

Oakmark Fund: First Calendar Quarter 2023

March 31, 2023

The Oakmark Fund (“the Fund”) returned 8.1% during the first calendar quarter, outperforming the S&P 500 Index’s return of 7.5%. While we were pleased to have outperformed both the S&P 500 Index and the Russell 1000 Value Index this quarter, at Oakmark we don’t focus on short-term performance and instead prefer to grade ourselves over longer time horizons. Indeed, we are pleased to have compounded capital at approximately 12% per annum for the past decade, roughly in line with the S&P 500 Index, despite the unusually strong headwinds encountered by value investors over this period.

Our highest contributing securities for the quarter were Meta Platforms and Salesforce, and our largest detractors were Charles Schwab and APA Corporation. We continue to own each of these investments given their meaningful discounts to our estimate of business value. Additionally, we believe our investments within both energy and financials look particularly attractive today as many of our holdings in these sectors trade for single-digit multiples of their normal earnings. For a more detailed discussion of our view of the recent events in the banking industry, please see [Bill Nygren’s market commentary](#).

We initiated two new holdings and eliminated three others during the first calendar quarter. Specifically, we sold our positions in Cummins, Etsy and Gartner as each investment approached our estimate of intrinsic value. We believe our recent purchases of Kroger and Truist Financial, described below, are more attractive on a risk-adjusted return basis.

Kroger is the second-largest grocery retailer in America, behind only Walmart. Although the grocery industry is highly competitive, Kroger’s scale advantages allow it to offer a more compelling value proposition than smaller peers and earn higher returns on capital. In recent

Oakmark Fund - Investor Class

Average Annual Total Returns (03/31/2023)

Since Inception (08/5/91) 12.36%

10–year 11.71%

5–year 9.67%

1–year -3.82%

3–month 8.10%

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](#).



years, the market has assigned Kroger a lower multiple due to concerns that e-commerce would disrupt traditional brick-and-mortar grocery businesses. However, we believe Kroger's performance through the pandemic highlighted that its store footprint, distribution infrastructure, technology investments and strong brand all position the company well for a world with higher online grocery adoption. The stock trades for just 10x our estimate of next year's EPS, which we believe is attractive given Kroger's competitive positioning and earnings growth outlook. The pending merger with Albertsons has the potential to drive accelerated earnings growth and further scale advantages. If the merger is not approved, the company will have the capacity to return over 25% of its market cap to shareholders.

Truist Financial Corp. is among the largest regional banks in the U.S. The company has a strong deposit franchise with high local market share, predominantly focused in fast-growing southeastern markets. The company's share price declined meaningfully this quarter, alongside most bank stocks, as investors grew concerned about mark-to-market losses on its securities portfolio and potential deposit outflows. We believe the company's reputation, relationships and liquidity profile will allow it to weather this storm without material negative impact. The company's shares are currently valued at a single-digit multiple of our estimate of normalized earnings power. We believe this is a very attractive price for such a high-quality regional banking franchise that has historically generated a high-teens return on its tangible equity. Furthermore, the company's capital-light insurance brokerage subsidiary, which contributes little to tangible book value and just 10% of reported earnings, could be worth as much as 35% of the current stock price based on its recently announced minority sale price.

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 03/31/2023: Albertsons 0%, APA 1.7%, Charles Schwab 1.2%, Cummins 0%, Etsy 0%, Gartner 0%, Kroger 1.0%, Meta Platforms Cl A 2.4%, Salesforce 2.5%, Truist Financial 1.0% and Wal-Mart 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).

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

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.

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 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.

All information provided is as of 03/31/2023 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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