	9,428,517
Price of Shares			
Net asset value per share	\$15.03	\$12.41	\$10.74
Analysis of Net Assets			
Paid in capital	\$50,758,005	\$860,052,071	\$100,484,054
Accumulated undistributed net realized gain (loss) on sale of investments, forward contracts and foreign currency exchange transactions	3,265,621	(28,016,663)	(3,840,371)
Net unrealized appreciation (depreciation) of investments	5,253,568	(139,488,976)	3,178,401
Net unrealized appreciation (depreciation) of foreign currency portfolio hedges	0	8,294,591	994,168
Net unrealized appreciation (depreciation)—other	0	(649,895)	81
Accumulated undistributed net investment income (loss)	935,024	29,808,141	462,329
Net assets applicable to Fund shares outstanding	\$60,212,218	\$729,999,269	\$101,278,662

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

The Oakmark Family of Funds

Statement of Operations—March 31, 1999

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
Investment Income:			
Dividends	\$61,658,308	\$14,689,387	\$2,909,841
Interest Income	10,212,951	3,756,519	728,907
Securities lending income	0	75,764	33,811
Foreign taxes withheld	(126,816)	0	0
Total investment income	71,744,443	18,521,670	3,672,559
Expenses:			
Investment advisory fee	32,785,403	6,838,371	4,070,715
Transfer and dividend disbursing agent fees	1,903,989	464,312	287,986

Other shareholder servicing fees	1,605,504	386,486	144,456
Reports to shareholders	957,714	228,052	122,962
Custody and accounting fees	375,316	94,186	58,323
Registration fees, net of reimbursements	7,228	12,479	(105,245)
Trustee fees	92,991	33,730	24,858
Legal fees	36,689	16,421	10,055
Audit fees	15,597	16,550	14,050
Other	325,041	59,108	34,666
Total expenses	38,105,472	8,149,695	4,662,826
Expense reimbursement			
Expense offset arrangements	(1,795)	(2,303)	(3,976)
Net expenses	38,103,677	8,147,392	4,658,850
Net Investment Income (loss):	33,640,766	10,374,278	(986,291)
Net realized and unrealized gain (loss) on investments and foreign currency transactions:			
Net realized gain (loss) on investments	734,073,485	316,560,438	8,177,983
Net realized gain (loss) on foreign currency transactions	0	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	33,887,254	72,226,050	45,284,187
Net change in appreciation (depreciation) of forward currency exchange contracts	0	0	0
Net change in appreciation (depreciation)—other	0	0	0
Net realized and unrealized gain (loss) on investments and foreign currency transactions:	767,960,739	388,786,488	53,462,170
Net increase in net assets resulting from operations	\$801,601,505	\$399,160,766	\$52,475,879

	The Oakmark Equity and Income Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
Investment Income:			
Dividends	\$532,325	\$13,996,787	\$996,019
Interest Income	600,769	563,929	91,675
Securities lending income	6,921	114,999	1,798

Foreign taxes withheld	(6,941)	(2,136,341)	(104,546)
Total investment income	1,133,074	12,539,374	984,946
Expenses:			
Investment advisory fee	229,768	3,774,106	398,517
Transfer and dividend disbursing agent fees	32,856	326,251	30,623
Other shareholder servicing fees	8,008	138,512	13,016
Reports to shareholders	14,820	165,427	16,391
Custody and accounting fees	24,257	432,012	76,482
Registration fees, net of reimbursements	10,388	(44,514)	12,111
Trustee fees	18,586	26,294	18,724
Legal fees	7,898	10,629	7,943
Audit fees	13,550	16,644	15,597
Other	3,905	37,749	3,937
Total expenses	364,036	4,883,110	593,341
Expense reimbursement			
Expense offset arrangements	(18)	(347)	(101)
Net expenses	364,018	4,882,763	593,240
Net Investment Income (loss):	769,056	7,656,611	391,706
Net realized and unrealized gain (loss) on investments and foreign currency transactions:			
Net realized gain (loss) on investments	3,094,125	(31,108,797)	(2,097,425)
Net realized gain (loss) on foreign currency transactions	(1,160)	3,371,071	(108,363)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	2,121,224	209,375,178	32,074,881
Net change in appreciation (depreciation) of forward currency exchange contracts	0	9,810,143	1,173,225
Net change in appreciation (depreciation)—other	0	(848,679)	(5,802)
Net realized and unrealized gain (loss) on investments and foreign currency transactions:	5,214,189	190,598,916	31,036,516
Net increase in net assets resulting from operations	\$5,983,245	\$198,255,527	\$31,428,222

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

The Oakmark Family of Funds

Statement of Changes in Net Assets—March 31, 1999

	The Oakmark Fund	
	Six Months Ended March 31, 1999	Year Ended September 30, 1998
From Operations:		
Net investment income	\$33,640,766	\$94,480,595
Net realized gain (loss) on sale of investments	734,073,485	1,258,937,339
Net realized gain (loss) on foreign currency transactions	—	(8,898)
Net change in unrealized appreciation (depreciation)	33,887,254	(1,704,966,868)
Net increase in net assets from operations	801,601,505	(351,557,832)
Distribution to shareholders from:*		
Net investment income	(89,027,299)	(66,321,023)
Net realized short-term gain	(128,028,090)	(25,210,618)
Net realized long-term gain	(195,968,414)	(1,098,260,243)
Total distributions to shareholders	(413,023,803)	(1,189,791,884)
From Fund share transactions:		
Proceeds from shares sold	525,301,024	2,836,315,983
Reinvestment of dividends and capital gain distributions	391,286,661	1,133,761,068
Payments for shares redeemed	(2,492,607,364)	(2,119,718,081)
Net increase in net assets from Fund share transactions	(1,576,019,679)	1,850,358,970
Total increase in net assets	(1,187,441,977)	309,009,254
Net assets:		
Beginning of period	6,923,957,882	6,614,948,628
End of period	\$5,736,515,905	\$6,923,957,882
Undistributed net investment income	\$22,467,920	\$77,854,452
* Distributions per share:		
Net investment income	0.4401	0.3996
Net realized short-term gain	0.6329	0.1519
Net realized long-term gain	0.9686	5.8556
Total distributions to shareholders	\$2.0416	\$6.4071

	The Oakmark Select Fund	
	Six Months	Year Ended

	Ended March 31, 1999	September 30, 1998
From Operations:		
Net investment income	\$10,374,278	\$1,948,524
Net realized gain (loss) on sale of investments	316,560,438	69,415,172
Net realized gain (loss) on foreign currency transactions	—	—
Net change in unrealized appreciation (depreciation)	72,226,050	(78,902,257)
Net increase in net assets from operations	399,160,766	(7,538,561)
Distribution to shareholders from:*		
Net investment income	(3,491,671)	—
Net realized short-term gain	(497,653)	(6,882,359)
Net realized long-term gain	(50,206,634)	—
Total distributions to shareholders	(54,195,958)	(6,882,359)
From Fund share transactions:		
Proceeds from shares sold	348,812,227	1,440,695,723
Reinvestment of dividends and capital gain distributions	51,669,470	6,568,333
Payments for shares redeemed	(356,883,900)	(719,123,322)
Net increase in net assets from Fund share transactions	43,597,797	728,140,734
Total increase in net assets	388,562,605	713,719,814
Net assets:		
Beginning of period	1,227,894,386	514,174,572
End of period	\$1,616,456,991	\$1,227,894,386
Undistributed net investment income	\$8,584,245	\$1,701,638
* Distributions per share:		
Net investment income	0.0491	—
Net realized short-term gain	0.0070	0.1678
Net realized long-term gain	0.7058	—
Total distributions to shareholders	\$0.7619	\$0.1678

	The Oakmark Small Cap Fund	
	Six Months Ended March 31, 1999	Year Ended September 30, 1998
From Operations:		

Net investment income	\$ (986,291)	\$ (4,959,862)
Net realized gain (loss) on sale of investments	8,177,983	124,757,914
Net realized gain (loss) on foreign currency transactions	—	—
Net change in unrealized appreciation (depreciation)	45,284,187	(374,056,372)
Net increase in net assets from operations	52,475,879	(254,258,320)
Distribution to shareholders from:*		
Net investment income	—	—
Net realized short-term gain	—	(35,041,133)
Net realized long-term gain	(4,511,716)	(129,772,888)
Total distributions to shareholders	(4,511,716)	(164,814,021)
From Fund share transactions:		
Proceeds from shares sold	173,080,077	416,817,749
Reinvestment of dividends and capital gain distributions	4,282,238	156,645,973
Payments for shares redeemed	(357,664,266)	(1,049,792,259)
Net increase in net assets from Fund share transactions	(180,301,951)	(476,328,537)
Total increase in net assets	(132,337,788)	(895,400,878)
Net assets:		
Beginning of period	617,994,762	1,513,395,640
End of period	\$485,656,974	\$617,994,762
Undistributed net investment income	\$ (7,906,792)	\$ (6,920,502)
* Distributions per share:		
Net investment income	—	—
Net realized short-term gain	—	0.4738
Net realized long-term gain	0.0874	2.3874
Total distributions to shareholders	\$0.0874	\$2.8612

	The Oakmark Equity and Income Fund	
	Six Months Ended March 31, 1999	Year Ended September 30, 1998
From Operations:		
Net investment income	\$769,056	\$1,166,564
Net realized gain (loss) on sale of investments	3,094,125	1,578,730

Net realized gain (loss) on foreign currency transactions	(1,160)	—
Net change in unrealized appreciation (depreciation)	2,121,224	(2,325,892)
Net increase in net assets from operations	5,983,245	419,402
Distribution to shareholders from:*		
Net investment income	(855,395)	(594,007)
Net realized short-term gain	—	(882,071)
Net realized long-term gain	(829,557)	(599,021)
Total distributions to shareholders	(1,684,952)	(2,075,099)
From Fund share transactions:		
Proceeds from shares sold	13,810,491	43,125,943
Reinvestment of dividends and capital gain distributions	1,610,146	1,964,129
Payments for shares redeemed	(17,252,567)	(19,151,033)
Net increase in net assets from Fund share transactions	(1,831,930)	25,939,039
Total increase in net assets	2,466,363	24,283,342
Net assets:		
Beginning of period	57,745,855	33,462,513
End of period	\$60,212,218	\$57,745,855
Undistributed net investment income	\$935,024	\$1,021,363
* Distributions per share:		
Net investment income	0.2118	0.2359
Net realized short-term gain	—	0.3503
Net realized long-term gain	0.2379	0.2053
Total distributions to shareholders	\$0.4171	\$0.8241

	The Oakmark International Fund	
	Six Months Ended March 31, 1999	Year Ended September 30, 1998
From Operations:		
Net investment income	\$7,656,611	\$23,809,423
Net realized gain (loss) on sale of investments	(31,108,797)	86,532,713
Net realized gain (loss) on foreign currency transactions	(3,890,444)	(108,363)
Net change in unrealized appreciation (depreciation)	209,375,178	(502,914,491)

Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	9,773,311	(2,045,738)
Net change in unrealized appreciation (depreciation)—other	(811,847)	195,384
Net increase in net assets from operations	198,255,527	(398,313,153)
Distribution to shareholders from (1):		
Net investment income	(16,587,329)	(46,460,573)
Net realized short-term gain	(32,678,201)	(57,985,224)
Net realized long-term gain	(20,071,535)	(173,099,244)
Total distributions to shareholders	(69,337,065)	(277,545,041)
From Fund share transactions:		
Proceeds from shares sold	103,602,841	482,976,228
Reinvestment of dividends and capital gain distributions	65,429,007	263,415,429
Payments for shares redeemed	(324,055,349)	(961,776,686)
Net increase in net assets from Fund share transactions	(155,023,501)	(215,385,029)
Total increase in net assets	(26,105,039)	(891,243,223)
Net assets:		
Beginning of period	756,104,308	1,647,347,531
End of period	\$729,999,269	\$756,104,308
Undistributed net investment income	\$29,808,142	\$38,738,859
(1): Distributions per share:		
Net investment income	0.2440	0.5758
Net realized short-term gain	0.4807	0.7186
Net realized long-term gain	0.2953	2.1453
Total distributions to shareholders	\$1.0200	\$3.4397

	The Oakmark International Small Cap Fund	
	Six Months Ended March 31, 1999	Year Ended September 30, 1998
From Operations:		
Net investment income	\$391,706	\$1,415,157
Net realized gain (loss) on sale of investments	(2,097,425)	(96,290)
Net realized gain (loss) on foreign currency transactions	(108,363)	(162,499)
Net change in unrealized appreciation (depreciation)	32,074,882	(27,728,327)

Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	1,178,598	(179,057)
Net change in unrealized appreciation (depreciation)—other	(11,175)	2,414
Net increase in net assets from operations	31,428,222	(26,748,602)
Distribution to shareholders from (1):		
Net investment income	(1,558,452)	(308,015)
Net realized short-term gain	—	(3,477,982)
Net realized long-term gain	—	(3,890,139)
Total distributions to shareholders	(1,558,452)	(7,676,136)
From Fund share transactions:		
Proceeds from shares sold	50,793,315	77,339,314
Reinvestment of dividends and capital gain distributions	1,468,342	7,427,846
Payments for shares redeemed	(32,623,340)	(64,544,647)
Net increase in net assets from Fund share transactions	19,638,317	20,222,513
Total increase in net assets	49,508,087	(14,202,225)
Net assets:		
Beginning of period	51,770,575	65,972,800
End of period	\$101,278,662	\$51,770,575
Undistributed net investment income	\$462,329	\$1,629,074
(1): Distributions per share:		
Net investment income	0.2049	0.0559
Net realized short-term gain	—	0.6312
Net realized long-term gain	—	0.7060
Total distributions to shareholders	\$0.2049	\$1.3931

See accompanying notes to financial statements.

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

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

Security valuation—

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

Foreign currency translations—

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

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

Net realized gains 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, 1999, only the International and Int'l Small Cap Funds had foreign currency transactions. Net unrealized appreciation (depreciation)-other includes the following components:

	International	Int'l Small Cap
	<hr/>	<hr/>
Unrealized appreciation (depreciation) on dividends and dividend reclaims receivable	\$(777,048)	\$343
Unrealized appreciation (depreciation) on open securities purchases and sales	51,704	(5,558)
Unrealized appreciation (depreciation) on transaction hedge purchases and sales	(36,832)	5,373
Unrealized appreciation (depreciation) on tax expense payable	112,281	(77)
	<hr/>	<hr/>
Net Unrealized Appreciation (Depreciation) - Other	\$(649,895)	\$81
	<hr/> <hr/>	<hr/> <hr/>

Security transactions and investment income—

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

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

Forward foreign currency contracts—

At March 31, 1999, International and Int'l Small Cap had entered into forward foreign currency contracts under which they are obligated to exchange currencies at specified future dates. The Funds' currency transactions are limited to transaction hedging and portfolio hedging involving either specific transactions or portfolio positions.

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

The International Fund had the following outstanding contracts at March 31, 1999:

Portfolio Hedges:

**Unrealized
Appreciation at**

US Dollars Proceeds	Foreign Currency Sold	Settlement Date	March 31, 1999
\$31,080,000	18,500,000 Pound Sterling	April 1999	\$1,219,666
8,073,500	5,000,000 Pound Sterling	April 1999	364,500
37,444,500	22,500,000 Pound Sterling	May 1999	1,130,046
29,682,000	18,000,000 Pound Sterling	May 1999	631,702
18,883,917	2,236,800,000 Japanese Yen	April 1999	2,164,356
25,000,000	2,760,500,000 Japanese Yen	July 1999	1,386,672
20,000,000	2,174,400,000 Japanese Yen	July 1999	1,397,649
			\$8,294,591
			\$8,294,591

Transaction Hedges: Foreign Currency Purchases:

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 1999
\$351,681	326,568 Euro Currency	April 1999	\$1,420
20,760	19,278 Euro Currency	April 1999	84
619,303	577,546 Euro Currency	April 1999	5,169
275,322	169,680 Pound Sterling	April 1999	(1,374)
993,543	612,315 Pound Sterling	April 1999	(4,960)
2,189,018	1,349,413 Pound Sterling	April 1999	(10,391)
696,023	5,797,872 Swedish Krona	April 1999	9,915
			\$(137)
			\$(137)

Transaction Hedges: Foreign Currency Sales:

Unrealized

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Appreciation (Depreciation) at March 31, 1999
\$109,392	101,694 Euro Currency	April 1999	\$(564)
2,011,239	1,239,516 Pound Sterling	April 1999	10,041
216,778	133,632 Pound Sterling	April 1999	1,030
954,782	591,614 Pound Sterling	April 1999	(378)
119,589	74,101 Pound Sterling	April 1999	(47)
167,354	103,792 Pound Sterling	April 1999	(218)
1,170,244	726,544 Pound Sterling	April 1999	(2,761)
117,742	73,100 Pound Sterling	April 1999	(278)
117,742	73,100 Pound Sterling	April 1999	(278)
1,170,244	726,544 Pound Sterling	April 1999	(2,761)
2,714,650	325,988,720 Japanese Yen	April 1999	(38,285)
974,438	115,441,653 Japanese Yen	April 1999	(453)
1,114,624	1,927,408 Singapore Dollar	April 1999	(1,743)
			<hr/>
			\$(36,695)
			<hr/> <hr/>

The Int'l Small Cap Fund had the following outstanding contracts at March 31, 1999:

Portfolio Hedges:

US Dollars Proceeds	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation at March 31, 1999
\$1,250,000	1,728,125 Brazilian Real	April 1999	\$261,935
7,389,000	4,500,000 Pound Sterling	May 1999	126,203
2,500,000	281,487,500 Japanese Yen	June 1999	98,592
1,500,000	165,630,000 Japanese Yen	July 1999	83,200

2,000,000	217,440,000 Japanese Yen	July 1999	139,765
3,157,241	335,520,000 Japanese Yen	July 1999	284,473
			\$994,168
			\$994,168

Transaction Hedges: Foreign Currency Purchases:

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 1999
\$494,211	747,000 Canadian Dollar	April 1999	\$655
85,677	79,692 Euro Currency	April 1999	490
25,883	24,034 Euro Currency	April 1999	105
486,871	453,030 Euro Currency	April 1999	2,967
18,040	16,817 Euro Currency	April 1999	144
10,894	10,090 Euro Currency	April 1999	16
751,135	694,530 Euro Currency	April 1999	(174)
47,148	43,666 Euro Currency	April 1999	65
293,189	272,271 Euro Currency	April 1999	1,203
565,496	523,075 Euro Currency	April 1999	78
235,232	145,008 Pound Sterling	April 1999	(1,117)
176,332	109,261 Pound Sterling	April 1999	70
176,172	109,261 Pound Sterling	April 1999	229
288,312	178,743 Pound Sterling	April 1999	268
176,456	109,261 Pound Sterling	April 1999	(55)
294,862	183,065 Pound Sterling	April 1999	696
5,844	45,287 Hong Kong Dollar	April 1999	(1)
54,618	423,233 Hong Kong Dollar	April 1999	(3)
10,400	80,591 Hong Kong Dollar	April 1999	(1)

1,652	63,861	Philippine Peso	April 1999	(4)
8,581	331,228	Philippine Peso	April 1999	(33)
358,443	618,673	Singapore Dollar	April 1999	(104)
				\$5,494
				\$5,494

Transaction Hedges: Foreign Currency Sales:

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized (Depreciation) at March 31, 1999
\$260,927	30,912,052	Japanese Yen April 1999	\$(121)
			\$(121)

At March 31, 1999, 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. As of December 31, 1998, the Funds are not participating in a securities lending program and any securities previously loaned to borrowers have been returned.

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.

Bank Loans—

The Funds have two unsecured lines of credit with a syndication of banks. One line of credit is a committed line of \$350 million and the other is an uncommitted line of \$250 million. Borrowings under this arrangement bear interest at .50% above the Federal Funds Effective Rate. As of March 31, 1999, there were no outstanding borrowings.

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 next \$5 billion of net assets and .80% on the excess of \$10 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, .80% on the next \$2.5 million of net assets and .75% on the excess of \$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 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.

During the six months ended March 31, 1999, the Funds incurred brokerage commissions of \$2,188,897, \$1,524,368, \$1,507,906, \$46,533, \$1,383,915 and \$172,048 of which \$1,151,089, \$552,563, \$125,452, \$24,154, \$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.

The Funds' Trustees may participate in a Deferred Compensation Plan which may be terminated at any time. The obligations of the Plan are paid solely out of the assets of the Funds.

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, 1999					
	Oakmark	Select	Small Cap	Equity & Income	International	Int'l Small Cap
Shares sold	14,515	17,430	12,530	948	9,040	5,375
Shares issued in reinvestment of dividends	10,299	2,852	298	112	6,003	178
Less shares redeemed	(70,366)	(18,773)	(25,722)	(1,182)	(28,794)	(3,639)
Net increase (decrease) in shares outstanding	(45,552)	1,509	12,894	122	(13,751)	1,914

Year Ended September 30, 1998

Int'l

	Oakmark	Select	Small Cap	Equity & Income	International	Small Cap
Shares sold	68,340	81,093	22,121	3,014	34,513	8,604
Shares issued in reinvestment of dividends	30,513	410	9,667	149	20,108	786
Less shares redeemed	(52,910)	(39,717)	(57,261)	(1,344)	(69,820)	(7,284)
Net increase (decrease) in shares outstanding	45,943	41,786	(25,473)	1,819	15,199	2,106

4. INVESTMENT TRANSACTIONS

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

	Oakmark	Select	Small Cap	Equity & Income	International	Int'l Small Cap
Purchases	\$597,681	\$767,113	\$243,319	\$18,455	\$125,192	\$30,213
Proceeds from sales	2,018,060	\$725,705	\$391,058	\$18,242	\$325,130	\$18,502

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, 1999 is set forth below:

Summary of Transactions with Affiliated Companies The Oakmark Fund

Affiliates	Purchases (Cost)	Sales (Cost)	Dividend Income	Market Value
AC Nielsen Corporation	—	—	—	\$129,223,500
Brunswick Corporation	—	—	\$1,820,200	138,790,250
Eaton Corporation	\$95,898,237	—	187,976	298,841,400
GC Companies, Inc.	—	—	—	12,480,688
H & R Block, Inc.	—	\$42,048,416	3,695,325	320,515,562
Juno Lighting, Inc.	—	—	217,000	24,344,688
Knight Ridder, Inc.	13,380,889	47,492,369	2,840,700	313,305,000
Polaroid Corporation	—	421,331	1,361,970	90,830,963
R. H. Donnelley Corporation	—	423,736	367,196	32,005,951
The Black & Decker Corporation	—	79,705,558	1,860,840	379,192,500

The Dun & Bradstreet Corporation	—	36,083,438	3,828,409	335,202,750
Totals	109,279,126	206,174,848	16,179,616	2,074,733,252

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

Affiliates	Purchases (Cost)	Sales (Cost)	Dividend Income	Market Value
USG Corporation	\$45,557,754	\$13,554,188	\$541,720	\$172,948,800
US Industries Inc.	22,691,449	2,682,483	788,770	140,770,750
Totals	68,249,203	16,236,671	1,330,490	313,719,550

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

Affiliates	Purchases (Cost)	Sales (Cost)	Dividend Income	Market Value
Ascent Entertainment Group, Inc.	—	—	—	\$16,406,250
Barry (R.G.) Corporation	\$683,865	—	—	7,875,000
Binks Sames Corporation	—	—	—	4,625,000
Columbus McKinnon Corporation	1,112,813	\$5,257,106	\$116,725	14,087,500
Duff & Phelps Credit Rating Co.	—	—	21,000	18,331,250
Finger Lakes Financial Corp.	—	—	22,560	2,138,500
Northwest Pipe Company	—	1,677,942	—	6,600,000
Ugly Duckling Corporation	366,408	—	—	9,679,687
Totals	2,163,086	6,935,048	160,285	79,743,187

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

Affiliates	Purchases (Cost)	Sales (Cost)	Dividend Income	Market Value
Banco Latinoamericano de Exportaciones, S.A. Class E	\$3,380,362	\$6,440,554	\$1,380,960	\$32,112,600
Chargeurs SA	3,107,014	1,481,640	388,650	29,827,225
Cordiant Communications Group plc	—	10,160,631	—	46,017,088
Dongah Tire Industry Company	—	—	140,181	5,841,156

European Vinyls Corporation International NV	—	1,883,143	—	6,927,060
Fernz Corporation Limited	—	14,034,949	458,024	26,607,215
Fila Holding S.p.A.	691,130	—	—	21,860,850
Giordano International Limited	—	—	—	21,463,269
Keumkang Ltd.	—	1,555,011	307,101	13,255,868
Lotte Chilsung Beverage Company	—	—	36,291	5,212,714
Tae Young Corporation	—	4,233,806	2,624,590	12,530,670
Usinas Siderurgicas de Minas Gerais S.A., Preferred Class A	—	—	—	11,064,586
Totals	7,178,506	39,789,734	5,335,797	232,720,301

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

Affiliates	Purchases (Cost)	Sales (Cost)	Dividend Income	Market Value
Designer Textiles (NZ) Limited	—	—	\$18,615	\$490,778
Matchon Public Company Limited, Foreign Shares	—	—	—	2,402,378
Parbury Limited	\$255,279	—	131,268	2,222,642
Royal Doulton plc	2,589,134	—	205,506	4,461,831
Solution 6 Holdings Limited	—	\$1,672,006	—	4,584,707
Solution 6 Holdings Limited Rights	0	0	0	421,044
Yip's Hang Cheung Ltd.	281,712	—	73,565	1,544,714
Totals	3,126,125	1,672,006	428,954	16,128,094

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For a share outstanding throughout each period

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	Six Months Ended	Year Ended	Eleven Months Ended	Year Ended October 31,					Period Ended
	March 31, 1999	September 30, 1998	September 30, 1997	1996	1995	1994	1993	1992	Oct. 31, 1991(a)
Net Asset Value, Beginning of Period	\$33.54	\$41.21	\$32.39	\$28.47	\$25.21	\$24.18	\$17.11	\$12.10	\$10.00
Income From Investment Operations:									
Net Investment Income (Loss)	0.20	0.47	0.36	0.34	0.30	0.27	0.17	(0.03)	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	3.95	(1.73)	10.67	4.70	4.66	1.76	7.15	5.04	2.11
Total From Investment Operations:	4.15	(1.26)	11.03	5.04	4.96	2.03	7.32	5.01	2.10
Less Distributions:									
Dividends (from net investment income)	(0.44)	(0.40)	(0.34)	(0.28)	(0.23)	(0.23)	(0.04)	—	—
Distributions (from capital gains)	(1.60)	(6.01)	(1.87)	(0.84)	(1.47)	(0.77)	(0.21)	—	—
Total Distributions	(2.04)	(6.41)	(2.21)	(1.12)	(1.70)	(1.00)	(0.25)	—	—
Net Asset Value, End of Period	\$35.65	\$33.54	\$41.21	\$32.39	\$28.47	\$25.21	\$24.18	\$17.11	\$12.10
Total Return	12.00%	(4.06)%	39.24%*	18.07%	21.55%	8.77%	43.21%	41.40%	87.10%*
Ratios/Supplemental Data:									
Net Assets, End of Period (\$ million)	\$5,736.5	\$6,924.0	\$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	1.11%	1.08%	1.08%*	1.18%	1.17%	1.22%	1.32%	1.70%	2.50%(b)*
Ratio of Net Income (Loss) to Average Net Assets	.98%	1.22%	1.19%*	1.13%	1.27%	1.19%	0.94%	(0.24)%	(0.66%)(c)*
Portfolio Turnover Rate	9%	43%	17%	24%	18%	29%	18%	34%	0%

*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% for the period.

(c) Computed giving effect to the Adviser's expense limitation undertaking.

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

THE OAKMARK SELECT FUND

Financial Highlights

For a share outstanding throughout each period

	Six Months Ended March 31, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997
Net Asset Value, Beginning of Period	\$16.76	\$16.34	\$10.00
Income From Investment Operations:			
Net Investment Income (Loss)	0.14	0.03	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	5.48	0.56	6.35
Total From Investment Operations:	5.62	0.59	6.34
Less Distributions:			
Dividends (from net investment income)	(0.05)	—	—
Distributions (from capital gains)	(0.71)	(0.17)	—
Total Distributions	(0.76)	(0.17)	—
Net Asset Value, End of Period	\$21.62	\$16.76	\$16.34
Total Return	34.42%	3.64%	69.16%*
Ratios/Supplemental Data:			
Net Assets, End of Period (\$ million)	\$1,616.5	\$1,227.9	\$514.2
Ratio of Expenses to Average Net Assets (a)	1.15%*	1.22%	1.12%*
Ratio of Net Income (Loss) to Average Net Assets (a)	1.46%*	17.00%	(0.11)%*
Portfolio Turnover Rate	57%	56%	37%

*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, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$12.63	\$20.34	\$13.19	\$10.00
Income From Investment Operations:				
Net Investment Income (Loss)	(0.08)	(0.12)	(0.01)	(0.02)
Net Gains or Losses on Securities (both realized and unrealized)	1.01	(4.73)	7.16	3.21
Total From Investment Operations:	0.93	(4.85)	7.15	3.19
Less Distributions:				
Dividends (from net investment income)	—	—	—	—
Distributions (from capital gains)	(0.09)	(2.86)	—	—
Total Distributions	(0.09)	(2.86)	—	—
Net Asset Value, End of Period	\$13.47	\$12.63	\$20.34	\$13.19
Total Return	7.30%	(26.37)%	59.14%*	31.94%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$ million)	\$485.7	\$618.0	\$1,513.4	\$218.4
Ratio of Expenses to Average Net Assets	1.49%*	1.45%	1.37%*	1.61%
Ratio of Net Income (Loss) to Average Net Assets	(0.31)%*	(0.40)%	(0.25)%*	(0.29)%
Portfolio Turnover Rate	41%	34%	27%	23%

*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, 1999	Year Ended September 30, 1998	Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$13.99	\$14.49	\$11.29	\$10.00
Income From Investment Operations:				
Net Investment Income (Loss)	0.20	0.29	0.21	0.10
Net Gains or Losses on Securities (both realized and unrealized)	1.26	0.04	3.24	1.19
Total From Investment Operations:	1.46	0.33	3.45	1.29
Less Distributions:				
Dividends (from net investment income)	(0.21)	(0.24)	(0.12)	—
Distributions (from capital gains)	(0.21)	(0.59)	(0.13)	—
Total Distributions	(0.42)	(0.83)	(0.25)	—
Net Asset Value, End of Period	\$15.03	\$13.99	\$14.49	\$11.29
Total Return	10.54%	2.57%	34.01%*	12.91%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$ million)	\$60.2	\$57.7	\$33.5	\$13.8
Ratio of Expenses to Average Net Assets	1.19%*	1.31%	1.50%*(a)	2.50%(a)
Ratio of Net Income (Loss) to Average Net Assets	2.52%*	2.39%	2.38%*(a)	1.21%(a)
Portfolio Turnover Rate	32%	46%	53%	66%

*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, ratios would have been as follows:

	September 30, 1997	October 31, 1996
Ratio of Expenses to Average Net Assets	1.70%	2.64%
Ratio of Net Income (Loss) to Average Net Assets	2.18%	1.08%

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

THE OAKMARK INTERNATIONAL FUND

Financial Highlights

For a share outstanding throughout each period

	Six Months Ended	Year Ended	Eleven Months Ended	Year Ended October 31,				Period Ended
	March 31, 1999	September 30, 1998	September 30, 1997	1996	1995	1994	1993	October 31, 1992(a)
Net Asset Value, Beginning of Period	\$10.42	\$18.77	\$14.92	\$12.97	\$14.50	\$14.09	\$9.80	\$10.00
Income From Investment Operations:								
Net Investment Income (Loss)	0.21	0.41	0.27	0.09	0.30	0.21	0.06	0.26
Net Gains or Losses on Securities (both realized and unrealized)	2.80	(5.32)	3.74	2.90	(0.77)	0.43	4.48	(0.46)
Total From Investment Operations:	3.01	(4.91)	4.01	2.99	(0.47)	0.64	4.54	(0.2)
Less Distributions:								
Dividends (from net investment income)	(0.24)	(0.58)	(0.16)	—	—	(0.08)	(0.25)	—
Distributions (from capital gains)	(0.78)	(2.86)	—	(1.04)	(1.06)	(0.15)	—	—
Total Distributions	(1.02)	(3.44)	(0.16)	(1.04)	(1.06)	(0.23)	(0.25)	—
Net Asset Value, End of Period	\$12.41	\$10.42	\$18.77	\$14.92	\$12.97	\$14.50	\$14.09	\$9.80
Total Return	30.24%	(29.90)%	29.63%*	24.90%	(3.06)%	4.62%	47.49%	(22.81)%*
Ratios/Supplemental Data:								
Net Assets, End of Period (\$ million)	\$730.0	\$756.1	\$1,647.3	\$1,172.8	\$819.7	\$1,286.0	\$815.4	\$23.5
Ratio of Expenses to Average Net Assets	1.30%*	1.32%	1.26%*	1.32%	1.40%	1.37%	1.26%	2.04%*
Ratio of Net Income (Loss) to Average Net Assets	2.04%*	1.95%	2.09%*	1.45%	1.40%	1.44%	1.55%	37.02%*
Portfolio Turnover Rate	18%	43%	61%	42%	26%	55%	21%	0%

*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

Eleven

	Six Months Ended March 31, 1999	Year Ended September 30, 1998	Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$6.89	\$12.20	\$11.41	\$10.00
Income From Investment Operations:				
Net Investment Income (Loss)	0.03	0.18	0.13	0.04
Net Gains or Losses on Securities (both realized and unrealized)	4.02	(4.09)	1.10	1.37
Total From Investment Operations:	4.05	(3.91)	1.23	1.41
Less Distributions:				
Dividends (from net investment income)	(0.20)	(0.06)	(0.08)	—
Distributions (from capital gains)	—	(1.34)	(0.36)	—
Total Distributions	(0.20)	(1.40)	(0.44)	—
Net Asset Value, End of Period	\$10.74	\$6.89	\$12.20	\$11.41
Total Return	59.75%	(35.20)%	12.07%*	14.15%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$ million)	\$101.3	\$51.8	\$66.0	\$39.8
Ratio of Expenses to Average Net Assets	1.72%*	1.96%	1.93%*	2.50%(a)
Ratio of Net Income (Loss) to Average Net Assets	1.13%*	2.17%	1.23%*	0.65%(a)
Portfolio Turnover Rate	29%	69%	63%	27%

*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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Chicago, Illinois 60602-3790

Transfer Agent

State Street Bank and Trust Company
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P.O. Box 8510
Boston, Massachusetts 02266-8510

Legal Counsel

Bell, Boyd & Lloyd
Chicago, Illinois

Independent Public Accountants

Arthur Andersen LLP
Chicago, Illinois

For More Information:

Please call 1-800-OAKMARK
(1-800-625-6275)
or 617-328-5000

Website

www.oakmark.com

24-hour NAV hotline

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

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