

## Oakmark Select Fund

December 31, 2024

## FOURTH QUARTER, 2024

- The Fund returned 6.01% versus 2.41% for the S&P 500 Index for the quarter, and 11.88% since inception versus 9.82% for the index over the same period.
- At the sector level, the largest contributors were financials and communication services, while health care and energy detracted from performance.
- 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.

## TOP CONTRIBUTOR | DETRACTOR

## Top contributor

**Paycom Software** was the top contributor during the quarter. The U.S.-headquartered human resources and employment services company's stock price rose after reporting solid earnings and revenue growth acceleration in the third quarter. The company is growing at a double-digit rate, and its fourth-quarter guidance suggests management believes it can sustain that level of growth even with a headwind from lower interest income. Paycom's margins were strong during the quarter and the company is tracking for 27% GAAP operating margins in 2024. We see Paycom as a cloud leader in payroll and believe the company has a long runway for future growth with the opportunity to take market share from legacy players.

## Fourth-quarter highlights

## Top contributors

- Paycom Software
- First Citizens BancShares Cl A
- Salesforce

## Top detractors

- IQVIA Holdings
- Centene
- Phillips 66

## New purchases

- Airbnb Cl A
- Equifax
- Keurig Dr Pepper

## Final sales

- Wells Fargo

## Top detractor

**IQVIA Holdings** was the top detractor during the quarter. The U.S.-headquartered life sciences tools and services company's stock price declined due to a reduced near-term outlook in its R&D solutions segment primarily related to a program cancellation and the delay of two large clinical trials that will resume in 2025. However, we believe that the headwinds in this part of the business should abate over the course of 2025. We are also encouraged that growth in the technology and analytics solutions segment is recovering as expected. We believe IQVIA stock is cheap at a mid-teens multiple of normal earnings power.

## PORTFOLIO ACTIVITY

During the quarter, we added to our holdings of relatively weak performers, like ConocoPhillips, Phillips 66 and IQVIA Holdings, as we continue to believe their shares are trading well below intrinsic value. We similarly reduced holdings in companies like Salesforce and Fiserv, as strong stock price performance narrowed the gap between the current price and our estimate of intrinsic value.

### 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.

**Equifax** is one of the leading U.S. credit bureaus. The company competes in a triopoly with TransUnion and Experian, all of which possess valuable data sets, entrenched competitive positions and pricing power. In our view, what separates Equifax from its peers is its proprietary Workforce Solutions database, which is now its largest, most profitable and most differentiated business. Workforce Solutions is an income and employment database that benefits from network effects and is used to evaluate the creditworthiness of a consumer in real time. In our view, the company's earnings are currently

depressed due to the significant downturn in mortgage activity. We expect earnings to increase materially when mortgage demand recovers to mid-cycle levels. As a result, we were able to purchase this high-quality, well-managed company at an attractive multiple of normal earnings power and a discount to the historical transaction multiples of other information services companies with similar growth rates.

**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)

Robert F. Bierig (2012)

Alex Fitch, CFA (2010)

PERFORMANCE (%)

|                          | QTD*   | 1 yr   | 3 yrs | 5 yrs  | 10 yrs | Since inception |
|--------------------------|--------|--------|-------|--------|--------|-----------------|
| Investor Class   OAKLX   | 6.01%  | 14.15% | 8.04% | 13.37% | 8.74%  | 11.88%          |
| S&P 500 Index            | 2.41%  | 25.02% | 8.94% | 14.53% | 13.10% | 9.82%           |
| Russell 1000 Value Index | -1.98% | 14.37% | 5.63% | 8.68%  | 8.49%  | 8.71%           |

Expense ratio: Investor Class 1.00%

\*Not annualized

Inception date: Investor Class 11/01/1996

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 Select Fund's total net assets as of 12/31/2024: Airbnb Cl A 3.2%, Centene 3.1%, ConocoPhillips 3.4%, Equifax 3.1%, First Citizens Bcshs Cl A 6.7%, Fiserv 2.3%, IQVIA Holdings 7.3%, Keurig Dr Pepper 3.6%, Paycom Software 5.1%, Phillips 66 4.1%, Salesforce 3.3% and Wells Fargo 0%. **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 Select 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.

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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 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.

**Because the Oakmark 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.**

**The stocks of medium-sized companies tend to be more volatile than those of large companies and have underperformed the stocks of small and large companies during some periods.**

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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