LETTER & SUMMARY INFORMATION
OAKMARK FUND
OAKMARK SELECT FUND
OAKMARK SMALL CAP FUND
OAKMARK EQUITY AND INCOME FUND
OAKMARK INTERNATIONAL FUND
OAKMARK INT'L SMALL CAP FUND
TRUSTEES & OFFICERS

Letter from the Chairman and President...

Dear Fellow Shareholders:

We are pleased to present the Third Quarter Report for The Oakmark Family of Funds. For the quarter, our unwavering confidence in our investment philosophy and process was rewarded with strong absolute and relative returns in our mutual funds. More importantly, all of our mutual fund managers continue to be enthusiastic about the current holdings in their Funds. This confirms our feeling that the value "comeback" may be sustainable.

As always, we make every effort to capitalize on investment opportunities. Our investment professionals, both analysts and portfolio managers, have presented compelling evidence of the attractive opportunities available in the value sector. This theme is consistent in both the domestic and international markets. In order to benefit further from these investment opportunities, we are pleased to announce that we are starting a new mutual fund—The Oakmark Global Fund. It will utilize the same disciplined value approach used in all of our mutual funds and will provide a single vehicle for those who want the benefits of our global asset allocation.

The fund is designed to capitalize on our value investing philosophy regardless of the location of the underlying corporation. Michael Welsh, co-manager of our international funds, and Greg Jackson, a senior domestic research analyst, will co-manage the fund. They are enthusiastic and experienced, and plan to make substantial personal investments in the Fund. The Global Fund will be more concentrated (40-50 stocks) than most other funds in its category. This will maximize the impact our stock selection ability has on the portfolio without sacrificing the benefit of diversification. Just as companies compete in a global marketplace, investment ideas on a global basis will compete head-to-head to be included in this portfolio.

In the near future we will add redemption fees to our specialty funds to severely reduce the negative impact associated with short term traders as shareholders in our funds. The fee will be 2% on redemptions that are made in less than 90 days from the date of purchase. The proceeds of the redemption charge are retained by the Fund for the benefit of the long-term investors. It will be instituted on the following funds: Small Cap, Select, International, International Small Cap and the new Global fund. Please read Bill Nygren's enclosed report on the Select Fund which describes why this is a positive for our long-term shareholders.

In an effort to increase feedback regarding shareholder servicing, we have added a new e-mail address: ServiceComments@oakmark.com. Please use this address to comment on our investor services.

Our Y2K preparation continues to be on schedule and we remain confident that we are prepared for this event.

This quarter answered some of the skeptics about our value approach. We continue to believe that price and valuation do matter and we are confident that our funds are well positioned to take advantage of the opportunities the market is presenting.

VICTOR MORGENSTERN
Chairman

ROBERT M. LEVY
President

The Oakmark Family of Funds

Summary Information

Performance for Period Ended June 30, 1999	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
3 Months	11.5%	7.5%	13.3%
6 Months	11.0%	19.0%	3.3%
1 Year	7.6%	19.7%	(11.1%)
Average Annual Total Return for: *3 Year*	18.3%	N/A	13.4%
5 Year	20.1%	N/A	N/A
Since inception	26.0%	40.0%	17.8%
Value of $10,000 from inception date	$62,332 (8/5/91)	$24,482 (11/1/96)	$18,205 (11/1/95)
Top Five Holdings as of June 30, 1999 *Company and % of Total Net Assets*	Philip Morris Companies Inc. 7.5%	USG Corporation 10.7%	Symantec Corporation 4.8%
	The Black & Decker Corporation 5.9%	Washington Mutual, Inc. 10.3%	SPX Corporation 3.9%

	Nike, Inc., Class B	5.8%	U.S. Industries, Inc.	8.0%	Department 56, Inc.	3.8%
	Mattel, Inc.	5.6%	First Data Corporation	7.0%	Duff & Phelps Credit Rating Co.	3.8%
	The Boeing Company	5.6%	Thermo Electron Corporation	5.1%	Catellus Development Corporation	3.7%
Top Five Industries as of June 30, 1999 *Industries and % of Total Net Assets*	Other Consumer Goods & Services	17.8%	Computer Services	19.0%	Other Industrial Goods & Services	12.7%
	Aerospace & Defense	10.1%	Banks & Thrifts	13.1%	Retail	10.9%
	Food & Beverage	9.2%	Building Materials & Construction	10.7%	Banks & Thrifts	9.6%
	Banks & Thrifts	9.1%	Diversified Conglomerates	8.0%	Food & Beverage	7.5%
	Information Services	7.7%	Machinery & Industrial Processing	5.1%	Insurance	7.3%

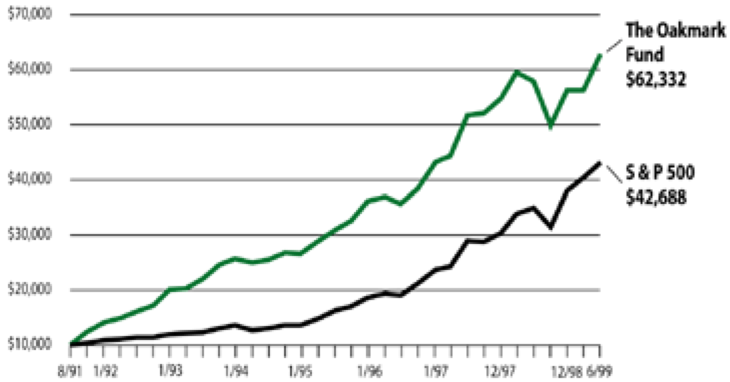
Performance for Period Ended June 30, 1999	The Oakmark Equity and Income Fund		The Oakmark International Fund		The Oakmark International Small Cap Fund	
3 Months	9.9%		21.0%		16.8%	
6 Months	9.9%		37.7%		45.5%	
1 Year	13.1%		27.0%		54.8%	
Average Annual Total Return for: *3 Year*	18.7%		11.9%		9.8%	
5 Year	N/A		12.4%		N/A	
Since inception	18.2%		15.0%		12.3%	
Value of $10,000 from inception date	$18,457 (11/1/95)		$25,728 (9/30/92)		$15,317 (11/1/95)	
Top Five Holdings as of June 30, 1999 *Company and % of Total Net Assets*	Imation Corp.	5.4%	Cordiant Communications Group plc	4.8%	Royal Doulton plc	5.4%
	The					

	Reynolds and Reynolds Company, Class A	4.0%	Tomkins plc	4.6%	Carpetright plc	5.3%
	First Data Corporation	3.8%	Citizen Watch Co.	4.2%	JCG Holdings Ltd.	4.5%
	Lear Corporation	3.5%	Giordano International Limited	4.2%	Wassall PLC	4.1%
	Amli Residential Properties Trust	3.5%	Somerfield plc	4.2%	House of Fraser Plc	4.0%
Top Five Industries as of June 30, 1999 *Industries and % of Total Net Assets*	U.S. Government Bonds	24.7%	Other Industrial Goods & Services	14.4%	Retail	13.3%
	Computer Services	14.1%	Retail	8.4%	Diversified Conglomerates	10.4%
	Real Estate	9.8%	Consumer Non-Durables	7.8%	Production Equipment	8.6%
	Banks & Thrifts	8.9%	Banks	7.8%	Other Financial	7.4%
	Data Storage	5.4%	Marketing Services	6.7%	Other Industrial Goods & Services	6.6%

The Oakmark Fund

Report from Robert J. Sanborn, Portfolio Manager

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (6/30/99) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



6/30/99 NAV $39.76

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/99 From Fund Inception 8/5/91
The Oakmark Fund	11.5%	26.0%
Standard & Poor's 500 Stock Index w/inc**	7.1%	20.2%
Dow Jones Industrial Average w/inc**	12.5%	20.6%
Value Line Composite Index**	13.8%	8.7%

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

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

PORTFOLIO UPDATE

We have always viewed the investment process as a continuum. Nevertheless, here at the mid-point of the calendar year, it is a good time to discuss our Fund.

The year began with the US 30-year bond yielding about 5.3%, and it now yields about 6.3%.

Despite this, both The Oakmark Fund and the Standard & Poor's 500 have returned in excess of ten percent year-to-date. Consequently, in general, opportunities are not as ample as they were at the beginning of the year and surely not as ample as about a year ago, when anxiety over the global economy—particularly Russia and Southeast Asia—drove stock prices to attractive levels. Thus, since we are having a marginally tougher time finding individual securities selling at significant discounts to value, cash in The Oakmark Fund is now at around ten percent of assets. As I have stated before, we are never, ever market-timers; however, we will only hold stocks in the Fund that offer satisfactory risk-adjusted expected returns.

During calendar year 1999, I have made only minor adjustments to our Fund. I have eliminated a couple of large holdings as they attained our sell targets (typically 90% of our estimate of underlying value). Generally, I have not found compelling reasons to make major changes in our portfolio.

I remain quite confident of our Fund's relative attractiveness compared to the Standard & Poor's 500. While the superior performance your Fund generated in the past quarter is gratifying, I continue to believe that its holdings are as undervalued to the broader market as they have EVER been. The growth stocks that dominate the S&P 500 continue to remain extremely overvalued and we continue to avoid them.

I also remain quite confident that the Internet stocks, which now have a market value over one trillion dollars (!!), remain in mega-bubble mode. Recent articles outlining the huge Internet successes of noted investor (and would-be money manager!) Barbra Streisand are typical of the illusion of quick and easy wealth that continues to entice investors (and has enticed investors for centuries). The spate of IPOs in this sector continues at a torrid pace. Just last week, eleven of the fourteen biggest IPOs were Internet companies. As long as investors continue to view these deals as "easy money," sellers and their friendly underwriters will continue to provide them. Watching CNBC, I note a growing chorus of individual investors clamoring for "their fair share" of IPOs. Of course, the fact that over time IPOs have proven to be below-average performers does not enter into investors' calculus at this time.

Looking into the future, I can envision a flood of lawsuits down the line that will make today's euphoria a very hazy memory. I can even envision legislators enacting "The Internet Investors' Security Act of 1999" in response to all the sad tales of family savings having been squandered by day-trading Internet stocks. After all, as Mrs. Ned Flanders always cries out on "The Simpsons," "What about the children?"—this is the perfect way to advance any governmental program in this age.

So, as we sit here in the middle of summer, I am very confident that our Fund will prove its value, especially relative to the broader market. In general, the companies that comprise your portfolio are performing well in a brutally competitive landscape.

Robert J. Sanborn

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

THE OAKMARK
BOOK CLUB

Another summer has rolled around and it is time again for another installment of The Oakmark Book Club. Here are the books that I have read that I recommend for those interested in investing, finance, business, and economics:

Devil Take the Hindmost: A History of Financial Speculation, *by Edward Chancellor (Farrar, Straus and Giroux, 1999):* a fascinating look at financial manias throughout history, from tulip mania in 1630s Holland to the Internet bubble of 1999; common to all is a deeply popular yearning for (financial) freedom to counter the dull rationalism of economic systems; all day traders should read this book before it is too late.

The Age of Spiritual Machines: When Computers Exceed Human Intelligence, *by Ray Kurzweil (Viking, 1999):* What will happen when computers are smarter than human beings? By 2020, Kurzweil forecasts, a $1,000 desktop PC will have computing power equal to a human brain; by 2060, the same desktop PC will have the computational power of every human brain on earth. Ultimately, the merging of human beings and computers will produce, he soberly forecasts, a golden age on earth.

Morgan: American Financier, *by Jean Strouse (Random House, 1999):* an exhaustive, highly readable biography of one of the most significant figures in American finance.

The Lexus and the Olive Tree, *Thomas Friedman (Farrar Straus & Giroux, 1999):* a broad, anecdotal look at the globalization of the economy; the Lexus of the title represents the material and technological marvels after which most of the world lusts, and the olive tree symbolizes the Arab-Israeli conflict and other conflicts that prevent their populations from fully entering the global economy.

Alexander Hamilton, American, *by Richard Brookhiser, (Free Press, 1999):* a concise assessment of the nation's first Secretary of the Treasury and advocate of the national economic system.

The Future and its Enemies, *by Virginia Postrel (Free Press, 1998):* a libertarian manifesto that paints a battle between stasists, generally elites who want to control change, and dynamists, who embrace a future formed by an infinite number of individual decisions made privately; she convincingly argues that if we embrace the future while respecting individual liberty, the future is bright!

Numbered Account, *by Christopher Reich (Delacorte Press, 1998):* in a weak field—financial thrillers—this is a satisfactory beach book set in the rarified world of Swiss banking.

THE OAKMARK FUND
Schedule of Investments—June 30, 1999 (Unaudited)

	Shares Held	Market Value
Common Stocks—90.0%		
Food & Beverage—9.2%		
Philip Morris Companies Inc.	11,110,700	$446,511,256
Nabisco Holdings Corporation, Class A	2,372,100	102,593,325

		549,104,581
Apparel—5.8%		
Nike, Inc., Class B	5,432,100	$343,919,831
Retail—0.2%		
GC Companies, Inc. (a)	331,400	$11,847,550
Hardware—7.3%		
The Black & Decker Corporation	5,563,700	$351,208,562
The Stanley Works	2,524,900	81,270,219
		432,478,781
Other Consumer Goods & Services—17.8%		
Mattel, Inc.	12,614,400	$333,493,200
H&R Block, Inc.	6,465,500	323,275,000
Brunswick Corporation	7,280,800	202,952,300
Fortune Brands, Inc.	4,861,100	201,128,012
		1,060,848,512
Banks & Thrifts—9.1%		
Bank One Corporation	4,600,548	$274,020,140
Washington Mutual, Inc.	7,480,000	264,605,000
		538,625,140
Insurance—1.2%		
Old Republic International Corporation	4,122,930	$71,378,226
Publishing—5.7%		
Knight Ridder, Inc.	5,966,100	$327,762,619
R. H. Donnelley Corporation	665,000	13,009,062
		340,771,681
Information Services—7.7%		
The Dun & Bradstreet Corporation	8,901,300	$315,439,819
ACNielsen Corporation (a)	4,764,000	144,111,000
		459,550,819
Computer Services—2.4%		
First Data Corporation	2,873,200	$140,607,225

Medical Centers—3.8%

Columbia/HCA Healthcare Corporation	9,901,000	$225,866,563

Medical Products—1.4%

Sybron International Corporation (a)	2,935,600	$80,912,475

Aerospace & Defense—10.1%

The Boeing Company	7,499,400	$331,379,738
Lockheed Martin Corporation	7,250,000	270,062,500
		601,442,238

Machinery & Industrial Processing—7.3%

Eaton Corporation	2,679,600	$246,523,200
Cooper Industries, Inc.	3,558,400	185,036,800
		431,560,000

Building Materials & Construction—0.0%

Juno Lighting, Inc.	64,015	$1,216,285

Other Industrial Goods & Services—1.0%

The Geon Company	971,600	$31,334,100
Bandag Incorporated, Class A	1,104,100	31,052,813
		62,386,913

Total Common Stocks (Cost: $4,412,075,065)		**5,352,516,820**

	Par Value	*Market Value*

Short Term Investments—9.1%

U.S. Government Bills—0.8%

United States Treasury Bills, 4.51%–4.52% due 10/7/1999–10/14/1999	50,000,000	$49,345,210
Total U.S. Government Bills (Cost: $49,386,042)		**49,345,210**

Commercial Paper—6.8%

American Express Credit

Corp., 4.83%–4.95% due 7/1/1999–7/9/1999	140,000,000	$140,000,000
Ford Motor Credit Corp., 4.86%–5.26% due 7/6/1999–7/19/1999	120,000,000	120,000,000
General Electric Capital Corporation, 4.96%–5.70% due 7/1/1999–8/5/1999	140,000,000	140,000,000
Total Commercial Paper (Cost: $400,000,000)		**400,000,000**

Repurchase Agreements—1.5%

State Street Repurchase Agreement, 4.75% due 7/1/1999	90,297,000	$90,297,000
Total Repurchase Agreements (Cost: $90,297,000)		**90,297,000**
Total Short Term Investments (Cost: $539,683,042)		**539,642,210**
Total Investments (Cost $4,951,758,107)—99.1%		$5,892,159,030
Other Assets In Excess Of Other Liabilities—0.9%		52,810,956
Total Net Assets—100%		**$5,944,969,986**

(a) Non-income producing security.

Third Quarter Report

June 30, 1999

LETTER & SUMMARY INFORMATION

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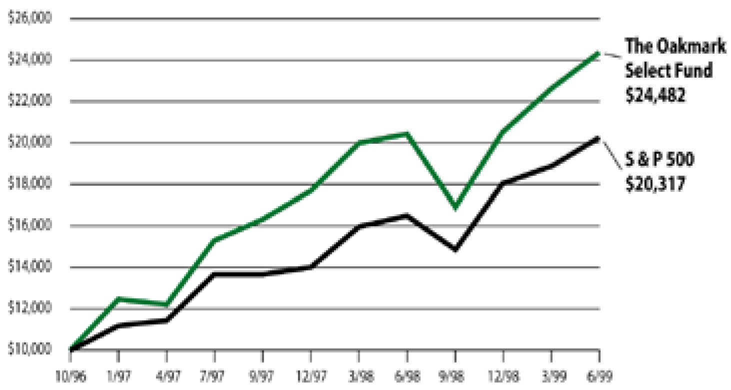
TRUSTEES & OFFICERS

The Oakmark Select Fund

Report from Bill Nygren, Portfolio Manager

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (6/30/99) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



6/30/99 NAV $23.25

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/99 From Fund Inception 11/1/96
The Oakmark Select Fund	7.5%	40.0%
Standard & Poor's 500 Stock Index w/inc**	7.1%	30.5%
Standard & Poor's MidCap 400 Index w/inc**	14.2%	24.2%
Value Line Composite Index**	13.8%	10.5%

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

**Each of the three indexes or averages is an unmanaged group of stocks whose composition is different from the Fund. The S&P 500 is a broad market-weighted average dominated by blue-chip stocks. The 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 7.5% for the quarter ended June 30. As shown in the chart below, that gain slightly exceeded the gain in the S&P 500, but trailed the S&P Midcap 400 Index, which I consider a better benchmark for your fund. For the nine month fiscal year-to-date, your fund has increased in value by 44.6% versus gains of 37.0% for the S&P Midcap and 36.3% for the S&P 500.

Although Austin Powers would say, "Yeah, baby!," I would caution, as I have in past quarters, that both the absolute returns and the amount by which your fund outperformed the indices are historically unusual and are unsustainable. Over long periods of time, the stock market has achieved returns of only a few percentage points above long-term bonds, and top performing funds have been only a couple of percentage points above the market. With long-term interest rates of 6%, investors should expect that only the best performing funds would achieve double-digit long-term annual returns.

A STERLING IDEA

The quarter just ended was a quiet one for your portfolio. Unlike last quarter, when I wrote about the unusually high turnover, this quarter saw just one change in the portfolio. As expected, US Filter shares were tendered, and we used the cash to add a new investment, Sterling Commerce (SE–$25). Sterling is a leading global provider of software and services for business-to-business electronic commerce, both on and off the Internet. Sterling stock has declined this year, (including a very sharp decline today, which we are using to increase our holdings) due to a small earnings shortfall as their customers are deferring new software installations until next year because MIS departments are pre-occupied with Y2K issues. We view most of this disappointment as a short-term issue and we have not significantly decreased our estimate of Sterling's intrinsic business value.

As of year-end, 482 of the Fortune 500 companies were Sterling customers. This existing customer base gives Sterling an important competitive advantage because the easiest way to communicate with a business whose computers already use Sterling software is to also use Sterling software. With its entrenched leadership position, Sterling stands to benefit from the continued rapid growth in business-to-business e-commerce. Most experts expect that Internet-based business-to-business e-commerce will be a much larger market than the retail e-commerce business that the stock market has priced so high. Unlike most Internet-related companies, not only is Sterling already profitable, but it sells at a low-teens multiple based on our estimate of next year's earnings, about half the multiple of the S&P 500; this, despite a 25% earnings growth rate and a cash-rich balance sheet. Some might say that Sterling sounds more like a "growth stock" than a "value stock." Clearly, Sterling's business characteristics appear quite similar to the rapid growth companies that generally are priced too high for us. People sometimes assume that as value investors we dislike growth. The truth is, we love growth, we just don't like paying for it! Sometimes a growth company does sell at a value price, and it doesn't get any better than that.

REDEMPTION FEES

The Oakmark Select Fund (as well as the other specialized funds in the Oakmark Family) has decided to impose a redemption fee. Effective August 16, when newly issued shares (it doesn't apply to shares you already own) are sold within 90 days of purchase, 2% of the proceeds will be paid back to the fund in the form of a redemption fee. Shares held longer than 90 days will not be charged any fee. I'd like to explain why this should please you. Your first thought is probably about the old joke concerning the world's three biggest lies: The check is in the mail; I'm from the government and I'm here to help; and We increased fund fees for your benefit! So, I'd like you to consider that when a new investor buys and sells shares in your fund, there are several costs to the fund. First, there are direct administrative costs to process the transactions and send statements. Second, when we use newly invested money to buy stocks and when we raise cash for departing shareholders by selling stocks, there are commission costs and possibly market impact costs because you can't always trade at the last sale price. Finally, there are tax consequences to our sales of stocks in the Fund because, typically, the stocks we want to sell are the ones that have gone up and their sale triggers a capital gain.

In a perfect world, where long-term investors hold all of the fund's shares, trading costs are not a big number, and are fairly shared by all holders. But in the real world, the 80/20 rule applies, in this case, over 80% of the trading activity is caused by less than 20% of our holders. In the real world, long-term holders of mutual funds unfairly share in the excessive costs caused by the in-and-out traders. That is why the Oakmark Family has always discouraged short-term traders from buying any of our funds, and in fact, has barred numerous active traders from investing in our fund family.

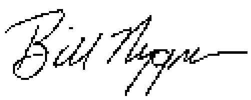
However, the number of short-term traders in specialty mutual funds continues to grow and, despite our best efforts, they do trade our funds. These traders, who often stay in the fund for only a day or two, exploit trading strategies where each trade has a high probability of success, but produces a very small return. Examples include buying an international fund on days the US market is up, buying small-cap funds on days when big caps rally in the afternoon, or buying a concentrated fund on days it is up. (The Oakmark Select Fund's NAV has been 20% more likely to go up following an up day than following a down day.) Any single trade has an expected return of just a fraction of a percent and, in fact, wouldn't be profitable if the trader was directly buying stocks because trading costs would exceed the strategy's return. But in funds where shareholders pay no transaction costs, some active traders (who, using multiple funds, can be in-and- out over 50 times a year) can make high returns at the expense of long-term investors.

We believe the most effective way to prevent this exploitation of our loyal shareholders is to charge an appropriate fee to short-term traders which, in effect, reimburses the fund for the costs they create. By charging 2% of assets to traders who redeem shares purchased less than 90 days ago, we will prevent their potentially damaging effects on your Fund's performance.

To our long-term shareholders, I would like to add: this fee does not apply to shares you already own and will not apply to shares you receive from reinvesting your dividends. The fee will, however, apply to newly purchased shares, so as we've always told you, don't buy if you expect to sell within 90 days! To the short-term traders who expect to sell in less than 90 days, our Fund should no longer be attractive to you. But, if you do continue to trade with us, our long-term holders will no longer be penalized by your activity and will, in fact, almost certainly benefit.

Thank you for your continuing support.

Sincerely,



WILLIAM NYGREN
Portfolio Manager
bnygren@oakmark.com
July 7, 1999

THE OAKMARK SELECT FUND
Schedule of Investments—June 30, 1999 (Unaudited)

	Shares Held	*Market Value*

Common Stocks—93.8%

Apparel—4.3%

Liz Claiborne, Inc.	2,166,600	$79,080,900

Retail—4.0%

Gucci Group (b)	1,060,000	$74,200,000

Other Consumer Goods & Services—4.3%

Ralston Purina Group	2,622,600	$79,825,388

Banks & Thrifts—13.1%

Washington Mutual, Inc.	5,351,500	$189,309,312
People's Bank of Bridgeport, Connecticut	1,658,400	50,477,550
		239,786,862

Insurance—4.9%

PartnerRe Ltd. (c)	2,382,300	$89,038,463

Publishing—3.7%

The Times Mirror Company, Class A	1,146,300	$67,918,275

Information Services—5.0%

The Dun & Bradstreet Corporation	2,568,600	$91,024,762

Computer Services—19.0%

First Data Corporation	2,605,000	$127,482,187
The Reynolds and Reynolds Company, Class A	3,875,000	90,335,938
Electronic Data Systems Corporation	1,360,900	76,975,906
Sterling Commerce, Inc. (a)	1,475,000	53,837,500
		348,631,531

Machinery & Industrial Processing—5.1%

Thermo Electron Corporation (a)	4,693,500	$94,163,344

Building Materials & Construction—10.7%

USG Corporation	3,499,900	$195,994,400

Oil Field Services & Equipment—5.0%

Weatherford International, Inc. (a)	2,495,800	$91,408,675

Other Industrial Goods & Services—3.9%

Premark International, Inc.	1,915,600	$71,835,000

Real Estate—2.8%

Host Marriott Corporation	4,348,663	$51,640,373

Diversified Conglomerates—8.0%

U.S. Industries, Inc.	8,649,000	$147,033,000
Total Common Stocks (Cost: $1,528,048,456)		**1,721,580,973**

Other Assets—0.0%

Retail—0.0%

Gucci Group Contingencies	1,781,125	$445,282
Total Other Assets (Cost: $0)		**445,282**

	Par Value	*Market Value*

Short Term Investments—6.4%

U.S. Government Bills—1.4%

United States Treasury Bills, 4.45% due 7/29/1999	25,000,000	$24,913,472
Total U.S. Government Bills (Cost: $24,913,472)		**24,913,472**

Commercial Paper—3.8%

American Express Credit Corp., 4.86%–4.92% due 7/6/1999	20,000,000	$20,000,000
Ford Motor Credit Corp., 4.86%–5.06% due 7/8/1999–7/12/1999	20,000,000	20,000,000
General Electric Capital Corporation, 5.02%–5.70% due 7/1/1999–8/5/1999	30,000,000	30,000,000

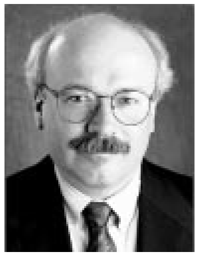
Total Commercial Paper (Cost: $70,000,000)		**70,000,000**
Repurchase Agreements—1.2%		
State Street Repurchase Agreement, 4.75% due 7/1/1999	21,195,000	$21,195,000
Total Repurchase Agreements (Cost: $21,195,000)		**21,195,000**
Total Short Term Investments (Cost: $116,108,472)		**$116,108,472**
Total Investments (Cost $1,644,156,928)—100.2%		$1,838,134,727
Other Liabilities In Excess Of Other Assets—(0.2)%		(3,300,817)
Total Net Assets—100%		**$1,834,833,910**

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

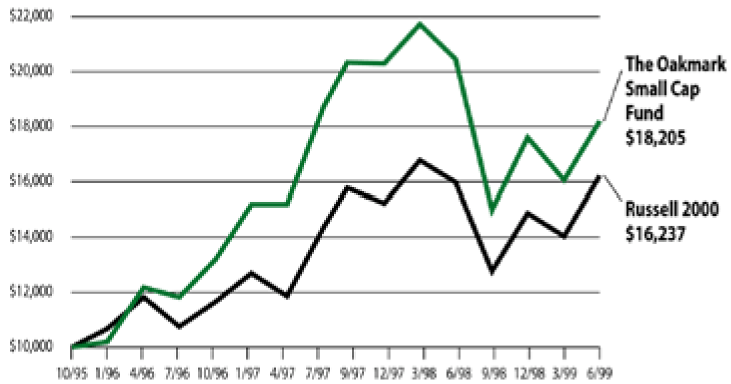
(c) Represents foreign domiciled corporation.

The Oakmark Small Cap Fund



Report from Steven J. Reid, Portfolio Manager

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/99) AS COMPARED TO THE RUSSELL 2000 INDEX



6/30/99 NAV $15.26

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/99 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	13.3%	17.8%
Lipper Small Cap Fund Index**	14.7%	11.5%
Russell 2000 w/inc**	15.6%	14.1%
S&P Small Cap 600 w/inc**	15.4%	15.0%

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

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

NEWS FROM THE FRONT

It seems difficult to recall the last time small cap stocks outperformed large cap stocks in a given quarter. Yet, believe it or not, it happened in the quarter ended June 30, 1999. During the quarter, The Oakmark Small Cap Fund appreciated 13.3% versus the S&P 500's advance of 7.1%. This quarter's gain increases the fiscal year return for the nine months to 21.6%. Although it may seem as if the returns from large cap stocks have been greater than those of small cap stocks, various studies have shown this not to be true over the long term. One's memory becomes very short when the disparity in returns becomes tilted from one asset class to another. We tend to forget the early part of the Nineties or the ten year period from 1974-1983 when small cap stocks outperformed. We remain convinced that ownership in small cap companies presents very attractive investment opportunities.

Our conviction and commitment to small cap stock investing is based on the following investment characteristics. Small cap stocks are attractive on both an absolute and relative basis. By that we mean that on an absolute basis we view the value of the purchase of shares in a company as being worthy of owning the entire company at the current price. Furthermore, we see much more compelling value in small cap stocks relative to large cap stocks. We are encouraged by the fact that the economic backdrop for companies both large and small is quite strong, particularly as various international market economies resume their growth. Perhaps the most attractive attribute of small cap stocks is that small cap companies remain ignored. These stocks are often the orphans of Wall Street. "Unknown," "underfollowed," and, in some cases, "unwanted" are terms that describe the level of focus on many of our investments in the Fund. It is this inefficiency that we try to exploit in creating our portfolio of investments.

In the last quarterly report, I highlighted a number of new additions to the portfolio. Several of these companies have already performed quite well. However, in one case, Fruit of the Loom (FTL), we reassessed the fundamentals and concept for the investment and eliminated the position from the portfolio. I want to thank Greg Jackson, co-manager of our soon-to-be launched Oakmark Global Fund, for his objective insights into FTL. The decision to sell a stock is one of the more difficult tasks of portfolio management. Greg's assessment of the situation will serve him well managing the new Fund.

On a more positive note, during the quarter we had 15 stocks appreciate 20% or more. The largest gains came from Sequent Computer Systems, Inc. (SQNT), UCAR International, Inc. (UCR), SPX Corporation (SPW), and Symantec Corporation (SYMC). These four holdings had gains of 50% or more. The current quarter is off to a good start. On July 2, Scotsman Industries, Inc. (SCT) agreed to be acquired by Berisford Plc for $33 per share in cash. This appears to be a very logical business combination, and we wish management of both companies the best of good fortune going forward.

OUTLOOK

We are pleased with the recent performance of small cap value stocks. Is this a trend? It is far too soon to tell. We will know that with 20/20 hindsight when we look in the rear view mirror some months or years down the road. We are encouraged by the fundamental results and attractive valuations of the companies we own. We do believe that further consolidation and merger activity will continue.

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
July 8, 1999

THE OAKMARK SMALL CAP FUND
Schedule of Investments—June 30, 1999 (Unaudited)

	Shares Held	*Market Value*
Common Stocks—98.1%		
Food & Beverage—7.5%		
Del Monte Foods Company (a)	1,000,000	$16,750,000
International Multifoods Corporation	400,000	9,025,000
Ralcorp Holdings, Inc. (a)	500,000	8,031,250
M & F Worldwide Corp. (a)	750,000	5,953,125
		39,759,375
Apparel—2.6%		
Reebok International Ltd. (a)	750,000	$13,968,750
Retail—10.9%		
Department 56, Inc. (a)	750,000	$20,156,250
The Great Atlantic & Pacific Tea Company, Inc.	400,000	13,525,000
Ugly Duckling Corporation (a)	1,750,000	12,687,500
Michaels Stores, Inc. (a)	376,300	11,524,187
		57,892,937
Other Consumer Goods & Services—4.7%		
Libbey, Inc.	300,000	$8,700,000
Barry (R.G.) Corporation (a)	900,000	7,425,000
Scotsman Industries, Inc.	250,000	5,390,625
Harman International Industries, Incorporated	75,000	3,300,000
		24,815,625
Banks & Thrifts—9.6%		
Golden State Bancorp Inc. (a)	750,000	$16,500,000
People's Bank of Bridgeport, Connecticut	500,000	15,218,750
BankAtlantic Bancorp, Inc., Class A	1,000,001	7,250,007
Northwest Bancorp Inc.	590,000	5,900,000

PennFed Financial Services, Inc.	260,000	4,095,000
Finger Lakes Financial Corp.	188,000	2,068,000
		51,031,757
Insurance—7.3%		
The PMI Group, Inc.	300,000	$18,843,750
The MONY Group Inc. (a)	500,000	16,312,500
American Heritage Life Investment Corporation	149,400	3,660,300
		38,816,550
Other Financial—6.7%		
Duff & Phelps Credit Rating Co.	300,000	$20,062,500
ARM Financial Group, Inc., Class A	1,830,000	15,555,000
		35,617,500
Computer Services—4.8%		
Symantec Corporation (a)	1,000,000	$25,500,000
Computer Systems—5.9%		
Sequent Computer Systems, Inc. (a)	1,000,000	$17,750,000
Micron Electronics, Inc. (a)	1,325,000	13,332,813
		31,082,813
Managed Care Services—3.1%		
First Health Group Corp. (a)	750,000	$16,171,875
Automotive—6.9%		
SPX Corporation (a)	250,000	$20,875,000
Standard Motor Products, Inc.	500,000	12,250,000
Stoneridge, Inc. (a)	268,600	3,626,100
		36,751,100
Transportation Services—2.3%		
Teekay Shipping Corporation (b)	700,000	$12,337,500
Machinery & Industrial Processing—2.7%		
Graco, Inc.	250,000	$7,343,750
Northwest Pipe Company (a)	400,000	6,650,000

Wolverine Tube, Inc. (a)	2,500	62,813
		14,056,563
Other Industrial Goods & Services—12.7%		
H.B. Fuller Company	250,000	$17,093,750
Columbus McKinnon Corporation	600,000	14,400,000
MagneTek, Inc. (a)	1,350,000	14,259,375
Ferro Corporation	500,000	13,750,000
Sames Corporation	250,000	4,968,750
UCAR International, Inc. (a)	100,000	2,525,000
		66,996,875
Real Estate—7.2%		
Catellus Development Corporation (a)	1,250,000	$19,375,000
Prime Hospitality Corp. (a)	1,000,000	12,000,000
Trammell Crow Company (a)	400,000	6,575,000
		37,950,000
Diversified Conglomerates—3.2%		
U.S. Industries, Inc.	1,000,000	$17,000,000
Total Common Stocks (Cost: $476,778,904)		**519,749,220**

	Par Value	*Market Value*

Short Term Investments—2.1%

Commercial Paper—1.3%		
Ford Motor Credit Corp., 5.25% due 7/6/1999	2,000,000	$2,000,000
General Electric Capital Corporation, 5.70% due 7/1/1999	5,000,000	5,000,000
Total Commercial Paper (Cost: $7,000,000)		**7,000,000**
Repurchase Agreements—0.8%		
State Street Repurchase Agreement, 4.75% due 7/1/1999	4,437,000	$4,437,000

Total Repurchase Agreements (Cost: $4,437,000)	**4,437,000**
Total Short Term Investments (Cost: $11,437,000)	**11,437,000**
Total Investments (Cost $488,215,904)—100.2%	$531,186,220
Other Liabilities In Excess Of Other Assets—(0.2)%	(1,237,929)
Total Net Assets—100%	**$529,948,291**

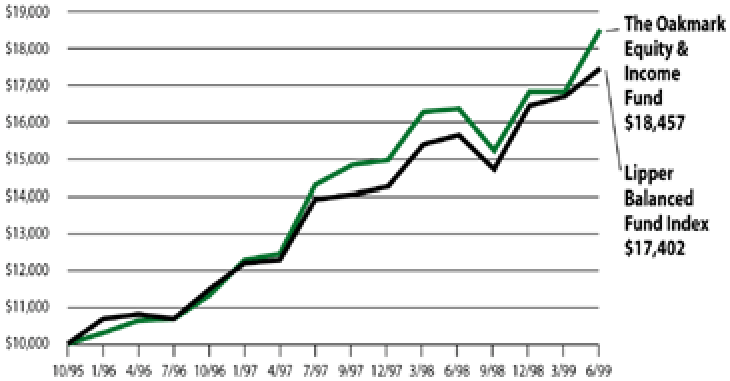
(a) Non-income producing security.

(b) Represents foreign domiciled corporation.

The Oakmark Equity and Income Fund

Report from Clyde S. McGregor, Portfolio Manager

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/99) AS COMPARED TO THE LIPPER BALANCED FUND INDEX



6/30/99 NAV $16.52

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/99 From Fund Inception 11/1/95
The Oakmark Equity & Income Fund	9.9%	18.2%
Lipper Balanced Fund Index**	4.5%	16.3%
Lehman Govt./Corp. Bond**	-1.1%	6.2%
S&P 500 w/inc**	7.1%	28.7%

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

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

CHANGED FOR THE BETTER!

In my previous letter I wrote about how the stock market's odd character in the March quarter had produced a 0.0% rate of return for the Fund. I am happy to report that the outcome for the June quarter was decidedly more attractive: a gain of 9.9%. Relative results were strong as well.

Improvement in the Fund's returns began in the second week of April. The first three months of 1999 saw 98% of investor cash flow in equity mutual funds go to growth funds oriented to large company stocks, but in April these flows of funds began to spread out more evenly across investing categories. As well, the Wall Street Journal reported in June that managers of growth funds had begun to purchase stocks from a broader universe rather than merely throwing more cash at Microsoft or GE. One consequence of the market's action in this cycle has been that the most popular stocks have developed exceedingly large market capitalizations. This means that a shift of a small percentage of the funds invested in the largest growth stocks can have a significant effect on previously unpopular sectors.

The US stock market in the 1990's has already surprised investors many times by breaking historic patterns. One such rule is that the stock market does not change its internal character without first suffering through a bear market. If in time we know that the market's change in April began a period where value investing and smaller stocks were favored, it would mean that another rule had bitten the dust. No one would be happier than we fund managers for the Oakmark group.

DID YOU KNOW THAT YOU OWN A TECH FUND?

Well, not really, but as of the end of the June quarter 19% of the total portfolio was invested in technology issues. Perhaps more surprisingly, this represented over 30% of the equities alone. At Harris Associates, we have often been asked why we do not own tech stocks. Our answer has always been that we have nothing against technology *per se*, we just wish to own stocks (in any sector) on our terms. Over the last few quarters our analysts have identified an unusual number of attractively priced names in the tech sector, even while the best known stocks in the group were soaring to unprecedented heights. Each of the companies in which I have invested in this area has its own story and its reasons for having become quite cheaply priced. But, in every case the stock came to our attention after it had experienced a substantial price decline based on reasons which we believe were both transitory and irrelevant to the fundamental intrinsic value of the business.

The first one to enter the portfolio was Imation, a spin-off from 3M. Imation suffered persistent earnings shortfalls after being spun, knocking the stock off of most investors' play lists. I was able to acquire a position for the Fund at a discount to Imation's $18/share book value. Last year, the company sold its medical imaging businesses (25% of total corporate sales) to Eastman Kodak for cash equal to 50% of the company's total enterprise value. This valuation gave us great encouragement because we estimated the value of the remaining businesses to be similar on a price/sales basis. To our surprise, the stock declined on this announcement. In the June quarter, however, Imation became a star performer, enjoying a 50%+ price increase. In June, the company sold its remaining imaging businesses, further intensifying the company's focus on data storage. Imation has repurchased 6% of its shares this year and has an open authorization to repurchase an additional 19%.

Second to join the tech mix was Electronic Data Systems. Once separated from General Motors, EDS had earnings and management issues, which resulted in poor price performance. Since our purchase, the EDS Board has hired a new CEO who has already made a meaningful impact on the company's inefficient cost structure. The combination of EDS's position in the information technology outsourcing business with the company's changing corporate culture make us optimistic.

First Data is the largest merchant processor for credit card transactions and is the owner of Western Union. Again, a short-term earnings shortfall resulted in a dramatic price decline, at which point we pounced. The stock has earned the highest percentage return in the Fund for the calendar year to date.

Reynolds & Reynolds (REY) is best known as a business forms company, but REY derives the majority of its profits from selling business information systems to auto dealers. We estimate REY to be worth far more than its current price based on the value of its core operations. REY also owns 50% of Carpoint, a joint venture with Microsoft. This is an Internet business that helps consumers and auto dealers get together. Similar businesses have traded in the public market for prices that impute a $5+/share value to REY for Carpoint. I love getting something like this for free.

Last is Sterling Commerce, perhaps most clearly a tech company. Sterling's electronic data interchange software helps make it possible for companies such as Wal-Mart to keep their inventories as low as possible and thereby increase their returns on invested capital. The company's growth rate has slowed from phenomenal to merely wonderful, resulting in wholesale dumping by aggressive growth managers.

I have often written that I will own value wherever I can find it. The Fund's current tech exposure should make that point clear. Please feel free to e-mail me with your comments, questions, or ideas for quarterly reports.

Clyde S. McGregor

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

THE OAKMARK EQUITY AND INCOME FUND
Schedule of Investments—June 30, 1999 (Unaudited)

	Shares Held	*Market Value*
Equity and Equivalents—60.9%		
Food & Beverage—2.7%		
UST Inc.	60,000	$1,755,000
Banks & Thrifts—4.4%		
Washington Mutual, Inc.	40,000	$1,415,000
Bank One Corporation	23,674	1,410,083
		2,825,083
Insurance—2.9%		

IPC Holdings, Ltd.	50,000	$1,000,000
PartnerRe Ltd. (b)	23,000	859,625
		1,859,625

Other Financial—2.2%

Heller Financial, Inc.	50,000	$1,390,625

Publishing—2.1%

Lee Enterprises, Inc.	43,900	$1,338,950

Information Services—2.9%

The Dun & Bradstreet Corporation	51,500	$1,825,031

Computer Services—14.1%

The Reynolds and Reynolds Company, Class A	110,200	$2,569,038
First Data Corporation	50,000	2,446,875
Sterling Commerce, Inc. (a)	60,000	2,190,000
Electronic Data Systems Corporation	32,500	1,838,281
		9,044,194

Data Storage—5.4%

Imation Corp. (a)	140,000	$3,473,750

Medical Products—2.9%

Sybron International Corporation (a)	68,000	$1,874,250

Automotive—3.5%

Lear Corporation (a)	45,000	$2,238,750

Agricultural Equipment—1.4%

Alamo Group Inc.	100,000	$875,000

Building Materials & Construction—0.1%

Juno Lighting, Inc.	4,720	$89,680

Other Industrial Goods & Services—3.3%

Premark International, Inc.	56,500	$2,118,750

Real Estate—9.8%

Amli Residential Properties Trust	100,000	$2,237,500
Legacy Hotels Real Estate		

Investment Trust (b)	350,000	2,056,027
Catellus Development Corporation (a)	128,728	1,995,284
		6,288,811

Diversified Conglomerates—1.3%

U.S. Industries, Inc.	50,000	$850,000

Convertible Preferred Stock—1.9%

Telecommunications—1.9%

Metromedia International Group, Inc., Convertible Preferred, 7.25%	35,000	$1,220,625
Total Convertible Preferred Stock (Cost: $1,206,487)		**1,220,625**
Total Equity and Equivalents (Cost: $30,984,962)		**39,068,124**

	Par Value	*Market Value*

Fixed Income—35.0%

Preferred Stock—5.3%

Banks & Thrifts—4.5%

Pennfed Capital Trust, Preferred, 8.90%	27,500	$680,625
BBC Capital Trust I, Preferred, 9.50%	28,000	679,000
PennFirst Capital Trust I, Preferred, 8.625%	70,000	673,750
RBI Capital Trust I, Preferred, 9.10%	42,500	414,375
Fidelity Capital Trust I, Preferred, 8.375%	43,500	413,250
		2,861,000

Telecommunications—0.8%

MediaOne Finance Trust III, Preferred, 9.04%	20,000	$535,000
Total Preferred Stock (Cost: $3,470,738)		**3,396,000**

Corporate Bonds—4.5%		
Retail—1.0%		
Ugly Duckling Corporation, 12.00% due 10/15/2003, Subordinated Debenture	650,000	$617,500
Aerospace & Automotive—0.3%		
Coltec Industries, Inc., 9.75% due 4/1/2000	150,000	$153,188
Coltec Industries, Inc., 9.75% due 11/1/1999	25,000	25,531
		178,719
Building Materials & Construction—1.4%		
Juno Lighting Inc., 11.875% due 7/1/2009, Senior Subordinated Note (c)	750,000	$755,625
USG Corporation, 9.25% due 9/15/2001, Senior Notes Series B	150,000	158,625
		914,250
Utilities—0.3%		
Midland Funding Corporation, 11.75% due 7/23/2005	200,000	$221,500
Other Industrial Goods & Services—1.5%		
Scotsman Industries, Inc., 8.625% due 12/15/2007, Senior Subordinated Note	615,000	$614,231
UCAR Global Enterprises Inc., 12.00% due 1/15/2005, Senior Subordinated Note	300,000	316,875
		931,106
Total Corporate Bonds (Cost: $2,743,755)		**2,863,075**
Government and Agency Securities—25.2%		
U.S. Government Bonds—24.7%		
United States Treasury Notes, 7.50% due 5/15/2002	6,500,000	$6,807,060
United States Treasury Notes, 7.875% due 11/15/2004	4,750,000	5,177,642
United States Treasury Notes,		

6.25% due 2/15/2007	2,000,000	2,037,380
United States Treasury Notes, 6.875% due 5/15/2006	1,750,000	1,841,963
		15,864,045
U.S. Government Agencies—0.5%		
Federal Home Loan Bank, 6.405% due 4/10/2001, Consolidated Bond	300,000	$302,937
Total Government and Agency Securities (Cost: $16,327,588)		**16,166,982**
Total Fixed Income (Cost: $22,542,081)		**22,426,057**

Short Term Investments—0.3%

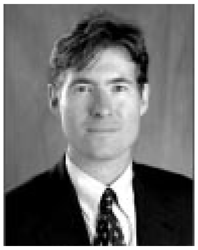
Repurchase Agreements—0.3%		
State Street Repurchase Agreement, 4.75% due 7/1/1999	184,000	$184,000
Total Repurchase Agreements (Cost: $184,000)		**184,000**
Total Short Term Investments (Cost: $184,000)		**184,000**
Total Investments (Cost $53,711,043)—96.2%		$61,678,181
Other Assets In Excess Of Other Liabilities—3.8%		2,407,222
Total Net Assets—100%		**$64,085,403**

(a) Non-income producing security.

(b) Represents foreign domiciled corporation.

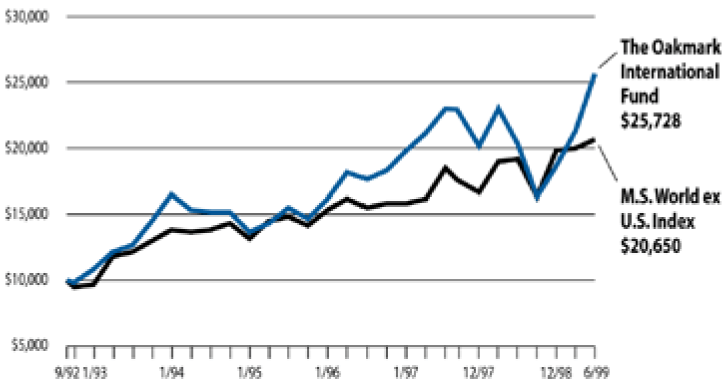
(c) Restricted security.

The Oakmark International Fund



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

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (6/30/99) COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



6/30/99 NAV $15.02

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/99 From Fund Inception 9/30/92
The Oakmark International Fund	21.0%	15.0%
Morgan Stanley World ex U.S. w/inc.**	2.9%	11.3%
Morgan Stanley EAFE w/inc**	2.5%	11.3%
Lipper Analytical International Fund Index**	5.6%	12.5%

*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 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 past quarter achieving an increase of 21.0%. This compares favorably to an increase of 2.5% in the Morgan Stanley EAFE Index and an increase of 5.5% in Lipper Analytical International Fund Index. More importantly, since inception on September 30, 1992 the Fund has generated an annualized total return of 15.0%, compared to an annualized total return of 11.3% in the EAFE Index and an annualized total return of 12.5% in the Lipper International Index.

"FUND FLOW REVERSION"

Although we spend 99% of our time analyzing stocks, we must mention an important macro-trend that has had a significant impact on international performance over the last two years:

An article in the June 9, 1999 edition of *Financial Times* highlighted the fact that US retail investors have become "less internationally minded." According to statistics obtained from the *Investment Company Institute*, from 1996 to 1998 net new international equity investment declined from approximately 21% of new mutual fund investment to approximately 3% of new mutual fund investment. During this same time horizon, international equity holdings declined from approximately 17% of equity fund holdings to approximately 13% of equity fund holdings. Excess capital that was not deployed abroad found a home in our domestic market, fueling the appreciation in US equity prices.

However, the unusually high returns achieved in the US will not continue indefinitely and funds will eventually return to the international arena. In most of these foreign markets, the combination of a limited number of large-cap securities, thinner market liquidity, and larger capital inflows should have a magnifying effect on security prices. This "fund flow impact" has already been witnessed in some international markets which had been decimated by currency turmoil, adding to the performance of the Fund during the second quarter.

HOW DID IT HELP? WELL...

Price volatility in the last year and a half, exacerbated by the large capital out flows from international markets discussed above, presented the Fund with unique opportunities to purchase high quality stocks at extremely cheap valuations. In times of economic distress, it is particularly important to find businesses with capable and focused management teams, strong market positions, solid balance sheets, and an ability to adapt quickly to a fluid environment. The Fund's effort and patience were rewarded in the last year as share prices began to re-converge with the intrinsic value of the underlying businesses.

THE BIG WINNERS WERE...

Giordano, a Hong Kong retailer that was highlighted in our last quarterly report, continued its strong performance in the second quarter. The company's management team relied on its liquid balance sheet to weather the severe downturn in the retail environment. In the second quarter of this year, profitability has improved following a significant cost-cutting initiative, cash flow has increased following a concerted effort to cut working capital and Giordano's Korean operations' net income has posted strong growth following a turn around in the local economy. Many investors who sat on the sidelines waiting for the stock's momentum to return missed Giordano's 129% appreciation in US dollar terms in the second quarter of this year.

South Korea was decimated by the Asian currency crisis, with the market declining 76% in US dollar terms from a recent peak in June of 1997. As a result, the country was forced to relax its foreign ownership restrictions to facilitate the inflow of foreign capital. The Fund, having been minimally invested in the country for some time, seized the opportunity to selectively add to its South Korean holdings at fire sale prices. Again, we sought companies with strong balance sheets and a historical track record of intelligent asset allocation decisions. We did not want companies engaged in fifty different operations; we wanted focused businesses with focused management. This "quality" discipline and long-term orientation reaped huge rewards for the Fund in the second quarter. On average, the Fund's eight Korean positions increased 81% in US dollar terms over the quarter.

First Pacific Group, an Asian holding company, increased 42% in US dollar terms in the second quarter. In the midst of the currency crisis, this business was trading at 50% of its net asset value, with 90% of the value in cash and listed securities. Management boasted a stellar track record—the last seven large investments each generated in excess of a 19% annualized return. Interestingly enough, First Pacific has employed a similar strategy to that of the Fund—it sold fully valued non-Asian assets and reinvested the proceeds in the Asian region. As the Asian markets rebounded, so did First Pacific's stock.

IS THERE MORE TO COME?

The Fund has found tremendous value in Latin America, mostly as a result of the same contagion that erupted in Asia. The Fund owns two large banks in the region, **Unibanco** and **Bladex**. Both of these companies are extremely conservative, cost-conscious operators that generate above-average returns and trade at or near book value. We've also found value in the "baby" telephone companies in Brazil. Many of the fixed-line and cellular operators trade at one-half the value of their international peers despite having world-renowned management and significantly better growth prospects. As often occurs, we are once again awaiting the outside world to realize the latent value in these businesses.

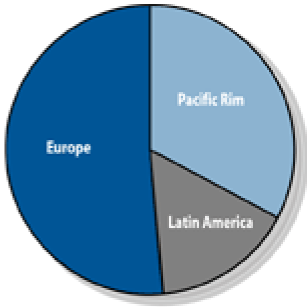
WE REMAIN CONFIDENT

While Asia and Latin America provide excellent illustrations of how the Fund deploys its resources, this same process of assessing companies is applied throughout the world. We are always looking for the hardest-hit companies with the best, most shareholder-oriented management teams—no matter where they are located outside the US. It was not too long ago that market strategists trumpeted the claim "value is dead in the world." The first half of 1999 disproved this theory and we remain extremely bullish about the Fund's prospects.

DAVID HERRO
Portfolio Manager
dherro@cs.com

MICHAEL WELSH
Portfolio Manager
102521.2142@compuserve.com
July 2, 1999

THE OAKMARK INTERNATIONAL FUND
International Diversification—June 30, 1999



	% of Fund Net Assets
Europe	***47.5%***
Great Britain	22.7%
* Finland	7.1%
* France	5.7%
* Italy	3.4%
* Netherlands	3.3%
Sweden	3.0%
* Germany	1.6%
Norway	0.6%
Switzerland	0.1%
Latin America	***14.7%***
Brazil	7.5%
Argentina	3.8%
Panama	3.4%

	% of Fund Net Assets
Pacific Rim	***30.2%***
Japan	8.2%
Hong Kong	7.5%
Korea	6.8%
Singapore	4.6%
New Zealand	3.1%

* Euro currency countries comprise 21.1% of the Fund.

THE OAKMARK INTERNATIONAL FUND
Schedule of Investments—June 30, 1999 (Unaudited)

	Description	*Shares Held*	*Market Value*
Common Stocks—92.4%			
Consumer Non-Durables—7.8%			
Citizen Watch Co. (Japan)	Watch Manufacturer and Retailer	4,476,000	$38,850,954
Fila Holding S.p.A. (Italy), (b)	Athletic Footwear Manufacturing	2,649,800	31,300,763
The Swatch Group AG (Switzerland)	Watch Manufacturer	2,000	1,345,251
			71,496,968
Food & Beverage—5.5%			

Quilmes Industrial SA (Argentina), (b)	Brewer	2,795,000	$34,588,125
Lotte Chilsung Beverage Company (Korea)	Manufacturer of Soft Drinks, Juices, & Sport Drinks	98,000	10,329,157
Lotte Confectionery Company (Korea)	Confection Manufacturer	37,270	5,892,363
			50,809,645

Retail—8.4%

Giordano International Limited (Hong Kong)	East Asian Clothing Retailer & Manufacturer	54,254,000	$38,460,160
Somerfield plc (Great Britain)	Food Retailer	8,145,000	38,194,713
			76,654,873

Household Products—2.4%

Hunter Douglas N.V. (Netherlands)	Manufacturer of Window Coverings	652,700	$22,405,438

Other Consumer Goods & Services—6.3%

Canon, Inc. (Japan)	Office and Video Equipment	1,159,000	$33,341,489
Mandarin Oriental International Limited (Singapore)	Hotel Management	28,039,000	24,674,320
			58,015,809

Banks—7.8%

Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Major Brazilian Bank	1,406,900	$33,853,531
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Multinational Bank	1,177,800	31,506,150

United Overseas Bank Ltd., Foreign Shares (Singapore)	Commercial Banking	843,000	5,894,066
			71,253,747
Insurance—0.0%			
IPC Holdings, Ltd. (Bermuda)	Reinsurance Provider	1,000	$20,000
Marketing Services—6.7%			
Cordiant Communications Group plc (Great Britain)	Advertising Services	15,822,578	$43,770,303
Saatchi & Saatchi plc (Great Britain)	Advertising Services	5,239,497	17,632,450
			61,402,753
Broadcasting & Publishing—1.9%			
Singapore Press Holdings Ltd., (Singapore)	Newspaper Publisher	671,000	$11,551,293
Schibsted ASA (Norway)	Newspaper Publisher	500,100	5,616,249
			17,167,542
Telecommunications—5.5%			
SK Telecom Co. Ltd. (Korea)	Telecommunications	10,706	$14,336,328
Telesp Celular Participacoes S.A. (Brazil)	Telecommunications	2,485,400,000	13,335,950
Telesp Participacoes S.A. (Brazil)	Telecommunications	611,100,000	7,866,122
Embratel Participacoes S.A. (Brazil), (a)	Telecommunications	526,100,000	3,922,350
Tele Centro Sul Participacoes S.A. (Brazil)	Telecommunications	730,700,000	3,858,823
Tele Sudeste Celular Participacoes S.A. (Brazil)	Telecommunications	1,351,100,000	3,739,277
Telemig Celular	Telecommunications		

Participacoes S.A. (Brazil), (a)		1,915,700,000	2,153,201
SK Telecom Co. Ltd. Rights (Korea)	Telecommunications	2,456	1,258,236
			50,470,287

Medical Products—3.0%

Getinge Industrier AB (Sweden)	Medical Instruments Manufacturer	1,834,300	$27,117,994

Aerospace—1.7%

Rolls-Royce plc (Great Britain)	Jet Engines	3,588,552	$15,201,726

Oil & Natural Gas—1.6%

ISIS (France), (a)	Oil Services	208,250	$14,705,208

Chemicals—4.3%

Fernz Corporation Limited (New Zealand)	Agricultural & Industrial Chemical Producer	9,826,454	$28,406,291
European Vinyls Corporation International N.V. (Netherlands)	PVC Manufacturer	928,199	7,846,040
Nagase & Co., Ltd. (Japan)	Chemical Wholesaler	579,000	2,752,129
			39,004,460

Components—4.6%

Varitronix International Limited (Hong Kong)	Liquid Crystal Displays	9,588,000	$19,958,008
IMI plc (Great Britain)	Components Manufacturer	3,430,000	13,894,804
Morgan Crucible Company plc (Great Britain)	Crucible & Components Manufacturer	1,950,000	8,314,326
			42,167,138

Machinery & Metal Processing—5.5%

Rauma Oyj (Finland)	Pulp Machinery	2,945,343	$34,916,387
Outokumpu Oyj (Finland)	Metal Producer	1,385,000	15,562,231
			50,478,618

Mining and Building Materials—2.5%

Keumkang Ltd. (Korea)	Building Materials	365,460	$23,048,449

Other Industrial Goods & Services—14.4%

Tomkins plc (Great Britain)	Industrial Management Company	9,602,640	$41,737,973
Chargeurs SA (France)	Wool Production Holding Company	667,438	37,153,546
Charter plc (Great Britain)	Welding Products Manufacturer	2,806,014	16,320,798
Buderus AG (Germany), (a)	Industrial Manufacturing Firm	37,320	14,965,348
Kone Corporation, Class B (Finland)	Elevators	112,930	14,086,084
Dongah Tire Industry Company (Korea)	Tire Manufacturer	166,290	7,743,440
			132,007,189

Diversified Conglomerates—2.5%

Berisford plc (Great Britain)	Diversified Operations	3,270,700	$12,424,615
First Pacific Company Ltd. (Hong Kong)	Diversified Operations	11,966,000	10,179,105
			22,603,720

Total Common Stocks (Cost: $817,953,493)	**846,031,564**

	Description	*Par Value*	*Market Value*

Short Term Investments—6.7%

Commercial Paper—5.4%

American Express Credit Corp., 4.84%–5.00% due 7/6/1999–7/8/1999	20,000,000	$20,000,000
Ford Motor Credit Corp., 4.85%–4.86% due 7/2/1999–7/12/1999	15,000,000	15,000,000
General Electric Capital Corporation, 5.02%–5.70% due 7/1/1999–8/5/1999	15,000,000	15,000,000
Total Commercial Paper (Cost: $50,000,000)		**50,000,000**

Repurchase Agreements—1.3%

State Street Repurchase Agreement, 4.75% due 7/1/1999	11,905,000	$11,905,000
Total Repurchase Agreements (Cost: $11,905,000)		**11,905,000**
Total Short Term Investments (Cost: $61,905,000)		**61,905,000**
Total Investments (Cost $879,858,493)—99.1%		$907,936,564
Foreign Currencies (Proceeds $4,578,259)—0.5%		4,564,921
Other Assets In Excess Of Other Liabilities—0.4%		3,445,075
Total Net Assets—100%		**$915,946,560**

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents a Global Depository Receipt.

Third Quarter Report
June 30, 1999

LETTER & SUMMARY INFORMATION

OAKMARK FUND

OAKMARK SELECT FUND

OAKMARK SMALL CAP FUND

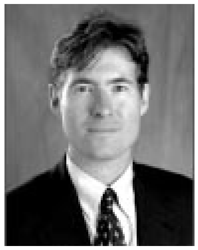
OAKMARK EQUITY AND INCOME FUND

OAKMARK INTERNATIONAL FUND

OAKMARK INT'L SMALL CAP FUND

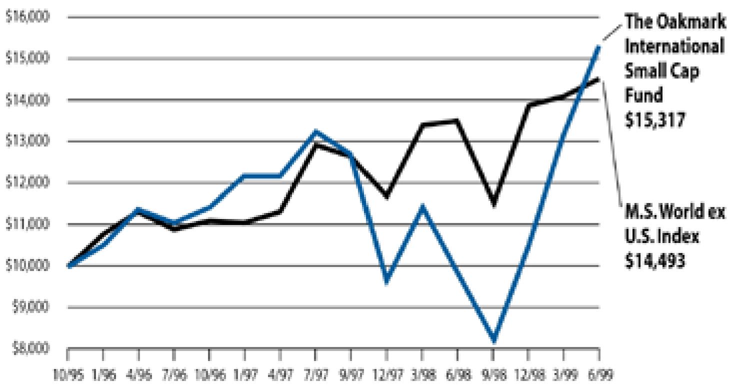
TRUSTEES & OFFICERS

The Oakmark International Small Cap Fund

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

THE VALUE OF A $10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/99) AS COMPARED TO THE MORGAN STANLEY WORLD EX U.S. INDEX



6/30/99 NAV $12.54

	Total Return Last 3 mos.	Average Annual Total Return* Through 6/30/99 From Fund Inception 11/1/95
The Oakmark International Small Cap Fund	16.8%	12.3%
Morgan Stanley World ex U.S. w/inc.**	2.9%	10.7%
Lipper Analytical International Small Cap Fund Average**	13.0%	13.4%
Micropal Equity International Small Cap Index**	12.8%	13.3%

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

**Each of the three indexes or averages is an unmanaged group of 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 Equity International Small Cap Index 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,

The Oakmark International Small Cap Fund was up 16.8% in the past quarter, and is up

45.5% since the beginning of the calendar year. The quarterly return compares very favorably with the 13% increase of the Lipper International Small Cap Fund Average and the 9.2% rise in the Morgan Stanley World-ex U.S. index. More importantly, your Fund's annualized return since inception is up 12.3% compared to increases of 13.4% and 10.7% for the Lipper and Morgan Stanley indices.

Nine months ago we wrote in our quarterly letter: "We strongly assert that current prices of this Fund's underlying investments do not come close to reflecting their true fundamental value. Over time, value and price have always converged and we have no reason to believe it won't happen again this time."

Happily, some of that gap between price and value has closed pretty quickly. While it has been an extraordinary period of return for the Fund since we wrote that statement—up 86.5% assuming reinvested dividends—we continue to believe the companies in the portfolio represent terrific value at current prices. We have sold those companies that have reached full value and are redeploying the cash in attractive opportunities, in both new and existing ideas.

PORTFOLIO CHANGES

The largest change in geographic weighting in the Fund that you will notice from last quarter is Japan—it has dropped from almost 13% of total assets at the end of March to around 4% currently. This is strictly a function of our stocks hitting their sell targets, and is a reflection of the tremendous run Japanese small caps have had this year. The Japan small cap market indices—the TOPIX, the JASDAQ, and the Nikkei OTC—are all up between 70% and 90% so far in 1999.

In selling our fully-valued Japanese investments, we sold the last share of one of our favorite ideas of the past few years, the software developer Enix Corporation. As we highlighted in a prior quarterly, Enix represented everything we love in a company: high return business, tremendous free cash flow generation, significant insider ownership, and a management team that is excellent from an operational and capital allocation standpoint. Enix was also one of the first Japanese companies to ever announce and, surprisingly, complete a significant share buyback program.

Shareholders of the Fund have benefited handsomely from the efforts of one of our analysts, Rob Taylor, who knew Enix like the back of his hand long before other investors and brokers got on the bandwagon. Melancholy sometimes accompanies the selling of a company like Enix, but we must remain disciplined in selling when the market price fully reflects underlying business value. This happened with Enix during the quarter.

VOLATILITY IS GOOD FOR LONG TERM INVESTORS

This is a point we keep making in our correspondence with you, but it deserves to be repeated, especially given the period of volatility the Fund has recently gone through. We firmly believe that long-term risk represents the possibility of permanent loss of capital, either from overpaying for or misanalyzing a business in which you invest.

Volatility, on the other hand, is simply a measure of the degree of short-term fluctuation in market sentiment. For us, greater volatility creates larger and more frequent discrepancies between current share prices and long-term business value. The Fund has benefited in the past from taking advantage of incidents of shortsighted maximum pessimism, most recently in emerging markets. We do not believe that risk is suddenly greater because there have been huge price declines in a given market.

Without this periodic volatility created by panic sellers, we would not be given these opportunities to buy good companies at fire-sale prices. These buying opportunities translate into long-term investment performance for the long-term investor. Some recent examples from the last 12 months include:

- We purchased Giordano International in Hong Kong for the Fund for as little as HK$0.94 cents/share and sold the position during the quarter for over HK$4.00;

- We purchased Elevadores Atlas in Brazil for the Fund for as little as BR11.50/share and sold the position during the quarter for over BR24.00; and

- We purchased Hite Brewery in South Korea for the Fund for as little as KW7,200/share and its current share price is over KW40,000/share.

Value investors with a long-term investment horizon should welcome short-term volatility for the bargains they create!

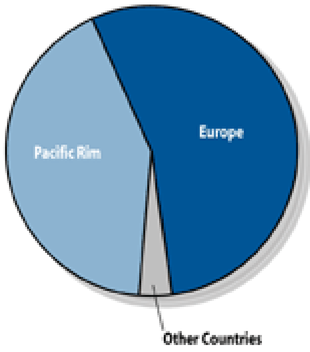
THANK YOU FOR YOUR SUPPORT

We want to again thank all of you, our shareholders, for your confidence and support.

DAVID HERRO
Portfolio Manager
dherro@cs.com

MICHAEL WELSH
Portfolio Manager
102521.2142@compuserve.com
July 2, 1999

THE OAKMARK INTERNATIONAL SMALL CAP FUND
International Diversification—June 30, 1999



	% of Fund Net Assets
Europe	***46.4%***
Great Britain	25.5%
* France	11.3%
* Germany	6.5%
* Italy	1.4%
* Portugal	0.6%
* Finland	0.5%
Poland	0.5%
Sweden	0.1%

	% of Fund Net Assets
Pacific Rim	***35.6%***
Hong Kong	7.6%
New Zealand	6.3%
Australia	6.0%
Japan	4.4%
Singapore	3.3%
Korea	3.1%
Thailand	2.8%
Philippines	2.1%
Other	***3.1%***
Canada	3.1%

* Euro currency countries comprise 20.3% of the Fund.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 1999 (Unaudited)

	Description	*Shares Held*	*Market Value*
Common Stocks—85.1%			
Consumer Non-Durables—6.5%			
Royal Doulton plc (Great Britain)	Tableware and Giftware	3,720,000	$7,827,974
Kingmaker Footwear Holdings (Hong Kong)	Athletic Footwear Manufacturer	8,040,000	1,077,720
Designer Textiles (NZ) Limited	Knit Fabrics		

(New Zealand)		2,960,000	517,167
			9,422,861

Food & Beverage—3.5%

Alaska Milk Corporation (Philippines), (a)	Milk Producer	42,214,000	$2,995,474
Hite Brewery Company (Korea)	Brewer	58,961	2,047,717
			5,043,191

Retail—13.3%

Carpetright plc (Great Britain)	Carpet Retailer	1,215,000	$7,593,547
House Of Fraser Plc (Great Britain)	Department Store	4,205,000	5,766,475
Dylex Limited (Canada), (a)	Specialty Retail Operator	1,970,000	4,455,077
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores	6,888,000	710,231
Moebel Walther AG (Germany)	Home Furnishings Retailer	24,800	378,363
Denny's Japan Co., Ltd. (Japan)	Restaurant Chain	16,000	372,985
			19,276,678

Office Equipment—0.8%

Neopost SA (France), (a)	Mailroom Equipment Supplier	50,000	$1,159,706

Other Consumer Goods & Services—4.0%

CeWe Color Holding AG (Germany)	Photo Equipment & Supplies	17,634	$3,690,137
Sanford	Fisheries		

Limited (New Zealand)		834,134	1,943,182
Shaw Brothers (Hong Kong) Ltd. (Hong Kong)	Media and Entertainment Services	270,000	184,441
			5,817,760

Insurance—6.4%

Lambert Fenchurch Group plc (Great Britain)	Insurance Broker	4,166,000	$5,515,994
Reinsurance Australia Corporation Limited (Australia)	Reinsurance Company	4,485,000	3,735,659
			9,251,653

Other Financial—7.4%

JCG Holdings Ltd. (Hong Kong)	Investment Holding Company	13,574,000	$6,473,307
Ichiyoshi Securities (Japan)	Stock Broker	1,233,000	4,229,933
			10,703,240

Computer Software—1.2%

Koei Co., Ltd. (Japan)	Computer Software	93,500	$1,762,255

Computer Systems—1.9%

Solution 6 Holdings Limited (Australia), (a)	Systems Design & Consulting	1,166,443	$2,698,770

Broadcasting & Publishing—2.9%

Matichon Public Company	Newspaper Publisher		

Limited, Foreign Shares (Thailand)		2,039,500	$4,037,519
VLT AB, Class B (Sweden)	Newspaper Publisher	9,500	95,123
			4,132,642

Telecommunications—0.8%

SK Telecom Co. Ltd. (Korea)	Telecommunications	827	$1,107,430
SK Telecom Co. Ltd. Rights (Korea)	Telecommunications	189	96,827
			1,204,257

Pharmaceuticals—1.4%

Recordati (Italy)	Pharmaceuticals	423,000	$1,957,863

Transportation Services—1.5%

Mainfreight Limited (New Zealand)	Logistics Services	2,733,351	$2,243,118

Oil & Natural Gas—2.6%

ISIS (France), (a)	Oil Services	53,165	$3,754,153

Mining and Building Materials—3.2%

Parbury Limited (Australia)	Building Products	12,517,553	$2,316,924
Fletcher Challenge Building (New Zealand)	Building Materials Manufacturer	935,000	1,361,349
Semapa-Sociedade de Investimento e Gestao, SGPS, SA (Portugal)	Cement Manufacturer	59,452	919,291

			4,597,564

Other Industrial Goods & Services—6.6%

GFI Industries SA (France)	Industrial Fastener Manufacturer	99,000	$2,898,339
Yip's Hang Cheung Ltd. (Hong Kong)	Paint & Solvent Manufacturer	35,472,000	2,514,577
Chargeurs SA (France)	Wool Production Holding Company	26,750	1,489,063
Dongah Tire Industry Company (Korea)	Tire Manufacturer	26,900	1,252,622
Polifarb Cieszyn-Wroclaw S.A. (Poland)	Paint & Varnish Manufacturer	347,983	673,544
Vaisala OY (Finland)	Atmospheric Observation Equipment	8,950	659,667
			9,487,812

Production Equipment—8.6%

Krones AG (Germany), (a)	Manufacturer of Production Machinery	180,045	$5,289,584
NSC Groupe (France)	Manufacturer of Textile Equipment	55,523	5,122,613
De Dietrich et Compagnie SA (France)	Manufacturer of Production Machinery	34,000	1,999,540
			12,411,737

Steel—2.1%

Steel & Tube Holdings Ltd. (New Zealand)	Produces and Distributes Steel	3,292,370	$3,050,505

Diversified Conglomerates—10.4%

Wassall PLC (Great Britain)	Diversified Consumer Goods	1,718,000	$5,889,895

Haw Par Corporation Limited (Singapore)	Healthcare and Leisure Products	2,808,000	4,784,489
TT Group PLC (Great Britain)	Diversified Manufacturing	2,060,000	4,367,317
			15,041,701
Total Common Stocks (Cost: $116,139,799)			**123,017,466**

	Par Value	*Market Value*

Short Term Investments—14.5%

Commercial Paper—10.4%

American Express Credit Corporation, 4.95%–5.50% due 7/1/1999–7/2/1999	5,000,000	$5,000,000
Ford Motor Credit Corp., 5.01%–5.25% due 7/1/1999–7/8/1999	5,000,000	5,000,000
General Electric Capital Corporation, 5.70% due 7/1/1999	5,000,000	5,000,000
Total Commercial Paper (Cost: $15,000,000)		**15,000,000**

Repurchase Agreements—4.1%

State Street Repurchase Agreement, 4.75% due 7/1/1999	5,990,000	$5,990,000
Total Repurchase Agreements (Cost: $5,990,000)		**5,990,000**
Total Short Term Investments (Cost: $20,990,000)		**20,990,000**
Total Investments (Cost $137,129,799)—99.6%		$144,007,466
Foreign Currencies (Proceeds $580,570)—0.4%		579,951
Other Assets In Excess Of Other Liabilities—0.0%		64,563
Total Net Assets—100%		**$144,651,980**

(a) Non-income producing security.

THE OAKMARK FAMILY OF FUNDS

Trustees and Officers

OTHER INFORMATION

Investment Adviser

Harris Associates L.P.
Two North LaSalle Street
Chicago, Illinois 60602-3790

Transfer Agent

State Street Bank and Trust Company
Attention: The Oakmark Family of Funds
P.O. Box 8510
Boston, Massachusetts 02266-8510

Legal Counsel

Bell, Boyd & Lloyd
Chicago, Illinois

Independent Public Accountants

Arthur Andersen LLP
Chicago, Illinois

For More Information:

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

Website

www.oakmark.com

24-hour NAV hotline

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

E-mail Address

ServiceComments@oakmark.com

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