

Oakmark International Small Cap Fund: Fourth Calendar Quarter 2023

December 31, 2023

The Oakmark International Small Cap Fund (“the Fund”) returned 11.47% for the quarter ending December 31, outperforming the benchmark, the MSCI World ex U.S. Small Cap Index (net), which returned 10.60% for the same period. For the calendar year, the Fund returned 19.52% compared to the benchmark’s return of 12.62%. Since its November 1995 inception, the Fund has returned an average of 8.68% per year.

For additional color on our views of the market environment during the most recent quarter end, please see our [international market commentary](#).

Konecranes (Finland), an engineering company that specializes in lifting equipment and associated services, ranked as a top contributor for the quarter. The company released nine-month earnings in October that showed strong operational execution. The service business grew its agreement base by 1.6% versus the prior quarter and revenue by 11.5% versus the prior year in local currency, and EBITA margins expanded by 130 basis points to a record 20.9%. We believe the service business has the potential for both substantial growth and continued margin improvement. Industrial equipment, which has endured challenged profitability in recent years, demonstrated significant margin progress. Finally, the company’s port solutions segment delivered a 48% increase in EBITA compared to the prior year. We believe Konecranes remains an attractive investment and that it is well-positioned for long-term growth and profitability.

Duerr (Germany), a global mechanical and plant engineering firm for the automotive industry, was the top detractor for the quarter. In October, the company issued a 2024 profit warning while reaffirming its 2023 guidance. The profit warning was centered entirely around Homag, the furniture-making machinery and solid-wood construction business. The company deemed the warning necessary after order intake failed to improve in the third quarter. As such, Duerr expects Homag’s full-year 2024 revenue to decline around 15%, significantly detracting from the

Oakmark International Small Cap Fund – Investor Class

Average Annual Total Returns (12/31/2023)

Since Inception (11/1/95) 8.68%

10–year 4.83%

5–year 11.02%

1–year 19.52%

3–month 11.47%

Expense Ratio: 1.34%

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](#).

company's profitability. Further, due to the expected decline, Duerr is no longer able to achieve its 8% group-adjusted earnings margin target in 2024, and management indicated a new range of 4.5-6%, implying that Homag margins could be as low as 2% compared to the prior target of 9%. Despite the setback, management indicated that Homag is still core to the business and that its long-term profit potential remains unchanged. Although we were disappointed by the news of Duerr's 2024 profit warning and reduced our view of intrinsic value as a result, we believe Duerr remains a compelling investment with multiple avenues for profitable growth in its core business as well as exciting options in its battery coating, medical technology and software segments.

We initiated new positions in the following during the quarter:

- Valmet (Finland) is the number-one provider of paper and pulp machinery, service, automation systems, and valves. We believe Valmet's equipment business has a strong and improving position in a market with healthy barriers to entry as its key offerings of packaging and pulp machinery are both duopolies. Moreover, while the equipment business dominates revenue, the company's earnings are primarily driven by its stable businesses of service, automation and flow control. There is a long growth runway for these units as attachment rates on new machine sales are high, cyclicality is lower, and economics are superior. We believe this positions Valmet well to protect its earnings amid a near-term drawdown in equipment orders as the paper and pulp markets digest destocking and macro softness. Finally, cost control and project execution have improved considerably across the organization over the past decade since Valmet's spin-off from Metso. We appreciate the management at Valmet and believe the business is trading at an attractive discount to its intrinsic value.
- Lanxess (Germany) is a specialty chemical company. We believe current short-term headwinds facing the entire chemical industry are masking the underlying strength and improved quality of Lanxess's business. As these short-term headwinds abate, we expect earnings and free cash flow generation to increase. Following significant perimeter changes, we believe Lanxess is well-positioned with strong market positions in growing markets, which should result in above-average profitability and resiliency during difficult macro environments. We appreciate the company's transformation, led by CEO Matthias Zachert, which has improved its margin profile, free cash flow conversion, and capital efficiency. At around 5.5x trough EBITDA, we purchased shares at what we believe was an attractive valuation for a company of this quality.

During the quarter, we sold Talanx (Germany) and Kansai Paint (Japan) as they approached our estimates of intrinsic value.

Geographically, we ended the quarter with approximately 57.3% of our holdings in Europe, 21.0% in the U.K., 7.0% in Asia and 4.8% in Japan. The remaining positions are 3.9% in Australasia, the Americas with 2.6% in Latin America (Mexico) and 2.3% in North America (Canada), and 1.1% in Africa/Middle East.

Thank you for your continued confidence and support.

David G. Herro, CFA
Portfolio Manager
oakex@oakmark.com

Michael L. Manelli, CFA
Portfolio Manager
oakex@oakmark.com

Justin D. Hance, CFA
Portfolio Manager
oakex@oakmark.com

The securities mentioned above comprise the following preliminary percentages of the Oakmark International Small Cap Fund's total net assets as of 12/31/2023: Duerr 3.0%, Kansai Paint 0%, Konecranes 3.4%, Lanxess 0.9%, Metso 2.1%, Talanx 0% and Valmet 1.3%. **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.

EBITA refers to Earnings before the deduction of expenses for Interest, Taxes and Amortization which is a measure of operating income.

EBITDA refers to Earnings Before the deduction of payments for Interest, Taxes, Depreciation and Amortization which is a measure of operating income.

The MSCI World ex US Small Cap Index (Net) is designed to measure performance of small-cap stocks across 22 of 23 Developed Markets (excluding the United States). The index covers approximately 14% 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.

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.

The stocks of smaller companies often involve more risk than the stocks of larger companies. Stocks of small companies tend to be more volatile and have a smaller public market than stocks of larger companies. Small companies may have a shorter history of operations than larger companies, may not have as great an ability to raise additional capital and may have a less diversified product line, making them more susceptible to market pressure.

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 12/31/2023 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).

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

Date of first use: 01/08/2023

FCM-3688EX-04/24