Harris | Oakmark

QUARTERLY COMMENTARY

Oakmark Equity and Income Fund

September 30, 2024

THIRD QUARTER, 2024

- **The Fund returned 6.16% versus 5.55% for the Lipper Balanced Fund Index for the quarter, and 9.65% since inception versus 7.08% for the index over the same period.**
- **The equity portfolio returned 7.30%[1] for the quarter versus 5.89% for the S&P 500 partly due to an overweight in financial stocks and an underweight to technology stocks, which underperformed other holdings. The fixed income portfolio returned 5.16%[1]. The Fund allocation was 60.1% in equities, 38.4% in fixed income and 1.5% cash.**
- **At the sector level for the equity portfolio, the largest contributors were financials and health care, while energy was the only detractor from performance.**
- **We continue to find attractive investment opportunities across sectors and asset classes that meet our value investment criteria.**

Third-quarter highlights

Top stock contributors

- Fiserv
- Intercontinental Exchange
- Lithia Motors Cl A

Top stock detractors

- Alphabet Cl A
- Charles Schwab
- Ally Financial

New stock purchases

- Genuine Parts Company
- LPL Financial
- Merck

Final stock sales

- Carter's

TOP CONTRIBUTOR | DETRACTOR

Top contributor

Fiserv was the top contributor during the quarter. The U.S.-headquartered data processing and outsourcing services company's stock price rose despite no material fundamental changes. We continue to be impressed with Fiserv's improved business results under CEO Frank Bisignano. We believe Bisignano is a passionate and knowledgeable leader who is focused on leveraging the company's scale and large distribution network to drive continued growth at the company. We think that Fiserv is well-positioned to benefit from the secular trend toward digital payments and banking and that the stock offers an attractive risk/reward.

Top detractor

Alphabet was the top detractor during the quarter. The U.S.-based communication services company's stock price fell after a U.S. District Court ruled that Google violated Section 2 of the Sherman Act by maintaining a monopoly in general search engine services via exclusive distribution agreements. We believe this case is unlikely to hurt Alphabet's valuation over the long term as regulations previously enacted in the European Union to address similar issues did not materially erode the company's market share. We continue to think that Alphabet's stock is an attractive investment.

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

PORTFOLIO ACTIVITY

New purchases

Genuine Parts Company (GPC) is a distributor of automotive and industrial replacement parts. The company primarily operates under the NAPA brand name in the automotive market and Motion Industries in the industrials market. The two business segments address different end markets but share some attractive traits. In both markets, the majority of sales are replacement parts, which leads to steady demand and dampened cyclicality. Customers often prioritize speed and service over price, which promotes a rational competitive pricing environment. Additionally, both markets are fragmented, with GPC representing one of a handful of scale players competing against a long tail of independent operators. The NAPA ecosystem, which includes nearly 2,000 company-owned stores and nearly 4,800 independently owned stores in North America, is a difficult-to-replicate asset that offers broad coverage nationwide. We see opportunity for the store base to operate more efficiently as management's recent investments start to bear fruit. Motion Industries is the clear leader in its niche with roughly twice the revenue base of the closest direct competitor, and it differentiates itself via its technical salesforce and network density. Historically, GPC has consistently earned high returns on capital and supplements solid organic growth with value-accretive tuck-in acquisitions. The stock trades at a sizeable P/E discount to peers and the broader market, which we view as an attractive entry point.

LPL Financial is a leading provider of infrastructure and support services to independent wealth management advisors in the U.S. We believe the company has developed one of the industry's most compelling offerings, which has led to an impressive track record of both strong organic asset growth and high advisor retention. In an industry with high fixed costs and a fragmented customer base, we think LPL's strong growth creates scale advantages that are self-reinforcing as more customers leads to more revenue, which leads to more resources for reinvestment in infrastructure and support services, which in turn attracts more customers to the platform. Over recent months, LPL has traded at a sizeable discount to the broader market as near-term concerns regarding regulatory headwinds and interest rate cuts have weighed on investor sentiment. However, we believe short-term challenges will have little bearing on the company's long-term earnings trajectory. We were pleased to purchase shares in this growing business at a discounted price.

Merck is a global pharmaceutical firm with leading oncology, vaccine and animal health franchises. Premier products in Merck's portfolio include Keytruda, Gardasil, Winrevair and Bravecto. Outsized contributor Keytruda is an immuno-oncology drug that treats several cancers and tumors. Keytruda is an astounding clinical and commercial success that is on track to become one of the best-selling prescription drugs to date. Investor angst surrounding Keytruda's pending U.S. patent expiration in 2028 presented a chance to buy shares at a discounted valuation. We believe opportunities to extend Keytruda's duration through life cycle management are underappreciated. More importantly, discounted cash flows from products already on market cover today's entire stock price, meaning there is minimal value ascribed to a promising pipeline with strong sales potential. We believe Merck is led by a capable management team that looks to reinvest these cash flows in an accretive manner.

PORTFOLIO MANAGERS

(Year joined Harris | Oakmark)

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

September 30, 2024

PERFORMANCE (%)

	QTD*	1 yr	3 yrs	5 yrs	10 yrs	Since inception
Investor Class | OAKBX	6.16%	19.78%	4.87%	9.25%	7.30%	9.65%
Lipper Balanced Fund	5.55%	22.23%	4.59%	8.15%	7.16%	7.08%

Expense ratio: Investor Class 0.86%
*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 09/30/2024: Ally Financial 1.0%, Alphabet Cl A 3.0%, Carter's 0%, Charles Schwab 1.8%, Fiserv 2.6%, Genuine Parts Company 0.5%, Intercontinental Exchange 1.7%, Lithia Motors Cl A 1.4%, LPL Financial 0.7%, Merck 0.7% 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 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 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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