

Are fundamentals starting to matter again outside the U.S.? | International equity market commentary 2Q 2025

June 30, 2025

Fellow shareholders,
I am happy to report that both Oakmark international funds had extremely pleasing quarterly results from both absolute and relative perspectives. Leading the charge was the Oakmark International Small Cap Fund with a 16.99% quarterly return versus 16.82% for the MSCI World ex USA Small Cap Index, whereas the Oakmark International Fund delivered a 12.64% performance versus 12.05% for the MSCI World ex USA Index. See individual fund letters for details on their performances.

But when?

Since our firm's inception, we at Harris | Oakmark have believed valuation matters in the long run. For more than a decade, those of us who practice “value investing”—especially in overseas markets—were left out in the cold as U.S. growth/momentum stocks soared. We asserted that this trend was unsustainable as it was mostly driven by both weak foreign currencies as well as valuation expansion in U.S. growth stocks. Year-to-date, we are witnessing the unraveling of this paradigm: the U.S. dollar, which has been on a ten-plus-year bull run, has started to weaken, while the valuations of U.S. growth and momentum stocks have begun to retreat from their lofty levels. At the same time, the fundamentals of what we view as the most attractively priced global region, European equities, have improved thus driving more investor interest. As the valuation spread expanded during the last 10 years, we were frequently asked: “When will this paradigm change and what will be the catalyst?” Whereas one never can guess the catalyst, our view was that the greater the spread was, the harder it would be to maintain it. Today, we believe we are witnessing the reversion, and as it is based on fundamentals, we remain confident in our belief that given the large valuation spread that still exists, we will continue to benefit from this change.

A farewell and a welcome

Earlier this year we announced that Mike Manelli, a 20-year veteran of Harris | Oakmark, would be leaving our firm at the end of 2025, and as of July 1st, Mike is no longer a co-Manager on any

Oakmark International Fund – Investor Class

[Average Annual Total Returns](#) (06/30/2025)

Since Inception (9/30/1992) 8.70%

10-year 4.92%

5-year 11.54%

1-year 20.97%

3-month 12.64%

Expense Ratio: 1.05%

Oakmark International Small Cap Fund – Investor Class

[Average Annual Total Returns](#) (06/30/2025)

Since Inception (11/1/1995) 8.98%

10-year 6.73%

5-year 15.36%

1-year 26.22%

3-month 16.99%

Expense Ratio: 1.33%

Expense ratios are as of the Fund's most recent prospectus dated January 28, 2025, as amended and restated January 30, 2025, March 14, 2025 and May 19, 2025; 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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of the Oakmark Funds. As this is a people business, and Mike is an exceptional analyst, investor, and partner, he will be greatly missed. Most importantly, Mike has always placed our clients as his first priority and has enhanced our firm's capabilities with his thorough analysis of businesses, in-depth approach to researching companies, as well as his overall investment acumen. In addition to this, he was a tough love kind of a mentor that, especially in today's environment, is sorely needed. Replacing Mike will be difficult, but his replacement is more than capable for the job. Tony Coniaris, who is our firm's Chairman and long-time analyst and portfolio manager on domestic and global funds, joined me and Eric Liu as a co-manager of the Oakmark International Fund on July 1st, in addition to being named as my co-CIO of international equities on April 1st. Like Mike, Tony is also extremely client-centric and has a stellar record as an analyst, portfolio manager and firm leader. At Harris | Oakmark we are blessed with a large group of talented people which enables us to execute seamless transitions like this. Additionally, I welcome not only Tony's investment skills, but his leadership skills and his ability to help drive continuous improvement on how we execute our philosophy and process. As sad as I am to see Mike leave, I am pleased that Tony has joined our international team in a leadership role.

As always, thank you for your continued support and confidence.

David G. Herro, CFA
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Important Disclosures

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 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.

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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

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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.

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

All information provided is as of 06/30/2025 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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