Harris Associates
Oakmark Funds

Oakmark Global Select Fund: Second Calendar Quarter 2023

June 30, 2023

Oakmark Global Select Fund – Investor Class
Average Annual Total Returns (06/30/2023)
Since Inception (10/2/06) 7.37%
10–year 7.25%
5–year 5.44%
1–year 15.49%
3–month 5.68%
Expense Ratio: 1.10%

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.*

The Oakmark Global Select Fund ("the Fund") returned 5.7% for the period ending June 30, underperforming the MSCI World Index, which returned 6.8%. Year to date, the Fund returned 15.3% compared to the benchmark's return of 15.1%. Since its inception in October 2006, the Fund has returned an average of 7.4% per year, outperforming the MSCI World Index (net)'s annualized gain of 6.8% over the same period.

Alphabet (U.S.) was the top contributor to the Fund's performance for the quarter. Alphabet's first-quarter search revenue growth accelerated slightly sequentially, which was notable given that advertising spending has decreased across the board. Management cited the company's travel and retail segments for their strong performance in contrast to the declines experienced in the finance and in the media and entertainment businesses. Advertising spending has also stabilized at YouTube, and the focus on "shorts" has driven strong viewership growth. In the near term, YouTube's investment in shorts may not generate significant revenue, but we believe its profitability will accelerate over time. Alphabet's cloud business reached GAAP profitability this quarter, moving from a -12% margin this quarter last year to a 3% margin this quarter. On the AI front, Alphabet upgraded Bard to run on its more powerful PaLM language model, and Bard can now assist with coding and software development. CEO Sundar Pichai compared AI's evolution to the transition from desktop to mobile computing a decade ago and said there is "a lot more to come" in terms of its consumer AI applications. CFO Ruth Porat revised 2023 capital expenditures guidance due to higher spending on data center construction and servers that will support AI developments in consumer products, advertiser tools and the cloud business. Porat reiterated that the company plans to continue to hold expense growth below revenue growth and that Alphabet's cost-reduction initiatives should bear fruit later this year and into 2024. At Alphabet's annual developer conference in May, the company showcased an impressive array of new AI-powered consumer tools, which will be rolled out over the course of the year. Investors reacted positively to these presentations, which highlighted the extent of AI innovation occurring at Alphabet.

Alibaba Group (China) was the top detractor for the quarter. Sentiment in Chinese equities has degraded after the initial excitement from China's reopening earlier in the year. Incremental macroeconomic data coming out of China indicates that the Covid-19 re-opening bounce is fading, and the economy is struggling to sustain healthy growth. Political tensions between the U.S. and China are also further weighing on investor sentiment. As the largest e-commerce platform in China, Alibaba's share price has been caught up in this storm. The company has also continued to face intense competition from the likes of short video players and traditional e-commerce companies. Indeed, Alibaba has lost market share, which we expect will continue. But despite these negative factors, it remains an extremely important platform in China and continues to generate significant free cash flow. In the most recent completed fiscal year, the company generated $25B of free cash flow, which is 12% of the current market capitalization. Today, its core commerce business trades at approximately 5x EBITA, a valuation we deem much too cheap, even with the headwinds noted above. But valuation alone is often not enough to unlock value. Alibaba's management team is proactively working for minority shareholders. The company has been aggressive with share repurchases and with the recent formation of a capital management committee. Our conversations with the company indicate there is a high probability that more shareholder returns will be coming. In addition, the company recently announced a major restructuring that will effectively break up the company and separately list various businesses within Alibaba. Today, the market is assigning little to no value to these businesses and having a market quote may force investors to give Alibaba value for these assets. Whether or not the restructuring works, we appreciate management's efforts to help unlock value in what is clearly an undervalued stock.

We purchased a new position in ConocoPhillips (U.S.) and Danaher (U.S.) during the second quarter.

ConocoPhillips is one of the largest and most efficient U.S. exploration and production companies in the country. The company has an extensive resource base of high-quality drilling inventory in the U.S. and various international locations as well as a growing liquified natural gas business. In our view, the depth and quality of ConocoPhillips's inventory is a competitive differentiator not fully captured in the current share price. Over the next 10 years, we believe ConocoPhillips will be able to return more than 100% of its current market cap to shareholders via dividends and share repurchases while growing its production at a mid-single-digit annual pace. We believe ConocoPhillips is also among the best managed companies in the oil and gas industry and we are impressed by its history of accretive capital allocation under CEO Ryan Lance. The stock has meaningfully underperformed the broader market year to date and is an attractive addition to our portfolio.

Danaher is a global leader in life sciences that maintains a portfolio of businesses primarily focused on bioprocessing, life science tools, genomics and diagnostics. In our view, Danaher has an excellent track record of creating shareholder value through smart capital allocation and world-class operational execution. The firm's Danaher Business System employs a rigorous, process-driven approach to operational improvement that's helped accelerate organic growth and expand margins through multiple leadership regimes. Danaher's business mix has shifted dramatically in recent years after a series of transformative acquisitions and divestitures. We believe these portfolio moves leave the company attractively positioned in some of the industry's fastest growing, most profitable niches. The upgraded portfolio contains premiere assets levered to secular growth areas, like biologics, molecular diagnostics, and genomics, that support many years of high-single-digit revenue growth and margin expansion. Near-term headwinds related to the pandemic are overshadowing this attractive long-term outlook. Danaher sells diagnostic tests and critical inputs needed for manufacturing Covid-19 vaccines. Robust demand for these products during the pandemic boosted the stock price in 2020 and 2021. As Covid-19 demand normalized, Danaher experienced sales headwinds and channel destocking on these products, which pressured the stock. We believe these near-term headwinds will ultimately prove short lived. Danaher now trades at a discounted valuation relative to peers and private market transactions, which provided an attractive entry point to invest in this high-quality, resilient business.

During the quarter, we also sold our position in HCA Healthcare (U.S.) as it approached our estimate of intrinsic value.

Geographically, we ended the quarter with 56.5% of the portfolio in the U.S., 33.2% in the U.K. and Europe, and 10.3% in Asia.

We thank you for your continued support.

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The securities mentioned above comprise the following preliminary percentages of the Oakmark Global Select Fund's total net assets as of 06/30/2023: Alibaba Group 2.9%, Alphabet Cl A 8.8%, ConocoPhillips 3.0%, Danaher 3.0% and HCA Healthcare 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 MSCI World Index (Net) is a free float-adjusted, market capitalization-weighted index that is designed to measure the global equity market performance of developed markets. The index covers approximately 85% of the free float-adjusted market capitalization in each country. This benchmark calculates reinvested dividends net of withholding taxes. This index is unmanaged and investors cannot invest directly in this index.

On occasion, Harris may determine, based on its analysis of a particular multi-national issuer, that a country classification different from MSCI best reflects the issuer's country of investment risk. In these instances, reports with country weights and performance attribution will differ from reports using MSCI classifications. Harris uses its own country classifications in its reporting processes, and these classifications are reflected in the included materials.

Because the Oakmark Global Select Fund is non-diversified, the performance of each holding will have a greater impact on the Fund's total return, and may make the Fund's returns more volatile than a more diversified fund.

Investing in foreign securities presents risks that in some ways may be greater than U.S. investments. Those risks include: currency fluctuation; different regulation, accounting standards, trading practices and levels of available information; generally higher transaction costs; and political risks.

The percentages of hedge exposure for each foreign currency are calculated by dividing the market value of all same-currency forward contracts by the market value of the underlying equity exposure to that currency.

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 06/30/2023 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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