

**The Oakmark Fund**

**The Oakmark  
Select Fund**

**The Oakmark Small  
Cap Fund**

**The Oakmark Equity  
and Income Fund**

**The Oakmark  
Global Fund**

**The Oakmark  
International Fund**

**The Oakmark  
International Small  
Cap Fund**

# SEMI-ANNUAL REPORT

M A R C H 3 1 , 2 0 0 4

# THE OAKMARK FAMILY OF FUNDS

## 2004 Semi-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

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### Dear Fellow Shareholders,

Both domestic and international stock markets produced moderate gains in the first quarter, extending the worldwide recovery in stock prices that began roughly a year ago. All of our funds had positive returns and achieved new highs in net asset value during the quarter. We are pleased that our disciplined value investment style continues to reward our shareholders.

#### The Economy and the Market

The U.S. economy continues to grow at a healthy rate. Low interest rates and low inflation are fueling this growth. In addition, employment growth accelerated significantly in the past quarter, and corporate earnings also showed significant improvement, aided by high productivity growth. Many of these same factors are also driving strong economic growth internationally.

Despite the mostly positive economic headlines, our outlook for stock returns remains tempered by valuation. Most broad market indices are up 35% or more in the past 12 months. We believe U.S. market valuations now broadly reflect assumptions of sustained, robust economic recovery. While our analysis indicates that our holdings are priced at discounts to growing business values, finding new stock ideas that sell at deep discounts has become more difficult. We are finding more stock values internationally, but discounts to value have narrowed there, too.

We still believe that stocks' prospective returns are attractive compared to other asset classes. However, we also believe that higher share valuations make this a stock pickers' market. Values exist, but they are tougher to find. The rigors of our disciplined, bottom-up investment process, which focuses on finding undervalued stocks, help us to take advantage of market volatility and to unearth value in today's market. Our patient, long-term approach, which helps us avoid over reacting to short term events, gives us an extra edge.

#### Industry Governance and Regulation

Over the past quarter, the SEC and Congress have proposed several new rules and regulations for the mutual



fund industry in response to abusive practices by fund companies. We believe in setting high standards for the treatment of our shareholders, but we also believe that abuses by other fund companies harm investors and their confidence in our industry. In this spirit, we support and encourage sensible new rules and regulations to protect fund investors and enhance fund governance. If you would like to learn more about our position on these issues, please visit our web site at [www.oakmark.com](http://www.oakmark.com).

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](mailto: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<sup>1</sup> Ended March 31, 2004</i>	<b>The Oakmark Fund-Class I (OAKMX)</b>		<b>The Oakmark Select Fund-Class I (OAKLX)</b>		<b>The Oakmark Small Cap Fund-Class I (OAKSX)</b>	
3 Months*	1.44%		2.45%		7.03%	
6 Months*	12.95%		14.26%		18.74%	
1 Year	32.53%		32.83%		46.87%	
<i>Average Annual Total Return for:</i>						
3 Year	6.22%		9.59%		12.30%	
5 Year	5.29%		13.66%		9.44%	
10 Year	11.54%		N/A		N/A	
Since inception	16.91% (8/5/91)		21.81% (11/1/96)		11.62% (11/1/95)	
Value of \$10,000 from inception date	\$72,327		\$43,214		\$25,239	
<i>Top Five Equity Holdings as of March 31, 2004<sup>2</sup></i>	Washington Mutual, Inc. 3.4%		Washington Mutual, Inc. 17.0%		Checkpoint Systems, Inc. 4.6%	
<i>Company and % of Total Net Assets</i>	First Data Corporation 2.6%		H&R Block, Inc. 7.3%		Ciber, Inc. 4.5%	
	H&R Block, Inc. 2.5%		Yum! Brands, Inc. 6.0%		Hanger Orthopedic Group, Inc. 4.3%	
	McDonald's Corporation 2.4%		First Data Corporation 5.7%		Mentor Graphics Corporation 4.3%	
	Yum! Brands, Inc. 2.4%		Burlington Resources, Inc. 4.7%		Ralcorp Holdings, Inc. 3.9%	
<i>Top Five Industries as of March 31, 2004</i>	Retail 9.6%		Banks & Thrifts 17.0%		Food & Beverage 10.3%	
<i>Industries and % of Total Net Assets</i>	Food & Beverage 8.3%		Retail 14.0%		Computer Software 9.9%	
	Pharmaceuticals 7.8%		Other Consumer Goods & Services 11.2%		Medical Products 8.3%	
	Banks & Thrifts 6.4%		Information & Services 7.4%		Computer Services 4.9%	
	Cable Systems & Satellite TV 6.2%		Pharmaceuticals 6.4%		Banks & Thrifts 4.8%	

The performance data quoted represents past performance. **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 Equity and Income Fund-Class I (OAKBX)		The Oakmark Global Fund-Class I (OAKGX)		The Oakmark International Fund-Class I (OAKIX)		The Oakmark International Small Cap Fund-Class I (OAKEX)	
4.18%		3.89%		3.61%		6.54%	
13.75%		18.31%		19.93%		25.51%	
31.35%		73.04%		62.00%		85.03%	
12.48%		22.33%		10.80%		19.01%	
13.89%		N/A		11.36%		14.37%	
N/A		N/A		9.08%		N/A	
14.90% (11/1/95)		17.29% <sup>3</sup> (8/4/99)		11.89% (9/30/92)		11.85% (11/1/95)	
\$32,200		\$21,029		\$36,419		\$25,685	
Burlington Resources, Inc.	3.4%	Diageo plc	4.7%	Diageo plc	3.5%	Neopost SA	4.3%
Caremark Rx, Inc.	3.4%	First Data Corporation	4.7%	Aventis SA	3.5%	D.F.S. Furniture Company plc	3.8%
First Data Corporation	3.2%	Nestle SA	4.1%	Euronext NV	3.4%	Schlinder Holding AG	3.7%
Cardinal Health, Inc.	2.8%	Euronext NV	4.0%	Takeda Chemical Industries, Ltd.	3.0%	Kobenhavns Lufthavne A/S (Copenhagen Airports A/S CPH)	3.6%
General Dynamics Corporation	2.6%	Takeda Chemical Industries, Ltd.	3.8%			Ansell Limited	3.6%
U.S. Government Notes	25.0%	Food & Beverage	11.9%	Food & Beverage	14.4%	Retail	9.4%
Oil & Natural Gas	6.6%	Pharmaceuticals	10.5%	Pharmaceuticals	12.1%	Airport Maintenance	7.0%
Health Care Services	6.6%	Banks & Thrifts	7.3%	Banks & Thrifts	11.7%	Machinery & Industrial Processing	6.2%
Retail	6.0%	Other Financial	6.6%	Chemicals	8.1%	Diversified Conglomerates	6.1%
Aerospace & Defense	5.4%	Computer Services	6.3%	Other Financial	7.4%	Medical Products	6.0%

## THE OAKMARK AND OAKMARK SELECT FUNDS

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At Oakmark, we look for stocks with prices less than 60% of intrinsic value, with intrinsic value that is likely to grow and with management that acts in the interest of outside shareholders. The combination of these factors creates our biggest competitive advantage—the ability to be more patient than most investors.



“He that is greedy of gain troubleth his own house.”  
Book of Proverbs

It was a big quarter for the word “greed.” It was frequently used in courtrooms explaining the behavior of former CEOs who were standing trial. It was used in articles about fund companies that courted market timers. It was used in Warren Buffett’s annual letter referencing excessive CEO compensation.

And it was used to explain investors’ behavior who are now more interested in buying stocks than they were a year ago when stocks were much cheaper.

In his book *Origins of the Crash*,<sup>4</sup> one of my favorite business writers, Roger Lowenstein, also makes frequent use of the word greed. His cataloging of events leading up to the 2000 stock market collapse assigns blame to greedy CEOs, greedy accountants, greedy Wall Street analysts, and greedy investors. Even though the peak occurred just four years ago, Lowenstein’s book serves as a great reminder of just how extreme the excesses were: during “the first quarter of 2000, a technology company was going public and doubling every other day—a speculative orgy without precedent in public markets.” The book should be required reading before anyone is allowed to say that the bubble is now back! During the real bubble, CEOs overly incentivized by stock options became exclusively focused on the short term; audits were marketed not just on price but on leniency; analysts hyped stocks to create banking business; and investors bought stocks not because of investment merits, but because prices had risen and they wanted in on the gravy train. Lowenstein says, “The distinction between self-interest and greed ... in the ‘90s was utterly lost.”

In the investment criteria we list at the top of this report each quarter, we say we seek to invest with a “management that acts in the interest of outside shareholders.” We have further said that we want them incentivized with stock ownership, stock options, and bonuses that pay them for increasing business value. Effectively, we want them to maximize their personal profits by doing what is most profitable for us, the outside shareholders. One could argue that by using the dictionary definition of greed—the desire for wealth beyond one’s needs—we are asking management to be greedy. But many times greed and value maximization do overlap. That’s why Gordon Gekko’s “Greed is good!” speech to the shareholders of Teldar Paper didn’t sound

### Highlights

- At Oakmark, we add value through stock selection rather than macro forecasts.
- If management maximizes business value growth, their stock price should follow.
- We don’t believe current market valuations indicate a “Bubble Redux.”

entirely self-serving. For tough decisions like downsizing or selling off divisions, as well as for high return investments that result in a growing business, greed may result in the same course of action as value maximization. Greed and value maximization, however, part ways when short-term goals are pursued that cause long-term damage. As Lowenstein said, in the 90s, “the credo of shareholder value ... became a maxim not for enhancing business values, a process that occurs only over years, but for enhancing day-by-day quotations of shares.” We have always been troubled by managements that are more concerned about their stock prices than they are about building business value. Managements often ask our advice on what they can do to get a higher stock price. Our answer has remained the same for years, and it’s not necessarily the one they want to hear. “Run the business to maximize long-term value and invest excess cash in your highest return opportunities—among the opportunities being evaluated, always include share repurchase. If you do, the stock price will take care of itself.” Anything short of that is not behaving like an owner. A business owner would never sacrifice long-term value in exchange for simply having people believe the business is more valuable today—unless it is being sold! A management focused only on next year’s stock price won’t make the necessary investments for long-term success. That’s why we look at management’s overall incentives. We want managements to make high return investments, even when the payoffs won’t be evident for several years. Warren Buffett commented on the short-term focus that can result from an options-only incentive plan, saying “Who ever washes a rental car?” Options can help align a manager’s interests with the shareholders, but true ownership creates a better long-term alignment. By focusing on a five-year time frame, we hopefully avoid most of the managers who aren’t washing our cars!

With so much greed in the air, some of our value peers have sold stocks and increased their cash position anticipating better opportunities (lower prices) ahead. We share some of their concerns because by definition, the higher the market goes, the tougher it is to find stocks that

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will continue achieving high returns. But, we have never shown an ability to add value through timing the market, or for that matter, through use of any macro level forecasts. A *New York Times* headline last month read “Time for Optimism? Pessimism? Pick Your Gauge.” The article contained bull and bear arguments that each sounded compelling. An investor who read only one side could have been easily convinced. Last quarter *Barrons* ran a story about the likelihood of a strong rebound in inflation. It was well written and had strong statistical backing. However, later in the same issue, an interview with a highly successful fund manager gave an equally sound argument that deflation was right around the corner!

Usually, a compelling argument can be made for higher or lower stock prices, higher or lower inflation, economic boom or recession. Not only do we lack the ability to select the prophetic ones, but over our five-year time frame, their conclusions generally tend to be less significant than projecting how a specific business is likely to change. That’s why we spend our time at the company level—trying to identify companies whose futures are being underpriced. We agree with Lowenstein’s comment that “a true analyst is better equipped to appraise the medium-term future in rough terms than he is to forecast the here and now with precision.” So we don’t try to forecast the market—we simply buy out-of-favor stocks that appear to be selling below growing business values and hold them until the gap has closed. While it has been hard this year to find new stocks selling below 60% of value, we believe our existing holdings continue to sell at a discount and continue to see growth in their value.

When my children were younger, they enjoyed a story called “The Magic Fish” by Freya Littledale. In this story, a fisherman catches a talking fish that claims to be a prince and begs for freedom. Upon returning home and telling his wife that he set the fish free, the fisherman is berated for not getting anything in return. The wife demands he ask the fish for a new house. The fish delivers, but the greedy wife keeps asking for more and more until finally the fish takes back everything. Those who want us to believe that the current stock market is the “Bubble Redux” would say today’s investor is behaving like the greedy wife. We’re not so sure. Seeing two sides to most every story, we would ask if perhaps those who are waiting for double-digit expected returns while bonds yield only 4% aren’t being just as greedy!



**William C. Nygren, CFA**  
**Portfolio Manager**

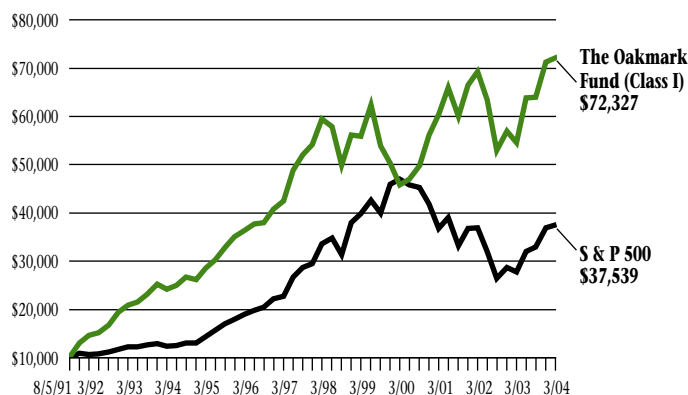
[bnygren@oakmark.com](mailto:bnygren@oakmark.com)

# 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 (3/31/04) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>5</sup>



### Average Annual Total Returns

(as of 03/31/04)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (8/5/91)
<b>Oakmark Fund (Class I)</b>	<b>1.44%</b>	<b>32.53%</b>	<b>5.29%</b>	<b>11.54%</b>	<b>16.91%</b>
S&P 500	1.69%	35.12%	-1.20%	11.67%	11.01%
Dow Jones Average <sup>6</sup>	-0.31%	32.66%	3.07%	13.31%	12.69%
Lipper Large Cap Value Index <sup>7</sup>	2.42%	37.82%	1.21%	10.69%	10.68%

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. **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](http://www.oakmark.com).

\* Not annualized

The Oakmark Fund increased in value by 1% in the quarter, slightly trailing the S&P 500. Over the last twelve months, the Fund increased by 33% compared to 35% for the S&P 500. Though we always strive to do better than the market, we rely on an investment approach that focuses on risk. That approach generally keeps us away from the most popular stocks, which means that we tend to add more value when markets are not unusually strong. We sold three positions this past quarter. We decided our outlook on Safeway had been too optimistic given the high percentage of their sales that come from markets that don't yet have Wal-Mart or other superstore competitors. Though Safeway still looks undervalued, we believe other companies have less uncertainty and are equally undervalued. Further, sale of Safeway allowed us to increase our capital loss carry-forward. On the positive side, shares of JC Penney and Guidant achieved our price targets and were sold. Two new positions were added: Limited Brands, described below, and Raytheon, which is described on our website.

### Limited Brands (LTD—\$20)

LTD is a specialty retailer with well-known brands including Victoria's Secret, Bath & Body Works, Express, and its namesake, Limited. LTD stock is down from a high of \$28 which was reached four years ago. While Victoria's Secret and Bath & Body Works have become highly profitable category dominant chains, the other brands have struggled. Victoria's Secret and Bath & Body Works now account for two-thirds of LTD's sales and 90% of operating income. Despite this, investors seem focused on the struggling turnaround efforts in the lesser chains. Management has intelligently used the cash generated by these businesses, including a recently completed \$1 billion share repurchase (10% of the outstanding shares). We believe Victoria's Secret and Bath & Body Works are above-average franchises, are well insulated from Wal-Mart competition, and should continue growing at above-average rates. Success in the turnarounds of Limited and Express is possible and would be nice, but isn't assumed in our outlook. Selling at fifteen times estimated earnings, LTD is being priced as a below-average business.

Best wishes,

**William C. Nygren, CFA**  
Portfolio Manager  
[bnygren@oakmark.com](mailto:bnygren@oakmark.com)

**Kevin G. Grant, CFA**  
Portfolio Manager  
[kgrant@oakmark.com](mailto:kgrant@oakmark.com)



# THE OAKMARK FUND

## Schedule of Investments—March 31, 2004 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—90.4%</b>		
<b>Food &amp; Beverage—8.3%</b>		
Anheuser-Busch Companies, Inc.	2,450,000	\$ 124,950,000
Diageo plc (b)	1,821,000	96,294,480
Kraft Foods Inc.	2,845,000	91,068,450
H.J. Heinz Company	2,310,000	86,139,900
General Mills, Inc.	1,805,000	84,257,400
		<u>482,710,230</u>
<b>Household Products—1.2%</b>		
The Clorox Company	1,390,200	\$ 67,994,682
<b>Other Consumer Goods &amp; Services—6.0%</b>		
H&R Block, Inc. (c)	2,829,300	\$ 144,379,179
Fortune Brands, Inc.	1,745,600	133,765,328
Mattel, Inc.	3,874,300	71,442,092
		<u>349,586,599</u>
<b>Broadcasting &amp; Programming—2.4%</b>		
Liberty Media Corporation, Class A (a)	9,199,400	\$ 100,733,430
The Walt Disney Company	1,500,000	37,485,000
		<u>138,218,430</u>
<b>Building Materials &amp; Construction—2.2%</b>		
Masco Corporation	4,133,600	\$ 125,826,784
<b>Cable Systems &amp; Satellite TV—6.2%</b>		
Time Warner Inc. (a)	7,297,700	\$ 123,039,222
Comcast Corporation, Special Class A (a)	3,300,000	92,004,000
The DIRECTV Group, Inc. (a)	5,021,618	77,232,485
EchoStar Communications Corporation (a)	2,075,000	67,956,250
		<u>360,231,957</u>
<b>Hardware—1.9%</b>		
The Black & Decker Corporation	1,922,200	\$ 109,450,068
<b>Motorcycles—1.8%</b>		
Harley-Davidson, Inc.	1,962,500	\$ 104,679,750
<b>Publishing—2.5%</b>		
Gannett Co., Inc.	884,500	\$ 77,959,830
Knight-Ridder, Inc.	916,000	67,097,000
		<u>145,056,830</u>
<b>Recreation &amp; Entertainment—1.3%</b>		
Carnival Corporation (d)	1,678,300	\$ 75,372,453

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Common Stocks—90.4% (cont.)</b>		
<b>Restaurants—4.8%</b>		
McDonald's Corporation	4,900,000	\$ 139,993,000
Yum! Brands, Inc (a)	3,674,000	139,575,260
		<u>279,568,260</u>
<b>Retail—9.6%</b>		
The Gap, Inc.	6,326,700	\$ 138,681,264
The Home Depot, Inc.	3,281,500	122,596,840
The Kroger Co. (a)	5,150,000	85,696,000
Kohl's Corporation (a)	1,700,500	82,185,165
Limited Brands	4,090,000	81,800,000
Toys 'Я' Us, Inc. (a)(c)	3,125,000	52,500,000
		<u>563,459,269</u>
<b>Bank &amp; Thrifts—6.4%</b>		
Washington Mutual, Inc.	4,687,300	\$ 200,194,583
U.S. Bancorp	3,700,000	102,305,000
The Bank of New York Company, Inc.	2,300,000	72,450,000
		<u>374,949,583</u>
<b>Insurance—3.5%</b>		
MGIC Investment Corporation	1,740,600	\$ 111,798,738
AFLAC Incorporated	2,367,000	95,011,380
		<u>206,810,118</u>
<b>Other Financial—2.1%</b>		
Fannie Mae	1,670,000	\$ 124,164,500
<b>Health Care Services—1.1%</b>		
AmerisourceBergen Corp	1,200,000	\$ 65,616,000
<b>Medical Products—1.5%</b>		
Baxter International Inc.	2,800,000	\$ 86,492,000
<b>Pharmaceuticals—7.8%</b>		
Merck & Co., Inc.	2,350,000	\$ 103,846,500
Bristol-Myers Squibb Company	3,950,000	95,708,500
Abbott Laboratories	2,300,000	94,530,000
Schering-Plough Corporation	5,625,000	91,237,500
Chiron Corporation (a)	1,659,900	73,052,199
		<u>458,374,699</u>
<b>Telecommunications—1.7%</b>		
Sprint Corporation	5,426,800	\$ 100,015,924

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—90.4% (cont.)</b>		
<b>Computer Services—5.4%</b>		
First Data Corporation	3,615,000	\$ 152,408,400
SunGard Data Systems, Inc. (a)	3,203,700	87,781,380
Automatic Data Processing, Inc.	1,800,000	<u>75,600,000</u>
		315,789,780
<b>Computer Systems—1.4%</b>		
Sun Microsystems, Inc. (a)	19,870,000	\$ 82,659,200
<b>Office Equipment—1.4%</b>		
Xerox Corporation (a)	5,472,400	\$ 79,732,868
<b>Aerospace &amp; Defense—3.9%</b>		
Honeywell International, Inc.	3,050,000	\$ 103,242,500
Raytheon Company	2,500,000	78,350,000
The Boeing Company	1,152,800	<u>47,345,496</u>
		228,937,996
<b>Other Industrial Goods &amp; Services—0.8%</b>		
Illinois Tool Works Inc.	604,200	\$ 47,870,766
<b>Waste Disposal—1.8%</b>		
Waste Management, Inc.	3,474,300	\$ 104,854,374
<b>Oil &amp; Natural Gas—3.4%</b>		
ConocoPhillips	1,435,335	\$ 100,200,736
Burlington Resources, Inc. (c)	1,571,100	<u>99,969,093</u>
		200,169,829
<b>Total Common Stocks (Cost: \$4,161,379,404)</b>		<b>5,278,592,949</b>
<b>Short Term Investments—10.4%</b>		
<b>U.S. Government Bills—7.0%</b>		
United States Treasury Bills, 0.88% - 0.94% due 4/1/2004 - 7/1/2004	\$410,000,000	\$ 409,525,587
<b>Total U.S. Government Bills (Cost: \$409,534,826)</b>		<b>409,525,587</b>
<b>Repurchase Agreements—3.4%</b>		
IBT Repurchase Agreement, 0.91% dated 3/31/2004 due 4/1/2004, repurchase price \$195,504,942 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$205,275,000	\$195,500,000	\$ 195,500,000

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—10.4% (cont.)</b>		
<b>Repurchase Agreements—3.4% (cont.)</b>		
IBT Repurchase Agreement, 0.76% dated 3/31/2004 due 4/1/2004, repurchase price \$4,051,277 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$4,253,750	\$4,051,191	<u>\$ 4,051,191</u>
<b>Total Repurchase Agreements (Cost: \$199,551,191)</b>		<b>199,551,191</b>
<b>Total Short Term Investments (Cost: \$609,086,017)</b>		<b>609,076,778</b>
Total Investments (Cost \$4,770,465,421)—100.8%		\$ 5,887,669,727
Other Liabilities In Excess Of Other Assets—(0.8%)		<u>(46,682,679)</u>
<b>Total Net Assets—100%</b>		<b><u>\$5,840,987,048</u></b>

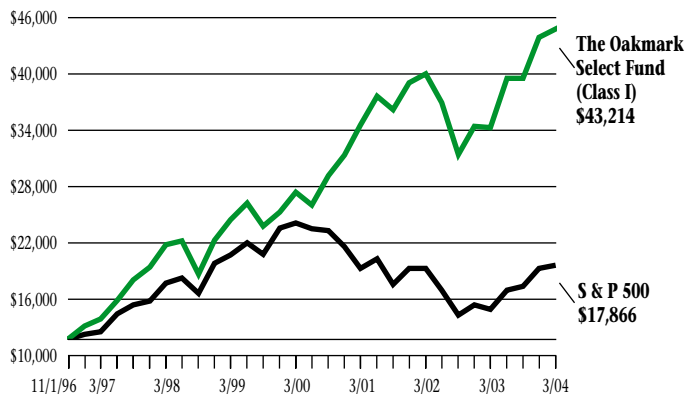
- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) See footnote number five in the Notes to Financial Statements regarding transactions in securities of affiliated issuers.
- (d) Represents a foreign domiciled corporation.

# 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 (3/31/04) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>5</sup>**



Average Annual Total Returns

	(as of 03/31/04)			
	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/96)
<b>Oakmark Select Fund (Class I)</b>	<b>2.45%</b>	<b>32.83%</b>	<b>13.66%</b>	<b>21.81%</b>
S&P 500	1.69%	35.12%	-1.20%	8.14%
S&P MidCap 400 <sup>8</sup>	5.06%	49.10%	11.74%	14.43%
Lipper Mid Cap Value Index <sup>9</sup>	5.60%	53.35%	11.50%	10.63%

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. **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](http://www.oakmark.com).

\* Not annualized

The Oakmark Select Fund increased in value by 2% in the quarter, slightly exceeding the S&P 500. The Fund's performance was positively affected by Washington Mutual's 7% return. As the fund's largest holding, Washington Mutual's performance frequently is the largest contributor to NAV<sup>10</sup> changes. Our holding that increased the most in the quarter was Toys 'Я' Us. We first bought Toys 'Я' Us in early 2000 believing that new management would succeed at improving the profitability of their toy stores. Although the shopping experience today is much better, the profits aren't. Fortunately, continued growth at Babies 'Я' Us and growing real estate value underneath the toy stores has allowed the stock to increase despite disappointing progress on our primary thesis. This outcome highlights the value of our investment approach. By investing only when we believe stocks are selling at large discounts to value, we have benefited from a cushion that Benjamin Graham, the "father of value investing," referred to as a "margin of safety." While the company's earnings have fallen far short of our projections, the stock has increased in price, and we still believe it is selling at a discount to business value. We are pleased with the steps management is now considering which include a downsizing of the toy division.

During the quarter we sold our position in Starwood Hotels. We purchased Starwood a year ago when the Iraq war caused a cutback in travel plans. The stock, which then troughed at \$22, exceeded \$40 last quarter. We still like the business but believe the current quote approximates full business value. Starwood was replaced in the portfolio with The Gap. We believe Gap is one of the strongest global apparel names, and we are very pleased with the new management, led by CEO Paul Pressler. We think that the stores look better, which is confirmed by higher same-store-sales. Our confidence is growing that Gap's turnaround will be successful, so despite the higher price, we believe the stock is very attractive.

Thank you for your continued support,

**William C. Nygren, CFA**  
Portfolio Manager  
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**Henry R. Berghoef, CFA**  
Portfolio Manager  
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# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2004 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—93.9%</b>		
<b>Other Consumer Goods &amp; Services—11.2%</b>		
H&R Block, Inc. (b)	8,259,800	\$ 421,497,594
Mattel, Inc.	12,270,900	<u>226,275,396</u>
		647,772,990
<b>Cable Systems &amp; Satellite TV—4.4%</b>		
Time Warner Inc. (a)	15,240,000	\$ 256,946,400
<b>Information Services—7.4%</b>		
Moody's Corporation	3,123,600	\$ 221,150,880
The Dun & Bradstreet Corporation (a)(b)	3,934,900	<u>210,517,150</u>
		431,668,030
<b>Publishing—3.3%</b>		
Knight-Ridder, Inc.	2,606,500	\$ 190,926,125
<b>Restaurants—6.0%</b>		
Yum! Brands, Inc (a)	9,207,000	\$ 349,773,930
<b>Retail—14.0%</b>		
Toys 'R' Us, Inc. (a)(b)	12,622,700	\$ 212,061,360
Office Depot, Inc. (a)	11,084,900	208,617,818
The Gap, Inc.	9,400,000	206,048,000
The Kroger Co. (a)	11,035,700	<u>183,634,048</u>
		810,361,226
<b>Bank &amp; Thrifts—17.0%</b>		
Washington Mutual, Inc.	23,151,400	\$ 988,796,294
<b>Investment Management—2.6%</b>		
Janus Capital Group, Inc.	9,169,600	\$ 150,198,048
<b>Health Care Services—3.3%</b>		
IMS Health Incorporated	8,303,441	\$ 193,138,038
<b>Pharmaceuticals—6.4%</b>		
Chiron Corporation (a)	4,641,100	\$ 204,254,811
Bristol-Myers Squibb Company	6,990,200	<u>169,372,546</u>
		373,627,357
<b>Telecommunications—3.8%</b>		
Sprint Corporation	11,999,600	\$ 221,152,628
<b>Computer Services—5.7%</b>		
First Data Corporation	7,815,400	\$ 329,497,264
<b>Office Equipment—4.0%</b>		
Xerox Corporation (a)	15,854,700	\$ 231,002,979

# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—93.9% (cont.)</b>		
<b>Oil &amp; Natural Gas—4.8%</b>		
Burlington Resources, Inc. (b)	4,326,800	\$ 275,314,284
<b>Total Common Stocks (Cost: \$3,584,332,713)</b>		<b>5,450,175,593</b>
<b>Short Term Investments—5.9%</b>		
<b>U.S. Government Bills—3.8%</b>		
United States Treasury Bills, 0.865% - 0.895% due 4/1/2004 - 5/20/2004	\$220,000,000	\$ 219,854,010
<b>Total U.S. Government Bills (Cost: \$219,861,555)</b>		<b>219,854,010</b>
<b>Repurchase Agreements—2.1%</b>		
IBT Repurchase Agreement, 0.91% dated 3/31/2004 due 4/1/2004, repurchase price \$119,003,008 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, 0.76% dated 3/31/2004 due 4/1/2004, repurchase price \$3,687,463 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$3,871,754	3,687,385	<u>3,687,385</u>
<b>Total Repurchase Agreements (Cost: \$122,687,385)</b>		<b>122,687,385</b>
<b>Total Short Term Investments (Cost: \$342,548,940)</b>		<b>342,541,395</b>
Total Investments (Cost \$3,926,881,653)—99.8%		\$ 5,792,716,988
Other Assets In Excess Of Other Liabilities—0.2%		<u>12,113,583</u>
<b>Total Net Assets—100%</b>		<b><u><u>\$5,804,830,571</u></u></b>

(a) Non-income producing security.

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

# THE OAKMARK SMALL CAP FUND

Report from James P. Benson and Edward A. Studzinski, Portfolio Managers



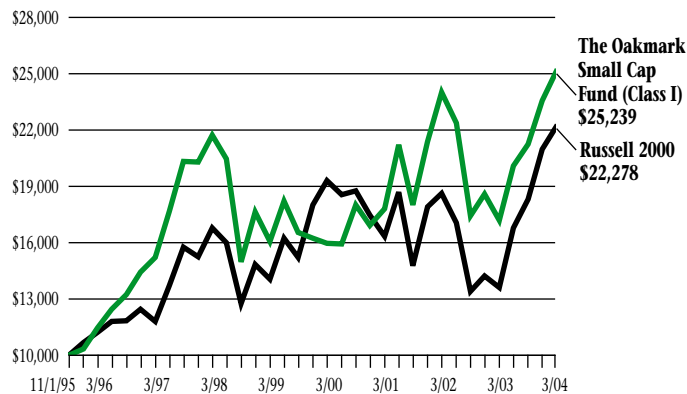
"When it is a question of money, everybody is of the same religion."

Voltaire

## Our Results

The Oakmark Small Cap Fund increased 7% for the quarter ended March 31, which also reflects the calendar year gain. During 2004, the Fund has outperformed the market averages while also outperforming our primary benchmark, the Russell 2000 Index, which has gained 6% year-to-date. We are pleased with this result because we believe that absolute positive returns preserve and grow your capital. We are even more pleased that over the past three-year and five-year periods we have grown and compounded the capital of our long-term investors at a 12% and 9% annualized rate, respectively. Please do not think for one moment however, that those returns are going to lead us to complacency. We began 2004 with a renewed focus on our goal of continuing to provide consistent returns. While Oscar Wilde may have said, "Consistency is the last refuge of the unimaginative," we feel that in the investment business consistently above-average returns requires both imagination and discipline. We also firmly believe that you, our investors, sought this consistency and discipline when you elected to partner with us by committing capital to the fund.

## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/04) AS COMPARED TO THE RUSSELL 2000 INDEX<sup>11</sup>



## Annual Average Total Returns

(as of 03/31/04)  
Total Return 1-year 5-year Since Inception (11/1/95)  
Last 3 Months\*

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
<b>Oakmark Small Cap Fund (Class I)</b>	<b>7.03%</b>	<b>46.87%</b>	<b>9.44%</b>	<b>11.62%</b>
Russell 2000	6.26%	63.83%	9.65%	9.98%
S&P Small Cap 600 <sup>12</sup>	6.22%	56.49%	13.10%	12.40%
Lipper Small Cap Value Index <sup>13</sup>	5.96%	65.89%	16.54%	13.48%

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. **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](http://www.oakmark.com).

\* Not annualized

## Tidal Charts

Particularly strong performers during the quarter were Central Parking Corporation, CIBER Inc., Jack in the Box Inc., Levitt Corporation, and Peoples Bank of Bridgeport. Over time, we have noted that many value stocks have a tendency to sit for long periods with a huge gap between our assessment of intrinsic value and the current market price until a catalyst or some other piece of information triggers a greater appreciation of the opportunity presented by the gap. Then, the gap narrows and often closes within a very short period. We mention this sequence of events because it speaks to the importance of a long-term focus, rather than allowing one's self to be blown about by the vagaries of changing short-term perceptions that have little to do with a company's long-term business value. It also speaks to the foolishness of trying to time the market, especially in today's world of accelerated information flows.

The worst performer during the quarter was R.G. Barry, which saw its share price sell-off when it reported a slowdown in sales of its slipper products, along with the attendant back-up in inventories. We continue to monitor this situation closely, weighing the statistical cheapness of the investment against a management that for a continued period has been unable to avoid tripping over its own feet in executing a turnaround.



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### Highlights

- Gaps between price and value can remain for long periods, but close quickly when a catalyst occurs.
- Small caps are significantly under-followed by Wall Street, presenting us with real opportunity.
- Our focus remains the same: to search for businesses trading at a margin-of-safety discount to intrinsic value.

Five positions—Central Parking Corporation, Jack in the Box, Optimal Robotics Corporation, Penn Fed Financial Corporation, and PMI—were sold out during the quarter. Four of those issues reached our assessment of fair valuation. We sold one position, Optimal Robotics, after its management changed its strategy to focus more on management, rather than shareholder, returns. After we exited the position, management sold the one business that had represented the major unpinning of our investment thesis. Seven new positions were initiated during the quarter in American Italian Pasta, Coolbrands International, FTI Consulting, Levitt Corporation, NeighborCare Inc., PRIMEDIA, Inc., and Watson Wyatt & Company Holdings. While the buoyant market of 2003 and the beginning of 2004 has eliminated many compelling values that existed at the beginning of 2003, our analytical team has diligently examined the “New Low” list as well as other sources to uncover some very interesting and undervalued situations. We have NOT undertaken a strategy of turning the portfolio over merely for the sake of turning the portfolio over. Rather, we have removed issues from the portfolio because they had reached their valuation targets or our assessments had proven faulty, and we have been able to replace them with what we believe are more attractive issues. We also note that our holdings have not appreciated to the point where a wholesale liquidation is appropriate based on valuation.

We would point out that there IS a reason why we construct portfolios rather than focus on individual stocks. To use a baseball analogy, ours is a business of hitting singles and doubles. If there is an occasional home run, that's nice, but the singles and doubles provide consistent returns over time while allowing control of the risk we are undertaking. And, we believe that the market and its participants will present us with other opportunities to buy a lot of very high quality securities at very reasonable prices. In the interim, we are looking for one or two really good ideas a year (and are thankful whenever we are able to find a few more than that).

### Making Sausage

Is there anything unique about the process of investing in small cap value stocks? Aside from liquidity issues, perhaps the biggest difference from the large cap area is a much diminished information flow. This is not because of the companies themselves, which are oftentimes quite happy to talk to institutional or even individual investors.

Rather, Wall Street research often provides little information. A company like Microsoft might have twenty different analysts from the Street following it. For the top two hundred largest capitalization stocks, it is not unusual to have at least ten analysts from different companies poking and prodding the news releases and financials, talking to management, and producing earnings estimates. The information flow on these companies tends to be huge. And, given that even a blind pig can find an acorn on occasion, sometimes one or more of the Street analysts will be outliers in their research and offer an insight that makes it possible to exploit an inefficiency in price, however briefly. The opposite is true in the small cap arena.

Probably some ten years ago, the Street started pulling back on the number of companies it covered. Companies like Merrill Lynch, which used to proudly announce that their analysts followed more companies than any other firm on Wall Street, have increasingly trimmed back their coverage to following fewer than a thousand companies. Given that our benchmark is the Russell 2000, that means a lot of companies are either not being covered or are covered by at best one or two institutional analysts, often at small regional or second-tier firms. Many of the companies in The Oakmark Small Cap Fund are followed by one or two analysts. That presents us with an opportunity.

Of course, another opportunity comes from the nature of the information flow about these companies. Most large cap companies, followed by an abundance of Street analysts as well as buy side analysts for institutional investors, tightly control access to management, including what have become rigidly scripted investor presentations and guidelines even for the types of questions investors can ask. Earnings guidance information is now the high point of a quarter's information, and woe unto the analyst who deviates greatly from that guidance. What used to pass for analysis has now become information distribution by what are very close to being “embedded” reporters, with all that that may subsume.

Contrarily, in the small cap world, analysts get to meet managements, attend analyst days where there is the opportunity for interchange with many levels of management, and still tour plants and other operating facilities. Often these companies do not have a true head of investor relations (the guardian of relative truth), so one's idea of the intellectual and moral makeup of managements comes from direct exchange. One also gets the opportunity to learn about industries and competitors in considerably more depth than one usually gets from visiting a large cap company.

At Harris Associates, we are blessed with a very high quality group of analysts who present us with a continuing flow of well-researched, interesting ideas. While we won't go so far as saying that the portfolio manager could easily be replaced by a coin-flipping primate, the fundamental work of our analysts makes our daily jobs considerably easier.

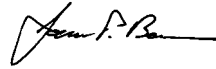
### The Future

One of the nice aspects of our job and the focus of our firm is that as fundamental value investors, we don't spend a lot of time trying to guess the future, especially what we have no control over and no ability to assess. We leave it


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to others who make their living predicting economic growth or interest rates. This is probably for the best because we don't think we have any especial talent in that area, and they may actually be ones where the coin-flipping primate can truly excel (or perhaps already has, depending on one's opinion of various commentators). Instead, we plod along, looking to unearth the occasional diamond in the rough of an investment opportunity. In our favor, the continued and even intensified focus on short-term events drives many investment analysis and portfolio management decisions today. Sometimes (actually more than sometimes), doing nothing is the correct decision if you have confidence in your

original assessment. Regardless, we are not going to do anything different this coming year from what we have done in the past: searching for business values at that margin of safety discount to intrinsic value that we like. We remain grateful to you, our shareholders and partners, for your patience and confidence in entrusting us with your capital to manage.



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**Edward A. Studzinski, CFA**  
Portfolio Manager  
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# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2004 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—93.4%</b>		
<b>Food &amp; Beverage—10.3%</b>		
Ralcorp Holdings, Inc. (a)	500,000	\$ 15,215,000
Del Monte Foods Company (a)	1,100,000	12,375,000
American Italian Pasta Company, Class A	200,000	7,986,000
CoolBrands International, Inc. (a)(b)	290,000	5,047,895
		<u>40,623,895</u>
<b>Household Products—3.7%</b>		
Tupperware Corporation	825,000	\$ 14,693,250
<b>Other Consumer Goods &amp; Services—2.3%</b>		
Callaway Golf Company	475,000	\$ 9,015,500
<b>Security Systems—4.6%</b>		
Checkpoint Systems, Inc. (a)	968,300	\$ 18,300,870
<b>Apparel—2.7%</b>		
Oakley, Inc.	671,200	\$ 9,960,608
R.G. Barry Corporation (a)	269,150	783,226
		<u>10,743,834</u>
<b>Automobile Rentals—2.4%</b>		
Dollar Thrifty Automotive Group, Inc. (a)	375,000	\$ 9,476,250
<b>Building Materials &amp; Construction—3.3%</b>		
Integrated Electrical Services, Inc. (a)	956,600	\$ 10,752,184
Insituform Technologies, Inc., Class A (a)	150,000	2,344,500
		<u>13,096,684</u>
<b>Consulting Services—2.5%</b>		
FTI Consulting, Inc. (a)	360,000	\$ 5,997,600
Watson Wyatt & Company Holdings	158,500	4,000,540
		<u>9,998,140</u>
<b>Home Builders—2.7%</b>		
Levitt Corporation, Class A (a)	427,300	\$ 10,468,850
<b>Human Resources—2.1%</b>		
Hudson Highland Group, Inc. (a)	300,000	\$ 8,364,000
<b>Information Services—2.9%</b>		
eFunds Corporation (a)(c)	706,700	\$ 11,589,880
<b>Marketing Services—2.1%</b>		
Grey Global Group, Inc.	11,750	\$ 8,107,500
<b>Publishing—0.2%</b>		
PRIMEDIA Inc. (a)	314,500	\$ 849,150

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Common Stocks—93.4% (cont.)</b>		
<b>Restaurants—2.7%</b>		
Triarc Companies, Inc., Class B	500,000	\$ 5,480,000
Triarc Companies, Inc.	250,000	2,735,000
Landry's Restaurants, Inc.	88,700	<u>2,645,921</u>
		10,860,921
<b>Retail—2.2%</b>		
ShopKo Stores, Inc. (a)	600,000	\$ 8,772,000
<b>Bank &amp; Thrifts—4.8%</b>		
People's Bank of Bridgeport, Connecticut	300,000	\$ 13,947,000
BankAtlantic Bancorp, Inc., Class A	295,700	<u>5,015,072</u>
		18,962,072
<b>Insurance—1.1%</b>		
U.S.I. Holdings Corporation (a)	283,000	\$ 4,185,570
<b>Other Financial—3.1%</b>		
NCO Group, Inc. (a)	530,000	\$ 12,386,100
<b>Real Estate—1.8%</b>		
Trammell Crow Company (a)	495,000	\$ 6,944,850
<b>Health Care Services—2.5%</b>		
NeighborCare, Inc. (a)	400,000	\$ 9,700,000
<b>Medical Products—8.3%</b>		
Hanger Orthopedic Group, Inc. (a)	950,000	\$ 17,147,500
CONMED Corporation (a)	400,000	11,816,000
Advanced Medical Optics, Inc. (a)	150,000	<u>3,660,000</u>
		32,623,500
<b>Computer Services—4.9%</b>		
CIBER, Inc. (a)	1,625,000	\$ 17,875,000
Interland, Inc. (a)	400,000	<u>1,652,000</u>
		19,527,000
<b>Computer Software—9.9%</b>		
Mentor Graphics Corporation (a)	950,000	\$ 16,929,000
MSC.Software Corp. (a)	1,350,000	11,893,500
Sybase, Inc. (a)	495,000	<u>10,390,050</u>
		39,212,550
<b>Data Storage—2.0%</b>		
Imation Corp.	215,000	\$ 8,088,300

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—93.4% (cont.)</b>		
<b>Aerospace &amp; Defense—1.7%</b>		
Herley Industries, Inc. (a)	211,500	\$ 3,993,120
Teledyne Technologies Incorporated (a)	140,000	<u>2,618,000</u>
		6,611,120
<b>Forestry Products—2.1%</b>		
Schweitzer-Mauduit International, Inc.	250,700	\$ 8,097,610
<b>Oil &amp; Natural Gas—4.5%</b>		
St. Mary Land & Exploration Company	300,000	\$ 10,029,000
Cabot Oil & Gas Corporation	250,000	<u>7,640,000</u>
		17,669,000
<b>Total Common Stocks (Cost: \$275,438,474)</b>		<b>368,968,396</b>
<b>Short Term Investments—6.5%</b>		
<b>U.S. Government Bills—5.1%</b>		
United States Treasury Bills, 0.935% - 0.955% due 4/1/2004 - 4/22/2004	\$20,000,000	\$ 19,993,623
<b>Total U.S. Government Bills (Cost: \$19,993,623)</b>		<b>19,993,623</b>
<b>Repurchase Agreements—1.4%</b>		
IBT Repurchase Agreement, 0.91% dated 3/31/2004 due 4/1/2004, repurchase price \$3,500,088 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$3,675,000	\$ 3,500,000	\$ 3,500,000
IBT Repurchase Agreement, 0.76% dated 3/31/2004 due 4/1/2004, repurchase price \$2,157,368 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,265,188	2,157,322	<u>2,157,322</u>
<b>Total Repurchase Agreements (Cost: \$5,657,322)</b>		<b>5,657,322</b>
<b>Total Short Term Investments (Cost: \$25,650,945)</b>		<b>25,650,945</b>
Total Investments (Cost \$301,089,419)—99.9%		\$ 394,619,341
Other Assets In Excess Of Other Liabilities—0.1%		<u>559,625</u>
<b>Total Net Assets—100%</b>		<b><u>\$395,178,966</u></b>

(a) Non-income producing security.

(b) Represents a foreign domiciled corporation.

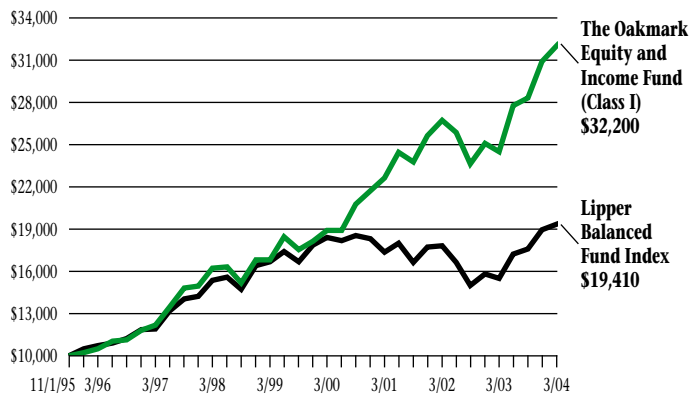
(c) See footnote number five in the Notes to Financial Statements regarding transactions in securities of affiliated issuers.

# 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 (3/31/04) AS COMPARED TO THE LIPPER BALANCED FUND INDEX<sup>14</sup>



### Annual Average Total Returns

(as of 03/31/04)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
<b>Oakmark Equity &amp; Income Fund (Class I)</b>	<b>4.18%</b>	<b>31.35%</b>	<b>13.89%</b>	<b>14.90%</b>
Lipper Balanced Fund Index	2.39%	25.10%	3.11%	8.19%
S&P 500 <sup>5</sup>	1.69%	35.12%	-1.20%	9.92%
Lehman Govt./Corp. Bond <sup>15</sup>	3.08%	6.15%	7.56%	7.33%

### Oakmark Equity & Income Fund (Class I)

Lipper Balanced Fund Index	2.39%	25.10%	3.11%	8.19%
S&P 500 <sup>5</sup>	1.69%	35.12%	-1.20%	9.92%
Lehman Govt./Corp. Bond <sup>15</sup>	3.08%	6.15%	7.56%	7.33%

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. **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](http://www.oakmark.com).

\* Not annualized

### Quarter Review

The Equity and Income Fund produced a return of 4% for the quarter ended March 31. This result modestly exceeded the 2% that the Lipper Balanced Fund Index reported. The fund's return has now bested the Balanced Fund Index in 15 of the past 17 quarters. While we are competitive individuals who enjoy achieving relative success, our goal in managing the fund is not to beat a benchmark. Rather, we seek to earn positive rates of return in all material time periods while always maintaining an unhedged commitment to common stocks of at least 50%.

The world is exceptionally confusing these days. Issues like the plague of terrorism, an unusually polarized U.S. election cycle, a synchronized global economic recovery, historically low interest rates, and troubling corporate governance issues have combined to make investing based on macro factors hazardous. Many investors who desire consistent positive returns have attempted to cope with uncertainty by moving money to hedge funds and investment partnerships that employ various esoteric strategies. These entities often pay little attention to the underlying fundamentals of their investments, instead treating securities more like mathematical abstractions. Hedge funds do, however, account for an ever-increasing share of trading volume.

We, of course, have our own opinions on macro issues, but we do not make these opinions central to how we invest your money based on those opinions. Instead, careful analysis of corporate business values drives our investment decisions. We have built the fund's record on thousands of decisions concerning individual securities, and we will continue to expend our energies in that manner. Since the fund's inception at the end of 1995, it has generated positive results in all but one calendar year and 25 out of 33 quarters. We hope to improve upon that record.

### Hit and Miss

In our first 34 reports to shareholders we have written extensively (*ad nauseam?*) about our investing philosophy and process. Many reports also waxed eloquent about our fixed income approach. At the moment we find that we do not have anything new to say on these topics. Therefore, the remainder of this report will discuss individual equity holdings. Please recognize, however, that this does not imply any shift in our investing emphasis but rather a failing of our creative muse.

To format the discussion, we are shamelessly imitating a relatively new column of the

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### Highlights

- Careful analysis of long-term business values drives our investment decisions, not opinions about macro issues.
- This quarter, we talk about our investing hits and misses, specifically, Caremark and First Health.
- As always, we continue to focus on companies priced below business value with shareholder-oriented management.

*Wall Street Journal* titled "Tracking the Numbers/Hit and Miss." This column asks portfolio managers to describe experiences with one stock position that worked and one that failed. To make this more topical for our fund report, we will focus on two stocks that materially affected the fund's recent results.

#### Hit

Caremark, a pharmacy benefit manager (PBM) based in Birmingham, Alabama.

**Average price we paid:** \$20.37. The stock closed the quarter at \$33.25.

**Why we bought it:** We began purchasing shares in August 2002. Earlier that summer the financial press had questioned the accounting treatment of prescription co-payments by several PBMs, including Caremark. This industry seemed interesting to us because of the rapid growth rate in pharmaceutical expenditures, the even faster growth rate of the mail order pharmacy segment, and the attendant focus on drug cost containment. Caremark itself attracted us for many reasons, including its strong management team and its large specialty pharmaceutical business (distribution of expensive biotechnology drugs). 2002 stock market weakness and accounting paranoia (Caremark was an Arthur Anderson client) gave us the opportunity to invest at a great price.

**How it did:** To the date of this letter, Caremark has proven to be an ideal experience for the fund. The stock remained in a tight trading range for our first six months of ownership before rallying vigorously in mid-2003. The company then announced an agreement to acquire another major factor in its industry, Advance PCS. The market received this news negatively, offering us another opportunity to increase our holding at favorable prices. At the time of this writing Caremark has assumed the position of largest stock holding in the fund.

**The latest:** Caremark closed on its purchase of Advance PCS on March 24. After some initial discomfort with this deal, investors warmed to the idea that the additional scale would produce significant cost advantages. The stock gained 31% in the March quarter and was the largest single contributor to the fund's quarterly return.

#### Miss

First Health, a nationwide outsourcer of healthcare solutions based in Downers Grove, Illinois.

**Average price we paid:** \$24.15. We sold the stock for an average price of \$20.22.

**Why we bought it:** We began purchasing shares in January 2002 believing that the company was unique in offering corporate clients a nationwide healthcare solution. We thought that investors misunderstood the company, classifying it as a managed care provider (*i.e.*, an HMO that underwrites health care insurance for its clients) rather than a company that simply provides health care solutions without the insurance liability. We also admired management's use of capital.

**How it did:** The share price of First Health meandered within a tight range until November 2003 when the company announced a significant earnings shortfall. The stock dropped 24% on the news. Subsequently, our research analysts' work on this industry suggested that the competitive environment for First Health had deteriorated and that the company's proprietary advantages had dissipated. Since this change in perception materially affected our reasons for owning the stock, we sold it.

**The latest:** First Health shares appear to have stabilized in the low \$20s as investors await more data that would provide clarity concerning the competitive landscape.

So what do we take from this? Both of our subject companies are in the business of helping corporate America deal with rising health costs, both have shareholder-oriented, entrepreneurial management teams, and both have particular service offerings with a claim to a proprietary position. What changed was that the competitive position of Caremark actually strengthened while First Health's weakened. In today's hyper-competitive world economy, it may be that business values themselves are less stable than in the past.

In closing, we would once again like to thank our investors for entrusting us with their assets.

**Clyde S. McGregor, CFA**  
Portfolio Manager  
mcgregor@oakmark.com

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

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2004 (Unaudited)

Name	Shares Held	Market Value
<b>Equity and Equivalent—59.0%</b>		
<b>Common Stocks—59.0%</b>		
<b>Food &amp; Beverage—4.5%</b>		
Diageo plc (b)	2,300,000	\$ 121,624,000
Nestle SA (a)(b)	1,600,000	102,036,800
Kraft Foods Inc.	1,700,000	54,417,000
Dean Foods Company (a)	800,000	<u>26,720,000</u>
		304,797,800
<b>Cable Systems &amp; Satellite TV—1.2%</b>		
The DIRECTV Group, Inc. (a)	5,026,722	\$ 77,310,984
<b>Hardware—0.6%</b>		
The Stanley Works	962,100	\$ 41,062,428
<b>Information Services—2.3%</b>		
Ceridian Corporation (a)	4,800,000	\$ 94,608,000
ChoicePoint Inc. (a)	1,500,000	<u>57,045,000</u>
		151,653,000
<b>Marketing Services—1.2%</b>		
The Interpublic Group of Companies, Inc. (a)	5,250,000	\$ 80,745,000
<b>Printing—1.7%</b>		
R.R. Donnelley & Sons Company	3,779,500	\$ 114,329,875
<b>Restaurants—0.9%</b>		
Darden Restaurants, Inc.	2,413,400	\$ 59,828,186
<b>Retail—5.7%</b>		
The TJX Companies, Inc.	6,500,000	\$ 159,640,000
Costco Wholesale Corporation (a)	3,200,000	120,192,000
J.C. Penney Company, Inc.	1,700,000	59,126,000
Office Depot, Inc. (a)	2,230,000	<u>41,968,600</u>
		380,926,600
<b>Insurance—2.9%</b>		
SAFECO Corporation	3,850,000	\$ 166,204,500
RenaissanceRe Holdings Ltd. (c)	600,000	<u>31,200,000</u>
		197,404,500
<b>Real Estate—0.2%</b>		
Hospitality Properties Trust	313,500	\$ 14,546,400
<b>Health Care Services—6.2%</b>		
Caremark Rx, Inc. (a)	6,800,000	\$ 226,100,000
Cardinal Health, Inc.	2,709,700	<u>186,698,330</u>
		412,798,330



# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Equity and Equivalents—59.0% (cont.)</b>		
<b>Medical Centers—2.0%</b>		
Laboratory Corporation of America Holdings (a)	3,500,000	\$ 137,375,000
<b>Medical Products—1.3%</b>		
Apogent Technologies, Inc. (a)	1,700,000	\$ 52,156,000
Techne Corporation (a)	750,000	30,607,500
Edwards Lifesciences Corporation (a)	100,000	3,195,000
		<u>85,958,500</u>
<b>Pharmaceuticals—4.2%</b>		
Abbott Laboratories	4,000,000	\$ 164,400,000
Watson Pharmaceuticals, Inc. (a)	2,708,700	115,905,273
		<u>280,305,273</u>
<b>Computer Services—3.2%</b>		
First Data Corporation	5,017,500	\$ 211,537,800
<b>Computer Software—2.3%</b>		
Synopsys, Inc. (a)	4,250,000	\$ 123,080,000
Mentor Graphics Corporation (a)	1,750,000	31,185,000
		<u>154,265,000</u>
<b>Computer Systems—0.7%</b>		
The Reynolds and Reynolds Company, Class A	1,715,100	\$ 48,725,991
<b>Data Storage—0.6%</b>		
Imation Corp.	1,000,000	\$ 37,620,000
<b>Aerospace &amp; Defense—5.4%</b>		
General Dynamics Corporation	1,972,400	\$ 176,194,492
Rockwell Collins, Inc.	3,107,900	98,240,719
Honeywell International, Inc.	1,889,500	63,959,575
Raytheon Company	778,800	24,407,592
		<u>362,802,378</u>
<b>Agricultural Equipment—0.0%</b>		
Alamo Group, Inc.	114,500	\$ 1,991,155
<b>Diversified Conglomerates—0.2%</b>		
Textron, Inc.	296,800	\$ 15,774,920
<b>Instruments—1.0%</b>		
Varian, Inc. (a)	1,649,400	\$ 66,256,398
<b>Machinery &amp; Industrial Processing—0.9%</b>		
Rockwell Automation, Inc.	1,700,000	\$ 58,939,000
<b>Agricultural Operations—1.9%</b>		
Monsanto Company	3,500,000	\$ 128,345,000

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Equity and Equivalents—59.0% (cont.)</b>		
<b>Forestry Products—1.3%</b>		
Plum Creek Timber Company, Inc.	2,657,044	\$ 86,300,789
<b>Oil &amp; Natural Gas—6.6%</b>		
Burlington Resources, Inc. (d)	3,575,000	\$ 227,477,250
XTO Energy, Inc.	5,624,916	141,972,880
St. Mary Land & Exploration Company	1,200,000	40,116,000
Cabot Oil & Gas Corporation	1,125,000	34,380,000
		443,946,130
<b>Total Common Stocks (Cost: \$3,017,913,310)</b>		<b>3,955,546,437</b>
<b>Total Equity And Equivalents (Cost: \$3,017,913,310)</b>		<b>3,955,546,437</b>
<b>Fixed Income—31.2%</b>		
<b>Preferred Stocks—0.0%</b>		
<b>Bank &amp; Thrifts—0.0%</b>		
Fidelity Capital Trust I, Preferred, 8.375%	43,500	\$ 447,615
<b>Total Preferred Stocks (Cost: \$435,000)</b>		<b>447,615</b>
<b>Corporate Bonds—2.2%</b>		
<b>Broadcasting &amp; Programming—0.2%</b>		
Liberty Media Corporation, 8.25% due 2/1/2030, Debenture	\$12,900,000	\$ 15,880,674
<b>Building Materials &amp; Construction—0.0%</b>		
Juno Lighting, Inc., 11.875% due 7/1/2009, Senior Subordinated Note	\$ 750,000	\$ 804,375
<b>Cable Systems &amp; Satellite TV—1.0%</b>		
Time Warner Inc., 5.625% due 5/1/2005	\$50,000,000	\$ 52,053,900
Cablevision Systems New York Group, 144A, 8.00% due 4/15/2012 (e)(f)	10,000,000	10,000,000
CSC Holdings Inc., 7.875% due 12/15/2007	3,000,000	3,225,000
		65,278,900
<b>Hotels &amp; Motels—0.0%</b>		
Park Place Entertainment, 7.00% due 7/15/2004, Senior Notes	\$ 2,750,000	\$ 2,777,500
<b>Retail—0.3%</b>		
The Gap, Inc., 6.90% due 9/15/2007	\$ 9,187,000	\$ 10,197,570
Toys 'Я' Us, Inc., 7.875% due 4/15/2013	5,000,000	5,250,000
Rite Aid Corporation, 7.625% due 4/15/2005, Senior Notes	4,900,000	4,973,500
		20,421,070

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Par Value	Market Value
<b>Fixed Income—31.2% (cont.)</b>		
<b>Health Care Services—0.4%</b>		
Omnicare, Inc., 6.125% due 6/1/2013	\$ 20,000,000	\$ 20,850,000
NeighborCare Inc., 144A, 6.875% due 11/15/2013 (e)	4,000,000	<u>4,170,000</u>
		25,020,000
<b>Medical Products—0.0%</b>		
Apogent Technologies Inc., 6.50% due 5/15/2013	\$ 1,000,000	\$ 1,065,000
<b>Office Equipment—0.2%</b>		
Xerox Corporation, 7.125% due 6/15/2010	\$ 15,000,000	\$ 15,900,000
<b>Machinery &amp; Industrial Processing—0.0%</b>		
Columbus McKinnon Corporation New York, 8.50% due 4/1/2008	\$ 3,000,000	\$ 2,820,000
<b>Other Industrial Goods &amp; Services—0.1%</b>		
Sealed Air Corporation, 144A, 5.625% due 7/15/2013 (e)	\$ 8,300,000	\$ 8,699,479
<b>Electric Utilities—0.0%</b>		
Midland Funding Corporation, 11.75% due 7/23/2005	\$ 458,220	\$ 484,568
<b>Total Corporate Bonds (Cost: \$150,261,804)</b>		<b>159,151,566</b>
<b>Government and Agency Securities—29.0%</b>		
<b>Canadian Government Bonds—2.3%</b>		
Canada Government, 3.00% due 12/1/2005	\$100,000,000	\$ 77,031,904
Canada Government, 3.50% due 6/1/2004	100,000,000	<u>76,316,150</u>
		153,348,054
<b>Danish Government Bonds—0.3%</b>		
Kingdom of Denmark, 4.00% due 11/15/2004	\$100,000,000	\$ 16,722,066
<b>New Zealand Government Bonds—0.1%</b>		
New Zealand Government, 6.50% due 2/15/2005	\$ 10,000,000	\$ 6,738,050
<b>United Kingdom Government Bonds—0.6%</b>		
United Kingdom of Great Britain and Northern Ireland, 5.00% due 6/7/2004	\$ 20,000,000	\$ 36,930,631

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Par Value	Market Value
<b>Fixed Income—31.2% (cont.)</b>		
<b>U.S. Government Notes—25.0%</b>		
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	\$248,943,750	\$ 274,353,439
United States Treasury Notes, 1.50% due 7/31/2005	250,000,000	250,820,250
United States Treasury Notes, 1.25% due 5/31/2005	250,000,000	250,156,250
United States Treasury Notes, 5.75% due 11/15/2005	200,000,000	213,929,600
United States Treasury Notes, 1.625% due 1/31/2005	200,000,000	200,867,200
United States Treasury Notes, 1.50% due 2/28/2005	150,000,000	150,515,700
United States Treasury Notes, Inflation Indexed, 4.25% due 1/15/2010	110,060,000	131,943,010
United States Treasury Notes, 1.625% due 4/30/2005	125,000,000	125,600,625
United States Treasury Notes, 1.875% due 9/30/2004	50,000,000	50,212,900
United States Treasury Notes, 1.625% due 2/28/2006	25,000,000	25,039,050
		<u>1,673,438,024</u>
<b>U.S. Government Agencies—0.7%</b>		
Federal Home Loan Mortgage Corporation, 3.00% due 11/17/2006	\$ 10,000,000	\$ 10,104,420
Federal Home Loan Mortgage Corporation, 2.35% due 5/5/2008	7,100,000	7,109,202
Fannie Mae, 2.25% due 12/30/2008	6,975,000	6,983,293
Federal Home Loan Bank, 3.00% due 12/30/2009	5,000,000	5,114,800
Federal Home Loan Mortgage Corporation, 3.00% due 1/7/2011	4,900,000	4,940,033
Fannie Mae, 5.125% due 5/4/2012	4,013,000	4,090,025
Federal Home Loan Bank, 3.125% due 7/10/2009	4,000,000	3,955,040
Federal Home Loan Bank, 3.875% due 12/15/2004	1,000,000	1,019,507
		<u>43,316,320</u>
<b>Total Government and Agency Securities (Cost: \$1,880,929,833)</b>		<b>1,930,493,145</b>
<b>Total Fixed Income (Cost: \$2,031,626,637)</b>		<b>2,090,092,326</b>
<b>Short Term Investments—10.6%</b>		
<b>U.S. Government Bills—7.0%</b>		
United States Treasury Bills, 0.885%-0.955% due 4/1/2004 - 7/1/2004	\$470,000,000	\$ 469,453,440
<b>Total U.S. Government Bills (Cost: \$469,458,763)</b>		<b>469,453,440</b>

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—10.6% (cont.)</b>		
<b>Repurchase Agreements—3.6%</b>		
IBT Repurchase Agreement, 0.91% dated 3/31/2004 due 4/1/2004, repurchase price \$234,005,915 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$245,700,000	\$234,000,000	\$ 234,000,000
IBT Repurchase Agreement, 0.76% dated 3/31/2004 due 4/1/2004, repurchase price \$4,719,443 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$4,955,310	4,719,343	<u>4,719,343</u>
<b>Total Repurchase Agreements (Cost: \$238,719,343)</b>		<b>238,719,343</b>
<b>Total Short Term Investments (Cost: \$708,178,106)</b>		<b>708,172,783</b>
Total Investments (Cost \$5,757,718,053)—100.8%		\$ 6,753,811,546
Other Liabilities In Excess Of Other Assets—(0.8%)		<u>(52,696,175)</u>
<b>Total Net Assets—100%</b>		<b><u>\$6,701,115,371</u></b>

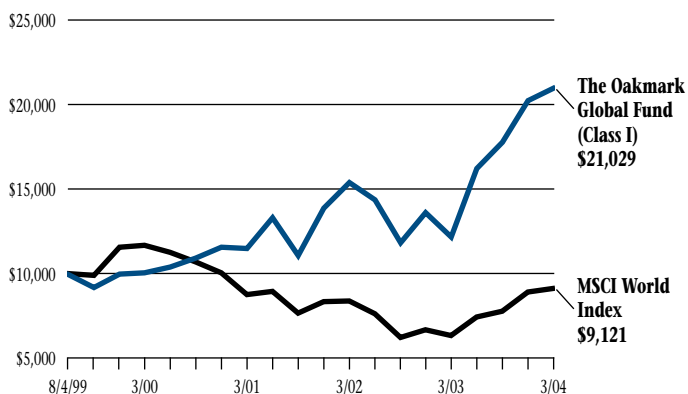
- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) Represents a foreign domiciled corporation.
- (d) See footnote number five in the Notes to Financial Statements regarding transactions in securities of affiliated issuers.
- (e) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.
- (f) Security valued at a fair value determined by pricing committees established by the Board of Trustees.

# THE OAKMARK GLOBAL FUND

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



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (3/31/04) AS COMPARED TO THE MSCI WORLD INDEX<sup>16</sup>



### Annual Average Total Returns

(as of 03/31/04)

Total Return Last 3 Months\*    1-year    3-year    Since Inception (8/4/99)

	Total Return Last 3 Months*	1-year	3-year	Since Inception (8/4/99)
<b>Oakmark Global Fund (Class I)</b>	<b>3.89%</b>	<b>73.04%</b>	<b>22.33%</b>	<b>17.29%<sup>3</sup></b>
MSCI World	2.62%	43.87%	1.46%	-1.95%
Lipper Global Fund Index <sup>17</sup>	3.83%	46.75%	2.31%	1.01%

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. **Past performance does not guarantee future results.** The fund's high performance may not be repeated. 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](http://www.oakmark.com).

\* Not annualized

### Fellow Shareholders,

The Oakmark Global Fund gained 4% for the three-month period ending March 31, 2004, compared with the 3% increase for the MSCI World Index and the 4% increase for the Lipper Global Fund Index.

Over the past twelve months, The Oakmark Global Fund has returned 73%, compared to the smaller gains of 44% and 47% for the MSCI World Index and the Lipper Global Fund Index, respectively. Most importantly, since inception the Fund has returned 17% annualized compared to a 2% decline in the MSCI World Index and 1% return in the Lipper Global Fund Index.

### Portfolio Composition

We made few changes during the quarter. We sold two companies, L.M. Ericsson (Sweden) and First Health Group (US). Ericsson, the mobile network equipment powerhouse, significantly contributed to performance over the past twelve months as the share price more than tripled before hitting our sell price during the quarter. We became less comfortable in our assessment of First Health's business franchise after a very poor earnings announcement, and we sold our entire position.

We also exchanged our shares in Concord EFS for shares in First Data Corp, who completed their acquisition this quarter. First Data, along with Diageo, are now your Fund's largest holdings at just under 5% each of fund assets.

We added one new position during the quarter, Switzerland-based Lonza Group. Lonza is one of the world's leading suppliers of active ingredients, chemical intermediates, and biotechnology solutions to the pharmaceutical and agrochemical industries. Their main businesses are: Exclusive Synthesis, Biotechnology, Organic Fine Chemicals, and Performance Chemicals.

Currently, Exclusive Synthesis is Lonza's biggest profit generator. The business is based on the outsourcing trend in the life science industry, which entrusts specialized companies with the manufacturing of advanced intermediates and active ingredients. Lonza has state-of-the-art, multipurpose plants that can be adapted to each customer's individual needs. This advanced customization capability makes them the world's leader in exclusive custom manufacturing for global life sciences companies.

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### Highlights

- The portfolio is more heavily weighted to international stocks, as we're finding more attractive valuations overseas.
- High-quality businesses in Europe represent a better risk-reward trade-off than in emerging markets.
- Despite strong performance, we remain excited about the value and quality of the Fund's portfolio.

We purchased the stock during the quarter after the release of disappointing 2003 results caused the share price to weaken. We believe the market is underestimating the growth potential in both Lonza's Exclusive Synthesis and Biotechnology segments. On a normalized basis we think Lonza is valued at just over 10x earnings. Management is also sound with strong shareholder orientation. We've respected Chairman Sergio Marchionne's ability for a number of years and applauded his quick decision to replace the operationally-deficient former CEO.

### Global Outlook

Currently, your portfolio is composed of roughly 35% US-listed companies, 47% in the UK and Europe, 3% in Latin America, and 15% in the Asia Pacific region. As you've probably surmised from our dwindling US market weighting, we continue to have difficulty finding new US stocks that are more attractive than current holdings or new overseas opportunities. However, we continued to increase our holdings in several US companies during the quarter, namely Burlington Resources and Waste Management.

Internationally, we continue to find companies that meet our value criteria in a number of areas, including blue-chip European consumer non-durables (Nestle, Henkel, and Diageo), pharmaceuticals (Takeda Chemical, Aventis,

and GlaxoSmithKline), and financial services (Australia and New Zealand Bank, Bank of Ireland, Banca Popolare di Verona, and Julius Baer Holding).

Over the past twelve months, we have seen strong price appreciation around the globe in equities, fixed income, and natural resources. Many asset classes formerly (and usually) thought risky, such as junk bonds, emerging markets, and technology/story stocks, have been the strongest performers. The risk premium we demand for investing in emerging markets, for example, has all but evaporated in most cases. In sum, we think high-quality businesses, especially in the UK and Europe, represent a much more interesting risk-reward relationship.

As an example, let's use Diageo plc, the world's largest spirits company. Diageo generates tremendous amounts of free cash flow from their high return on capital business, much of which is returned to shareholders in the form of rising dividends and share repurchases. In addition the company is well-positioned to take advantage of the growth of those same emerging markets of which investors are so currently enamored.

At 14x this year's earnings and a 4% dividend yield, we find Diageo's valuation too cheap in a relatively dear world. And unlike investing in many emerging markets, there are also no corporate governance concerns—management is solely focused on increasing shareholders' wealth.

### Looking Forward

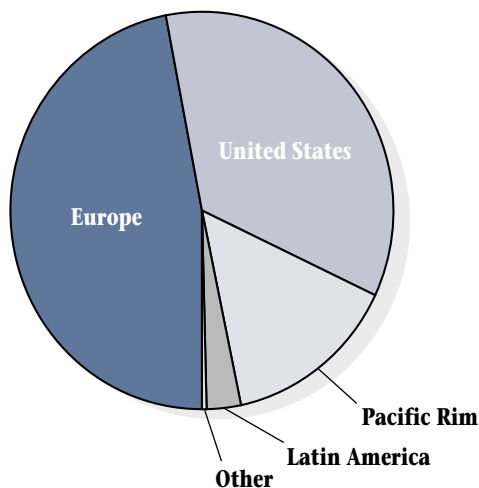
Despite the Fund's strong performance we remain excited about the value and quality of the names, such as First Data, Diageo and Lonza, in the portfolio. We thank you for your support.

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**Michael J. Welsh, CFA, CPA**  
Portfolio Manager  
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# THE OAKMARK GLOBAL FUND

Global Diversification—March 31, 2004 (Unaudited)



	<b>% of Fund Equity Market Value</b>
<span style="display: inline-block; width: 15px; height: 15px; background-color: #4a7ebb; border: 1px solid black; margin-right: 5px;"></span> <b>Europe</b>	<b>47.0%</b>
Great Britain	12.5%
Switzerland	9.2%
* France	8.9%
* Netherlands	7.0%
* Italy	3.8%
* Germany	2.8%
* Ireland	2.8%
<span style="display: inline-block; width: 15px; height: 15px; background-color: #c0c0c0; border: 1px solid black; margin-right: 5px;"></span> <b>United States</b>	<b>35.0%</b>

	<b>% of Fund Equity Market Value</b>
<span style="display: inline-block; width: 15px; height: 15px; background-color: #d9d9d9; border: 1px solid black; margin-right: 5px;"></span> <b>Pacific Rim</b>	<b>14.7%</b>
Japan	7.2%
Australia	4.7%
Korea	2.8%
<span style="display: inline-block; width: 15px; height: 15px; background-color: #a9a9a9; border: 1px solid black; margin-right: 5px;"></span> <b>Latin America</b>	<b>2.9%</b>
Mexico	2.9%
<span style="display: inline-block; width: 15px; height: 15px; background-color: #e0e0e0; border: 1px solid black; margin-right: 5px;"></span> <b>Other</b>	<b>0.4%</b>
Israel	0.4%

\* Euro currency countries comprise 25.3% of the Fund.



# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2004 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—92.8%</b>			
<b>Food &amp; Beverage—11.9%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	4,842,100	\$ 63,437,634
Nestle SA (Switzerland)	Food & Beverage Manufacturer	217,800	55,559,469
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	4,383,000	34,692,126
Lotte Chilsung Beverage Co., Ltd. (Korea) (b)	Soft Drinks, Juices & Sports Drinks Manufacturer	13,430	7,625,608
			<u>161,314,837</u>
<b>Household Products—2.6%</b>			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	456,800	\$ 34,851,145
<b>Broadcasting &amp; Programming—2.5%</b>			
Grupo Televisa S.A. (Mexico) (c)	Television Production & Broadcasting	566,500	\$ 26,818,110
Liberty Media Corporation, Class A (United States) (a)	Broadcast Services & Programming	650,000	7,117,500
			<u>33,935,610</u>
<b>Cable Systems &amp; Satellite TV—0.8%</b>			
Time Warner Inc. (United States) (a)	Motion Picture Production, Distribution, & Other Services	675,000	\$ 11,380,500
<b>Human Resources—1.2%</b>			
Michael Page International plc (Great Britain)(b)	Recruitment Consultancy Services	4,815,400	\$ 16,382,413
<b>Information Services—6.1%</b>			
eFunds Corporation (United States) (a)(b)	Electronic Debit Payment Services	1,745,000	\$ 28,618,000
Equifax Inc. (United States)	Credit Reporting & Collection	1,038,300	26,808,906
Ceridian Corporation (United States) (a)	Data Management Services	1,348,000	26,569,080
			<u>81,995,986</u>

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—92.8% (cont.)</b>			
<b>Marketing Services—1.7%</b>			
The Interpublic Group of Companies, Inc. (United States) (a)	Advertising & Marketing Services	1,545,000	\$ 23,762,100
<b>Motorcycles—0.3%</b>			
Ducati Motor Holding S.p.A. (Italy) (a)(b)	Motorcycle Manufacturer	2,650,000	\$ 4,278,376
<b>Retail—4.9%</b>			
The TJX Companies, Inc. (United States)	Discount Apparel & Home Fashion Retailer	1,501,000	\$ 36,864,560
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	3,236,100	29,432,314
			66,296,874
<b>Bank &amp; Thrifts—7.3%</b>			
Bank of Ireland (Ireland) Australia and New Zealand Banking Group Limited (Australia)	Commercial Bank	2,812,000	\$ 35,122,112
Washington Mutual, Inc. (United States)	Commercial Bank	2,260,000	32,790,656
	Thrift	415,000	17,724,650
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	863,600	14,070,188
			99,707,606
<b>Financial Services—2.0%</b>			
Julius Baer Holding Ltd., Zurich (Switzerland)	Asset Management	69,100	\$ 19,973,622
Credit Suisse Group (Switzerland)	Investment Services & Insurance	190,700	6,611,697
			26,585,319
<b>Other Financial—6.6%</b>			
Euronext (Netherlands) (b)	Stock Exchange	1,814,000	\$ 54,131,279
Fannie Mae (United States)	Mortgage Finance	250,000	18,587,500
Daiwa Securities Group Inc. (Japan)	Stock Broker	2,062,000	16,806,828
			89,525,607
<b>Health Care Services—2.1%</b>			
Cardinal Health, Inc. (United States)	Wholesale Drug Distributor	410,000	\$ 28,249,000

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—92.8% (cont.)</b>			
<b>Medical Centers—2.6%</b>			
Laboratory Corporation of America Holdings (United States) (a)	Medical Laboratory & Testing Services	892,000	\$ 35,011,000
<b>Medical Products—1.9%</b>			
Ansell Limited (Australia)	Protective Rubber & Plastics Products	4,708,100	\$ 25,832,603
<b>Pharmaceuticals—10.5%</b>			
Takeda Chemical Industries, Ltd. (Japan)	Pharmaceuticals & Food Supplements	1,159,700	\$ 51,599,060
Aventis S.A. (France)	Pharmaceuticals	614,800	47,321,711
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	2,187,200	43,033,043
			141,953,814
<b>Telecommunications—2.0%</b>			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	147,000	\$ 27,586,614
<b>Computer Services—6.3%</b>			
First Data Corporation (United States)	Data Processing & Management	1,495,750	\$ 63,060,820
Meitec Corporation (Japan) (b)	Software Engineering Services	603,500	22,743,012
			85,803,832
<b>Computer Software—3.1%</b>			
Synopsys, Inc. (United States) (a)	Electronic Design Automation	1,118,000	\$ 32,377,280
Novell, Inc. (United States) (a)	Network & Internet Integration Software	831,000	9,456,780
			41,834,060
<b>Office Equipment—2.0%</b>			
Neopost SA (France)	Mailroom Equipment Supplier	494,750	\$ 26,678,256
<b>Airport Maintenance—0.7%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)(c)	Airport Operator	463,000	\$ 9,653,550

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—92.8% (cont.)</b>		
<b>Diversified Conglomerates—2.8%</b>		
Vivendi Universal SA (France) (a)	Multimedia	1,430,500 \$ 37,969,709
<b>Instruments—0.4%</b>		
Orbotech, Ltd. (Israel) (a)	Optical Inspection Systems	228,700 \$ 5,500,235
<b>Waste Disposal—2.6%</b>		
Waste Management, Inc. (United States)	Waste Management Services	1,175,000 \$ 35,461,500
<b>Chemicals—5.0%</b>		
Akzo Nobel N.V. (Netherlands)	Chemical Producer	915,500 \$ 33,650,602
Lonza Group AG, Registered Shares (Switzerland) (b)	Industrial Organic Chemicals	655,400 33,463,600 67,114,202
<b>Oil &amp; Natural Gas—2.9%</b>		
Burlington Resources, Inc. (United States) (b)	Oil & Natural Gas Exploration & Production	630,000 \$ 40,086,900
<b>Total Common Stocks (Cost: \$1,021,856,662)</b>		<b>1,258,751,648</b>
<b>Short Term Investments—7.4%</b>		
<b>U.S. Government Bills—5.2%</b>		
United States Treasury Bills, 0.94% - 0.955% due 4/1/2004 - 4/29/2004		\$70,000,000 \$ 69,981,644
<b>Total U.S. Government Bills (Cost: \$69,981,644)</b>		<b>69,981,644</b>
<b>Repurchase Agreements—2.2%</b>		
IBT Repurchase Agreement, 0.91% dated 3/31/2004 due 4/1/2004, repurchase price \$27,500,695 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$28,875,000		\$27,500,000 \$ 27,500,000

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—7.4% (cont.)</b>		
<b>Repurchase Agreements—2.2% (cont.)</b>		
IBT Repurchase Agreement, 0.76% dated 3/31/2004 due 4/1/2004, repurchase price \$2,607,411 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,737,724	\$ 2,607,356	\$ 2,607,356
<b>Total Repurchase Agreements (Cost: \$30,107,356)</b>		<b>30,107,356</b>
<b>Total Short Term Investments (Cost: \$100,089,000)</b>		<b>100,089,000</b>
Total Investments (Cost \$1,121,945,662)—100.2%		\$ 1,358,840,648
Other Liabilities In Excess Of Other Assets—(0.2%)		(2,462,877)
<b>Total Net Assets—100%</b>		<b><u>\$1,356,377,771</u></b>

(a) Non-income producing security.

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

(c) Represents an American Depository Receipt.

# THE OAKMARK INTERNATIONAL AND OAKMARK INTERNATIONAL SMALL CAP FUNDS

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## Fellow Shareholders,

Your Funds ended the quarter with a return of 4% and 7%, respectively, for The Oakmark International and International Small Cap Funds. This compares to a return of 4% for the MSCI World ex U.S. Index.<sup>18</sup> The returns were mixed versus the relevant index primarily due to an underweighted position in the strong Japanese market.

More importantly, over the past year, your Funds performed 62% and 85%, respectively, while the MSCI World ex U.S. Index returned 57%.

## Favorable Conditions v. Screaming Buys

As equity markets have recovered very strongly over the past year, we no longer believe the markets are significantly over-sold. However, we do believe a much more favorable investment climate exists. Notwithstanding the upcoming election in the U.S. as well as continued fears surrounding terrorism, the world, in our view, is in pretty good shape.

Growth is very strong in places like North America, Australasia, East Asia, and India. The UK and “New Europe” are also performing well. Hopefully, “Old Europe” and Japan (which is showing some signs of life) will also catch the growth wave. However, we do not believe that either of these two areas are capable of sustainable economic growth unless bona fide structural reform occurs.

Given the level of per capita income and overall economic improvement in the developing markets and large population centers like China and India, we believe we have reached the inflection point where these markets have a significant impact on the world economy. This provides a nice tail wind for many of the companies in which your fund is invested.

## Company Valuations: The Earth in Balance

With a much tamer macroeconomic environment, we are witnessing far less extremes in global company valuations. In the late 90s we witnessed huge valuation differentials between tech related and non-tech related stocks. Also, small cap companies traded at a significant discount to large caps, and emerging markets were coming off a harsh bear market. Today, though tech stocks are pricey, they are not as outrageously priced as they were in ‘99 and ‘00. The differential in valuations between foreign large and small cap stocks has evaporated, and emerging market stocks are back in vogue. In fact, we would argue that in certain places, such as China, India, and Hong Kong, stocks are now expensive, which is not all that surprising given the focus these regions have attracted.

## Highlights

- World equity markets are no longer over-sold, but the investment climate is much more favorable.
- Economic improvement in developing markets and population centers are starting to have a large impact on the global economy.
- We’re finding value in developed-market blue chips that are high-quality businesses.

We have been able to find value in the most obvious types of companies: developed market blue chips. After years of underperforming, stocks in the consumer non-durable, pharmaceuticals, and financial service sectors have lagged, whereas their prospects and valuations have improved. We are very happy to invest in these quality businesses that fulfill our value definition of being both high quality as well as inexpensively priced.



**David G. Herro, CFA**  
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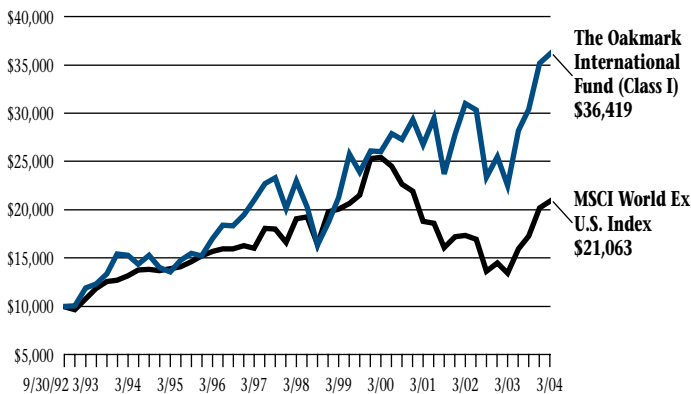
**Michael J. Welsh, CFA, CPA**  
Portfolio Manager  
mwelsh@oakmark.com

# 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 (3/31/04) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>18</sup>



### Annual Average Total Returns (as of 03/31/04)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (9/30/92)
<b>Oakmark International Fund (Class I)</b>	<b>3.61%</b>	<b>62.00%</b>	<b>11.36%</b>	<b>9.08%</b>	<b>11.89%</b>
MSCI World <sup>19</sup> ex. U.S.	4.24%	57.16%	0.98%	4.83%	6.69%
MSCI EAFE	4.34%	57.54%	0.53%	4.55%	6.48%
Lipper International Fund Index <sup>20</sup>	4.99%	56.57%	2.87%	5.94%	7.99%

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. **Past performance does not guarantee future results.** The fund's high performance may not be repeated. 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](http://www.oakmark.com).

\* Not annualized

The Oakmark International Fund gained 4% for the quarter, slightly less than the benchmark indices. The returns were lower than the relevant indices primarily due to an underweighted position in the strong Japanese market.

For the past twelve months, your Fund is up 62%. Individual securities that contributed to performance most significantly during the quarter were French pharmaceutical Aventis; European securities exchange Euronext; and two Mexican companies, multimedia and broadcasting powerhouse Grupo Televisa and beverage company Fomento Economico Mexicano ("FEMSA").

The share price of Aventis was driven up during the quarter by an acquisition bid by Sanofi-Synthelabo, as well as from overtures from Novartis. Management has responded to the situation in a very shareholder-oriented fashion, and is working hard to maximize the value of the company.

Euronext is the pan-European exchange comprising Amsterdam, Paris, Brussels, and Lisbon, as well as the derivatives exchange LIFFE. In 2003, Euronext's operating profit improved significantly, and the share price has also benefited recently from the market's delayed recognition of their strong position in clearing and an increasingly liquid balance sheet.

Positive changes to Televisa's shareholder structure, as well as its continued positive underlying results, have bolstered the share price. Finally, FEMSA continues to show strong results from their brewing business (with brands like Dos Equis and Tecate) as well as from their pan-American soft-drink bottling operations.

The most significant detractor from quarterly performance was UK pharmaceutical GlaxoSmithKline. Several of our pharmaceutical holdings underperformed during the quarter. These companies continue to suffer from intense debate regarding pricing, disappointing pipelines, and the short-term profit outlook. We continue to believe these concerns are somewhat overblown and already fully reflected in share prices. Our long-term expectations for this industry remain positive. Other underperformers in the portfolio included Lonza (Switzerland) and BMW (Germany).

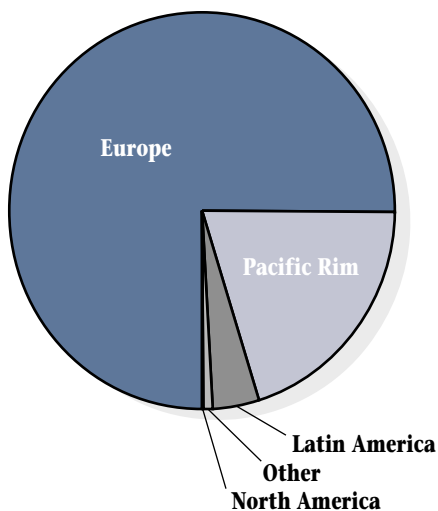
We continue to like the quality and price attractiveness of the portfolio. Thank you for your continued confidence.

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**Michael J. Welsh, CFA, CPA**  
Portfolio Manager  
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# THE OAKMARK INTERNATIONAL FUND

International Diversification—March 31, 2004 (Unaudited)



	<b>% of Fund Equity Market Value</b>
<b>Europe</b>	<b>75.1%</b>
Great Britain	23.8%
* France	14.9%
Switzerland	13.8%
* Germany	7.7%
* Netherlands	7.1%
* Italy	2.8%
* Ireland	2.7%
* Finland	1.6%
Sweden	0.7%

	<b>% of Fund Equity Market Value</b>
<b>Pacific Rim</b>	<b>20.1%</b>
Japan	8.6%
Australia	4.8%
Korea	4.1%
Hong Kong	1.3%
Singapore	1.3%
<b>Latin America</b>	<b>3.9%</b>
Mexico	3.9%
<b>Other</b>	<b>0.8%</b>
Israel	0.8%
<b>North America</b>	<b>0.1%</b>
Canada	0.1%

\* Euro currency countries comprise 36.8% of the Fund.



# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2004 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.0%</b>			
<b>Food &amp; Beverage—14.4%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	10,943,000	\$ 143,367,140
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	15,103,800	119,548,924
Nestle SA (Switzerland)	Food & Beverage Manufacturer	454,800	116,016,743
Pernod-Ricard SA (France)	Manufactures Wines, Spirits, & Fruit Juices	642,425	78,263,072
Fomento Economico Mexicano S.A. de C.V. (Mexico) (b)	Soft Drink & Beer Manufacturer	1,005,900	49,560,693
Lotte Chilsung Beverage Co., Ltd. (Korea) (c)	Soft Drinks, Juices & Sports Drinks Manufacturer	83,400	47,354,856
Heineken Holding NV, Class A (Netherlands)	Brewer	486,000	17,433,079
Heineken NV (Netherlands)	Brewer	398,000	15,966,140
Molson Inc., Class A (Canada)	Brewer	211,500	<u>5,206,575</u>
			592,717,222
<b>Household Products—2.6%</b>			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	1,386,950	\$ 105,816,102
<b>Other Consumer Goods &amp; Services—1.5%</b>			
Swatch Group AG, Bearer Shares (Switzerland)	Watch Manufacturer	473,900	\$ 61,567,327
Swatch Group AG, Registered Shares (Switzerland)	Watch Manufacturer	24,700	<u>646,663</u>
			62,213,990
<b>Automobiles—2.8%</b>			
Bayerische Motoren Werke (BMW) AG (Germany)	Luxury Automobile Manufacturer	2,807,600	\$ 114,322,382
<b>Automotive—1.8%</b>			
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer	1,582,500	\$ 71,779,151

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.0% (cont.)</b>			
<b>Broadcasting &amp; Programming—2.4%</b>			
Grupo Televisa S.A. (Mexico) (b)	Television Production & Broadcasting	2,056,000	\$ 97,331,040
<b>Human Resources—1.9%</b>			
Michael Page International plc (Great Britain) (c)	Recruitment Consultancy Services	22,748,600	\$ 77,392,733
<b>Marketing Services—3.1%</b>			
Publicis Groupe (France)	Advertising & Media Services	2,355,100	\$ 71,495,345
Aegis Group plc (Great Britain)	Media Services	30,524,200	<u>54,033,695</u>
			125,529,040
<b>Publishing—4.8%</b>			
Reed Elsevier plc (Great Britain)	Publisher	12,954,300	\$ 115,195,451
John Fairfax Holdings Limited (Australia)	Newspaper Publisher	32,814,100	<u>83,619,597</u>
			198,815,048
<b>Recreation &amp; Entertainment—0.7%</b>			
Nintendo Company, Ltd. (Japan)	Video Game Manufacturer	284,800	\$ 28,702,575
<b>Retail—4.8%</b>			
Signet Group plc (Great Britain)	Jewelry Retailer	44,427,200	\$ 90,318,493
J Sainsbury plc (Great Britain)	Food Stores	11,499,000	55,129,311
Giordano International Limited (Hong Kong) (c)	Pacific Rim Clothing Retailer & Manufacturer	81,018,300	<u>50,682,897</u>
			196,130,701
<b>Bank &amp; Thrifts—11.7%</b>			
Bank of Ireland (Ireland) Australia and New Zealand Banking Group Limited (Australia)	Commercial Bank	8,554,200	\$ 106,842,664
BNP Paribas SA (France)	Commercial Bank	7,348,800	106,624,768
	Commercial Banking	1,156,000	70,741,711

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.0% (cont.)</b>			
<b>Bank &amp; Thrifts—11.7% (cont.)</b>			
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking	6,178,368	\$ 49,450,562
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	2,938,400	47,873,829
Sanpaolo IMI S.p.A. (Italy)	Banking Services	3,933,600	44,876,197
Svenska Handelsbanken AB (Sweden)	Commercial Banking	1,498,800	28,320,869
UniCredito Italiano S.p.A. (Italy)	Banking Services	3,547,700	16,977,905
Kookmin Bank (Korea) (a)	Commercial Banking	231,168	9,404,472
			<u>481,112,977</u>
<b>Financial Services—1.2%</b>			
Credit Suisse Group (Switzerland)	Investment Services & Insurance	1,413,600	\$ 49,010,456
<b>Other Financial—7.4%</b>			
Euronext (Netherlands) (c)	Stock Exchange	4,603,200	\$ 137,363,343
Daiwa Securities Group Inc. (Japan)	Stock Broker	10,255,000	83,585,846
Deutsche Boerse AG (Germany)	Electronic Trading Systems	1,415,400	80,415,234
			<u>301,364,423</u>
<b>Pharmaceuticals—12.1%</b>			
Aventis S.A. (France)	Pharmaceuticals	1,858,400	\$ 143,042,725
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	6,945,600	136,654,308
Takeda Chemical Industries, Ltd. (Japan)	Pharmaceuticals & Food Supplements	2,787,100	124,007,710
Novartis AG (Switzerland)	Pharmaceuticals	2,201,600	93,544,527
			<u>497,249,270</u>
<b>Telecommunications—2.6%</b>			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	560,000	\$ 105,091,864
<b>Computer Services—1.8%</b>			
Meitec Corporation (Japan) (c)	Software Engineering Services	1,899,100	\$ 71,567,944

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.0% (cont.)</b>			
<b>Optical Equipment—0.8%</b>			
Olympus Corporation (Japan)	Optical Equipment Manufacturer	1,447,000	\$ 31,080,980
<b>Airport Maintenance—0.1%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)(c)	Airport Operator	242,000	\$ 5,045,700
<b>Diversified Conglomerates—2.3%</b>			
Vivendi Universal SA (France) (a)	Multimedia	3,550,500	\$ 94,240,792
Haw Par Corporation Limited (Singapore)	Healthcare & Leisure Products	58,338	170,742
			<u>94,411,534</u>
<b>Instruments—0.7%</b>			
Orbotech, Ltd. (Israel) (a)	Optical Inspection Systems	1,237,700	\$ 29,766,685
<b>Machinery &amp; Industrial Processing—1.5%</b>			
Metso Corporation (Finland)	Paper & Pulp Machinery	4,523,200	\$ 60,947,960
<b>Other Industrial Goods &amp; Services—2.3%</b>			
Enodis plc (Great Britain) (a)(c)	Food Processing Equipment	33,585,320	\$ 58,059,048
Chargeurs SA (France) (c)	Wool, Textile Production & Trading	1,050,201	35,280,468
			<u>93,339,516</u>
<b>Transportation Services—2.1%</b>			
Associated British Ports Holdings plc (Great Britain)	Port Operator	9,564,299	\$ 85,094,130
<b>Chemicals—8.1%</b>			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	2,931,300	\$ 107,744,412
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	202,300	103,370,794
Lonza Group AG, Registered Shares (Switzerland) (c)	Industrial Organic Chemicals	1,958,600	100,002,756
Syngenta AG (Switzerland)	Crop Protection Products	252,800	18,447,891
			<u>329,565,853</u>

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—96.0% (cont.)</b>			
<b>Oil &amp; Natural Gas—0.5%</b>			
Total SA (France)	Oil & Natural Gas Exploration & Production	100,000	\$ 18,384,417
<b>Total Common Stocks (Cost: \$3,045,072,845)</b>			<b>3,923,783,693</b>
<b>Short Term Investments—3.9%</b>			
<b>U.S. Government Bills—1.5%</b>			
United States Treasury Bills, 0.915% - 0.955% due 4/1/2004 - 4/15/2004		\$60,000,000	\$ 59,989,092
<b>Total U.S. Government Bills (Cost: \$59,989,092)</b>			<b>59,989,092</b>
<b>Repurchase Agreements—2.4%</b>			
IBT Repurchase Agreement, 0.91% dated 3/31/2004 due 4/1/2004, repurchase price \$95,002,401 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$99,750,000		\$95,000,000	\$ 95,000,000
IBT Repurchase Agreement, 0.76% dated 3/31/2004 due 4/1/2004, repurchase price \$2,411,391 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,531,907		2,411,340	2,411,340
<b>Total Repurchase Agreements (Cost: \$97,411,340)</b>			<b>97,411,340</b>
<b>Total Short Term Investments (Cost: \$157,400,432)</b>			<b>157,400,432</b>
Total Investments (Cost \$3,202,473,277)—99.9%			\$ 4,081,184,125
Other Assets In Excess Of Other Liabilities—0.1%			4,950,349
<b>Total Net Assets—100%</b>			<b>\$4,086,134,474</b>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

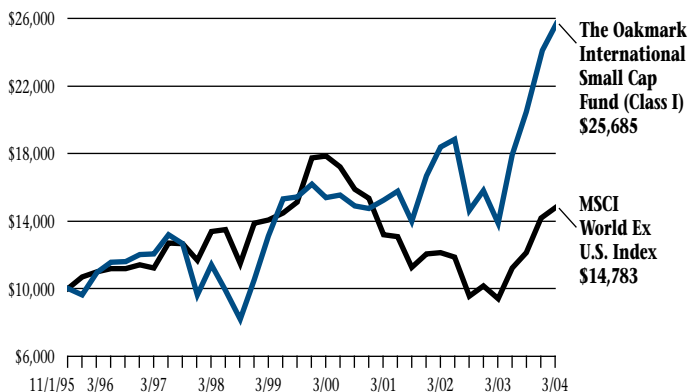
(c) See footnote number five in the Notes to Financial Statements regarding transactions in securities of affiliated issuers.

# 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 (3/31/04) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>19</sup>



### Annual Average Total Returns

(as of 03/31/04)

Total Return 1-year 5-year Since Inception (11/1/95)  
Last 3 Months\*

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
<b>Oakmark International Small Cap Fund (Class I)</b>	<b>6.54%</b>	<b>85.03%</b>	<b>14.37%</b>	<b>11.85%</b>
MSCI World ex. U.S.	4.24%	57.16%	0.98%	4.75%
Lipper International Small Cap Average <sup>21</sup>	8.90%	76.32%	10.10%	11.72%

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. **Past performance does not guarantee future results.** The fund's high performance may not be repeated. 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](http://www.oakmark.com).

\* Not annualized

The Oakmark International Small Cap Fund gained 7% for the quarter, slightly more than the relevant index. For the past twelve months, your Fund is up 85%.

The strongest performers for the quarter included most of our Japanese holdings, especially brokerage firm Ichiyoshi Securities, ophthalmic (eye) specialist Santen Pharmaceutical, and the entertainment software firm Square Enix. Ichiyoshi's share price was buoyed by strong equity markets, and the company announced they would significantly increase dividend payouts. Santen recently announced a North American distribution alliance with Johnson & Johnson. Because Santen's superior anti-infective product has strong growth potential in the U.S., the alliance should provide the necessary distribution scale and know-how to penetrate the market.

Stock selection in France also positively affected the Fund's returns for the quarter. LISI and Carbone Lorraine showed particularly strong share price performance.

Another strong performer was UK-based retailer Carpetright plc., which continues to demonstrate the strength of its business model. The company generated strong cash flows despite a difficult operating environment in 2003.

The most significant detractors from quarterly performance were capital equipment manufacturer Alfa Laval (Sweden), financial services provider Julius Baer Holding (Switzerland), and Baycorp Advantage (Australia). The declines in these stock prices were minor on an absolute basis.

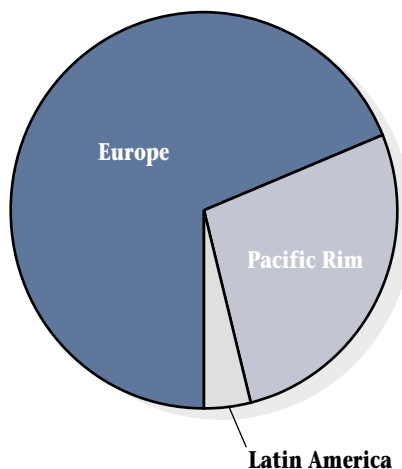
We continue to like the quality and price attractiveness of the portfolio. Thank you for your continued confidence.

**David G. Herro, CFA**  
Portfolio Manager  
[dherro@oakmark.com](mailto:dherro@oakmark.com)

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# THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—March 31, 2004 (Unaudited)



	<b>% of Fund Equity Market Value</b>
<b>Europe</b>	<b>68.8%</b>
* France	14.9%
Switzerland	14.1%
Great Britain	12.1%
* Italy	9.6%
Denmark	7.1%
* Germany	4.3%
Sweden	2.5%
* Spain	2.1%
* Finland	1.7%
* Austria	0.4%

	<b>% of Fund Equity Market Value</b>
<b>Pacific Rim</b>	<b>27.3%</b>
Japan	10.8%
Australia	7.3%
Korea	3.5%
New Zealand	3.1%
Thailand	0.9%
Hong Kong	0.8%
China	0.5%
Philippines	0.4%
<b>Latin America</b>	<b>3.9%</b>
Mexico	3.9%

\* Euro currency countries comprise 33% of the Fund.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2004 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.1%</b>			
<b>Food &amp; Beverage—5.9%</b>			
Campari Group (Italy)	Soft Drinks, Wines, & Spirits Producer	290,500	\$ 13,097,876
Baron de Ley, S.A. (Spain) (a)	Wines & Spirits Manufacturer	162,285	7,109,313
Geest plc (Great Britain)	Fresh Produce Distributor	717,600	6,453,998
Hite Brewery Co., Ltd. (Korea)	Brewer	68,000	4,943,832
Alaska Milk Corporation (Philippines) (b)	Milk Producer	49,394,000	2,593,899
Kook Soon Dang Brewery Co., Ltd. (Korea)	Wine & Spirits Manufacturer	122,676	2,371,951
Grupo Continental, S.A. (Mexico)	Soft Drink Manufacturer	1,152,600	<u>2,226,496</u>
			38,797,365
<b>Household Products—0.7%</b>			
Societe BIC SA (France)	Consumer & Office Supplies	101,800	\$ 4,321,815
<b>Other Consumer Goods &amp; Services—1.8%</b>			
Vitec Group plc (Great Britain)	Photo Equipment & Supplies	1,365,684	\$ 8,876,842
Royal Doulton plc (Great Britain) (a)(b)	Tableware & Giftware	22,373,000	<u>3,403,512</u>
			12,280,354
<b>Broadcasting &amp; Publishing—2.0%</b>			
Tamedia AG (Switzerland)	TV Broadcasting & Publishing	161,983	\$ 13,432,487
<b>Building Materials &amp; Construction—1.3%</b>			
Fletcher Building Limited (New Zealand)	Building Materials Manufacturer	2,952,800	\$ 8,730,195
<b>Human Resources—1.8%</b>			
DIS Deutscher Industrie Service AG (Germany)	Recruitment Consultancy Services	510,249	\$ 11,710,091
<b>Information Services—3.4%</b>			
Baycorp Advantage Limited (Australia) (a)(b)	Credit Reference Services	11,540,500	\$ 22,519,987



# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.1% (cont.)</b>			
<b>Marketing Services—3.0%</b>			
Asatsu-DK, Inc. (Japan)	Advertising Services Provider	459,700	\$ 14,326,365
LG Ad Inc. (Korea)	Advertising & Marketing Services	312,880	5,214,667
			<u>19,541,032</u>
<b>Motorcycles—1.5%</b>			
Ducati Motor Holding S.p.A. (Italy) (a)(b)	Motorcycle Manufacturer	6,083,600	\$ 9,821,860
<b>Publishing—1.8%</b>			
Recoletos Grupo de Comunicacion, S.A. (Spain)	Publisher	761,000	\$ 5,965,177
Matichon Public Company Limited, Foreign Shares (Thailand) (b)	Newspaper Publisher	2,039,500	5,716,524
			<u>11,681,701</u>
<b>Recreation &amp; Entertainment—2.7%</b>			
Square Enix Co., Ltd. (Japan)	Entertainment Software	436,800	\$ 13,026,303
Konami Sports Corporation (Japan)	Fitness Centers	245,000	4,358,009
			<u>17,384,312</u>
<b>Retail—9.4%</b>			
D.F.S. Furniture Company plc (Great Britain)	Furniture Retailer & Manufacturer	3,122,000	\$ 24,811,859
Carpetright plc (Great Britain)	Carpet Retailer	1,067,400	19,810,257
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	1,889,300	17,183,174
			<u>61,805,290</u>
<b>Bank &amp; Thrifts—1.8%</b>			
Jyske Bank A/S (Denmark) (a)	Commercial Banking	222,400	\$ 11,836,826
<b>Financial Services—2.2%</b>			
Julius Baer Holding Ltd., Zurich (Switzerland)	Asset Management	49,090	\$ 14,189,654
<b>Other Financial—2.1%</b>			
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	1,959,000	\$ 13,713,094

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.1% (cont.)</b>			
<b>Medical Products—6.0%</b>			
Ansell Limited (Australia)	Protective Rubber & Plastics Products	4,265,150	\$ 23,402,206
Coloplast A/S, Class B (Denmark)	Healthcare Products & Services Provider	101,500	9,428,595
Hogy Medical Co., Ltd. (Japan)	Medical Supplies Manufacturer	79,800	3,627,099
Golden Meditech Company Limited (China)	Medical Instruments & Supplies	7,751,000	<u>3,381,741</u>
			39,839,641
<b>Pharmaceuticals—2.9%</b>			
Santen Pharmaceutical Co., Ltd. (Japan)	Pharmaceuticals	1,147,000	\$ 19,137,748
<b>Telecommunications—0.8%</b>			
Asia Satellite Telecommunications Holdings Limited (Hong Kong)	Satellite Operator	2,818,500	\$ 5,045,404
<b>Computer Services—3.4%</b>			
Morse plc (Great Britain)	Business & Technology Solutions	5,187,300	\$ 13,152,043
Alten (France) (a)	Systems Consulting & Engineering	298,141	4,828,107
Sopra Group (France)	Computer Engineering	111,930	<u>4,738,100</u>
			22,718,250
<b>Computer Systems—2.2%</b>			
Lectra (France) (a)	Manufacturing Process Systems	1,663,000	\$ 14,427,153
<b>Office Equipment—4.3%</b>			
Neopost SA (France)	Mailroom Equipment Supplier	526,300	\$ 28,379,518
<b>Airport Maintenance—7.0%</b>			
Kobenhavns Lufthavne A/S (Copenhagen Airports A/S - CPH) (Denmark)	Airport Management & Operations	184,100	\$ 23,461,339
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)(c)	Airport Operator	1,076,600	<u>22,447,110</u>
			45,908,449

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.1% (cont.)</b>			
<b>Diversified Conglomerates—6.1%</b>			
Financiere Marc de Lacharriere SA (Fimalac) (France)	Diversified Operations	386,364	\$ 15,480,334
Pargesa Holding AG (Switzerland)	Diversified Operations	5,374	14,939,567
Tae Young Corp. (Korea)	Heavy Construction	283,560	9,675,276
Financiere Marc de Lacharriere SA (Fimalac), Warrants (France) (a)	Diversified Operations	31,866	133,323
			<u>40,228,500</u>
<b>Environmental Products &amp; Services—0.3%</b>			
Munters AB (Sweden)	Cooling & Moisture Control Systems	77,400	\$ 1,908,982
<b>Instruments—1.2%</b>			
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	312,900	\$ 7,816,294
<b>Machinery &amp; Industrial Processing—6.2%</b>			
Pfeiffer Vacuum Technology AG (Germany)	Vacuum Pump Manufacturer	423,840	\$ 15,338,971
Alfa Laval (Sweden)	Filtration & Separation Equipment	1,061,100	13,999,980
Carbone Lorraine SA (France)	Electrical Systems Manufacturer	210,000	9,147,909
Andritz AG (Austria)	General Industrial Machinery	48,000	2,222,669
			<u>40,709,529</u>
<b>Other Industrial Goods &amp; Services—6.0%</b>			
Schindler Holding AG (Switzerland)	Elevator & Escalator Manufacturer	76,150	\$ 24,266,723
LISI (France)	Industrial Fastener Manufacturer	241,813	11,902,520
Kone Oyj, Class B (Finland)	Elevators	54,300	3,242,051
			<u>39,411,294</u>
<b>Production Equipment—3.3%</b>			
Interpump Group S.p.A. (Italy) (b)	Pump & Piston Manufacturer	4,604,900	\$ 20,223,952
NSC Groupe (France)	Textile Equipment Manufacturer	12,316	1,060,882
			<u>21,284,834</u>
<b>Transportation Services—1.6%</b>			
Mainfreight Limited (New Zealand) (b)	Logistics Services	8,935,381	\$ 10,614,982

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2004 (Unaudited) cont.

Name	Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—96.1% (cont.)</b>			
<b>Chemicals—3.4%</b>			
Gurit-Heberlein AG (Switzerland)	Chemical Producer	29,850	\$ 22,395,751
<b>Total Common Stocks (Cost: \$440,341,671)</b>			<b>631,592,392</b>
<b>Short Term Investments—3.4%</b>			
<b>U.S. Government Bills—1.5%</b>			
United States Treasury Bills, 0.935% - 0.95% due 4/8/2004 - 4/22/2004		\$10,000,000	\$ 9,996,350
<b>Total U.S. Government Bills (Cost: \$9,996,350)</b>			<b>9,996,350</b>
<b>Repurchase Agreements—1.9%</b>			
IBT Repurchase Agreement, 0.91% dated 3/31/2004 due 4/1/2004, repurchase price \$10,000,253 collateralized by U.S. Government Agency Securities with an aggregate market value plus accrued interest of \$10,500,000		\$10,000,000	\$ 10,000,000
IBT Repurchase Agreement, 0.76% dated 3/31/2004 due 4/1/2004, repurchase price \$2,744,770 collateralized by a U.S. Government Agency Security with a market value plus accrued interest of \$2,881,948		2,744,712	<u>2,744,712</u>
<b>Total Repurchase Agreements (Cost: \$12,744,712)</b>			<b>12,744,712</b>
<b>Total Short Term Investments (Cost: \$22,741,062)</b>			<b>22,741,062</b>
Total Investments (Cost \$463,082,733)—99.5%			\$ 654,333,454
Foreign Currencies (Cost \$328,629)—0.1%			331,818
Other Assets In Excess Of Other Liabilities—0.4%			<u>2,679,842</u>
<b>Total Net Assets—100%</b>			<b>\$ 657,345,114</b>

(a) Non-income producing security.

(b) See footnote number five 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—March 31, 2004 (Unaudited)

		The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<b>Assets</b>				
Investments in unaffiliated securities, at value	(a)	\$ 5,590,821,455	\$ 4,673,326,600	\$ 383,029,461
Investments in affiliated securities, at value	(b)	296,848,272	1,119,390,388	11,589,880
Foreign currency, at value	(c)	0	0	0
Receivable for:				
Securities sold		12,571,340	0	7,879,797
Fund shares sold		14,868,864	12,677,646	425,007
Dividends and interest		7,490,836	5,917,580	305,425
Tax reclaim		0	0	0
Total receivables		34,931,040	18,595,226	8,610,229
Other assets		79,702	82,115	32,724
Total assets		\$ 5,922,680,469	\$ 5,811,394,329	\$ 403,262,294
<b>Liabilities and Net Assets</b>				
Payable for:				
Securities purchased		\$ 74,605,649	\$ 660,026	\$ 7,309,965
Fund shares redeemed		4,071,925	3,515,433	265,675
Due to Adviser		137,970	134,463	10,580
Due to transfer agent		483,758	277,040	68,616
Trustees fees		24,592	25,110	10,119
Deferred trustee compensation		736,759	610,245	264,455
Foreign tax expense		0	0	0
Other		1,632,768	1,341,441	153,918
Total liabilities		81,693,421	6,563,758	8,083,328
Net assets applicable to fund shares outstanding		\$ 5,840,987,048	\$ 5,804,830,571	\$ 395,178,966
<b>Analysis of Net Assets</b>				
Paid in capital		\$ 5,016,655,611	\$ 4,023,893,029	\$ 320,935,027
Accumulated undistributed net realized gain (loss) of investments, forward contracts, options, short sales and foreign currency exchange transactions		(305,576,249)	(92,291,372)	(18,080,467)
Net unrealized appreciation (depreciation) of investments		1,117,204,306	1,865,835,335	93,516,913
Net unrealized appreciation (depreciation)—other		0	0	8,786
Accumulated undistributed net investment income (loss)		12,703,380	7,393,579	(1,201,293)
Net assets applicable to Fund shares outstanding		\$ 5,840,987,048	\$ 5,804,830,571	\$ 395,178,966
<b>Price of Shares</b>				
Net asset value per share: Class I (without par value)		\$ 38.08	\$ 31.37	\$ 20.40
Class I—Net assets		\$ 5,801,806,019	\$ 5,696,434,688	\$ 394,084,504
Class I—Shares outstanding (Unlimited shares authorized)		152,358,405	181,579,852	19,315,219
Net asset value per share: Class II (without par value)		\$ 37.92	\$ 31.20	\$ 20.26
Class II—Net assets		\$ 39,181,029	\$ 108,395,883	\$ 1,094,462
Class II—Shares outstanding (Unlimited shares authorized)		1,033,298	3,474,180	54,015
(a) Identified cost of investments in unaffiliated securities		\$ 4,591,213,779	\$ 3,349,471,558	\$ 292,686,256
(b) Identified cost of investments in affiliated securities		179,251,642	577,410,095	8,403,163
(c) Identified cost of foreign currency		0	0	0

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 6,526,334,296 227,477,250 0  7,887,650 40,559,998 19,386,595 0 <u>67,834,243</u> 78,162 <u>\$ 6,821,723,951</u>	\$ 1,141,857,910 216,982,738 0  0 12,954,836 2,961,456 188,176 <u>16,104,468</u> 49,813 <u>\$ 1,374,994,929</u>	\$ 3,498,434,380 582,749,745 0  4,942,960 16,301,161 10,791,753 2,048,367 <u>34,084,241</u> 61,517 <u>\$ 4,115,329,883</u>	\$ 556,991,628 97,341,826 331,818  1,103,127 2,914,347 1,638,467 615,995 <u>6,271,936</u> 34,476 <u>\$ 660,971,684</u>
\$ 114,934,387 3,191,906 126,240 237,653 24,453 383,819 0 1,710,122 <u>120,608,580</u> <u>\$ 6,701,115,371</u>	\$ 17,308,294 564,247 36,300 62,597 12,310 225,752 0 407,658 <u>18,617,158</u> <u>\$ 1,356,377,771</u>	\$ 22,266,939 4,766,800 103,744 181,481 19,226 392,252 0 1,464,967 <u>29,195,409</u> <u>\$ 4,086,134,474</u>	\$ 1,881,467 771,324 21,795 33,690 10,691 237,477 444,083 226,043 <u>3,626,570</u> <u>\$ 657,345,114</u>
\$ 5,688,356,870  10,527,568 996,093,493 188,995 5,948,445 <u>\$ 6,701,115,371</u>	\$ 1,106,578,682  14,874,509 236,929,137 13,159 (2,017,716) <u>\$ 1,356,377,771</u>	\$ 3,343,237,578  (132,211,328) 878,837,852 88,004 (3,817,632) <u>\$ 4,086,134,474</u>	\$ 494,779,901  (28,376,830) 190,826,114 36,633 79,296 <u>\$ 657,345,114</u>
\$ 22.94 <u>\$ 6,313,264,653</u> 275,262,210 <u>\$ 22.87</u> \$ 387,850,718 16,958,324	\$ 20.03 <u>\$ 1,338,264,734</u> 66,818,977 <u>\$ 19.84</u> \$ 18,113,037 912,789	\$ 18.67 <u>\$ 3,855,255,039</u> 206,489,876 <u>\$ 18.58</u> \$ 230,879,435 12,424,140	\$ 17.11 <u>\$ 656,901,588</u> 38,403,220 <u>\$ 17.08</u> \$ 443,526 25,974
\$ 5,604,109,929 153,608,124 0	\$ 947,376,241 174,569,421 0	\$ 2,781,654,398 420,818,879 0	\$ 385,947,591 77,135,142 328,629

# THE OAKMARK FAMILY OF FUNDS

## Statements of Operations—Period Ended March 31, 2004 (Unaudited)

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<b>Investment Income:</b>			
Dividends from unaffiliated securities	\$ 39,569,075	\$ 38,140,538	\$ 1,298,271
Dividends from affiliated securities	1,636,670	4,706,340	0
Interest Income	2,272,261	1,978,868	136,221
Other income	39,662	52,731	5,898
Foreign taxes withheld	34,435	0	0
Total investment income	43,552,103	44,878,477	1,440,390
<b>Expenses:</b>			
Investment advisory fee	23,864,630	23,958,554	1,888,230
Transfer and dividend disbursing agent fees	1,434,105	762,368	180,928
Other shareholder servicing fees	2,273,010	2,153,849	130,047
Service Fee—Class II	36,308	115,254	1,098
Reports to shareholders	774,959	632,528	41,900
Custody and accounting fees	295,476	305,789	29,183
Registration and blue sky expenses	141,525	46,998	13,632
Trustee fees	55,284	56,108	22,926
Deferred trustee compensation	103,499	105,821	42,679
Legal fees	42,083	43,334	17,335
Audit fees	22,415	23,516	6,506
Other	171,627	176,844	45,443
Total expenses	29,214,921	28,380,963	2,419,907
<b>Net Investment Income (loss):</b>	14,337,182	16,497,514	(979,517)
<b>Net realized and unrealized gain (loss) on investments and foreign currency transactions:</b>			
Net realized gain (loss) on unaffiliated securities	23,432,761	72,545,020	(6,996,152)
Net realized gain on affiliated securities	2,222,577	11,318,223	688,409
Net realized gain on options	1,764,022	2,170,031	45,568
Net realized gain (loss) on short sales	(737)	(1,959)	0
Net realized gain (loss) on foreign currency transactions	0	0	850
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	590,395,990	628,913,839	71,742,284
Net change in appreciation (depreciation)—other	0	0	8,786
Deferred foreign taxes	0	0	0
<b>Net realized and unrealized gain on investments and foreign currency transactions:</b>	617,814,613	714,945,154	65,489,745
<b>Net increase in net assets resulting from operations</b>	<u>\$ 632,151,795</u>	<u>\$ 731,442,668</u>	<u>\$ 64,510,228</u>

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 13,387,345	\$ 4,779,536	\$ 19,971,303	\$ 5,443,481
997,500	443,883	933,992	380,696
25,735,493	498,563	774,327	123,927
4,005	56	0	0
43,493	(376,041)	(2,083,614)	(688,763)
<u>40,167,836</u>	<u>5,345,997</u>	<u>19,596,008</u>	<u>5,259,341</u>
19,881,975	5,393,852	16,818,167	3,558,522
736,872	178,066	541,948	81,545
2,997,627	511,455	1,635,553	268,281
393,112	13,434	217,877	141
767,949	128,564	519,099	69,697
353,560	496,925	1,866,174	336,394
300,091	125,301	142,098	25,745
55,959	28,397	44,369	24,379
103,516	51,407	81,014	45,145
42,204	20,882	32,742	18,288
20,863	8,071	15,702	7,546
170,965	64,318	125,466	50,450
<u>25,824,693</u>	<u>7,020,672</u>	<u>22,040,209</u>	<u>4,486,133</u>
14,343,143	(1,674,675)	(2,444,201)	773,208
80,541,618	14,837,990	78,374,034	5,187,780
0	50,009	411,833	252,457
0	363,653	0	0
0	0	0	0
180,636	(51,663)	78,639	53,163
584,008,876	155,164,277	527,624,543	121,144,024
102,127	38,270	(39,741)	(23,426)
0	0	0	(444,083)
<u>664,833,257</u>	<u>170,402,536</u>	<u>606,449,308</u>	<u>126,169,915</u>
<u>\$679,176,400</u>	<u>\$ 168,727,861</u>	<u>\$ 604,005,107</u>	<u>\$ 126,943,123</u>



# THE OAKMARK FAMILY OF FUNDS

## Statements of Changes in Net Assets

	The Oakmark Fund	
	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003
<b>From Operations:</b>		
Net investment income	\$ 14,337,182	\$ 19,384,779
Net realized gain (loss) on investments	27,418,623	(137,687,746)
Net change in unrealized appreciation (depreciation) of investments	<u>590,395,990</u>	<u>867,321,548</u>
<b>Net increase in net assets from operations</b>	<b>632,151,795</b>	<b>749,018,581</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(20,505,870)	(13,880,781)
Net investment income—Class II	<u>(37,100)</u>	<u>(29,599)</u>
<b>Total distributions to shareholders</b>	<b>(20,542,970)</b>	<b>(13,910,380)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	952,516,311	1,533,121,113
Proceeds from shares sold—Class II	20,632,501	17,938,866
Reinvestment of distributions—Class I	18,843,543	13,078,556
Reinvestment of distributions—Class II	8,676	700
Payments for shares redeemed—Class I	(547,624,193)	(810,690,610)
Redemption fees Class I	46,208	0
Payments for shares redeemed—Class II	<u>(5,559,958)</u>	<u>(6,723,524)</u>
<b>Net increase in net assets from Fund share transactions</b>	<b>438,863,088</b>	<b>746,725,101</b>
<b>Total increase in net assets</b>	<b>1,050,471,913</b>	<b>1,481,833,302</b>
<b>Net assets:</b>		
Beginning of period	<u>4,790,515,135</u>	<u>3,308,681,833</u>
End of period	<b>\$ 5,840,987,048</b>	<b>\$ 4,790,515,135</b>
Undistributed net investment income	<u>\$ 12,703,380</u>	<u>\$ 18,909,168</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	25,701,195	49,341,298
Shares issued in reinvestment of dividends	534,720	425,457
Less shares redeemed	<u>(14,757,688)</u>	<u>(26,435,618)</u>
<b>Net increase in shares outstanding</b>	<b>11,478,227</b>	<b>23,331,137</b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	560,084	576,827
Shares issued in reinvestment of dividends	247	23
Less shares redeemed	<u>(154,467)</u>	<u>(225,241)</u>
<b>Net increase in shares outstanding</b>	<b>405,864</b>	<b>351,609</b>

## The Oakmark Select Fund

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003
<b>From Operations:</b>		
Net investment income	\$ 16,497,514	\$ 10,063,549
Net realized gain (loss) on investments	86,031,315	(101,697,160)
Net change in unrealized appreciation (depreciation) of investments	<u>628,913,839</u>	<u>1,121,320,614</u>
<b>Net increase in net assets from operations</b>	<b>731,442,668</b>	<b>1,029,687,003</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(18,710,631)	(3,934,423)
Net investment income—Class II	<u>(118,882)</u>	<u>0</u>
<b>Total distributions to shareholders</b>	<b>(18,829,513)</b>	<b>(3,934,423)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	525,833,145	917,786,177
Proceeds from shares sold—Class II	21,250,751	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	(539,500,117)	(654,181,633)
Redemption fees Class I	60,514	0
Payments for shares redeemed—Class II	<u>(19,028,695)</u>	<u>(26,725,613)</u>
<b>Net increase in net assets from Fund share transactions</b>	<b><u>6,130,146</u></b>	<b><u>278,282,359</u></b>
<b>Total increase in net assets</b>	<b>718,743,301</b>	<b>1,304,034,939</b>
<b>Net assets:</b>		
Beginning of period	<u>5,086,087,270</u>	<u>3,782,052,331</u>
End of period	<u>\$ 5,804,830,571</u>	<u>\$ 5,086,087,270</u>
Undistributed net investment income	<u>\$ 7,393,579</u>	<u>\$ 9,725,578</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	17,279,097	36,086,657
Shares issued in reinvestment of dividends	595,510	150,625
Less shares redeemed	<u>(17,521,987)</u>	<u>(26,578,347)</u>
<b>Net increase in shares outstanding</b>	<b><u>352,620</u></b>	<b><u>9,658,935</u></b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	700,673	1,482,025
Shares issued in reinvestment of dividends	1,944	0
Less shares redeemed	<u>(628,178)</u>	<u>(1,069,612)</u>
<b>Net increase in shares outstanding</b>	<b><u>74,439</u></b>	<b><u>412,413</u></b>

# THE OAKMARK FAMILY OF FUNDS

## Statements of Changes in Net Assets

	The Oakmark Small Cap Fund	
	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003
<b>From Operations:</b>		
Net investment loss	\$ (979,517)	\$ (2,414,871)
Net realized loss on investments	(6,262,175)	(11,322,124)
Net realized gain on foreign currency transactions	850	0
Net change in unrealized appreciation (depreciation) of investments	71,742,284	80,258,968
Net change in unrealized appreciation (depreciation)—other	<u>8,786</u>	<u>0</u>
<b>Net increase in net assets from operations</b>	<b>64,510,228</b>	<b>66,521,973</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	37,370,497	50,502,211
Proceeds from shares sold—Class II	288,093	216,335
Payments for shares redeemed—Class I	(57,944,082)	(123,497,018)
Redemption fees Class I	29,583	0
Payments for shares redeemed—Class II	<u>(88,986)</u>	<u>(123,957)</u>
<b>Net decrease in net assets from Fund share transactions</b>	<b><u>(20,344,895)</u></b>	<b><u>(72,902,429)</u></b>
<b>Total increase (decrease) in net assets</b>	<b>44,165,333</b>	<b>(6,380,456)</b>
<b>Net assets:</b>		
Beginning of period	<u>351,013,633</u>	<u>357,394,089</u>
End of period	<b><u>\$ 395,178,966</u></b>	<b><u>\$ 351,013,633</u></b>
Undistributed net investment loss	<u>\$ (1,201,293)</u>	<u>\$ (221,776)</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	1,915,238	3,238,264
Less shares redeemed	<u>(2,984,401)</u>	<u>(8,156,424)</u>
<b>Net decrease in shares outstanding</b>	<b><u>(1,069,163)</u></b>	<b><u>(4,918,160)</u></b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	14,759	13,910
Less shares redeemed	<u>(4,757)</u>	<u>(7,871)</u>
<b>Net increase in shares outstanding</b>	<b><u>10,002</u></b>	<b><u>6,039</u></b>

## The Oakmark Equity and Income Fund

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003
<b>From Operations:</b>		
Net investment income	\$ 14,343,143	\$ 34,174,070
Net realized gain on investments	80,541,618	9,562,063
Net realized gain on foreign currency transactions	180,636	370,636
Net change in unrealized appreciation (depreciation) of investments	584,008,876	517,697,982
Net change in unrealized appreciation (depreciation)—other	<u>102,127</u>	<u>87,469</u>
<b>Net increase in net assets from operations</b>	<b>679,176,400</b>	<b>561,892,220</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(30,409,110)	(33,616,359)
Net investment income—Class II	<u>(1,530,815)</u>	<u>(1,569,445)</u>
<b>Total distributions to shareholders</b>	<b>(31,939,925)</b>	<b>(35,185,804)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	1,935,149,079	2,076,491,027
Proceeds from shares sold—Class II	147,419,713	144,338,218
Reinvestment of distributions—Class I	29,355,523	32,429,243
Reinvestment of distributions—Class II	514,106	321,834
Payments for shares redeemed—Class I	(398,443,405)	(709,955,319)
Redemption fees Class I	84,144	0
Payments for shares redeemed—Class II	<u>(44,849,275)</u>	<u>(46,269,411)</u>
<b>Net increase in net assets from Fund share transactions</b>	<b><u>1,669,229,885</u></b>	<b><u>1,497,355,592</u></b>
<b>Total increase in net assets</b>	<b>2,316,466,360</b>	<b>2,024,062,008</b>
<b>Net assets:</b>		
Beginning of period	<u>4,384,649,011</u>	<u>2,360,587,003</u>
End of period	<u>\$ 6,701,115,371</u>	<u>\$ 4,384,649,011</u>
Undistributed net investment income	<u>\$ 5,948,445</u>	<u>\$ 23,545,227</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	88,279,231	109,874,694
Shares issued in reinvestment of dividends	1,399,884	1,796,634
Less shares redeemed	<u>(18,245,553)</u>	<u>(38,350,539)</u>
<b>Net increase in shares outstanding</b>	<b><u>71,433,562</u></b>	<b><u>73,320,789</u></b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	6,798,152	7,706,490
Shares issued in reinvestment of dividends	24,563	17,840
Less shares redeemed	<u>(2,050,082)</u>	<u>(2,462,923)</u>
<b>Net increase in shares outstanding</b>	<b><u>4,772,633</u></b>	<b><u>5,261,407</u></b>

# THE OAKMARK FAMILY OF FUNDS

## Statements of Changes in Net Assets

	The Oakmark Global Fund	
	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003
<b>From Operations:</b>		
Net investment income (loss)	\$ (1,674,675)	\$ 9,446
Net realized gain on investments	15,251,652	3,814,882
Net realized loss on foreign currency transactions	(51,663)	(168,173)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	155,164,277	114,576,882
Net change in unrealized appreciation (depreciation)—other	38,270	(43,405)
<b>Net increase in net assets from operations</b>	<b>168,727,861</b>	<b>118,189,632</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(52,482)	0
Net realized gain—Class I	(2,853,676)	0
Net realized gain—Class II	(25,590)	0
<b>Total distributions to shareholders</b>	<b>(2,931,748)</b>	<b>0</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	584,100,705	524,732,272
Proceeds from shares sold—Class II	12,569,273	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	(117,878,917)	(112,770,994)
Redemption fees Class I	218,441	0
Payments for shares redeemed—Class II	(1,850,210)	(2,412,970)
<b>Net increase in net assets from Fund share transactions</b>	<b>479,984,223</b>	<b>416,194,002</b>
<b>Total increase in net assets</b>	<b>645,780,336</b>	<b>534,383,634</b>
<b>Net assets:</b>		
Beginning of period	710,597,435	176,213,801
End of period	<u>\$ 1,356,377,771</u>	<u>\$ 710,597,435</u>
Undistributed net investment loss	<u>\$ (2,017,716)</u>	<u>\$ (290,559)</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	31,239,104	34,670,227
Shares issued in reinvestment of dividends	155,616	0
Less shares redeemed	(6,086,912)	(8,703,761)
<b>Net increase in shares outstanding</b>	<b>25,307,808</b>	<b>25,966,466</b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	663,902	462,296
Shares issued in reinvestment of dividends	1,160	0
Less shares redeemed	(97,167)	(171,894)
<b>Net increase in shares outstanding</b>	<b>567,895</b>	<b>290,402</b>

## The Oakmark International Fund

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003
<b>From Operations:</b>		
Net investment income (loss)	\$ (2,444,201)	\$ 20,158,139
Net realized gain (loss) on investments	78,785,867	(194,137,263)
Net realized gain (loss) on foreign currency transactions	78,639	(659,981)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	527,624,543	712,978,826
Net change in unrealized appreciation (depreciation)—other	(39,741)	294,152
<b>Net increase in net assets from operations</b>	<u>604,005,107</u>	<u>538,633,873</u>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(20,084,750)	(15,119,015)
Net investment income—Class II	(570,848)	(515,254)
<b>Total distributions to shareholders</b>	<u>(20,655,598)</u>	<u>(15,634,269)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	1,023,957,732	1,342,461,828
Proceeds from shares sold—Class II	117,528,761	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	(419,389,764)	(573,914,822)
Redemption fees Class I	280,208	0
Payments for shares redeemed—Class II	(37,879,223)	(158,686,779)
<b>Net increase in net assets from Fund share transactions</b>	<u>702,939,829</u>	<u>834,581,838</u>
<b>Total increase in net assets</b>	1,286,289,338	1,357,581,442
<b>Net assets:</b>		
Beginning of period	<u>2,799,845,136</u>	<u>1,442,263,694</u>
End of period	<u>\$ 4,086,134,474</u>	<u>\$ 2,799,845,136</u>
Undistributed net investment income (loss)	<u>\$ (3,817,632)</u>	<u>\$ 19,282,167</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	58,012,314	98,256,816
Shares issued in reinvestment of dividends	1,091,501	1,050,618
Less shares redeemed	(23,387,678)	(43,071,914)
<b>Net increase in shares outstanding</b>	<u>35,716,137</u>	<u>56,235,520</u>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	6,606,015	15,141,504
Shares issued in reinvestment of dividends	16,860	12,959
Less shares redeemed	(2,107,207)	(11,241,101)
<b>Net increase in shares outstanding</b>	<u>4,515,668</u>	<u>3,913,362</u>

# THE OAKMARK FAMILY OF FUNDS

## Statements of Changes in Net Assets

	The Oakmark International Small Cap Fund	
	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003
<b>From Operations:</b>		
Net investment income	\$ 773,208	\$ 3,739,176
Net realized gain (loss) on investments	5,440,237	(33,475,417)
Net realized gain (loss) on foreign currency transactions	53,163	(58,650)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	121,144,024	160,461,142
Net change in unrealized appreciation (depreciation)—other	(23,426)	36,163
Deferred foreign taxes	(444,083)	0
<b>Net increase in net assets from operations</b>	<u>126,943,123</u>	<u>130,702,414</u>
<b>Distributions to shareholders from:</b>		
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)
<b>Total distributions to shareholders</b>	<u>(4,212,177)</u>	<u>(12,266,478)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	109,541,987	122,746,015
Proceeds from shares sold—Class II	39,982	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	(57,181,044)	(132,515,271)
Redemption fees Class I	249,166	0
Payments for shares redeemed—Class II	(145,830)	(945,332)
<b>Net increase in net assets from Fund share transactions</b>	<u>56,369,739</u>	<u>1,802,325</u>
<b>Total increase in net assets</b>	179,100,685	120,238,261
<b>Net assets:</b>		
Beginning of period	478,244,429	358,006,168
End of period	<u>\$ 657,345,114</u>	<u>\$ 478,244,429</u>
Undistributed net investment income	<u>\$ 79,296</u>	<u>\$ 3,518,265</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	6,901,509	11,051,169
Shares issued in reinvestment of dividends	260,200	1,095,314
Less shares redeemed	(3,532,857)	(12,545,416)
<b>Net increase (decrease) in shares outstanding</b>	<u>3,628,852</u>	<u>(398,933)</u>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	2,534	88,462
Shares issued in reinvestment of dividends	102	432
Less shares redeemed	(8,775)	(85,057)
<b>Net increase (decrease) in shares outstanding</b>	<u>(6,139)</u>	<u>3,837</u>

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements—(Unaudited)

### 1. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of The Oakmark Fund ("Oakmark"), The Oakmark Select Fund ("Select"), The Oakmark Small Cap Fund ("Small Cap"), The Oakmark Equity and Income Fund ("Equity and Income"), The Oakmark 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.

#### 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 .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 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. Securities traded in foreign markets are valued using prices reported by local foreign markets. 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 March 31, 2004, the Funds held one security for which a quotation was not readily available, and no securities which may have been affected by a significant event after the price was determined.

#### Foreign currency translations—

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

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



# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

For the period ended March 31, 2004, net unrealized appreciation (depreciation) - other included the following components:

	Small Cap	Equity & Income	Global	Inter- national	Int'l Small Cap
Unrealized appreciation (depreciation) on dividends and dividend reclaims receivable	\$ —	\$ 188,995	\$ 47,357	\$ 225,588	\$ 55,143
Unrealized appreciation (depreciation) on open securities purchases and sales	8,786	—	(34,198)	(137,584)	(18,510)
Net Unrealized appreciation (depreciation) - Other	<u>\$8,786</u>	<u>\$188,995</u>	<u>\$13,159</u>	<u>\$ 88,004</u>	<u>\$ 36,633</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 Taxes on the Statements of Operations. Net realized gains and losses on investments are determined by the specific identification method. Net realized gains and losses on investments are determined by the specific identification method.

### 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 March 31, 2004, the Funds had no forward foreign currency contracts outstanding.

### Distributions to shareholders—

Income, dividends and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. To the extent the tax and book differences are permanent in nature, such amounts are reclassified among paid in capital, undistributed net investment income and accumulated undistributed net realized gain (loss). Those 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—

The 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 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 March 31, 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 March 31, 2004, the Funds had no written options outstanding.

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 OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

the proceeds on the underlying security to determine the realized gain or loss. The risk associated with purchasing put and call options is potential loss of the premium paid. At March 31, 2004, the Funds held no options.

### 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 period ended March 31, 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. Each 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, would be reported as a reduction of total expenses in the Statements of Operations.

### Security lending—

Each Fund except Oakmark 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 bank 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 subnormal levels of income and lack of access to income during that period.

### Reclassifications—

Certain amounts have been reclassified to conform with the current presentation.

## 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
Small Cap	1.00%	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 OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

The Adviser undertakes to reimburse each Fund Class 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 net assets of the Fund Class through January 31, 2005.

<u>Fund</u>	<u>Class I</u>	<u>Class II</u>
Oakmark	1.50%	1.75%
Select	1.50	1.75
Small Cap	1.50	1.75
Equity & 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 period ended March 31, 2004, the Funds incurred brokerage commissions, including commissions paid to an affiliate of the Adviser, Harris Associates Securities L.P., as follows:

<u>Fund</u>	<u>Total Commissions</u>	<u>Commissions Paid to Affiliates</u>
Oakmark	\$1,919,484	\$117,690
Select	1,719,833	35,862
Small Cap	513,730	68,364
Equity & Income	2,488,851	189,384
Global	1,297,471	28,505
International	2,787,160	0
Intl Small Cap	399,896	0

CDC 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 period ended March 31, 2004, the Funds incurred the following transfer agent expenses:

<u>Fund</u>	<u>Transfer Agent Fees</u>
Oakmark	\$1,434,105
Select	762,368
Small Cap	180,928
Equity & Income	736,872
Global	178,066
International	541,948
Intl Small Cap	81,545

The Adviser has entered into agreements with service providers 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.

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

### 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	\$4,770,465,421	\$1,199,436,580	\$(82,232,274)	\$1,117,204,306
Select	3,926,881,653	1,920,257,119	(54,421,784)	1,865,835,335
Small Cap	301,089,419	100,267,962	(6,738,040)	93,529,922
Equity & Income	5,757,718,053	1,004,753,565	(8,660,072)	996,093,493
Global	1,121,945,662	240,297,925	(3,402,939)	236,894,986
International	3,202,473,277	894,476,695	(15,765,847)	878,710,848
Intl Small Cap	463,082,733	197,130,040	(5,879,319)	191,250,721

### 4. INVESTMENT TRANSACTIONS

For the period ended March 31, 2004, transactions in investment securities (excluding short term and U.S. Government securities) were as follows (in thousands):

	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Purchases	\$675,068	\$432,191	\$74,334	\$1,331,369	\$505,727	\$863,589	\$105,821
Proceeds from sales	404,099	415,890	98,627	368,644	72,426	207,925	54,340

Purchases at cost and proceeds from sales of long-term U.S. Government securities for the period ended March 31, 2004 were \$536,365 and \$46,003 respectively for Equity and Income.

Transactions in options written during the period ended March 31, 2004 were as follows:

	Oakmark		Select		Small Cap	
	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	950	\$116,769
Options written	26,250	2,173,021	29,750	2,349,762	0	0
Options terminated in closing purchase transactions	(6,993)	(683,121)	(8,397)	(811,727)	(500)	(57,872)
Options expired	(17,107)	(1,180,339)	(20,978)	(1,503,162)	(450)	(58,897)
Options exercised	<u>(2,150)</u>	<u>(309,560)</u>	<u>(375)</u>	<u>(34,873)</u>	<u>0</u>	<u>0</u>
Options outstanding at March 31, 2004	0	\$ 0	0	\$ 0	0	\$ 0
					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 March 31, 2004					0	\$ 0

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements—(Unaudited) (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 period ended March 31, 2004, is set forth below:

#### Summary of Transactions with Affiliated Issuers The Oakmark Fund

Affiliates	Shares Held	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2004
Burlington Resources, Inc.	1,571,100	\$ 0	\$ 0	\$ 471,330	\$ 99,969,093
H&R Block, Inc.	2,829,300	0	10,836,226	1,165,340	144,379,179
Toys 'Я' Us, Inc.	3,125,000	\$ 0	0	0	52,500,000
TOTALS		\$ 0	\$10,836,226	\$1,636,670	\$296,848,272

#### The Oakmark Select Fund

Affiliates	Shares Held	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2004
Burlington Resources, Inc.	4,326,800	\$ 0	\$ 0	\$1,298,040	\$ 275,314,284
H&R Block, Inc.	8,259,800	0	33,137,226	3,408,300	421,497,594
The Dun & Bradstreet Corporation	3,934,900	0	29,537,786	0	210,517,150
Toys 'Я' Us, Inc.	12,622,700	1,567,695	16,425,605	0	212,061,360
TOTALS		\$1,567,695	\$79,100,617	\$4,706,340	\$1,119,390,388

#### The Oakmark Small Cap Fund

Affiliates	Shares Held	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2004
eFunds Corporation	706,700	\$ 0	\$10,636,615	\$ 0	\$11,589,880
TOTALS		\$ 0	\$10,636,615	\$ 0	\$11,589,880

#### The Oakmark Equity & Income Fund

Affiliates	Shares Held	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2004
Burlington Resources, Inc.	3,575,000	\$74,735,466	\$ 0	\$997,500	\$227,477,250
TOTALS		\$74,735,466	\$ 0	\$997,500	\$227,477,250

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements—(Unaudited) (cont.)

### The Oakmark Global Fund

Affiliates	Shares Held	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2004
Burlington Resources, Inc.	630,000	\$33,267,449	\$ 0	\$140,100	\$ 40,086,900
Ducati Motor Holding S.p.A.	2,650,000	1,209,621	0	0	4,278,376
eFunds Corporation	1,745,000	0	1,547,877	0	28,618,000
Euronext	1,814,000	20,811,931	0	0	54,131,279
Grupo Aeroportuario del Sureste S.A. de C.V.	463,000	0	0	0	9,653,550
Lonza group AG, Registered Shares	655,400	34,039,200	0	0	33,463,600
Lotte Chilsung Beverage Co., Ltd.	13,430	0	0	16,496	7,625,608
Meitec Corporation	603,500	8,029,610	0	287,287	22,743,012
Michael Page International plc	4,815,400	0	0	0	16,382,413
<b>TOTALS</b>		<b>\$97,357,811</b>	<b>\$1,547,877</b>	<b>\$443,883</b>	<b>\$216,982,738</b>

### The Oakmark International Fund

Affiliates	Shares Held	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2004
Chargeurs SA	1,050,201	\$ 0	\$ 0	\$ 0	\$ 35,280,468
Enodis plc	33,585,320	0	0	0	58,059,048
Euronext	4,603,200	34,528,624	0	0	137,363,343
Giordano International Limited	81,018,300	0	1,218,671	0	50,682,897
Grupo Aeroportuario del Sureste S.A. de C.V.	242,000	0	0	0	5,045,700
Lonza group AG, Registered Shares	1,958,600	75,603,636	0	0	100,002,756
Lotte Chilsung Beverage Co., Ltd.	83,400	0	0	0	47,354,856
Meitec Corporation	1,899,100	10,528,968	0	933,992	71,567,944
Michael Page International plc	22,748,600	0	3,009,020	0	77,392,733
<b>TOTALS</b>		<b>\$120,661,228</b>	<b>\$4,227,691</b>	<b>\$933,992</b>	<b>\$582,749,745</b>

### The Oakmark Int'l Small Cap Fund

Affiliates	Shares Held	Purchases (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2004
Alaska Milk Corporation	49,394,000	\$ 0	\$ 0	\$ 45,492	\$ 2,593,899
Baycorp Advantage Limited	11,540,500	0	5,450,387	0	22,519,987
Ducati Motor Holding S.p.A.	6,083,600	4,756,853	0	0	9,821,860
Grupo Aeroportuario del Sureste S.A. de C.V.	1,076,600	250,806	0	0	22,447,110
Interpump Group S.p.A.	4,604,900	7,612,730	0	0	20,223,952
Mainfreight Limited	8,935,381	960,574	0	124,248	10,614,982
Matchon Public Company Limited, Foreign Shares	2,039,500	0	0	210,956	5,716,524
Royal Doulton plc	22,373,000	0	0	0	3,403,512
<b>TOTALS</b>		<b>\$13,580,963</b>	<b>\$5,450,387</b>	<b>\$380,696</b>	<b>\$97,341,826</b>

# THE OAKMARK FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999
Net Asset Value, Beginning of Period	\$ 33.85	\$ 28.08	\$ 32.01	\$ 26.95	\$ 34.37	\$ 33.54
Income (Loss) From Investment Operations:						
Net Investment Income	0.09	0.13	0.12	0.07	0.49	0.36
Net Gains (Losses) on Securities (both realized and unrealized)	<u>4.28</u>	<u>5.75</u>	<u>(3.85)</u>	<u>5.38</u>	<u>(2.91)</u>	<u>2.51</u>
Total From Investment Operations:	4.37	5.88	(3.73)	5.45	(2.42)	2.87
Less Distributions:						
Dividends (from net investment income)	(0.14)	(0.11)	(0.20)	(0.39)	(0.26)	(0.44)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(4.74)</u>	<u>(1.60)</u>
Total Distributions	<u>(0.14)</u>	<u>(0.11)</u>	<u>(0.20)</u>	<u>(0.39)</u>	<u>(5.00)</u>	<u>(2.04)</u>
Redemption Fee Per Share	0.00(a)	—	—	—	—	—
Net Asset Value, End of Period	<u>\$ 38.08</u>	<u>\$ 33.85</u>	<u>\$ 28.08</u>	<u>\$ 32.01</u>	<u>\$ 26.95</u>	<u>\$ 34.37</u>
Total Return	12.95%	20.99%	(11.77)%	20.42%	(7.55)%	7.98%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$5,801.8	\$4,769.4	\$3,300.9	\$3,109.1	\$2,038.7	\$4,772.8
Ratio of Expenses to Average Net Assets	1.07%*	1.14%	1.17%	1.15%	1.21%	1.11%
Ratio of Net Investment Income to Average Net Assets	0.53%*	0.48%	0.38%	0.73%	1.42%	1.02%
Portfolio Turnover Rate	8%	21%	44%	57%	50%	13%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	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	0.05	0.16	0.05
Net Gains (Losses) on Securities (both realized and unrealized)	<u>4.25</u>	<u>5.69</u>	<u>(3.92)</u>	<u>(0.17)</u>
Total From Investment Operations:	4.29	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	<u>(0.05)</u>	<u>(0.10)</u>	<u>(0.17)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$37.92</u>	<u>\$33.68</u>	<u>\$ 28.04</u>	<u>\$31.97</u>
Total Return	12.75%	20.52%	(11.85)%	(0.37)%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$ 39.2	\$ 21.1	\$ 7.7	\$ 0.1
Ratio of Expenses to Average Net Assets	1.42%*	1.53%	1.44%	1.32%*
Ratio of Net Investment Income to Average Net Assets	0.16%*	0.06%	0.35%	0.46%*
Portfolio Turnover Rate	8%	21%	44%	57%

\* Data has been annualized.

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

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

# THE OAKMARK SELECT FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999
Net Asset Value, Beginning of Period	\$ 27.55	\$ 21.67	\$ 25.20	\$ 21.45	\$ 20.92	\$ 16.76
Income (Loss) From Investment Operations:						
Net Investment Income	0.09	0.05	0.02	0.03	0.13	0.19
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.83</u>	<u>5.85</u>	<u>(3.50)</u>	<u>5.17</u>	<u>4.32</u>	<u>4.73</u>
Total From Investment Operations:	3.92	5.90	(3.48)	5.20	4.45	4.92
Less Distributions:						
Dividends (from net investment income)	(0.10)	(0.02)	(0.05)	(0.09)	(0.20)	(0.05)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(1.36)</u>	<u>(3.72)</u>	<u>(0.71)</u>
Total Distributions	<u>(0.10)</u>	<u>(0.02)</u>	<u>(0.05)</u>	<u>(1.45)</u>	<u>(3.92)</u>	<u>(0.76)</u>
Redemption Fee Per Share	0.00(a)	—	—	—	—	—
Net Asset Value, End of Period	<u>\$ 31.37</u>	<u>\$ 27.55</u>	<u>\$ 21.67</u>	<u>\$ 25.20</u>	<u>\$ 21.45</u>	<u>\$ 20.92</u>
Total Return	14.26%	27.25%	(13.85)%	25.75%	24.53%	30.07%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$5,696.4	\$4,993.0	\$3,717.6	\$4,161.4	\$1,772.0	\$1,638.9
Ratio of Expenses to Average Net Assets	1.00%*	1.02%	1.07%	1.08%	1.17%	1.16%
Ratio of Net Investment Income to Average Net Assets	0.59%*	0.23%	0.09%	0.26%	0.76%	0.98%
Portfolio Turnover Rate	8%	20%	32%	21%	69%	67%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	December 31, 1999 through September 30, 2000 (b)
Net Asset Value, Beginning of Period	\$27.37	\$21.56	\$ 25.10	\$21.40	\$18.42
Income From Investment Operations:					
Net Investment Income (Loss)	0.06	0.00(c)	(0.04)	0.00	0.10
Net Gains or Losses on Securities (both realized and unrealized)	<u>3.81</u>	<u>5.81</u>	<u>(3.50)</u>	<u>5.10</u>	<u>2.88</u>
Total From Investment Operations:	3.87	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	<u>(0.04)</u>	<u>0.00</u>	<u>0.00</u>	<u>(1.40)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$31.20</u>	<u>\$27.37</u>	<u>\$ 21.56</u>	<u>\$25.10</u>	<u>\$21.40</u>
Total Return	14.13%	26.95%	(14.10)%	25.28%	16.18%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$108.4	\$ 93.1	\$ 64.4	\$ 35.4	\$ 6.8
Ratio of Expenses to Average Net Assets	1.25%*	1.29%	1.36%	1.40%	1.41%*
Ratio of Net Investment Income (Loss) to Average Net Assets	0.34%*	(0.04)%	(0.19)%	(0.08)%	0.59%*
Portfolio Turnover Rate	8%	20%	32%	21%	69%

\* Data has been annualized.

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

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

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



# THE OAKMARK SMALL CAP FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999
Net Asset Value, Beginning of Period	\$17.18	\$14.10	\$14.57	\$15.10	\$13.88	\$12.63
Income (Loss) From Investment Operations:						
Net Investment Income (Loss)	(0.05)	(0.12)	(0.11)	0.00	0.00	0.14
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.27</u>	<u>3.20</u>	<u>(0.36)</u>	<u>(0.02)</u>	<u>1.22</u>	<u>1.20</u>
Total From Investment Operations:	3.22	3.08	(0.47)	(0.02)	1.22	1.34
Less Distributions:						
Dividends (from net investment income)	0.00	0.00	0.00	0.00	0.00	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.51)</u>	<u>0.00</u>	<u>(0.09)</u>
Total Distributions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.51)</u>	<u>0.00</u>	<u>(0.09)</u>
Redemption Fee Per Share	<u>0.00(a)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Asset Value, End of Period	<u>\$20.40</u>	<u>\$17.18</u>	<u>\$14.10</u>	<u>\$14.57</u>	<u>\$15.10</u>	<u>\$13.88</u>
Total Return	18.74%	21.84%	(3.23)%	0.07%	8.79%	10.56%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$394.1	\$350.3	\$356.9	\$264.6	\$248.7	\$437.1
Ratio of Expenses to Average Net Assets	1.26%*	1.36%	1.33%	1.27%	1.50%(b)	1.48%
Ratio of Net Investment Loss to Average Net Assets	(0.51)%*	(0.69)%	(0.67)%	(0.28)%	(0.41%(b))	(0.44)%
Portfolio Turnover Rate	21%	13%	22%	47%	28%	68%

\* Data has been annualized.

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

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

	September 30, 2000
Ratio of Expenses to Average Net Assets	1.59%
Ratio of Net Income (Loss) to Average Net Assets	(0.50)%

# THE OAKMARK SMALL CAP FUND

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	April 10, 2002 through September 30, 2002 (a)
Net Asset Value, Beginning of Period	\$17.10	\$14.09	\$ 19.71
Income (Loss) From Investment Operations:			
Net Investment Loss	(0.06)	(0.16)	(0.20)(b)
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.22</u>	<u>3.17</u>	<u>(5.42)</u>
Total From Investment Operations:	<u>3.16</u>	<u>3.01</u>	<u>(5.62)</u>
Net Asset Value, End of Period	<u>\$20.26</u>	<u>\$17.10</u>	<u>\$ 14.09</u>
Total Return	18.48%	21.36%	(28.51)%
Ratios/Supplemental Data:			
Net Assets, End of Period (\$million)	\$ 1.1	\$ 0.8	\$0.5
Ratio of Expenses to Average Net Assets	1.60%*	1.75%(c)	1.48%*
Ratio of Net Investment Loss to Average Net Assets	(0.84)%*	(1.08)% (c)	(0.85)%*
Portfolio Turnover Rate	21%	13%	22%

\* Data has been annualized.

(a) The date on which Class II shares were first sold to the public was April 10, 2002.

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

(c) 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, 2003
Ratio of Expenses to Average Net Assets	1.85%
Ratio of Net Income (Loss) to Average Net Assets	(1.18)%

# THE OAKMARK EQUITY AND INCOME FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999
Net Asset Value, Beginning of Period	\$ 20.30	\$ 17.18	\$ 17.45	\$16.50	\$15.68	\$13.99
Income (Loss) From Investment Operations:						
Net Investment Income	0.05	0.17	0.33(b)	0.08	0.35	0.39
Net Gains (Losses) on Securities (both realized and unrealized)	<u>2.73</u>	<u>3.19</u>	<u>(0.40)</u>	<u>2.11</u>	<u>2.28</u>	<u>1.72</u>
Total From Investment Operations:	2.78	3.36	(0.07)	2.19	2.63	2.11
Less Distributions:						
Dividends (from net investment income)	(0.14)	(0.24)	(0.16)	(0.24)	(0.45)	(0.21)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(0.04)</u>	<u>(1.00)</u>	<u>(1.36)</u>	<u>(0.21)</u>
Total Distributions	<u>(0.14)</u>	<u>(0.24)</u>	<u>(0.20)</u>	<u>(1.24)</u>	<u>(1.81)</u>	<u>(0.42)</u>
Redemption Fee Per Share	0.00(a)	—	—	—	—	—
Net Asset Value, End of Period	<u>\$ 22.94</u>	<u>\$ 20.30</u>	<u>\$ 17.18</u>	<u>\$17.45</u>	<u>\$16.50</u>	<u>\$15.68</u>
Total Return	13.75%	19.75%	(0.47)%	14.40%	18.51%	15.32%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$6,313.3	\$4,138.0	\$2,241.9	\$620.1	\$ 54.5	\$ 60.3
Ratio of Expenses to Average Net Assets	0.92%*	0.93%	0.96%	0.98%	1.24%	1.18%
Ratio of Net Investment Income to Average Net Assets	0.53%*	1.07%	1.71%	2.07%	3.04%	2.65%
Portfolio Turnover Rate	8%	48%	73%	124%	87%	81%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	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	0.03	0.16	0.30(b)	0.07	0.30
Net Gains (Losses) on Securities (both realized and unrealized)	<u>2.71</u>	<u>3.15</u>	<u>(0.40)</u>	<u>2.08</u>	<u>0.68</u>
Total From Investment Operations:	2.74	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	<u>(0.11)</u>	<u>(0.22)</u>	<u>(0.15)</u>	<u>(1.24)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$22.87</u>	<u>\$20.24</u>	<u>\$17.15</u>	<u>\$17.40</u>	<u>\$16.49</u>
Total Return	13.56%	19.46%	(0.60)%	14.07%	6.32%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$387.9	\$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	0.28%*	0.84%	1.50%	1.95%	2.59%*
Portfolio Turnover Rate	8%	48%	73%	124%	87%

\* Data has been annualized.

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

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

(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

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	August 4, 1999 through September 30, 1999 (a)
Net Asset Value, Beginning of Period	\$ 16.98	\$11.30	\$10.83	\$10.91	\$ 9.18	\$10.00
Income (Loss) From Investment Operations:						
Net Investment Income (Loss)	(0.02)	0.01	0.00(b)(e)	0.03	0.11	0.01
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.12</u>	<u>5.67</u>	<u>0.76(f)</u>	<u>0.12</u>	<u>1.63</u>	<u>(0.83)</u>
Total From Investment Operations:	3.10	5.68	0.76	0.15	1.74	(0.82)
Less Distributions:						
Dividends (from net investment income)	0.00(b)	0.00	0.00	(0.17)	(0.01)	0.00
Distributions (from capital gains)	<u>(0.05)</u>	<u>0.00</u>	<u>(0.29)</u>	<u>(0.06)</u>	<u>0.00</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>	<u>0.00</u>
Redemption Fee Per Share	<u>0.00(c)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Asset Value, End of Period	<u>\$ 20.03</u>	<u>\$16.98</u>	<u>\$11.30</u>	<u>\$10.83</u>	<u>\$10.91</u>	<u>\$ 9.18</u>
Total Return	18.31%	50.27%	6.84%	1.37%	18.97%	(8.20)%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$1,338.3	\$704.8	\$175.6	\$ 48.2	\$ 27.2	\$ 24.0
Ratio of Expenses to Average Net Assets	1.23%*	1.28%	1.55%	1.75%(g)	1.75%(g)	1.75%*(g)
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.29)%*	0.00%(d)	(0.01)%	0.00%(g)	0.54%(g)	0.98%*(g)
Portfolio Turnover Rate	7%	42%	86%	114%	147%	7%

\* Data has been annualized.

(a) The date which Fund shares were first offered for sale to the public was August 4, 1999.

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

(c) Rounds to less than \$0.01 per share.

(d) Rounds to less than 0.01%.

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

(f) 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 market values of the Fund.

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

	September 30, 2001	September 30, 2000	September 30, 1999
Ratio of Expenses to Average Net Assets	1.80%	1.96%	2.22%*
Ratio of Net Income (Loss) to Average Net Assets	(0.05)%	0.34%	0.51%*

# THE OAKMARK GLOBAL FUND

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	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)	(0.02)	0.02	(0.03)
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.07</u>	<u>5.58</u>	<u>0.31(c)</u>
Total From Investment Operations:	3.05	5.60	0.28
Less Distributions:			
Dividends (from net investment income)	0.00(b)	0.00	0.00
Distributions (from capital gains)	<u>(0.05)</u>	<u>0.00</u>	<u>(0.29)</u>
Total Distributions	<u>(0.05)</u>	<u>0.00</u>	<u>(0.29)</u>
Net Asset Value, End of Period	<u>\$19.84</u>	<u>\$16.84</u>	<u>\$11.24</u>
Total Return	18.16%	49.82%	2.31%
Ratios/Supplemental Data:			
Net Assets, End of Period (\$million)	\$ 18.1	\$ 5.8	\$ 0.6
Ratio of Expenses to Average Net Assets	1.44%*	1.46%	1.86%*
Ratio of Net Investment Loss to Average Net Assets	(0.45)%*	(0.01)%	(0.26)%*
Portfolio Turnover Rate	7%	42%	86%

\* Data has been annualized.

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

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

(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 market values of the Fund.

# THE OAKMARK INTERNATIONAL FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999
Net Asset Value, Beginning of Period	\$ 15.67	\$ 12.17	\$ 12.51	\$ 15.40	\$13.95	\$10.42
Income (Loss) From Investment Operations:						
Net Investment Income (Loss)	(0.02)	0.11	0.14	0.20	1.02	(0.34)
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.13</u>	<u>3.52</u>	<u>(0.31)</u>	<u>(2.07)</u>	<u>0.92</u>	<u>4.89</u>
Total From Investment Operations:	3.11	3.63	(0.17)	(1.87)	1.94	4.55
Less Distributions:						
Dividends (from net investment income)	(0.11)	(0.13)	(0.17)	(0.51)	(0.49)	(0.24)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.51)</u>	<u>0.00</u>	<u>(0.78)</u>
Total Distributions	(0.11)	(0.13)	(0.17)	(1.02)	(0.49)	(1.02)
Redemption Fee Per Share	0.00(a)	—	—	—	—	—
Net Asset Value, End of Period	<u>\$ 18.67</u>	<u>\$ 15.67</u>	<u>\$ 12.17</u>	<u>\$ 12.51</u>	<u>\$15.40</u>	<u>\$13.95</u>
Total Return	19.93%	29.97%	(1.53)%	(13.10)%	14.27%	46.41%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$3,855.3	\$2,676.6	\$1,393.8	\$ 738.5	\$782.4	\$811.1
Ratio of Expenses to Average Net Assets	1.21%*	1.25%	1.31%	1.30%	1.30%	1.29%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.12)%*	1.03%	1.34%	1.40%	1.87%	1.94%
Portfolio Turnover Rate	6%	34%	24%	58%	64%	54%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	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 (Loss)	(0.03)	0.08	0.15	0.17	0.96
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.09</u>	<u>3.48</u>	<u>(0.37)</u>	<u>(2.10)</u>	<u>0.54</u>
Total From Investment Operations:	3.06	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>\$18.58</u>	<u>\$15.58</u>	<u>\$12.13</u>	<u>\$ 12.47</u>	<u>\$15.37</u>
Total Return	19.71%	29.52%	(1.76)%	(13.44)%	10.79%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$230.9	\$123.2	\$ 48.5	\$ 1.9	\$ 0.1
Ratio of Expenses to Average Net Assets	1.50%*	1.67%	1.58%	1.64%	1.50%*
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.39)%*	0.69%	1.33%	0.62%	1.98%*
Portfolio Turnover Rate	6%	34%	24%	58%	64%

\* Data has been annualized.

(a) 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

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999
Net Asset Value, Beginning of Period	\$13.74	\$10.17	\$10.00	\$11.51	\$12.64	\$ 6.89
Income (Loss) From Investment Operations:						
Net Investment Income	0.02	0.11	0.11	0.13	0.23	0.24
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.46</u>	<u>3.82</u>	<u>0.36(c)</u>	<u>(0.81)</u>	<u>(0.66)</u>	<u>5.71</u>
Total From Investment Operations:	3.48	3.93	0.47	(0.68)	(0.43)	5.95
Less Distributions:						
Dividends (from net investment income)	(0.12)	(0.09)	(0.16)	(0.34)	(0.11)	(0.20)
Distributions (from capital gains)	<u>0.00</u>	<u>(0.27)</u>	<u>(0.14)</u>	<u>(0.49)</u>	<u>(0.59)</u>	<u>0.00</u>
Total Distributions	<u>(0.12)</u>	<u>(0.36)</u>	<u>(0.30)</u>	<u>(0.83)</u>	<u>(0.70)</u>	<u>(0.20)</u>
Redemption Fee Per Share	<u>0.01</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Asset Value, End of Period	<u>\$17.11</u>	<u>\$13.74</u>	<u>\$10.17</u>	<u>\$10.00</u>	<u>\$11.51</u>	<u>\$12.64</u>
Total Return	25.51%	39.78%	4.68%	(6.18)%	(3.44)%	88.02%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$656.9	\$477.8	\$357.7	\$118.9	\$ 90.3	\$155.4
Ratio of Expenses to Average Net Assets	1.50%*	1.57%	1.64%	1.74%	1.77%	1.79%
Ratio of Net Investment Income to Average Net Assets	0.26%*	0.99%	1.28%	1.83%	1.99%	2.31%
Portfolio Turnover Rate	10%	30%	42%	49%	40%	126%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2004 (Unaudited)	Year Ended September 30, 2003	Year Ended September 30, 2002	January 8, 2001 through September 30, 2001 (a)
Net Asset Value, Beginning of Period	\$13.69	\$10.14	\$ 9.97	\$10.73
Income From Investment Operations:				
Net Investment Income	0.02	0.08	0.13(b)	0.15
Net Gains (Losses) on Securities (both realized and unrealized)	<u>3.46</u>	<u>3.81</u>	<u>0.30(b)(c)</u>	<u>(0.91)</u>
Total From Investment Operations:	3.48	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>\$17.08</u>	<u>\$13.69</u>	<u>\$10.14</u>	<u>\$ 9.97</u>
Total Return	25.52%	39.39%	4.25%	(7.08)%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$ 0.4	\$ 0.4	\$ 0.3	\$ 0.0
Ratio of Expenses to Average Net Assets	1.49%*	1.81%	1.87%	1.97%*
Ratio of Net Investment Income to Average Net Assets	0.20%*	0.72%	1.06%	1.76%*
Portfolio Turnover Rate	10%	30%	42%	49%

\* Data has been annualized.

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

(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 redemption of Fund shares in relation to the fluctuating market values of the Fund.

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](http://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. **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 will close 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.

The performance information for Class I shares of The Oakmark Fund, The Oakmark Select Fund, The Oakmark Small Cap Fund, The Oakmark Equity & Income Fund, The Oakmark Global Fund, The Oakmark International Fund and The Oakmark International Small Cap Fund does not reflect the imposition of a 2% redemption fee on shares held by an investor for 90 days or less. The purpose of this redemption fee is to deter market timers.

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 - 3/31/04), IPO's contributed an annualized 1.83% 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 quoted passages are taken from "Origins of the Crash" written by Roger Lowenstein and published in 2004 by The Penguin Press, New York.



5. 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.
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 measures the performance of the 30 largest U.S. large-cap value funds tracked by Lipper. 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. NAV stands for Net Asset Value. NAV is the dollar value of a single mutual fund share, based on the value of the underlying assets of the fund minus its liabilities divided by the number of shares outstanding.
11. The Russell 2000 Index is an unmanaged, market-weighted index, with dividends reinvested, of 2,000 small companies, formed by taking the largest 3,000 small companies and eliminating the largest 1,000 of those companies. This index is unmanaged and investors cannot actually make investments in this index.
12. The S&P Small Cap 600 Index measures the performance of selected U.S. stocks with small market capitalizations. This index is unmanaged and investors cannot actually make investments in this index.
13. The Lipper Small Cap Value Fund Index measures the performance of the 30 largest U.S. small-cap value funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.
14. 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.
15. The Lehman Govt./Corp. Bond Index is an unmanaged index that includes the Lehman Government and Lehman Corporate indices. This index is unmanaged and investors cannot actually make investments in this index.
16. The MSCI World Index is made up of 20 country sub-indexes, including the stock exchanges of the U.S., Europe, Canada, Australia and New Zealand, and the Far East. This index is unmanaged and investors cannot actually make investments in this index.
17. 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.
18. The Morgan Stanley World Ex U.S. Index is made up of 19 country sub-indexes, excluding the U.S. This index is unmanaged and investors cannot actually make investments in this index.
19. Morgan Stanley Capital International Europe, Australasia and Far East Index ("EAFE") is an unmanaged index of companies throughout the world in proportion to world stock market capitalizations, excluding the U.S. and Canada. This index is unmanaged and investors cannot actually make investments in this index.
20. The 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.
21. 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

## 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.”

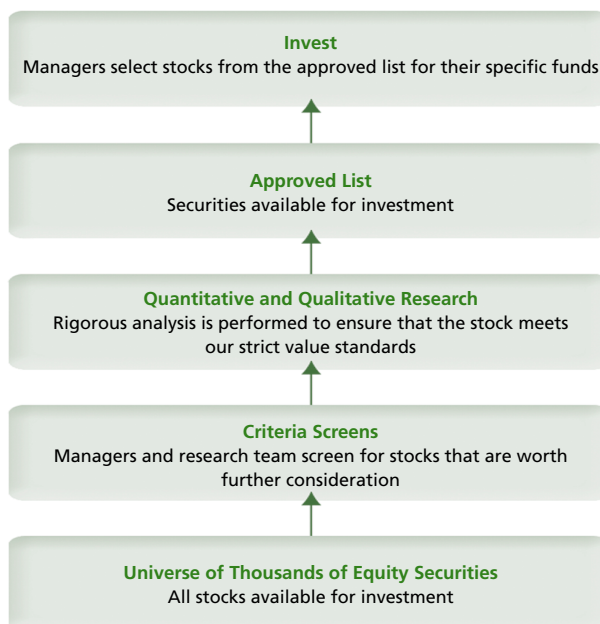
**The Result:** a unified effort aimed at identifying the best values in the marketplace. From the list of approved stocks, each fund manager constructs a relatively focused portfolio, built on a stock-by-stock basis from the bottom up.

## 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

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**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

## *Trustees and Officers*

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### *Trustees*

Victor A. Morgenstern—*Chairman*  
Michael J. Friduss  
Thomas H. Hayden  
Christine M. Maki  
John R. Raitt  
Allan J. Reich  
Marv R. Rotter  
Burton W. Ruder  
Peter S. Voss  
Gary N. Wilner, M.D.

### *Officers*

John R. Raitt—*President*  
Robert M. Levy—*Executive Vice President*  
James P. Benson—*Vice President*  
Henry R. Berghoef—*Vice President*  
Kevin G. Grant—*Vice President*  
David G. Herro—*Vice President*  
Clyde S. McGregor—*Vice President*  
William C. Nygren—*Vice President*  
Vineeta Raketich—*Vice President*  
Janet L. Reali—*Vice President and Secretary*  
Ann W. Regan—*Vice President—  
Shareholder Operations and Assistant Secretary*  
Edward A. Studzinski—*Vice President*  
Michael J. Welsh—*Vice President*  
Kristi L. Rowsell—*Treasurer*  
John J. Kane—*Assistant Treasurer*

### *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 Auditors*

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](http://www.oakmark.com)

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

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](http://www.oakmark.com); and on the Securities and Exchange Commissions website at [www.sec.gov](http://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.

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