Harris | Oakmark

QUARTERLY COMMENTARY

Oakmark Fund

December 31, 2024

FOURTH QUARTER, 2024

- **The Fund returned 2.04% versus 2.41% for the S&P 500 Index for the quarter, and 12.82% since inception versus 10.67% for the index over the same period.**
- **At the sector level, the largest contributors were financials and communication services, while health care and materials were the largest detractors.**
- **While broad market valuations are above historic averages, the wide spread in valuation multiples is providing us with opportunities to invest in a diversified mix of high-quality businesses at attractive prices. We believe this provides our clients with both a margin of safety and the potential for superior future returns.**

Fourth-quarter highlights

Top contributors
- Wells Fargo
- Salesforce
- General Motors

Top detractors
- Centene
- IQVIA Holdings
- Celanese

New purchases
- Airbnb Cl A
- Carlyle Group
- Elevance Health
- GE HealthCare
- Keurig Dr Pepper

Final sales
- Altria
- eBay
- Goldman Sachs
- Salesforce
- Truist Financial
- Walt Disney

TOP CONTRIBUTOR | DETRACTOR

Top contributor

Wells Fargo was the top contributor during the quarter. The U.S.-headquartered diversified bank's stock price rose after reporting what we see as solid third-quarter earnings where the company's efficiency ratio continued to improve as expenses were well controlled. The fee income segment also performed well, growing 12%. In addition, Wells Fargo had the opportunity to repurchase $3.5 billion in shares during the period, bringing the full-year repurchase to roughly $16 billion. In November, the stock price continued its upward trend following the U.S. presidential election as investors are optimistic that the financials sector will benefit from looser regulations and lower corporate taxes, thus stimulating a better environment for dealmaking. We continue to believe that Wells Fargo is a competitively advantaged bank that can use its superior business mix and return potential to unlock further value.

Top detractor

Centene was the top detractor during the quarter. The U.S.-headquartered managed health care company's stock price declined despite releasing third-quarter results that showed resilient fundamentals in the face of short-term industry pressure. Centene also issued above-consensus guidance for

2025 earnings per share (EPS) at its December investor day. We believe the largest driver of the stock price decline in the quarter was investor concern around how legislative changes following the recent U.S. presidential election could impact the company. In our view, this unease is overly discounted into the share price. We see Centene as having significant embedded earnings power that can drive continued EPS growth even with a less accommodative political backdrop. Shares trade at less than 9x 2025 EPS guidance, which we think is an attractive valuation for a business that generates healthy returns on capital and operates in a secularly growing industry.

PORTFOLIO ACTIVITY

New purchases

Airbnb is an online marketplace to list, discover and book unique accommodations worldwide. The company benefits from a strong network effect between its guests and hosts. We believe there is a long growth runway as global travel is an attractive market, and alternative accommodations have been taking share. We anticipate Airbnb will drive further growth by creating more valuable services for both sides of its network, which includes the potential for paid placement, which has created significant economic value for comparable marketplaces. In our view, management is aligned with shareholders and well qualified to lead Airbnb as the company attempts to capture these growth opportunities. Short-term concerns about the macro travel environment and declining margins stemming from growth investments allowed us to purchase shares at a discount to our estimate of business value.

The **Carlyle Group** is one of the largest global alternative asset managers and is particularly well regarded for its private equity franchise. Compared to peers, the firm over-indexes to private equity, which is considered to be a relatively mature industry vertical, and under-indexes to faster growing verticals like private credit. This has caused Carlyle's share price to lag its competitors. However, we believe Carlyle's new management team is taking the right steps to continue expanding the firm's platform beyond its private equity roots and see this as an opportunity to accelerate organic growth. Further, we believe Carlyle's brand and distribution capabilities position the firm well for growth in the retail channel, where allocations to alternatives are expected to expand significantly in the coming years. Despite the firm's attractive and improving outlook, Carlyle trades at less than half the P/E multiple of its peer group and at a substantial discount to other financial services companies with a comparable growth profile.

Elevance Health is one of the nation's largest managed care organizations. We believe managed care is an attractive industry because health expenditures have historically outpaced GDP and the short business cycle allows companies to quickly correct underwriting mistakes. Managed care stocks have underperformed the market recently as the industry faces headwinds from mismatches between reimbursement rates and medical costs. We believe these headwinds are transitory and changes to pricing and plan designs will help realign profit trends over time. While a return to "normal" profitability may take a few years, we believe the stock is trading at a depressed multiple of depressed earnings. With its unmatched scale, diversification across end markets, and track record of disciplined underwriting, we believe that the market will once again recognize Elevance as a high-quality franchise with above-average growth characteristics.

GE HealthCare is a leading global medical technology company that was spun off from General Electric 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 these changes will help drive higher margins and organic growth. In addition, we think GE HealthCare is well-positioned to capitalize on technology trends as a greater portion of the value proposition comes from AI-enabled software and a shift toward precision care. A lack of appreciation for the company's self-help potential coupled with short-term concerns around weak demand in China provided us with the opportunity to purchase shares at a low valuation relative to other high-quality medical technology companies and at the lowest price relative to the S&P 500 since the IPO.

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 impressive track record of volume growth and market share gains. We believe this performance can continue due to favorable demographic trends, brand strength and distribution advantages. Recently, weakness in the Keurig coffee division caused the stock price to come under pressure. However, we believe these industry-wide challenges will prove transitory because coffee remains a popular beverage. Keurig's coffee division is poised to capitalize on this demand with the largest installed base of single-serve brewers and ample runway to 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 at a discount to the market multiple, other beverage peers and private market transactions.

PORTFOLIO MANAGERS

(Year joined Harris | Oakmark)

William C. Nygren, CFA (1983)
Michael A. Nicolas, CFA (2013)
Robert F. Bierig (2012)

PERFORMANCE (%)

	QTD*	1 yr	3 yrs	5 yrs	10 yrs	Since inception
Investor Class | OAKMX	2.04%	16.02%	9.58%	14.79%	11.77%	12.82%
S&P 500 Index	2.41%	25.02%	8.94%	14.53%	13.10%	10.67%
Russell 1000 Value Index	-1.98%	14.37%	5.63%	8.68%	8.49%	9.88%

Expense ratio: Investor Class 0.91%
*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 Fund's total net assets as of 12/31/2024: Airbnb Cl A 0.8%, Altria 0%, Carlyle Group 0.2%, Celanese 0.5%, Centene 2.2%, eBay 0%, Elevance Health 1.2%, GE Healthcare Tech 0.5%, General Motors 3.2%, Goldman Sachs 0%, IQVIA Holdings 2.3%, Keurig Dr Pepper 1.5%, Salesforce 0%, Truist Financial 0%, Walt Disney 0% and Wells Fargo 2.3%. **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.

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.

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 12/31/2024 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).

Natixis Distribution, LLC (Member FINRA | SIPC), a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Investment Managers, is a marketing agent for the Oakmark Funds.

Harris Associates Securities L.P., Distributor, Member FINRA.

Date of first use: 01/14/2025
FCM-4158MX-04/25