

The Oakmark Fund

The Oakmark
Select Fund

The Oakmark Small
Cap Fund

The Oakmark Equity
and Income Fund

The Oakmark
Global Fund

The Oakmark
International Fund

The Oakmark
International Small
Cap Fund

1ST QUARTER REPORT

DECEMBER 31, 2000

THE OAKMARK FAMILY OF FUNDS

2001 First Quarter Report

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For More Information

Access our web site at www.oakmark.com to obtain a prospectus, an application or periodic reports, or call 1-800-OAKMARK (1-800-625-6275) or (617) 578-1329.

Web Site and 24-Hour Net Asset Value Hotline

Access our web site at www.oakmark.com to obtain the current net asset value of a fund, or call 1-800-GROWOAK (1-800-476-9625).

To Comment on Shareholder Services

E-mail us at ServiceComments@oakmark.com.

Letter from the Chairman and President

Dear Fellow Shareholders,

The year 2000 proved to be a turning point for value investors, as a focus on stock valuations drove investors to more traditional companies at the expense of technology and Internet stocks. As such, our portfolios performed well since we remained committed to buying high-quality companies trading at significant discounts to their underlying value.

In our last letter we provided a performance summary of our funds versus the major indices since the NASDAQ's market peak of March 10. Below, you'll see an update of this information through the end of the year:

<i>Fund</i>	<i>% return from market high on March 10 to December 31, 2000</i>
The Oakmark Fund	40.89%
The Oakmark Select Fund	29.54%
The Oakmark Small Cap Fund	11.01% ⁵
The Oakmark Equity and Income Fund	20.14% ⁶
S&P 500 (w/inc) ¹	-4.50%
NASDAQ Composite ²	-50.99%
The Oakmark Global Fund	25.13% ⁷
The Oakmark International Fund	17.29%
The Oakmark International Small Cap Fund	-2.29%
MSCI World Index ³	-8.13%
MSCI EAFE Index ⁴	-13.44%

This performance obviously does not span the full year. However, it does illustrate a significant shift in favor toward our value style — and points out that our focus on reward *and* risk is critical for our investors. We remain extremely confident in the continued attractiveness of our portfolios, with the price-earnings (P/E)⁸ gap between our portfolios and market averages suggesting we are very well positioned.

Many clients have asked about our interest in the technology sector, especially since scores of these companies have seen sizeable corrections. We are slowly starting to look at technology stocks, and are buying a few, but believe that many companies remain overpriced relative to their underlying business value. Therefore, we continue to find the best values in more traditional companies. We will be willing to make more significant investments in technology companies when values become compelling.

We'd like to thank you for the positive comments we've received about our website. Investors continue to visit www.oakmark.com to read manager commentary and recent news, view performance and top holdings, and to access account information. During the year we were



pleased to add transaction capabilities, and we invite you to access your account so that you may perform transactions online.

Value investors should be encouraged by what happened in 2000. Investment styles move in cycles — and tend not to be short. We saw growth outperform value for several years, and we view this period as the *beginning* of a shift toward value, not the end.

We appreciate your continued investment and wish you the best in 2001.

Victor A. Morgenstern
Chairman

Robert M. Levy
President

January 4, 2001

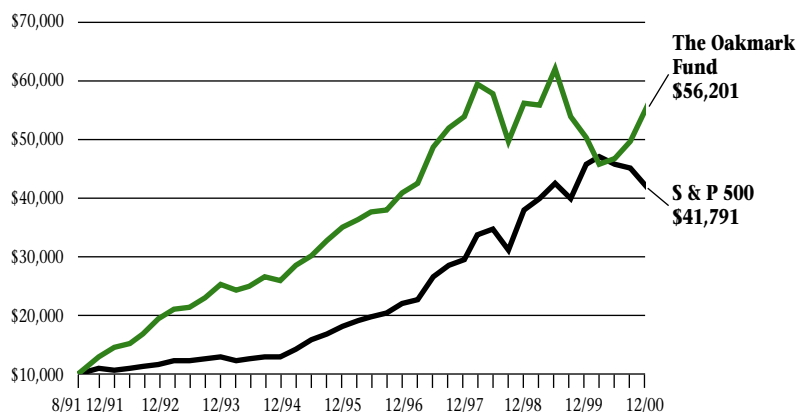
Closing Note: After 31 years at Harris Associates, Victor Morgenstern is retiring. All of us would like to thank him for the significant contribution he has made to the firm. Victor's valuable experience and stewardship will continue to provide oversight to the Oakmark Family of Funds in his continuing role as Trustee and Chairman of the Board. We look forward to our ongoing relationship.

THE OAKMARK FUND

Report from Bill Nygren and Kevin Grant, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK FUND FROM ITS INCEPTION (8/5/91) TO PRESENT (12/31/00) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX¹



12/31/00 NAV⁹ \$29.99

	Total Return Last 3 months*	Average Annual Total Return ¹⁰ Through 12/31/00 From Fund Inception 8/5/91
The Oakmark Fund	12.82%	20.13%
Standard & Poor's 500 Stock Index w/inc	-7.82%	16.41%
Dow Jones Industrial Average w/inc ¹¹	-0.08%	16.89%
Lipper Large Cap Value Fund Index ¹²	0.36%	15.08%

*Not annualized.

The Oakmark Fund increased 12.82% for the quarter ended December 31. This makes three consecutive quarters that the Fund increased in value while the S&P 500 declined. The big story in the stock market continued to be the declining NASDAQ². Since its March 10 peak, the NASDAQ declined 50.99% and The Oakmark Fund increased by 40.89%! Although the NASDAQ decline has created some buying opportunities in specific technology companies, we continue to believe that the technology sector is overvalued.

The financial media reporting on the NASDAQ decline in 2000 tended to induce fear — *Biggest NASDAQ drop EVER!* Instead, the market action in 2000 should generate confidence. The system works — when stock prices become disengaged from business reality, the natural forces of supply and demand drive stock prices back toward fair value. We always strive to have our portfolio invested so that we benefit from those forces.

The positive side of supply and demand pushing prices toward fair value is the increase in demand for undervalued stocks. Frequently, this increased demand comes from the corporate sector when companies offer large premiums in acquisitions. In the fourth quarter, we again had a large holding acquired, ACNielsen. On Friday December 15, ACNielsen stock closed at \$24 5/8. On the morning of Monday December 18, VNU, a Dutch media company, offered to buy ACNielsen for \$36.75 per share, a 50% premium to the market price. That Monday, ACNielsen was our largest holding, accounting for over 4% of the

portfolio. The merger has not closed yet, but we sold our stock when the price rose above \$36. Waiting for the deal to close hoping to earn the last 75c per share didn't seem like a risk worth taking. Thank you to CEO Nick Trivisonno and the ACNielsen board for realizing that selling the company maximized shareholder value.

<i>Total Returns</i> <i>as of December 31, 2000</i>	
3 Months*	12.82%
6 Months*	19.70%
1 Year	11.78%
*Not annualized	
<i>Average Annual Total Returns</i> <i>as of December 31, 2000</i>	
3 Year	1.26%
5 Year	9.84%
Since inception	20.13%

Portfolio Changes

Last year's highly volatile stock market, though viewed negatively by most, created many new opportunities for us. The divergence between a stock's price and its business value is what allows us to buy undervalued companies. Here's a brief explanation of the stocks that were added to our portfolio last quarter.

Gannett (GCI—62)

Gannett stock price was over \$80 a year ago. That price made sense to us. For this exceptional newspaper and broadcasting company, a price of 18 times next year's expected cash earnings seemed well justified. During the year however, GCI fell from over \$80 to nearly \$50, due largely to concerns about higher newsprint costs and a slowing economy. We believe these cyclical concerns do not affect GCI's intrinsic business value. With the stock now trading at just 13 times our estimates of this year's cash earnings, we are pleased to have the opportunity to own this fine company on our terms.

Liberty Media (LMG—12)

This company is a familiar name to long time readers. Through most of the nearly ten year life of The Oakmark Fund, we have held shares in Liberty Media. We sold our position a couple of years ago when we felt the stock price fully reflected underlying business value. Liberty continued rising after we sold and peaked in March at \$31, as investors became excited about Internet opportunities for Liberty's wonderful cable TV programming assets. Liberty stock troughed at \$11 last quarter, which is well below our estimate of business value. We have always admired Liberty management's singular focus on growing value. Their corporate mission statement is simply "To maximize the per-share-value of our stock over a 5-10 year horizon." We only wish all corporate managements understood that to be their job!

Highlights

- **Market action in 2000 illustrates that the market works — when stock prices become disengaged from business value, the natural forces of supply and demand drive prices back toward fair value.**
- **Although the NASDAQ decline has created some buying opportunities in specific technology companies, we continue to believe that the technology sector is overvalued.**
- **A corporate buyer acquired ACNielsen at a substantial premium in the fourth quarter.**

Sara Lee (SLE—24)

Sara Lee is a diversified manufacturer and marketer of consumer packaged goods. Its well-known stable of brands includes Hanes, L'eggs, Coach, Douwe Egberts, Hillshire Farms and, of course, Sara Lee. The stock, which traded above \$30 in 1998, was in the teens for most of this year, despite expectations of 2001 calendar cash EPS of over

\$1.65. We became interested in SLE last quarter when they named a new CEO, Steve McMillan. Although we admired ex-CEO John Bryan for building SLE in the 80's and early 90's, we were pleased to see the new CEO shift goals away from sales growth via acquisitions to a tighter focus on growth in per-share value.

<i>Top Five Industries as of December 31, 2000</i>		
<i>Industries and % of Total Net Assets</i>	Other Consumer	
	Goods & Services	12.7%
	Retail	9.9%
	Computer Services	6.2%
	Banks & Thrifts	4.6%
	Information Services	4.4%

Teradyne (TER—36)

Teradyne is a leading producer of test equipment for the semiconductor industry. In March, Teradyne stock peaked at \$115; it troughed last quarter at \$23! We find TER attractive not just because the stock fell 80%, but because the stock sells at 13 times estimated earnings. Although this industry goes through cycles, we expect continued strong long-term growth for semiconductors. That should allow Teradyne to continue compounding annual earnings at a high-teens growth rate.

<i>Top Five Holdings as of December 31, 2000</i>		
<i>Company and % of Total Net Assets</i>	Mattel, Inc.	3.7%
	Washington Mutual, Inc.	3.1%
	Fortune Brands, Inc.	2.8%
	AT&T Corporation	2.8%
	The Black & Decker Corporation	2.7%

Textron (TXT—47)

Textron is an industrial conglomerate with operations in the aerospace, automotive and finance industries. Textron has an enviable track record of compounding annual EPS¹³ growth at more than 10% for the last decade. Textron stock peaked at \$98 in 1999 and hit a low of \$41 last quarter. At the current price, TXT sells below 8 times expected cash earnings.

Thank you for your patience. The turnaround that began ten months ago helped make 2000 a good year for our Fund. We are well positioned to build on that success in 2001.



William C. Nygren, CFA

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Kevin G. Grant, CFA

Portfolio Manager
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January 8, 2001

THE OAKMARK FUND

Schedule of Investments—December 31, 2000 (Unaudited)

	Shares Held	Market Value
Common Stocks—90.2%		
Food & Beverage—3.3%		
H.J. Heinz Company	1,125,000	\$ 53,367,187
Sara Lee Corporation	807,400	19,831,763
		<u>73,198,950</u>
Apparel—2.2%		
Jones Apparel Group, Inc. (a)	1,327,000	\$ 42,712,813
NIKE, Inc., Class B	100,000	5,581,250
		<u>48,294,063</u>
Retail—9.9%		
The Kroger Co. (a)	1,975,000	\$ 53,448,437
Toys 'Я' Us, Inc. (a)	3,000,000	50,062,500
Tricon Global Restaurants, Inc. (a)	1,400,000	46,200,000
CVS Corporation	630,000	37,760,625
J.C. Penney Company, Inc.	2,909,500	31,640,813
		<u>219,112,375</u>
Household Products—4.2%		
Newell Rubbermaid Inc.	1,700,000	\$ 38,675,000
Energizer Holdings, Inc. (a)	1,504,600	32,160,825
The Dial Corporation	2,052,900	22,581,900
		<u>93,417,725</u>
Household Appliances—1.7%		
Maytag Corporation	1,160,400	\$ 37,495,425
Office Equipment—0.9%		
Xerox Corporation	4,325,000	\$ 20,003,125
Hardware—4.4%		
The Black & Decker Corporation	1,522,200	\$ 59,746,350
The Stanley Works	1,224,900	38,201,569
		<u>97,947,919</u>
Other Consumer Goods & Services—12.7%		
Mattel, Inc.	5,594,400	\$ 80,783,136
Fortune Brands, Inc.	2,080,200	62,406,000
H&R Block, Inc.	1,275,300	52,765,537
Cendant Corporation (a)	3,900,100	37,538,463
Galileo International, Inc.	1,311,200	26,224,000
Ralston Purina Group	750,000	19,593,750
		<u>279,310,886</u>
Banks & Thrifts—4.6%		
Washington Mutual, Inc.	1,300,000	\$ 68,981,250
Bank One Corporation	900,548	32,982,570
		<u>101,963,820</u>
Insurance—1.5%		
MGIC Investment Corporation	475,000	\$ 32,032,813

THE OAKMARK FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

	Shares Held	Market Value
Common Stocks—90.2% (cont.)		
Information Services—4.4%		
Moody's Corporation	1,489,400	\$ 38,258,962
Equifax Inc.	1,220,500	35,013,094
The Dun & Bradstreet Corporation (a)	953,750	<u>24,678,281</u>
		97,950,337
Computer Services—6.2%		
First Data Corporation	1,040,000	\$ 54,795,000
Electronic Data Systems Corporation	890,000	51,397,500
SunGard Data Systems Inc. (a)	640,800	<u>30,197,700</u>
		136,390,200
Semiconductors—1.0%		
Teradyne, Inc. (a)	600,000	\$ 22,350,000
Telecommunications—4.2%		
AT&T Corp.	3,500,000	\$ 60,593,750
Citizens Communications Company (a)	2,350,000	<u>30,843,750</u>
		91,437,500
TV Programming—1.7%		
AT&T Corp. - Liberty Media Group, Class A (a)	2,806,200	\$ 38,059,088
Publishing—3.2%		
Knight Ridder, Inc. (a)	827,000	\$ 47,035,625
Gannett Co., Inc.	372,400	<u>23,484,475</u>
		70,520,100
Pharmaceuticals—1.0%		
Chiron Corporation (a)	474,000	\$ 21,093,000
Medical Products—0.9%		
Apogent Technologies Inc. (a)	1,011,700	\$ 20,739,850
Automobiles—2.3%		
Ford Motor Company	1,500,000	\$ 35,156,250
DaimlerChrysler AG (b)	400,000	<u>16,480,000</u>
		51,636,250
Aerospace & Defense—2.9%		
Lockheed Martin Corporation	1,000,000	\$ 33,950,000
The B.F. Goodrich Company	820,000	<u>29,827,500</u>
		63,777,500
Instruments—2.3%		
Rockwell International Corporation	1,067,300	\$ 50,830,162
Machinery & Industrial Processing—4.3%		
Cooper Industries, Inc.	1,050,000	\$ 48,234,375
Eaton Corporation	602,900	<u>45,330,544</u>
		93,564,919

THE OAKMARK FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Common Stocks—90.2% (cont.)		
Building Materials & Construction—2.3%		
Masco Corporation	1,933,000	\$ 49,653,937
Chemicals—0.2%		
PolyOne Corporation	697,500	\$ 4,097,813
Utilities—2.2%		
TXU Corp.	1,080,000	\$ 47,857,500
Diversified Conglomerates—2.0%		
Textron, Inc.	950,000	\$ 44,175,000
Recreation & Entertainment—3.7%		
Brunswick Corporation	3,024,200	\$ 49,710,287
Carnival Corporation	1,050,000	32,353,125
		82,063,412
Total Common Stocks (Cost: \$1,810,357,029)		1,988,973,669
Short Term Investments—9.2%		
U.S. Government Bills—0.9%		
United States Treasury Bills, 6.03% due 5/17/2001	\$20,000,000	\$ 19,544,400
Total U.S. Government Bills (Cost: \$19,544,400)		19,544,400
Commercial Paper—5.9%		
American Express Credit Corporation, 6.52% due 1/3/2001	\$10,000,000	10,000,000
Ford Motor Credit Corp., 6.50%—6.59% due 1/2/2001—1/5/2001	70,000,000	70,000,000
General Electric Capital Corporation, 5.90% due 1/2/2001	50,000,000	50,000,000
Total Commercial Paper (Cost: \$130,000,000)		130,000,000
Repurchase Agreements—2.4%		
State Street Repurchase Agreement, 5.85% due 1/2/2001	\$53,438,000	53,438,000
Total Repurchase Agreements (Cost: \$53,438,000)		53,438,000
Total Short Term Investments (Cost: \$202,982,400)		202,982,400
Total Investments (Cost \$2,013,339,429)—99.4%		\$ 2,191,956,069
Other Assets In Excess Of Other Liabilities—0.6%		13,675,682
Total Net Assets—100%		\$2,205,631,751

(a) Non-income producing security.

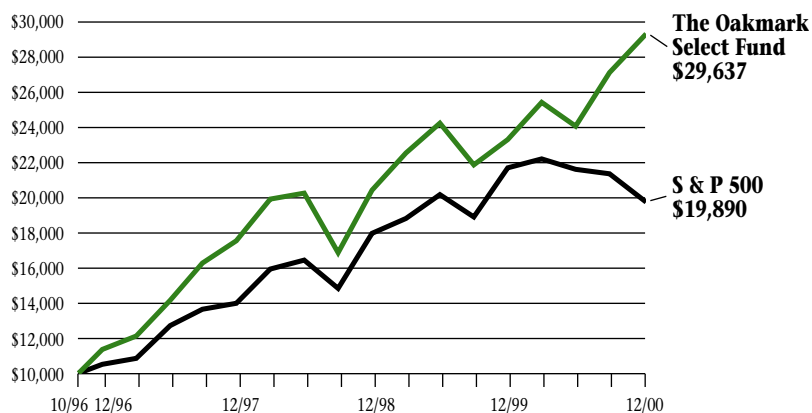
(b) Represents foreign domiciled corporation.

THE OAKMARK SELECT FUND

Report from Bill Nygren and Henry Berghoef, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (12/31/00) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX¹



12/31/00 NAV⁹ \$21.65

	Total Return Last 3 months*	Average Annual Total Return ¹⁰ Through 12/31/00 From Fund Inception 11/1/96
The Oakmark Select Fund	8.04%	29.76%
Standard & Poor's 500 Stock Index w/inc	-7.82%	17.93%
Standard & Poor's MidCap 400 Index w/inc ¹⁴	-3.85%	21.41%
Lipper Mid Cap Value Fund Index ¹⁵	2.10%	11.61%

*Not annualized.

1st Quarter, 2001

The Oakmark Select Fund gained 8.04% last quarter, bringing the calendar year increase to 25.81%. For both the quarter and the year, our Fund significantly outperformed the market averages. Our largest position, Washington Mutual, gained 33% and led the strong quarter. Although we have sold some shares in Washington Mutual to prevent the position size from growing too large (now 14% of the portfolio), we believe the stock continues to be a great value. Compared to its financial services peers, Washington Mutual grows more rapidly and has a lower-risk loan portfolio, yet it sells at a lower P/E ratio⁸. In addition, with the Fed lowering interest rates, analysts' current earnings estimates are probably too low.

Careful readers of this report will notice that we ended 2000 with 21 equity holdings. Since we have said the Fund will typically own 15-20 stocks we want to explain what happened. We are currently facing an unusual combination of issues. There is one stock we are waiting to sell until it goes long-term, there is another position that is in the process of being sold, and there is another stock that would have been sold except for our belief that tax-loss selling was artificially depressing the price. We have not changed our diversification strategy. We expect that by the next quarterly report, we will be back to 15-20 holdings.

Math Test

Our children have reached the point in their education where dealing with negative numbers no longer poses much of a challenge. If asked, "What is the average of +100% and -50%?" they would no doubt answer +25%.

<i>Total Returns¹⁶</i> <i>December 31, 2000</i>	
3 Months*	8.04%
6 Months*	21.84%
1 Year	25.81%
*Not annualized.	
<i>Average Annual Total Returns¹⁶</i> <i>December 31, 2000</i>	
3 Year	18.72%
5 Year	N/A
Since inception	29.76%

That answer would be absolutely correct when looking at the effect in a portfolio of owning a big winner and a big loser. Going into 2000, our portfolio's two largest positions were Washington Mutual and USG Corporation. Washington Mutual was up just over 100% last year and USG declined by just over 50%. Combined, their impact on the portfolio was a very respectable gain of about 25%. This example shows that even in a concentrated portfolio, diversification may reduce risk. It also shows the danger in listening to portfolio managers, including us, talk about their favorite ideas. That's why we encourage purchase of our Fund rather than purchase of any individual stock the Fund owns.

Part two in the math test: What is the average annual return for a fund that is up 100% one year and down 50% the next? Many in the financial press would answer the same as the first question, +25%. They would conclude that The Oakmark Select Fund, with a 14.49% return in 1999 and a 25.81% return in 2000, had a respectable, though lower average return of 19.99%. But, averaging negative numbers when looking at compound returns (geometric averaging) is different from averaging returns in a portfolio within a single time period (arithmetic averaging). Investors in many aggressive growth funds learned that an investment that gained 100% in 1999 and then lost 50% in 2000 produced a total two-year return of zero — and thus an “average” return of not 25%, but 0%. Multi-period returns that include large loss years will always be less than implied by the arithmetic average. In

comparison, The Oakmark Select Fund had a total two-year return of 44.04% — more than twice the “average” annual return of 19.99%. That's the beauty of compounding positive returns — your value grows more rapidly than is implied by the arithmetic average! When trying to grow capital over time, avoiding big losses is the key. One of the greatest advantages of our approach, value investing, is the lessened probability of big loss years.

<i>Highlights</i>
<ul style="list-style-type: none"> • For the fourth quarter of 2000, and for the year, the Fund significantly outperformed market averages. In 2000 it returned 25.81%, versus -9.10% for the S&P 500. • Washington Mutual (WM), which gained 33% last year, remains the Fund's largest holding, at 14% of the portfolio. • For diversification we encourage purchase of our Fund rather than purchase of any individual stock the Fund owns.

AT&T

The only new stock in our portfolio this quarter is AT&T. AT&T stock declined from a high last year of \$61 to its year-end price of \$17.25. Part of that decline was caused by AT&T's disappointing performance in the consumer long-distance business that suffers from over-capacity. We think AT&T faced another problem: corporate structure. AT&T had traditionally been a long-distance telephone company serving both businesses and individuals. This relatively stable business attracted investors who liked a safe, low P/E, high yield stock. But things changed in the last couple years. Through both internal growth and acquisition, AT&T built a large cellular business. Additionally, AT&T spent \$110 billion to acquire two large cable TV companies. However, these highly valuable cable and cellular properties did not show reported earnings and, further, had growth opportunities that required reinvestment of

Top Five Industries <i>as of December 31, 2000</i>		
<i>Industries and % of Total Net Assets</i>	Retail	15.8%
	Banks & Thrifts	14.2%
	Information Services	11.9%
	Computer Services	8.9%
	Other Consumer Goods & Services	8.5%

excess cash flow. Although these businesses improved AT&T's growth prospects, they increased the company's P/E ratio and reduced their ability to pay dividends. This combination of such different business units left AT&T without a natural group of shareholders.


Last quarter, AT&T announced plans to split the company. The wireless phone business (80% owned by AT&T, 20% owned publicly) will be spun-off to shareholders by this summer. AT&T Broadband, the cable businesses, will become a separately traded stock by late this year and fully spun-off in 2002. We believe that this breakup plan will help investors see the true value of each of AT&T's businesses.

Top Five Holdings <i>as of December 31, 2000</i>		
<i>Company and % of Total Net Assets</i>	Washington Mutual, Inc.	14.2%
	Toys 'R' Us, Inc.	7.2%
	The Reynolds & Reynolds Company	5.8%
	AT&T Corporation	4.9%
	First Data Corporation	4.5%

If you examine our portfolio, you will also see that we have sold short shares in AT&T Wireless. No, your Fund is not becoming a hedge fund that tries to profit by identifying overvalued stocks and shorting them! We have simply sold, in advance, most of the AT&T Wireless shares we anticipate receiving later this year. When AT&T Wireless (AWE — 17.31) first began trading in April, AT&T stock had already fallen from \$61 to \$48. Because AT&T still owned 80% of AWE (a little more than half an AWE share per AT&T share) and AWE was trading at \$31.81, the market was valuing AT&T's other businesses at \$32 per share (the \$48 at which AT&T traded, less their half share of AWE). At year-end, with AT&T at \$17.25 and AWE at


\$17.31, the market price of their other businesses had fallen to just \$8.42 per share. At that price, the enterprise value (debt plus equity) was much less than AT&T paid for its cable acquisitions, effectively valuing the traditional long distance business at less than zero! In addition to believing AT&T is a great long-term value, we believe AT&T's yearend price was depressed by both tax selling and by portfolio manager "window dressing" — managers who were selling their AT&T in hopes their clients would forget they ever owned it!

Holdings like AT&T position us well to continue compounding returns on the capital, including our own, with which we've been entrusted. Thank you for your continued support.



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Henry R. Berghoef, CFA

Portfolio Manager
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January 8, 2001

THE OAKMARK SELECT FUND

Schedule of Investments—December 31, 2000 (Unaudited)

	Shares Held	Market Value
Common Stocks—90.6%		
Apparel—3.6%		
Liz Claiborne, Inc.	1,826,400	\$ 76,023,900
Retail—15.8%		
Toys 'R' Us, Inc. (a)	9,048,500	\$ 150,996,844
Tricon Global Restaurants, Inc. (a)	2,783,700	91,862,100
Office Depot, Inc. (a)	12,546,000	<u>89,390,250</u>
		332,249,194
Household Products—4.2%		
Energizer Holdings, Inc. (a)	4,130,600	\$ 88,291,575
Other Consumer Goods & Services—8.5%		
Mattel, Inc.	6,290,000	\$ 90,827,600
H&R Block, Inc.	2,115,000	<u>87,508,125</u>
		178,335,725
Banks & Thrifts—14.2%		
Washington Mutual, Inc.	5,629,800	\$ 298,731,262
Other Financial—1.7%		
MBIA, Inc.	465,800	\$ 34,527,425
Information Services—11.9%		
The Dun & Bradstreet Corporation (a)	3,290,700	\$ 85,146,862
Ceridian Corporation	4,234,500	84,425,344
Moody's Corporation	3,143,600	<u>80,751,225</u>
		250,323,431
Computer Services—8.9%		
First Data Corporation	1,810,200	\$ 95,374,913
Electronic Data Systems Corporation	1,595,000	<u>92,111,250</u>
		187,486,163
Computer Software—5.8%		
The Reynolds and Reynolds Company, Class A	5,979,700	\$ 121,088,925
Telecommunications—4.9%		
AT&T Corp.	5,918,000	\$ 102,455,375
Pharmaceuticals—1.5%		
Chiron Corporation (a)	725,100	\$ 32,266,950
Automotive—2.4%		
Visteon Corporation	4,427,400	\$ 50,915,100

THE OAKMARK SELECT FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Common Stocks—90.6% (cont.)		
Machinery & Industrial Processing—2.0%		
Thermo Electron Corporation (a)	1,369,000	\$ 40,727,750
Building Materials & Construction—3.7%		
USG Corporation	3,474,900	\$ 78,185,250
Diversified Conglomerates—1.5%		
U.S. Industries, Inc.	3,937,600	\$ 31,500,800
Total Common Stocks (Cost: \$1,606,273,722)		1,903,108,825
Common Stocks Sold Short—(1.7%)		
Telecommunications—(1.7%)		
AT&T Wireless Group	(2,025,000)	\$ (35,057,812)
Total Common Stocks Sold Short (Proceeds: \$(39,613,480))		(35,057,812)
Short Term Investments—9.7%		
U.S. Government Bills—0.9%		
United States Treasury Bills, 6.03% due 5/17/2001	\$20,000,000	\$ 19,544,400
Total U.S. Government Bills (Cost: \$19,544,400)		19,544,400
Commercial Paper—5.7%		
American Express Credit Corporation, 6.52% due 1/4/2001	\$10,000,000	\$ 10,000,000
Ford Motor Credit Corp., 6.50% - 6.59% due 1/2/2001 - 1/8/2001	50,000,000	50,000,000
General Electric Capital Corporation, 5.90% due 1/2/2001	60,000,000	60,000,000
Total Commercial Paper (Cost: \$120,000,000)		120,000,000
Repurchase Agreements—3.1%		
State Street Repurchase Agreement, 5.85% due 1/2/2001	\$64,605,000	\$ 64,605,000
Total Repurchase Agreements (Cost: \$64,605,000)		64,605,000
Total Short Term Investments (Cost: \$204,149,400)		204,149,400
Total Investments (Cost \$1,770,809,642)—98.6%		\$ 2,072,200,413
Other Assets In Excess Of Other Liabilities—1.4%		29,563,856
Total Net Assets—100%		\$2,101,764,269

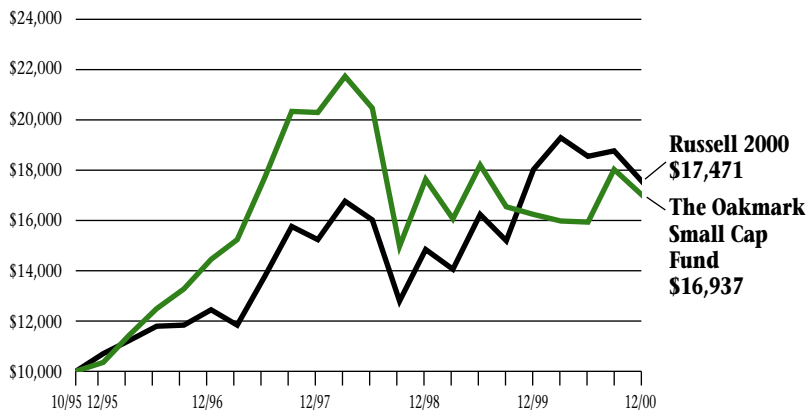
(a) Non-income producing security.

THE OAKMARK SMALL CAP FUND

Report from James P. Benson and Clyde S. McGregor, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (12/31/00) AS COMPARED TO THE RUSSELL 2000 INDEX¹⁷



12/31/00 NAV⁹ \$13.69

	Total Return Last 3 months*	Average Annual Total Return ¹⁰ Through 12/31/00 From Fund Inception 11/1/95
The Oakmark Small Cap Fund	-5.98%	10.72%
Lipper Small Cap Value Fund Index ¹⁸	3.50%	11.83%
Russell 2000 w/inc	-6.91%	11.39%
S&P Small Cap 600 w/inc. ¹⁹	1.26%	14.30%

*Not annualized.

Calendar year 2000 was, to say the least, a volatile period for equity valuations. During the past year the NASDAQ Index² plunged 39.29% (its worst decline since 1971), the Standard & Poors 500 Index¹ dropped 9.10%, the Dow Jones Industrial Average¹¹ slipped 6.39% while the Russell 2000 small cap index slid a modest 3.02%. Despite a negative fourth quarter, we are pleased to report that your Fund had a gain of 4.39%⁵ for 2000. As can be seen across The Oakmark Family of Funds this year, value investing made a comeback during the last three quarters of 2000 as investors began to realize that the disparity between growth stock valuations and value stock valuations had simply become too large. We believe that although a narrowing occurred between value and growth stocks over the last three quarters of 2000, significant upside still exists for value investors in 2001.

2001 Outlook

The economy clearly cooled in the final quarter of 2000, which makes profit projections for companies in 2001 a more challenging endeavor. The Federal Reserve's recent interest rate cut should provide a boost to economic activity, but given the lag effect of interest rate reductions on the economy it will probably take a couple of quarters for the Federal Reserve's actions to seriously impact economic activity. Therefore, we believe that it is likely that corporate earnings disappointments over at least the first half of 2001 are probably going to outweigh the positive surprises. Generating positive investment results in this environment will be difficult, but we believe we are well positioned.

We believe there are three essential elements to investing in an uncertain

economic environment. The first element is a portfolio dominated by stocks selling at low price/earnings ratios. By owning companies with low P/E's⁸ we are not only earning a higher return on our investment (the earnings yield on a common stock investment is the reciprocal of the P/E) but we also have a greater margin of safety when a company reports below expectations earnings. Currently, the median P/E of the stocks owned in the Fund is 8.1 times our research staff's estimate of 2001 earnings. This is not only substantially less than the market multiple, but it also results in a very compelling earnings yield of 12.3%. Secondly, we are well diversified among industry groups — please refer to our holdings list that is segmented by industry. Since the impact of economic weakness on each industry is difficult to pinpoint in advance, having a well-diversified portfolio is a good defensive strategy. The third element is knowing the companies well that our Fund owns. This is a key reason that we keep the number of investments in the Fund to a reasonable size (typically 40-50) versus some other funds that own hundreds of stocks. We believe that over time an in-depth understanding of a company's fundamentals should result in solid investment returns.

Total Returns¹⁶ <i>as of December 31, 2000</i>	
3 Months*	-5.98%
6 Months*	6.35%
1 Year	4.39% ⁵
*Not annualized	
Average Annual Total Returns¹⁶ <i>as of December 31, 2000</i>	
3 Year	-5.84%
5 Year	10.38%
Since inception	10.72%

Recent Portfolio Changes

During the fourth calendar quarter of 2000, the Fund's portfolio actually shrank from forty-six stocks to forty-three stocks as we sold four stocks and purchased one. We sold Mentor Graphics and The MONY Group for nice gains after these stocks achieved our sell targets. Interna-

Highlights

- **In 2000, the NASDAQ suffered its worst decline since 1971, dropping 39.29%, the Russell 2000 slid 3.02%, and the Fund gained 4.39%⁵ for the year.**
- **The portfolio holds 43 companies, remains diversified among industry groups, and the median P/E of the stocks owned in the Fund is 8.1 times our estimate of 2001 earnings.**
- **A new holding in the Fund is Frontline Ltd., the largest independent operator of modern supertankers used to transport crude oil.**

tional Multifoods was sold opportunistically following a good sized rally in the fourth quarter despite our view that their long-term fundamental value was waning. Lastly, Finger Lakes Financial was sold for a better opportunity. Also during the quarter, Dura Pharmaceuticals became Elan Pharmaceuticals following the consummation of Elan's stock-for-stock purchase of Dura. The one stock that we purchased was Frontline Ltd., which is the world's largest independent operator of modern supertankers used to transport crude oil. The stock trades under five times expected 2001 earnings and the replacement value of their fleet significantly exceeds its stock price.

Two Inexpensive Stocks

Two stocks that your Fund owns that we would like to highlight are investments that have declined in price since they were purchased. The companies are Micron Electronics and ShopKo Stores. Generally, fund managers prefer to discuss their winners, but we thought it would be informative for our investors to understand how we approach dealing with the losers. First, stock prices are often more volatile than business value, thus when a stock price declines we reevaluate the business value that underlies the stock. If our analysis shows that the company's business value continues to significantly exceed its stock price, we will continue to own the stock. On the other

Top Five Industries <i>as of December 31, 2000</i>		
<i>Industries and % of Total Net Assets</i>	Real Estate	14.5%
	Banks & Thrifts	11.0%
	Educational Services	8.0%
	Food & Beverage	6.7%
	Information Services	6.0%

hand, if our revised estimate of business value is equal to or less than the stock's price we sell the stock.

With this approach in mind, let us examine Micron Electronics. This stock price has declined to approximately \$4.25 per share which gives Micron a stock market capitalization of \$409 million. As of November 30, 2000, Micron's last quarter end, the firm had net cash of \$301 million (net cash is defined as cash plus investments minus current debts). If we deduct the net cash of \$301 million from Micron's market capitalization of \$409 million, then this means the market is valuing the company at a mere \$108 million. This valuation is less than 7% of Micron's \$1.6 billion sales base and it ignores Micron's recent success in re-igniting the sales growth in its personal computer division as well as the ongoing growth of its web hosting division HostPro. Not only do we view this valuation as very compelling, but from a tax efficiency prospective if this stock appreciates back to our

Top Five Holdings <i>as of December 31, 2000</i>		
<i>Company and % of Total Net Assets</i>	ITT Educational Services, Inc.	8.0%
	Catellus Development Corporation	7.4%
	National Data Corporation	6.0%
	The PMI Group, Inc.	5.7%
	Prime Hospitality Corp.	4.5%

cost this would create a sizable gain from today's Fund share price without generating net capital gains.

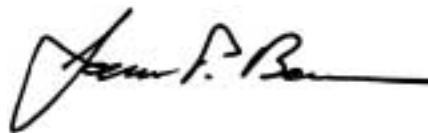
ShopKo is somewhat similar to Micron, except that the hidden balance sheet asset is not cash but real estate. ShopKo is one of the few retailers that own many of their stores (most other retailers lease their store locations), and we estimate that the value of ShopKo's real estate exceeds

its debt levels. This would imply that ShopKo's retail operations that generate over \$3.5 billion in sales are being valued at less than 5% of the firm's stock market capitalization of \$170 million. Both of these companies are quality firms with solid balance sheets, talented management teams and very low valuations.

The Year Ahead

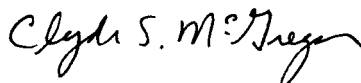
As the above examples illustrate, we can find many small cap stocks that are selling at attractive valuations. Therefore, we believe that the resurgence of small cap value stocks that began in 2000 should continue in 2001.

Once again we would like to thank our shareholders for your support of The Oakmark Small Cap Fund and we would like to wish you good health, happiness and prosperity for the New Year.



James P. Benson, CFA

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Clyde S. McGregor, CFA

Portfolio Manager
mcgregor@oakmark.com

January 5, 2001

THE OAKMARK SMALL CAP FUND

Schedule of Investments—December 31, 2000 (Unaudited)

	Shares Held	Market Value
Common Stocks—95.0%		
Food & Beverage—6.7%		
Ralcorp Holdings, Inc.	465,000	\$ 7,614,375
Del Monte Foods Company (a)	750,000	5,437,500
M & F Worldwide Corp. (a)	225,000	871,875
		<u>13,923,750</u>
Apparel—1.0%		
R.G. Barry Corporation (a)	855,000	\$ 2,030,625
Retail—5.2%		
Ugly Duckling Corporation (a)	1,750,000	\$ 6,890,625
ShopKo Stores, Inc. (a)	775,000	3,875,000
		<u>10,765,625</u>
Other Consumer Goods & Services—4.7%		
Department 56, Inc. (a)	600,000	\$ 6,900,000
American Greetings Corporation, Class A	300,000	2,831,250
		<u>9,731,250</u>
Banks & Thrifts—11.0%		
People's Bank of Bridgeport, Connecticut	325,000	\$ 8,409,375
Golden State Bancorp Inc. (a)	200,000	6,287,500
PennFed Financial Services, Inc.	250,000	4,265,625
BankAtlantic Bancorp, Inc., Class A	1,020,000	3,825,000
		<u>22,787,500</u>
Insurance—5.7%		
The PMI Group, Inc.	175,000	\$ 11,845,312
Other Financial—1.5%		
NCO Group, Inc. (a)	100,000	\$ 3,037,500
Educational Services—8.0%		
ITT Educational Services, Inc. (a)	750,000	\$ 16,500,000
Information Services—6.0%		
National Data Corporation	340,000	\$ 12,452,500
Data Storage—0.9%		
Imation Corp. (a)	125,000	\$ 1,937,500
Computer Services—1.4%		
CIBER, Inc. (a)	600,000	\$ 2,925,000
Computer Software—1.5%		
MSC.Software Corp. (a)	275,000	\$ 2,158,750
Symantec Corporation (a)	30,000	1,001,250
		<u>3,160,000</u>

THE OAKMARK SMALL CAP FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

	Shares Held	Market Value
Common Stocks—95.0% (cont.)		
Computer Systems—1.7%		
Micron Electronics, Inc. (a)	900,000	\$ 3,515,625
Security Systems—2.0%		
Checkpoint Systems, Inc. (a)	550,000	\$ 4,090,625
Pharmaceuticals—4.0%		
Elan Corporation plc (a)(c)	178,332	\$ 8,348,167
Medical Research—1.0%		
Covance Inc. (a)	200,000	\$ 2,150,000
Medical Products—2.4%		
CONMED Corporation (a)	215,000	\$ 3,681,875
Hanger Orthopedic Group, Inc. (a)	1,000,000	1,312,500
		<u>4,994,375</u>
Automotive—1.3%		
Standard Motor Products, Inc.	200,000	\$ 1,475,000
Stoneridge, Inc. (a)	175,000	1,181,250
		<u>2,656,250</u>
Automobile Rentals—1.9%		
Dollar Thrifty Automotive Group, Inc. (a)	215,000	\$ 4,031,250
Transportation Services—3.9%		
Teekay Shipping Corporation (b)	200,000	\$ 7,600,000
Frontline Limited (b)	40,000	570,000
		<u>8,170,000</u>
Machinery & Industrial Processing—3.4%		
Columbus McKinnon Corporation	495,000	\$ 4,393,125
Sames Corporation (a)	235,000	2,555,625
		<u>6,948,750</u>
Chemicals—2.2%		
H.B. Fuller Company	70,000	\$ 2,761,719
Georgia Gulf Corporation	100,000	1,706,250
		<u>4,467,969</u>
Other Industrial Goods & Services—2.0%		
Gardner Denver Inc. (a)	75,000	\$ 1,597,500
Intergrated Electrical Services, Inc. (a)	265,000	1,573,438
Scott Technologies, Inc. (a)	45,000	1,006,875
		<u>4,177,813</u>

THE OAKMARK SMALL CAP FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Common Stocks—95.0% (cont.)		
Real Estate—14.5%		
Catellus Development Corporation (a)	875,000	\$ 15,312,500
Prime Hospitality Corp. (a)	800,000	9,300,000
Trammell Crow Company (a)	400,000	5,400,000
		<u>30,012,500</u>
Diversified Conglomerates—1.1%		
U.S. Industries, Inc.	275,000	\$ 2,200,000
Total Common Stocks (Cost: \$216,707,276)		196,859,886
Short Term Investments—5.8%		
Commercial Paper—2.9%		
American Express Credit Corporation, 6.38% due 1/2/2001	\$1,000,000	\$ 1,000,000
General Electric Capital Corporation, 5.90% due 1/2/2001	5,000,000	5,000,000
Total Commercial Paper (Cost: \$6,000,000)		6,000,000
Repurchase Agreements—2.9%		
State Street Repurchase Agreement, 5.85% due 1/2/2001	\$5,944,000	\$ 5,944,000
Total Repurchase Agreements (Cost: \$5,944,000)		5,944,000
Total Short Term Investments (Cost: \$11,944,000)		11,944,000
Total Investments (Cost \$228,651,276)—100.8%		\$208,803,886
Other Liabilities In Excess Of Other Assets—(0.8)%		(1,579,652)
Total Net Assets—100%		<u>\$207,224,234</u>

(a) Non-income producing security.

(b) Represents foreign domiciled corporation.

(c) Represents American Depository Receipt.

THE OAKMARK EQUITY AND INCOME FUND

Report from Clyde S. McGregor and Edward A. Studzinski, Portfolio Managers



"We learn from history that we do not learn from history." Hegel

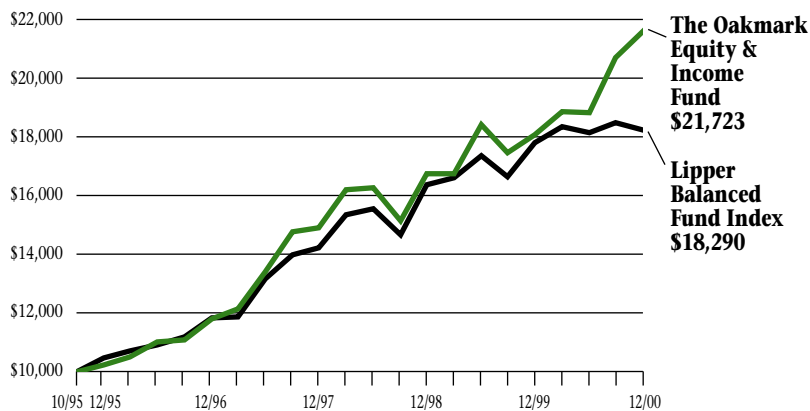
Our Results

The Oakmark Equity and Income Fund increased 4.63% for the quarter ended December 31, bringing the calendar-year gain to 19.89%⁶. For both the quarter and the calendar year, the Fund significantly outperformed both the market averages and our primary benchmark, the Lipper Balanced Fund Index, which lost 2.39% for the year. We are pleased with both our relative and absolute performance for the year. At the same time we recognize that while good relative performance is intellectually rewarding, in the final analysis real positive returns (the nominal return less the rate of inflation) are what preserve purchasing power and compound capital. After all, it is not on a relative basis that one purchases food or gasoline. Our goal remains to compound your (and our) investment in the Fund through achieving consistent above-average real rates of return over the long-term while undertaking considerably less risk than the market as a whole. This focus on risk and real rates of return takes on additional significance in light of the NASDAQ Composite² losing 39.29% for the year, thus vaporizing billions of dollars of U.S. household wealth and convincing many (the hard way) that buying on the dips was not the quick and easy way to fame and fortune.

Tulips and Dot.coms

What a difference a year makes! Only a short twelve months ago we were being told by the various talking heads on cable networks that value investing was dead. Its practitioners were consigned to the scrapheap of investment management, a group of dinosaurs who could not adapt to new valuation methodologies such as discounting projected cash flows

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (12/31/00) AS COMPARED TO THE LIPPER BALANCED FUND INDEX²⁰



12/31/00 NAV⁹ \$15.96

Average Annual Total Return¹⁰
Through 12/31/00

	Total Return Last 3 months*	From Fund Inception 11/1/95
The Oakmark Equity & Income Fund	4.63%	16.18%
Lipper Balanced Fund Index	-1.32%	12.38%
Lehman Govt./Corp. Bond ²¹	4.37%	6.66%
S&P 500 w/inc. ¹	-7.82%	19.09%

*Not annualized.

from non-existent revenues or attributing a valuation multiple tied to the number of daily hits on a website. We were also being told that this time it really was different since new era companies were supposedly immune to the effects of changes in interest rates or the cost of energy. In the end like all investment bubbles, this one burst and will now take its place in history.

For value investors, calendar year 2000 represented a period of opportunity to invest at bargain prices. Our best performing stocks for the quarter were Electronic Data Systems (EDS), Rockwell International (ROK), and Washington Mutual (WM). All three of these companies have characteristics we like including shareholder-oriented managements, market leadership positions as real companies in real businesses, and valuation gaps that became too great to be ignored.

<i>Total Returns</i> <i>as of December 31, 2000</i>	
3 Months*	4.63%
6 Months*	15.02%
1 Year	19.89% ⁶
*Not annualized.	
<i>Average Annual Total Returns</i> <i>as of December 31, 2000</i>	
3 Year	13.27%
5 Year	16.21%
Since inception	16.18%

Our Research Process—Tigers Still Have Stripes

Finding and exploiting such valuation gaps continues to be a focus that underpins much of our investment research efforts. It would be ideal to invest only in issues where, due to market inefficiencies, there is a substantial discrepancy between our estimate of intrinsic value and the current market price AND there is a visible catalyst that will narrow that gap. Unfortunately today information flows so rapidly that often any valuation gap narrows by the time a catalyst becomes visible. For that reason we spend a great deal of time on our assessment of intrinsic value so as to allow ourselves a considerable margin of safety supported by a real rather than illusory valuation gap. At the same time, we look to avoid those

Highlights

- **We continue to manage the Fund with one objective in mind: to compound your (and our) investment by achieving consistent above-average returns over the long term while undertaking less risk than the market as a whole.**
- **For the fourth quarter and calendar 2000, the Fund significantly outperformed both the market averages and our primary benchmark, the Lipper Balanced Fund Index.**
- **The best-performing stocks for the fourth quarter were Electronic Data Systems (EDS), Rockwell International (ROK), and Washington Mutual (WM).**

investments that are cheap but deserve to be because the business value is deteriorating or where the assessment of business value can change very quickly as a result of the pricing, supply and demand of commodities.

Perhaps one of the more important but less understood issues this past year was the adoption of Regulation FD by the SEC.²² The rule was intended to level the playing field between the large Wall Street investment banking firms with their herds of analyst/cheerleaders and everyone else in terms of perceived selective early disclosure of material corporate information. After all, who wouldn't be willing to pay more in commissions for early warning indicators on such information? In the long and the short run we think the change will be a positive one. In the short run it will probably increase volatility (much as the changes for accounting for currency translation did back in 1973-74). Earnings reports will now be new information in the market rather than serving as a mere addendum to so-called "whisper numbers" which had miraculously made their way into the hearts and minds of the anointed in the past. In the end, it will increase the opportunities for investment firms that still do real analysis.

Top Five Industries
as of December 31, 2000

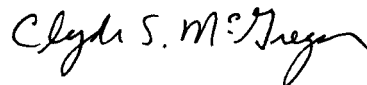
<i>Industries and % of Total Net Assets</i>	U.S. Government Notes	25.1%
	Retail	6.1%
	Information Services	5.9%
	Medical Products	5.8%
	Real Estate	4.8%

How will it impact us and will it change the way we do things at The Oakmark Equity and Income Fund? To paraphrase the inimitable Mike Ditka, in the investment world there are Smiths and Grabowskis. We are quite comfortable with the fact that we are Grabowskis (and the Fund is in many ways intended for Grabowskis, their spouses, children, and grandchildren). Kicking tires and rooting around in the weeds is what built this firm and it is still what we do best. We prefer to do our own spade-work and develop our own sources of industry and company information. We relish the opportunity to seek out the statistical anomaly that others have ignored or not found, which many times can spell the difference between the true value investment opportunity and the destruction of capital. We feel that we have a considerable competitive advantage with a team in place that has been approaching investment research and management that way for all of their professional careers.

Top Five Holdings
as of December 31, 2000


<i>Company and % of Total Net Assets</i>	NOVA Corporation	3.3%
	Washington Mutual, Inc.	3.3%
	Rockwell International Corporation	3.2%
	The Reynolds & Reynolds Company,	3.2%
	GATX Corporation	3.0%

As this letter is being written, the Federal Reserve has cut interest rates. What impact this will ultimately have upon both the domestic and global economies and financial markets is not predictable, although capable of consuming vast amounts of otherwise productive time and thought. The increased volatility that we have seen in the market continues to present us, on a daily basis, with an ever-increasing menu of choices in which to invest at bargain prices. Looking at that menu in detail is we think the best use of our time. We thank you for your continued support of the Fund and we look forward to reporting to you, our partners, at the end of the next quarter.



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Edward A. Studzinski, CFA

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January 5, 2001

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—December 31, 2000 (Unaudited)

	Shares Held	Market Value
Equity and Equivalents—55.4%		
Food & Beverage—2.6%		
UST Inc.	68,900	\$ 1,933,506
Retail—5.3%		
J.C. Penney Company, Inc.	185,000	\$ 2,011,875
Office Depot, Inc. (a)	280,000	1,995,000
		4,006,875
Household Products—2.3%		
Energizer Holdings, Inc. (a)	80,000	\$ 1,710,000
Other Consumer Goods & Services—2.8%		
H&R Block, Inc.	50,000	\$ 2,068,750
Banks & Thrifts—3.3%		
Washington Mutual, Inc.	46,000	\$ 2,440,875
Other Financial—2.0%		
Heller Financial, Inc.	50,000	\$ 1,534,375
Information Services—5.8%		
NOVA Corporation (a)	125,000	\$ 2,492,187
Ceridian Corporation (a)	95,000	1,894,063
		4,386,250
Computer Services—3.3%		
Electronic Data Systems Corporation	30,000	\$ 1,732,500
SunGard Data Systems Inc. (a)	15,000	706,875
		2,439,375
Computer Software—3.2%		
The Reynolds and Reynolds Company, Class A	117,500	\$ 2,379,375
Telecommunications—0.4%		
Citizens Communications Company (a)	25,000	\$ 328,125
TV Programming—0.4%		
AT&T Corp. - Liberty Media Group, Class A (a)	20,000	\$ 271,250

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

	Shares Held	Market Value
Equity and Equivalents—55.4% (cont.)		
Medical Products—5.8%		
Edwards Lifesciences Corporation (a)	115,000	\$ 2,041,250
Apogent Technologies Inc. (a)	65,000	1,332,500
Sybron Dental Specialties, Inc. (a)	56,666	<u>956,239</u>
		4,329,989
Transportation Services—4.4%		
GATX Corporation	45,000	\$ 2,244,375
Nordic American Tanker Shipping Limited	52,500	<u>1,050,000</u>
		3,294,375
Agricultural Equipment—2.5%		
Alamo Group Inc.	141,900	\$ 1,853,569
Instruments—4.5%		
Rockwell International Corporation	50,000	\$ 2,381,250
Roper Industries, Inc.	30,000	<u>991,875</u>
		3,373,125
Real Estate—4.6%		
Catellus Development Corporation (a)	116,728	\$ 2,042,740
The St. Joe Company	65,000	<u>1,430,000</u>
		3,472,740
Diversified Conglomerates—2.2%		
Textron, Inc.	36,000	\$ 1,674,000
Total Equity and Equivalents (Cost: \$31,942,680)		41,496,554
Fixed Income—32.3%		
Preferred Stock—2.3%		
Banks & Thrifts—1.4%		
Pennfed Capital Trust, Preferred, 8.90%	27,500	\$ 601,562
Fidelity Capital Trust I, Preferred, 8.375%	43,500	364,313
BBC Capital Trust I, Preferred, 9.50%	6,000	<u>108,750</u>
		1,074,625
Telecommunications—0.7%		
MediaOne Finance Trust III, Preferred, 9.04%	20,000	\$ 483,750

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

	Shares Held/ Par Value	Market Value
Fixed Income—32.3% (cont.)		
Real Estate—0.2%		
Host Marriott Corporation, Preferred Class B, 10.00%	6,000	\$ 146,625
Total Preferred Stock (Cost: \$1,847,110)		1,705,000
Corporate Bonds—2.2%		
Retail—0.8%		
Ugly Duckling Corporation, 12.00% due 10/15/2003, Subordinated Debenture	\$650,000	\$ 584,187
Building Materials & Construction—0.7%		
Juno Lighting, Inc., 11.875% due 7/1/2009, Senior Subordinated Note	\$750,000	\$ 570,000
Utilities—0.7%		
Midland Funding Corporation, 11.75% due 7/23/2005	\$500,000	\$ 535,000
Total Corporate Bonds (Cost: \$1,778,170)		1,689,187
Government and Agency Securities—27.8%		
U.S. Government Notes—25.1%		
United States Treasury Notes, 6.50% due 2/15/2010	\$3,000,000	\$ 3,283,353
United States Treasury Notes, 6.50% due 10/15/2006	3,000,000	3,201,795
United States Treasury Notes, 6.50% due 2/28/2002	3,000,000	3,036,036
United States Treasury Notes, 5.25% due 8/15/2003	3,000,000	3,007,551
United States Treasury Notes, 9.125% due 5/15/2009	2,000,000	2,225,000
United States Treasury Notes, 5.25% due 5/15/2004	2,000,000	2,006,514
United States Treasury Notes, 7.625% due 2/15/2007	1,000,000	1,021,328
United States Treasury Notes, 4.75% due 2/15/2004	1,000,000	988,391
		<u>18,769,968</u>
U.S. Government Agencies—2.7%		
Federal Home Loan Bank, 6.75% due 5/1/2002	\$2,000,000	\$ 2,027,746
Total Government and Agency Securities (Cost: \$20,168,618)		20,797,714
Total Fixed Income (Cost: \$23,793,898)		24,191,901

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

	Par Value	Market Value
Short Term Investments—11.2%		
Commercial Paper—8.0%		
American Express Credit Corporation, 6.38% due 1/2/2001 - 1/3/2001	\$2,000,000	\$ 2,000,000
Ford Motor Credit Corp., 6.50% - 6.55% due 1/2/2001 - 1/5/2001	2,000,000	2,000,000
General Electric Capital Corporation, 5.90% due 1/2/2001	2,000,000	<u>2,000,000</u>
Total Commercial Paper (Cost: \$6,000,000)		6,000,000
Repurchase Agreements—3.2%		
State Street Repurchase Agreement, 5.85% due 1/2/2001	\$2,426,000	\$ 2,426,000
Total Repurchase Agreements (Cost: \$2,426,000)		2,426,000
Total Short Term Investments (Cost: \$8,426,000)		8,426,000
Total Investments (Cost \$64,162,578)—98.9%		74,114,455
Other Assets In Excess Of Other Liabilities—1.1%		<u>795,853</u>
Total Net Assets—100%		<u>\$ 74,910,308</u>

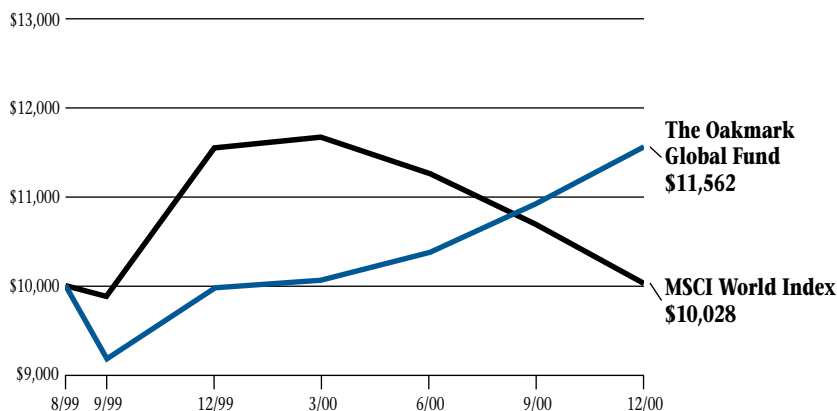
(a) Non-income producing security.

THE OAKMARK GLOBAL FUND

Report from Michael J. Welsh and Gregory L. Jackson, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (12/31/00) AS COMPARED TO THE MSCI WORLD INDEX³



12/31/00 NAV⁹ \$11.31

	Total Return Last 3 months*	Average Annual Total Return ¹⁰ Through 12/31/00 From Fund Inception 8/4/99
The Oakmark Global Fund	5.86%	10.75% ⁷
MSCI World Index w/inc.	-6.19%	0.19%
Lipper Global Fund Index ²³	-5.43%	8.04%

*Not annualized.

Fellow Shareholders,

The Oakmark Global Fund was up 5.86% for the three-month period ending December 31, 2000. As with last quarter's results, we are pleased with this gain especially when compared to the decline of 6.19% for the MSCI World Index and the 5.43% decline for the Lipper Global Fund Index.

For the calendar year 2000, The Oakmark Global Fund returned 15.84% compared to declines of 13.18% and 8.50% for the MSCI World Index and the Lipper Global Fund Index respectively. The 15.84%⁷ gain in calendar year 2000 places The Oakmark Global Fund in the top 2% of funds classified by Morningstar²⁴ as World Stock funds. While we are pleased with the past quarter's and year's performance, we look forward to continuing this trend.

My How Things Change

In our quarterly letter last March, we lamented about the soaring stock prices globally in the technology and telecommunication sectors. Since that time, as most everyone is fully aware, the vast majority of these companies have experienced large stock price declines. Many value investors refuse to own technology companies, troubled by the shorter product cycles and less predictable business models. We are continuing to try and take advantage of this sharp market correction by investigating the prospects of many of these fallen stars. As a direct result of this work, your Fund made its first purchase of a pure technology company — Novell, Inc.

Novell is best known for its NetWare — file and print sharing software. However, in 1997, Novell hired Dr. Eric Schmidt (former Chief Technology Officer of Sun Microsys-

<i>Total Returns¹⁶ as of December 31, 2000</i>	
3 Months*	5.86%
6 Months*	11.38%
1 Year	15.84% ⁷
*Not annualized	
<i>Average Annual Total Returns¹⁶ as of December 31, 2000</i>	
3 Year	N/A
5 Year	N/A
Since inception	10.75% ⁷

tems) as the company's new Chairman and CEO. Immediately upon arriving, Dr. Schmidt began reshaping Novell into an Internet infrastructure company. Many investors became excited about the "new" Novell and drove the stock price from \$6.25 to a high of \$44.50 last March. As with the whole sector, hype (and the share price) moved far ahead of company fundamentals. Sales of new products did not offset the decline in the traditional packaged software business and as a result revenues declined 8.7% in fiscal year 2000. Wall Street was not pleased: Novell saw their stock price decline from \$44.50 to a low price of just under \$5.

The fact that Novell has over \$3 per share in cash and investments (no debt) and is generating positive cashflow throughout this transition led us to do further work on the company. To us, investors seem to have forgotten what the "new" Novell is becoming and instead have focused on the declining "old" business. We believe Novell has a bright future and with the stock price trading at less than 1.5x our estimate of 2001 EBITDA²⁵, we believe the valuation is very compelling.

Other Portfolio Changes

During the quarter, we sold our First Data position after the stock price had risen over 40% to buy Viad. Viad owns MoneyGram which is the #2 player in the money wire-transfer business behind First Data's Western Union. Viad also owns Travelers Express (#1 Money Order and Official Check business) and two convention services businesses. At the time we made the swap, Viad was trading for about half of the EBITDA multiple of First Data — a price gap we felt was too large.

Overseas, we initiated a position in Lotte Chilsung Beverage, an innovative consumer products company in Korea. The company produces and markets its own beverage and juice brands, as well as being the Pepsi bottler for Korea. With the local stock market so bombed-out, we were able to buy this terrific little company for under 4x our estimate of 2001 earnings.

Highlights

- **For calendar year 2000, the Fund returned 15.84%⁷, versus -13.18% for the MSCI World Index and -8.50% for the Lipper Global Fund Index. This put the Fund in the top 2% of world stock funds, as ranked by Morningstar.**
- **We continued to take advantage of the sharp market correction by investigating fallen technology stars, including Novell, Inc.**
- **We believe many companies have already experienced large price corrections, providing attractive prospects for the Fund.**

Looking Forward

Concern over the markets both in the United States and abroad has been an inexhaustible topic over the past year. As long-term value investors, we rarely predict the short-term direction of the market. However, we believe there are many companies that have already experienced large stock price corrections, providing very attractive future prospects based on underlying business value. We believe stock price valuations are excellent worldwide, and valuations here in the U.S. are especially attractive — better than we've seen for many years. Therefore, as managers of the Fund, we continue to be excited about the portfolio and its future prospects.

Thank you for your continued confidence and support.



Michael J. Welsh, CFA, CPA

Portfolio Manager
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Gregory L. Jackson

Portfolio Manager
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January 9, 2001

Top Five Industries as of December 31, 2000

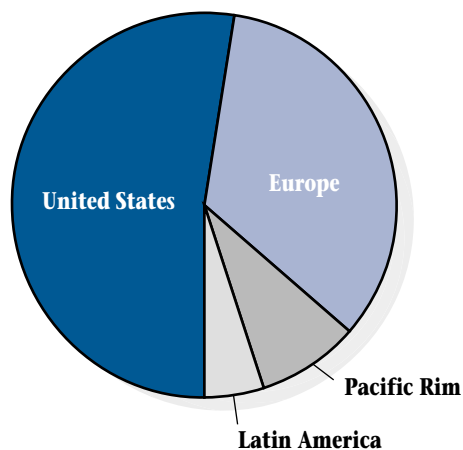
<i>Industries and % of Total Net Assets</i>	Retail	13.3%
	Information Services	13.0%
	Other Consumer Goods & Services	9.6%
	Food & Beverage	8.7%
	Computer Software	7.2%





Top Five Holdings as of December 31, 2000

<i>Company and % of Total Net Assets</i>	NOVA Corporation	6.6%
	ITT Educational Services, Inc.	6.3%
	Somerfield plc	5.9%
	The Reynolds & Reynolds Company	5.2%
	Diageo plc	5.2%

THE OAKMARK GLOBAL FUND

Global Diversification—December 31, 2000



	<u>% of Fund Net Assets</u>		<u>% of Fund Net Assets</u>
 United States	50.2%	 Pacific Rim	8.2%
		Korea	3.5%
 Europe	32.1%	New Zealand	3.4%
Great Britain	19.3%	Hong Kong	1.2%
* France	4.6%	Singapore	0.1%
* Finland	3.7%		
* Italy	2.4%	 Latin America	4.9%
* Germany	2.1%	Panama	3.2%
		Brazil	1.7%

* Euro currency countries comprise 12.8% of the Fund.

THE OAKMARK GLOBAL FUND

Schedule of Investments—December 31, 2000 (Unaudited)

Description	Shares Held	Market Value
Common Stocks—93.9%		
Food & Beverage—8.7%		
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	130,000 \$ 1,448,199
Hite Brewery Co., Ltd. (Korea)	Brewer	27,000 768,379
Lotte Chilsung Beverage Company (Korea)	Soft Drinks, Juices, & Sport Drinks Manufacturer	1,700 215,020
		2,431,598
Apparel—2.4%		
Fila Holding S.p.A. (Italy), (a)(b)	Athletic Footwear & Apparel	87,900 \$ 670,238
Retail—11.8%		
Somerfield plc (Great Britain)	Food Retailer	1,198,000 \$ 1,648,060
House of Fraser Plc (Great Britain)	Department Store	1,091,000 995,137
Toys 'Я' Us, Inc. (United States), (a)	Toy Retailer	40,000 667,500
		3,310,697
Other Consumer Goods & Services—9.6%		
H&R Block, Inc. (United States)	Financial Services Provider	18,000 \$ 744,750
Royal Doulton plc (Great Britain), (a)	Tableware & Giftware	700,000 722,230
Department 56, Inc. (United States), (a)	Collectibles & Giftware Products	60,000 690,000
Cendant Corporation (United States), (a)	Diversified Consumer & Business Services	55,000 529,375
		2,686,355
Banks & Thrifts—3.2%		
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	26,300 \$ 908,994
Hotels & Motels—0.1%		
Mandarin Oriental International Limited (Singapore)	Hotel Management	30,000 \$ 19,500
Human Resources—2.0%		
Spherion Corporation (United States), (a)	Workforce Management Services	50,000 \$ 565,625

THE OAKMARK GLOBAL FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—93.9% (cont.)		
Educational Services—6.3%		
ITT Educational Services, Inc. (United States), (a)	Postsecondary Degree Programs 80,000	\$ 1,760,000
Information Services—13.0%		
NOVA Corporation (United States), (a)	Transaction Processing Services 93,400	\$ 1,862,162
Ceridian Corporation (United States), (a)	Data Management Services 47,000	937,063
Equifax Inc. (United States)	Consumer Credit Information 30,000	860,625
		<u>3,659,850</u>
Computer Software—7.2%		
The Reynolds and Reynolds Company, Class A (United States)	Information Management Systems 72,000	\$ 1,458,000
Novell, Inc. (United States), (a)	Network & Internet Integration Software 110,000	574,063
		<u>2,032,063</u>
Printing—4.7%		
Valassis Communications, Inc. (United States), (a)	Product Promotions Printer 42,000	\$ 1,325,625
Telecommunications—1.7%		
Telemig Celular Participacoes S.A. (Brazil), (a)	Mobile Telecommunications 111,345,000	\$ 468,220
Medical Products—3.2%		
Edwards Lifesciences Corporation (United States), (a)	Respiratory Products 50,000	\$ 887,500
Machinery & Metal Processing—3.7%		
Metso Oyj (Finland)	Paper & Pulp Machinery 92,600	\$ 1,034,721
Mining & Building Materials—3.4%		
Fletcher Challenge Building (New Zealand)	Building Materials Manufacturer 1,107,186	\$ 960,262
Other Industrial Goods & Services—4.6%		
Chargeurs SA (France)	Wool, Textile Production & Trading 9,900	\$ 650,727
GFI Industries SA (France)	Industrial Fastener Manufacturer 26,600	638,172
		<u>1,288,899</u>

THE OAKMARK GLOBAL FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—93.9% (cont.)		
Production Equipment—2.1%		
Krones AG (Germany) Production Machinery Manufacturer	19,400	\$ 582,931
Diversified Conglomerates—6.2%		
Viad Corp. (United States) Payment Services & Convention Organizer	35,000	\$ 805,000
Enodis plc (Great Britain) Food Processing Equipment	190,000	606,569
First Pacific Company Limited (Hong Kong)	1,175,936	342,994
		<u>1,754,563</u>
Total Common Stocks (Cost: \$22,873,406)		26,347,641
Fixed Income—1.5%		
Retail—1.5%		
Ugly Duckling Corporation, Subordinated Debenture, 11.00% due 4/15/2007	\$ 605,000	\$ 423,500
Total Fixed Income (Cost: \$436,404)		423,500
Short Term Investments—4.4%		
Commercial Paper—1.8%		
General Electric Capital Corporation, 5.90% due 1/2/2001	\$ 500,000	\$ 500,000
Total Commercial Paper (Cost: \$500,000)		500,000
Repurchase Agreements—2.6%		
State Street Repurchase Agreement, 5.85% due 1/2/2001	\$ 746,000	\$ 746,000
Total Repurchase Agreements (Cost: \$746,000)		746,000
Total Short Term Investments (Cost: \$1,246,000)		1,246,000
Total Investments (Cost \$24,555,810)—99.8%		\$ 28,017,141
Foreign Currencies (Proceeds \$0)—0.0%		\$ 0
Other Assets In Excess Of Other Liabilities—0.2% (c)		54,262
Total Net Assets—100%		\$ 28,071,403

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

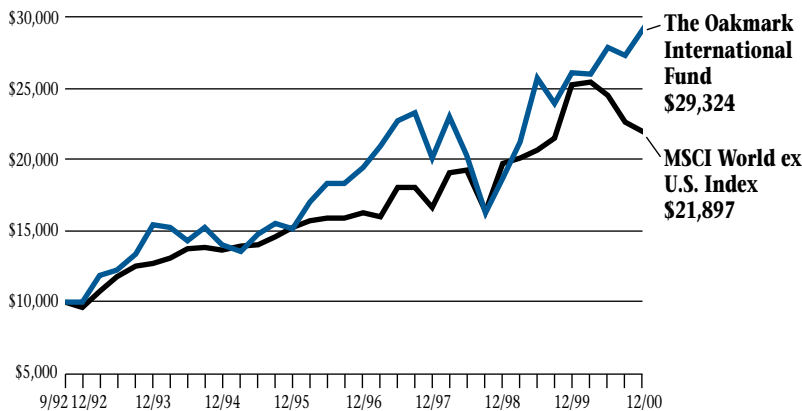
(c) Includes transaction hedges.

THE OAKMARK INTERNATIONAL FUND

Report from David G. Herro and Michael J. Welsh, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (12/31/00) COMPARED TO THE MSCI WORLD EX U.S. INDEX²⁶



12/31/00 NAV⁹ \$15.46

	Total Return Last 3 months*	Average Annual Total Return ¹⁰ Through 12/31/00 From Fund Inception 9/30/92
The Oakmark International Fund	7.39%	13.91%
MSCI World ex U.S. Index w/inc.	-3.38%	9.96%
MSCI EAFE Index w/inc. ⁴	-2.68%	9.75%
Lipper International Fund Index ²⁷	-4.02%	11.41%

*Not annualized.

Fellow Shareholders,

We are pleased to report that your Fund's performance for both the quarter and for the calendar year ending December 31, 2000 was very good. The Oakmark International Fund was up 7.39% in the past quarter, compared with declines of 3.38% and 4.02% for the MSCI World ex US Index and the Lipper International Fund Index.

For the twelve months ending December 31, 2000, your fund achieved a return of 12.50%, placing it in the top one percent of all international funds ranked by Morningstar.²⁸ We are particularly proud of achieving this positive return in a very difficult market environment. Over the same period, the MSCI World ex US Index and the Lipper International Fund Index declined 13.37% and 14.72%, respectively. Most importantly, your Fund has achieved long-term out-performance since its inception, up 13.91% annually compared to returns of 9.96% and 11.41% for the MSCI World ex US Index and the Lipper International Fund Index.

Review of 2000 Results

With the end of every calendar year we think it is important to detail the ideas which had the biggest positive and negative impacts on the Fund's performance. Since the story is more good than bad let's start with the good. The biggest positive contributor to return was our investment in the Brazilian cellular market through two companies, **Telesp Celular** and **Telemig Celular Participacao**. Both companies were spun-out of Telebras when it was privatized in 1998, and each nearly doubled in 2000. This is the second year in a row that your Fund has greatly benefited from the

<i>Total Returns¹⁶ as of December 31, 2000</i>	
3 Months*	7.39%
6 Months*	5.27%
1 Year	12.50%
*Not annualized	
<i>Average Annual Total Returns¹⁶ as of December 31, 2000</i>	
3 Year	13.41%
5 Year	14.04%
Since inception	13.91%

share price appreciation of these companies, as they were also among the largest positive contributors to NAV in 1999.

Since the beginning of the Telebras break-up process our analyst Chad Clark has been far ahead of “the Street” in tackling the enormously complicated task of sorting out the financial and market situations of each individual company, much to your Fund’s benefit. Our position in Telesp was bought out during the year by its new parent Portugal Telecom, but we are still owners of Telemig based on our belief that the current share price still does not yet properly reflect the value of the business.

The single biggest contributor to return for the Fund was **Citizen Watch** of Japan, which appreciated nearly 60 percent before hitting its sell target in the summer. The performance of Citizen was especially satisfying given that it was located in the worst performing developed market in the world in 2000.

Our investment in two Danish banks, **Den Danske Bank** and **Unidanmark**, provided a strong positive contribution. The share prices of both appreciated substantially as the market (and one acquiror) recognized the strength of their domestic franchises and the cheapness of their valuations. Each hit their sell prices during the year and are no longer in the portfolio.

UK-based multinational **Diageo** made a big positive impact in 2000. Management continues to make very aggressive moves to try and unlock the value of the busi-

Highlights

- **In a very difficult market environment, the Fund returned 12.50% for calendar year 2000, placing it in the top 1% of all international funds, as ranked by Morningstar. This compared favorably with a –13.37% for the MSCI World ex U.S. Index, and –14.72% for the Lipper International Fund Index.**
- **The single biggest contributor to return for the Fund was Citizen Watch of Japan, which appreciated nearly 60% before hitting our sell target in the summer.**
- **We are excited about the overall cheapness of our current portfolio, as well as the new opportunities emerging from current market volatility.**

ness. In addition to the on-going restructuring of their cost base, during the course of the year they sold Pillsbury to General Mills and purchased a group of brands from Seagrams at a very sensible price.

Finally, **Reckitt Benckiser, Banco Latinoamericano de Exportaciones, Canadian Imperial Bank, Bank of Ireland, and Kone** also all made solid positive contributions this year to your Fund’s return.

The single biggest negative contributor was UK conglomerate **Tomkins**, a company that was detailed in last quarter’s letter. Already awful sentiment toward the stock worsened during the year with accusations of management impropriety, as of yet unproven. Insulating ourselves from the current negative sentiment, what we are left with is a company trading at a single digit PE, double digit dividend yield, and a huge ongoing share buy-back program.

Another negative contributor was **Autoliv**, the world leader in the development and manufacturing of automotive safety systems, including seat belts and airbags.

<i>Top Five Industries as of December 31, 2000</i>		
<i>Industries and % of Total Net Assets</i>	Banks & Thrifts	12.9%
	Food & Beverage	10.3%
	Other Industrial Goods & Services	9.7%
	Diversified Conglomerates	6.3%
	Apparel	6.2%

The share price performance has been hurt by negative expectations for the automakers. The current valuation ignores the high quality of their technology, their enviable market positions, and the long term secular growth in their product specialties.

First Pacific, the Hong-Kong listed conglomerate, was also a weak performer. The share price was raked by awful sentiment in its two primary markets, the Philippines and Indonesia. Both of these markets saw heightened political uncertainty during the year and consequently, weaker currencies. Despite these temporary difficulties the company remains an inexpensive collection of quality assets with great franchises (especially their telephone businesses in the Philippines and Indofood in Indonesia) located in very fast growing markets. By investing through First Pacific you get ownership of these undervalued businesses at an additional discount. While stumbling recently, management is very sound and has achieved a decades-long record of growing asset value per share.

<i>Top Five Holdings as of December 31, 2000</i>		
<i>Company and % of Total Net Assets</i>	Somerfield plc	5.6%
	Metso Oyj	5.0%
	Diageo plc	4.0%
	Hunter Douglas N.V.	3.9%
	Banco Latinoamericano	3.7%

Another negative contributor to NAV was **Fila**, the Italian sportswear manufacturer. To date this has not been a good investment for the Fund, but due to the tremendous effort of top management (especially in the US) this is a much better run organization than it was back in 1996 when the market awarded the company a share price over \$100. While our estimate of business value is a fraction of that

number, it is a multiple of the current share price, which ended the year at less than \$8. The turnaround in the business has been slower than we expected but we are heartened by the positive response of the big retailers toward the company's new product line and its sell-through to consumers.

Looking Forward

While we are excited about the Fund's strong performance, we are even more excited about the overall cheapness of the current portfolio as well as the new opportunities emerging from the current market volatility.

Thank you for your continued confidence.



David G. Herro, CFA

Portfolio Manager
dherro@compuserve.com



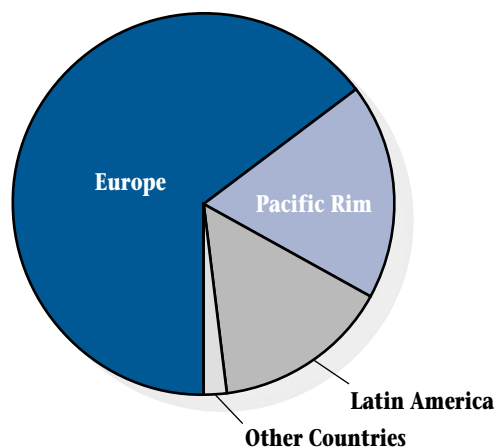
Michael J. Welsh, CFA, CPA

Portfolio Manager
102521.2142@compuserve.com

January 9, 2001

THE OAKMARK INTERNATIONAL FUND

International Diversification—December 31, 2000



	% of Fund Net Assets
Europe	61.8%
Great Britain	23.1%
* France	9.4%
* Finland	7.9%
* Netherlands	6.7%
* Ireland	3.6%
Sweden	3.5%
* Germany	3.3%
* Italy	2.4%
Switzerland	1.3%
* Austria	0.6%

	% of Fund Net Assets
Pacific Rim	17.4%
Korea	5.8%
Australia	4.1%
Singapore	3.2%
Hong Kong	2.5%
Japan	1.8%
Latin America	14.3%
Brazil	4.5%
Panama	3.7%
Mexico	3.6%
Argentina	2.5%
Other	1.8%
Canada	1.8%

* Euro currency countries comprise 33.9% of the Fund.

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—December 31, 2000 (Unaudited)

	Description	Shares Held	Market Value
Common Stocks—95.3%			
Food & Beverage—10.3%			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	2,950,500	\$ 32,868,532
Quilmes Industrial S.A. (Argentina), (b)	Brewer	2,235,000	20,115,000
Fomento Economico Mexicano, S.A. de C.V. (Mexico), (b)	Soft Drink & Beer Manufacturer	554,500	16,565,687
Lotte Chilsung Beverage Company (Korea)	Soft Drinks, Juices, & Sport Drinks Manufacturer	93,000	11,762,846
Lotte Confectionery Co., Ltd. (Korea)	Confection Manufacturer	37,270	<u>3,255,601</u>
			84,567,666
Apparel—6.2%			
Adidas-Salomon AG (Germany)	Worldwide Manufacturer/ Marketer of Sportswear	317,300	\$ 19,664,345
Fila Holding S.p.A. (Italy), (a)(b)	Athletic Footwear & Apparel	2,577,800	19,655,725
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	24,711,000	<u>11,405,516</u>
			50,725,586
Retail—5.6%			
Somerfield plc (Great Britain)	Food Retailer	33,473,000	\$ 46,048,011
Household Products—5.2%			
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	1,150,084	\$ 31,533,915
Reckitt Benckiser plc (Great Britain)	Household Cleaners & Air Fresheners	631,200	8,721,022
Kimberly-Clark de Mexico, S.A. de C.V., Class A (Mexico), (a)	Hygiene Products Manufacturer	783,000	<u>2,166,178</u>
			42,421,115
Other Consumer Goods & Services—0.8%			
Shimano Inc. (Japan)	Bicycle Components Manufacturer	345,000	\$ 6,775,061
Banks & Thrifts—12.9%			
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	866,900	\$ 29,962,231
Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Commercial Banking	791,000	23,285,063
Bank of Ireland (Ireland)	Commercial Banking	1,586,600	15,911,246
BNP Paribas SA (France)	Commercial Banking	153,000	13,432,861

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—95.3% (cont.)		
Banks & Thrifts—12.9% (continued)		
Svenska Handelsbanken AB (Sweden)	Commercial Banking 502,500	\$ 8,597,706
Kookmin Bank (Korea)	Commercial Banking 430,000	5,064,822
National Australia Bank Limited (Australia)	Commercial Banking 295,000	4,728,390
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking 583,968	4,383,132
		<u>105,365,451</u>
Other Financial—1.0%		
Daiwa Securities Group Inc. (Japan)	Stock Broker 774,000	\$ 8,077,169
Hotels & Motels—2.6%		
Mandarin Oriental International Limited (Singapore)	Hotel Management 33,134,400	\$ 21,537,360
Broadcasting & Cable TV—0.8%		
Grupo Televisa S.A. (Mexico), (a)(c)	Television Production & Broadcasting 154,000	\$ 6,920,375
Publishing—5.7%		
Wolters Kluwer NV (Netherlands)	Reference Material Publisher 634,000	\$ 17,288,263
Independent News & Media PLC (Ireland)	Newspaper Publisher 4,880,855	13,291,053
John Fairfax Holdings Limited (Australia)	Newspaper Publisher 4,900,000	10,675,464
N.V. Holdingmaatschappij De Telegraaf (Netherlands)	Newspaper Publisher 287,000	5,821,047
		<u>47,075,827</u>
Telecommunications—2.8%		
Telemig Celular Participacoes S.A. (Brazil), (a)	Mobile Telecommunications 2,297,800,000	\$ 9,662,543
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications 45,370	9,074,000
Brasil Telecom Participacoes S.A. (Brazil), (a)	Mobile Telecommunications 469,200,000	4,186,708
		<u>22,923,251</u>

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—95.3% (cont.)		
Automotive—3.9%		
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer Automotive Safety Systems 644,000	\$ 23,311,796
Autoliv, Inc (Sweden)	Manufacturer 324,200	5,083,335
Dongah Tire Industry Company (Korea)	Innertube Manufacturer 166,290	3,148,336
		<u>31,543,467</u>
Aerospace—2.3%		
Rolls-Royce plc (Great Britain)	Aviation & Marine Power 6,218,702	\$ 18,504,665
Airport Maintenance—1.1%		
Flughafen Wien AG (Austria)	Airport Management & Operations 125,522	\$ 4,749,965
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a) (b)	Airport Operator 242,000	4,023,250
		<u>8,773,215</u>
Components—4.1%		
IMI plc (Great Britain)	Components Manufacturer 5,140,000	\$ 18,522,883
Morgan Crucible Company plc (Great Britain)	Crucible & Components Manufacturer 3,415,000	15,140,625
		<u>33,663,508</u>
Chemicals—3.6%		
Nufarm Limited (Australia)	Agricultural & Industrial Chemical Producer 10,381,415	\$ 18,366,724
Givaudan (Switzerland), (a)	Fragrance & Flavor Compound Manufacturer 41,300	10,918,039
		<u>29,284,763</u>
Oil & Natural Gas—1.7%		
ISIS (France)	Oil Services 191,927	\$ 13,678,653
Machinery & Metal Processing—5.0%		
Metso Oyj (Finland)	Paper & Pulp Machinery 3,658,100	\$ 40,875,965
Mining & Building Materials—1.9%		
Kumkang Korea Chemical Co., Ltd. (Korea)	Building Materials 443,040	\$ 15,234,972
Other Industrial Goods & Services—9.7%		
Chargeurs SA (France)	Wool, Textile Production & Trading 409,526	\$ 26,918,137
Kone Corporation, Class B (Finland)	Elevators 340,310	23,806,550

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—95.3% (cont.)		
Other Industrial Goods & Services—9.7%		
Tomkins plc (Great Britain) Diversified Engineering	7,932,116	\$ 17,494,820
Buderus AG (Germany) Industrial Manufacturing	327,820	7,046,066
FKI plc (Great Britain) Industrial Manufacturing	1,236,315	4,067,057
		<u>79,332,630</u>
Steel—1.8%		
SSAB Svenskt Stal AB, Steel Producer Series A (Sweden)	1,575,920	\$ 15,026,253
Diversified Conglomerates—6.3%		
Enodis plc (Great Britain) Food Processing Equipment	8,626,000	\$ 27,538,212
Canadian Pacific Limited Diversified Operations (Canada)	517,000	14,731,554
First Pacific Company Diversified Operations Limited (Hong Kong)	31,087,934	9,067,663
		<u>51,337,429</u>
Total Common Stocks (Cost: \$771,495,940)		779,692,392
Short Term Investments—3.9%		
Commercial Paper—1.8%		
Ford Motor Credit Corp., 6.50% due 1/2/2001	\$ 5,000,000	\$ 5,000,000
General Electric Capital Corporation, 5.90% due 1/2/2001	10,000,000	10,000,000
Total Commercial Paper (Cost: \$15,000,000)		15,000,000
Repurchase Agreements—2.1%		
State Street Repurchase Agreement, 5.85% due 1/2/2001	\$17,030,000	\$ 17,030,000
Total Repurchase Agreements (Cost: \$17,030,000)		17,030,000
Total Short Term Investments (Cost: \$32,030,000)		32,030,000
Total Investments (Cost \$803,525,940)—99.2%		\$ 811,722,392
Foreign Currencies (Proceeds \$781,829)—0.1%		\$789,872
Other Assets In Excess Of Other Liabilities—0.7% (d)		<u>5,555,035</u>
Total Net Assets—100%		\$ 818,067,299

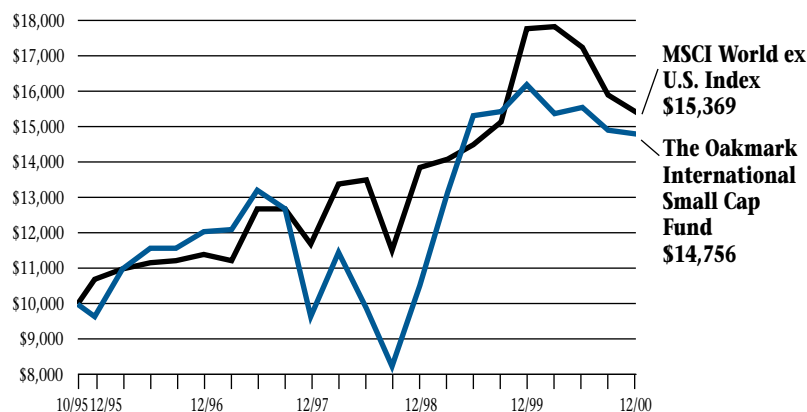
- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) Represents a Global Depository Receipt.
- (d) Includes portfolio and transaction hedges.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Report from David G. Herro and Michael J. Welsh, Portfolio Managers



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (12/31/00) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX²⁶



12/31/00 NAV⁹ \$10.55

Average Annual Total Return¹⁰
Through 12/31/00

	Total Return Last 3 months*	From Fund Inception 11/1/95
The Oakmark International Small Cap Fund	-1.01%	7.81%
MSCI World ex U.S. Index w/inc.	-3.38%	8.66%
Lipper International Small Cap Fund Average ²⁹	-12.59%	15.09%
Micropal Equity International Small Cap Index ³⁰	-12.25%	14.56%

*Not annualized.

Fellow Shareholders,

The Oakmark International Small Cap Fund made it through a tough quarter in overseas markets relatively unscathed, posting a 1.01% decline in our NAV. This compares favorably to the -3.38% decline in the MSCI World ex U.S. Index, and the 12.59% loss for the Lipper International Small Cap Average.

Performance for the calendar year ending December 31, 2000, down 8.85%, also compares favorably to the performance of international indices and our peers: The MSCI World ex U.S. Index lost 13.37% for 2000, while the return for the Lipper International Small Cap Average was -14.82%.

Value investors should view volatility as opportunity as it creates greater mispricing of underlying business value. Needless to say the current market environment is presenting us with many exciting opportunities.

Proceed with Caution—One Year Later

We'd like to remind shareholders of a few points we made exactly one year ago, at, in retrospect, the zenith of global momentum investing. We do this in the hope that it reinforces your confidence that in a medium-to-long term time frame, price and value do converge, sometimes with dramatic speed. These are excerpts from our December letter last year:

"This is not sustainable! A number of these companies make little or no money and will not become reasonably profitable within the next 5 years, if ever. Many of these shares are driven by hype and illiquidity, and, specifically in overseas markets, scarcity. It is truly greater fool speculating at

its best....The point we'd like to make is that for an investment to make sense to us, there must be a reasonably estimated flow of cash tied to the assets of a company together with a share price that allows us to buy below the intrinsic value of those future cashflows."

After sticking to our guns throughout this bubble you can be assured that we will never abandon our discipline or our philosophy, no matter how out of date or painful they may appear in the short-run.

<i>Total Returns¹⁶ as of December 31, 2000</i>	
3 Months*	-1.01%
6 Months*	-4.98%
1 Year	-8.85%
*Not annualized	
<i>Average Annual Total Returns¹⁶ as of December 31, 2000</i>	
3 Year	15.23%
5 Year	8.90%
Since inception	7.81%

The Big Movers of 2000

As always, at the end of the year we think it is important to detail the specific ideas which had the greatest impact on your Fund's NAV. For calendar year 2000, the top performers were an eclectic bunch, from a variety of regions and industries. The stock with the single largest positive impact on NAV was Brazilian cellular provider **Telemig Celular Participacao**, which more than doubled. Telemig is one of the "Baby Bras" spun out of Telebras last year. Along with large share price appreciation the company also possesses one of our favorite attributes: it still trades at a significant discount to intrinsic value.

IPC Holdings, a Bermuda-based provider of reinsurance, also had a large positive impact. Management has done a nice job of earning good returns on the business over the cycle, not an easy thing to accomplish in this industry. With reinsurance rates moving significantly higher this year, IPC should show outstanding earnings growth in the near future.

Highlights

- **Volatility continued in overseas markets during the fourth quarter, rounding out a tough calendar year. The MSCI World ex U.S. Index posted a -13.37% for 2000, while the Lipper International Small Cap Average returned -14.82%. Our Fund compared favorably to the indices and our peers, posting -8.85%.**
- **With global momentum investing reaching its peak approximately one year ago, we are presented with significant value opportunities. Once again, we see that price and value do converge, sometimes with dramatic speed.**
- **Top performers this year were an eclectic bunch from a variety of regions and industries. The stock with the single largest positive impact on NAV was Brazilian cellular provider Telemig Celular Participacao, which more than doubled.**

With its strong share performance in the face of a very difficult local market **Hite Brewery** got the hat-trick this year. 2000 was the third straight year that this Korean brewer made one of the most significant positive impacts on your Fund's performance.

Jardine Strategic, the Singapore-listed Asian conglomerate, appreciated nearly 60% for the Fund. Management, in response to minority shareholder concerns, did the right thing by announcing a massive share repurchase program. This helped to erase some of the holding company's large discount to the underlying value of its individual businesses. Rounding out this year's big winners are **Recordati**, the Italian pharmaceutical firm, which more than doubled before hitting our sell target earlier in the year; and **Cairn Energy**, the UK-based independent oil exploration and production company.

Top Five Industries
as of December 31, 2000

<i>Industries and % of Total Net Assets</i>	Retail	13.4%
	Mining & Building	
	Materials	8.4%
	Food & Beverage	7.5%
	Other Consumer Goods & Services	6.6%
	Diversified Conglomerates	5.9%

The biggest single negative impact on NAV this year came from our investments in Australia and New Zealand, which combined for a negative impact of over seven percent. The Fund was hurt both by declines in share prices but most notably by the underlying currencies. The New Zealand and Australian dollar both lost nearly 15% of their value relative to the US dollar. Thankfully, both currencies have rallied strongly from their lows of October and November and given their undervaluation, we expect this to continue in 2001.

Top Five Holdings
as of December 31, 2000

<i>Company and % of Total Net Assets</i>	Royal Doulton plc	4.6%
	Fletcher Challenge Building	4.2%
	House of Fraser Plc	3.8%
	Jarvis Hotels plc	3.8%
	GFI Industries SA	3.7%

We retain conviction in our estimates of business value for our two largest New Zealand investments, **Fletcher Building** and **Mainfreight Limited**. The Fund's second largest position, Fletcher Building, has a dominant market share in several tremendous cash flow businesses, is run by a well-incentivized, shareholder-oriented management team, and should benefit from declining interest rates. The company trades at 10x our estimate of 2000 earnings (which are below trend) and yields a whopping 8%.

Two of the year's under-performers came from emerging Asia, **Matichon** in Thailand and **Alaska Milk** in the Philippines. Current share prices for small caps in both of these markets continue to bear no relationship to underlying business value. Both of these companies trade at around 4x this year's earnings, absurd given the quality of their franchises. They have continued to build business value in the midst of poor macroeconomic conditions. We are convinced we will eventually be rewarded for our patience on both of these fine companies.

The share performance of **Royal Doulton** also negatively impacted NAV in calendar 2000. The market continues to ignore the dramatic restructuring which is occurring underneath most sell-side analysts' radar. We believe the market will be positively surprised by the strength of the profitability this business can generate under this management team.

Looking Forward

We remain very optimistic about achieving good results going forward, given the quality and the value of the investments currently in the Fund. We want to thank you for your continued confidence.



David G. Herro, CFA

Portfolio Manager
dherro@compuserve.com



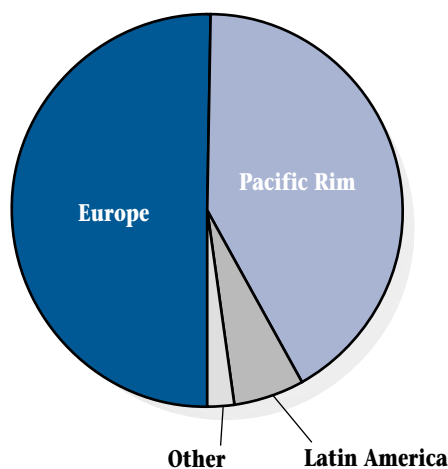
Michael J. Welsh, CFA, CPA

Portfolio Manager
102521.2142@compuserve.com

January 9, 2001

THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—December 31, 2000



	<u>% of Fund Net Assets</u>		<u>% of Fund Net Assets</u>
 Europe	49.0%	 Pacific Rim	40.5%
Great Britain	22.3%	Hong Kong	8.5%
* France	11.5%	Korea	7.8%
* Italy	3.6%	New Zealand	6.9%
* Austria	3.3%	Japan	6.5%
* Finland	2.4%	Singapore	6.4%
* Netherlands	1.9%	Thailand	2.3%
* Ireland	1.4%	Philippines	2.1%
Sweden	1.4%		
* Germany	1.1%	 Other	2.2%
* Belgium	0.1%	Bermuda	2.2%
 Latin America	5.7%		
Mexico	3.8%		
Brazil	1.9%		

* Euro currency countries comprise 25.3% of the Fund.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—December 31, 2000 (Unaudited)

Description	Shares Held	Market Value
Common Stocks—97.4%		
Food & Beverage—7.5%		
Hite Brewery Co., Ltd. (Korea)	Brewer 81,500	\$ 2,319,368
Alaska Milk Corporation (Philippines)	Milk Producer 44,874,000	1,794,960
Grupo Continental, S.A. (Mexico)	Soft Drink Manufacturer 1,213,000	1,324,649
Mikuni Coca-Cola Bottling Co., Ltd. (Japan)	Soft Drink Manufacturer 87,000	894,200
		<u>6,333,177</u>
Apparel—2.1%		
Kingmaker Footwear Holdings Limited (Hong Kong)	Athletic Footwear Manufacturer 11,000,000	\$ 1,762,888
Retail—13.4%		
House of Fraser Plc (Great Britain)	Department Store 3,537,000	\$ 3,226,215
Carpetright plc (Great Britain)	Carpet Retailer 346,000	2,664,475
Denny's Japan Co., Ltd. (Japan)	Restaurant Chain 88,000	1,424,073
MFI Furniture Group plc (Great Britain)	Household Furniture Retailer 1,021,000	1,057,241
York-Benimaru Co., Ltd. (Japan)	Supermarket Chain 41,300	903,166
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores 6,996,000	699,627
Harvey Nichols plc (Great Britain)	High Fashion Clothing Retailer 274,000	686,268
Dickson Concepts (International) Limited (Hong Kong)	Jewelry Wholesaler & Retailer 1,615,000	584,942
		<u>11,246,007</u>
Office Equipment—2.4%		
Neopost SA (France), (a)	Mailroom Equipment Supplier 88,000	\$ 2,065,800

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—97.4% (cont.)		
Other Consumer Goods & Services—6.6%		
Royal Doulton plc (Great Britain), (a)	Tableware & Giftware 3,762,000	\$ 3,881,471
Il Shin Spinning Company (Korea)	Fabric & Yarn Manufacturer 57,610	<u>1,639,494</u>
		5,520,965
Insurance—2.2%		
IPC Holdings, Ltd. (Bermuda)	Reinsurance Provider 87,700	\$ 1,841,700
Other Financial—4.1%		
JCG Holdings Ltd. (Hong Kong)	Consumer Finance 4,047,000	1,945,748
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker 455,000	<u>1,512,421</u>
		3,458,169
Hotels & Motels—3.8%		
Jarvis Hotels plc (Great Britain)	Hotel Operator 2,220,000	\$ 3,203,382
Human Resources—2.0%		
United Services Group NV (Netherlands)	Temporary Staffing Services 69,200	\$ 1,559,491
Creyf's NV (Belgium)	Temporary Staffing Services 5,000	<u>117,375</u>
		1,676,866
Marketing Services—0.8%		
Asatsu-DK Inc. (Japan)	Advertising Services Provider 28,900	\$ 695,198
Broadcasting & Cable TV—0.0%		
ABS-CBN Broadcasting Corporation (Philippines)	Television & Broadcasting Operator 5,000	\$ 4,900

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—97.4% (cont.)		
Publishing—3.7%		
Matichon Public Company Limited, Foreign Shares (Thailand)	2,039,500	\$ 1,926,716
VLT AB, Class B (Sweden)	125,950	<u>1,167,563</u>
		3,094,279
Printing—2.6%		
Hung Hing Printing Group Limited (Hong Kong)	5,498,000	\$ 2,149,942
Telecommunications—2.6%		
Telemig Celular Participacoes S.A. (Brazil), (a)	383,000,000	\$ 1,610,564
SK Telecom Co., Ltd. (Korea)	2,960	<u>592,000</u>
		2,202,564
Automotive—0.8%		
Dongah Tire Industry Company (Korea)	34,400	\$ 651,289
Automobiles—3.6%		
Ducati Motor Holding S.p.A. (Italy), (a)	1,677,000	\$ 3,039,176
Transportation Services—4.8%		
Mainfreight Limited (New Zealand)	3,993,551	\$ 2,261,947
DelGro Corporation Limited (Singapore)	682,000	<u>1,787,691</u>
		4,049,638

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

Description	Shares Held	Market Value
Common Stocks—97.4% (cont.)		
Airport Maintenance—5.6%		
Flughafen Wien AG (Austria)	Airport Management & Operations 73,500	\$ 2,781,364
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a) (b)	Airport Operator 114,400	<u>1,901,900</u>
		4,683,264
Chemicals—1.2%		
Kemira Oyj (Finland)	Chemicals 193,200	\$ 979,640
Oil & Natural Gas—2.7%		
ISIS (France)	Oil Services 32,477	\$ 2,314,638
Instruments—3.2%		
Rotork plc (Great Britain)	Industrial Controls & Instruments Supplier 257,000	\$ 1,047,196
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment 35,800	991,678
Halma plc (Great Britain)	Detection Systems Producer 335,000	<u>686,268</u>
		2,725,142
Mining & Building Materials—8.4%		
Fletcher Challenge Building (New Zealand)	Building Materials Manufacturer 4,077,251	\$ 3,536,200
Anglian Group plc (Great Britain)	Window & Door Manufacturer 848,000	2,333,147
Grafton Group plc (Ireland)	Building Products Retailer 58,300	<u>1,198,887</u>
		7,068,234
Other Industrial Goods & Services—3.7%		
GFI Industries SA (France)	Industrial Fastener Manufacturer 131,000	\$ <u>3,142,879</u>
Production Equipment—3.6%		
NSC Groupe (France)	Textile Equipment Manufacturer 23,093	\$ 2,168,432
Krones AG (Germany)	Production Machinery Manufacturer 29,300	<u>880,406</u>
		3,048,838

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—December 31, 2000 (Unaudited) cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—97.4% (cont.)		
Diversified Conglomerates—5.9%		
Haw Par Corporation Ltd. (Singapore)	1,238,000	\$ 2,587,506
Jardine Strategic Holdings Limited (Singapore)	340,700	994,844
Tae Young Corporation (Korea)	77,500	1,378,458
		<u>4,960,808</u>
Total Common Stocks (Cost: \$89,666,109)		81,919,383
Short Term Investments—2.2%		
Repurchase Agreements—2.2%		
State Street Repurchase Agreement, 5.85% due 1/2/2001	\$1,858,000	\$ 1,858,000
Total Repurchase Agreements (Cost: \$1,858,000)		1,858,000
Total Short Term Investments (Cost: \$1,858,000)		1,858,000
Total Investments (Cost \$91,524,109)—99.6%		\$ 83,777,383
Foreign Currencies (Proceeds \$73)—(0.0)%		69
Other Assets In Excess Of Other Liabilities—0.4% (c)		<u>363,018</u>
Total Net Assets—100%		\$ 84,140,470

- (a) Non-income producing security.
 (b) Represents an American Depository Receipt.
 (c) Includes portfolio and transaction hedges.

This material must be preceded or accompanied by a prospectus. To order a prospectus, which explains management fees and expenses and the special risks of investing in the funds, visit www.oakmark.com or call 1-800-OAKMARK. Please read the prospectus carefully before investing.

The discussion of investments and investment strategy of the funds represents the investments of the funds and the views of fund managers and Harris Associates L.P., the funds' investment adviser, at the time of this report and are subject to change without notice.

Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than original cost.

Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform growth stocks during given periods.

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 return more volatile than a more diversified fund.

Investing in foreign securities presents risks which in some way 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 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.

¹ The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies.

² The NASDAQ Composite Index is a market value weighted index of all common stocks listed on NASDAQ.

³ The MSCI World Index is made up of 20 country sub-indexes, including the stock exchanges of the U.S., Europe, Canada, Australia and New Zealand and the Far East. This index is unmanaged and investors cannot actually make investments in this index.

⁴ The MSCI EAFE Index is the Morgan Stanley Europe, Australia, and Far East Index, which is an unmanaged, market-value weighted index designed to measure the overall condition of overseas markets.

5 During the year ended December 31, 2000, Initial Public Offerings ("IPOs") contributed .59% to the performance of The Oakmark Small Cap Fund. During the period from March 10, 2000 to December 31, 2000, IPOs contributed .19% to the performance of The Oakmark Small Cap Fund. As the IPO environment changes and the total assets of the Fund grow, the impact of IPOs on performance is expected to diminish.

6 During the year ended December 31, 2000, Initial Public Offerings ("IPOs") contributed 1.14% to the performance of The Oakmark Equity and Income Fund. During the period from March 10, 2000 to December 31, 2000, IPOs contributed .56% to the performance of The Oakmark Equity and Income Fund. As the IPO environment changes and the total assets of the Fund grow, the impact of IPOs on performance is expected to diminish.

7 During the year ended December 31, 2000, Initial Public Offerings ("IPOs") contributed 4.18% to the performance of The Oakmark Global Fund. During the period from March 10, 2000 to December 31, 2000, IPOs contributed 2.62% to the performance of The Oakmark Global Fund. Since inception on August 4, 1999, IPOs contributed an annualized 5.07% to the performance of The Oakmark Global Fund. As the IPO environment changes and the total assets of the Fund grow, the impact of IPOs on performance is expected to diminish.

⁸ The Price-Earnings Ratio ("P/E") is the most common measure of how expensive a stock is.

⁹ NAV stands for Net Asset Value. NAV is the dollar value of a single mutual fund share, based on the value of the underlying assets of the fund minus its liabilities divided by the number of shares outstanding.

¹⁰ Total return includes change in share prices and in each case includes reinvestment of any dividends and capital gain distributions.

¹¹ The Dow Jones Industrial Average is an unmanaged index that includes only 30 big companies.

- ¹² The Lipper Large Cap Value Fund Index measures the performance of the 30 largest U.S. large-cap value funds tracked by Lipper.
- ¹³ EPS refers to Earnings Per Share and is calculated by dividing total earnings by the number of shares outstanding.
- ¹⁴ The S&P MidCap 400 is an unmanaged broad market-weighted index of 400 stocks that are in the next tier down from the S&P 500 and that are chosen for market size, liquidity, and industry group representation.
- ¹⁵ The Lipper Mid Cap Value Fund Index measures the performance of the 30 largest U.S. mid-cap value funds tracked by Lipper.
- ¹⁶ The performance information for this Fund does not reflect the imposition of a 2% redemption fee on shares held by an investor less than 90 days. The purpose of this redemption fee is to deter market timers.
- ¹⁷ The Russell 2000 Index is an unmanaged, market-weighted index, with dividends reinvested, of 2,000 small companies, formed by taking the largest 3,000 small companies and eliminating the largest 1,000 of those companies.
- ¹⁸ The Lipper Small Cap Value Fund Index measures the performance of the 30 largest U.S. small-cap value funds tracked by Lipper.
- ¹⁹ The S&P Small Cap 600 Index measures the performance of selected U.S. stocks with small market capitalizations.
- ²⁰ The Lipper Balanced Fund Index measures the performance of the 30 largest U.S. balanced funds.
- ²¹ The Lehman Govt./Corp. Bond Index is an unmanaged index that includes the Lehman Government and Lehman Corporate indices.
- ²² The SEC refers to the Securities Exchange Commission.
- ²³ The Lipper Global Fund Index measures the performance of the 30 largest mutual funds that invest in securities throughout the world.
- ²⁴ For the one-year period ended December 31, 2000, The Oakmark Global Fund was ranked in the top 2% of funds classified by Morningstar as World Stock funds on a non-risk adjusted basis. For the one-year period, there were 285 funds in the World Stock funds category. The Oakmark Global Fund does not have a Morningstar star rating because it has not been in existence for three years.
- ²⁵ EBITDA refers to Earnings Before the deduction of payments for Interest, Taxes, Depreciation and Amortization and is a measure of operating income.
- ²⁶ The MSCI World Ex U.S. Index is an unmanaged index made up of 19 country sub-indexes, excluding the U.S.
- ²⁷ The Lipper International Fund Index measures the performance of the 30 largest mutual funds that invest in securities whose primary markets are outside the U.S.
- ²⁸ For the one-year period ended December 31, 2000, The Oakmark International Fund was ranked in the top 1% of funds classified by Morningstar as Foreign Stock funds on a non-risk adjusted basis. For the one-year period, there were 710 funds in the Foreign Stock funds category. For the three-year and five-year periods ended December 31, 2000, The Oakmark International Fund was ranked in the top 20% and 15% respectively of 1,281 and 773 funds classified by Morningstar as Foreign Stock funds on a non-risk adjusted basis. The Oakmark International Fund has a 4-star rating for three-years ended 12/31/00 and a 4-star rating for five-years ended 12/31/00, measured against the performance of the 1,281 and 773 funds in Morningstar's Foreign Stock funds category during those periods. Morningstar proprietary "star" ratings reflect historical risk-adjusted performance as of 12/31/00. The ratings are subject to change every month. Morningstar ratings are calculated from a fund's 3-, 5- and 10-year average annual returns (if applicable) in excess of 90-day T-bill returns with appropriate fee adjustments, and a risk factor that reflects fund performance below 90-day T-bill returns. The top 10% of the funds in an investment class receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars and the bottom 10% receive one star.
- ²⁹ The Lipper International Small Cap Average includes 79 mutual funds that invest in small cap securities whose primary markets are outside the U.S.
- ³⁰ The Micropal Equity International Small Cap Index is an unmanaged, unweighted index comprised of all funds within the international small company fund sector.



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