Harris | Oakmark

QUARTERLY COMMENTARY

Oakmark International Fund

December 31, 2024

FOURTH QUARTER, 2024

- **The Fund returned -8.48% versus -7.43% for the MSCI World ex USA Index for the quarter, and 8.19% since inception versus 5.92% for the index over the same period.**
- **At the sector level, communication services contributed to performance, while health care and financials were the largest detractors from performance.**
- **Geographically, the top three country allocations were 71.5% in Europe ex U.K., 15.1% in the U.K. and 5.7% in the Asia ex Japan. For the quarter, Denmark, the U.S. and France were contributors to relative performance. Germany, Japan and Canada were detractors from relative performance. Emerging markets accounted for 5.7% of the portfolio.**

Fourth-quarter highlights

Top contributors

- Airbus
- Fresenius Medical Care
- Accor

Top detractors

- Bayer
- Glencore
- Kering

New purchases

- KB Financial Group

Final sales

- There were no final sales during the quarter.

TOP CONTRIBUTOR | DETRACTOR

Top contributor

Airbus was the top contributor during the quarter. The France-headquartered aerospace and defense company's stock price rose after releasing third-quarter results where order books were up in all divisions. The Airbus Commercial and Helicopters segments made significant year-over-year increases and order intake in the Space segment rose nearly 30%. Demand for the company's products remains robust and the constraint is its ability to supply. Positively, inventories at the end of the third quarter of 2024 were 11% higher year-over-year. Further positive news came in early December when Airbus announced stronger than anticipated November deliveries. We appreciate management's efforts to drive production volume growth, which will be a key to helping the company meet increasing demand over time.

Top detractor

Bayer was the top detractor during the quarter. The Germany-headquartered agriculture and pharma company's stock price declined following developments in polychlorinated biphenyl (PCB) litigation and soft preliminary 2025 guidance. In October, the Washington Supreme Court granted review for the plaintiff's appeal of Bayer's first win at appellate court in PCB. Bayer's appellate win, if enforced, will result in existing cases being retried on different grounds, but the Washington Supreme Court review raises the risk that the win is overturned. We viewed the appellate win as helpful but not a skeleton key to litigation resolution, so the Washington Supreme Court development is only marginal to value. In November, Bayer issued preliminary 2025 guidance indicating that profits would likely decline. The seemingly implied decline in agriculture business profitability was particularly disappointing versus consensus. This was partially driven by temporary regulatory issues that we expect to resolve in the mid term, and the balance was driven by challenges in the crop protection portfolio. Bayer is now kicking off a deep restructuring of crop protection that we expect to help offset pressures and drive recovery. Overall, despite current headwinds, we believe that new CEO Bill Anderson's restructuring and organizational change initiatives will unlock improved performance at Bayer and better capitalize on the potential of its well-positioned franchises. We are watching closely for confirmatory evidence of success as Bill's strategy enters its second year.

PORTFOLIO ACTIVITY

While we only added one new position during the quarter, we did increase our exposure to a number of existing holdings, such as luxury goods company Kering. Kering and other luxury goods businesses continue to be negatively impacted by weak demand in China. Top-line trends remain poor, but we believe the company is making progress in improving the product offering within its core Gucci brand. Looking out two to three years, we think Kering's margins have the potential to be meaningfully higher than current levels and, thus, used the share price weakness in the quarter to further increase our exposure to the name.

New Purchases

KB Financial Group is a leading South Korean bank that provides a range of financial products and services, including retail banking, corporate banking, wealth management and international banking services. Korean banks have a history generating uninspiring returns on equity and low payout ratios (POR), and despite recent geopolitical uncertainty, there is broad support for the government's value-up program, which aims to address these issues by encouraging better corporate governance, transparency and improved capital efficiency. As South Korea's largest bank, KB Financial possesses the industry's strongest capital position, a renowned low-cost deposit franchise and leading fee income, which we believe advantageously positions the company to lead the now improving banking industry in both the speed and magnitude of improvements to POR. In addition, we appreciate management's focus on shareholder return because the anticipated growth in dividends and buybacks provides downside protection if the multiple expansion portion of the thesis sputters. Despite this compelling set-up, we were excited to purchase shares at an attractive valuation for a bank commonly acknowledged as the best bank in South Korea, per our channel checks.

CLOSING COMMENTS

The fourth quarter and 2024 were both challenging periods for the Fund's performance. However, we continue to be enthused by the mid- to long-term prospects of the Fund given the quality of the businesses held coupled with the very low absolute valuation levels at which these businesses trade. For additional detail, refer to David Herro's fourth quarter international equity market commentary.

PORTFOLIO MANAGERS

(Year joined Harris | Oakmark)

David G. Herro, CFA (1992)
Michael L. Manelli, CFA (2005)
Eric Liu, CFA (2009)

December 31, 2024

PERFORMANCE (%)

	QTD*	1 yr	3 yrs	5 yrs	10 yrs	Since inception
Investor Class | OAKIX	-8.48%	-4.60%	-1.49%	1.81%	3.43%	8.19%
MSCI World ex USA Index (net)	-7.43%	4.70%	1.91%	5.10%	5.26%	5.92%
MSCI EAFE Index (net)	-8.11%	3.82%	1.65%	4.73%	5.20%	5.75%

Expense ratio: Investor Class 1.05%
*Not annualized
Inception date: Investor Class 09/30/1992. 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 International Fund's total net assets as of 12/31/2024: Accor 1.6%, Airbus 2.3%, Bayer 3.2%, Fresenius Medical Care 2.6%, Glencore 1.6%, KB Financial Group 0.1% and Kering 3.4%. **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 International 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 MSCI World ex USA Index (Net) is a free float-adjusted, market capitalization-weighted index that is designed to measure international developed market equity performance, excluding the U.S. 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.

The MSCI EAFE Index (Net) is designed to represent the performance of large and mid-cap securities across 21 Developed Markets countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Index covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries. 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.

The 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.

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.

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).

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