

ANNUAL REPORT

September 30, 1999

**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**

MEMBER OF
100% NO-LOAD
MUTUAL FUND
COUNCIL

Managed by

**HARRIS
ASSOCIATES L.P.**

OAKMARK

THE OAKMARK FAMILY OF FUNDS

1999 Annual Report

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FOR MORE INFORMATION

Access our web site at www.oakmark.com to obtain a profile, prospectus, an application or periodic reports, or call 1-800-OAKMARK (1-800-625-6275) or (617) 578-1329.

WEB SITE AND 24-HOUR NET ASSET VALUE HOTLINE

Access our web site at www.oakmark.com to obtain the current net asset value of a fund, or call 1-800-GROWOAK (1-800-476-9625).

TO COMMENT ON SHAREHOLDER SERVICES

E-mail us at ServiceComments@oakmark.com.

Letter from the Chairman and President...

Dear Fellow Shareholders:

We are pleased to present the Annual Report for The Oakmark Family of Funds. The fourth quarter performance of our funds was mixed at best and left all of us frustrated. We view this quarter as a temporary setback that will be overcome by the ultimate returns generated by the compelling values that are currently held in our portfolios. Your patience



and loyalty is something that we value highly.

As our domestic investment style returns to favor, the comeback will not be smooth and straight up in terms of performance. Many of you have asked or are likely to be wondering what is behind our resolve and conviction that our performance is at or near a turning point. In both our domestic and international portfolios, several factors are the source of our confidence. In absolute and relative terms, the current valuation of our individual holdings is very attractive. Each of the stocks is selling below, and in some cases

substantially below, the business value of the company in which we are invested. This gap between absolute value and business value will ultimately close as the stock price and business values converge. On a relative basis, looking at a variety of quantitative factors, our portfolios are uniformly selling at valuations well below the average for the appropriate stock market index.

Our confidence that we are closer to seeing this valuation gap close is reinforced by the substantial and broad based increase in share repurchases and insider buying in the securities that we own. The people who know these companies best are clearly making substantial tangible statements that these securities are undervalued. As we have always said, the prospects for investment success are enhanced when the shareholders and management interests are aligned.

Finally, the increase in takeover activity aimed at the companies in our portfolios is a reminder that the valuation gap can be closed either gradually or dramatically. In either case, we will ultimately benefit.

We continue to believe that superior shareholder service can build loyalty to the Funds. Thus we are always looking for ways to improve this service. To this end, we have recently changed our

transfer agent. The new provider is Nvest Services Company which is committed to becoming the top provider of investor services. Please let us know if you experience unusually good or bad service from the new firm by e-mailing us at ServiceComments@oakmark.com.

As the end of the century rapidly approaches, we remain confident that we are prepared for the event.

We would also like to be the first to wish you a happy, healthy and prosperous New Year and we look forward to a successful 2000.

**VICTOR MORGENSTERN
CHAIRMAN**

**ROBERT M. LEVY
PRESIDENT**



THE OAKMARK FAMILY OF FUNDS

Summary Information

<i>Performance for Period Ended September 30, 1999</i>	THE OAKMARK FUND	THE OAKMARK SELECT FUND	THE OAKMARK SMALL CAP FUND
<i>3 Months</i>	- 13.6%	- 10.0%	- 9.0%
<i>6 Months</i>	- 3.6%	- 3.2%	3.0%
<i>1 Year</i>	8.0%	30.1%	10.6%
<i>Average Annual Total Return</i>			
<i>3 Year</i>	12.4%	N/A	7.7%
<i>5 Year</i>	15.1%	N/A	N/A
<i>Since inception</i>	22.9%	31.1%	13.7%
<i>Value of \$10,000 from inception date</i>	\$53,882 (8/5/91)	\$22,028 (11/1/96)	\$16,558 (11/1/95)
<i>Top Five Holdings as of September 30, 1999</i>	Philip Morris Companies Inc. 7.2%	USG Corporation 10.1%	Symantec Corporation 6.6%
<i>Company and % of Total Net Assets</i>	Knight Ridder, Inc. 6.6%	Washington Mutual, Inc. 9.1%	Duff & Phelps Credit Rating Co. 5.5%
	Nike, Inc., Class B 6.3%	U.S. Industries, Inc. 8.2%	SPX Corporation 4.2%
	H&R Block, Inc. 5.8%	First Data Corporation 7.0%	Catellus Development Corporation 3.8%
	The Dun & Bradstreet Corporation 5.8%	The Dun & Bradstreet Corporation 6.6%	U.S. Industries, Inc. 3.6%
<i>Top Five Industries as of September 30, 1999</i>	Other Consumer Goods & Services 19.4%	Computer Services 17.5%	Banks & Thrifts 10.2%
<i>Industries and % of Total Net Assets</i>	Aerospace & Defense 9.2%	Banks & Thrifts 12.0%	Machinery & Industrial Processing 9.5%
	Food & Beverage 8.9%	Building Materials & Construction 10.1%	Retail 8.7%
	Information Services 8.1%	Diversified	Food & Beverage 7.6%
	Banks & Thrifts 7.9%	Conglomerates 8.2%	Automotive 7.4%
		Information Services 6.6%	

THE OAKMARK EQUITY AND INCOME FUND	THE OAKMARK GLOBAL FUND	THE OAKMARK INTERNATIONAL FUND	THE OAKMARK INTERNATIONAL SMALL CAP FUND
- 5.1%	- 8.2% (inception 8/4/99)	- 7.1%	0.8%
4.3%	N/A	12.4%	17.7%
15.3%	N/A	46.4%	88.0%
16.4%	N/A	9.2%	10.0%
N/A	N/A	9.4%	N/A
15.4%	N/A	13.3%	11.7%
\$17,518 (11/1/95)	\$9,180 (8/4/99)	\$23,896 (9/30/92)	\$15,439 (11/1/95)
Imation Corp. 5.4%	The Dun & Bradstreet Corporation 5.6%	Metso Oyj 5.0%	Royal Doulton plc 5.1%
Premark International, Inc. 3.9%	Department 56, Inc. 5.2%	Chargeurs SA 4.9%	Carpetright plc 4.9%
The Reynolds and Reynolds Company 3.7%	NOVA Corporation 4.6%	Fila Holdings S.p.A. 4.0%	JCG Holdings Ltd. 4.8%
First Data Corporation 3.6%	Sterling Commerce, Inc. 4.4%	Cordiant Communications Group plc 4.0%	House of Fraser Plc 4.7%
Amlı Residential Properties Trust 3.5%	Somerfield plc 4.3%	Citizen Watch Co. 3.9%	Krones AG 4.3%
U.S. Government Bonds 25.4%	Information Services 12.8%	Other Industrial Goods & Services 16.5%	Retail 12.7%
Computer Services 12.7%	Retail 11.8%	Goods & Services 16.5%	Diversified Conglomerates 10.1%
Real Estate 9.1%	Banks & Thrifts 9.9%	Banks & Thrifts 9.6%	Production Equipment 9.7%
Banks & Thrifts 8.9%	Computer Services 8.8%	Machinery and Metal Processing 6.3%	Mining & Building Materials 9.5%
Data Storage 5.4%	Other Consumer Goods & Services 8.2%	Other Consumer Goods & Services 6.3%	Other Consumer Goods & Services 9.3%
		Food & Beverage 6.0%	

THE OAKMARK FUND

Report from Robert J. Sanborn, Portfolio Manager



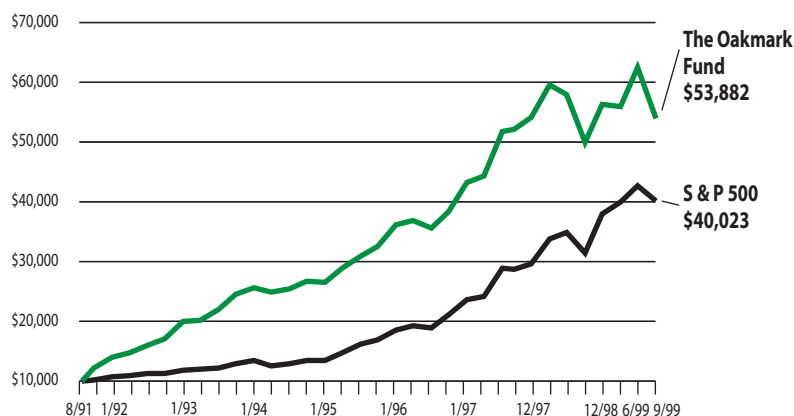
PORTFOLIO UPDATE

The fiscal year ending September 30, 1999 was very disappointing to me. Your Fund lagged significantly behind the overall market, and this is especially frustrating after our lackluster 1998. While your Fund generated positive absolute returns each year, it has dramatically lagged a very strong overall market.

On the one hand, your Fund has had a dearth of big winners to compensate for

some disappointments. Of our sixteen positions greater than 3 percent of assets, only four performed better than the Standard & Poor's 500—Brunswick, Nike, Boeing, and Eaton. This does not really surprise me, because in general the big winners in this market have been the fast-growing technology stocks that represent a big portion of the overall market. As most of you know, we find these stocks to be grossly overpriced and do not own any (see next item for more).

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (9/30/99) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



However, your Fund had a number of losers during the year that are more troubling and deserve discussion. Of our aforementioned sixteen largest holdings, five stocks—Lockheed Martin, Mattel, Philip Morris, Bank One, and Washington Mutual—were down for the year. Individual declines ranged from 13 percent for Washington Mutual to 35 percent for Lockheed Martin.

One needs to differentiate between stocks that went down due to a decline in underlying business value, and those that went down because...they went down. Our investment methodology involves buying stocks in businesses we understand, with owner-oriented management, and, most important, that sell at a significant discount to underlying value. In our view, two of our losers—Philip Morris and Washington Mutual—have performed as expected as BUSINESSES and our buy-and-sell targets are at least as high today as they were a year ago. While we monitor developments closely, we view the declines in these two stocks as opportunities.

Bank One did experience a fundamental disappointment during the year as growth at its large credit card business was less than expected. While we have adjusted our earnings estimates somewhat, we do not view this development as a major hit to underlying value. We still have great respect for the First USA

	Average Annual Total Return*	
	Total Return Last 3 mos.	Through 9/30/99 From Fund Inception 8/5/91
The Oakmark Fund	-13.6%	22.9%
Standard & Poor's 500 Stock Index w/inc**	-6.2%	18.5%
Dow Jones Industrial Average w/inc**	-5.4%	19.1%
Value Line Composite Index**	-10.3%	6.9%

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

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

credit card operation and, selling at less than 10x next year's earnings, we view ONE as a bargain.

Mattel and Lockheed Martin both experienced major declines in our estimate of underlying value. In the case of Mattel, the culprit was the disastrous acquisition of The Learning Company. After closing this deal in the second quarter of this year, MAT announced in the THIRD quarter that TLC was nowhere near as profitable as originally thought. In fact, at this date, the Company is still apparently trying to ascertain the extent of the problems at TLC. We have dramatically lowered our earnings estimates and our buy-and-sell targets.

In the case of Lockheed Martin, this is a case of The Gang That Cannot Launch a Satellite Straight. Very poor execution in a number of its businesses and in some cost-cutting initiatives have caused our earnings estimates for the years 1999 and 2000 to be cut in half versus prior expectations. Our buy-and-sell targets have been similarly cut.

When doing a post-mortem on these two, it is clear in the case of MAT that management was not up to the critical job of capital allocation. When a management issues stock equal to more than one-third of its shares outstanding, it better have a firm handle on what it is buying. It is clear in the instance of TLC that management's due diligence is highly suspect. In the case of Lockheed Martin, management also is to blame for its problems. As we watched this company make a very large number of acquisitions—each of which was logical on its face—we concluded that management was up to the task of integrating these disparate cultures. In retrospect, we were wrong.

In the case of both Mattel and Lockheed, we have had extensive and continuous contact with top management.

Despite this, we clearly misjudged management's abilities. This is especially frustrating, because we as a firm traditionally seek out superior managements and have spent a lot of time with a lot of CEOs. While we as a group are not known as being bashful, we recognize that our questioning of management must be even more direct and pointed in the future.

What are we doing with these stocks? As our schedule of investments indicates, we have retained the vast majority of our shares in both companies at the current time. While I am discomfited about holding shares in companies in which we have serious doubts about management, the market has driven the shares of both stocks to levels that are too cheap. Both stocks sell at less than 10x next year's cash earnings, huge discounts to the overall market. With both vulnerable to either financial or strategic buyers, with both companies leaders in their industries, and with management under the gun to produce, I have elected to retain both holdings for now.

While it is important to look back and understand one's investment results, it is even more crucial always to look to the future and not be burdened by history. While the past couple of years have produced unacceptable performance, I am more confident about your Fund's prospective relative performance than I have ever been. My colleagues and I have experienced similar periods before and we have seen our patience rewarded.

A TALE OF TWO ACQUISITIONS

The history of financial markets tells us that the more things appear to change, the more they stay the same. Reading about the South Sea Company in 1720s England reminded me of the stock market in 1999 America. Despite the grandiose name, the South Sea Company

had no business except converting illiquid government annuities into stock shares. The intrinsic value per share was easily obtained. Despite this, South Sea stock became a sensation and soared far above this value, attracting first government officials and royalty, then professional traders, and then, towards the end of the bubble, the proverbial widows and orphans.

The rapid price rise above value stimulated entrepreneurs to float other "bubble" companies. These companies had a huge variety of purposes. One was formed merely to trade South Sea stock; others were to settle Australia, to gather saltpeter by cleaning out all the loos in England, and to make an air pump for the brain. As an aside, there are days (and quarters) I wish that last one had panned out!

Now let's advance to 1999. The awesome albeit irregular rise in technology stocks continues and the awesome increase in IPOs to take advantage of this reality also continues. What is driving these deals, in my opinion, is the same thing that propelled the emergence of the "bubble companies" over 220 years ago—public market prices that far exceed intrinsic value.

I have discussed at length how the US stock market is roughly divided into two camps, the large-cap growth (primarily technology) companies on the one hand and everything else on the other. "Everything else" hasn't been winning, as if you did not already know. This situation has created a pervasive psychology in today's stock market, exemplified by two acquisitions that occurred the same week in September: Cisco/Cerent and H. & R. Block/Olde.

Cisco, a leading networking company, announced the over-\$7 billion purchase of a private company, Cerent, that has been in business only two years and

possesses an apparently nice evolutionary technology. Cerent is unprofitable and has lost \$60 million to date. It has only \$10 million in revenue, which is expected to grow to \$300 million by 2001; it has 266 employees. By my calculations, this deal occurred at 700x revenues, 23x 2001 expected revenues, and \$26 million per employee. A venture capital firm that recently invested \$8 million in Cerent will soon receive more than \$2.1 billion in Cisco stock. (This is a better-annualized return than even a certain First Lady's foray into the commodity markets!). The "Wall Street Journal" wrote that this transaction "...is the latest sign of the Internet's mind-boggling impact on corporate valuations."

The stock market likes this deal.

H&R Block, the tax-preparation company, is one of your Fund's larger holdings. It also announced an acquisition, buying Olde, the discount brokerage company. Block is paying 2.5x revenues and 16.5x earnings for Olde. While we have serious reservations about this deal and believe that Block could have found a far better return for its capital, we would concede that there is a credible strategic rationale for this deal.

The market hates, hates, hates this deal, and in the two trading days after the announcement, Block's market value fell by MORE than the purchase price for Olde. The market is apparently saying, "Not only is Olde worth zero, but it has negative value."

What explains the market's different reactions to the two deals? Well, my belief is that a deep-rooted psychology has taken root among investors (not to mention venture capitalists, investment bankers, and even corporate executives), that in the technology arena, particularly anything related to the Internet, valuation does not matter.

One can pay virtually any multiple for any well-positioned tech company because, of course, the world has changed and the growth is going to be there. After all, the stocks keep going up, right?

Let's compare what one can own in the "brick-and-mortar" toy world versus what can own in the Net toy world. Mattel and Hasbro combined have approximately the same market capitalization (\$8 billion) as eToys, an Internet toy retailer that has been in business for less than three years. Mattel and Hasbro are the two biggest toy companies in the US and own great brands such as Barbie, G.I. Joe, Fisher-Price, Hot Wheels, and many others.

Combined, Mattel and Hasbro have sales of about \$10 billion and generate over \$1.6 billion in pre-tax profits. eToys, in its most recent quarter, generated less than \$8 million (that's with an "m") in revenues and lost \$20 million. If the market is right, eToys is going to experience decades of excellent results. Personally, I think it is exceedingly remote that the market is valuing these respective businesses correctly.

There are countless examples in history of such psychology taking root for a long period of time. Of course, in the long run, the piper must be paid. In 1720 England, the fate of the London banker John Martin is instructive. Early in the summer, watching the price of South Sea soar, he argued, "When the rest of the world is mad, we must imitate them in some measure." Alas, it turned out he was late to the game, and failed to sell out before the crash. Losing his fortune, he complained of being "blinded by other people's advice."

I get many letters from you, the shareholders, complaining about my stubborn refusal to buy the tech stocks. I

share—believe me!—your frustration. However, I remain very confident about our Fund and its relative value.

As I write this, investment banks are about to float a huge number of IPOs, most of which have an Internet connection of some sort. (I note that there are now a number of mutual funds that focus on investing in IPOs, and more are on the way!). All of the money raised by these IPOs will go into competing with other players. The laws of economics dictate that this capital will retard returns. In addition, venture capital firms are no doubt observing the valuations the stock market is placing on Internet plays. According to the National Venture Capital Association, the dollar value of Internet venture outlays has more than quadrupled in the last year. In that last year, the percentage of venture investments geared to the Internet has gone from 25 percent to over 50 percent. This capital will make the sector more competitive.

So, I concede that many of you must be very frustrated by our Fund's anemic performance, and I continue to appreciate your support and patience. I am not tempted to imitate the madness we see in much of the stock market and remain very confident in our portfolio. In the fullness of time, I am confident that our approach will be validated.



ROBERT J. SANBORN

Portfolio Manager
rsanborn@oakmark.com

October 13, 1999

THE OAKMARK FUND

Schedule of Investments—September 30, 1999

	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—90.8%</i>		
<i>Food & Beverage—8.9%</i>		
Philip Morris Companies Inc.	10,010,700	\$ 342,240,806
Nabisco Holdings Corporation, Class A	2,372,100	81,985,706
		<u>424,226,512</u>
<i>Apparel—6.3%</i>		
Nike, Inc., Class B	5,257,100	\$ 298,997,563
<i>Retail—0.2%</i>		
GC Companies, Inc. (a)	266,200	\$ 7,986,000
<i>Hardware—6.8%</i>		
The Black & Decker Corporation (b)	5,412,200	\$ 247,269,887
The Stanley Works	3,124,900	78,708,419
		<u>325,978,306</u>
<i>Other Consumer Goods & Services—19.4%</i>		
H&R Block, Inc. (b)	6,415,500	\$ 278,673,281
Mattel, Inc.	12,164,400	231,123,600
Brunswick Corporation (b)	7,280,800	181,109,900
Fortune Brands, Inc.	4,861,100	156,770,475
Galileo International, Inc.	1,980,000	79,695,000
		<u>927,372,256</u>
<i>Banks & Thrifts—7.9%</i>		
Washington Mutual, Inc.	7,480,000	\$ 218,790,000
Bank One Corporation	4,600,548	160,156,577
		<u>378,946,577</u>
<i>Insurance—1.8%</i>		
Old Republic International Corporation	5,820,330	\$ 84,031,014
<i>Information Services—8.1%</i>		
The Dun & Bradstreet Corporation (b)	9,322,500	\$ 278,509,687
ACNielsen Corporation (a)(b)	4,764,000	108,083,250
		<u>386,592,937</u>
<i>Computer Services—2.6%</i>		
First Data Corporation	2,873,200	\$ 126,061,650
<i>Publishing—6.6%</i>		
Knight Ridder, Inc. (b)	5,716,100	\$ 313,670,988
<i>Medical Centers—3.0%</i>		
Columbia/HCA Healthcare Corporation	6,746,600	\$ 142,943,588
<i>Medical Products—1.6%</i>		
Sybron International Corporation (a)	2,935,600	\$ 78,894,250

See accompanying notes to financial statements.

Schedule of Investments—September 30, 1999 cont.

	<i>Shares Held/ Par Value</i>	<i>Market Value</i>
<i>Common Stocks—90.8% (cont.)</i>		
<i>Aerospace & Defense—9.2%</i>		
Lockheed Martin Corporation	7,150,000	\$ 233,715,625
The Boeing Company	4,799,400	204,574,425
		438,290,050
<i>Machinery & Industrial Processing—7.3%</i>		
Eaton Corporation	2,113,600	\$ 182,430,100
Cooper Industries, Inc.	3,558,400	166,355,200
		348,785,300
<i>Building Materials & Construction—0.0%</i>		
Juno Lighting, Inc.	63,702	\$ 760,443
<i>Other Industrial Goods & Services—1.1%</i>		
Bandag, Incorporated, Class A	1,104,100	\$ 27,878,525
The Geon Company	956,600	24,632,450
		52,510,975
Total Common Stocks (Cost: \$4,169,051,189)		4,336,048,409
<i>Short Term Investments—8.9%</i>		
<i>U.S. Government Bills—1.6%</i>		
United States Treasury Bills, 4.51%–4.65% due 10/7/1999–12/2/1999	\$75,000,000	\$ 74,744,459
Total U.S. Government Bills (Cost: \$74,742,306)		74,744,459
<i>Commercial Paper—5.5%</i>		
American Express Credit Corp., 5.26%–5.31% due 10/1/1999–10/8/1999	\$80,000,000	\$ 80,000,000
Ford Motor Credit Corp., 5.28%–5.29% due 10/4/1999–10/6/1999	60,000,000	60,000,000
General Electric Capital Corporation, 5.53% due 10/1/1999	125,000,000	125,000,000
Total Commercial Paper (Cost: \$265,000,000)		265,000,000

Schedule of Investments—September 30, 1999 cont.

	<i>Par Value</i>	<i>Market Value</i>
<i>Short Term Investments—8.9% (cont.)</i>		
<i>Repurchase Agreements—1.8%</i>		
State Street Repurchase Agreement, 5.20% due 10/1/1999	\$83,761,000	\$ 83,761,000
Total Repurchase Agreements (Cost: \$83,761,000)		83,761,000
Total Short Term Investments (Cost: \$423,503,306)		423,505,459
Total Investments (Cost \$4,592,554,495)—99.7% (c)		\$ 4,759,553,868
Other Assets In Excess Of Other Liabilities—0.3%		<u>13,278,501</u>
Total Net Assets—100%		<u>\$4,772,832,369</u>

(a) Non-income producing security.

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

(c) At September 30, 1999, net unrealized appreciation of \$166,999,373, for federal income tax purposes, consisted of gross unrealized appreciation of \$654,481,043 and gross unrealized depreciation of \$487,481,670.

THE OAKMARK SELECT FUND

Report from Bill Nygren, Portfolio Manager



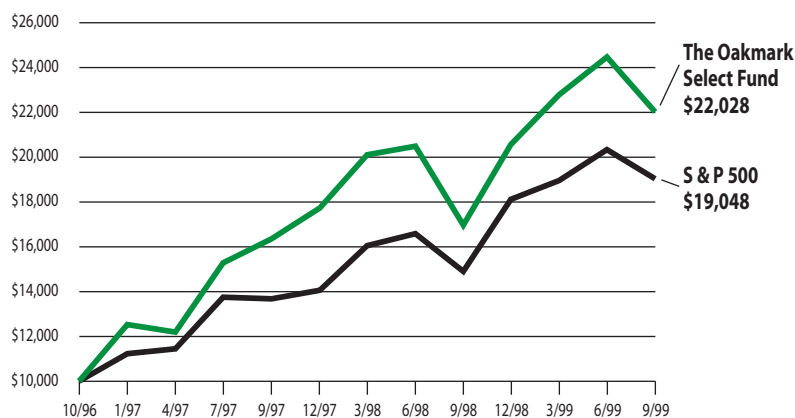
For fiscal 1999, The Oakmark Select Fund increased in value by 30.1%. This performance somewhat exceeded the 25.5% gain in the S&P MidCap 400, and the 27.8% gain in the S&P 500. Your fund also outperformed 95% of the other funds classified by Morningstar as midcap value funds. I want to thank our research department for another year of outstanding contribution. Their hard work and insights are the foundation for

the results we have achieved. The chart below shows that, unlike the full year, the fourth fiscal quarter was somewhat disappointing as the fund's NAV declined by more than the relevant indices.

I continue to believe that the valuation of The Oakmark Select Fund makes it a very attractive alternative to a popular market index like the S&P 500. At quarter's end, the S&P 500 sold above 23x estimated year 2000 earnings. The average P/E ratio on year 2000 estimates for The Oakmark Select Fund was 11x—less than half the market multiple. When the market will “discover” our stocks is anyone's guess. But, while we wait, most of our companies are aggressively repurchasing their own shares, increasing the remaining shares' value. One of our holdings, Premark, found a corporate buyer. Illinois Tool Works agreed with us that Premark stock was a bargain and offered to purchase it for a 60% premium. Congratulations to Premark's Jim Ringle for an outstanding job of maximizing value for Premark's owners. Thanks also to Gucci's Domenico DeSole for fighting off a hostile attempt to acquire Gucci at a bargain price and his speedy demonstration that Gucci could maximize its value by remaining a public company.

Managers like these are great to have working for us. They accept the obligation to their owners to evaluate what the business is worth and to have a strategic plan that will see that value recognized in the public market. They also understand that selling the company above that value benefits shareholders. We strive to be aligned with this type of management in all our stocks. When management acts contrary to this thought process, we will usually sell our stock and move on. In extreme cases of undervaluation, we will encourage the board of directors to adopt our perspective. We took such a step last quarter

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (9/30/99) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX



	Average Annual Total Return*	
	Total Return Last 3 mos.	Through 9/30/99 From Fund Inception 11/1/96
The Oakmark Select Fund	-10.0%	31.1%
Standard & Poor's 500 Stock Index w/inc**	-6.2%	24.7%
Standard & Poor's MidCap 400 Index w/inc**	-8.4%	18.3%
Value Line Composite Index**	-10.3%	5.5%

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

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

with the board of Dun & Bradstreet, urging them to solicit offers for the company. This effort will continue as we work toward having the strong Dun & Bradstreet franchise value reflected in its stock price.

This quarter was another relatively quiet one for your portfolio with only one new addition, Chiron. As a leading biotechnology company selling at 45x this year's earnings, Chiron is hardly a typical holding for a value fund. Chiron's earnings are depressed by heavy R&D spending. This spending provides no current benefit but is very important for Chiron's long-term growth. Unlike manufacturing companies that capitalize and depreciate their growth expenditures, R&D spending is fully expensed as incurred. In our opinion, the result is an understatement of Chiron's earnings. We faced the same accounting issue when we bought Amgen two years ago, so the measure we used to compare it to other drug companies was enterprise value divided by pre-tax, pre-R&D cashflow. On that measure, Chiron sells at about 8x, while other biotech and drug companies average over 15x. Acquisition prices have also confirmed that 15x multiple. We believe new management at Chiron now has the company focused on growing business value and expect they will be successful attaining that goal.

THE ILLUSION OF CERTAINTY
The financial media today is full of forecasts by prognosticators. Magazines for investors, stock market Internet sites and shows on CNBC all provide forums for professional investors to share their views on their favorite stocks. The well-articulated reasons why certain stocks are favorites make it sound nearly impossible that the pundits could be wrong. This illusion of

certainty is in direct conflict with the reality that most professional investors, including mutual fund managers, underperform the market. This is a dangerous misperception. The most obvious danger is that naïve users of these forecasts may take inappropriate risks believing the forecasters are right. The more subtle danger is that portfolio managers, believing their clients or shareholders want them to be infallible, become incapable of admitting and correcting their mistakes.


A great long-term track record is one that exceeds the market's return by just a couple of percentage points annually. The truth is that even great long-term records include many, many mistakes. In fact, if our stock picks are right a little more often than they are wrong, and the magnitude of the winners exceeds the magnitude of the losers, the results will be outstanding. One of the most powerful tools in achieving that goal is the ability to unemotionally re-assess our successes and failures and to reposition the portfolio in response to new information and changed share prices.

With that as background, I'd like to look back at our performance in fiscal 1999. During the year, The Oakmark Select Fund held positions in a total of 24 stocks. Of those, 18 moved our relative performance by more than 50 basis points, or one-half percent. Ten of these were positive, eight were negative. The largest winner, Gucci, added more to our performance than the largest loser, Washington Mutual, subtracted. Looking at the ten biggest movers, six were successes (Gucci, Cablevision, First Data, Premark, Weatherford, Amgen) and, as you should expect, our exposure to that group of stocks has decreased. Our exposure to the four biggest failures (Washington Mutual, PartnerRe, Host

Marriott, Sterling Commerce) has also declined over the last couple quarters, but that has more to do with tax-loss selling than any change in my conviction.

Although I wish we had not owned Washington Mutual last year, the best we can do now is re-assess the situation and react accordingly. Washington Mutual ended the quarter at a price of \$29. It sells at less than 8x our estimate of next year's earnings. A growing customer base and intelligent use of excess capital should allow for continued double-digit EPS growth. Further, Washington Mutual has established a very strong West Coast franchise, has top-notch management and is using every dollar of excess capital to repurchase their shares. I was early in purchasing Washington Mutual and, although I could be wrong, I remain convinced that it will make a strong positive contribution to our future results. We will continue to re-evaluate our Washington Mutual holding as new information becomes available, but at this point, I believe Washington Mutual is one of the most attractive stocks in our portfolio and intend to increase our commitment to it.

Thank you for your support.



WILLIAM C. NYGREN

Portfolio Manager
bnygren@oakmark.com

October 8, 1999

THE OAKMARK SELECT FUND

Schedule of Investments—September 30, 1999

	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—94.5%</i>		
<i>Apparel—4.1%</i>		
Liz Claiborne, Inc.	2,166,600	\$ 67,164,600
<i>Retail—1.7%</i>		
Gucci Group (b)	325,000	\$ 27,137,500
<i>Other Consumer Goods & Services—4.0%</i>		
Ralston Purina Group	2,372,600	\$ 65,987,937
<i>Banks & Thrifts—12.0%</i>		
Washington Mutual, Inc.	5,074,800	\$ 148,437,900
People's Bank of Bridgeport, Connecticut	2,038,400	48,157,200
		196,595,100
<i>Insurance—4.7%</i>		
PartnerRe Ltd. (c)	2,222,300	\$ 77,224,925
<i>Information Services—6.6%</i>		
The Dun & Bradstreet Corporation	3,643,600	\$ 108,852,550
<i>Computer Services—17.5%</i>		
First Data Corporation	2,605,000	\$ 114,294,375
The Reynolds and Reynolds Company, Class A	3,875,000	78,953,125
Electronic Data Systems Corporation	1,360,900	72,042,644
Sterling Commerce, Inc. (a)	1,168,000	21,681,000
		286,971,144
<i>Publishing—4.6%</i>		
The Times Mirror Company, Class A	1,146,300	\$ 75,440,869
<i>Pharmaceuticals—3.6%</i>		
Chiron Corporation (a)	2,150,000	\$ 59,528,125
<i>Machinery & Industrial Processing—3.9%</i>		
Thermo Electron Corporation (a)	4,693,500	\$ 63,068,906
<i>Building Materials & Construction—10.1%</i>		
USG Corporation (d)	3,499,900	\$ 166,245,250
<i>Oil Field Services & Equipment—4.9%</i>		
Weatherford International, Inc. (a)	2,480,800	\$ 79,385,600
<i>Other Industrial Goods & Services—5.9%</i>		
Premark International, Inc.	1,915,600	\$ 96,737,800
<i>Real Estate—2.7%</i>		
Host Marriott Corporation	4,680,863	\$ 44,468,199

THE OAKMARK SELECT FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Shares Held/ Par Value</i>	<i>Market Value</i>
<i>Common Stocks—94.5% (cont.)</i>		
<i>Diversified Conglomerates—8.2%</i>		
U.S. Industries, Inc. (d)	8,486,000	\$ 133,654,500
Total Common Stocks (Cost: \$1,522,118,201)		1,548,463,005
<i>Other Assets—0.0%</i>		
<i>Retail—0.0%</i>		
Gucci Group Contingent Receivables	1,781,125	\$ 890,562
Total Other Assets (Cost: \$0)		890,562
<i>Short Term Investments—5.1%</i>		
<i>U.S. Government Bills—0.6%</i>		
United States Treasury Bills, 4.65% due 12/2/1999	\$10,000,000	\$ 9,920,778
Total U.S. Government Bills (Cost: \$9,919,917)		9,920,778
<i>Commercial Paper—3.1%</i>		
American Express Credit Corp., 5.26% due 10/1/1999	\$10,000,000	\$ 10,000,000
Ford Motor Credit Corp., 5.34% due 10/5/1999	10,000,000	10,000,000
General Electric Capital Corporation, 5.53% due 10/1/1999	30,000,000	30,000,000
Total Commercial Paper (Cost: \$50,000,000)		50,000,000
<i>Repurchase Agreements—1.4%</i>		
State Street Repurchase Agreement, 5.20% due 10/1/1999	\$23,073,000	\$ 23,073,000
Total Repurchase Agreements (Cost: \$23,073,000)		23,073,000
Total Short Term Investments (Cost: \$82,992,917)		82,993,778
Total Investments (Cost \$1,605,111,118)—99.6% (e)		\$ 1,632,347,345
Other Assets In Excess Of Other Liabilities—0.4%		6,561,467
Total Net Assets—100%		<u>1,638,908,812</u>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents foreign domiciled corporation.

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

(e) At September 30, 1999, net unrealized appreciation of \$24,656,664, for federal income tax purposes, consisted of gross unrealized appreciation of \$187,822,431 and gross unrealized depreciation of \$163,165,767.

THE OAKMARK SMALL CAP FUND

Report from Steven J. Reid, Portfolio Manager



The Oakmark Small Cap Fund's fiscal year ended on September 30, 1999. Results for the fourth quarter and the fiscal year were a disappointment. The Fund lost 9.0% in the quarter and gained only 10.6% for the year. These results lagged the relevant small cap indices. It is worth noting that since inception The Oakmark Small Cap Fund has outperformed the relevant indices. While we do not believe that

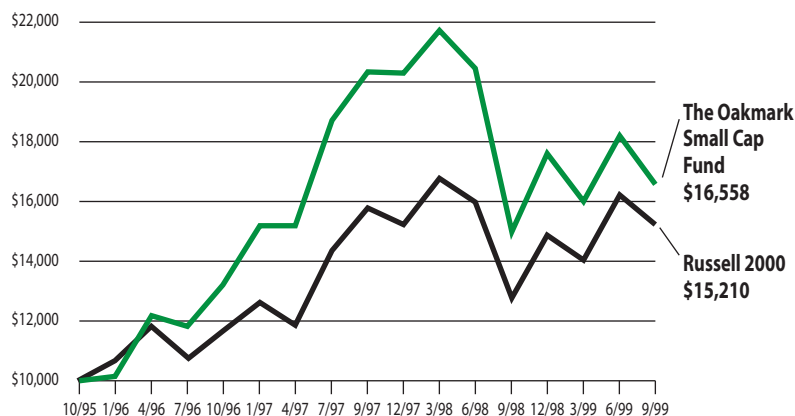
our investment philosophy is flawed, it is definitely out of favor. Still, we are taking steps to improve the investment performance of the Fund.

WHAT ARE WE DOING?

We are firmly committed to our style of value investing. Over time, it has produced results that best accomplish our long-term investment objectives. In the last year we have been much more active in the portfolio. Although we try to keep turnover as low as possible to limit taxable events, buy and sell decisions are not driven by tax considerations. However, if I have scared any shareholders away by the thought of a year-end distribution, rest assured that our expectation is that there will not be a distribution this year.

During the past year we have had substantial changes in the holdings of The Oakmark Small Cap Fund. This activity increased the net number of holdings to 45. What drove this activity? Succinctly, investment opportunities. Our investment process requires that we continually scan and monitor the small cap stock universe for new ideas. In a difficult small cap stock environment it is only natural that we should come across new ideas that are more attractive than some of our existing holdings. My primary responsibilities are to see that the portfolio is composed of the most attractive investment ideas available and adhere to our disciplined style of value investing. I am very encouraged by the attractive valuation level of the portfolio, the mix and quality of the businesses we own, and the strength of the people who guide these companies.

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (9/30/99) AS COMPARED TO THE RUSSELL 2000 INDEX



	Average Annual Total Return*	
	Total Return Last 3 mos.	Through 9/30/99 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	-9.0%	13.7%
Lipper Small Cap Fund Index**	-2.1%	10.1%
Russell 2000 w/inc**	-6.3%	11.3%
S&P Small Cap 600 w/inc**	-4.8%	12.5%

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

**Each of the three indexes or averages is an unmanaged group of stocks or funds whose composition is different from the Fund. The Lipper Small Cap Fund Index is comprised of 30 Small Cap Funds. The Russell 2000 Index measures the performance of smaller companies, and represents approximately 10% of the total value of publicly traded companies in the U.S. The S&P 600 Index measures the performance of selected U.S. stocks with small market capitalization. Past performance is no guarantee of future results.

The past year had its disappointments, but also had its bright spots. The Fund's three largest holdings Symantec Corp., SPX Corp., and Duff & Phelps Credit Rating Co. gained 173%, 120%, and 74%, respectively. I credit much of the appreciation of these companies share prices to the due diligence of our research staff. Sourcing of ideas is not a simple task and this group is a valuable asset in helping to produce investment results.

Another encouraging sign is that we were not the only ones to recognize the value of our holdings. In the course of the fiscal year five of our holdings were acquired by other companies that saw the values we had also discovered. First Brands Corporation, Paymentech, Inc., Scotsman Industries, Inc., Sequent Computer Systems, Inc., and American Heritage Life Investment Corporation were all acquired in the past fiscal year.

This begs the question: what went wrong? There are two parts to this answer. First, small cap stocks and, in particular, value stocks remain out of favor. The valuation gap between large cap stocks and small cap stocks, and growth stocks and value stocks, has continued to widen. Since I have made this point ad nauseam in previous shareholder letters, there is no point in belaboring it. Second, our investment in ARM Financial turned into nothing short of an investment disaster. We

eliminated the holding from the portfolio in the fourth quarter, but not before significant losses were realized. The full story on all that went wrong at ARM is still not known from public information available to investors. Suffice it to say that by the number of lawsuits filed against the company it appears likely that we won't know all the facts until these issues circulate through the courts.

WHAT ELSE ARE WE DOING?

I have received numerous comments that as shareholders you would like to hear more about the holdings of the Fund. We added a number of new holdings to the portfolio in the quarter. A brief description of four of them follows:

Hudson City Bancorp, Inc. (HCBK) is a very well run thrift based in New Jersey. It recently converted to public ownership through the Mutual Holding Company structure. HCBK has a significant share of loans and deposits in their market. We believe their shares are trading at a significant discount to their underlying value.

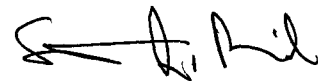
The Great Atlantic & Pacific Tea Company, Inc. (GAP) is an old-line grocery store chain based in the Northeast. GAP is controlled by the Haub family

that has stepped in to operate the business. Their goal is to improve the margins and achieve industry-like returns from the company.

ITT Educational Services, Inc. (ESI) is a leading provider of technology-oriented post-secondary degree programs. We see demographics benefiting their business and are highly intrigued by the high free cash flow characteristics of their operations.

National Data Corporation (NDC) is a merchant processor of credit card transactions and a health care information service provider. NDC should have tremendous internal and external growth opportunities. The shares are close to their 52-week low and very attractively valued.

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



STEVEN J. REID

Portfolio Manager
sreid@oakmark.com

October 11, 1999

THE OAKMARK SMALL CAP FUND

Schedule of Investments—September 30, 1999

	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—98.5%</i>		
<i>Food & Beverage—7.6%</i>		
Del Monte Foods Company (a)	1,000,000	\$ 14,125,000
Ralcorp Holdings, Inc. (a)	500,000	8,843,750
International Multifoods Corporation	275,000	6,325,000
M & F Worldwide Corp. (a)	500,000	4,000,000
		<u>33,293,750</u>
<i>Apparel—1.8%</i>		
Reebok International Ltd. (a)	750,000	\$ 8,015,625
<i>Retail—8.7%</i>		
The Great Atlantic & Pacific Tea Company, Inc.	500,000	\$ 15,156,250
Ugly Duckling Corporation (a)(c)	1,750,000	12,468,750
Michaels Stores, Inc. (a)	350,000	10,325,000
		<u>37,950,000</u>
<i>Hardware—1.0%</i>		
Jore Corporation (a)	353,000	\$ 4,213,938
<i>Other Consumer Goods & Services—7.0%</i>		
Department 56, Inc. (a)	500,000	\$ 11,968,750
Libbey, Inc.	300,000	8,868,750
Barry (R.G.) Corporation (a)(c)	900,000	5,512,500
Harman International Industries, Incorporated	100,000	4,206,250
		<u>30,556,250</u>
<i>Banks & Thrifts—10.2%</i>		
People's Bank of Bridgeport, Connecticut	500,000	\$ 11,812,500
Golden State Bancorp Inc. (a)	600,000	10,762,500
BankAtlantic Bancorp, Inc., Class A	1,150,001	6,396,881
Hudson City Bancorp, Inc. (a)	400,000	5,500,000
Northwest Bancorp, Inc.	500,000	4,312,500
PennFed Financial Services, Inc.	260,000	3,900,000
Finger Lakes Financial Corp. (c)	185,500	1,808,625
		<u>44,493,006</u>
<i>Insurance—6.6%</i>		
The MONY Group Inc. (a)	500,000	\$ 14,437,500
The PMI Group, Inc.	350,000	14,306,250
		<u>28,743,750</u>
<i>Other Financial—5.5%</i>		
Duff & Phelps Credit Rating Co. (c)	300,000	\$ 23,981,250
<i>Educational Services—2.7%</i>		
ITT Educational Services, Inc. (a)	600,000	\$ 11,700,000
<i>Information Services—1.8%</i>		
National Data Corporation	300,000	\$ 7,800,000

THE OAKMARK SMALL CAP FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—98.5% (cont.)</i>		
<i>Computer Services—6.6%</i>		
Symantec Corporation (a)	800,000	\$ 28,775,000
<i>Computer Systems—1.8%</i>		
Micron Electronics, Inc. (a)	750,000	\$ 7,875,000
<i>Managed Care Services—2.0%</i>		
First Health Group Corp. (a)	400,000	\$ 8,975,000
<i>Automotive—7.4%</i>		
SPX Corporation (a)	200,000	\$ 18,150,000
Standard Motor Products, Inc.	500,000	9,718,750
Stoneridge, Inc. (a)	250,000	4,343,750
		<u>32,212,500</u>
<i>Transportation Services—2.5%</i>		
Teekay Shipping Corporation (b)	700,000	\$ 10,937,500
<i>Instruments—0.5%</i>		
Varian Inc. (a)	135,000	\$ 2,396,250
<i>Machinery & Industrial Processing—9.5%</i>		
Columbus McKinnon Corporation	600,000	\$ 10,350,000
Graco Inc.	250,000	8,203,125
MagneTek, Inc. (a)	900,000	8,043,750
Tokheim Corporation (a)(c)	860,000	7,686,250
Sames Corporation (c)	250,000	4,468,750
Northwest Pipe Company (a)	185,000	2,890,625
		<u>41,642,500</u>
<i>Chemicals—4.8%</i>		
H.B. Fuller Company	200,000	\$ 12,175,000
Ferro Corporation	404,200	8,614,512
		<u>20,789,512</u>
<i>Real Estate—6.9%</i>		
Catellus Development Corporation (a)	1,400,000	\$ 16,450,000
Prime Hospitality Corp. (a)	900,000	7,200,000
Trammell Crow Company (a)	500,000	6,625,000
		<u>30,275,000</u>
<i>Diversified Conglomerates—3.6%</i>		
U.S. Industries, Inc.	1,000,000	\$ 15,750,000
Total Common Stocks (Cost: \$414,120,043)		430,375,831

THE OAKMARK SMALL CAP FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Par Value</i>	<i>Market Value</i>
<i>Short Term Investments—3.0%</i>		
<i>Commercial Paper—2.3%</i>		
General Electric Capital Corporation, 5.53% due 10/1/1999	\$10,000,000	\$ 10,000,000
Total Commercial Paper (Cost: \$10,000,000)		10,000,000
<i>Repurchase Agreements—0.7%</i>		
State Street Repurchase Agreement, 5.20% due 10/1/1999	\$3,325,000	\$ 3,325,000
Total Repurchase Agreements (Cost: \$3,325,000)		3,325,000
Total Short Term Investments (Cost: \$13,325,000)		13,325,000
Total Investments (Cost \$427,445,043)—101.5% (d)		\$ 443,700,831
Other Liabilities In Excess Of Other Assets—(1.5)%		<u>(6,561,552)</u>
Total Net Assets—100%		<u>\$437,139,279</u>

- (a) Non-income producing security.
- (b) Represents foreign domiciled corporation.
- (c) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.
- (d) At September 30, 1999, net unrealized appreciation of \$16,255,788, for federal income tax purposes, consisted of gross unrealized appreciation of \$71,981,161 and gross unrealized depreciation of \$55,725,373.

THE OAKMARK EQUITY AND INCOME FUND

Report from Clyde S. McGregor, Portfolio Manager



FISCAL 1999: IT WAS THE BEST OF TIMES, IT WAS THE WORST OF TIMES

Oakmark Equity and Income's fiscal year ended on September 30. For fiscal 1999 as a whole, the Fund returned 15.3%, a solid absolute level of return and nearly 2% better than the Lipper Balanced Fund Index. The year exhibited a curious pattern, however: strong

results in quarters one and three, weak in two and four. In fact, the September quarter was only the second in the Fund's four-year history to register a loss, the previous example being last year's September quarter (whatever happened to the "summer rally?").

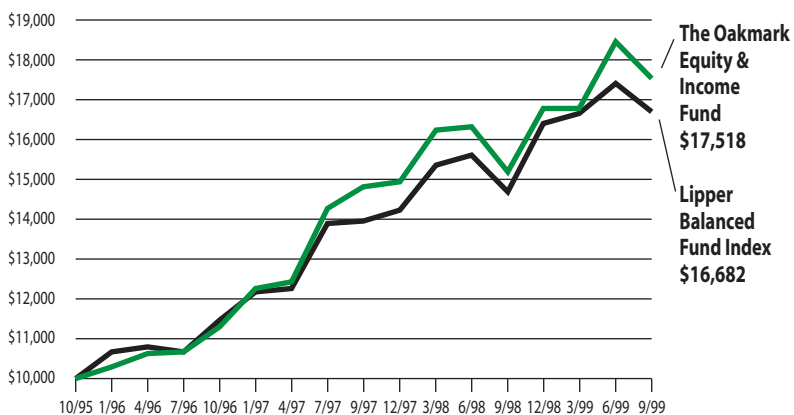
As I wrote this letter one-year ago, stock prices were rapidly eroding, culminating in a panic on October 8. Soon thereafter Alan Greenspan and the Federal Reserve restored the equilibrium of the markets with three interest rate cuts. Today the environment is quite different. The overall economic and political situation appears promising, and the distractions originating abroad which have bedeviled the markets have mostly dissipated. Probably the biggest negative for investors is the fact that the Federal Reserve has now taken away two of last year's rate reductions and noisily threatens to increase rates yet again.

Despite the recent quarter's difficulties, I remain optimistic in my outlook for the security markets. The current economic expansion may be one of the longest-lived, but it is also the slowest on record. This means that the kinds of imbalances that develop during periods of growth are less prevalent this cycle. Instead, the imbalances have surfaced in the stock market where some sectors trade at unprecedented multiples while others suffer through a bear market. This "aversion to the mean" runs counter to powerful economic forces; we value investors eagerly await the inevitable trend reversal.

MIGHTY OAKS AWARDS

My tradition at the fiscal year-end is to honor the analysts in our firm whose

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (9/30/99) AS COMPARED TO THE LIPPER BALANCED FUND INDEX



9/30/99 NAV \$15.68

	Total Return Last 3 mos.	Average Annual Total Return* Through 9/30/99 From Fund Inception 11/1/95
The Oakmark Equity & Income Fund	-5.1%	15.4%
Lipper Balanced Fund Index**	-4.1%	14.0%
Lehman Govt./Corp. Bond**	.5%	5.9%
S&P 500 w/inc**	-6.2%	24.6%

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

**Each of the three indexes or averages is an unmanaged group of stocks or funds whose composition is different from the Fund. The Lipper Balanced Fund Index Composite is comprised of 30 balanced funds. The Lehman Govt./Corp. Bond Index includes the Lehman Government and Lehman Corporate indices. The S&P 500 is a broad market-weighted average dominated by blue-chip stocks. Past performance is no guarantee of future results.

ideas had the greatest positive impact on the Fund in both equity and fixed income investments. (The name “Mighty Oaks” derives from our firm’s splendid athletic teams.) In the first three years of the Fund’s existence it was easy to determine the winners. In fiscal 1999, however, price considerations caused me to sell several very successful holdings early in the year, complicating the analysis. Rather than be too arbitrary, I have decided to make four awards for equities.

Greg Jackson, co-manager of the new Oakmark Global Fund, wins an award for his recommendation of First Data (FDC). FDC more than doubled over the fiscal year as investors regained confidence in management. As a processor of transactions which involve the use of credit and debit cards, the company is a beneficiary of changing consumer preferences. Increased immigration lies behind the strength of FDC’s Western Union unit.

Following close behind is analyst Kevin Grant with Premark International. In September, Premark announced that it would merge into Illinois Tool Works at a price of \$55/share. Back in April, Jim Ringler, Premark CEO, stopped by our office to give us an update. During the meeting he pointed out that the company had been growing earnings at 18% per year yet the investing community did not seem to notice. We commended him and his team on their fine work and averred that eventually their efforts would be rewarded. Now, as it happened, the CEO of Illinois Tool sat on Premark’s board of directors. With ITW’s stock price much more highly valued than Premark’s, he was able to make a deal that should continue to

produce shareholder value for many years to come.

One footnote is in order concerning this merger. Most stocks experience some increase in their share price in the period leading up to a deal announcement. Occasionally this price increase is natural, but it often is the result of some sort of information leak. The Premark announcement came after the stock market closed on September 9. On that day the stock price rose a mere 6 cents, and its price had actually declined over the previous week. Congratulations to all involved for their professionalism and integrity!

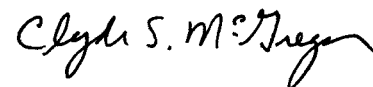
Jim Benson of our research team receives a sort of group award for his recommendations of Lexmark International, Imation, and Ugly Duckling debentures, all of which I have discussed in detail in previous reports.

I am also granting Ed Studzinski a special award for “best performance by an income-oriented equity in an industry with collapsing stock prices.” Ed has worked diligently to develop ideas which would build up the Fund’s income generation. His Legacy Hotels not only had a better than 13% dividend yield at the time of my purchase for the Fund but also earned a 30% return over the last nine months. Thanks Ed, Jim, Kevin, and Greg for your contributions.

On the fixed income side of the ledger, the Ugly Duckling debentures mentioned above clearly take the prize. One other issue is worthy of comment, however. As I have often noted, it is a great advantage for this Fund to be in a group of funds which invest in different market segments. In particular, Steve Reid’s

Small Cap Fund has been a fertile source of fixed-income ideas. In December of 1997, one of Steve’s holdings, Scotsman Industries, acquired a division of another company in which his Fund held an investment. To finance this purchase, Scotsman issued debentures for the first time in its corporate history. I purchased a position in this issue for your Fund, merely expecting to earn a comfortable income return over the 10-year life of the security. In August, 1999, Scotsman itself was acquired. In order to effect this transaction the purchaser tendered for our bonds at a healthy premium to the pre-acquisition price. The result was a 19% return to the issue for the fiscal year, not bad for a bond in a period where the returns to bond indices were close to zero. Thanks to research director John Raitt for this successful idea.

At the close of this rather lumpy fiscal year I would certainly be remiss not to thank the Fund’s long-term shareholders for their support. Those who have been with the Fund since inception have enjoyed a 15% rate of return compounded annually which falls in the top 20% of similar funds. Thanks for your interest, questions, and e-mails.



CLYDE S. MCGREGOR

Portfolio Manager
mcgregor@oakmark.com

October 8, 1999

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 1999

	<i>Shares Held</i>	<i>Market Value</i>
<i>Equity and Equivalents—59.4%</i>		
<i>Food & Beverage—3.0%</i>		
UST Inc.	60,000	\$ 1,811,250
<i>Banks & Thrifts—4.3%</i>		
Washington Mutual, Inc.	67,000	\$ 1,959,750
Bank One Corporation	18,724	651,829
		<u>2,611,579</u>
<i>Insurance—2.9%</i>		
IPC Holdings, Ltd. (b)	50,000	\$ 937,500
PartnerRe Ltd. (b)	23,000	799,250
		<u>1,736,750</u>
<i>Other Financial—2.6%</i>		
Heller Financial, Inc.	70,000	\$ 1,575,000
<i>Information Services—3.1%</i>		
The Dun & Bradstreet Corporation	63,500	\$ 1,897,062
<i>Computer Services—12.7%</i>		
The Reynolds and Reynolds Company	110,200	\$ 2,245,325
First Data Corporation	50,000	2,193,750
Electronic Data Systems Corporation	32,500	1,720,469
Sterling Commerce, Inc. (a)	80,000	1,485,000
		<u>7,644,544</u>
<i>Data Storage—5.4%</i>		
Imation Corp. (a)	104,300	\$ 3,233,300
<i>Publishing—2.0%</i>		
Lee Enterprises, Incorporated	43,900	\$ 1,201,763
<i>Medical Products—3.0%</i>		
Sybron International Corporation (a)	68,000	\$ 1,827,500
<i>Automotive—2.6%</i>		
Lear Corporation (a)	45,000	\$ 1,583,438
<i>Agricultural Equipment—1.5%</i>		
Alamo Group Inc.	100,000	\$ 925,000
<i>Other Industrial Goods & Services—3.9%</i>		
Premark International, Inc.	46,500	\$ 2,348,250

See accompanying notes to financial statements.

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Shares Held/ Par Value</i>	<i>Market Value</i>
<i>Equity and Equivalents—59.4% (cont.)</i>		
<i>Real Estate—9.1%</i>		
Amlt Residential Properties Trust	100,000	\$ 2,100,000
Legacy Hotels Real Estate Investment Trust (b)	350,000	1,989,042
Catellus Development Corporation (a)	116,728	1,371,554
		5,460,596
<i>Diversified Conglomerates—0.8%</i>		
U.S. Industries, Inc.	30,000	\$ 472,500
Total Equity (Cost: \$29,851,840)		34,328,532
<i>Convertible Preferred Stock—2.5%</i>		
<i>Telecommunications—2.5%</i>		
Metromedia International Group, Inc., Convertible Preferred, 7.25%	60,000	\$ 1,477,500
Total Convertible Preferred Stock (Cost: \$1,946,738)		1,477,500
Total Equity and Equivalents (Cost: \$31,798,578)		35,806,032
<i>Fixed Income—35.8%</i>		
<i>Preferred Stock—5.4%</i>		
<i>Telecommunications—0.8%</i>		
MediaOne Finance Trust III, Preferred, 9.04%	20,000	\$ 505,000
<i>Banks & Thrifts—4.6%</i>		
Pennfed Capital Trust, Preferred, 8.90%	27,500	\$ 677,187
BBC Capital Trust I, Preferred, 9.50%	28,000	661,500
PennFirst Capital Trust I, Preferred, 8.625%	70,000	630,000
RBI Capital Trust I, Preferred, 9.10%	42,500	401,094
Fidelity Capital Trust I, Preferred, 8.375%	43,500	396,938
		2,766,719
Total Preferred Stock (Cost: \$3,470,738)		3,271,719
<i>Corporate Bonds—4.5%</i>		
<i>Retail—1.0%</i>		
Ugly Duckling Corporation, 12.00% due 10/23/2003, Subordinated Debenture	\$650,000	\$ 604,500

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Par Value</i>	<i>Market Value</i>
<i>Fixed Income—35.8% (cont.)</i>		
<i>Aerospace & Automotive—0.3%</i>		
Coltec Industries, Inc., 9.75% due 4/1/2000	\$150,000	\$ 150,750
Coltec Industries, Inc., 9.75% due 11/1/1999	25,000	25,063
		175,813
<i>Machinery & Industrial Processing—0.8%</i>		
Tokheim Corporation, 11.375% due 8/1/2008, Senior Subordinated Note (c)	500,000	\$ 491,250
<i>Building Materials & Construction—1.5%</i>		
Juno Lighting Inc., 11.875% due 7/1/2009, Senior Subordinated Note (c)	750,000	\$ 742,500
USG Corporation, 9.25% due 9/15/2001, Senior Notes Series B	150,000	158,062
		900,562
<i>Utilities—0.4%</i>		
Midland Funding Corporation, 11.75% due 7/23/2005	200,000	\$ 220,750
<i>Other Industrial Goods & Services—0.5%</i>		
UCAR Global Enterprises Inc., 12.00% due 1/15/2005, Senior Subordinated Note	300,000	\$ 316,875
Total Corporate Bonds (Cost: \$2,613,725)		2,709,750
<i>Government and Agency Securities—25.9%</i>		
<i>U.S. Government Bonds—25.4%</i>		
United States Treasury Notes, 6.625% due 5/15/2007	5,250,000	\$ 5,412,242
United States Treasury Notes, 6.25% due 6/30/2002	4,000,000	4,052,757
United States Treasury Notes, 4.75% due 2/15/2004	4,000,000	3,835,563
United States Treasury Notes, 6.00% due 8/15/2009	2,000,000	2,014,868
		15,315,430
<i>U.S. Government Agencies—0.5%</i>		
Federal Home Loan Bank, 6.405% due 4/10/2001, Consolidated Bond	300,000	\$ 301,695
Total Government and Agency Securities (Cost: \$15,699,118)		15,617,125
Total Fixed Income (Cost: \$21,783,581)		21,598,594

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Par Value</i>	<i>Market Value</i>
<i>Short Term Investments—5.0%</i>		
<i>Commercial Paper—2.5%</i>		
General Electric Capital Corporation, 5.53% due 10/1/1999	\$1,500,000	\$ 1,500,000
Total Commercial Paper (Cost: \$1,500,000)		1,500,000
<i>Repurchase Agreements—2.5%</i>		
State Street Repurchase Agreement, 5.20% due 10/1/1999	\$1,507,000	\$ 1,507,000
Total Repurchase Agreements (Cost: \$1,507,000)		1,507,000
Total Short Term Investments (Cost: \$3,007,000)		3,007,000
Total Investments (Cost \$56,589,159)—100.2% (d)		\$ 60,411,626
Other Liabilities In Excess Of Other Assets—(0.2)%		<u>(94,035)</u>
Total Net Assets—100%		<u>\$60,317,591</u>

(a) Non-income producing security.

(b) Represents foreign domiciled corporation.

(c) Restricted security.

(d) At September 30, 1999, net unrealized appreciation of \$3,822,467, for federal income tax purposes, consisted of gross unrealized appreciation of \$6,404,058 and gross unrealized depreciation of \$2,581,591.

THE OAKMARK GLOBAL FUND

Report from Gregory L. Jackson and Michael J. Welsh, Portfolio Managers



RESULTS FROM FUND INCEPTION (8/4/99) THROUGH 9/30/99

9/30/99 NAV \$9.18

**Total Return
From Fund
Inception
8/4/99**

The Oakmark Global Fund

-8.2%

MSCI World w/inc.*

-1.2%

Lipper Global Fund Index*

-1.0%

*Each of the three indexes or averages is an unmanaged group of stocks whose composition is different from the Fund. The MSCI World Index includes 22 country sub-indexes. The Lipper Global Fund Index includes 30 mutual funds that invest in securities throughout the world. Past performance is no guarantee of future results.

FELLOW SHAREHOLDERS:

We are pleased to present the first quarterly report of The Oakmark Global Fund! While the Fund's first two months were disappointing, we are extremely excited about the appreciation potential of our current portfolio. The recent weakness in share prices throughout most of the world's equity markets has given us the chance to buy into very high quality businesses at very attractive prices.

PHILOSOPHY

As investors in The Oakmark Family of Funds, you are well aware of our long-term, disciplined value philosophy. As this is our first direct communication we think it is important to clearly outline the process with which we will implement this philosophy with The Global Fund.

As with the other Oakmark Funds, we believe superior, long-term results are achieved by investing in quality companies purchased at significant discounts to their underlying business value. Equally important, we must have confidence that the priority of management is to make money for the owners — us. No matter how cheap the stock, we will never invest unless we believe management's top priority is to build the value of the business.

Inherent in our philosophy is the belief that, over time, a company's share price will increase and ultimately reflect underlying business value. It may take time for this gap to close, perhaps, if the short-term uncertainty that created the opportunity persists. It is our job as

analysts to determine whether the current share price is properly compensating us for this uncertainty.

PORTFOLIO CONSTRUCTION

The portfolio of companies in The Global Fund is built from the bottom-up on a stock-by-stock basis. We will never allocate money, as many global investors do, based solely on macroeconomic predictions of the various regions of the world. Too often this sort of top-down investing ignores valuation and, more important, the quality of the underlying companies in a particular economy. We will certainly consider macroeconomic factors in our investments, but will use them as important inputs to determining the underlying business value of a specific company.

The Fund's largest positions will be those we perceive to have the largest gaps between price and value. Before purchasing a single share of stock we establish a firm Sell Price for that business. Portfolio construction then becomes, in general, an optimization function. We want the most money invested in those businesses with the largest gap between the current price and our Sell Price. Of course we are also cognizant of other factors, including the amount invested in a particular industry or country, but the valuation gap will be the biggest driver of position size.

We like to characterize the construction process as "ideas battling their way into the portfolio on a stock-by-stock basis." Whether it is Dun & Bradstreet or Citi-

zen Watch, each idea is judged strictly on appreciation potential, not whether it is a large cap or small cap, or whether it is located in Murray Hill, New Jersey or Tokyo, Japan.

As with the other Oakmark Funds, concentration is another important part of portfolio construction — we want our best ideas to have significant impact on the Fund's net asset value.

Currently, the Fund is invested in 34 companies, with 43% of the assets invested in the US market and 55% internationally. The international portion breaks down regionally as 32% Europe, 11% Asia, and 8% Latin America. The United Kingdom is far and away the largest country weighting overseas, representing around 19% of the portfolio.

FLEXIBILITY

As both managers and large personal investors, we feel flexibility is the most exciting aspect of The Global Fund. We are able to participate in the firm's best ideas regardless of where they are located. We are also able to invest in companies of any size capitalization, from small to large. This flexibility allows us to go wherever value takes us.

As value investors, short-term market volatility gives us an assist in implementing our investment philosophy — greater volatility affords us greater opportunities to purchase stocks trading at significant discounts to their perceived true business value. The fact that The Global Fund can invest regardless of company size, location, region, etc.

gives it even more flexibility to seize these opportunities. We recognize that the value discipline inherent in our process is the most important element of success in using short-term fluctuations to the Fund's advantage.

At this time we see great opportunities worldwide in mid-size and smaller companies. The already large valuation gap has been widening between this sector and the large caps for a number of years throughout the world (the lone exception is Japan). We believe the size of this gap cannot persist.

We would like to thank you for your confidence in the newest fund in the Oakmark Family. We look forward to a long and prosperous future.



GREG JACKSON

Portfolio Manager
gjackson@oakmark.com



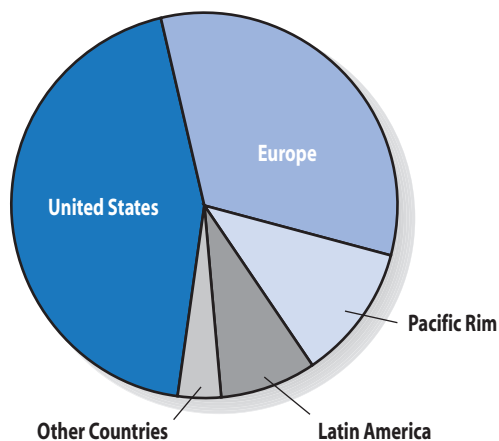
MICHAEL WELSH






Portfolio Manager
102521.2142@compuserve.com

October 7, 1999

THE OAKMARK GLOBAL FUND

Global Diversification—September 30, 1999



	<u>% of Fund Net Assets</u>		<u>% of Fund Net Assets</u>
 <i>United States</i>	<i>43.4%</i>	 <i>Pacific Rim</i>	<i>11.3%</i>
		Japan	4.7%
		New Zealand	3.7%
		Australia	2.9%
 <i>Europe</i>	<i>32.1%</i>		
Great Britain	19.3%		
* Finland	3.9%		
* France	3.9%		
* Italy	2.6%		
* Germany	2.4%		
 <i>Latin America</i>	<i>7.8%</i>	 <i>Other</i>	<i>3.6%</i>
Brazil	5.3%	Bermuda	3.6%
Panama	2.5%		

* Euro currency countries comprise 12.8% of the Fund.

Schedule of Investments—September 30, 1999

	<i>Description</i>	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—98.2%</i>			
<i>Consumer Non-Durables—2.9%</i>			
Citizen Watch Co. (Japan)	Watch Manufacturer & Retailer	96,000	\$ 687,769
<i>Apparel—4.6%</i>			
Fila Holding S.p.A. (Italy), (b)	Athletic Footwear & Apparel	49,200	\$ 615,000
Reebok International Ltd. (United States), (a)	Athletic Apparel	45,200	<u>483,075</u>
			1,098,075
<i>Retail—11.8%</i>			
Somerfield plc (Great Britain)	Food Retailer	478,500	\$ 1,020,141
House Of Fraser Plc (Great Britain)	Department Store	712,300	914,674
Denny's Japan Co., Ltd. (Japan)	Restaurant Chain	19,000	444,840
Ugly Duckling Corporation (United States), (a)	Automobile Retailer & Financier	62,000	<u>441,750</u>
			2,821,405
<i>Other Consumer Goods & Services—8.2%</i>			
Department 56, Inc. (United States), (a)	Collectibles & Giftware Products	52,000	\$ 1,244,750
Royal Doulton plc (Great Britain)	Tableware & Giftware	411,700	<u>732,004</u>
			1,976,754
<i>Banks & Thrifts—9.9%</i>			
Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Major Brazilian Bank	54,700	\$ 967,506
Washington Mutual, Inc. (United States)	Thrift	27,700	810,225
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	26,300	<u>601,613</u>
			2,379,344
<i>Insurance—6.5%</i>			
PartnerRe Ltd. (Bermuda)	Reinsurance Company	25,000	\$ 868,750
Reinsurance Australia Corporation Limited (Australia)	Reinsurance Company	1,297,700	<u>682,741</u>
			1,551,491
<i>Hotels & Motels—1.5%</i>			
Promus Hotel Corporation (United States), (a)	Hotel Operator	11,000	\$ 358,188

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Description</i>	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—98.2% (cont.)</i>			
<i>Temporary Staffing—2.9%</i>			
Robert Half International Inc. (United States), (a)	Temporary Staffing Services	29,000	\$ 696,000
<i>Educational Services—2.3%</i>			
ITT Educational Services, Inc. (United States), (a)	Postsecondary Degree Programs	29,000	\$ 565,500
<i>Information Services—12.8%</i>			
The Dun & Bradstreet Corporation (United States)	Financial Information Services	45,000	\$ 1,344,375
NOVA Corporation (United States)	Transaction Processing Services	44,000	1,100,000
Keane, Inc. (United States)	Information Technology Consulting	27,000	615,938
			<u>3,060,313</u>
<i>Computer Services—8.8%</i>			
Sterling Commerce, Inc. (United States), (a)	Electronic Commerce Services	56,500	\$ 1,048,781
The Reynolds and Reynolds Company, Class A (United States)	Information Management Systems	30,500	621,438
First Data Corporation (United States)	Electronic Commerce Services	10,000	438,750
			<u>2,108,969</u>
<i>Telecommunications—1.3%</i>			
Telemig Celular Participacoes S.A. (Brazil), (a)	Telecommunications	161,645,000	\$ 252,570
Telesp Celular Participacoes S.A. (Brazil)	Telecommunications	9,600,000	53,900
			<u>306,470</u>
<i>Machinery & Metal Processing—6.5%</i>			
Metso Oyj (Finland), (a)	Pulp Machinery	82,600	\$ 932,518
Tokheim Corporation (United States), (a)	Petroleum Dispensing Systems Manufacturer	69,000	616,687
			<u>1,549,205</u>
<i>Mining & Building Materials—3.7%</i>			
Fletcher Challenge Building (New Zealand)	Building Materials Manufacturer	714,200	\$ 879,220

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 1999 *cont.*

Description	Shares Held/ Par Value	Market Value
<i>Common Stocks—98.2% (cont.)</i>		
<i>Other Industrial Goods & Services—6.2%</i>		
Tomkins plc (Great Britain) Diversified Engineering	130,500	\$ 549,996
Chargeurs SA (France) Wool Production & Trading	7,900	483,344
GFI Industries SA (France) Industrial Fastener Manufacturer	18,900	<u>460,330</u>
		1,493,670
<i>Production Equipment—2.4%</i>		
Krones AG (Germany) Manufacturer of Production Machinery	19,500	\$ 570,596
<i>Diversified Conglomerates—5.9%</i>		
TT Group PLC (Great Britain) Diversified Manufacturing	319,500	\$ 721,925
Wassall PLC (Great Britain) Diversified Consumer Goods	176,200	<u>688,935</u>
		1,410,860
Total Common Stocks (Cost: \$25,302,871)		23,513,829
<i>Short Term Investments—1.8%</i>		
<i>Commercial Paper—1.0%</i>		
General Electric Capital Corporation, 5.53% due 10/1/1999	\$250,000	<u>\$ 250,000</u>
Total Commercial Paper (Cost: \$250,000)		250,000
<i>Repurchase Agreements—0.8%</i>		
State Street Repurchase Agreement, 5.20% due 10/1/1999	\$192,000	<u>\$ 192,000</u>
Total Repurchase Agreements (Cost: \$192,000)		192,000
Total Short Term Investments (Cost: \$442,000)		442,000
Total Investments (Cost \$25,744,871)—100.0% (d)		\$ 23,955,829
Other Liabilities In Excess Of Other Assets—(0.0)% (e)		<u>(2,475)</u>
Total Net Assets—100%		<u><u>\$23,953,354</u></u>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents a Global Depository Receipt.

(d) At September 30, 1999, net unrealized depreciation of \$1,789,042, for federal income tax purposes, consisted of gross unrealized appreciation of \$650,351 and gross unrealized depreciation of \$2,439,393.

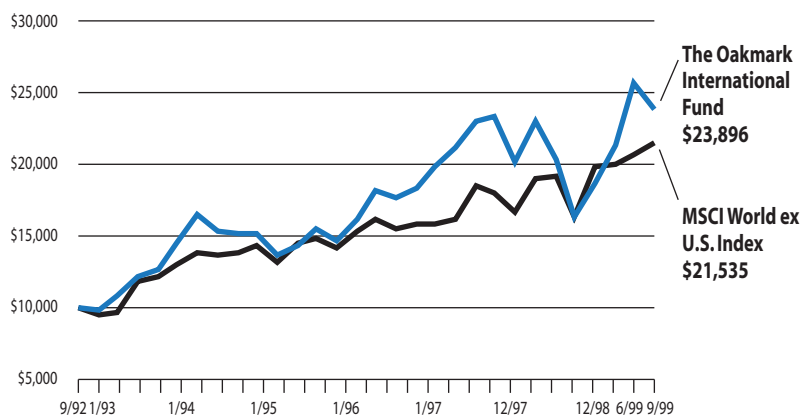
(e) Includes portfolio hedges.

THE OAKMARK INTERNATIONAL FUND

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



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



9/30/99 NAV \$13.95

	Total Return Last 3 mos.	Average Annual Total Return* Through 9/30/99 From Fund Inception 9/30/92
The Oakmark International Fund	-7.1%	13.3%
MSCI World ex U.S. w/inc.**	4.3%	11.6%
MSCI EAFE w/inc**	4.4%	11.5%
Lipper International Fund Index**	3.4%	12.6%

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

**Each of the three indexes or averages is an unmanaged group of stocks or funds whose composition is different from the Fund. The MSCI World ex U.S. Index includes 21 country sub-indexes. The MSCI EAFE Index refers to Europe, Asia and the Far East and includes 20 country sub-indexes. The Lipper International Fund Index includes 30 mutual funds that invest in securities whose primary markets are outside the United States. Past performance is no guarantee of future results.

FELLOW SHAREHOLDERS,

For fiscal year 1999, The Oakmark International Fund increased in value by 46.4%. This compares very favorably with the MSCI World ex U.S. Index which was up 31.3% and the Lipper International Fund Index which was up 27.6%. However, in the last quarter ending September 30, the Fund gave back 7.1% of the large gains achieved in the fiscal year. This compares to the quarterly return of the MSCI World ex U.S. Index which was up 4.3%.

PERFORMANCE ATTRIBUTION FOR QUARTER 4

There were a couple of reasons why we had an off quarter. One was the weakness in the Pacific Rim and Latin America. These areas were extremely over-sold going into the fourth quarter of 1998 and had recovered quite strongly until the third quarter of 1999. **Fernz**, a New Zealand-based agri-company, **SK Telecom**, a South Korean mobile phone company, **Unibanco**, a Brazilian bank, and **Mandarin Oriental Hotels** each cost your Fund between ½ and 1% of quarterly performance. From an investment perspective, though all these companies had rough calendar third quarters, we still think all are high quality, long-term investments with outstanding upside potential. In most cases, we have taken advantage of share price weakness to bolster our positions.

In the United Kingdom, one of our positions cost us almost 3% this past quarter. **Somerfield**, the UK's fifth largest grocer, dropped 56%. We think this company offers outstanding value selling at around 5x's earnings power and yielding over 10%. They have had some problems integrating an acquisition but their basic business is outperforming a very weak U.K. retail

environment. The company is financially sound and has authorized a sizable stock buyback.

Being underweighted in Japan also cost the Fund. Japan achieved a U.S. dollar return of over 15% in the latest quarter, being the top rated developed market. We are still significantly underweighted in this market. Apart from Citizen Watch and Canon, we have found it difficult to find any “real” companies that are undervalued enough to warrant your investment dollars. Most large corporations in Japan still are unprofitable, wasteful capital allocators who care more about their creditors (who are hurting) and their suppliers (who are hurting) than their shareholders (who have been hurting for a decade).

PROSPECTS LOOK GREAT!

Looking forward, we believe that our shareholders will continue to be rewarded as prospects around the globe are rapidly improving for investors. Though the Pacific Rim has had a bit of a rally over the last 12 months, there is still huge potential as economies are recovering much faster than expected and real structural reform has occurred in most of Asia. As an example of this, we point to South Korea which continues to open its economy at a rate unthinkable only 18 months ago. Further, the big business groups known as “chaebols,” which have had a strong hand in South Korea’s collapse at the end of 1997, are under constant pressure to reform. Contrast the Kim administration’s quick response in Korea to the paralysis of the Japanese powers that be. Though the Japanese

economy has rebounded, it remains to be seen if it is for real. Little, if any, real structural reform has occurred.

In the United Kingdom, where The Oakmark International Fund has over 25% of its assets, companies are cheap, well run and based in the soundest, most capital-friendly European economy. Our holdings there have generally done well (with the exception of Somerfield, mentioned above) and continue to have bright prospects. We continue to find new names, as well, that fit our very strict criteria.

Continental Europe is also looking attractive again. Though company managements are nowhere near as shareholder-oriented as in the UK or the US, they are slowly changing. Further, share prices have lagged, offering some decent value, especially in places like Finland and Sweden. Metso, one of the Fund’s largest holdings in one of the top two manufacturers of paper making machines in the world, is thoroughly restructuring its business to enhance profitability in all of its divisions, and has benefited by the bankruptcy of one of its largest competitors. We think it has a good chance of doubling in price based on the above!

IN CLOSING....

As large shareholders of this Fund, we too are very aware of the ups and downs of international investing. But, as we have said many times before, volatility breeds opportunity! We are committed to making lemonade out of lemons and welcome the opportunities that short-

term traders drop on our laps. Rather than try to guess short-term price movements, changes in economic policy, election winners or the movements in exchange and/or interest rates, we would rather apply our research to something we are confident in: our ability to value a business. As suggested many times in the past, if one wants to gamble, one should try casinos. If a more certain outcome is desired, wager on the Green Bay Packers, for they will most likely win the next Super Bowl.



DAVID HERRO

Portfolio Manager
dherro@cs.com



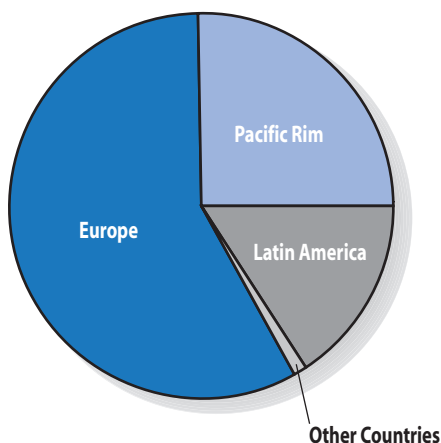
MICHAEL WELSH

Portfolio Manager
102521.2142@compuserve.com

October 8, 1999

THE OAKMARK INTERNATIONAL FUND

International Diversification—September 30, 1999



	% of Fund Net Assets		% of Fund Net Assets
 <i>Europe</i>	<i>54.9%</i>	 <i>Pacific Rim</i>	<i>24.2%</i>
Great Britain	25.2%	Japan	8.0%
* Finland	8.1%	Korea	5.6%
* France	6.7%	Hong Kong	4.9%
* Italy	4.0%	Singapore	3.1%
* Netherlands	3.5%	New Zealand	2.6%
Sweden	2.5%		
* Germany	2.0%		
Denmark	1.7%		
Switzerland	1.2%		
 <i>Latin America</i>	<i>14.9%</i>	 <i>Other</i>	<i>1.1%</i>
Brazil	8.1%	Bermuda	0.8%
Panama	3.5%	Canada	0.3%
Argentina	3.3%		

* Euro currency countries comprise 24.3% of the Fund.

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 1999

	<i>Description</i>	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—95.1%</i>			
<i>Consumer Non-Durables—3.9%</i>			
Citizen Watch Co. (Japan)	Watch Manufacturer & Retailer	4,392,000	\$ 31,465,443
<i>Food & Beverage—6.0%</i>			
Quilmes Industrial SA (Argentina), (b)	Brewer	2,795,000	\$ 26,727,188
Diageo plc (Great Britain)	Manufacturer of Beverages, Wines, & Spirits	1,300,000	13,290,573
Lotte Confectionery Company (Korea)	Confection Manufacturer	37,270	4,549,605
Lotte Chilsung Beverage Company (Korea), (d)	Manufacturer of Soft Drinks, Juices, & Sport Drinks	73,000	4,428,607
			<u>48,995,973</u>
<i>Apparel—4.0%</i>			
Fila Holding S.p.A. (Italy), (b)(d)	Athletic Footwear & Apparel	2,572,800	\$ 32,160,000
<i>Household Products—4.7%</i>			
Hunter Douglas N.V. (Netherlands)	Manufacturer of Window Coverings	802,700	\$ 21,737,162
Reckitt & Colman plc (Great Britain)	Household Cleaners & Air Fresheners	1,305,000	16,285,027
			<u>38,022,189</u>
<i>Retail—6.0%</i>			
Somerfield plc (Great Britain)	Food Retailer	12,969,995	\$ 27,651,478
Giordano International Limited (Hong Kong)	East Asian Clothing Retailer & Manufacturer	26,306,000	20,826,980
			<u>48,478,458</u>
<i>Other Consumer Goods & Services—6.3%</i>			
Canon, Inc. (Japan)	Office & Video Equipment	1,039,000	\$ 30,163,889
Mandarin Oriental International Limited (Singapore)	Hotel Management	29,253,000	20,769,630
			<u>50,933,519</u>
<i>Banks & Thrifts—9.6%</i>			
Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Major Brazilian Bank	1,769,900	\$ 31,305,106
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)(d)	Latin American Trade Bank	1,252,800	28,657,800
Den Danske Bank Group (Denmark)	Commercial Banking	64,000	7,284,285

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Description</i>	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—95.1% (cont.)</i>			
<i>Banks & Thrifts—9.6% (cont.)</i>			
	Unidanmark A/S, Class A (Denmark)	Commercial Banking	94,000 \$ 6,365,446
	United Overseas Bank Ltd., Foreign Shares (Singapore)	Commercial Banking	553,000 <u>4,196,294</u>
			77,808,931
<i>Insurance—0.8%</i>			
	IPC Holdings, Ltd. (Bermuda)	Reinsurance Provider	345,000 \$ 6,468,750
<i>Temporary Staffing—0.3%</i>			
	Vedior NV (Netherlands)	Temporary Staffing	150,500 \$ 2,634,294
<i>Marketing Services—5.3%</i>			
	Cordiant Communications Group plc (Great Britain)	Advertising Services	10,798,877 \$ 32,000,729
	Saatchi & Saatchi plc (Great Britain)	Advertising Services	3,202,497 <u>11,071,763</u>
			43,072,492
<i>Broadcasting & Publishing—0.2%</i>			
	Torstar Corporation, Class B (Canada)	Newspaper Publisher	195,000 \$ 2,116,824
<i>Telecommunications—5.7%</i>			
	SK Telecom Co. Ltd. (Korea)	Telecommunications	13,162 \$ 12,172,010
	Telesp Celular Participacoes S.A. (Brazil)	Telecommunications	2,096,500,000 11,770,974
	Telesp Participacoes S.A. (Brazil)	Telecommunications	631,100,000 6,573,958
	Tele Centro Sul Participacoes S.A. (Brazil), (a)	Telecommunications	712,600,000 4,943,662
	Telemig Celular Participacoes S.A. (Brazil), (a)	Telecommunications	2,372,600,000 3,707,188
	Embratel Participacoes S.A. (Brazil), (a)	Telecommunications	526,100,000 3,534,734
	Tele Sudeste Celular Participacoes S.A. (Brazil)	Telecommunications	1,351,100,000 <u>3,518,490</u>
			46,221,016

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Description</i>	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—95.1% (cont.)</i>			
<i>Medical Products—2.5%</i>			
	Getinge Industrier AB, Class B (Sweden)	Medical Instruments Manufacturer	1,619,100 \$ 20,552,472
<i>Aerospace—1.5%</i>			
	Rolls-Royce plc (Great Britain)	Aviation & Marine Power	3,588,552 \$ 12,421,213
<i>Components—4.6%</i>			
	IMI plc (Great Britain)	Components Manufacturer	4,655,000 \$ 21,381,228
	Varitronix International Limited (Hong Kong)	Liquid Crystal Displays	5,318,000 11,604,179
	Morgan Crucible Company plc (Great Britain)	Crucible & Components Manufacturer	1,000,000 <u>4,263,915</u>
			37,249,322
<i>Chemicals—3.5%</i>			
	Fernz Corporation Limited (New Zealand), (d)	Agricultural & Industrial Chemical Producer	9,862,554 \$ 21,170,836
	European Vinyls Corporation International N.V. (Netherlands)	PVC Manufacturer	579,550 4,316,689
	Nagase & Co., Ltd. (Japan)	Chemical Wholesaler	579,000 <u>2,868,431</u>
			28,355,956
<i>Oil & Natural Gas—1.9%</i>			
	ISIS (France)	Oil Services	208,250 \$ 15,112,321
<i>Machinery & Metal Processing—6.3%</i>			
	Metso Oyj (Finland), (a)	Pulp Machinery	3,562,977 \$ 40,224,457
	Outokumpu Oyj (Finland)	Metal Producer	945,000 <u>10,970,296</u>
			51,194,753
<i>Mining & Building Materials—2.3%</i>			
	Keumkang Ltd. (Korea), (d)	Building Materials	340,460 \$ 18,471,319
<i>Other Industrial Goods & Services—16.5%</i>			
	Chargeurs SA (France), (d)	Wool Production & Trading	644,824 \$ 39,452,164
	Tomkins plc (Great Britain)	Diversified Engineering	7,442,640 31,367,199
	Buderus AG (Germany)	Industrial Manufacturing	970,320 16,519,494
	Charter plc (Great Britain)	Welding Products Manufacturer	2,806,014 <u>16,052,897</u>

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 1999 cont.

<i>Description</i>	<i>Shares Held/ Par Value</i>	<i>Market Value</i>
<i>Common Stocks—95.1% (cont.)</i>		
Kone Corporation, Class B (Finland) Elevators	112,930	\$ 14,864,175
Sika Finanz AG (Switzerland) Corrosion Protection Products	32,350	10,054,875
Dongah Tire Industry Company (Korea), (d) Tire Manufacturer	166,290	<u>5,399,470</u>
		133,710,274
<i>Diversified Conglomerates—3.2%</i>		
Berisford plc (Great Britain) Diversified Operations	3,745,700	\$ 18,838,788
First Pacific Company Ltd. (Hong Kong) Diversified Operations	11,966,000	<u>7,240,078</u>
		26,078,866
Total Common Stocks (Cost: \$829,827,804)		771,524,385
<i>Short Term Investments—3.8%</i>		
<i>Commercial Paper—3.1%</i>		
American Express Credit Corp., 5.31% due 10/7/1999	\$5,000,000	\$ 5,000,000
Ford Motor Credit Corp., 5.34% due 10/5/1999	5,000,000	5,000,000
General Electric Capital Corporation, 5.53% due 10/1/1999	15,000,000	<u>15,000,000</u>
Total Commercial Paper (Cost: \$25,000,000)		25,000,000
<i>Repurchase Agreements—0.7%</i>		
State Street Repurchase Agreement, 5.20% due 10/1/1999	\$5,761,000	\$ 5,761,000
Total Repurchase Agreements (Cost: \$5,761,000)		5,761,000
Total Short Term Investments (Cost: \$30,761,000)		30,761,000
Total Investments (Cost \$860,588,804)—98.9% (e)		\$ 802,285,385
Foreign Currencies (Proceeds \$300,051)—0.0%		300,697
Other Assets In Excess Of Other Liabilities—1.1% (f)		<u>8,555,905</u>
Total Net Assets—100%		<u>\$811,141,987</u>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents a Global Depository Receipt.

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

(e) At September 30, 1999, net unrealized depreciation of \$58,302,773, for federal income tax purposes, consisted of gross unrealized appreciation of \$96,229,261 and gross unrealized depreciation of \$154,532,034.

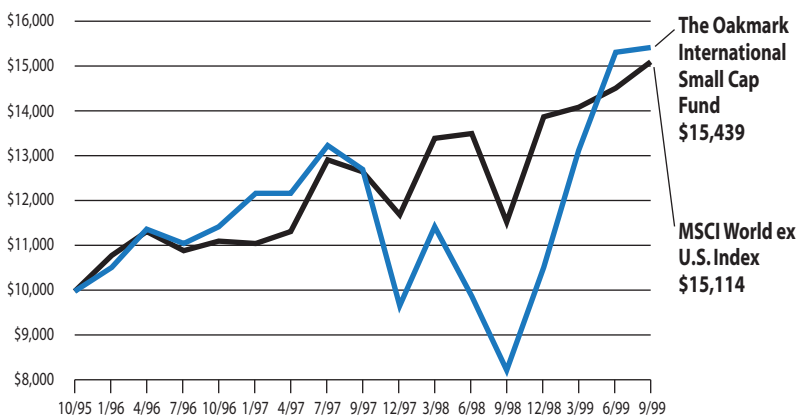
(f) Includes portfolio and transaction hedges.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

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



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (9/30/99) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX



9/30/99 NAV \$12.64

	Total Return Last 3 mos.	Average Annual Total Return* Through 9/30/99 From Fund Inception 11/1/95
The Oakmark International Small Cap Fund	0.8%	11.7%
MSCI World ex U.S. w/inc.**	4.3%	11.1%
Lipper International Small Cap Fund Average**	9.1%	15.1%
Micropal Equity International Small Cap Index**	9.7%	15.1%

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

**Each of the three indexes or averages is an unmanaged group of indexes or funds whose composition is different from the Fund. The MSCI World ex U.S. Index includes 21 country sub-indexes. The Lipper International Small Cap Fund Average includes 70 mutual funds that invest in securities whose primary markets are outside the United States. The Micropal Equity International Small Cap Index is an unweighted index comprised of all funds within the international small company fund sector. Past performance is no guarantee of future results.

FELLOW SHAREHOLDERS,

Over the last fiscal year, The Oakmark International Small Cap Fund achieved a return of 88.0%, smashing the MSCI World ex U.S. Index which was up 31.3% and the Lipper International Small Cap Average which was up 47.2%. The Fund posted a return of 0.8% for the quarter ending September 30. This compares with returns of 4.3% and 9.1% for the MSCI World ex U.S. Index and the Lipper International Small Cap Average respectively. Since inception, your Fund has averaged 11.7% per annum which compares to 11.1% for the MSCI Index and 15.1% for the Lipper Average.

A QUIET QUARTER

After some volatile price movements over the last few years, this quarter was a quiet one. Our star performers continue to be located in the Pacific Rim. **Ichiyoshi Securities**, based in Japan, added close to 2.5 percentage points of return. Ichiyoshi is a regional brokerage firm that continues to benefit from the pick-up of stockmarket activity. **JCG Holdings**, a Hong Kong based consumer credit company added over 1 percentage point to return. It continues to improve its business as the Hong Kong economy lifts out of recession.

On the negative side, a couple of our newer positions have hurt. **Reinsurance Australia** cost the Fund almost 1.5% as an abundance of natural disasters hit the insurance industry very hard. "ReAC" is a smaller reinsurer with a new, more profit-focused Managing Director; even after losses from increased claims, the current share price

is at less than half of book value. We have used the short-term price weakness to add to our position. **Dylex**, a Canadian retail company, cost the Fund 1.3%. We have sold this company because we have lost faith in the company's management team. Though the stock is cheap on paper, the company was performing differently than expected and we were unable to ascertain why after numerous discussions with management.

The last point above highlights a part of our philosophy that merits expansion. Though we are dogmatic value investors, we will **never** invest in a company that either has consistently impaired value or starts to do so after we have invested in them. Part of our due diligence is to examine a management's past record. We also continue to monitor them while we own the investment. If things change, like with Dylex, we will not hesitate to sell the stock.

WHY AND WHY NOT TO INVEST IN OAKEX

As many of you may have noticed, The Oakmark International Small Cap Fund (OAKEX) has had a great 1-year run. Though we are heartened by the returns, keep in mind, past performance is no reason to invest in a mutual fund. In fact, we strongly discourage "momentum" **traders** for this is a fund for long-term **investors**. As you have noticed, we instituted a redemption fee, payable to the Fund, for those traders who leave the

Fund in less than 90 days. The people who frequently trade in and out hurt those who truly invest for the long term by creating volatility in our cash position. We are confident that a 2% redemption fee will solve this problem.

Though the Fund's performance has been strong, we continue to feel quite confident that there is significant long-term investment potential within our portfolio. The Fund is full of high quality, undervalued companies. **House of Fraser**, for example, is a UK-based department store company that yields 7% and has a normal P/E of 5.5 times earnings. In fact, we love it when the sustainable yield is greater than the normal p/e, as in this case! **Fletcher Building** is a New Zealand-based building materials company that could be one of the cheapest of its kind in the world. It has high quality assets, huge market positions and its main market is in a cyclical trough. Fletcher has a normal p/e of about 7 times earnings and yields almost 8%. We are happy to say that we have an entire portfolio of good quality, value stocks that should provide us with great returns going forward.

THE WORLD IS LOOKING UP!

Over the history of the Fund, short-term crises have often provided us with the **opportunity** to invest in quality companies at extremely low prices. Today, though, the world seems to have

stabilized. Asia is growing again and even Europe seems to be showing signs of life. This may well mean that though it will be harder to find "fire sales," the operating environment will be more conducive for smaller companies to grow. This invariably means more growth in earnings, cashflow and usually shareholder value. As two of the Fund's largest shareholders, we remain enthusiastic about the prospects of our small companies and look forward to their future performance.



DAVID HERRO

Portfolio Manager
dherro@cs.com



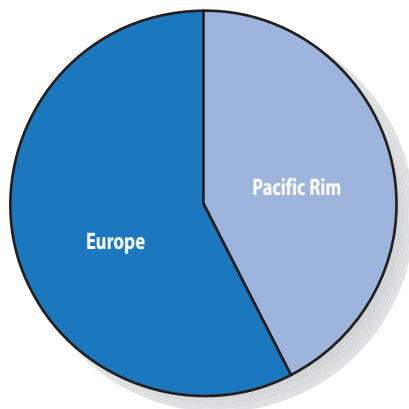
MICHAEL WELSH

Portfolio Manager
102521.2142@compuserve.com

October 8, 1999

THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—September 30, 1999



	<u>% of Fund Net Assets</u>		<u>% of Fund Net Assets</u>
 <i>Europe</i>	<i>54.2%</i>	 <i>Pacific Rim</i>	<i>40.0%</i>
Great Britain	27.0%	New Zealand	9.8%
* France	12.6%	Hong Kong	8.5%
* Germany	7.0%	Japan	7.2%
* Portugal	3.9%	Australia	4.4%
* Italy	1.7%	Singapore	3.4%
Sweden	1.0%	Korea	2.8%
* Finland	0.7%	Thailand	2.1%
Poland	0.3%	Philippines	1.8%

* Euro currency countries comprise 25.9% of the Fund.

Schedule of Investments—September 30, 1999

	<i>Description</i>	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—94.2%</i>			
<i>Consumer Non-Durables—1.7%</i>			
Kingmaker Footwear Holdings Limited (Hong Kong)	Athletic Footwear Manufacturer	8,040,000	\$ 1,200,633
Il Shin Spinning Company (Korea)	Fabric & Yarn Manufacturer	20,200	1,145,746
Designer Textiles (NZ) Limited (New Zealand), (b)	Knit Fabrics	1,960,000	314,281
			<u>2,660,660</u>
<i>Food & Beverage—2.7%</i>			
Alaska Milk Corporation (Philippines), (a)	Milk Producer	42,544,000	\$ 2,808,528
Hite Brewery Company (Korea)	Brewer	42,861	1,419,892
			<u>4,228,420</u>
<i>Retail—12.7%</i>			
Carpetright plc (Great Britain)	Carpet Retailer	1,115,000	\$ 7,682,085
House Of Fraser Plc (Great Britain)	Department Store	5,640,000	7,242,399
Denny's Japan Co., Ltd. (Japan)	Restaurant Chain	181,000	4,237,685
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores	6,888,000	647,310
			<u>19,809,479</u>
<i>Office Equipment—1.0%</i>			
Neopost SA (France), (a)	Mailroom Equipment Supplier	50,000	\$ 1,484,349
<i>Other Consumer Goods & Services—9.3%</i>			
Royal Doulton plc (Great Britain), (b)	Tableware & Giftware	4,490,000	\$ 7,983,234
Cewe Color Holding AG (Germany)	Photo Equipment & Supplies	186,340	4,084,464
Sanford Limited (New Zealand)	Fisheries	838,134	2,167,624
Shaw Brothers (Hong Kong) Ltd. (Hong Kong)	Media and Entertainment Services	270,000	232,882
			<u>14,468,204</u>

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Description</i>	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—94.2% (cont.)</i>			
<i>Insurance—5.7%</i>			
	Reinsurance Australia Corporation Limited (Australia)	Reinsurance Company	
		8,422,211	\$ 4,431,065
	Lambert Fenchurch Group plc (Great Britain)	Insurance Broker	
		3,336,000	4,393,643
			<u>8,824,708</u>
<i>Other Financial—7.6%</i>			
	JCG Holdings Ltd. (Hong Kong)	Investment Holding Company	
		12,624,000	\$ 7,394,431
	Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	
		638,000	4,361,678
			<u>11,756,109</u>
<i>Hotels & Motels—2.7%</i>			
	Jarvis Hotels plc (Great Britain)	Hotel Operator	
		2,045,000	\$ 4,174,685
<i>Computer Software—1.7%</i>			
	Koei Co., Ltd. (Japan)	Computer Software	
		56,500	\$ 2,650,918
<i>Broadcasting & Publishing—3.1%</i>			
	Matichon Public Company Limited, Foreign Shares (Thailand), (b)	Newspaper Publisher	
		2,039,500	\$ 3,261,806
	VLT AB, Class B (Sweden)	Newspaper Publisher	
		139,950	1,520,267
			<u>4,782,073</u>
<i>Printing—1.0%</i>			
	Hung Hing Printing Group Limited (Hong Kong)	Printing Company	
		3,680,000	\$ 1,563,357
<i>Telecommunications—0.6%</i>			
	SK Telecom Co. Ltd. (Korea)	Telecommunications	
		1,016	\$ 939,581
<i>Pharmaceuticals—1.7%</i>			
	Recordati (Italy), (b)	Pharmaceuticals	
		573,000	\$ 2,597,323
<i>Transportation Services—2.3%</i>			
	Mainfreight Limited (New Zealand), (b)	Logistics Services	
		4,243,351	\$ 3,511,797
<i>Oil & Natural Gas—2.5%</i>			
	ISIS (France)	Oil Services	
		53,165	\$ 3,858,087

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 1999 cont.

	<i>Description</i>	<i>Shares Held</i>	<i>Market Value</i>
<i>Common Stocks—94.2% (cont.)</i>			
<i>Mining & Building Materials—9.5%</i>			
Fletcher Challenge Building (New Zealand)	Building Materials Manufacturer	5,245,000	\$ 6,456,884
Semapa-Sociedade de Investimento e Gestao, SGPS, SA (Portugal)	Cement Manufacturer	333,012	6,037,974
Parbury Limited (Australia), (b)	Building Products	12,517,553	<u>2,328,688</u>
			14,823,546
<i>Other Industrial Goods & Services—6.9%</i>			
GFI Industries SA (France)	Industrial Fastener Manufacturer	175,680	\$ 4,278,878
Yip's Hang Cheung (Holdings) Ltd. (Hong Kong), (b)	Paint & Solvent Manufacturer	35,472,000	2,237,578
Chargeurs SA (France)	Wool Production & Trading	26,750	1,636,641
Vaisala Oyj (Finland)	Atmospheric Observation Equipment	15,350	1,140,054
Dongah Tire Industry Company (Korea)	Tire Manufacturer	26,900	873,448
Polifarb Cieszyn-Wroclaw S.A. (Poland)	Paint & Varnish Manufacturer	347,983	<u>509,219</u>
			10,675,818
<i>Production Equipment—9.7%</i>			
Krones AG (Germany)	Manufacturer of Production Machinery	230,100	\$ 6,733,039
NSC Groupe (France), (b)	Manufacturer of Textile Equipment	55,523	5,842,934
De Dietrich et Compagnie SA (France)	Manufacturer of Production Machinery	39,000	<u>2,518,924</u>
			15,094,897
<i>Steel—1.7%</i>			
Steel & Tube Holdings Limited (New Zealand)	Produces and Distributes Steel	3,292,370	\$ 2,724,766
<i>Diversified Conglomerates—10.1%</i>			
Wassall PLC (Great Britain)	Diversified Consumer Goods	1,718,000	\$ 6,717,312
Haw Par Corporation Ltd. (Singapore)	Healthcare and Leisure Products	3,205,000	5,335,383
TT Group PLC (Great Britain)	Diversified Manufacturing	1,635,000	<u>3,694,357</u>
			15,747,052
Total Common Stocks (Cost: \$140,503,948)			146,375,829

Schedule of Investments—September 30, 1999 cont.

	<i>Par Value</i>	<i>Market Value</i>
<i>Short Term Investments—6.1%</i>		
<i>Commercial Paper—4.5%</i>		
American Express Credit Corporation, 5.31% due 10/7/1999	\$1,000,000	\$ 1,000,000
Ford Motor Credit Corp., 5.34% due 10/5/1999	2,000,000	2,000,000
General Electric Capital Corporation, 5.53% due 10/1/1999		<u>4,000,000</u>
Total Commercial Paper (Cost: \$7,000,000)		7,000,000
<i>Repurchase Agreements—1.6%</i>		
State Street Repurchase Agreement, 5.20% due 10/1/1999		\$ <u>2,405,000</u>
Total Repurchase Agreements (Cost: \$2,405,000)		2,405,000
Total Short Term Investments (Cost: \$9,405,000)		9,405,000
Total Investments (Cost \$149,908,948)—100.3% (c)		155,780,829
Foreign Currencies (Proceeds \$6,580)—(0.0)%		6,516
Other Liabilities In Excess Of Other Assets—(0.3)% (d)		<u>(421,142)</u>
Total Net Assets—100%		<u>\$155,366,203</u>

- (a) Non-income producing security.
- (b) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.
- (c) At September 30, 1999, net unrealized appreciation of \$5,871,817, for federal income tax purposes, consisted of gross unrealized appreciation of \$18,082,868 and gross unrealized depreciation of \$12,211,051.
- (d) Includes portfolio and transaction hedges.



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THE OAKMARK FAMILY OF FUNDS

Statement of Assets and Liabilities—September 30, 1999

	THE OAKMARK FUND	THE OAKMARK SELECT FUND	THE OAKMARK SMALL CAP FUND
Assets			
Investments, at value	\$ 4,759,553,868 (cost: 4,592,554,495)	\$ 1,632,347,345 (cost: 1,605,111,118)	\$ 443,700,831 (cost: 427,445,043)
Cash	556	836	500
Foreign currency, at value	0	0	0
Receivable for:			
Forward foreign currency contracts	0	0	0
Securities sold	21,219,292	15,179,570	2,054,841
Fund shares sold	1,347,311	1,468,976	308,751
Dividends and interest	12,465,607	1,721,557	190,847
Total receivables	35,032,210	18,370,103	2,554,439
Other assets	156,740	29,811	20,999
Total assets	<u>\$ 4,794,743,374</u>	<u>\$ 1,650,748,095</u>	<u>\$ 446,276,769</u>
Liabilities and Net Assets			
Payable for:			
Securities purchased	\$ 545,733	\$ 7,550,881	\$ 7,789,614
Fund shares redeemed	15,409,302	2,300,778	591,967
Due to adviser	4,174,405	1,365,482	485,886
Forward foreign currency contracts	0	0	0
Other	1,781,565	622,142	270,023
Total liabilities	21,911,005	11,839,283	9,137,490
Net assets applicable to fund shares outstanding	<u>\$ 4,772,832,369</u>	<u>\$ 1,638,908,812</u>	<u>\$ 437,139,279</u>
Fund shares outstanding	<u>138,855,787</u>	<u>78,332,068</u>	<u>31,485,265</u>
Price of Shares			
Net asset value per share	<u>\$ 34.37</u>	<u>\$ 20.92</u>	<u>\$ 13.88</u>
Analysis of Net Assets			
Paid in capital	\$ 3,821,186,642	\$ 1,298,678,085	\$ 434,024,162
Accumulated undistributed net realized gain (loss) on sale of investments, forward contracts and foreign currency exchange transactions	743,709,340	299,824,158	(13,140,671)
Net unrealized appreciation (depreciation) of investments	166,999,373	27,236,227	16,255,788
Net unrealized appreciation (depreciation) of foreign currency portfolio hedges	0	0	0
Net unrealized appreciation (depreciation)—other	0	0	0
Accumulated undistributed net investment income (loss)	40,937,014	13,170,342	0
Net assets applicable to Fund shares outstanding	<u>\$ 4,772,832,369</u>	<u>\$ 1,638,908,812</u>	<u>\$ 437,139,279</u>

THE OAKMARK EQUITY AND INCOME FUND	THE OAKMARK GLOBAL FUND	THE OAKMARK INTERNATIONAL FUND	THE OAKMARK INTERNATIONAL SMALL CAP FUND
\$ 60,411,626 (cost: 56,589,159) 648 0 0 0 8,255 406,110 <u>414,365</u> 2,781 <u>\$ 60,829,420</u>	\$ 23,955,829 (cost: 25,744,871) 225 0 0 12,537 178,640 68,013 <u>259,190</u> 10,680 <u>\$ 24,225,924</u>	\$ 802,285,385 (cost: 860,588,804) 8 300,697 596,807 10,270,655 2,502,167 6,012,218 <u>19,381,847</u> 19,661 <u>\$ 821,987,598</u>	\$ 155,780,829 (cost: 149,908,948) 981 6,516 7,756 197,161 323,831 758,957 <u>1,287,705</u> 2,949 <u>\$ 157,078,980</u>
\$ 268,100 114,269 37,626 0 91,834 <u>511,829</u> <u>\$ 60,317,591</u> <u>3,846,006</u>	\$ 213,966 0 3,045 4,720 50,839 <u>272,570</u> <u>\$ 23,953,354</u> <u>2,608,650</u>	\$ 6,610,271 1,257,055 734,839 1,098,344 1,145,102 <u>10,845,611</u> <u>\$ 811,141,987</u> <u>58,153,195</u>	\$ 1,134,610 143,744 169,370 376 264,677 <u>1,712,777</u> <u>\$ 155,366,203</u> <u>12,292,100</u>
<u>\$ 15.68</u>	<u>\$ 9.18</u>	<u>\$ 13.95</u>	<u>\$ 12.64</u>
\$ 48,625,541 6,238,498 3,822,467 0 (159) 1,631,244 <u>\$ 60,317,591</u>	\$ 25,800,443 (84,542) (1,789,042) (4,719) 53 31,161 <u>\$ 23,953,354</u>	\$ 876,279,147 (3,176,858) (58,302,773) (508,175) (69,095) (3,080,259) <u>\$ 811,141,987</u>	\$ 135,198,375 11,120,075 5,871,817 7,624 3,023 3,165,289 <u>\$ 155,366,203</u>

See accompanying notes to financial statements.

THE OAKMARK FAMILY OF FUNDS

Statement of Operations—September 30, 1999

	THE OAKMARK FUND	THE OAKMARK SELECT FUND	THE OAKMARK SMALL CAP FUND
Investment Income:			
Dividends	\$ 112,444,285	\$ 27,208,265	\$ 4,644,655
Interest Income	21,271,005	6,488,832	1,194,223
Securities lending income	0	75,764	33,811
Foreign taxes withheld	(126,816)	(63,600)	0
Total investment income	133,588,474	33,709,261	5,872,689
Expenses:			
Investment advisory fee	59,957,947	15,358,029	7,251,751
Transfer and dividend disbursing agent fees	3,518,298	998,731	507,287
Other shareholder servicing fees	2,966,381	957,631	264,350
Reports to shareholders	1,855,038	473,189	217,200
Custody and accounting fees	693,549	212,400	108,278
Registration and blue sky expenses	24,183	71,067	(95,846)
Trustee fees	166,808	66,691	46,996
Legal fees	58,406	28,572	16,418
Audit fees	28,181	28,629	31,454
Other	418,999	95,840	47,192
Total expenses	69,687,790	18,290,779	8,395,080
Expense reimbursement	0	0	0
Expense offset arrangements	(2,445)	(8,874)	(5,559)
Net expenses	69,685,345	18,281,905	8,389,521
Net Investment Income (loss):	63,903,129	15,427,356	(2,516,832)
Net realized and unrealized gain (loss) on investments and foreign currency transactions:			
Net realized gain (loss) on investments	748,595,189	301,413,442	(11,002,740)
Net realized gain (loss) on foreign currency transactions	0	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(147,719,773)	18,463,317	82,350,204
Net change in appreciation (depreciation) of forward currency exchange contracts	0	0	0
Net change in appreciation (depreciation)—other	0	0	0
Net realized and unrealized gain (loss) on investments and foreign currency transactions:	600,875,416	319,876,759	71,347,464
Net increase (decrease) in net assets resulting from operations	<u>\$ 664,778,545</u>	<u>\$ 335,304,115</u>	<u>\$ 68,830,632</u>

(a) From August 4, 1999, the date on which fund shares were first offered for sale to the public.

THE OAKMARK EQUITY AND INCOME FUND	THE OAKMARK GLOBAL FUND(a)	THE OAKMARK INTERNATIONAL FUND	THE OAKMARK INTERNATIONAL SMALL CAP FUND
\$ 1,158,904	\$ 74,217	\$ 27,387,199	\$ 4,445,739
1,227,611	23,658	1,612,869	606,224
6,921	0	114,999	1,799
(23,405)	(8,764)	(3,070,519)	(539,396)
<u>2,370,031</u>	<u>89,111</u>	<u>26,044,548</u>	<u>4,514,366</u>
464,454	18,520	8,068,806	1,330,000
65,540	7,434	639,040	97,700
16,086	803	315,585	61,056
29,051	1,650	304,430	38,271
49,870	10,044	958,112	256,163
22,967	16,590	(32,848)	43,024
34,721	5,134	52,671	35,454
12,909	2,100	17,730	13,415
24,079	10,000	30,280	39,731
9,765	278	58,778	57,836
<u>729,442</u>	<u>72,553</u>	<u>10,412,584</u>	<u>1,972,650</u>
0	(15,474)	0	0
(50)	0	(515)	(265)
<u>729,392</u>	<u>57,079</u>	<u>10,412,069</u>	<u>1,972,385</u>
1,640,639	32,032	15,632,479	2,541,981
6,246,386	(84,542)	(28,187,781)	12,338,825
(1,597)	(871)	11,558,024	968,518
690,123	(1,789,042)	290,561,381	34,768,296
0	(4,719)	1,014,015	186,436
(159)	53	(274,516)	(2,615)
<u>6,934,753</u>	<u>(1,879,121)</u>	<u>274,671,123</u>	<u>48,259,460</u>
<u>\$ 8,575,392</u>	<u>\$ (1,847,089)</u>	<u>\$ 290,303,602</u>	<u>\$ 50,801,441</u>

See accompanying notes to financial statements.

THE OAKMARK FAMILY OF FUNDS

Statement of Changes in Net Assets—September 30, 1999

	THE OAKMARK FUND	
	Year Ended September 30, 1999	Year Ended September 30, 1998
From Operations:		
Net investment income	\$ 63,903,129	\$ 94,480,595
Net realized gain (loss) on sale of investments	748,595,189	1,258,937,339
Net realized gain (loss) on foreign currency transactions	0	(8,898)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(147,719,773)	(1,704,966,868)
Net increase (decrease) in net assets from operations	664,778,545	(351,557,832)
Distribution to shareholders from (1):		
Net investment income	(89,026,890)	(66,321,023)
Net realized short-term gain	(128,028,090)	(25,210,618)
Net realized long-term gain	(195,972,927)	(1,098,260,243)
Total distributions to shareholders	(413,027,907)	(1,189,791,884)
From Fund share transactions:		
Proceeds from shares sold	832,343,635	2,836,315,983
Reinvestment of dividends and capital gain distributions	391,307,098	1,133,761,068
Payments for shares redeemed, net of fees	(3,626,526,884)	(2,119,718,081)
Net increase (decrease) in net assets from Fund share transactions	(2,402,876,151)	1,850,358,970
Total increase (decrease) in net assets	(2,151,125,513)	309,009,254
Net assets:		
Beginning of period	6,923,957,882	6,614,948,628
End of period	\$ 4,772,832,369	\$ 6,923,957,882
Undistributed net investment income	\$ 52,730,692	\$ 77,854,453
(1) Distributions per share:		
Net investment income	\$ 0.4401	\$ 0.3996
Net realized short-term gain	0.6329	0.1519
Net realized long-term gain	0.9686	5.8556
Total distributions to shareholders	\$ 2.0416	\$ 6.4071

**THE OAKMARK
SELECT FUND**

	Year Ended September 30, 1999	Year Ended September 30, 1998
From Operations:		
Net investment income	\$ 15,427,356	\$ 1,948,524
Net realized gain (loss) on sale of investments	301,413,442	69,415,172
Net realized gain (loss) on foreign currency transactions	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>18,463,317</u>	<u>(78,902,257)</u>
Net increase (decrease) in net assets from operations	335,304,115	(7,538,561)
Distribution to shareholders from (1):		
Net investment income	(3,491,747)	0
Net realized short-term gain	(497,653)	(6,882,359)
Net realized long-term gain	<u>(50,206,634)</u>	<u>0</u>
Total distributions to shareholders	(54,196,034)	(6,882,359)
From Fund share transactions:		
Proceeds from shares sold	688,865,887	1,440,695,723
Reinvestment of dividends and capital gain distributions	51,676,128	6,568,333
Payments for shares redeemed, net of fees	<u>(610,635,670)</u>	<u>(719,123,322)</u>
Net increase in net assets from Fund share transactions	129,906,345	728,140,734
Total increase in net assets	411,014,426	713,719,814
Net assets:		
Beginning of period	<u>1,227,894,386</u>	<u>514,174,572</u>
End of period	<u>\$ 1,638,908,812</u>	<u>\$ 1,227,894,386</u>
Undistributed net investment income	<u>\$ 13,637,247</u>	<u>\$ 1,701,638</u>
(1) Distributions per share:		
Net investment income	\$ 0.0491	\$ 0
Net realized short-term gain	0.0070	0.1678
Net realized long-term gain	<u>0.7058</u>	<u>0</u>
Total distributions to shareholders	\$ 0.7619	\$ 0.1678

THE OAKMARK FAMILY OF FUNDS

Statement of Changes in Net Assets—September 30, 1999 cont.

	THE OAKMARK SMALL CAP FUND	
	Year Ended September 30, 1999	Year Ended September 30, 1998
From Operations:		
Net investment loss	\$ (2,516,832)	\$ (4,959,862)
Net realized gain (loss) on sale of investments	(11,002,740)	124,757,914
Net realized gain (loss) on foreign currency transactions	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>82,350,204</u>	<u>(374,056,372)</u>
Net increase (decrease) in net assets from operations	68,830,632	(254,258,320)
Distribution to shareholders from (1):		
Net investment income	0	0
Net realized short-term gain	0	(35,041,133)
Net realized long-term gain	<u>(4,508,112)</u>	<u>(129,772,888)</u>
Total distributions to shareholders	(4,508,112)	(164,814,021)
From Fund share transactions:		
Proceeds from shares sold	262,182,135	416,817,749
Reinvestment of dividends and capital gain distributions	4,278,943	156,645,973
Payments for shares redeemed, net of fees	<u>(511,639,081)</u>	<u>(1,049,792,259)</u>
Net increase (decrease) in net assets from Fund share transactions	(245,178,003)	(476,328,537)
Total increase in net assets	(180,855,483)	(895,400,878)
Net assets:		
Beginning of period	<u>617,994,762</u>	<u>1,513,395,640</u>
End of period	<u>\$ 437,139,279</u>	<u>\$ 617,994,762</u>
Undistributed net investment income	<u>\$ (9,437,333)</u>	<u>\$ (6,920,501)</u>
(1) Distributions per share:		
Net investment income	\$ 0	\$ 0
Net realized short-term gain	0	0.4738
Net realized long-term gain	<u>0.0874</u>	<u>2.3874</u>
Total distributions to shareholders	\$ 0.0874	\$ 2.8612

**THE OAKMARK
EQUITY AND INCOME FUND**

	Year Ended September 30, 1999	Year Ended September 30, 1998
From Operations:		
Net investment income	\$ 1,640,639	\$ 1,166,564
Net realized gain (loss) on sale of investments	6,246,386	1,578,730
Net realized gain (loss) on foreign currency transactions	(1,597)	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	690,123	(2,325,892)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	0	0
Net change in unrealized appreciation (depreciation)—other	(159)	0
Net increase in net assets from operations	<u>8,575,392</u>	<u>419,402</u>
Distribution to shareholders from (1):		
Net investment income	(855,395)	(594,007)
Net realized short-term gain	0	(882,071)
Net realized long-term gain	(829,557)	(599,021)
Total distributions to shareholders	<u>(1,684,952)</u>	<u>(2,075,099)</u>
From Fund share transactions:		
Proceeds from shares sold	21,877,864	43,125,943
Reinvestment of dividends and capital gain distributions	1,610,146	1,964,129
Payments for shares redeemed, net of fees	(27,806,714)	(19,151,033)
Net increase (decrease) in net assets from Fund share transactions	<u>(4,318,704)</u>	<u>25,939,039</u>
Total increase in net assets	2,571,736	24,283,342
Net assets:		
Beginning of period	57,745,855	33,462,513
End of period	<u>\$ 60,317,591</u>	<u>\$ 57,745,855</u>
Undistributed net investment income	<u>\$ 1,806,607</u>	<u>\$ 1,021,363</u>
(1) Distributions per share:		
Net investment income	\$ 0.2118	\$ 0.2359
Net realized short-term gain	0	0.3503
Net realized long-term gain	0.2053	0.2379
Total distributions to shareholders	<u>\$ 0.4171</u>	<u>\$ 0.8241</u>

THE OAKMARK FAMILY OF FUNDS

Statement of Changes in Net Assets—September 30, 1999 cont.

	THE OAKMARK GLOBAL FUND
	Period Ended September 30, 1999(a)
From Operations:	
Net investment income	\$ 32,032
Net realized gain (loss) on sale of investments	(84,542)
Net realized gain (loss) on foreign currency transactions	(871)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(1,789,042)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	(4,719)
Net change in unrealized appreciation (depreciation)—other	53
Net increase (decrease) in net assets from operations	(1,847,089)
Distribution to shareholders from (1):	
Net investment income	0
Net realized short-term gain	0
Net realized long-term gain	0
Total distributions to shareholders	0
From Fund share transactions:	
Proceeds from shares sold	25,938,577
Reinvestment of dividends and capital gain distributions	0
Payments for shares redeemed, net of fees	(138,134)
Net increase in net assets from Fund share transactions	25,800,443
Total increase in net assets	23,953,354
Net assets:	
Beginning of period	0
End of period	<u>\$ 23,953,354</u>
Undistributed net investment income	<u>\$ 32,032</u>
(1) Distributions per share:	
Net investment income	\$ 0
Net realized short-term gain	0
Net realized long-term gain	0
Total distributions to shareholders	\$ 0

(a) From August 4, 1999, the date on which fund shares were first offered for sale to the public

**THE OAKMARK
INTERNATIONAL FUND**

	Year Ended September 30, 1999	Year Ended September 30, 1998
From Operations:		
Net investment income	\$ 15,632,479	\$ 23,809,423
Net realized gain (loss) on sale of investments	(28,187,781)	86,532,713
Net realized gain (loss) on foreign currency transactions	11,558,024	(3,890,444)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	290,561,381	(502,914,491)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	1,014,015	(2,045,738)
Net change in unrealized appreciation (depreciation)—other	(274,516)	195,384
Net increase (decrease) in net assets from operations	290,303,602	(398,313,153)
Distribution to shareholders from (1):		
Net investment income	(16,590,763)	(46,460,573)
Net realized short-term gain	(32,678,201)	(57,985,224)
Net realized long-term gain	(20,071,535)	(173,099,244)
Total distributions to shareholders	(69,340,499)	(277,545,041)
From Fund share transactions:		
Proceeds from shares sold	370,563,788	482,976,228
Reinvestment of dividends and capital gain distributions	65,432,760	263,415,429
Payments for shares redeemed, net of fees	(601,921,972)	(961,776,686)
Net increase (decrease) in net assets from Fund share transactions	(165,925,424)	(215,385,029)
Total increase in net assets	55,037,679	(891,243,223)
Net assets:		
Beginning of period	756,104,308	1,647,347,531
End of period	\$ 811,141,987	\$ 756,104,308
Undistributed net investment income	\$ 37,780,575	\$ 38,738,859
(1) Distributions per share:		
Net investment income	\$ 0.2440	\$ 0.5758
Net realized short-term gain	0.4807	0.7186
Net realized long-term gain	0.2953	2.1453
Total distributions to shareholders	\$ 1.0200	\$ 3.4397

THE OAKMARK FAMILY OF FUNDS

Statement of Changes in Net Assets—September 30, 1999 cont.

	THE OAKMARK INTERNATIONAL SMALL CAP FUND	
	Year Ended September 30, 1999	Year Ended September 30, 1998
From Operations:		
Net investment income	\$ 2,541,981	\$ 1,415,157
Net realized gain (loss) on sale of investments	12,338,825	(96,290)
Net realized gain (loss) on foreign currency transactions	968,518	(162,499)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	34,768,296	(27,728,327)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	186,436	(179,057)
Net change in unrealized appreciation (depreciation)—other	(2,615)	2,414
Net increase (decrease) in net assets from operations	50,801,441	(26,748,602)
Distribution to shareholders from (1):		
Net investment income	(1,558,450)	(308,015)
Net realized short-term gain	0	(3,477,982)
Net realized long-term gain	0	(3,890,139)
Total distributions to shareholders	(1,558,450)	(7,676,136)
From Fund share transactions:		
Proceeds from shares sold	253,467,836	77,339,314
Reinvestment of dividends and capital gain distributions	1,470,554	7,427,846
Payments for shares redeemed, net of fees	(200,585,753)	(64,544,647)
Net increase in net assets from Fund share transactions	54,352,637	20,222,513
Total increase (decrease) in net assets	103,595,628	(14,202,225)
Net assets:		
Beginning of period	51,770,575	65,972,800
End of period	\$ 155,366,203	\$ 51,770,575
Undistributed net investment income	\$ 2,612,604	\$ 1,629,075
(1) Distributions per share:		
Net investment income	\$ 0.2049	\$ 0.0559
Net realized short-term gain	0	0.6312
Net realized long-term gain	0	0.7060
Total distributions to shareholders	\$ 0.2049	\$ 1.3931

Notes to Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

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

Security valuation—

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

Foreign currency translations—

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

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

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

At September 30, 1999, only the Equity and Income, Global, International and Int'l Small Cap Funds had foreign currency transactions. Net unrealized appreciation (depreciation)-other includes the following components:

	Equity and Income	Global	International	Int'l Small Cap
Unrealized appreciation (depreciation) on dividends and dividend reclaims receivable	\$ (187)	\$29	\$(85,076)	\$ 4,448
Unrealized appreciation (depreciation) on open securities purchases and sales	—	—	(13,762)	(1,286)
Unrealized appreciation (depreciation) on transaction hedge purchases and sales	—	—	6,638	(245)
Unrealized appreciation (depreciation) on tax expense payable	<u>28</u>	<u>24</u>	<u>23,105</u>	<u>106</u>
Net Unrealized Appreciation (Depreciation) - Other	<u>\$ (159)</u>	<u>\$53</u>	<u>\$(69,095)</u>	<u>\$ 3,023</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 the accrual basis.

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

Forward foreign currency contracts—

At September 30, 1999, Global, International and Int'l Small Cap had entered into forward foreign currency contracts under which they are obligated to exchange currencies at specified future dates. The Funds' currency transactions are limited to transaction hedging and portfolio hedging involving either specific transactions or portfolio positions. These contracts are valued daily and the fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statement of assets and liabilities. Realized and unrealized gains and losses are included in the statement of operations.

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

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

The Global Fund had the following outstanding contracts at September 30, 1999:

Portfolio Hedges—

US Dollar Proceeds	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 1999
\$300,000	32,523,000 Japanese Yen	February 2000	\$(11,766)
300,000	30,456,000 Japanese Yen	March 2000	7,047
			<u>\$ (4,719)</u>

The International Fund had the following outstanding contracts at September 30, 1999:

Portfolio Hedges—

US Dollar Proceeds	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 1999
\$29,496,600	18,000,000 Pound Sterling	November 1999	\$(138,396)
24,400,000	2,645,204,000 Japanese Yen	February 2000	(956,994)
25,000,000	2,538,000,000 Japanese Yen	March 2000	587,215
			<u>\$(508,175)</u>

Transaction Hedges: Foreign Currency Purchases—

US Dollar Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 1999
\$ 271,353	1,894,725 Danish Krone	October 1999	\$ (93)
427,188	406,266 Euro Currency	October 1999	5,098
1,522,910	926,006 Pound Sterling	October 1999	1,574
1,014,403	616,284 Pound Sterling	October 1999	185
1,539,504	934,506 Pound Sterling	October 1999	(1,029)
1,547,003	939,057 Pound Sterling	October 1999	(1,034)
			<u>\$ 4,701</u>

Transaction Hedges: Foreign Currency Sales—

US Dollar Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 1999
\$ 53,592	78,700 Canadian Dollar	October 1999	\$ 29
341,801	320,790 Euro Currency	October 1999	465
248,930	233,124 Euro Currency	October 1999	874
2,007,902	1,219,867 Pound Sterling	October 1999	(365)
1,985,610	1,205,299 Pound Sterling	October 1999	1,327
80,586	625,993 Hong Kong Dollar	October 1999	(1)
3,044,739	23,605,862 Norwegian Krone	October 1999	(2,555)
536,900	4,381,103 Swedish Krone	October 1999	2,163
			<u>\$ 1,937</u>

The Int'l Small Cap Fund had the following outstanding contracts at September 30, 1999:

Portfolio Hedges—

US Dollar Proceeds	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 1999
\$2,800,000	303,548,000 Japanese Yen	February 2000	\$(109,819)
5,000,000	507,600,000 Japanese Yen	March 1999	117,443
			<u>\$ 7,624</u>

Transaction Hedges: Foreign Currency Purchases:

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 1999
\$ 44,340	42,168 Euro Currency	October 1999	\$ 529
269,843	253,159 Euro Currency	October 1999	(469)
11,140	10,542 Euro Currency	October 1999	77
205,888	193,232 Euro Currency	October 1999	(280)
252,990	153,569 Pound Sterling	October 1999	(169)
97,670	59,287 Pound Sterling	October 1999	(65)
			<u>\$(377)</u>

Transaction Hedges: Foreign Currency Sales—

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 1999
\$197,293	119,760 Pound Sterling	October 1999	<u>\$132</u>

At September 30, 1999, Global, International and Int'l Small Cap Funds each had sufficient cash and/or securities to cover any commitments under these contracts.

Notes to Financial Statements (cont.)

Securities Lending—

Each Fund except The Oakmark Fund may lend portfolio securities to broker-dealers and banks. As of December 31, 1998, the Funds discontinued participation in a securities lending program and any securities previously loaned to borrowers have been returned.

Federal income taxes, dividends and distributions to shareholders—

No provision is made for Federal income taxes. The Funds elect to be taxed as “regulated investment companies” and make such distributions to their shareholders as to be relieved of all Federal income taxes under provisions of current Federal tax law.

The Funds hereby designate the approximate long term capital gains for purposes of the dividends paid deduction (in thousands):

Oakmark	Select	Small Cap	Equity & Income	Global	Int'l	Int'l Small Cap
\$618,028	\$296,551	\$0	\$6,231	\$0	\$0	\$5,912

The amount of income dividends and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. To the extent these book and tax differences are permanent in nature, such amounts are reclassified among paid in capital, undistributed net investment income and undistributed net realized gain (loss) on investments. These differences are primarily related to foreign currency transactions, deferral of losses on wash sales, and character of capital loss carryforwards. The Funds also utilize earnings and profits distributed to shareholders on redemption of shares as a part of the dividends paid deduction for income tax purposes.

Bank Loans—

The Funds have two unsecured lines of credit with a syndication of banks. One line of credit is a committed line of \$350 million and the other is an uncommitted line of \$250 million. Borrowings under this arrangement bear interest at .50% above the Federal Funds Effective Rate. As of September 30, 1999, there were no outstanding borrowings.

2. TRANSACTIONS WITH AFFILIATES

Each fund has an investment advisory agreement with Harris Associates L.P. (Adviser). For management services and facilities furnished, the Funds pay the Adviser monthly fees at annual rates as follows. Oakmark pays 1% on the first \$2.5 billion of net assets, .95% on the next \$1.25 billion of net assets, .90% on the next \$1.25 billion of net assets, .85% on the next \$5 billion of net assets, and .80% on the excess of \$10 billion of net assets. International pays 1% on the first \$2.5 billion of net assets, .95% on the next \$2.5 billion of net assets, and .90% on the excess of \$5 billion of net assets. Select pays 1% on the first \$1 billion, .95% on the next \$500 million, .90% on the next \$500 million, .85% on the next \$500 million, .80% on the next \$2.5 million of net assets, and .75% on the excess of \$5 billion of net assets. Small Cap pays 1.25% on the first \$1 billion of net assets, 1.15% on the next \$500 million, 1.10% on the next \$500 million, 1.05% on the next \$500 million, and 1% on the excess of \$2.5 billion. Equity and Income pays .75% of net assets, Int'l Small Cap pays 1.25% of net assets, and Global pays 1.00% of net assets. Each fee is calculated on the total net assets as determined at the end of each preceding calendar month. The Adviser has voluntarily agreed to reimburse the Funds to the extent that annual expenses, excluding certain expenses, exceed 1.5% for domestic funds, 2.0% for international funds, and 1.75% for Global.

In connection with the organization of the Funds, expenses of approximately \$7,283 were advanced each to Small Cap, Equity and Income and Int'l Small Cap, and \$3,500 to Select by the Adviser. These expenses are being amortized on a straight line basis through October, 2000 for Small Cap, Equity and Income and Int'l Small Cap, and October, 2001 for Select.

During the twelve months ended September 30, 1999, the Funds incurred brokerage commissions of \$5,015,100, \$2,890,278, \$2,569,414, \$128,972, \$93,787, \$3,642,521 and \$1,155,829 of which \$1,944,758, \$725,722, \$213,191, \$56,545, \$29,127, \$0 and \$0 were paid by Oakmark, Select, Small Cap, Equity and Income, Global, International and Int'l Small Cap, respectively, to an affiliate of the Adviser.

The Funds' Trustees may participate in a Deferred Compensation Plan which may be terminated at any time. The obligations of the Plan are paid solely out of the assets of the Funds. All amounts payable under the Plan as of September 30, 1999 have been accrued.

3. FUND SHARE TRANSACTIONS

Proceeds and payments on Fund shares as shown in the Statement of Changes in Net Assets are in respect of the following number of shares (in thousands):

	Period Ended September 30, 1999						
	Oakmark	Select	Small Cap	Equity & Income	Global(a)	International	Int'l Small Cap
Shares sold	22,559	32,332	18,587	1,449	2,623	27,499	21,542
Shares issued in reinvestment of dividends	10,299	2,853	297	112	—	6,003	178
Less shares redeemed	(100,457)	(30,105)	(36,338)	(1,842)	(15)	(47,902)	(16,944)
Net increase (decrease) in shares outstanding	<u>(67,599)</u>	<u>5,080</u>	<u>(17,454)</u>	<u>(281)</u>	<u>2,608</u>	<u>(14,400)</u>	<u>4,776</u>

(a) From August 4, 1999, the date on which fund shares were first offered for sale to the public.

	Year Ended September 30, 1998					
	Oakmark	Select	Small Cap	Equity & Income	International	Int'l Small Cap
Shares sold	68,340	81,093	22,121	3,014	34,513	8,604
Shares issued in reinvestment of dividends	30,513	410	9,667	149	20,108	786
Less shares redeemed	(52,910)	(39,717)	(57,261)	(1,344)	(69,820)	(7,284)
Net increase (decrease) in shares outstanding	<u>45,943</u>	<u>41,786</u>	<u>(25,473)</u>	<u>1,819</u>	<u>(15,199)</u>	<u>2,106</u>

Effective January, 1999, the Funds offer two classes of shares. Class I shares are offered to the general public and Class II shares are offered to certain 401(k) and other tax qualified plans. Because no Class II shares have been issued as of September 30, 1999, no financial data is presented.

4. INVESTMENT TRANSACTIONS

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

	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Purchases	\$ 734,144	\$1,114,254	\$ 370,124	\$45,738	\$27,010	\$408,596	\$175,083
Proceeds from sales	3,124,576	968,958	4,661,866	49,281	1,595	611,623	125,384

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

5. TRANSACTIONS IN SECURITIES OF AFFILIATED ISSUERS

Affiliated issuers, as defined under the Investment Company Act of 1940, are those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of the Fund's transactions in the securities of these issuers during the year ended September 30, 1999 is set forth below:

Summary of Transactions with Affiliated Companies The Oakmark Fund

Affiliates	Purchase Cost	Sales Cost	Dividend Income	Market Value
ACNielsen Corporation	\$ —	\$ —	\$ —	\$ 108,083,250
Brunswick Corporation	—	—	3,640,400	181,109,900
H & R Block, Inc.	—	59,237,433	7,114,713	278,673,281
Knight Ridder, Inc.	13,380,889	76,860,097	5,585,106	313,670,988
The Black & Decker Corporation	—	163,345,561	3,201,948	247,269,887
The Dun & Bradstreet Corporation	12,433,629	57,927,867	7,103,390	278,509,687
TOTALS	\$25,814,518	\$357,370,958	\$26,645,557	\$1,407,316,993

Summary of Transactions with Affiliated Companies The Oakmark Select Fund

Affiliates	Purchase Cost	Sales Cost	Dividend Income	Market Value
USG Corporation	\$53,055,089	\$ 13,554,188	\$ 1,238,350	\$ 166,245,250
US Industries Inc.	44,696,796	27,494,375	1,586,420	133,654,500
TOTALS	\$97,751,885	\$ 41,048,563	\$ 2,824,770	\$ 299,899,750

Summary of Transactions with Affiliated Companies The Oakmark Small Cap Fund

Affiliates	Purchase Cost	Sales Cost	Dividend Income	Market Value
Barry (R.G.) Corporation	\$ 683,865	\$ —	\$ —	\$ 5,512,500
Duff & Phelps Credit Rating Co.	—	2,576,539	39,000	23,981,250
Finger Lakes Financial Corp.	—	22,374	45,120	1,808,625
Sames Corporation	—	448,735	—	4,468,750
Tokheim Corporation	9,617,102	—	—	7,686,250
Ugly Duckling Corporation	366,408	—	—	12,468,750
TOTALS	\$10,667,375	\$ 3,047,648	\$ 84,120	\$ 55,926,125

Summary of Transactions with Affiliated Companies
The Oakmark International Fund

Affiliates	Purchase Cost	Sales Cost	Dividend Income	Market Value
Banco Latinoamericano de Exportaciones, S.A. Class E	\$ 8,398,520	\$ 10,993,184	\$ 1,380,960	\$ 28,657,800
Chargeurs International SA	487,752	—	388,650	39,452,164
Dongah Tire Industry Company	—	—	140,181	5,399,470
Fernz Corporation Ltd.	3,621,336	14,034,949	1,034,503	21,170,836
Fila Holding S.p.A.	691,130	989,957	—	32,160,000
Keumkang Ltd.	—	7,957,641	307,101	18,471,319
Lotte Chilsung Beverage Company	—	4,600,021	36,291	4,428,607
TOTALS	\$13,198,738	\$ 38,575,752	\$ 3,287,686	\$ 149,740,196

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

Affiliates	Purchase Cost	Sales Cost	Dividend Income	Market Value
Designer Textiles (NZ) Limited	\$ —	\$ 158,585	\$ 42,398	\$ 314,281
Mainfreight Limited	3,661,625	—	51,467	3,511,797
Matchon Public Company Limited, Foreign Share	—	—	162,053	3,261,806
NSC Groupe	3,693,254	—	349,183	5,842,934
Parbury Limited	255,279	—	131,268	2,328,688
Recordati	2,860,638	—	47,131	2,597,323
Royal Doulton PLC	6,916,864	1,773,353	—	7,983,234
Yip's Hang Cheung (Holdings) Ltd.	671,588	112,764	164,944	2,237,578
TOTALS	\$18,059,248	\$ 2,044,702	\$ 948,444	\$ 28,077,641

THE OAKMARK FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended	Year Ended	Eleven Months	Year Ended October 31,					Period Ended
	September 30, 1999	September 30, 1998	Ended September 30, 1997	1996	1995	1994	1993	1992	October 31, 1991(a)
Net Asset Value, Beginning of Period	\$ 33.54	\$ 41.21	\$ 32.39	\$ 28.47	\$ 25.21	\$ 24.18	\$ 17.11	\$ 12.10	\$10.00
Income From Investment Operations:									
Net Investment Income (Loss)	0.44	0.47	0.36	0.34	0.30	0.27	0.17	(0.03)	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	2.43	(1.73)	10.67	4.70	4.66	1.76	7.15	5.04	2.11
Total From Investment Operations:	2.87	(1.26)	11.03	5.04	4.96	2.03	7.32	5.01	2.10
Less Distributions:									
Dividends (from net investment income)	(0.44)	(0.40)	(0.34)	(0.28)	(0.23)	(0.23)	(0.04)	—	—
Distributions (from capital gains)	(1.60)	(6.01)	(1.87)	(0.84)	(1.47)	(0.77)	(0.21)	—	—
Total Distributions	(2.04)	(6.41)	(2.21)	(1.12)	(1.70)	(1.00)	(0.25)	—	—
Net Asset Value, End of Period	\$ 34.37	\$ 33.54	\$ 41.21	\$ 32.39	\$ 28.47	\$ 25.21	\$ 24.18	\$ 17.11	\$12.10
Total Return	7.98%	(4.06)%	39.24%*	18.07%	21.55%	8.77%	43.21%	41.40%	87.10%*
Ratios/Supplemental Data:									
Net Assets, End of Period (\$million)	\$4,772.8	\$6,924.0	\$6,614.9	\$3,933.9	\$2,827.1	\$1,677.3	\$1,107.0	\$114.7	\$ 4.8
Ratio of Expenses to Average Net Assets	1.11%	1.08%	1.08%*	1.18%	1.17%	1.22%	1.32%	1.70%	2.50%(b)*
Ratio of Net Income (Loss) to Average Net Assets	1.02%	1.22%	1.19%*	1.13%	1.27%	1.19%	0.94%	(0.24)%	(0.66%)(c)*
Portfolio Turnover Rate	13%	43%	17%	24%	18%	29%	18%	34%	0%

*Data has been annualized.

(a) From August 5, 1991, the date on which Fund shares were first offered for sale to the public.

(b) If the Fund had paid all of its expenses and there had been no reimbursement by the Adviser, this annualized ratio would have been 4.92% for the period.

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

THE OAKMARK SELECT FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997
Net Asset Value, Beginning of Period	\$ 16.76	\$ 16.34	\$ 10.00
Income From Investment Operations:			
Net Investment Income (Loss)	0.20	0.03	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	<u>4.72</u>	<u>0.56</u>	<u>6.35</u>
Total From Investment Operations:	4.92	0.59	6.34
Less Distributions:			
Dividends (from net investment income)	(0.05)	—	—
Distributions (from capital gains)	<u>(0.71)</u>	<u>(0.17)</u>	<u>—</u>
Total Distributions	(0.76)	(0.17)	—
Net Asset Value, End of Period	<u>\$ 20.92</u>	<u>\$ 16.76</u>	<u>\$ 16.34</u>
Total Return	30.07%	3.64%	69.16%*
Ratios/Supplemental Data:			
Net Assets, End of Period (\$million)	\$1,638.9	\$1,227.9	\$514.2
Ratio of Expenses to Average Net Assets	1.16%	1.22%	1.12%*
Ratio of Net Income (Loss) to Average Net Assets	0.98%	.17%	(0.11)%*
Portfolio Turnover Rate	67%	56%	37%

*Ratios have been annualized.

THE OAKMARK SMALL CAP FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 12.63	\$ 20.34	\$ 13.19	\$ 10.00
Income From Investment Operations:				
Net Investment Income (Loss)	(0.16)	(0.12)	(0.01)	(0.02)
Net Gains or Losses on Securities (both realized and unrealized)	1.50	(4.73)	7.16	3.21
Total From Investment Operations:	1.34	(4.85)	7.15	3.19
Less Distributions:				
Dividends (from net investment income)	0.00	—	—	—
Distributions (from capital gains)	(0.09)	(2.86)	—	—
Total Distributions	(0.09)	(2.86)	—	—
Net Asset Value, End of Period	<u>\$ 13.88</u>	<u>\$ 12.63</u>	<u>\$ 20.34</u>	<u>\$ 13.19</u>
Total Return	10.56%	(26.37)%	59.14%*	31.94%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$437.1	\$618.0	\$1,513.4	\$218.4
Ratio of Expenses to Average Net Assets	1.48%	1.45%	1.37%*	1.61%
Ratio of Net Income (Loss) to Average Net Assets	(0.44)%	(0.40)%	(0.25)%*	(0.29)%
Portfolio Turnover Rate	68%	34%	27%	23%

*Data has been annualized.

THE OAKMARK EQUITY AND INCOME FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$13.99	\$14.49	\$11.29	\$10.00
Income From Investment Operations:				
Net Investment Income (Loss)	0.43	0.29	0.21	0.10
Net Gains or Losses on Securities (both realized and unrealized)	1.68	0.04	3.24	1.19
Total From Investment Operations:	2.11	0.33	3.45	1.29
Less Distributions:				
Dividends (from net investment income)	(0.21)	(0.24)	(0.12)	—
Distributions (from capital gains)	(0.21)	(0.59)	(0.13)	—
Total Distributions	(0.42)	(0.83)	(0.25)	—
Net Asset Value, End of Period	15.68	13.99	\$14.49	\$11.29
Total Return	15.32%	2.57%	34.01%*	12.91%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$60.3	\$57.7	\$33.5	\$13.8
Ratio of Expenses to Average Net Assets	1.18%	1.31%	1.50%*(a)	2.50%(a)
Ratio of Net Income (Loss) to Average Net Assets	2.65%	2.39%	2.38%*(a)	1.21%(a)
Portfolio Turnover Rate	81%	46%	53%	66%

*Data has been annualized.

(a) If the fund had paid all of its expenses and there had been no expense reimbursement by the investment adviser, ratios would have been as follows:

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

Financial Highlights

For a share outstanding throughout each period

	Period Ended September 30, 1999(a)
Net Asset Value, Beginning of Period	\$10.00
Income From Investment Operations:	
Net Investment Income (Loss)	0.01
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.83)</u>
Total From Investment Operations:	(0.82)
Less Distributions:	
Dividends (from net investment income)	0.00
Distributions (from capital gains)	<u>0.00</u>
Total Distributions	0.00
Net Asset Value, End of Period	<u>\$ 9.18</u>
Total Return	(8.18%)
Ratios/Supplemental Data:	
Net Assets, End of Period (\$million)	\$24.0
Ratio of Expenses to Average Net Assets	1.75%*(b)
Ratio of Net Income (Loss) to Average Net Assets	0.98%*(b)
Portfolio Turnover Rate	7.23%

*Data has been annualized.

(a) From August 4, 1999, the date on which fund shares were first offered for sale to the public.

(b) If the fund had paid all of its expenses and there had been no expense reimbursement by the investment advisor, the ratio of expenses to average net assets would have been 2.22% and the ratio of net income (loss) to average net assets would have been 0.51%.

THE OAKMARK INTERNATIONAL FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997	Year Ended October 31,				Period Ended October 31, 1992(a)
				1996	1995	1994	1993	
Net Asset Value, Beginning of Period	\$ 10.42	\$ 18.77	\$ 14.92	\$ 12.97	\$ 14.50	\$ 14.09	\$ 9.80	\$ 10.00
Income From Investment Operations:								
Net Investment Income (Loss)	0.36	0.41	0.27	0.09	0.30	0.21	0.06	0.26
Net Gains or Losses on Securities (both realized and unrealized)	4.19	(5.32)	3.74	2.90	(0.77)	0.43	4.48	(0.46)
Total From Investment Operations:	4.55	(4.91)	4.01	2.99	(0.47)	0.64	4.54	(0.2)
Less Distributions:								
Dividends (from net investment income)	(0.24)	(0.58)	(0.16)	—	—	(0.08)	(0.25)	—
Distributions (from capital gains)	(0.78)	(2.86)	—	(1.04)	(1.06)	(0.15)	—	—
Total Distributions	(1.02)	(3.44)	(0.16)	(1.04)	(1.06)	(0.23)	(0.25)	—
Net Asset Value, End of Period	\$ 13.95	\$ 10.42	\$ 18.77	\$ 14.92	\$ 12.97	\$ 14.50	\$ 14.09	\$ 9.80
Total Return	46.41%	(29.90)%	29.63%*	24.90%	(3.06)%	4.62%	47.49%	(22.81)%*
Ratios/Supplemental Data:								
Net Assets, End of Period (\$million)	\$811.1	\$756.1	\$1,647.3	\$1,172.8	\$819.7	\$1,286.0	\$815.4	\$ 23.5
Ratio of Expenses to Average Net Assets	1.29%	1.32%	1.26%*	1.32%	1.40%	1.37%	1.26%	2.04%*
Ratio of Net Income (Loss) to Average Net Assets	1.94%	1.95%	2.09%*	1.45%	1.40%	1.44%	1.55%	37.02%*
Portfolio Turnover Rate	54%	43%	61%	42%	26%	55%	21%	0%

*Ratios have been annualized.

(a) From September 30, 1992, the date on which Fund shares were first offered for sale to the public.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 6.89	\$ 12.20	\$11.41	\$10.00
Income From Investment Operations:				
Net Investment Income (Loss)	0.20	0.18	0.13	0.04
Net Gains or Losses on Securities (both realized and unrealized)	<u>5.75</u>	<u>(4.09)</u>	<u>1.10</u>	<u>1.37</u>
Total From Investment Operations:	5.95	(3.91)	1.23	1.41
Less Distributions:				
Dividends (from net investment income)	(0.20)	(0.06)	(0.08)	—
Distributions (from capital gains)	<u>0.00</u>	<u>(1.34)</u>	<u>(0.36)</u>	<u>—</u>
Total Distributions	(0.20)	(1.40)	(0.44)	—
Net Asset Value, End of Period	<u>\$ 12.64</u>	<u>\$ 6.89</u>	<u>\$12.20</u>	<u>\$11.41</u>
Total Return	88.02%	(35.20)%	12.07%*	14.15%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$155.4	\$ 51.8	\$66.0	\$39.8
Ratio of Expenses to Average Net Assets	1.79%	1.96%	1.93%*	2.50%(a)
Ratio of Net Income (Loss) to Average Net Assets	2.31%	2.17%	1.23%*	0.65%(a)
Portfolio Turnover Rate	126%	69%	63%	27%

* Ratios have been annualized.

(a) If the fund had paid all of its expenses and there had been no expense reimbursement by the investment advisor, the ratio of expenses to average net assets would have been 2.65% and the ratio of net income (loss) to average net assets would have been .50%.

THE OAKMARK FAMILY OF FUNDS

Report of Independent Public Accountants

TO THE SHAREHOLDERS AND BOARD OF TRUSTEES OF HARRIS ASSOCIATES INVESTMENT TRUST:

We have audited the accompanying statements of assets and liabilities of 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, and The Oakmark International Small Cap Fund (each a series of Harris Associates Investment Trust), including the schedules of investments on pages 7-9, 12-13, 16-18, 21-24, 28-30, 34-37, and 41-44, as of September 30, 1999, and the related statements of operations, statements of changes in net assets and the financial highlights for the periods indicated thereon. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 1999, by correspondence with the custodian and brokers. As to securities purchased but not received, we requested confirmation from brokers, and when replies were not received, we carried out alternative auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of 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, and The Oakmark International Small Cap Fund of the Harris Associates Investment Trust as of September 30, 1999, the results of their operations, the changes in their net assets, and their financial highlights for the periods indicated thereon in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Chicago, Illinois
October 25, 1999



THE OAKMARK FAMILY OF FUNDS

Trustees and Officers

Trustees

Michael J. Friduss
Thomas H. Hayden
Christine M. Maki
Victor A. Morgenstern
Allan J. Reich
Marv Rotter
Burton W. Ruder
Peter S. Voss
Gary Wilner, M.D.

Officers

Victor A. Morgenstern—*Chairman*
Robert M. Levy—*President*
Robert J. Sanborn—*Executive Vice President*
David G. Herro—*Vice President*
Gregory L. Jackson—*Vice President*
Clyde S. McGregor—*Vice President*
William C. Nygren—*Vice President*
Steven J. Reid—*Vice President*
Michael J. Welsh—*Vice President*
Anita M. Nagler—*Secretary*
Ann W. Regan—*Vice President—*
Shareholder Operations and Assistant Secretary
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

Nvest Services Company, Inc.
Attention: The Oakmark Family of Funds
P.O. Box 8510
Boston, Massachusetts 02266-8510

Legal Counsel

Bell, Boyd & Lloyd
Chicago, Illinois

Independent Public Accountants

Arthur Andersen LLP
Chicago, Illinois

For More Information:

Please call 1-800-OAKMARK
(1-800-625-6275)
or 617-578-1329

Website

www.oakmark.com

24-hour NAV hotline

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

E-mail Address

ServiceComments@oakmark.com

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



P.O. BOX 8510
BOSTON, MA 02266-8510

