Harris | Oakmark

QUARTERLY COMMENTARY

Oakmark Bond Fund

June 30, 2025

SECOND QUARTER, 2025

- **The Fund (Institutional Share Class) outperformed the benchmark, the Bloomberg U.S. Aggregate Index, for the quarter and since inception.**
- **Market volatility created opportunity during the quarter, with strong security selection driving the majority of outperformance. Duration and positioning also contributed to performance.**

PORTFOLIO ACTIVITY

April provided a clear example of how a chaotic moment can present opportunity. As tariff uncertainty and questions around fiscal sustainability caused volatility to spike and spreads to widen, the Fund increased its exposure to credit and spread product—adding 12 percentage points of credit risk—capitalizing on what we believed were mispriced securities in specific issuers that remained insulated from prevailing macro risks. Strong security selection during the ensuing rally drove the majority of outperformance.

This response wasn't about forecasting clarity. It was about being paid to accept wider ranges of potential outcomes—an idea we emphasized last quarter, and which gained traction again this quarter. As spreads widened, we believed many assets were being over-discounted for uncertainty, even as fundamentals remained stable. In other words, the world didn't get safer—but the compensation got more attractive.

The Fund's duration position of approximately six years remained close to that of the benchmark as portfolio managers viewed real rates as fair but not out of consensus. Duration and yield curve positioning contributed modestly to outperformance during the quarter.

Corporate credit posted positive excess returns in the second quarter as investment grade spreads tightened by approximately 9 basis points. The Fund's overweight to corporate credit—averaging 44% exposure during the quarter versus 24% for the benchmark, and up from 35% in the first quarter—proved timely. Strong selection within corporate credit drove the bulk of outperformance. This included allocations to names like a domestic cruise operator and a U.S.-based private jet manufacturer—examples where we believe market volatility offered durable, high-quality businesses at discounted prices.

Our fixed income market commentary this quarter focused on a critical nuance in market psychology: **uncertainty does not equal lower expected returns**. A wider range of outcomes doesn't imply a worse average outcome—it simply increases the variance. If the market overreacts and prices in an overly pessimistic scenario, the resulting dislocation can raise expected returns. This quarter, we felt that was exactly what occurred.

The Fund's overweight to syndicated loans also modestly added to performance, benefiting from positive returns in the asset class. Exposure to securitized credit averaged ~15%, while government-guaranteed exposure (Agency MBS and Treasuries) stood at ~32% versus the benchmark at ~74%. That underweight to U.S. Treasurys provided additional relative tailwind during the risk-on rally that followed the April selloff.

Our positioning entering the quarter—modest overweights to corporate credit and securitized debt, and an underweight to Treasurys—reflected a view that investors were being more than adequately compensated for perceived uncertainty. Importantly, the majority of our securitized holdings are in highly rated agency MBS, and less than 20% of corporate credit exposure is below investment grade. This quality bias enabled us to stay nimble and opportunistic when markets dislocated.

POSITIONING AND OUTLOOK

Looking ahead, following one of the most powerful rallies since 2020, we are inclined to look to moderate some of the Fund's overweight positions in the second half of the year. The Fund's duration remains aligned with the benchmark at approximately 6 years.

As we wrote in our broader commentary: uncertainty isn't a passing storm—it's a permanent feature of markets. The real question is whether it's being mispriced. For us, the past quarter was a case study in how volatility, when properly understood, can present opportunity—not just risk.

PORTFOLIO MANAGERS

(Year joined Harris | Oakmark)

Adam D. Abbas (2018)
M. Colin Hudson, CFA (2005)

June 30, 2025

AVERAGE ANNUALIZED TOTAL RETURNS (%)

	Inception date	QTD	1 yr	3 yrs	5 yrs	Since inception	Expense ratio gross	Expense ratio net
Institutional Class | OANCX	06/10/2020	1.95	7.17	4.81	1.77	1.74	0.77	0.52
Investor Class | OAKCX	01/28/2022	1.89	7.07	4.60	n/a	1.23	0.95	0.74
Advisor Class | OAYCX	06/10/2020	1.94	7.26	4.83	1.76	1.73	0.74	0.54
R6 Class | OAZCX	12/15/2020	1.97	7.25	4.90	n/a	1.09	0.77	0.44
Bloomberg U.S. Aggregate Bond Index		1.21	6.08	2.55	-0.73	-0.64		

Expense ratios are as of the Fund's most recent prospectus dated 1/28/2025, as amended and restated 1/31/2025 and 3/14/2025; actual expenses may vary. The Fund's Adviser has contractually undertaken to waive and/or reimburse certain fees and expenses so that the total annual operating expenses of each class are limited to 0.74%, 0.54%, 0.52% and 0.44% of average net assets, respectively. Each of these undertakings lasts until 01/27/2025 and may only be modified by mutual agreement of the parties. Returns for periods less than one year are not annualized. Since inception returns for the indexes are calculated based on the Institutional Class inception date.

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

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.

Yield is the annual rate of return of an investment paid in dividends or interest, expressed as a percentage. A snapshot of a fund's interest and dividend income, yield is expressed as a percentage of a fund's net asset value, is based on income earned over a certain time period and is annualized, or projected, for the coming year.
Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasurys, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid ARM pass-throughs), asset-backed securities and commercial mortgage-backed securities (agency and non-agency). This index is unmanaged and investors cannot invest directly in this index.

The Oakmark Bond Fund invests primarily in a diversified portfolio of bonds and other fixed-income securities. These include, but are not limited to, investment grade corporate bonds; U.S. or non-U.S.-government and government-related obligations (such as, U.S. Treasury securities); below investment-grade corporate bonds; agency mortgage backed-securities; commercial mortgage- and asset-backed securities; senior loans (such as, leveraged loans, bank loans, covenant lite loans, and/or floating rate loans); assignments; restricted securities (e.g., Rule 144A securities); and other fixed and floating rate instruments. The Fund may invest up to 20% of its assets in equity securities, such as common stocks and preferred stocks. The Fund may also hold cash or short-term debt securities from time to time and for temporary defensive purposes.
Under normal market conditions, the Fund invests at least 25% of its assets in investment-grade fixed-income securities and may invest up to 35% of its assets in below investment-grade fixed-income securities (commonly known as "high-yield" or "junk bonds").

Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Bond values fluctuate in price so the value of your investment can go down depending on market conditions.

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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FCM-4496CX-10/25