

Oakmark Select Fund: First Calendar Quarter 2023

March 31, 2023

The Oakmark Select Fund ("the Fund") generated a 10.9% return compared to a 7.5% return for the S&P 500 Index during the first calendar quarter. We are pleased that the Fund is off to a good start in 2023, outperforming both the general market and value indexes. We believe that our disciplined investment approach will continue to drive attractive returns.

During the quarter, the largest contributing sectors were communication services and information technology. The largest detracting sectors were energy and real estate. The largest individual contributors were Salesforce and First Citizens BancShares. The largest individual detractors were APA Corporation and Wells Fargo.

The collapse of Silicon Valley Bank and Signature Bank led to a broad sell-off in the banking sector in March. As a result, investors who can differentiate healthy banks from those that may be troubled faced an unusually good opportunity set. We took advantage of the relatively indiscriminate selling of bank stocks to initiate a new position in Charles Schwab and increase our investment in First Citizens and Wells Fargo. We sold our holdings in Allison Transmission, Citigroup and Netflix. Although we believe the stocks we sold remain undervalued, we think the stocks we bought with the proceeds are more attractive.

Charles Schwab is a company that we have followed closely for some time and that has been a holding in the Oakmark Fund since the third quarter of 2018. As the largest discount brokerage platform, Schwab has large scale advantages and a strong competitive position. The shares sold off significantly this quarter in the wake of the Silicon Valley Bank collapse as investors became concerned about mark-to-market losses on Schwab's securities portfolio. We believe these concerns are overstated and that the risk-reward now justifies holding Schwab shares in the more concentrated Oakmark Select Fund. While there are parallels to Silicon Valley Bank, we believe Schwab has a much higher quality deposit franchise, with deposit balances spread across more than

Oakmark Select Fund – Investor Class

Average Annual Total Returns (03/31/2023)

Since Inception (11/1/96) 11.08%

10–year 8.69%

5–year 4.89%

1–year -8.77%

3–month 10.91%

Expense Ratio: 0.98%

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.



34 million accounts, the vast majority of which are FDIC insured. Schwab also has significantly positive book value after mark-to-market losses, unlike Silicon Valley Bank's negative book value. Finally, Schwab's far superior liquidity profile should allow it to absorb any deposit outflows with minimal long-term business impact. The recent price decline gave us the opportunity to buy shares in this industry leader at a low double-digit multiple of normalized earnings.

At Oakmark, we often talk about how aligning with great management teams stacks the deck in our favor, frequently leading to positive surprises that we can't precisely envision when we first invest. Our investment in First Citizens is one such example. We initially purchased shares in First Citizens in the first quarter of 2021 after we came to appreciate the quality of the franchise and management team. Over the subsequent years, our estimate of intrinsic value increased, but the stock price did not keep up with the growth in intrinsic value. The disconnect widened further this quarter as the Silicon Valley Bank crisis unfolded. As a result, we added to our position.

As long-term value investors, we are used to deferred gratification – but, in this case, our decision was quickly rewarded. Not only did First Citizens avoid most of the mistakes made by the troubled banks, but it took advantage of the crisis by striking a deal to buy the majority of Silicon Valley's assets and liabilities from the FDIC just as the quarter came to a close. We believe this transaction added hundreds of dollars per share to the intrinsic value of the business in one fell swoop, the equivalent of many years of business value growth under more normal conditions. Stepping back, First Citizens has many of the attributes we look for in an investment, including high stock ownership by management, recent insider purchases and – particularly relevant in the current environment – trust from regulators. These positive attributes can be harder to quantify than the typical financial metrics, but, in our view, they are no less important.

We thank you, our fellow shareholders, for your investment in the Oakmark Select Fund.

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The securities mentioned above comprise the following preliminary percentages of the Oakmark Select Fund's total net assets as of 03/31/2023: Allison Transmission 0%, APA 2.2%, Charles Schwab 2.9%, Citigroup 0%, First Citizens Bcshs Cl A 6.4%, First Citizens Bcshs Cl B 0.3%, Netflix 0%, Salesforce 6.5%, Signature Bank 0%, Silicon Valley Bank 0% and Wells Fargo 4.1%. **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 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.

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.

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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