Harris | Oakmark

QUARTERLY COMMENTARY

Oakmark Equity and Income Fund

June 30, 2024

SECOND QUARTER, 2024

- **The Fund returned -2.19% versus 1.11% for the Lipper Balanced Fund Index for the quarter, and 9.51% since inception, versus 6.94% for the Lipper Balanced Fund Index over the same period.**
- **The equity portfolio returned -3.97% for the quarter, versus 4.28% for the S&P 500[1] partly due to our underweight exposure to the technology sector and the significant underperformance of value stocks versus growth. The fixed income portfolio returned 0.75%, and the Fund allocation was 58.0% in equities, 40.7% in fixed income, and 1.3% cash. (The equity and fixed income portfolio returns are unaudited and sourced from our proprietary account system.)**
- **At the sector level, the largest contributors were communication services and information technology, while detractors were health care and consumer discretionary.**
- **We are finding attractive investment opportunities across a diverse group of industries amid the unusually wide spread between high P/E and low P/E stocks that exists today. Read more in the 2Q 2024 U.S. equity market commentary.**
- **Higher interest rates have improved the opportunities available in fixed income, and we continue to find idiosyncratic issues that meet our undervaluation criteria.**

Second quarter highlights

Top stock contributors
- Alphabet Cl A
- Reinsurance Group
- Amazon.com

Top stock detractors
- IQVIA Holdings
- Centene
- Baxter

New stock purchases
- GE HealthCare Tech
- Keurig Dr Pepper
- Nasdaq
- Salesforce

Final stock sales
- Carlisle
- Danaher
- KKR
- Lear
- PHINIA

TOP CONTRIBUTOR | DETRACTOR

Top contributor

Alphabet was the top contributor during the quarter. The stock price rose after the U.S.-based communication services company reported first-quarter operating income growth of 31% versus the prior year. We believe that management's cost reduction initiatives will improve operating efficiency and lead to faster earnings growth. In addition, we expect the company's new AI-powered features, showcased at the recent Google I/O conference, will increase the value of its products to users. At its current share price, we continue to see upside to our estimate of Alphabet's intrinsic value.

[1]The asset class returns noted above are unaudited and sourced from our proprietary accounting system

Top detractor

IQVIA Holdings was the top detractor during the quarter. Although the U.S.-based health care company's stock price fell following the release of first quarter results, the company's fundamentals were in-line with consensus expectations. Forward-looking indicators in the clinical trial business continue to be favorable, and management foresees gradual improvement in the technology and analytics solutions segment in the second half of this year and a stronger rebound next year. We believe IQVIA should sustain above-average long-term growth even though it trades at a discount to other life sciences and data/information services companies.

PORTFOLIO ACTIVITY

New purchases

GE HealthCare is a leading global medical technology company that was spun off from GE in January 2023. As a standalone company, we expect GE HealthCare to benefit from increased focus, better aligned management and incentives, and an improved corporate culture. We believe this will help drive higher margins and sustainably higher organic growth over time. Additionally, we believe GE HealthCare is well-positioned to capitalize on technology trends in healthcare as an increasing portion of the value proposition comes from AI-enabled software, as well as a shift towards precision care. In our view, investors have a stale perception of GE HealthCare and haven't given the company credit for the significant self-help potential or the improving industry backdrop, which provided the opportunity to purchase shares at a discounted valuation to other quality medical technology companies.

Keurig Dr Pepper is one of North America's leading beverage companies, with dominant positions in single-serve coffee and flavored soft drinks. The soft drink portfolio has an enviable track record of volume growth and market share gains. We believe this strong performance can continue well into the future thanks to favorable demographic trends, brand strength, and its unique distribution network. Recently, the stock price came under pressure due to fundamental weakness in the Keurig coffee division. At-home coffee consumption is normalizing as people return to work, while price hikes are also weighing on demand. We believe these industry-wide challenges will prove transitory, as coffee remains a popular beverage across demographics. Keurig is poised to capitalize on this demand with the largest installed base of single-serve brewers and ample runway to further increase household penetration. At the current quote, the market ascribes minimal value to Keurig. We were happy to purchase shares in this above-average business that is trading at a discount to the market, other beverage peers and private market transactions.

Nasdaq is a global technology company that provides platforms and services for capital markets and other industries. Over the past decade, under the leadership of CEO Adena Friedman, Nasdaq has transformed from a traditional equity exchange into a collection of fast-growing, high-quality software and data businesses with the majority of revenue coming from non-exchange segments. Nasdaq's recent acquisition of Adenza led some investors to question management's capital allocation discipline. However, we believe the subsequent share price reaction more than compensates for the risk that Nasdaq overpaid for Adenza. More importantly, the experience seems to have catalyzed a renewed focus on organic growth, debt paydown, and capital return. Despite Nasdaq's potential for faster than average growth, high mix of recurring revenue, and impressive operating margins, the stock trades at a P/E multiple in line with the broader market. We were pleased to purchase shares in this excellent business for an average price.

Salesforce is a leading technology company that offers a collection of software products aimed at providing businesses with a full front office productivity suite. We believe Salesforce is a wonderful business in the midst of a transformation into a more profitable, shareholder-focused enterprise. Since management announced their renewed focus on operating discipline a couple years ago, Salesforce's margins have increased substantially. In our view, there is still room to improve from here as management cuts back on their real estate footprint and continues to optimize their sales organization. Recently, concerns about a softening software environment provided us the opportunity to purchase shares at a discount to private market valuations and at an attractive multiple of our estimate of normalized earnings. We believe today's price is too cheap for a leading software business with significant competitive advantages.

PORTFOLIO MANAGERS

(Year joined Harris | Oakmark)

M. Colin Hudson, CFA (2005)
Adam D. Abbas (2018)
Michael A. Nicolas, CFA (2013)
Alex Fitch, CFA (2011)

PERFORMANCE (%)

	QTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
Investor Class | OAKBX	-2.19%	10.71%	2.93%	7.99%	6.45%	9.51%
Lipper Balanced Fund	1.11%	12.57%	2.61%	7.26%	6.52%	6.94%

Expense ratio: Investor Class 0.89%
*Not annualized
Inception date: Investor Class 08/05/1991
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.

The securities mentioned above comprise the following percentages of the Oakmark Equity and Income Fund's total net assets as of 06/30/2024: Alphabet Cl A 3.0%, Amazon.com 1.8%, Baxter 0.8%, Carlisle 0%, Centene 1.7%, Danaher 0%, GE Healthcare Tech 0.7%, IQVIA Holdings 1.8%, Keurig Dr Pepper 0.6%, KKR 0%, Lear 0%, Nasdaq 0.7%, PHINIA 0%, Reinsurance Group 1.6% and Salesforce 0.6%. **Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.**

Access the full list of holdings for the Oakmark Equity and Income Fund as of the most recent quarter-end.

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 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 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 Lipper Balanced Fund Index measures the equal-weighted performance of the 30 largest U.S. balanced funds as defined by Lipper. This index is unmanaged and investors cannot invest directly in this index.

The Oakmark Equity and Income Fund invests in medium- and lower-quality debt securities that have higher yield potential but present greater investment and credit risk than higher-quality securities. These risks may result in greater share price volatility. An economic downturn could severely disrupt the market in medium or lower grade debt securities and adversely affect the value of outstanding bonds and the ability of the issuers to repay principal and interest.

The Oakmark Equity and Income 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 medium-sized companies tend to be more volatile than those of large companies and have underperformed the stocks of small and large companies during some periods.

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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