

Amidst elections and volatility in Europe – we see opportunity | International equity market commentary 2Q 2024

June 30, 2024

Fellow shareholders,

Both international strategies had adverse performance for the second quarter with the Oakmark International Fund losing just over 4% and the Oakmark International Small Cap Fund declining around 3%. More details are provided in the individual fund commentaries.

In summary, besides some stock-specific issues, two macro factors contributed to this quarter's decline in European markets and the Euro: the results of the European Parliament election and the uncertainty surrounding the two-part French election. The calling of an election in France was unexpected and caused extreme turbulence in both the French and European bond and stock markets because of fears surrounding the ideological make-up of the new National Assembly. Meanwhile, the broader Japanese market index, the TOPIX, where we are under-invested, rose in local market terms. However, I will stress that most of the time, the price declines that are associated with these events are rarely reflective of the underlying intrinsic value of the businesses in which we are invested. We recently posted [commentary](#) on the French election that provides more details about our fundamental approach to headline events. As a result, we have a portfolio that has weakened in price, but whose underlying invested companies have generally continued to grow value per share, thus creating more opportunity for future performance.

The prospects are great for value investors

The future of value investing—especially overseas—looks extremely promising. Once again, we are witnessing a new mania which is vacuuming up liquidity and placing it into narrow sectors of the various stock markets. We believe the neglected areas of the market that are being sold to fund “the mania” are very attractively priced. One cannot avoid hearing about the artificial intelligence (AI) revolution and the impacts it will have on our lives. Advancements in AI are revolutionary, much like the advent of railroads, electricity, the telephone, modern agriculture, mobile telephony, e-commerce, and more. However, money is not made on “themes,” but by applying a theme to a specific business practice that leads to shareholder value creation. Recall how many of the past themes resulted in corporate bankruptcy. In the 1800s, the

Oakmark International Fund – Investor Class

[Average Annual Total Returns](#) (06/30/2024)

Since Inception (9/30/1992) 8.34%

10-year 2.68%

5-year 3.90%

1-year -3.01%

3-month -4.28%

Expense Ratio: 1.05%

Oakmark International Small Cap Fund – Investor Class

[Average Annual Total Returns](#) (06/30/2024)

Since Inception (11/1/1995) 8.42%

10-year 4.09%

5-year 6.80%

1-year 5.19%

3-month -3.11%

Expense Ratio: 1.34%

Expense ratios are from the Fund's most recent prospectus dated January 28, 2024; actual expenses may vary.

Past performance is no guarantee of future results.

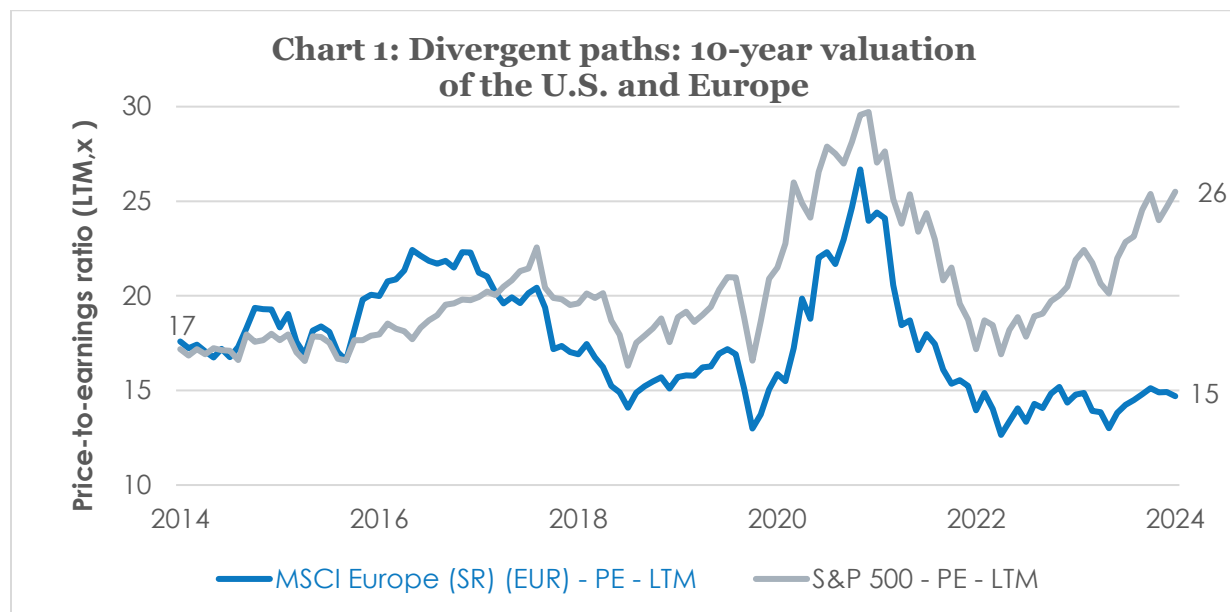
The performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted. The investment return and principal value vary so that an investor's shares when redeemed may be worth more or less than the original cost. To obtain the most recent month-end performance data, visit [Oakmark.com](#).

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proliferation of railroads caused a step change and revolutionized how goods and people were transported. However, by the late 1800s and into the 1900s, many of these companies went bankrupt. More recently, in the late 1990s, with advancements of the internet, mobile telephony and e-commerce, we saw the creation of thousands of companies ranging from “dotcom” companies to telecom providers as well as e-commerce businesses. From 2000 to 2003, many, if not most, of these businesses also went bankrupt. Frequently, themes do lead to profits, but the companies involved can become fundamentally over-valued. As an example, after struggling to earn money for years, Tesla is now a profitable company. In fact, today its market capitalization is greater than the entire European automotive sector. And, one can ask, is Nvidia—today’s AI poster child which stands at a market capitalization of around \$3 trillion—worth almost as much as the entire French or U.K. stock markets, or the entire German and Italian stock markets combined?

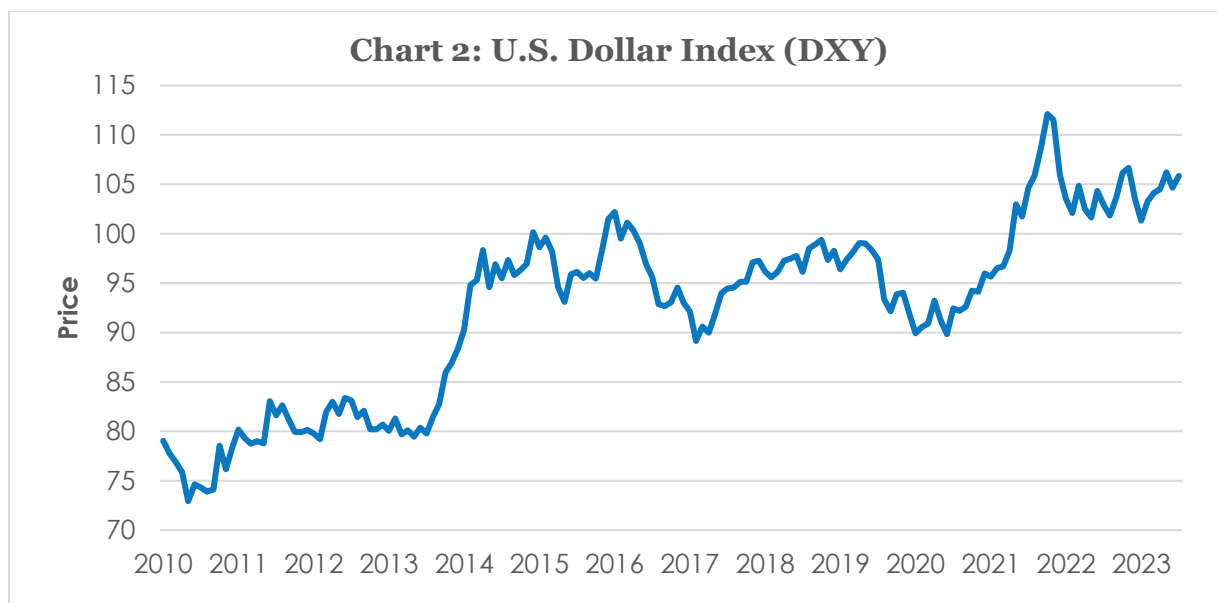
Besides Europe’s valuation contraction over the last decade (Chart 1), the dollar has been on a bull run since its low point in 2011, with the dollar index appreciating over 40% (Chart 2).



Data source: FactSet, 2014-2024.

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Data source: Bloomberg, 2010-2024.

This inherently means that returns for foreign investors, who own foreign currencies, had to fight this headwind for over 13 years. Today, a U.S.-based investor can use strong dollars to buy low-priced non-U.S. companies in their weak home currencies, receiving a double discount. Such opportunities indicate a stronger future performance and give us justifiable cause for optimism.

Investing versus trading

Whereas investors attempt to determine the price of an asset using fundamental analysis, then buy low and sell high, a trader uses analysis to predict price movement. We believe that investing provides a clearer path to long-term success, as our long-term numbers demonstrate. Although traders have greatly influenced current market conditions, we believe the result has been more opportunity for investors. Though we are frustrated with our recent performance, based on today's valuations, we remain fully confident on what we can deliver in terms of future performance for our clients and shareholders. We are grateful for your continued patience, which we believe will be rewarded.

Thank you again for your continued support,

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As of 06/30/2024, none of the securities mentioned above are held in either the Oakmark International Fund nor the Oakmark International Small Cap Fund. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.

To obtain a full list of the most recent quarter-end holdings, please visit our website at www.oakmark.com or call 1-800-OAKMARK (625-6275).

The information, data, analyses, and opinions presented herein (including current investment themes, the portfolio managers' research and investment process, and portfolio characteristics) are for informational

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purposes only and represent the investments and views of the portfolio managers and Harris Associates L.P. as of the date written and are subject to change and may change based on market and other conditions and without notice. This content is not a recommendation of or an offer to buy or sell a security and is not warranted to be correct, complete or accurate.

Certain comments herein are based on current expectations and are considered "forward-looking statements." These forward looking statements reflect assumptions and analyses made by the portfolio managers and Harris Associates L.P. based on their experience and perception of historical trends, current conditions, expected future developments, and other factors they believe are relevant. Actual future results are subject to a number of investment and other risks and may prove to be different from expectations. Readers are cautioned not to place undue reliance on the forward-looking statements.

The price to earnings ratio ("P/E") compares a company's current share price to its per-share earnings. It may also be known as the "price multiple" or "earnings multiple", and gives a general indication of how expensive or cheap a stock is. Investors should not base investment decisions on any single attribute or characteristic data point.

The TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. This index is unmanaged and investors cannot invest directly in this index.

The MSCI Europe Index (Net) is a free float-adjusted, market capitalization-weighted index designed to represent the performance of large- and mid-cap stocks across 15 Developed Market countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe. This benchmark calculates reinvested dividends net of withholding taxes. This index is unmanaged and investors cannot invest directly in this index.

On occasion, Harris may determine, based on its analysis of a particular multi-national issuer, that a country classification different from MSCI best reflects the issuer's country of investment risk. In these instances, reports with country weights and performance attribution will differ from reports using MSCI classifications. Harris uses its own country classifications in its reporting processes, and these classifications are reflected in the included materials.

The S&P 500 Total Return Index is a float-adjusted, capitalization-weighted index of 500 U.S. large-capitalization stocks representing all major industries. It is a widely recognized index of broad, U.S. equity market performance. Returns reflect the reinvestment of dividends. This index is unmanaged and investors cannot invest directly in this index.

The Oakmark International Fund's portfolio tends to be invested in a relatively small number of stocks. As a result, the appreciation or depreciation of any one security held by the Fund will have a greater impact on the Fund's net asset value than it would if the Fund invested in a larger number of securities. Although that strategy has the potential to generate attractive returns over time, it also increases the Fund's volatility.

The Oakmark International Small Cap Fund's portfolio tends to be invested in a relatively small number of stocks. As a result, the appreciation or depreciation of any one security held by the Fund will have a greater impact on the Fund's net asset value than it would if the Fund invested in a larger number of securities. Although that strategy has the potential to generate attractive returns over time, it also increases the Fund's volatility.

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

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

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All information provided is as of 06/30/2024 unless otherwise specified.

Before investing in any Oakmark Fund, you should carefully consider the Fund's investment objectives, risks, management fees and other expenses. This and other important information is contained in a Fund's prospectus and summary prospectus. Please read the prospectus and summary prospectus carefully before investing. For more information, please visit Oakmark.com or call 1-800-OAKMARK (1-800-625-6275).

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