

QUARTERLY COMMENTARY

Oakmark Fund

March 31, 2025

FIRST QUARTER, 2025

- The Fund’s Investor Share Class returned 1.14% versus -4.27% for the S&P 500 Index for the quarter, and 12.76% since inception versus 10.44% for the index over the same period.
- At the sector level, the largest contributors to performance were financials and consumer staples, while consumer discretionary and communication services were the largest detractors.
- As we have done in other periods when stock prices declined significantly, we are taking advantage of the opportunity to reposition the portfolio toward companies with the most attractive risk-adjusted returns.

TOP CONTRIBUTOR | DETRACTOR

Top contributor

**American International Group (AIG)** was the top contributor during the quarter. The company reported improved premium growth, strong underwriting results, and significant capital return during the period. We expect these trends to continue, which has the potential to lead to strong EPS (earnings per share) growth and improved returns. Over time, we expect the company’s return on equity to converge with peer levels. As returns continue to improve, we expect the valuation discount to the industry’s top peers to narrow.

Top detractor

**Alphabet** was the top detractor during the quarter. The U.S.-headquartered company’s stock price declined despite having posted fourth-quarter 2024 earnings that were in line with consensus expectations. Search revenue growth remained strong, and management reiterated that the new “AI

First-quarter highlights

Top contributors

- American International Group (AIG)
- Intercontinental Exchange
- Deere and Company

Top detractors

- Alphabet Cl A
- General Motors
- Merck

New purchases

- Constellation Brands Cl A
- Marathon Petroleum

Final sales

- There were no final sales during the quarter.

Overviews” feature is driving higher engagement with comparable monetization. The one miss during the quarter was in the Cloud segment, where revenue grew 30% year-over-year but fell slightly short of consensus expectations. We believe the shortfall was largely due to short-term capacity constraints and that the long-term growth outlook for Google Cloud remains robust. We continue to see Alphabet as a collection of great businesses that can further benefit from the company’s world class AI capabilities. With shares trading at just 15x our estimate of next year’s earnings per share, we believe the stock is meaningfully undervalued.

### PORTFOLIO ACTIVITY

#### New purchases

**Marathon Petroleum** is an integrated downstream energy company that refines, markets and transports petroleum products. Marathon commands the largest refining system in the United States with operations in attractive regions, which has provided meaningful cost advantages for the company and significant barriers to entry for competitors. In addition, we think Marathon's midstream business is an attractive asset thanks to its high market share in one of the most prolific gas fields in the world, which provides stability to the company's cash flows. Lastly, we appreciate management's focus on returns on invested capital and willingness to return capital to shareholders. Over the last year, refining industry margins have come under pressure due to a global wave of new supply during a period of soft demand. We believe industry margins have fallen below sustainable levels and that, in the long run, supply and demand will return to balance which should lead to higher refining margins for Marathon. Today's short-term imbalance provided the opportunity to purchase shares at an attractive valuation relative to both current and mid-cycle earnings.

**Constellation Brands** is the leading imported beer company in the U.S. The company has a strong portfolio made up of iconic premium beer brands such as Modelo, Corona and Pacifico. We like that Constellation's beer segment has consistently outgrown the industry and believe it can further benefit from demographic tailwinds, new distribution points, and future price increases. More recently, the stock price has come under pressure due to both stock-specific and industry-wide challenges, some of which we believe will prove transitory. Despite the company's strong historical performance and expectations for continued above-market beer growth, Constellation trades at a meaningful discount to other consumer packaged goods companies with similar growth outlooks. This dislocation afforded us the opportunity to initiate a position in the company at a significant discount to our estimate of intrinsic value.

### PORTFOLIO MANAGERS

(Year joined Harris | Oakmark)

William C. Nygren, CFA (1983)

Michael A. Nicolas, CFA (2013)

Robert F. Bierig (2012)

## AVERAGE ANNUALIZED TOTAL RETURNS (%)

	Inception date	QTD	1 yr	3 yrs	5 yrs	10 yrs	Since inception	Expense ratio
Investor Class   OAKMX	08/05/1991	1.14	6.41	10.97	23.71	11.96	12.76	0.89
S&P 500 Index		-4.27	8.25	9.06	18.59	12.50	10.44	
Russell 1000 Value Index		2.14	7.18	6.64	16.15	8.79	9.87	

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. 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.

**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 Fund's total net assets as of 03/31/2025: Alphabet Cl A 3.2%, American Intl Group 3.3%, Constellation Brands CL A 1.1%, Deere 2.7%, General Motors 2.8%, Intercontinental Exchange 2.8%, Marathon Petroleum 1.0% and Merck 2.0%. **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 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.

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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.

EPS refers to Earnings Per Share and is calculated by dividing total earnings by the number of shares outstanding.

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 Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. This index is unmanaged and investors cannot invest directly in this index.

**The Oakmark 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.**

All information provided is as of 03/31/2025 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*

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*prospectus carefully before investing. For more information, please visit [Oakmark.com](http://Oakmark.com) or call 1-800-OAKMARK (1-800-625-6275).*

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FCM-4337MX-07/25