Harris | Oakmark

QUARTERLY COMMENTARY

Oakmark Equity and Income Fund

June 30, 2025

SECOND QUARTER, 2025

- **The Fund (Investor Share Class) underperformed its blended benchmark, the 60% S&P 500 / 40% Bloomberg U.S. Aggregate Bond Index, for the quarter but outperformed the benchmark since inception.**
- **The equity portfolio returned 4.67%[1] for the quarter versus 10.94% for the S&P 500 Index. This underperformance was due to an underweight in technology stocks and an overweight in value and mid-cap stocks. The fixed income portfolio returned 1.97%[1] versus 1.21% for the Bloomberg U.S. Aggregate Bond Index. The Fund's allocation was 59.1% in equities, 39.3% in fixed income, and 1.6% cash.**
- **At the sector level for the equity portfolio, the largest contributors to performance were financials and consumer discretionary, while health care and energy were the largest detractors.**
- **As our CIO-U.S., Bill Nygren, discusses in this quarter's commentary ("Our bottom-up approach to a top-down crisis"), we attempted to take advantage of the market's heightened volatility by repositioning the portfolio toward holdings with the most attractive risk-adjusted return profiles.**

Second-quarter highlights

Top stock contributors
- Capital One Financial
- Charles Schwab
- Alphabet Cl A

Top stock detractors
- Fiserv
- ConocoPhillips
- Wendy's

New stock purchases
- Allison Transmission
- CDW
- Centene
- Charles River Labs
- ICON PLC
- Nike Cl B
- Owens Corning
- Targa Resources
- Zimmer Biomet

Final stock sales
- Corteva
- Howard Hughes
- Kenvue
- LPL Financial
- Sealed Air
- Seaport Entertainment

TOP CONTRIBUTOR | DETRACTOR

Top contributor

Capital One Financial was the top contributor during the quarter. The U.S.-headquartered consumer finance company's stock price rose as it completed its acquisition of Discover Financial in May and reported solid first-quarter 2025 earnings headlined by broadly improving credit metrics. Management has identified over $2 billion of expense and revenue synergies from the merger, which it expects to realize over the next 24 months. We continue to view Capital One as a disciplined, tech-forward and well-capitalized company and look forward to

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

seeing how the Discover acquisition adds value.

Top detractor

Fiserv was the top detractor during the quarter. The U.S.-headquartered financial software and payment processing company's stock price declined due to concerns that its payment volumes are slowing. Despite this, management reiterated its full-year guidance, emphasizing that volumes are expected to improve during the second half of the year and that the company has several levers to sustain high revenue growth. We met with management and continue to appreciate their focus on long-term sustainable growth and shareholder value creation. In our view, Fiserv is well-positioned to benefit from the secular trend toward digital payments and banking.

PORTFOLIO ACTIVITY

During the early part of the second quarter, the fear around tariffs created an opportunity to reposition the portfolio toward names that offered greater risk-adjusted return potential. We reduced our holdings in companies where stock prices had held up relatively well through the market turmoil, and we initiated or added to positions where stock prices had declined far more than our view of intrinsic value. We believe this type of opportunistic portfolio management enhances the margin of safety and increases the potential returns for our clients. A list of our most recent purchases is included below.

New purchases

Allison Transmission (ALSN) is a leading manufacturer of automatic transmissions for medium-and heavy-duty commercial and defense vehicles. In our view, ALSN's dominant market share provides the company with above-average pricing power and has resulted in a long history of attractive returns and free cash flow. Management has historically returned most of the company's free cash flow to shareholders through dividends and share repurchases, part of a sound capital allocation track record. Although ALSN already has high market share in the United States, we think there is ample room to grow in adjacent markets and internationally, where automatic transmission adoption is lower. We were excited to invest in Allison at a single-digit multiple of our estimate of normal earnings – a greater than 50% discount to where other high-quality industrial companies trade.

CDW is a leading information technology (IT) solutions company. Over the past decade, CDW has evolved from a technology hardware reseller to a comprehensive provider of IT solutions with burgeoning software and service businesses. In our view, the company's strong corporate culture helped make that transformation a success. Specifically, CDW has long been adept at developing and retaining top talent. A prime example is its fleet of account managers and technology consultants that help it attract and retain customers. Focusing on software services has helped CDW expand its margins—a trend that we believe is likely to continue as cybersecurity and generative AI require more attention. Despite CDW's critical place in the IT ecosystem, cyclical pressures have weighed on the company's stock price, providing us the opportunity to purchase shares at a discounted valuation.

Centene was purchased during the quarter as part of a tax trade related to its final sale in the first quarter.

Charles River Labs is the world's leading provider of research models and other services for preclinical research and drug development. In our view, the company has a wide competitive moat which enables consistently high returns on capital. It also has a history of strong organic growth due to increases in biopharma R&D spending, market share gains and an ongoing trend toward outsourcing preclinical R&D. Near-term cyclical headwinds and concerns over research model alternatives have weighed on sentiment, providing us an opportunity to purchase shares at an unusually low multiple of current earnings. We believe the company is well-positioned to benefit when industry growth returns to normal and has other opportunities to unlock shareholder value, particularly through their recently announced strategic review. We were happy to purchase shares well below our estimate of intrinsic value.

ICON PLC is the second-largest contract research organization (CRO) and the leading pure play company in the industry behind IQVIA Holdings. CROs provide clinical trial outsourcing and associated services to large biopharma companies. Stock prices in the sector have declined amidst uncertainty related to government policy and drug pricing pressure, which have weighed on biopharma R&D spending. We believe biopharma R&D spending will ultimately recover and the historical trend toward outsourcing will continue, leading to a reacceleration in earnings growth at top CROs like ICON. We were pleased to purchase shares in ICON at roughly 11x earnings, near its lowest multiple in history.

Nike Cl B is a global leader in athletic footwear, apparel, and equipment. The company has built a leading global brand through decades of successful product innovation, marketing and partnerships with premier athletes. Since peaking in 2021, Nike's stock price has declined to roughly a third of its previous high, largely due to challenges in its direct-to-consumer initiative and concerns over tariffs. In our view, Nike's new CEO is implementing a credible plan to improve fundamental performance by bolstering wholesaler relations and diversifying distribution while further increasing product innovation. We believe these actions will help to improve the health of the business over the medium-term, resulting in better growth and enhanced margins. These concerns provided us with the opportunity to purchase shares at a meaningful discount to our estimate of intrinsic value.

Owens Corning is one of the world's largest building products companies, specializing in roofing, insulation, and doors. We like that Owens Corning has a dominant market position in roofing that has historically benefited from attractive pricing, scale advantages, the nondiscretionary nature of the product, and contractor loyalty. In our view, market participants underappreciate the quality of the roofing segment and are overly concerned with the insulation segment's exposure to new housing starts. Economic uncertainty and cyclical forces have weighed on sentiment for the industry, presenting the opportunity to invest in a quality business with a management team that is taking advantage of their underpriced stock through share buybacks.

Targa Resources is a leading midstream natural gas and natural gas liquids (NGL) company. Targa is a part of a group that controls 90% of the fractionation capacity in the largest hub for NGLs in the world, known as Mont Belvieu. Thanks to the region's unique topography and proximity to the Gulf Coast, Targa benefits from meaningful cost advantages and significant barriers to entry. We like that Targa generates ~90% of its earnings through multi-year fee-based arrangements with its customer base, which provides protection against oversupply or recontracting. Uncertainty around Permian oil production growth has recently weighed on share price. However, in our view, Targa remains well-positioned to grow, even if the Permian slows dramatically. We were happy to purchase shares at a discount to peers based on normalized earnings power and our estimate of intrinsic value.

Zimmer Biomet is a leading medical device company and a pure play in orthopedics. In our view, orthopedics is an attractive product category that should benefit from long-term tailwinds stemming from an aging population, greater activity levels among seniors and increased adoption of specialized robotics that improve surgical efficiency. In addition, market share within the space tends to be sticky, as physicians are typically trained to use leading brands like Zimmer Biomet, reinforcing long-standing brand loyalty. New management recently completed several multi-year initiatives that we think will streamline operations and reinvigorate product innovation. The market has yet to ascribe value to these improvements, providing the opportunity to initiate a position in a dominant, growing company at a discounted valuation to peers and the broader market.

PORTFOLIO MANAGERS

(Year joined Harris | Oakmark)

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

AVERAGE ANNUALIZED TOTAL RETURNS (%)

	Inception date	QTD	1 yr	3 yrs	5 yrs	10 yrs	Since inception	Expense ratio
Investor Class | OAKBX	11/01/1995	3.54	10.71	11.10	11.40	7.25	9.56	0.85
Advisor Class | OAYBX	11/30/2016	3.61	10.95	11.36	11.66	7.42	9.62	0.62
Institutional Class | OANBX	11/30/2016	3.62	10.99	11.38	11.68	7.45	9.63	0.59
R6 Class | OAZBX	12/15/2020	3.60	10.99	11.40	11.71	7.46	9.63	0.56
60% S&P 500 / 40% Bloomberg U.S. Aggregate Bond Index		7.02	11.62	12.75	9.61	9.01	8.15	

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. Returns for periods less than one year are not annualized. Since inception returns for the indexes are calculated based on the Investor Class inception date. See the prospectus for a comparison against the Fund's regulatory benchmark: S&P 500 Index. "Linked performance": Advisor and Institutional Class shares commenced operations on 11/30/2016. The performance attributed to the those share classes prior to that date is that of the Investor Class shares from 11/1/1995-11/30/2016. Performance prior to 11/30/2016 has not been adjusted to reflect the lower expenses of Advisor and Institutional Class shares which would have had similar, but potentially higher returns due to lower expenses. R6 Class shares commenced operations on 12/15/2020. The performance attributed to the R6 Class shares prior to that date is that of the Investor Class shares from 11/1/1995-11/30/2016, and then the performance of the Institutional Class shares from 11/30/2016-12/15/2020. Performance prior to 12/15/2020 has not been adjusted to reflect the lower expenses of R6 Class shares. During this period, R6 Class shares would have had similar, but potentially higher returns due to lower expenses.

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 06/30/2025: Allison Transmission 0.5%, Alphabet Cl A 2.5%, Capital One Financial 2.2%, CDW 0.6%, Centene 0.7%, Charles River Labs 0.3%, Charles Schwab 1.8%, ConocoPhillips 1.9%, Corteva 0.0%, Fiserv 1.2%, Howard Hughes 0.0%, ICON PLC 0.3%, IQVIA Holdings 1.1% Kenvue 0.0%, LPL Financial 0.0%, Nike Cl B 0.6%, Owens Corning 0.6%, Sealed Air 0.0%, Seaport Entertainment 0.0%, Targa Resources 0.5%, Wendy's 1.3% and Zimmer Biomet 0.5%. **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 60% S&P 500 / 40% Bloomberg U.S. Aggregate Bond Index is comprised of 60% weight given to the S&P 500 Index and 40% weight given to the Bloomberg U.S. Aggregate Bond Index and is rebalanced monthly. The S&P 500 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. 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). These indexes are unmanaged and investors cannot invest directly in them

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 06/30/2025 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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