

The Oakmark Fund

The Oakmark
Select Fund

The Oakmark Equity
and Income Fund

The Oakmark
Global Fund

The Oakmark
International Fund

The Oakmark
International Small
Cap Fund

ANNUAL REPORT

SEPTEMBER 30, 2004

THE OAKMARK FAMILY OF FUNDS

2004 Annual Report

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FORWARD-LOOKING STATEMENT DISCLOSURE

One of our most important responsibilities as mutual fund managers is to communicate with shareholders in an open and direct manner. Some of our comments in our letters to shareholders are based on current management expectations and are considered "forward-looking statements". Actual future results, however, may prove to be different from our expectations. You can identify forward-looking statements by words such as "estimate", "may", "will", "expect", "believe", "plan" and other similar terms. We cannot promise future returns. Our opinions are a reflection of our best judgment at the time this report is compiled, and we disclaim any obligation to update or alter forward-looking statements as a result of new information, future events, or otherwise.

President's Letter

Dear Fellow Shareholders,

World markets turned in mixed results in the third quarter. The broader stock market indices showed small gains or losses, with small and mid-cap stocks worldwide generally outperforming large caps. Our Funds also achieved mixed results in the quarter, either slightly leading or lagging behind their benchmarks. Importantly, year to date, all of our six funds have posted positive absolute returns, and most have beaten their benchmarks as well.

The Economy and the Market

Despite slowing economic growth, we still believe that most businesses will continue to report higher earnings. The Fed has raised short-term rates, but long rates, which we view as more important to the stock market, remain relatively unchanged. Energy prices are also a concern, but we believe they should not significantly slow growth. Yet some recent market volatility has created opportunities to buy excellent companies at attractive prices, particularly in international markets. So, we still believe that equities' prospective returns remain attractive compared to other asset classes.

Don't Forget Our Analysts!

Mutual fund manager incentives and compensation have attracted considerable attention over the past year. Listening to this debate—and the complete inattention to the role of analysts—we are reminded of how much the investment process at Oakmark differs from the industry norm.

The traditional mutual fund industry investment process places the portfolio manager in a starring and a directing role. Portfolio managers are in charge. They direct the research agenda, make their own stock calls, and dominate the compensation pool. Analysts serve the portfolio managers and aspire to become a PM themselves one day, so that they can become well paid.

At Oakmark, our process is research driven and team oriented. Analysts on our investment team play an equal role with portfolio managers. Their bottom-up research drives our investment agenda, and the entire investment team works together to evaluate the merits of an analyst's new idea. (Bill Nygren writes very eloquently about our team approach this quarter in his letter.) Our process depends on quality people, and we set high standards for our analyst hires. Our seasoned analysts have an average of 12 years of experience, and their experience, insight, and investment maturity give us an edge in generating superior performance. It's worth noting that research can be a very rewarding career at Oakmark. Nine of our firm's seventeen partners spend the majority of their time doing stock analysis, and analysts rank among the most highly compensated people at our firm.

Establishing the correct incentives and compensation system is a key component to investment success. However, the right system has to be in place for both portfolio managers *and analysts*. We have paid considerable attention to ensuring that our compensation system ties rewards to an individual's long-term contribution to the Funds' investment success. Our partnership structure, the passion that our team has for our business, and our high fund share ownership reinforce this alignment.



Oakmark Board Elects a New Chairman

After leading the Oakmark board since the inception of the Funds in 1991, Victor Morgenstern has stepped down as chairman. Gary N. Wilner, M.D., an Oakmark trustee since 1993, has been elected to serve as the new chairman. Gary brings dedication, leadership, and long tenure as an Oakmark trustee to his new position. I would like to thank Victor for his many years of service to Oakmark shareholders as Oakmark chairman; he will continue to serve as an Oakmark board member.

Liquidation of The Oakmark Small Cap Fund

Our goal has always been to deliver superior long-term performance to our shareholders. When we concluded recently that we could not achieve this with The Oakmark Small Cap Fund, we decided that the best step was to close and liquidate the Fund. We are committed to act with integrity and honesty with our clients and we believe that this action underlines that commitment. We completed the liquidation of the Fund on September 28.

Fund Distribution Policy

Most of Oakmark's shareholders, like us, are taxable investors. As shareholders and fiduciaries, we strive to maximize the long-term, after-tax return of our investments. Inevitably, however, we are forced to recognize taxable income—and that's a good thing! This year we plan to pay annual capital gains and income distributions in mid-December (a little later than we historically have) and will post estimates on Oakmark.com in advance of these fund payouts.

Thank you for your continued investment and confidence in The Oakmark Family of Funds. We welcome your comments and questions. You can reach us via e-mail at ContactOakmark@oakmark.com.

A handwritten signature in black ink, appearing to read "John R. Raitt". The signature is fluid and cursive.

John R. Raitt
President of The Oakmark Funds
President and CEO of Harris Associates L.P.

THE OAKMARK FAMILY OF FUNDS

Summary Information

<i>Performance for Period Ended September 30, 2004¹</i>	The Oakmark Fund—Class I (OAKMX)	The Oakmark Select Fund—Class I (OAKLX)	The Oakmark Equity and Income Fund—Class I (OAKBX)
<i>3 Months*</i>	-0.64%	1.00%	-1.07%
<i>1 Year</i>	14.73%	13.64%	14.64%
<i>Average Annual Total Return for:</i>			
<i>3 Year</i>	6.98%	7.60%	10.96%
<i>5 Year</i>	6.39%	14.29%	13.11%
<i>10 Year</i>	10.66%	N/A	N/A
<i>Since inception</i>	16.36% (8/5/91)	20.21% (11/1/96)	14.10% (11/1/95)
<i>Top Five Equity Holdings as of September 30, 2004²</i>	Washington Mutual, Inc. 2.8% McDonald's Corporation 2.5% First Data Corporation 2.4% H&R Block, Inc. 2.3% Yum! Brands, Inc. 2.3%	Washington Mutual, Inc. 16.1% H&R Block, Inc. 7.5% Yum! Brands, Inc. 6.7% First Data Corporation 6.1% Time Warner, Inc. 4.4%	Burlington Resources Inc. 3.6% XTO Energy, Inc. 3.1% First Data Corporation 2.8% General Dynamics Corporation 2.6% Diageo plc 2.6%
<i>Company and % of Total Net Assets</i>			
<i>Sector Allocation as of September 30, 2004</i>	Consumer Discretionary 40.4% Financials 15.3% Consumer Staples 12.0% Industrials 10.2% Health Care 9.6% Information Technology 8.1% Energy 3.7% Telecommunications Services 0.7%	Consumer Discretionary 35.3% Financials 24.3% Industrials 12.7% Information Technology 11.3% Health Care 11.1% Energy 4.1% Telecommunication Services 1.2%	U.S. Government Securities 39.1% Industrials 10.4% Health Care 9.0% Consumer Discretionary 8.6% Consumer Staples 8.6% Energy 8.5% Financials 6.4% Information Technology 6.2% Foreign Government Securities 2.4% Materials 0.8%
<i>Sector and % of Market Value</i>			

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data call 1-800-OAKMARK.

* Not annualized

The Oakmark Global Fund—Class I (OAKGX)		The Oakmark International Fund—Class I (OAKIX)		The Oakmark International Small Cap Fund—Class I (OAKEX)	
-2.86%		-0.16%		3.69%	
16.54%		21.92%		33.94%	
23.20%		15.97%		25.12%	
17.65%		9.14%		12.15%	
N/A		9.25%		N/A	
15.15% ³ (8/4/99)		11.52% (9/30/92)		11.96% (11/1/95)	
Diageo plc	5.1%	GlaxoSmithKline plc	3.9%	Grupo Aeroportuario del Sureste S.A. de C.V.	3.9%
First Data Corporation	4.8%	Diageo plc	3.5%	Neopost SA	3.8%
Takeda Pharmaceutical Co., Ltd.	4.3%	Bank of Ireland	3.3%	Julius Baer Holding Ltd., Zurich	3.7%
GlaxoSmithKline plc	4.2%	Euronext NV	3.3%	Gurit-Heberlein AG	3.5%
Bank of Ireland	4.0%	Novartis AG	2.9%	Ansell Limited	3.4%
Health Care	17.2%	Financials	24.1%	Industrials	32.5%
Financials	16.8%	Consumer Discretionary	23.2%	Information Technology	17.0%
Information Technology	15.5%	Consumer Staples	15.2%	Consumer Discretionary	13.0%
Consumer Staples	14.8%	Health Care	12.7%	Financials	10.5%
Consumer Discretionary	14.0%	Materials	9.1%	Materials	9.1%
Industrials	9.7%	Industrials	8.9%	Consumer Staples	8.7%
Materials	6.2%	Telecommunication Services	4.2%	Health Care	7.1%
Energy	3.9%	Energy	1.9%	Telecommunication Services	2.0%
Telecommunication Services	1.8%	Information Technology	0.5%	Forward Foreign Currency Contracts	0.1%
Forward Foreign Currency Contracts	0.1%	Forward Foreign Currency Contracts	0.2%		

FUND EXPENSES

A shareholder of each Fund incurs two types of costs: (1) transaction costs, such as redemption fees, and (2) ongoing costs, including investment advisory fees, transfer agent fees, and other fund expenses. The examples below are intended to help shareholders understand the ongoing cost (in dollars) of investing in each Fund and to compare these costs with the ongoing costs of investing in other funds.

Actual Expenses

The following table provides information about actual account values and actual fund expenses for Class I of each Fund. The table shows the expenses a Class I shareholder would have paid on a \$1,000 investment in each Fund from April 1, 2004 to September 30, 2004 as well as how much a \$1,000 investment would be worth at the close of the period, assuming actual fund returns and expenses. A Class I shareholder can estimate expenses incurred for the period by dividing the account value at September 30, 2004 by \$1,000 and multiplying the result by the number in the Expenses Paid During Period row as shown below.

Certain accounts invested for 90 days or less may be charged a 2% redemption fee. Please consult the Fund's prospectus at www.oakmark.com for more information.

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
<i>Beginning Account Value</i>	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
<i>Ending Account Value</i>	\$1,015.80	\$ 994.60	\$1,007.80	\$ 985.00	\$1,016.60	\$1,067.20
<i>Expenses Paid During Period*</i>	\$ 5.24	\$ 5.04	\$ 4.62	\$ 6.35	\$ 6.05	\$ 7.70
<i>Annualized Expense Ratio</i>	1.04%	1.01%	0.92%	1.28%	1.20%	1.49%

* Expenses are equal to each fund's annualized expense ratio for Class I, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year divided by 366 (to reflect the one-half year period).

Hypothetical Example for Comparison Purposes

The following table provides information about hypothetical account values and hypothetical expenses for Class I of each Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which are not the Funds' actual returns. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses shareholders paid for the period. Shareholders may use this information to compare the ongoing costs of investing in a Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as redemption fees. Therefore, the third line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
<i>Beginning Account Value</i>	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
<i>Ending Account Value</i>	\$1,019.80	\$1,019.95	\$1,020.40	\$1,018.60	\$1,019.00	\$1,017.55
<i>Expenses Paid During Period*</i>	\$ 5.25	\$ 5.10	\$ 4.65	\$ 6.46	\$ 6.06	\$ 7.52
<i>Annualized Expense Ratio</i>	1.04%	1.01%	0.92%	1.28%	1.20%	1.49%

* Expenses are equal to each fund's annualized expense ratio for Class I, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year divided by 366 (to reflect the one-half year period).

THE OAKMARK AND OAKMARK SELECT FUNDS

At Oakmark, we are long-term investors. We attempt to identify growing businesses that are managed to benefit their shareholders. We will purchase stock in those businesses only when priced substantially below our estimate of intrinsic value. After purchase, we patiently wait for the gap between stock price and intrinsic value to close.



“Teamwork and intelligence win championships.”

Michael Jordan

Following the rapid trading scandal in the mutual fund industry, many investors have recently become attracted to hedge funds, and financial services companies are showing increased interest in buying hedge fund management companies. Hedge funds, whose

portfolios generally combine long and short equity positions, tend to achieve their best performance relative to the stock market during periods of declining stock prices. We believe that investors chasing recent performance are likely to be disappointed with hedge funds. First, the proliferation of hedge funds makes it much harder to argue that the industry is composed of just a handful of highly talented managers. Although some managers will continue to produce good results, as the hedge fund industry grows we believe the industry must trend toward mediocrity. Second, fee levels have stayed extraordinarily high and in many cases are increasing—in addition to a base fee that is higher than most mutual funds, hedge fund managers normally keep at least 20% of their investors’ profits. And finally, most hedge funds compare themselves to the S&P 500⁴, which has a negative return for the trailing five years, an unusual event that seems unlikely to recur. So, for all those reasons, we discourage mutual fund investors from experimenting with hedge funds.

Having said that, the history of hedge funds includes some great investors such as Michael Steinhardt, George Soros and Julian Robertson. Following books about Steinhardt and Soros, last quarter *Julian Robertson—A Tiger in the Land of Bulls and Bears*³ by Daniel Strachman was published. Robertson’s investment approach is certainly worthy of study, his Tiger Fund achieved an astonishing eighteen year compound annual growth rate of 32%. As an aside, one of the funniest stories in the book covers how Tiger got its name: it was suggested by Robertson’s seven-year old son because that’s what his father called everyone whose name he couldn’t remember! The marketing department must have been glad he didn’t use “dude” or “big guy.”

There were certainly many ways Tiger differed from Oakmark. An obvious difference was the product, a hedge fund is designed to appeal to very wealthy investors while a mutual fund appeals to a much broader group of

Highlights

- Oakmark starts with the belief that research adds value.
- Oakmark employs and hires team-oriented individuals.
- *Moneyball* update - the A’s are still value investing.

investors. The degree of diversification was also different. Hedge funds generally have a much higher degree of concentration than mutual funds do; therefore, the success or failure of any individual investment can have a very large effect on the fund’s performance. We have made a similar argument about our most concentrated Fund, Oakmark Select, relative to the more diversified Oakmark Fund. But hedge funds go a step further. By using borrowed funds, they significantly amplify the positive or negative return of each security—that’s why hedge funds are only suited to wealthy investors. In some ways, you could think of a hedge fund as a concentrated mutual fund on steroids! Regarding investment philosophy, a big difference was Tiger’s frequent use of big picture, or top-down, bets versus Oakmark’s bottom-up, individual stock focus. The book chronicles one of Tiger’s most successful bets—that the price of a commodity, copper, would fall sharply. Although Robertson was very successful with so-called “macro” investing, we don’t think many investors have that ability, and most importantly, we know we don’t, so we don’t try.

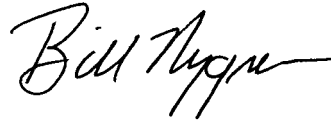
Despite these differences, what most struck me when reading the book was the important similarities between Tiger and Oakmark. Like Oakmark, Tiger believed in the ability of research to add value: “Robertson didn’t operate on tips. In order for him to commit capital, the team would have to see and touch the industry first hand. It was a dirt-under-your-fingernails type of work. Robertson sent his analysts on planes and trains to get as much information as possible.” Those same words could easily have been spoken by our Director of Research, Henry Berghoef. Another similarity was the way ideas were presented at Tiger: “A key part of the research model was the firm’s Friday lunch meetings where ideas were presented. The analysts would gather around a table and go through ideas one story at a time, picking apart every little aspect and reviewing every angle of a potential investment opportunity to determine if it was worthy of being in the portfolio.” Change that “Friday” to “Tuesday,” and it would describe Oakmark’s process. Robertson also was quick to react to new information. After an analyst

convinced him that WTD Industries was not attractive, Robertson sold his entire position. Asked to explain the flip-flop, he simply said, "I was wrong." WTD later declared bankruptcy. In previous reports, I have referenced Oakmark's belief that mistake management is as important to our performance as picking our winners.

The most important similarity between Tiger and Oakmark, however, is the concept of team. After studying Tiger, the author concluded, "Non-athletes are fine, but the ones who really shine and become something on the Street are those who were part of a team, understand competition, and know the difference between winning and losing." Our Chief Investment Officer, Bob Levy, is as important to our corporate culture as Robertson was to Tiger's. Bob has often said he likes to hire individuals who enjoy the competition of team sports, but he would rather hire the ones who got cut from the team rather than the star because he knows that their competitive fire is still burning. Robertson certainly shared our belief that hiring decisions are among the most important decisions a firm makes. In fact, during Tiger's rapid growth phase, Robertson spent most of his time hiring analysts. Similarly, no analyst joins Oakmark before being interviewed by our most senior investment people. A tribute to Robertson's success is the reputation of the "Tiger Cubs"—analysts who worked for Tiger and now manage their own hedge funds. Not only are some of today's most successful hedge fund managers ex-Tiger employees, but the book claims these alumni are now responsible for 10% of all the hedge fund assets!

At Oakmark, despite a handful of our people capturing most of the media's attention, the reason for our success is the depth of our team. John Raitt's role as CEO allows our investment people the luxury of focusing on investing rather than on operating the business. Our analysts scour the investment universe in search of those stocks most worthy of consideration for our portfolios. Our traders work on acquiring and disposing of our positions with minimum price impact. That allows our portfolio managers to stay focused on what matters most to performance—which stocks we own. Like a good athletic team, we all have our roles, and the results we achieve reflect the efforts of every team member. As much as we enjoy Budweiser's Leon ad campaign (*announcer*: "There's no I in team" *Leon*: "Well, there ain't no we either"),

I don't think Leon could have worked at Tiger, and I know he couldn't work at Oakmark!



William C. Nygren, CFA
Portfolio Manager

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P.S.

Speaking of teams, in this space last June, I wrote about the Michael Lewis book, *Moneyball*. The book highlights baseball's Oakland A's method for evaluating players. Using statistical analysis that challenges conventional baseball wisdom, the A's get far more value out of their salary dollars than do most Major League Baseball teams. The similarity between Oakland's "value investing" in baseball players and Oakmark's value investing in the stock market is striking.

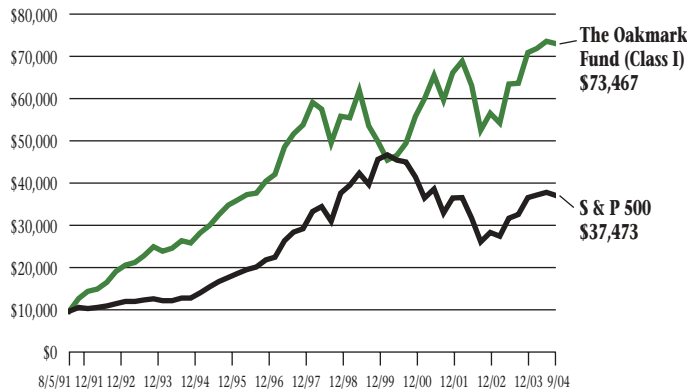
So, let's look at the 2004 update. In 2004, the New York Yankees had baseball's highest payroll at \$183 million. The A's, at just below \$60 million, were spending less than one-third what the Yankees spent. Further, two teams in the A's American League Western Division, the Anaheim Angels and the Seattle Mariners, were spending \$101 million and \$82 million, respectively. That's 68% and 36% more than the A's. The A's did finish 2004 an amazing twenty-eight games ahead of Seattle and went into the last week of the season ahead of Anaheim. But they fell one game short of capturing their third consecutive division title and fifth consecutive appearance in the playoffs. Despite them coming up short this year, as value investors, we have great admiration for how the A's construct their "portfolio" of players. And this October, they're saying the same thing we are saying in Chicago: "Wait 'til next year!"

THE OAKMARK FUND

Report from Bill Nygren and Kevin Grant, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (9/30/04) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX⁴



Annual Average Total Returns
(as of 09/30/04)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (8/5/91)
Oakmark Fund (Class I)	-0.64%	14.73%	6.39%	10.66%	16.36%
S&P 500	-1.87%	13.87%	-1.31%	11.08%	10.56%
Dow Jones Average ⁶	-2.90%	10.99%	1.43%	12.33%	12.03%
Lipper Large Cap Value Index ⁷	-0.54%	16.69%	1.35%	10.26%	10.29%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit www.oakmark.com.

* Not annualized

The Oakmark Fund declined in value by 1% last quarter, slightly less than the 2% loss for the S&P 500. Strong gains by Black & Decker, Limited Brands, and Kohl's were offset by losses in Gap, Merck, and MGIC. Year-to-date, Oakmark's 3% gain slightly exceeds the 2% gain for the S&P 500. During the quarter, we sold positions in Hospira, Clorox, Boeing, and Schering Plough. Because the reasons for the sales were so different, we'll explain all four. As mentioned last quarter, we received Hospira as a spinoff from our Abbott holding. As a mid-sized business, Hospira was not consistent with The Oakmark Fund's focus on larger companies. We thought this small position was too cheap to sell last quarter, but after the stock price rose, we no longer saw it as more undervalued than the large businesses we own. Clorox and Boeing were sold for our favorite reason—the stock prices increased to our estimates of business value. Unfortunately, we can't say the same for Schering Plough. When we purchased Schering, we underestimated how rapidly their Claritin franchise would deteriorate and how severely earnings would be hit. Recently, we have enjoyed a good recovery in Schering's stock price (though not enough to eliminate our loss) and felt that management's decision to issue more stock suggested they felt their stock was now appropriately valued. We have also added three new positions: JP Morgan Chase is described below; Viacom and Coca-Cola Enterprises are described on our website.

JP Morgan Chase (JPM—\$40)

JP Morgan Chase stock peaked in 2000 at \$67 per share. Two years later when the stock had fallen to \$15, we were not confident that management could turn things around. In July, the company completed the acquisition of Bank One, which brought not only a strong retail bank but also a great manager. Living in Chicago, we saw firsthand Jamie Dimon's success in changing the culture and lowering expenses at Bank One. Now as President and heir apparent of the combined company—JP Morgan, Chase Manhattan, Chemical, Manufacturers Hanover, Bank One, First Chicago, NBD[†]—we believe Mr. Dimon can achieve aggressive cost cutting goals. At twelve times trailing earnings, JPM might appear appropriately priced relative to other financial services companies; however, we believe cost reductions will produce superior earnings growth.

Best wishes,

William C. Nygren, CFA Portfolio Manager
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Kevin G. Grant, CFA Portfolio Manager
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[†] These are the seven major banks that now operate as JP Morgan Chase.

THE OAKMARK FUND

Schedule of Investments—September 30, 2004

Name	Shares Held	Market Value
Common Stocks—92.5%		
Apparel Retail—4.1%		
Limited Brands	6,000,000	\$ 133,740,000
The Gap, Inc.	7,066,700	132,147,290
		<u>265,887,290</u>
Broadcasting & Cable TV—7.3%		
Liberty Media Corporation, Class A (a)	16,199,400	\$ 141,258,768
Comcast Corporation, Special Class A (a)	4,725,000	131,922,000
EchoStar Communications Corporation, Class A (a)	2,975,000	92,582,000
The DIRECTV Group, Inc. (a)	5,012,600	88,171,634
Liberty Media International, Inc., Class A (a)	579,970	19,348,959
		<u>473,283,361</u>
Department Stores—1.9%		
Kohl's Corporation (a)	2,550,500	\$ 122,908,595
Home Improvement Retail—2.1%		
The Home Depot, Inc.	3,581,500	\$ 140,394,800
Hotels, Resorts & Cruise Lines—1.2%		
Carnival Corporation (b)	1,678,300	\$ 79,366,807
Household Appliances—2.3%		
The Black & Decker Corporation	1,922,200	\$ 148,855,168
Housewares & Specialties—2.0%		
Fortune Brands, Inc.	1,745,600	\$ 129,331,504
Leisure Products—1.1%		
Mattel, Inc.	3,874,300	\$ 70,241,059
Motorcycle Manufacturers—1.8%		
Harley-Davidson, Inc.	1,962,500	\$ 116,651,000
Movies & Entertainment—6.0%		
Time Warner Inc. (a)	8,997,700	\$ 145,222,878
The Walt Disney Company	5,950,000	134,172,500
Viacom Inc., Class B	3,400,000	114,104,000
		<u>393,499,378</u>
Publishing—2.1%		
Gannett Co., Inc.	884,500	\$ 74,085,720
Knight-Ridder, Inc.	916,000	59,952,200
		<u>134,037,920</u>
Restaurants—4.7%		
McDonald's Corporation	5,700,000	\$ 159,771,000
Yum! Brands, Inc.	3,674,000	149,384,840
		<u>309,155,840</u>

THE OAKMARK FUND

Schedule of Investments—September 30, 2004 cont.

Name	Shares Held	Market Value
Common Stocks—92.5% (cont.)		
Specialty Stores—0.8%		
Toys 'R' Us, Inc. (a)(d)	3,125,000	\$ 55,437,500
Brewers—2.1%		
Anheuser-Busch Companies, Inc.	2,700,000	\$ 134,865,000
Distillers & Vintners—1.7%		
Diageo plc (c)	2,221,000	\$ 112,005,030
Hypermarkets & Super Centers—2.0%		
Wal-Mart Stores, Inc.	2,500,000	\$ 133,000,000
Packaged Foods & Meats—4.3%		
General Mills, Inc.	2,506,000	\$ 112,519,400
Kraft Foods Inc., Class A	2,645,000	83,899,400
H.J. Heinz Company	2,310,000	83,206,200
		<u>279,625,000</u>
Soft Drinks—1.0%		
Coca-Cola Enterprises, Inc.	3,500,000	\$ 66,150,000
Integrated Oil & Gas—1.8%		
ConocoPhillips	1,435,335	\$ 118,917,505
Oil & Gas Exploration & Production—1.6%		
Burlington Resources Inc.	2,506,800	\$ 102,277,440
Asset Management & Custody Banks—1.1%		
The Bank of New York Company, Inc.	2,500,000	\$ 72,925,000
Diversified Banks—1.8%		
U.S. Bancorp	4,100,000	\$ 118,490,000
Life & Health Insurance—1.7%		
AFLAC Incorporated	2,767,000	\$ 108,494,070
Other Diversified Financial Services—3.2%		
Citigroup Inc.	2,900,000	\$ 127,948,000
JP Morgan Chase & Co.	2,000,000	79,460,000
		<u>207,408,000</u>
Thrifts & Mortgage Finance—6.4%		
Washington Mutual, Inc.	4,687,300	\$ 183,179,684
Fannie Mae	1,995,000	126,483,000
MGIC Investment Corporation	1,640,600	109,181,930
		<u>418,844,614</u>
Biotechnology—1.1%		
Chiron Corporation (a)	1,659,900	\$ 73,367,580

THE OAKMARK FUND

Schedule of Investments—September 30, 2004 cont.

Name	Shares Held	Market Value
Common Stocks—92.5% (cont.)		
Health Care Distributors—1.0%		
AmerisourceBergen Corp	1,200,000	\$ 64,452,000
Health Care Equipment—2.0%		
Baxter International Inc.	4,000,000	\$ 128,640,000
Pharmaceuticals—4.8%		
Abbott Laboratories	2,837,300	\$ 120,188,028
Bristol-Myers Squibb Company	4,650,000	110,065,500
Merck & Co., Inc.	2,600,000	85,800,000
		<u>316,053,528</u>
Aerospace & Defense—3.4%		
Raytheon Company	3,000,000	\$ 113,940,000
Honeywell International, Inc.	3,050,000	109,373,000
		<u>223,313,000</u>
Building Products—2.2%		
Masco Corporation	4,233,600	\$ 146,186,208
Diversified Commercial Services—2.3%		
H&R Block, Inc. (d)	3,029,300	\$ 149,708,006
Environmental Services—1.5%		
Waste Management, Inc.	3,474,300	\$ 94,987,362
Computer Hardware—1.5%		
Sun Microsystems, Inc. (a)	24,370,000	\$ 98,454,800
Data Processing & Outsourced Services—4.7%		
First Data Corporation	3,615,000	\$ 157,252,500
SunGard Data Systems, Inc. (a)	3,203,700	76,151,949
Automatic Data Processing, Inc.	1,800,000	74,376,000
		<u>307,780,449</u>
Office Electronics—1.3%		
Xerox Corporation (a)	5,972,400	\$ 84,091,392
Integrated Telecommunication Services—0.6%		
Sprint Corporation	1,961,800	\$ 39,491,034
Total Common Stocks (Cost: \$4,874,825,235)		6,038,577,240

THE OAKMARK FUND

Schedule of Investments—September 30, 2004 cont.

Name	Par Value	Market Value
Short Term Investments—8.3%		
U.S. Government Bills—6.0%		
United States Treasury Bills, 1.28% - 1.72% due 10/7/2004 - 1/6/2005	\$390,000,000	\$ 389,158,935
Total U.S. Government Bills (Cost: \$389,182,987)		389,158,935
Repurchase Agreements—2.3%		
IBT Repurchase Agreement, 1.62% dated 9/30/2004 due 10/1/2004, repurchase price \$147,506,638 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$154,875,000	\$147,500,000	\$ 147,500,000
IBT Repurchase Agreement, 1.27% dated 9/30/2004 due 10/1/2004, repurchase price \$2,212,884 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,323,446	2,212,806	<u>2,212,806</u>
Total Repurchase Agreements (Cost: \$149,712,806)		149,712,806
Total Short Term Investments (Cost: \$538,895,793)		538,871,741
Total Investments (Cost \$5,413,721,028)—100.8%		\$ 6,577,448,981
Other Liabilities In Excess Of Other Assets—(0.8)%		<u>(51,554,257)</u>
Total Net Assets—100%		<u>\$6,525,894,724</u>

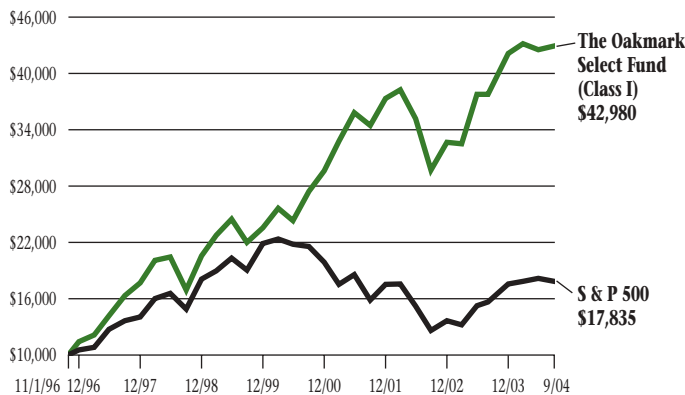
- (a) Non-income producing security.
- (b) Represents a foreign domiciled corporation.
- (c) Represents an American Depository Receipt.
- (d) See footnote number six in the Notes to Financial Statements regarding transactions in securities of affiliated issuers.

THE OAKMARK SELECT FUND

Report from Bill Nygren and Henry Berghoef, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (9/30/04) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX⁴



Annual Average Total Returns
(as of 09/30/04)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/96)
Oakmark Select Fund (Class I)	1.00%	13.64%	14.29%	20.21%
S&P 500	-1.87%	13.87%	-1.31%	7.58%
S&P MidCap 400 ⁸	-2.10%	17.55%	10.50%	13.30%
Lipper Mid Cap Value Index ⁹	-0.95%	22.69%	10.79%	10.09%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit www.oakmark.com.

* Not annualized

The Oakmark Select Fund increased in value by 1% during the quarter, bringing the calendar year-to-date increase to 2%. Five stocks in the portfolio had double-digit increases: Limited Brands, Sprint, Moody's, Burlington Resources, and Toys R Us. We are pleased with continuing good results at these businesses. Earnings at Burlington are increasing due to higher energy prices, and Toys R Us' decision to explore selling their toy division highlighted its real estate value. We can't tie the price increases for the others to any specific news. On the downside, our double-digit losers were Gap, Office Depot and Janus. Modest sales and earnings disappointments have not significantly changed our favorable long-term outlooks.

No new positions were added, and no existing holdings were eliminated during the quarter. Our largest holding, Washington Mutual (WM), was up slightly after a difficult second quarter. As we previously noted, WM reported a large shortfall in its mortgage banking division. That negative news made WM our worst performer in the second quarter. We did not sell our shares in WM because we had confidence that their retail banking business alone was worth at least the current stock price. Last month, we were pleased to have management report that cost-cutting in mortgage banking is progressing well and that retail banking continues to show good growth. We have kept WM as our largest position because of our confidence that current business value exceeds the stock price, and because of our confidence that business value is likely to grow at an above-average rate.

Shifting gears, this is the time of year when our taxable shareholders typically begin asking about capital gains distributions. The financial statements that appear later in this report show that including all gains taken through September 30, we have a very small capital loss carry forward. Fund distributions are based on October fiscal years, so trading this month will determine whether or not a distribution is necessary. We believe it is probable that no distribution will be needed for 2004, but if one is needed, at least it will be small. Given that our loss carry forward has been virtually exhausted, we can't promise the same for 2005. What we can commit to is that we will continue to manage the Fund to maximize the long-term, after-tax return of our investments.

Best wishes,

William C. Nygren, CFA
Portfolio Manager
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Henry R. Berghoef, CFA
Portfolio Manager
berghoef@oakmark.com

THE OAKMARK SELECT FUND

Schedule of Investments—September 30, 2004

Name	Shares Held	Market Value
Common Stocks—91.9%		
Apparel Retail—7.8%		
Limited Brands	10,965,000	\$ 244,409,850
The Gap, Inc.	10,060,000	<u>188,122,000</u>
		432,531,850
Leisure Products—3.8%		
Mattel, Inc.	11,770,900	\$ 213,406,417
Movies & Entertainment—4.4%		
Time Warner Inc. (a)	15,240,000	\$ 245,973,600
Publishing—3.1%		
Knight-Ridder, Inc.	2,606,500	\$ 170,595,425
Restaurants—6.7%		
Yum! Brands, Inc.	9,207,000	\$ 374,356,620
Specialty Stores—6.6%		
Toys 'R' Us, Inc. (a)(b)	11,872,700	\$ 210,621,698
Office Depot, Inc. (a)	10,419,900	<u>156,611,097</u>
		367,232,795
Oil & Gas Exploration & Production—3.8%		
Burlington Resources Inc.	5,183,600	\$ 211,490,880
Asset Management & Custody Banks—2.1%		
Janus Capital Group, Inc.	8,444,300	\$ 114,926,923
Specialized Finance—4.1%		
Moody's Corporation	3,123,600	\$ 228,803,700
Thrifts & Mortgage Finance—16.1%		
Washington Mutual, Inc.	22,917,400	\$ 895,611,992
Biotechnology—3.7%		
Chiron Corporation (a)	4,641,100	\$ 205,136,620
Health Care Services—3.6%		
IMS Health Incorporated	8,303,441	\$ 198,618,308
Pharmaceuticals—3.0%		
Bristol-Myers Squibb Company	6,990,200	\$ 165,458,034
Diversified Commercial Services—11.7%		
H&R Block, Inc. (b)	8,459,800	\$ 418,083,316
The Dun & Bradstreet Corporation (a)(b)	3,934,900	<u>230,978,630</u>
		649,061,946

THE OAKMARK SELECT FUND

Schedule of Investments—September 30, 2004 cont.

Name	Shares Held/ Par Value	Market Value
Common Stocks—91.9% (cont.)		
Data Processing & Outsourced Services—6.1%		
First Data Corporation	7,815,400	\$ 339,969,900
Office Electronics—4.2%		
Xerox Corporation (a)	16,746,400	\$ 235,789,312
Integrated Telecommunication Services—1.1%		
Sprint Corporation	3,034,600	\$ 61,086,498
Total Common Stocks (Cost: \$3,361,595,896)		5,110,050,820
 Short Term Investments—7.3%		
U.S. Government Bills—4.8%		
United States Treasury Bills, 1.505% - 1.695% due 10/21/2004 - 1/6/2005	\$270,000,000	\$ 269,250,856
Total U.S. Government Bills (Cost: \$269,261,510)		269,250,856
Repurchase Agreements—2.5%		
IBT Repurchase Agreement, 1.62% dated 9/30/2004 due 10/1/2004, repurchase price \$138,006,210 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$144,900,000	\$138,000,000	\$ 138,000,000
IBT Repurchase Agreement, 1.27% dated 9/30/2004 due 10/1/2004, repurchase price \$765,690 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$803,947	765,664	<u>765,664</u>
Total Repurchase Agreements (Cost: \$138,765,664)		138,765,664
Total Short Term Investments (Cost: \$408,027,174)		408,016,520
Total Investments (Cost \$3,769,623,070)—99.2%		\$ 5,518,067,340
Other Assets In Excess Of Other Liabilities—0.8%		<u>42,965,749</u>
Total Net Assets—100%		<u><u>\$5,561,033,089</u></u>

(a) Non-income producing security.

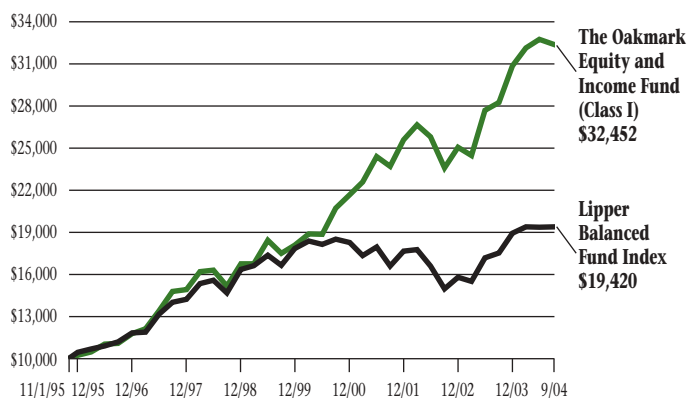
(b) See footnote number six in the Notes to Financial Statements regarding transactions in securities of affiliated issuers.

THE OAKMARK EQUITY AND INCOME FUND

Report from Clyde S. McGregor and Edward A. Studzinski, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (9/30/04) AS COMPARED TO THE LIPPER BALANCED FUND INDEX¹⁰



Annual Average Total Returns (as of 09/30/04)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
Oakmark Equity & Income Fund (Class I)	-1.07%	14.64%	13.11%	14.10%
Lipper Balanced Fund Index	0.18%	10.58%	3.08%	7.72%
S&P 500 ⁴	-1.87%	13.87%	-1.31%	9.31%
Lehman Govt./Corp. Bond ¹¹	3.56%	3.33%	7.73%	6.94%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit www.oakmark.com.

* Not annualized

Quarter and Annual Review

Fiscal 2004 was a successful year for The Oakmark Equity and Income Fund, though the fourth quarter proved disappointing. The quarterly result for the Fund was -1%, which lagged behind the breakeven outcome of the Lipper Balanced Fund Index. Yearly returns were more favorable, as the Fund earned 15% contrasted to the Lipper Balanced Fund Index's 11%. In an odd coincidence, the Fund's return for the year is essentially equal to the annualized return of the Fund since inception.

The loss for the quarter derived from unexpectedly bad earnings announcements from an amazing 22% of the equity holdings in the portfolio at the start of the quarter. Offenders included companies from a variety of sectors, especially consumer products (Nestle, Dean Foods, Cool Brands, Diageo), technology (Synopsis, Mentor Graphics, Imation), and distribution (Office Depot, Cardinal Health). It is a surprising development that at this point—in what has been a broad-based economic expansion—so many companies are experiencing earnings difficulty. Clearly, managers have had trouble offsetting the cost increases of raw materials and employee health care.

We do not center our investment process on our ability to correctly forecast future earnings. Earnings outcomes can have a depressingly large impact on Fund returns in any given quarter, but in the long run, our ability to identify mis-priced securities is what we believe will determine our success.

Change in Duration

The word "duration" in the title above refers to a mathematical term used to measure sensitivity to changes in interest rates. It is primarily used to describe risk in a fixed income portfolio. Two years ago we began to shorten the maturity structure of the Fund's fixed income holdings. Shortening maturities reduces the price sensitivity (*i.e.* duration) of a bond to changes in the investing environment. Over this time we (and many of you, given the extraordinary flow of e-mail to us on this subject) judged that economic recovery and fiscal deficits would lead to higher rates of inflation, higher interest rates, and lower bond prices.

Generally, we choose to take on risk in the equity portion of the portfolio because potential return of equities is unbounded. With an equity security, if events play out better than expected, the stock price goes up. With bonds, good fundamental outcomes simply increase the likelihood that you will receive that which already is contractually owed to you. In other words, bonds typically do not reward successful analysis with any excess return. Accordingly, our fixed income approach

Highlights

- We focus on underlying fundamentals rather than short-term earnings announcements.
- We reversed course from early this year and have extended our bond duration slightly.
- We believe that the low volatility of 2004 is more likely to be the exception than the norm.

is always risk averse. Given our perception of abnormal risk in the bond market, by June 30 of this year we had reduced the average maturity and duration of the Fund's fixed income portfolio by half of what it had been in early 2002. This was not cost-free, however, as the lower duration also meant lower interest income to the Fund.

In the quarter just ended we reversed course and extended the duration from 1.7 to 2.8 years. Many factors influenced our thinking. Inflation has remained quiescent, economic growth is moderate, and foreign governments appear to have a limitless appetite for our country's securities. Most important was our observation we had become part of a very narrow consensus that believed long term bonds were unattractive. To our knowledge a consensus has never correctly anticipated a bear market in anything. Accordingly, we have moved back to a more neutral position in our fixed income holdings. We have also modestly increased the proportion of the fixed income portfolio invested in sovereign debt (foreign government issued securities) both to increase our interest income and to provide some hedge against possible weakness in the dollar.

Low Volatility?

Statisticians can demonstrate that almost all types of investments exhibit considerable volatility in their record of annual returns. For example, stocks are often described as having an expected return of approximately 10%, but the standard deviation (a measure of probability) around that 10% is more than 20%! Simply put, equity returns are very volatile from one year to the next and even within individual years. This calendar year has been an exception,

however, as indices of stock prices have stayed confined within a narrow band. Beneath this placid surface, prices of individual stocks continue to be volatile, and this has been true for some of your Fund's most successful holdings. Given that this report closes our fiscal year, we will briefly take note of the year's exceptional contributors.

The Fund's four energy stocks (Burlington Resources, Cabot Oil & Gas, Saint Mary Land & Exploration, and XTO Energy) were large contributors to total return in fiscal 2004. While we could wax eloquent as to the individual attributes of each of these enterprises, the fact of the matter is that rising prices for oil and natural gas lifted the share prices of virtually every company in this area. Aerospace (General Dynamics, Raytheon, Rockwell Collins, and Textron) turned in a strong performance as did a potpourri of industrial names (Honeywell, Monsanto, Plum Creek Timber, and Rockwell Automation). In contrast to other successful years, fiscal 2004 saw the Fund benefit from only one takeover, Apogent Technologies. During the year we sold the Fund's positions in four issues that had contributed substantially to the overall return: Edwards Lifesciences, JC Penney, Laboratory Corporation of America, and Novell.

Many investors currently profess a belief that returns to equities for the next three to five years will be positive but dull—say, between 5 and 8%. Calendar 2004 may well produce a return to stock market indices that falls within that range. While we would prefer to have a differing point of view, we have no argument with this emerging consensus. Realize, however, that three strong up years and two down years could easily produce a 5-year return of 5-8%. We believe that the low volatility of 2004 is more likely to be the exception than the norm.

In closing, we once again thank you, our shareholders, for entrusting us with the management of your capital.

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Edward A. Studzinski, CFA
Portfolio Manager
estudzinski@oakmark.com

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2004

Name	Shares Held	Market Value
Equity and Equivalents—52.8%		
Common Stocks—52.8%		
Apparel Retail—1.8%		
The TJX Companies, Inc.	6,550,200	\$ 144,366,408
Auto Parts & Equipment—0.4%		
Delphi Corporation	3,830,800	\$ 35,588,132
Broadcasting & Cable TV—1.2%		
The DIRECTV Group, Inc. (a)	5,026,722	\$ 88,420,040
Cox Communications Inc., Class A (a)	200,000	6,626,000
		<u>95,046,040</u>
Household Appliances—0.5%		
The Stanley Works	962,100	\$ 40,918,113
Publishing—0.6%		
Tribune Company	1,127,700	\$ 46,404,855
Restaurants—1.6%		
Darden Restaurants, Inc. (b)	3,500,000	\$ 81,620,000
McDonald's Corporation	1,500,000	42,045,000
Triarc Companies, Inc., Class B	500,000	5,735,000
Triarc Companies, Inc., Class A	250,000	2,857,500
		<u>132,257,500</u>
Specialty Stores—0.4%		
Office Depot, Inc. (a)	2,230,000	\$ 33,516,900
Distillers & Vintners—2.6%		
Diageo plc (c)	4,100,000	\$ 206,763,000
Hypermarkets & Super Centers—1.7%		
Costco Wholesale Corporation	3,200,000	\$ 132,992,000
Packaged Foods & Meats—3.7%		
Nestle SA (b)	3,250,000	\$ 186,615,000
Dean Foods Company (a)	2,108,000	63,282,160
American Italian Pasta Company, Class A	825,000	21,573,750
Kraft Foods Inc., Class A	330,000	10,467,600
CoolBrands International, Inc. (a)(d)	1,002,900	7,352,057
Del Monte Foods Company (a)	608,000	6,377,920
		<u>295,668,487</u>
Oil & Gas Exploration & Production—8.1%		
Burlington Resources Inc.	7,150,000	\$ 291,720,000
XTO Energy, Inc.	7,699,416	250,077,032
St. Mary Land & Exploration Company	1,450,000	57,724,500
Cabot Oil & Gas Corporation	1,125,000	50,512,500
		<u>650,034,032</u>

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2004 cont.

Name	Shares Held	Market Value
Equity and Equivalents—52.8% (cont.)		
Other Diversified Financial Services—1.7%		
Citigroup Inc.	3,100,000	\$ 136,772,000
Property & Casualty Insurance—2.8%		
SAFECO Corporation	4,000,000	\$ 182,600,000
The Progressive Corporation	500,000	42,375,000
		224,975,000
Real Estate Investment Trusts—1.2%		
Plum Creek Timber Company, Inc.	2,657,044	\$ 93,076,251
Reinsurance—0.4%		
RenaissanceRe Holdings Ltd. (d)	600,000	\$ 30,948,000
Biotechnology—0.9%		
MedImmune, Inc. (a)	1,910,000	\$ 45,267,000
Techne Corporation (a)	750,000	28,635,000
		73,902,000
Health Care Distributors—0.7%		
AmerisourceBergen Corp	1,000,000	\$ 53,710,000
Health Care Equipment—2.4%		
Hospira, Inc. (a)	3,750,000	\$ 114,750,000
Varian Inc. (a)	1,649,400	62,462,778
CONMED Corporation (a)	462,600	12,166,380
		189,379,158
Health Care Services—1.7%		
Caremark Rx, Inc. (a)	4,250,000	\$ 136,297,500
Pharmaceuticals—2.6%		
Abbott Laboratories	4,000,000	\$ 169,440,000
Watson Pharmaceuticals, Inc. (a)	1,375,000	40,507,500
		209,947,500
Aerospace & Defense—6.6%		
General Dynamics Corporation	2,060,300	\$ 210,356,630
Raytheon Company	3,599,700	136,716,606
Rockwell Collins, Inc.	3,107,900	115,427,406
Honeywell International, Inc.	1,889,500	67,757,470
		530,258,112
Commercial Printing—1.9%		
R.R. Donnelley & Sons Company	4,909,500	\$ 153,765,540
Construction & Farm Machinery & Heavy Trucks—0.0%		
Alamo Group, Inc.	97,400	\$ 1,822,354

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2004 cont.

Name	Shares Held/ Par Value	Market Value
Equity and Equivalents—52.8% (cont.)		
Diversified Commercial Services—0.9%		
ChoicePoint Inc. (a)	1,500,000	\$ 63,975,000
Watson Wyatt & Company Holdings	237,000	<u>6,233,100</u>
		70,208,100
Electrical Components & Equipment—0.4%		
Rockwell Automation, Inc.	915,000	\$ 35,410,500
Application Software—1.0%		
The Reynolds and Reynolds Company, Class A	1,715,100	\$ 42,311,517
Mentor Graphics Corporation (a)(e)	3,640,000	<u>39,912,600</u>
		82,224,117
Computer Storage & Peripherals—0.5%		
Imation Corp.	1,215,000	\$ 43,241,850
Data Processing & Outsourced Services—3.9%		
First Data Corporation	5,250,000	\$ 228,375,000
Ceridian Corporation (a)	4,800,000	<u>88,368,000</u>
		316,743,000
Systems Software—0.1%		
Sybase, Inc. (a)	800,000	\$ 11,032,000
Fertilizers & Agricultural Chemicals—0.4%		
Monsanto Company	818,100	\$ 29,795,202
Paper Products—0.1%		
Schweitzer-Mauduit International, Inc.	347,400	\$ 11,255,760
Total Common Stocks (Cost: \$3,446,439,182)		4,248,319,411
Total Equity And Equivalents (Cost: \$3,446,439,182)		4,248,319,411
Fixed Income—41.7%		
Preferred Stocks—0.0%		
Thriffs & Mortgage Finance—0.0%		
Fidelity Capital Trust I, Preferred, 8.375%	\$ 43,500	\$ 442,395
Total Preferred Stocks (Cost: \$435,000)		442,395
Corporate Bonds—2.4%		
Apparel Retail—0.1%		
The Gap, Inc., 6.90% due 9/15/2007	\$ 9,187,000	\$ 9,990,863

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2004 cont.

Name	Par Value	Market Value
Fixed Income—41.7% (cont.)		
Broadcasting & Cable TV—0.5%		
Cablevision Systems New York Group, 144A, 8.00% due 4/15/2012 (f)	\$ 20,000,000	\$ 20,900,000
Liberty Media Corporation, 8.25% due 2/1/2030, Debenture	12,900,000	14,317,839
CSC Holdings Inc., 7.875% due 12/15/2007	3,000,000	3,183,750
		<u>38,401,589</u>
Movies & Entertainment—0.6%		
Time Warner Inc., 5.625% due 5/1/2005	\$ 50,000,000	\$ 50,896,450
Publishing—0.1%		
PRIMEDIA Inc., 144A, 8.00% due 5/15/2013 (f)	\$ 10,000,000	\$ 9,512,500
Specialty Stores—0.2%		
Toys 'R' Us, Inc., 7.875% due 4/15/2013	\$ 20,000,000	\$ 19,950,000
Drug Retail—0.2%		
NeighborCare, Inc., 6.875% due 11/15/2013	\$ 10,000,000	\$ 10,400,000
Rite Aid Corporation, 7.625% due 4/15/2005, Senior Notes	4,900,000	4,973,500
		<u>15,373,500</u>
Health Care Distributors—0.2%		
Omnicare, Inc., 6.125% due 6/1/2013	\$ 20,000,000	\$ 20,100,000
Industrial Machinery—0.0%		
Columbus McKinnon Corporation New York, 8.50% due 4/1/2008	\$ 3,000,000	\$ 2,925,000
Office Electronics—0.2%		
Xerox Corporation, 7.125% due 6/15/2010	\$ 15,000,000	\$ 16,012,500
Paper Packaging—0.3%		
Sealed Air Corporation, 144A, 5.625% due 7/15/2013 (f)	\$ 20,000,000	\$ 20,562,800
Multi-Utilities & Unregulated Power—0.0%		
Midland Funding Corporation, 11.75% due 7/23/2005	\$ 172,075	\$ 182,212
Total Corporate Bonds (Cost: \$198,900,538)		203,907,414
Government and Agency Securities—39.3%		
Canadian Government Bonds—2.0%		
Canada Government, 3.00% due 12/1/2005	CAD 100,000,000	\$ 79,308,131
Canada Government, 3.00% due 6/1/2006	CAD 100,000,000	79,132,985
		<u>158,441,116</u>
Danish Government Bonds—0.2%		
Kingdom of Denmark, 4.00% due 11/15/2004	DKK 100,000,000	\$ 16,740,680

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2004 cont.

Name	Par Value	Market Value
Fixed Income—41.7% (cont.)		
Swedish Government Bonds—0.1%		
Kingdom of Sweden, 3.50% due 4/20/2006	SEK 40,000,000	\$ 5,554,014
U.S. Government Notes—35.3%		
United States Treasury Notes, 5.00% due 8/15/2011	\$400,000,000	\$ 429,890,800
United States Treasury Notes, 2.75% due 8/15/2007	400,000,000	398,906,400
United States Treasury Notes, 2.25% due 4/30/2006	400,000,000	398,843,600
United States Treasury Notes, 2.375% due 8/31/2006	400,000,000	398,515,600
United States Treasury Notes, 1.625% due 2/28/2006	400,000,000	395,922,000
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	254,641,500	272,058,469
United States Treasury Notes, 1.875% due 12/31/2005	200,000,000	198,976,600
United States Treasury Notes, 3.00% due 2/15/2009	200,000,000	197,992,200
United States Treasury Notes, 4.00% due 2/15/2014	100,000,000	99,226,600
United States Treasury Notes, 2.50% due 5/31/2006	50,000,000	50,021,500
		2,840,353,769
U.S. Government Agencies—1.7%		
Federal Home Loan Mortgage Corporation, 2.75% due 9/8/2009	\$ 32,490,000	\$ 32,577,950
Federal Home Loan Mortgage Corporation, 3.00% due 8/17/2009	10,000,000	10,055,240
Federal Home Loan Mortgage Corporation, 3.00% due 11/17/2006	10,000,000	10,010,160
Federal Home Loan Mortgage Corporation, 2.375% due 9/27/2007	10,000,000	10,003,080
Federal Home Loan Mortgage Corporation, 2.00% due 4/27/2007	10,000,000	9,984,010
Fannie Mae, 3.00% due 10/6/2009	10,000,000	9,961,840
Federal Home Loan Mortgage Corporation, 3.50% due 9/28/2012	8,660,000	8,600,272
Fannie Mae, 3.50% due 10/14/2010	7,550,000	7,544,994
Fannie Mae, 3.20% due 12/30/2008	6,975,000	6,869,894
Federal Home Loan Bank, 3.00% due 12/30/2009	5,000,000	5,074,165
Federal Home Loan Mortgage Corporation, 3.00% due 1/7/2011	4,900,000	4,902,876
Federal Home Loan Bank, 4.52% due 8/26/2009	4,825,000	4,898,499
Fannie Mae, 5.125% due 5/4/2012	4,013,000	4,021,463
Federal Home Loan Bank, 2.25% due 2/22/2007	4,000,000	3,998,392
Federal Home Loan Bank, 3.125% due 7/10/2009	4,000,000	3,892,292
Fannie Mae, 4.125% due 9/14/2012	2,300,000	2,303,984
Federal Home Loan Bank, 3.875% due 12/15/2004	1,000,000	1,004,000
		135,703,111
Total Government and Agency Securities (Cost: \$3,137,918,256)		3,156,792,690
Total Fixed Income (Cost: \$3,337,253,794)		3,361,142,499

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2004 cont.

Name	Par Value	Market Value
Short Term Investments—5.5%		
U.S. Government Bills—3.9%		
United States Treasury Bills, 1.31% - 1.655% (b) due 10/14/2004 - 12/23/2004	\$320,000,000	\$ 319,431,269
Total U.S. Government Bills (Cost: \$319,452,894)		319,431,269
Repurchase Agreements—1.1%		
IBT Repurchase Agreement, 1.62% dated 9/30/2004 due 10/1/2004, repurchase price \$85,503,847 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$89,775,000	\$ 85,500,000	\$ 85,500,000
IBT Repurchase Agreement, 1.27% dated 9/30/2004 due 10/1/2004, repurchase price \$1,200,513 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$1,260,494	1,200,471	<u>1,200,471</u>
Total Repurchase Agreements (Cost: \$86,700,471)		86,700,471
Government and Agency Securities—0.5%		
Canadian Government Bills—0.5%		
Canada Treasury Bills due 3/24/2005 (g)	CAD 50,000,000	\$ 39,128,626
Total Government and Agency Securities (Cost: \$36,862,945)		39,128,626
Total Short Term Investments (Cost: \$443,016,310)		445,260,366
Total Investments (Cost \$7,226,709,286)—100.0%		\$ 8,054,722,276

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2004 cont.

Name	Shares Subject to Call/ Shares Subject to Put	Market Value
Call Options Written—0.0%		
Restaurants—0.0%		
Darden Restaurants, Inc., October 22.50 Calls	(650,000)	\$ (650,000)
Total Call Options Written (Premiums Received: \$(426,990))—0.0%		\$ (650,000)
Put Options Written—0.0%		
Restaurants—0.0%		
Darden Restaurants, Inc., October 20 Puts	(650,000)	\$ (32,500)
Total Put Options Written (Premiums Received: \$(521,987))—0.0%		\$ (32,500)
Other Assets In Excess Of Other Liabilities—0.0%		<u>2,517,906</u>
Total Net Assets—100%		<u><u>\$8,056,557,682</u></u>

- (a) Non-income producing security.
- (b) A portion of this security has been segregated to cover written option contracts.
- (c) Represents an American Depository Receipt.
- (d) Represents a foreign domiciled corporation.
- (e) See footnote number six in the Notes to Financial Statements regarding transactions in securities of affiliated issuers.
- (f) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.
- (g) Zero coupon bond.

Key to abbreviations:
 CAD: Canadian Dollar
 DKK: Danish Krone
 SEK: Swedish Krona

THE OAKMARK GLOBAL FUND

Report from Clyde S. McGregor and Michael J. Welsh, Portfolio Managers



Fellow Shareholders,

The Oakmark Global Fund lost 3% for the three-month period ending September 30, 2004, compared with 1% declines for both the MSCI World Index and the Lipper Global Fund Index. More importantly however, since inception the Fund has returned 15% annualized compared to a 2% decline in the MSCI World Index and 1% return in the Lipper Global Fund Index.

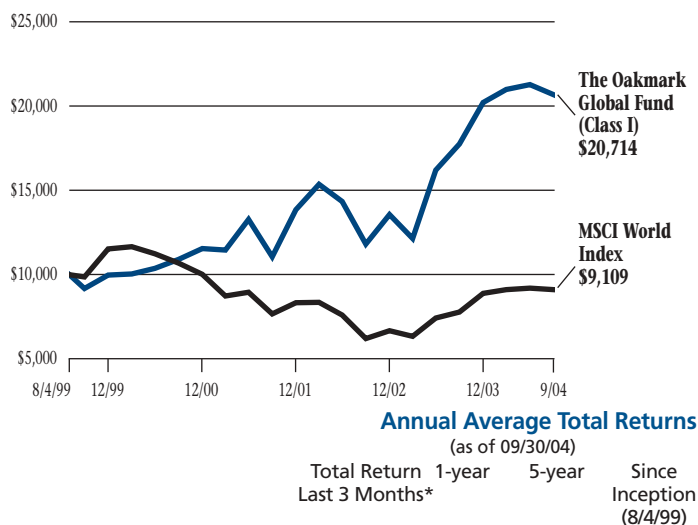
Current Environment

In general, the past quarter was a fairly quiet period for share prices around the world, even if it was not so quiet in economic and political news. As mentioned in last quarter's letter, volatility in financial markets remains very low, which seems puzzling given world events and the tremendous amounts of money continuing to pour into hedge funds. One would think that these funds' focus on short-term performance and high portfolio turnover would lead to sharper price swings. Yet, this lack of volatility is a global phenomenon, as highlighted in a recent breakfast we had with the CFO of Euronext, one of the Fund's largest holdings. Euronext's results have been adversely affected by decreased volatility in derivative and equity prices.

Significant Movers

Our underperformance was a result of weakness in a few specific positions, including Synopsys Inc., Cardinal Health, and Nestle S.A. Synopsys, a leading player in the oligopolistic electronic design automation (EDA) industry, shocked investors (ourselves included) with a forecast of significantly lower revenues for the remainder of fiscal 2004 as well as for all of 2005. EDA software moves forward in a step function. Synopsys holds a leading position in ASIC, a design system that was considered state of the art during the past decade. However, ASIC is moving out of favor, as semiconductor manufacturing technology moves to sub-100 nanometer line widths. While Synopsys supplies many products used in the development of the new chips, it is not as competitive in that sector. Perhaps more troubling is the serious demand slowdown occurring throughout the EDA industry. We have maintained that the EDA industry occupies a favored position because its customers will continue to order the industry's offerings despite shrinking end-user demand. The industry's performance this year has cast doubt on this thesis. We will continue to monitor this situation carefully.

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (9/30/04) AS COMPARED TO THE MSCI WORLD INDEX¹²



	Total Return Last 3 Months*	1-year	5-year	Since Inception (8/4/99)
Oakmark Global Fund (Class I)	-2.86%	16.54%	17.65%	15.15%³
MSCI World	-1.00%	17.10%	-1.62%	-1.79%
Lipper Global Fund Index ¹³	-1.11%	16.49%	0.79%	0.57%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit www.oakmark.com.

* Not annualized

Highlights

- Market volatility remains very low, puzzling given tumultuous world events.
- We continue to focus on growing companies with attractive valuations and strong managements.
- Price declines of high-quality companies afford us attractive entry points for their stocks.

Cardinal Health, another U.S. holding, announced a mildly disappointing earnings report and a reduced forecast for its fiscal 2005 (6/30 year). This along with the disclosure of some potential accounting issues caused significant declines in its share price. Cardinal's primary business is the distribution of pharmaceuticals. This business is now evolving rapidly in the U.S. as the pharmaceutical manufacturers transition to a model where they no longer attempt to flood the market shortly before a product goes off patent. Cardinal and other distributors had profited significantly from this sort of activity, but they are now moving to a fee-for-service business model. Clearly this transition has proven problematic for Cardinal, although the company still reported an increase in profit. Subsequent to its earnings report, Cardinal announced the resignation of the company's Chief Financial Officer and his replacement by a former General Motors executive. Our conversations with him suggest that any accounting issues should prove minor and quickly fixed.

Nestle's price decline for the quarter was prompted by the release of first half 2004 sales results, which were hurt by decreased ice cream and beverage demand caused by colder than usual weather in the U.S. and Europe. Despite this one-off effect, organic growth was still strong at almost 5%, outperforming its competitors. We continue to be impressed with management's focus on increasing efficiency and believe that Nestle is an excellent franchise at a very cheap price.

We also had a number of strong positive contributors this quarter, including Burlington Resources and Lab Corp of America in the U.S., Australia's Ansell Ltd., Grupo Televisa in Mexico, and GlaxoSmithKline plc in the UK. Burlington has continued to benefit from strong gas prices and remains very well positioned. Ansell reported excellent

results during the quarter, and free cash flow continues to be very strong—so strong in fact that it has prompted management to announce a tender offer for 10% of outstanding shares. This amount is in addition to the 5+% already repurchased in 2004.

Portfolio Changes

We did some buying and selling of positions in the United States during the quarter. We sold our positions in Fannie Mae, Interpublic Group, and Liberty Media International, and we initiated a position in Tribune Company and a small holding in United Stationers.

We sold Fannie Mae because it was a small position and we felt the proceeds could be better deployed in more undervalued opportunities. We sold our holding in Interpublic due to concerns about management's strategy to improve profitability. Liberty Media International was a small spin-off from our existing holding in Liberty Media Corporation, Class A.

We initiated a new position in Tribune Company. Tribune is a large media conglomerate based here in Chicago. Approximately, two-thirds of the company's income derives from newspapers (Los Angeles, Chicago, New York, Florida), and one-third comes from 25 television stations. The stock has fallen substantially because of issues with subscriber accounting and because of a desultory media climate in most of the company's local markets. This decline afforded us an attractive entry point for the stock. Geographic composition remains relatively stable from last quarter, with roughly 35% of the Fund in U.S. stocks, 13% in the UK, 34% in other European stocks, 15% in Pacific Rim, and 3% in Mexico.

Looking Forward

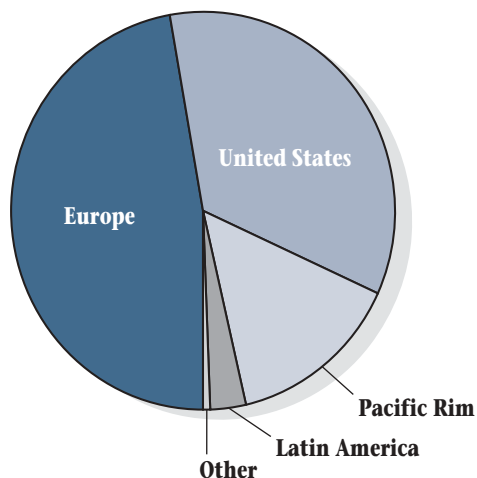
We remain excited about the prospects for equities in the Oakmark Global Fund, and we thank you for your continued confidence.



Clyde S. McGregor, CFA
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Michael J. Welsh, CFA, CPA
Portfolio Manager
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THE OAKMARK GLOBAL FUND

Global Diversification—September 30, 2004



<u>% of Fund Equity Market Value</u>	
	Europe 47.2%
	Great Britain 13.2%
	Switzerland 10.7%
	* France 6.5%
	* Netherlands 6.5%
	* Ireland 4.1%
	* Italy 3.8%
	* Germany 2.4%
	United States 34.6%

<u>% of Fund Equity Market Value</u>	
	Pacific Rim 14.6%
	Japan 7.4%
	Australia 4.6%
	Korea 2.6%
	Latin America 3.0%
	Mexico 3.0%
	Other 0.6%
	Israel 0.6%

* Euro currency countries comprise 23.3% of the Fund.

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 2004

Name	Description	Shares Held	Market Value
Common Stocks—97.5%			
Apparel Retail—2.4%			
The TJX Companies, Inc. (United States)	Discount Apparel & Home Fashion Retailer	1,501,000	\$ 33,082,040
Apparel, Accessories & Luxury Goods—2.4%			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	3,236,100	\$ 32,298,519
Broadcasting & Cable TV—3.7%			
Grupo Televisa S.A. (Mexico) (b)	Television Production & Broadcasting	566,500	\$ 29,871,545
Liberty Media Corporation, Class A (United States) (a)	Broadcast Services & Programming	2,356,000	<u>20,544,320</u>
			50,415,865
Motorcycle Manufacturers—0.2%			
Ducati Motor Holding S.p.A. (Italy) (a)	Motorcycle Manufacturer	1,790,000	\$ 2,373,154
Movies & Entertainment—3.7%			
Vivendi Universal SA (France) (a)	Multimedia	1,430,500	\$ 36,703,098
Time Warner Inc. (United States) (a)	Motion Picture Production, Distribution, & Other Services	833,000	<u>13,444,620</u>
			50,147,718
Publishing—1.3%			
Tribune Company (United States)	Publishing & Broadcast Services	417,000	\$ 17,159,550
Distillers & Vintners—5.1%			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	5,517,500	\$ 69,084,176
Household Products—2.3%			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	456,800	\$ 31,814,841
Packaged Foods & Meats—6.3%			
Nestle SA (Switzerland)	Food & Beverage Manufacturer	227,200	\$ 52,183,746
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	4,383,000	<u>33,872,613</u>
			86,056,359

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—97.5% (cont.)			
Soft Drinks—0.7%			
Lotte Chilsung Beverage Co., Ltd. (Korea) (c)	Soft Drinks, Juices & Sports Drinks Manufacturer	13,430	\$ 9,645,341
Oil & Gas Exploration & Production—3.8%			
Burlington Resources Inc. (United States)	Oil & Natural Gas Exploration & Production	1,260,000	\$ 51,408,000
Asset Management & Custody Banks—2.6%			
Julius Baer Holding Ltd., Zurich (Switzerland)	Asset Management	129,300	\$ 35,564,769
Diversified Banks—7.4%			
Bank of Ireland (Ireland) Australia and New Zealand Banking Group Limited (Australia)	Commercial Bank	4,029,000	\$ 54,367,910
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	2,260,000	31,295,375
		863,600	15,164,643
			<u>100,827,928</u>
Diversified Capital Markets—0.4%			
Credit Suisse Group (Switzerland) (a)	Investment Services & Insurance	190,700	\$ 6,102,951
Investment Banking & Brokerage—1.0%			
Daiwa Securities Group Inc. (Japan)	Stock Broker	2,062,000	\$ 13,081,354
Specialized Finance—3.8%			
Euronext NV (Netherlands) (c)	Stock Exchange	1,814,000	\$ 51,686,605
Thriffs & Mortgage Finance—1.2%			
Washington Mutual, Inc. (United States)	Thrift	415,000	\$ 16,218,200
Health Care Distributors—2.0%			
Cardinal Health, Inc. (United States)	Wholesale Drug Distributor	607,500	\$ 26,590,275

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—97.5% (cont.)			
Health Care Services—2.9%			
Laboratory Corporation of America Holdings (United States) (a)	Medical Laboratory & Testing Services	892,000	\$ 38,998,240
Health Care Supplies—2.2%			
Ansell Limited (Australia)	Protective Rubber & Plastics Products	4,708,100	\$ 30,301,153
Pharmaceuticals—9.8%			
Takeda Pharmaceuticals Company Ltd. (Japan)	Pharmaceuticals & Food Supplements	1,281,000	\$ 58,214,042
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	2,614,200	56,701,057
Sanofi-Aventis (France)	Pharmaceuticals	247,185	17,953,561
			<u>132,868,660</u>
Airport Services—0.7%			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)(c)	Airport Operator	463,000	\$ 10,232,300
Diversified Commercial Services—4.6%			
Equifax Inc. (United States)	Credit Reporting & Collection	1,367,000	\$ 36,034,120
Meitec Corporation (Japan) (c)	Software Engineering Services	760,000	27,353,783
			<u>63,387,903</u>
Employment Services—1.2%			
Michael Page International plc (Great Britain) (c)	Recruitment Consultancy Services	4,815,400	\$ 16,054,929
Environmental Services—2.4%			
Waste Management, Inc. (United States)	Waste Management Services	1,175,000	\$ 32,124,500
Office Services & Supplies—0.5%			
United Stationers Inc. (United States) (a)	Business Products Distributor	150,000	\$ 6,510,000

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—97.5% (cont.)			
Application Software—2.5%			
Fair Isaac Corporation (United States)	Computer Services	725,800	\$ 21,193,360
Synopsys, Inc. (United States) (a)	Electronic Design Automation	803,000	<u>12,711,490</u>
			33,904,850
Data Processing & Outsourced Services—9.7%			
First Data Corporation (United States)	Data Processing & Management	1,495,750	\$ 65,065,125
eFunds Corporation (United States) (a)	Electronic Debit Payment Services	2,295,000	42,664,050
Ceridian Corporation (United States) (a)	Data Management Services	1,348,000	<u>24,816,680</u>
			132,545,855
Electronic Equipment Manufacturers—0.5%			
Orbotech, Ltd. (Israel) (a)(c)	Optical Inspection Systems	412,700	\$ 7,218,123
Office Electronics—2.3%			
Neopost SA (France)	Mailroom Equipment Supplier	494,750	\$ 31,812,074
Diversified Chemicals—2.6%			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	992,300	\$ 35,086,131
Specialty Chemicals—3.5%			
Lonza Group AG, Registered Shares (Switzerland) (c)	Industrial Organic Chemicals	710,400	\$ 32,205,332
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	25,300	<u>15,421,378</u>
			47,626,710
Wireless Telecommunication Services—1.8%			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	162,390	\$ 24,749,844
Total Common Stocks (Cost: \$1,130,220,796)			1,326,978,917

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Par Value	Market Value
Short Term Investments—1.2%			
Repurchase Agreements—1.2%			
	IBT Repurchase Agreement, 1.62% dated 9/30/2004 due 10/1/2004, repurchase price \$15,000,675 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$15,750,000	\$15,000,000	\$ 15,000,000
	IBT Repurchase Agreement, 1.27% dated 9/30/2004 due 10/1/2004, repurchase price \$1,456,118 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$1,528,870	1,456,067	<u>1,456,067</u>
	Total Repurchase Agreements (Cost: \$16,456,067)		16,456,067
	Total Short Term Investments (Cost: \$16,456,067)		16,456,067
	Total Investments (Cost \$1,146,676,863)—98.7%		\$ 1,343,434,984
	Foreign Currencies (Cost \$734,547)—0.1%		\$ 740,230
	Other Assets In Excess Of Other Liabilities—1.2%		<u>16,846,426</u>
	Total Net Assets—100%		<u>\$1,361,021,640</u>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

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

THE OAKMARK INTERNATIONAL AND OAKMARK INTERNATIONAL SMALL CAP FUNDS

Fellow Shareholders,

Your Oakmark International and International Small Cap Funds continued to perform satisfactorily in Q3 2004 with a loss of less than 1% for the International Fund and a 4% return for International Small Cap while the MSCI World ex U.S. Index¹⁴ was flat. More importantly Oakmark International's return is 12% since its inception versus 6% for the Index and Oakmark International Small Cap's return is 12% since its inception versus 5% for the Index.

A Pleasing Earnings Season

Though share prices have had an extremely lackluster summer, we happily report that, from an operational perspective, the companies in The Oakmark International Funds' portfolios are doing well in our opinion. With industrial production rising throughout the world and consumer spending remaining strong, companies across most industrial sectors are posting what we consider to be very robust operating results. These results are the reason that we are so optimistic about share prices going forward: given low valuations around the world, we believe that share prices should rise if these earnings conditions stay intact. And, if "the market" does not respond by buying shares, we believe even more stock buybacks may occur from the companies we own. Many of these companies are taking advantage of low equity prices by "de-capitalizing"—or, buying back their own shares. Diageo, BP, Associated British Ports, Takeda, Euronext, Givaudan, and Swatch are just some of the examples of companies we own who are currently involved in stock buybacks. Five years ago, this would have been a rarity, which shows that foreign companies are not only becoming more concerned about returns but that they also understand their own share price does not always reflect reality.

Globalization is Working

Remember all the messy protests surrounding The World Trade Organization and The World Bank meetings? Though it is not perfectly clear what the protestors were rallying against, a common theme of anti "globalization" was heard.

Highlights

- We believe solid operational performance by our companies is not yet reflected in their share prices.
- With low valuations worldwide, we believe share prices should rise if earnings conditions stay intact.
- Companies continue to take advantage of low equity prices through share buybacks.

We believe globalization is triggering global prosperity. Consider the boom today in "old economy" industries like steel, coal, mining, shipping, and construction equipment. An industry once believed to be dead—the Great Lakes iron ore trade—has awakened, with iron again being shipped en masse from the iron range of Northern Minnesota to the steel mills of Northern Indiana.

What is causing this? China and India are now becoming wealthy enough to actually be consumers as well as producers. This ultimately translates into a higher level of global aggregate demand. And as long as any company or economy is competitive, there will be benefits for both consumers and producers. Yes, we have to watch that this expansion in economic activity does not strain our environment, but overall, we believe this expansion is great for the global economy and will lead to a higher level of global employment and higher living standards.



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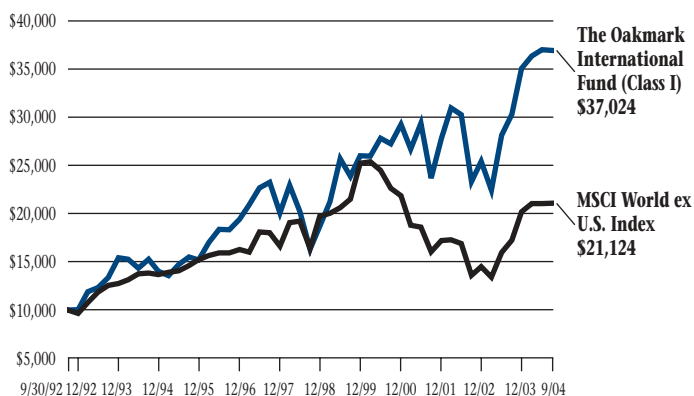
Michael J. Welsh, CFA, CPA
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THE OAKMARK INTERNATIONAL FUND

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 (9/30/04) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX¹⁴



Annual Average Total Returns (as of 09/30/04)

Total Return 1-year 5-year 10-year Since Inception (9/30/92)
Last 3 Months*

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (9/30/92)
Oakmark International Fund (Class I)	-0.16%	21.92%	9.14%	9.25%	11.52%
MSCI World ex. U.S.	0.19%	22.32%	-0.42%	4.32%	6.43%
MSCI EAFE ¹⁵	-0.28%	22.08%	-0.88%	4.01%	6.19%
Lipper International Fund Index ¹⁶	-0.17%	19.69%	0.84%	5.31%	7.53%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit www.oakmark.com.

* Not annualized

The Oakmark International Fund had a loss of less than 1% for the quarter, slightly worse than the relevant indices. For the past twelve months, the Fund is up 22%.

Individual securities that contributed significantly to performance during the quarter were Mexican media company Grupo Televisa and South Korean beverage company Lotte Chilsung. The most significant detractors from quarterly performance were Swiss food company Nestle and UK food company Cadbury Schweppes. Televisa experienced higher-than-expected growth in profits and free cash flow during the quarter, on top of exceptional election-year earnings in 2003, and management has raised its guidance for the year. Management has also begun to return substantial amounts of free cash flow to its shareholders. Lotte Chilsung saw exceptional revenue growth and margin expansion during the first half of the year, despite a very sluggish consumer environment in Korea, and it has continued to gain market share.

Nestle's price decline for the quarter was prompted by the release of first half 2004 sales results, which were hurt by decreased ice cream and beverage demand caused by colder than usual weather in the U.S. and Europe. Despite this one-off effect, organic growth was still strong at almost 5%, outperforming the competition. We continue to be impressed with management's focus on efficiency, and we continue to believe Nestle is an excellent franchise at a very cheap price. Both Nestle and Cadbury have been affected by commodity price volatility. At the start of the year inflation occurred in raw material inputs, and now the pressure has shifted to packaging materials. In our view, these temporary fluctuations will not harm either company's long-term intrinsic value.

Recent new positions added to the Fund include UK bank Lloyds TSB and UK-based mobile operator Vodafone. With approximately 20% of the market share, Lloyds is the largest UK retail bank, which we were able to buy for less than 10x estimated 2005 net earnings. In addition, we purchased Vodafone, the world's largest cellular operator, at less than 8x estimated 2005 EBIT.¹⁷

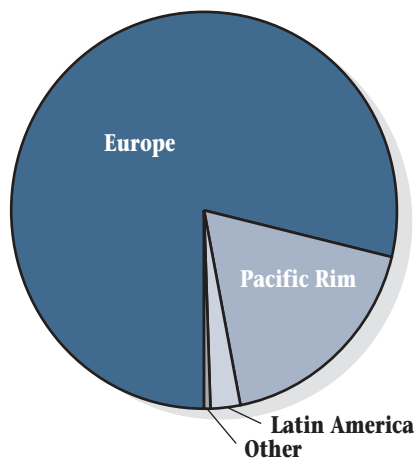
Thank you for your continued confidence.

David G. Herro, CFA
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Michael J. Welsh, CFA, CPA
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THE OAKMARK INTERNATIONAL FUND

International Diversification—September 30, 2004



	% of Fund
Equity Market Value	
Europe	78.8%
Great Britain	28.3%
Switzerland	15.7%
* France	11.0%
* Germany	7.6%
* Netherlands	7.5%
* Italy	3.9%
* Ireland	3.4%
* Finland	1.4%

	% of Fund
Equity Market Value	
Pacific Rim	18.2%
Japan	7.0%
Korea	4.4%
Australia	4.3%
Singapore	1.7%
Hong Kong	0.8%
Latin America	2.5%
Mexico	2.5%
Other	0.5%
Israel	0.5%

* Euro currency countries comprise 34.8% of the Fund.

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2004

Name	Description	Shares Held	Market Value
Common Stocks—95.4%			
Advertising—4.4%			
Publicis Groupe (France)	Advertising & Media Services	3,835,100	\$ 109,941,905
Aegis Group plc (Great Britain)	Media Services	43,844,900	<u>77,063,550</u>
			187,005,455
Apparel Retail—0.8%			
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	61,424,300	\$ 33,874,274
Apparel, Accessories & Luxury Goods—1.6%			
Swatch Group AG, Bearer Shares (Switzerland)	Watch Manufacturer	513,000	\$ 69,418,969
Swatch Group AG, Registered Shares (Switzerland)	Watch Manufacturer	24,700	<u>681,372</u>
			70,100,341
Automobile Manufacturers—2.8%			
Bayerische Motoren Werke (BMW) AG (Germany)	Luxury Automobile Manufacturer	2,903,400	\$ 119,522,729
Broadcasting & Cable TV—2.4%			
Grupo Televisa S.A. (Mexico) (b)	Television Production & Broadcasting	1,811,300	\$ 95,509,849
British Sky Broadcasting Group plc (Great Britain)	Television Production & Broadcasting	1,080,000	<u>9,349,376</u>
			104,859,225
Movies & Entertainment—2.0%			
Vivendi Universal SA (France) (a)	Multimedia	3,260,300	\$ 83,651,248
Publishing—4.2%			
Reed Elsevier plc (Great Britain)	Publisher	11,996,300	\$ 105,860,630
John Fairfax Holdings Limited (Australia)	Newspaper Publisher	27,564,100	<u>74,452,440</u>
			180,313,070
Specialty Stores—2.3%			
Signet Group plc (Great Britain)	Jewelry Retailer	48,376,200	\$ 100,587,181

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.4% (cont.)			
Textiles—0.6%			
Chargeurs SA (France) (c)	Wool, Textile Production & Trading	790,182	\$ 26,730,782
Tires & Rubber—1.1%			
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer	884,300	\$ 45,003,976
Brewers—1.4%			
Heineken Holding NV, Class A (Netherlands)	Brewer	1,631,800	\$ 43,917,723
Heineken NV (Netherlands)	Brewer	497,500	14,998,276
			<u>58,915,999</u>
Distillers & Vintners—4.4%			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	12,023,000	\$ 150,539,021
Pernod-Ricard SA (France)	Manufactures Wines, Spirits, & Fruit Juices	299,000	39,752,507
			<u>190,291,528</u>
Household Products—2.0%			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	1,251,000	\$ 87,128,647
Packaged Foods & Meats—5.4%			
Nestle SA (Switzerland)	Food & Beverage Manufacturer	519,300	\$ 119,273,852
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	14,165,200	109,471,215
			<u>228,745,067</u>
Soft Drinks—1.4%			
Lotte Chilsung Beverage Co., Ltd. (Korea) (c)	Soft Drinks, Juices & Sports Drinks Manufacturer	83,400	\$ 59,897,351
Integrated Oil & Gas—1.9%			
BP p.l.c. (Great Britain)	Oil & Natural Gas Exploration & Production	6,294,100	\$ 60,217,921
Total SA (France)	Oil & Natural Gas Exploration & Production	100,000	20,396,680
			<u>80,614,601</u>

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.4% (cont.)			
Diversified Banks—15.0%			
Bank of Ireland (Ireland) Australia and New Zealand Banking Group Limited	Commercial Bank	10,462,900	\$ 141,187,890
(Australia)	Commercial Bank	7,348,800	101,762,589
Lloyds TSB Group plc (Great Britain)	Commercial Bank	10,056,200	78,672,770
BNP Paribas SA (France)	Commercial Banking	1,156,000	74,761,294
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking	8,395,368	68,273,257
UniCredito Italiano S.p.A. (Italy)	Banking Services	12,586,700	63,508,598
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	2,938,400	51,597,717
Sanpaolo IMI S.p.A. (Italy)	Banking Services	3,933,600	44,504,510
Kookmin Bank (Korea) (a)	Commercial Banking	623,668	19,741,814
			<u>644,010,439</u>
Diversified Capital Markets—1.5%			
Credit Suisse Group (Switzerland) (a)	Investment Services & Insurance	2,004,200	\$ 64,140,194
Investment Banking & Brokerage—0.8%			
Daiwa Securities Group Inc. (Japan)	Stock Broker	5,342,000	\$ 33,889,716
Reinsurance—0.2%			
Hannover Rueckversicherung AG (Germany)	Reinsurance	220,000	\$ 7,141,325
Specialized Finance—5.6%			
Euronext NV (Netherlands) (c)	Stock Exchange	4,946,200	\$ 140,932,903
Deutsche Boerse AG (Germany)	Electronic Trading Systems	1,935,200	<u>98,005,232</u>
			238,938,135
Health Care Equipment—1.3%			
Olympus Corporation (Japan)	Optical Equipment Manufacturer	2,925,000	\$ 56,492,843

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.4% (cont.)			
Pharmaceuticals—10.8%			
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	7,688,600	\$ 166,762,966
Novartis AG (Switzerland)	Pharmaceuticals	2,693,900	125,911,484
Takeda Pharmaceuticals Company Ltd. (Japan)	Pharmaceuticals & Food Supplements	2,651,100	120,477,164
Sanofi-Aventis (France)	Pharmaceuticals	721,008	52,368,311
			<u>465,519,925</u>
Airport Services—0.1%			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)(c)	Airport Operator	242,000	\$ 5,348,200
Diversified Commercial Services—1.7%			
Meitec Corporation (Japan) (c)	Software Engineering Services	2,052,500	\$ 73,873,211
Employment Services—1.8%			
Michael Page International plc (Great Britain) (c)	Recruitment Consultancy Services	23,687,200	\$ 78,975,020
Industrial Conglomerates—0.0%			
Haw Par Corporation Limited (Singapore)	Healthcare & Leisure Products	58,338	\$ 171,761
Industrial Machinery—2.6%			
Metso Corporation (Finland)	Paper & Pulp Machinery	4,523,200	\$ 58,111,455
Enodis plc (Great Britain) (a)(c)	Food Processing Equipment	33,585,320	50,967,402
			<u>109,078,857</u>
Marine Ports & Services—2.3%			
Associated British Ports Holdings plc (Great Britain)	Port Operator	12,131,399	\$ 97,050,949
Electronic Equipment Manufacturers—0.5%			
Orbotech, Ltd. (Israel) (a)(c)	Optical Inspection Systems	1,237,700	\$ 21,647,373
Diversified Chemicals—2.5%			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	3,052,300	\$ 107,924,417

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.4% (cont.)			
Fertilizers & Agricultural Chemicals—1.6%			
Syngenta AG (Switzerland) (a)	Crop Protection Products	738,500	\$ 70,576,213
Specialty Chemicals—4.5%			
Lonza Group AG, Registered Shares (Switzerland) (c)	Industrial Organic Chemicals	2,267,700	\$ 102,804,100
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	151,100	92,101,590
			<u>194,905,690</u>
Wireless Telecommunication Services—3.9%			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	651,130	\$ 99,238,658
Vodafone Group Plc (Great Britain)	Mobile Telecommunications	24,050,500	57,742,845
Vodafone Group Plc (Great Britain) (b)	Mobile Telecommunications	606,000	14,610,660
			<u>171,592,163</u>
Total Common Stocks (Cost: \$3,353,796,432)			\$4,098,517,905

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Par Value	Market Value
Short Term Investments—3.7%			
U.S. Government Bills—0.9%			
	United States Treasury Bills, 1.53%-1.545% due 10/14/2004 - 10/28/2004	\$ 40,000,000	\$ 39,965,892
	Total U.S. Government Bills (Cost: \$39,965,892)		39,965,892
Repurchase Agreements—2.8%			
	IBT Repurchase Agreement, 1.62% dated 9/30/2004 due 10/1/2004, repurchase price \$119,005,355 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$124,950,000	\$119,000,000	\$ 119,000,000
	IBT Repurchase Agreement, 1.27% dated 9/30/2004 due 10/1/2004, repurchase price \$1,357,594 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$1,425,423	1,357,546	<u>1,357,546</u>
	Total Repurchase Agreements (Cost: \$120,357,546)		120,357,546
	Total Short Term Investments (Cost: \$160,323,438)		160,323,438
	Total Investments (Cost \$3,514,119,870)—99.1%		\$ 4,258,841,343
	Foreign Currencies (Cost \$2,153,973)—0.1%		\$ 2,170,628
	Other Assets In Excess Of Other Liabilities—0.8%		<u>35,098,327</u>
	Total Net Assets—100%		<u>\$4,296,110,298</u>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

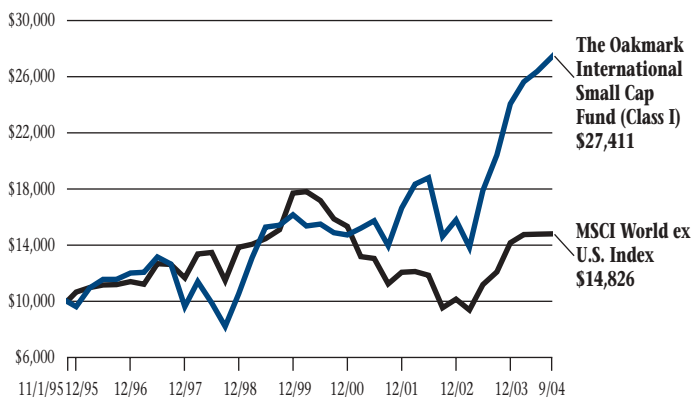
(c) See footnote number six in the Notes to Financial Statements regarding transactions in securities of affiliated issuers.

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 (9/30/04) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX¹⁴



Annual Average Total Returns (as of 09/30/04)

	Total Return Last 3 Months *	1-year	5-year	Since Inception (11/1/95)
Oakmark International Small Cap Fund (Class I)	3.69%	33.94%	12.15%	11.96%
MSCI World ex. U.S.	0.19%	22.32%	-0.42%	4.51%
Lipper International Small Cap Average ¹⁸	-0.06%	23.81%	7.16%	10.08%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data, call 1-800-OAKMARK or visit www.oakmark.com.

* Not annualized

The Oakmark International Small Cap Fund gained 4% for the quarter, outperforming our benchmark indices. For the past twelve months, your Fund is up 34%.

Strong performers for the quarter were Mexican airport operator Grupo Aeroportuario del Sureste ("Asur") and three of our Australasian holdings: latex manufacturer Ansell Ltd., and credit services company Baycorp Advantage—both headquartered in Australia—and Fletcher Building in New Zealand. Asur enjoyed significant profit growth because of strong, double-digit passenger volume growth and increased per-passenger fees. Ansell shares reacted favorably to strong half-year results that exceeded management's guidance and authorization of an additional 10% share repurchase. Both Baycorp and Fletcher Building reported very strong half-year results during the period.

The most significant detractor from quarterly performance was Swiss specialty materials producer Gurit-Heberlein. While Gurit-Heberlein showed solid organic growth, competition and currency hurt its margins for the period. However, we remain optimistic about Gurit's opportunities during an aerospace recovery, and the recently renewed tax credits for windfarms should bolster demand for Gurit's specialty materials, which are used in the blades of wind turbines.

Portfolio Composition

New positions initiated during the quarter include Swiss textile machinery manufacturer Saurer AG, two Korean regional banks Pusan Bank and Daegu Bank, and the Turkish holding company Dogan Sirketler. Long-time shareholders of Oakmark International Fund also possessing a superb memory may recognize Saurer, as it was a successful investment for us over seven years ago.

Also during the quarter we sold our position in DFS Furniture at a substantial profit. The company is to be taken private in a buyout led by founder and current chairman Graham Kirkham.

Geographically, our portfolio weightings remain very similar to last quarter with Europe and the UK representing around 70% of investments, 26% in the Pacific Rim, and 4% in Latin America.

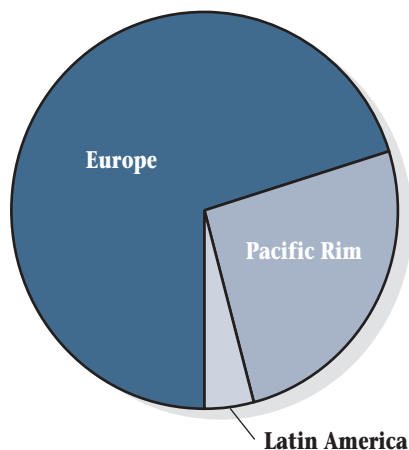
We continue to like the quality and price attractiveness of the portfolio. Thank you for your continued confidence.

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THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—September 30, 2004



	% of Fund Equity Market Value
Europe	70.2%
Switzerland	16.8%
* France	13.2%
Great Britain	10.7%
* Italy	8.1%
Denmark	6.8%
* Spain	3.7%
* Germany	3.3%
* Finland	3.1%
Turkey	2.5%
Sweden	1.7%
* Greece	0.3%

	% of Fund Equity Market Value
Pacific Rim	25.7%
Australia	6.8%
Japan	6.8%
Korea	5.9%
New Zealand	3.2%
Hong Kong	2.0%
Thailand	0.6%
Philippines	0.4%
Latin America	4.1%
Mexico	4.1%

* Euro currency countries comprise 31.7% of the Fund.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2004

Name	Description	Shares Held	Market Value
Common Stocks—95.2%			
Advertising—3.0%			
Asatsu-DK, Inc. (Japan)	Advertising Services Provider	459,700	\$ 12,659,768
G2R Inc. (Korea)	Advertising & Marketing Services	487,420	9,185,422
			<u>21,845,190</u>
Apparel, Accessories & Luxury Goods—2.4%			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	1,785,300	\$ 17,818,530
Home Furnishings—0.4%			
Royal Doulton plc (Great Britain) (a)(b)	Tableware & Giftware	22,373,000	\$ 2,787,116
Home Improvement Retail—2.1%			
Carpetright plc (Great Britain)	Carpet Retailer	813,700	\$ 15,584,667
Motorcycle Manufacturers—0.5%			
Ducati Motor Holding S.p.A. (Italy) (a)	Motorcycle Manufacturer	3,015,650	\$ 3,998,101
Photographic Products—1.5%			
Vitec Group plc (Great Britain)	Photo Equipment & Supplies	1,956,607	\$ 11,292,009
Publishing—2.5%			
Tamedia AG (Switzerland) (a)	TV Broadcasting & Publishing	139,354	\$ 11,415,120
Matichon Public Company Limited, Foreign Shares (Thailand) (b)	Newspaper Publisher	2,039,500	4,189,909
Recoletos Grupo de Comunicacion, S.A. (Spain)	Publisher	295,000	2,260,052
			<u>17,865,081</u>
Agricultural Products—2.0%			
Geest plc (Great Britain)	Fresh Produce Distributor	1,562,400	\$ 14,948,043
Brewers—4.0%			
Davide Campari - Milano S.p.A. (Italy)	Soft Drinks, Wines, & Spirits Producer	301,500	\$ 15,197,759
Kook Soon Dang Brewery Co., Ltd. (Korea)	Wine & Spirits Manufacturer	759,176	8,900,457
Hite Brewery Co., Ltd. (Korea)	Brewer	68,000	4,995,918
			<u>29,094,134</u>

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.2% (cont.)			
Distillers & Vintners—1.9%			
Baron de Ley, S.A. (Spain) (a)	Wines & Spirits Manufacturer	337,037	\$ 14,042,293
Packaged Foods & Meats—0.4%			
Alaska Milk Corporation (Philippines) (b)	Milk Producer	49,394,000	\$ 2,636,690
Asset Management & Custody Banks—3.7%			
Julius Baer Holding Ltd., Zurich (Switzerland)	Asset Management	97,500	\$ 26,817,981
Diversified Banks—2.0%			
Jyske Bank A/S (Denmark) (a)	Commercial Banking	222,400	\$ 14,494,410
Multi-Sector Holdings—2.8%			
Pargesa Holding AG (Switzerland)	Diversified Operations	5,754	\$ 17,559,589
Eurazeo (France)	Investment Company	39,500	2,802,647
			<u>20,362,236</u>
Other Diversified Financial Services—0.2%			
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	157,000	\$ 1,185,794
Regional Banks—1.1%			
Pusan Bank (Korea)	Commercial Banking	859,000	\$ 5,184,585
Daegu Bank (Korea)	Commercial Banking	562,400	3,203,946
			<u>8,388,531</u>
Specialized Finance—0.3%			
Athens Stock Exchange S.A. (Greece) (a)	Exchange Services	293,000	\$ 2,332,186
Health Care Equipment—0.0%			
Golden Meditech Company Limited (China)	Medical Instruments & Supplies	296,000	\$ 62,258
Health Care Supplies—4.7%			
Ansell Limited (Australia)	Protective Rubber & Plastics Products	3,906,150	\$ 25,139,833
Coloplast A/S, Class B (Denmark)	Healthcare Products & Services Provider	101,500	9,820,775
			<u>34,960,608</u>

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.2% (cont.)			
Pharmaceuticals—2.0%			
Santen Pharmaceutical Co., Ltd. (Japan)	Pharmaceuticals	810,000	\$ 14,613,497
Air Freight & Logistics—1.7%			
Mainfreight Limited (New Zealand) (b)	Logistics Services	8,935,381	\$ 12,417,454
Airport Services—7.1%			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)(c)	Airport Operator	1,288,400	\$ 28,473,640
Kobenhavns Lufthavne A/S (Copenhagen Airports A/S - CPH) (Denmark)	Airport Management & Operations	151,700	23,145,018
			<u>51,618,658</u>
Construction & Engineering—1.3%			
Tae Young Corp. (Korea)	Heavy Construction	283,560	\$ 9,825,483
Diversified Commercial Services—1.7%			
Prosegur, Compania de Seguridad SA (Spain)	Security & Transportation Services	564,200	\$ 9,304,483
Konami Sports Corporation (Japan)	Fitness Centers	149,400	2,736,115
			<u>12,040,598</u>
Electrical Components & Equipment—3.2%			
Pfeiffer Vacuum Technology AG (Germany)	Vacuum Pump Manufacturer	397,840	\$ 15,338,602
Carbone Lorraine SA (France) (a)	Electrical Systems Manufacturer	210,000	8,161,781
Carbone Lorraine SA, Rights (France) (a)	Electrical Systems Manufacturer	210,000	345,276
			<u>23,845,659</u>
Employment Services—1.0%			
DIS Deutscher Industrie Service AG (Germany)	Recruitment Consultancy Services	265,615	\$ 7,597,944
Industrial Conglomerates—2.4%			
Dogan Sirketler Grubu Holding A.S. (Turkey) (a)	Diversified Holding Company	9,859,711,000	\$ 17,700,252

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.2% (cont.)			
Industrial Machinery—11.9%			
Schindler Holding AG (Switzerland)	Elevator & Escalator Manufacturer	69,900	\$ 21,752,530
Interpump Group S.p.A. (Italy)	Pump & Piston Manufacturer	3,821,000	19,940,138
Saurer AG (Switzerland) (a)	Textile Equipment Manufacturer	254,300	13,887,247
Kone Oyj, Class B (Finland)	Elevators	187,800	11,327,993
Alfa Laval AB (Sweden)	Filtration & Separation Equipment	672,500	9,791,223
LISI (France)	Industrial Fastener Manufacturer	162,413	7,932,267
Munters AB (Sweden)	Cooling & Moisture Control Systems	77,400	1,913,605
NSC Groupe (France)	Textile Equipment Manufacturer	12,316	<u>1,026,266</u>
			87,571,269
Office Services & Supplies—0.6%			
Societe BIC SA (France)	Consumer & Office Supplies	101,800	\$ 4,697,181
Domino Printing Sciences plc (Great Britain)	Printing Equipment	70,000	<u>282,219</u>
			4,979,400
Computer Storage & Peripherals—1.8%			
Lectra (France)	Manufacturing Process Systems	1,617,500	\$ 12,874,782
Data Processing & Outsourced Services—3.1%			
Baycorp Advantage Limited (Australia) (a)	Credit Reference Services	9,741,300	\$ 22,765,813
Electronic Equipment Manufacturers—1.4%			
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	415,300	\$ 10,020,267
Home Entertainment Software—1.6%			
Square Enix Co., Ltd. (Japan)	Entertainment Software	436,800	\$ 11,989,421
IT Consulting & Other Services—4.5%			
Morse plc (Great Britain) (b)	Business & Technology Solutions	9,527,500	\$ 19,421,809
Alten (France) (a)	Systems Consulting & Engineering	456,041	8,899,026
Sopra Group (France)	Computer Engineering	111,930	<u>4,877,825</u>
			33,198,660

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.2% (cont.)			
Office Electronics—3.8%			
Neopost SA (France)	Mailroom Equipment Supplier	433,100	\$ 27,848,022
Construction Materials—1.3%			
Fletcher Building Limited (New Zealand)	Building Materials Manufacturer	2,414,400	\$ 9,771,229
Industrial Gases—0.6%			
Taiyo Ink Mfg. Co., Ltd. (Japan)	Manufacturer of Resist Inks	131,400	\$ 4,645,726
Specialty Chemicals—6.8%			
Gurit-Heberlein AG (Switzerland) (b)	Chemical Producer	36,075	\$ 25,871,326
Financiere Marc de Lacharriere SA (Fimalac) (France)	Chemical Storage & Diversified Operations	311,232	12,967,155
Croda International plc (Great Britain)	Chemical Producer	2,115,600	10,685,790
Financiere Marc de Lacharriere SA (Fimalac), Warrants (France) (a)	Chemical Storage & Diversified Operations	31,866	134,748
			<u>49,659,019</u>
Alternative Carriers—1.9%			
Asia Satellite Telecommunications Holdings Limited (Hong Kong)	Satellite Operator	7,305,000	\$ 13,865,747
Total Common Stocks (Cost: \$505,444,547)			699,364,758

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2004 cont.

Name	Description	Par Value	Market Value
Short Term Investments—4.6%			
U.S. Government Bills—2.1%			
	United States Treasury Bills, 1.53%-1.54% due 10/7/2004 - 10/28/2004	\$15,000,000	\$ 14,991,696
	Total U.S. Government Bills (Cost: \$14,991,696)		14,991,696
Repurchase Agreements—2.5%			
	IBT Repurchase Agreement, 1.62% dated 9/30/2004 due 10/1/2004, repurchase price \$17,000,765 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$17,850,000	\$17,000,000	\$ 17,000,000
	IBT Repurchase Agreement, 1.27% dated 9/30/2004 due 10/1/2004, repurchase price \$1,711,532 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$1,797,045	1,711,472	<u>1,711,472</u>
	Total Repurchase Agreements (Cost: \$18,711,472)		18,711,472
	Total Short Term Investments (Cost: \$33,703,168)		33,703,168
	Total Investments (Cost \$539,147,715)—99.8%		\$ 733,067,926
	Foreign Currencies (Cost \$49,328)—0.0%		\$ 49,438
	Other Assets In Excess Of Other Liabilities—0.2%		<u>1,466,461</u>
	Total Net Assets—100%		<u>\$734,583,825</u>

(a) Non-income producing security.

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

(c) Represents an American Depository Receipt.

THE OAKMARK FAMILY OF FUNDS

Statements of Assets and Liabilities—September 30, 2004

		The Oakmark Fund	The Oakmark Select Fund
Assets			
Investments in unaffiliated securities, at value	(a)	\$ 6,372,303,475	\$ 4,658,383,696
Investments in affiliated securities, at value	(b)	205,145,506	859,683,644
Foreign currency, at value	(c)	0	0
Receivable for:			
Securities sold		19,950,906	24,526,592
Fund shares sold		13,058,723	18,249,783
Dividends and interest		9,364,575	5,237,213
Forward foreign currency contracts		0	0
Tax reclaim		0	0
Total receivables		42,374,204	48,013,588
Other assets		2,518	2,534
Total assets		<u>\$ 6,619,825,703</u>	<u>\$ 5,566,083,462</u>
Liabilities and Net Assets			
Options written, at value	(d)	\$ 0	\$ 0
Payable for:			
Securities purchased		89,267,460	0
Fund shares redeemed		2,222,394	3,147,628
Due to Adviser		153,730	129,590
Due to transfer agent		247,697	121,566
Trustee fees		24,290	23,000
Deferred trustee compensation		815,273	682,967
Foreign tax expense		0	0
Other		1,200,135	945,622
Total liabilities		93,930,979	5,050,373
Net assets applicable to fund shares outstanding		<u>\$ 6,525,894,724</u>	<u>\$ 5,561,033,089</u>
Analysis of Net Assets			
Paid in capital		\$ 5,604,817,454	\$ 3,815,819,298
Accumulated undistributed net realized gain (loss) of investments, forward contracts, options, short sales and foreign currency exchange transactions		(268,182,155)	(22,167,615)
Net unrealized appreciation (depreciation) of investments		1,163,727,953	1,748,444,270
Net unrealized appreciation (depreciation)—other		0	0
Accumulated undistributed net investment income		25,531,472	18,937,136
Net assets applicable to Fund shares outstanding		<u>\$ 6,525,894,724</u>	<u>\$ 5,561,033,089</u>
Price of Shares			
Net asset value per share: Class I		<u>\$ 38.68</u>	<u>\$ 31.20</u>
Class I—Net assets		\$ 6,474,041,733	\$ 5,463,016,464
Class I—Shares outstanding (Unlimited shares authorized)		167,356,667	175,097,313
Net asset value per share: Class II		<u>\$ 38.45</u>	<u>\$ 31.00</u>
Class II—Net assets		\$ 51,852,991	\$ 98,016,625
Class II—Shares outstanding (Unlimited shares authorized)		1,348,535	3,161,477
(a) Identified cost of investments in unaffiliated securities		\$ 5,291,556,489	\$ 3,382,924,627
(b) Identified cost of investments in affiliated securities		122,164,539	386,698,443
(c) Identified cost of foreign currency		0	0
(d) Premiums received on options written		0	0

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 8,014,809,676 39,912,600 0 7,823,271 26,089,078 28,026,936 0 0 <u>61,939,285</u> 2,516 <u>\$ 8,116,664,077</u>	\$ 1,189,038,571 154,396,413 740,230 19,024,824 1,213,832 3,085,100 1,595,515 649,507 <u>25,568,778</u> 12,880 <u>\$ 1,369,756,872</u>	\$ 3,697,665,001 561,176,342 2,170,628 18,148,063 5,575,256 12,061,955 8,398,390 3,110,858 <u>47,294,522</u> 2,384 <u>\$ 4,308,308,877</u>	\$ 637,269,982 95,797,944 49,438 263,936 1,379,743 596,951 674,325 737,971 <u>3,652,926</u> 2,156 <u>\$ 736,772,446</u>
\$ 682,500 53,915,001 2,703,735 157,077 161,259 27,877 472,832 0 1,986,114 <u>60,106,395</u> <u>\$ 8,056,557,682</u>	\$ 0 7,251,753 648,447 36,678 43,684 12,683 266,993 0 474,994 <u>8,735,232</u> <u>\$ 1,361,021,640</u>	\$ 0 4,045,416 6,035,817 109,201 94,900 19,430 454,714 0 1,439,101 <u>12,198,579</u> <u>\$ 4,296,110,298</u>	\$ 0 1,149,443 258,202 23,376 15,101 10,802 273,780 239,373 218,544 <u>2,188,621</u> <u>\$ 734,583,825</u>
\$ 6,987,288,659 193,663,146 828,279,593 126,672 47,199,612 <u>\$ 8,056,557,682</u>	\$ 1,134,016,292 23,306,784 198,359,319 76,926 5,262,319 <u>\$ 1,361,021,640</u>	\$ 3,484,490,169 6,460,252 753,124,601 295,903 51,739,373 <u>\$ 4,296,110,298</u>	\$ 526,745,650 9,627,220 194,354,882 36,757 3,819,316 <u>\$ 734,583,825</u>
\$ 23.12 <u>\$ 7,577,873,183</u> 327,695,235 <u>\$ 23.03</u> <u>\$ 478,684,499</u> 20,786,881	\$ 19.73 <u>\$ 1,336,308,202</u> 67,714,805 <u>\$ 19.53</u> <u>\$ 24,713,438</u> 1,265,528	\$ 18.98 <u>\$ 4,036,883,539</u> 212,697,335 <u>\$ 18.86</u> <u>\$ 259,226,759</u> 13,745,716	\$ 18.26 <u>\$ 734,122,273</u> 40,194,270 <u>\$ 18.25</u> <u>\$ 461,552</u> 25,289
\$ 7,179,383,897 47,325,389 0 948,977	\$ 1,010,496,198 136,180,665 734,547 0	\$ 3,072,901,521 441,218,349 2,153,973 0	\$ 451,796,343 87,351,372 49,328 0

See accompanying notes to financial statements.

THE OAKMARK FAMILY OF FUNDS

Statements of Operations—Year Ended September 30, 2004

	The Oakmark Fund	The Oakmark Select Fund
Investment Income:		
Dividends from unaffiliated securities	\$ 79,776,909	\$ 71,470,705
Dividends from affiliated securities	3,411,728	9,454,532
Interest Income	5,612,596	3,670,367
Securities lending income	0	0
Other income	12,156	52,731
Foreign taxes withheld	(86,768)	0
Total investment income	88,726,621	84,648,335
Expenses:		
Investment advisory fee	50,652,178	48,070,958
Transfer and dividend disbursing agent fees	2,942,576	1,488,884
Other shareholder servicing fees	5,055,637	4,490,884
Service Fee—Class II	93,506	165,847
Reports to shareholders	1,229,408	1,000,249
Custody and accounting fees	619,832	603,672
Registration and blue sky expenses	280,357	105,466
Trustee fees	111,125	107,100
Deferred trustee compensation	125,814	127,432
Legal fees	89,023	88,063
Audit fees	46,357	42,736
Other	315,530	315,973
Total expenses	61,561,343	56,607,264
Net expenses	61,561,343	56,607,264
Net Investment Income:	27,165,278	28,041,071
Net realized and unrealized gain (loss) on investments and foreign currency transactions:		
Net realized gain on unaffiliated securities	49,330,325	95,737,774
Net realized gain (loss) on affiliated securities	13,028,681	57,494,684
Net realized gain on options written	2,454,446	2,924,572
Net realized gain (loss) on short sales	(737)	(1,959)
Net realized gain (loss) on foreign currency transactions	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	636,919,637	511,522,774
Net change in appreciation (depreciation)—other	0	0
Net realized and unrealized gain on investments and foreign currency transactions:	<u>701,732,352</u>	<u>667,677,845</u>
Net increase in net assets resulting from operations	<u>\$ 728,897,630</u>	<u>\$ 695,718,916</u>

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 40,138,015 2,141,500 69,277,402 0 38,688 <u>(680,001)</u> 110,915,604	\$ 19,537,599 3,216,076 859,614 53,773 0 <u>(1,963,492)</u> 21,703,570	\$ 97,164,219 11,723,411 1,714,491 1,248,738 0 <u>(10,762,812)</u> 101,088,047	\$ 12,283,694 3,383,772 279,033 0 12,701 <u>(1,906,580)</u> 14,052,620
46,997,810 1,736,983 7,497,728 921,230 1,498,868 784,732 620,688 122,659 128,640 96,056 52,830 331,310 <u>60,789,534</u> 60,789,534	12,245,761 434,475 1,242,856 40,361 306,925 1,059,568 172,192 57,649 63,057 45,958 30,838 119,243 <u>15,818,883</u> 15,818,883	36,337,644 1,117,583 3,865,215 532,422 924,262 3,838,366 224,171 89,107 98,880 71,966 41,157 231,382 <u>47,372,155</u> 47,372,155	7,616,526 166,242 570,689 44 122,640 703,303 53,714 49,315 55,074 39,318 28,240 92,740 <u>9,497,845</u> 9,497,845
50,126,070	5,884,687	53,715,892	4,554,775
284,152,401 (15,625,092) 571,712 0 227,056 416,194,976 39,804	30,101,048 (6,912,122) 363,653 0 (199,643) 116,594,459 102,037	214,537,262 2,998,826 0 0 (603,088) 401,911,292 168,158	41,374,709 2,122,741 0 0 (41,546) 124,228,709 (23,302)
<u>685,560,857</u>	<u>140,049,432</u>	<u>619,012,450</u>	<u>167,661,311</u>
<u>\$ 735,686,927</u>	<u>\$ 145,934,119</u>	<u>\$ 672,728,342</u>	<u>\$ 172,216,086</u>

THE OAKMARK FAMILY OF FUNDS

Statements of Changes in Net Assets—September 30, 2004

	The Oakmark Fund	
	Year Ended September 30, 2004	Year Ended September 30, 2003
From Operations:		
Net investment income	\$ 27,165,278	\$ 19,384,779
Net realized gain (loss) on investments	64,812,715	(137,687,746)
Net change in unrealized appreciation (depreciation) of investments	<u>636,919,637</u>	<u>867,321,548</u>
Net increase in net assets from operations	728,897,630	749,018,581
Distributions to shareholders from:		
Net investment income—Class I	(20,505,874)	(13,880,781)
Net investment income—Class II	<u>(37,100)</u>	<u>(29,599)</u>
Total distributions to shareholders	(20,542,974)	(13,910,380)
From Fund share transactions:		
Proceeds from shares sold—Class I	1,919,971,722	1,533,121,113
Proceeds from shares sold—Class II	36,194,109	17,938,866
Reinvestment of distributions—Class I	18,843,547	13,078,556
Reinvestment of distributions—Class II	8,676	700
Payments for shares redeemed—Class I	(939,233,385)	(810,690,610)
Payments for shares redeemed—Class II	(9,099,878)	(6,723,524)
Redemption fees—Class I	<u>340,142</u>	<u>0</u>
Net increase in net assets from Fund share transactions	1,027,024,933	746,725,101
Total increase in net assets	1,735,379,589	1,481,833,302
Net assets:		
Beginning of period	<u>4,790,515,135</u>	<u>3,308,681,833</u>
End of period	\$ 6,525,894,724	\$ 4,790,515,135
Undistributed net investment income	<u>\$ 25,531,472</u>	<u>\$ 18,909,168</u>
Fund Share Transactions—Class I:		
Shares sold	50,926,355	49,341,298
Shares issued in reinvestment of dividends	534,720	425,457
Less shares redeemed	<u>(24,984,586)</u>	<u>(26,435,618)</u>
Net increase in shares outstanding	26,476,489	23,331,137
Fund Share Transactions—Class II:		
Shares sold	968,163	576,827
Shares issued in reinvestment of dividends	247	23
Less shares redeemed	<u>(247,309)</u>	<u>(225,241)</u>
Net increase in shares outstanding	721,101	351,609

The Oakmark Select Fund

	Year Ended September 30, 2004	Year Ended September 30, 2003
From Operations:		
Net investment income	\$ 28,041,071	\$ 10,063,549
Net realized gain (loss) on investments	156,155,071	(101,697,160)
Net change in unrealized appreciation (depreciation) of investments	<u>511,522,774</u>	<u>1,121,320,614</u>
Net increase in net assets from operations	695,718,916	1,029,687,003
Distributions to shareholders from:		
Net investment income—Class I	(18,710,631)	(3,934,423)
Net investment income—Class II	<u>(118,882)</u>	<u>0</u>
Total distributions to shareholders	(18,829,513)	(3,934,423)
From Fund share transactions:		
Proceeds from shares sold—Class I	807,786,818	917,786,177
Proceeds from shares sold—Class II	33,570,613	37,698,020
Reinvestment of distributions—Class I	17,456,336	3,705,408
Reinvestment of distributions—Class II	58,212	0
Payments for shares redeemed—Class I	(1,019,983,750)	(654,181,633)
Payments for shares redeemed—Class II	(40,937,360)	(26,725,613)
Redemption fees—Class I	<u>105,547</u>	<u>0</u>
Net increase (decrease) in net assets from Fund share transactions	(201,943,584)	278,282,359
Total increase in net assets	474,945,819	1,304,034,939
Net assets:		
Beginning of period	<u>5,086,087,270</u>	<u>3,782,052,331</u>
End of period	<u>\$ 5,561,033,089</u>	<u>\$ 5,086,087,270</u>
Undistributed net investment income	<u>\$ 18,937,136</u>	<u>\$ 9,725,578</u>
Fund Share Transactions—Class I:		
Shares sold	26,433,387	36,086,657
Shares issued in reinvestment of dividends	595,510	150,625
Less shares redeemed	<u>(33,158,816)</u>	<u>(26,578,347)</u>
Net increase (decrease) in shares outstanding	(6,129,919)	9,658,935
Fund Share Transactions—Class II:		
Shares sold	1,102,241	1,482,025
Shares issued in reinvestment of dividends	1,944	0
Less shares redeemed	<u>(1,342,449)</u>	<u>(1,069,612)</u>
Net increase (decrease) in shares outstanding	(238,264)	412,413

THE OAKMARK FAMILY OF FUNDS

Statements of Changes in Net Assets—September 30, 2004

	The Oakmark Equity and Income Fund	
	Year Ended September 30, 2004	Year Ended September 30, 2003
From Operations:		
Net investment income	\$ 50,126,070	\$ 34,174,070
Net realized gain on investments	269,099,021	9,562,063
Net realized gain on foreign currency transactions	227,056	370,636
Net change in unrealized appreciation (depreciation) of investments	416,194,976	517,697,982
Net change in unrealized appreciation (depreciation)—other	39,804	87,469
Net increase in net assets from operations	<u>735,686,927</u>	<u>561,892,220</u>
Distributions to shareholders from:		
Net investment income—Class I	(30,409,117)	(33,616,359)
Net investment income—Class II	(1,530,815)	(1,569,445)
Total distributions to shareholders	<u>(31,939,932)</u>	<u>(35,185,804)</u>
From Fund share transactions:		
Proceeds from shares sold—Class I	3,583,813,621	2,076,491,027
Proceeds from shares sold—Class II	277,231,468	144,338,218
Reinvestment of distributions—Class I	29,355,530	32,429,243
Reinvestment of distributions—Class II	514,106	321,834
Payments for shares redeemed—Class I	(836,471,290)	(709,955,319)
Payments for shares redeemed—Class II	(86,816,396)	(46,269,411)
Redemption fees—Class I	534,637	0
Net increase in net assets from Fund share transactions	<u>2,968,161,676</u>	<u>1,497,355,592</u>
Total increase in net assets	<u>3,671,908,671</u>	<u>2,024,062,008</u>
Net assets:		
Beginning of period	4,384,649,011	2,360,587,003
End of period	<u>\$ 8,056,557,682</u>	<u>\$ 4,384,649,011</u>
Undistributed net investment income	<u>\$ 47,199,612</u>	<u>\$ 23,545,227</u>
Fund Share Transactions—Class I:		
Shares sold	159,855,520	109,874,694
Shares issued in reinvestment of dividends	1,399,884	1,796,634
Less shares redeemed	(37,388,817)	(38,350,539)
Net increase in shares outstanding	<u>123,866,587</u>	<u>73,320,789</u>
Fund Share Transactions—Class II:		
Shares sold	12,464,461	7,706,490
Shares issued in reinvestment of dividends	24,563	17,840
Less shares redeemed	(3,887,834)	(2,462,923)
Net increase in shares outstanding	<u>8,601,190</u>	<u>5,261,407</u>

The Oakmark Global Fund

	Year Ended September 30, 2004	Year Ended September 30, 2003
From Operations:		
Net investment income	\$ 5,884,687	\$ 9,446
Net realized gain on investments	23,552,579	3,814,882
Net realized loss on foreign currency transactions	(199,643)	(168,173)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	116,594,459	114,576,882
Net change in unrealized appreciation (depreciation)—other	<u>102,037</u>	<u>(43,405)</u>
Net increase in net assets from operations	145,934,119	118,189,632
Distributions to shareholders from:		
Net investment income—Class I	(54,303)	0
Net realized gain—Class I	(2,851,872)	0
Net realized gain—Class II	<u>(25,574)</u>	<u>0</u>
Total distributions to shareholders	(2,931,749)	0
From Fund share transactions:		
Proceeds from shares sold—Class I	782,660,249	524,732,272
Proceeds from shares sold—Class II	21,752,122	6,645,694
Reinvestment of distributions—Class I	2,804,200	0
Reinvestment of distributions—Class II	20,731	0
Payments for shares redeemed—Class I	(296,067,961)	(112,770,994)
Payments for shares redeemed—Class II	(4,061,520)	(2,412,970)
Redemption fees—Class I	<u>314,014</u>	<u>0</u>
Net increase in net assets from Fund share transactions	507,421,835	416,194,002
Total increase in net assets	650,424,205	534,383,634
Net assets:		
Beginning of period	<u>710,597,435</u>	<u>176,213,801</u>
End of period	<u>\$ 1,361,021,640</u>	<u>\$ 710,597,435</u>
Undistributed net investment income (loss)	<u>\$ 5,262,319</u>	<u>\$ (290,559)</u>
Fund Share Transactions—Class I:		
Shares sold	41,298,499	34,670,227
Shares issued in reinvestment of dividends	155,616	0
Less shares redeemed	<u>(15,250,479)</u>	<u>(8,703,761)</u>
Net increase in shares outstanding	26,203,636	25,966,466
Fund Share Transactions—Class II:		
Shares sold	1,131,427	462,296
Shares issued in reinvestment of dividends	1,160	0
Less shares redeemed	<u>(211,953)</u>	<u>(171,894)</u>
Net increase in shares outstanding	920,634	290,402

THE OAKMARK FAMILY OF FUNDS

Statements of Changes in Net Assets—September 30, 2004

	The Oakmark International Fund	
	Year Ended September 30, 2004	Year Ended September 30, 2003
From Operations:		
Net investment income	\$ 53,715,892	\$ 20,158,139
Net realized gain (loss) on investments	217,536,088	(194,137,263)
Net realized loss on foreign currency transactions	(603,088)	(659,981)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	401,911,292	712,978,826
Net change in unrealized appreciation (depreciation)—other	168,158	294,152
Net increase in net assets from operations	<u>672,728,342</u>	<u>538,633,873</u>
Distributions to shareholders from:		
Net investment income—Class I	(20,084,750)	(15,119,015)
Net investment income—Class II	(570,848)	(515,254)
Total distributions to shareholders	<u>(20,655,598)</u>	<u>(15,634,269)</u>
From Fund share transactions:		
Proceeds from shares sold—Class I	1,465,810,386	1,342,461,828
Proceeds from shares sold—Class II	183,258,922	210,555,153
Reinvestment of distributions—Class I	18,162,578	13,994,235
Reinvestment of distributions—Class II	279,537	172,223
Payments for shares redeemed—Class I	(744,490,290)	(573,914,822)
Payments for shares redeemed—Class II	(79,196,627)	(158,686,779)
Redemption fees—Class I	367,912	0
Net increase in net assets from Fund share transactions	<u>844,192,418</u>	<u>834,581,838</u>
Total increase in net assets	1,496,265,162	1,357,581,442
Net assets:		
Beginning of period	2,799,845,136	1,442,263,694
End of period	<u>\$ 4,296,110,298</u>	<u>\$ 2,799,845,136</u>
Undistributed net investment income	<u>\$ 51,739,373</u>	<u>\$ 19,282,167</u>
Fund Share Transactions—Class I:		
Shares sold	81,784,418	98,256,816
Shares issued in reinvestment of dividends	1,091,501	1,050,618
Less shares redeemed	(40,952,323)	(43,071,914)
Net increase in shares outstanding	<u>41,923,596</u>	<u>56,235,520</u>
Fund Share Transactions—Class II:		
Shares sold	10,166,362	15,141,504
Shares issued in reinvestment of dividends	16,860	12,959
Less shares redeemed	(4,345,978)	(11,241,101)
Net increase in shares outstanding	<u>5,837,244</u>	<u>3,913,362</u>

The Oakmark International Small Cap Fund

	Year Ended September 30, 2004	Year Ended September 30, 2003
From Operations:		
Net investment income	\$ 4,554,775	\$ 3,739,176
Net realized gain (loss) on investments	43,497,450	(33,475,417)
Net realized loss on foreign currency transactions	(41,546)	(58,650)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	124,228,709	160,461,142
Net change in unrealized appreciation (depreciation)—other	(23,302)	36,163
Deferred foreign taxes	0	0
Net increase in net assets from operations	172,216,086	130,702,414
Distributions to shareholders from:		
Net investment income—Class I	(4,209,195)	(3,076,432)
Net investment income—Class II	(2,982)	(1,637)
Net realized gain—Class I	0	(9,181,861)
Net realized gain—Class II	0	(6,548)
Total distributions to shareholders	(4,212,177)	(12,266,478)
From Fund share transactions:		
Proceeds from shares sold—Class I	188,831,597	122,746,015
Proceeds from shares sold—Class II	54,188	978,707
Reinvestment of distributions—Class I	3,863,970	11,533,652
Reinvestment of distributions—Class II	1,508	4,554
Payments for shares redeemed—Class I	(104,507,785)	(132,515,271)
Payments for shares redeemed—Class II	(171,984)	(945,332)
Redemption fees—Class I	263,993	0
Net increase in net assets from Fund share transactions	88,335,487	1,802,325
Total increase in net assets	256,339,396	120,238,261
Net assets:		
Beginning of period	478,244,429	358,006,168
End of period	<u>\$ 734,583,825</u>	<u>\$ 478,244,429</u>
Undistributed net investment income	<u>\$ 3,819,316</u>	<u>\$ 3,518,265</u>
Fund Share Transactions—Class I:		
Shares sold	11,434,258	11,051,169
Shares issued in reinvestment of dividends	260,200	1,095,314
Less shares redeemed	(6,274,556)	(12,545,416)
Net increase (decrease) in shares outstanding	5,419,902	(398,933)
Fund Share Transactions—Class II:		
Shares sold	3,350	88,462
Shares issued in reinvestment of dividends	102	432
Less shares redeemed	(10,276)	(85,057)
Net increase (decrease) in shares outstanding	(6,824)	3,837

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 Equity and Income Fund ("Equity and Income"), The Oakmark Global Fund ("Global"), 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 Harris Associates Investment Trust (the "Trust"), a Massachusetts business trust, which is registered as an investment company under the Investment Company Act of 1940. These policies are in conformity with accounting principles generally accepted in the United States of America ("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.

The Oakmark Small Cap Fund, formerly a series of the Trust, was terminated on September 28, 2004. Financial Statements for The Oakmark Small Cap Fund for the period ended September 30, 2004 can be found at www.oakmark.com or by calling 1-800-625-6275.

Class Disclosure—

Each Fund offers two classes of shares: Class I Shares and Class II Shares. Class I Shares are offered to the general public. Class II Shares are offered to certain retirement plans such as 401(k) and profit sharing plans. Class II Shares pay a service fee at the annual rate of 0.25% of average net assets of Class II Shares of the Funds. This service fee is paid to an administrator for performing the services associated with the administration of such retirement plans.

Income, realized and unrealized capital gains and losses and expenses of the Funds that are not directly attributable to a specific class of shares are prorated among the classes based on the relative net assets of each class. Expenses directly attributable to a class of shares are recorded to the specific class.

Redemption fees—

Each Fund imposes a short-term trading fee on redemptions of Class I Shares held for 90 days or less to offset two types of costs to the Fund caused by short-term trading: portfolio transaction and market impact costs associated with erratic redemption activity and administrative costs associated with processing redemptions. The fee is 2% of the redemption value and is deducted from the redemption proceeds and retained by the Fund. The "first-in, first-out" (FIFO) method is used to determine the holding period.

Security valuation—

Securities traded on securities exchanges and over-the-counter securities are valued at the last sales price on the day of valuation, or lacking any reported sales that day, at the most recent bid quotation. Securities traded on the NASDAQ National Market are valued at the NASDAQ Official Closing Price ("NOCP"), or lacking an NOCP, at the most recent bid quotation on the NASDAQ National Market. Debt obligations and money market instruments maturing in more than 60 days from the date of purchase are valued at the latest bid quotation. Debt obligations and money market instruments maturing in less than 61 days from the date of purchase are valued on an amortized cost basis which approximates market value. Options are valued at the last reported sale price on the day of valuation, or lacking any reported sales that day, at the mean of the most recent bid and ask quotations. Securities traded in foreign markets are valued using prices reported by local foreign markets. Securities for which quotations are not readily available, or securities which may have been affected by a significant event after the price was determined, and other assets are valued at a fair value as determined by or under the direction of pricing committees established by the Board of Trustees. The Funds' net asset values are determined at the time of the close of the New York Stock Exchange. The pricing committees will evaluate movements in the U.S. markets after the close of foreign markets and may adjust security prices to reflect changes in reaction to U.S. markets as determined by a third party model. At September 30, 2004, the Funds held no securities for which quotations were not readily available, and no securities which may have been affected by a significant event prior to the computation of NAV.

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 net asset value is determined. 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 securities.

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

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

resulting from portfolio and transaction hedges. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities, other than investments in securities at fiscal year end, resulting from changes in exchange rates.

For the year ended September 30, 2004, net unrealized appreciation (depreciation) - other included the following components:

	Equity and Income	Global	International	Int'l Small Cap
Unrealized appreciation (depreciation) on dividends and dividend reclaims receivable	\$126,551	\$79,926	\$286,811	\$36,845
Unrealized appreciation (depreciation) on open securities purchases and sales	121	0	9,092	(88)
Net Unrealized appreciation (depreciation)—Other	<u>\$126,672</u>	<u>\$79,926</u>	<u>\$295,903</u>	<u>\$36,757</u>

Forward foreign currency contracts—

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. At September 30, 2004, Global, International and Int'l Small Cap held the following outstanding forward foreign currency contracts:

The Oakmark Global Fund

	Contract Amount	Settlement Date	Valuation at 9/30/04	Unrealized Appreciation
<i>Foreign Currency Sold:</i>				
British Pound Sterling	47,900,000	July 2005	<u>\$85,089,115</u>	<u>\$1,595,515</u>

The Oakmark International Fund

	Contract Amount	Settlement Date	Valuation at 9/30/04	Unrealized Appreciation
<i>Foreign Currency Sold:</i>				
British Pound Sterling	142,000,000	July 2005	\$252,276,711	\$3,735,088
British Pound Sterling	140,000,000	July 2005	<u>248,694,698</u>	<u>4,663,302</u>
			<u>\$500,971,409</u>	<u>\$8,398,390</u>

The Oakmark International Small Cap Fund

	Contract Amount	Settlement Date	Valuation at 9/30/04	Unrealized Appreciation
<i>Foreign Currency Sold:</i>				
British Pound Sterling	11,200,000	July 2005	\$19,897,881	\$294,599
British Pound Sterling	11,400,000	July 2005	<u>20,250,854</u>	<u>379,726</u>
			<u>\$40,148,735</u>	<u>\$674,325</u>

Security transactions and investment income—

Security transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date. Interest income and expenses are recorded on an accrual basis. Bond discount is accreted and premium is amortized over the expected life of each applicable security. Withholding taxes on foreign dividends have been provided for in accordance with the Funds' understanding of the applicable country's tax rules and rates. Corporate gains taxes on the appreciation of certain foreign securities have been accrued for in accordance with the Funds' understanding of the applicable country's tax rules and rates, and are recorded as Deferred Foreign Tax Expense on the Statements of Operations. Net realized gains and losses on investments are determined by the specific identification method.

Distributions to shareholders—

Income, dividends and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. Tax and book differences are primarily related to foreign currency transactions, deferral of losses on wash sales, and character of capital loss carryforwards. The Funds also utilize, when appropriate, earnings and profits distributed to shareholders on redemption of shares as a part of the dividends paid deduction for income tax purposes.

Short sales—

Each Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

broker-dealer through which it made the short sale. A gain, limited to the price at which the Fund sold the security short, or loss, unlimited in size, will be recognized upon the termination of a short sale. At September 30, 2004, the Funds had no securities sold short.

Accounting for Options—

When a Fund writes an option, the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current market value of the option written. Premiums received from writing options that expire are recorded by the Fund on the expiration date as realized gains from option transactions. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or a loss. If a put option is exercised, the premium reduces the cost basis of the security or currency purchased by the Fund. In writing an option, the Fund bears the market risk of an unfavorable change in the price of the security or currency underlying the written option. Exercise of an option written by the Fund could result in the Fund selling or buying a security or currency at a price different from the current market value. Options written by the Funds do not give rise to counterparty credit risk, as they obligate the Funds, not their counterparties, to perform.

At September 30, 2004, Equity & Income had outstanding written option contracts which are disclosed in the Schedule of Investments, for which portfolio securities valued at \$30,131,341 were held in escrow by the custodian as cover for the written options.

When a Fund purchases an option, the premium paid by the Fund is recorded as an asset and is subsequently adjusted to the current market value of the option purchased. Purchasing call options tends to increase the Fund's exposure to the underlying instrument. Purchasing put options tends to decrease the Fund's exposure to the underlying instrument. Premiums paid for purchasing options which expire are treated as realized losses. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying security to determine the realized gain or loss. The risks associated with purchasing put and call options are potential loss of the premium paid and the failure of the counterparty to honor their portion of the contract.

Committed line of credit—

The Funds have an unsecured committed line of credit with Investors Bank & Trust Company ("IBT") in the amount of \$450 million. Borrowings under that arrangement bear interest at .45% above the Federal

Funds Effective Rate. There were no borrowings during the year ended September 30, 2004.

Repurchase agreements—

Each Fund, through its custodian, receives delivery of the underlying securities collateralizing repurchase agreements. It is each Fund's policy that the market value of the collateral be at least equal to 105% of the repurchase price, including interest. The Fund's adviser is responsible for determining that the value of the collateral is at all times at least equal to 105% of the repurchase price, including interest. Repurchase agreements could involve certain risks in the event of default or insolvency of the counterparty including possible delays or restrictions upon a Fund's ability to dispose of the underlying securities.

Expense offset arrangement—

IBT serves as custodian of the Funds. IBT's fee may be reduced by credits which are an earnings allowance calculated on the average daily cash balances each Fund maintains with IBT. Credit balances used to reduce the Funds' custodian fees, if any, are reported as a reduction of total expenses in the Statements of Operations. At September 30, 2004, there were no expense offsets.

Security lending—

Each Fund except Oakmark Fund may lend its portfolio securities to broker-dealers and banks. Any such loan must be continuously secured by collateral in cash or cash equivalents maintained on a current basis in an amount at least equal to the fair value of the securities loaned by the Fund. Collateral is marked to market and monitored daily. The Fund would continue to receive the equivalent of the interest or dividends paid by the issuer on the securities loaned, and would also receive an additional return that may be in the form of a fixed fee or a percentage of the earnings on the collateral. The Fund would have the right to call the loan and obtain the securities loaned at any time, and the counterparty shall return the securities within five business days or less. In the event of bankruptcy or other default of the borrower, the Fund could experience delays in liquidating the loan collateral or recovering the loaned securities and incur expenses related to enforcing its rights. In addition, there could be a decline in the value of the collateral or in the fair value of the securities loaned while the Fund seeks to enforce its rights thereto and the Fund could experience sub-normal levels of income or lack of access to income during that period.

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

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. Each fee is calculated on the total net assets as determined at the end of each preceding calendar month. Annual fee rates are as follows:

Fund	Advisory Fees	Fund	Advisory Fees
Oakmark	1.00% up to \$2 billion; 0.90% on the next \$1 billion; 0.80% on the next \$2 billion; and 0.75% over \$5 billion	Equity and Income	0.75% up to \$5 billion 0.70% on the next \$2.5 billion 0.675% on the next \$2.5 billion; and 0.65% over \$10 billion
Select	1.00% up to \$1 billion; 0.95% on the next \$500 million; 0.90% on the next \$500 million; 0.85% on the next \$500 million; 0.80% on the next \$2.5 billion; and 0.75% over \$5 billion	Global	1.00% up to \$2 billion 0.95% on the next \$2 billion; and 0.90% over \$4 billion
		International	1.00% up to \$2 billion; 0.95% on the next \$1 billion; and 0.85% over \$3 billion
		Int'l Small Cap	1.25% up to \$500 million; and 1.10% over \$500 million

The Adviser undertakes to reimburse each Fund Class to the extent, but only to the extent, that its annualized expenses (excluding taxes, interest, all commissions and other normal charges incident to the purchase and sale of portfolio securities, and extraordinary charges such as litigation costs, but excluding fees paid to the Adviser) exceed the percent set forth opposite the Fund Class of average daily net assets of the Fund Class through January 31, 2005.

Fund	Class I	Class II
Oakmark	1.50%	1.75%
Select	1.50	1.75
Equity and Income	1.00	1.25
Global	1.75	2.00
International	2.00	2.25
Int'l Small Cap	2.00	2.25

For the year ended September 30, 2004, the Funds incurred brokerage commissions, including commissions paid to an affiliate of the Adviser, Harris Associates Securities L.P., as follows:

Fund	Total Commissions	Commissions Paid to Affiliate
Oakmark	\$5,076,567	\$188,945
Select	3,554,160	37,119
Equity and Income	6,440,305	251,104
Global	1,899,282	45,825
International	5,431,968	0
Int'l Small Cap	1,086,752	0

IXIS Asset Management Services Co., an affiliate of the Adviser, provides transfer agent services to the Funds. The fees are based on the number of open accounts and the reimbursement of out-of-pocket expenses. For the year ended September 30, 2004, the Funds incurred the following transfer agent expenses:

Fund	Transfer Agent Fees
Oakmark	\$2,942,576
Select	1,488,884
Equity and Income	1,736,983
Global	434,475
International	1,117,583
Int'l Small Cap	166,242

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

The Adviser has entered into agreements with financial intermediaries to provide recordkeeping, processing, shareholder communications and other services to the Funds. These services would be provided by the Funds if the shares were held in accounts registered directly with the Funds' transfer agent. Accordingly, the Funds pay a portion of these fees pursuant to a separate agreement with the Adviser. These fees are reflected as other shareholder servicing fees in the Statements of Operations.

The non-interested Trustees of the Trust may participate in the Trust's Deferred Compensation Plan for Independent Trustees. Participants in the plan may elect to defer all or a portion of their compensation. Amounts deferred are retained by the Trust and represent an unfunded obligation of the Trust. The value of amounts deferred for a participant is determined by reference to the change in value of Class I shares of one or more of the Funds or a money market fund as specified by the participant. Benefits under the plan are payable upon retirement. The interested trustees are not compensated by the Funds.

3. FEDERAL INCOME TAXES

It is the policy of each Fund to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net taxable income, including any net realized gains on investments, to its shareholders. Therefore, no federal income tax provision is required.

Fund	Cost of Investments for Federal Income Tax Purposes	Gross Unrealized Appreciation	Gross Unrealized (Depreciation)	Net Unrealized Appreciation (Depreciation)
Oakmark	\$5,419,978,326	\$1,240,109,793	\$(82,639,138)	\$1,157,470,655
Select	3,778,917,489	1,794,128,955	(54,979,104)	1,739,149,851
Equity and Income	7,225,630,399	863,786,748	(34,694,871)	829,091,877
Global	1,149,006,532	215,762,399	(21,333,947)	194,428,452
International	3,520,118,309	766,280,366	(27,557,332)	738,723,034
Int'l Small Cap	545,560,327	196,495,791	(8,988,192)	187,507,599

As of September 30, 2004, the net capital loss carryovers noted below are available to offset future realized capital gains and thereby reduce future taxable gains distributions.

Fund	2008	2009	2010	2011	2012	Total
Oakmark	\$23,897,178	\$139,015,880	\$2,634,325	\$27,893,934	\$68,483,540	\$261,924,857
Select	—	—	—	12,873,196	—	12,873,196

For the year ended September 30, 2004, the components of distributable earnings (excluding unrealized appreciation (depreciation) disclosed below) on a tax basis were as follows:

Fund	Undistributed Ordinary Income	Undistributed Long- Term Gain	Total Distributable Earnings
Oakmark	\$26,290,546	\$ 0	\$ 26,290,546
Select	19,568,993	0	19,568,993
Equity and Income	46,090,137	194,102,676	240,192,813
Global	7,095,235	25,636,453	32,731,688
International	60,641,910	12,364,662	72,912,543
Int'l Small Cap	10,730,805	10,050,074	14,831,286

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

During the year ended September 30, 2004, the tax character of distributions paid was as follows:

Fund	Distributions Paid from Ordinary Income	Distributions Paid from Long-Term Capital Gain
Oakmark	\$20,542,974	\$ 0
Select	18,829,513	0
Equity and Income	31,939,932	0
Global	54,303	2,877,446
International	20,655,598	0
Int'l Small Cap	4,212,177	0

4. INVESTMENT TRANSACTIONS

For the year ended September 30, 2004, transactions in investment securities (excluding short term and U.S. Government securities) were as follows (in thousands):

	Oakmark	Select	Equity and Income	Global	International	Int'l Small Cap
Purchases	\$1,964,346	\$708,110	\$2,642,250	\$703,813	\$1,544,366	\$254,645
Proceeds from sales	1,016,634	983,915	1,415,096	187,375	766,729	176,119

Purchases at cost and proceeds from sales of long-term U.S. Government securities for the year ended September 30, 2004 were \$4,548,306 and \$2,778,797 respectively for Equity and Income.

Transactions in options written during the year ended September 30, 2004 were as follows:

	Oakmark		Select		Equity and Income	
	Number of Contracts	Premiums Received	Number of Contracts	Premiums Received	Number of Contracts	Premiums Received
Options outstanding at September 30, 2003	0	\$ 0	0	\$ 0	0	\$ 0
Options written	44,050	3,275,394	52,950	3,595,332	23,000	2,460,641
Options terminated in closing purchase transactions	(6,993)	(683,121)	(8,397)	(811,727)	(7,522)	\$(1,135,011)
Options expired	(28,507)	(1,870,762)	(37,578)	(2,257,703)	(2,478)	(376,653)
Options exercised	<u>(8,550)</u>	<u>(721,511)</u>	<u>(6,975)</u>	<u>(525,902)</u>	<u>0</u>	<u>0</u>
Options outstanding at September 30, 2004	<u>0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>	<u>13,000</u>	<u>\$ 948,977</u>
					Global	
					Number of Contracts	Premiums Received
Options outstanding at September 30, 2003					3,000	\$ 255,988
Options written					1,000	155,663
Options expired					(3,000)	\$(363,653)
Options exercised					<u>(1,000)</u>	<u>(47,998)</u>
Options outstanding at September 30, 2004					<u>0</u>	<u>\$ 0</u>

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

5. INVESTMENTS IN AFFILIATED ISSUERS

An affiliated issuer, as defined under the Investment Company Act of 1940, is one in which the Trust's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of each Fund's investments in securities of these issuers for the year ended September 30, 2004, is set forth below:

Summary of Transactions with Affiliated Companies The Oakmark Fund

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2004
Burlington Resources Inc.*	2,506,800	\$ 0	\$25,056,788	\$ 974,082	\$102,277,440
H&R Block, Inc.	3,029,300	9,714,775	10,836,227	2,437,646	149,708,006
Toys 'R' Us, Inc.†	3,125,000	0	0	0	55,437,500
TOTALS		<u>\$9,714,775</u>	<u>\$35,893,015</u>	<u>\$3,411,728</u>	<u>\$307,422,946</u>

Summary of Transactions with Affiliated Companies The Oakmark Select Fund

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2004
Burlington Resources Inc.*	5,183,600	\$ 0	\$131,201,776	\$2,453,116	\$ 211,490,880
H&R Block, Inc.	8,459,800	19,428,879	42,867,975	7,001,416	418,083,316
The Dun & Bradstreet Corporation†	3,934,900	0	29,537,786	0	230,978,630
Toys 'R' Us, Inc.†	11,872,700	1,567,695	29,529,779	0	210,621,698
TOTALS		<u>\$20,996,574</u>	<u>\$233,137,316</u>	<u>\$9,454,532</u>	<u>\$1,071,174,524</u>

Summary of Transactions with Affiliated Companies The Oakmark Equity and Income Fund

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2004
Burlington Resources Inc.*	7,150,000	\$ 74,735,466	\$ 0	\$2,141,500	\$291,720,000
First Health Group Corp.**†	0	0	78,854,452	0	0
Mentor Graphics†	3,640,000	39,895,500	0	0	39,912,600
TOTALS		<u>\$114,630,966</u>	<u>\$78,854,452</u>	<u>\$2,141,500</u>	<u>\$331,632,600</u>

Summary of Transactions with Affiliated Companies The Oakmark Global Fund

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2004
Burlington Resources Inc.*	1,260,000	\$ 33,267,449	\$ 0	\$ 341,700	\$ 51,408,000
Ducati Motor Holding S.p.A.*†	1,790,000	1,208,621	1,221,415	0	2,373,154
eFunds Corporation*†	2,295,000	9,207,000	1,547,877	0	42,664,050
Euronext	1,814,000	20,811,931	0	1,107,311	51,686,605
First Health Corp.**	0	2,356,713	22,330,271	0	0
Grupo Aeroportuario del Sureste S.A. de C.V.	463,000	0	0	225,759	10,232,300
Lonza group AG, Registered Shares	710,400	36,774,467	0	660,532	32,205,332
Lotte Chilsung Beverage Co., Ltd.	13,430	0	0	22,753	9,645,341
Meitec Corporation	760,000	13,382,051	0	518,494	27,353,783
Michael Page International plc	4,815,400	0	0	339,527	16,054,929
Orbotech†	412,700	3,628,963	0	0	7,218,123
TOTALS		<u>\$120,638,195</u>	<u>\$25,099,563</u>	<u>\$3,216,076</u>	<u>\$250,841,617</u>

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

Summary of Transactions with Affiliated Companies The Oakmark International Fund

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2004
Chargeurs SA	790,182	\$ 0	\$ 9,271,912	\$ 1,685,223	\$ 26,730,782
Enodis plct	33,585,320	0	0	0	50,967,402
Euronext	4,946,200	44,005,582	0	2,873,393	140,932,903
Giordano International Limited*	61,424,300	0	13,935,454	1,732,594	33,874,274
Grupo Aeroportuario del Sureste S.A. de C.V.	242,000	0	0	117,999	5,348,200
Orbotech Ltd†	1,237,700	0	20,576,486	0	21,647,373
Lonza Group AG, Registered Shares	2,267,700	90,347,901	0	1,973,936	102,804,100
Lotte Chilsung Beverage Co., Ltd.	83,400	0	0	141,296	59,897,351
Meitec Corporation	2,052,500	15,751,931	0	1,571,819	73,873,211
Michael Page International plc	23,687,200	3,040,452	3,009,020	1,627,151	78,975,020
TOTALS		<u>\$153,145,866</u>	<u>\$46,792,872</u>	<u>\$11,723,411</u>	<u>\$595,050,616</u>

Summary of Transactions with Affiliated Companies The Oakmark Int'l Small Cap Fund

Affiliates	Shares	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2004
Alaska Milk Corporation	49,394,000	\$ 0	\$ 0	\$ 265,072	\$ 2,636,690
Baycorp Advantage Limited*†	9,741,300	0	9,411,341	0	22,765,813
Ducati Motor Holding S.p.A.*†	3,015,650	5,265,491	4,850,972	0	3,998,101
Grupo Aeroportuario del Sureste S.A. de C.V.	1,288,400	4,235,199	0	524,950	28,473,640
Gurit-Heberlein	36,075	6,271,391	0	585,202	25,871,326
Interpump Group S.p.A.*	3,821,000	8,107,126	4,908,218	671,069	19,940,138
Mainfreight Limited	8,935,381	960,574	0	419,260	12,417,454
Matchon Public Company Limited, Foreign Shares	2,039,500	0	0	234,395	4,189,909
Morse	9,527,500	9,900,421	3,409,255	347,968	19,421,809
Pfeiffer Vacuum Technology AG*	397,840	0	2,983,335	335,857	15,338,602
Royal Doulton plct	22,373,000	0	0	0	2,787,116
TOTALS		<u>\$34,740,202</u>	<u>\$25,563,121</u>	<u>\$3,383,773</u>	<u>\$157,840,598</u>

* Due to transactions during the year, the issuer is no longer an affiliated security.

** Position in issuer liquidated during the year.

† Non-income producing security.

THE OAKMARK FUND

Financial Highlights—Class I

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 33.85	\$ 28.08	\$ 32.01	\$ 26.95	\$ 34.37
Income (Loss) From Investment Operations:					
Net Investment Income	0.16	0.13	0.12	0.07	0.49
Net Gains (Losses) (both realized and unrealized)	<u>4.81</u>	<u>5.75</u>	<u>(3.85)</u>	<u>5.38</u>	<u>(2.91)</u>
Total From Investment Operations:	4.97	5.88	(3.73)	5.45	(2.42)
Less Distributions:					
Dividends (from net investment income)	(0.14)	(0.11)	(0.20)	(0.39)	(0.26)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(4.74)</u>
Total Distributions	(0.14)	(0.11)	(0.20)	(0.39)	(5.00)
Redemption fee per share	0.00(a)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 38.68</u>	<u>\$ 33.85</u>	<u>\$ 28.08</u>	<u>\$ 32.01</u>	<u>\$ 26.95</u>
Total Return	14.73%	20.99%	(11.77)%	20.42%	(7.55)%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$6,474.0	\$4,769.4	\$3,300.9	\$3,109.1	\$2,038.7
Ratio of Expenses to Average Net Assets	1.05%	1.14%	1.17%	1.15%	1.21%
Ratio of Net Investment Income to Average Net Assets	0.47%	0.48%	0.38%	0.73%	1.42%
Portfolio Turnover Rate	19%	21%	44%	57%	50%

Financial Highlights—Class II

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	April 5, 2001 through September 30, 2001 (b)
Net Asset Value, Beginning of Period	\$ 33.68	\$ 28.04	\$ 31.97	\$ 32.09
Income (Loss) From Investment Operations:				
Net Investment Income	0.04(c)	0.05	0.16	0.05
Net Gains (Losses) on Securities (both realized and unrealized)	<u>4.78</u>	<u>5.69</u>	<u>(3.92)</u>	<u>(0.17)</u>
Total From Investment Operations:	4.82	5.74	(3.76)	(0.12)
Less Distributions:				
Dividends (from net investment income)	(0.05)	(0.10)	(0.17)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Distributions	(0.05)	(0.10)	(0.17)	0.00
Net Asset Value, End of Period	<u>\$ 38.45</u>	<u>\$33.68</u>	<u>\$ 28.04</u>	<u>\$ 31.97</u>
Total Return	14.32%	20.52%	(11.85)%	(0.37)%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$ 51.9	\$ 21.1	\$ 7.7	\$ 0.1
Ratio of Expenses to Average Net Assets	1.40%	1.53%	1.44%	1.32%*
Ratio of Net Investment Income to Average Net Assets	0.11%	0.06%	0.35%	0.46%*
Portfolio Turnover Rate	19%	21%	44%	57%

* Data has been annualized.

(a) Amount rounds to less than \$0.01

(b) The date on which Class II shares were first sold to the public was April 5, 2001.

(c) Computed using average shares outstanding throughout the period.

THE OAKMARK SELECT FUND

Financial Highlights—Class I

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 27.55	\$ 21.67	\$ 25.20	\$ 21.45	\$ 20.92
Income (Loss) From Investment Operations:					
Net Investment Income	0.15(a)	0.05	0.02	0.03	0.13
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.60</u>	<u>5.85</u>	<u>(3.50)</u>	<u>5.17</u>	<u>4.32</u>
Total From Investment Operations:	3.75	5.90	(3.48)	5.20	4.45
Less Distributions:					
Dividends (from net investment income)	(0.10)	(0.02)	(0.05)	(0.09)	(0.20)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(1.36)</u>	<u>(3.72)</u>
Total Distributions	(0.10)	(0.02)	(0.05)	(1.45)	(3.92)
Redemption Fee Per Share	0.00(b)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 31.20</u>	<u>\$ 27.55</u>	<u>\$ 21.67</u>	<u>\$ 25.20</u>	<u>\$ 21.45</u>
Total Return	13.64%	27.25%	(13.85)%	25.75%	24.53%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$5,463.0	\$4,993.0	\$3,717.6	\$4,161.4	\$1,772.0
Ratio of Expenses to Average Net Assets	1.00%	1.02%	1.07%	1.08%	1.17%
Ratio of Net Investment Income to Average Net Assets	0.50%	0.23%	0.09%	0.26%	0.76%
Portfolio Turnover Rate	14%	20%	32%	21%	69%

Financial Highlights—Class II

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	December 31, 1999 through September 30, 2000 (c)
Net Asset Value, Beginning of Period	\$27.37	\$21.56	\$ 25.10	\$21.40	\$18.42
Income (Loss) From Investment Operations:					
Net Investment Income (Loss)	0.09(a)	0.00(b)	(0.04)	0.00(b)	0.10
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.58</u>	<u>5.81</u>	<u>(3.50)</u>	<u>5.10</u>	<u>2.88</u>
Total From Investment Operations:	3.67	5.81	(3.54)	5.10	2.98
Less Distributions:					
Dividends (from net investment income)	(0.04)	0.00	0.00	(0.06)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(1.34)</u>	<u>0.00</u>
Total Distributions	(0.04)	0.00	0.00	(1.40)	0.00
Net Asset Value, End of Period	<u>\$31.00</u>	<u>\$27.37</u>	<u>\$ 21.56</u>	<u>\$25.10</u>	<u>\$21.40</u>
Total Return	13.40%	26.95%	(14.10)%	25.28%	16.18%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$ 98.0	\$ 93.1	\$ 64.4	\$ 35.4	\$ 6.8
Ratio of Expenses to Average Net Assets	1.21%	1.29%	1.36%	1.40%	1.41%*
Ratio of Net Investment Income (Loss) to Average Net Assets	0.29%	(0.04)%	(0.19)%	(0.08)%	0.59%*
Portfolio Turnover Rate	14%	20%	32%	21%	69%

* Data has been annualized.

(a) Computed using average shares outstanding throughout the period.

(b) Amount rounds to less than \$0.01 per share.

(c) The date on which Class II shares were first sold to the public was December 31, 1999.

THE OAKMARK EQUITY AND INCOME FUND

Financial Highlights—Class I

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 20.30	\$ 17.18	\$ 17.45	\$ 16.50	\$ 15.68
Income (Loss) From Investment Operations:					
Net Investment Income	0.15	0.17	0.33(a)	0.08	0.35
Net Gains (Losses) on Securities (both realized and unrealized)	<u>2.81</u>	<u>3.19</u>	<u>(0.40)</u>	<u>2.11</u>	<u>2.28</u>
Total From Investment Operations:	2.96	3.36	(0.07)	2.19	2.63
Less Distributions:					
Dividends (from net investment income)	(0.14)	(0.24)	(0.16)	(0.24)	(0.45)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(0.04)</u>	<u>(1.00)</u>	<u>(1.36)</u>
Total Distributions	(0.14)	(0.24)	(0.20)	(1.24)	(1.81)
Redemption fee per share	0.00(b)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 23.12</u>	<u>\$ 20.30</u>	<u>\$ 17.18</u>	<u>\$ 17.45</u>	<u>\$ 16.50</u>
Total Return	14.64%	19.75%	(0.47)%	14.40%	18.51%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$7,577.9	\$4,138.0	\$2,241.9	\$620.1	\$ 54.5
Ratio of Expenses to Average Net Assets	0.92%	0.93%	0.96%	0.98%	1.24%
Ratio of Net Investment Income to Average Net Assets	0.78%	1.07%	1.71%	2.07%	3.04%
Portfolio Turnover Rate	72%	48%	73%	124%	87%

Financial Highlights—Class II

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	July 13, 2000 through September 30, 2000 (c)
Net Asset Value, Beginning of Period	\$20.24	\$17.15	\$17.40	\$16.49	\$15.51
Income (Loss) From Investment Operations:					
Net Investment Income	0.11	0.16	0.30(a)	0.07	0.30
Net Gains (Losses) on Securities (both realized and unrealized)	<u>2.79</u>	<u>3.15</u>	<u>(0.40)</u>	<u>2.08</u>	<u>0.68</u>
Total From Investment Operations:	2.90	3.31	(0.10)	2.15	0.98
Less Distributions:					
Dividends (from net investment income)	(0.11)	(0.22)	(0.11)	(0.24)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(0.04)</u>	<u>(1.00)</u>	<u>0.00</u>
Total Distributions	(0.11)	(0.22)	(0.15)	(1.24)	0.00
Net Asset Value, End of Period	<u>\$23.03</u>	<u>\$20.24</u>	<u>\$17.15</u>	<u>\$17.40</u>	<u>\$16.49</u>
Total Return	14.36%	19.46%	(0.60)%	14.07%	6.32%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$478.7	\$246.6	\$118.7	\$ 3.3	\$ 0.4
Ratio of Expenses to Average Net Assets	1.17%	1.17%	1.20%	1.23%	1.32%*
Ratio of Net Investment Income to Average Net Assets	0.53%	0.84%	1.50%	1.95%	2.59%*
Portfolio Turnover Rate	72%	48%	73%	124%	87%

* Data has been annualized.

(a) Computed using average shares outstanding throughout the period.

(b) Amount rounds to less than \$0.01 per share.

(c) The date on which Class II shares were first sold to the public was July 13, 2000.

THE OAKMARK GLOBAL FUND

Financial Highlights—Class I

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 16.98	\$11.30	\$10.83	\$10.91	\$ 9.18
Income (Loss) From Investment Operations:					
Net Investment Income	0.09	0.01	0.00(a)(b)	0.03	0.11
Net Gains (Losses) on Securities (both realized and unrealized)	<u>2.71</u>	<u>5.67</u>	<u>0.76(c)</u>	<u>0.12</u>	<u>1.63</u>
Total From Investment Operations:	2.80	5.68	0.76	0.15	1.74
Less Distributions:					
Dividends (from net investment income)	0.00(a)	0.00	0.00	(0.17)	(0.01)
Distributions (from capital gains)	<u>(0.05)</u>	<u>0.00</u>	<u>(0.29)</u>	<u>(0.06)</u>	<u>0.00</u>
Total Distributions	<u>(0.05)</u>	<u>0.00</u>	<u>(0.29)</u>	<u>(0.23)</u>	<u>(0.01)</u>
Redemption fee per share	0.00(a)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 19.73</u>	<u>\$16.98</u>	<u>\$11.30</u>	<u>\$10.83</u>	<u>\$10.91</u>
Total Return	16.54%	50.27%	6.84%	1.37%	18.97%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$1,336.3	\$704.8	\$175.6	\$ 48.2	\$ 27.2
Ratio of Expenses to Average Net Assets	1.26%	1.28%	1.55%	1.75%(e)	1.75%(e)
Ratio of Net Investment Income (Loss) to Average Net Assets	0.47%	0.00%(d)	(0.01)%	0.00(e)	0.54%(e)
Portfolio Turnover Rate	16%	42%	86%	114%	147%

(a) Amount rounds to less than \$0.01 per share.

(b) Computed using average shares outstanding throughout the period.

(c) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain/loss for the period due to the timing of purchases and redemptions of Fund shares in relation to the fluctuating net asset value per share of the class.

(d) Amount rounds to less than 0.01%.

(e) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Adviser, ratios would have been as follows:

	September 30, 2001	September 30, 2000
Ratio of Expenses to Average Net Assets	1.80%	1.96%
Ratio of Net Income (Loss) to Average Net Assets	(0.05)%	0.34%

THE OAKMARK GLOBAL FUND

Financial Highlights—Class II

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	October 10, 2001 through September 30, 2002 (a)
Net Asset Value, Beginning of Period	\$16.84	\$11.24	\$11.25
Income (Loss) From Investment Operations:			
Net Investment Income (Loss)	0.05	0.02	(0.03)
Net Gains (Losses) on Securities (both realized and unrealized)	<u>2.69</u>	<u>5.58</u>	<u>0.31</u> (b)
Total From Investment Operations:	2.74	5.60	0.28
Less Distributions:			
Dividends (from net investment income)	0.00	0.00	0.00
Distributions (from capital gains)	<u>(0.05)</u>	<u>0.00</u>	<u>(0.29)</u>
Total Distributions	(0.05)	0.00	(0.29)
Net Asset Value, End of Period	<u>\$19.53</u>	<u>\$16.84</u>	<u>\$11.24</u>
Total Return	16.32%	49.82%	2.31%
Ratios/Supplemental Data:			
Net Assets, End of Period (\$million)	\$ 24.7	\$ 5.8	\$ 0.6
Ratio of Expenses to Average Net Assets	1.50%	1.46%	1.86%*
Ratio of Net Investment Income (Loss) to Average Net Assets	0.37%	(0.01)%	(0.26)%*
Portfolio Turnover Rate	16%	42%	86%

* Data has been annualized.

(a) The date on which Class II shares were first offered for sale to the public was October 10, 2001.

(b) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain/loss for the period due to the timing of purchases and redemptions of Fund shares in relation to the fluctuating net asset value per share of the class.

THE OAKMARK INTERNATIONAL FUND

Financial Highlights—Class I

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$ 15.67	\$ 12.17	\$ 12.51	\$ 15.40	\$13.95
Income (Loss) From Investment Operations:					
Net Investment Income	0.24	0.11	0.14	0.20	1.02
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.18</u>	<u>3.52</u>	<u>(0.31)</u>	<u>(2.07)</u>	<u>0.92</u>
Total From Investment Operations:	3.42	3.63	(0.17)	(1.87)	1.94
Less Distributions:					
Dividends (from net investment income)	(0.11)	(0.13)	(0.17)	(0.51)	(0.49)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.51)</u>	<u>0.00</u>
Total Distributions	(0.11)	(0.13)	(0.17)	(1.02)	(0.49)
Redemption fee per share	0.00(a)	—	—	—	—
Net Asset Value, End of Period	<u>\$ 18.98</u>	<u>\$ 15.67</u>	<u>\$ 12.17</u>	<u>\$ 12.51</u>	<u>\$15.40</u>
Total Return	21.92%	29.97%	(1.53)%	(13.10)%	14.27%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$4,036.9	\$2,676.6	\$1,393.8	\$ 738.5	\$782.4
Ratio of Expenses to Average Net Assets	1.20%	1.25%	1.31%	1.30%	1.30%
Ratio of Net Investment Income to Average Net Assets	1.40%	1.03%	1.34%	1.40%	1.87%
Portfolio Turnover Rate	21%	34%	24%	58%	64%

Financial Highlights—Class II

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	November 4, 1999 through September 30, 2000 (b)
Net Asset Value, Beginning of Period	\$15.58	\$12.13	\$12.47	\$ 15.37	\$14.36
Income (Loss) From Investment Operations:					
Net Investment Income	0.18	0.08	0.15	0.17	0.96
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.16</u>	<u>3.48</u>	<u>(0.37)</u>	<u>(2.10)</u>	<u>0.54</u>
Total From Investment Operations:	3.34	3.56	(0.22)	(1.93)	1.50
Less Distributions:					
Dividends (from net investment income)	(0.06)	(0.11)	(0.12)	(0.49)	(0.49)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.48)</u>	<u>0.00</u>
Total Distributions	(0.06)	(0.11)	(0.12)	(0.97)	(0.49)
Net Asset Value, End of Period	<u>\$18.86</u>	<u>\$15.58</u>	<u>\$12.13</u>	<u>\$ 12.47</u>	<u>\$15.37</u>
Total Return	21.52%	29.52%	(1.76)%	(13.44)%	10.79%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$259.2	\$123.2	\$ 48.5	\$ 1.9	\$ 0.1
Ratio of Expenses to Average Net Assets	1.53%	1.67%	1.58%	1.64%	1.50%*
Ratio of Net Investment Income to Average Net Assets	1.18%	0.69%	1.33%	0.62%	1.98%*
Portfolio Turnover Rate	21%	34%	24%	58%	64%

* Data has been annualized.

(a) Amount rounds to less than \$0.01 per share.

(b) The date on which Class II shares were first sold to the public was November 4, 1999.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Financial Highlights—Class I

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Net Asset Value, Beginning of Period	\$13.74	\$10.17	\$10.00	\$11.51	\$12.64
Income (Loss) From Investment Operations:					
Net Investment Income	0.11	0.11	0.11	0.13	0.23
Net Gains (Losses) on Securities (both realized and unrealized)	<u>4.52</u>	<u>3.82</u>	<u>0.36(a)</u>	<u>(0.81)</u>	<u>(0.66)</u>
Total From Investment Operations:	4.63	3.93	0.47	(0.68)	(0.43)
Less Distributions:					
Dividends (from net investment income)	(0.12)	(0.09)	(0.16)	(0.34)	(0.11)
Distributions (from capital gains)	<u>0.00</u>	<u>(0.27)</u>	<u>(0.14)</u>	<u>(0.49)</u>	<u>(0.59)</u>
Total Distributions	<u>(0.12)</u>	<u>(0.36)</u>	<u>(0.30)</u>	<u>(0.83)</u>	<u>(0.70)</u>
Redemption Fee Per Share	0.01	—	—	—	—
Net Asset Value, End of Period	<u>\$18.26</u>	<u>\$13.74</u>	<u>\$10.17</u>	<u>\$10.00</u>	<u>\$11.51</u>
Total Return	33.94%	39.78%	4.68%	(6.18)%	(3.44)%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$734.1	\$477.8	\$357.7	\$118.9	\$ 90.3
Ratio of Expenses to Average Net Assets	1.49%	1.57%	1.64%	1.74%	1.77%
Ratio of Net Investment Income to Average Net Assets	0.72%	0.99%	1.28%	1.83%	1.99%
Portfolio Turnover Rate	29%	30%	42%	49%	40%

Financial Highlights—Class II

For a share outstanding throughout each period

	Year Ended September 30, 2004	Year Ended September 30, 2003	Year Ended September 30, 2002	January 8, 2001 through September 30, 2001 (b)
Net Asset Value, Beginning of Period	\$13.69	\$10.14	\$ 9.97	\$10.73
Income (Loss) From Investment Operations:				
Net Investment Income	0.13	0.08	0.13(c)	0.15
Net Gains (Losses) on Securities (both realized and unrealized)	<u>4.52</u>	<u>3.81</u>	<u>0.30(a)</u>	<u>(0.91)</u>
Total From Investment Operations:	4.65	3.89	0.43	(0.76)
Less Distributions:				
Dividends (from net investment income)	(0.09)	(0.07)	(0.12)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>(0.27)</u>	<u>(0.14)</u>	<u>0.00</u>
Total Distributions	<u>(0.09)</u>	<u>(0.34)</u>	<u>(0.26)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$18.25</u>	<u>\$13.69</u>	<u>\$10.14</u>	<u>\$ 9.97</u>
Total Return	34.11%	39.39%	4.25%	(7.08)%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$ 0.5	\$ 0.4	\$ 0.3	\$ 0.0
Ratio of Expenses to Average Net Assets	1.39%	1.81%	1.87%	1.97%*
Ratio of Net Investment Income to Average Net Assets	0.75%	0.72%	1.06%	1.76%*
Portfolio Turnover Rate	29%	30%	42%	49%

* Data has been annualized.

(a) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain/loss for the period due to the timing of purchases and redemption of Fund shares in relation to the fluctuating net asset value per share of the class.

(b) The date on which Class II shares were first sold to the public was January 8, 2001.

(c) Computed using average shares outstanding throughout the period.

THE OAKMARK FAMILY OF FUNDS

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Harris Associates Investment Trust:

We have audited the accompanying statement of assets and liabilities, including the schedules of investments, of Harris Associates Investment Trust comprising The Oakmark Fund, The Oakmark Select Fund, The Oakmark Equity and Income Fund, The Oakmark Global Fund, The Oakmark International Fund, and The Oakmark International Small Cap Fund (collectively, the "Funds"), as of September 30, 2004, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The Funds' financial highlights for the periods ended prior to September 30, 2002 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial highlights in their report dated October 26, 2001.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2004, by correspondence with the Funds' custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the Funds as of September 30, 2004, the results of their operations for the year then ended, the changes in their net assets and their financial highlights for the respective stated periods, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Chicago, Illinois
October 27, 2004

Federal Tax Information (Unaudited)

Global, International and Int'l Small Cap paid qualifying foreign taxes of \$1,916,498, \$10,245,147 and \$1,906,580 and earned \$20,181,214, \$108,932,465 and \$15,654,765 foreign source income during the year ended September 30, 2004, respectively. Pursuant to Section 853 of the Internal Revenue Code, Global, International and Int'l Small Cap designated \$0.03, \$0.05 and \$0.05 per share as foreign taxes paid and \$0.29, \$0.48 and \$0.39 per share as income earned from foreign sources for the year ended September 30, 2004, respectively.

Qualified dividend income ("QDI") received by the Funds through September 30, 2004 that qualified for a reduced tax rate pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003 are as follows:

Fund	QDI
Oakmark	\$81,150,924
Select	80,755,137
Equity and Income	40,348,482
Global	21,855,375
International	83,032,159
Int'l Small Cap	15,145,196

For corporate shareholders, a portion of the ordinary dividends paid during the Funds' year ended September 30, 2004, qualified for the dividends received deduction, as follows:

Fund	
Oakmark	100.00%
Select	100.00%
Equity and Income	54.99%

A portion of the dividends paid during the Funds' year ended September 30, 2004, qualified as QDI, as follows:

Fund	QDI %
Oakmark	68%
Select	87%
Equity and Income	71%
Global	100%
International	95%
Int'l Small Cap	99%

This material must be preceded or accompanied by a prospectus. To order a prospectus, which explains management fees and expenses and the special risks of investing in the funds, visit www.oakmark.com or call 1-800-OAKMARK. Please read the prospectus carefully before investing.

The discussion of investments and investment strategy of the funds represents the investments of the funds and the views of fund managers and Harris Associates L.P., the funds' investment adviser, at the time of this article, and are subject to change without notice.

The performance data quoted represents past performance. The above performance information for the Fund does not reflect the imposition of a 2% redemption fee on Class I shares held for 90 days or less to deter market timers. If reflected, the fee would reduce the performance quoted. **Past performance does not guarantee future results.** The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Average annual total return measures annualized change, while total return measures aggregate change. To obtain current month end performance data call 1-800-OAKMARK.

Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform growth stocks during given periods.

The Oakmark Select Fund closed to new investors as of 5/4/01.

Because the Oakmark Select Fund is non-diversified, the performance of each holding will have a greater impact on the Fund's total return, and may make the Fund's return more volatile than a more diversified fund.

The Oakmark Equity & Income Fund closed to certain new investors as of 5/7/04.

Equity and Income invests in medium- and lower-quality debt securities that have higher yield potential but present greater investment and credit risk than higher-quality securities, which may result in greater share price volatility. An economic downturn could severely disrupt the market in medium or lower grade debt securities and adversely affect the value of outstanding bonds and the ability of the issuers to repay principal and interest.

The Oakmark Global Fund and The Oakmark International Fund closed to certain new investors as of 12/15/03.

The Oakmark International Small Cap Fund closed to new investors as of 5/10/02.

Investing in foreign securities represents risks which in some way may be greater than in U.S. investments. Those risks include: currency fluctuation; different regulation, accounting standards, trading practices and levels of available information; generally higher transaction costs; and political risks.

The stocks of smaller companies often involve more risk than the stocks of larger companies. Stocks of small companies tend to be more volatile and have a smaller public market than stocks of larger companies. Small companies may have a shorter history of operations than larger companies, may not have as great an ability to raise additional capital and may have a less diversified product line, making them more susceptible to market pressure.

1. Total return includes change in share prices and in each case includes reinvestment of any dividends and capital gain distributions.
2. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.
3. During the period since inception (8/4/99 - 9/30/04), IPO's contributed an annualized 1.65% to the performance of the Oakmark Global Fund. As the IPO environment changes and the total net assets of the Fund grow, the impact of IPOs on performance is expected to diminish. "IPO" stands for Initial Public Offering, which is the first sale of stock by a company to the public.
4. The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies. This index is unmanaged and investors cannot actually make investments in this index.

5. The quoted passages are taken from "Julian Robertson- A Tiger in the Land of Bulls and Bears" written by Daniel Strachman and published in 2004 by John Wiley & Sons, Inc.
6. The Dow Jones Industrial Average is an unmanaged index that includes only 30 big companies. This index is unmanaged and investors cannot actually make investments in this index.
7. The Lipper Large Cap Value Fund Index is an equally weighted index of the largest 30 funds within the large cap value funds investment objective as defined by Lipper Inc. The index is adjusted for the reinvestment of capital gains and income dividends. This index is unmanaged and investors cannot actually make investments in this index.
8. The S&P MidCap 400 is an unmanaged broad market-weighted index of 400 stocks that are in the next tier down from the S&P 500 and that are chosen for market size, liquidity, and industry group representation. This index is unmanaged and investors cannot actually make investments in this index.
9. The Lipper Mid Cap Value Fund Index measures the performance of the 30 largest U.S. mid-cap value funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.
10. The Lipper Balanced Fund Index measures the performance of the 30 largest U.S. balanced funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.
11. Lehman Brothers Government/Corporate Bond Index is a benchmark index made up of the Lehman Brothers Government and Corporate Bond indexes, including U.S. government Treasury and agency securities as well as corporate and Yankee bonds. This index is unmanaged and investors cannot actually make investments in this index.
12. The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of December 2003 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. This index is unmanaged and investors cannot actually make investments in this index.
13. The Lipper Global Fund Index measures the performance of the 30 largest mutual funds that invest in securities throughout the world. This index is unmanaged and investors cannot actually make investments in this index.
14. The MSCI World Index ex U.S. is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of April 2002 the MSCI World Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. This index is unmanaged and investors cannot actually make investments in this index.
15. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of December 2003 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. This index is unmanaged and investors cannot actually make investments in this index.
16. Lipper International Fund Index reflects the net asset value weighted total return of the 30 largest international equity funds. This index is unmanaged and investors cannot actually make investments in this index.
17. EBIT refers to Earnings Before the deduction of payments for Interest and Taxes and is a measure of operating income.
18. The Lipper International Small Cap Average includes 100 mutual funds that invest in securities whose primary markets are outside of the U.S. This index is unmanaged and investors cannot actually make investments in this index.

THE OAKMARK FAMILY OF FUNDS

Trustees and Officers

The board of trustees has overall responsibility for the conduct of the affairs of Harris Associates Investment Trust (“Trust”), and its six series, The Oakmark Family of Funds. Each trustee serves until the next annual meeting of shareholders and until the election and qualification of his or her successor, or until he or she dies, resigns or is removed. Each trustee must retire at the end of the calendar year in which the trustee attains the age of 72. The board of trustees may fill any vacancy on the board provided that after such appointment, at least two-thirds of the trustees have been elected by the shareholders. No person shall be appointed or elected to serve as a trustee after attaining the age of 65. The shareholders may remove a trustee by a vote of two-thirds of the outstanding shares of the Trust at any meeting of shareholders called for the purpose of removing such trustee.

The board of trustees elects or appoints the officers of the Trust. The president, any vice president, treasurer and secretary serves until the election and qualification of his or her successor, or until he or she dies, resigns, or is removed or disqualified. Each other officer shall serve at the pleasure of the board of trustees. The board of trustees may remove any officer at any time, with or without cause, by the vote of a majority of the trustees then in office.

The names and ages of the trustees and officers, the position each holds with the Trust, the date each was first elected to office, their principal business occupations during the last five years and other directorships held are shown below.

Name and Age at September 30, 2004, Positions Held with the Trust, Date First Elected or Appointed to Office, Principal Occupations During the Past 5 Years, Other Directorships Held

Trustees who are “interested persons”*

Peter S. Voss, 57, Trustee, 1995

Chairman and Chief Executive Officer, IXIS Asset Management Group; Chairman, President and Chief Executive Officer, IXIS Asset Management North America, L.P., formerly CDC IXIS Asset Management North America, L.P. (investment management); Director, Harris Associates, Inc. (“HAI”).

John R. Raitt, 49, Trustee, 2003, President, 2004

President and Chief Executive Officer, HAI, Harris Associates Securities L.P. (“HASLP”) and Harris Associates L.P. (“HALP”), since 2003; Chief Operating Officer, HALP, 2001-2002; Director of Research, HALP, 1998-2002. None.

Trustees who are not “interested persons”

Victor A. Morgenstern, 62, Trustee and Chairman of the Board of Trustees, 1991

President, Resolute Advisors, Inc. (private investment management firm), since 2002; Chairman, Valor Equity Partners, LLC (private equity fund), since 2002; Managing Partner, Drill Hall Partners LLC; Chairman of the Board, HAI, 1996-2000; Chairman, Harris Partners, L.L.C., 1995-2000. Trustee, Illinois Institute of Technology (educational institution); Director, Bio-Sante Pharmaceuticals Inc. (developer of hormone therapy products).

Gary N. Wilner, M.D., 63, Trustee and Chairman of the Board of Trustees**, 1993

Senior Attending Physician, Evanston Hospital; Medical Director—Cardiopulmonary Wellness Program, Evanston Hospital Corporation. Director, North American Scientific, Inc. (developer of radioisotopic products for the treatment and diagnosis of disease).

Trustees and Officers cont.

Michael J. Friduss, 62, Trustee, 1995

Principal, MJ Friduss & Associates, Inc. (telecommunications consultants). None.

Thomas H. Hayden, 53, Trustee, 1995

President, Greenhouse Communications (advertising agency), since 2004; Executive Vice President, Campbell Mithun (advertising and marketing communication agency), prior thereto. None.

Christine M. Maki, 43, Trustee, 1995

Vice President—Tax, Hyatt Corporation (hotel management). Director, Illinois CPA Society.

Allan J. Reich, 56, Trustee, 1993

Partner, Seyfarth Shaw LLP (law firm), since 2003; Vice Chairman of the law firm D’Ancona & Pflaum LLC, prior thereto. None.

Marv R. Rotter, 58, Trustee, 1995

Senior Advisor to Chief Executive Officer, AXA Advisors, LLC (formerly named Rotter & Associates). None.

Burton W. Ruder, 60, Trustee, 1995

President, The Academy Financial Group (venture capital investment and transaction financing firm); Manager, Cedar Green Associates (real estate management firm). None.

Officers of the Trust

Henry R. Berghoef, 55, Vice President and Portfolio Manager (The Oakmark Select Fund), 2000

Director of Domestic Research, HALP, since 2003; Associate Director of Research, 2001-2002; Portfolio Manager and Analyst, HALP. None.

Kevin G. Grant, 40, Vice President and Portfolio Manager (The Oakmark Fund), 2000

Portfolio Manager and Analyst, HALP. None.

David G. Herro, 43, Vice President and Portfolio Manager (The Oakmark International Fund and The Oakmark International Small Cap Fund), 1992

Chief Investment Officer, International Equity, since 2003; Portfolio Manager and Analyst, HALP. None.

John J. Kane, 33, Assistant Treasurer, 1999

Manager—Fund Accounting, HALP. None.

Robert M. Levy, 54, Executive Vice President, 2004

Chairman, HAI, Chief Investment Officer, HALP, since 2001; President and Chief Executive Officer, HAI, HALP and HASLP, 1997-2002; Portfolio Manager, HALP. None.

Clyde S. McGregor, 51, Vice President and Portfolio Manager (The Oakmark Equity and Income Fund and The Oakmark Global Fund), 1995

Portfolio Manager, HALP. None.

William C. Nygren, 45, Vice President and Portfolio Manager (The Oakmark Fund and The Oakmark Select Fund), 1996

Portfolio Manager and Analyst, HALP. None.

Trustees and Officers cont.

Vineeta D. Raketich, 33, Vice President, 2003

Manager, International Operations and Client Relations, HALP, since 2003; Supervisor, Mutual Fund and Institutional Services, HALP, prior thereto. None.

Janet L. Reali, 53, Vice President and Secretary, 2001

Vice President, General Counsel and Secretary, HAI, HALP and HASLP, since 2001; Senior Executive Vice President, General Counsel and Secretary, Everen Capital Corp. and Everen Securities, Inc. (broker/dealer), 1995-1999. None.

Ann W. Regan, 56, Vice President and Assistant Secretary, 1996, Chief Compliance Officer, 2004

Director of Mutual Fund Operations, HALP, 1996-2004. None.

Kristi L. Rowsell, 38, Treasurer, 1997

Director, Chief Financial Officer and Treasurer, HAI, Chief Financial Officer, HALP and HASLP, since 1999. None.

Edward A. Studzinski, 55, Vice President and Portfolio Manager (The Oakmark Equity and Income Fund), 2000
Portfolio Manager and Analyst, HALP. None.

Michael J. Welsh, 41, Vice President and Portfolio Manager (The Oakmark Global Fund, The Oakmark International Fund and The Oakmark International Small Cap Fund), 1997

Director of International Research, since 2003; Portfolio Manager and Analyst, HALP. None.

* Mr. Voss is a trustee who is an “interested person” of the Funds as defined in the Investment Company of 1940, because he is a director of HAI, the general partner and manager of HALP, the investment adviser to the Funds. Mr. Voss is also the Chairman, President and Chief Executive Officer of IXIS Asset Management North America, L.P., formerly CDC IXIS Asset Management North America, L.P., the parent company of HALP. Mr. Raitt is a trustee who is an “interested person” of the Funds because he is the President and Chief Executive Officer of HAI, HASLP and HALP.

** Dr. Wilner will succeed Mr. Morgenstern as Chairman of the Board of Trustees on October 1, 2004.

The business address of the officers and trustees is Two North LaSalle Street, #500, Chicago, Illinois 60602.

The Statement of Additional Information (SAI) contains further information about the trustees and is available without charge upon your request by calling 1-800-625-6275.

THE OAKMARK FAMILY OF FUNDS

Investment Philosophy

All Oakmark managers follow a consistent investment philosophy—to invest in companies they believe are trading at a substantial discount to underlying business value. Critical to this philosophy is to invest with management teams who are committed to maximizing the company’s business value.

Three key tenets of our investment philosophy:

- 1 Buy businesses trading at a significant discount to our estimate of true business value.
- 2 Invest in companies expected to grow shareholder value over time.
- 3 Invest with management teams who think and act as owners.

Investment Process

We seek to identify undervalued companies through an intensive, in-house research process. This process is not based on macro-economic factors, such as the performance of the economy or the direction of interest rates. Nor is it based on technical factors, such as the performance of the stock market itself. And, while some value managers might use only one summary statistic—such as price-earnings ratio—our investment professionals take a more in-depth approach using a range of valuation measures appropriate for a specific company or industry.

From the universe of thousands of equity securities, our team generates investment ideas through a variety of methods. If a security appears attractive, detailed quantitative and qualitative research follows. This careful process of identifying undervalued stocks results in an “approved list.”

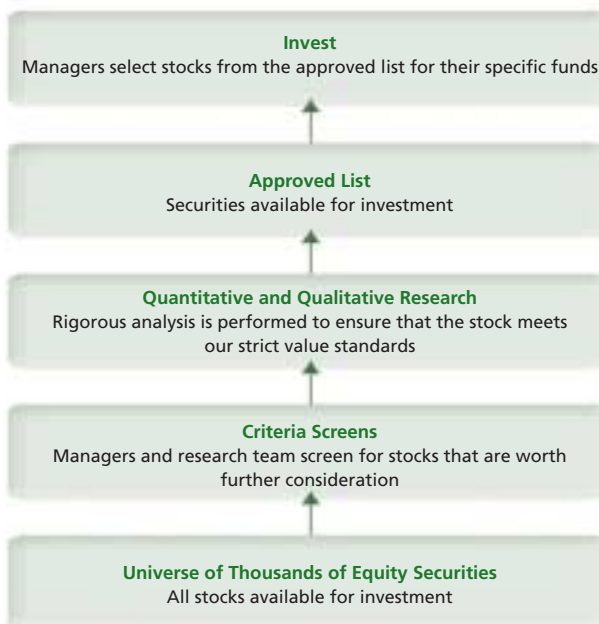
The Result: a unified effort aimed at identifying the best values in the marketplace. From the list of approved stocks, each fund manager constructs a relatively focused portfolio, built on a stock-by-stock basis from the bottom up.

Who Should Invest

Any investor who is seeking a disciplined value manager for the purposes of growing and diversifying a portfolio should consider one of The Oakmark Funds, keeping in mind that all equity investments should be considered long-term investments. As value investors, we recognize that patience is a virtue and believe that, over the long term, investors are rewarded for their patience. We generally hold the companies in which we invest for three to five years, a time horizon that we encourage our shareholders to consider as well.

How to Use Value Funds in an Overall Portfolio

Investment styles tend to move in cycles. One style may be in favor for a few years while the other is out of favor, and vice versa. Diversifying the stock portion of your portfolio may help reduce overall volatility—and potentially provide more consistent returns over time.



Bottom-Up Investment Process

The Oakmark Glossary

Book value – A company's common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred stock, and intangible assets such as goodwill. A company's book value often differs substantially from economic value, especially in industries such as media.

Business value/Intrinsic value – The perceived or estimated actual value of a security, as opposed to its current market price or book value. Business value can be evaluated based on what a knowledgeable buyer would pay for a business if the company were sold in its entirety.

Growth investing – Investors who look for companies based on whether the stock of a company is growing earnings and/or revenue faster than the industry as a whole or the overall market. Growth investors generally expect high rates of growth to persist, and the stock, in turn, to deliver returns exceeding the market's. A growth mutual fund is generally one that emphasizes stocks believed to offer above-average growth prospects, with little to no emphasis on the stock's current price.

M & A (Mergers & Acquisitions) – Merger: the combining of two or more entities into one, through a purchase acquisition or a pooling of interests. Acquisition: can also be called a takeover, and is defined as acquiring control of a corporation, called a target, by stock purchase or exchange, either hostile or friendly.

Market capitalization (market cap or cap) – The market price of an entire company on any given day, calculated by multiplying the number of shares outstanding by the price per share.

Momentum investing – Approach to investing based on the belief that stock price trends are likely to continue. Momentum investors tend to buy stocks that have been outperforming the market and to sell those stocks when their relative performance deteriorates. Momentum investors do not consider a company's underlying value or fundamentals in their investment decisions.

Multiple – A ratio used to measure a stock's valuation, usually greater than 1. Sometimes used to mean price/earnings ratio.

P/B or Price-to-Book Ratio – A stock's capitalization divided by its book value. The value is the same whether the calculation is done for the whole company or on a per-share basis.

P/E or Price-to-Earnings Ratio – The most common measure of a stock's valuation. It is equal to a stock's capitalization divided by its after-tax earnings over a 12-month period. The value is the same whether the calculation is done for the whole company or on a per-share basis. Equivalently, the cost an investor in a given stock must pay per dollar of current annual earnings. Also called earnings multiple.

Share repurchase – Program through which a corporation buys back its own shares in the open market, typically an indication that the corporation's management believes the stock price is undervalued.

Value investing – Investors who utilize valuation measures such as business value (including growth rate), price/earnings ratio, price/book ratio, and yield to gauge the attractiveness of a company. Managers who employ a value investment style believe that the true, underlying value of a company is not reflected in its current share price, and, over time, the price has potential to increase as the market recognizes the overall value of the business. Value stocks sell at relatively low prices in relation to their underlying business value, earnings, or book value.

Stocks become undervalued for a variety of reasons, including an overall market decline, or when a specific industry falls into disfavor and investors view all companies in that industry in the same light. Consequently, an individual company's stock price may fall, even though it may be only temporarily affected by the industry's problems and its underlying value has remained unchanged.

"x times earnings" ("12 times earnings") – Another way to express a stock's price-to-earnings (P/E) ratio. A stock with a P/E ratio of 12 sells at 12 times earnings.



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THE OAKMARK FAMILY OF FUNDS

Other Information

Investment Adviser

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

Transfer Agent

CDC IXIS Asset Management Services, Inc.
Boston, Massachusetts

Legal Counsel

Bell, Boyd & Lloyd LLC
Chicago, Illinois

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
Chicago, Illinois

For More Information:

Please call 1-800-OAKMARK
(1-800-625-6275)
or 617-449-6274

Website

www.oakmark.com

To obtain a prospectus, an application or periodic reports, access our web site at www.oakmark.com, or call 1-800-OAKMARK (1-800-625-6275) or (617) 449-6274.

The Funds will file its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q's are available on the SEC's website at www.sec.gov. The Funds' Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and that information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures the Funds use to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling toll-free 1-800-625-6275; on the Funds website at www.oakmark.com; and on the Securities and Exchange Commissions website at www.sec.gov.

This report 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, however, a shareholder may incur a 2% redemption fee on an exchange or redemption of Class I shares held for 90 days or less from any Fund.



1-800-OAKMARK
www.oakmark.com

The Oakmark Funds are distributed by Harris Associates Securities L.P., member NASD. Date of first use: November 2004.