Harris Associates
Oakmark Funds

Oakmark Fund

Third Quarter 2023 and Fiscal Year Ended September 30, 2023

The Oakmark Fund ("the Fund") returned -1.31% during the third quarter, 15.91% calendar year to date, and 27.84% for the fiscal year. These returns compared to the S&P 500 Total Return Index's -3.27% in the third quarter, 13.07% for the calendar year, and 21.62% for the fiscal year. We are pleased that the Fund has outperformed despite the large headwind to value as demonstrated by the Russell 1000 Growth Index beating the Russell 1000 Value Index by 2,300 basis points year to date. Amid this backdrop, we are finding cheap stocks on traditional value metrics that we expect to drive attractive risk-adjusted returns over the long term.

Oakmark Fund - Investor Class
Average Annual Total Returns (09/30/2023)
Since Inception (08/5/91) 12.40%
10–year 11.19%
5–year 9.83%
1–year 27.84%
3–month -1.31%
Expense Ratio: 0.89%

Expense ratios are from the Fund's most recent prospectus dated January 28, 2023; 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. 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. To obtain the most recent month-end performance data, visit Oakmark.com.*

Our highest contributing securities for the third quarter were ConocoPhillips and Charter Communications, and our largest detractors were General Motors and Capital One Financial. From a sector perspective, energy and communication services contributed the most to our total return for the quarter, while financials and industrials detracted the most. For the fiscal year period, the Fund's highest contributing securities were Meta Platforms and Oracle, while the biggest detractors were Charles Schwab and Bank of America. Our investments within the communications services and financials sectors contributed most to our performance while no individual sector detracted more than 20 basis points from our total return over this fiscal year period. We continue to own each of the investments referenced above given their discounts to our estimate of business value.

We initiated six new holdings and eliminated three others during the third quarter. Specifically, we sold our positions in Booking Holdings, PACCAR and Workday as each investment approached our estimate of intrinsic value. We believe our recent purchases, described below, are more attractive on a risk-adjusted return basis.

Centene Corporation

Centene is one of the largest health insurers in the U.S. The company specializes in three major government-sponsored programs: Medicaid, Marketplace and Medicare Advantage. Each of these benefits from long-term secular tailwinds. In Medicaid, states are steadily outsourcing their programs to managed care companies, like Centene, as it helps states reduce costs and improve care quality. Indeed, Managed Medicaid penetration has increased from 25% of total Medicaid spend in 2010 to 60% today, and we expect further gains over time. In Marketplace, growth is driven by the trend toward more individuals buying health insurance. Centene holds the #1 market share in both of these programs and is well positioned to capitalize on their continued growth. The stock trades for 10x consensus 2024 EPS, but this doesn't tell the whole story. Past missteps in Centene's Medicare business will result in that segment losing $0.80 per share next year. We believe Centene can turn Medicare around and generate positive earnings in the next few years. This could increase EPS by more than $1 per share and reduce the P/E ratio to just 8.5x. We think that's good value for a business that generates healthy returns on capital and is capable of growing EPS at a low double-digit rate.

Cisco Systems

Cisco is the leading networking solutions company. Networking equipment becomes more important as businesses modernize their IT infrastructure, and Cisco is well positioned to capture this demand given its broad portfolio and highly effective go-to-market strategy. Cisco is transitioning away from selling mainly transactional hardware and toward selling more software and subscriptions. This shift is expected to accelerate revenue growth, improve operating margins and build recurring revenue. Despite these notable business improvements, Cisco still trades near a trough valuation relative to the S&P 500 Index. More recently, Cisco announced its intention to acquire Splunk, a leader in security and observability, adding to its already strong position in the increasingly important security market. At a low-teens multiple of our estimate of normalized earnings, Cisco is trading comfortably below our estimate of intrinsic value.

Corteva Inc.

Corteva is a leading provider of seed and crop protection chemicals. We believe the seed and crop protection markets have sizeable barriers to entry due to the duration and magnitude of investment required to compete. Both industries require constant innovation: Farmers expect seed yield improvement each year while nature develops immunity to crop protection chemicals over time. As a result, advantages accrue to the largest players with the most R&D resources. Within this context, we believe Corteva is very well positioned. The company has scale, well-recognized brands, a loyal customer base, and a promising R&D pipeline. In addition, we see idiosyncratic opportunities for Corteva to improve its profitability over time, and we believe the current management team is executing well against this opportunity. More recently, the stock has been pressured by near-term headwinds related to inventory destocking and declining crop prices. We see this weakness as an opportunity to invest in a high-quality and defensible business at a discount to both its own historical trading multiple and private market transactions.

CVS Health
CVS is a diversified health care conglomerate with leading positions across multiple aspects of health services. The company owns the #1 pharmacy benefit manager, #1 retail pharmacy, #1 specialty pharmacy, #3 commercial health insurer and #3 Medicare Advantage organization in the U.S. Managed care and pharmacy benefits management have proven to be good businesses over time, characterized by healthy underlying growth and excellent free cash flow generation. CVS has underperformed the S&P 500 by more than 40 percentage points over the past 12 months, impacted by a cloud of company-specific and legislative concerns. While we are not dismissive of these potential risks and headwinds, we believe the market has become overly pessimistic. This created an attractive opportunity to invest in what we view as a durable, competitively advantaged and well-managed enterprise at a high-single-digit multiple of earnings.

Danaher Corporation
Danaher is a global leader in life sciences tools and diagnostics. We are impressed by Danaher's excellent track record of creating shareholder value through smart capital allocation and world-class operational execution. The company's business mix has shifted dramatically in recent years following a series of transformative acquisitions and divestitures. We believe these portfolio improvements leave the company attractively positioned in some of the industry's fastest growing, most profitable niches within life sciences. Near-term headwinds related to the pandemic are overshadowing this attractive long-term outlook, in our view. More specifically, Danaher sells diagnostic tests and critical inputs needed for manufacturing Covid-19 vaccines. As Covid-19 demand has normalized, Danaher experienced sales headwinds and channel destocking, pressuring its stock price. The shares now trade at a discount to both peers and private market transactions, giving us an attractive opportunity to invest in what we view as a high-quality, resilient business at a discounted valuation.

Phillips 66
Phillips 66 is an integrated downstream energy company that operates refineries, pipelines, chemical manufacturing facilities and retail fuel stations. Like most U.S.-based oil refiners, Phillips 66 is currently enjoying abnormally high margins thanks to today's historically tight market for refined products. Given the market's concern that current refining margins are unsustainable, Phillips 66 trades for just 7x this year's EPS. However, unlike other refiners, the majority of Phillips 66's intrinsic value comes from its non-refining business segments, providing a more stable base of cash flow. Even if refining margins eventually return to historical average levels, we believe we are paying a single-digit multiple of normalized earnings for a collection of advantaged midstream and downstream assets. We think this is an attractive price for a solid business where management is returning the vast majority of free cash flow to shareholders.

We take into consideration the tax efficiency of the Fund to help maximize after-tax returns. As a result, we do not anticipate paying a capital gains distribution this year.
We thank you, our fellow shareholders, for your investment in the Oakmark Fund.

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The securities mentioned above comprise the following preliminary percentages of the Oakmark Fund's total net assets as of 09/30/2023: Bank of America 2.0%, Booking Holdings 0%, Capital One Financial 2.7%, Centene 1.0%, Charles Schwab 2.2%, Charter Communications Cl A 2.4%, Cisco Systems 1.1%, ConocoPhillips 2.8%, Corteva 0.9%, CVS Health 1.0%, Danaher 1.0%, General Motors 2.1%, Meta Platforms Cl A 1.2%, Oracle 1.0%, PACCAR 0%, Phillips 66 1.1%, Splunk 0% and Workday 0%. **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.

Harris Associates L.P. does not provide tax or legal advice. Please consult with a tax or legal professional prior to making any investment decisions.

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.

Options may be used for hedging purposes, but also entail risks related to liquidity, market conditions and credit that may increase volatility. The value of the fund's positions in options may fluctuate in response to changes in the value of the underlying asset. Selling call options may limit returns in a rising market.

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 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 09/30/2023 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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Date of first use: 10/06/2023

FCM-3580MX-01/24