

Oakmark Bond Fund

September 30, 2024

THIRD QUARTER, 2024

- **During the quarter, the Institutional Class for the Fund returned 5.08% versus 5.20% for the Bloomberg U.S. Aggregate Bond Index, and 1.58% since inception versus -0.77% for the index over the same period.**
- **Approximately 15 basis points of the Fund's performance this quarter was driven by its positioning in structured products.**
- **Security selection decisions contributed approximately 51 basis points to the Fund's performance. Our underweight in government debt and strong security selection also boosted the Fund's performance.**

PORTFOLIO ACTIVITY

The Oakmark Bond Fund gained 5.08% in the quarter, slightly underperforming its benchmark, which returned 5.20%. Credit selection was a key driver of strong absolute returns, partially offset by a drag from rates due to our duration positioning of 6.1 versus the benchmark's 6.2 position. Interest rates significantly drove returns. During the quarter, the 2-year Treasury yield dropped by approximately 110 basis points, and the 10-year Treasury yield declined by about 65 basis points. Although credit spreads remained largely unchanged, periods of intra-quarter volatility provided opportunities for the Fund to capitalize on market dislocations. Securitized credit also contributed positively to returns as agency mortgage-backed securities (MBS) outperformed non-agency structured credit within the sector.

Based on gross performance, security selection added approximately 51 basis points of relative performance during the quarter, and asset allocation detracted 46 basis points. As mentioned, rate

positioning significantly contributed to the Fund's absolute returns but detracted around 10 basis points relative to the benchmark. The Fund's modest underweight in structured products detracted from relative returns, but security selection offset that to contribute to overall outperformance within the sector.

We maintain our current duration positioning at "neutral" versus the benchmark. Real rates have moved back toward historical norms, and the yield curve has normalized. The Fund's corporate credit exposure dropped to its lowest levels since inception, but remains notably overweight compared to the benchmark (40% for the Fund versus 25% for the benchmark). We are biased toward higher quality issuers since we believe corporate fundamentals are healthy, earnings growth should remain robust and labor markets are strong. However, we will continue to monitor all relevant data, especially indicators that send conflicting signals about sustained economic growth.

POSITIONING AND OUTLOOK

Following its pivotal September meeting, the Federal Reserve (Fed) officially kicked off an easing cycle with a 50 basis-point rate cut. We rarely focus on specific Fed meetings, but when they could fundamentally change the investment landscape, like in this meeting, we take note. For a more detailed analysis of our perspective, check out our reaction piece, [The Fed Kicks Off an Easing Cycle with a 50bps Rate Cut](#).

The Federal Reserve has begun an easing cycle with a 50 basis-point rate cut, signaling that inflation is nearly under control rather than indicating that

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the economy is in problematic territory. Although the cut wasn't strictly necessary, it aligned with market expectations, allowing the Fed to maintain market stability. This move reflects a proactive approach, suggesting that the Fed is focused on preventing economic challenges rather than reacting to them. Although the economy is showing signs of slowing, it remains resilient, as evidenced by strong data in housing, industrial production and retail sales. The Fed's shift in focus, from battling inflation to supporting the labor market, underscores its confidence that inflation is nearly under control.

Fed Chair Jerome Powell made it clear that future monetary policy decisions will depend on the data, including a wide range of potential outcomes for unemployment and inflation. The Fed's messaging indicates a desire to stay ahead of economic trends, unlike past periods where the Fed was often criticized for reacting too late. Powell's emphasis on flexibility suggests that while inflation continues to cool, the Fed is prepared to act promptly to adjust rates if needed. This approach allows for caution in a landscape where fiscal policy changes are expected in 2025, and the labor market may be gradually softening.

As inflation stabilizes and rate cuts begin, the focus in fixed income markets should shift from movements in rates toward credit selection as a driver of value. This change suggests a new era for fixed income, where understanding the fundamentals of individual securities and asset classes will play a more prominent role in performance. The economic and credit environment remain promising, and the Fed's actions should support credit markets across most fixed income asset classes, creating opportunities for investors. The takeaway is that you will likely see us sell our U.S. Treasury and agency securitized paper over the next couple of quarters to fund individual corporate credits and non-agency securitized credits that remain mispriced.

PORTFOLIO MANAGERS

(Year joined Harris | Oakmark)

Adam D. Abbas (2018)

M. Colin Hudson, CFA (2005)

PERFORMANCE (%)

	QTD*	1 yr	3 yrs	5 yrs	10 yrs	Since inception
Institutional Class OANCX	5.08%	13.84%	0.30%	n/a	n/a	1.58%
Bloomberg U.S. Aggregate Bond Index	5.20%	11.57%	-1.39%	n/a	n/a	-0.94%

Gross expense ratios: Institutional Class 1.08%

Net expense ratios: Institutional Class 0.52%

*Not annualized

Inception Institutional Class: 06/10/2020

Expense ratios are from the Fund's most recent prospectus dated January 28, 2024, as amended and restated July 1, 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. 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.

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 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 Treasuries, 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 life 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 09/30/2024 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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